

MFA Housing New Mexico MFA October Board of Directors Meeting October 16, 2024 9:30 am-12:30 pm Mountain Time

Chair Convenes Meeting

- ➤ Roll Call (Izzy Hernandez)
- ➤ Oath of Office- Randy Traynor (Chair Reyes)
- ➤ Approval of Agenda Board Action
- ➤ Approval of 9/18/24 Board Meeting Minutes Board Action
- ➤ Executive Director Updates

Board Action Items

(Action Required)

Finance Committee

1 2025 Qualified Allocation Plan – Jeanne Redondo & Jacobo Martinez YES

Contracted Services/Credit Committee

- 2 Cresta Ranch New Mexico Housing Trust Fund Loan Request Justin Carmona, Tim Martinez & George Maestas YES
- 3 HOME-American Rescue Plan NOFA Approval- Mike Fuller & Shannon Tilseth YES
- 4 2022/2027 BIL DOE State Plan Modification DOA #21- State Plan Approval and allocation of DOE Funds- Troy Cucchiara, David Gutierrez, & Dimitri Florez YES

Other

- 5 2024 E/F Post Close Analysis Arundhati Bose NO
- 6 Northern Regional Housing Authority Commissioner Appointment Recommendation-John Garcia YES

Other Board Items

Information Only

- 7 (Staff is available for questions)
 - Staff Action Requiring Notice to Board

Monthly Reports

No Action Required

- 8 (Staff is available for questions)
 - Marketing & Communications Monthly Update
 - -8/31/24 Financial Statements
 - New Mexico Housing Trust Fund Update

Announcements and Adjournment

Discussion Only

Confirmation of Upcoming Board Meetings

- ➤ October 24, 2024 Thursday- 3:00 p.m. Investment Committee Meeting (Board Members please RSVP if interested in attending)
- ➤ November 12, 2024 Tuesday, Contracted Services 10:00 a.m. Finance Committee 1:30 p.m.
- ➤ November 20, 2024 Wednesday- 9:30 a.m. (MFA Board of Directors Meeting)
- ➤ November 21,2024 Thursday- 3:00 p.m. Investment Committee Meeting (Board Members please RSVP if interested in attending)
- ➤ December 10, 2024 Tuesday, Contracted Services 10:00 a.m. Finance Committee 1:30 p.m.
- ➤ December 18, 2024 Wednesday 9:30 a.m. (MFA Board of Directors Meeting)
- ➤ January 7, 2025 Tuesday, Contracted Services 10:00 a.m. Finance Committee 1:30 p.m.



NEW MEXICO MORTGAGE FINANCE AUTHORITY **Board Meeting**

7425 Jefferson St. NE, Albuquerque, NM Wednesday, October 16, 2024-9:30 a.m.

Proposed Agenda

Chair	Convenes	Meeting
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- Roll Call (Izzy Hernandez)
- Oath of Office- Randy Traynor (Chair Reyes)
- Approval of Agenda Board Action
- Approval of 9/18/24 Board Meeting Minutes Board Action
- **Executive Director Updates**

Board Action Items Action Required

Finance Committee

2025 Qualified Allocation Plan – Jeanne Redondo & Jacobo Martinez

YES

Contracted Services/Credit Committee

Cresta Ranch – New Mexico Housing Trust Fund Loan Request – Justin Carmona, Tim Martinez YES & George Maestas

HOME-American Rescue Plan NOFA Approval- Mike Fuller & Shannon Tilseth 3

YES

2022/2027 BIL DOE State Plan Modification DOA #21- State Plan Approval and allocation of DOE Funds-YES Troy Cucchiara

Other

2024 E/F Post Close Analysis – Arundhati Bose

NO

Northern Regional Housing Authority Commissioner Appointment Recommendation-John Garcia

YES

Other Board Items Information Only

(Staff is available for questions)

Staff Action Requiring Notice to Board

Monthly Reports

Non-Action Required

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Announcements and Adjournment Confirmation of Upcoming Board Meetings

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- > Executive Director Updates

Board Action Items Action Required

Finance Committee

1 2025 Qualified Allocation Plan – Jeanne Redondo & Jacobo Martinez - The proposed changes to the 2025 QAP continue to improve the allocation process. In addition to input from the Asset Management Departments, staff conducted two Developer's Forum sessions and a public hearing during which we gathered input to the QAP. All ideas and comments were carefully considered.

Contracted Services/Credit Committee

- 2 Cresta Ranch New Mexico Housing Trust Fund Loan Request Justin Carmona, Tim Martinez & George Maestas- A \$4,000,000 NMHTF loan request for Cresta Ranch, located near Santa Fe, New Mexico. Cresta Ranch is a proposed New Construction multifamily project that will create 240 two- and three-bedroom units for households with children. Six units will be income restricted to households earning 80% or less of Area Median Income (AMI). 10 units will be income restricted to households earning 60% or less of AMI. The final eight units will be income restricted to households earning 30% or less of AMI.
- **HOME-American Rescue Plan NOFA Approval- Mike Fuller & Shannon Tilseth-** Staff is requesting approval of the HOME-ARP RR/HP NOFA. Upon board approval, the NOFA will be released to the public via the Housing New Mexico|MFA website on October 22, 2024. The NOFA will remain open until September 30, 2029, or until funding falls below \$500,000.
- 4 2022/2027 BIL DOE State Plan Modification DOA #21- State Plan Approval and allocation of DOE Funds- Troy Cucchiara, David Gutierrez, & Dimitri Florez Staff recommends approval of a modification the BIL DOE State Plan to allow for an additional \$2M of SERC funding. This funding will be used by CNMH to install solar panels, and ASHP in 85 homes throughout the northern counties of NM.

Other

- 5 **2024** E/F **Post Close Analysis Arundhati Bose** Summary of the 2024 Series E/F transaction is a new money bond issue which priced on July 16th, 2024, and closed on August 20th, 2024.
- 6 Northern Regional Housing Authority Commissioner Appointment Recommendation-John Garcia Staff recommends approval to forward the nomination of Dr. Barbara A. Perea Casey to the Governor's boards and commissions office for consideration as a commissioner for the Northern Regional Housing Authority.

Other Board Items Information Only

- 7 (Staff is available for questions)
 - Staff Action Requiring Notice to Board



Monthly Reports Non-Action Required

8 (Staff is available for questions)

- Marketing & Communications Monthly Update
- 8/31/24 Financial Statements
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NEW MEXICO MORTGAGE FINANCE AUTHORITY Board Meeting Minutes CNM Workforce Training Center- WTC 101 Room 5600 Eagle Rock Ave NE Albuquerque, NM 87113 Wednesday, September 18, 2024

Chair Angel Reyes convened the meeting on September 18, 2024, at 9:37 a.m. Secretary Hernandez called the roll. Members attending in person: Chair Angel Reyes, Martina C'de Baca (designee for Lieutenant Governor Howie Morales), Rebecca Wurzburger, Julie Ann Meade (designee for Attorney General Raúl Torrez. Virtual attendance: Derek Valdo. Absent: State Treasurer Laura M. Montoya and Randy Traynor. Hernandez informed the Board that everyone had been informed about today's meeting in accordance with the New Mexico Open Meetings Act.

Chair Reyes welcomed Board members, guests, and staff. He informed everyone that the meeting is being recorded, making reference to the microphone sensitivity. He then provided voting protocol for those members participating virtually.

Oath of Office – Proxy for Attorney General Raúl Torrez, Deputy Attorney General Julie Ann Meade. Chair Reyes administered the oath of office for Deputy Attorney General Julie Ann Meade who had been appointed as Proxy for Attorney General Raúl Torrez.

Approval of Agenda – Board Action. Motion to approve the September 18, 2024, Board agenda as presented: Wurzburger. Seconded by Valdo. Roll Call Vote: Angel Reyes- yes, Derek Valdo- yes, State Treasurer Laura M. Montoya- absent, Proxy Martina C'de Baca- absent, Proxy Julie Ann Meade- yes, Rebecca Wurzburger- yes, Randy Traynor- absent. Vote: 4-0.

Approval of 8/21/24 Board Meeting Minutes – Board Action. Motion to approve the August 21, 2024, Board Meeting Minutes as presented: Wurzburger. Seconded by Valdo. Roll Call Vote: Angel Reyes- yes, Derek Valdo- yes, State Treasurer Laura M. Montoya- absent, Proxy Martina C'de Baca- absent, Proxy Julie Ann Meade- yes, Rebecca Wurzburger- yes, Randy Traynor- absent. Vote: 4-0.

Hernandez provided his Executive Director updates: **Program Updates**: Mortgage Ops- Continue to be significantly ahead of last year's weekly avg. The last two weeks have been slower, FYTD: \$626.9m/2704 Loans Reserved. **Significant meetings/presentations**: 8/28: Roswell Listening Session. 9/05: Gallup Listening Session. 9/12: NM Manufactured Housing Training Session. 9/16: Meeting w/Governor's Office of Housing. He provided a New Mexico Housing Trust Fund (NMHTF) Update: NMHTF Summary; STB and \$50M Allocation – Overall #122M: 78% Procured, 66% Awarded, 15% Expended, 4244 (Proj.) Families Assisted. \$37.5M, July 2024- 100% Procured, 93% Awarded, 40% Expended, 1912 (Proj.) Families Assisted. \$34.6M, July 2025- 100% Procured, 100% Awarded, 2% Expended, 1792 (Proj.) Families Assisted.

Finance Committee

- 1 FY 25 Production Stats (Jeff Payne & Donna Maestas- De Vries)- Payne and Maestas- De Vries began their presentation providing a high-level overview of Production Statistics: Actual 10/1/19-6/30/24 and Projected 9/30/24 and 9/30/25. Non-Action Item.
- 2 Annual Review of Compensation and Benefits (Compensation Committee) Joseph McIntyre began the presentation stating the Compensation Committee (Chair, Angel Reyes, Patricia Sullivan, and Rebecca Wurzburger) met and believes that MFA's compensation and benefit programs and the approach to the FY2024-25 compensation and benefits budget are reasonable and fair. The committee met August 12, 2024, and reviewed the following: Benefits -Healthcare Update, Compensation Survey Update and 2024-2025 Budget Outlook. The Compensation Committee discussed the General Fund compensation and benefits budget outlook for FY2024-25. The committee also discussed medical/dental/vision strategy and changes to premiums, update on compensation study. In addition, the committee believes that MFA has comprehensive policies and procedures related to the compensation and benefit processes. Chair Reyes stated the compensation committee meeting was very well organized and very detailed. There

was a lot of work done to accomplish a variety of objectives all which the committee felt responsible and fair. Non-Action Item.

- 3 FY 25 General Fund & New Mexico Housing Trust Fund Budget (Joseph McIntyre) McIntyre began his presentation recommending approval of MFA's General Fund proposed budget for Fiscal Year (FY) 2024-2025. He stated revenue is projected at \$36,716,460, an increase of \$37,294 or 0% over the prior year. The expense budget is projected at \$34,346,431, a decrease of (\$749,273) or -2% under the prior year budget. The FY 2024-2025 budgeted excess revenue over expenses is \$2,370,029. The Capital budget is \$5,016,744, a decrease of (\$4,310,501) or (47%) under prior year budget. Finally, the New Mexico Housing Trust Fund is expected to continue to have a significant impact on MFA's Consolidated Financial Statement with projected excess revenue over expense of \$19.5 million. Motion to approve the FY 25 General Fund & New Mexico Housing Trust Fund Budget as presented: Wurzburger. Seconded by C'de Baca. Roll Call Vote: Angel Reyes- yes, Derek Valdo- absent, State Treasurer Laura M. Montoya-absent, Proxy Martina C'de Baca- yes, Proxy Julie Ann Meade- yes, Rebecca Wurzburger- yes, Randy Traynor-absent. Vote: 4-0.
- 4 FY 25 New Mexico Affordable Housing Charitable Trust Budget (Joseph McIntyre) McIntyre began his presentation recommending approval of the NM Affordable Housing Charitable Trust Budget. He stated revenue is projected at \$71,101, and the expense budget is projected at \$67,252, resulting in a FY 2024-2025 budgeted excess revenue over expenses of \$3,579. The New Mexico Affordable Housing Charitable Trust is a legally separate trust fund for which the MFA Board provides oversight. Motion to approve the FY 25 New Mexico Affordable Housing Charitable Trust Budget as presented: Wurzburger. Seconded by C'de Baca. Roll Call Vote: Angel Reyes- yes, Derek Valdo-yes, State Treasurer Laura M. Montoya- absent, Proxy Martina C'de Baca- yes, Proxy Julie Ann Meade- yes, Rebecca Wurzburger- yes, Randy Traynor- absent. Vote: 5-0.
- FY 25 Housing Opportunity Fund Appropriation (Joseph McIntyre) McIntyre began his presentation recommending the following appropriations: 1. \$6,931,000 to Down Payment Assistance funded through a new appropriation of \$5million and transfer of \$1,931,000 from the Access Loan Program 2. \$2,229,000 to the Partners Loan Program funded by \$276,000 from the Primero Loan Program, \$8,000 from the Access Loan Program, and a new appropriation of \$1,945,000. The schedule which is found in Tab 5 of the board packet summarizes the appropriations, uses, and projections for each program in the General Fund HOF as of 6/30/2024. Staff has estimated the availability of "Funds Required to meet Demand" for each of the programs that comprise the General Fund HOF. Staff also estimated the "Anticipated Need" for the programs through 9/30/2025 as well as the "Estimated Repayments" through 9/30/2025. Based on these estimates, funds will be necessary to support demand in the DPA Loan program and the Partners Loan Program; however, there are excess funds available in the Access Loan program, and the Primero Loan program. As of 7/31/2024, MFA has \$48.6 million in General Fund reserves which have been designated for use in the Single Family and Multifamily housing programs. Motion to approve the FY 25 Housing Opportunity Fund Appropriation with a correction to the location and date of the meeting cited in the first WHEREAS: Wurzburger. Seconded by C'de Baca. Roll Call Vote: Angel Reyes- yes, Derek Valdo-yes, State Treasurer Laura M. Montoya- absent, Proxy Martina C'de Baca- yes, Proxy Julie Ann Meade- yes, Rebecca Wurzburger-Randy Traynorabsent. Vote: 5-0. yes,

Contracted Services/Credit Committee

- 6 Northern Regional Housing Authority Update (Chris Herbert) Herbert began his presentation stating an update will be provided to the Board every two months. He provided an update of Northern Regional Housing Authority since he has been Interim-CEO. The CEO position has been posted for advertisement and a few resumes have been received. Interviews will begin the week of September 23rd, with anticipation of hiring a new CEO by the third week of October. Non-Action
- 7 Recommendation to Approve Government Relations Request for Proposal (Robyn Powell) Powell began her presentation recommending approval of the Government Relations Request for Proposals. The purpose of this Request for Proposals (RFP) is to solicit proposals, in accordance with the MFA Procurement Policy, from qualified

offerors who, by reason of their skill, knowledge, and experience can provide MFA with governmental services, advice and representation on a continual basis throughout the year ("Offerors"). MFA expects to enter into one or more contract(s) with the successful Offeror(s), which contract(s) may be for one or two years and shall allow MFA the option to renew for one or two years. Successful Offerors may not obligate funds, incur expenses, or otherwise implement services prior to the execution of a contract with MFA. Staff intends to make award recommendations at the November Board of Directors meeting. Discussion ensued regarding the services that will be provided and the need for an additional Government Relations Provider. Motion to approve the Recommendation to Approve Government Relations Request for Proposal as presented: Wurzburger. Seconded by Meade. Roll Call Vote: Angel Reyes- yes, Derek Valdo-yes, State Treasurer Laura M. Montoya- absent, Proxy Martina C'de Baca- yes, Proxy Julie Ann Meade- yes, Rebecca Wurzburger- yes, Randy Traynor- absent. Vote: 5-0.

- Housing Innovation Award Recommendation Las Cruces (Daniela Freamon & Robyn Powell)began her presentation recommending the Award of \$1,500,000 to the City of Las Cruces Application Under the Housing Innovation Notice of Funding Availability for Amador Housing Complex, a permanent supportive housing development. The City of Las Cruces applied to the Housing Innovation Program on July 18, 2024, requesting \$1,500,000 grant funding for the Amador Housing Complex. Amador Crossing will be a 50-unit permanent supportive housing project for special needs populations located adjacent to the campus of the Mesilla Valley Community of Hope on a 4.8-acre site. The city is partnering with Mesilla Valley Community of Hope, who will qualify and refer potential tenants to the complex. The primary population will be small households and individuals that are at-risk or homeless with a primary focus on those with less than 80% AMI. Most residents will be utilizing tenant-based rental subsidies, while others will be renting until other units become available in the community; or the family/individual finds permanent housing. Staff recommend waiving the \$500,000 maximum award to assist with the urgent need for permanent supportive housing. Additionally, staff recommend awarding the funding as a grant rather than a loan because any income collected through rents will be re-invested in supportive services to ensure successful tenancy of a high needs' population. Motion to approve the Housing Innovation Award Recommendation- Las Cruces as presented: Wurzburger. Seconded by Meade. Roll Call Vote: Angel Reyes- yes, Derek Valdo-yes, State Treasurer Laura M. Montoya- absent, Proxy Martina C'de Baca- yes, Proxy Julie Ann Meade- yes, Rebecca Wurzburger- yes, Randy Traynor- absent. Vote: 5-0.
- Housing Innovation Award Recommendation Village of Ruidoso (Daniela Freamon & Robyn Powell) Freamon began her presentation recommending awarding grant funding in the amount of \$1,000,000 to the Village of Ruidoso under the Housing Innovation NOFA for the purpose of infrastructure to support workforce housing development. Per the Scoring Committee review, the Village of Ruidoso met all threshold requirements and scored sufficient points to merit an award in response to the emergency state caused by the South Fork and Salt Fires and subsequent flooding. The natural disasters have significantly impacted the Ruidoso and Mescalero areas, affected an estimated 1,400 structures, and destroyed at least 500 primary residences. The Village has utilized \$3 million in state funding to purchase modular housing units from Champion, which they have begun to place on land they own. The site is currently home to 21 rental units, all managed and operated by the Village. Housing Innovation funds are being requested for infrastructure costs related to adding 10 units to the site. There are two 2-bedroom units at 1,1165 sq. ft. and eight 3-bedroom units at 1,477 sq. ft. Infrastructure costs will include utility hookups, construction of retaining walls and all other final site development and is scheduled to be completed within the next 90 days Initially, the Village applied for funding prior to the fire and subsequent flooding to provide housing for local residents. The Village is now more invested in ensuring that these housing units will provide housing for residents who work within the Village. Due to the executive order emergency declaration (EO 2024-034) signed by Governor Michelle Lujan Grisham on June 18, 2024, Housing New Mexico staff recommend the following policy exceptions for the award:

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- Allow for a \$1 million award rather than \$500,000 so that the project may be urgently completed. Provide the award as a grant rather than a loan so that the Village can reinvest program income into its housing trust fund. Doing so will allow the Village to continue to expand affordable housing opportunities despite lost tax revenue associated with the emergency. The Village will be required to report program income amounts and uses as they receive and reinvest funds. Increase tenant income limits to 285% area median income (AMI) rather than 150% AMI to retain a workforce population in a high-cost area. Motion to approve the Housing Innovations Award Recommendation-Village of Ruidoso as presented: Wurzburger. Seconded by C'de Baca. Roll Call Vote: Angel Reyes- yes, Derek Valdo-yes, State Treasurer Laura M. Montoya- absent, Proxy Martina C'de Baca- yes, Proxy Julie Ann Meade- yes, Rebecca Wurzburger- yes, Randy Traynor- absent. Vote: 5-0.
- Housing Innovation Award Recommendation Forget Me Not Veteran's Park (Daniela Freamon & Robyn Powell) Freamon began her presentation recommending awarding grant funding in the amount of \$375,000 to the Forget Me Not Veteran's Park under the Housing Innovation NOFA to address site infrastructure needs and add 5 homes to house homeless veterans. Per the Scoring Committee review, the Forget Me Not Veteran's Park met all threshold requirements and scored sufficient points to merit an award. Forget Me Not Veteran's Park is a non-profit organization located between Socorro and Truth or Consequences, New Mexico that provides housing solutions for homeless veterans in the area. Since opening in November of 2022, the non-profit has demonstrated significant project execution capabilities by constructing a mess hall, shared restrooms, and 10 tiny homes, all of which are available to veterans. They also offer comprehensive support services, including job training programs and mental health services, ensuring a holistic approach to veterans' reintegration into society. The Park is seeking funding to address infrastructure needs for 10 existing homes and the addition of 5 homes to the site. Motion to approve the Housing Innovation Award Recommendation- Forget Me Not Veteran's Park as presented: C'de Baca. Seconded by Meade. Roll Call Vote: Angel Reyes- yes, Derek Valdo-yes, State Treasurer Laura M. Montoya- absent, Proxy Martina C'de Baca- yes, Proxy Julie Ann Meade- yes, Rebecca Wurzburger- yes, Randy Traynor- absent. Vote: 5-0.
- 11 Tierra Encantada Tax Credit Assistance Program (TCAP) Grant Request Josh Howe & George Maestas - Howe began his presentation recommending approval of a \$100,000 Tax Credit Assistance Program (TCAP) grant request for Tierra Encantada, located in Anthony, New Mexico. Tierra Encantada is a proposed Acquisition/Rehab multifamily project that includes the rehabilitation of 24 two-, three-, and four-bedroom homes for households earning 50% or less of Area Median Income (AMI). Six units (25% of the project) will serve households with children. Three units will be income restricted to households earning 30% or less of Area Median Income (AMI) and twenty-one units will be income-restricted to households earning 50% or less of AMI. As an existing Section 514 Farm Labor Housing property, all units will continue to receive project-based USDA Rental Assistance. With all units receiving rental assistance from project-based USDA RD vouchers and a market study supporting <5% vacancy for the Subject, this project was underwritten at a 5% vacancy rather than MFA's standard 7% vacancy. Per Housing NM/MFA's Underwriting Guidelines, for projects with at least 90% of all apartments covered by a federal rental assistance contract, Housing NM/MFA may use the market study vacancy factor but not less than 5%. Motion to approve the Tierra Encantada- Tax Credit Assistance Program (TCAP) Grant Request as presented: Wurzburger. Seconded by C'de Baca. Roll Call Vote: Angel Reyes- yes, Derek Valdo-yes, State Treasurer Laura M. Montoyaabsent, Proxy Martina C'de Baca- yes, Proxy Julie Ann Meade- yes, Rebecca Wurzburger- yes, Randy Traynorabsent. Vote: 5-0.
- 12 Vado New Horizons Phase IB Primero Investment Fund Loan Request Josh Howe & George Maestas Howe began his presentation recommending approval of a \$3,500,000 Primero Investment Fund (PIF) infrastructure loan request for Vado New Horizons Phase IB, located in Vado, New Mexico. Vado New Horizons Phase IB is a proposed New Construction single-family development project that includes 56 lots on which homes will be constructed for households earning at or below 120% Area Median Income (AMI). Flexibility to utilize \$500,000 to \$1,000,000 in additional New Mexico Housing Trust Fund funding (pending NMHTF advisory committee approval)

is also part of this request. TDS will then seek the remaining infrastructure construction funds (\$227,583) from other sources as well as funding for the vertical construction of the homes using the Section 523 Mutual Self-Help Technical Assistance Program, enabling 8-10 low-income families per group to collaboratively build their homes and create sweat equity, thereby reducing homebuyer costs, and fostering residents' skills and sense of community. The proposed project presents a favorable risk profile and is recommended for approval. Motion to approve the Vado New Horizons Phase IB- Primero Investment Fund Loan Request as presented: Wurzburger. Seconded by Meade. Roll Call Vote: Angel Reyes- yes, Derek Valdo-absent, State Treasurer Laura M. Montoya- absent, Proxy Martina C'de Baca- yes, Proxy Julie Ann Meade- yes, Rebecca Wurzburger- yes, Randy Traynor- absent. Vote: 4-0.

13 64th Street – NM Affordable Housing Tax Credit Allocation Request – Justin Carmona & George Maestas – Carmona began his presentation recommending approval of a \$1,000,000 NM Affordable Housing Tax Credit (State Tax Credit) allocation request for 64th Street, located in Albuquerque, New Mexico. 64th Street is a proposed New Construction single-family project that will create 6 two-, three-, and four-bedroom homes for households earning 60% or less of Area Median Income (AMI). Greater Albuquerque Habitat for Humanity (GAHH) intends to require buyers of these properties to provide only \$500 as a down payment; the developer will also ensure that buyers pay no more than 30% of their income towards principal and interest payments by providing them with a zero percent interest rate mortgage. GAHH requires buyers to attend homeownership and financial literacy classes prior to purchase. Buyers must also contribute a minimum of 350 hours of "sweat equity" by performing practicable work at the construction site of their new home. This application scored 90 out of 120 for evaluation criteria, meeting the minimum scoring threshold of 70 points. Motion to approve the 64th Street- NM Affordable Housing Tax Credit Allocation Request as presented: Wurzburger. Seconded by C'de Baca. Roll Call Vote: Angel Reyes- yes, Derek Valdo-absent, State Treasurer Laura M. Montoya- absent, Proxy Martina C'de Baca- yes, Proxy Julie Ann Meade-yes, Rebecca Wurzburger- yes, Randy Traynor- absent. Vote: 4-0.

Other

- 14 2025-2029 Proposed Five Year Plan and 2025 Benchmarks (Robyn Powell) Powell began her presentation proposing the 2025-2029 Proposed Five Year Plan and 2025 Benchmarks for approval. Over several months, staff worked to develop a comprehensive and informed five-year strategic plan that supports the current housing needs and conditions in New Mexico. Housing NM has operated under a five-year strategic plan for several cycles and regularly updates the Board of Directors on outcomes of the strategic goals and benchmarks. Through the Strategic Planning Committee, plan themes and goals are developed, and benchmarks are set to ensure that goals are accurately tracked and measured. Additionally, staff conducts an annual Enterprise Risk Management review in coordination with our internal audit contractor and updates the New Mexico Housing Needs Assessment. This year, staff consulted with Board Members and staff to receive additional input for the strategic plan, conducted a SWOT analysis and focused the board retreat on strategic planning, which was held on August 21 and 22. She then discussed several important themes that emerged as well as goals, objectives and benchmarks. Motion to approve the 2025-2029 Proposed Five Year and 2025 Benchmarks as presented: C'de Baca. Seconded by Wurzburger. Roll Call Vote: Angel Reyes- yes, Derek Valdo- absent, State Treasurer Laura M. Montoya- absent, Proxy Martina C'de Baca- yes, Proxy Julie Ann Meade- yes, Rebecca Wurzburger- yes, Randy Traynor- absent. Vote: 4-0.
- 15 Appointment and Approval of Board Contracted Services/Credit Committee (Chair Reyes) Chair Reyes recommends the following appointment to the Contracted Services/Credit Committee: Rebecca Wurzburger (Chair), Attorney General Raúl Torrez/Designee Julie Ann Meade and Randy Traynor to serve on the Contracted Services/Credit Committee. Motion to approve the Appointment and Approval of Board Contracted Services/Credit Committee as presented: Wurzburger. Seconded by Meade. Roll Call Vote: Angel Reyes- yes, Derek Valdo- absent, State Treasurer Laura M. Montoya- absent, Proxy Martina C'de Baca- yes, Proxy Julie Ann Meade- yes, Rebecca Wurzburger- yes, Randy Traynor- absent. Vote: 4-0.

MFA Regular Board Meeting Minutes September 18, 2024

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Other Board Items Information Only

16 (There were no questions asked of staff)

Staff Action Requiring Notice to Board

Monthly Reports 17 (There were no questions asked of staff)

Non-Action Required

- - Marketing & Communications Monthly Update
 - New Mexico Housing Trust Fund Update
 - 7/31/24 Financial Statements

Announcements and Adjournment- Confirmation of upcoming Board Meetings. Hernandez provided an update on the new building located at 7425 Jefferson, stating that currently we are in the process of moving in.

There being no further business the meeting was adjourned a	t 12:14 p.m.
Approved:	
Chair, Angel Reyes	Secretary, Isidoro Hernandez

NEW MEXICO MORTGAGE FINANCE AUTHORITY

Finance/Operations Committee Meeting Tuesday, October 8, 2024 at 1:30 p.m.

Webex - call-in information is 1-408-418-9388 (access code): 2494 245 9027 or you can join the call from the calendar item

Agenda Item	COMMITTEE RECOMMENDED	BOARD ACTION REQUIRED
Recommended for Consent Agenda 1		YES
Agenda 2. 2025 Qualified Allocation Plan – Jeanne Redondo & Jacobo Martinez	Approved 2-0	YES
3.		YES
4		
5. __		
6		
Information items7. August 2024 Wire Transfers		NO
8. August 2024 Check Register		NO

Comr	nittee	Meml	bers	present:
Comi	1111111	141 (111)	UCIS	prosent.

Derek Valdo, Chair	sent	10/8/2024
State Treasurer Laura M. Montoya	☐ conference call	0 0
Lt. Governor Howie Morales/		Just for
Proxy Martina C'de Baca ☑	conference call	700 /





TO: Housing New Mexico Board of Directors

Through: Finance Committee October 8, 2024 **Through:** PC Committee October 1, 2024

FROM: Jeanne Redondo

DATE: October 16, 2024

SUBJECT: 2025 Qualified Allocation Plan

Recommendation:

Staff recommends approval of the attached 2025 State of New Mexico Housing Tax Credit Program Qualified Allocation Plan (QAP).

Background:

The Low Income Housing Tax Credit ("LIHTC") program was established in 1986 under Section 42 of the Internal Revenue Code (the "Code"). The Code sets the general program parameters including the requirement that each state adopt its own QAP that sets forth specific project selection criteria and other program rules. Housing New Mexico/MFA revises the QAP annually.

While stakeholder feedback is encouraged throughout the year, Housing New Mexico/MFA staff holds a "Developers Forum" focus group prior to beginning draft revisions and then presents a list of proposed changes to the Policy Committee and Finance Committee for discussion. Developers who participated in the LIHTC program during the past two years. This year, Housing New Mexico/MFA held Developers Forums on June 18 and 19, 2024

A draft QAP is then composed and posted on Housing New Mexico/MFA's website and notices are published in at least three newspapers of general circulation. This posting and publication mark the beginning of a 21-day public comment period during which a public hearing is held. After the public comment period concludes, a final QAP is composed and presented to Policy Committee, Finance Committee and the Board of Directors for approval. After Board approval, the QAP is sent to the Governor for final approval.

Discussion:

This year, staff focused on ways to reduce the time it takes for projects to be placed in service. The proposed revisions add fees to incentivize applicants to submit fully compliant applications, so additional reviews that add processing time are not needed. In addition, applicants financing with tax-exempt bonds are encouraged to include permit ready drawings and specifications with the application, so the time from receipt of bond allocation to begin construction is reduced.

The following changes to the QAP are proposed:

Throughout the QAP, changes were made to conform to MFA's rebranding to Housing New Mexico/MFA.

Market Study - Section III.C.4. (Begins on page 21 of the redline)

 The cost of a Housing New Mexico/MFA ordered market study, if necessary, will be invoiced through the deficiency correction process described in Section IV.C.5, rather than be deducted from the fee submitted to cover the cost of design review. Applicants will have a five-day deficiency correction period to remit payment.

Project Selection Criteria to Implement Housing Priorities – Section III.E (Begins on page 24)

- Tax-exempt bond financed projects (See pages 25- 26)
- The threshold requirements have been changed to expand eligible locations and prioritize projects so that those ready to proceed receive priority over those that are in the concept stage.
 - Projects within a 15-minute drive of a full-scale supermarket planned as part of an approved master plan will be accepted in lieu of existing facilities where fresh produce is available.
 - The QAP clarified that tax-exempt bond projects must meet all underwriting standards in the 2025 QAP and underwriting supplement
 - o If there is insufficient private activity bond volume cap available for all proposed tax-exempt bond financed projects, the projects will be prioritized based on readiness to begin construction. Priority will go to projects that demonstrate that permit-ready construction plans and specifications have been submitted to the local jurisdiction for approval.
- 1. Scoring Criterion no. 1 Nonprofit, NMHA, TDHE or THA Participation (See page 27)
- The QAP was updated to require the Right of First Refusal Agreement on or before August 31st of the year following Carryover – the deadline to begin construction.

- 2. Scoring Criterion no. 4 Sustaining Affordability (See page 30)
- Projects with existing federal rental subsidies that are proposing postrehabilitation rents must document anticipated rents with a Rent Comparability Study submitted with the Initial application. This provides Housing New Mexico/MFA with support for the proposed rents and completes a necessary step that the Developer will need to perform to transfer the project to the new Owner, thereby reducing the development timeline after the award.
- 3. Scoring Criterion no. 8 Households with Special Housing Needs Housing Priority (See page 36)
- Adds quarterly on-site or online security awareness training as an option to earn one point. This training will educate residents how they can protect themselves from online and other scams. Adding this option also provides at least one additional path to full points in this scoring criterion.
- 4. **Scoring Criterion no. 9 Projects Reserved for Seniors Housing Priority** (See pages 40-41)
- Expands quarterly computer training to include other technologies such as smart phones, wearable health trackers, tablets and social media. Developers have requested and been granted this option to earn points as a separate "MFAapproved service" for the past two years.
- Adds semi-annual on-site eligibility screening and/or application assistance for Medicaid and/or Medicare. Developers have requested and been granted this option to earn points as a separate "MFA-approved service" for the past two years.
- Adds quarterly on-site or online security awareness training as an option to earn one point.
- 5. Scoring Criterion no. 10 Households with Children Housing Priority (See page 44)
- Expands quarterly computer training to include other technologies such as smart phones, wearable health trackers, tablets and social media.
- Adds quarterly on-site or online security awareness training as an option to earn one point.
- **6. Scoring Criterion no. 11 Leveraging Resources** (See page 46)
- o Added the ability of the general partner to loan the entire proceeds from the sale of the land and (if existing) building(s) to the Project's owner entity with no payments until after the 15-year Compliance Period has expired as a source of leverage. While a donation would still be acceptable for points, the donation could require the new partnership, with the investment partnership, to step into the shoes of the depreciation basis, which could result in lower credit pricing based on lower losses. A structure that loans the sales proceeds to the partnership results in higher equity, thereby reducing other financing sources that are needed to balance sources and uses.

- Added federal Housing Trust Funds from Housing New Mexico/MFA to the list of excluded sources so the focus is on bringing in non-Housing New Mexico/MFA resources.
- 7. **Scoring Criterion no. 18 Efficient Use of Tax Credits** (Beginning on page 51)
- Created a new category for Projects comprised of at least 80% efficiency and one-bedroom units which uses the higher tax credits per square foot amount but keeps the same limit on the tax credits per unit. This change was made because small housing units often cost more per square foot because a greater proportion of the space is dedicated to kitchens and bathrooms, which cost more per square foot. The tax credits per square foot were increased to align with the limits for Permanent Supportive Housing, but the limit on tax credits per unit remained the same as the "All Other Projects" category.
- Increased the overall limits in this scoring criterion by 20% to account for increases in Total Development Costs over the past few years that were not previously included in the calculation of these limits.

Allocation Round Submission Date(s) - Section IV.A (See page 60)

- Submission Date(s) Section IV.A.1 (See page 61). The deadline to submit applications has been moved to January 21st of the application year at noon, since January 20, 2025 is a holiday. In 2024 the deadline was extended to January 22nd at noon to allow an extra weekend when January 20th fell on a Saturday.
- Form of Submission and Content and Format: Complete applications Section IV.A.3 and 4 (Beginning on page 62). The language "a fully tabbed PDF files" was clarified as "one fully tabbed and bookmarked PDF file" to emphasize that multiple PDF files are not acceptable and that the file needs to be bookmarked to show the tabs.
- Communications and Quiet Period Section IV.A.5 (See page 64). The deadlines to submit questions and to respond to them was updated to correspond with the January 20, 2025 application deadline. Questions are due no later than January 13, 2025 and the answers will be posted by January 16, 2025. This provides four calendar days for applicants to make any revisions to their application before the application deadline.

MFA Fees and Direct Costs - Section IV.B (Beginning on page 65)

- **Direct Cost Fees** (See page 65). Since the formerly called Direct Cost Deposit actually served as a base design review fee, it was re-named as a "fee".
 - If architectural reviews or inspections above those named in Section IV.C.7.a are required, the project will incur a \$1,500 fee per additional review and/or inspection.
 - If Housing New Mexico/MFA needs to order a Market Study during the application phase, the cost will be invoiced to the Applicant along with a deficiency correction letter. In the past, it was taken from the Direct Cost

Deposit and then reimbursed at a later date. This change makes the payments easier to track.

- Additional Review Fees (See page 66)
 - One underwriting with one opportunity to make corrections is included in the standard application and Processing Fees. Further reviews will incur an additional \$1,500 per review.

Other project Compliance - Section IV.C.8 (See page 71)

• The compliance affidavit was simplified to only require one per application, unless one of the principals has a different portfolio of properties.

Feasibility and Financial Considerations - Section IV.D (See pages 72-73)

All financing sources must be identified, and the terms and conditions of that
financing must be specified in a letter of interest. Communicating with lenders and
funders in advance of the application reduces the time needed to close on
financing after award and can reduce the number of times the project must be
underwritten.

Reserves (escrows) included in Development Costs - Section IV.D.3 (See page 77)

• The operating reserve has been removed and a lease-up reserve has been added in its place. This provides a reserve during the initial period before conversion without requiring ongoing operating reserves. Housing New Mexico/MFA requires a 20% cushion for operating expenses in the form of a 1.20:1 debt service coverage ratio (DSCR) for all must-pay debt; this mitigates against losses during operations. This DSCR is more conservative than what is often required by the first mortgage lenders on LIHTC projects.

Limitation on tax credit awards to a single project or Principal – Section IV.E.3 (See pages 79-80)

- All Projects receiving a 9% LIHTC Reservation must be at least ¼ mile (1,320 feet) straight-line distance away from the property line of all other Projects proposed by the same Principal or its Affiliate receiving a 9% LIHTC Reservation in the same round. This prevents circumvention of limitations on adjacent sites.
- The maximum tax credits per project was increased 4.75% from \$1,622,805 to \$1,700,000 in response to comments during the Developer Forum.

Notification of Approval and Subsequent project Requirements – Section IV.G (Beginning on page 84)

• The requirement to be up to date with tax credit program related fees was moved from the description of Carryover requirements at Section IV.G.3.c to the beginning of Section IV.G under Affirmative actions after Reservation where it

- now states that Applicants must continue to timely remit all tax credit program related fees.
- Section IV.G.3.c (See pages 85 86) was reorganized with sub-sections to make it easier to follow.

Processing of Tax-Exempt Bond Financed project applications – Section VI (Beginning on page 93)

Percent of total sources limit - Section VI.1 (See page 96) was revised to further constrain available private activity bond volume cap per project from 60% of Total Development Cost to 60% of "aggregate basis". The requirement to meet the 50% Test is 50% of "aggregate basis" so this tightening to conserve volume cap still provides a cushion if costs increase. In addition, a waiver provision was added if costs increase, and the project needs additional volume cap for financial feasibility.

Annual Certification Review - Section X.D (Beginning on page 100)

 This section was updated to align with the most current annual owner certification.

Glossary - Section XI (Beginning on page 106)

- Affiliate was added to the glossary after receiving questions regarding whether certain entities would be considered affiliates.
- Control, Entity and Person were added to clarify these terms within the context of the term Affiliate.
- Letter of Determination (for tax-exempt bond projects) was updated to add an
 expiration date (six months from the date it was issued) and clarify that Housing
 New Mexico/MFA must review any changes to the submitted materials used to
 determine that the Project is qualified for tax credits.
- Material Compliance Matter was added to clarify what compliance issues could result in a rejection of the application.
- Net Square Footage was added to the glossary in response to inquiries over the past year.
- Permit Ready Drawings was added to explain what is required in the new areas of the QAP that refer to permit ready drawings.
- Rent Comparability Study was added in response to a request in the public comments.

Governor's Office of Housing:

Housing New Mexico invited the Governor's Housing Advisor to participate in the Developer's Forum in June 2024 and provided him copies of the draft for public comment draft posted on August 15, 2024 and the draft prepared for the Board's approval. On October 8, 2024, the Governor sent a letter requesting the following

revisions, which have been added to the draft QAP that is now presented for the Housing New Mexico Board of Directors' approval. A summary of those revisions is listed below:

Projects Committed to a longer Extended Use Period - Section III.E.7 (See page 32)

 An option to commit to permanent affordability has been added for 8 points (an additional three points over the current option to extend affordability for five years.)

Households with Special Needs Housing Priority - Section III.E.8 (See page 33)

• The maximum points in this scoring criterion were increased from 8 points to 10 points.

Complete Application - Section III.E.12 (See page 47)

This scoring criterion was removed.

QCT/Concerted Community Revitalization Plan - Section III.E.14 (See page 48)

 This scoring criterion was modified to expand the definition of concerted community revitalization plan to provide an achievable option to earn these points in smaller communities without the staff capacity to enact a metropolitan redevelopment plan.

Efficient Use of Tax Credits – Section III.E.18 (Beginning on page 51)

 The per Unit levels were increased further based on the Governor's Housing Office calculation based on the difference between costs in 2018 and 2024.

Developer Fees - Section IV.D.2.B (See page 74)

Fees received by the developers are increased by \$2,000 per unit.

Summary:

The proposed changes to the 2025 QAP continue to improve the allocation process. Housing Development consulted with the Asset Management Department and conducted two Developer's Forum sessions and a public hearing during which we gathered input to the QAP. The Governor's Housing Advisor was invited to provide comments as well. All input and comments were carefully considered.

STATE OF NEW MEXICO LOW-INCOME HOUSING TAX CREDIT PROGRAM

QUALIFIED ALLOCATION PLAN

Effective as of December 1, 2023-2024



NEW MEXICO MORTGAGE FINANCE AUTHORITY

Approved by Board of Directors on October <u>1816</u>, <u>20232024</u>
Approved by the Honorable Governor Michelle Lujan Grisham on November <u>27</u>, <u>2023</u>

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I. Background and Purpose of the Qualified Allocation Plan

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A. General

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This "Allocation Plan" constitutes the "Qualified Allocation Plan" (QAP) for the state of New Mexico and is intended to comply with the requirements set forth in Section 42 of the Internal Revenue Code of 1986 as amended, including all applicable rules and regulations promulgated thereunder (collectively, the "Code"). This Allocation Plan applies to all allocations of Low Income Housing Tax Credits pursuant to the Code (hereinafter LIHTC, credits or tax credits) and multifamily private activity tax-exempt bonds made for QAP year 20242025.

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The LIHTC program was created in the Tax Reform Act of 1986 as an incentive for individuals and corporations to invest in the construction or rehabilitation of low income housing. The tax credit provides the investor a dollar-for-dollar reduction in personal or corporate federal income tax liability for a 10-year period for Projects² meeting the Program's requirements.

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B. Role of MFAHousing New Mexico/MFA

New Mexico Mortgage Finance Authority (MFAHousing New Mexico/MFA) is the Housing Credit Agency (HCA) for the state of New Mexico, responsible for administering the Tax Credit Program and allocating tax credits to eligible New Mexico Projects. Accordingly, MFAHousing New Mexico/MFA awards tax credits to Projects meeting its Project selection criteria, including an annual population allocation, any subsequent carry-forward, returned credits and national pool credits. MFAHousing New Mexico/MFA monitors existing Projects for compliance with the Code; however, MFAHousing New Mexico/MFA does not make any representation to any party concerning compliance with the Code, U.S. Department of Treasury ("Treasury") regulations of the laws or regulations governing LIHTC. Neither MFAHousing New Mexico/MFA, nor its agents or employees, will be liable for any matters arising out of or in relation to, the allocation of LIHTC. All organizations and individuals intending to utilize the LIHTC program should consult their own tax advisors concerning the application of tax credits to their Projects and the effect of tax credits on their federal income taxes.

Administration of the Tax Credit Program, as outlined in this QAP, is consistent with the statutes creating MFAHousing New Mexico/MFA in 1975 [Chapter 303, Laws of New Mexico, 1975, known and cited as the New Mexico Mortgage Finance Authority Act, being Sections 58-18-1 through 58-18-27, inclusive), as supplemented in 1995, as follows:

¹ Section 42 of the Code is found in the United States Code in Title 26, Subtitle A, Chapter 1, Subchapter A, Part 4, Subpart D, at Section 42 (26 U.S.C. §42.)

² Capitalized terms, when not defined in the text of this document, are defined in **Section XI** or in the Code.

³ Treas. Reg. 26 CFR § 1.42.

The legislature hereby finds and declares that there exists in the state of New Mexico a serious shortage of decent, safe and sanitary residential housing available at prices and rentals within the financial means of persons and families of low income. This shortage is severe in certain Urban Areas of the state, is especially critical in the rural areas and is inimical to the health, safety, welfare and prosperity of all residents of the state. The legislature hereby further finds and determines that to aid in remedying these conditions and to help alleviate the shortage of adequate housing, a public body politic and corporate, separate and apart from the state, constituting a governmental instrumentality, to be known as the New Mexico Mortgage Finance Authority should be created with power to raise funds from private investors in order to make such private funds available to finance the acquisition, construction, rehabilitation and improvement of residential housing for persons and families of low income within the state. The legislature hereby finds and declares further that in accomplishing this purpose, the New Mexico Mortgage Finance Authority is acting in all respects for the benefit of the people of the state in the performance of essential public functions and is serving a valid public purpose in improving and otherwise promoting their health, welfare and prosperity and that the enactment of the provisions hereinafter set forth is for a valid public purpose and is hereby so declared to be such as a matter of express legislative determination.

The federal laws governing the Tax Credit Program are subject to change. Final interpretations of certain rules and regulations governing the Program may not yet have been issued by the U.S. Department of Treasury. In the event that any portion of this QAP should conflict with the Code, amendments made thereto, or federal regulations promulgated thereunder, the federal regulation shall take precedence. If any portion of this QAP is invalid due to such conflict, the validity of the remaining portions will in no way be impacted, affected or prejudiced.

MFAHousing New Mexico/MFA reserves the right to resolve all conflicts, inconsistencies or ambiguities, if any, in this Allocation Plan or which may arise in administering, operating or managing the allocation of LIHTC.

In accordance with MFAHousing New Mexico/MFA's inherent discretion, reasonable judgement and prudent business practices, MFAHousing New Mexico/MFA may reject any Application (as defined in the Glossary) or Project that MFAHousing New Mexico/MFA has determined does not satisfy the requirements and objectives of the Code, regulations promulgated under the Code or this QAP, regardless of the Application's rank priority.

MFAHousing New Mexico/MFA shall not be responsible for any expenses incurred by any Applicant in submitting an Application or otherwise responding to or providing any information in conjunction with this QAP. All costs incurred by Applicants in the preparation, transmittal or presentation of any Application or material submitted in response to this QAP shall be borne solely by the Applicants.

In addition, MFAHousing New Mexico/MFA may cancel or modify the provisions of this QAP at any time and may reject any or all Applications submitted under this QAP and re-issue the QAP. If MFAHousing New Mexico/MFA rejects any or all Applications submitted under this QAP and

re-issues the QAP, all costs incurred by Applicants in the preparation, transmittal or presentation of any Application or materials submitted in response to this QAP shall again be borne solely by Applicants.

REGARDLESS OF ANY PROVISION OF THIS QAP OR ANY DOCUMENT REFERENCED BY OR INCORPORATED IN THIS QAP, IT IS EACH APPLICANT'S SOLE RESPONSIBILITY TO DEMONSTRATE IN ITS APPLICATION THAT THE PROJECT PROPOSED SHALL COMPLY WITH THE CODE AND ALL ASSOCIATED REGULATIONS IN ALL RESPECTS. FAILURE BY ANY APPLICANT TO DEMONSTRATE THAT THE PROPOSED PROJECT SHALL COMPLY WITH THE CODE AND ALL ASSOCIATED REGULATIONS SHALL RESULT IN THE REJECTION OF THE APPLICATION AND PROJECT.

Code Section 42(m) states that the HCA must make allocations of tax credits pursuant to a QAP which:

- Sets forth Project Selection Criteria to be used to determine housing priorities of the HCA, which are appropriate to local conditions. These criteria must consider project location, housing needs characteristics, project characteristics, sponsor characteristics, public housing waiting lists, tenants with Special Housing Needs including individuals with children, energy efficiency standards, historic character and projects intended for eventual tenant ownership.
- 2. Gives preference in allocating housing credit dollar amounts among selected Projects to those which:
 - a. Serve the lowest income tenants;
 - b. Serve qualified tenants for extended periods of time; and
 - c. Are located in Qualified Census Tracts (QCTs) and the development of which contributes to a Concerted Community Revitalization Plan.
- 3. Provides a procedure that the Agency will use in monitoring for noncompliance.

This document is intended to fulfill requirements one and two above for MFAHousing New Mexico/MFA's tax credit allocation activity in the state, commencing on its effective date. The procedure required in item three above is summarized in Section X but published in full under a separate cover, titled Low-Income Housing Tax Credit Compliance Plan, and is available on our website: http://housingnm.org/asset_management/housing-tax-credit.

C. Public Hearings

Following public notice, a draft QAP was made available to the public for comment for a period of 21 days (beginning August 15, 2023-2024, and continuing through September 5, 2023-2024,), during which time a public hearing was held on August September 304, 2023-2024.

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MFAHousing New Mexico/MFA accepted written comments during this 21-day comment period, as extended, and considered comments presented at the public hearing, prior to completion of the plan.

II. Low Income Housing Tax Credit Program Summary

A. General

The Tax Reform Act of 1986 established the Tax Credit Program to stimulate private sector investment in low income rental housing. In August of 1993, permanency was granted to the Tax Credit Program after numerous temporary annual extensions.

There are numerous technical rules governing a Project's qualification for tax credits. The following subsections of this Section II contain a summary of certain key provisions of the Code and regulations and the Tax Credit Program. Applicants are advised to review the Code directly for further detail.

B. Amount of Competitive Tax Credit Available Statewide

The state of New Mexico, for the calendar year 20242025, will receive a population-based 9% tax credit allocation equal to \$2.9075 per resident. The current year's population estimates, as provided by the Internal Revenue Service (IRS) and the estimated Annual credit ceiling, including any carry-forward, returned or national pool credits received by the state, may be found on MFAHousing New Mexico/MFA's website: http://housingnm.org/developers/low-income-housing-tax-credits-lihtc.

C. Allocation to New Construction and Rehabilitation Projects

In order to serve both the purpose of building new affordable housing units and rehabilitating existing structures to create or preserve affordable housing units, MFAHousing New Mexico/MFA will allocate the tax credits awarded in the 9% Application round based on project type. As such, new construction Applications, including Adaptive reuse Applications, will be scored against other new construction Applications and rehabilitation Applications will be scored against other rehabilitation Applications; thus creating two separate tracks or categories for purposes of scoring and reserving tax credits for specific Projects. An Adaptive reuse Project shall be categorized as a new construction Project for these purposes. From those tracks, the two highest scoring new construction Projects will be awarded first, followed by the highest scoring rehabilitation Project. The target pattern of two new construction Projects followed by one rehabilitation Project will be followed until all credits are allocated, or until the last Project in a track has been awarded. Projects awarded in the Nonprofit or Underserved Population setasides will be considered in achieving this target. Forward allocations may be made following the same process, however any decision to forward allocate tax credits lies solely within MFAHousing New Mexico/MFA's inherent discretion and is not subject to further review.

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Field Code Changed

MFAHousing New Mexico/MFA will use the same process to select Projects that have been placed on the waiting list for an allocation of tax credits. For example, if a rehabilitation Project is initially awarded tax credits but later fails to move forward in the allocation process, the next highest-scoring rehabilitation Project may be given an award of tax credits. If no similarly categorized Project is available (e.g. if no rehabilitation Project is available for purposes of this example), then MFAHousing New Mexico/MFA may choose the next highest-scoring Project in the other track/category from the waiting list (e.g. new construction for purposes of this example.)

D. Nonprofit Allocation Set-aside

A minimum of 10% of the Annual credit ceiling must be allocated each year to Projects involving Qualified Nonprofit Organizations. MFAHousing New Mexico/MFA's Allocation set-asides (see Section III.D) are intended to implement this requirement. However, Qualified Nonprofit Organizations may also apply for tax credits in excess of these set-asides.

For the purposes of identifying Applicants eligible for this Allocation set-aside, several requirements must be met, as described in Code Section 42(h)(5). A Qualified Nonprofit Organization is an organization described in Sections 501(c)(3) or 501(c)(4) of the Code and exempt from tax under Section 501(a). The production of decent, safe and affordable housing must be one of the defined goals, objectives or purposes of the nonprofit organization. The nonprofit organization must materially participate in the Project, meaning that the organization must be involved on a regular, continuous and substantial basis in both the development and operation of the Project during the term of the Compliance Period. The nonprofit must also own an interest in the Project throughout the Compliance Period and may not be affiliated with or Ceontrolled by a for-profit organization. An opinion of counsel addressing the status of the nonprofit organization and qualification for the Nonprofit Set-Aside may be required.

E. Minimum Apartment Unit Set-Asides

In order for a Project to qualify for tax credits, the Project Owner must make a minimum Setaside Election of income and rent levels as listed below. Once made, this election is irrevocable. If the Project fails to meet its elected minimum set-aside standard at the end of each year, it is not a qualified low-income housing project for the year under IRC Section 42(g)(1)(C) and this noncompliance must be reported on IRS Form 8823. The Project Owner may be subject to the recapture of low income housing tax credits.

- 1. 20/50 election: At least 20% of the Units in the Project must be rent-restricted to and occupied by households whose income is at or below 50% of the Area Median Income (AMI).
- 2. 40/60 election: At least 40% of the Units in the Project must be rent-restricted to and occupied by households whose income is at or below 60% of the AMI.

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- 3. Average Income (AI) election: This election under the Code was authorized by the Consolidated Appropriations Act of 2018. This election allows the Project to serve households up to 80% AMI as long as at least 40% of the total Units are rent and income restricted and the average income limit for all tax credit Units in the Project is at or below 60% AMI. The following applies for this election:
 - a. Income and rent limits must be in ten percent increments, and may include 20% AMI, 30% AMI, 40% AMI, 50% AMI, 60% AMI, 70% AMI, or 80% AMI.
 - If the Project has an existing LIHTC Land Use Restriction Agreement (LURA) on the property, both initial election (20/50 or 40/60) and AI election must be met
 - The average of the imputed income limitations designated cannot exceed 60% AMI.
 - d. Those Projects electing AI must include at least 5% of their Units above 60% AMI.
 - e. All Units must be designated with a specific AMI percentage at the time of Application.
 - f. Unit designations may float but are subject to the Next Available Unit Rule and the original designations must be maintained throughout the Affordability Period. Average Income applies to rent and income limits. If a Unit has a designated limit of 80% AMI, the maximum rent that can be charged to a household for that Unit is 30% of 80% of AMI. Similarly, if a Unit has a limit of 40% AMI, the maximum rent that may be charged is 30% of 40% of AMI.
 - g. Skewing of Unit designations is not permitted. Project Owners must disperse unit types across chosen rent/income limits in a way that does not violate Fair Housing. MFAHousing New Mexico/MFA will require reasonable parity between different bedrooms sizes at each income band utilized on the Project.
 - The market study must demonstrate sufficient need at each income level chosen.
 - i. Project Owners of Projects with more than one building must elect to treat all of them as part of a multiple building project (checking "Yes" on line 8b of the 8609 form).
 - j. Al Projects may be subject to an increased Compliance Monitoring fee.
 - k. MFAHousing New Mexico/MFA shall only accept an Application that chooses the AI election if all Units in the Project are rent-restricted to and occupied by households whose income is at or below 80% of AMI. In other words, MFAHousing New Mexico/MFA will not accept an Application that chooses the AI election if the Project includes unrestricted Market Rate Units.
 - An Application for an AI Project must include within its equity and debt commitment letters confirmation of the utilization and approval of the AI election.

The changes to the Code described above do not extend to the set-aside requirements associated with the issuance of tax-exempt bonds in accordance with Section 142 of the IRS Code (26 U.S.C. § 142). Projects that receive an allocation of 4% LIHTC in conjunction with an issuance of tax-exempt bonds must meet the set-aside requirements of both Section 42 and Section 142 of the IRS Code.

The 30% AMI income and rent level under the LIHTC is not the same as the Extremely Low Income and rent restriction under the National Housing Trust Fund (NHTF). The NHTF statute and regulation define "Extremely Low Income" as the greater of 30% of AMI or the federal poverty line for applicable household size. Average Income unit designation is based solely on AMI. Projects that have layered NHTF with LIHTC should be mindful of this difference.

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

Only Low Income Units as determined by the Project's Set-aside Election are eligible for tax credits. For example, if the 20/50 election is chosen, only Units that are rent restricted and set aside for tenants whose income does not exceed 50% of AMI are qualified as Low Income Units. If the 20/50 election is chosen, Units with income and rent limits above 50% of AMI are not eligible for tax credits. Similarly, if the AI election is chosen, only Units that are rent restricted and set aside for tenants whose income does not exceed 80% of AMI are qualified as Low Income Units. The minimum Set-aside Election is irrevocable under the Code.

F. Rent and Income Restrictions

Set-aside Units must only be rented to households meeting certain income restrictions. Furthermore, rents charged for Set-aside Units may not exceed 30% of the applicable income limit(s) designated by Applicant. Gross rent limits provided annually by HUD (found on MFAHousing New Mexico/MFA's website) must be reduced by a utility allowance that accurately reflects the cost of tenant-paid utilities by unit size. While the Code excludes any payments made under section 8 of the United States Housing Act of 1937 or any comparable rental assistance program (with respect to such Unit or occupant thereof) from the gross rent calculation, only rents that do not exceed the Tax Credit Ceiling Rents (as defined in the Glossary) and are supported by the market study will be used for underwriting purposes. Exceptions may be made for Projects with project-based subsidies when the program governing the project-based subsidy allows higher rents. More detail regarding rental assistance payments and qualifying tenants can be found in the MFAHousing New Mexico/MFA Tax Credit Monitoring and Compliance Plan, which is issued under a separate cover and summarized in Section X.

G. General Public Use

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Generally, all Units, including Set-aside Units, must be made available to the general public under an initial lease term of at least six months. However, exceptions are made for Single Room Occupancy and transitional homeless facilities.

Under Treasury Regulation Section 1.42-9(b), if a residential Unit is provided only for a member of a social organization or provided by an employer for its employees, the Unit is not for use by the general public and is not eligible for tax credits under the Code. However, as clarified in Section 42(g)(9) of the Code, a qualified low-income project does not fail to meet the general public use requirement solely because of occupancy restrictions or preferences that favor tenants 1) with Special Needs, 2) who are members of a specified group under the federal program or state program or policy that supports housing for such a specified group, 3) who are involved in artistic or literary activities or 4) of indigenous populations for those Projects located on Tribal Lands. Any Unit that is part of a hospital, nursing home, sanitarium, life care facility, retirement home providing significant services other than housing is not for use by the general public.

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

Projects may have a preference for military veterans that have served in the armed forces of the United States and MFAHousing New Mexico/MFA encourages all Projects to develop marketing plans that involve outreach and marketing of Units to veterans.

H. Eligible Projects

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MFAHousing New Mexico/MFA's Tax Credit Program is intended for rental housing located in the state of New Mexico. Projects may include transitional housing for the homeless, Single Room Occupancy, senior and other special housing needs projects. Dormitories, assisted living facilities, "trailer parks" and transient housing (e.g. emergency shelters for homeless personPersons and households) are ineligible. Proposed Projects must be eligible for an allocation of credits under the Code.

I. Scattered-site Projects

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Under Code Section 42(g)(3)(D), each low-income building is considered a separate project unless the taxpayer identifies each building which is, or will be, part of the Project. Under Code Section 42(g)(7) and Treasury Regulation Section 1.103-8(b)(4)(ii), two or more qualified low-income buildings can be included in a Project only if the buildings:

- Are located on the same tract of land, unless all the Units in all the "scattered site" buildings to be included in the Project are low-income Units;
- 2. Are owned by the same person (entityEntity) for federal tax purposes;
- 3. Are financed under a common plan for financing; and
- 4. Have similarly constructed Units.

Generally, each site of a scattered-site Project must have a community space adequate for the provision of services and services must be delivered at each site for the Project to be eligible for points for Projects in which Units are reserved for Households with Special Housing Needs, Projects Reserved for Senior Housing or Projects in which 25% of all Units are reserved for Households with Children. However, if one of the project sites proposed for rehabilitation does not have adequate community space for the provision of services, services may be provided for residents at another project site so long as the following conditions are met: 1) the project sites are located within a quarter of a mile of each other and connected by an ADA compliant route, 2) the Application demonstrates, to the sole satisfaction of MFAHousing New Mexico/MFA, how the needs of personPersons with disabilities who do not have access to on-site services will be met and 3) sufficient community space for the provision of services is available for all residents of the Project.

J. Combined Rehabilitation and New Construction Projects and General Guidelines Around Rehabilitation Projects

In accordance with the provisions of this QAP, Projects may combine the rehabilitation of existing residential Units with the construction of new residential Units. Should an Application consist of both new construction and rehabilitation, the Project will be classified as new construction if 51% or more of the total Units are newly constructed or constitute an adaptive reuse. Similarly, a Project will be classified as rehabilitation if 51% or more of the total Units are proposed for rehabilitation.

In the event a Project consists of an equal number of new construction/Adaptive reuse Units and an equal number of Units to be rehabilitated, then Applicant shall specifically state in their Application which track/category to place its Project for scoring purposes. Note: an Applicant may choose to place its combined new construction/rehabilitation Project in the rehabilitation track even if the Project fails to satisfy the provisions of Project Selection Criterion No. 3 and is awarded no points pursuant to that criterion. In the event Applicant fails to specify which scoring track/category they desire to place their Project, MFAHousing New Mexico/MFA will

make this determination based on the information available, which shall be final and not subject to review.

Note that for scoring purposes, the rehabilitation points set forth in Project Selection Criterion No. 3 shall not be made available to a combined new construction/rehabilitation Project should the Project be categorized as a new construction Project.

Applications for combined rehabilitation and new construction Projects must adhere to the MFAHousing New Mexico/MFA 2024-2025 Mandatory Design Standards for Multifamily Rental Housing (Design Standards) for both rehabilitated and newly constructed Units as they pertain to each Unit type. The cost limits will be applied based on the category chosen. For example, if the Project has 51% or more newly constructed Units, it will be held to the new Construction Cost limits provided in Section IV.C.2.

For all rehabilitation Projects, Applicants must also submit an accurate, detailed and concise description of the work to be performed by the contractor, the Applicant and any third parties relating to the rehabilitation of the Project. Referred to as the Scope of Work, this submission must identify the work to be performed including any demolition. See MFAHOUSING New Mexico/MFA 2024-2025 Mandatory Design Standards for Multifamily Housing for more detailed discussion of Scope of Work requirements.

In addition, all Rehabilitation Projects must submit a detailed Narrative. This Narrative should,

1. Describe the following:

- a. Proposed rehabilitation plans, including a detailed discussion regarding how the Project conforms to the definition of a Moderate Rehabilitation or Substantial Rehabilitation in the Glossary at Section XI, including the major building systems to be replaced and/or improved, whether the work area exceeds 50% of the aggregate building area, and how the proposed rehabilitation plans are consistent or inconsistent with the Scope of Work and/or Capital needs assessment ("CNA"). (See below for CNA requirements.)
- b. Any capital expenditures made to the Project over the past two (2) years and the nature of these capital expenditures.
- c. Any past local, state or federal resources invested in the Project.
- d. Any obvious design flaws, obsolescence issues or safety issues.
- e. Any significant events that have led to the current need for rehabilitation, e.g. fire, natural disaster or any other catastrophic event.
- f. Why the Project is appropriate for rehabilitation and not demolition;

- g. The physical aspects of the existing building(s), including, but not limited to, structural conditions;
- h. Any relocation issues;
- Work performed, including the inclusion of any third party reports, to determine the reasonableness of a rehabilitation versus demolition; and
- Preservation of affordability, including any existing federal rental assistance contracts, and the impact of a rehabilitation or demolition on this federal assistance.

2. Address the following:

- a. The anticipated date of site control and whether there is any identity of interest between or among any Principal of the seller and buyer.
- b. The Ten-Year Rule.
- Current financing on the property or Project which will be assumed or paid with LIHTC equity or an MFAHousing New Mexico/MFA-administered funding source.
 e.g. paid in full vs assumed and current terms.
- d. For 9% Projects claiming points available for Rehabilitation Projects under Section III.E.3 that were previously subsidized with either 9% or 4% tax credits, proof that more than 20 years has passed since the Project was Placed In Service. (Tax-exempt bond financed Projects are excluded from this requirement, as they are not scored.)
- 3. For Projects involving demolition, provide details of what the demolition entails. e.g. interior walls, debris removal, building envelope.

All Projects that include rehabilitation must provide a CNA prepared by a professional who meets the minimum requirements set forth in MFAHousing New Mexico/MFA's Design Standards. (See Glossary for requirements.) MFAHousing New Mexico/MFA will review the CNA to determine whether it supports the Scope of Work outlined in the Application and complies with the Design Standards. The CNA is due:

- with the Initial Application for 9% Projects that were Placed In Service less than 20 years prior to the Application Deadline;
- with the Initial Application for all Projects financed with Tax-Exempt Bonds (i.e., 4% LIHTC); and
- by November 15th of the allocation year with the Carryover Application for 9% Projects that were Placed In Service more than 20 years prior to the Application Deadline.

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

MFAHousing New Mexico/MFA may require a legal opinion in the case of redeemable bond debt.

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

Finally, 9% Applicants must submit a preliminary displacement/relocation plan outlining: (i) any potential permanent, temporary or economic displacement/relocation issues; (ii) the approximate number of current tenants to be relocated; (iii) where tenants could be relocated during the rehabilitation and length of time; (iv) how displacement/relocation can be minimized, and how relocation expenses will be paid for if incurred; (v) good faith estimate of displacement/relocation costs. A final version of the displacement/relocation plan is due at the time of submission of a Carryover Application, along with a displacement/relocation assistance plan (e.g. Who will receive assistance? How much assistance will they receive? When and how will they receive their assistance? Who will provide advisory services to those displaced?)

This relocation plan must include a sample tenant letter outlining the process and informing the tenant of any potential permanent displacement due to a change in unit mix or income eligibility.

Applications for 4% LIHTC Projects must submit the final version of the displacement/relocation assistance plan, including a sample tenant letter, with the Initial Application.

K. Compliance Period and Extended Use Period (30 Year Minimum)

The initial Compliance Period for any Project is 15 years. An Extended Use Period also applies to any Project for a minimum of 15 additional years following the expiration of the Compliance Period, during which time transfers and tenant dislocation are limited as provided for in the Project's Land Use Restriction Agreement (LURA). The Project Owner shall not sell, assign, convey, transfer or otherwise dispose of the Project or any building in the Project without prior written consent of MFAHousing New Mexico/MFA during the Compliance and Extended Use Periods. For the purposes of the tax credit program, transfer of any of the ownership interests in Project Owner or Project Owner's partner(s) or member(s), as applicable, before the end of the Compliance Period shall be deemed a transfer of the Project. By agreeing to an Extended Use Period, the Project Owner and its successors and assigns agree to maintain the Project as a qualified low income housing project (as defined in Section 42(g) of the Code) through the expiration of the Extended Use Period. During the Compliance and Extended Use Periods the Project Owner is prohibited from evicting or terminating tenancy of an existing tenant of any low income Unit other than for good cause and/or increasing the gross rent with respect to a low

income Unit not otherwise permitted by the Code, as applicable throughout the entire commitment period.

By submitting an Application for an allocation of tax credits to a Project in accordance with this QAP, the Applicant and Project Owner agree to waive their right to request that MFAHousing New Mexico/MFA present a "Qualified Contract" for the Project in accordance with Code Section 42(h)(6). The Applicant and Project Owner further agree that the Extended Use Period shall not be terminated for any reason other than foreclosure (or instrument in lieu of foreclosure), in which case existing Low-income Tenants will not be evicted or charged rents in excess of tax credit rents for a period of three years following the foreclosure or transfer by instrument in lieu of foreclosure in accordance with the Code. Failure to comply with set-asides or any reduction in the number or floor space of the Set-aside Units during the Compliance Period will result in recapture, with non-deductible interest of at least a portion of the tax credits taken previously. MFAHousing New Mexico/MFA will notify the IRS if it learns of any noncompliance. The Project Owner must also make tenant income determinations and file an annual compliance statement with MFAHousing New Mexico/MFA.

L. Compliance Monitoring

As of January 1, 1992, the IRS required each HCA to write and implement a Monitoring and Compliance Plan (summarized in Section X.) MFAHousing New Mexico/MFA's plan includes a combination of Project Owner's certification of continued compliance and regular property visits for all complete LIHTC Projects. During the property visit, MFAHousing New Mexico/MFA will conduct a compliance audit and a physical inspection. The IRS has provided substantial penalties, including recapture of the tax credits plus interest, for non-compliance with the policies and procedures set forth in the Code and MFAHousing New Mexico/MFA's Tax Credit Monitoring and Compliance Plan. Monitoring and compliance fees described in Section IV.B will be assessed for each year of the Compliance and Extended Use Periods. The fees will be billed annually in December/January for the subsequent year and will be due no later than January 31. Project Owners will be given the option to pay the initial 15 years of monitoring and compliance fees at the time of Final Allocation Application. Failure to pay monitoring and compliance fees within the time frame specified in the invoice will result in MFAHousing New Mexico/MFA's filing of a "Notice of Noncompliance" (IRS Form 8823) with the IRS and the Principal(s) will be deemed ineligible for additional funding from MFAHousing New Mexico/MFA, including tax credit, for any Projects while the fees remain outstanding.

M. Eligible Basis According to Type of Activity

The "Eligible Basis" is generally the same as a Project's adjusted depreciable basis for tax purposes. Fees or points charged to obtain long-term financing, syndication costs and fees and marketing expenses are not included in Eligible Basis. These ineligible fees, costs and expenses include credit enhancement, credit origination fees, bond issuance costs, reserves for replacement, start-up costs and future operating expenses. Costs related to the acquisition of

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land, costs attributable to any commercial portion of the property and costs attributable to non-Set-aside Units that are above the average quality of the Set-aside Units in the Project are also ineligible. Additionally, Federal Grants shall not be included in a Project's Eligible Basis in accordance with the Code.

- 1. 9% Projects. Projects located in a HUD-designated Qualified Census Tract or a HUD-designated Difficult Development Area (DDA) are eligible for a 30% basis increase (basis boost). Documentation of this status must be included in the Application. Because it is determined that Development Costs may be higher in some other cases, MFAHousing New Mexico/MFA may designate other project types or geographical areas that are eligible for a state-designated basis boost up to 30%.
- 2. 4% Tax-Exempt Bond Projects. Projects located in a HUD-designated Qualified Census Tract (QCT) or a HUD-designated Difficult Development Area (DDA) may be eligible for a 30% basis increase (basis boost). Tax-exempt bond-financed projects are not eligible for any state-designated basis boost. Documentation of this status must be included in the Application. In no case will a Project's Eligible Basis attributable to the acquisition of an existing building be increased.
- 3. See Section IV.E.5. for further information and instruction on basis boosts for 9% and 4% projects.

N. Ten-Year Rule

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In order for the acquisition of an existing building to qualify for tax credits, the taxpayer must adhere to the "Ten-Year Rule," meaning that the Project Owner must acquire the building from an unrelated personPerson who has held the building for at least ten years. The 10-year requirement shall not apply to federally-assisted buildings and State-assisted Buildings. In addition, the Secretary of the Treasury can waive the 10-year "Placed In Service" limitation for buildings acquired from a federally insured depository institution that are in default, as defined by Section 3 of the Federal Deposit Insurance Act or from a receiver or conservator of such an institution. Please refer to Section 42(d) of the Code for exceptions to the Ten-Year Rule.

O. Federal Grants and Federal Subsidy

The Eligible Basis of any Project shall not include costs financed with a Federal Grant. Many federal operating and rental assistance funds are excluded from this provision, as are Native American Housing Self Determination Act (NAHSDA) funds. Please refer to Section 1.42-16(b) of the Treasury regulations for a complete list of federal assistance waived from this provision.

For the purpose of determining a Project's Applicable credit percentage, Federal Subsidy means any construction or permanent financing that is directly or indirectly financed from state or local bonds, including municipal bonds, which are tax-exempt for federal income tax purposes. The most common form of Federal Subsidy is tax-exempt bond financing. Tax-exempt bond financing

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does not require a reduction in Eligible Basis provided that the tax-exempt bond financing is greater than 50% of the aggregate basis of the land and building(s).

P. Qualified Basis According to Type of Project

The "Qualified Basis" is that portion of the Eligible Basis attributable to Low Income Units. It is calculated as the smaller of the percentage of Low Income Units in the building or the percentage of floor space devoted to Low Income Units in a building.

Q. Placed In Service Requirement

The 10-year Credit Period, 15-year Compliance Period and minimum 15-year Extended Use Period begin with the taxable year in which the building is "Placed In Service" (the time at which a building is "suitable for occupancy," which generally refers to the date of the issuance of the first certificate of occupancy for each building in the Project for new construction, Certificate of Substantial Completion for rehabilitation, or date of purchase by a new owner for acquisitions) or, at the Project Owner's election, the following taxable year.

For 9% Projects, Section 42(h)(1)(E) of the Code allows for the allocation or Carryover Allocation of tax credits to a building that is part of a new construction or rehabilitation Project, with the limitations described in Section 42(h)(1)(E), if an Applicant's qualified expenditures or actual basis in the Project, as of the date which is one year after the date that the allocation was made, is more than 10% of the taxpayer's reasonable expected total basis in the Project as of the close of the second calendar year following the calendar year in which the allocation was made. MFAHousing New Mexico/MFA requires submission of a complete Carryover Allocation Application by November 15th⁴ of the year in which the tax credit award was made and evidence of the expenditure of more than 10% of the expected basis in the Project by August 31st⁵ of the following year. A Cost Certification detailing the qualified expenditures or actual basis that make up 10% of the reasonable expected basis and a description of Applicant's method of accounting must be prepared by a Certified Public Accountant (CPA) and submitted to MFAHousing New Mexico/MFA at that time. If the complete Carryover Allocation Application, the CPA's Cost certification, the Attorney's Opinion, in the form required by MFAHousing New Mexico/MFA, regarding the qualification of the Project for tax credits and any other required materials are not received by 5:00 p.m. Mountain Standard Time on the applicable dates noted herein, the Project's credit Reservation may be canceled. Section 42(h)(1)(E) further allows for a qualified building to be Placed In Service in either of the two calendar years following the calendar year in which the allocation is made.

For 4% credits, the allocation is made upon issuance of 8609s, so the above paragraph does not apply to tax-exempt bond financed Projects.

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 $^{^{4}}$ If such date falls on a weekend or holiday, the deadline shall be the first working day following such date.

⁵ If such date falls on a weekend or holiday, the deadline shall be the first working day following such date.

R. Building Classification and Tax Credit Applicable Percentages

The tax credit's Applicable Credit Percentage (i.e., the "4%" or "9%" credits for which a Project is eligible) is determined by the type of project proposed, its use of Federal Subsidy or Federal Grants and the amount of credit necessary to reach feasibility and long-term viability. The Protecting Americans from Tax Hikes (PATH) Act of 2015 permanently fixed the floor of the 9% credit at 9%, similarly, The Consolidated Appropriations Act of 2021 permanently fixed the floor of the 4% credit at 4%. The amount of the annual tax credit is calculated to yield a present value of either 30% (in the case of 4% credits) or 70% (in the case of 9% credits) of Qualified Basis, as adjusted by MFAHousing New Mexico/MFA. Listed below are types of projects, which could be considered eligible for the tax credits and the Applicable Credit Percentage for each project type.

- 1. **New construction**. New construction Projects that are not financed by tax-exempt bonds are eligible for 9% credits. Projects financed with tax-exempt bonds are eligible for 4% credits only.
- 2. Rehabilitation of an existing building. To qualify for tax credits under the Code, rehabilitation expenditures includable in Qualified Basis must exceed the greater of 1) at least 20% of the Qualified Basis of the building being rehabilitated or 2) at least \$6,000 per low income Unit being rehabilitated. For Projects Placed In Service after 2009, the \$6,000 will be indexed for inflation. The minimum rehabilitation expenditures included in Qualified Basis for Projects Placed In Service in 2024-2025 is \$8,300 per Unit. Rehabilitation Projects that are not financed by tax-exempt bonds are eligible for 9% credits. Projects financed with tax-exempt bonds are eligible for 4% credits only.
- 3. Acquisition/rehabilitation of an existing building. The maximum Applicable Credit Percentage for acquisition of an existing building that will be subsequently rehabilitated is 4%. To qualify for tax credits for the acquisition, the Code requires that rehabilitation expenditures includable in the Qualified Basis must exceed the greater of 1) at least 20% of the Qualified Basis of the building being rehabilitated or 2) at least \$6,000 per low income Unit being rehabilitated. For Projects Placed In Service after 2009, the \$6,000 per low income Unit figure will be indexed for inflation. The minimum rehabilitation expenditures included in Qualified Basis for Projects Placed In Service in 2024-2025 is \$8,300 per Unit. Rehabilitation expenditures associated with acquisition of an existing building can qualify for the 9% tax credits as long as the rehabilitation expenditures are not funded with tax-exempt bonds. Projects financed with tax-exempt bonds are eligible for 4% credits only.
- 4. **Federal Grant financed Projects with reduction in Eligible Basis.** In the case of a Project financed with Federal Grants, whether a newly-constructed or rehabilitated building, the Project Owner shall exclude the amount of the Federal Grants from Eligible Basis.

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Commented [JR1]: This amount and the \$8,300 per unit in the following paragraph will be updated when the IRS issues the applicable notice before the end of November 2024.

S. Audit Requirements

Beginning with issuance of the Reservation Contract and Reservation Letter by MFAHousing New Mexico/MFA and during the entire term of the Compliance and Extended Use Periods, MFAHousing New Mexico/MFA reserves the right, under the provisions of the Code, the Project's LURA, and in accordance with its inherent discretion, to perform an audit or other related procedures of any Project that has received an allocation of tax credits. Projects selected for audit or other related procedures may be chosen at random or based on_MFAHousing New Mexico/MFA's discretion. An audit or other related procedure may include, but is not limited to, an on-site inspection of all buildings, and a review of all records and certifications and other documents supporting criteria for which the Project Owner received points in the Application for an allocation of tax credits. In addition, MFAHousing New Mexico/MFA reserves the right to audit all costs of a Project, including invoices, all third-party contracts, e.g., construction contract(s), management contract(s), architect and other professional contract(s), all construction pay applications and back up documentation (including, but not limited to, subcontractor invoices), and any other documents deemed necessary to perform the above.

Additionally, all Projects must maintain records of the process used to select general contractors (including any RFPs and Proposals). Written communication with selected general contractor regarding required Cost Certification upon Project completion should be retained.

T. Subsidy Layering Review

Pursuant to Section 911 of the Housing and Community Development Act of 1992, HUD is required to determine that Projects receiving tax credits and federal, state or local assistance do not obtain subsidies in excess of that which is necessary to produce affordable housing. Requests for subsidy layering reviews may be made to the HUD Field Office with a copy of the review provided to MFAHousing New Mexico/MFA. An essential component of this review is an analysis of the reasonableness of fees paid to sponsors, Project Owners, Developers and builders. Consequently, for purposes of Section 911 reviews, fees used to calculate tax credit amounts will not exceed the limits stated in Section IV.D.2 Developer and Other Fees. Some of these maximum fees allowed by MFAHousing New Mexico/MFA may exceed the "safe harbor" fee amounts that apply to Section 911 reviews. Special factors that justify these published higher fees (which do exceed "ceiling" amounts) include but are not limited to: the relatively high cost of construction and land within the state of New Mexico; the lack of state- or locally-funded soft second financing or operating subsidies; and the general inability of Local Governments to donate land and/or other services to worthy Projects due to the state's "anti-donation" clause. MFAHousing New Mexico/MFA will perform an internal Subsidy Layering Review only if required by an MFAHousing New Mexico/MFA funding source.

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MFAHousing New Mexico/MFA reserves the right to include or consider other criteria to justify exceeding safe harbor limits for fees associated with Projects requiring subsidy layering reviews. MFAHousing New Mexico/MFA also reserves the right to limit Projects to safe harbor limitations for any reason that, in its sole discretion, deems reasonable. This paragraph applies to all Projects that require subsidy layering reviews.

U. Hybrid 9%/4% Developments

Applicants wishing to combine 9% LIHTC with 4% LIHTC (where the 4% credits are not solely for acquisition of a building) pursuant to an allocation of private activity bond volume cap may do so under the following conditions.

- 1. The 9% LIHTC and 4% LIHTC portions of the development will be two separate projects, each of which has fully self-supporting financing and operations; the two portions of the development will not be cross-collateralized.
- 2. Complete separate Applications for the 9% and 4% LIHTC will be required.
- 3. Applicants proposing to build on adjacent parcels (or by splitting a parcel of land) may submit the 4% LIHTC Application concurrent with the 9% LIHTC Application or after the reservation of 9% LIHTC has been approved.
- 4. Projects that propose allocating 9% and 4% tax credits within a building through a condominium plat must submit both the 9% and 4% LIHTC Applications by the 9% Application Deadline. An application to the state board of finance for private activity volume cap will not be approved to move forward until the MFAHousing New Mexico/MFA board approves the 9% portion of the development, which shall be subject to receipt of the private activity volume cap. If MFAHousing New Mexico/MFA is the proposed bond issuer, the state board of finance application will be due upon MFAHousing New Mexico/MFA board approval of the 9% portion of the development. A reservation of tax credits for the 9% portion, if approved, will be delayed until an allocation of private activity volume cap is approved by the state board of finance.

III. Housing Priorities and Project Selection Criteria

A. Needs Analysis

This Allocation Plan is consistent with the needs analysis of the current state of New Mexico Consolidated Plan for Housing and Community Development and -Action Plan. Housing priorities stated in the Consolidated Plan include increasing the supply of decent, affordable rental housing, expanding housing opportunities and access for individuals with Special Needs, expanding the supply of housing and services to assist the homeless and preserving the state's existing affordable housing stock.

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B. Housing Priorities

The following priorities are to be used by MFAHousing New Mexico/MFA in the distribution of tax credits and are reflected in the Allocation Set-asides and Project Selection Criteria used to rank competitive Projects:

- Levels of affordability in excess of the minimum requirements, through one or more of the following:
 - a. Higher numbers of Set-aside Units; and/or
 - b. Rents set to serve lower income tenants, for example, tenants earning no more than 40% or 30% of median income; and/or
 - c. Affordability Periods longer than the 30-year minimum.
- 2. Provision of affordable housing to households on public housing waiting lists;
- 3. Maximizing leverage by obtaining other public or private non-equity program resources;
- An equitable distribution of tax credits throughout all parts of the state where affordable housing is needed;
- Provision of housing to serve documented Senior Households; Permanent Supportive units; and Tribal communities;
- 6. Nonprofit development;
- 7. Production of housing with high quality design and construction;
- 8. Production of Projects that are located in QCTs and which Projects contribute to the development of a Concerted Community Revitalization Plan;
- 9. Provision of housing that is energy efficient; and
- Efficient use of scarce resources including tax credits, measured through lower Development Costs or other means.

C. Minimum Project Threshold Requirements

All tax credit Applications must meet each of the following requirements, in addition to the eligibility requirements of the Code. MFAHousing New Mexico/MFA will use the deficiency correction process as described in Section IV.C.5 to allow Applicants to correct deficiencies related to site control, zoning, fees, and market studies (requirements 1-4 below.) All other threshold requirements are not correctable and Initial Applications not meeting those requirements will be rejected. Applications not meeting site control, zoning, fee requirements, and market studies will be rejected if they are not corrected within the time period allowed in Section IV.C.5.

1. Site control.

- a. Site control for all of the property needed for the Project must be evidenced by:
 - A fully executed and legally enforceable purchase contract or purchase option and/or a written governmental commitment to transfer or convey the property to the Applicant or Developer or Project Owner by deed or lease that demonstrates Applicant or Developer or Project Owner will possess a

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Qualified Leasehold Interest upon execution of the lease, (collectively termed a "transfer commitment"). If a transfer commitment is submitted, the commitment must provide for an initial term lasting at least until June 30 of the year in which the allocation is made ("initial term.") This initial term must not be conditioned upon any extensions requiring seller consent, additional payments, financing approval, tax credit award or other such requirements. Similarly, the transfer commitment must not require any additional actions on behalf of Applicant during the initial term which could allow the seller/lessor to terminate the transfer commitment if the action is not fulfilled by Applicant. If the transfer commitment requires an escrow payment or other deposit due and payable after signing, evidence that payment was received must be included in the Initial Application; or

- A recorded deed or recorded lease demonstrating that Applicant possesses a Qualified Leasehold Interest.
- b. Site Control evidence and the Application materials must show exactly the same names, legal description and Acquisition Costs. (Exception: In the case of To Be Formed partnerships, the relationship between the parties must be shown.) All signatures, exhibits and amendments must be included to be considered complete.
- c. For 9 percent projects, at 10% test submission (August 31 of the year following the Reservation), Project Owner must submit evidence that they have taken ownership of the land or depreciable real property or has executed a lease for the land (and buildings if applicable) with a term extending at least three years beyond that of any agreed upon Affordability Period. For tribal projects, this includes a fully executed Master lease and sublease with evidence of filling with the Bureau of Indian Affairs.
- 2. Zoning. Evidence that the current zoning of the proposed site(s) does not prohibit multifamily housing must be submitted. The evidence must indicate the specific address or location of the site, if no address has been assigned, for the proposed Project and be dated no more than six months prior to the Application Deadline. This requires that multifamily projects not be prohibited by the existing zoning of the proposed site and that there is no pending litigation, pending variance, or unexpired appeal process relating to the zoning of the proposed site. Projects sited on land which is not zoned or which is zoned agricultural, are exempt from this threshold test, but must obtain zoning approval and deliver evidence of it to MFAHousing New Mexico/MFA no later than November 15th of the year of the Reservation.
- 3. Fees. All fees owed to MFAHousing New Mexico/MFA for all Projects in which Principal(s) of the proposed Project participate must be current. Fees currently due and owing must be received by MFAHousing New Mexico/MFA by the date due.

4. Market study. A Market Study must be submitted at Application and completed by a vendor meeting the requirements agreed upon in the Market Study Professional Certification document, found at http://housingnm.org/developers/developer-resources/market-study-requirements. The market study itself must meet the requirements and follow the methodologies identified in the Market Study Parameters and have been issued within 180 days of the Application submission. All market studies must be issued to MFAHousing New Mexico/MFA as the designated user. The market study must address and meet the following requirement*:

Subject Capture Rate. The market study must provide a Capture Rate, as defined in the Glossary, for the proposed Project overall, as well as Capture Rates for each targeted income level and bedroom count. The overall Capture Rate for a Project must not exceed 10%. This rate may be the subsidized rate if subsidies are secured at the time of application.

*Tribal and Projects reserved for Seniors are exempt from meeting the Capture Rate level, but they must submit a Market Study meeting the requirements outlined in the Market Study Parameters document within the Application materials, and the Market Study must indicate a need for the type and quantity of housing proposed.

If the Market Study as submitted is not sufficient, there may be an additional Market Study ordered by MFAHousing New Mexico/MFA. The cost of this MFAHousing New Mexico/MFA-ordered Market Study will be covered by the Applicant through the design deposit Direct Cost Fee invoiced with a Deficiency Correction described in Section IV.C.5 submitted at Application, with any overage billed to owner. It is MFAHousing New Mexico/MFA's sole discretion whether or not the Market Study is sufficient.

5. Applicant eligibility. All members of the development team (i.e., Developer, Project Owner, General Partner, contractor, management company, consultant(s), architect, attorney and accountant, etc.) of the proposed Project must be in good standing with MFAHousing New Mexico/MFA and all other state and federal affordable housing agencies. For example, debarment from HUD, MFAHousing New Mexico/MFA or other federal housing programs, bankruptcy, criminal indictments or convictions, poor performance on prior MFAHousing New Mexico/MFA or federally-financed Projects (for example, late payments within the 18-month period prior to the Application Deadline, misuse of reserves and/or other Project funds, default, fair housing violations, noncompliance (e.g., with the terms of LURAs on other Projects), or failure to meet development deadlines or documentation requirements) on the part of any proposed development team member or Project Owner or other Principal may result in rejection of an Application by MFAHousing New Mexico/MFA. In addition, Housing New Mexico/MFAMFA will consider a Principal's progress made with previous tax credit Reservations, including timeliness in delivering required documents and fees and meeting

all required deadlines. The Developer, Project Owner, General Partner, contractor, management company, consultant(s), and architect are required to sign an affidavit affirming they have no related party relationships; or, that all related party relationships have been properly disclosed. The form of this affidavit can be found at Tab 1h of the 2024-2025 Universal Rental Development Application on MFAHousing New Mexico/MFA's website. Additionally, a visual diagram of the relationship of the related parties must be submitted, if applicable.

Financial feasibility. Applications must demonstrate, in <u>MFAHousing New Mexico/MFA</u>'s reasonable judgment, the Project's financial feasibility. Please refer to <u>Section IV.C.2</u>, <u>Section IV.D</u> and <u>Section IV.E.4</u> and 5 requirements pertaining to <u>MFAHousing New Mexico/MFA</u>'s financial feasibility considerations.

7. Pre-Application Requirements.

- a. Intent to Submit
 - i. The entire Application Package is due at noon on January 2122, 20242025. Before then, Applicants must submit an Intent to Submit a Tax Credit Application and Development Synopsis on or before December 20, 20232024. This submission is a mandatory requirement for the 2024 2025 competitive LIHTC Application round. Information contained within the Intent to Submit will be posted on the Housing New Mexico/MFAMFA website following submission.
 - ii. All tax-exempt bond financed Projects are required to submit an Intent to Submit a Tax Credit Application and Development Synopsis at least 30 days prior to submitting their Application in order to insure timely processing to meet other bond issuance deadlines.
- b. MFAHousing New Mexico/MFA allows all Applicants for the 2024-2025 competitive LIHTC Application round to meet with MFAHousing New Mexico/MFA staff to discuss their Project (staff is not able to discuss scoring but is available to discuss underwriting issues and gap financing questions). Meetings must take place ahead of the FAQ closing date. All tax-exempt bond financed Projects are encouraged to meet with MFAHousing New Mexico/MFA staff at least 30 days prior to submission to review and discuss the proposed Project.
- c. A representative of the development team (Board member, officer, director, commissioner or staff) must have attended the most recent MFAHousing New Mexico/MFA QAP training prior to submitting the Application. If the development team includes a qualified, nonprofit organization, NMHA, TDHE or THA, a member of that organization must have attended as well to claim points under Project Selection Criteria 1.

Projects financed with tax-exempt bonds may attend an alternative MFAHousing New Mexico/MFA-approved tax credit training, for which a fee may apply. This approved training must have been completed within the six months prior to submittal of the Application.

Additional minimum Project threshold requirements apply to tax-exempt bond financed Projects, as described in **Section VI.**

D. Allocation Set-asides

- 1. Nonprofit set-aside. Ten percent (10%) of the Annual Credit Ceiling for each calendar year will be reserved for Projects sponsored by Qualified Nonprofit Organizations as defined in Code Section 42(h)(5)(C). For purposes of this set-aside, only federal requirements identified in Code Section 42(h)(5) will apply. The aggregate amount of tax credits allocated by MFAHousing New Mexico/MFA to Qualified Nonprofit Organizations may exceed this amount.
- 2. Underserved Populations set-aside. Twenty percent (20%) of the Annual Credit Ceiling will be set aside for Underserved Populations as defined in this section. 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. The aggregate amount of tax credits allocated by MFAHousing New Mexico/MFA to Projects meeting the set-aside requirement may exceed this amount. Any decision to award tax credits within the Underserved Populations set-aside lies solely within MFAHousing New Mexico/MFA's inherent discretion and is not subject to further review. Awards under this set-aside may be made to the highest scoring Project(s) that falls in any of the following categories:
 - a. Permanent Supportive Housing (PSH) Projects that meet the following requirements:
 - i. The Project must meet threshold requirements within the Households with Special Housing Needs Housing Priority and agree to provide voluntary Case Management Services to residents.*
 - ii. All service coordination and budget requirements must be sufficient to provide proposed services to all PSH residents,
 - iii. 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**,
 - v. PSH residents must have individual leases with identical requirements and protections as other low-income or market rate residents,
 - vi. PSH Units must cover 25% or more of the total Unit count, and

- vii. Project-Based Vouchers or other Federal operating subsidy must be in place or secured for 75% or more of the PSH Units in the Project.
- viii. The Application includes a preliminary Memorandum of Understanding (MOU) between the Project Owner and service provider(s) that describes the service provider's expertise to provide the proposed services (with a minimum of three years of experience providing that service to the targeted population), the planned description and delivery of services, and the staff capacity to provide ongoing case management.
 - * Competing in the Underserved Populations set aside as a PSH Project does not automatically result in points in the Households with Special Housing Needs Priority scoring category. Services must be selected and all required scoring items met in order to receive points in that category.
 - **All Projects will be required to submit a PSH Commitment to Quality checklist (Tab 15c of the 2024 2025 MFAHousing New Mexico/MFA Universal Rental Development Application) with the Application and annually following the award.
- b. Tribal Projects. Projects that are located within a Tribal Trust Lands boundary.
- 3. Ranking to meet Allocation Set-asides. The highest scoring, Qualified Nonprofit Organization Eligible Project will be funded first. If there are insufficient Qualified Nonprofit Organization Eligible Projects to meet the nonprofit set-aside, the unallocated nonprofit set-aside tax credits cannot be allocated to other Eligible Projects. A similar procedure will be used to meet the Underserved Populations set-aside, following the fulfillment of the nonprofit set-aside; however, if there are insufficient Underserved Populations Eligible Projects to meet the Underserved Populations set-aside, any unallocated set-aside tax credits may be used for other Eligible Projects.

Tax-exempt bond financed Projects are not subject to the above Allocation set-aside considerations.

E. Project Selection Criteria to Implement Housing Priorities

The criteria shown below are the basis for the awarding of points to a particular proposed Project during the Application round(s) conducted by MFAHousing New Mexico/MFA. Applicants may not rely on prior submissions or prior scoring to support a re-submission of an Application. In addition to meeting the above mentioned threshold requirements, tax credit Reservations will not be awarded to 9% Projects achieving fewer than fifty-three (53) points unless too few Projects score above this level and MFAHousing New Mexico/MFA, in its reasonable judgment, decides to reduce the minimum score. Projects scoring fifty-three (53) or

more points will be ranked according to their scores and in accordance with Section II.C. herein, subject to Allocation set-aside requirements. Reservations will be made to these Projects, unless they are eliminated under threshold review or subsequent processing, starting with the highest scoring Projects, all in accordance with Section II.C. herein, until all available tax credits are used. In order to avoid a concentration of tax credit awards in a particular year in any particular municipality, county or market area, MFAHousing New Mexico/MFA reserves the right, in its sole discretion and as a part of its subsequent processing, to eliminate a lower scoring Project which is located in the same municipality, county or market area as a higher scoring Project provided the lower scoring Project is "similar" in terms of construction type and/or resident population served.

Other than the criteria that include scaled-point structures, partial points will not be awarded.

Within each scoring track/category, if two or more Projects with equal scores (each a "tied Project") would require more than the available tax credits, the tied Project with the lower Total Development Cost per Unit will be selected first for an award of credits. If too few tax credits are available to make a full award of credits to any tied Project, MFAHousing New Mexico/MFA will determine in its discretion whether to award a partial allocation, to commit future year's tax credits to the Project in accordance with Section VIII, to award no tax credits at all to any tied Project or to choose some combination of these options.

Regardless of strict numerical ranking, the scoring does not operate to vest in an Applicant or Project any right to a Reservation or tax credit allocation in any amount. MFAHousing New Mexico/MFA will, in all instances, reserve and allocate tax credits consistent with its sound and reasonable judgment, prudent business practices and the exercise of its inherent discretion. Consequently, MFAHousing New Mexico/MFA may reject any Project that MFAHousing New Mexico/MFA deems to be inconsistent with the objectives of this QAP or prudent business practices regardless of the Project's numerical ranking.

Tax-exempt bond financed Projects will not be required to meet a minimum score to obtain a Letter of Determination. Tax-exempt bond financed Projects must meet and agree to all of the following mandatory criteria in order to be eligible for 4% non-competitive tax credits:

- Serve a targeted population (Households with Special Housing Needs, Households with Children, or Projects Reserved for Seniors) and meet the applicable threshold requirements OR meet the requirements for the Underserved Populations set-aside, as described in Section III.D.
- 2. Achieve a Smoke-Free at Home Certification of Platinum or Gold;
- 3. Meet all of 2024 2025 Mandatory Design Standards for Multifamily Housing (including HERS ratings), unless granted a waiver;
- 4. Must be located within a 15-minute drive (as demonstrated through Google Maps) to a facility in which fresh produce is available (or demonstrate that a full-scale supermarket within a 15-minute drive is part of an approved master plan to be developed);
- 5. Market Study must indicate a vacancy rate in the Primary Market Area of less than 10%;

- 6. Must market to local Public Housing Authorities;
- 7. Include a preference for Veterans in the Tenant Selection Criteria.
- 8. The level of rehabilitation (as applicable) must be at least a Moderate Rehabilitation as defined in the Glossary (Section XI of this QAP.)
- 8.9. Project must meet all Housing New Mexico/MFA underwriting standards in this QAP and the current Housing New Mexico/MFA Underwriting Supplement for Multifamily Projects.

If there is insufficient private activity bond volume cap allocation available to finance all tax-exempt bond financed Projects, between January and June or July and November, Housing New Mexico/MFA, in its sole discretion, shall prioritize the Project(s) that demonstrate greater capacity to begin construction sooner, by issuing draft 42(m) letter(s) in the order of that priority, First priority will go to Projects that demonstrate that Permit Ready Drawings (i.e., construction plans) and specifications have been submitted to the local jurisdiction for approval, Projects that exceed the available private activity bond volume cap will receive a draft 42(m) letter after the prioritized Projects are issued the volume cap that is currently available.

Project Selection Criterion,

 Nonprofit, New Mexico Housing Authority (NMHA), local Tribally Designated Housing Entity (TDHE), or Tribal Housing Authority (THA) Participation

Tier 1: Local nonprofits (as that term is defined in this criterion below), NMHAs, TDHEs and THAs that demonstrate financial capacity by having net worth/net assets of at least \$1,000,000 will qualify for five points. Nonprofits, NMHAs, TDHEs and THAs with net worth/net assets below \$1,000,000 may partner with another **entityEntity** to increase the General Partners' combined net worth above this threshold.

Tier 2: Local nonprofits, NMHAs, TDHEs and THAs which have net worth/net assets of at least \$250,000 will qualify for three points. In addition, qualified, nonprofit organizations that do not meet this criterion's definition of "local nonprofit" but demonstrate strong financial capacity by having net worth/net assets of at least \$2,000,000 will qualify for three points.

For any entity Entity to claim points under this Project Selection Criterion:

• The qualified, nonprofit organization, NMHA, TDHE or THA must own at least 51% of the General Partner interest.

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Tier 1: 5 points

Tier 2: 3 points

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- The Application must commit to providing the qualified nonprofit organization, NMHA, TDHE or THA, or government agency a First Right of Refusal described in IRC Section 42(i)(7) using MFAHousing New Mexico/MFA's form of Right of First Refusal Agreement. The Right of First Refusal Agreement must be recorded upon closing of equity; a copy must be submitted with the Placed In Service package by August 31st of the year following Carryover.
- The qualified, nonprofit organization, NMHA, TDHE or THA must receive a minimum of 10% of the developer fee as identified in the Project Application. The developer fee calculation is made before any reduction for consultant fees. When more than one entityEntity is receiving a portion of the developer fee, documentation will be required evidencing the agreement among the entities as to the fee split arrangement.
- Also, the Application must include evidence that a representative of the qualified, nonprofit organization, NMHA, TDHE or THA (board member, officer, director, commissioner or staff) has attended the most recent <u>MFAHousing New Mexico/MFA</u> QAP training prior to submitting the Application.

Net worth/net assets must be substantiated by accountant-reviewed or audited year-end financial statements for each General Partner whose financials are being relied upon to meet the minimum net worth/net assets. A for-profit partner entity reviewed financial statements may be used to achieve net worth/net assets thresholds.

Local nonprofit means a qualified, nonprofit organization that has a board of directors that is comprised of a majority of New Mexico residents at the time the Application is submitted and was incorporated in New Mexico before January 1 of the year in which the Application is submitted.

2. Locational Efficiency

Up to 6 points

Projects located in proximity and connected to 1) services or 2) public transportation are eligible for up to six points in total.

In addition to completing the *Locational Efficiency Scoring Worksheet* included in the Application Package, separate maps for each amenity and location of transportation claimed for points must be submitted. Each of the maps shall be used to illustrate the Project compliance with the Locational Efficiency criteria. **Maps must show, scale, cardinal direction, and actual walking distance from site to each amenity and public transportation stop with a dotted line.**

Proximity to Services (2 Points)

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Locate the Project within these set distances from the designated number of facilities in the table below:

General: a 0.5-mile walk distance to at least three facilities, or a 1-mile walk distance to at least six facilities. For the 0.5-walk distance facilities, at least one of these facilities must be a supermarket, farmers market or other food store with produce. For the 1-mile walk distance facilities, at least two of these facilities must be in the Retail or Services categories below and one must be a supermarket, farmers market or other food store with produce. **Rural / Tribal:** A 5-mile walk/drive distance to at least two facilities. At least one of these

facilities must be a supermarket, farmers market or other food store with produce.

Projects seeking to use **Rural / Tribal** Locational Efficiency criteria must provide a map indicating the location of the proposed Project. Rural Projects are defined as any Project outside of the

defined Urban Areas as defined in the Glossary, Section XI. Initial Applications that do not include a map demonstrating eligibility for **Rural / Tribal** classification will be scored using the **General** Locational Efficiency criteria.

Retail	Services	Civic and Community Facilities
Supermarket	Bank	Adult or senior care (licensed)
Other food store with	Gym, health club,	Child care (licensed)
produce	exercise studio	Community or recreation center
Farmers market	Hair care	Cultural arts facility (museum,
Clothing store or	Laundry, dry cleaner	performing arts)
department	Restaurant, cafe, diner	Educational facility (including K-12 school,
store selling clothes		university, adult education center,
Hardware store		vocational school, community college)
Pharmacy		Entertainment venue (theater, sports)
Other retail		Government office that serves public on-site
		Place of worship
		Medical clinic or office that treats patients
		Police or fire station
		Post office
		Public library
		Public park
	<u> </u>	

Access to Public Transportation (2 or 4 Points)

General and Rural / Tribal (2 points) Locate Project within a 0.5-mile walk distance of commuter bus (i.e. not Greyhound) or commuter rail stop. Public transportation must be established and

provided on a fixed route with scheduled service. Alternative forms of transportation may be acceptable provided sufficient documentation is provided that establishes the alternate form of transportation is acceptable to MFAHousing New Mexico/MFA. For example, Projects on tribal land with established "on call" transportation programs that provide the users a choice of local destinations, regardless of their residency in the Project, shall be considered "public transportation." A future promise to provide service does not satisfy this Project Selection Criterion.

Frequent Transportation (4 points) Locate Project within a 0.25-mile walk distance of commuter bus stop. Public transportation must be established and provided on a fixed route with frequent scheduled service (defined as: any series of three or more single direction stops more frequent than every 1 hour, Monday - Friday).

3. Rehabilitation Projects

Up to 5 Points

The Project Selection Criterion applies to the rehabilitation of low-income apartment Units or the conversion of market rate apartment Units to low-income Units. These scoring points are not available in a combined new construction and rehabilitation Project wherein the Application is categorized as new construction as discussed in Section II.J.

To be eligible for points under this criteria, Projects must incur average rehabilitation Construction Costs of \$25,000 per Unit or more for Moderate Rehabilitation or \$45,000 per Unit or more for Substantial Rehabilitation (*see* Section XI Glossary for definitions), and more than 20 years must have elapsed since issuance of certificates of occupancy or the Units were Placed In Service and/or it has been 20 years since the Project's prior rehabilitation utilizing tax credits as a source of funding was finished and those Units were Placed In Service (together, this prerequisite is referred to as the "20-year requirement.") A CNA will be required at Carryover for rehabilitation Projects that are eligible for points under this scoring criterion. The CNA will be reviewed and must support the Scope of Work outlined in the Application. Professionals performing the CNA must meet the minimum qualification/certification requirements set forth by MFAHousing New Mexico/MFA as defined in the Design Standards. (Rehabilitation Projects are also subject to the Qualified Basis limits outlined in Sections II.R.2. & 3.)

For rehabilitation Projects meeting the above threshold criteria, the following points are available for a Project that exceeds the 20-year requirement as follows:

- ≥ 21 years 1 point
- ≥ 23 years 2 points
- ≥ 25 years 3 points
- ≥ 27 years 4 points
- ≥ 29 years 5 points

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Applicants must submit at time of Application sufficient documentation to establish that it satisfies the 20-year requirement with respect to the age of the Project or date of completion of last rehabilitation utilizing tax credits as a source of funding. This documentation may be in the form of certificate(s) of occupancy or property tax records. In the case of a Project with a previous tax credit allocation, the completed Form 8609's (with Part II First Year Certification completed) and recorded LURA must be submitted at the time of Application.

These points can be awarded in conjunction with points under sustaining affordability.

MFAHousing New Mexico/MFA reserves the right to request additional information or documentation regarding the Scope of Work.

4. Sustaining Affordability

6, 8, 10 Points

- A. Projects which meet one of the criteria listed below are eligible for 10 points:
 - 1. Previously subsidized existing Projects that are currently restricted, but for which use restrictions are to expire on or before December 31, 2028 or
 - 2. Existing Projects that are currently subsidized and eligible for prepayment and termination of their use agreement or LIHTC projects that are eligible to make a Qualified Contract request or
 - 3. Existing Projects that are at imminent risk of conversion to market rate or
 - 4. Projects currently without federal rental assistance that will have a new federal rental assistance contract covering at least 75% of all Units.
- B. Projects that have an existing federal rental assistance contract covering at least 75% of all Units (or those Projects utilizing a conversion of existing federal rental assistance) are eligible for eight points.
- C. Projects that have or will have a federal rental assistance contract covering at least 20% of all Units are eligible for six points.

All Projects must document the proposed rents. Projects with existing federal rental subsidies (CoC, RD, HUD HAP) who propose post-rehabilitation rents in the Initial Application must document the anticipated rents with a Rent Comparability Study submitted with the Initial Application. Projects not requesting post-rehabilitation rents in the Initial Application may use the current OCAF-based rents or published payment standards based on current FMRs.

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Anticipated federal rental subsidies (CoC, RD, NAHASDA etc.) must be similarly documented as fully secured to the Project itself, including the number of project-based vouchers allocated to the Project, in order to score under this criterion.

For example, anticipated federal rental assistance contracts from housing authorities must show they are adequately secured through the presentation of specific items:

- 1. A copy of the PHA administrative plan which describes the selection procedures for owner submission of PBV and for PHA selection of PBV proposals
- 2. A copy of the published public notice of the PBV proposal selected
- 3. If the proposal selected is for PHA-owned units, a copy of the HUD field office or HUD-approved independent entityEntity's determination that the PHA-owned units were appropriately selected

(If the proposal is selected based on a previous competitive award, MFAHousing New Mexico/MFA would require documentation that the proposal meets the criteria for selection without additional competition.)

5. Income Levels of Tenants

12, 14 or 16 points

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An Application may qualify for up to sixteen (16) points for rent and income restricting a Project for the Affordability Period at the levels identified below:

- A. For any Project located within an Urban Area that proposes to use either the 20-50 or 40-60 election under \$42(g)(1)(A) or \$42(g)(1)(B) of the Code, respectively:
 - At least 40% of all low-income units at 50% or less of Area Median Income (16 points);
 - At least 30% of all low-income units at 50% or less of Area Median Income (14 points);
 or
 - At least 25% of all low-income units at 50% or less of Area Median Income (12 points).
- B. For any Project not located within an Urban Area that proposes to use either the 20-50 or 40-60 election under \$42(g)(1)(A) or \$42(g)(1)(B) of the Code, respectively:
 - At least 25% of all low-income units at 50% or less of Area Median Income (16 points);
 - At least 15% of all low-income units at 50% or less of Area Median Income (14 points*);
 or
 - At least 10% of all low-income units at 50% or less of Area Median Income (12 points*).
 [*Projects choosing the 20-50 election are not eligible for these point categories]
- C. For any Project located within an Urban Area that proposes to use the Average Income election under §42(g)(1)(C) of the Code:

- The Average Income for the proposed Project will be 54% or lower (16 points);
- The Average Income for the proposed Project will be 55% or lower (14 points); or
- The Average Income for the proposed Project will be 56% or lower (12 points).
- D. For any Project not located within an Urban Area that proposes to use the Average Income election under \$42(g)(1)(C) of the Code:
 - The Average Income for the proposed Project will be 55% or lower (16 points);
 - The Average Income for the proposed Project will be 56% or lower (14 points); or
 - The Average Income for the proposed Project will be 57% or lower (12 points).

Those Projects electing the Average Income Election must include at least 5% of their Units above 60% of Area Median Income.

Projects that receive points under Income Levels and utilize the Average Income election may not receive points under Project Selection Criterion No. 6 below.

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6. Projects that Incorporate Market Rate Units

2 Points

Projects that incorporate Market Rate Units equal to at least 15% of the total Units.

Projects that utilize the Average Income election above may not receive points under Projects that Incorporate Market Rate Units.

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7. Projects Committed to a longer Extended Use Period

5,8 Points

Projects committing to at least a 35-year Affordability Period (15-year initial Compliance Period plus at least a 20-year Extended Use Period) are eligible for 5 points. This election must be indicated on the Universal Rental Development Application.

<u>Projects committing to permanent affordability (i.e., in perpetuity) are eligible for 8 points. This election must be indicated on the Universal Rental Development Application.</u>

If the Project site will be leased, refer to Section III.C.1. for site control requirements.

Page

8. Households with Special Housing Needs Housing Priority Up to 108 Points

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Due to restrictions within the USDA program, this Project Selection Criterion is not available to Projects involving USDA-RD rental assistance.

Projects are eligible for points if 20% or more of total Units are reserved for Households with Special Housing Needs (see definition in Glossary). To be eligible for points under this option, at least 10% of the total Units in the Project must be rent restricted at 30% of Area Median Income (AMI) or have secured (at time of application) permanent rental subsidy support with a project-based federal rental assistance contract that ensures residents do not pay rent in excess of 30% of their adjusted income.

Part I: Threshold Requirements

Applicants requesting consideration for points for a Project in which Units are reserved for Households with Special Housing Needs (Project Selection Criterion No. 8) are required to submit a Service Coordination Plan, which Plan demonstrates satisfaction of items A, B, C and E below. In addition to supplying the Plan, Applicant shall certify to MFAHousing New Mexico/MFA that it will meet the reporting requirements of Section D below.

A. Service Coordination-

- A minimum of four hours per week of onsite Service Coordination provided by the service coordinator for properties up to 20 Units, with an additional one hour per week for every five Units over 20. Service coordinator must be in addition to the property manager and property management site staff. Duties of the service coordinator include, but are not limited to:
 - a. Providing residents with information about available onsite and community services;
 - b. Assisting residents in accessing available services through referral and advocacy;
 - c. Arranging for access to transportation; and
 - d. Organizing community-building and/or other enrichment events for residents (i.e. holiday events, resident counsel, etc.)
- 2. Adequate space to meet with residents that provides for confidential conversations and maintenance of secure records.
- Access to telephone and internet services when meeting with residents for the purpose of coordinating services. Use of a smart phone and tablet is acceptable.

- 4. Meeting with residents requiring services within 60 days of move-in and semi-annually thereafter.
- 5. Provide follow up as needed to address residents' needs.

B. Coordinated Services-

- 1. Immediately following the issuance of a certificate of occupancy, implementation of at least two services/programs to be offered on a monthly or quarterly basis, onsite, online, or in close proximity to the Project (within 0.5-mile ADA compliant walking distance or with free transportation provided.)
- 2. Services must be provided to residents at little or no cost. Services may not be provided by property management staff. In limited circumstances some services may be provided by the service coordinator. Appropriate services will do one or more of the following:
 - a. Increase resident knowledge of and access to available services.
 - b. Help residents maintain stability and avoid eviction.
 - c. Build life skills.
 - d. Increase household income and assets.
 - e. Increase health and wellbeing.
 - f. Improve educational success of children and youth.
- 3. **Examples** of services that meet the threshold requirement are listed below, but other services will be considered. One of the two services must be provided at least quarterly by qualified personnel.
 - b. Literacy/language training;
 - c. Personal safety (fire, identity theft, scams, drug awareness, self-defense, etc.);
 - d. Financial fitness (budgeting, money management, credit counseling, entitlement assistance/benefits counseling, etc.);
 - e. Income and asset building (job coaching, homebuyer education);
 - f. Life skills (communication skills, conflict resolution/mediation training, training in personal hygiene, self-care and housekeeping, etc.).

Note that any services selected to meet threshold for this Project Selection Criterion shall not be eligible for any of the eight points described in Part II below.

4. Conduct an annual survey regarding need for and satisfaction or dissatisfaction with the service coordination, including coordinated services.

C. Marketing -

- Applicants shall provide a narrative explaining how Units will be marketed and made available to Households with Special Housing Needs. This plan shall describe the following:
 - a. The manner in which all proposed marketing and outreach will be performed and encouraged in connection with locating and confirming Special Housing Needs applicants, including any assistance to be provided in connection with the Application process, move-in process and resident's rights education.
 - b. The process for maintaining and updating a waiting list of Special Housing Needs applicants eligible to reside in a Special Housing Needs Unit.
 - How the Project will liaise with a Special Housing Needs applicant/resident in order to facilitate communication to help residents maintain stability and avoid eviction.
- 2. Project Applicant shall agree that Special Housing Needs Units shall not be rented to other non-Special Housing Needs households unless the Unit has been marketed by the Project Owner and/or Management Company for 30 days from Placed In Service or Substantial Completion date, date notice to vacate is received for occupied Units, or date vacancy was established when no notice was received.

D. Reporting Requirements-

- 1. Project Owners will be required to submit an annual certification of:
 - a. The number of hours of onsite Service Coordination and coordinated services provided.
 - b. The number of residents served by each, and
 - c. The results of the annual survey.
- 2. Project Owners will be responsible for ensuring that property managers maintain:
 - a. Agreement for services on file, if any,

- Evidence that the services are being provided (i.e., sign-in sheets, letters/memos to residents advertising the event/service, service logbook and/or activity reports, etc.), and
- c. Evidence of efforts taken to market and attract Special Housing Needs applicants as promised in Item C. Marketing (i.e., proof/copies of advertisements, evidence of outreach to organizations/non-profits working with Special Housing Needs populations, etc.).
- E. Service Coordination Plan and Budget The proposed Project annual operating budget must include sufficient costs to cover the selected services and be detailed out in the submitted budget for serving this Households with Special Housing Needs Housing Priority.

Part II: Scoring Points Available

(up to 8 points):

Applicants may choose from the following services to qualify for up to 8 points services.	for providing-			
Food pantry - onsite, or contiguous and accessible to the property and of adequate size with reasonably sufficient quantities of food, both perishable and non-perishable.	2			
Free transportation services to support medical and social service needs – minimum 2 days per week. Bus passes are not sufficient to satisfy this scoring item.	5	-		
Health promotion/disease prevention/wellness classes or blood pressure or other health screening- provided at least every two months onsite and provided by a qualified service provider. Any health services must be provided by a licensed individual or organization. Examples include substance abuse counseling, crisis prevention and intervention, mental health counseling/therapy, etc.	3			
Quarterly on-site or online security awareness training (social media safety, phishing, vishing, smishing, pretexting, password safety, fake login pages, suspicious emails, VPNs, PII, QR Codes, and other scams)	1			
Case management services – provided onsite by a qualified service provider to a majority of the Special Housing Needs residents on a voluntary and asneeded basis but at least quarterly.	5	'	Formatted: Font: Lato	
Other - MFAHousing New Mexico/MFA approved service. Must be approved by MFAHousing New Mexico/MFA in writing one month before Application	1-2 Points each as	'	Formatted: Font: Lato	

due date and will be posted on the FAQ section of the MFAHousing New Mexico/MFA website.

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• For services provided by a qualified service provider, Application must include an MOU between the Project Owner and the service provider(s) describing their expertise with providing services, a detailed description of planned services and how they will be delivered, and the staff capacity for providing ongoing case management. Qualified service providers shall have a minimum of three years of experience providing a service or assistance to person_Person_s with Special Housing Needs. This MOU must be updated to include a detailed description of the roles and responsibilities of the Project Owner, the Management Agent, and the Qualified Service Provider prior to the 50% completion meeting.

For services provided by an Aaffiliate of the developer, Application must include a
narrative describing the applicant's expertise with providing services, a detailed
description of planned services and how they will be delivered, and the qualifications of
staff providing direct services and their qualifications to provide ongoing case
management. The Aaffiliate of the developer providing services shall have a minimum of
three years of experience providing a service or assistance to person Person with Special
Housing Needs.

Prior to the 50% completion meeting described in Section IV.G.7, MFAHousing New Mexico/MFA will require a detailed MOU between the Project Owner, Property Management Agent and Qualified Service Provider who must meet to plan for the implementation of the service plan and provide minutes of the meeting that describe how property management and service staff will work together to ensure proper service delivery. A Service Coordination Checklist is available on MFAHousing New Mexico/MFA's website.

Recognizing that circumstances change over time, the plan may evolve as needs of residents and market conditions change. Project Owner must obtain MFAHousing New Mexico/MFA approval prior to instituting changes to the plan, and the new services must provide a similar level of service to the residents.

Services must be optional for residents residing in reserved Units. Any cost for services must be accounted for separately from rent.

The Household with Special Housing Needs Housing Priority requirement and any additional services committed to by Applicant will be enforced through a provision in the LURA. Services must be provided throughout the Affordability Period and must not allow for more than a 30-day gap in services provided. Project Owner must notify MFAHousing New Mexico/MFA within seven days of the termination of service agreements/contracts. Recognizing that circumstances change over time, the Service Coordination Plan may evolve as the needs of residents and market conditions change. Project Owner must obtain MFAHousing New Mexico/MFA approval

prior to instituting changes to the plan, and the new services must provide a similar level of service to the residents. The Project will be determined out of compliance if the requirements of the LURA are not met (e.g., if a new service contract is not timely executed or services are altered without MFAHousing New Mexico/MFA's advance approval). The Project Owner will be required to maintain a file containing contracts with qualified service providers and other third-party qualified personnel, documentation of when and where services were provided, and documentation of time spent both on-site and off-site by the qualified service provider or other third-party qualified personnel.

All Projects shall comply with federal Fair Housing requirements. Any limitation or preference must not violate nondiscrimination requirements. A limitation does not violate nondiscrimination requirements if the Project also receives funding from a federal program that limits eligibility to a particular segment of the population (e.g., Housing Opportunity for Persons Living with AIDS program, the Section 202 and Section 811 programs or the Housing for Older Persons Act).

Projects must include appropriate space reserved for the delivery of any third-party services, such as a private office with secure file storage space (if client files are to be stored on-site), to be eligible for points under this Project Selection Criterion.

9. Projects Reserved for Seniors Housing Priority

Up to 10 Points

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These points benefit Projects specifically designated as Senior Housing. "Senior Housing" means Projects that qualify for an exemption from familial status discrimination under the Fair Housing Act. To qualify for this exemption, Projects must be:

- Provided under any state or federal program that HUD has determined to be specifically designed and operated to assist elderly personPersons (as defined in the state or federal program); or
- Intended for, and solely occupied by person 62 years of age or older; or
- Intended and operated for occupancy by person-Persons 55 years of age or older in compliance with the Housing for Older Persons Act (HOPA), 24 CFR Part 100 Final Rule.

Applicants are required to submit Fair Housing Act Certification for Senior Housing Facilities.

In addition to MFAHousing New Mexico/MFA's Mandatory Design Standards, new construction Projects must include central common areas that can be used for resident activities and serving meals with an adjoining kitchen area. (Provision of meals is not required. See scoring chart below.)

Housing priority points will be awarded based on the Project first meeting the requirements above. Additional points may be awarded for enrichment service activities as listed below. To receive points under this housing priority, the Project Owner must certify that a service coordinator will be on-site a minimum of two days per week for a cumulative minimum of ten hours per week and the Project must include adequate common space for the provision of the proposed enrichment services. The service coordinator must be in addition to the property manager. Enrichment services must be implemented within the first 90 calendars days following the issuance of a certificate of occupancy, optional to the residents, offered on-site and be actively linked to the Project, not simply available to the community at-large (e.g., senior center) unless the on-site space where the program is held qualifies as a community service facility under the Code. The proposed Project annual operating budget must include sufficient costs to cover the selected services and be provided in detail within the submitted budget for serving this Projects Reserved for Seniors Housing Priority.

The Applicant must indicate in the Initial Application which enrichment services will be provided, including a list of any proposed fees for services. Fees must be reasonable in MFAHousing New Mexico/MFA's sole determination. Where necessary, Project Owners must provide executed contracts with qualified service providers when the Project is Placed In Service. Contracts with service providers must include: 1) a description of the service(s) to be provided including frequency, 2) acknowledgement that service(s) will be provided on-site and 3) list the amount of any fee for service(s) provided. MFAHousing New Mexico/MFA will not issue IRS Form(s) 8609 unless Project Owner demonstrates, to MFAHousing New Mexico/MFA's sole satisfaction, that enrichment services are being delivered as committed to in the Initial Application. MFAHousing New Mexico/MFA, at its sole discretion, may allow substitution of enrichment services as deemed appropriate by MFAHousing New Mexico/MFA.

Recognizing that circumstances change over time, the services provided may evolve as the needs of residents and market conditions change. Project Owner must obtain MFAHousing MEM Mexico/MFA approval prior to instituting changes to the services delivered, and the new services must provide a similar level of service to the residents.

This housing priority requirement and any additional enrichment services committed to will be enforced through a provision in the LURA. Sample LURA's are available upon request which Applicants are encouraged to review. Services must be provided throughout the Affordability Period and must not allow for more than a 30-day gap in service. Project Owner must notify MFAHousing New Mexico/MFA within seven days of the termination of service agreements/contracts. The Project will be determined out of compliance if the requirements of the LURA are not met (e.g., if a new service contract is not timely executed or services are altered without MFAHousing New Mexico/MFA's advance approval.) The Project Owner will be required to maintain a file containing contracts with service providers, documentation of when and where services were provided, documentation of resident marketing and outreach and documentation of time spent on-site by the service coordinator. All documentation must be easily auditable for compliance. Services must be optional for residents. Any cost for services

must be separated from rent. Management must conduct an annual survey regarding need for and satisfaction or dissatisfaction with the service coordination, including coordinated services.

Additionally, there will be the following reporting requirements:

- a. The number of hours of onsite Service Coordination and coordinated services provided,
 - b. The number of residents served by each, and
 - c. The results of the annual survey.

All Projects shall comply with Federal Fair Housing requirements. Any limitation or preference must not violate nondiscrimination requirements. A limitation does not violate nondiscrimination requirements if the Project also receives funding from a federal program that limits eligibility to a particular segment of the population (e.g., Housing Opportunity for Persons Living with AIDS program, the Section 202 and Section 811 programs or the Housing for Older Persons Act).

For Project Owner-provided services, Project Owner must provide sufficient documentation, in MFAHousing New Mexico/MFA's sole discretion, of Project Owner's experience and ability to provide the services, including any past experience in providing said services.

These points may not be combined with points for Households with Children Housing Priority or Households with Special Housing Needs Housing Priority.

Housing priority and design requirements met (must be met to be eligible for further points in this category)	Required			
Community building and all Units incorporate Universal Design (must be evidenced in plans and specifications)	3 points			
Service enrichment scoring (requires service coordinator for point awards):				
Providing one prepared meal on a daily basis, available to all tenants at little or no cost to tenants	2 points (congregate meals)			
	1 point (meal service)			
Bi-monthly health and nutrition education. Examples include, but are not limited to, fitness classes, walking programs, seminar instruction on cooking for one, information on the Supplemental Nutrition Assistance Program (SNAP.)	1 point			
Quarterly blood pressure or other health screening	1 point			
Quarterly computer-technology training (setting up smart phones and wearable health trackers, tablet instruction, social media	1 point			

training, computer training, internet browsing, taking and sharing photos, downloading apps, assessing online privacy, technology setup assistance such as connecting modems)	
Social events designated to provide engaging activities for residents "build community" such as holiday potlucks, arts and crafts events, book clubs, creative writing, bingo and other games, field trips to the movies or a museum or other place of interest, etc. Bi-monthly or six per year. This must include alternative methods for socializing incorporating social distancing. (qualified service provider not required)	1 point
Beyond Financial Literacy – financial counseling and tax preparation- educational programs to occur quarterly and focus on one or more of the following topics: budget counseling, financial planning assistance, credit score counseling, avoiding credit traps, income tax preparation in partnership with CPAs or a VITA program or local community college.	1 point
Gardening: delivery of at least four monthly gardening classes per year during the growing season by a qualified instructor plus provision of gardening space of at least three square feet per Unit for at least 50% of the Units in the Project.	1 point
Estate Planning and End of Life Planning – educational programs to occur quarterly and focus on one or more of the following topics: 1) estate planning 101 – what is and do you need the following: advance health care directive (living will;) durable power of attorney for healthcare and HIPAA release; durable power of attorney for finances; a will and revocable living trust; 2) What is hospice and does Medicare cover this?; 3) Probate: what is it and how to avoid it; and 4) funeral planning.	1 point
Semi-annual on-site eligibility screening and/or application assistance for Medicaid and/or Medicare	1 point
Quarterly on-site or online security awareness training (social media safety, phishing, vishing, smishing, pretexting, password safety, fake login pages, suspicious emails, VPNs, PII, QR Codes, and other scams)	<u>1 point</u>
Other - MFAHousing New Mexico/MFA approved service. Must be approved by MFAHousing New Mexico/MFA in writing one month before Application due date and will be posted on the FAQ section of the MFAHousing New Mexico/MFA website.	1-2 Points each as deemed appropriate

10. Households with Children Housing Priority Up to 8 Points

Projects in which 25% of all Units are reserved for Households with Children are eligible for points as described below:

In addition to meeting MFAHousing New Mexico/MFA's Mandatory Design Standards, for new construction Projects, at least:

- 10% of the total Units must have three or more bedrooms with at least two bathrooms, one of which must contain four pieces (bathtub, shower (or bathtub/shower combo), sink, and toilet) and the other must contain at least three pieces (sink, toilet and bathtub or shower)
- and a further 15% of the total Units must have two bedrooms with at least two
 bathrooms, one of which must contain four pieces (bathtub, shower (or bathtub/shower
 combo), sink, and toilet) and the other must contain at least three pieces (sink, toilet and
 bathtub or shower).

For rehabilitation Projects, at least:

• 30% of the total Units must have at least two bedrooms.

For Projects that combine rehabilitation and new construction:

- All newly constructed two- and three or more bedroom Units must have two bathrooms, one of which must contain four pieces (bathtub, shower (or bathtub/shower combo), sink, and toilet) and the other must contain at least three pieces (sink, toilet and bathtub or shower)
- Two- and three or more bedroom Units must be added until the percentages required for new construction Projects are met for the Project overall.

All Projects must include adequate common space for the provision of the proposed enrichment services. The Applicant must provide a description of the Project's specific design elements that serve the needs of Households with Children.

Housing priority points will be awarded based on the Project meeting the requirements above, through the selection of enrichment service activities as listed below. To receive points under this housing priority, the Project Owner must certify that a service coordinator will be on-site a minimum of two days per week for a cumulative minimum of ten hours per week. The service coordinator must be in addition to the property manager. Enrichment services must be implemented within 90 calendar days following the issuance of a certificate of occupancy, optional to the residents, offered on-site and be actively linked to the Project, not simply available to the community at-large (e.g., Head Start) unless the on-site space where the program is held qualifies as a community service facility under the Code. The proposed Project annual operating budget must include sufficient costs to cover the selected services and be detailed out in the submitted budget for serving this Households with Children Housing Priority.

The Applicant must indicate in the Initial Application which enrichment services will be provided including a list of any proposed fees for services. Fees must be reasonable in MFAHousing NewMexico/MFA's sole determination. Where necessary, Project Owners must provide executed

contracts with qualified service providers with the Placed In Service Application. Contracts with service providers must include: 1) a description of the service(s) to be provided including frequency, 2) indicate that service(s) will be provided on-site and 3) specify any fee for service(s) provided. MFAHousing New Mexico/MFA will not issue IRS Form(s) 8609 unless the Project Owner demonstrates, to MFAHousing New Mexico/MFA's sole satisfaction, that enrichment services are being delivered as committed to in the Initial Application. MFAHousing New Mexico/MFA, at its sole discretion, may allow substitution of enrichment services as deemed appropriate by MFAHousing New Mexico/MFA.

Recognizing that circumstances change over time, the services provided may evolve as the needs of residents and market conditions change. Project Owner must obtain MFAHousing New Mexico/MFA approval prior to instituting changes to the services delivered, and the new services must provide a similar level of service to the residents.

The housing priority requirement and any enrichment services committed to will be enforced through a provision in the LURA. Services must be provided throughout the Affordability Period and must not allow for more than a 30-day gap in service. Project Owner must notify MFAHousing New Mexico/MFA within seven days of the termination of service agreements/contracts. The Project will be determined out of compliance if the requirements of the LURA are not met (e.g., if a new service contract is not timely executed or services are altered without MFAHousing New Mexico/MFA's advance approval.) The Project Owner will be required to maintain a file containing contracts with service providers, documentation of when and where services were provided, and documentation of time spent on-site by the service coordinator. Management must conduct an annual survey regarding need for and satisfaction or dissatisfaction with the service coordination, including coordinated services.

Additionally, there will be the following reporting requirements:

- a. The number of hours of onsite Service Coordination and coordinated services provided,
 - b. The number of residents served by each, and
 - c. The results of the annual survey.

All Projects shall comply with Federal Fair Housing requirements. Any limitation or preference must not violate nondiscrimination requirements. A limitation does not violate nondiscrimination requirements if the Project also receives funding from a federal program that limits eligibility to a particular segment of the population (e.g., Housing Opportunity for Persons Living with AIDS program and Section 811 programs).

For Project Owner-provided services, Project Owner must provide sufficient documentation, in MFAHousing New Mexico/MFA's sole discretion, of Project Owner's experience and ability to provide the services, including any past experience in providing said services.

These points may not be combined with points for Projects Reserved for Seniors Housing Priority or Households with Special Housing Needs Housing Priority.

Housing priority and design requirements met (must be met to be eligible for further points in this category)	Required			
Service enrichment scoring (requires service coordinator for point awards):				
Bi-monthly health and nutrition education, including but not limited to, fitness classes, walking programs, seminar instruction on meals in minutes.	1 point			
Semi-annual CPR training	1 point			
Quarterly blood pressure or other health screening	1 point			
Quarterly computer technology training (setting up smart phones and wearable health trackers, tablet instruction, social media training, computer training, internet browsing, taking and sharing photos, downloading apps, assessing online privacy, technology set-up assistance such as connecting modems)	1 point			
Quarterly on-site or online security awareness training (social media safety, phishing, vishing, smishing, pretexting, password safety, fake login pages, suspicious emails, VPNs, PII, QR Codes, and other scams)	<u>1 point</u>			
Weekly tutoring during school year	1 point			
Quarterly job training, search assistance and/or placement	1 point			
Gardening: delivery of at least four monthly gardening classes per year during the growing season by a qualified instructor plus provision of gardening space of at least three square feet per Unit for at least 50% of the Units in the Project.	1 point			
Food resources program: a monthly program offering two of the following: 1) assistance and referral with applications for SNAP, (USDA), 2) youth summer lunch program (USDA) (daily when school is not in session) or 3) after-school snack program twice a week.	1 point			
Youth character building: a program occurring at least quarterly that will provide teens with group education covering a range of topics including drug prevention, self-defense, safe internet behavior, nonviolence and teen dating, teambuilding, goal setting, basic teen financial literacy and referral to job training and alternative education resources.	1 point			
Beyond financial literacy: financial counseling and tax preparation; educational programs to occur quarterly and focus on one or more of the following topics: budget counseling, financial planning assistance, credit score counseling (restoring credit and avoiding credit traps), homebuyer education and down payment assistance, income tax preparation in partnership with a certified public accountant or VITA program or community college.	1 point			

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Other - MFAHousing New Mexico/MFA approved service. Must be approved by MFAHousing New Mexico/MFA in writing one month before Application due date and will be posted on the FAQ section of the MFAHousing New Mexico/MFA website.

1-2 Points each as deemed appropriate

11. Leveraging Resources

Up to 10 Points

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Up to 10 points are available for eligible contributions to the Project described in this Project Selection Criterion. Points awarded shall correspond to the percentage of Total Development Cost (TDC) contributed. Only whole points will be awarded with the point value rounded down to the nearest percentage point; thus at least 1% of TDC must be contributed. For example, a Project that provides leverage of 2.3% of TDC, is eligible for two points, a Project that provides leverage of 5.7% of TDC is eligible for five points, etc., up to 10 points. The value of the contribution must be listed as a source on Schedule A-1 and, when not a cash contribution, as a cost on Schedule A.

Any percentage of contribution claimed, for which points are awarded, will continue to be monitored and tested by MFAHousing New Mexico/MFA and shall be satisfied during the life of the Project, until issuance of Form 8609(s).

The following contributions are eligible if they do not include any form of hard debt and they are irrevocably and permanently contributed to the project. Soft debt may not include any required payments during the Affordability Period (see definition in Glossary) and may not include a higher interest rate than the Applicable Federal Rate in effect when the loan is closed.

• <u>Unrelated private third party with no ownership interest in the project or affiliation with</u> the developer:

Cash grant: submit a copy of the formal resolution of the third-party's board of directors or other controlling party irrevocably binding the grantor to contribute a specific amount of cash with no obligation for repayment, which may only be conditioned upon receipt of a LIHTC reservation.

Donated land and/or buildings: submit a copy of the formal resolution of the third-party's board of directors or other Ceontrolling party along, a title report evidencing that the unrelated private third party owns the land and/or building(s) with an "As-is" appraisal evidencing the value of the donation dated no earlier than six months prior to the Application date that was completed by an MAI appraiser licensed in New Mexico. The value in the appraisal that will be acceptable for points must assume that any existing use restrictions will remain in place. The entire value of the vacant land or developed land with improvements must be donated to earn points.

• General Partner:

Deferred Developer Fee: submit a letter from the general partner confirming the amount of the developer fee to be deferred. To be eligible for points, the pro forma (as confirmed by MFAHousing New Mexico/MFA) supports repayment of deferred fee by year 15. Any deferred fee that cannot be repaid in 15 years will not be considered a contribution and will not count in Eligible Basis.

Donated land and/or buildings: submit a copy of a contract binding the general partner to donate the land and/or building(s) that is conditioned only upon receipt of a LIHTC reservation, a title report evidencing that the general partner owns the land and/or building(s) and an "As-is" appraisal evidencing the value of the donation dated no earlier than six months prior to the Application date that was completed by an MAI appraiser licensed in New Mexico. The value in the appraisal that will be acceptable for points must assume that any existing use restrictions will remain in place. The entire value of the vacant land or developed land with improvements must be donated to earn points.

Loaned Sales Proceeds: submit a copy of a contract binding the general partner to loan the entire proceeds from the sale of the land and (if existing) building(s) to the Project's owner Entity (Partnership) at an interest rate that does not exceed the Applicable Federal Rate as of the date of transfer to the Partnership with no payments until the 15-year Compliance Period has expired. The contract may only be conditioned upon receipt of a LIHTC reservation. In addition, submit a title report evidencing that the general partner owns the land and/or building(s) and an "As-is" appraisal evidencing the value of the land and (if existing) building(s) dated no earlier than six months prior to the Application date that was completed by an MAI appraiser licensed in New Mexico. The value of the appraisal that will be acceptable for points must assume that any existing use restrictions will remain in place.

• Government (federal, state or local government):

Cash or soft loans not requiring payment during the Affordability Period: submit a letter from the government entityEntity awarding the funds that includes the amount and terms of the funding along with evidence that the award has been approved by the applicable government (such as city council meeting minutes) contingent only upon receipt of a reservation of LIHTC.

Construction permit fee waivers: submit a letter signed by an authorized representative of the Local Governmental entityEntity describing the legal basis for imposing the permit fee(s) and the amount of the permit fee(s) to be waived.

Land and/or buildings: submit a copy of the contract contributing the land and/or building(s) between the governmental entityEntity and the developer or the proposed project owner (if duly formed) along with an "As-is" appraisal evidencing the value of the

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land and/or buildings dated no earlier than six months prior to the Application date that was completed by an MAI appraiser licensed in New Mexico. The value in the appraisal that will be acceptable for points must assume that any existing use restrictions will remain in place and include the value of any leasehold interest, if applicable. Contributions may be in the form of:

- o donation of an entire parcel of land and any improvements thereon;
- lease of an entire parcel of land through the Extended Use Period for a nominal amount (i.e., \$1 per year).
- Local tribal governmental entityEntity, tribal housing entityEntity or tribal council:

Cash or soft loans not requiring payment during the Affordability Period: submit a letter from the tribal entityEntity awarding the funds that includes the amount and terms of the funding along with evidence that the award has been approved by the applicable tribal government entityEntity (such as tribal council resolution) contingent only upon receipt of a reservation of LIHTC.

Contributions of Native American Trust Land: to claim points insert a certified copy of the tribal council resolution. Contributions of Native American Trust Land qualify for five points.

The following contributions do not qualify for points under this Project Selection Criterion:

- Tax abatements
- Cost paid by prior owner to remediate land and/or buildings (or other similar cost)
- Tax-exempt bond financing
- MFAHousing New Mexico/MFA funding requiring hard debt payment during the Affordability Period (e.g., HOME, NM Housing Trust Funds, federal Housing Trust Fund)
- Non-verifiable or non-measurable sources not based upon an existing fee schedule (e.g., in-kind contributions)
- · Any source requiring any hard debt payment during the Affordability Period
- Contributions made more than two years prior to the Application Deadline
- Donations of the proceeds of a loan of a capitalized lease payment

12. Complete Applications

3 Points

Points are awarded to Initial Applications that meet all the standards described in Section IV.A.4 under "Content and Format" when initially submitted and that do not require any deficiency corrections. In addition, the following are necessary for a Complete Application: (i) The 2024 MFA Universal Rental Development Application and Schedules must be fully completed and contain accurate and consistent information/data, including, but not limited to, accurate and complete information contained in any Schedule, with required signatures and the "other"

categories; (ii) Applicant shall adhere to MFA's published Underwriting Supplement, unless a waiver has been granted by MFA, when completing the 2024 MFA Universal Rental Development Application and Schedules; (iii) all information contained in the Application Package must match and be consistent with all other information in the Application Package, including, but not limited to, square footages in the 2024 MFA Universal Rental Development Application and Schedules and Architect's drawings and specifications; (iv) the electronic Application Package must be legible; and (v) any narratives submitted must be accurate, complete and concise and contain the requested information.

13.12. Marketing Units to Households Listed on Public or Indian Agency Waiting Lists

2 Points _ - - Formatted: Font color: Custom Color(RGB(0,145,143))

Projects providing a commitment to market the Units to households listed on public or Indian housing agency waiting lists are eligible for points under this criterion. A letter to the PHA or TDHE which serves the jurisdiction of the proposed site verifying this commitment is required to obtain points for this criterion.

14.13. QCT/Concerted Community Revitalization Plan
3 or 5 Points

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Projects are eligible for 3 points if:

a) the Project is located in an area covered by a Concerted Community Revitalization Plan and the development of the proposed Project contributes to the Concerted Community Revitalization Plan by engaging in a housing activity promoted in the plan. A Concerted Community Revitalization Plan is defined as a metropolitan redevelopment plan as defined in NMSA 1978 Section 3-60A-4 prepared andor other formal plan covering a defined subarea of the jurisdiction that includes the project site that has been enacted or adopted by a local, county or tribal government prior to the Application Deadline. For Projects located on sovereign tribal lands, "Concerted Community Revitalization Plan" means a written plan similar in content and affect to a metropolitan redevelopment plan as defined in NMSA 1978 Section 3-60A-4, prepared and enacted by a tribal government prior to the Application Deadline, which identifies barriers to community vitality and promotes specific concerted revitalization activities within an area having distinct geographic boundaries; or

b) the proposed Project is located within 0.5 mile of a New Mexico designated MainStreet area or a State-Designated New Mexico Arts and Cultural District.

The Project is eligible for an additional 2 points if eligible for these 3 points (above) and it is located in a QCT.

For scattered site projects, all of the scattered sites comprising the Project need to be located in a QCT and/or located in an area covered by a Concerted Community Revitalization Plan, and all sites must contribute to the Plan to be eligible for points.

Lists of New Mexico designated MainStreet areas and State-Authorized New Mexico Arts and Culture Districts can be found at https://www.nmmainstreet.org/program-directory/.

15.14. Projects with Units Intended for Eventual Tenant Ownership
Points

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Projects in which all the Units are intended for eventual tenant ownership are eligible for points under this criterion, Projects are limited to single family, duplex, four-plex or townhome style projects, that may be easily separated from other Units.

The Project must be designed and designated at the time of Application for eventual home ownership and demonstrate that the design will meet the subdivision and building code requirements, including fire department requirements of the Local Government that exist at the time of the Carryover Allocation Request Deadline, as evidenced by a letter from the Local Government. All Units must be individually-metered utilities and located on public streets. This commitment will be evidenced by submission of a long-range Tenant Conversion Plan at Initial Application and will be documented in the LURA.

The following conditions generally apply:

- Intention to convert must be expressed in writing at the time of Application;
- Applicant must submit a comprehensive plan that includes, but is not limited
 to, provisions for repair or replacement of heating system, water heater, and
 roof prior to sale; limitation on equity upon subsequent sales; homeownership
 classes for potential homebuyers; and requirements for extent of stay in
 rental Unit to be eligible for purchase;
- · Purchaser must occupy Unit as primary residence;
- Units must be initially marketed to existing rental residents, including residents in Market Rate Units. Remaining Units not sold to existing renter households must be sold to households earning 80% or less of AMI; and

The Tenant Conversion Plan, which must be reasonably acceptable to MFAHousing New Mexico/MFA in order to receive points under this category, must be implemented on or before one (1) year prior to the termination of the Compliance Period. Please see definition of Tenant Conversion Plan in Section XI. These points may not be awarded in combination with points under Projects Committed to an Extended Use Period.

16.15. Projects with Historic Significance **Points**

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Projects certified on the National Register of Historic Places (i.e., meeting the criteria for Part 1 Approval for Historic Tax Credits) are eligible for points under this criterion. For scattered site projects, the total Gross Square Footage Feet of the Historic Property must equal or exceed 10% of the proposed total project Gross Square Footage Feet.

If federal Historic Tax Credits are included in the financing structure of the Project, evidence that the National Park Service has received a complete Historic Certification Application - Part 2 for the Project must be included in the Project Owner's Carryover Allocation Application.

17.16. Blighted Buildings and Brownfield Site Reuse **Points**

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Projects that include the demolition of Blighted building(s) or the remediation and reuse of a Brownfield site are eligible for points under this criterion. Blighted building(s), by the definition in the Glossary, must be demolished. The square footage of the demolished Blighted Building must account for at least 10% of the Gross Square Feet of the entire completed Project. For scattered site projects, the total Gross Square Footage-Feet of the Blighted Buildings must equal or exceed 10% of the proposed total new construction Gross Square FootageFeet. Points in this criterion cannot be combined with points under Rehabilitation Projects.

Blighted Building(s): To receive points in this criterion, the Application must include a letter from the Local Government Building Division stating the proposed site meets the requirements of the

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QAP for blight. In the event that the Local Government will not issue a determination of blight, the Applicant must provide a letter from the Local Government stating the Local Government's policy, a third party report indicating that the site meets the QAP's definition of Blighted Building (see Glossary), and the Applicant must provide documentary support such as notices of violation of: (1) Local Government's codes or regulations or, (2) the recorded covenants, conditions and restrictions for the property or, (3) a condemnation notice from public record. The Application must also include photos of the blighted structure, neighborhood, or area. MFAHousing New Mexico/MFA reserves the right to determine whether or not the site meets these requirements. The Applicant must also include a demolition budget.

Brownfield: To receive points in this criterion, the Application must include the Phase II Environmental Site Assessment, remediation budget and plan detailing the proposed work.

18.17. Efficient Use of Tax Credits

1, 3, 5 Points

For purposes of this Project Selection Criterion, new construction Projects include Adaptive Reuse Projects.

Tribal and PSH Pprojects:

- New construction Tribal or PSH Projects that request <u>less than</u> \$21,73428,772 tax credits per low-income Unit and <u>less than</u> \$22.4626.95 tax credits per low-income square foot are eligible for 5 points.
- New construction Tribal or PSH Projects that request less than \$23,90730,452 tax credits per low-income Unit and less than \$24.6329.56 tax credits per low-income square foot are eligible for 3 points.
- New construction Tribal or PSH Projects that request less than \$21,73428,772 tax credits per low-income Unit or less than \$22.4626.95 tax credits per low-income square foot are eligible for 1 point.
- Substantial Rehabilitation Tribal or PSH Projects that request <u>less than</u> \$19,01826,673 tax credits per low-income Unit and <u>less than</u> \$19.6423.57 tax credits per low-income square foot are eligible for 5 points.

- Substantial Rehabilitation Tribal or PSH Projects that request less than \$20,92028,143 tax credits per low income Unit and less than \$21.5625.87 tax credits per low income square foot are eligible for 3 points.
- Substantial Rehabilitation Tribal or PSH Projects that request <u>less than</u> \$19,01826,673 tax credits per low income Unit or <u>less than</u> \$19.6423.57 tax credits per low income square foot are eligible for 1 point.
- Moderate Rehabilitation Tribal or PSH Projects that request <u>less than \$16,30024,572</u> tax credits per low income Unit and <u>less than \$16.8520.22</u> tax credits per low income square foot are eligible for 5 points.
- Moderate Rehabilitation Tribal or PSH Projects that request <u>less than</u> \$17,93025,833 tax credits per low income Unit and <u>less than</u> \$18.4722.16 tax credits per low income square foot are eligible for 3 points.
- Moderate Rehabilitation Tribal or PSH Projects that request <u>less than \$16,30024,572</u> tax credits per low income Unit or <u>less than</u> \$16.8520.22 tax credits per low income square foot are eligible for 1 point.

PSH Projects

- New construction PSH Projects that request less than \$28,772 tax credits per lowincome Unit.
- New construction PSH Projects that request less than \$30,452 tax credits per lowincome Unit.
- Substantial Rehabilitation PSH Projects that request less than 26,673 tax credits per lowincome Unit.
- Substantial Rehabilitation PSH Projects that request less than 28,143 tax credits per lowincome Unit.
- Moderate Rehabilitation PSH Projects that request less than 24,572 tax credits per lowincome Unit.
- Moderate Rehabilitation PSH Projects that request less than 25,833 tax credits per lowincome Unit.

All OTHER projects Non-PSH Projects comprised of at least 80% efficiency and one-bedroom

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- New construction Projects that request <u>less than</u> \$20,78928,049 tax credits per low-income Unit and <u>less than</u> \$21.4826.95 tax credits per low-income square foot are eligible for 5 points.
- New construction Projects that request <u>less than</u> \$22,86729,656 tax credits per low-income Unit and <u>less than</u> \$23.5629.56 tax credits per low-income square foot are eligible for 3 points.
- New construction Projects that request <u>less than</u> \$20,78928,049 tax credits per low-income Unit or <u>less than</u> \$21.4826.95 tax credits per low-income square foot are eligible for 1 point.
- Substantial Rehabilitation Projects that request <u>less than</u> \$18,19126,040 tax credits per low-income Unit and <u>less than</u> \$18.7823.57 tax credits per low-income square foot are eligible for 5 points.
- Substantial Rehabilitation Projects that request <u>less than</u> \$20,01027,447 tax credits per low-income Unit and <u>less than</u> \$20.6325.87 tax credits per low-income square foot are eligible for 3 points.
- Substantial Rehabilitation Projects that request <u>less than</u> \$18,19126,040 tax credits per low-income Unit or <u>less than</u> \$18,7823.57 tax credits per low-income square foot are eligible for 1 point.
- Moderate Rehabilitation Projects that request <u>less than</u> \$15,59224,030 tax credits per low-income Unit and <u>less than</u> \$16.1220.22 tax credits per low-income square foot are eligible for 5 points.
- Moderate Rehabilitation Projects that request <u>less than</u> \$17,15125,236 tax credits per low-income Unit and <u>less than</u> \$17.6722.16 tax credits per low-income square foot are eligible for 3 points.
- Moderate Rehabilitation Projects that request <u>less than</u> \$15,59224,030 tax credits per low-income Unit or <u>less than</u> \$16.1220.22 tax credits per low-income square foot are eligible for 1 point.

All OTHER projects:

- New construction Projects that request less than \$28,049 tax credits per low-income
 Unit and less than \$25.78 tax credits per low-income square foot are eligible for 5 points.
- New construction Projects that request less than \$29,656 tax credits per low-income
 Unit and less than \$28.27 tax credits per low-income square foot are eligible for 3 points.
- New construction Projects that request less than \$28,049 tax credits per low-income
 Unit or less than \$25.78 tax credits per low-income square foot are eligible for 1 point.

- Substantial Rehabilitation Projects that request less than \$26,040 tax credits per lowincome Unit and less than \$22.54 tax credits per low-income square foot are eligible for 5 points.
- Substantial Rehabilitation Projects that request less than \$27,447 tax credits per lowincome Unit and less than \$24.76 tax credits per low-income square foot are eligible for 3 points.
- Substantial Rehabilitation Projects that request less than \$26,040 tax credits per low-income Unit or less than \$22.54 tax credits per low-income square foot are eligible for 1 point.
- Moderate Rehabilitation Projects that request less than \$24,030 tax credits per lowincome Unit and less than \$19.34 tax credits per low-income square foot are eligible for 5 points.
- Moderate Rehabilitation Projects that request less than \$25,236 tax credits per lowincome Unit and less than \$21.20 tax credits per low-income square foot are eligible for 3 points.
- Moderate Rehabilitation Projects that request less than \$24,030 tax credits per low-income Unit or less than \$19.34 tax credits per low-income square foot are eligible for 1 point.

For the purpose of this criterion, low-income square footage means the sum of each building Gross Square Feet multiplied by the Project's Applicable Fraction and includes the Gross Square Footage Feet of common space allocated to low-income use. Square footage of commercial space, garages and structured parking are excluded for the purposes of this calculation.

Applicants may request less credits than the project is otherwise eligible for to obtain points in this category, however, projects must meet underwriting guidelines for financial feasibility. Projects which were awarded points for the Efficient Use of Credits Project Selection Criteria may not apply for additional tax credits if circumstances change unless the subsequent Application results in the same scoring range under Efficient Use of Credits when combined with the scoring range in the Initial Application. In other words, a subsequent request for additional tax credits shall not be granted if Applicant received points for the Efficient Use of Credits in a prior round and now exceeds the efficient use of credits scoring ranges when evaluating both Applications as one single Application. An exception to this is in the event of a Casualty, in which case additional tax credits may be considered. See Section III.G. for additional requirements concerning supplemental tax credits and the definition of a Casualty.

Non-Smoking Properties 19.18.

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Points

Both 9% LIHTC and 4% LIHTC Projects are required to participate in the New Mexico Smoke-Free at Home program. More information on the Certification programs may be found at https://www.smokefreeathomenm.org/get-certified-today/. In order to receive Certification, Applicants will be required to complete three steps as detailed on the Smoke-Free at Home website, including the submission of a Letter of Intent, a Lease Addendum, and a Violation Policy. Projects are eligible for scoring points as follows provided the Certification described below is obtained and proof of certification is submitted with the Project's 8609 Application:

- Projects agreeing to participate and obtain the Smoke-Free at Home NM Platinum Certification (new construction Projects which do not allow any smoking or use of electronic cigarettes at any time on any part of the property) (6 points);
- (ii) Projects agreeing to participate and obtain the Smoke-Free at Home NM Gold Certification (applies to, rehabilitation and/or Adaptive Reuse Projects and no smoking or use of electronic cigarettes is permitted at any time on any part of the property) (6 points);
- (iii) Projects agreeing to participate and obtain the Smoke-Free at Home NM Silver Certification (applies to new construction, rehabilitation and/or Adaptive Reuse Projects and does not allow smoking or use of electronic cigarettes inside any of the Units and common areas, nor within 25 feet of all entry ways and windows of the building. (4 points)

The Project must have appropriate space for the provision of smoking cessation classes.

20.19. Adaptive Reuse Projects **Points**

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Projects which will involve the conversion of an existing building that was not initially constructed for residential use to multifamily residential rental Units (i.e., apartment units) are eligible for two points. Projects involving the conversion of motel rooms, hotel rooms, dormitories, convents, etc. are considered Adaptive reuse and not rehabilitation.

In combined new construction and Adaptive Reuse Projects, converted space must account for at least 20% of the sum of each Building's Gross Square Feet. The separation of conversion costs and new Construction Costs must be designated in the Application on separate Schedule A and D (i.e., the Application must include a Schedule A and D for the entire Project, a Schedule A and

D for the rehabilitation/conversion costs and a Schedule A and D for the new Construction Costs.) All schedules must reconcile.

Projects eligible for points for Rehabilitation Projects are not eligible for points under this criterion.

21.20. Underserved Communities 9 Points

Up to

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Up to nine additional points are available to a Project meeting any one or more of the following criteria:

- (i) The Project involves newly constructed Units totaling 35 Units or less, and does not contain any rehabilitation or Adaptive reuse in Project scope and the Market Study supports need for the Project (3 points); or
- (ii) The Project is to be located in a town, municipality, or Census Designated Place (CDP) with a population less than 16,000 people pursuant to data published by the 2020 U.S. Census Bureau, and the Market Study supports need for the Project (3 points);
- (iii) The Project is to be located in a town or municipality with no "active" LIHTC Projects.

 "Active" is defined as a town or municipality for which a LIHTC award (9% as evidenced by a reservation letter and inclusion of MFAHousing New Mexico/MFA's list of 9% projects on its website and/or 4% LIHTC as evidenced by issuance of a 42(m) letter and inclusion on MFAHousing New Mexico/MFA's list of 4% projects posted on its website on or before the Application Due Date) was made in the last five (5) calendar years and the Market Study supports need for the Project (3 points);

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22.21. Other Scoring Points Available
9 Points

Up to

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Up to nine additional points are available to a Project meeting any one or more of the following criteria:

- (i) Deep Affordability:
 - a. The Project is not in the housing priority for Households with Special Housing Needs and targets extremely low income residents, which includes income and rent restricting at least 5% of total Units in the Project to residents earning 30%

Page

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or less of Area Median Income, for which no federal assistance is existing or anticipated or

b. For Projects in the Special Housing Needs housing priority category, the Project restricts an additional 5% of the total Units in the Project to residents earning 30% or less of Area Median Income, which Units may have permanent rental subsidy support with a project-based federal rental assistance contract that ensures residents do not pay rent in excess of 30% of their adjusted income.

In either case, Applicants must indicate on the Application form and Schedule B, Unit Type and Rent Summary, the applicable Units will be rent restricted at 30% of AMI (or include a copy of the federal rental assistance contract that covers at least the minimum percentage of the total Units if in the Special Housing Needs housing priority category). (3 points)

- (ii) Project's resident selection criteria contain a preference for active duty, Honorably Discharged, or retired US military Veterans (3 points);
- (iii) Women and/or Minorities (see Glossary) are encouraged to participate in the ownership, development, or management of the Project. The Minority or female individual(s) must serve as either:
 - a. The General Partner, manager or managing member of the Ownership Entity or Responsible Owner, must have at least a 50% ownership interest in the Ownership Entity or Responsible Owner or
 - Must have at least 50% ownership interest in the participating business to qualify for the points. These businesses include any members of the development team (i.e. contractor, management company, consultant(s), architect, attorney and accountant, etc.) or
 - Minority or female individuals must comprise at least 50% of the board of directors of the entityEntity which qualifies the Project for points under Project Selection Criterion 1 above.

The name and address of the company and the anticipated contract amount or ownership percentage must be listed at the time of Application on the form provided by MFAHousing New Mexico/MFA in the Application Package in order to be eligible. (3 points)

F. Additional Credits for Projects with Partial Allocations

If an Applicant receives a partial allocation in a given round and requests additional credits in a subsequent round, the minimum Project threshold requirements and the Project Selection Criteria for scoring used in the initial allocation year will be applied to the evaluation of the Project in the subsequent allocation year. The Project's ranking relative to Initial Application year Projects will be determined by calculating the Project score as a percentage of the highest score in its initial allocation round and multiplying that percentage by the highest score in the

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subsequent Application round to derive its subsequent Application year score and ranking among the subsequent round Applications.

G. Additional Supplemental Tax Credits for Cost Increases

Projects with increased Eligible Basis resulting from increases in hard Construction Costs may apply for additional tax credits in a subsequent allocation round prior to issuance of an IRS Form 8609. Only one additional tax credit allocation will be permitted by MFAHousing New Mexico/MFA for any given Project. The total amount of tax credits for the Project (including those previously awarded) shall not exceed the total credits available in Section IV.E.3 of this QAP. The Project must continue to meet the QAP requirements, including Design Requirements, from the year of the original award and the supplemental tax credits will not extend the Placed In Service deadline for the original award. However, the August 31st deadlines at Sections IV.G.6.a and IV.G.6.b will be extended to the federal statutory deadline for the Ten Percent Test based on the date of the Carryover Agreement for the original award.

Applicants must submit the Intent to Submit a Tax Credit Application described in Section III.C.7.a.i by December 20, 2023-2024 and the streamlined Application described below by the Application Deadline for the 2024-2025 9% round. Applicants will be limited to an additional 10% of the original 9% LIHTC awarded and the supplemental tax credits may reduce the number of tax credits awarded in the 2024-2025 round, as requests for supplemental tax credits will not compete against other Projects in the 2024-2025 9% round.

The streamlined Application will include:

- an updated Application Form;
- updated Schedules A-F;
- updated financing commitments from all financing sources; and
- a narrative with documentation that the supplemental tax credits are required due to an
 unforeseeable hardship or emergency situation where the completion of the Project is
 jeopardized without an award of additional tax credits.

The Application must demonstrate that:

- the Project has not previously received supplemental tax credits;
- the development contingency has been exhausted;
- the Applicant was not eligible for additional <u>MFAHousing New Mexico/MFA</u> gap financing from any other source;
- the Developer made reasonable attempts to secure financing from other sources;

- the developer fee has been deferred to the extent which would allow for repayment through Project cash flow within 15 years;
- the Project was value engineered, where possible, to reduce construction costs; and
- that the Project, as currently structured, would not have caused the Project to be ineligible for an award during the competitive round in which it was first awarded credits. Thus, if the score under the Efficient Use of Credits for the original application would have been reduced, the Project will be eligible for the supplemental credits, so long as the reduced score would not have caused the original application to be ineligible for an award in that round.

Applicants who need additional tax credits for financial feasibility and do not qualify for supplemental tax credits under the conditions above may return the previous valid tax credit allocation and submit a full Application to compete in the 2024-2025 9% round.

An exception to the number of supplemental credits and/or the need to maintain eligibility in the original round may be made for Projects undergoing an unforeseen Casualty event, as defined in the Glossary. Supplemental credits in excess of 10% of the original award due to an unforeseen Casualty event must be approved by the MFAHousing New Mexico/MFA Board.

H. New Allocations to Projects Previously Subsidized with Tax Credits

Existing Projects that previously received tax credit allocations and are now eligible under Code Section 42(d)(2) for new acquisition tax credits may apply for a current allocation. However, because of prior subsidy investment in the Project and the scarcity of the resource and to ensure that the subsidy is not being used primarily for ownership transfer, previously subsidized Projects must demonstrate: 1) a real risk of loss of affordable Units, and 2) an addition of significant improvements and services to enhance livability for the tenants. These may qualify for standard tax credit applicable percentages.

I. Recycled Allocations

A Property Owner may return a valid allocation of tax credits between October 1^{st} and December 31^{st} to receive an allocation of tax credits from the following year's tax credit ceiling in the same amount of the returned allocation if:

- The Project Owner pays the \$500 fee due for requests for changes to a Project;
- No changes to the Project (i.e., design, financing, etc.) have occurred without <u>MFAHousing New Mexico/MFA</u>'s approval;
- None of the returned Project's Principals are participating in the following year's 9%
 LIHTC round (e.g., Principals returning tax credits in 2023-2024 will not participate in the
 2024-2025 round);

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- The Project demonstrates that all financing necessary to place the Project in service is secured:
- The Project will place in service by December 31st of the year of the newly allocated credits and receive no further opportunity to recycle the tax credits (e.g., if 2021-2022 LIHTC are returned in December 2023-2024 in exchange for 2024-2025 tax credits, the Project will place in service by December 31, 20242025).
- MFAHousing New Mexico/MFA must be notified of any request to recycle an allocation
 of tax credits by November 15th, when the Placed In Service submission would have been
 due.

Notwithstanding the foregoing, if a Project has previously returned tax credits in exchange for a new allocation of tax credits, any return of tax credits for a new allocation shall be at WFA sole discretion.

J. Property Standards

All newly constructed and/or rehabilitated properties must meet applicable state and local building codes, including but not limited to: the New Mexico Commercial Building Code, the New Mexico Residential Building Code, the New Mexico Energy Conservation Code, the New Mexico Existing Building Code, the New Mexico Plumbing Code, the New Mexico Mechanical Code the New Mexico Solar Energy Code, the New Mexico Electrical Code, the New Mexico Electrical Safety Code, and all international and uniform building codes as referenced and adopted by the aforementioned codes. In addition, all newly constructed Projects must obtain a Home Energy Rating System (HERS) score of 55 or better and all rehabilitation Projects must obtain a HERS score of 65 or better. All Projects must meet the provisions and requirements of the Americans with Disabilities Act (ADA) as applicable. Public and common use areas within Projects are subject to these requirements. Projects combining housing tax credits with another federal source of funding must comply with HUD Section 504 requirements as required in the 2010 ADA Standards. Projects must also adhere to the Federal Fair Housing Act and shall adhere to the federal fair housing accessibility and adaptability requirements promulgated through the Fair Housing Accessibility Guidelines {56 FR 9472, 3/6/91}. Finally, conformance to Design Standards in the Application Package is mandatory for all Projects, including tax-exempt bond financed Projects.

V. Allocation Procedure and Application Requirements

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A. Allocation Rounds

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1. Submission Date(s)

MFAHousing New Mexico/MFA intends to conduct one competitive LIHTC Application round each calendar year. However, MFAHousing New Mexico/MFA reserves the right to conduct additional LIHTC rounds or to award tax credits outside of the rounds. Initial Applications for the 2024-2025 competitive LIHTC Application round will be accepted anytime between January 65, 2024-2025 through January 2221, 2024-2025 at 12:00 p.m. Mountain Standard Time. Initial Applications must be submitted ahead of 12:00 p.m. Mountain Standard Time on January 2221, 2024-2025 (Application Deadline). Initial applications must be fully uploaded to the file sharing site identified in Section IV.A.2 of this QAP no later than the Application Deadline. Late Applications will not be accepted. If the Projects submitted do not use all of the available tax credits or if additional tax credits become available later in the year, MFAHousing New Mexico/MFA will consider a second round or make allocations to lower- scored Eligible Projects at MFAHousing New Mexico/MFA's sole discretion.

Initial Applications for tax-exempt bond financed Projects are accepted on a continuous basis but must meet the same form of submission requirements identified in **Section IV.A.3** below and are subject to the timing requirements outlined in **Section VI**.

2. Place of Submission

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Initial Applications must be uploaded to MFAHousing New Mexico/MFA's Secure File Transfer-HD file sharing Site: https://mfa.internal.housingnm.org/SFT_HD/ (described below in Section IV.A.4.b.)

3. Form of Submission

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Initial Applications may not be delivered by facsimile transmission or e-mail. The 2024_2025

MFAHousing New Mexico/MFA Universal Rental Development Application and Schedules in excel format and onea fully tabbed and bookmarked PDF files that include all materials listed on the Attachments Checklist at Tab 1a must be uploaded to MFAHousing New Mexico/MFA's file sharing site: https://mfa.internal.housingnm.org/SFT_HD/ (described below in Section IV.A.4.b.)

The required 2024_2025 MFAHousing New Mexico/MFA Universal Rental Development Application will be provided electronically and may be downloaded from MFAHousing New Mexico/MFA's website at https://housingnm.org/developers/lihtc/current-and-prior-tax-creditrounds. No additional materials may be submitted after the Initial Application Deadline, unless requested by MFAHousing New Mexico/MFA in accordance with the provisions of this QAP.

4. Content and Format: Complete Applications

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Complete Applications will meet the following standards when they are initially submitted and without benefit of any subsequent submissions, including any such submissions received during the deficiency correction period:

- a) All Application documents that require signatures must be included and bear scanned blue ink or third-party verified digital signatures from all General Partners. MFA Housing New Mexico/MFA will require submission of an "omnibus" signature page wherein all General Partners must certify, among other things, that the Application submitted, including all schedules and certifications, is accurate and complete and does not contain any misrepresentations.
- b) Complete Initial Applications must include the 2024-2025 MFAHousing New Mexico/MFA Universal Rental Development Application and Schedules, including all attachments and exhibits that are applicable to the Project - both those listed in the attachments checklist found at Tab 1a of the Application form and any other materials requested in the 2024-2025 QAP that apply to the Project. The 2024-2025 MFAHousing New Mexico/MFA Universal Rental Development Application Form and Schedules must be submitted in excel format. All additional materials (those described in Tab 1a and others indicated in the 2024-2025 QAP) must be contained in aone fully tabbed and bookmarked PDF file with protected personal information such as Social Security numbers and board member home addresses redacted. Where required in the Application, the market study, architectural plans and specifications, capital needs assessment and appraisal shall be uploaded as stand-alone documents rather than included in the Application PDF. The PDF files must be "bookmarked" with each applicable tab ("Tab") and named accordingly (e.g., Tab 1, Tab 1a, Tab 2, etc.). Each bookmark must include all of the documents required for the respective tab (including those in the 2024-2025 MFAHousing New Mexico/MFA Universal Rental Development Application and Schedules), as identified in the Attachments Checklist and named accordingly (e.g., Tab 1f -Rehabilitation Scope of Work, Tab 1g - One-page summary of Developer affordable housing experience." All documents in the PDF must be submitted in numerical order. The entire Application Package (the 2024-2025 MFAHousing New Mexico/MFA Universal Rental Development Application, Schedules and the PDF files) must be uploaded to MFAHousing New Mexico/MFA's file sharing site: https://mfa.internal.housingnm.org/SFT_HD/.
- c) Complete Initial Applications must include Application fees as outlined in Section IV.B below.
- d) No additional materials may be submitted after the Initial Application deadline, unless requested by MFAHousing New Mexico/MFA in accordance with the provisions of this QAP.
- e) Current year MFAHousing New Mexico/MFA forms must be used when provided and no substitutions will be accepted.

- f) All information must be current, clearly legible and consistent with all other information provided in the Application.
- g) Forms must be completely filled out and executed as needed. Forms that require signatures must bear scanned blue ink or third-party verified digital signatures.
- h) Except as MFAHousing New Mexico/MFA may determine is necessary to evaluate the "Applicant eligibility" threshold requirement in Section III.C.5 all Applications must be self-contained: MFAHousing New Mexico/MFA will not rely on any previously submitted information, written or verbal, to evaluate the Applications in a given round.

In determining whether the Application is complete, MFAHousing New Mexico/MFA will examine the package for both the availability of all required materials listed in Section I of the Application Attachments Checklist and for the content of those materials. Failure to provide or complete any element of the Initial Application Package, including all items listed in Section I of the Application Attachments Checklist, may result in immediate rejection of the Application without complete review. When special documents required to obtain points under particular Project Selection Criteria are not provided in the Initial Application, as listed in Section II of the Application Attachments Checklist, the related points will not be awarded. The Application Attachments Checklist is not intended to be a comprehensive listing of all documents required to be submitted. Applicants bear the burden of determining and submitting any additional documents that directly support an Application or other information required by this QAP to be submitted.

In addition to the actions MFAHousing New Mexico/MFA may take pursuant to Section IV.C.5 Deficiency Correction Period, MFAHousing New Mexico/MFA may request additional information from any Applicant as deemed necessary for a fair and accurate evaluation of an Application. MFAHousing New Mexico/MFA may also choose to accept inconsistent information and if so, may select any of the inconsistent pieces of information over any other pieces of information, in its reasonable judgment. However, MFAHousing New Mexico/MFA is under no obligation to seek further information or clarification or to accept inconsistent responses.

The Applicant will bear sole and full responsibility for submitting its Application in accordance with the requirements of the Internal Revenue Code and the QAP and will be deemed to have full knowledge of such requirements regardless of whether or not a member of MFAHousing New Mexico/MFA's staff responds to a request for assistance from Applicant or otherwise provides Applicant assistance with respect to all or a portion of the Application.

After award, all Applications will be open to the public for inspection and copying. Applicants must redact confidential and personal identifier information from documents if the information is not specifically required by MFAHousing New Mexico/MFA.

Applicant agrees to indemnify MFAHousing New Mexico/MFA from any claims arising from or related to MFAHousing New Mexico/MFA's disclosure or nondisclosure of materials submitted to MFAHousing New Mexico/MFA related to the Application.

5. Communications and Quiet Period

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Questions concerning the competitive LIHTC Application round Application requirements must be submitted through MFAHousing New Mexico/MFA's website at https://housingnm.org/developers/lihtc/applications-faq. No questions will be accepted after 5 p.m. Mountain Standard Time, January 1513, 20242025. Answers will be posted to the website and once posted will be deemed a part of this QAP. Answers to questions submitted on January 1513, 2024 2025 that can be answered by January 1715, 2024 2025 will be posted on January 1816, 20242025. It is the sole responsibility of Applicants to review the website for answers to questions.

A "Quiet Period" for each competitive round will begin at the time an Initial Application is submitted and end upon the approval of tax credit awards by MFAHousing New Mexico/MFA's Board of Directors. During the Quiet Period, Applicants, or any part of the development team (i.e., Developer, Project Owner, General Partner, contractor, management company, consultant(s), architect, attorney, and accountant, etc.), shall not contact MFAHousing New Mexico/MFA's management, employees, members of the Board of Directors or their proxies, officers or agents in regard to an Application under consideration unless expressly directed to do so by MFAHousing New Mexico/MFA staff. The purpose of the Quiet Period is to create a fair and consistent process for all Applications in the competitive round. The Quiet Period only applies to Applications under consideration during the competitive round and not to any other Projects, issues, or Applications, including questions regarding MFAHousing New Mexico/MFA gap funding requested in conjunction with the Application.

The imposition of the Quiet Period does not relieve any Applicant of its obligation to notify MFAHousing New Mexico/MFA of changes to the Project as provided for in Sections IV.H. and IV.I. herein. In addition to the provisions of Sections IV.H. and IV.I., Applicants are required to notify MFAHousing New Mexico/MFA of any material change in circumstances concerning the Application, development team, threshold requirements and/or scoring changes. Applicant shall notify the Tax Credit Program Manager in writing immediately of the material change, and MFAHousing New Mexico/MFA staff shall review the notification and determine, in its sole discretion, what action, if any, is to be taken with respect to the pending Application. After award, all Applications and documents pertaining to the Applications will be available to the public.

All communications regarding Projects which have received tax credit awards and tax-exempt bond financed Projects should be directed to:

Jeanne Redondo Tax Credit Program Manager (505)767-2210 jredondo@housingnm.org

6. Prohibited Activities

Applicants (including Applicants for tax-exempt bond financed Projects) or their representatives shall not communicate with or by any other means attempt to influence members of the Board of Directors and their proxies or members of the Allocation Review Committee (ARC) regarding any Application except when specifically permitted to present testimony at a tax credit related proceeding. An Application shall be rejected if the Applicant or any person-Person or entity acting on behalf of Applicant violates the prohibitions of this section. A list of the members of MFAHousing New Mexico/MFA's Board of Directors and their proxies and ARC members can be found at http://www.housingnm.org. A list of ARC members, MFAHousing New Mexico/MFA leadership, and LIHTC program management staff, which is current as of the date of this QAP, is attached hereto as Exhibit 1. It is the Applicant's responsibility to check MFAHousing New Mexico/MFA's website for a current list of Board members and ARC members.

Any communication made or action taken in violation of the Quiet Period or the prohibited activities section of the QAP shall be immediately reported to the tax credit program officer, whose contact information is provided in **Section IV.A.5**. Nothing in this section shall be construed to alter or affect the mandatory appeals processes and procedures that are prescribed elsewhere in this QAP. **An Applicant's failure to adhere to the prescribed Application and appeals processes and procedures shall result in the rejection of the Application.**

B. MFAHousing New Mexico/MFA Fees and Direct Costs

All fees are non-refundable. Fees are due at the times and in the amounts shown below and they apply to both allocated and non-allocated tax credits. Fees may be delivered in the form of personal or business checks, money orders or cashier's checks, or wire (contact hd@housingnm.org for wiring instructions). Any check returned for insufficient funds will result in rejection of the Application, cancellation of the Reservation or other actions available to MFAHousing New Mexico/MFA. Exceptions may be granted at MFAHousing New Mexico/MFA is sole discretion and fees may be adjusted annually, as determined by MFAHousing New Mexico/MFA in its sole discretion.

Application Fee (for initial and supplemental requests)

• Due at submission of tax credit Initial Application

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\$750 for nonprofit or governmental entity Entity Applicant; \$1,500 for a for-profit Applicant

Direct Cost DepositFees

Base Portion Design Review: \$12,000 (deposit) due at submission of tax credit Initial Application

This deposit feeis intended to covers the base portion of the design reviews for compliance with Design Standards described at Section IV.C.7a. Design reviews may require additional site visits and/or document reviews, which would be billed separately and above this non-refundable \$12,000 base fee at a rate of \$1,500 per inspection or additional review. This is an estimate only and the final cost may vary. Any amount in excess of the \$12,000 deposit base fee is due within 20 calendar days of billing by MFAHousing New Mexico/MFA. If the Initial Application is not awarded a Reservation or approved as a tax-exempt bond financed Project, the Base Portion Design Review Direct Cost Fee will be returned to the Applicant.

Housing New Mexico/MFA-ordered Market Study: Amount varies depending on cost

If a subsequent MFAHousing New Mexico/MFA-ordered Market Study is required during the application phase, the cost will be covered by the Applicant through this a depositnonrefundable Direct Cost Fee that will be due within five days of receiving a deficiency correction (see Section IV.C.5) with an invoice via email. Additionally, the base design review fee balance will be billed to cover the \$12,000, if the project moves forward with an award.

Processing Fee

- Due at execution of Reservation Contract for 9% awards; due prior to delivery of Letter of Determination or construction start, whichever occurs first for Projects financed with tax- exempt bonds.
- 8.5% of MFAHousing New Mexico/MFA-determined tax credit allocation amount rounded down to the nearest dollar.
- For Projects financed with tax-exempt bonds, if the actual tax credit amount is greater at Final Allocation than when the Letter of Determination was delivered, the Applicant must pay an additional processing fee of 8.5% of the increase in the tax credit amount.

Additional Review Fees

 One underwriting with one opportunity to make corrections is included in the standard Application and Processing Fees. Any additional underwriting (of the Initial Application or submissions described in Section IV.G) to review further corrections or changes to the

Project will incur a \$1,500 fee per review.

Monitoring and Compliance Fees

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- Due annually by January 31st for each year of the Extended Use Period. The monitoring and compliance fee for the entire 15-year Compliance Period may be paid in a lump sum at the Final Allocation Application (number of Units x \$50/Set-aside Unit/year x 15 years).
 - \$50/set-aside Unit/year (Average Income projects may be subject to an increased Compliance Monitoring fee.)
 - o \$20/set-aside Unit/year during the Extended Use Period

Appeal Fee

- ♦ \$5,000 due at submission of appeal
- No appeal will be entertained in advance of appeal fee payment

Request for increase in tax credits, request for changes to a Project, including changes in ownership prior to receiving Form 8609 and/or requests for document corrections (when not a result of an administrative error by MFA_Housing New Mexico/MFA, including when changes or alternate forms are proposed by an Applicant in lieu of MFA_Housing New Mexico/MFA standard forms.)

♦ \$500 due at submission of review/correction request

Reissuance of Form 8609

◆ MFAHousing New Mexico/MFA sends draft 8609 forms to the Owner for review prior to issuance. A \$250 fee for each 8609 form that must be re-issued after it is signed and issued to the Owner; total fees shall not exceed \$2,500.

Ownership Change and LURA Modification Fees after receipt of Form 8609:

- \$500 non-refundable fee due at submission of application to change ownership, general partner, and/or limited partner, request a limited partner exit and/or request a LURA modification.
- If applicable, an additional \$250 per item requested in a LURA Modification, when the Project is out of compliance with Asset Management at the time of the application.
- If applicable, an additional \$1,500 processing fee upon approval of an ownership or general partner change.
- ◆ If changes are made to the ownership structure without MFAHousing New Mexico/MFA's prior written approval, the Project will be considered out of compliance. This noncompliance may result in a denial of requests for a future ownership change, financing, and/or LURA modification and may, at MFAHousing New Mexico/MFA's discretion, also be subject to a \$10,000 fine to move forward with the ownership change process.

Extension Fee

- Due at submission of request to extend deadline of any documents required under Subsequent Project Requirements and/or with submission of late or missing documents required under Subsequent Project Requirements
- ♦ \$500 per week

C. Staff Analysis and Application Processing

- 1. Threshold review. Following the Application Deadline, MFAHousing New Mexico/MFA will undertake a threshold review to determine whether the Initial Application meets the minimum Project threshold requirements shown in Section III.C. If the Initial Application fails to meet site Control, zoning, fee, or market study requirements, the Applicant will be given an opportunity to correct the deficiency in accordance with Section IV.C.5 and if not corrected in the time period allowed, the Application will be rejected. The Applicant eligibility and financial feasibility threshold requirements are not correctable and Applications that fail to meet these requirements will be rejected.
- Cost limits. Total Development Costs for various types of Projects may not exceed the following:
 - a. New construction and Adaptive Reuse Projects. The Total Development Cost per Unit must not exceed 130% of the average Total Development Cost per Unit for all new construction and Adaptive Reuse Projects submitted in the same round. Similarly, the hard Construction Cost plus architect and engineering fees per square foot must not exceed 130% of the average cost per square foot for all new construction and Adaptive Reuse Projects submitted in the same round.
 - b. Acquisition/rehabilitation Projects. The Total Development Cost must not exceed 100% of the average Total Development Cost per Unit for all new construction and Adaptive Reuse Projects submitted in the same round. Similarly, the hard Construction Cost plus architect and engineering fees per square foot must not exceed 100% of the average cost per square foot for all new construction and Adaptive Reuse Projects submitted in the same round.
 - c. Tax-exempt bond financed Projects. Total Development Cost must not exceed the limits established for new construction, Adaptive reuse or acquisition/rehabilitation Projects, as appropriate, submitted in the most recent allocation round. <u>Variances from these limits will be considered on a case-by-case</u> <u>basis</u>.
 - d. Combined Rehabilitation and New construction Projects. For Projects that
 involve rehabilitation of existing Units, the construction of new Units and/or the
 Adaptive reuse of an existing building, the costs will be evaluated based on the

track/category selected by the project as described in Section II.J. above to the limits established in Sections IV.C.2.a. and b. above.

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

Recognizing that Tax Credit Projects require soft costs above and beyond traditional development, when determining the average per square foot cost for each Project, only hard costs as found on Schedule D and any architect and engineer fees will be used. For reference, the average Total Development Cost in 2023 was \$289,529 per Unit and the average hard cost on Schedule D plus architectural and engineering fees for new construction in 2023 was \$289,222 per Unit (\$197.74 psf).

See the Glossary Section XI for the definition of the terms "Unit," "Total Development Cost," and "Hard Construction Costs" as they apply to the cost limit calculations in this section. Costs that exceed these limits will be excluded when calculating the tax credit amount. These limits are binding through Final Allocations.

- 3. Local Notice. The Chief Executive Officer of the local jurisdiction where the Project is located will receive a "Local Notice" from MFAHousing New Mexico/MFA stating that an Application has been received and requesting a response. The local jurisdiction and the Chief Executive Officer are to be identified by the Applicant in the Application form. The jurisdiction may be a municipality, town, county or tribal government. Such notification will be issued for all Applications not more than 10 business days after MFAHousing New Mexico/MFA's Application Deadline and the recipient will have 30 calendar days to respond.
- 4. Site visits. On completion of the threshold review, and as allowed by current health conditions, public health and executive orders, or laws, MFAHousing New Mexico/MFA will visit the proposed sites for the highest ranking Projects. Sites considered by MFAHousing New Mexico/MFA in its reasonable judgment to be inappropriate due to current or foreseeable adverse health, safety, welfare, site constraints or marketability risks may be cause for rejection of any Application, regardless of threshold review or scoring results. Communications made by or on behalf of an Applicant in response to communications initiated by MFAHousing New Mexico/MFA in conjunction with a site visit shall not be a violation of the Quiet Period.
- Deficiency correction period. MFAHousing New Mexico/MFA may provide a deficiency correction period after the threshold review. This period is intended only to: 1) correct

threshold items that are identified as correctable in Section III.C, 2) address Complete Application items, including any issues with the electronic application, 3) clarify ambiguous information, 4) complete forms or 5) make minor corrections to the Application. In no case shall the deficiency correction period be used by MFAHousing New Mexico/MFA to allow an Applicant to submit scoring items listed on Section II of the LIHTC Application Attachments Checklist or to alter the original structure of the project. If the deficiency correction period is used, MFAHousing New Mexico/MFA will provide notice to Applicants having such shortcomings in their Applications via e-mail and U.S. mail. Applicants will have five business days after the date of the e-mail notice to correct deficiencies. All materials must be submitted no later than 5 p.m. Mountain Standard Time on the fifth business day, following "Form of Submission" requirements shown in Section IV.A.3 above. Certain types of deficiencies cannot be corrected during the deficiency correction period, including an Applicant's failure to provide materials or to provide materials in the required form, as well as other deficiencies that MFAHousing New Mexico/MFA determines in its reasonable judgment may not be correctable. Furthermore, the deficiency correction period may not be used by the Applicant or MFAHousing New Mexico/MFA to alter the original structure of the Project. This prohibition includes, but is not limited to, all changes listed in Section IV.H. If the information requested by MFAHousing New Mexico/MFA is not submitted within the timeframe provided or is submitted but remains deficient, the Application may be rejected without any further review.

- 6. Supplemental Information Submission. If at any point during the processing of an Application, staff determines that supplementary information is needed to complete its review, the Applicant will be notified in writing and will have five business days after the date of MFAHousing New Mexico/MFA's notice to deliver a written response. In no case shall the supplemental information request be used by MFAHousing New Mexico/MFA to allow an Applicant to submit scoring items listed on Section II of the LIHTC Application Attachments Checklist or to alter the original structure of the project. This provision does not apply to incomplete Applications, which may be rejected during the threshold review or subject to the deficiency correction period process.
- 7. **Design Review and Construction Start.** All Projects will be subject to MFAHousing New Mexico/MFA's design review and construction inspections to determine compliance with the Design Standards. MFAHousing New Mexico/MFA staff will make a good faith effort to perform an initial review of construction documents within ten (10) business days after receipt of complete construction documents.
 - a. The base portion of the design review covered by the \$12,000 fee includes one of each of the following:
 - Preliminary review of Project for Design Standard compliance at Initial Application. All plans and related materials submitted as part of an

Application must provide enough detail for MFAHousing New Mexico/MFA to determine compliance with the Design Standards.

- ii. Construction Drawing Review.
- iii. Specification Review.
- iv. Environmental Study & HERS Modeling Projections Review.
- v. Contract document review (construction contract, permit, schedule).
- vi. 33% Site Inspection visit.
- vii. 66% Site Inspection visit.
- viii. 100% Site Inspection visit, report and closeout document review.

 MFAHousing New Mexico/MFA will not issue the IRS Form 8609 before

 MFAHousing New Mexico/MFA's Architectural Services Representative indicates that the Project has been built as proposed and that all outstanding issues, if can, have been resolved.
- b. A CNA is required for rehabilitation and Adaptive Reuse Projects. MFAHousing New Mexico/MFA will review the CNA for completeness, consistency with the Application and compliance with the Design Standards. See QAP Section II.J for details.
- c. Prior to commencing construction:
 - Applicant must have <u>MFAHousing New Mexico/MFA</u>'s written approval of complete construction documents;
 - ii. Applicants must request and receive MFAHousing New Mexico/MFA-provided signs/banners in English and Spanish featuring MFAHousing New Mexico/MFA's fraud hotline at the Project work site(s), which shall remain in place throughout the duration of construction.
 - iii. Applicants must close on all Project financing (except the permanent mortgage).
- d. Material Design Changes: Differences between the plans and specifications submitted with the Application and those contained in the final construction documents must be approved by MFAHousing New Mexico/MFA. The Applicant must submit a detailed narrative of Material Design Changes made to final plans and specifications along with the Change Fee described in Section IV.I.
- 8. Other Project compliance. All Principals (see Glossary) related entities and affiliates

 Affiliates must be in compliance with respect to all other federally subsidized housing or

 LIHTC Projects that they own or operate throughout the country. Each Principal The

 Application shall submit include a compliance affidavit in the form stipulated at Tab 1I of
 the Application certifying the Principal and its affiliateAffiliate(s) are not in default with
 respect to any Mmaterial Ceompliance Mmatter for any such Project or shall state what
 defaults exist and what corrective action Applicant is taking. Applicants shall attach a
 complete list of all Projects in which the Principal and/or its affiliate Affiliate(s) haves

experience (see schedule of experience footnote below). If the experience of any Principal differs from the Applicant and/or General Partner, a separate schedule of experience is required for that Principal. For the purposes of this review, volunteer board members with no financial interest in the Project will not be required to complete a compliance affidavit. If MFAHousing New Mexico/MFA determines, either through information provided by an Applicant or through MFAHousing New Mexico/MFA's investigation, that any federally subsidized housing or LIHTC Project in which Applicant, or any Principal or affiliate Affiliate of Applicant has an interest is in default of due to any Mmaterial Ceompliance Mmatter, MFAHousing New Mexico/MFA may reject the Application. See Section IV.F.1 for additional discussion. This determination of default regarding any Principal may concern, but is not limited to, progress made with previous tax credit Reservations, including timely delivery of required documents and meeting all required deadlines; development compliance; and payment of monitoring fees.

9. Development team review. Staff will review the qualifications of the Developer, Project Owner, General Partner, contractor, management company, consultant(s), and architect to determine capacity to perform in the role proposed. Considerations may include related experience, financial capacity, performance history, references, management and staff, among others. Staff will review related party affidavits inserted at Tab 1h for each development team member listed above (see Section III.C.5), and development team resumes inserted at Tab 12. The management company will be reviewed when construction is 50% complete (see Section IV.G.7). The organizational chart(s) inserted at Tab 1i must include all related party interests among the Developer, Project Owner, General Partner, contractor, management company, consultant(s) and architect. MFAHousing New Mexico/MFA may conduct its own related party search utilizing Secretary of State websites, online searches, or other means to ensure all related parties have been properly disclosed. An Application may be rejected or substitutions requested if the development team or any member thereof is unsuitable and/or undisclosed related parties are identified as determined by MFAHousing New Mexico/MFA.

D. Feasibility Analysis and Financial Considerations

All Projects, in addition to the threshold review process, will undergo financial analysis by MFAHousing New Mexico/MFA staff to determine whether the Projects are financially feasible. Such determinations will rely on both the financial data submitted by the Applicant and on staff judgments with respect to feasibility matters. Projects that do not appear financially feasible in

⁶ The schedule of experience required shall be in the form of a recent real estate owned schedule provided to a lender, a HUD Form 2530, or other similar form that includes the experience of the Principal completing the compliance affidavit. The schedule of experience shall include every project that is Placed In Service for which the Principal has a financial interest and that the Principal developed without an ownership participation. Projects that are planned or under development may be included but are not required.

MFAHousing New Mexico/MFA's judgment may be rejected without further processing. Although Financing Commitments will not be required at Initial Application, aAII financing sources must be clearly identified, and their terms specified in a letter of interest from the financing source. Financing Commitments (see Glossary) will be required as a "subsequent requirement" after the initial Reservation is made.

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Initial Applications for any tax credits (4 or 9%) must include a letter of interest from a tax credit syndicator or direct investor stating the terms and pricing for the purchase of tax credits allocated to the Project. In addition, all Projects will be underwritten using the more conservative of the standards indicated in this QAP, those in an underwriting supplement to be published by MFAHousing New Mexico/MFA at least one month prior to the Application Deadline, the terms listed in any Financing Commitment or letter of interest; or the Project's market study. Project 15-year pro forma cash flow projections must include an operating expense inflation factor of at least 3%, a rental income inflation factor of no more than 2% and a vacancy factor of at least 7% for all occupancy-related income. However, for projects with at least 90% of all units covered by a federal rental assistance contract and any Project Reserved for Seniors, MFAHousing New Mexico/MFA will use the market study vacancy factor but not less than 5%.

- 1. Development Costs. Development Costs will be evaluated against the average costs of competing Projects. In the case of rehabilitation Projects and Adaptive Reuse Projects an appraisal and CNA of the existing project will be required and used by MFAHousing New Mexico/MFA to evaluate Development Costs. The appraisal is due with the Initial Application for tax exempt bond financed projects and with the Carryover Application for 9% Projects not claiming points under the Leveraging Resources scoring criterion. See Section II.J and Glossary for further details regarding the CNA. The acquisition cost on which tax credits are calculated will be held to the lowest among the sale price, Applicant's procured appraisal and the construction lender's appraisal. Applicants submitting costs atypical in the marketplace must provide information acceptable to MFAHousing New Mexico/MFA, justifying such costs. Projects with excessive costs will be subject to adjustments to the amount of tax credits requested. MFAHousing New Mexico/MFA, in the course and scope of its underwriting, will examine how costs are categorized /allocated in Schedules A and D. MFAHousing New Mexico/MFA reserves the right to re-categorize /allocate costs to different categories should MFAHousing New Mexico/MFA determine, in its sole discretion, that costs have been categorized incorrectly. Applicants shall describe all costs contained in any category labelled "other" with sufficient specificity so that it is clear what these costs encompass.
- 2. **Developer and other fees.** Fees are limited to the following standards:
 - a. 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% of Construction Costs, builder overhead may not exceed 2% of Construction Costs and general requirements

may not exceed 6% of Construction Costs. For the 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 (e.g., the general contractor), design professionals and/or subcontractors, builder profit shall not exceed 4% 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 Ceontrol over or a financial interest in another. An Identity of Interest will be presumed if any of the following factors are present as between or among the Developer/Project Owner, builder (general contractor), design professionals and/or subcontractors; common or shared ownership of any of the above-listed entities; common family members as owners or investors in any of the above-listed entities; common Ceontrol of the above-listed entities even if the Ceontrol is not exercised by a common owner or common investor.

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

b. Developer fees

Developer fees for 9% LIHTC Projects shall not exceed: 1) \$23,000\$25,000 per low-income Unit for the first 30 Units, plus 2) \$20,500\$22,500 per low-income Unit for Units 31 – 60, plus 3) \$18,000\$20,000 per low-income Unit for Units 61+, which shall not cause the total Developer Fee to exceed the lesser of \$2,000,000\$2,500,000 or 14% of Total Development Cost. Developer Fee for 4% LIHTC Projects shall not exceed 14% of Total Development Cost. *9% Projects utilizing MFAHousing New Mexico/MFA-issued Section 811 Project Rental Assistance (PRA) are eligible for a 5% boost to the capped developer fee (as calculated above; for qualifications, see below) For example, a 30-Unit Project which qualifies for \$675,000\$750,000 and which is at or below 14% of Total Development Cost qualifies for a 5% boost to the allowable Developer Fee resulting in a total Developer Fee of \$708,750\$787,500.

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

consultant fees and all reserves. Notwithstanding the Developer Fee amounts described in the preceding paragraph, where an Identity of Interest exists between the Developer/Project Owner and the builder, the above-mentioned fee may be further reduced if MFAHousing New Mexico/MFA, in its discretion, determines the fee to be excessive. In a proposed sale transaction where there is an Identity of Interest in any Principal of the seller and buyer, the Project will be subject to reduced developer fees. Where there is such an Identity of Interest, the developer fee percentages will be calculated on Total Development Cost reduced by Acquisition Costs. Also, an "as-is" appraisal dated no earlier than six months prior to the Application date and completed by a MAI licensed in New Mexico must be submitted. The value in the appraisal must assume that any existing use restrictions will remain in place.

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

*Section 811 Project-Based Rental Assistance Program (Section 811 PRA)

In 2020 MFAHousing New Mexico/MFA applied for- a \$3.6 million award to participate in HUD's Section 811 Project Rental Assistance (PRA) program, which provides project-based rental assistance for extremely low- income personPersons with disabilities, 18-61 years of age who are linked with long-term services. An award of Section 811 funds is contingent upon MFAHousing New Mexico/MFA entering into a Cooperative Agreement with HUD. In order to utilize these funds, projects must be in a location served by an active Local Lead Agency (LLA), through which the services will be provided. The Section 811 program will be implemented over a five-year period and will serve an estimated 58 households.

Qualifications and Restrictions:

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

- Be provided Section 811 PRA funds
- Be used for supportive housing for personPersons with disabilities
- Have any occupancy preference for <u>personPerson</u>s with disabilities

Owner Capacity and Experience:

Owner and Property Management must demonstrate the capacity to participate in Section 811 PRA. This will be measured, in part, by the level of experience administering HUD rental subsidy programs, specifically with HUD's Tenant Rental Assistance Certification System (TRACS) and Enterprise Income

Verification (EIV) and experience with managing a range of housing populations, with a particular emphasis on personPersons with disabilities.

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

In addition, units must meet program criteria for unit integration and accessibility. Should this source become competitive, PRA allocations will be made based on score.

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

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

c. Architect and Engineering Fees

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

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

- 3. Reserves (escrows) included in Development Costs. The development budget must include an operating reserve equal to a minimum of six (6) months of projected operating expenses, debt service payments and replacement reserve payments. Larger operating reserves may be required for Projects which show a declining debt coverage ratio in 15-year cash flow projections, have rental assistance contracts included in their income projections or have other factors that MFA determines in its discretion to warrant larger reserves. Replacement reserve levels must be shown in the operating budget at the minimum of \$250 per Unit, per year for Senior Housing (new construction Projects only) and \$300 per Unit, per year for all other new construction and rehabilitation and Adaptive Reuse Projects. Project reserves of any kind in the development budget will not be included in MFAHousing New Mexico/MFA's calculation of Eligible Basis for tax credit purposes.
- 4. Operating expenses and replacement reserves. MFAHousing New Mexico/MFA will review the projected operating expenses, replacement reserves and loan terms and may, in its determination of economic feasibility, make adjustments based upon industry standards, its own underwriting parameters, the CNA or facts obtained from other appropriate sources. Applicants are urged to carefully review operating cost pro formas. Applicants must include real estate taxes in their operating expenses unless evidence of a perpetual real estate tax waiver (throughout the term of permanent financing) is submitted with the Application.

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

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

5. Debt service coverage and subordinate debt. Applicants who are proposing subordinate debt must include the terms of the loan and pro formas must reflect the requirements set forth in the MFAHousing New Mexico/MFA's Universal Multifamily Initial Underwriting Supplement. MFAHousing New Mexico/MFA will consider total annual cash flow as well as debt service ratio when making this determination. MFAHousing New Mexico/MFA will generally not consider the repayment of deferred developer fees when underwriting

for feasibility but removes any deferred fee that can't be repaid during the Compliance Period from eligible basis and may consider a Project infeasible if the deferred fee represents a financial burden to the Project.

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

While the Code excludes any payments made under section 8 of the United States Housing Act of 1937 or any comparable rental assistance program (with respect to such Unit or occupant thereof) from the gross rent calculation, only rents that do not exceed the Tax Credit Ceiling Rents and are supported by the market study will be used for underwriting purposes. Exceptions may be made for Projects with project-based subsidies when the program governing the projectbased subsidy allows higher rents. See MFAHousing New Mexico/MFA Universal Multifamily Initial Underwriting Supplement - Projects with Rental Subsidies section for additional requirements. Note that in order to underwrite to such rents, a copy of a federally-approved rent schedule must be provided to MFAHousing New Mexico/MFA, e.g. HUD, USDA. If projectbased vouchers are awarded, but a federally-approved rent schedule is unavailable, proof of the award is required, and MFAHousing New Mexico/MFA will underwrite to HUD FMR. More detail regarding rental assistance payments and qualifying tenants can be found in the MFAHousing New Mexico/MFA tax credit Monitoring and Compliance Plan, which is issued under a separate cover and summarized in Section X.

E. Credit Calculation Method

- 1. Tax credit calculations. During each evaluation, MFAHousing New Mexico/MFA will determine the amount of tax credits to be reserved, committed or allocated by considering factors specific to each Project including, but not limited to, the following:
 - a. Development Costs
 - b. Funding sources available to the Project for construction and permanent financing:
 - i. First mortgage loans
 - ii. Grants
 - iii. Tax credit proceeds
 - iv. Project Owner equity
 - v. Subordinate debt
 - c. Projected operating income and expenses, cash flow and tax benefits
 - d. Maximum tax credit eligibility

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- e. Debt service coverage ratio
- f. Project reserves
- g. Developer fees and builder overhead and profit
- h. Per Unit and per square footage cost limits (section IV.C.2)
- 2. Amount of tax credits for Reservation or Carryover Allocation. To estimate the amount of tax credit allocation for a Project at Initial Application or at Carryover, MFAHousing New Mexico/MFA will use the Applicable Credit Percentage of the Qualified Basis, as adjusted by MFAHousing New Mexico/MFA, or the amount needed to fill the financing gap. The procedure to determine the amount to fill the financing gap is outlined in number three below.

Tax credit proceeds. The MFAHousing New Mexico/MFA Universal Multifamily Initial Underwriting Supplement describes the method to be used to determine the equity pricing factor that will be used to calculate tax credit proceeds for underwriting purposes. The Applicable Credit Percentage will be used along with the equity-pricing factor to estimate the tax credit proceeds. Any ownership split other than 99.99% (Limited Partner) and 0.01% (General Partner) requires written MFAHousing New Mexico/MFA approval ahead of application submission, which approval shall be given in MFAHousing New Mexico/MFA's sole discretion.

The Protecting Americans from Tax Hikes (PATH) Act of 2015 permanently fixed the floor of the 9% credit at 9%. Similarly, the Consolidated Appropriations Act, passed by Congress on December 21, 2020, permanently fixed the floor of the 4% credit at 4%. At the time of the Carryover Allocation for 9% credits, the Project Owner must deliver a written letter of intent from a syndicator or equity provider that clearly states the equity-pricing factor. That equity-pricing factor along with the Applicable Credit Percentage will be used to estimate the tax credit proceeds for the Carryover Allocation. The equity-pricing factor to be used at Final Allocation will be the actual equity-pricing factor contained in the Project's syndication agreement and the Applicable Credit Percentage as determined at either Carryover or Placed In Service date.

For 4% credits the equity-pricing factor to be used at Final Allocation will be the actual equity-pricing factor contained in the Project's syndication agreement and the Applicable credit percentages determined at either the month the tax-exempt obligations are issued or Placed In Service date.

3. **Limitation on tax credit awards to a single Project or Principal.** Subject to the exceptions contained herein, no 9% LIHTC Project shall receive a tax credit Reservation in excess of \$1,622,805\$1,700,000. No Applicant, any General Partner or affiliate Affiliate of an Applicant or personPerson or entityEntity receiving or identified as eligible to receive any part of a developer fee for a Project may receive more than two tax credit Reservations

in any given competitive LIHTC Application round. All Projects receiving a 9% LIHTC Reservation must be at least ¼ mile (1,320 feet) straight-line distance away from the property line of all other Projects proposed by the same Principal or its Affiliate receiving a 9% LIHTC Reservation in the same round. Two 9% LIHTC Projects to be located on adjacent sites proposed by the same Applicant in the same LIHTC Application round will be treated as a single Project. Notwithstanding the foregoing sentence, a request for Supplement Tax Credits for the first Project in the same year as an Initial Application for a second Project located contiguous to the Project for which the Supplemental Tax Credits are requested, shall not cause the two Projects to constitute a single Project.

- 4. Other factors limiting the credit Reservation. The amount of credit reserved, committed and finally allocated to a Project shall be the lesser of:
 - a. The maximum tax credit eligibility of the Project
 - i. Maximum tax credit eligibility is the maximum amount of tax credit justified by a Project's Qualified Basis, as adjusted by MFAHousing New Mexico/MFA and taking into consideration any increase in Eligible Basis approved by MFAHousing New Mexico/MFA and the Applicable Credit Percentage as described in Section IV.E.2 above or the Applicable Credit Percentage that was locked-in at Carryover (or in the case of tax-exempt bond financed Projects, the month the tax-exempt obligations are issued) or was in effect when the building was Placed In Service; or
 - ii. The amount requested in the Application; or
 - iii. The amount necessary to fill the funding gap.
 - b. The funding gap is the difference between Total Development Cost (exclusive of syndication-related costs) and all available funding sources, including MFAHousing New Mexico/MFA financing awarded in conjunction with the tax credit allocations, excluding anticipated tax credit proceeds. The terms of all proposed sources must be within reasonable industry norms, and financing for the Project has to be maximized when evaluating rate, term, debt service coverage, loan-to-value, etc. The maximum tax credit amount allowed based on the funding gap will be determined by MFAHousing New Mexico/MFA limits stated in Section IV.E.3 above.
- 5. Increased basis for high cost areas. Additional Eligible Basis (30% of the initial calculation) will be applied for Projects located in HUD-designated Difficult Development Areas (DDA) or Qualified Census Tracts (QCT). Applicants requesting such increases must deliver evidence in the Initial Application Package that the Project is located in a DDA or QCT.

Projects, regardless of whether they are located in a DDA or QCT, may also be determined to be eligible for the state-designated basis boost (up to 30% of the initial

calculation) if deemed necessary for Project feasibility as determined by MFAHousing New Mexico/MFA.

The state-designated basis boost is available to the following 9% Projects:

- a. Projects receiving points under the Households with Special Housing Needs Housing Priority
- b. Projects receiving points under the Projects Reserved for Seniors Housing Priority
- Projects receiving points under the Households with Children Housing Priority

The state-designated basis boost cannot be applied to Projects financed by tax-exempt bonds.

- 6. Adjustments to credit allocations. When actual tax credit proceeds are confirmed and final financial Feasibility Analysis is performed during review of Final Allocation packages, there may be adjustments to the tax credit allocation. Adjustments may also be made at Carryover for rehabilitation Projects when the CNA and appraisal are provided. Professionals performing the CNA must meet the minimum qualification/certification requirements set forth by MFAHousing New Mexico/MFA as defined in the Design Standards. If actual Project costs or funding sources differ substantially from the projections submitted in the Application, MFAHousing New Mexico/MFA may adjust the final tax credit allocation or the Project Owner may establish Project reserves to offset the deficit, if in MFAHousing New Mexico/MFA's reasonable judgment the Project has sufficient tax credit eligibility. The conditions for such reserve accounts will be determined by MFAHousing New Mexico/MFA on a case-by-case basis.
- Federally required subsequent financial analysis. Federal regulations require that housing credit agencies conduct evaluations at three specific times to determine the amount of applicable tax credits.
 - a. Upon receipt of an Application for LIHTC Reservation; and
 - b. Prior to granting a tax credit allocation; and
 - c. No earlier than 30 days prior to awarding the tax credit certification, IRS Form 8609.

F. Final Processing and Awards

1. Additional considerations. Applications meeting the requirements of the threshold review and Feasibility Analysis described above will be further evaluated and processed by MFAHousing New Mexico/MFA. In this step all remaining determinations will be made with respect to development team capability, design, readiness to proceed and other factors in MFAHousing New Mexico/MFA's reasonable judgment to evaluate the

Project's Application. Projects must meet the Design Standards available from MFAHousing New Mexico/MFA on the website. Debarment from HUD, MFAHousing New Mexico/MFA or other federal housing programs, bankruptcy, criminal indictments or convictions, poor performance on prior MFAHousing New Mexico/MFA or federallyfinanced Projects (for example, late payments within the 18-month period prior to the Application Deadline, misuse of reserves and/or other Project funds, default, fair housing violations, non-compliance [e.g. with the terms of LURAs on other Projects] or failure to meet development deadlines or documentation requirements) on the part of any proposed development team member or Project Owner or other Principal or Aaffiliate may result in rejection of an Application by MFAHousing New Mexico/MFA. In addition, MFAHousing New Mexico/MFA will consider a Principal's progress made with previous tax credit Reservations, including timeliness in delivering required documents and fees and meeting all required deadlines. When scoring and ranking generates multiple Projects that would draw tenants from a single market area (as determined by the market studies for the Projects in question), MFAHousing New Mexico/MFA may choose to eliminate the lower scoring or higher cost Project to avoid overbuilding and distribute credits more evenly throughout the state. In addition, MFAHousing New Mexico/MFA reserves the right to reject any Project, which MFAHousing New Mexico/MFA in its reasonable judgment determines is inconsistent with prudent business practices or with the intent and purpose of the QAP. MFAHousing New Mexico/MFA may also make awards conditional on specific modifications to the Project that MFAHousing New Mexico/MFA in its sound judgment considers necessary to enhance the feasibility or safety of the Project.

- 2. Selection of projects for awards. Projects meeting the threshold review requirements listed in Section III.C will be ranked and ordered according to scoring procedures established in Sections II.C and III.E with consideration to the Allocation Set-asides as described in Section III.D. Staff will then prepare a summary of the Projects to be recommended for allocations. Eligible and ineligible Projects will be distinguished for purposes of subsequent awards if additional credits become available. Tax-exempt bond financed Projects will be evaluated in a similar process but will not compete against other Projects for an allocation of tax credits.
- 3. Allocation Review Committee (ARC). The Chairman of the Board of MFAHousing New Mexico/MFA will appoint an ARC. The functions of this committee will be to: 1) review the Project rating and ranking results in the staff's proposed award summary, 2) determine whether or not the proposed awards have been made consistent with this QAP, 3) conduct the appeals process and 4) make final award recommendations to the Board of Directors. MFAHousing New Mexico/MFA will notify Applicants of the preliminary status of their Projects with the use of a preliminary Reservation Letter, preliminary waitlist letter or rejection letter, after ARC's approval of the staff's proposed awards and before the appeal process begins. Such letters will be scheduled to be issued

after the Allocation Review Committee meets.. Except for appeals as described in **Section IV.F.4** below, the provisions of this section are not applicable to tax-exempt bond financed Projects.

- 4. Appeal process. Applicants wishing to appeal a determination made by MFAHousing New Mexico/MFA with respect to their Application may do so by way of the "Form of Submission" (Section IV.A.3) no later than 5 p.m. Mountain Standard Time on the 10th calendar day after the date of the preliminary Reservation Letter, preliminary waitlist letter or rejection letter (or draft Letter of Determination, in the case of tax-exempt bond financed Projects). Appeal requests may only be filed by the General Partner or proposed General Partner and only one appeal may be filed with regard to an Application. MFAHousing New Mexico/MFA's initial determination with respect to the Application will stand unless the Applicant can prove or justify, solely on the basis of materials submitted in the Initial Application, why the decision should be changed. The ARC will review the appeal and take whatever action it deems appropriate. The decision by ARC or the Board, if the matter is referred to the Board, will be final, no further appeals will be entertained. Appeals may result in re-ranking of Projects, in rejection of previously approved Projects and/or in approval of previously rejected Projects. Once the appeals process is completed and the resulting recommendations are considered and approved by MFAHousing New Mexico/MFA's Board of Directors, final Reservation Letters, in accordance with Section IV.F.5, (or draft Letter of Determination in the case of taxexempt bond financed Projects) will be issued.
- Board of Directors. The Board will make final awards for each competitive 9% tax credit
 allocation round (for logistical reasons the preliminary Reservation Letters, preliminary
 waitlist letter and rejection letters will be issued prior to the appeals process and the
 Board's final decisions).

On or before May 1, 20242025, Applicants are required to upload a brief (approximately three minute) MP4 video (suitable to be shared on YouTube) to MFAHousing New Mexico/MFA's website portal. The video must highlight the proposed Project being recommended for approval by MFAHousing New Mexico/MFA's Board of Directors. MFAHousing New Mexico/MFA will provide an outline of the presentation format. Applicants are also required to attend the MFAHousing New Mexico/MFA Board of Directors meeting to answer any questions board members may have regarding the Project recommended for approval. Final Reservation Letters will be issued following the Board decision. MFAHousing New Mexico/MFA Board-approved hybrid 9%/4% projects with a pending allocation of private activity bond volume cap will receive Final Reservation Letters following approval of private activity bond volume cap. The Board will approve Projects considered to be Eligible Projects and these may include Projects for which tax credit allocations are not immediately available. If any Projects receiving a Reservation fail to meet subsequent requirements, an allocation of tax credits may be

revoked and then awarded by MFAHousing New Mexico/MFA to the next highest scoring Eligible Project(s) on the waiting list. Any conflicts of interest of Board members are to be disclosed and Board members having such conflicts will abstain from votes approving or disapproving LIHTC Projects in accordance with MFAHousing New Mexico/MFA's policies, procedures, rules and regulations regarding conflicts of interest. The provisions of this section relating to Board actions following competitive allocation rounds are not applicable to tax-exempt bond financed Projects.

G. Notification of Approval and Subsequent Project Requirements

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Note: Only Sub-sections 2, 7, 8 (at 8609 Application), and 9-11 of this section (IV.G) apply to tax-exempt bond financed Projects.

Successful Applicants will be notified of MFAHousing New Mexico/MFA's allocation decision in the form of a Reservation Letter. MFAHousing New Mexico/MFA anticipates Reservation Letters will be delivered in May 20242025, shortly after approval of tax credit awards at the May 2024-2025 Board meeting.

Reservation Letters and/or Carryover Allocations are non-transferable either to another entityEntity or within the same entityEntity where there is a change in Ceontrol or General Partner interests, except with the express written consent of MFAHousing New Mexico/MFA, it being the explicit intention of the QAP to prevent one party from obtaining such a Reservation and/or Carryover Allocation in order to sell or broker its interest in the proposal (except for syndication purposes). Because all representations made with respect to the Project Owner, Application, Developer or related party or entityEntity, or any member of the development team, their experience and previous participation are material to the evaluation made by MFAHousing New Mexico/MFA, it is not expected that MFAHousing New Mexico/MFA consent will be granted for such transfers unless a new Application is submitted and scores no less than the original Application, and the transfer would result in a benefit to the Project.

Affirmative actions after Reservation. From the date of the Reservation, the Applicant must continue to timely remit all tax credit program related fees and meet each of the deadlines specified below for follow up activity in order to maintain its Reservation or Carryover Allocation. MFAHousing New Mexico/MFA has no obligation to provide any further notice to Applicants of these requirements and failure to submit any one or more of the items may cause the Reservation to be terminated or the Carryover Allocation to be cancelled. Applicants must further agree to voluntarily return their Reservations or tax credit allocations for reallocation to other Projects by MFAHousing New Mexico/MFA if any of the deadlines below are not met. All submissions must follow "Form of Submission" requirements shown in Section IV.A.3.

1. At Reservation

The processing fee must be paid at this time and any other conditions noted in the Reservation Letter, which may include evidence of continued site control, must be satisfied.

2. Quarterly Progress Reports

All 9% Projects must submit a quarterly progress report to MFAHousing New Mexico/MFA on or before March 31st, June 30th, September 30th, and December 31st each year, beginning with March 31st after the allocation year, and continuing until the Final Allocation Application has been submitted. All 4% Projects must submit a quarterly progress report to MFAHousing New Mexico/MFA following the issuance of a Final Determination letter, starting with the next quarter end, March 31st, June 30th, September 30th, and December 31st each year. The information to be covered in the progress reports will be provided on MFAHousing New Mexico/MFA's website. Any failure to provide a timely progress report, or failure to provide a complete and accurate report containing the required information, may result in a loss of tax credits.

- 3. By November 15th (see footnote 5) of the allocation year
 - a. Threshold requirement number two:
 Applicants whose Projects were not required to meet threshold requirement number two (zoning) at the Application Deadline must submit evidence that all required zoning approvals for the proposed Project have been obtained; and
 - b. All Applicants must deliver:
 - i. The contractor's resume, if it was not included in the Application.
 - ii. Financing Commitment(s) (see definition) for construction and permanent financing and any other rental or other subsidy, as applicable. Financing Commitments must be submitted from all funding and subsidy sources including construction and first mortgage lender(s), all secondary financing sources (i.e., grants, loans, in-kind contributions) and a letter of intent from the equity provider. Projects which include federal historic tax credits in the financing structure must submit evidence from the National Park Service that a complete historic certification part two (2) for the Project has been received.
 - iii. For a Project to be financed by HUD (e.g., HUD 221(d)(4)), evidence that Applicant has submitted a site appraisal and market analysis (SAMA) application to HUD (for new construction Projects) or a feasibility application (for rehabilitation Projects).
 - iv. For a Project to be financed by MFAHousing New Mexico/MFA's 542(c) Risk Sharing program, a HUD firm approval letter.
 - c. Carryover Allocation requirements. If the Project will not be Placed In Service during the calendar year in which the Reservation is made, the Applicant must request a Carryover Allocation by November 15th of the year the Project is awarded. This, which allows for 24 additional months to complete the Project. The complete Carryover Allocation package must contain all items on the

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Carryover Allocation requirements checklist <u>(available for download from Housing New Mexico/MFA's website)</u>. The checklist <u>includes</u> among other requirements;

- i. Updated Development Project Application Form and Schedules A-F.
 - a. If the costs as identified on Schedule D of the original Application
 have changed more than 5%, then a detailed narrative description
 of the changes made in the construction drawings and/or Schedule
 D between Application and Carryover must be provided.
- ii. , including a tax opinion addressing satisfaction of the 50% rule where there are related parties. All tax credit fees must be paid to date. In addition, tThe Project architect must certify that the Project's final plans and specifications meet the Design Standards and contain all commitments made in the Initial Application regarding design and building. Any changes to the initial commitments made in the initial Project Application must be approved by Housing New Mexico/MFA in writing.
- iii. Concurrent with, or subsequent to the Carryover Application, The Project architect must further certify either there have been no Material Design Changes in the final plans and specifications or, if there have been Material Design Changes made, changes in the key development team members, or if the costs as identified on Schedule D of the original Application have changed more than 5%, then a detailed narrative description of the changes made in the construction drawings and/or Schedule D between Application and Carryover must be provided. If there is a change to a key member of the development team (Developer, Project Owner, General Partner, contractor, management company, consultant(s), architect, attorney and accountant, etc.) following Carryover, the project must supply MFAHousing New Mexico/MFA with a written explanation of the reason behind the change, materials supporting the benefit to the Project in making the change (including resumes) in order to assess whether or not the Project is negatively impacted by the change.
- d. Rehabilitation and Adaptive reuse Projects. In addition, rehabilitation Projects must provide, with the Carryover Application, an appraisal and a CNA of the existing Project, dated within 12 months of the Carryover Application. Professionals performing the CNA must meet the minimum qualification/certification requirements set forth by MFAHousing New Mexico/MFA as defined in the Design Standards.
- March 1⁷ of the year following Carryover
 If applicable, the MFAHousing New Mexico/MFA 542(c) Risk Sharing commitment is to be fully executed.

⁷ If such date falls on a weekend or holiday, the deadline shall be the first working day following such date.

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- No later than June 30 (see footnote 5) of the year following Carryover
 The Applicant must submit complete final construction drawings, specifications and construction documents for MFAHousing New Mexico/MFA review for compliance with the Design Standards. See Section IV.C.7 for further details.
- 6. August 31 (see footnote 5) of the year following Carryover
 - a. The Applicant must submit evidence that the basis in the Project exceeds 10% of the reasonable expected total basis in the Project, an independent auditor's report and Cost Certification, a Project Owner's attorney's opinion, in the form required by MFAHousing New Mexico/, and MFA, and any other documentation required by MFAHousing New Mexico/MFA ("10% test.")
 - The Applicant must deliver evidence acceptable to MFAHousing New Mexico/MFA that construction of the Project has begun. This will include, at a minimum, building permits and site photographs.
 - c. The Applicant must deliver an executed partnership agreement.
 - d. Qualified Nonprofit Organization Eligible Projects included in the federal set-aside
 (as defined in the Code Section 42(h)(5)(C)) must deliver the an executed recorded
 Right of First Refusal Agreement using HFAHousing New Mexico/MFA's form of
 Right of First Refusal Agreement. (Required for all Projects awarded points under
 Section III.E.1.)
 - e. If federal historic tax credits are included in the financing structure of the Project, evidence of National Park Service approval of the Project's historic certification – part 2 must be submitted.
 - f. The Applicant must deliver evidence that the Project Owner has taken ownership of the land and, if applicable, depreciable real property, that is expected to be part of the Project. For tribal Projects, this would include fully executed master and sub-lease agreements with evidence of filing with the Bureau of Indian Affairs.

7. At or around the 50% construction completion mark

The Applicant must organize a meeting with MFAHousing New Mexico/MFA staff (both Asset Management and Housing Development departments). The Developer, owner, nonprofit representative, management company staff, and any service providers involved in the Project must be in attendance. This meeting will be required ahead of lease-up. The following materials must be submitted prior to this meeting:

- Related Party Affidavit for the Management Agent
- Compliance Affidavit for the Property Management Agent
- Property Management Agent resume
- Schedule I for the Property Management Agent
- MOU required under Section III.E.8 above will be required for this meeting, as applicable.

8. November 15th (see footnote 5) of the second year following the initial allocation.

Final Allocation and Placed In Service requirements. On or before November 15th of the second year following the initial allocation, a Placed In Service Application or a Final Allocation Application must be submitted. Failure to meet this requirement will result in the loss of tax credits. If the Project is to be Placed In Service but Applicant is not yet ready to request LIHTC allocation certification (IRS Form 8609), the Placed In Service portion of the Final Allocation package must still be submitted on or before November 15th of the second year following the initial allocation. A complete Final Allocation package shall be submitted no later than 120 days following the close of the Project's first taxable year of the Credit Period.

If the Project Owner anticipates returning any portion of the allocated tax credits, updated Schedules A-F are due no later than February 15th of the year following the Placed In Service date to ensure that the returned credits can be awarded to another Project or MFAHousing New Mexico/MFA's loans can be adjusted prior to the Final Allocation package submission. If the Project Owner fails to notify MFAHousing New Mexico/MFA and submit the updated Schedules A-F by February 15th of the year following the Placed In Service date and the tax credits are not able to be allocated to another Project, the Principals involved in the Project will be ineligible to participate in the 9% LIHTC round the year after the Final Allocation package is submitted.

Prior to the issuance of IRS Form 8609 certifications for the Project, the Project Owner must submit a complete Final Allocation package, containing all items in the Final Allocation checklist, which include, among other items, the following:

- a. Cost Certification. Cost Certifications are required to be prepared as described in Section V. The CPA-prepared Cost Certification must be delivered by the Project Owner prior to the issuance of IRS Form 8609 certifications; the general contractor-prepared Cost Certification (if applicable) may be held in escrow by the project or general contractor, but would be required for audit purposes, as outlined in Section II.S.
- b. Architect's certification. A certification from the Project architect with required text as set forth in the Final Allocation package, certified by the Project Owner, that the Project has been built in conformance with the Design Standards, all applicable codes and commitments made in the Initial Application regarding design and building, unless otherwise approved in writing by MFAHousing New Mexico/MFA.
- c. **Project Owner's attorney's opinion**. A Project Owner's attorney opinion submitted on the firm's letterhead with required text as set forth in the Application Package.

- d. Final contractor's application and certificate for payment, AIA doc. G702 or equivalent. A fully executed copy indicating all the hard Construction Costs for the Project must be submitted with the Final Allocation package.
- e. LURA. Prior to December 31st of the year in which the buildings are Placed In Service, the Project Owner must submit an executed and recorded LURA, satisfactory to MFAHousing New Mexico/MFA in form and content.
- 9. **Design Review.** MFAHousing New Mexico/MFA must approve the final construction completion inspection described in Section IV.C.7. prior to 8609 issuance.
- 10. Other Project Owner responsibilities and elections. The Project Owner must place the buildings in service and claim tax credits within certain time periods. Project Owner must forward written notice and copies of all Certificates of Occupancy (for new construction) or Certificates of Substantial Completion (for rehabilitation) to the tax credit program manager within 30 days of issuance, to ensure that all necessary administrative actions are taken in a timely manner. Otherwise, tax credits may not be able to be claimed as desired.
- 11. LURA or Extended Use Agreement. Section 42(h)(6) of the Code requires imposition of "an extended low-income housing commitment." MFAHousing New Mexico/MFA complies with this requirement with a LURA filed at the time of placement in service or Final Allocation. The LURA sets forth, as covenants running with the land for a minimum of 30 years (or longer if Project Owner commits to a longer restriction period), the compliance fees, the low-income set-asides, the percentages of median income to be served, the Special Housing Needs to be served, if any, and any other such commitment made in the Initial Application or that may be imposed through this QAP and the Code. The LURA may not be terminated prior to its term for any reason other than foreclosure or an instrument in lieu of foreclosure and the Project Owner will not have the right to require MFAHousing New Mexico/MFA to present a "Qualified Contract" in accordance with Code Section 42(h)(6). The Project Owner will also have to deliver subordination agreements from all lenders, giving lien priority to the tax credit restrictions.

H. Termination of Reservations or Rejection of Applications

Any of the following events or actions on the part of the Applicant at any time subsequent to the Initial Application may cause the Application to be rejected or the Reservation to be terminated in MFAHousing New Mexico/MFA's sole discretion:

- 1. Loss of site €Control or site change
- Submission of any false or fraudulent information in the Application or in other submissions

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- 3. Failure to meet the conditions of Section IV.B and IV.G above or in the Reservation Letter
- 4. Subsequent regulations issued by U.S. Department of Treasury or the IRS pertaining to the Code
- Failure to promptly notify <u>MFAHousing New Mexico/MFA</u> of any material or adverse changes in the facts of the original Application pursuant to <u>Section IV.I</u> below
- Instances of non-compliance continuing beyond the specified cure period on Applicant's or Principal's other Projects
- 7. Any other change which would alter the original scoring of the Application or which was not approved in advance by MFAHousing New Mexico/MFA
- 8. Debarment from HUD, MFAHousing New Mexico/MFA or other federal programs, bankruptcy, criminal indictments or convictions, poor performance on prior MFAHousing New Mexico/MFA or HUD-financed Projects (including but not limited to late payments within the 18 month period prior to the Application Deadline, misuse of reserves and/or other Project funds, default, fair housing violations, non-compliance [e.g. with the terms of LURAs on other Projects,] failure to meet development deadlines or documentation requirements) on the part of any development team member or Project Owner or Principal
- Change in the federal Set-aside Election or other set-aside proposed in the Initial Application, subsequent to the Application Deadline

I. Notification to MFAHousing New Mexico/MFA of Changes to the Project

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It is Applicant's responsibility to notify MFAHousing New Mexico/MFA immediately, in writing, of any changes to the Project subsequent to submission of an Application, including the changes listed below and any other material changes, by requesting MFAHousing New Mexico/MFA's approval of such changes. Failure to notify MFAHousing New Mexico/MFA may result in the rejection of an Application or loss of a Reservation or tax credit allocation. Approval of such changes will be made in MFAHousing New Mexico/MFA's sole discretion and the change may result in a change in the tax credit amount or other action by MFAHousing New Mexico/MFA. A \$500 fee payment is required at the time of the request for approval of any changes in accordance with Section IV.B. In addition to this fee, Applicant agrees it shall pay MFAHousing New Mexico/MFA any legal fees it may incur in processing the request. Applicants/Project Owners will not be allowed to make changes to a Project that would result in a change to any of the specific items for which points were awarded, unless extraordinary and well-documented circumstances would warrant it, and changes must be approved by MFAHousing New

<u>Mexico/MFA</u>. Any such change(s) to a Project that would require a re-scoring or re-evaluation which causes the Project's score to fall below its original score may cause the LIHTC allocation to be rescinded in the case of 9% Projects or never issued in the case of 4% Projects.

Examples of changes of which MFAHousing New Mexico/MFA must be notified:

- 1. Site control or rights of way are lost;
- 2. Project costs change in excess of 5% of the Total Development Cost shown in the Carryover Allocation Application Package (for 9% Projects) or subsequent to Initial Application submission (for 4% Projects);
- 3. Applicant obtains additional subsidies or financing other than those disclosed in the Carryover Allocation Application Package; or loses subsidies or financing included in the Carryover Application Package, and/or the amount of any such financing or subsidy changes by greater than or equal to 10% from the amount shown in the Carryover Allocation Application Package (for 9% Projects) or subsequent to Initial Application submission (for 4% Projects);
- 4. Development cost contributions made by a state, local or tribal governmental entityEntity are reduced, increased, withdrawn or substituted with other types of contributions than the ones originally proposed in the Application;
- The syndication payment timing and/or net proceeds change from those stated in the Carryover Allocation Application Package (for 9% Projects) or subsequent to Initial Application submission (for 4% Projects);
- The parties [other than the limited partner(s) formation] involved in the ownership entityEntity as represented in the Application change;
- 7. Changes to Project design, unit design, square footage, unit mix, number of Units, number of buildings changes, amenities, parking quantities, landscaping scope, energy performance, water usage, quality of construction or specification;
- 8. A change in any enrichment service provider and/or change in type of enrichment service to be provided;
- 9. The general contractor or other member of the original development team changes;
- 10. Any fire or other natural disaster occurring at or near the Project site; or
- 11. Any other factor deemed material by MFAHousing New Mexico/MFA in its reasonable judgment.

J. Notice Provisions

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MFAHousing New Mexico/MFA will typically provide notice to Applicants through certified mail, courier service or e-mail transmission. Consequently, correct street addresses, e-mail addresses and phone numbers must be provided clearly in the Application form. Such notices will be provided only to the Contact Person(s) shown in the Application form. MFAHousing New Mexico/MFA will not be responsible for any consequences that may result from the Applicant's inability to receive notice from MFAHousing New Mexico/MFA due to a change in Contact Person information, or other contact information i.e. address or phone number, that was not reported to MFAHousing New Mexico/MFA.

K. Applications are Public Records

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All information contained in Applications for tax credits are public records subject to inspection under state and federal open records laws. In addition, MFAHousing New Mexico/MFA may share information and details obtained from Applications with other public agencies.

L. Attorney Fees

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Any and all attorney fees incurred by MFAHousing New Mexico/MFA in the course of contract development, negotiations, project reviews, loan conditions, ownership changes or other project-specific legal expenses will be reimbursed by the Project or Developer. In any litigation, arbitration or other proceeding arising from, as a result of or pursuant to this QAP and/or the resulting tax credit allocation round, selection process or award determinations, MFAHousing New Mexico/MFA, if it is the prevailing party, shall be entitled to be awarded its reasonable attorney fees, costs and expenses incurred from the opposing party, regardless of which party initiated the litigation, arbitration or other proceeding.

V. Cost Certification

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A. Applicability of Cost Certification

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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), MFAHousing New Mexico/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 costs 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 MFAHousing New Mexico/MFA cost requirements if a Maximum Guaranteed Price or Stipulated Sum Contract was utilized. Therefore, if the project entered into a Stipulated Sum Contract or a Maximum Guaranteed Price, a Cost Certification does not need to be prepared by the general contractor.

B. Requirements

The Form 8609 Cost Certification must meet the following requirements:

- 1. The CPA preparing the Cost Certification must certify that all costs are related to the Project's development and do not include costs for organization, syndication, professional or consultant fees related to syndication. The CPA shall "test" a minimum of 20% of all costs listed therein. Both the CPA and Project Owner must execute the Cost Certification. In addition, a Cost Certification is required to be prepared and executed by the general contractor if the project is not utilizing a stipulated sum contract. Each Cost Certification must specifically identify those costs listed in any general or "Other" category. The general contractor Cost Certification (if applicable) may be held in escrow by the project or general contractor but must be produced in the event of an audit as outlined in Section II.S.
- All fees, including the developer fee, paid to the Project Owner or Developer or to an
 entityEntity with an Identity of Interest with the Project Owner or Developer, must be
 clearly identified. If all or a portion of the developer fee is deferred, copies of the
 promissory note or other substantiation of the validity of the fee must be reviewed.
- 3. If the land is purchased from a related party, the Project Owner must submit an appraisal to substantiate fair market value, which appraisal must include a determination of value based upon any land use restrictions per HUD or other entity_entity_entity, including MFAHousing New Mexico/MFA.
- 4. Legal fees related to land acquisition must be clearly identified.
- 5. Interest expense related to land must be clearly identified.
- 6. The sources of all funding including loans, tax credit proceeds, Project Owner/Developer equity and all other sources must be certified.

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C. Authority to Determine Maximum Qualified Basis

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MFAHousing New Mexico/MFA may challenge the costs provided in the Cost Certification, impose the limitations set forth in this QAP and in its sole discretion, determine the maximum Qualified Basis against which credit is allocated.

VI. Processing of Tax-Exempt Bond Financed Project Applications

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The Code allows tax-exempt bond financed Projects to receive an allocation of 4% tax credits provided they meet the minimum requirements for an allocation in the QAP. MFAHousing New Mexico/MFA's determination that a Project satisfies the requirements of the QAP will be based on the Project meeting all minimum Project threshold requirements, staff analysis, Application processing, Feasibility Analysis and property standards described in the QAP in effect when the determination is made. The tax credits allocated to tax-exempt bond financed Projects are not subject to the Annual Credit Ceiling and, consequently, are not required to compete in the competitive allocation process described in the QAP. MFAHousing New Mexico/MFA staff will undertake an analysis to determine the tax credit amount necessary for financial feasibility using the same underwriting criteria used in evaluating non-bond-financed projects.

Similar to competitive applications, all tax-exempt bond financed Projects are required to submit an Intent to Submit a Tax Credit Application and Development Synopsis at least 30 days prior to submitting their Application in order to insure timely processing to meet other bond issuance deadlines. Additionally, all tax-exempt bond financed Projects are encouraged to meet with MFAHousing New Mexico/MFA staff at least 30 days prior to submission to review and discuss the proposed Project.

Requests for these determinations (Applications) must be made by the Project's Developer/sponsor at least 60 days prior to submission to the State Board of Finance for bond volume cap. Requests must include an Application fee and Direct Cost Deposit as listed in Section IV.B., a market study, a completed 2024-2025 Universal Rental Development Application and Schedules with all attachments and any other material specified by MFAHousing New Mexico/MFA. The market study must meet all requirements identified within the Market Study Parameters in MFAHousing New Mexico/MFA's determination and be dated no more than 180 calendar days prior to the date on which a Complete Application is received by MFAHousing New Mexico/MFA. (See Section III.C.4 for more information about Market Study requirements.) Prior to the release of the Letter of Determination by MFAHousing New Mexico/MFA staff, a processing fee in the amount of 8.5% of the approved annual credit amount will be due. MFAHousing New Mexico/MFA's initial response to the Application for 4% tax credits will be provided no later than 60 business days subsequent to receipt of the Complete Application by MFAHousing New Mexico/MFA.

Unless otherwise stated, all provisions of this QAP are intended to apply to tax-exempt bond financed Projects. To assist in clarifying where provisions are different, MFAHousing New Mexico/MFA has prepared a separate application form for 4% Applications and a 2024-2025 Bond Checklist that are available to download from MFAHousing New Mexico/MFA's website. In addition to the Project Narrative required for 9% Projects, the required Project Narrative must also include the description of the characteristics of the Project in terms of the tax-exempt bond issuance. A failure to provide any of the information required herein will result in a determination, in MFAHousing New Mexico/MFA's sole discretion, that the Project Application is incomplete. You may provide additional documentation that supports this narrative. Each supporting document should include a brief description of what is contained in the document and the purpose for which it is being submitted. This expanded document shall also address the following:

- a. The current use and condition of the proposed site;
- The amount of requested Volume Cap. Provide explanation of and support for the amount requested;
- Evidence of qualification under the relevant bond financing sections of the Code;
- d. Describe in detail the bond financing structure;
 - 1. Identify if there will be more than one series of bonds;
 - 2. Will the bonds be used in construction only or be used in permanent financing;
 - 3. Bond terms including any source used to pay back the bonds;
 - 4. All entities involved in the financing, e.g., rating agencies, bond insurer, letter of credit bank, credit enhancement entityEntity;
- e. Evidence and support of adequate market for the Units and explanation of why the housing needs of households eligible to live in the proposed Project are not being met by existing multifamily housing;
- f. Conditions to be satisfied prior to bond issue, e.g., all governmental approvals, real estate conditions;
- g. Statement indicating why the public purpose of the bonds could not be as economically or effectively served without an allocation of bond cap;
- h. Other information regarding the economic benefits of the Project to the Project's community and the State of New Mexico;

 Provide a detailed timeline, incorporating all pertinent milestones including but not limited to all governmental approvals and the bond closing.

Tax-exempt bond financed Projects may receive tax credits on the full amount of their Eligible Basis only if at least 50% of the Project's "aggregate basis" is financed with tax-exempt bonds. Additionally, numerous bond-financing rules apply and many tax credit requirements are different for tax-exempt bond financed Projects. MFAHousing New Mexico/MFA recommends that Project Owners undertaking these Projects obtain advice from qualified tax professionals to ensure that such requirements are met.

To ensure that these credits are used to leverage the greatest possible amount of resources, the following additional minimum Project threshold requirements will apply:

- Percent of total sources limit. The private activity bond volume cap allocation by the
 State Board of Finance must not exceed 60% of the Project's Total Development
 Cost"aggregate basis"-. without a waiver from Waivers regarding this provision will be
 considered on a case-by-case basis for Projects that have received an allocation of
 volume cap and experience unanticipated cost increases that necessitate a waiver for
 Project feasibility. MFA, which shall not unreasonably be withheld if sufficient volume
 cap is anticipated to be available.
- 2. **Costs of issuance limit.** Costs of issuance may not exceed 5% of the bond issue for Projects with total financing sources of \$2,000,000 or more and 7% for Projects with total financing sources of less than \$2,000,000.

For all tax-exempt bond financed Projects, the Project Owner must provide notice to MFAHousing New Mexico/MFA that Units have been Placed In Service by providing written notice and copies of the Certificates of Occupancy for new construction, the Certificate of Substantial Completion for rehabilitation within thirty (30) days of issuance. Additionally, the Project Owner must request the issuance of a LURA from MFAHousing New Mexico/MFA within one month of the date on which the last Unit of the Project was Placed In Service.

VII. Amendments to the Allocation Plan and Waivers of Plan Provisions

MFAHousing New Mexico/MFA reserves the right to modify this QAP, including its compliance and monitoring provisions, and to waive plan provisions, as required by the promulgation or amendment of the Code, from time to time or for other reasons as determined by MFAHousing New Mexico/MFA, including, but not limited to, the ability to respond to government declared disasters and emergencies. MFAHousing New Mexico/MFA will, however, make available to the general public a written explanation of any allocation of housing tax credits that is not made in accordance with established priorities and selection criteria of the Agency.

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VIII. Future Year's Binding Commitments

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MFAHousing New Mexico/MFA staff shall have the authority to advance allocate up to \$300,000 in future year's tax credits to Board-approved Eligible Projects. However, advance allocations are made solely at MFAHousing New Mexico/MFA's discretion and no advance allocation may be made to any Project whose tax credit amount is not at least 50% funded by the current year's Annual Credit Ceiling without MFAHousing New Mexico/MFA Board approval. Future year commitments in excess of \$300,000 in any given year must also be approved by the Board. Any advance allocation will require the Applicant to execute a Binding Commitment, as drafted by MFAHousing New Mexico/MFA and agree to the dates and timeframes required in this QAP.

IX. Disaster Relief Allocations

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The Board will retain the authority to allocate current or future year's tax credits at any time and in any amount to Projects approved by the Board that are intended to alleviate housing shortages in communities affected by declared and natural disasters.

X. MFAHousing New Mexico/MFA Tax Credit Monitoring and Compliance Plan Summary

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A. General Requirements

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Federal law requires MFAHousing New Mexico/MFA to develop and implement a compliance-monitoring program for completed Projects that have received LIHTCs. A compliance plan contained in a manual has been developed and is available to the Project Owners at MFAHousing New Mexico/MFA's website, www.housingnm.org. Compliance Monitoring is required for a minimum 15 years after receipt of a tax credit allocation. Each Project Owner has chosen to utilize LIHTCs to take advantage of the tax benefits provided. In exchange for these tax benefits, certain requirements must be met so that the Project will benefit low incomelow-income tenants.

Project Owners will be required to submit a quarterly report to MFAHousing New Mexico/MFA for each of the first four calendar quarters after a Project is Placed In Service. At that time, if the Project is determined to be in compliance with the Code, reports may be filed on an annual basis with MFAHousing New Mexico/MFA's approval. Project Owners will be required to submit to MFAHousing New Mexico/MFA a copy of all federal form 8609's, including schedule A, filed with the IRS in the first year that credits are claimed and at any subsequent time as requested by MFAHousing New Mexico/MFA. MFAHousing New Mexico/MFA reserves the right, in its sole discretion, to require such additional reports and/or records as MFAHousing New Mexico/MFA reasonably determines are necessary.

Beginning three (3) years prior to the expiration of rent restrictions:

- Project Owners shall notify existing tenants in writing of the date when the Project's
 long-term use restrictions will expire. If the Project Owner fails to timely issue the notice,
 each existing tenant's rent shall remain restricted until such time as each existing tenant
 receives three years notice of the expiring use restrictions.
- Notify all new tenants in writing of the date when the Project's long-term use restrictions
 will expire concurrent with signing a lease to move into the property. If the notice is not
 signed by the tenant with the lease, the tenant's rent restriction shall be extended for the
 number of days the notice was delayed.

Project Owners shall maintain copies of each notice with documentation of the date that the tenant received the notice.

B. Inspections

MFAHousing New Mexico/MFA will conduct on-site inspections of all buildings in the low-income housing Project and will review low-income certifications by the end of the second calendar year following the year the last building in the low-income housing Project is Placed In Service; and at least once every 3 years thereafter. The minimum number of low-income Units that must be included in the random samples on which MFAHousing New Mexico/MFA will conduct physical inspections or low-income certification review is the lesser of the applicable REAC number or 20 percent of the low-income Units in the Project, rounded up to the next whole number.

Each inspection will include a review of the Project's low-income certifications, supporting income documentation, leases, rent records (including utility documentation) and Unit inspections in at least the minimum Unit sample size of the Project's Set-aside Units and a physical inspection of the entire Project (interior and exterior). In mixed-use and mixed-income properties, 100% of the Units may be monitored. If Projects are determined to be in noncompliance, site visits may occur more often. MFAHousing New Mexico/MFA will provide the owner written notification at least 15 days in advance of scheduled inspections.

MFAHousing New Mexico/MFA will also inspect, as applicable to the property, compliance with service coordination plans and service coordinator office hour requirements, enrichment services, coordinated services, etc. committed to under the Households with Children Housing Priority, Households with Special Housing Needs Housing Priority, Projects Reserved for Seniors Housing Priority and the PSH category under the Underserved Populations set-aside.

During the Extended Use Period, MFAHousing New Mexico/MFA reserves the right, under the provisions of the Code and the Project's LURA, to perform an audit of any Project that has received an allocation of tax credits. This audit will include an on-site inspection of all buildings and a review of all tenant records and certifications and other documents supporting criteria for which the Project Owner received points in the Application for an allocation of credits.

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C. Recordkeeping and Record Retention

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Under the provisions of the tax credits, the Project Owner will be required to keep records as defined below for each building within a particular Project. These records must be retained by the Project Owner for a minimum of six years beyond the Project Owner's income tax filing date for that year. However, first-year Project records must be maintained for six years beyond the tax filing date of the final year of the Project's eligibility for tax credits. The Project Owner must report to MFAHousing New Mexico/MFA, through MFAHousing New Mexico/MFA's Web Compliance Management System (WCMS), annual audited property financial statements within 120 days of the close of the Project's fiscal year, as well as annual operating budgets. On a monthly basis, the Project Owner must provide tenant income certifications and property vacancy data using the WCMS online system. In addition, the Project Owner must maintain records for each qualified low-income building in the Project showing:

- 1. The total number of residential Units in the building (including the number of bedrooms and size in square feet of each residential unit)
- 2. The percentage of residential Units in the building that are Set-aside Units
- 3. The rent charged on each residential Unit in the building (including utility allowances)
- 4. The number of occupants in each residential Unit in the building
- The low-income Unit vacancies in the building and documentation of when and to whom the "next available Units" were rented
- 6. The income certification of each low-income tenant
- 7. The documentation to support each low-income tenant's income certification
- 8. The Eligible Basis and Qualified Basis for each building
- 9. The character and use of any nonresidential portion of the building included in the building's Eligible Basis (this includes separate facilities such as clubhouses or swimming pools whose Eligible Basis is allocated to each building)
- 10. Additional documentation and reporting as required by federal regulation
- 11. Additional documentation and reporting as required by MFAHousing New Mexico/MFA

Failure to annually report is deemed as noncompliance and is reportable to the IRS.

D. Annual Certification Review

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It is the responsibility of the Project Owner to annually certify to MFAHousing New Mexico/MFA that the Project meets the requirements of the Code, whichever set-aside is applicable to the Project. Failure to make this certification is deemed as noncompliance and is reportable to the IRS. This annual certification requires the Project Owner to certify that:

- 1. The Project meets the minimum requirements of the set-aside election
- 2. There has been no change in the Applicable Fraction (as defined in Section 42(c)(1)(B) of the Code) for any building in the Project.
- 3. An annual low-income certification has been received from each low-income tenant and documentation is available to support that certification The owner has received an annual Tenant Income Certification from each low-income resident and documentation to support that certification, or the owner has obtained self-certifications based on HERA rules.
- 4. Each low-income Unit is rent restricted under the Code
- 5. Subject to the income restrictions on the Project, all Units in the Project are for use by the general public and are used on a non-transient basis All low-income units in the Project are and have been for use by the general public and used on a non-transient basis (except for transitional housing for the homeless provided under Section 42(i)(3)(B)(iii) of the Code.
- 6. There has been no finding of discrimination under the Fair Housing ActNo finding of discrimination under the Fair Housing Act, 42 U.S.C. 3601-3619, has occurred for this Project. A finding of discrimination includes an adverse final decision by the Secretary of Housing and Urban Development (HUD), 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C. 3616a(a)(1), or an adverse judgement from a federal court.
- 7. Each building within the Project is suitable for occupancy taking into account local health, safety and building codes Each building in the Project is and has been suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low-income unit in the Project.
- 8. There has been no change in any building's Eligible Basis under the Code or if there has been a change, adequate explanation of the nature of the change has been given There

has been no change in the eligible basis (as defined in Section 42(d) of the Code) of any building in the Project since last certification submission.

- 9. All tenant facilities included in the Eligible Basis of any building in the Project are provided on a comparable basis, without a separate fee, to all tenants in the buildingAll tenant facilities included in the eligible basis under Section 42(d) of the Code of any building in the Project, such as swimming pools, other recreational facilities, parking areas, washer/dryer hookups, and appliances were provided on a comparable basis without charge to all tenants in the buildings.
- 10. If a low-income Unit in the Project becomes vacant during the year, reasonable attempts are made to rent the Unit to tenants having a qualifying income and while the Unit is vacant, no Units of comparable or smaller size are rented to tenants not having a qualifying income! If a low-income unit in the Project has been vacant during the year, reasonable attempts were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units were or will be rented to tenants not having a qualifying income.
- 11. If the income of Low-income Tenants of Units increases above 140% of the applicable income limit allowed in the Code, the next available Unit of comparable or smaller size will be leased to tenants having qualifying income. If the income of tenants of a low-income unit in any building increased above the limit allowed in Section 42(g)(2)(D)(ii) of the Code, the next available unit of comparable or smaller size in that building was or will be rented to residents having a qualifying income.
- 12. Project Owner has not refused to lease a Unit to an Applicant based exclusively on their status as a holder of a Section 8 voucher and the Project otherwise meets the provisions outlined in the extended low-income housing commitment as described in Section 42(h)(6) was in effect, including the requirement under Section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the Project to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437s. Owner has not refused to lease a unit to an applicant based solely on their status as a holder of a Section 8 voucher and the Project otherwise meets the provisions, including any special provisions, as outlined in the extended low-income housing commitment (not applicable to buildings with tax credits from years 1987-1989).
- 13. If the Project Owner received its tax credit allocation from the state ceiling set-aside for Projects involving "Qualified Nonprofit Organizations," the nonprofit entityEntity materially participated in the operation of the developmentIf the Project Owner received its credit allocation from the portion of the state ceiling set-aside for a Project involving "qualified nonprofit organizations" under Section 42(h)(5) of the Code and its nonprofit

Entity materially participated in the operation of the development within the meaning of Section 469(h) of the Code.

- 14. There has been no change in ownership or management of the Project. that was not approved in advance by MFA
- 15. The Project Owner has obtained accurate, allowable, current utility allowances for use in the calculation of rents for the Project and acknowledges this to be an annual requirement for the duration for the Compliance Period-The owner has obtained accurate, allowable, current utility allowances for use in the calculation of rents for the Project. In addition, the owner acknowledges this process to be an annual requirement of the LIHTC program and certifies to adhere to this requirement for the duration of the Compliance Period for the Project.
- 16. For the preceding 12 months the Project Owner has complied with Section 42(h)(6)(E)(ii)(I) of the Code that an existing tenant of a low-income Unit has not been evicted or had their tenancies terminated for anything other than good causeFor the preceding 12-month period (pursuant to IRS Revenue Ruling 2004-82) the owner has complied with Section 42(h)(6)(E)(ii)(I) that an existing tenant of a low-income unit has not been evicted or had their tenancies terminated for anything other than good cause.
- 17. The Project Owner has complied with Section 42(h)(6)(E)(ii)(II) of the Code and not increased the gross rent above the maximum allowed under the Code with respect to any low-income Unit.
- 18. The Project has complied with the Violence Against Women Act (VAWA), which provides protections for residents and Applicants who are victims of domestic violence, dating violence or stalking, and any other situation or incidence mandated by VAWA. Compliance requirements mandated by VAWA include, but are not limited to, honoring civil protection orders, eviction protection and bifurcation of lease when necessary.
- 19. The owner has received an annual Student Self Certification for each low-income household.
- 20. The owner continues to comply with all terms it agreed to in its Application for Credit authority, including all federal and state-level program requirements and any commitments for which it received points or other preferential treatment in its Application.
- 21. The property has not suffered a casualty loss resulting in the current displacement of residents.

- 22. If applicable, the property has completed the annual service coordination requirements per the LURA including on site office hours, providing coordinated services and conducting an annual survey. If yes, include the number of hours and the number of residents served with coordinated services in the next section.
- 23. The property has completed PSH Commitment to Quality checklist for every Permanent Supportive Housing for each qualified household if applicable.
- 24. The property has provided all required service enrichments according to the schedule listed in the LURA if applicable.
- 25. The property is in compliance with the Smoke Free at Home Program.
- 24. The building identification number, first year of Credit Period and Applicable Fraction of each building.

As an exception, only for RD Projects, MFAHousing New Mexico/MFA may accept a certification from RD that income is based upon annual tenant certifications/re-certifications and that third party verification has been obtained. This certification will be in a form that is acceptable to both RD and MFAHousing New Mexico/MFA. Project Owners must furnish RD certifications annually, verifying that Projects are in compliance with the Code.

Tax-exempt bond financed Projects in which 50% or more of the aggregate basis is funded with the proceeds of bond financing may also be exempt, in MFAHousing New Mexico/MFA's discretion, from many of the certification and review provisions outlined within this document. The monitoring and certification guidelines for these Projects must be in a form that will satisfy those agencies issuing the bonds and MFAHousing New Mexico/MFA. The Project's monitoring procedures must, at a minimum, satisfy the compliance guidelines set forth by the Code.

Projects which are 100% allowable for tax credit purposes (i.e., all Units are income and rent restricted at 60% of AMI or lower or 80% of AMI or lower with an average income of 60% AMI or lower for Average Income Projects) and that have no other financing requiring annual income re-certifications may also be exempt pursuant to HR 3221. Project Owners must furnish <a href="https://mreactions.org/lengths-new-mask-unitsharm-new-m

The Project Owner of any exempted Project must certify to MFAHousing New Mexico/MFA on an annual basis that the Project is in compliance with the requirements for RD assistance, tax credits or the tax-exempt bond financing guidelines, as applicable, and that all requirements of the Code are also being met. The Project Owner must inform MFAHousing New Mexico/MFA of any noncompliance or if Project Owner is unable to make one or more of the required certifications.

E. Compliance Review

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MFAHousing New Mexico/MFA may elect to subcontract the monitoring procedure to other agents. In doing so, MFAHousing New Mexico/MFA would designate the subcontractor as the compliance-monitoring agent who would perform MFAHousing New Mexico/MFA's function.

In the event that any noncompliance with the Code is identified, a discrepancy letter entitled "Notice of Non-Compliance," detailing the noncompliance will be forwarded promptly to the Project Owner and the management company of the Project. The Project Owner must then respond in writing to MFAHousing New Mexico/MFA within 30 days after receipt of the discrepancy letter. The response must address all discrepancies individually and must indicate the manner in which corrections will be made. The Project Owner will then have a cure period of 30 days from the date of the discrepancies individually and must indicate the manner in which corrections will be made. The proposed owner will then have a cure period of 30 days from the date of the discrepancy letter to correct the noncompliance detected and to provide MFAHousing New Mexico/MFA with any documentation or certification found to be missing during the annual management review. The cure period may be extended for periods of up to six months. Extensions will be based on a determination by MFAHousing New Mexico/MFA that there is good cause for granting the extension.

MFAHousing New Mexico/MFA will notify the IRS within 45 days after the expiration of the cure period of any noncompliance that has been detected. All corrections made by the Project Owner within the cure period will be acknowledged within this notice. A copy of the Project Owner's response to the noncompliance will accompany the notice to the IRS.

If potential noncompliance is discovered during a Compliance Monitoring review, the Project Owner will be required to have the Project's managing agent attend a compliance training session within two months following the Compliance Monitoring review.

In order to offset the cost of monitoring procedures, an annual fee will be assessed for each year through the end of the Extended Use Period. For 20242025, the monitoring/compliance fee is \$50.00/set-aside Unit/per year. The monitoring/compliance fee can be paid annually, on or before January 31, or in a lump sum to cover the initial 15 years of the Compliance Period. If paid in a lump sum, the amount will be determined in the year the development receives a Final Allocation. Payment of the lump sum amount will be required prior to issuance of Forms 8609 for each Project. For 20242025, the amount of the Compliance Monitoring fee for the remainder of the contractual Extended Use Period will be \$20.00/set-aside Unit/per year beginning in year 16. Annual certifications and reports are due in the MFAHousing New Mexico/MFA office by March 31st of each year (for the past reporting year.) Annual compliance reports are due by March 31st of each year, through MFAHousing New Mexico/MFA's WCMS online compliance system for the full term of the Extended Use Period. Annual audited property financial statements are due in the MFAHousing New Mexico/MFA office within 120 days of the

property's fiscal year end. A notice will be mailed to each Project Owner or a designated representative to remind them that the certification, reports and fees are due.	
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XI. GLOSSARY

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Acquisition Costs - for purposes of calculating developer fee in related party transactions, the full appraised value of any land and/or existing improvements, including any buildings; and/or costs attributable to the acquisition of any land and/or improvements, including any buildings, and including costs relating to title, recording, legal and site review.

Adaptive Reuse Projects - Projects which will involve the conversion of an existing building or buildings, which was not initially constructed for residential use to multifamily residential rental units (i.e., apartment units).

Affiliate - any Person or Entity who (i) directly or indirectly through one or more intermediaries Controls, is Controlled by, or is under common Control with the Applicant; or (ii) owns or Controls any outstanding voting securities, partnership interests, membership interests, or other ownership interests of the Applicant; or (iii) is an officer, director, guarantor, employee, agent, partner, member, manager or shareholder of the Applicant; or (iv) has an officer, director, member, manager, guarantor, employee, agent, partner, or shareholder who is also an officer, director, member, manager, employee, agent, partner, or shareholder of the Applicant; or (v) receives fees as a consultant or advisor that exceeds \$200,000; or (vi) who otherwise shares an Identity of Interest. A third-party management agent that provides services for multiple non-related companies is not an Affiliate unless it is part of the vertically integrated Developer applying for LIHTC.

Affordability Period - Total of the initial Compliance Period plus the Extended Use Period (30-year minimum plus any additional time required and documented in the LURA).

Agency - New Mexico Mortgage Finance Authority (MFAHousing New Mexico/MFA).

Allocation Review Committee (ARC) - a committee appointed by the Chairman of the MFAHousing New Mexico/MFA Board of Directors to review Projects rating and ranking results, to determine if the proposed allocations have been made consistent with the Project Selection Criteria and the QAP, and to hear appeals and decide their outcome.

Allocation Set-asides - the federally mandated tax credit Allocation set-aside requirement for Projects involving Qualified Nonprofit Organizations, as well as other tax credit Allocation Set-asides designated by MFAHousing New Mexico/MFA from time-to-time and incorporated into the QAP.

Annual Credit Ceiling - the total dollar volume of tax credits available for distribution by the Agency and authorized pursuant to the Code, in a given year. The population-based ceiling amount is the amount of tax credits allocated to the state each year based on the state population.

Applicable Credit Percentage - the monthly interest rate issued by the U.S. Department of Treasury and used to discount the present value of the 70% tax credit (set at 9% by the PATH Act of 2015) and the 30% tax credit (set at 4% by the Consolidated Appropriations Act of 2021.)

Applicable Fraction - the fraction, the numerator of which is the number of low-income Units and the denominator of which is the total number of residential rental Units less any Unit exempted by Revenue Ruling 92-61; or the fraction, the numerator of which is the floor space of the low-income Units and the denominator of which is the total floor space of the residential rental Units less any Unit exempted by Revenue Ruling 92-61, whichever is less. The Eligible Basis of a building is multiplied by the Applicable Fraction to determine the Qualified Basis of a building for tax credit purposes.

Applicant - the General Partner or the managing member(s) of the General Partner.

Application - the completed forms, schedules, checklists, exhibits uploaded to MFAHousing New Mexico/MFA's file sharing site https://mfa.internal.housingnm.org/SFT_HD/ any additional documentation requested in the Initial Application Package, Carryover Allocation package and Final Allocation package, as well as any supplemental materials requested by MFAHousing New Mexico/MFA. They must be submitted to MFAHousing New Mexico/MFA in accordance with the QAP in order to apply for the Tax Credit Program.

Application Deadline – 12:00 p.m. Mountain Standard Time on the final day of the Application Period, except for tax-exempt bond financed Projects, for which the submission date is specified in Section VI.

Application Package - the forms, schedules, checklists, exhibits uploaded to MFAHousing New Mexico/MFA's file sharing site: https://mfa.internal.housingnm.org/SFT_HD/ and instructions thereto obtained from the Agency, which shall be completed and submitted to the Agency in accordance with all regulations in order to apply for the Tax Credit Program.

Application Period – the period during which Applications will be accepted by MFAHousing New Mexico/MFA as described in Section IV.A.

Architecture and Engineering – includes the following disciplines: all services provided through the architectural firm including architectural services and supervision, landscape design and civil, structural, mechanical, plumbing, electrical engineering. It does not include the services of a geotechnical engineer or HERS rater as these consultants are contracted directly with the developer. Interior design, if applicable to the Project, is included in the Furniture, Fixtures and Equipment line under Other Construction Costs on Schedule A.

Area Median Income (AMI)– the median income level, issued annually by HUD for each metropolitan area and for each county outside a metropolitan area, which is adjusted for household size and used to calculate maximum income of eligible person Person and rents for Rent Restricted Units. As of July 30, 2008, any Project located in a rural area (as defined in

Section 520 of the Housing Act of 1949) shall have income limitations measured by the greater of the HUD median income or the national non-metropolitan median income.

Average Income (AI) Election - This election under the Code was authorized by the Consolidated Appropriations Act of 2018. This set-aside allows the Project to serve households up to 80% AMI as long as at least 40% of the total Units are rent and income restricted and the average income limit for all tax credit Units in the Project is at or below 60% AMI.

Binding Commitment – an agreement between MFAHousing New Mexico/MFA and an Applicant by which MFAHousing New Mexico/MFA allocates and the Applicant accepts tax credits in accordance with Section 42(h)(1)(C) of the Code. MFAHousing New Mexico/MFA's Carryover Allocation is its Binding Commitment.

Blighted Buildings - buildings that are in such severe disrepair that rehabilitation or Adaptive reuse is no longer feasible.

Board of Directors (Board) - MFAHousing New Mexico/MFA's Board of Directors.

Brownfield - land where the development, redevelopment or reuse may be complicated by presence of hazardous substance, pollutant or contaminant including petroleum. Brownfield sites require a remediation plan based on a Phase II Environmental Site Assessment.

Building's Gross Square Feet - the sum of the Gross Square Feet on each floor of a building. Covered parking and structured parking should not be included in the Building's Gross Square Feet.

Capital Needs Assessment (CNA) - a report prepared by a competent professional meeting the minimum qualification/certification requirements set forth by MFAHousing New Mexico/MFA, as defined in the Design Standards, that addresses the following:

- 1. Site visit and physical inspection of the interior and exterior of Units and structures
- 2. Interview with available on-site property management and maintenance personnel regarding past and pending repairs/improvements and physical deficiencies
- 3. Identification of the presence of any visible environmental hazards on the site or other life safety concerns
- 4. Opinion as to the adequacy of the proposed budget for recommended improvements.
- 5. Description of all major systems of the buildings and Units with a projection of the remaining useful life of each, including certification of critical building systems or components that have reached or exceeded their expected useful lives
- 6. Description of all building envelope and structural systems deficiencies
- 7. Projection of recurring probable expenditures for significant systems and components over 15 years.
- 8. Determination of the appropriate upfront and ongoing replacement reserve deposits.

Capture Rate – Ratio of the total Units proposed to the number of income qualified households in the Primary Market Area (PMA). This ratio is calculated by dividing the total number of proposed Units by the total number of age, size and income qualified renter households in the PMA.

Carryover Allocation – the provision under the Code which allows a Project, under certain conditions allowed by the Code, to receive a tax credit allocation in a given calendar year and to be Placed in Service within a period of two calendar years after the calendar year in which Applicant qualifies for a Carryover Allocation. The Carryover Allocation is MFAHousing New Mexico/MFA's Binding Commitment for tax credits.

Casualty - A casualty loss can result from the damage, destruction, or loss of your property from any sudden, unexpected, or unusual event such as a flood, hurricane, tornado, fire, earthquake, or volcanic eruption. A casualty does not include normal wear and tear or progressive deterioration.

Code – Section 42 of the Internal Revenue Code of 1986, as in effect on the date of the QAP, together with corresponding and applicable final, temporary or proposed regulations and revenue rulings issued with respect thereto by the U.S. Department of Treasury or the Internal Revenue Service of the U.S.

Complete Application – an Initial Application meeting all of the requirements in Section IV.A.4, Content and Format.

Compliance Monitoring – the Agency's procedure, as required by the Code and detailed in MFAHousing New Mexico/MFA's Tax Credit Monitoring and Compliance Plan, of auditing and inspecting all completed LIHTC Projects.

Compliance Period – with respect to any building that is included in the LIHTC Project, a minimum period of 15 years beginning on the first day of the first taxable year of the tax Credit Period with respect thereto in which a LIHTC Project shall continue to maintain the low-income Units as low-income Units pursuant to Applicant's Set-aside Election in the Application, pursuant to the Code. Compliance Period plus Extended Use Period equals Affordability Period.

Concerted Community Revitalization Plan – a metropolitan redevelopment plan as defined in NMSA 1978 Section 3-60A-4 prepared and enacted by a local, county or tribal government prior to the Application Deadline. For Projects located on sovereign tribal lands, "Concerted Community Revitalization Plan" means a written plan similar in content and affect to a metropolitan redevelopment plan as defined in NMSA 1978 Section 3-60A-4, prepared and enacted by a tribal government prior to the Application Deadline, which identifies barriers to community vitality and promotes specific concerted revitalization activities within an area having distinct geographic boundaries and must contain more components than the LIHTC Project itself.

Consolidated Plan – plan prepared in accordance with HUD regulations, 24 C.F.R. 91 (1994), which describes needs, resources, priorities and proposed activities to be undertaken with respect to certain HUD programs.

Construction Costs – for purposes of calculating builder profit, overhead and general requirements and per Unit rehabilitation construction Cost, the on-site and construction Costs in the construction contract, before gross receipts tax, profit, overhead and general requirements. At Initial Application and Carryover, Construction Cost should include a reasonable construction contingency.

Contact Person – a <u>personPerson</u> identified in the Initial Application with decision-making authority for the Applicant, Developer or the Project Owner, with whom <u>MFAHousing New Mexico/MFA</u> will correspond concerning the Application and for the Project.

Contractor's Cost Certification – a certification prepared and executed by the general contractor, indicating all identities of interest and certifying that all Construction Costs included are related to the Project.

Control (including the terms Controlling, Controls, Controlled by, under common Control with, or some variation or combination of all three) - means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of any Person or Affiliate thereof, whether through the ownership of voting securities, by contract or otherwise, including specifically ownership of more than fifty percent (50%) of the General Partner interest in a limited partnership, or designation as General Partner/managing member of a limited liability company.

Cost Certification – A certification prepared by a CPA on forms provided by MFAHousing New Mexico/MFA, indicating the method of certification, all identities of interest and certification that all Project costs included are related to the project.

Credit Period – with respect to any building that is included in the LIHTC Project, the period of 10 years beginning with 1) the taxable year in which the building is Placed In Service or 2) at the election of the Project Owner, the succeeding taxable year.

Developer – any individual, association, corporation, joint venture or partnership, which is to manage all aspects of the construction and/or rehabilitation of the proposed Project.

Development Costs – the sum total of all costs incurred in the development of a Project, all of which shall be subject to approval and are approved by MFAHousing New Mexico/MFA as reasonable and necessary. Such costs may include, but are not limited to:

- 1. The cost of acquiring real property and any building thereon, including payment for options, deposits or contracts to purchase properties.
- 2. The cost of site preparation and development.

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- 3. Any expenses relating to the issuance of tax-exempt bonds or taxable bonds by the Agency, if any, related to the Project.
- 4. Fees in connection with the planning, execution and financing of the Project, such as those of architects, engineers, attorneys, accountants and the Agency.
- The cost of studies, surveys, plans, permits, insurance, interest, financing, tax and assessment costs and other operating and carrying costs incurred during construction, rehabilitation or reconstruction of the Project.
- 6. The cost of the construction, rehabilitation and equipping of the Project.
- 7. The cost of land improvements, such as landscaping and off-site improvements related to the Project, whether such costs are paid in cash, property or services.
- 8. Expenses in connection with initial occupancy of the Project.
- Allowances established by the Agency for working capital, contingency reserves and reserves for any anticipated operating deficits during the first two years after completion of the Project.
- 10. The cost of such other items, including relocation cost, indemnity and surety bonds, premium on insurance and fee and expenses of trustees, depositories and paying agents for bonds.

Difficult Development Area or DDA – any area designated by the secretary of HUD as having high construction, land and utility costs relative to Area Median Income in accordance with Section 42(d)(5) of the Code.

Eligible Application or **Eligible Project** – an Application or Project which has met all minimum Project threshold requirements.

Eligible Basis – the sum of the eligible cost elements that are subject to depreciation, such as expenditures for new construction, rehabilitation and building acquisition.

Eligible Partners or **Eligible Households** – one or more natural <u>personPerson</u>s or a household, irrespective of race, creed, national origin or sex, determined by the Agency to be of low- or very low-income. In determining the income standards of eligible <u>personPerson</u>s for its various programs, the Agency shall take into account the following factors:

- 1. Requirements mandated by federal law
- 2. Variations in circumstances in the different areas of the state
- 3. Whether the determination is for rental housing
- 4. The need for household size adjustments

<u>Entity</u> - any General Partnership, limited partnership, corporation, joint venture, trust, limited liability company, limited liability partnership, limited liability limited partnership, business trust, cooperative or other business association.

Extended Use Period – with respect to any building that is included in a LIHTC Project, the period of affordability **following** the initial 15-year Compliance Period during which time the

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Project continues to be restricted to affordable low-income housing. The minimum Extended Use Period required by Code is fifteen years. Compliance Period plus Extended Use Period equals Affordability Period.

Feasibility Analysis – a financial analysis based on rules established by the IRS and MFAHousing New Mexico/MFA to determine a Project's financial feasibility, which is completed to ascertain a tax credit amount, the adequacy of financing sources, and the income required to support operation of the Project.

Federal Grant – any federal grant except those specifically excluded in Section 1.42-16(b) of the Treasury regulations.

Federal Subsidy – any construction or permanent financing that is directly or indirectly financed from state or local bonds, including municipal bonds, which are tax-exempt for federal income tax purposes.

Federally-assisted Building – any building which is substantially assisted, financed or operated under Section 8 of the United States Housing Act of 1937, Section 221(d)(3), Section 221(d)(4) or 236 of the United States Housing Act, Section 515 of the Housing Act of 1949 or any other program administered by HUD or by the rural housing service of the Department of Agriculture.

Final Allocation – a determination by MFAHousing New Mexico/MFA that a Project is complete and that a certain amount of tax credits is warranted. The Final Allocation must be requested by the Project Owner and culminates in delivery of IRS Form 8609 by MFAHousing New Mexico/MFA.

Financing Commitment – a commitment for permanent or construction financing which 1) is not subject to further approval by any loan committee or board of directors or other entityEntity of the creditor making the commitment and 2) contains specific terms of funding and repayment.

General Partner – that partner or collective of partners identified as the General Partner of the partnership that is the Project Owner and that has general liability for the partnership. If the Project Owner is a limited liability company, the term General Partner shall mean the managing member or members with management responsibility for the limited liability company.

Government Entity or **Instrumentality** – any agency or other government created entityEntity of the state of New Mexico, the counties or municipalities of New Mexico or the tribal governments of New Mexican tribes and pueblos.

Gross Square Feet – the area that includes all enclosed space as measured from the exterior face of the building walls and means everything under the roof, including storage and patios. Covered parking and structured parking should not be included in Gross Square Feet.

Hard Construction Costs - calculated as the sum of costs for existing structures, site work, rehab and/or new construction, and hard cost contingency, as related to the housing components of

the development only. This figure excludes land costs. The costs considered for calculating these points will not include any costs related to commercial or retail space. (All costs reflected on Schedule D in the Application.)

Historic Property – a building or buildings certified on the National Register of Historic Places (i.e., meet the criteria for Part 1 Approval for Historic Tax Credits

Households or individuals experiencing homelessness - A household or individual is considered homeless if they:

- lack a fixed, regular, and adequate nighttime residence, which includes a primary nighttime
 residence of places not designed for or ordinarily used as a regular sleeping accommodation
 (including cars, parks, abandoned buildings, etc.) or publicly or privately operated shelters or
 transitional housing, including a hotel or motel paid for by government or charitable
 organizations; or
- 2. are being discharged from an institution where they've been a resident for 90 days or less and the <u>personPerson</u> resided in a shelter (but not transitional housing) or place not meant for human habitation immediately prior to entering that institution; or
- are being evicted from their primary nighttime residence within 14 days and no subsequent residence has been identified and the individual/household lacks the resources and support networks (i.e., family, friends, faith-based or other social networks) needed to obtain housing; or
- 4. have ALL of these characteristics:
 - o unaccompanied youth (less than 25 years of age) or family with children and youth;
 - defined as homeless under other federal statutes who do not otherwise qualify under this definition;
 - has not had a lease, ownership interest, or occupancy agreement in permanent housing for 60 days prior to applying for occupancy;
 - has moved two or more times in the 60 days immediately prior to applying for occupancy; AND
 - o has one or more of the following: a) chronic disabilities, b) chronic physical or mental health conditions, c) substance addiction, d) histories of domestic violence or childhood abuse, e) child with a disability, f) or two or more barriers to employment, which include i) lack of a high school diploma or GED, ii) illiteracy, iii) low English proficiency, iv) history of incarceration or detention for criminal activity, or v) history of unstable employment.
- 5. are fleeing or attempting to flee domestic violence, dating violence, sexual assault, stalking, or other dangerous or life-threatening situations related to violence; have no other residence; and lack the resources and support networks needed to obtain housing.

Households with Children – households that include one or more <u>personPerson</u>s under the age of 18 years.

Households with Special Housing Needs – households in which an individual or household member is in need of supportive services, tenancy supports and housing and meets at least one of the following definitions:

- 1. Has a physical or mental impairment that substantially limits one or more major life activities; has a record of such impairment; or is regarded as having such impairment. In general, a physical or mental impairment includes hearing, mobility and visual impairments, chronic alcoholism, chronic mental illness, AIDS, AIDS Related Complex, and developmental disability that substantially limits one or more major life activities. Major life activities include walking, talking, hearing, seeing, breathing, learning, performing manual tasks, and caring for oneself.
- 2. Households or individuals experiencing homelessness (see definition above).

HUD - U.S. Department of Housing and Urban Development.

Identity of Interest – occurs when any officer, director, board member or authorized agent of any development team member (consultant, general contractor, attorney, management agent, seller of the land, etc.): 1) is also an officer, director, board member or authorized agent of any other development team member; 2) has any financial interest in any other development team member's firm or corporation; 3) is a business partner of an officer, director, board member or authorized agent of any other development team member; 4) has a family relationship through blood, marriage or adoption with an officer, director, board member or authorized agent of any other development team member or 5) advances any funds or items of value to the sponsor/borrower.

Initial Application – the Application first provided to MFAHousing New Mexico/MFA on or before an Application Deadline to request an allocation of tax credits.

Land Use Restriction Agreement or LURA – the agreement submitted to the Agency restricting the property to affordable housing use during the Compliance Period and Extended Use Period.

Letter of Determination – the letter issued by MFAHousing New Mexico/MFA pursuant to Section 42(m)(1)(D) of the Code advising the Project Owner that MFAHousing New Mexico/MFA has made the determination that a tax-exempt bond financed Project, as described in the Application submitted at a particular point in time, satisfies the requirements for an allocation of tax credits under the QAP conditioned upon Project compliance with the Code. A draft Letter of Determination is valid for six months from the date it is issued. Any changes to the submitted materials or information will also render a determination to be invalid. In such cases, updated materials must be reviewed by MFA before a new determination letter can be issued.

LIHTC Project – the proposed or existing rental housing development(s) for which tax credits have been applied for or received.

Local Government – any county, municipality, tribe or other general-purpose political subdivision in the state of New Mexico.

Local Notice – MFAHousing New Mexico/MFA's letter to the chief executive office (or the equivalent) of the local jurisdiction within which the Project is located, which provides a 30-day period to comment on the Project pursuant to Code Section 42(m)(1)(A)(ii).

Low Income Housing Tax Credit (LIHTC) Program or **Tax Credit Program** – the rental housing program administered by MFAHousing New Mexico/MFA pursuant to the Code and by the state of New Mexico Executive Order 97-01.

Low-income Tenants - households that occupy Set-aside Units.

Low Income Units or **Set-aside Units** – Units which are rent restricted and set-aside for tenants whose income does not exceed 50%, 60% or some lower percentage, whichever is elected, of Area Median Income.

Management Units -

Employee/Exempt Unit

The general-public-use requirement of § 1.42-9 does not apply in the case of units for resident managers, maintenance personnel or courtesy officers (Exempt Units) in a qualified low- income building because the units are not residential rental units but facilities reasonably required for the project. Because the presence of an employee unit must be necessary for project operations, the IRS may examine whether an employee who resides in an employee/exempt unit serves primarily the property where they live by working full time at the property. The necessity of the employee unit may be called into question if the employee's responsibilities are split among more than one property or even if the employee holds a second job.

Based upon the above facts and representations, the IRS has ruled as follows: The adjusted basis of the unit occupied by resident managers, maintenance personnel or courtesy officers is included in the eligible basis of the building under section 42(d)(1), but the unit is excluded from the applicable fraction of the building under section 42(c)(1)(B). Further, the inclusion of the adjusted basis of the unit occupied by resident managers, maintenance personnel or courtesy officers in eligible basis will not be affected by a later conversion of that unit into a residential rental unit.

Additionally, the Internal Revenue Service (IRS) released a program manager technical assistance (PMTA) memo dated June 2, 2014 (PMTA 2014-22), which clarified the IRS position regarding charging for exempt units. In the memo, the IRS states, "Charging resident managers or maintenance personnel rents, utilities, or both for units in a qualified low-income building does not make the units residential rental units and not facilities reasonably required for the project under §1.103-8(b)(4)(iii)."

Market Rate Units - residential rental Units that are not low-income Units.

<u>Material Compliance Matter</u> any compliance issue identified by New Mexico Housing/MFA (for any of its programs) during a monitoring visit that remains open six months after the monitoring letter was sent.

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Material Design Changes – any change in the Project, its scope or its quality which would affect its underwriting or compliance with MFAHousing New Mexico/MFA's mandatory design standards. For example, a change in building area, unit areas, unit counts, amenities, parking quantities, landscaping scope, energy performance, water usage, quality of construction or specification would each constitute a material change.

Minority - For purposes of Scoring Criterion 21(vi), a Minority is a racial or ethnic group, members of which have been subjected to prejudice or cultural bias by virtue of belonging to the group, without regard to individual qualities. Such racial or ethnic groups include, but are not limited to:

- (1) African Americans. Persons having origins in any of the African racial groups of Africa.
- (2) Hispanic Americans. All <u>personPerson</u>s of Mexican, Puerto Rican, Cuban, South or Central American, Caribbean and other Spanish or Portuguese culture or origin.
- (3) Native Americans. Persons having origins in any of the original peoples of North America or the Hawaiian Islands, in particular, American Indians, Eskimos, Aleuts and Native Hawaiians.
- (4) Asian-Pacific Americans. Persons having origins in Japan, China, the Philippines, Vietnam, Korea, Samoa, Guam, the U.S. Trust Territories of the Pacific, Northern Marianas, Laos, Cambodia, Taiwan and India.

Moderate Rehabilitation – repairs, replacements and improvements that do not fall into Substantial Rehabilitation as defined herein or where the work is limited to level two (2) alterations (as described by Enterprise Green Communities Criteria.) Level two alterations include the reconfiguration of space, the addition or elimination of any door or window, the reconfiguration or extension of any system, does not include the replacement of two or more major systems or the installation of any additional equipment. A Project where the work area does not exceed 50% of the aggregate area of the building (the work scope is less than an ICC level three alteration.)

Net Square Footage - the total number of square feet within the inside finished wall surface of the outer walls of a structure. This measurement generally excludes non-rentable areas such as common areas, hallways, and mechanical rooms.

New Mexico Housing Authority (NMHA) – any public housing authority legally established in the state of New Mexico.

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Permit Ready Drawings - the bare minimum drawings required to obtain a construction permit from local authorities. This may include but is not limited to: Site Plan, Architectural Plans, Structural Plans, Mechanical (HVAC), Plumbing, Electrical, Product Approval documentations, Energy Calculations and Structural Calculations.

Person - any individual or Entity, and the heirs, executors, administrators, legal representatives, successors and assigns of such Person where the context so admits; and, unless the context otherwise requires, the singular shall include the plural, and the masculine gender shall include the feminine and the neuter and vice versa, as the context within this QAP may call for.

Placed In Service – the date on which the first Unit of a new construction Project is certified or otherwise officially declared as available for occupancy as evidenced by the Certificate of Occupancy. For rehabilitation Projects, it is the date of the Certificate of Substantial Completion. For acquisitions of existing Projects, it is the date of purchase by a new Project Owner.

Principal – an Applicant, any General Partner of an Applicant, and any officer, director, board member or any shareholder, General Partner, managing member or affiliate of an Applicant. It also includes any **entityEntity** receiving any part of a developer fee for a Project. For Project compliance purposes (**Section IV.C.8**), Principal would include shareholders with interests of 25% or more, all officers of a corporation (including employees, but excluding volunteer board members with no financial interest), all General Partners or members.

Project – the development proposed by the Applicant as specifically described in the Application.

Project Owner – the legal entity Entity that ultimately owns the Project and to which tax credits will be allocated.

Project Selection Criteria – the criteria used to score a Project for tax credit allocation purposes.

Qualified Allocation Plan or **QAP** – this Qualified Allocation Plan, which was adopted by Board action on October <u>1816</u>, <u>2023 2024</u> and made effective as of December 1, <u>2023 2024</u>, which was approved by the Governor of the state of New Mexico pursuant to Section 42(m)(1)(B) of the Code and sets forth the Project Selection Criteria and the preferences for Projects which will receive tax credits.

Qualified Basis - the portion or percentage of the Eligible Basis that qualifies for the tax credit. It is calculated by multiplying the Eligible Basis by the Applicable Fraction.

Qualified Census Tract or QCT – any census tract which is designated by the Secretary of HUD as having 50% or more of the households at an income level which is less than 60% of the Area Median Income in accordance with Section 42(d)(5) of the Code.

Qualified Leasehold Interest – a leasehold interest running at least as long as the Extended Use Period.

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Qualified Nonprofit Organization – an organization described in Sections 501(c)(3) or 501(c)(4) of the Code and exempt from tax under Section 501(a). The production of decent, safe and affordable housing must be one of the defined goals, objectives or purposes of the nonprofit organization. The nonprofit organization must materially participate in the Project, meaning that the organization must be involved on a regular, continuous and substantial basis in both the development and operation of the Project during the term of the Compliance Period. The nonprofit must also own an interest in the Project throughout the Compliance Period and may not be affiliated with or Ceontrolled by a for-profit organization.

Rent Comparability Study – a report prepared by a qualified third-party that estimates "market" rents for properties undergoing rehabilitation based on the guidance provided in Chapter 9 of HUD's Section 8 Renewal Guide.

Rent Restricted Unit – with respect to a LIHTC Project, a Unit for which the gross rent does not exceed 30% of the imputed Area Median Income limitation applicable to such Unit as chosen by the Applicant in the Application and in accordance with the Code. Gross rent must be determined from the rent charts included in the Application Package and must correspond to the percentage of Area Median Income selected by the Applicant in the Application. It includes the cost of utilities and must be reduced by the amount of tenant-paid utilities. Gross rent includes all income for the Unit, including tenant and any subsidy payments. See also "Unit."

Reservation or Reservation Contract – the contract executed by MFAHousing New Mexico/MFA and the Applicant with respect to an allocation of tax credits, which states the conditions to be met by Applicant prior to issuance of a Carryover Allocation.

Reservation Letter– a document issued by MFAHousing New Mexico/MFA which describes the amount of credits provisionally awarded to a Project and the conditions which the Project Owner must meet in order to obtain a Binding Commitment for tax credits.

Rural Development or RD or USDA (previously called "Farmer's Home Administration" or "FMHA" of the U.S. Department of Agriculture) means Rural Development or other Agency or Instrumentality created or chartered by the U.S. to which the powers of RD have been transferred.

Section 811 Project-based Rental Assistance Demonstration Program (Section 811 PRA) – The purpose of the Section 811 PRA is to expand the supply of supportive housing that promotes and facilitates community integration for people with significant and long-term disabilities. Section 811 PRA provides a project-based rent assistance subsidy that covers the difference between the tenant payment and the approved contract rent. Tenants pay 30 percent of their adjusted gross income for rent and utilities. Tenant referrals and service providers are coordinated by the Department of Human Services (DHS) and Local Lead Agencies (LLAs). For more information go to: https://housingnm.org/property-owners-agents-and-managers/section-811-project-rental-assistance

Senior Housing – Projects that qualify for an exemption from familial status discrimination under the Fair Housing Act. To qualify for this exemption, Projects must be: (i) provided under any state or federal program that HUD has determined to be specifically designed and operated to assist elderly personPersons (as defined in the state or federal program); or (ii) intended for, and solely occupied by personPersons 62 years of age or older; or (iii) intended and operated for occupancy by personPersons 55 years of age or older in compliance with the Housing for Older Persons Act (HOPA), 24 CFR Part 100 Final Rule.

Set-aside Election – the federally imposed minimum proportion of total Project Units set-aside as low-income Units at one or more Area Gross Median Income level(s). This election is made by the Applicant and meets the minimum requirements of Code Section 42: larger proportions of Units are generally set-aside by the Applicant and restricted in the LURA.

Set-aside Units those Units eligible for low income housing tax credits.

Single Room Occupancy – housing consisting of single room dwelling Units. The Unit must contain either food preparation and/or sanitary facilities.

Special Needs - see definition above under Households with Special Housing Needs.

State-assisted Building – any building which is substantially assisted, financed or operated under any state law similar in purposes to Section 8 of the United States Housing Act of 1937, Section 221(d)(3), Section 221(d)(4) or 236 of the United States Housing Act, Section 515 of the Housing Act of 1949 or any other program administered by HUD or by the USDA Rural Housing Service.

Substantial Rehabilitation – commonly referred to as a "gut" rehabilitation and includes the replacement and/or improvements to at least two (2) major systems of the building, including its envelope. Major building systems include roof structures, wall or floor structures, foundations, plumbing, heating, ventilating and air conditioning (HVAC) and electrical systems. The building envelope is defined as the air barrier and thermal barrier separating exterior from interior space. A Substantial Rehabilitation also includes a Project where the work area exceeds 50% of the aggregate building area (an ICC level 3 alteration Scope of Work.)

Tax Credit Ceiling Rents – the maximum rent that may be charged for a Rent Restricted Unit.

Tenant Conversion Plan – a written plan acceptable to MFAHousing New Mexico/MFA, describing the method to be used to enable tenants to acquire ownership of their Units at such time as conversion to owner occupancy is allowed under the Code. The Project Owner must provide and describe the type of homeownership, financial and maintenance counseling to be offered. The Project Owner must describe in detail how the Unit will be converted from a rental Unit to homeownership. Please refer to Section III.E.15 for more information on Eventual Tenant Ownership.

Total Development Cost – the total of all costs incurred or to be incurred by the Project in acquiring, constructing, rehabilitating and financing the Project. For the purposes of calculating

developer fees, Total Development Cost will be adjusted to exclude developer fees (which includes consultant fees), commercial space Construction Costs and all reserves. For purposes of calculating cost limits, the purchase price attributed to the land, any costs related to commercial space, reserves (not eligible for tax credits), and costs of bond issuance on line 65 of Schedule A will be excluded.

Unit – a residential rental housing Unit in a Project including manager and employee Units.

Universal Design – any component of a house or apartment that increases the usability for people of all ages, size and abilities and enhances the ability of all residents to live independently for as long as possible.

Urban Area – A location within the boundaries of Bernalillo County, the City of Rio Rancho, the City of Las Cruces, or the City of Santa Fe.

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XII. List of Appendices

The following documents are incorporated by reference into this Qualified Allocation Plan:

- 2024-2025 MFAHousing New Mexico/MFA Universal Rental Development Application
- 2024-2025 MFA Housing New Mexico/MFA Universal Rental Development Schedules A
 F
- 2024 2025 MFA Housing New Mexico/MFA Underwriting Supplement
- o 2024 2025 MFA Housing New Mexico/MFA Design Standards
- 2024-2025 MFAHousing New Mexico/MFA Design Standards Supplement A NHTF Requirements
- o 2024 2025 Market Study Parameters
- o 2024-2025 Bond Checklist
- o 2024 2025 Carryover Allocation & 10% Test Instructions & Checklist
 - Assignment of Building Identification Numbers
 - o Architect's Certification
 - o Option to Lock Applicable Credit Percentage (Section 42(b) of the Code)
 - o Ten Percent Letter (Independent Accountant's Report)
 - o Form of Owner's Attorney's Opinion
 - Exhibit A to Independent Auditor's Report
- o MFAHousing New Mexico/MFA Compliance Addendum
- Service Coordination Checklist of Responsibilities
- o 2024-2025 Placed In Service and Final Allocation Instructions & Checklist
 - o Schedule M Addendum to Application
 - o Form A Instructions
 - o Form A Final Certification of Uses
 - o Form B Independent Accountant's Report
 - o Form C1 Owner's Cost Certification
 - o Form C2 General Contractor's Cost Certification
 - o 2024-2025 MFA Housing New Mexico/MFA form of Attorney Opinion
 - o 2024-2025 Form 8609 Certification
 - o 2024 2025 As-Built Architect Certification
 - 2024 2025 Lender's Consent and Agreement to Recording of and Subordination to Land Use Restriction Agreement
 - 2024-2025 Project Ownership Profile
 - o 2024-2025 Sample LIHTC LURA
 - o 2024-2025 Sample Equity Certification Letter
- o Low-Income Housing Tax Credit Compliance Plan, December 2021 as may be amended
- Annual Owners Certification, December 2021 2022 as may be amended

Exhibit 1

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Vice Chair - Derek Valdo - Chief Executive Officer, AMERIND Risk

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Christi Wheelock, Tax Credit Analyst IIProgram Manager

STATE OF NEW MEXICO LOW-INCOME HOUSING TAX CREDIT PROGRAM

QUALIFIED ALLOCATION PLAN

Effective as of December 1, 2024



NEW MEXICO MORTGAGE FINANCE AUTHORITY

Approved by Board of Directors on October 16, 2024 Approved by the Honorable Governor Michelle Lujan Grisham on __

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I. Background and Purpose of the Qualified Allocation Plan

A. General

This "Allocation Plan" constitutes the "Qualified Allocation Plan" (QAP) for the state of New Mexico and is intended to comply with the requirements set forth in Section 42 of the Internal Revenue Code of 1986¹, as amended, including all applicable rules and regulations promulgated thereunder (collectively, the "Code"). This Allocation Plan applies to all allocations of Low Income Housing Tax Credits pursuant to the Code (hereinafter LIHTC, credits or tax credits) and multifamily private activity tax-exempt bonds made for QAP year 2025.

The LIHTC program was created in the Tax Reform Act of 1986 as an incentive for individuals and corporations to invest in the construction or rehabilitation of low income housing. The tax credit provides the investor a dollar-for-dollar reduction in personal or corporate federal income tax liability for a 10-year period for Projects² meeting the Program's requirements.

B. Role of Housing New Mexico/MFA

New Mexico Mortgage Finance Authority (Housing New Mexico/MFA) is the Housing Credit Agency (HCA) for the state of New Mexico, responsible for administering the Tax Credit Program and allocating tax credits to eligible New Mexico Projects. Accordingly, Housing New Mexico/MFA awards tax credits to Projects meeting its Project selection criteria, including an annual population allocation, any subsequent carry-forward, returned credits and national pool credits. Housing New Mexico/MFA monitors existing Projects for compliance with the Code; however, Housing New Mexico/MFA does not make any representation to any party concerning compliance with the Code, U.S. Department of Treasury ("Treasury") regulations³ or other laws or regulations governing LIHTC. Neither Housing New Mexico/MFA, nor its agents or employees, will be liable for any matters arising out of or in relation to, the allocation of LIHTC. All organizations and individuals intending to utilize the LIHTC program should consult their own tax advisors concerning the application of tax credits to their Projects and the effect of tax credits on their federal income taxes.

Administration of the Tax Credit Program, as outlined in this QAP, is consistent with the statutes creating Housing New Mexico/MFA in 1975 [Chapter 303, Laws of New Mexico, 1975, known and cited as the New Mexico Mortgage Finance Authority Act, being Sections 58-18-1 through 58-18-27, inclusive), as supplemented in 1995, as follows:

¹ Section 42 of the Code is found in the United States Code in Title 26, Subtitle A, Chapter 1, Subchapter A, Part 4, Subpart D, at Section 42 (26 U.S.C. §42.)

 $^{^{2}}$ Capitalized terms, when not defined in the text of this document, are defined in **Section XI** or in the Code.

³ Treas. Reg. 26 CFR § 1.42.

The legislature hereby finds and declares that there exists in the state of New Mexico a serious shortage of decent, safe and sanitary residential housing available at prices and rentals within the financial means of persons and families of low income. This shortage is severe in certain Urban Areas of the state, is especially critical in the rural areas and is inimical to the health, safety, welfare and prosperity of all residents of the state. The legislature hereby further finds and determines that to aid in remedying these conditions and to help alleviate the shortage of adequate housing, a public body politic and corporate, separate and apart from the state, constituting a governmental instrumentality, to be known as the New Mexico Mortgage Finance Authority should be created with power to raise funds from private investors in order to make such private funds available to finance the acquisition, construction, rehabilitation and improvement of residential housing for persons and families of low income within the state. The legislature hereby finds and declares further that in accomplishing this purpose, the New Mexico Mortgage Finance Authority is acting in all respects for the benefit of the people of the state in the performance of essential public functions and is serving a valid public purpose in improving and otherwise promoting their health, welfare and prosperity and that the enactment of the provisions hereinafter set forth is for a valid public purpose and is hereby so declared to be such as a matter of express legislative determination.

The federal laws governing the Tax Credit Program are subject to change. Final interpretations of certain rules and regulations governing the Program may not yet have been issued by the U.S. Department of Treasury. In the event that any portion of this QAP should conflict with the Code, amendments made thereto, or federal regulations promulgated thereunder, the federal regulation shall take precedence. If any portion of this QAP is invalid due to such conflict, the validity of the remaining portions will in no way be impacted, affected or prejudiced.

Housing New Mexico/MFA reserves the right to resolve all conflicts, inconsistencies or ambiguities, if any, in this Allocation Plan or which may arise in administering, operating or managing the allocation of LIHTC.

In accordance with Housing New Mexico/MFA's inherent discretion, reasonable judgement and prudent business practices, Housing New Mexico/MFA may reject any Application (as defined in the Glossary) or Project that Housing New Mexico/MFA has determined does not satisfy the requirements and objectives of the Code, regulations promulgated under the Code or this QAP, regardless of the Application's rank priority.

Housing New Mexico/MFA shall not be responsible for any expenses incurred by any Applicant in submitting an Application or otherwise responding to or providing any information in conjunction with this QAP. All costs incurred by Applicants in the preparation, transmittal or presentation of any Application or material submitted in response to this QAP shall be borne solely by the Applicants.

In addition, Housing New Mexico/MFA may cancel or modify the provisions of this QAP at any time and may reject any or all Applications submitted under this QAP and re-issue the QAP. If Housing New Mexico/MFA rejects any or all Applications submitted under this QAP and re-

issues the QAP, all costs incurred by Applicants in the preparation, transmittal or presentation of any Application or materials submitted in response to this QAP shall again be borne solely by Applicants.

REGARDLESS OF ANY PROVISION OF THIS QAP OR ANY DOCUMENT REFERENCED BY OR INCORPORATED IN THIS QAP, IT IS EACH APPLICANT'S SOLE RESPONSIBILITY TO DEMONSTRATE IN ITS APPLICATION THAT THE PROJECT PROPOSED SHALL COMPLY WITH THE CODE AND ALL ASSOCIATED REGULATIONS IN ALL RESPECTS. FAILURE BY ANY APPLICANT TO DEMONSTRATE THAT THE PROPOSED PROJECT SHALL COMPLY WITH THE CODE AND ALL ASSOCIATED REGULATIONS SHALL RESULT IN THE REJECTION OF THE APPLICATION AND PROJECT.

Code Section 42(m) states that the HCA must make allocations of tax credits pursuant to a QAP which:

- Sets forth Project Selection Criteria to be used to determine housing priorities of the HCA, which are appropriate to local conditions. These criteria must consider project location, housing needs characteristics, project characteristics, sponsor characteristics, public housing waiting lists, tenants with Special Housing Needs including individuals with children, energy efficiency standards, historic character and projects intended for eventual tenant ownership.
- 2. Gives preference in allocating housing credit dollar amounts among selected Projects to those which:
 - a. Serve the lowest income tenants;
 - b. Serve qualified tenants for extended periods of time; and
 - c. Are located in Qualified Census Tracts (QCTs) and the development of which contributes to a Concerted Community Revitalization Plan.
- 3. Provides a procedure that the Agency will use in monitoring for noncompliance.

This document is intended to fulfill requirements one and two above for Housing New Mexico/MFA's tax credit allocation activity in the state, commencing on its effective date. The procedure required in item three above is summarized in **Section X** but published in full under a separate cover, titled Low-Income Housing Tax Credit Compliance Plan, and is available on our website: http://housingnm.org/asset_management/housing-tax-credit.

C. Public Hearings

Following public notice, a draft QAP was made available to the public for comment for a period of 21 days (beginning August 15, 2024 and continuing through September 5, 2024), during which time a public hearing was held on September 4, 2024. Housing New Mexico/MFA

accepted written comments during this 21-day comment period, as extended, and considered comments presented at the public hearing, prior to completion of the plan.

II. Low Income Housing Tax Credit Program Summary

A. General

The Tax Reform Act of 1986 established the Tax Credit Program to stimulate private sector investment in low income rental housing. In August of 1993, permanency was granted to the Tax Credit Program after numerous temporary annual extensions.

There are numerous technical rules governing a Project's qualification for tax credits. The following subsections of this Section II contain a summary of certain key provisions of the Code and regulations and the Tax Credit Program. Applicants are advised to review the Code directly for further detail.

B. Amount of Competitive Tax Credit Available Statewide

The state of New Mexico, for the calendar year 2025, will receive a population-based 9% tax credit allocation equal to \$2.90 per resident. The current year's population estimates, as provided by the Internal Revenue Service (IRS) and the estimated Annual credit ceiling, including any carry-forward, returned or national pool credits received by the state, may be found on Housing New Mexico/MFA's website: http://housingnm.org/developers/low-income-housing-tax-credits-lihtc.

C. Allocation to New Construction and Rehabilitation Projects

In order to serve both the purpose of building new affordable housing units and rehabilitating existing structures to create or preserve affordable housing units, Housing New Mexico/MFA will allocate the tax credits awarded in the 9% Application round based on project type. As such, new construction Applications, including Adaptive reuse Applications, will be scored against other new construction Applications and rehabilitation Applications will be scored against other rehabilitation Applications; thus creating two separate tracks or categories for purposes of scoring and reserving tax credits for specific Projects. An Adaptive reuse Project shall be categorized as a new construction Project for these purposes. From those tracks, the two highest scoring new construction Projects will be awarded first, followed by the highest scoring rehabilitation Project. The target pattern of two new construction Projects followed by one rehabilitation Project will be followed until all credits are allocated, or until the last Project in a track has been awarded. Projects awarded in the Nonprofit or Underserved Population setasides will be considered in achieving this target. Forward allocations may be made following the same process, however any decision to forward allocate tax credits lies solely within Housing New Mexico/MFA's inherent discretion and is not subject to further review.

Housing New Mexico/MFA will use the same process to select Projects that have been placed on the waiting list for an allocation of tax credits. For example, if a rehabilitation Project is initially awarded tax credits but later fails to move forward in the allocation process, the next highest-scoring rehabilitation Project may be given an award of tax credits. If no similarly categorized Project is available (e.g. if no rehabilitation Project is available for purposes of this example), then Housing New Mexico/MFA may choose the next highest-scoring Project in the other track/category from the waiting list (e.g. new construction for purposes of this example.)

D. Nonprofit Allocation Set-aside

A minimum of 10% of the Annual credit ceiling must be allocated each year to Projects involving Qualified Nonprofit Organizations. Housing New Mexico/MFA's Allocation set-asides (see **Section III.D**) are intended to implement this requirement. However, Qualified Nonprofit Organizations may also apply for tax credits in excess of these set-asides.

For the purposes of identifying Applicants eligible for this Allocation set-aside, several requirements must be met, as described in Code Section 42(h)(5). A Qualified Nonprofit Organization is an organization described in Sections 501(c)(3) or 501(c)(4) of the Code and exempt from tax under Section 501(a). The production of decent, safe and affordable housing must be one of the defined goals, objectives or purposes of the nonprofit organization. The nonprofit organization must materially participate in the Project, meaning that the organization must be involved on a regular, continuous and substantial basis in both the development and operation of the Project during the term of the Compliance Period. The nonprofit must also own an interest in the Project throughout the Compliance Period and may not be affiliated with or Controlled by a for-profit organization. An opinion of counsel addressing the status of the nonprofit organization and qualification for the Nonprofit Set-Aside may be required.

E. Minimum Apartment Unit Set-Asides

In order for a Project to qualify for tax credits, the Project Owner must make a minimum Setaside Election of income and rent levels as listed below. Once made, this election is irrevocable. If the Project fails to meet its elected minimum set-aside standard at the end of each year, it is not a qualified low-income housing project for the year under IRC Section 42(g)(1)(C) and this noncompliance must be reported on IRS Form 8823. The Project Owner may be subject to the recapture of low income housing tax credits.

- 20/50 election: At least 20% of the Units in the Project must be rent-restricted to and occupied by households whose income is at or below 50% of the Area Median Income (AMI).
- 2. 40/60 election: At least 40% of the Units in the Project must be rent-restricted to and occupied by households whose income is at or below 60% of the AMI.

- 3. Average Income (AI) election: This election under the Code was authorized by the Consolidated Appropriations Act of 2018. This election allows the Project to serve households up to 80% AMI as long as at least 40% of the total Units are rent and income restricted and the average income limit for all tax credit Units in the Project is at or below 60% AMI. The following applies for this election:
 - a. Income and rent limits must be in ten percent increments, and may include 20% AMI, 30% AMI, 40% AMI, 50% AMI, 60% AMI, 70% AMI, or 80% AMI.
 - If the Project has an existing LIHTC Land Use Restriction Agreement (LURA) on the property, both initial election (20/50 or 40/60) and AI election must be met.
 - The average of the imputed income limitations designated cannot exceed 60%
 AMI.
 - d. Those Projects electing AI must include at least 5% of their Units above 60% AMI.
 - e. All Units must be designated with a specific AMI percentage at the time of Application.
 - f. Unit designations may float but are subject to the Next Available Unit Rule and the original designations must be maintained throughout the Affordability Period. Average Income applies to rent and income limits. If a Unit has a designated limit of 80% AMI, the maximum rent that can be charged to a household for that Unit is 30% of 80% of AMI. Similarly, if a Unit has a limit of 40% AMI, the maximum rent that may be charged is 30% of 40% of AMI.
 - g. Skewing of Unit designations is not permitted. Project Owners must disperse unit types across chosen rent/income limits in a way that does not violate Fair Housing. Housing New Mexico/MFA will require reasonable parity between different bedrooms sizes at each income band utilized on the Project.
 - The market study must demonstrate sufficient need at each income level chosen.
 - Project Owners of Projects with more than one building must elect to treat all
 of them as part of a multiple building project (checking "Yes" on line 8b of the
 8609 form).
 - j. Al Projects may be subject to an increased Compliance Monitoring fee.
 - k. Housing New Mexico/MFA shall only accept an Application that chooses the Al election if all Units in the Project are rent-restricted to and occupied by households whose income is at or below 80% of AMI. In other words, Housing New Mexico/MFA will not accept an Application that chooses the Al election if the Project includes unrestricted Market Rate Units.
 - An Application for an Al Project must include within its equity and debt commitment letters confirmation of the utilization and approval of the Al election.

The changes to the Code described above do not extend to the set-aside requirements associated with the issuance of tax-exempt bonds in accordance with Section 142 of the IRS Code (26 U.S.C. § 142). Projects that receive an allocation of 4% LIHTC in conjunction with an issuance of tax-exempt bonds must meet the set-aside requirements of both Section 42 and Section 142 of the IRS Code.

The 30% AMI income and rent level under the LIHTC is not the same as the Extremely Low Income and rent restriction under the National Housing Trust Fund (NHTF). The NHTF statute and regulation define "Extremely Low Income" as the greater of 30% of AMI or the federal poverty line for applicable household size. Average Income unit designation is based solely on AMI. Projects that have layered NHTF with LIHTC should be mindful of this difference.

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

Only Low Income Units as determined by the Project's Set-aside Election are eligible for tax credits. For example, if the 20/50 election is chosen, only Units that are rent restricted and set aside for tenants whose income does not exceed 50% of AMI are qualified as Low Income Units. If the 20/50 election is chosen, Units with income and rent limits above 50% of AMI are not eligible for tax credits. Similarly, if the AI election is chosen, only Units that are rent restricted and set aside for tenants whose income does not exceed 80% of AMI are qualified as Low Income Units. The minimum Set-aside Election is irrevocable under the Code.

F. Rent and Income Restrictions

Set-aside Units must only be rented to households meeting certain income restrictions. Furthermore, rents charged for Set-aside Units may not exceed 30% of the applicable income limit(s) designated by Applicant. Gross rent limits provided annually by HUD (found on Housing New Mexico/MFA's website) must be reduced by a utility allowance that accurately reflects the cost of tenant-paid utilities by unit size. While the Code excludes any payments made under section 8 of the United States Housing Act of 1937 or any comparable rental assistance program (with respect to such Unit or occupant thereof) from the gross rent calculation, only rents that do not exceed the Tax Credit Ceiling Rents (as defined in the Glossary) and are supported by the market study will be used for underwriting purposes. Exceptions may be made for Projects with project-based subsidies when the program governing the project-based subsidy allows higher rents. More detail regarding rental assistance payments and qualifying tenants can be found in the Housing New Mexico/MFA Tax Credit Monitoring and Compliance Plan, which is issued under a separate cover and summarized in Section X.

G. General Public Use

Generally, all Units, including Set-aside Units, must be made available to the general public under an initial lease term of at least six months. However, exceptions are made for Single Room Occupancy and transitional homeless facilities.

Under Treasury Regulation Section 1.42-9(b), if a residential Unit is provided only for a member of a social organization or provided by an employer for its employees, the Unit is not for use by the general public and is not eligible for tax credits under the Code. However, as clarified in Section 42(g)(9) of the Code, a qualified low-income project does not fail to meet the general public use requirement solely because of occupancy restrictions or preferences that favor tenants 1) with Special Needs, 2) who are members of a specified group under the federal program or state program or policy that supports housing for such a specified group, 3) who are involved in artistic or literary activities or 4) of indigenous populations for those Projects located on Tribal Lands. Any Unit that is part of a hospital, nursing home, sanitarium, life care facility, retirement home providing significant services other than housing is not for use by the general public.

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

Projects may have a preference for military veterans that have served in the armed forces of the United States and Housing New Mexico/MFA encourages all Projects to develop marketing plans that involve outreach and marketing of Units to veterans.

H. Eligible Projects

Housing New Mexico/MFA's Tax Credit Program is intended for rental housing located in the state of New Mexico. Projects may include transitional housing for the homeless, Single Room Occupancy, senior and other special housing needs projects. Dormitories, assisted living facilities, "trailer parks" and transient housing (e.g. emergency shelters for homeless Persons and households) are ineligible. Proposed Projects must be eligible for an allocation of credits under the Code.

I. Scattered-site Projects

Under Code Section 42(g)(3)(D), each low-income building is considered a separate project unless the taxpayer identifies each building which is, or will be, part of the Project. Under Code Section 42(g)(7) and Treasury Regulation Section 1.103-8(b)(4)(ii), two or more qualified low-income buildings can be included in a Project only if the buildings:

- Are located on the same tract of land, unless all the Units in all the "scattered site" buildings to be included in the Project are low-income Units;
- 2. Are owned by the same Person (Entity) for federal tax purposes;
- 3. Are financed under a common plan for financing; and
- 4. Have similarly constructed Units.

Generally, each site of a scattered-site Project must have a community space adequate for the provision of services and services must be delivered at each site for the Project to be eligible for points for Projects in which Units are reserved for Households with Special Housing Needs, Projects Reserved for Senior Housing or Projects in which 25% of all Units are reserved for Households with Children. However, if one of the project sites proposed for rehabilitation does not have adequate community space for the provision of services, services may be provided for residents at another project site so long as the following conditions are met: 1) the project sites are located within a quarter of a mile of each other and connected by an ADA compliant route, 2) the Application demonstrates, to the sole satisfaction of Housing New Mexico/MFA, how the needs of Persons with disabilities who do not have access to on-site services will be met and 3) sufficient community space for the provision of services is available for all residents of the Project.

J. Combined Rehabilitation and New Construction Projects and General Guidelines Around Rehabilitation Projects

In accordance with the provisions of this QAP, Projects may combine the rehabilitation of existing residential Units with the construction of new residential Units. Should an Application consist of both new construction and rehabilitation, the Project will be classified as new construction if 51% or more of the total Units are newly constructed or constitute an adaptive reuse. Similarly, a Project will be classified as rehabilitation if 51% or more of the total Units are proposed for rehabilitation.

In the event a Project consists of an equal number of new construction/Adaptive reuse Units and an equal number of Units to be rehabilitated, then Applicant shall specifically state in their Application which track/category to place its Project for scoring purposes. Note: an Applicant may choose to place its combined new construction/rehabilitation Project in the rehabilitation track even if the Project fails to satisfy the provisions of Project Selection Criterion No. 3 and is awarded no points pursuant to that criterion. In the event Applicant fails to specify which scoring track/category they desire to place their Project, Housing New Mexico/MFA will make

this determination based on the information available, which shall be final and not subject to review.

Note that for scoring purposes, the rehabilitation points set forth in Project Selection Criterion No. 3 shall not be made available to a combined new construction/rehabilitation Project should the Project be categorized as a new construction Project.

Applications for combined rehabilitation and new construction Projects must adhere to the Housing New Mexico/MFA 2025 Mandatory Design Standards for Multifamily Rental Housing (Design Standards) for both rehabilitated and newly constructed Units as they pertain to each Unit type. The cost limits will be applied based on the category chosen. For example, if the Project has 51% or more newly constructed Units, it will be held to the new Construction Cost limits provided in Section IV.C.2.

For all rehabilitation Projects, Applicants must also submit an accurate, detailed and concise description of the work to be performed by the contractor, the Applicant and any third parties relating to the rehabilitation of the Project. Referred to as the Scope of Work, this submission must identify the work to be performed including any demolition. See *Housing New Mexico/MFA 2025 Mandatory Design Standards for Multifamily Housing* for more detailed discussion of Scope of Work requirements.

In addition, all Rehabilitation Projects must submit a detailed Narrative. This Narrative should,

1. Describe the following:

- a. Proposed rehabilitation plans, including a detailed discussion regarding how the Project conforms to the definition of a Moderate Rehabilitation or Substantial Rehabilitation in the Glossary at Section XI, including the major building systems to be replaced and/or improved, whether the work area exceeds 50% of the aggregate building area, and how the proposed rehabilitation plans are consistent or inconsistent with the Scope of Work and/or Capital needs assessment ("CNA"). (See below for CNA requirements.)
- b. Any capital expenditures made to the Project over the past two (2) years and the nature of these capital expenditures.
- c. Any past local, state or federal resources invested in the Project.
- d. Any obvious design flaws, obsolescence issues or safety issues.
- e. Any significant events that have led to the current need for rehabilitation, e.g. fire, natural disaster or any other catastrophic event.
- f. Why the Project is appropriate for rehabilitation and not demolition;

- g. The physical aspects of the existing building(s), including, but not limited to, structural conditions;
- h. Any relocation issues;
- Work performed, including the inclusion of any third party reports, to determine the reasonableness of a rehabilitation versus demolition; and
- Preservation of affordability, including any existing federal rental assistance contracts, and the impact of a rehabilitation or demolition on this federal assistance.

2. Address the following:

- a. The anticipated date of site control and whether there is any identity of interest between or among any Principal of the seller and buyer.
- b. The Ten-Year Rule.
- c. Current financing on the property or Project which will be assumed or paid with LIHTC equity or an Housing New Mexico/MFA-administered funding source. e.g. paid in full vs assumed and current terms.
- d. For 9% Projects claiming points available for Rehabilitation Projects under Section III.E.3 that were previously subsidized with either 9% or 4% tax credits, proof that more than 20 years has passed since the Project was Placed In Service. (Tax-exempt bond financed Projects are excluded from this requirement, as they are not scored.)
- 3. For Projects involving demolition, provide details of what the demolition entails. e.g. interior walls, debris removal, building envelope.

All Projects that include rehabilitation must provide a CNA prepared by a professional who meets the minimum requirements set forth in Housing New Mexico/MFA's Design Standards. (See Glossary for requirements.) Housing New Mexico/MFA will review the CNA to determine whether it supports the Scope of Work outlined in the Application and complies with the Design Standards. The CNA is due:

- with the Initial Application for 9% Projects that were Placed In Service less than 20 years prior to the Application Deadline;
- with the Initial Application for all Projects financed with Tax-Exempt Bonds (i.e., 4% LIHTC); and
- by November 15th of the allocation year with the Carryover Application for 9% Projects that were Placed In Service more than 20 years prior to the Application Deadline.

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

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

Finally, 9% Applicants must submit a preliminary displacement/relocation plan outlining: (i) any potential permanent, temporary or economic displacement/relocation issues; (ii) the approximate number of current tenants to be relocated; (iii) where tenants could be relocated during the rehabilitation and length of time; (iv) how displacement/relocation can be minimized, and how relocation expenses will be paid for if incurred; (v) good faith estimate of displacement/relocation costs. A final version of the displacement/relocation plan is due at the time of submission of a Carryover Application, along with a displacement/relocation assistance plan (e.g. Who will receive assistance? How much assistance will they receive? When and how will they receive their assistance? Who will provide advisory services to those displaced?)

This relocation plan must include a sample tenant letter outlining the process and informing the tenant of any potential permanent displacement due to a change in unit mix or income eligibility.

Applications for 4% LIHTC Projects must submit the final version of the displacement/relocation assistance plan, including a sample tenant letter, with the Initial Application.

K. Compliance Period and Extended Use Period (30 Year Minimum)

The initial Compliance Period for any Project is 15 years. An Extended Use Period also applies to any Project for a minimum of 15 additional years following the expiration of the Compliance Period, during which time transfers and tenant dislocation are limited as provided for in the Project's Land Use Restriction Agreement (LURA). The Project Owner shall not sell, assign, convey, transfer or otherwise dispose of the Project or any building in the Project without prior written consent of Housing New Mexico/MFA during the Compliance and Extended Use Periods. For the purposes of the tax credit program, transfer of any of the ownership interests in Project Owner or Project Owner's partner(s) or member(s), as applicable, before the end of the Compliance Period shall be deemed a transfer of the Project. By agreeing to an Extended Use Period, the Project Owner and its successors and assigns agree to maintain the Project as a qualified low income housing project (as defined in Section 42(g) of the Code) through the expiration of the Extended Use Period. During the Compliance and Extended Use Periods the Project Owner is prohibited from evicting or terminating tenancy of an existing tenant of any low income Unit other than for good cause and/or increasing the gross rent with respect to a low income Unit not otherwise permitted by the Code, as applicable throughout the entire commitment period.

By submitting an Application for an allocation of tax credits to a Project in accordance with this QAP, the Applicant and Project Owner agree to waive their right to request that Housing New Mexico/MFA present a "Qualified Contract" for the Project in accordance with Code Section 42(h)(6). The Applicant and Project Owner further agree that the Extended Use Period shall not be terminated for any reason other than foreclosure (or instrument in lieu of foreclosure), in which case existing Low-income Tenants will not be evicted or charged rents in excess of tax credit rents for a period of three years following the foreclosure or transfer by instrument in lieu of foreclosure in accordance with the Code. Failure to comply with set-asides or any reduction in the number or floor space of the Set-aside Units during the Compliance Period will result in recapture, with non-deductible interest of at least a portion of the tax credits taken previously. Housing New Mexico/MFA will notify the IRS if it learns of any noncompliance. The Project Owner must also make tenant income determinations and file an annual compliance statement with Housing New Mexico/MFA.

L. Compliance Monitoring

As of January 1, 1992, the IRS required each HCA to write and implement a Monitoring and Compliance Plan (summarized in Section X.) Housing New Mexico/MFA's plan includes a combination of Project Owner's certification of continued compliance and regular property visits for all complete LIHTC Projects. During the property visit, Housing New Mexico/MFA will conduct a compliance audit and a physical inspection. The IRS has provided substantial penalties, including recapture of the tax credits plus interest, for non-compliance with the policies and procedures set forth in the Code and Housing New Mexico/MFA's Tax Credit Monitoring and Compliance Plan. Monitoring and compliance fees described in Section IV.B will be assessed for each year of the Compliance and Extended Use Periods. The fees will be billed annually in December/January for the subsequent year and will be due no later than January 31. Project Owners will be given the option to pay the initial 15 years of monitoring and compliance fees at the time of Final Allocation Application. Failure to pay monitoring and compliance fees within the time frame specified in the invoice will result in Housing New Mexico/MFA's filing of a "Notice of Noncompliance" (IRS Form 8823) with the IRS and the Principal(s) will be deemed ineligible for additional funding from Housing New Mexico/MFA, including tax credit, for any Projects while the fees remain outstanding.

M. Eligible Basis According to Type of Activity

The "Eligible Basis" is generally the same as a Project's adjusted depreciable basis for tax purposes. Fees or points charged to obtain long-term financing, syndication costs and fees and marketing expenses are not included in Eligible Basis. These ineligible fees, costs and expenses include credit enhancement, credit origination fees, reserves for replacement, start-up costs and future operating expenses. Costs related to the acquisition of land, costs attributable to any commercial portion of the property and costs attributable to non-Set-aside Units that are above the average quality of the Set-aside Units in the Project are also ineligible. Additionally, Federal Grants shall not be included in a Project's Eligible Basis in accordance with the Code.

- 9% Projects. Projects located in a HUD-designated Qualified Census Tract or a HUD-designated Difficult Development Area (DDA) are eligible for a 30% basis increase (basis boost). Documentation of this status must be included in the Application. Because it is determined that Development Costs may be higher in some other cases, Housing New Mexico/MFA may designate other project types or geographical areas that are eligible for a state-designated basis boost up to 30%.
- 2. 4% Tax-Exempt Bond Projects. Projects located in a HUD-designated Qualified Census Tract (QCT) or a HUD-designated Difficult Development Area (DDA) may be eligible for a 30% basis increase (basis boost). Tax-exempt bond-financed projects are not eligible for any state-designated basis boost. Documentation of this status must be included in the Application. In no case will a Project's Eligible Basis attributable to the acquisition of an existing building be increased.
- 3. See Section IV.E.5. for further information and instruction on basis boosts for 9% and 4% projects.

N. Ten-Year Rule

In order for the acquisition of an existing building to qualify for tax credits, the taxpayer must adhere to the "Ten-Year Rule," meaning that the Project Owner must acquire the building from an unrelated Person who has held the building for at least ten years. The 10-year requirement shall not apply to federally-assisted buildings and State-assisted Buildings. In addition, the Secretary of the Treasury can waive the 10-year "Placed In Service" limitation for buildings acquired from a federally insured depository institution that are in default, as defined by Section 3 of the Federal Deposit Insurance Act or from a receiver or conservator of such an institution. Please refer to Section 42(d) of the Code for exceptions to the Ten-Year Rule.

O. Federal Grants and Federal Subsidy

The Eligible Basis of any Project shall not include costs financed with a Federal Grant. Many federal operating and rental assistance funds are excluded from this provision, as are Native American Housing Self Determination Act (NAHSDA) funds. Please refer to Section 1.42-16(b) of the Treasury regulations for a complete list of federal assistance waived from this provision.

For the purpose of determining a Project's Applicable credit percentage, Federal Subsidy means any construction or permanent financing that is directly or indirectly financed from state or local bonds, including municipal bonds, which are tax-exempt for federal income tax purposes. The most common form of Federal Subsidy is tax-exempt bond financing. Tax-exempt bond financing does not require a reduction in Eligible Basis provided that the tax-exempt bond financing is greater than 50% of the aggregate basis of the land and building(s).

P. Qualified Basis According to Type of Project

The "Qualified Basis" is that portion of the Eligible Basis attributable to Low Income Units. It is calculated as the smaller of the percentage of Low Income Units in the building or the percentage of floor space devoted to Low Income Units in a building.

Q. Placed In Service Requirement

The 10-year Credit Period, 15-year Compliance Period and minimum 15-year Extended Use Period begin with the taxable year in which the building is "Placed In Service" (the time at which a building is "suitable for occupancy," which generally refers to the date of the issuance of the first certificate of occupancy for each building in the Project for new construction, Certificate of Substantial Completion for rehabilitation, or date of purchase by a new owner for acquisitions) or, at the Project Owner's election, the following taxable year.

For 9% Projects, Section 42(h)(1)(E) of the Code allows for the allocation or Carryover Allocation of tax credits to a building that is part of a new construction or rehabilitation Project, with the limitations described in Section 42(h)(1)(E), if an Applicant's qualified expenditures or actual basis in the Project, as of the date which is one year after the date that the allocation was made, is more than 10% of the taxpayer's reasonable expected total basis in the Project as of the close of the second calendar year following the calendar year in which the allocation was made. Housing New Mexico/MFA requires submission of a complete Carryover Allocation Application by November 15th⁴ of the year in which the tax credit award was made and evidence of the expenditure of more than 10% of the expected basis in the Project by August 31st⁵ of the following year. A Cost Certification detailing the qualified expenditures or actual basis that make up 10% of the reasonable expected basis and a description of Applicant's method of accounting must be prepared by a Certified Public Accountant (CPA) and submitted to Housing New Mexico/MFA at that time. If the complete Carryover Allocation Application, the CPA's Cost certification, the Attorney's Opinion, in the form required by Housing New Mexico/MFA, regarding the qualification of the Project for tax credits and any other required materials are not received by 5:00 p.m. Mountain Standard Time on the applicable dates noted herein, the Project's credit Reservation may be canceled. Section 42(h)(1)(E) further allows for a qualified building to be Placed In Service in either of the two calendar years following the calendar year in which the allocation is made.

For 4% credits, the allocation is made upon issuance of 8609s, so the above paragraph does not apply to tax-exempt bond financed Projects.

⁴ If such date falls on a weekend or holiday, the deadline shall be the first working day following such date.

⁵ If such date falls on a weekend or holiday, the deadline shall be the first working day following such date.

R. Building Classification and Tax Credit Applicable Percentages

The tax credit's Applicable Credit Percentage (i.e., the "4%" or "9%" credits for which a Project is eligible) is determined by the type of project proposed, its use of Federal Subsidy or Federal Grants and the amount of credit necessary to reach feasibility and long-term viability. The Protecting Americans from Tax Hikes (PATH) Act of 2015 permanently fixed the floor of the 9% credit at 9%, similarly, The Consolidated Appropriations Act of 2021 permanently fixed the floor of the 4% credit at 4%. The amount of the annual tax credit is calculated to yield a present value of either 30% (in the case of 4% credits) or 70% (in the case of 9% credits) of Qualified Basis, as adjusted by Housing New Mexico/MFA. Listed below are types of projects, which could be considered eligible for the tax credits and the Applicable Credit Percentage for each project type.

- 1. **New construction**. New construction Projects that are not financed by tax-exempt bonds are eligible for 9% credits. Projects financed with tax-exempt bonds are eligible for 4% credits only.
- 2. Rehabilitation of an existing building. To qualify for tax credits under the Code, rehabilitation expenditures includable in Qualified Basis must exceed the greater of 1) at least 20% of the Qualified Basis of the building being rehabilitated or 2) at least \$6,000 per low income Unit being rehabilitated. For Projects Placed In Service after 2009, the \$6,000 will be indexed for inflation. The minimum rehabilitation expenditures included in Qualified Basis for Projects Placed In Service in 2025 is \$8,300 per Unit. Rehabilitation Projects that are not financed by tax-exempt bonds are eligible for 9% credits. Projects financed with tax-exempt bonds are eligible for 4% credits only.
- 3. Acquisition/rehabilitation of an existing building. The maximum Applicable Credit Percentage for acquisition of an existing building that will be subsequently rehabilitated is 4%. To qualify for tax credits for the acquisition, the Code requires that rehabilitation expenditures includable in the Qualified Basis must exceed the greater of 1) at least 20% of the Qualified Basis of the building being rehabilitated or 2) at least \$6,000 per low income Unit being rehabilitated. For Projects Placed In Service after 2009, the \$6,000 per low income Unit figure will be indexed for inflation. The minimum rehabilitation expenditures included in Qualified Basis for Projects Placed In Service in 2025 is \$8,300 per Unit. Rehabilitation expenditures associated with acquisition of an existing building can qualify for the 9% tax credits as long as the rehabilitation expenditures are not funded with tax-exempt bonds. Projects financed with tax-exempt bonds are eligible for 4% credits only.
- 4. **Federal Grant financed Projects with reduction in Eligible Basis.** In the case of a Project financed with Federal Grants, whether a newly-constructed or rehabilitated building, the Project Owner shall exclude the amount of the Federal Grants from Eligible Basis.

Commented [JR1]: This amount and the \$8,300 per unit in the following paragraph will be updated when the IRS issues the applicable notice before the end of November 2024.

S. Audit Requirements

Beginning with issuance of the Reservation Contract and Reservation Letter by Housing New Mexico/MFA and during the entire term of the Compliance and Extended Use Periods, Housing New Mexico/MFA reserves the right, under the provisions of the Code, the Project's LURA, and in accordance with its inherent discretion, to perform an audit or other related procedures of any Project that has received an allocation of tax credits. Projects selected for audit or other related procedures may be chosen at random or based on Housing New Mexico/MFA's discretion. An audit or other related procedure may include, but is not limited to, an on-site inspection of all buildings, and a review of all records and certifications and other documents supporting criteria for which the Project Owner received points in the Application for an allocation of tax credits. In addition, Housing New Mexico/MFA reserves the right to audit all costs of a Project, including invoices, all third-party contracts, e.g., construction contract(s), management contract(s), architect and other professional contract(s), all construction pay applications and back up documentation (including, but not limited to, subcontractor invoices), and any other documents deemed necessary to perform the above.

Additionally, all Projects must maintain records of the process used to select general contractors (including any RFPs and Proposals). Written communication with selected general contractor regarding required Cost Certification upon Project completion should be retained.

T. Subsidy Layering Review

Pursuant to Section 911 of the Housing and Community Development Act of 1992, HUD is required to determine that Projects receiving tax credits and federal, state or local assistance do not obtain subsidies in excess of that which is necessary to produce affordable housing. Requests for subsidy layering reviews may be made to the HUD Field Office with a copy of the review provided to Housing New Mexico/MFA. An essential component of this review is an analysis of the reasonableness of fees paid to sponsors, Project Owners, Developers and builders. Consequently, for purposes of Section 911 reviews, fees used to calculate tax credit amounts will not exceed the limits stated in Section IV.D.2 Developer and Other Fees. Some of these maximum fees allowed by Housing New Mexico/MFA may exceed the "safe harbor" fee amounts that apply to Section 911 reviews. Special factors that justify these published higher fees (which do exceed "ceiling" amounts) include but are not limited to: the relatively high cost of construction and land within the state of New Mexico; the lack of state- or locally-funded soft second financing or operating subsidies; and the general inability of Local Governments to donate land and/or other services to worthy Projects due to the state's "anti-donation" clause. Housing New Mexico/MFA will perform an internal Subsidy Layering Review only if required by a Housing New Mexico/MFA funding source.

Housing New Mexico/MFA reserves the right to include or consider other criteria to justify exceeding safe harbor limits for fees associated with Projects requiring subsidy layering reviews. Housing New Mexico/MFA also reserves the right to limit Projects to safe harbor limitations for any reason that, in its sole discretion, deems reasonable. This paragraph applies to all Projects that require subsidy layering reviews.

U. Hybrid 9%/4% Developments

Applicants wishing to combine 9% LIHTC with 4% LIHTC (where the 4% credits are not solely for acquisition of a building) pursuant to an allocation of private activity bond volume cap may do so under the following conditions.

- 1. The 9% LIHTC and 4% LIHTC portions of the development will be two separate projects, each of which has fully self-supporting financing and operations; the two portions of the development will not be cross-collateralized.
- 2. Complete separate Applications for the 9% and 4% LIHTC will be required.
- 3. Applicants proposing to build on adjacent parcels (or by splitting a parcel of land) may submit the 4% LIHTC Application concurrent with the 9% LIHTC Application or after the reservation of 9% LIHTC has been approved.
- 4. Projects that propose allocating 9% and 4% tax credits within a building through a condominium plat must submit both the 9% and 4% LIHTC Applications by the 9% Application Deadline. An application to the state board of finance for private activity volume cap will not be approved to move forward until the Housing New Mexico/MFA board approves the 9% portion of the development, which shall be subject to receipt of the private activity volume cap. If Housing New Mexico/MFA is the proposed bond issuer, the state board of finance application will be due upon Housing New Mexico/MFA board approval of the 9% portion of the development. A reservation of tax credits for the 9% portion, if approved, will be delayed until an allocation of private activity volume cap is approved by the state board of finance.

III. Housing Priorities and Project Selection Criteria

A. Needs Analysis

This Allocation Plan is consistent with the needs analysis of the current state of New Mexico Consolidated Plan for Housing and Community Development and Action Plan. Housing priorities stated in the Consolidated Plan include increasing the supply of decent, affordable rental housing, expanding housing opportunities and access for individuals with Special Needs, expanding the supply of housing and services to assist the homeless and preserving the state's existing affordable housing stock.

B. Housing Priorities

The following priorities are to be used by Housing New Mexico/MFA in the distribution of tax credits and are reflected in the Allocation Set-asides and Project Selection Criteria used to rank competitive Projects:

- 1. Levels of affordability in excess of the minimum requirements, through one or more of the following:
 - a. Higher numbers of Set-aside Units; and/or
 - b. Rents set to serve lower income tenants, for example, tenants earning no more than 40% or 30% of median income; and/or
 - c. Affordability Periods longer than the 30-year minimum.
- 2. Provision of affordable housing to households on public housing waiting lists;
- 3. Maximizing leverage by obtaining other public or private non-equity program resources;
- An equitable distribution of tax credits throughout all parts of the state where affordable housing is needed;
- Provision of housing to serve documented Senior Households; Permanent Supportive units; and Tribal communities;
- 6. Nonprofit development;
- 7. Production of housing with high quality design and construction;
- 8. Production of Projects that are located in QCTs and which Projects contribute to the development of a Concerted Community Revitalization Plan;
- 9. Provision of housing that is energy efficient; and
- Efficient use of scarce resources including tax credits, measured through lower Development Costs or other means.

C. Minimum Project Threshold Requirements

All tax credit Applications must meet each of the following requirements, in addition to the eligibility requirements of the Code. Housing New Mexico/MFA will use the deficiency correction process as described in **Section IV.C.5** to allow Applicants to correct deficiencies related to site control, zoning, fees, and market studies (requirements 1-4 below.) All other threshold requirements are not correctable and Initial Applications not meeting those requirements will be rejected. Applications not meeting site control, zoning, fee requirements, and market studies will be rejected if they are not corrected within the time period allowed in Section IV.C.5.

1. Site control.

- a. Site control for all of the property needed for the Project must be evidenced by:
 - i. A fully executed and legally enforceable purchase contract or purchase option and/or a written governmental commitment to transfer or convey the property to the Applicant or Developer or Project Owner by deed or lease that demonstrates Applicant or Developer or Project Owner will possess a

Qualified Leasehold Interest upon execution of the lease, (collectively termed a "transfer commitment"). If a transfer commitment is submitted, the commitment must provide for an initial term lasting at least until June 30 of the year in which the allocation is made ("initial term.") This initial term must not be conditioned upon any extensions requiring seller consent, additional payments, financing approval, tax credit award or other such requirements. Similarly, the transfer commitment must not require any additional actions on behalf of Applicant during the initial term which could allow the seller/lessor to terminate the transfer commitment if the action is not fulfilled by Applicant. If the transfer commitment requires an escrow payment or other deposit due and payable after signing, evidence that payment was received must be included in the Initial Application; or

- A recorded deed or recorded lease demonstrating that Applicant possesses a Qualified Leasehold Interest.
- b. Site Control evidence and the Application materials must show exactly the same names, legal description and Acquisition Costs. (Exception: In the case of To Be Formed partnerships, the relationship between the parties must be shown.) All signatures, exhibits and amendments must be included to be considered complete.
- c. For 9 percent projects, at 10% test submission (August 31 of the year following the Reservation), Project Owner must submit evidence that they have taken ownership of the land or depreciable real property or has executed a lease for the land (and buildings if applicable) with a term extending at least three years beyond that of any agreed upon Affordability Period. For tribal projects, this includes a fully executed Master lease and sublease with evidence of filling with the Bureau of Indian Affairs.
- 2. Zoning. Evidence that the current zoning of the proposed site(s) does not prohibit multifamily housing must be submitted. The evidence must indicate the specific address or location of the site, if no address has been assigned, for the proposed Project and be dated no more than six months prior to the Application Deadline. This requires that multifamily projects not be prohibited by the existing zoning of the proposed site and that there is no pending litigation, pending variance, or unexpired appeal process relating to the zoning of the proposed site. Projects sited on land which is not zoned or which is zoned agricultural, are exempt from this threshold test, but must obtain zoning approval and deliver evidence of it to Housing New Mexico/MFA no later than November 15th of the year of the Reservation.
- 3. **Fees**. All fees owed to Housing New Mexico/MFA for all Projects in which Principal(s) of the proposed Project participate must be current. Fees currently due and owing must be received by Housing New Mexico/MFA by the date due.

4. Market study. A Market Study must be submitted at Application and completed by a vendor meeting the requirements agreed upon in the Market Study Professional Certification document, found at http://housingnm.org/developers/developer-resources/market-study-requirements. The market study itself must meet the requirements and follow the methodologies identified in the Market Study Parameters and have been issued within 180 days of the Application submission. All market studies must be issued to Housing New Mexico/MFA as the designated user. The market study must address and meet the following requirement*:

Subject Capture Rate. The market study must provide a Capture Rate, as defined in the Glossary, for the proposed Project overall, as well as Capture Rates for each targeted income level and bedroom count. The overall Capture Rate for a Project must not exceed 10%. This rate may be the subsidized rate if subsidies are secured at the time of application.

*Tribal and Projects reserved for Seniors are exempt from meeting the Capture Rate level, but they must submit a Market Study meeting the requirements outlined in the Market Study Parameters document within the Application materials, and the Market Study must indicate a need for the type and quantity of housing proposed.

If the Market Study as submitted is not sufficient, there may be an additional Market Study ordered by Housing New Mexico/MFA. The cost of this Housing New Mexico/MFA-ordered Market Study will be covered by the Applicant through the Direct Cost Fee invoiced with a Deficiency Correction described in Section IV.C.5. It is Housing New Mexico/MFA's sole discretion whether or not the Market Study is sufficient.

5. Applicant eligibility. All members of the development team (i.e., Developer, Project Owner, General Partner, contractor, management company, consultant(s), architect, attorney and accountant, etc.) of the proposed Project must be in good standing with Housing New Mexico/MFA and all other state and federal affordable housing agencies. For example, debarment from HUD, Housing New Mexico/MFA or other federal housing programs, bankruptcy, criminal indictments or convictions, poor performance on prior Housing New Mexico/MFA or federally-financed Projects (for example, late payments within the 18-month period prior to the Application Deadline, misuse of reserves and/or other Project funds, default, fair housing violations, noncompliance (e.g., with the terms of LURAs on other Projects), or failure to meet development deadlines or documentation requirements) on the part of any proposed development team member or Project Owner or other Principal may result in rejection of an Application by Housing New Mexico/MFA. In addition, Housing New Mexico/MFA will consider a Principal's progress made with previous tax credit Reservations, including timeliness in delivering required documents and fees and meeting all required deadlines. The Developer, Project Owner, General Partner, contractor, management company, consultant(s), and architect are required to

sign an affidavit affirming they have no related party relationships; or, that all related party relationships have been properly disclosed. The form of this affidavit can be found at Tab 1h of the 2025 Universal Rental Development Application on Housing New Mexico/MFA's website. Additionally, a visual diagram of the relationship of the related parties must be submitted, if applicable.

Financial feasibility. Applications must demonstrate, in Housing New Mexico/MFA's
reasonable judgment, the Project's financial feasibility. Please refer to Section IV.C.2,
Section IV.D and Section IV.E.4 and 5 requirements pertaining to Housing New
Mexico/MFA's financial feasibility considerations.

7. Pre-Application Requirements.

- a. Intent to Submit
 - i. The entire Application Package is due at noon on January 21, 2025. Before then, Applicants must submit an Intent to Submit a Tax Credit Application and Development Synopsis on or before December 20, 2024. This submission is a mandatory requirement for the 2025 competitive LIHTC Application round. Information contained within the Intent to Submit will be posted on the Housing New Mexico/MFA website following submission.
 - ii. All tax-exempt bond financed Projects are required to submit an Intent to Submit a Tax Credit Application and Development Synopsis at least 30 days prior to submitting their Application in order to insure timely processing to meet other bond issuance deadlines.
- b. Housing New Mexico/MFA allows all Applicants for the 2025 competitive LIHTC Application round to meet with Housing New Mexico/MFA staff to discuss their Project (staff is not able to discuss scoring but is available to discuss underwriting issues and gap financing questions). Meetings must take place ahead of the FAQ closing date. All tax-exempt bond financed Projects are encouraged to meet Housing New Mexico/MFA staff at least 30 days prior to submission to review and discuss the proposed Project.
- c. A representative of the development team (Board member, officer, director, commissioner or staff) must have attended the most recent Housing New Mexico/MFA QAP training prior to submitting the Application. If the development team includes a qualified, nonprofit organization, NMHA, TDHE or THA, a member of that organization must have attended as well to claim points under Project Selection Criteria 1.

Projects financed with tax-exempt bonds may attend an alternative Housing New Mexico/MFA-approved tax credit training, for which a fee may apply. This

approved training must have been completed within the six months prior to submittal of the Application.

Additional minimum Project threshold requirements apply to tax-exempt bond financed Projects, as described in **Section VI**.

D. Allocation Set-asides

- Nonprofit set-aside. Ten percent (10%) of the Annual Credit Ceiling for each calendar
 year will be reserved for Projects sponsored by Qualified Nonprofit Organizations as
 defined in Code Section 42(h)(5)(C). For purposes of this set-aside, only federal
 requirements identified in Code Section 42(h)(5) will apply. The aggregate amount of tax
 credits allocated by Housing New Mexico/MFA to Qualified Nonprofit Organizations
 may exceed this amount.
- 2. Underserved Populations set-aside. Twenty percent (20%) of the Annual Credit Ceiling will be set aside for Underserved Populations as defined in this section. 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. The aggregate amount of tax credits allocated by Housing New Mexico/MFA to Projects meeting the set-aside requirement may exceed this amount. Any decision to award tax credits within the Underserved Populations set-aside lies solely within Housing New Mexico/MFA's inherent discretion and is not subject to further review. Awards under this set-aside may be made to the highest scoring Project(s) that falls in any of the following categories:
 - **a. Permanent Supportive Housing (PSH)** Projects that meet the following requirements:
 - i. The Project must meet threshold requirements within the Households with Special Housing Needs Housing Priority and agree to provide voluntary Case Management Services to residents.*
 - ii. All service coordination and budget requirements must be sufficient to provide proposed services to all PSH residents,
 - iii. PSH Units have no time limits on occupancy,
 - iv. PSH residents have the same rights and responsibilities as those occupying other low-income or market rate housing Units**,
 - v. PSH residents must have individual leases with identical requirements and protections as other low-income or market rate residents,
 - vi. PSH Units must cover 25% or more of the total Unit count, and
 - vii. Project-Based Vouchers or other Federal operating subsidy must be in place or secured for 75% or more of the PSH Units in the Project.

- viii. The Application includes a preliminary Memorandum of Understanding (MOU) between the Project Owner and service provider(s) that describes the service provider's expertise to provide the proposed services (with a minimum of three years of experience providing that service to the targeted population), the planned description and delivery of services, and the staff capacity to provide ongoing case management.
 - * Competing in the Underserved Populations set aside as a PSH Project does not automatically result in points in the Households with Special Housing Needs Priority scoring category. Services must be selected and all required scoring items met in order to receive points in that category.
 - **All Projects will be required to submit a PSH Commitment to Quality checklist (Tab 15c of the 2025 Housing New Mexico/MFA Universal Rental Development Application) with the Application and annually following the award.
- b. Tribal Projects. Projects that are located within a Tribal Trust Lands boundary.
- 3. Ranking to meet Allocation Set-asides. The highest scoring, Qualified Nonprofit Organization Eligible Project will be funded first. If there are insufficient Qualified Nonprofit Organization Eligible Projects to meet the nonprofit set-aside, the unallocated nonprofit set-aside tax credits cannot be allocated to other Eligible Projects. A similar procedure will be used to meet the Underserved Populations set-aside, following the fulfillment of the nonprofit set-aside; however, if there are insufficient Underserved Populations Eligible Projects to meet the Underserved Populations set-aside, any unallocated set-aside tax credits may be used for other Eligible Projects.

Tax-exempt bond financed Projects are not subject to the above Allocation set-aside considerations.

E. Project Selection Criteria to Implement Housing Priorities

The criteria shown below are the basis for the awarding of points to a particular proposed Project during the Application round(s) conducted by Housing New Mexico/MFA. Applicants may not rely on prior submissions or prior scoring to support a re-submission of an Application. In addition to meeting the above mentioned threshold requirements, tax credit Reservations will not be awarded to 9% Projects achieving fewer than fifty-three (53) points unless too few Projects score above this level and Housing New Mexico/MFA, in its reasonable judgment, decides to reduce the minimum score. Projects scoring fifty-three (53) or more points will be ranked according to their scores and in accordance with Section II.C. herein, subject to Allocation set-aside requirements. Reservations will be made to these Projects, unless they are eliminated

under threshold review or subsequent processing, starting with the highest scoring Projects, all in accordance with Section II.C. herein, until all available tax credits are used. In order to avoid a concentration of tax credit awards in a particular year in any particular municipality, county or market area, Housing New Mexico/MFA reserves the right, in its sole discretion and as a part of its subsequent processing, to eliminate a lower scoring Project which is located in the same municipality, county or market area as a higher scoring Project provided the lower scoring Project is "similar" in terms of construction type and/or resident population served.

Other than the criteria that include scaled-point structures, partial points will not be awarded.

Within each scoring track/category, if two or more Projects with equal scores (each a "tied Project") would require more than the available tax credits, the tied Project with the lower Total Development Cost per Unit will be selected first for an award of credits. If too few tax credits are available to make a full award of credits to any tied Project, Housing New Mexico/MFA will determine in its discretion whether to award a partial allocation, to commit future year's tax credits to the Project in accordance with **Section VIII**, to award no tax credits at all to any tied Project or to choose some combination of these options.

Regardless of strict numerical ranking, the scoring does not operate to vest in an Applicant or Project any right to a Reservation or tax credit allocation in any amount. Housing New Mexico/MFA will, in all instances, reserve and allocate tax credits consistent with its sound and reasonable judgment, prudent business practices and the exercise of its inherent discretion. Consequently, Housing New Mexico/MFA may reject any Project that Housing New Mexico/MFA deems to be inconsistent with the objectives of this QAP or prudent business practices regardless of the Project's numerical ranking.

Tax-exempt bond financed Projects will not be required to meet a minimum score to obtain a Letter of Determination. Tax-exempt bond financed Projects must meet and agree to all of the following mandatory criteria in order to be eligible for 4% non-competitive tax credits:

- Serve a targeted population (Households with Special Housing Needs, Households with Children, or Projects Reserved for Seniors) and meet the applicable threshold requirements OR meet the requirements for the Underserved Populations set-aside, as described in Section III.D.
- 2. Achieve a Smoke-Free at Home Certification of Platinum or Gold;
- 3. Meet all of 2025 Mandatory Design Standards for Multifamily Housing (including HERS ratings), unless granted a waiver;
- 4. Must be located within a 15-minute drive (as demonstrated through Google Maps) to a facility in which fresh produce is available (or demonstrate that a full-scale supermarket within a 15-minute drive is part of an approved master plan to be developed);
- 5. Market Study must indicate a vacancy rate in the Primary Market Area of less than 10%;
- 6. Must market to local Public Housing Authorities;
- 7. Include a preference for Veterans in the Tenant Selection Criteria.

- 8. The level of rehabilitation (as applicable) must be at least a Moderate Rehabilitation as defined in the Glossary (Section XI of this QAP.)
- Project must meet all Housing New Mexico/MFA underwriting standards in this QAP and the current Housing New Mexico/MFA Underwriting Supplement for Multifamily Projects.

If there is insufficient private activity bond volume cap allocation available to finance all tax-exempt bond financed Projects between January and June or July and November, Housing New Mexico/MFA, in its sole discretion, shall prioritize the Project(s) that demonstrate greater capacity to begin construction sooner, by issuing draft 42(m) letter(s) in the order of that priority. First priority will go to Projects that demonstrate that Permit Ready Drawings (i.e., construction plans) and specifications have been submitted to the local jurisdiction for approval. Projects that exceed the available private activity bond volume cap will receive a draft 42(m) letter after the prioritized Projects are issued the volume cap that is currently available.

Project Selection Criterion

 Nonprofit, New Mexico Housing Authority (NMHA), local Tribally Designated Housing Entity (TDHE), or Tribal Housing Authority (THA) Participation Tier 1: 5 points Tier 2: 3 points

Tier 1: Local nonprofits (as that term is defined in this criterion below), NMHAs, TDHEs and THAs that demonstrate financial capacity by having net worth/net assets of at least \$1,000,000 will qualify for five points. Nonprofits, NMHAs, TDHEs and THAs with net worth/net assets below \$1,000,000 may partner with another Entity to increase the General Partners' combined net worth above this threshold.

Tier 2: Local nonprofits, NMHAs, TDHEs and THAs which have net worth/net assets of at least \$250,000 will qualify for three points. In addition, qualified, nonprofit organizations that do not meet this criterion's definition of "local nonprofit" but demonstrate strong financial capacity by having net worth/net assets of at least \$2,000,000 will qualify for three points.

For any Entity to claim points under this Project Selection Criterion:

- The qualified, nonprofit organization, NMHA, TDHE or THA must own at least 51% of the General Partner interest.
- The Application must commit to providing the qualified nonprofit organization, NMHA,
 TDHE or THA, a First Right of Refusal described in IRC Section 42(i)(7) using Housing

New Mexico/MFA's form of Right of First Refusal Agreement. The Right of First Refusal Agreement must be recorded upon closing of equity; a copy must be submitted by August 31st of the year following Carryover.

- The qualified, nonprofit organization, NMHA, TDHE or THA must receive a minimum of 10% of the developer fee as identified in the Project Application. The developer fee calculation is made before any reduction for consultant fees. When more than one Entity is receiving a portion of the developer fee, documentation will be required evidencing the agreement among the entities as to the fee split arrangement.
- Also, the Application must include evidence that a representative of the qualified, nonprofit organization, NMHA, TDHE or THA (board member, officer, director, commissioner or staff) has attended the most recent Housing New Mexico/MFA QAP training prior to submitting the Application.

Net worth/net assets must be substantiated by accountant-reviewed or audited year-end financial statements for each General Partner whose financials are being relied upon to meet the minimum net worth/net assets. A for-profit partner Entity's reviewed financial statements may be used to achieve net worth/net assets thresholds.

Local nonprofit means a qualified, nonprofit organization that has a board of directors that is comprised of a majority of New Mexico residents at the time the Application is submitted and was incorporated in New Mexico before January 1 of the year in which the Application is submitted.

2. Locational Efficiency

Up to 6 points

Projects located in proximity and connected to 1) services or 2) public transportation are eligible for up to six points in total.

In addition to completing the *Locational Efficiency Scoring Worksheet* included in the Application Package, separate maps for each amenity and location of transportation claimed for points must be submitted. Each of the maps shall be used to illustrate the Project compliance with the Locational Efficiency criteria. Maps must show, scale, cardinal direction, and actual walking distance from site to each amenity and public transportation stop with a dotted line.

Proximity to Services (2 Points)

Locate the Project within these set distances from the designated number of facilities in the table below:

General: a 0.5-mile walk distance to at least three facilities, or a 1-mile walk distance to at least six facilities. For the 0.5-walk distance facilities, at least one of these facilities must be a supermarket, farmers market or other food store with produce. For the 1-mile walk distance facilities, at least two of these facilities must be in the Retail or Services categories below and one must be a supermarket, farmers market or other food store with produce. **Rural / Tribal:** A 5-mile walk/drive distance to at least two facilities. At least one of these facilities must be a supermarket, farmers market or other food store with produce.

Projects seeking to use **Rural / Tribal** Locational Efficiency criteria must provide a map indicating the location of the proposed Project. Rural Projects are defined as any Project outside of the defined Urban Areas as defined in the Glossary, Section XI. Initial Applications that do not include a map demonstrating eligibility for **Rural / Tribal** classification will be scored using the **General** Locational Efficiency criteria.

Retail	Services	Civic and Community Facilities
Supermarket	Bank	Adult or senior care (licensed)
Other food store with	Gym, health club,	Child care (licensed)
produce	exercise studio	Community or recreation center
Farmers market	Hair care	Cultural arts facility (museum,
Clothing store or	Laundry, dry cleaner	performing arts)
department	Restaurant, cafe, diner	Educational facility (including K-12 school,
store selling clothes		university, adult education center,
Hardware store		vocational school, community college)
Pharmacy		Entertainment venue (theater, sports)
Other retail		Government office that serves public on-site
		Place of worship
		Medical clinic or office that treats patients
		Police or fire station
		Post office
		Public library
		Public park

Access to Public Transportation (2 or 4 Points)

General and Rural / Tribal (2 points) Locate Project within a 0.5-mile walk distance of commuter bus (i.e. not Greyhound) or commuter rail stop. Public transportation must be established and provided on a fixed route with scheduled service. Alternative forms of transportation may be acceptable provided sufficient documentation is provided that establishes the alternate form of transportation is acceptable to Housing New Mexico/MFA. For example, Projects on tribal land

with established "on call" transportation programs that provide the users a choice of local destinations, regardless of their residency in the Project, shall be considered "public transportation." A future promise to provide service does not satisfy this Project Selection Criterion.

Frequent Transportation (4 points) Locate Project within a 0.25-mile walk distance of commuter bus stop. Public transportation must be established and provided on a fixed route with frequent scheduled service (defined as: any series of three or more single direction stops more frequent than every 1 hour, Monday - Friday).

3. Rehabilitation Projects

Up to 5 Points

The Project Selection Criterion applies to the rehabilitation of low-income apartment Units or the conversion of market rate apartment Units to low-income Units. These scoring points are not available in a combined new construction and rehabilitation Project wherein the Application is categorized as new construction as discussed in Section II.J.

To be eligible for points under this criteria, Projects must incur average rehabilitation Construction Costs of \$25,000 per Unit or more for Moderate Rehabilitation or \$45,000 per Unit or more for Substantial Rehabilitation (*see* Section XI Glossary for definitions), and more than 20 years must have elapsed since issuance of certificates of occupancy or the Units were Placed In Service and/or it has been 20 years since the Project's prior rehabilitation utilizing tax credits as a source of funding was finished and those Units were Placed In Service (together, this prerequisite is referred to as the "20-year requirement.") A CNA will be required at Carryover for rehabilitation Projects that are eligible for points under this scoring criterion. The CNA will be reviewed and must support the Scope of Work outlined in the Application. Professionals performing the CNA must meet the minimum qualification/certification requirements set forth by Housing New Mexico/MFA as defined in the Design Standards. (Rehabilitation Projects are also subject to the Qualified Basis limits outlined in Sections II.R.2. & 3.)

For rehabilitation Projects meeting the above threshold criteria, the following points are available for a Project that exceeds the 20-year requirement as follows:

- ≥ 21 years 1 point
- ≥ 23 years 2 points
- ≥ 25 years 3 points
- ≥ 27 years 4 points
- ≥ 29 years 5 points

Applicants must submit at time of Application sufficient documentation to establish that it satisfies the 20-year requirement with respect to the age of the Project or date of completion of last rehabilitation utilizing tax credits as a source of funding. This documentation may be in the form of certificate(s) of occupancy or property tax records. In the case of a Project with a

previous tax credit allocation, the completed Form 8609's (with Part II First Year Certification completed) and recorded LURA must be submitted at the time of Application.

These points can be awarded in conjunction with points under sustaining affordability.

Housing New Mexico/MFA reserves the right to request additional information or documentation regarding the Scope of Work.

4. Sustaining Affordability

6, 8, 10 Points

- A. Projects which meet one of the criteria listed below are eligible for 10 points:
 - 1. Previously subsidized existing Projects that are currently restricted, but for which use restrictions are to expire on or before December 31, 2028 or
 - 2. Existing Projects that are currently subsidized and eligible for prepayment and termination of their use agreement or LIHTC projects that are eligible to make a Qualified Contract request or
 - 3. Existing Projects that are at imminent risk of conversion to market rate or
 - 4. Projects currently without federal rental assistance that will have a new federal rental assistance contract covering at least 75% of all Units.
- B. Projects that have an existing federal rental assistance contract covering at least 75% of all Units (or those Projects utilizing a conversion of existing federal rental assistance) are eligible for eight points.
- C. Projects that have or will have a federal rental assistance contract covering at least 20% of all Units are eligible for six points.

All Projects must document the proposed rents. Projects with existing federal rental subsidies (CoC, RD, HUD HAP) who propose post-rehabilitation rents in the Initial Application must document the anticipated rents with a Rent Comparability Study submitted with the Initial Application. Projects not requesting post-rehabilitation rents in the Initial Application may use the current OCAF-based rents or published payment standards based on current FMRs.

Anticipated federal rental subsidies (CoC, RD, NAHASDA etc.) must be similarly documented as fully secured to the Project itself, including the number of project-based vouchers allocated to the Project, in order to score under this criterion.

For example, anticipated federal rental assistance contracts from housing authorities must show they are adequately secured through the presentation of specific items:

- 1. A copy of the PHA administrative plan which describes the selection procedures for owner submission of PBV and for PHA selection of PBV proposals
- 2. A copy of the published public notice of the PBV proposal selected
- 3. If the proposal selected is for PHA-owned units, a copy of the HUD field office or HUD-approved independent Entity's determination that the PHA-owned units were appropriately selected

(If the proposal is selected based on a previous competitive award, Housing New Mexico/MFA would require documentation that the proposal meets the criteria for selection without additional competition.)

5. Income Levels of Tenants

12, 14 or 16 points

An Application may qualify for up to sixteen (16) points for rent and income restricting a Project for the Affordability Period at the levels identified below:

- A. For any Project located within an Urban Area that proposes to use either the 20-50 or 40-60 election under §42(g)(1)(A) or §42(g)(1)(B) of the Code, respectively:
 - At least 40% of all low-income units at 50% or less of Area Median Income (16 points);
 - \bullet At least 30% of all low-income units at 50% or less of Area Median Income (14 points); or
 - At least 25% of all low-income units at 50% or less of Area Median Income (12 points).
- B. For any Project not located within an Urban Area that proposes to use either the 20-50 or 40-60 election under \$42(g)(1)(A) or \$42(g)(1)(B) of the Code, respectively:
 - At least 25% of all low-income units at 50% or less of Area Median Income (16 points);
 - At least 15% of all low-income units at 50% or less of Area Median Income (14 points*);
 or
 - At least 10% of all low-income units at 50% or less of Area Median Income (12 points*). [*Projects choosing the 20-50 election are not eligible for these point categories]
- C. For any Project located within an Urban Area that proposes to use the Average Income election under §42(g)(1)(C) of the Code:
 - The Average Income for the proposed Project will be 54% or lower (16 points);
 - The Average Income for the proposed Project will be 55% or lower (14 points); or
 - The Average Income for the proposed Project will be 56% or lower (12 points).

- D. For any Project not located within an Urban Area that proposes to use the Average Income election under \$42(g)(1)(C) of the Code:
 - The Average Income for the proposed Project will be 55% or lower (16 points);
 - The Average Income for the proposed Project will be 56% or lower (14 points); or
 - The Average Income for the proposed Project will be 57% or lower (12 points).

Those Projects electing the Average Income Election must include at least 5% of their Units above 60% of Area Median Income.

Projects that receive points under Income Levels and utilize the Average Income election may not receive points under Project Selection Criterion No. 6 below.

6. Projects that Incorporate Market Rate Units

2 Points

Projects that incorporate Market Rate Units equal to at least 15% of the total Units.

Projects that utilize the Average Income election above may not receive points under Projects that Incorporate Market Rate Units.

7. Projects Committed to a longer Extended Use Period

5, 8 Points

Projects committing to at least a 35-year Affordability Period (15-year initial Compliance Period plus at least a 20-year Extended Use Period) are eligible for 5 points. This election must be indicated on the Universal Rental Development Application.

Projects committing to permanent affordability (i.e., in perpetuity) are eligible for 8 points. This election must be indicated on the Universal Rental Development Application.

If the Project site will be leased, refer to Section III.C.1. for site control requirements.

8. Households with Special Housing Needs Housing Priority

Up to 10 Points

Due to restrictions within the USDA program, this Project Selection Criterion is not available to Projects involving USDA-RD rental assistance.

Projects are eligible for points if 20% or more of total Units are reserved for Households with Special Housing Needs (see definition in Glossary). To be eligible for points under this option, at least 10% of the total Units in the Project must be rent restricted at 30% of Area Median Income (AMI) or have secured (at time of application) permanent rental subsidy support with a project-based federal rental assistance contract that ensures residents do not pay rent in excess of 30% of their adjusted income.

Part I: Threshold Requirements

Applicants requesting consideration for points for a Project in which Units are reserved for Households with Special Housing Needs (Project Selection Criterion No. 8) are required to submit a Service Coordination Plan, which Plan demonstrates satisfaction of items A, B, C and E below. In addition to supplying the Plan, Applicant shall certify to Housing New Mexico/MFA that it will meet the reporting requirements of Section D below.

A. Service Coordination-

- A minimum of four hours per week of onsite Service Coordination provided by the service coordinator for properties up to 20 Units, with an additional one hour per week for every five Units over 20. Service coordinator must be in addition to the property manager and property management site staff. Duties of the service coordinator include, but are not limited to:
 - a. Providing residents with information about available onsite and community services;
 - b. Assisting residents in accessing available services through referral and advocacy;
 - c. Arranging for access to transportation; and
 - d. Organizing community-building and/or other enrichment events for residents (i.e. holiday events, resident counsel, etc.)
- 2. Adequate space to meet with residents that provides for confidential conversations and maintenance of secure records.
- Access to telephone and internet services when meeting with residents for the purpose of coordinating services. Use of a smart phone and tablet is acceptable.

- 4. Meeting with residents requiring services within 60 days of move-in and semi-annually thereafter.
- 5. Provide follow up as needed to address residents' needs.

B. Coordinated Services-

- 1. Immediately following the issuance of a certificate of occupancy, implementation of at least two services/programs to be offered on a monthly or quarterly basis, onsite, online, or in close proximity to the Project (within 0.5-mile ADA compliant walking distance or with free transportation provided.)
- 2. Services must be provided to residents at little or no cost. Services may not be provided by property management staff. In limited circumstances some services may be provided by the service coordinator. Appropriate services will do one or more of the following:
 - a. Increase resident knowledge of and access to available services.
 - b. Help residents maintain stability and avoid eviction.
 - c. Build life skills.
 - d. Increase household income and assets.
 - e. Increase health and wellbeing.
 - f. Improve educational success of children and youth.
- 3. **Examples** of services that meet the threshold requirement are listed below, but other services will be considered. One of the two services must be provided at least quarterly by qualified personnel.
 - b. Literacy/language training;
 - c. Personal safety (fire, identity theft, scams, drug awareness, self-defense, etc.);
 - d. Financial fitness (budgeting, money management, credit counseling, entitlement assistance/benefits counseling, etc.);
 - e. Income and asset building (job coaching, homebuyer education);
 - f. Life skills (communication skills, conflict resolution/mediation training, training in personal hygiene, self-care and housekeeping, etc.).

Note that any services selected to meet threshold for this Project Selection Criterion shall not be eligible for any of the eight points described in Part II below.

4. Conduct an annual survey regarding need for and satisfaction or dissatisfaction with the service coordination, including coordinated services.

C. Marketing -

- Applicants shall provide a narrative explaining how Units will be marketed and made available to Households with Special Housing Needs. This plan shall describe the following:
 - a. The manner in which all proposed marketing and outreach will be performed and encouraged in connection with locating and confirming Special Housing Needs applicants, including any assistance to be provided in connection with the Application process, move-in process and resident's rights education.
 - b. The process for maintaining and updating a waiting list of Special Housing Needs applicants eligible to reside in a Special Housing Needs Unit.
 - How the Project will liaise with a Special Housing Needs applicant/resident in order to facilitate communication to help residents maintain stability and avoid eviction.
- 2. Project Applicant shall agree that Special Housing Needs Units shall not be rented to other non-Special Housing Needs households unless the Unit has been marketed by the Project Owner and/or Management Company for 30 days from Placed In Service or Substantial Completion date, date notice to vacate is received for occupied Units, or date vacancy was established when no notice was received.

D. Reporting Requirements-

- 1. Project Owners will be required to submit an annual certification of:
 - a. The number of hours of onsite Service Coordination and coordinated services provided.
 - b. The number of residents served by each, and
 - c. The results of the annual survey.
- 2. Project Owners will be responsible for ensuring that property managers maintain:
 - a. Agreement for services on file, if any,

- Evidence that the services are being provided (i.e., sign-in sheets, letters/memos to residents advertising the event/service, service logbook and/or activity reports, etc.), and
- c. Evidence of efforts taken to market and attract Special Housing Needs applicants as promised in Item C. Marketing (i.e., proof/copies of advertisements, evidence of outreach to organizations/non-profits working with Special Housing Needs populations, etc.).
- E. Service Coordination Plan and Budget The proposed Project annual operating budget must include sufficient costs to cover the selected services and be detailed out in the submitted budget for serving this Households with Special Housing Needs Housing Priority.

Part II: Scoring Points Available

(up to 8 points):

Applicants may choose from the following services to qualify for up to 8 points services. $ \\$	for providing
Food pantry - onsite, or contiguous and accessible to the property and of adequate size with reasonably sufficient quantities of food, both perishable and non-perishable.	2
Free transportation services to support medical and social service needs – minimum 2 days per week. Bus passes are not sufficient to satisfy this scoring item.	5
Health promotion/disease prevention/wellness classes or blood pressure or other health screening- provided at least every two months onsite and provided by a qualified service provider. Any health services must be provided by a licensed individual or organization. Examples include substance abuse counseling, crisis prevention and intervention, mental health counseling/therapy, etc.	3
Quarterly on-site or online security awareness training (social media safety, phishing, vishing, smishing, pretexting, password safety, fake login pages, suspicious emails, VPNs, PII, QR Codes, and other scams)	1
Case management services – provided onsite by a qualified service provider to a majority of the Special Housing Needs residents on a voluntary and asneeded basis but at least quarterly.	5
Other - Housing New Mexico/MFA approved service. Must be approved by	1-2 Points
Housing New Mexico/MFA in writing one month before Application due date	each as

and will be posted on the FAQ section of the Housing New Mexico/MFA website.

deemed appropriate

- For services provided by a qualified service provider, Application must include an MOU between the Project Owner and the service provider(s) describing their expertise with providing services, a detailed description of planned services and how they will be delivered, and the staff capacity for providing ongoing case management. Qualified service providers shall have a minimum of three years of experience providing a service or assistance to Persons with Special Housing Needs. This MOU must be updated to include a detailed description of the roles and responsibilities of the Project Owner, the Management Agent, and the Qualified Service Provider prior to the 50% completion meeting.
- For services provided by an Affiliate of the developer, Application must include a
 narrative describing the applicant's expertise with providing services, a detailed
 description of planned services and how they will be delivered, and the qualifications of
 staff providing direct services and their qualifications to provide ongoing case
 management. The Affiliate of the developer providing services shall have a minimum of
 three years of experience providing a service or assistance to Persons with Special
 Housing Needs.

Prior to the 50% completion meeting described in Section IV.G.7, Housing New Mexico/MFA will require a detailed MOU between the Project Owner, Property Management Agent and Qualified Service Provider who must meet to plan for the implementation of the service plan and provide minutes of the meeting that describe how property management and service staff will work together to ensure proper service delivery. A Service Coordination Checklist is available on Housing New Mexico/MFA's website.

Recognizing that circumstances change over time, the plan may evolve as needs of residents and market conditions change. Project Owner must obtain Housing New Mexico/MFA approval prior to instituting changes to the plan, and the new services must provide a similar level of service to the residents.

Services must be optional for residents residing in reserved Units. Any cost for services must be accounted for separately from rent.

The Household with Special Housing Needs Housing Priority requirement and any additional services committed to by Applicant will be enforced through a provision in the LURA. Services must be provided throughout the Affordability Period and must not allow for more than a 30-day gap in services provided. Project Owner must notify Housing New Mexico/MFA within seven days of the termination of service agreements/contracts. Recognizing that circumstances change over time, the Service Coordination Plan may evolve as the needs of residents and market conditions change. Project Owner must obtain Housing New Mexico/MFA approval

prior to instituting changes to the plan, and the new services must provide a similar level of service to the residents. The Project will be determined out of compliance if the requirements of the LURA are not met (e.g., if a new service contract is not timely executed or services are altered without Housing New Mexico/MFA's advance approval). The Project Owner will be required to maintain a file containing contracts with qualified service providers and other third-party qualified personnel, documentation of when and where services were provided, and documentation of time spent both on-site and off-site by the qualified service provider or other third-party qualified personnel.

All Projects shall comply with federal Fair Housing requirements. Any limitation or preference must not violate nondiscrimination requirements. A limitation does not violate nondiscrimination requirements if the Project also receives funding from a federal program that limits eligibility to a particular segment of the population (e.g., Housing Opportunity for Persons Living with AIDS program, the Section 202 and Section 811 programs or the Housing for Older Persons Act).

Projects must include appropriate space reserved for the delivery of any third-party services, such as a private office with secure file storage space (if client files are to be stored on-site), to be eligible for points under this Project Selection Criterion.

9. Projects Reserved for Seniors Housing Priority

Up to 10 Points

These points benefit Projects specifically designated as Senior Housing. "Senior Housing" means Projects that qualify for an exemption from familial status discrimination under the Fair Housing Act. To qualify for this exemption, Projects must be:

- Provided under any state or federal program that HUD has determined to be specifically designed and operated to assist elderly Persons (as defined in the state or federal program); or
- Intended for, and solely occupied by Persons 62 years of age or older; or
- Intended and operated for occupancy by Persons 55 years of age or older in compliance with the Housing for Older Persons Act (HOPA), 24 CFR Part 100 Final Rule.

Applicants are required to submit Fair Housing Act Certification for Senior Housing Facilities.

In addition to Housing New Mexico/MFA's Mandatory Design Standards, new construction Projects must include central common areas that can be used for resident activities and serving meals with an adjoining kitchen area. (Provision of meals is not required. See scoring chart below.)

Housing priority points will be awarded based on the Project first meeting the requirements above. Additional points may be awarded for enrichment service activities as listed below. To receive points under this housing priority, the Project Owner must certify that a service coordinator will be on-site a minimum of two days per week for a cumulative minimum of ten hours per week and the Project must include adequate common space for the provision of the proposed enrichment services. The service coordinator must be in addition to the property manager. Enrichment services must be implemented within the first 90 calendars days following the issuance of a certificate of occupancy, optional to the residents, offered on-site and be actively linked to the Project, not simply available to the community at-large (e.g., senior center) unless the on-site space where the program is held qualifies as a community service facility under the Code. The proposed Project annual operating budget must include sufficient costs to cover the selected services and be provided in detail within the submitted budget for serving this Projects Reserved for Seniors Housing Priority.

The Applicant must indicate in the Initial Application which enrichment services will be provided, including a list of any proposed fees for services. Fees must be reasonable in Housing New Mexico/MFA's sole determination. Where necessary, Project Owners must provide executed contracts with qualified service providers when the Project is Placed In Service. Contracts with service providers must include: 1) a description of the service(s) to be provided including frequency, 2) acknowledgement that service(s) will be provided on-site and 3) list the amount of any fee for service(s) provided. Housing New Mexico/MFA will not issue IRS Form(s) 8609 unless Project Owner demonstrates, to Housing New Mexico/MFA's sole satisfaction, that enrichment services are being delivered as committed to in the Initial Application. Housing New Mexico/MFA, at its sole discretion, may allow substitution of enrichment services as deemed appropriate by Housing New Mexico/MFA.

Recognizing that circumstances change over time, the services provided may evolve as the needs of residents and market conditions change. Project Owner must obtain Housing New Mexico/MFA approval prior to instituting changes to the services delivered, and the new services must provide a similar level of service to the residents.

This housing priority requirement and any additional enrichment services committed to will be enforced through a provision in the LURA. Sample LURA's are available upon request which Applicants are encouraged to review. Services must be provided throughout the Affordability Period and must not allow for more than a 30-day gap in service. Project Owner must notify Housing New Mexico/MFA within seven days of the termination of service agreements/contracts. The Project will be determined out of compliance if the requirements of the LURA are not met (e.g., if a new service contract is not timely executed or services are altered without Housing New Mexico/MFA's advance approval.) The Project Owner will be required to maintain a file containing contracts with service providers, documentation of when and where services were provided, documentation of resident marketing and outreach and documentation of time spent on-site by the service coordinator. All documentation must be easily auditable for compliance. Services must be optional for residents. Any cost for services

must be separated from rent. Management must conduct an annual survey regarding need for and satisfaction or dissatisfaction with the service coordination, including coordinated services.

Additionally, there will be the following reporting requirements:

- a. The number of hours of onsite Service Coordination and coordinated services provided,
 - b. The number of residents served by each, and
 - c. The results of the annual survey.

All Projects shall comply with Federal Fair Housing requirements. Any limitation or preference must not violate nondiscrimination requirements. A limitation does not violate nondiscrimination requirements if the Project also receives funding from a federal program that limits eligibility to a particular segment of the population (e.g., Housing Opportunity for Persons Living with AIDS program, the Section 202 and Section 811 programs or the Housing for Older Persons Act).

For Project Owner-provided services, Project Owner must provide sufficient documentation, in Housing New Mexico/MFA's sole discretion, of Project Owner's experience and ability to provide the services, including any past experience in providing said services.

These points may not be combined with points for Households with Children Housing Priority or Households with Special Housing Needs Housing Priority.

Housing priority and design requirements met (must be met to be eligible for further points in this category)	Required
Community building and all Units incorporate Universal Design (must be evidenced in plans and specifications)	3 points
Service enrichment scoring (requires service coordinator for point awa	ards):
Providing one prepared meal on a daily basis, available to all tenants at little or no cost to tenants	2 points (congregate meals)
	1 point (meal service)
Bi-monthly health and nutrition education. Examples include, but are not limited to, fitness classes, walking programs, seminar instruction on cooking for one, information on the Supplemental Nutrition Assistance Program (SNAP.)	1 point
Quarterly blood pressure or other health screening	1 point
Quarterly technology training (setting up smart phones and wearable health trackers, tablet instruction, social media training, computer	1 point

training, internet browsing, taking and sharing photos, downloading apps, assessing online privacy, technology set-up assistance such as connecting modems)	
Social events designated to provide engaging activities for residents "build community" such as holiday potlucks, arts and crafts events, book clubs, creative writing, bingo and other games, field trips to the movies or a museum or other place of interest, etc. Bi-monthly or six per year. This must include alternative methods for socializing incorporating social distancing. (qualified service provider not required)	1 point
Beyond Financial Literacy – financial counseling and tax preparation- educational programs to occur quarterly and focus on one or more of the following topics: budget counseling, financial planning assistance, credit score counseling, avoiding credit traps, income tax preparation in partnership with CPAs or a VITA program or local community college.	1 point
Gardening: delivery of at least four monthly gardening classes per year during the growing season by a qualified instructor plus provision of gardening space of at least three square feet per Unit for at least 50% of the Units in the Project.	1 point
Estate Planning and End of Life Planning – educational programs to occur quarterly and focus on one or more of the following topics: 1) estate planning 101 – what is and do you need the following: advance health care directive (living will;) durable power of attorney for healthcare and HIPAA release; durable power of attorney for finances; a will and revocable living trust; 2) What is hospice and does Medicare cover this?; 3) Probate: what is it and how to avoid it; and 4) funeral planning.	1 point
Semi-annual on-site eligibility screening and/or application assistance for Medicaid and/or Medicare	1 point
Quarterly on-site or online security awareness training (social media safety, phishing, vishing, smishing, pretexting, password safety, fake login pages, suspicious emails, VPNs, PII, QR Codes, and other scams)	1 point
Other - Housing New Mexico/MFA approved service. Must be approved by Housing New Mexico/MFA in writing one month before Application due date and will be posted on the FAQ section of the Housing New Mexico/MFA website.	1-2 Points each as deemed appropriate

10. Households with Children Housing Priority

Up to 8 Points

Projects in which 25% of all Units are reserved for Households with Children are eligible for points as described below:

In addition to meeting Housing New Mexico/MFA's Mandatory Design Standards, for new construction Projects, at least:

- 10% of the total Units must have three or more bedrooms with at least two bathrooms, one of which must contain four pieces (bathtub, shower (or bathtub/shower combo), sink, and toilet) and the other must contain at least three pieces (sink, toilet and bathtub or shower)
- and a further 15% of the total Units must have two bedrooms with at least two
 bathrooms, one of which must contain four pieces (bathtub, shower (or bathtub/shower
 combo), sink, and toilet) and the other must contain at least three pieces (sink, toilet and
 bathtub or shower).

For rehabilitation Projects, at least:

• 30% of the total Units must have at least two bedrooms.

For Projects that combine rehabilitation and new construction:

- All newly constructed two- and three or more bedroom Units must have two bathrooms, one of which must contain four pieces (bathtub, shower (or bathtub/shower combo), sink, and toilet) and the other must contain at least three pieces (sink, toilet and bathtub or shower)
- Two- and three or more bedroom Units must be added until the percentages required for new construction Projects are met for the Project overall.

All Projects must include adequate common space for the provision of the proposed enrichment services. The Applicant must provide a description of the Project's specific design elements that serve the needs of Households with Children.

Housing priority points will be awarded based on the Project meeting the requirements above, through the selection of enrichment service activities as listed below. To receive points under this housing priority, the Project Owner must certify that a service coordinator will be on-site a minimum of two days per week for a cumulative minimum of ten hours per week. The service coordinator must be in addition to the property manager. Enrichment services must be implemented within 90 calendar days following the issuance of a certificate of occupancy, optional to the residents, offered on-site and be actively linked to the Project, not simply available to the community at-large (e.g., Head Start) unless the on-site space where the program is held qualifies as a community service facility under the Code. The proposed Project annual operating budget must include sufficient costs to cover the selected services and be detailed out in the submitted budget for serving this Households with Children Housing Priority.

The Applicant must indicate in the Initial Application which enrichment services will be provided including a list of any proposed fees for services. Fees must be reasonable in Housing New Mexico/MFA's sole determination. Where necessary, Project Owners must provide executed

contracts with qualified service providers with the Placed In Service Application. Contracts with service providers must include: 1) a description of the service(s) to be provided including frequency, 2) indicate that service(s) will be provided on-site and 3) specify any fee for service(s) provided. Housing New Mexico/MFA will not issue IRS Form(s) 8609 unless the Project Owner demonstrates, to Housing New Mexico/MFA's sole satisfaction, that enrichment services are being delivered as committed to in the Initial Application. Housing New Mexico/MFA, at its sole discretion, may allow substitution of enrichment services as deemed appropriate by Housing New Mexico/MFA.

Recognizing that circumstances change over time, the services provided may evolve as the needs of residents and market conditions change. Project Owner must obtain Housing New Mexico/MFA approval prior to instituting changes to the services delivered, and the new services must provide a similar level of service to the residents.

The housing priority requirement and any enrichment services committed to will be enforced through a provision in the LURA. Services must be provided throughout the Affordability Period and must not allow for more than a 30-day gap in service. Project Owner must notify Housing New Mexico/MFA within seven days of the termination of service agreements/contracts. The Project will be determined out of compliance if the requirements of the LURA are not met (e.g., if a new service contract is not timely executed or services are altered without Housing New Mexico/MFA's advance approval.) The Project Owner will be required to maintain a file containing contracts with service providers, documentation of when and where services were provided, and documentation of time spent on-site by the service coordinator. Management must conduct an annual survey regarding need for and satisfaction or dissatisfaction with the service coordination, including coordinated services.

Additionally, there will be the following reporting requirements:

- a. The number of hours of onsite Service Coordination and coordinated services provided,
 - b. The number of residents served by each, and
 - c. The results of the annual survey.

All Projects shall comply with Federal Fair Housing requirements. Any limitation or preference must not violate nondiscrimination requirements. A limitation does not violate nondiscrimination requirements if the Project also receives funding from a federal program that limits eligibility to a particular segment of the population (e.g., Housing Opportunity for Persons Living with AIDS program and Section 811 programs).

For Project Owner-provided services, Project Owner must provide sufficient documentation, in Housing New Mexico/MFA's sole discretion, of Project Owner's experience and ability to provide the services, including any past experience in providing said services.

These points may not be combined with points for Projects Reserved for Seniors Housing Priority or Households with Special Housing Needs Housing Priority.

Housing priority and design requirements met (must be met to be eligible for further points in this category)	Required
Service enrichment scoring (requires service coordinator for point award	ds):
Bi-monthly health and nutrition education, including but not limited to, fitness classes, walking programs, seminar instruction on meals in minutes.	1 point
Semi-annual CPR training	1 point
Quarterly blood pressure or other health screening	1 point
Quarterly technology training (setting up smart phones and wearable health trackers, tablet instruction, social media training, computer training, internet browsing, taking and sharing photos, downloading apps, assessing online privacy, technology set-up assistance such as connecting modems)	1 point
Quarterly on-site or online security awareness training (social media safety, phishing, vishing, smishing, pretexting, password safety, fake login pages, suspicious emails, VPNs, PII, QR Codes, and other scams)	1 point
Weekly tutoring during school year	1 point
Quarterly job training, search assistance and/or placement	1 point
Gardening: delivery of at least four monthly gardening classes per year during the growing season by a qualified instructor plus provision of gardening space of at least three square feet per Unit for at least 50% of the Units in the Project.	1 point
Food resources program: a monthly program offering two of the following: 1) assistance and referral with applications for SNAP, (USDA), 2) youth summer lunch program (USDA) (daily when school is not in session) or 3) after-school snack program twice a week.	1 point
Youth character building: a program occurring at least quarterly that will provide teens with group education covering a range of topics including drug prevention, self-defense, safe internet behavior, nonviolence and teen dating, teambuilding, goal setting, basic teen financial literacy and referral to job training and alternative education resources.	1 point
Beyond financial literacy: financial counseling and tax preparation; educational programs to occur quarterly and focus on one or more of the following topics: budget counseling, financial planning assistance, credit score counseling (restoring credit and avoiding credit traps), homebuyer education and down payment assistance, income tax preparation in partnership with a certified public accountant or VITA program or community college.	1 point

Other - Housing New Mexico/MFA approved service. Must be approved by Housing New Mexico/MFA in writing one month before Application due date and will be posted on the FAQ section of the Housing New Mexico/MFA website.

1-2 Points each as deemed appropriate

11. Leveraging Resources

Up to 10 Points

Up to 10 points are available for eligible contributions to the Project described in this Project Selection Criterion. Points awarded shall correspond to the percentage of Total Development Cost (TDC) contributed. Only whole points will be awarded with the point value rounded down to the nearest percentage point; thus at least 1% of TDC must be contributed. For example, a Project that provides leverage of 2.3% of TDC, is eligible for two points, a Project that provides leverage of 5.7% of TDC is eligible for five points, etc., up to 10 points. The value of the contribution must be listed as a source on Schedule A-1 and, when not a cash contribution, as a cost on Schedule A.

Any percentage of contribution claimed, for which points are awarded, will continue to be monitored and tested by Housing New Mexico/MFA and shall be satisfied during the life of the Project, until issuance of Form 8609(s).

The following contributions are eligible if they do not include any form of hard debt and they are irrevocably and permanently contributed to the project. Soft debt may not include any required payments during the Affordability Period (see definition in Glossary) and may not include a higher interest rate than the Applicable Federal Rate in effect when the loan is closed.

• <u>Unrelated private third party with no ownership interest in the project or affiliation with</u> the developer:

Cash grant: submit a copy of the formal resolution of the third-party's board of directors or other Controlling party irrevocably binding the grantor to contribute a specific amount of cash with no obligation for repayment, which may only be conditioned upon receipt of a LIHTC reservation.

Donated land and/or buildings: submit a copy of the formal resolution of the third-party's board of directors or other Controlling party along, a title report evidencing that the unrelated private third party owns the land and/or building(s) with an "As-is" appraisal evidencing the value of the donation dated no earlier than six months prior to the Application date that was completed by an MAI appraiser licensed in New Mexico. The value in the appraisal that will be acceptable for points must assume that any existing use restrictions will remain in place. The entire value of the vacant land or developed land with improvements must be donated to earn points.

• General Partner:

Deferred Developer Fee: submit a letter from the general partner confirming the amount of the developer fee to be deferred. To be eligible for points, the pro forma (as confirmed by Housing New Mexico/MFA) supports repayment of deferred fee by year 15. Any deferred fee that cannot be repaid in 15 years will not be considered a contribution and will not count in Eligible Basis.

Donated land and/or buildings: submit a copy of a contract binding the general partner to donate the land and/or building(s) that is conditioned only upon receipt of a LIHTC reservation, a title report evidencing that the general partner owns the land and/or building(s) and an "As-is" appraisal evidencing the value of the donation dated no earlier than six months prior to the Application date that was completed by an MAI appraiser licensed in New Mexico. The value in the appraisal that will be acceptable for points must assume that any existing use restrictions will remain in place. The entire value of the vacant land or developed land with improvements must be donated to earn points.

Loaned Sales Proceeds: submit a copy of a contract binding the general partner to loan the entire proceeds from the sale of the land and (if existing) building(s) to the Project's owner Entity (Partnership) at an interest rate that does not exceed the Applicable Federal Rate as of the date of transfer to the Partnership with no payments until the 15-year Compliance Period has expired. The contract may only be conditioned upon receipt of a LIHTC reservation. In addition, submit a title report evidencing that the general partner owns the land and/or building(s) and an "As-is" appraisal evidencing the value of the land and (if existing) building(s) dated no earlier than six months prior to the Application date that was completed by an MAI appraiser licensed in New Mexico. The value of the appraisal that will be acceptable for points must assume that any existing use restrictions will remain in place.

• Government (federal, state or local government):

Cash or soft loans not requiring payment during the Affordability Period: submit a letter from the government Entity awarding the funds that includes the amount and terms of the funding along with evidence that the award has been approved by the applicable government (such as city council meeting minutes) contingent only upon receipt of a reservation of LIHTC.

Construction permit fee waivers: submit a letter signed by an authorized representative of the Local Governmental Entity describing the legal basis for imposing the permit fee(s) and the amount of the permit fee(s) to be waived.

Land and/or buildings: submit a copy of the contract contributing the land and/or building(s) between the governmental Entity and the developer or the proposed project owner (if duly formed) along with an "As-is" appraisal evidencing the value of the land

and/or buildings dated no earlier than six months prior to the Application date that was completed by an MAI appraiser licensed in New Mexico. The value in the appraisal that will be acceptable for points must assume that any existing use restrictions will remain in place and include the value of any leasehold interest, if applicable. Contributions may be in the form of:

- o donation of an entire parcel of land and any improvements thereon;
- lease of an entire parcel of land through the Extended Use Period for a nominal amount (i.e., \$1 per year).
- Local tribal governmental Entity, tribal housing Entity or tribal council:

Cash or soft loans not requiring payment during the Affordability Period: submit a letter from the tribal Entity awarding the funds that includes the amount and terms of the funding along with evidence that the award has been approved by the applicable tribal government Entity (such as tribal council resolution) contingent only upon receipt of a reservation of LIHTC.

Contributions of Native American Trust Land: to claim points insert a certified copy of the tribal council resolution. Contributions of Native American Trust Land qualify for five points.

The following contributions do not qualify for points under this Project Selection Criterion:

- Tax abatements
- Cost paid by prior owner to remediate land and/or buildings (or other similar cost)
- · Tax-exempt bond financing
- Housing New Mexico/MFA funding r (e.g., HOME, NM Housing Trust Funds, federal Housing Trust Fund)
- Non-verifiable or non-measurable sources not based upon an existing fee schedule (e.g., in-kind contributions)
- Any source requiring any hard debt payment during the Affordability Period
- Contributions made more than two years prior to the Application Deadline
- Donations of the proceeds of a loan of a capitalized lease payment

12. Marketing Units to Households Listed on Public or Indian Agency Waiting Lists

2 Points

Projects providing a commitment to market the Units to households listed on public or Indian housing agency waiting lists are eligible for points under this criterion. A letter to the PHA or TDHE which serves the jurisdiction of the proposed site verifying this commitment is required to obtain points for this criterion.

13. QCT/Concerted Community Revitalization Plan

3 or 5 Points

Projects are eligible for 3 points if:

a) the Project is located in an area covered by a Concerted Community Revitalization Plan and the development of the proposed Project contributes to the Concerted Community Revitalization Plan by engaging in a housing activity promoted in the plan. A Concerted Community Revitalization Plan is defined as a metropolitan redevelopment plan as defined in NMSA 1978 Section 3-60A-4 or other formal plan covering a defined subarea of the jurisdiction that includes the project site that has been enacted or adopted by a local, county or tribal government prior to the Application Deadline; or

b) the proposed Project is located within 0.5 mile of a New Mexico designated MainStreet area or a State-Designated New Mexico Arts and Cultural District.

The Project is eligible for an additional 2 points if eligible for these 3 points (above) and it is located in a QCT.

For scattered site projects, all of the scattered sites comprising the Project need to be located in a QCT and/or located in an area covered by a Concerted Community Revitalization Plan, and all sites must contribute to the Plan to be eligible for points.

Lists of New Mexico designated MainStreet areas and State-Authorized New Mexico Arts and Culture Districts can be found at https://www.nmmainstreet.org/program-directory/.

14. Projects with Units Intended for Eventual Tenant Ownership

2 Points

Projects in which all the Units are intended for eventual tenant ownership are eligible for points under this criterion, Projects are limited to single family, duplex, four-plex or townhome style projects, that may be easily separated from other Units.

The Project must be designed and designated at the time of Application for eventual home ownership and demonstrate that the design will meet the subdivision and building code requirements, including fire department requirements of the Local Government that exist at the time of the Carryover Allocation Request Deadline, as evidenced by a letter from the Local Government. All Units must be individually-metered utilities and located on public streets. This

commitment will be evidenced by submission of a long-range Tenant Conversion Plan at Initial Application and will be documented in the LURA.

The following conditions generally apply:

- Intention to convert must be expressed in writing at the time of Application;
- Applicant must submit a comprehensive plan that includes, but is not limited
 to, provisions for repair or replacement of heating system, water heater, and
 roof prior to sale; limitation on equity upon subsequent sales; homeownership
 classes for potential homebuyers; and requirements for extent of stay in
 rental Unit to be eligible for purchase;
- · Purchaser must occupy Unit as primary residence;
- Units must be initially marketed to existing rental residents, including residents in Market Rate Units. Remaining Units not sold to existing renter households must be sold to households earning 80% or less of AMI; and
- The Tenant Conversion Plan, which must be reasonably acceptable to
 Housing New Mexico/MFA in order to receive points under this category,
 must be implemented on or before one (1) year prior to the termination of the
 Compliance Period. Please see definition of Tenant Conversion Plan in
 Section XI. These points may not be awarded in combination with points
 under Projects Committed to an Extended Use Period.

15. Projects with Historic Significance

2 Points

Projects certified on the National Register of Historic Places (i.e., meeting the criteria for Part 1 Approval for Historic Tax Credits) are eligible for points under this criterion. For scattered site projects, the total Gross Square Feet of the Historic Property must equal or exceed 10% of the proposed total project Gross Square Feet.

If federal Historic Tax Credits are included in the financing structure of the Project, evidence that the National Park Service has received a complete Historic Certification Application – Part 2 for the Project must be included in the Project Owner's Carryover Allocation Application.

16. Blighted Buildings and Brownfield Site Reuse

5 Points

Projects that include the demolition of Blighted building(s) or the remediation and reuse of a Brownfield site are eligible for points under this criterion. Blighted building(s), by the definition in the Glossary, must be demolished. The square footage of the demolished Blighted Building must account for at least 10% of the Gross Square Feet of the entire completed Project. For scattered site projects, the total Gross Square Feet of the Blighted Buildings must equal or exceed 10% of the proposed total new construction Gross Square Feet. Points in this criterion cannot be combined with points under Rehabilitation Projects.

Blighted Building(s): To receive points in this criterion, the Application must include a letter from the Local Government Building Division stating the proposed site meets the requirements of the QAP for blight. In the event that the Local Government will not issue a determination of blight, the Applicant must provide a letter from the Local Government stating the Local Government's policy, a third party report indicating that the site meets the QAP's definition of Blighted Building (see Glossary), and the Applicant must provide documentary support such as notices of violation of: (1) Local Government's codes or regulations or, (2) the recorded covenants, conditions and restrictions for the property or, (3) a condemnation notice from public record. The Application must also include photos of the blighted structure, neighborhood, or area. Housing New Mexico/MFA reserves the right to determine whether or not the site meets these requirements. The Applicant must also include a demolition budget.

Brownfield: To receive points in this criterion, the Application must include the Phase II Environmental Site Assessment, remediation budget and plan detailing the proposed work.

17. Efficient Use of Tax Credits

1. 3. 5 Points

For purposes of this Project Selection Criterion, new construction Projects include Adaptive Reuse Projects.

Tribal Projects:

- New construction Tribal Projects that request <u>less than</u> \$28,772 tax credits per low-income Unit <u>and less than</u> \$26.95 tax credits per low-income square foot are eligible for 5 points.
- New construction Tribal Projects that request <u>less than</u> \$30,452 tax credits per low-income Unit and <u>less than</u> \$29.56 tax credits per low-income square foot are eligible for 3 points.

- New construction Tribal Projects that request <u>less than</u> \$28,772 tax credits per low-income Unit or <u>less than</u> \$26.95 tax credits per low-income square foot are eligible for 1 point.
- Substantial Rehabilitation Tribal Projects that request <u>less than</u> \$26,673 tax credits per low-income Unit and <u>less than</u> \$23.57 tax credits per low-income square foot are eligible for 5 points.
- Substantial Rehabilitation Tribal Projects that request <u>less than</u> \$28,143 tax credits per low income Unit **and** <u>less than</u> \$25.87 tax credits per low income square foot are eligible for 3 points.
- Substantial Rehabilitation Tribal Projects that request <u>less than</u> \$26,673 tax credits per low income Unit or <u>less than</u> \$23.57 tax credits per low income square foot are eligible for 1 point.
- Moderate Rehabilitation Tribal Projects that request <u>less than</u> \$24,572 tax credits per low income Unit and <u>less than</u> \$20.22 tax credits per low income square foot are eligible for 5 points.
- Moderate Rehabilitation Tribal Projects that request <u>less than</u> \$25,833 tax credits per low income Unit and <u>less than</u> \$22.16 tax credits per low income square foot are eligible for 3 points.
- Moderate Rehabilitation Tribal Projects that request <u>less than</u> \$24,572 tax credits per low income Unit or <u>less than</u> \$20.22 tax credits per low income square foot are eligible for 1 point.

PSH Projects

- New construction PSH Projects that request <u>less than</u> \$28,772 tax credits per low income Unit.
- New construction PSH Projects that request <u>less than</u> \$30,452 tax credits per low income Unit.
- Substantial Rehabilitation PSH Projects that request <u>less than</u> 26,673 tax credits per low-income Unit.
- Substantial Rehabilitation PSH Projects that request <u>less than</u> 28,143 tax credits per low income Unit.
- Moderate Rehabilitation PSH Projects that request <u>less than</u> 24,572 tax credits per low income Unit.

 Moderate Rehabilitation PSH Projects that request <u>less than</u> 25,833 tax credits per lowincome Unit.

Non-PSH Projects comprised of at least 80% efficiency and one-bedroom units:

- New construction Projects that request <u>less than</u> \$28,049 tax credits per low-income Unit and <u>less than</u> \$26.95 tax credits per low-income square foot are eligible for 5 points.
- New construction Projects that request <u>less than</u> \$29,656 tax credits per low-income Unit <u>and less than</u> \$29.56 tax credits per low-income square foot are eligible for 3 points.
- New construction Projects that request <u>less than</u> \$28,049 tax credits per low-income
 Unit <u>or less than</u> \$26.95 tax credits per low-income square foot are eligible for 1 point.
- Substantial Rehabilitation Projects that request <u>less than</u> \$26,040 tax credits per low-income Unit **and** <u>less than</u> \$23.57 tax credits per low-income square foot are eligible for 5 points.
- Substantial Rehabilitation Projects that request <u>less than</u> \$27,447 tax credits per low-income Unit and <u>less than</u> \$25.87 tax credits per low-income square foot are eligible for 3 points.
- Substantial Rehabilitation Projects that request <u>less than</u> \$26,040 tax credits per low-income Unit or <u>less than</u> \$23.57 tax credits per low-income square foot are eligible for 1 point.
- Moderate Rehabilitation Projects that request <u>less than</u> \$24,030 tax credits per low-income Unit <u>and less than</u> \$20.22 tax credits per low-income square foot are eligible for 5 points.
- Moderate Rehabilitation Projects that request <u>less than</u> \$25,236 tax credits per low-income Unit and <u>less than</u> \$22.16 tax credits per low-income square foot are eligible for 3 points.
- Moderate Rehabilitation Projects that request <u>less than</u> \$24,030 tax credits per low-income Unit or <u>less than</u> \$20.22 tax credits per low-income square foot are eligible for 1 point.

All OTHER projects:

- New construction Projects that request <u>less than</u> \$28,049 tax credits per low-income Unit **and** less than \$25.78 tax credits per low-income square foot are eligible for 5 points.
- New construction Projects that request <u>less than</u> \$29,656 tax credits per low-income
 Unit <u>and less than</u> \$28.27 tax credits per low-income square foot are eligible for 3 points.
- New construction Projects that request <u>less than</u> \$28,049 tax credits per low-income Unit **or** <u>less than</u> \$25.78 tax credits per low-income square foot are eligible for 1 point.

- Substantial Rehabilitation Projects that request <u>less than</u> \$26,040 tax credits per low-income Unit **and** <u>less than</u> \$22.54 tax credits per low-income square foot are eligible for 5 points.
- Substantial Rehabilitation Projects that request <u>less than</u> \$27,447 tax credits per low-income Unit and <u>less than</u> \$24.76 tax credits per low-income square foot are eligible for 3 points.
- Substantial Rehabilitation Projects that request <u>less than</u> \$26,040 tax credits per low-income Unit or <u>less than</u> \$22.54 tax credits per low-income square foot are eligible for 1 point.
- Moderate Rehabilitation Projects that request <u>less than</u> \$24,030 tax credits per low-income Unit <u>and less than</u> \$19.34 tax credits per low-income square foot are eligible for 5 points.
- Moderate Rehabilitation Projects that request <u>less than</u> \$25,236 tax credits per low-income Unit and <u>less than</u> \$21.20 tax credits per low-income square foot are eligible for 3 points.
- Moderate Rehabilitation Projects that request <u>less than</u> \$24,030 tax credits per low-income Unit or <u>less than</u> \$19.34 tax credits per low-income square foot are eligible for 1 point.

For the purpose of this criterion, low-income square footage means the sum of each building Gross Square Feet multiplied by the Project's Applicable Fraction and includes the Gross Square Feet of common space allocated to low-income use. Square footage of commercial space, garages and structured parking are excluded for the purposes of this calculation.

Applicants may request less credits than the project is otherwise eligible for to obtain points in this category, however, projects must meet underwriting guidelines for financial feasibility. Projects which were awarded points for the Efficient Use of Credits Project Selection Criteria may not apply for additional tax credits if circumstances change unless the subsequent Application results in the same scoring range under Efficient Use of Credits when combined with the scoring range in the Initial Application. In other words, a subsequent request for additional tax credits shall not be granted if Applicant received points for the Efficient Use of Credits in a prior round and now exceeds the efficient use of credits scoring ranges when evaluating both Applications as one single Application. An exception to this is in the event of a Casualty, in which case additional tax credits may be considered. See Section III.G. for additional requirements concerning supplemental tax credits and the definition of a Casualty.

18. Non-Smoking Properties

4 or 6 Points

Both 9% LIHTC and 4% LIHTC Projects are required to participate in the New Mexico Smoke-Free at Home program. More information on the Certification programs may be found at https://www.smokefreeathomenm.org/get-certified-today/. In order to receive Certification, Applicants will be required to complete three steps as detailed on the Smoke-Free at Home website, including the submission of a Letter of Intent, a Lease Addendum, and a Violation Policy. Projects are eligible for scoring points as follows provided the Certification described below is obtained and proof of certification is submitted with the Project's 8609 Application:

- (i) Projects agreeing to participate and obtain the Smoke-Free at Home NM Platinum Certification (new construction Projects which do not allow any smoking or use of electronic cigarettes at any time on any part of the property) (6 points);
- (ii) Projects agreeing to participate and obtain the Smoke-Free at Home NM Gold Certification (applies to, rehabilitation and/or Adaptive Reuse Projects and no smoking or use of electronic cigarettes is permitted at any time on any part of the property) (6 points);
- (iii) Projects agreeing to participate and obtain the Smoke-Free at Home NM Silver Certification (applies to new construction, rehabilitation and/or Adaptive Reuse Projects and does not allow smoking or use of electronic cigarettes inside any of the Units and common areas, nor within 25 feet of all entry ways and windows of the building. (4 points)

The Project must have appropriate space for the provision of smoking cessation classes.

19. Adaptive Reuse Projects

2 Points

Projects which will involve the conversion of an existing building that was not initially constructed for residential use to multifamily residential rental Units (i.e., apartment units) are eligible for two points. Projects involving the conversion of motel rooms, hotel rooms, dormitories, convents, etc. are considered Adaptive reuse and not rehabilitation.

In combined new construction and Adaptive Reuse Projects, converted space must account for at least 20% of the sum of each Building's Gross Square Feet. The separation of conversion costs and new Construction Costs must be designated in the Application on separate Schedule A and D (i.e., the Application must include a Schedule A and D for the entire Project, a Schedule A and

D for the rehabilitation/conversion costs and a Schedule A and D for the new Construction Costs.) All schedules must reconcile.

Projects eligible for points for Rehabilitation Projects are not eligible for points under this criterion.

20. Underserved Communities

Up to 9 Points

Up to nine additional points are available to a Project meeting any one or more of the following criteria:

- (i) The Project involves newly constructed Units totaling 35 Units or less, and does not contain any rehabilitation or Adaptive reuse in Project scope and the Market Study supports need for the Project (3 points); or
- (ii) The Project is to be located in a town, municipality, or Census Designated Place (CDP) with a population less than 16,000 people pursuant to data published by the 2020 U.S. Census Bureau, and the Market Study supports need for the Project (3 points);
- (iii) The Project is to be located in a town or municipality with no "active" LIHTC Projects. "Active" is defined as a town or municipality for which a LIHTC award (9% as evidenced by a reservation letter and inclusion of Housing New Mexico/MFA's list of 9% projects on its website and/or 4% LIHTC as evidenced by issuance of a 42(m) letter and inclusion on Housing New Mexico/MFA's list of 4% projects posted on its website on or before the Application Due Date) was made in the last five (5) calendar years and the Market Study supports need for the Project (3 points);

21. Other Scoring Points Available

Up to 9 Points

Up to nine additional points are available to a Project meeting any one or more of the following criteria:

- (i) Deep Affordability:
 - a. The Project is not in the housing priority for Households with Special Housing Needs and targets extremely low income residents, which includes income and rent restricting at least 5% of total Units in the Project to residents earning 30% or less of Area Median Income, for which no federal assistance is existing or anticipated or

b. For Projects in the Special Housing Needs housing priority category, the Project restricts an additional 5% of the total Units in the Project to residents earning 30% or less of Area Median Income, which Units may have permanent rental subsidy support with a project-based federal rental assistance contract that ensures residents do not pay rent in excess of 30% of their adjusted income.

In either case, Applicants must indicate on the Application form and Schedule B, Unit Type and Rent Summary, the applicable Units will be rent restricted at 30% of AMI (or include a copy of the federal rental assistance contract that covers at least the minimum percentage of the total Units if in the Special Housing Needs housing priority category). (3 points)

- (ii) Project's resident selection criteria contain a preference for active duty, Honorably Discharged, or retired US military Veterans (3 points);
- (iii) Women and/or Minorities (see Glossary) are encouraged to participate in the ownership, development, or management of the Project. The Minority or female individual(s) must serve as either:
 - a. The General Partner, manager or managing member of the Ownership Entity or Responsible Owner, must have at least a 50% ownership interest in the Ownership Entity or Responsible Owner or
 - Must have at least 50% ownership interest in the participating business to qualify for the points. These businesses include any members of the development team (i.e. contractor, management company, consultant(s), architect, attorney and accountant, etc.) or
 - Minority or female individuals must comprise at least 50% of the board of directors of the Entity which qualifies the Project for points under Project Selection Criterion 1 above.

The name and address of the company and the anticipated contract amount or ownership percentage must be listed at the time of Application on the form provided by Housing New Mexico/MFA in the Application Package in order to be eligible. (3 points)

F. Additional Credits for Projects with Partial Allocations

If an Applicant receives a partial allocation in a given round and requests additional credits in a subsequent round, the minimum Project threshold requirements and the Project Selection Criteria for scoring used in the initial allocation year will be applied to the evaluation of the Project in the subsequent allocation year. The Project's ranking relative to Initial Application year Projects will be determined by calculating the Project score as a percentage of the highest score in its initial allocation round and multiplying that percentage by the highest score in the subsequent Application round to derive its subsequent Application year score and ranking among the subsequent round Applications.

G. Additional Supplemental Tax Credits for Cost Increases

Projects with increased Eligible Basis resulting from increases in hard Construction Costs may apply for additional tax credits in a subsequent allocation round prior to issuance of an IRS Form 8609. Only one additional tax credit allocation will be permitted by Housing New Mexico/MFA for any given Project. The total amount of tax credits for the Project (including those previously awarded) shall not exceed the total credits available in Section IV.E.3 of this QAP. The Project must continue to meet the QAP requirements, including Design Requirements, from the year of the original award and the supplemental tax credits will not extend the Placed In Service deadline for the original award. However, the August 31st deadlines at Sections IV.G.6.a and IV.G.6.b will be extended to the federal statutory deadline for the Ten Percent Test based on the date of the Carryover Agreement for the original award.

Applicants must submit the Intent to Submit a Tax Credit Application described in Section III.C.7.a.i by December 20, 2024 and the streamlined Application described below by the Application Deadline for the 2025 9% round. Applicants will be limited to an additional 10% of the original 9% LIHTC awarded and the supplemental tax credits may reduce the number of tax credits awarded in the 2025 round, as requests for supplemental tax credits will not compete against other Projects in the 2025 9% round.

The streamlined Application will include:

- an updated Application Form;
- updated Schedules A-F;
- updated financing commitments from all financing sources; and
- a narrative with documentation that the supplemental tax credits are required due to an
 unforeseeable hardship or emergency situation where the completion of the Project is
 jeopardized without an award of additional tax credits.

The Application must demonstrate that:

- the Project has not previously received supplemental tax credits;
- the development contingency has been exhausted;
- the Applicant was not eligible for additional Housing New Mexico/MFA gap financing from any other source;
- the Developer made reasonable attempts to secure financing from other sources;
- the developer fee has been deferred to the extent which would allow for repayment through Project cash flow within 15 years;
- the Project was value engineered, where possible, to reduce construction costs; and

• that the Project, as currently structured, would not have caused the Project to be ineligible for an award during the competitive round in which it was first awarded credits. Thus, if the score under the Efficient Use of Credits for the original application would have been reduced, the Project will be eligible for the supplemental credits, so long as the reduced score would not have caused the original application to be ineligible for an award in that round.

Applicants who need additional tax credits for financial feasibility and do not qualify for supplemental tax credits under the conditions above may return the previous valid tax credit allocation and submit a full Application to compete in the 2025 9% round.

An exception to the number of supplemental credits and/or the need to maintain eligibility in the original round may be made for Projects undergoing an unforeseen Casualty event, as defined in the Glossary. Supplemental credits in excess of 10% of the original award due to an unforeseen Casualty event must be approved by the Housing New Mexico/MFA Board.

H. New Allocations to Projects Previously Subsidized with Tax Credits

Existing Projects that previously received tax credit allocations and are now eligible under Code Section 42(d)(2) for new acquisition tax credits may apply for a current allocation. However, because of prior subsidy investment in the Project and the scarcity of the resource and to ensure that the subsidy is not being used primarily for ownership transfer, previously subsidized Projects must demonstrate: 1) a real risk of loss of affordable Units, and 2) an addition of significant improvements and services to enhance livability for the tenants. These may qualify for standard tax credit applicable percentages.

I. Recycled Allocations

A Property Owner may return a valid allocation of tax credits between October 1^{st} and December 31^{st} to receive an allocation of tax credits from the following year's tax credit ceiling in the same amount of the returned allocation if:

- The Project Owner pays the \$500 fee due for requests for changes to a Project;
- No changes to the Project (i.e., design, financing, etc.) have occurred without Housing New Mexico/MFA's approval;
- None of the returned Project's Principals are participating in the following year's 9% LIHTC round (e.g., Principals returning tax credits in 2024 will not participate in the 2025 round);
- The Project demonstrates that all financing necessary to place the Project in service is secured:
- The Project will place in service by December 31st of the year of the newly allocated credits and receive no further opportunity to recycle the tax credits (e.g., if 2022 LIHTC are returned in December 2024 in exchange for 2025 tax credits, the Project will place in service by December 31, 2025).

 Housing New Mexico/MFA must be notified of any request to recycle an allocation of tax credits by November 15th, when the Placed In Service submission would have been due.

Notwithstanding the foregoing, if a Project has previously returned tax credits in exchange for a new allocation of tax credits, any return of tax credits for a new allocation shall be at Housing New Mexico/MFA's sole discretion.

J. Property Standards

All newly constructed and/or rehabilitated properties must meet applicable state and local building codes, including but not limited to: the New Mexico Commercial Building Code, the New Mexico Residential Building Code, the New Mexico Energy Conservation Code, the New Mexico Existing Building Code, the New Mexico Plumbing Code, the New Mexico Mechanical Code the New Mexico Solar Energy Code, the New Mexico Electrical Code, the New Mexico Electrical Safety Code, and all international and uniform building codes as referenced and adopted by the aforementioned codes. In addition, all newly constructed Projects must obtain a Home Energy Rating System (HERS) score of 55 or better and all rehabilitation Projects must obtain a HERS score of 65 or better. All Projects must meet the provisions and requirements of the Americans with Disabilities Act (ADA) as applicable. Public and common use areas within Projects are subject to these requirements. Projects combining housing tax credits with another federal source of funding must comply with HUD Section 504 requirements as required in the 2010 ADA Standards. Projects must also adhere to the Federal Fair Housing Act and shall adhere to the federal fair housing accessibility and adaptability requirements promulgated through the Fair Housing Accessibility Guidelines {56 FR 9472, 3/6/91}. Finally, conformance to Design Standards in the Application Package is mandatory for all Projects, including tax-exempt bond financed Projects.

IV. Allocation Procedure and Application Requirements

A. Allocation Rounds

1. Submission Date(s)

Housing New Mexico/MFA intends to conduct one competitive LIHTC Application round each calendar year. However, Housing New Mexico/MFA reserves the right to conduct additional LIHTC rounds or to award tax credits outside of the rounds. Initial Applications for the 2025 competitive LIHTC Application round will be accepted anytime between January 6, 2025 through January 21, 2025 at 12:00 p.m. Mountain Standard Time. Initial Applications must be submitted ahead of 12:00 p.m. Mountain Standard Time on January 21, 2025 (Application Deadline). Initial applications must be fully uploaded to the file sharing site identified in Section IV.A.2 of this QAP no later than the Application Deadline. Late Applications will not be

accepted. If the Projects submitted do not use all of the available tax credits or if additional tax credits become available later in the year, Housing New Mexico/MFA will consider a second round or make allocations to lower- scored Eligible Projects at Housing New Mexico/MFA's sole discretion.

Initial Applications for tax-exempt bond financed Projects are accepted on a continuous basis but must meet the same form of submission requirements identified in **Section IV.A.3** below and are subject to the timing requirements outlined in **Section VI**.

2. Place of Submission

Initial Applications must be uploaded to Housing New Mexico/MFA's Secure File Transfer-HD file sharing Site: https://mfa.internal.housingnm.org/SFT_HD/ (described below in Section IV.A.4.b.)

3. Form of Submission

Initial Applications may not be delivered by facsimile transmission or e-mail. The 2025 Housing New Mexico/MFA Universal Rental Development Application and Schedules in excel format and one fully tabbed and bookmarked PDF file that include all materials listed on the Attachments Checklist at Tab 1a must be uploaded to Housing New Mexico/MFA's file sharing site: https://mfa.internal.housingnm.org/SFT_HD/ (described below in Section IV.A.4.b.) The required 2025 Housing New Mexico/MFA Universal Rental Development Application will be provided electronically and may be downloaded from Housing New Mexico/MFA's website at https://housingnm.org/developers/lihtc/current-and-prior-tax-credit-rounds. No additional materials may be submitted after the Initial Application Deadline, unless requested by Housing New Mexico/MFA in accordance with the provisions of this QAP.

4. Content and Format: Complete Applications

Complete Applications will meet the following standards when they are initially submitted and without benefit of any subsequent submissions, including any such submissions received during the deficiency correction period:

- a) All Application documents that require signatures must be included and bear scanned blue ink or third-party verified digital signatures from all General Partners. Housing New Mexico/MFA will require submission of an "omnibus" signature page wherein all General Partners must certify, among other things, that the Application submitted, including all schedules and certifications, is accurate and complete and does not contain any misrepresentations.
- b) Complete Initial Applications must include the 2025 Housing New Mexico/MFA Universal Rental Development Application and Schedules, including all attachments and exhibits that are applicable to the Project both those listed in the attachments checklist found at Tab 1a of the Application form and any other materials requested in the 2025 QAP that apply to the

Project. The 2025 Housing New Mexico/MFA Universal Rental Development Application Form and Schedules must be submitted in excel format. All additional materials (those described in Tab 1a and others indicated in the 2025 QAP) must be contained in one fully tabbed and bookmarked PDF file with protected personal information such as Social Security numbers and board member home addresses redacted. Where required in the Application, the market study, architectural plans and specifications, capital needs assessment and appraisal shall be uploaded as stand-alone documents rather than included in the Application PDF. The PDF files must be "bookmarked" with each applicable tab ("Tab") and named accordingly (e.g., Tab 1, Tab 1a, Tab 2, etc.). Each bookmark must include all of the documents required for the respective tab (including those in the 2025 Housing New Mexico/MFA Universal Rental Development Application and Schedules), as identified in the Attachments Checklist and named accordingly (e.g., Tab 1f - Rehabilitation Scope of Work, Tab 1g - One-page summary of Developer affordable housing experience." All documents in the PDF must be submitted in numerical order. The entire Application Package (the 2025 Housing New Mexico/MFA Universal Rental Development Application, Schedules and the PDF files) must be uploaded to Housing New Mexico/MFA's file sharing site: https://mfa.internal.housingnm.org/SFT_HD/.

- c) Complete Initial Applications must include Application fees as outlined in Section IV.B below.
- d) No additional materials may be submitted after the Initial Application deadline, unless requested by Housing New Mexico/MFA in accordance with the provisions of this QAP.
- e) Current year Housing New Mexico/MFA forms **must be used** when provided and **no** substitutions will be accepted.
- f) All information must be current, clearly legible and consistent with all other information provided in the Application.
- g) Forms must be completely filled out and executed as needed. Forms that require signatures must bear scanned blue ink or third-party verified digital signatures.
- h) Except as Housing New Mexico/MFA may determine is necessary to evaluate the "Applicant eligibility" threshold requirement in **Section III.C.5** all Applications must be self-contained: Housing New Mexico/MFA will not rely on any previously submitted information, written or verbal, to evaluate the Applications in a given round.

In determining whether the Application is complete, Housing New Mexico/MFA will examine the package for both the availability of all required materials listed in Section I of the Application Attachments Checklist and for the content of those materials. Failure to provide or complete any element of the Initial Application Package, including all items listed in Section I of the Application Attachments Checklist, may result in immediate rejection of the Application without complete

review. When special documents required to obtain points under particular Project Selection Criteria are not provided in the Initial Application, as listed in Section II of the Application Attachments Checklist, the related points will not be awarded. The Application Attachments Checklist is not intended to be a comprehensive listing of all documents required to be submitted. Applicants bear the burden of determining and submitting any additional documents that directly support an Application or other information required by this QAP to be submitted.

In addition to the actions Housing New Mexico/MFA may take pursuant to Section IV.C.5 Deficiency Correction Period, Housing New Mexico/MFA may request additional information from any Applicant as deemed necessary for a fair and accurate evaluation of an Application. Housing New Mexico/MFA may also choose to accept inconsistent information and if so, may select any of the inconsistent pieces of information over any other pieces of information, in its reasonable judgment. However, Housing New Mexico/MFA is under no obligation to seek further information or clarification or to accept inconsistent responses.

The Applicant will bear sole and full responsibility for submitting its Application in accordance with the requirements of the Internal Revenue Code and the QAP and will be deemed to have full knowledge of such requirements regardless of whether or not a member of Housing New Mexico/MFA's staff responds to a request for assistance from Applicant or otherwise provides Applicant assistance with respect to all or a portion of the Application.

After award, all Applications will be open to the public for inspection and copying. Applicants must redact confidential and personal identifier information from documents if the information is not specifically required by Housing New Mexico/MFA.

Applicant agrees to indemnify Housing New Mexico/MFA from any claims arising from or related to Housing New Mexico/MFA's disclosure or nondisclosure of materials submitted to Housing New Mexico/MFA related to the Application.

5. Communications and Quiet Period

Questions concerning the competitive LIHTC Application round Application requirements must be submitted through Housing New Mexico/MFA's website at https://housingnm.org/developers/lihtc/applications-faq. No questions will be accepted after 5 p.m. Mountain Standard Time, January 13, 2025. Answers will be posted to the website and once posted will be deemed a part of this QAP. Answers to questions submitted on January 13, 2025 that can be answered by January 15, 2025 will be posted on January 16, 2025. It is the sole responsibility of Applicants to review the website for answers to questions.

A "Quiet Period" for each competitive round will begin at the time an Initial Application is submitted and end upon the approval of tax credit awards by Housing New Mexico/MFA's Board of Directors. During the Quiet Period, Applicants, or any part of the development team (i.e., Developer, Project Owner, General Partner, contractor, management company, consultant(s), architect, attorney, and accountant, etc.), shall not contact Housing New

Mexico/MFA's management, employees, members of the Board of Directors or their proxies, officers or agents in regard to an Application under consideration unless expressly directed to do so by Housing New Mexico/MFA staff. The purpose of the Quiet Period is to create a fair and consistent process for all Applications in the competitive round. The Quiet Period only applies to Applications under consideration during the competitive round and not to any other Projects, issues, or Applications, including questions regarding Housing New Mexico/MFA gap funding requested in conjunction with the Application.

The imposition of the Quiet Period does not relieve any Applicant of its obligation to notify Housing New Mexico/MFA of changes to the Project as provided for in Sections IV.H. and IV.I. herein. In addition to the provisions of Sections IV.H. and IV.I., Applicants are required to notify Housing New Mexico/MFA of any material change in circumstances concerning the Application, development team, threshold requirements and/or scoring changes. Applicant shall notify the Tax Credit Program Manager in writing immediately of the material change, and Housing New Mexico/MFA staff shall review the notification and determine, in its sole discretion, what action, if any, is to be taken with respect to the pending Application. After award, all Applications and documents pertaining to the Applications will be available to the public.

All communications regarding Projects which have received tax credit awards and tax-exempt bond financed Projects should be directed to:

Jeanne Redondo Tax Credit Program Manager (505)767-2210 <u>iredondo@housingnm.org</u>

6. Prohibited Activities

Applicants (including Applicants for tax-exempt bond financed Projects) or their representatives shall not communicate with or by any other means attempt to influence members of the Board of Directors and their proxies or members of the Allocation Review Committee (ARC) regarding any Application except when specifically permitted to present testimony at a tax credit related proceeding. An Application shall be rejected if the Applicant or any Person or Entity acting on behalf of Applicant violates the prohibitions of this section. A list of the members of Housing New Mexico/MFA's Board of Directors and their proxies and ARC members can be found at http://www.housingnm.org. A list of ARC members, Housing New Mexico/MFA Board members, and Housing New Mexico/MFA leadership, and LIHTC program management staff, which is current as of the date of this QAP, is attached hereto as Exhibit 1. It is the Applicant's responsibility to check Housing New Mexico/MFA's website for a current list of Board members and ARC members.

Any communication made or action taken in violation of the Quiet Period or the prohibited activities section of the QAP shall be immediately reported to the tax credit program officer, whose contact information is provided in **Section IV.A.5**. Nothing in this section shall be

construed to alter or affect the mandatory appeals processes and procedures that are prescribed elsewhere in this QAP. An Applicant's failure to adhere to the prescribed Application and appeals processes and procedures shall result in the rejection of the Application.

B. Housing New Mexico/MFA Fees and Direct Costs

All fees are non-refundable. Fees are due at the times and in the amounts shown below and they apply to both allocated and non-allocated tax credits. Fees may be delivered in the form of personal or business checks, money orders or cashier's checks, or wire (contact hd@housingnm.org for wiring instructions). Any check returned for insufficient funds will result in rejection of the Application, cancellation of the Reservation or other actions available to Housing New Mexico/MFA. Exceptions may be granted at Housing New Mexico/MFA's sole discretion and fees may be adjusted annually, as determined by Housing New Mexico/MFA in its sole discretion.

Application Fee (for initial and supplemental requests)

- ♦ Due at submission of tax credit Initial Application
- ♦ \$750 for nonprofit or governmental Entity Applicant; \$1,500 for a for-profit Applicant

Direct Cost Fees

♦ Base Portion Design Review: \$12,000 due at submission of tax credit Initial Application

This fee covers the base portion of the design reviews for compliance with Design Standards described at Section IV.C.7a. Design reviews may require additional site visits and/or document reviews, which would be billed separately and above this non-refundable \$12,000 base fee at a rate of \$1,500 per inspection or additional review. Any amount in excess of the \$12,000 base fee is due within 20 calendar days of billing by Housing New Mexico/MFA. If the Initial Application is not awarded a Reservation or approved as a tax-exempt bond financed Project, the Base Portion Design Review Direct Cost Fee will be returned to the Applicant.

♦ Housing New Mexico/MFA-ordered Market Study: Amount varies depending on cost

If a subsequent Housing New Mexico/MFA-ordered Market Study is required during the application phase, the cost will be covered by the Applicant through a non-refundable Direct Cost Fee that will be due within five days of receiving a deficiency correction (see Section IV.C.5) with an invoice via email.

Processing Fee

Due at execution of Reservation Contract for 9% awards; due prior to delivery of Letter
of Determination or construction start, whichever occurs first for Projects financed with
tax- exempt bonds.

- 8.5% of Housing New Mexico/MFA-determined tax credit allocation amount rounded down to the nearest dollar.
- For Projects financed with tax-exempt bonds, if the actual tax credit amount is greater at Final Allocation than when the Letter of Determination was delivered, the Applicant must pay an additional processing fee of 8.5% of the increase in the tax credit amount.

Additional Review Fees

One underwriting with one opportunity to make corrections is included in the standard Application and Processing Fees. Any additional underwriting (of the Initial Application or submissions described in Section IV.G) to review further corrections or changes to the Project will incur a \$1,500 fee per review.

Monitoring and Compliance Fees

- ♦ Due annually by January 31st for each year of the Extended Use Period. The monitoring and compliance fee for the entire 15-year Compliance Period may be paid in a lump sum at the Final Allocation Application (number of Units x \$50/Set-aside Unit/year x 15 years).
 - \$50/set-aside Unit/year (Average Income projects may be subject to an increased Compliance Monitoring fee.)
 - o \$20/set-aside Unit/year during the Extended Use Period

Appeal Fee

- ♦ \$5,000 due at submission of appeal
- No appeal will be entertained in advance of appeal fee payment

Request for increase in tax credits, request for changes to a Project, including changes in ownership prior to receiving Form 8609 and/or requests for document corrections (when not a result of an administrative error by Housing New Mexico/MFA, including when changes or alternate forms are proposed by an Applicant in lieu of Housing New Mexico/MFA standard forms.)

♦ \$500 due at submission of review/correction request

Reissuance of Form 8609

 Housing New Mexico/MFA sends draft 8609 forms to the Owner for review prior to issuance. A \$250 fee for each 8609 form that must be re-issued after it is signed and issued to the Owner; total fees shall not exceed \$2,500.

Ownership Change and LURA Modification Fees after receipt of Form 8609:

- \$500 non-refundable fee due at submission of application to change ownership, general partner, and/or limited partner, request a limited partner exit and/or request a LURA modification.
- If applicable, an additional \$250 per item requested in a LURA Modification, when the Project is out of compliance with Asset Management at the time of the application.
- If applicable, an additional \$1,500 processing fee upon approval of an ownership or general partner change.
- ◆ If changes are made to the ownership structure without Housing New Mexico/MFA's prior written approval, the Project will be considered out of compliance. This noncompliance may result in a denial of requests for a future ownership change, financing, and/or LURA modification and may, at Housing New Mexico/MFA's discretion, also be subject to a \$10,000 fine to move forward with the ownership change process.

Extension Fee

- Due at submission of request to extend deadline of any documents required under Subsequent Project Requirements and/or with submission of late or missing documents required under Subsequent Project Requirements
- ♦ \$500 per week

C. Staff Analysis and Application Processing

- 1. Threshold review. Following the Application Deadline, Housing New Mexico/MFA will undertake a threshold review to determine whether the Initial Application meets the minimum Project threshold requirements shown in Section III.C. If the Initial Application fails to meet site Control, zoning, fee, or market study requirements, the Applicant will be given an opportunity to correct the deficiency in accordance with Section IV.C.5 and if not corrected in the time period allowed, the Application will be rejected. The Applicant eligibility and financial feasibility threshold requirements are not correctable and Applications that fail to meet these requirements will be rejected.
- Cost limits. Total Development Costs for various types of Projects may not exceed the following:
 - a. New construction and Adaptive Reuse Projects. The Total Development Cost per Unit must not exceed 130% of the average Total Development Cost per Unit for all new construction and Adaptive Reuse Projects submitted in the same round. Similarly, the hard Construction Cost plus architect and engineering fees per square foot must not exceed 130% of the average cost per square foot for all new construction and Adaptive Reuse Projects submitted in the same round.
 - Acquisition/rehabilitation Projects. The Total Development Cost must not exceed 100% of the average Total Development Cost per Unit for all new

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

- c. Tax-exempt bond financed Projects. Total Development Cost must not exceed the limits established for new construction, Adaptive reuse or acquisition/rehabilitation Projects, as appropriate, submitted in the most recent allocation round. Variances from these limits will be considered on a case-by-case basis.
- d. Combined Rehabilitation and New construction Projects. For Projects that involve rehabilitation of existing Units, the construction of new Units and/or the Adaptive reuse of an existing building, the costs will be evaluated based on the track/category selected by the project as described in Section II.J. above to the limits established in Sections IV.C.2.a. and b. above.

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

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

See the Glossary Section XI for the definition of the terms "Unit," "Total Development Cost," and "Hard Construction Costs" as they apply to the cost limit calculations in this section. Costs that exceed these limits will be excluded when calculating the tax credit amount. These limits are binding through Final Allocations.

- 3. Local Notice. The Chief Executive Officer of the local jurisdiction where the Project is located will receive a "Local Notice" from Housing New Mexico/MFA stating that an Application has been received and requesting a response. The local jurisdiction and the Chief Executive Officer are to be identified by the Applicant in the Application form. The jurisdiction may be a municipality, town, county or tribal government. Such notification will be issued for all Applications not more than 10 business days after Housing New Mexico/MFA's Application Deadline and the recipient will have 30 calendar days to respond.
- 4. **Site visits.** On completion of the threshold review, and as allowed by current health conditions, public health and executive orders, or laws, Housing New Mexico/MFA will visit the proposed sites for the highest ranking Projects. Sites considered by Housing

New Mexico/MFA in its reasonable judgment to be inappropriate due to current or foreseeable adverse health, safety, welfare, site constraints or marketability risks may be cause for rejection of any Application, regardless of threshold review or scoring results. Communications made by or on behalf of an Applicant in response to communications initiated by Housing New Mexico/MFA in conjunction with a site visit shall not be a violation of the Quiet Period.

- 5. Deficiency correction period. Housing New Mexico/MFA may provide a deficiency correction period after the threshold review. This period is intended only to: 1) correct threshold items that are identified as correctable in Section III.C, 2) address Complete Application items, including any issues with the electronic application, 3) clarify ambiguous information, 4) complete forms or 5) make minor corrections to the Application. In no case shall the deficiency correction period be used by Housing New Mexico/MFA to allow an Applicant to submit scoring items listed on Section II of the LIHTC Application Attachments Checklist or to alter the original structure of the project. If the deficiency correction period is used, Housing New Mexico/MFA will provide notice to Applicants having such shortcomings in their Applications via e-mail and U.S. mail. Applicants will have five business days after the date of the e-mail notice to correct deficiencies. All materials must be submitted no later than 5 p.m. Mountain Standard Time on the fifth business day, following "Form of Submission" requirements shown in Section IV.A.3 above. Certain types of deficiencies cannot be corrected during the deficiency correction period, including an Applicant's failure to provide materials or to provide materials in the required form, as well as other deficiencies that Housing New Mexico/MFA determines in its reasonable judgment may not be correctable. Furthermore, the deficiency correction period may not be used by the Applicant or Housing New Mexico/MFA to alter the original structure of the Project. This prohibition includes, but is not limited to, all changes listed in Section IV.H. If the information requested by Housing New Mexico/MFA is not submitted within the timeframe provided or is submitted but remains deficient, the Application may be rejected without any further review.
- 6. Supplemental Information Submission. If at any point during the processing of an Application, staff determines that supplementary information is needed to complete its review, the Applicant will be notified in writing and will have five business days after the date of Housing New Mexico/MFA's notice to deliver a written response. In no case shall the supplemental information request be used by Housing New Mexico/MFA to allow an Applicant to submit scoring items listed on Section II of the LIHTC Application Attachments Checklist or to alter the original structure of the project. This provision does not apply to incomplete Applications, which may be rejected during the threshold review or subject to the deficiency correction period process.

- 7. **Design Review and Construction Start**. All Projects will be subject to Housing New Mexico/MFA's design review and construction inspections to determine compliance with the Design Standards. Housing New Mexico/MFA staff will make a good faith effort to perform an initial review of construction documents within ten (10) business days after receipt of complete construction documents.
 - a. The base portion of the design review covered by the \$12,000 fee includes one of each of the following:
 - Preliminary review of Project for Design Standard compliance at Initial Application. All plans and related materials submitted as part of an Application must provide enough detail for Housing New Mexico/MFA to determine compliance with the Design Standards.
 - ii. Construction Drawing Review.
 - iii. Specification Review.
 - iv. Environmental Study & HERS Modeling Projections Review.
 - v. Contract document review (construction contract, permit, schedule).
 - vi. 33% Site Inspection visit.
 - vii. 66% Site Inspection visit.
 - viii. 100% Site Inspection visit, report and closeout document review. Housing New Mexico/MFA will not issue the IRS Form 8609 before Housing New Mexico/MFA's Architectural Services Representative indicates that the Project has been built as proposed and that all outstanding issues, if can, have been resolved.
 - b. A CNA is required for rehabilitation and Adaptive Reuse Projects. Housing New Mexico/MFA will review the CNA for completeness, consistency with the Application and compliance with the Design Standards. See QAP Section II.J for details.
 - c. Prior to commencing construction:
 - Applicant must have Housing New Mexico/MFA's written approval of complete construction documents;
 - ii. Applicants must request and receive Housing New Mexico/MFA-provided signs/banners in English and Spanish featuring Housing New Mexico/MFA's fraud hotline at the Project work site(s), which shall remain in place throughout the duration of construction.
 - iii. Applicants must close on all Project financing (except the permanent mortgage).
 - d. Material Design Changes: Differences between the plans and specifications submitted with the Application and those contained in the final construction documents must be approved by Housing New Mexico/MFA. The Applicant must submit a detailed narrative of Material Design Changes made to final plans and specifications along with the Change Fee described in Section IV.I.

- 8. Other Project compliance. All Principals (see Glossary) related entities and Affiliates must be in compliance with respect to all other federally subsidized housing or LIHTC Projects that they own or operate throughout the country. The Application shall include a compliance affidavit in the form stipulated at Tab 1I of the Application certifying the Principal and its Affiliate(s) are not in default with respect to any Material Compliance Matter for any such Project or shall state what defaults exist and what corrective action Applicant is taking. Applicants shall attach a complete list of all Projects in which the Principal and/or its Affiliate(s) have experience (see schedule of experience⁶ footnote below). If the experience of any Principal differs from the Applicant and/or General Partner, a separate schedule of experience is required for that Principal. If Housing New Mexico/MFA determines, either through information provided by an Applicant or through Housing New Mexico/MFA's investigation, that any federally subsidized housing or LIHTC Project in which Applicant, or any Principal or Affiliate of Applicant has an interest is in default due to any Material Compliance Matter, Housing New Mexico/MFA may reject the Application. See Section IV.F.1 for additional discussion. This determination of default regarding any Principal may concern, but is not limited to, progress made with previous tax credit Reservations, including timely delivery of required documents and meeting all required deadlines; development compliance; and payment of monitoring fees.
- 9. Development team review. Staff will review the qualifications of the Developer, Project Owner, General Partner, contractor, management company, consultant(s), and architect to determine capacity to perform in the role proposed. Considerations may include related experience, financial capacity, performance history, references, management and staff, among others. Staff will review related party affidavits inserted at Tab 1h for each development team member listed above (see Section III.C.5), and development team resumes inserted at Tab 12. The management company will be reviewed when construction is 50% complete (see Section IV.G.7). The organizational chart(s) inserted at Tab 1i must include all related party interests among the Developer, Project Owner, General Partner, contractor, management company, consultant(s) and architect. Housing New Mexico/MFA may conduct its own related party search utilizing Secretary of State websites, online searches, or other means to ensure all related parties have been properly disclosed. An Application may be rejected or substitutions requested if the development team or any member thereof is unsuitable and/or undisclosed related parties are identified as determined by Housing New Mexico/MFA.

⁶ The schedule of experience required shall be in the form of a recent real estate owned schedule provided to a lender, a HUD Form 2530, or other similar form that includes the experience of the Principal completing the compliance affidavit. The schedule of experience shall include every project that is Placed In Service for which the Principal has a financial interest and that the Principal developed without an ownership participation. Projects that are planned or under development may be included but are not required.

D. Feasibility Analysis and Financial Considerations

All Projects, in addition to the threshold review process, will undergo financial analysis by Housing New Mexico/MFA staff to determine whether the Projects are financially feasible. Such determinations will rely on both the financial data submitted by the Applicant and on staff judgments with respect to feasibility matters. Projects that do not appear financially feasible in Housing New Mexico/MFA's judgment may be rejected without further processing. All financing sources must be clearly identified, and their terms specified in a letter of interest from the financing source. Financing Commitments (see Glossary) will be required as a "subsequent requirement" after the initial Reservation is made.

Initial Applications for any tax credits (4 or 9%) must include a letter of interest from a tax credit syndicator or direct investor stating the terms and pricing for the purchase of tax credits allocated to the Project. In addition, all Projects will be underwritten using the more conservative of the standards indicated in this QAP, those in an underwriting supplement to be published by Housing New Mexico/MFA at least one month prior to the Application Deadline, the terms listed in any Financing Commitment or letter of interest; or the Project's market study. Project 15-year pro forma cash flow projections must include an operating expense inflation factor of at least 3%, a rental income inflation factor of no more than 2% and a vacancy factor of at least 7% for all occupancy-related income. However, for projects with at least 90% of all units covered by a federal rental assistance contract and any Project Reserved for Seniors, Housing New Mexico/MFA will use the market study vacancy factor but not less than 5%.

1. Development Costs. Development Costs will be evaluated against the average costs of competing Projects. In the case of rehabilitation Projects and Adaptive Reuse Projects an appraisal and CNA of the existing project will be required and used by Housing New Mexico/MFA to evaluate Development Costs. The appraisal is due with the Initial Application for tax exempt bond financed projects and with the Carryover Application for 9% Projects not claiming points under the Leveraging Resources scoring criterion. See Section II.J and Glossary for further details regarding the CNA. The acquisition cost on which tax credits are calculated will be held to the lowest among the sale price, Applicant's procured appraisal and the construction lender's appraisal. Applicants submitting costs atypical in the marketplace must provide information acceptable to Housing New Mexico/MFA, justifying such costs. Projects with excessive costs will be subject to adjustments to the amount of tax credits requested. Housing New Mexico/MFA, in the course and scope of its underwriting, will examine how costs are categorized /allocated in Schedules A and D. Housing New Mexico/MFA reserves the right to re-categorize /allocate costs to different categories should Housing New Mexico/MFA determine, in its sole discretion, that costs have been categorized incorrectly. Applicants shall describe all costs contained in any category labelled "other" with sufficient specificity so that it is clear what these costs encompass.

2. **Developer and other fees.** Fees are limited to the following standards:

a. 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% of Construction Costs, builder overhead may not exceed 2% of Construction Costs and general requirements may not exceed 6% of Construction Costs. For the 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 (e.g., the general contractor), design professionals and/or subcontractors, builder profit shall not exceed 4% 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. An Identity of Interest will be presumed if any of the following factors are present as between or among the Developer/Project Owner, builder (general contractor), design professionals and/or subcontractors; common or shared ownership of any of the above-listed entities; common family members as owners or investors in any of the above-listed entities; common Control of the above-listed entities even if the Control is not exercised by a common owner or common investor.

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

b. Developer fees

Developer fees for 9% LIHTC Projects shall not exceed: 1) \$25,000 per low-income Unit for the first 30 Units, plus 2) \$22,500 per low-income Unit for Units 31 – 60, plus 3) \$20,000 per low-income Unit for Units 61+, which shall not cause the total Developer Fee to exceed the lesser of \$2,500,000 or 14% of Total Development Cost. Developer Fee for 4% LIHTC Projects shall not exceed 14% of Total Development Cost. *9% Projects utilizing Housing New Mexico/MFA-issued Section 811 Project Rental Assistance (PRA) are eligible for a 5% boost to the capped developer fee (as calculated above; for qualifications, see below) For example, a 30-Unit Project which qualifies for \$750,000 and which is at or below 14% of Total Development Cost qualifies for a 5% boost to the allowable Developer Fee resulting in a total Developer Fee of \$787,500.

Donations of land and waived fees are excluded from Total Development Cost when calculating maximum allowable developer fees. Developer fees include all consulting costs for services typically rendered by a Developer. Any reserve,

excluding any Housing New Mexico/MFA-required Project reserve (see below), may be considered as part of the developer fee, if it is not held for the benefit of the Project for a minimum of 15 years. For the purposes of these calculations, Total Development Cost is adjusted to exclude developer fees, consultant fees and all reserves. Notwithstanding the Developer Fee amounts described in the preceding paragraph, where an Identity of Interest exists between the Developer/Project Owner and the builder, the above-mentioned fee may be further reduced if Housing New Mexico/MFA, in its discretion, determines the fee to be excessive. In a proposed sale transaction where there is an Identity of Interest in any Principal of the seller and buyer, the Project will be subject to reduced developer fees. Where there is such an Identity of Interest, the developer fee percentages will be calculated on Total Development Cost reduced by Acquisition Costs. Also, an "as-is" appraisal dated no earlier than six months prior to the Application date and completed by a MAI licensed in New Mexico must be submitted. The value in the appraisal must assume that any existing use restrictions will remain in place.

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

*Section 811 Project-Based Rental Assistance Program (Section 811 PRA)

In 2020 Housing New Mexico/MFA applied for a \$3.6 million award to participate in HUD's Section 811 Project Rental Assistance (PRA) program, which provides project-based rental assistance for extremely low- income Persons with disabilities, 18-61 years of age who are linked with long-term services. An award of Section 811 funds is contingent upon Housing New Mexico/MFA entering into a Cooperative Agreement with HUD. In order to utilize these funds, projects must be in a location served by an active Local Lead Agency (LLA), through which the services will be provided. The Section 811 program will be implemented over a five-year period and will serve an estimated 58 households.

Qualifications and Restrictions:

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

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

Owner Capacity and Experience:

Owner and Property Management must demonstrate the capacity to participate in Section 811 PRA. This will be measured, in part, by the level of experience

administering HUD rental subsidy programs, specifically with HUD's Tenant Rental Assistance Certification System (TRACS) and Enterprise Income Verification (EIV) and experience with managing a range of housing populations, with a particular emphasis on Persons with disabilities.

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

In addition, units must meet program criteria for unit integration and accessibility. Should this source become competitive, PRA allocations will be made based on score.

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

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

c. Architect and Engineering Fees

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

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

- 3. Reserves (escrows) included in Development Costs. The development budget must include an operating reserve equal to a minimum of six (6) months of projected operating expenses, debt service payments and replacement reserve payments. Larger operating reserves may be required for Projects which show a declining debt coverage ratio in 15-year cash flow projections, have rental assistance contracts included in their income projections or have other factors that MFA determines in its discretion to warrant larger reserves. Replacement reserve levels must be shown in the operating budget at the minimum of \$250 per Unit, per year for Senior Housing (new construction Projects only) and \$300 per Unit, per year for all other new construction and rehabilitation and Adaptive Reuse Projects. Project reserves of any kind in the development budget will not be included in Housing New Mexico/MFA's calculation of Eligible Basis for tax credit purposes.
- 4. Operating expenses and replacement reserves. Housing New Mexico/MFA will review the projected operating expenses, replacement reserves and loan terms and may, in its determination of economic feasibility, make adjustments based upon industry standards, its own underwriting parameters, the CNA or facts obtained from other appropriate sources. Applicants are urged to carefully review operating cost pro formas. Applicants must include real estate taxes in their operating expenses unless evidence of a perpetual real estate tax waiver (throughout the term of permanent financing) is submitted with the Application.

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

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

5. Debt service coverage and subordinate debt. Applicants who are proposing subordinate debt must include the terms of the loan and pro formas must reflect the requirements set forth in the Housing New Mexico/MFA's Universal Multifamily Initial Underwriting Supplement. Housing New Mexico/MFA will consider total annual cash flow as well as debt service ratio when making this determination. Housing New Mexico/MFA will generally not consider the repayment of deferred developer fees when underwriting for

feasibility but removes any deferred fee that can't be repaid during the Compliance Period from eligible basis and may consider a Project infeasible if the deferred fee represents a financial burden to the Project.

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

While the Code excludes any payments made under section 8 of the United States Housing Act of 1937 or any comparable rental assistance program (with respect to such Unit or occupant thereof) from the gross rent calculation, only rents that do not exceed the Tax Credit Ceiling Rents and are supported by the market study will be used for underwriting purposes. Exceptions may be made for Projects with project-based subsidies when the program governing the project-based subsidy allows higher rents. See Housing New Mexico/MFA Universal Multifamily Initial Underwriting Supplement - *Projects with Rental Subsidies* section for additional requirements. Note that in order to underwrite to such rents, a copy of a federally-approved rent schedule must be provided to Housing New Mexico/MFA, e.g. HUD, USDA. If project-based vouchers are awarded, but a federally-approved rent schedule is unavailable, proof of the award is required, and Housing New Mexico/MFA will underwrite to HUD FMR. More detail regarding rental assistance payments and qualifying tenants can be found in the Housing New Mexico/MFA tax credit Monitoring and Compliance Plan, which is issued under a separate cover and summarized in Section X.

E. Credit Calculation Method

- Tax credit calculations. During each evaluation, Housing New Mexico/MFA will
 determine the amount of tax credits to be reserved, committed or allocated by
 considering factors specific to each Project including, but not limited to, the following:
 - a. Development Costs
 - b. Funding sources available to the Project for construction and permanent financing:
 - i. First mortgage loans
 - ii. Grants
 - iii. Tax credit proceeds
 - iv. Project Owner equity
 - v. Subordinate debt
 - c. Projected operating income and expenses, cash flow and tax benefits
 - d. Maximum tax credit eligibility

- e. Debt service coverage ratio
- f. Project reserves
- g. Developer fees and builder overhead and profit
- h. Per Unit and per square footage cost limits (section IV.C.2)
- 2. Amount of tax credits for Reservation or Carryover Allocation. To estimate the amount of tax credit allocation for a Project at Initial Application or at Carryover, Housing New Mexico/MFA will use the Applicable Credit Percentage of the Qualified Basis, as adjusted by Housing New Mexico/MFA, or the amount needed to fill the financing gap. The procedure to determine the amount to fill the financing gap is outlined in number three below.

Tax credit proceeds. The Housing New Mexico/MFA Universal Multifamily Initial Underwriting Supplement describes the method to be used to determine the equity pricing factor that will be used to calculate tax credit proceeds for underwriting purposes. The Applicable Credit Percentage will be used along with the equity-pricing factor to estimate the tax credit proceeds. Any ownership split other than 99.99% (Limited Partner) and 0.01% (General Partner) requires written Housing New Mexico/MFA approval ahead of application submission, which approval shall be given in Housing New Mexico/MFA's sole discretion.

The Protecting Americans from Tax Hikes (PATH) Act of 2015 permanently fixed the floor of the 9% credit at 9%. Similarly, the Consolidated Appropriations Act, passed by Congress on December 21, 2020, permanently fixed the floor of the 4% credit at 4%. At the time of the Carryover Allocation for 9% credits, the Project Owner must deliver a written letter of intent from a syndicator or equity provider that clearly states the equity-pricing factor. That equity-pricing factor along with the Applicable Credit Percentage will be used to estimate the tax credit proceeds for the Carryover Allocation. The equity-pricing factor to be used at Final Allocation will be the actual equity-pricing factor contained in the Project's syndication agreement and the Applicable Credit Percentage as determined at either Carryover or Placed In Service date.

For 4% credits the equity-pricing factor to be used at Final Allocation will be the actual equity-pricing factor contained in the Project's syndication agreement and the Applicable credit percentages determined at either the month the tax-exempt obligations are issued or Placed In Service date.

3. **Limitation on tax credit awards to a single Project or Principal.** Subject to the exceptions contained herein, no 9% LIHTC Project shall receive a tax credit Reservation in excess of \$1,700,000. No Applicant, any General Partner or Affiliate of an Applicant or Person or Entity receiving or identified as eligible to receive any part of a developer fee for a Project may receive more than two tax credit Reservations in any given competitive

LIHTC Application round. All Projects receiving a 9% LIHTC Reservation must be at least $\frac{1}{2}\%$ mile (1,320 feet) straight-line distance away from the property line of all other Projects proposed by the same Principal or its Affiliate receiving a 9% LIHTC Reservation in the same round.

- 4. **Other factors limiting the credit Reservation**. The amount of credit reserved, committed and finally allocated to a Project shall be the lesser of:
 - a. The maximum tax credit eligibility of the Project
 - i. Maximum tax credit eligibility is the maximum amount of tax credit justified by a Project's Qualified Basis, as adjusted by Housing New Mexico/MFA and taking into consideration any increase in Eligible Basis approved by Housing New Mexico/MFA and the Applicable Credit Percentage as described in Section IV.E.2 above or the Applicable Credit Percentage that was locked-in at Carryover (or in the case of tax-exempt bond financed Projects, the month the tax-exempt obligations are issued) or was in effect when the building was Placed In Service; or
 - ii. The amount requested in the Application; or
 - iii. The amount necessary to fill the funding gap.
 - b. The funding gap is the difference between Total Development Cost (exclusive of syndication-related costs) and all available funding sources, including Housing New Mexico/MFA financing awarded in conjunction with the tax credit allocations, excluding anticipated tax credit proceeds. The terms of all proposed sources must be within reasonable industry norms, and financing for the Project has to be maximized when evaluating rate, term, debt service coverage, loan-to-value, etc. The maximum tax credit amount allowed based on the funding gap will be determined by Housing New Mexico/MFA limits stated in Section IV.E.3 above.
- 5. Increased basis for high cost areas. Additional Eligible Basis (30% of the initial calculation) will be applied for Projects located in HUD-designated Difficult Development Areas (DDA) or Qualified Census Tracts (QCT). Applicants requesting such increases must deliver evidence in the Initial Application Package that the Project is located in a DDA or QCT.

Projects, regardless of whether they are located in a DDA or QCT, may also be determined to be eligible for the state-designated basis boost (up to 30% of the initial calculation) if deemed necessary for Project feasibility as determined by Housing New Mexico/MFA.

The state-designated basis boost is available to the following 9% Projects:

 a. Projects receiving points under the Households with Special Housing Needs Housing Priority

- Projects receiving points under the Projects Reserved for Seniors Housing Priority
- Projects receiving points under the Households with Children Housing Priority

The state-designated basis boost cannot be applied to Projects financed by tax-exempt bonds.

- 6. Adjustments to credit allocations. When actual tax credit proceeds are confirmed and final financial Feasibility Analysis is performed during review of Final Allocation packages, there may be adjustments to the tax credit allocation. Adjustments may also be made at Carryover for rehabilitation Projects when the CNA and appraisal are provided. Professionals performing the CNA must meet the minimum qualification/certification requirements set forth by Housing New Mexico/MFA as defined in the Design Standards. If actual Project costs or funding sources differ substantially from the projections submitted in the Application, Housing New Mexico/MFA may adjust the final tax credit allocation or the Project Owner may establish Project reserves to offset the deficit, if in Housing New Mexico/MFA's reasonable judgment the Project has sufficient tax credit eligibility. The conditions for such reserve accounts will be determined by Housing New Mexico/MFA on a case-by-case basis.
- Federally required subsequent financial analysis. Federal regulations require that housing credit agencies conduct evaluations at three specific times to determine the amount of applicable tax credits.
 - a. Upon receipt of an Application for LIHTC Reservation; and
 - b. Prior to granting a tax credit allocation; and
 - No earlier than 30 days prior to awarding the tax credit certification, IRS Form 8609.

F. Final Processing and Awards

1. Additional considerations. Applications meeting the requirements of the threshold review and Feasibility Analysis described above will be further evaluated and processed by Housing New Mexico/MFA. In this step all remaining determinations will be made with respect to development team capability, design, readiness to proceed and other factors in Housing New Mexico/MFA's reasonable judgment to evaluate the Project's Application. Projects must meet the Design Standards available from Housing New Mexico/MFA on the website. Debarment from HUD, Housing New Mexico/MFA or other federal housing programs, bankruptcy, criminal indictments or convictions, poor performance on prior Housing New Mexico/MFA or federally-financed Projects (for example, late payments within the 18-month period prior to the Application Deadline, misuse of reserves and/or other Project funds, default, fair housing violations, non-

compliance [e.g. with the terms of LURAs on other Projects] or failure to meet development deadlines or documentation requirements) on the part of any proposed development team member or Project Owner or other Principal or Affiliate may result in rejection of an Application by Housing New Mexico/MFA. In addition, Housing New Mexico/MFA will consider a Principal's progress made with previous tax credit Reservations, including timeliness in delivering required documents and fees and meeting all required deadlines. When scoring and ranking generates multiple Projects that would draw tenants from a single market area (as determined by the market studies for the Projects in question), Housing New Mexico/MFA may choose to eliminate the lower scoring or higher cost Project to avoid overbuilding and distribute credits more evenly throughout the state. In addition, Housing New Mexico/MFA reserves the right to reject any Project, which Housing New Mexico/MFA in its reasonable judgment determines is inconsistent with prudent business practices or with the intent and purpose of the QAP. Housing New Mexico/MFA may also make awards conditional on specific modifications to the Project that Housing New Mexico/MFA in its sound judgment considers necessary to enhance the feasibility or safety of the Project.

- 2. Selection of projects for awards. Projects meeting the threshold review requirements listed in Section III.C will be ranked and ordered according to scoring procedures established in Sections II.C and III.E with consideration to the Allocation Set-asides as described in Section III.D. Staff will then prepare a summary of the Projects to be recommended for allocations. Eligible and ineligible Projects will be distinguished for purposes of subsequent awards if additional credits become available. Tax-exempt bond financed Projects will be evaluated in a similar process but will not compete against other Projects for an allocation of tax credits.
- 3. Allocation Review Committee (ARC). The Chairman of the Board of Housing New Mexico/MFA will appoint an ARC. The functions of this committee will be to: 1) review the Project rating and ranking results in the staff's proposed award summary, 2) determine whether or not the proposed awards have been made consistent with this QAP, 3) conduct the appeals process and 4) make final award recommendations to the Board of Directors. Housing New Mexico/MFA will notify Applicants of the preliminary status of their Projects with the use of a preliminary Reservation Letter, preliminary waitlist letter or rejection letter, after ARC's approval of the staff's proposed awards and before the appeal process begins. Such letters will be scheduled to be issued after the Allocation Review Committee meets.. Except for appeals as described in Section IV.F.4 below, the provisions of this section are not applicable to tax-exempt bond financed Projects.
- 4. Appeal process. Applicants wishing to appeal a determination made by Housing New Mexico/MFA with respect to their Application may do so by way of the "Form of Submission" (Section IV.A.3) no later than 5 p.m. Mountain Standard Time on the 10th

calendar day after the date of the preliminary Reservation Letter, preliminary waitlist letter or rejection letter (or draft Letter of Determination, in the case of tax-exempt bond financed Projects). Appeal requests may only be filed by the General Partner or proposed General Partner and only one appeal may be filed with regard to an Application. Housing New Mexico/MFA's initial determination with respect to the Application will stand unless the Applicant can prove or justify, solely on the basis of materials submitted in the Initial Application, why the decision should be changed. The ARC will review the appeal and take whatever action it deems appropriate. The decision by ARC or the Board, if the matter is referred to the Board, will be final, no further appeals will be entertained. Appeals may result in re-ranking of Projects, in rejection of previously approved Projects and/or in approval of previously rejected Projects. Once the appeals process is completed and the resulting recommendations are considered and approved by Housing New Mexico/MFA's Board of Directors, final Reservation Letters, in accordance with Section IV.F.5, (or draft Letter of Determination in the case of tax-exempt bond financed Projects) will be issued.

5. **Board of Directors**. The Board will make final awards for each competitive 9% tax credit allocation round (for logistical reasons the preliminary Reservation Letters, preliminary waitlist letter and rejection letters will be issued prior to the appeals process and the Board's final decisions).

On or before May 1, 2025, Applicants are required to upload a brief (approximately three minute) MP4 video (suitable to be shared on YouTube) to Housing New Mexico/MFA's website portal. The video must highlight the proposed Project being recommended for approval by Housing New Mexico/MFA's Board of Directors. Housing New Mexico/MFA will provide an outline of the presentation format. Applicants are also required to attend the Housing New Mexico/MFA Board of Directors meeting to answer any questions board members may have regarding the Project recommended for approval. Final Reservation Letters will be issued following the Board decision. Housing New Mexico/MFA Board-approved hybrid 9%/4% projects with a pending allocation of private activity bond volume cap will receive Final Reservation Letters following approval of private activity bond volume cap. The Board will approve Projects considered to be Eligible Projects and these may include Projects for which tax credit allocations are not immediately available. If any Projects receiving a Reservation fail to meet subsequent requirements, an allocation of tax credits may be revoked and then awarded by Housing New Mexico/MFA to the next highest scoring Eligible Project(s) on the waiting list. Any conflicts of interest of Board members are to be disclosed and Board members having such conflicts will abstain from votes approving or disapproving LIHTC Projects in accordance with Housing New Mexico/MFA's policies, procedures, rules and regulations regarding conflicts of interest. The provisions of this section relating to Board actions following competitive allocation rounds are not applicable to tax-exempt bond financed Projects.

G. Notification of Approval and Subsequent Project Requirements

Note: Only Sub-sections 2, 7, 8 (at 8609 Application), and 9-11 of this section (IV.G) apply to tax-exempt bond financed Projects.

Successful Applicants will be notified of Housing New Mexico/MFA's allocation decision in the form of a Reservation Letter. Housing New Mexico/MFA anticipates Reservation Letters will be delivered in May 2025, shortly after approval of tax credit awards at the May 2025 Board meeting.

Reservation Letters and/or Carryover Allocations are non-transferable either to another Entity or within the same Entity where there is a change in Control or General Partner interests, except with the express written consent of Housing New Mexico/MFA, it being the explicit intention of the QAP to prevent one party from obtaining such a Reservation and/or Carryover Allocation in order to sell or broker its interest in the proposal (except for syndication purposes). Because all representations made with respect to the Project Owner, Application, Developer or related party or Entity, or any member of the development team, their experience and previous participation are material to the evaluation made by Housing New Mexico/MFA, it is not expected that Housing New Mexico/MFA's consent will be granted for such transfers unless a new Application is submitted and scores no less than the original Application, and the transfer would result in a benefit to the Project.

Affirmative actions after Reservation. From the date of the Reservation, the Applicant must continue to timely remit all tax credit program related fees and meet each of the deadlines specified below for follow up activity in order to maintain its Reservation or Carryover Allocation. Housing New Mexico/MFA has no obligation to provide any further notice to Applicants of these requirements and failure to submit any one or more of the items may cause the Reservation to be terminated or the Carryover Allocation to be cancelled. Applicants must further agree to voluntarily return their Reservations or tax credit allocations for reallocation to other Projects by Housing New Mexico/MFA if any of the deadlines below are not met. All submissions must follow "Form of Submission" requirements shown in Section IV.A.3.

1. At Reservation

The processing fee must be paid at this time and any other conditions noted in the Reservation Letter, which may include evidence of continued site control, must be satisfied.

2. Quarterly Progress Reports

All 9% Projects must submit a quarterly progress report to Housing New Mexico/MFA on or before March 31st, June 30th, September 30th, and December 31st each year, beginning with March 31st after the allocation year, and continuing until the Final Allocation Application has been submitted. All 4% Projects must submit a quarterly progress report to Housing New

Mexico/MFA following the issuance of a Final Determination letter, starting with the next quarter end, March 31st, June 30th, September 30th, and December 31st each year. The information to be covered in the progress reports will be provided on Housing New Mexico/MFA's website. Any failure to provide a timely progress report, or failure to provide a complete and accurate report containing the required information, may result in a loss of tax credits.

- 3. By November 15th (see footnote 5) of the allocation year
 - a. Threshold requirement number two:
 Applicants whose Projects were not required to meet threshold requirement number two (zoning) at the Application Deadline must submit evidence that all required zoning approvals for the proposed Project have been obtained; and
 - b. All Applicants must deliver:
 - i. The contractor's resume, if it was not included in the Application.
 - iii. Financing Commitment(s) (see definition) for construction and permanent financing and any other rental or other subsidy, as applicable. Financing Commitments must be submitted from all funding and subsidy sources including construction and first mortgage lender(s), all secondary financing sources (i.e., grants, loans, in-kind contributions) and a letter of intent from the equity provider. Projects which include federal historic tax credits in the financing structure must submit evidence from the National Park Service that a complete historic certification part two (2) for the Project has been received.
 - iii. For a Project to be financed by HUD (e.g., HUD 221(d)(4)), evidence that Applicant has submitted a site appraisal and market analysis (SAMA) application to HUD (for new construction Projects) or a feasibility application (for rehabilitation Projects).
 - iv. For a Project to be financed by Housing New Mexico/MFA's 542(c) Risk Sharing program, a HUD firm approval letter.
 - c. Carryover Allocation requirements. If the Project will not be Placed In Service during the calendar year in which the Reservation is made, the Applicant must request a Carryover Allocation by November 15th of the year the Project is awarded. This allows for 24 additional months to complete the Project. The complete Carryover Allocation package must contain all items on the Carryover Allocation requirements checklist (available for download from Housing New Mexico/MFA's website). The checklist includes, among other requirements:
 - i. Updated Development Project Application Form and Schedules A-F.
 - a. If the costs as identified on Schedule D of the original Application have changed more than 5%, then a detailed narrative description of the changes made in the construction drawings and/or Schedule D between Application and Carryover must be provided.

- ii. The Project architect must certify that the Project's final plans and specifications meet the Design Standards and contain all commitments made in the Initial Application regarding design and building. Any changes to the initial commitments made in the initial Project Application must be approved by Housing New Mexico/MFA in writing.
- iii. Concurrent with, or subsequent to the Carryover Application, If there is a change to a key member of the development team (Developer, Project Owner, General Partner, contractor, management company, consultant(s), architect, attorney and accountant, etc.), the project must supply Housing New Mexico/MFA with a written explanation of the reason behind the change, materials supporting the benefit to the Project in making the change (including resumes) in order to assess whether or not the Project is negatively impacted by the change.
- d. Rehabilitation and Adaptive reuse Projects. In addition, rehabilitation Projects must provide, with the Carryover Application, an appraisal and a CNA of the existing Project, dated within 12 months of the Carryover Application. Professionals performing the CNA must meet the minimum qualification/certification requirements set forth by Housing New Mexico/MFA as defined in the Design Standards.
- March 1⁷ of the year following Carryover
 If applicable, the Housing New Mexico/MFA 542(c) Risk Sharing commitment is to be fully executed.
- No later than June 30 (see footnote 5) of the year following Carryover
 The Applicant must submit complete final construction drawings, specifications and construction documents for Housing New Mexico/MFA review for compliance with the Design Standards. See Section IV.C.7 for further details.
- 6. August 31 (see footnote 5) of the year following Carryover
 - a. The Applicant must submit evidence that the basis in the Project exceeds 10% of the reasonable expected total basis in the Project, an independent auditor's report and Cost Certification, a Project Owner's attorney's opinion, in the form required by Housing New Mexico/MFA, and any other documentation required by Housing New Mexico/MFA ("10% test.")
 - b. The Applicant must deliver evidence acceptable to Housing New Mexico/MFA that construction of the Project has begun. This will include, at a minimum, building permits and site photographs.
 - c. The Applicant must deliver an executed partnership agreement.

⁷ If such date falls on a weekend or holiday, the deadline shall be the first working day following such date.

- d. Qualified Nonprofit Organization Eligible Projects included in the federal set-aside (as defined in the Code Section 42(h)(5)(C)) must deliver the recorded Right of First Refusal Agreement using Housing New Mexico/MFA's form of Right of First Refusal Agreement. (Required for all Projects awarded points under Section III.E.1.)
- If federal historic tax credits are included in the financing structure of the Project, evidence of National Park Service approval of the Project's historic certification – part 2 must be submitted.
- f. The Applicant must deliver evidence that the Project Owner has taken ownership of the land and, if applicable, depreciable real property, that is expected to be part of the Project. For tribal Projects, this would include fully executed master and sub-lease agreements with evidence of filing with the Bureau of Indian Affairs.

7. At or around the 50% construction completion mark

The Applicant must organize a meeting with Housing New Mexico/MFA staff (both Asset Management and Housing Development departments). The Developer, owner, nonprofit representative, management company staff, and any service providers involved in the Project must be in attendance. This meeting will be required ahead of lease-up. The following materials must be submitted prior to this meeting:

- · Related Party Affidavit for the Management Agent
- Compliance Affidavit for the Property Management Agent
- Property Management Agent resume
- Schedule I for the Property Management Agent
- MOU required under Section III.E.8 above will be required for this meeting, as applicable.
- 8. **November 15**th (see footnote 5) of the second year following the initial allocation.

Final Allocation and Placed In Service requirements. On or before November 15th of the second year following the initial allocation, a Placed In Service Application or a Final Allocation Application must be submitted. **Failure to meet this requirement will result in the loss of tax credits.** If the Project is to be Placed In Service but Applicant is not yet ready to request LIHTC allocation certification (IRS Form 8609), the Placed In Service portion of the Final Allocation package must still be submitted on or before November 15th of the second year following the initial allocation. A complete Final Allocation package shall be submitted no later than 120 days following the close of the Project's first taxable year of the Credit Period.

If the Project Owner anticipates returning any portion of the allocated tax credits, updated Schedules A-F are due no later than February 15th of the year following the Placed In Service date to ensure that the returned credits can be awarded to another Project or Housing New Mexico/MFA's loans can be adjusted prior to the Final Allocation

package submission. If the Project Owner fails to notify Housing New Mexico/MFA and submit the updated Schedules A-F by February 15th of the year following the Placed In Service date and the tax credits are not able to be allocated to another Project, the Principals involved in the Project will be ineligible to participate in the 9% LIHTC round the year after the Final Allocation package is submitted.

Prior to the issuance of IRS Form 8609 certifications for the Project, the Project Owner must submit a complete Final Allocation package, containing all items in the Final Allocation checklist, which include, among other items, the following:

- a. Cost Certification. Cost Certifications are required to be prepared as described in Section V. The CPA-prepared Cost Certification must be delivered by the Project Owner prior to the issuance of IRS Form 8609 certifications; the general contractor-prepared Cost Certification (if applicable) may be held in escrow by the project or general contractor, but would be required for audit purposes, as outlined in Section II.S.
- b. Architect's certification. A certification from the Project architect with required text as set forth in the Final Allocation package, certified by the Project Owner, that the Project has been built in conformance with the Design Standards, all applicable codes and commitments made in the Initial Application regarding design and building, unless otherwise approved in writing by Housing New Mexico/MFA.
- c. Project Owner's attorney's opinion. A Project Owner's attorney opinion submitted on the firm's letterhead with required text as set forth in the Application Package.
- d. Final contractor's application and certificate for payment, AIA doc. G702 or equivalent. A fully executed copy indicating all the hard Construction Costs for the Project must be submitted with the Final Allocation package.
- e. LURA. Prior to December 31st of the year in which the buildings are Placed In Service, the Project Owner must submit an executed and recorded LURA, satisfactory to Housing New Mexico/MFA in form and content.
- Design Review. Housing New Mexico/MFA must approve the final construction completion inspection described in Section IV.C.7. prior to 8609 issuance.
- 10. Other Project Owner responsibilities and elections. The Project Owner must place the buildings in service and claim tax credits within certain time periods. Project Owner must forward written notice and copies of all Certificates of Occupancy (for new construction) or Certificates of Substantial Completion (for rehabilitation) to the tax credit program manager within 30 days of issuance, to ensure that all necessary administrative actions are taken in a timely manner. Otherwise, tax credits may not be able to be claimed as desired.

11. LURA or Extended Use Agreement. Section 42(h)(6) of the Code requires imposition of "an extended low-income housing commitment." Housing New Mexico/MFA complies with this requirement with a LURA filed at the time of placement in service or Final Allocation. The LURA sets forth, as covenants running with the land for a minimum of 30 years (or longer if Project Owner commits to a longer restriction period), the compliance fees, the low-income set-asides, the percentages of median income to be served, the Special Housing Needs to be served, if any, and any other such commitment made in the Initial Application or that may be imposed through this QAP and the Code. The LURA may not be terminated prior to its term for any reason other than foreclosure or an instrument in lieu of foreclosure and the Project Owner will not have the right to require Housing New Mexico/MFA to present a "Qualified Contract" in accordance with Code Section 42(h)(6). The Project Owner will also have to deliver subordination agreements from all lenders, giving lien priority to the tax credit restrictions.

H. Termination of Reservations or Rejection of Applications

Any of the following events or actions on the part of the Applicant at any time subsequent to the Initial Application may cause the Application to be rejected or the Reservation to be terminated in Housing New Mexico/MFA's sole discretion:

- 1. Loss of site Control or site change
- Submission of any false or fraudulent information in the Application or in other submissions
- 3. Failure to meet the conditions of Section IV.B and IV.G above or in the Reservation Letter
- 4. Subsequent regulations issued by U.S. Department of Treasury or the IRS pertaining to the Code
- Failure to promptly notify Housing New Mexico/MFA of any material or adverse changes in the facts of the original Application pursuant to Section IV.I below
- 6. Instances of non-compliance continuing beyond the specified cure period on Applicant's or Principal's other Projects
- 7. Any other change which would alter the original scoring of the Application or which was not approved in advance by Housing New Mexico/MFA
- 8. Debarment from HUD, Housing New Mexico/MFA or other federal programs, bankruptcy, criminal indictments or convictions, poor performance on prior Housing New Mexico/MFA or HUD-financed Projects (including but not limited to late payments within the 18 month period prior to the Application Deadline, misuse of reserves and/or

other Project funds, default, fair housing violations, non-compliance [e.g. with the terms of LURAs on other Projects,] failure to meet development deadlines or documentation requirements) on the part of any development team member or Project Owner or Principal

Change in the federal Set-aside Election or other set-aside proposed in the Initial Application, subsequent to the Application Deadline

I. Notification to Housing New Mexico/MFA of Changes to the Project

It is Applicant's responsibility to notify Housing New Mexico/MFA immediately, in writing, of any changes to the Project subsequent to submission of an Application, including the changes listed below and any other material changes, by requesting Housing New Mexico/MFA's approval of such changes. Failure to notify Housing New Mexico/MFA may result in the rejection of an Application or loss of a Reservation or tax credit allocation. Approval of such changes will be made in Housing New Mexico/MFA's sole discretion and the change may result in a change in the tax credit amount or other action by Housing New Mexico/MFA. A \$500 fee payment is required at the time of the request for approval of any changes in accordance with Section IV.B. In addition to this fee, Applicant agrees it shall pay Housing New Mexico/MFA any legal fees it may incur in processing the request. Applicants/Project Owners will not be allowed to make changes to a Project that would result in a change to any of the specific items for which points were awarded, unless extraordinary and well-documented circumstances would warrant it, and changes must be approved by Housing New Mexico/MFA. Any such change(s) to a Project that would require a re-scoring or re-evaluation which causes the Project's score to fall below its original score may cause the LIHTC allocation to be rescinded in the case of 9% Projects or never issued in the case of 4% Projects.

Examples of changes of which Housing New Mexico/MFA must be notified:

- 1. Site control or rights of way are lost;
- 2. Project costs change in excess of 5% of the Total Development Cost shown in the Carryover Allocation Application Package (for 9% Projects) or subsequent to Initial Application submission (for 4% Projects);
- 3. Applicant obtains additional subsidies or financing other than those disclosed in the Carryover Allocation Application Package; or loses subsidies or financing included in the Carryover Application Package, and/or the amount of any such financing or subsidy changes by greater than or equal to 10% from the amount shown in the Carryover Allocation Application Package (for 9% Projects) or subsequent to Initial Application submission (for 4% Projects);

- 4. Development cost contributions made by a state, local or tribal governmental Entity are reduced, increased, withdrawn or substituted with other types of contributions than the ones originally proposed in the Application;
- The syndication payment timing and/or net proceeds change from those stated in the Carryover Allocation Application Package (for 9% Projects) or subsequent to Initial Application submission (for 4% Projects);
- 6. The parties [other than the limited partner(s) formation] involved in the ownership Entity as represented in the Application change;
- 7. Changes to Project design, unit design, square footage, unit mix, number of Units, number of buildings changes, amenities, parking quantities, landscaping scope, energy performance, water usage, quality of construction or specification;
- 8. A change in any enrichment service provider and/or change in type of enrichment service to be provided;
- 9. The general contractor or other member of the original development team changes;
- 10. Any fire or other natural disaster occurring at or near the Project site; or
- Any other factor deemed material by Housing New Mexico/MFA in its reasonable judgment.

J. Notice Provisions

Housing New Mexico/MFA will typically provide notice to Applicants through certified mail, courier service or e-mail transmission. Consequently, correct street addresses, e-mail addresses and phone numbers must be provided clearly in the Application form. Such notices will be provided only to the Contact Person(s) shown in the Application form. Housing New Mexico/MFA will not be responsible for any consequences that may result from the Applicant's inability to receive notice from Housing New Mexico/MFA due to a change in Contact Person information, or other contact information i.e. address or phone number, that was not reported to Housing New Mexico/MFA.

K. Applications are Public Records

All information contained in Applications for tax credits are public records subject to inspection under state and federal open records laws. In addition, Housing New Mexico/MFA may share information and details obtained from Applications with other public agencies.

L. Attorney Fees

Any and all attorney fees incurred by Housing New Mexico/MFA in the course of contract development, negotiations, project reviews, loan conditions, ownership changes or other project-specific legal expenses will be reimbursed by the Project or Developer. In any litigation, arbitration or other proceeding arising from, as a result of or pursuant to this QAP and/or the resulting tax credit allocation round, selection process or award determinations, Housing New Mexico/MFA, if it is the prevailing party, shall be entitled to be awarded its reasonable attorney fees, costs and expenses incurred from the opposing party, regardless of which party initiated the litigation, arbitration or other proceeding.

V. Cost Certification

A. Applicability of 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), Housing New Mexico/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 costs 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 Housing New Mexico/MFA cost requirements if a Maximum Guaranteed Price or Stipulated Sum Contract was utilized. Therefore, if the project entered into a Stipulated Sum Contract or a Maximum Guaranteed Price, a Cost Certification does not need to be prepared by the general contractor.

B. Requirements

The Form 8609 Cost Certification must meet the following requirements:

1. The CPA preparing the Cost Certification must certify that all costs are related to the Project's development and do not include costs for organization, syndication, professional or consultant fees related to syndication. The CPA shall "test" a minimum of 20% of all costs listed therein. Both the CPA and Project Owner must execute the Cost Certification. In addition, a Cost Certification is required to be prepared and executed by the general contractor if the project is not utilizing a stipulated sum contract. Each Cost Certification must specifically identify those costs listed in any general or "Other" category. The general contractor Cost Certification (if applicable) may be held in escrow

by the project or general contractor but must be produced in the event of an audit as outlined in Section II.S.

- All fees, including the developer fee, paid to the Project Owner or Developer or to an
 Entity with an Identity of Interest with the Project Owner or Developer, must be clearly
 identified. If all or a portion of the developer fee is deferred, copies of the promissory
 note or other substantiation of the validity of the fee must be reviewed.
- If the land is purchased from a related party, the Project Owner must submit an appraisal
 to substantiate fair market value, which appraisal must include a determination of value
 based upon any land use restrictions per HUD or other Entity, including Housing New
 Mexico/MFA.
- 4. Legal fees related to land acquisition must be clearly identified.
- 5. Interest expense related to land must be clearly identified.
- 6. The sources of all funding including loans, tax credit proceeds, Project Owner/Developer equity and all other sources must be certified.

C. Authority to Determine Maximum Qualified Basis

Housing New Mexico/MFA may challenge the costs provided in the Cost Certification, impose the limitations set forth in this QAP and in its sole discretion, determine the maximum Qualified Basis against which credit is allocated.

VI. Processing of Tax-Exempt Bond Financed Project Applications

The Code allows tax-exempt bond financed Projects to receive an allocation of 4% tax credits provided they meet the minimum requirements for an allocation in the QAP. Housing New Mexico/MFA's determination that a Project satisfies the requirements of the QAP will be based on the Project meeting all minimum Project threshold requirements, staff analysis, Application processing, Feasibility Analysis and property standards described in the QAP in effect when the determination is made. The tax credits allocated to tax-exempt bond financed Projects are not subject to the Annual Credit Ceiling and, consequently, are not required to compete in the competitive allocation process described in the QAP. Housing New Mexico/MFA staff will undertake an analysis to determine the tax credit amount necessary for financial feasibility using the same underwriting criteria used in evaluating non-bond-financed projects.

Similar to competitive applications, all tax-exempt bond financed Projects are required to submit an Intent to Submit a Tax Credit Application and Development Synopsis at least 30 days prior to submitting their Application in order to insure timely processing to meet other bond issuance deadlines. Additionally, all tax-exempt bond financed Projects are encouraged to meet with Housing New Mexico/MFA staff at least 30 days prior to submission to review and discuss the proposed Project.

Requests for these determinations (Applications) must be made by the Project's Developer/sponsor at least 60 days prior to submission to the State Board of Finance for bond volume cap. Requests must include an Application fee and Direct Cost Deposit as listed in Section IV.B., a market study, a completed 2025 Universal Rental Development Application and Schedules with all attachments and any other material specified by Housing New Mexico/MFA. The market study must meet all requirements identified within the Market Study Parameters in Housing New Mexico/MFA's determination and be dated no more than 180 calendar days prior to the date on which a Complete Application is received by Housing New Mexico/MFA. (See Section III.C.4 for more information about Market Study requirements.) Prior to the release of the Letter of Determination by Housing New Mexico/MFA staff, a processing fee in the amount of 8.5% of the approved annual credit amount will be due. Housing New Mexico/MFA's initial response to the Application for 4% tax credits will be provided no later than 60 business days subsequent to receipt of the Complete Application by Housing New Mexico/MFA.

Unless otherwise stated, all provisions of this QAP are intended to apply to tax-exempt bond financed Projects. To assist in clarifying where provisions are different, Housing New Mexico/MFA has prepared a separate application form for 4% Applications and a 2025 Bond Checklist that are available to download from Housing New Mexico/MFA's website. In addition to the Project Narrative required for 9% Projects, the required Project Narrative must also include the description of the characteristics of the Project in terms of the tax-exempt bond issuance. A failure to provide any of the information required herein will result in a determination, in Housing New Mexico/MFA's sole discretion, that the Project Application is incomplete. You may provide additional documentation that supports this narrative. Each supporting document should include a brief description of what is contained in the document and the purpose for which it is being submitted. This expanded document shall also address the following:

- a. The current use and condition of the proposed site;
- The amount of requested Volume Cap. Provide explanation of and support for the amount requested;
- Evidence of qualification under the relevant bond financing sections of the Code;
- d. Describe in detail the bond financing structure;

- 1. Identify if there will be more than one series of bonds;
- 2. Will the bonds be used in construction only or be used in permanent financing;
- 3. Bond terms including any source used to pay back the bonds;
- 4. All entities involved in the financing, e.g., rating agencies, bond insurer, letter of credit bank, credit enhancement Entity;
- e. Evidence and support of adequate market for the Units and explanation of why the housing needs of households eligible to live in the proposed Project are not being met by existing multifamily housing;
- f. Conditions to be satisfied prior to bond issue, e.g., all governmental approvals, real estate conditions;
- g. Statement indicating why the public purpose of the bonds could not be as economically or effectively served without an allocation of bond cap;
- h. Other information regarding the economic benefits of the Project to the Project's community and the State of New Mexico;
- Provide a detailed timeline, incorporating all pertinent milestones including but not limited to all governmental approvals and the bond closing.

Tax-exempt bond financed Projects may receive tax credits on the full amount of their Eligible Basis only if at least 50% of the Project's "aggregate basis" is financed with tax-exempt bonds. Additionally, numerous bond-financing rules apply and many tax credit requirements are different for tax-exempt bond financed Projects. Housing New Mexico/MFA recommends that Project Owners undertaking these Projects obtain advice from qualified tax professionals to ensure that such requirements are met.

To ensure that these credits are used to leverage the greatest possible amount of resources, the following additional minimum Project threshold requirements will apply:

- Percent of total sources limit. The private activity bond volume cap allocation by the
 State Board of Finance must not exceed 60% of the Project's "aggregate basis". Waivers
 regarding this provision will be considered on a case-by-case basis for Projects that have
 received an allocation of volume cap and experience unanticipated cost increases that
 necessitate a waiver for Project feasibility.
- 2. **Costs of issuance limit**. Costs of issuance may not exceed 5% of the bond issue for Projects with total financing sources of \$2,000,000 or more and 7% for Projects with total financing sources of less than \$2,000,000.

For all tax-exempt bond financed Projects, the Project Owner must provide notice to Housing New Mexico/MFA that Units have been Placed In Service by providing written notice and copies of the Certificates of Occupancy for new construction, the Certificate of Substantial Completion for rehabilitation within thirty (30) days of issuance. Additionally, the Project Owner must request the issuance of a LURA from Housing New Mexico/MFA within one month of the date on which the last Unit of the Project was Placed In Service.

VII. Amendments to the Allocation Plan and Waivers of Plan Provisions

Housing New Mexico/MFA reserves the right to modify this QAP, including its compliance and monitoring provisions, and to waive plan provisions, as required by the promulgation or amendment of the Code, from time to time or for other reasons as determined by Housing New Mexico/MFA, including, but not limited to, the ability to respond to government declared disasters and emergencies. Housing New Mexico/MFA will, however, make available to the general public a written explanation of any allocation of housing tax credits that is not made in accordance with established priorities and selection criteria of the Agency.

VIII. Future Year's Binding Commitments

Housing New Mexico/MFA staff shall have the authority to advance allocate up to \$300,000 in future year's tax credits to Board-approved Eligible Projects. However, advance allocations are made solely at Housing New Mexico/MFA's discretion and no advance allocation may be made to any Project whose tax credit amount is not at least 50% funded by the current year's Annual Credit Ceiling without Housing New Mexico/MFA Board approval. Future year commitments in excess of \$300,000 in any given year must also be approved by the Board. Any advance allocation will require the Applicant to execute a Binding Commitment, as drafted by Housing New Mexico/MFA and agree to the dates and timeframes required in this QAP.

IX. Disaster Relief Allocations

The Board will retain the authority to allocate current or future year's tax credits at any time and in any amount to Projects approved by the Board that are intended to alleviate housing shortages in communities affected by declared and natural disasters.

X. Housing New Mexico/MFA Tax Credit Monitoring and Compliance Plan Summary

A. General Requirements

Federal law requires Housing New Mexico/MFA to develop and implement a compliance-monitoring program for completed Projects that have received LIHTCs. A compliance plan contained in a manual has been developed and is available to the Project Owners at Housing New Mexico/MFA's website, www.housingnm.org. Compliance Monitoring is required for a minimum 15 years after receipt of a tax credit allocation. Each Project Owner has chosen to utilize LIHTCs to take advantage of the tax benefits provided. In exchange for these tax benefits, certain requirements must be met so that the Project will benefit low-income tenants.

Project Owners will be required to submit a quarterly report to Housing New Mexico/MFA for each of the first four calendar quarters after a Project is Placed In Service. At that time, if the Project is determined to be in compliance with the Code, reports may be filed on an annual basis with Housing New Mexico/MFA's approval. Project Owners will be required to submit to Housing New Mexico/MFA a copy of all federal form 8609's, including schedule A, filed with the IRS in the first year that credits are claimed and at any subsequent time as requested by Housing New Mexico/MFA. Housing New Mexico/MFA reserves the right, in its sole discretion, to require such additional reports and/or records as Housing New Mexico/MFA reasonably determines are necessary.

Beginning three (3) years prior to the expiration of rent restrictions:

- Project Owners shall notify existing tenants in writing of the date when the Project's
 long-term use restrictions will expire. If the Project Owner fails to timely issue the notice,
 each existing tenant's rent shall remain restricted until such time as each existing tenant
 receives three years notice of the expiring use restrictions.
- Notify all new tenants in writing of the date when the Project's long-term use restrictions
 will expire concurrent with signing a lease to move into the property. If the notice is not
 signed by the tenant with the lease, the tenant's rent restriction shall be extended for the
 number of days the notice was delayed.

Project Owners shall maintain copies of each notice with documentation of the date that the tenant received the notice.

B. Inspections

Housing New Mexico/MFA will conduct on-site inspections of all buildings in the low-income housing Project and will review low-income certifications by the end of the second calendar year following the year the last building in the low-income housing Project is Placed In Service; and at least once every 3 years thereafter. The minimum number of low-income Units that must be included in the random samples on which Housing New Mexico/MFA will conduct physical

inspections or low-income certification review is the lesser of the applicable REAC number or 20 percent of the low-income Units in the Project, rounded up to the next whole number.

Each inspection will include a review of the Project's low-income certifications, supporting income documentation, leases, rent records (including utility documentation) and Unit inspections in at least the minimum Unit sample size of the Project's Set-aside Units and a physical inspection of the entire Project (interior and exterior). In mixed-use and mixed-income properties, 100% of the Units may be monitored. If Projects are determined to be in noncompliance, site visits may occur more often. Housing New Mexico/MFA will provide the owner written notification at least 15 days in advance of scheduled inspections.

Housing New Mexico/MFA will also inspect, as applicable to the property, compliance with service coordination plans and service coordinator office hour requirements, enrichment services, coordinated services, etc. committed to under the Households with Children Housing Priority, Households with Special Housing Needs Housing Priority, Projects Reserved for Seniors Housing Priority and the PSH category under the Underserved Populations set-aside.

During the Extended Use Period, Housing New Mexico/MFA reserves the right, under the provisions of the Code and the Project's LURA, to perform an audit of any Project that has received an allocation of tax credits. This audit will include an on-site inspection of all buildings and a review of all tenant records and certifications and other documents supporting criteria for which the Project Owner received points in the Application for an allocation of credits.

C. Recordkeeping and Record Retention

Under the provisions of the tax credits, the Project Owner will be required to keep records as defined below for each building within a particular Project. These records must be retained by the Project Owner for a minimum of six years beyond the Project Owner's income tax filing date for that year. However, first-year Project records must be maintained for six years beyond the tax filing date of the final year of the Project's eligibility for tax credits. The Project Owner must report to Housing New Mexico/MFA, through Housing New Mexico/MFA's Web Compliance Management System (WCMS), annual audited property financial statements within 120 days of the close of the Project's fiscal year, as well as annual operating budgets. On a monthly basis, the Project Owner must provide tenant income certifications and property vacancy data using the WCMS online system. In addition, the Project Owner must maintain records for each qualified low-income building in the Project showing:

- 1. The total number of residential Units in the building (including the number of bedrooms and size in square feet of each residential unit)
- 2. The percentage of residential Units in the building that are Set-aside Units
- 3. The rent charged on each residential Unit in the building (including utility allowances)

- 4. The number of occupants in each residential Unit in the building
- The low-income Unit vacancies in the building and documentation of when and to whom the "next available Units" were rented
- 6. The income certification of each low-income tenant
- 7. The documentation to support each low-income tenant's income certification
- 8. The Eligible Basis and Qualified Basis for each building
- 9. The character and use of any nonresidential portion of the building included in the building's Eligible Basis (this includes separate facilities such as clubhouses or swimming pools whose Eligible Basis is allocated to each building)
- 10. Additional documentation and reporting as required by federal regulation
- 11. Additional documentation and reporting as required by Housing New Mexico/MFA

Failure to annually report is deemed as noncompliance and is reportable to the IRS.

D. Annual Certification Review

It is the responsibility of the Project Owner to annually certify to Housing New Mexico/MFA that the Project meets the requirements of the Code, whichever set-aside is applicable to the Project. Failure to make this certification is deemed as noncompliance and is reportable to the IRS. This annual certification requires the Project Owner to certify that:

- 1. The Project meets the minimum requirements of the set-aside election
- 2. There has been no change in the Applicable Fraction (as defined in Section 42(c)(1)(B) of the Code) for any building in the Project.
- The owner has received an annual Tenant Income Certification from each low-income resident and documentation to support that certification, or the owner has obtained selfcertifications based on HERA rules.
- 4. Each low-income Unit is rent restricted under the Code
- 5. All low-income units in the Project are and have been for use by the general public and used on a non-transient basis (except for transitional housing for the homeless provided under Section 42(i)(3)(B)(iii) of the Code.

- 6. No finding of discrimination under the Fair Housing Act, 42 U.S.C. 3601-3619, has occurred for this Project. A finding of discrimination includes an adverse final decision by the Secretary of Housing and Urban Development (HUD), 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C. 3616a(a)(1), or an adverse judgement from a federal court.
- 7. Each building in the Project is and has been suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low-income unit in the Project.
- 8. There has been no change in the eligible basis (as defined in Section 42(d) of the Code) of any building in the Project since last certification submission.
- 9. All tenant facilities included in the eligible basis under Section 42(d) of the Code of any building in the Project, such as swimming pools, other recreational facilities, parking areas, washer/dryer hookups, and appliances were provided on a comparable basis without charge to all tenants in the buildings.
- 10. If a low-income unit in the Project has been vacant during the year, reasonable attempts were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units were or will be rented to tenants not having a qualifying income.
- 11. If the income of tenants of a low-income unit in any building increased above the limit allowed in Section 42(g)(2)(D)(ii) of the Code, the next available unit of comparable or smaller size in that building was or will be rented to residents having a qualifying income.
- 12. An extended low-income housing commitment as described in Section 42(h)(6) was in effect, including the requirement under Section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the Project to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437s. Owner has not refused to lease a unit to an applicant based solely on their status as a holder of a Section 8 voucher and the Project otherwise meets the provisions, including any special provisions, as outlined in the extended low-income housing commitment (not applicable to buildings with tax credits from years 1987-1989).
- 13. If the Project Owner received its credit allocation from the portion of the state ceiling set-aside for a Project involving "qualified nonprofit organizations" under Section 42(h)(5) of the Code and its nonprofit Entity materially participated in the operation of the development within the meaning of Section 469(h) of the Code.

- 14. There has been no change in ownership or management of the Project.
- 15. The owner has obtained accurate, allowable, current utility allowances for use in the calculation of rents for the Project. In addition, the owner acknowledges this process to be an annual requirement of the LIHTC program and certifies to adhere to this requirement for the duration of the Compliance Period for the Project.
- 16. For the preceding 12-month period (pursuant to IRS Revenue Ruling 2004-82) the owner has complied with Section 42(h)(6)(E)(ii)(I) that an existing tenant of a low-income unit has not been evicted or had their tenancies terminated for anything other than good cause.
- 17. The Project Owner has complied with Section 42(h)(6)(E)(ii)(II) of the Code and not increased the gross rent above the maximum allowed under the Code with respect to any low-income Unit.
- 18. The Project has complied with the Violence Against Women Act (VAWA), which provides protections for residents and Applicants who are victims of domestic violence, dating violence or stalking, and any other situation or incidence mandated by VAWA. Compliance requirements mandated by VAWA include, but are not limited to, honoring civil protection orders, eviction protection and bifurcation of lease when necessary.
- 19. The owner has received an annual Student Self Certification for each low-income household.
- 20. The owner continues to comply with all terms it agreed to in its Application for Credit authority, including all federal and state-level program requirements and any commitments for which it received points or other preferential treatment in its Application.
- 21. The property has not suffered a casualty loss resulting in the current displacement of residents.
- 22. If applicable, the property has completed the annual service coordination requirements per the LURA including on site office hours, providing coordinated services and conducting an annual survey. If yes, include the number of hours and the number of residents served with coordinated services in the next section.
- 23. The property has completed PSH Commitment to Quality checklist for every Permanent Supportive Housing for each qualified household if applicable.
- 24. The property has provided all required service enrichments according to the schedule listed in the LURA if applicable.

- 25. The property is in compliance with the Smoke Free at Home Program.
- 24. The building identification number, first year of Credit Period and Applicable Fraction of each building.

As an exception, only for RD Projects, Housing New Mexico/MFA may accept a certification from RD that income is based upon annual tenant certifications/re-certifications and that third party verification has been obtained. This certification will be in a form that is acceptable to both RD and Housing New Mexico/MFA. Project Owners must furnish RD certifications annually, verifying that Projects are in compliance with the Code.

Tax-exempt bond financed Projects in which 50% or more of the aggregate basis is funded with the proceeds of bond financing may also be exempt, in Housing New Mexico/MFA's discretion, from many of the certification and review provisions outlined within this document. The monitoring and certification guidelines for these Projects must be in a form that will satisfy those agencies issuing the bonds and Housing New Mexico/MFA. The Project's monitoring procedures must, at a minimum, satisfy the compliance guidelines set forth by the Code.

Projects which are 100% allowable for tax credit purposes (i.e., all Units are income and rent restricted at 60% of AMI or lower or 80% of AMI or lower with an average income of 60% AMI or lower for Average Income Projects) and that have no other financing requiring annual income re-certifications may also be exempt pursuant to HR 3221. Project Owners must furnish Housing New Mexico/MFA certifications annually, verifying that Projects are in compliance with the Code, as well as any other data that Housing New Mexico/MFA may require per our monitoring and compliance guidelines.

The Project Owner of any exempted Project must certify to Housing New Mexico/MFA on an annual basis that the Project is in compliance with the requirements for RD assistance, tax credits or the tax-exempt bond financing guidelines, as applicable, and that all requirements of the Code are also being met. The Project Owner must inform Housing New Mexico/MFA of any noncompliance or if Project Owner is unable to make one or more of the required certifications.

E. Compliance Review

Housing New Mexico/MFA may elect to subcontract the monitoring procedure to other agents. In doing so, Housing New Mexico/MFA would designate the subcontractor as the compliance-monitoring agent who would perform Housing New Mexico/MFA's function.

In the event that any noncompliance with the Code is identified, a discrepancy letter entitled "Notice of Non-Compliance," detailing the noncompliance will be forwarded promptly to the Project Owner and the management company of the Project. The Project Owner must then respond in writing to Housing New Mexico/MFA within 30 days after receipt of the discrepancy letter. The response must address all discrepancies individually and must indicate the manner in

which corrections will be made. The Project Owner will then have a cure period of 30 days from the date of the discrepancies individually and must indicate the manner in which corrections will be made. The proposed owner will then have a cure period of 30 days from the date of the discrepancy letter to correct the noncompliance detected and to provide Housing New Mexico/MFA with any documentation or certification found to be missing during the annual management review. The cure period may be extended for periods of up to six months. Extensions will be based on a determination by Housing New Mexico/MFA that there is good cause for granting the extension.

Housing New Mexico/MFA will notify the IRS within 45 days after the expiration of the cure period of any noncompliance that has been detected. All corrections made by the Project Owner within the cure period will be acknowledged within this notice. A copy of the Project Owner's response to the noncompliance will accompany the notice to the IRS.

If potential noncompliance is discovered during a Compliance Monitoring review, the Project Owner will be required to have the Project's managing agent attend a compliance training session within two months following the Compliance Monitoring review.

In order to offset the cost of monitoring procedures, an annual fee will be assessed for each year through the end of the Extended Use Period. For 2025, the monitoring/compliance fee is \$50.00/set-aside Unit/per year. The monitoring/compliance fee can be paid annually, on or before January 31, or in a lump sum to cover the initial 15 years of the Compliance Period. If paid in a lump sum, the amount will be determined in the year the development receives a Final Allocation. Payment of the lump sum amount will be required prior to issuance of Forms 8609 for each Project. For 2025, the amount of the Compliance Monitoring fee for the remainder of the contractual Extended Use Period will be \$20.00/set-aside Unit/per year beginning in year 16. Annual certifications and reports are due in the Housing New Mexico/MFA office by March 31st of each year (for the past reporting year.) Annual compliance reports are due by March 31st of each year, through Housing New Mexico/MFA's WCMS online compliance system for the full term of the Extended Use Period. Annual audited property financial statements are due in the Housing New Mexico/MFA office within 120 days of the property's fiscal year end. A notice will be mailed to each Project Owner or a designated representative to remind them that the certification, reports and fees are due.

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XI. GLOSSARY

Acquisition Costs - for purposes of calculating developer fee in related party transactions, the full appraised value of any land and/or existing improvements, including any buildings; and/or costs attributable to the acquisition of any land and/or improvements, including any buildings, and including costs relating to title, recording, legal and site review.

Adaptive Reuse Projects - Projects which will involve the conversion of an existing building or buildings, which was not initially constructed for residential use to multifamily residential rental units (i.e., apartment units).

Affiliate - any Person or Entity who (i) directly or indirectly through one or more intermediaries Controls, is Controlled by, or is under common Control with the Applicant; or (ii) owns or Controls any outstanding voting securities, partnership interests, membership interests, or other ownership interests of the Applicant; or (iii) is an officer, director, guarantor, employee, agent, partner, member, manager or shareholder of the Applicant; or (iv) has an officer, director, member, manager, guarantor, employee, agent, partner, or shareholder who is also an officer, director, member, manager, employee, agent, partner, or shareholder of the Applicant; or (v) receives fees as a consultant or advisor that exceeds \$200,000; or (vi) who otherwise shares an Identity of Interest. A third-party management agent that provides services for multiple non-related companies is not an Affiliate unless it is part of the vertically integrated Developer applying for LIHTC.

Affordability Period - Total of the initial Compliance Period plus the Extended Use Period (30-year minimum plus any additional time required and documented in the LURA).

Agency - New Mexico Mortgage Finance Authority (Housing New Mexico/MFA).

Allocation Review Committee (ARC) - a committee appointed by the Chairman of the Housing New Mexico/MFA Board of Directors to review Projects rating and ranking results, to determine if the proposed allocations have been made consistent with the Project Selection Criteria and the QAP, and to hear appeals and decide their outcome.

Allocation Set-asides - the federally mandated tax credit Allocation set-aside requirement for Projects involving Qualified Nonprofit Organizations, as well as other tax credit Allocation Set-asides designated by Housing New Mexico/MFA from time-to-time and incorporated into the QAP.

Annual Credit Ceiling - the total dollar volume of tax credits available for distribution by the Agency and authorized pursuant to the Code, in a given year. The population-based ceiling amount is the amount of tax credits allocated to the state each year based on the state population.

Applicable Credit Percentage - the monthly interest rate issued by the U.S. Department of Treasury and used to discount the present value of the 70% tax credit (set at 9% by the PATH Act of 2015) and the 30% tax credit (set at 4% by the Consolidated Appropriations Act of 2021.)

Applicable Fraction - the fraction, the numerator of which is the number of low-income Units and the denominator of which is the total number of residential rental Units less any Unit exempted by Revenue Ruling 92-61; or the fraction, the numerator of which is the floor space of the low-income Units and the denominator of which is the total floor space of the residential rental Units less any Unit exempted by Revenue Ruling 92-61, whichever is less. The Eligible Basis of a building is multiplied by the Applicable Fraction to determine the Qualified Basis of a building for tax credit purposes.

Applicant - the General Partner or the managing member(s) of the General Partner.

Application - the completed forms, schedules, checklists, exhibits uploaded to Housing New Mexico/MFA's file sharing site https://mfa.internal.housingnm.org/SFT_HD/ any additional documentation requested in the Initial Application Package, Carryover Allocation package and Final Allocation package, as well as any supplemental materials requested by Housing New Mexico/MFA. They must be submitted to Housing New Mexico/MFA in accordance with the QAP in order to apply for the Tax Credit Program.

Application Deadline – 12:00 p.m. Mountain Standard Time on the final day of the Application Period, except for tax-exempt bond financed Projects, for which the submission date is specified in Section VI.

Application Package - the forms, schedules, checklists, exhibits uploaded to Housing New Mexico/MFA's file sharing site: https://mfa.internal.housingnm.org/SFT_HD/ and instructions thereto obtained from the Agency, which shall be completed and submitted to the Agency in accordance with all regulations in order to apply for the Tax Credit Program.

Application Period – the period during which Applications will be accepted by Housing New Mexico/MFA as described in Section IV.A.

Architecture and Engineering – includes the following disciplines: all services provided through the architectural firm including architectural services and supervision, landscape design and civil, structural, mechanical, plumbing, electrical engineering. It does not include the services of a geotechnical engineer or HERS rater as these consultants are contracted directly with the developer. Interior design, if applicable to the Project, is included in the Furniture, Fixtures and Equipment line under Other Construction Costs on Schedule A.

Area Median Income (AMI)– the median income level, issued annually by HUD for each metropolitan area and for each county outside a metropolitan area, which is adjusted for household size and used to calculate maximum income of eligible Persons and rents for Rent Restricted Units. As of July 30, 2008, any Project located in a rural area (as defined in Section

520 of the Housing Act of 1949) shall have income limitations measured by the greater of the HUD median income or the national non-metropolitan median income.

Average Income (AI) Election – This election under the Code was authorized by the Consolidated Appropriations Act of 2018. This set-aside allows the Project to serve households up to 80% AMI as long as at least 40% of the total Units are rent and income restricted and the average income limit for all tax credit Units in the Project is at or below 60% AMI.

Binding Commitment – an agreement between Housing New Mexico/MFA and an Applicant by which Housing New Mexico/MFA allocates and the Applicant accepts tax credits in accordance with Section 42(h)(1)(C) of the Code. Housing New Mexico/MFA's Carryover Allocation is its Binding Commitment.

Blighted Buildings – buildings that are in such severe disrepair that rehabilitation or Adaptive reuse is no longer feasible.

Board of Directors (Board) - Housing New Mexico/MFA's Board of Directors.

Brownfield – land where the development, redevelopment or reuse may be complicated by presence of hazardous substance, pollutant or contaminant including petroleum. Brownfield sites require a remediation plan based on a Phase II Environmental Site Assessment.

Building's Gross Square Feet – the sum of the Gross Square Feet on each floor of a building. Covered parking and structured parking should not be included in the Building's Gross Square Feet.

Capital Needs Assessment (CNA) – a report prepared by a competent professional meeting the minimum qualification/certification requirements set forth by Housing New Mexico/MFA, as defined in the Design Standards, that addresses the following:

- 1. Site visit and physical inspection of the interior and exterior of Units and structures
- 2. Interview with available on-site property management and maintenance personnel regarding past and pending repairs/improvements and physical deficiencies
- 3. Identification of the presence of any visible environmental hazards on the site or other life safety concerns
- 4. Opinion as to the adequacy of the proposed budget for recommended improvements.
- Description of all major systems of the buildings and Units with a projection of the remaining useful life of each, including certification of critical building systems or components that have reached or exceeded their expected useful lives
- 6. Description of all building envelope and structural systems deficiencies
- Projection of recurring probable expenditures for significant systems and components over 15 years.
- 8. Determination of the appropriate upfront and ongoing replacement reserve deposits.

Capture Rate – Ratio of the total Units proposed to the number of income qualified households in the Primary Market Area (PMA). This ratio is calculated by dividing the total number of proposed Units by the total number of age, size and income qualified renter households in the PMA.

Carryover Allocation – the provision under the Code which allows a Project, under certain conditions allowed by the Code, to receive a tax credit allocation in a given calendar year and to be Placed in Service within a period of two calendar years after the calendar year in which Applicant qualifies for a Carryover Allocation. The Carryover Allocation is Housing New Mexico/MFA's Binding Commitment for tax credits.

Casualty - A casualty loss can result from the damage, destruction, or loss of your property from any sudden, unexpected, or unusual event such as a flood, hurricane, tornado, fire, earthquake, or volcanic eruption. A casualty does not include normal wear and tear or progressive deterioration.

Code –Section 42 of the Internal Revenue Code of 1986, as in effect on the date of the QAP, together with corresponding and applicable final, temporary or proposed regulations and revenue rulings issued with respect thereto by the U.S. Department of Treasury or the Internal Revenue Service of the U.S.

Complete Application – an Initial Application meeting all of the requirements in Section IV.A.4, Content and Format.

Compliance Monitoring – the Agency's procedure, as required by the Code and detailed in Housing New Mexico/MFA's Tax Credit Monitoring and Compliance Plan, of auditing and inspecting all completed LIHTC Projects.

Compliance Period – with respect to any building that is included in the LIHTC Project, a minimum period of 15 years beginning on the first day of the first taxable year of the tax Credit Period with respect thereto in which a LIHTC Project shall continue to maintain the low-income Units as low-income Units pursuant to Applicant's Set-aside Election in the Application, pursuant to the Code. Compliance Period plus Extended Use Period equals Affordability Period.

Concerted Community Revitalization Plan – a metropolitan redevelopment plan as defined in NMSA 1978 Section 3-60A-4 prepared and enacted by a local, county or tribal government prior to the Application Deadline. For Projects located on sovereign tribal lands, "Concerted Community Revitalization Plan" means a written plan similar in content and affect to a metropolitan redevelopment plan as defined in NMSA 1978 Section 3-60A-4, prepared and enacted by a tribal government prior to the Application Deadline, which identifies barriers to community vitality and promotes specific concerted revitalization activities within an area having distinct geographic boundaries and must contain more components than the LIHTC Project itself.

Consolidated Plan – plan prepared in accordance with HUD regulations, 24 C.F.R. 91 (1994), which describes needs, resources, priorities and proposed activities to be undertaken with respect to certain HUD programs.

Construction Costs – for purposes of calculating builder profit, overhead and general requirements and per Unit rehabilitation construction Cost, the on-site and construction Costs in the construction contract, before gross receipts tax, profit, overhead and general requirements. At Initial Application and Carryover, Construction Cost should include a reasonable construction contingency.

Contact Person – a Person identified in the Initial Application with decision-making authority for the Applicant, Developer or the Project Owner, with whom Housing New Mexico/MFA will correspond concerning the Application and for the Project.

Contractor's Cost Certification – a certification prepared and executed by the general contractor, indicating all identities of interest and certifying that all Construction Costs included are related to the Project.

Control (including the terms Controlling, Controls, Controlled by, under common Control with, or some variation or combination of all three) - means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of any Person or Affiliate thereof, whether through the ownership of voting securities, by contract or otherwise, including specifically ownership of more than fifty percent (50%) of the General Partner interest in a limited partnership, or designation as General Partner/managing member of a limited liability company.

Cost Certification – A certification prepared by a CPA on forms provided by Housing New Mexico/MFA, indicating the method of certification, all identities of interest and certification that all Project costs included are related to the project.

Credit Period – with respect to any building that is included in the LIHTC Project, the period of 10 years beginning with 1) the taxable year in which the building is Placed In Service or 2) at the election of the Project Owner, the succeeding taxable year.

Developer – any individual, association, corporation, joint venture or partnership, which is to manage all aspects of the construction and/or rehabilitation of the proposed Project.

Development Costs – the sum total of all costs incurred in the development of a Project, all of which shall be subject to approval and are approved by Housing New Mexico/MFA as reasonable and necessary. Such costs may include, but are not limited to:

- 1. The cost of acquiring real property and any building thereon, including payment for options, deposits or contracts to purchase properties.
- 2. The cost of site preparation and development.

- 3. Any expenses relating to the issuance of tax-exempt bonds or taxable bonds by the Agency, if any, related to the Project.
- 4. Fees in connection with the planning, execution and financing of the Project, such as those of architects, engineers, attorneys, accountants and the Agency.
- 5. The cost of studies, surveys, plans, permits, insurance, interest, financing, tax and assessment costs and other operating and carrying costs incurred during construction, rehabilitation or reconstruction of the Project.
- 6. The cost of the construction, rehabilitation and equipping of the Project.
- 7. The cost of land improvements, such as landscaping and off-site improvements related to the Project, whether such costs are paid in cash, property or services.
- 8. Expenses in connection with initial occupancy of the Project.
- 9. Allowances established by the Agency for working capital, contingency reserves and reserves for any anticipated operating deficits during the first two years after completion of the Project.
- 10. The cost of such other items, including relocation cost, indemnity and surety bonds, premium on insurance and fee and expenses of trustees, depositories and paying agents for bonds.

Difficult Development Area or DDA - any area designated by the secretary of HUD as having high construction, land and utility costs relative to Area Median Income in accordance with Section 42(d)(5) of the Code.

Eligible Application or Eligible Project - an Application or Project which has met all minimum Project threshold requirements.

Eligible Basis - the sum of the eligible cost elements that are subject to depreciation, such as expenditures for new construction, rehabilitation and building acquisition.

Eligible Partners or Eligible Households - one or more natural Persons or a household, irrespective of race, creed, national origin or sex, determined by the Agency to be of low- or very low-income. In determining the income standards of eligible Persons for its various programs, the Agency shall take into account the following factors:

- 1. Requirements mandated by federal law
- 2. Variations in circumstances in the different areas of the state
- 3. Whether the determination is for rental housing
- 4. The need for household size adjustments

Entity - any General Partnership, limited partnership, corporation, joint venture, trust, limited liability company, limited liability partnership, limited liability limited partnership, business trust, cooperative or other business association.

Extended Use Period - with respect to any building that is included in a LIHTC Project, the period of affordability following the initial 15-year Compliance Period during which time the Project continues to be restricted to affordable low-income housing. The minimum Extended Use Period required by Code is fifteen years. Compliance Period plus Extended Use Period equals Affordability Period.

Feasibility Analysis – a financial analysis based on rules established by the IRS and Housing New Mexico/MFA to determine a Project's financial feasibility, which is completed to ascertain a tax credit amount, the adequacy of financing sources, and the income required to support operation of the Project.

Federal Grant – any federal grant except those specifically excluded in Section 1.42-16(b) of the Treasury regulations.

Federal Subsidy – any construction or permanent financing that is directly or indirectly financed from state or local bonds, including municipal bonds, which are tax-exempt for federal income tax purposes.

Federally-assisted Building – any building which is substantially assisted, financed or operated under Section 8 of the United States Housing Act of 1937, Section 221(d)(3), Section 221(d)(4) or 236 of the United States Housing Act, Section 515 of the Housing Act of 1949 or any other program administered by HUD or by the rural housing service of the Department of Agriculture.

Final Allocation – a determination by Housing New Mexico/MFA that a Project is complete and that a certain amount of tax credits is warranted. The Final Allocation must be requested by the Project Owner and culminates in delivery of IRS Form 8609 by Housing New Mexico/MFA.

Financing Commitment – a commitment for permanent or construction financing which 1) is not subject to further approval by any loan committee or board of directors or other Entity of the creditor making the commitment and 2) contains specific terms of funding and repayment.

General Partner – that partner or collective of partners identified as the General Partner of the partnership that is the Project Owner and that has general liability for the partnership. If the Project Owner is a limited liability company, the term General Partner shall mean the managing member or members with management responsibility for the limited liability company.

Government Entity or **Instrumentality** – any agency or other government created Entity of the state of New Mexico, the counties or municipalities of New Mexico or the tribal governments of New Mexican tribes and pueblos.

Gross Square Feet – the area that includes all enclosed space as measured from the exterior face of the building walls and means everything under the roof, including storage and patios. Covered parking and structured parking should not be included in Gross Square Feet.

Hard Construction Costs - calculated as the sum of costs for existing structures, site work, rehab and/or new construction, and hard cost contingency, as related to the housing components of the development only. This figure excludes land costs. The costs considered for calculating these

points will not include any costs related to commercial or retail space. (All costs reflected on Schedule D in the Application.)

Historic Property – a building or buildings certified on the National Register of Historic Places (i.e., meet the criteria for Part 1 Approval for Historic Tax Credits

Households or individuals experiencing homelessness - A household or individual is considered homeless if they:

- lack a fixed, regular, and adequate nighttime residence, which includes a primary nighttime
 residence of places not designed for or ordinarily used as a regular sleeping accommodation
 (including cars, parks, abandoned buildings, etc.) or publicly or privately operated shelters or
 transitional housing, including a hotel or motel paid for by government or charitable
 organizations; or
- are being discharged from an institution where they've been a resident for 90 days or less and the Person resided in a shelter (but not transitional housing) or place not meant for human habitation immediately prior to entering that institution; or
- are being evicted from their primary nighttime residence within 14 days and no subsequent residence has been identified and the individual/household lacks the resources and support networks (i.e., family, friends, faith-based or other social networks) needed to obtain housing; or
- 4. have ALL of these characteristics:
 - o unaccompanied youth (less than 25 years of age) or family with children and youth;
 - defined as homeless under other federal statutes who do not otherwise qualify under this definition;
 - has not had a lease, ownership interest, or occupancy agreement in permanent housing for 60 days prior to applying for occupancy;
 - has moved two or more times in the 60 days immediately prior to applying for occupancy; AND
 - o has one or more of the following: a) chronic disabilities, b) chronic physical or mental health conditions, c) substance addiction, d) histories of domestic violence or childhood abuse, e) child with a disability, f) or two or more barriers to employment, which include i) lack of a high school diploma or GED, ii) illiteracy, iii) low English proficiency, iv) history of incarceration or detention for criminal activity, or v) history of unstable employment.
- 5. are fleeing or attempting to flee domestic violence, dating violence, sexual assault, stalking, or other dangerous or life-threatening situations related to violence; have no other residence; and lack the resources and support networks needed to obtain housing.

Households with Children – households that include one or more Persons under the age of 18 years.

Households with Special Housing Needs – households in which an individual or household member is in need of supportive services, tenancy supports and housing and meets at least one of the following definitions:

- 1. Has a physical or mental impairment that substantially limits one or more major life activities; has a record of such impairment; or is regarded as having such impairment. In general, a physical or mental impairment includes hearing, mobility and visual impairments, chronic alcoholism, chronic mental illness, AIDS, AIDS Related Complex, and developmental disability that substantially limits one or more major life activities. Major life activities include walking, talking, hearing, seeing, breathing, learning, performing manual tasks, and caring for oneself.
- 2. Households or individuals experiencing homelessness (see definition above).

HUD - U.S. Department of Housing and Urban Development.

Identity of Interest – occurs when any officer, director, board member or authorized agent of any development team member (consultant, general contractor, attorney, management agent, seller of the land, etc.): 1) is also an officer, director, board member or authorized agent of any other development team member; 2) has any financial interest in any other development team member's firm or corporation; 3) is a business partner of an officer, director, board member or authorized agent of any other development team member; 4) has a family relationship through blood, marriage or adoption with an officer, director, board member or authorized agent of any other development team member or 5) advances any funds or items of value to the sponsor/borrower.

Initial Application – the Application first provided to Housing New Mexico/MFA on or before an Application Deadline to request an allocation of tax credits.

Land Use Restriction Agreement or LURA – the agreement submitted to the Agency restricting the property to affordable housing use during the Compliance Period and Extended Use Period.

Letter of Determination – the letter issued by Housing New Mexico/MFA pursuant to Section 42(m)(1)(D) of the Code advising the Project Owner that Housing New Mexico/MFA has made the determination that a tax-exempt bond financed Project, as described in the Application submitted at a particular point in time, satisfies the requirements for an allocation of tax credits under the QAP conditioned upon Project compliance with the Code. A draft Letter of Determination is valid for six months from the date it is issued. Any changes to the submitted materials or information will also render a determination to be invalid. In such cases, updated materials must be reviewed by MFA before a new determination letter can be issued.

LIHTC Project – the proposed or existing rental housing development(s) for which tax credits have been applied for or received.

Local Government – any county, municipality, tribe or other general-purpose political subdivision in the state of New Mexico.

Local Notice – Housing New Mexico/MFA's letter to the chief executive office (or the equivalent) of the local jurisdiction within which the Project is located, which provides a 30-day period to comment on the Project pursuant to Code Section 42(m)(1)(A)(ii).

Low Income Housing Tax Credit (LIHTC) Program or **Tax Credit Program** – the rental housing program administered by Housing New Mexico/MFA pursuant to the Code and by the state of New Mexico Executive Order 97-01.

Low-income Tenants - households that occupy Set-aside Units.

Low Income Units or **Set-aside Units** – Units which are rent restricted and set-aside for tenants whose income does not exceed 50%, 60% or some lower percentage, whichever is elected, of Area Median Income.

Management Units -

Employee/Exempt Unit

The general-public-use requirement of § 1.42-9 does not apply in the case of units for resident managers, maintenance personnel or courtesy officers (Exempt Units) in a qualified low- income building because the units are not residential rental units but facilities reasonably required for the project. Because the presence of an employee unit must be necessary for project operations, the IRS may examine whether an employee who resides in an employee/exempt unit serves primarily the property where they live by working full time at the property. The necessity of the employee unit may be called into question if the employee's responsibilities are split among more than one property or even if the employee holds a second job.

Based upon the above facts and representations, the IRS has ruled as follows: The adjusted basis of the unit occupied by resident managers, maintenance personnel or courtesy officers is included in the eligible basis of the building under section 42(d)(1), but the unit is excluded from the applicable fraction of the building under section 42(c)(1)(B). Further, the inclusion of the adjusted basis of the unit occupied by resident managers, maintenance personnel or courtesy officers in eligible basis will not be affected by a later conversion of that unit into a residential rental unit.

Additionally, the Internal Revenue Service (IRS) released a program manager technical assistance (PMTA) memo dated June 2, 2014 (PMTA 2014-22), which clarified the IRS position regarding charging for exempt units. In the memo, the IRS states, "Charging resident managers or maintenance personnel rents, utilities, or both for units in a qualified low-income building does not make the units residential rental units and not facilities reasonably required for the project under §1.103-8(b)(4)(iii)."

Market Rate Units - residential rental Units that are not low-income Units.

Material Compliance Matter- any compliance issue identified by New Mexico Housing/MFA (for any of its programs) during a monitoring visit that remains open six months after the monitoring letter was sent.

Material Design Changes – any change in the Project, its scope or its quality which would affect its underwriting or compliance with Housing New Mexico/MFA's mandatory design standards. For example, a change in building area, unit areas, unit counts, amenities, parking quantities, landscaping scope, energy performance, water usage, quality of construction or specification would each constitute a material change.

Minority - For purposes of Scoring Criterion 21(vi), a Minority is a racial or ethnic group, members of which have been subjected to prejudice or cultural bias by virtue of belonging to the group, without regard to individual qualities. Such racial or ethnic groups include, but are not limited to:

- (1) African Americans. Persons having origins in any of the African racial groups of
- (2) Hispanic Americans. All Persons of Mexican, Puerto Rican, Cuban, South or Central American, Caribbean and other Spanish or Portuguese culture or origin.
- (3) Native Americans. Persons having origins in any of the original peoples of North America or the Hawaiian Islands, in particular, American Indians, Eskimos, Aleuts and Native Hawaiians.
- (4) Asian-Pacific Americans. Persons having origins in Japan, China, the Philippines, Vietnam, Korea, Samoa, Guam, the U.S. Trust Territories of the Pacific, Northern Marianas, Laos, Cambodia, Taiwan and India.

Moderate Rehabilitation – repairs, replacements and improvements that do not fall into Substantial Rehabilitation as defined herein or where the work is limited to level two (2) alterations (as described by Enterprise Green Communities Criteria.) Level two alterations include the reconfiguration of space, the addition or elimination of any door or window, the reconfiguration or extension of any system, does not include the replacement of two or more major systems or the installation of any additional equipment. A Project where the work area does not exceed 50% of the aggregate area of the building (the work scope is less than an ICC level three alteration.)

Net Square Footage - the total number of square feet within the inside finished wall surface of the outer walls of a structure. This measurement generally excludes non-rentable areas such as common areas, hallways, and mechanical rooms.

New Mexico Housing Authority (NMHA) – any public housing authority legally established in the state of New Mexico.

Permit Ready Drawings - the bare minimum drawings required to obtain a construction permit from local authorities. This may include but is not limited to: Site Plan, Architectural Plans, Structural Plans, Mechanical (HVAC), Plumbing, Electrical, Product Approval documentations, Energy Calculations and Structural Calculations.

Person - any individual or Entity, and the heirs, executors, administrators, legal representatives, successors and assigns of such Person where the context so admits; and, unless the context otherwise requires, the singular shall include the plural, and the masculine gender shall include the feminine and the neuter and vice versa, as the context within this QAP may call for.

Placed In Service – the date on which the first Unit of a new construction Project is certified or otherwise officially declared as available for occupancy as evidenced by the Certificate of Occupancy. For rehabilitation Projects, it is the date of the Certificate of Substantial Completion. For acquisitions of existing Projects, it is the date of purchase by a new Project Owner.

Principal – an Applicant, any General Partner of an Applicant, and any officer, director, board member or any shareholder, General Partner, managing member or affiliate of an Applicant. It also includes any Entity receiving any part of a developer fee for a Project. For Project compliance purposes (**Section IV.C.8**), Principal would include shareholders with interests of 25% or more, all officers of a corporation (including employees, but excluding volunteer board members with no financial interest), all General Partners or members.

Project – the development proposed by the Applicant as specifically described in the Application.

Project Owner – the legal Entity that ultimately owns the Project and to which tax credits will be allocated.

Project Selection Criteria – the criteria used to score a Project for tax credit allocation purposes.

Qualified Allocation Plan or **QAP** – this Qualified Allocation Plan, which was adopted by Board action on October 16, 2024 and made effective as of December 1, 2024, which was approved by the Governor of the state of New Mexico pursuant to Section 42(m)(1)(B) of the Code and sets forth the Project Selection Criteria and the preferences for Projects which will receive tax credits.

Qualified Basis - the portion or percentage of the Eligible Basis that qualifies for the tax credit. It is calculated by multiplying the Eligible Basis by the Applicable Fraction.

Qualified Census Tract or QCT – any census tract which is designated by the Secretary of HUD as having 50% or more of the households at an income level which is less than 60% of the Area Median Income in accordance with Section 42(d)(5) of the Code.

Qualified Leasehold Interest – a leasehold interest running at least as long as the Extended Use Period.

Qualified Nonprofit Organization – an organization described in Sections 501(c)(3) or 501(c)(4) of the Code and exempt from tax under Section 501(a). The production of decent, safe and affordable housing must be one of the defined goals, objectives or purposes of the nonprofit organization. The nonprofit organization must materially participate in the Project, meaning that the organization must be involved on a regular, continuous and substantial basis in both the development and operation of the Project during the term of the Compliance Period. The nonprofit must also own an interest in the Project throughout the Compliance Period and may not be affiliated with or Controlled by a for-profit organization.

Rent Comparability Study – a report prepared by a qualified third-party that estimates "market" rents for properties undergoing rehabilitation based on the guidance provided in Chapter 9 of HUD's Section 8 Renewal Guide.

Rent Restricted Unit – with respect to a LIHTC Project, a Unit for which the gross rent does not exceed 30% of the imputed Area Median Income limitation applicable to such Unit as chosen by the Applicant in the Application and in accordance with the Code. Gross rent must be determined from the rent charts included in the Application Package and must correspond to the percentage of Area Median Income selected by the Applicant in the Application. It includes the cost of utilities and must be reduced by the amount of tenant-paid utilities. Gross rent includes all income for the Unit, including tenant and any subsidy payments. See also "Unit."

Reservation or Reservation Contract – the contract executed by Housing New Mexico/MFA and the Applicant with respect to an allocation of tax credits, which states the conditions to be met by Applicant prior to issuance of a Carryover Allocation.

Reservation Letter– a document issued by Housing New Mexico/MFA which describes the amount of credits provisionally awarded to a Project and the conditions which the Project Owner must meet in order to obtain a Binding Commitment for tax credits.

Rural Development or RD or USDA (previously called "Farmer's Home Administration" or "FMHA" of the U.S. Department of Agriculture) means Rural Development or other Agency or Instrumentality created or chartered by the U.S. to which the powers of RD have been transferred.

Section 811 Project-based Rental Assistance Demonstration Program (Section 811 PRA) – The purpose of the Section 811 PRA is to expand the supply of supportive housing that promotes and facilitates community integration for people with significant and long-term disabilities. Section 811 PRA provides a project-based rent assistance subsidy that covers the difference between the tenant payment and the approved contract rent. Tenants pay 30 percent of their adjusted gross income for rent and utilities. Tenant referrals and service providers are coordinated by the Department of Human Services (DHS) and Local Lead Agencies (LLAs). For more information go to: https://housingnm.org/property-owners-agents-and-managers/section-811-project-rental-assistance

Senior Housing – Projects that qualify for an exemption from familial status discrimination under the Fair Housing Act. To qualify for this exemption, Projects must be: (i) provided under any state or federal program that HUD has determined to be specifically designed and operated to assist elderly Persons (as defined in the state or federal program); or (ii) intended for, and solely occupied by Persons 62 years of age or older; or (iii) intended and operated for occupancy by Persons 55 years of age or older in compliance with the Housing for Older Persons Act (HOPA), 24 CFR Part 100 Final Rule.

Set-aside Election – the federally imposed minimum proportion of total Project Units set-aside as low-income Units at one or more Area Gross Median Income level(s). This election is made by the Applicant and meets the minimum requirements of Code Section 42: larger proportions of Units are generally set-aside by the Applicant and restricted in the LURA.

Set-aside Units those Units eligible for low income housing tax credits.

Single Room Occupancy – housing consisting of single room dwelling Units. The Unit must contain either food preparation and/or sanitary facilities.

Special Needs - see definition above under Households with Special Housing Needs.

State-assisted Building – any building which is substantially assisted, financed or operated under any state law similar in purposes to Section 8 of the United States Housing Act of 1937, Section 221(d)(3), Section 221(d)(4) or 236 of the United States Housing Act, Section 515 of the Housing Act of 1949 or any other program administered by HUD or by the USDA Rural Housing Service.

Substantial Rehabilitation – commonly referred to as a "gut" rehabilitation and includes the replacement and/or improvements to at least two (2) major systems of the building, including its envelope. Major building systems include roof structures, wall or floor structures, foundations, plumbing, heating, ventilating and air conditioning (HVAC) and electrical systems. The building envelope is defined as the air barrier and thermal barrier separating exterior from interior space. A Substantial Rehabilitation also includes a Project where the work area exceeds 50% of the aggregate building area (an ICC level 3 alteration Scope of Work.)

Tax Credit Ceiling Rents – the maximum rent that may be charged for a Rent Restricted Unit.

Tenant Conversion Plan – a written plan acceptable to Housing New Mexico/MFA, describing the method to be used to enable tenants to acquire ownership of their Units at such time as conversion to owner occupancy is allowed under the Code. The Project Owner must provide and describe the type of homeownership, financial and maintenance counseling to be offered. The Project Owner must describe in detail how the Unit will be converted from a rental Unit to homeownership. Please refer to Section III.E.15 for more information on Eventual Tenant Ownership.

Total Development Cost – the total of all costs incurred or to be incurred by the Project in acquiring, constructing, rehabilitating and financing the Project. For the purposes of calculating

developer fees, Total Development Cost will be adjusted to exclude developer fees (which includes consultant fees), commercial space Construction Costs and all reserves. For purposes of calculating cost limits, the purchase price attributed to the land, any costs related to commercial space, reserves (not eligible for tax credits), and costs of bond issuance on line 65 of Schedule A will be excluded.

Unit – a residential rental housing Unit in a Project including manager and employee Units.

Universal Design – any component of a house or apartment that increases the usability for people of all ages, size and abilities and enhances the ability of all residents to live independently for as long as possible.

Urban Area – A location within the boundaries of Bernalillo County, the City of Rio Rancho, the City of Las Cruces, or the City of Santa Fe.

XII. List of Appendices

The following documents are incorporated by reference into this Qualified Allocation Plan:

- o 2025 Housing New Mexico/MFA Universal Rental Development Application
- o 2025 Housing New Mexico/MFA Universal Rental Development Schedules A F
- 2025 Housing New Mexico/MFA Underwriting Supplement
- o 2025 Housing New Mexico/MFA Design Standards
- 2025 Housing New Mexico/MFA Design Standards Supplement A NHTF Requirements
- 2025 Market Study Parameters
- o 2025 Bond Checklist
- 2025 Carryover Allocation & 10% Test Instructions & Checklist
 - o Assignment of Building Identification Numbers
 - o Architect's Certification
 - o Option to Lock Applicable Credit Percentage (Section 42(b) of the Code)
 - o Ten Percent Letter (Independent Accountant's Report)
 - o Form of Owner's Attorney's Opinion
 - o Exhibit A to Independent Auditor's Report
- Housing New Mexico/MFA Compliance Addendum
- o Service Coordination Checklist of Responsibilities
- o 2025 Placed In Service and Final Allocation Instructions & Checklist
 - o Schedule M Addendum to Application
 - o Form A Instructions
 - o Form A Final Certification of Uses
 - o Form B Independent Accountant's Report
 - o Form C1 Owner's Cost Certification
 - o Form C2 General Contractor's Cost Certification
 - o 2025 Housing New Mexico/MFA form of Attorney Opinion
 - o 2025 Form 8609 Certification
 - o 2025 As-Built Architect Certification
 - 2025 Lender's Consent and Agreement to Recording of and Subordination to Land Use Restriction Agreement
 - o 2025 Project Ownership Profile
 - o 2025 Sample LIHTC LURA
 - o 2025 Sample Equity Certification Letter
- o Low-Income Housing Tax Credit Compliance Plan, December 2021 as may be amended
- Annual Owners Certification, December 2022 as may be amended

Exhibit 1

Board Members

Chair - Angel Reyes - Centinel Bank in Taos

Vice Chair - Derek Valdo - Chief Executive Officer, AMERIND Risk

Treasurer - Rebecca Wurzburger - Strategic Planning Consultant

Member - Howie Morales - Lieutenant Governor, state of New Mexico

Member - Raúl Torrez - Attorney General, state of New Mexico

Member - Laura M. Montoya - Treasurer, state of New Mexico

Member - Patricia A. Sullivan - Associate Dean, New Mexico State University

Allocation Review Committee

Chair, Patricia A. Sullivan Member, Michael A. D'Antonio Member, Edward Archuleta Member, Rosalyn Nguyen Chafey Member, Robert White Member, Nicole L. Martinez Member, Kenneth Carson, Jr.

Management

Isidoro "Izzy" Hernandez, Executive Director and Chief Executive Officer
Donna Maestas-De Vries, Chief Housing Officer
Jeff Payne, Chief Lending Officer
Arundhati Bose, Chief Financial Officer
George Maestas, Director of Housing Development
Jacobo Martinez, Assistant Director of Housing Development
Jeanne Redondo, Tax Credit Program Manager II
Christi Wheelock, Tax Credit Program Manager



Housing New Mexico received the following comments during the public comment period between August 15 and September 5, 2024. Most of the comments are provided word-for-word, except where it was not possible or reasonable to do so, for which the substance of the comment is included. (Where written comments from the same person mirror their comments made during the public hearing, the written comments are provided.) The positive comments that were received along with the recommendations for changes to the draft QAP are appreciated. Housing New Mexico responses are preliminary recommendations that are still going through the approval process and are not final until the 2025 QAP is approved by Housing New Mexico's board of directors and the governor.

Section III.C.7.a.i - Pre-Application Requirements: Intent to Submit

Comment 1

Many of the developers that attended the Developer's Forum earlier in 2024 were in support of moving the Intent to Submit and the entire Application package to the year prior. We are in support of moving the entire application cycle either to Fall the year prior or pushing out the cycle further in the year. A late January application is difficult for several reasons. Coordinating local review. Tribal Council and Housing Board approvals, and coordinating third-party reports are all essentially required to be completed in December 2024 to submit a complete and accurate application in January. The reliability of partners in December is very difficult to account for and it becomes a very hard push once everyone returns in early January. We remain in support of shifting the overall application cycle either a few months earlier or at least one month later.

Comment 2

Regarding the Application deadline, perhaps it could be moved over a few years with the ultimate goal to submit during the summer and forward allocate all credits to the winter, so closing could occur during the spring without added cost and risk to developer.

Response to Comments 1 - 2:

Housing New Mexico considered the feasibility of moving the Application Deadline to the prior year and there are too many other necessary tasks to complete (such as Placed-In-Service Applications, Carryover Agreements) that would take away the ability to also add reviewing 9% LIHTC Applications during the second half of the calendar year. Pushing out the Application Deadline to February would delay the



awards to June, however, during the Developers Forum, the desire to move the Application to the prior year was driven, in part, by the desire to receive awards earlier in the year.

Section III.C.7.c - Pre-Application Requirements: QAP Training

Comment 3

We appreciate that there are benefits in attending MFA's QAP training and that this should occur on a periodic basis. Given that the changes to the QAP and the application from year to year are limited, we suggest that it should be acceptable to MFA that the team need not attend the training every year to meet threshold and claim points. We suggest that training be attended not less than every 3 years.

Response:

Training is required every year because every QAP has its own nuances and Housing New Mexico wants to ensure that the people preparing applications qualify for every point they are entitled to. Opportunities to ask Developers for clarification of their Application materials are limited in a competitive application round. However, the QAP permits Developers submitting 4% LIHTC Applications to review the slides and demonstrate comprehension through a quiz, rather than attend the annual QAP training.

Section III.D.2 - Underserved Populations set-aside

Comment 4

We greatly appreciate the opportunity and access to the Low Income Housing Tax Credit (LIHTC) program through the Underserved Populations set-aside. The set-aside has been extremely helpful to our Tribal clients and we remain in great support. However, we would like to request a slight expansion and clarification on who is eligible to compete in the set-aside. The current language restricts applicants to only those that are defined as:

"Projects that are located within a Tribal Trust Lands boundary"

We believe that the definition here is too limited and excludes a number of different projects. This definition, for example, would on its face exclude a project whose developer is a Tribally Designated Housing Entity (TDHE) or other Tribal entity that owns the project site in fee, but is within the Tribe's reservation boundary. There was a defined era when the Federal Government allowed Tribal



lands to be "allotted" and sold as fee land even though the land is within the defined reservation boundary. Many Tribes and Pueblos have been seeking to re-secure those lands by purchasing the land outright. Many Tribes are pursuing trust status over those fee land parcels, but that is a long and arduous process. Other Tribes are keeping the land in fee for the foreseeable future. These projects should not be restricted from competing as an underserved population simply because it is fee land. We would propose the following language revision:

"Projects whose sponsor and developer are a Tribally Designated Housing Entity (TDHE) or other Tribal entity."

Response:

While it is understood that there are times that Tribes may own land that is not held in trust, the request is overly broad with the potential for unintended consequences. The Underserved Populations set-aside includes Projects that are located within a Tribal Trust Lands boundary because they are more difficult to develop.

Section III.E - Insufficient Private Activity Bond Volume Cap Project Prioritization

Comment 5

We appreciate that MFA is not currently private activity bond volume cap constrained but this might not always be the case. We recognize it is prudent to have language in the QAP to address this potential eventuality. We concur that it makes logical sense to prioritize projects that can demonstrate readiness to proceed. Given the long development timeline of affordable housing and the significant capital deployed during pre-development, we further suggest that additional language be added to the QAP to prioritize projects that submitted applications in the prior year but were not funded due to lack of PAB resources. This concept is recognized in the new proposed points criteria related to Project Readiness on page 54. Of the QAP.

Response:

The QAP prioritizes projects that can demonstrate readiness to proceed when there is insufficient volume cap (e.g., toward the end of the year when there is insufficient volume cap to meet the requests of all Projects with Applications pending). The draft 2025 QAP states that "Projects that exceed the available private activity bond volume cap will receive a draft 42(m) letter after the prioritized Projects are issued the volume cap that is currently available."



Comment 6

We encourage MFA to consider the proposals in [the attached memorandum dated December 12, 2023 which could stretch private activity bond volume cap utilizing the Ventana Fund and/or a second tranche of taxable bonds to be redeemed at Permanent Loan conversions] as a more cost-effective way to develop more affordable housing rather than incentivizing developers to incur the considerable expense of having permit ready plans and specifications completed and included in the MFA applications.

Response:

The draft 2025 QAP prioritizes Projects that are permit ready but does not require it. Housing New Mexico appreciates your suggestions regarding how volume cap can be stretched by using a second tranche of taxable bonds that are redeemed at Permanent Loan conversions and has attached them to this document.

Section III.E.1 - Nonprofit, NMHA, TDHE, THA Participation

Comment 7

We appreciate that MFA provides points for nonprofit participation in the QAP. We urge MFA to reconsider excluding non-local nonprofits from the ability to score Tier 1 points. We believe it is in the best interest of the state to attract the most qualified nonprofit housing partners regardless of whether the board is comprised of a majority of New Mexico residents. If desired, to achieve Tier 1 points MFA could hold "non-local nonprofits" to a higher net worth/net assets standard or demonstrate additional experience.

Response:

It is understandable that out-of-state Developers prefer to partner with nonprofit organizations with whom they have an existing relationship. However, maintaining the tiers with a preference for local nonprofits provides an opportunity to continue to build and maintain their capacity to serve the residents of New Mexico.



Comment 8

We believe that the definition here artificially limits other, non-TDHE Tribal entities. MFA has struck "or government agency" here which could have been the opportunity for a Tribal Government or similar body of a Tribe to earn these points. There are potential applicants that either have not adopted the TDHE or THA model and would be applying as the Tribe themselves or another, similar entity on behalf of the Tribe. We believe that these other entities meet the intention of this section but appear to not meet the plain language. We request that MFA retain the "or government agency" language in this criterion.

Response:

"Or government agency" was deleted in the context of the commitment in the Application to provide a First Right of Refusal described in IRC Section 42(i)(7) and replaced with "NMHA, TDHE or THA" to clarify each of the entities (in addition to qualified nonprofit organizations) that are afforded the First Right of Refusal. The revision did not change the policy that only qualified nonprofit organizations, NMHA, TDHE or THA qualify for points under this scoring criterion.

Section III.E.3 - Rehabilitation Projects

Comment 9

We urge MFA to reconsider its points incentivizing the delay of recapitalization beyond twenty years. While we recognize that MFA has limited resources and it may not wish to use 9% resources on relatively "new" developments we have concerns that the policy will inadvertently lead to more projects opting out of the LIHTC program. Given current market trends, as projects approach the end of their extended-use period (year 30) there is a greater risk that they will be acquired by market rate and/or value add developers that will seek to opt out at the end of the compliance period and raise rents to market. This is particularly the case in markets where there is a significant rent advantage between LIHTC and the market. We suggest that at-risk projects will be best positioned to be preserved while stewarding MFA's scarce resources by incentivizing recapitalization around year 20. We do not recommend MFA offer points to defer recapitalization beyond the 21st year. We further suggest that the Rehabilitation Project Points at least partially conflict with the points available for Sustaining Affordability in the following selection criteria section. We suggest that the Sustaining Affordability provide a more meaningful and targeted



policy outcome (i.e. extending affordability at risk developments) that [sic] the Rehabilitation Project Points.

Response:

We agree that as projects approach the end of their extended-use period (year 30) there is always a potential to convert to market rate rents. New Mexico implemented a policy in 2003 to prevent opting out of the LIHTC program with a qualified contract before year 30 and our preservation program manager tracks the remaining assets at risk of conversion to market rate to offer New Mexico's Preservation Loan Fund, which was designed to be a flexible funding source for multifamily properties at risk of exiting the affordable housing stock.

Older projects have more deferred maintenance that requires the extra funding that a 9% LIHTC structure can provide. So as projects approach year 30, more points are offered. Projects that are "younger" and still needing recapitalization are not prohibited from applying for 9% LIHTC (as they were a few years ago), but are encouraged to apply for 4% LIHTC, as their rehabilitation needs are not necessarily as extensive as older properties.

Section III.E.4 – Sustaining Affordability

Comment 10

2. Scoring Criterion no. 4 - Sustaining Affordability

Change: Submission of a rent comp study for properties with existing federal rental subsidies at time of initial app

Comment: This does not make sense for most HAP properties since their annual rent increase is based on an OCAF rate. This rate is determined by HUD... I believe on an annual basis for each state. How about allowing developers to utilize the existing OCAF rate to show where future rent will be instead of a rent comp study?

Comment 11

We do not see the need to require a Rent Comparability Study at Initial Application, as proposed in the draft QAP. We have completed multiple rehabilitations of projects with existing HAP contracts and have not been required to complete a Rent Comparability Study as part of the transfer or new



contract (extension) application. This would increase "at risk" development costs at the time of application and does not seem necessary in all cases.

Comment 12

Our deals never need a rent comparability study. It just adds additional cost and a step we don't normally need. The contract in place transfers to new owner under RAD program and it is not needed for Project Based Voucher contracts because they use rents in place at time of application.

Response to Comments 10 - 12:

Housing New Mexico has often been asked to underwrite HUD and USDA properties with project-based rental assistance at post-rehab rents. Housing New Mexico requires a rent comparability study to support post-rehab rents. Applicants wishing to use the current OCAF based rents, are free to do so without a rent comparability study. Housing New Mexico will revise the draft QAP as follows:

"All Projects must document the proposed rents. Projects with existing federal rental subsidies (CoC, RD, HUD HAP) who propose post-rehabilitation rents in the Initial Application must document the anticipated rents with a Rent Comparability Study submitted with the Initial Application. Projects not requesting post-rehabilitation rents in the Initial Application may use the current OCAF-based rents or published payment standards based on current FMRs."

Comment 13

MFA has an additional requirement here:

"Projects with existing federal rental subsidies (CoC, RD, HUD HAP) must document the anticipated rents with a Rent Comparability Study submitted with the Initial Application."

The "Rent Comparability Study" is a capitalized term, but it is not defined in the QAP. We request that MFA clearly define this additional proposed study.

Response:

Chapter 9 of HUD's Section 8 Renewal Guide details requirements for any HUD Rent Comparability Study. Its purpose is to estimate "market" rents for properties undergoing rehabilitation. A definition has been added to the Glossary.



Sections III.E.8 - 10 - Special Needs/Senior/Household with Children

Comment 14

We appreciate that previously "MFA-approved services" have been made available as permanent scoring option, simplifying the application process.

Section III.E.9 - Senior Projects

Comment 15

The categories in the draft QAP are broad and may include the following items but I am highlighting them for specific review and approval.

- 1. Additions to the bimonthly health and nutrition category: (i) adaptive cooking classes that cater to varying abilities and mobilities. Classes include simple, low impact cooking techniques and modifications to accommodate various physical and cognitive abilities (ii) nutrition education: nutrition education tailored to seniors, including meal planning, food budgeting on a fixed income. (iii) nutrition workshops for information on adapting recipes to specific health needs, understanding labels, accessible grocery store tours, hands -on meal preparation demonstrations. (iv) Consultations with nutrition specialists.
- 2. Language classes: courses designed to enhance communication skills and improve language proficiency.
- 3. Health and Wellness Programs: physical exercise sessions including chair exercises, stretching, balancing training to improve overall health and mobility.
- 4. Psychiatric Services: Mental health support through assessments, therapy and medication management
- 5. Social workers: Assisting residents with accessing personal resources, managing social services and providing advocacy and support.

Response:

The services under Items 1 and 3 are examples of what could be offered under "bi-monthly health and nutrition education" but are not separate point categories. Item 2 would need to be requested during the FAQ period as a "Housing New Mexico/MFA approved service along with an explanation regarding which



language is being offered and explaining the anticipated need for instruction in that language. Items 4 and 5 are more typical as a Special Needs property. Any request would need to be made during the FAQ period with further explanation regarding how they apply to a development for independent seniors.

<u>Section III.E.10 - Households with Children</u>

Comment 16

The categories in the draft QAP are broad and may include the following items but I am highlighting them for specific review and approval.

- 1. See above on nutrition classes, nutrition education, workshops and nutrition specialists
- 2. Youth services to include: (i) daycare to support working parents (ii) after school programs to include tutoring, sports, arts and recreational activities to support academic achievement and personal development. (iii) educational support access to educational resources and tutoring to enhance academic performance.
- 3. Health and Wellness programs for adults: physical exercise sessions, dance, musical and sound therapies.
- 4. Housing assistance programs: to assist residents secure affordable and safe housing. Focus is on semiannual educational sessions on tenants' rights and responsibilities and workshops on navigating the housing market and understanding leases.
- 5. Career counselling: personalized sessions to assess individual skills, interests and career goals. Include job training focused on skills development including new technologies and industry specific training, resume writing, interview techniques.
- 6. Application Assistance: Guidance on Grants, Scholarships and Aid Programs.

Response:

The services under Items 1 and 3 are examples of what could be offered under "bi-monthly health and nutrition education" but are not separate point categories. Items 2, 5 and 6 would need to be requested during the FAQ period as a "Housing New Mexico/MFA approved service" along with an explanation regarding how these services would be offered on-site and actively linked to the Project, not simply available to the community at large. Item 4 offers services to assist residents secure affordable and safe housing, which they would presumably have, if they resided at your development.



Section III.E.11 - Leveraging Resources

Comment 17

Why can't the sales proceeds loaned back (as a soft loan) to an existing affordable project be counted toward leverage where the seller, developer, and GP are the same? This structure has the potential to bring significant funding/financing to a project. I don't understand why this resource has to come from a third party??? It's not fair... especially for preservation projects.

Response:

After further research, the following will be added as a leveraging source from the General Partner:

"Loaned Sales Proceeds: submit a copy of a contract binding the general partner to loan the entire proceeds from the sale of the land and (if existing) building(s) to the Project's owner entity (Partnership) at an interest rate that does not exceed the Applicable Federal Rate as of the date of transfer to the Partnership with no payments until the 15-year Compliance Period has expired. The contract may only be conditioned upon receipt of a LIHTC reservation. In addition, submit a title report evidencing that the general partner owns the land and/or building(s) and an "As-is" appraisal evidencing the value of the land and (if existing) building(s) dated no earlier than six months prior to the Application date that was completed by an MAI appraiser licensed in New Mexico. The value of the appraisal that will be acceptable for points must assume that any existing use restrictions will remain in place."

Comment 18

We would recommend removing the newly added phrase "Third-Party" to the eligible government contributions category. Inclusion of the term "third-party" to this category only creates additional barriers for projects to receive points from local government funding. ... all types of funding should receive points to make these projects work.

Collaborations and ownership structures between developers and government entities is often what allows financially feasible 9% LIHTC projects to be developed in expensive and hard to develop areas around the state. Likewise, funding from those same local governments is often crucial to the financial feasibility of a project. The partnership with and funding from local governments should not prevent projects from receiving these critical points by leveraging these essential resources. Finally, in rural communities' [sic] local government resources are a primary



source of funding and these governments are part of the ownership to ensure local control in years to come.

Comment 19

We recommend removing the newly added phrase "Third-Party" to the eligible government contributions category. Inclusion of the term "third-party" serves to disincentivize local governments from either funding LIHTC projects or participating in the ownership structure. We have been working for several years to bring forth a new LIHTC funded development and have invested significantly in developing this project and may provide additional resources to increased development. It is difficult to fill funding gaps and suggest that the language in the QAP not be changed as to avoid creating a barrier for municipalities to develop new housing units.

Response to Comments 18 - 19:

Housing New Mexico has considered the comments received and removed this restriction.

Section III.E. 14 - QCT/Concerted Community Revitalization Plan

Comment 20

We would request that Housing New Mexico simplify the points system for sections like the concerted revitalization plan/QCT section. Although prioritizing points for projects that have a CCRP, a MainStreet area or a State-Designated New Mexico Arts and Cultural District is an advantageous way to award projects in areas where disinvestment has occurred and community revitalization is needed; it penalizes project in communities where affordable sites only exist outside of the traditional downtown area (Santa Fe, Taos, etc.) Projects located in a QCT should also gain points over projects that are not located in a QCT nor have a CCRP.

It is federal law to give preference in LIHTC allocations to projects that are in federally designated high-poverty neighborhoods (QCTs) and that contribute to a CCRP, but it does not specify how this preference is to be executed. The way in which Housing New Mexico administers this preference could be altered to award projects in a QCT points and further award points to projects located in communities with CCRPs, rather than the current approach where all points in this category hinge on a project belonging to a CCRP. For example, a project in a QCT receives 3 points; one that is also in a CCRP could receive an additional 1 – 2 points.



The current format creates an incentive that relies heavily on local governments having the capacity to undertake community planning as well as manage these plans. Although that would be ideal, and what all local governments strive for, that is certainly not the case in several communities in New Mexico. This results in valuable and necessary projects located in QCTs not being competitive in this points category solely because local municipalities have not implemented the stringent requirements set forth to create CCRPs as mandated by state statute.

Comment 21

We understand that federal law gives preference in LIHTC allocations to projects that are in federally designated high-poverty neighborhoods (QCTs) and that contribute to a CCRP, but it does not specify how this preference is to be executed. One suggestion is that points could be awarded for projects located in a QCT and additional points be awarded if the project is also located within a CCRP area.

Response to Comments 20 - 21:

Section 42(m)(1)(B)(ii)(III) specifically calls for a "preference in allocating housing credit dollar amounts among selected projects to projects which are located in a qualified census tract (as defined in subsection [42](d)(5)(B)(ii)) and the development of which contributes to a concerted community revitalization plan"

Essentially this means that the preference for projects in a QCT is <u>only</u> when the project contributes to a CCRP. IRS Notice 16-77 discourages awarding incentives to projects in QCTs where a project does not contribute to a CCRP because it concentrates poverty. It states that a project is not described in Section 42(m)(1)(B)(ii)(iii) (i.e., the preference for a QCT) <u>unless</u> its development contributes to a concerted community revitalization plan.

Section III.E.16 - Projects with Historic Significance

Comment 22

We appreciate that there are points available for historic preservation. However, we suggest that the definition included in the QAP is narrow and may unintentionally exclude eligible projects. In addition to projects listed on the National Register of Historic Places, the QAP should also explicitly recognize projects that are contributing structures to historic districts (which would also make them eligible for a Part 1 Approval for Historic Credits).



Response:

Section 42(m)(C)(x) requires that the selection criteria set forth in a qualified allocation plan include "the historic nature of the project". New Mexico's selection criteria include this by requiring that the project is listed on the National Register of Historic Places, is able to receive both Part 1 and Part 2 approval for Historic Tax Credits from the National Park Service and that the historic building exceeds 10% of the proposed total project Gross Square Feet.

Section III.E.17 - Blighted Building and Brownfield Reuse Site

Comment 23

Incentivizing the use of sites with existing environmental problems or costs of demolition seems to run completely counter to the stated goals of the MFA to reduce overall development costs. We would propose that this scoring criteria be eliminated.

Response:

These properties are included because cleaning up infill blighted properties can provide a positive outcome to the neighborhood. Land with some existing environmental problems and blighted properties can be less expensive, mitigating the additional cost of demolition and cleanup.

Section III.E.18 - Efficiency of Tax Credits:

Comment 24

This comment pertains to the stagnant maximum threshold for efficient use of tax credits per low-income unit and tax credits per low-income square foot. The team recommends increasing this maximum threshold. ... The last funding cycle saw a total of 8 applicants – an all-time low and significantly lower compared to pre-pandemic funding cycles. This directly reflects the complex nature and increasingly tough environment in which these projects must be developed. We know Housing New Mexico knows this difficulty well and we are writing this letter to share our support for Housing New Mexico to adjust the maximum threshold for costs to align with current realities. Another option would be to adjust soft fund limits to meet the gap. Either way; the funding assumptions and resources should align with the cost reality in 2024 post pandemic.



Comment 25

We would recommend considering raising the maximum threshold [for efficient use of tax credits per low-income unit and tax credits per low-income square foot] to assist projects with increasing development costs, insurance costs and funding gaps. This would allow projects to be more feasible and attractive to potential developers.

Comment 26

We observe that there is a two-discrepancy in the availability of points between senior properties and family properties. We also observe that the points for the Efficient Use of Tax Credits in its current form (i.e., capping tax credits per LI unit and tax credits per LI square foot) is a significant enough incentive that it offsets the two additional points available for senior properties. We suggest to create more parity between senior and family properties that MFA eliminate the square foot cap. MFA's building standards already have minimum standards for bedroom size as well as bathroom requirements which are effectively driving the size of units. Retaining the square foot cap drives developers to select larger family projects for competitive reasons rather than meeting the most pressing housing needs in the given market they are working in.

Comment 27

The Code obligates the MFA to give preference to projects which serve the lowest income tenants for extended periods of time. This heavy weighting to Cost Efficiency, along with the Leverage scoring category indicates that the highest priority of the State is to provide housing opportunities in the least expensive way possible. Although this may be an important goal, we do not agree that it is the most important criteria for an affordable housing community, and it certainly has long-term implications for long-term property operations and maintenance. To continue to limit credit (equity) subsidy at a time when building costs are increasing and gap funding sources are decreasing makes a very difficult task nearly impossible.

Additionally, this category is only calculated on low-income units and low-income square footage, which disincentivizes mixed-income projects (a goal "incentivized" by the State in scoring criteria E.6).

We would also like to see increases in the per Unit and per low-income square foot amounts from the 2024 QAP, as currently none are proposed. Costs continue to increase and there are not adequate gap funding sources to make up the funding gaps created by electing to request less funding than they would otherwise qualify for – in order to be competitive within the round. The



end result is a deferral of an already lowered amount of developer fee and creates future problems with project feasibility.

Response to Comments 24-27:

The per low-income Unit and per low-income square foot amounts are reviewed each year after the public comment period to (hopefully) have the most recent data available. The data available from the Department of Labor Statistics when preparing the 2024 QAP showed that construction commodities had decreased in price and while labor continued to increase. Therefore, the limits were left in place in 2024 rather than decrease them.

For the 2025 year, the Bureau of Labor Statistics data has been reviewed along with actual increases in development costs to determine new limits. The limits will be raised 20% to account for increases over the last several years. To account for the higher cost per square foot for smaller units, properties comprised of at least 80% efficiency and one-bedroom units will be scored using the LIHTC per square foot for Tribal and PSH. However, the LIHTC per unit will be based on the limits for "all other projects."

Section III.E.19 - Non-Smoking Properties

Comment 28

We support the policy goal of incentivizing projects to non-smoking. We are already implementing non-smoking protocols across our portfolio. That being said, we believe that the NM Gold and Platinum Standards (which receive the highest points in the QAP) exceed the industry standard and can result in reducing housing opportunities for otherwise eligible residents in need. We suggest as an alternative, eliminating these points and mandating Smoke-Free at HOME NM Silver Certification as a threshold requirement, paired with appropriate space for smoking cessation classes.

Response:

Property owners who wish to comply with HUD's minimum standard in public housing developments are free to pursue Smoke-Free at Home NM Silver Certification. Those who are willing to exceed those standards are encouraged to pursue the applicable Platinum or Gold certification for additional points. Smoke-Free at Home NM is a collaboration between the Apartment Association of New Mexico and the New Mexico Department of Health, which seeks to reduce the harm of secondhand smoke in multi-unit



housing. As a collaboration of experts in their fields, they created the Platinum and Gold certifications and owners across the state, including market rate owners, have opted for the higher standard.

Section III.E.22 - Project Readiness:

Comment 29

Thank you for hosting the QAP public hearing. I would like to echo the comments by my colleague developers in regards to the extra points for project readiness. This change will create an arms race that will make it very expensive to do business in New Mexico for smaller developers. I would like you and your team to consider doing something like Arizona whereby if the developer needs to swap credit allocations after the initial carryover, they would be ineligible for submitting for any tax credit project for a period of 1 year. This would be a fair compromise with some bite for non-performance from developers. Thank you again for your consideration.

Comment 30

We do believe that there is merit in demonstrating readiness to proceed and that the new points included in the draft will likely have MFA's intended effect. That being said, we note that this new requirement will result in higher pre-development costs for projects (in the order of \$400-500k per application) as a result, which is challenging in today's environment and may disadvantage smaller developers, emerging developer firms and non-profits, that may not have the resources to incur higher pre-development costs with an uncertain application outcome. Furthermore, land-sellers in today's market are less likely to extend contracts for projects that don't get awarded which makes this particularly challenging for competitive 9% applications which have a greater likelihood of not being funded due to competitive forces. If MFA is concerned with project delays and long closing time frames we suggest addressing this by awarding negative points on the next application a developer submits if the developer did not meet certain benchmarks. We appreciate that additional points are available in the draft text for projects that did not receive an award in the prior year but received points under this scoring section in the immediately preceding year.

Comment 31

Developers and MFA are equally aligned on getting developments completed and occupied as soon as possible. Having permit ready architectural and engineering plans prepared for say a 100-unit development with a construction cost of say \$28 million utilizing a 4% [architectural and engineering] fee results in a capital outlay of \$1,120,000 with little or no assurance that the



development application will fund with MFA, or the permitting jurisdiction does not require substantial changes to the plans during the permitting and review process.

Presuming an award is received from MFA, our experience is that the due diligence timeline from MFA award to construction closing under the best of circumstances is six to eight months, during which time conceptual architectural and engineering plans can be further developed to permit ready plans.

This capital outlay may have the unintended consequence of prohibiting smaller developers either nonprofit or for-profit from submitting applications.

Comment 32

The new proposed scoring criterion is very costly and could propose a burden to participate for developers/applicants in III.E.22: Project readiness.

- I. Evidence of Permit Ready Drawings submitted (this could cost in excess of \$500,000 to \$800,000)
- II. Permits have been approved (Many jurisdictions have time periods in which to pay the fee and "pickup" the permits, some as short as six months after approval)

Comment 33

We strongly oppose the Project Readiness scoring criteria. While there are three potential scoring opportunities here, they are limited explicitly to projects with essentially 100% plans and specs complete alongside their application. We believe that this scoring requirement places an undue burden on Tribal and nonprofit developers to expend potentially half a million dollars on plans prior to the application submission. We do not begin on plans and specs on behalf of our client until we feel secure in the likelihood of award. We believe that is an appropriate and financially prudent decision when funding is not yet secure. We ask that MFA reconsider the addition of this category or at a minimum, reduce the possible points.

Comment 34

I agree with Housing New Mexico's reasoning to put it in but concerned at adding few \$100,000 dollars to application because the risk is higher and dissuades developers from putting in an application in New Mexico when there are other states with lower cost of entry to the LIHTC round. In addition, there is a risk of having to modify the plans for next year if design standards change.



Comment 35

Regarding Project Readiness, I agree with other commenters [at public hearing]. The cost of preliminary plans is \$40 - \$50K in comparison to 75% of the design budget for permit ready plans. In addition, it is not just one time cost for plans but there is a potential need to redesign projects several times as design standards and building codes change. Finally, once permits are pulled you have a limited time to build the project or pay for them again at significant cost.

Response to Comments 29 - 35:

Unfortunately, it is not uncommon for construction drawings to require changes as municipalities adopt stricter building codes. Housing New Mexico also recognizes that although our design standards don't change dramatically from year to year, it is possible that construction drawings would need to be revised to meet the standard from the year in which an award is made. Therefore, Housing New Mexico has removed the proposed new Project Readiness scoring criterion from the draft 2025 QAP, as the significant up front cost has the potential to preclude some smaller developers from applying for 9% LIHTC.

<u>Section III.I - Recycled Allocations</u>

Comment 36

We request changes to III, Recycled Allocations. "None of the returned Project's Principals are participating in the following year's 9% LIHTC round (e.g., Principals returning tax credits in 2024 will not participate in the 2025 round)";

This provision is inconsistent with the principal language wherein a principal can receive up to two tax credit reservations in one competitive 9% LIHTC round in Section IV.E.3. Limitation on tax credit awards to a single Project or Principal. Subject to the exceptions contained herein, no 9% LIHTC Project shall receive a tax credit Reservation in excess of \$1,622,805. No Applicant, any General Partner or affiliate of an Applicant or person or entity receiving or identified as eligible to receive any part of a developer fee for a Project may receive more than two tax credit Reservations in any given competitive LIHTC Application round.

We recommend language that any principal can have up to two awards in any competitive round with a mix of recycled or new allocations. The provision that any principal must sit out the subsequent round is a huge penalty to the development team principals. This requirement to sit out



subsequent competitive rounds differs by States QAP's: Arizona (more restrictive wherein a new fee, cannot participate in subsequent rounds until construction start on recycled project); California (no penalty to principals participating in subsequent round); Colorado (no penalty); Oklahoma (no penalty) and Texas (fee required and points penalty may be imposed). In our reading only New Mexico and Arizona seem to prevent principals from receiving additional competitive LIHTC allocations in subsequent rounds when recycling 9% LIHTC awards.

Response:

This provision is consistent with Section IV.E.3 which allows up to two tax credit awards, as it does not limit the QAP's language limiting eligibility to participate in the round. Section III.C.5 entitled Applicant Eligibility includes the "failure to meet development deadlines" as a reason to reject an Application and also points out that a "Principal's progress made with previous tax credit Reservations, including timelines in delivering required documents and fees and meeting all required deadlines" is considered when determining an Applicant's eligibility. Tax credits are only recycled when there is an imminent failure to meet the federal Placed-In-Service deadline.

Recycling tax credits to provide more time is not permitted in all states. It is an option of last resort in times when it is just not possible, through no fault of the developer, to complete the Project by the statutory Placed-In-Service Deadline. Some states implement a financial penalty – typically the requirement to pay the processing fee again, and sometimes paying the processing fee again is combined with waiting a full year to be eligible to re-apply.

Section IV.B - Housing New Mexico/MFA Fees and Direct Costs

Comment 37

We do not object to the amount of the processing fees outlined in the QAP but suggest MFA consider more flexibility on the timing in which the fees must be paid. We suggest that MFA permit payment of the 8.5% tax credit allocation fee to be paid at closing. Given the size of this fee, particularly for larger scaled projects this will assist the developer in their cash-management but still ensure timely payment to MFA.

Comment 38

The fees in IV.B for Direct Cost at \$12,000 fee plus \$1,500 per inspection or additional review is high. Are any inspections included in Direct Cost fee; i.e. 50% construction completion or final



inspection? What triggers additional review beyond the Direct Cost fee? The Additional Review fees at \$1,500 are also high and when would this be triggered; i.e. Carryover, 8609 or other IV.G. tests of IV.I Notifications or interim reviews requested by developer for material changes to the project. How are these fees different from the \$500 fee for Request for increase in tax credits, requests for changes to the Project... as listed on the following page.

Comment 39

Design Review costs have increased dramatically in recent years, and now "additional" site visits (How many are included and how many are "extra"? and the need for 'additional' site visits is determined by what standard?) are billed at an additional \$1,500 per inspection or review. This feels excessive and may well exceed actual costs, especially for developments in Albuquerque (near staff and not requiring travel expense). Similarly, the addition of Additional Review Fees (\$1,500), in addition to Project Change Fees (\$500) that are already being collected, feels punitive. Many times projects undergo changes due to challenges in development and project circumstances. Excessive MFA fees only worsen the situation for developers facing dire circumstances.

Response to Comments 37 - 39:

The processing fee is due "at execution of Reservation Contract for 9% awards; due prior to delivery of Letter of Determination or construction start, whichever occurs first for Projects financed with tax-exempt bonds." Typically, larger scaled projects are financed with tax-exempt bonds. Housing New Mexico provides a draft Letter of Determination (aka "42(m) letter") to include in the application to the State Board of Finance without triggering payment of the processing fee. This allows the developer the flexibility to manage cash flow. If the investor allows a draft Letter of Determination to suffice until closing, the payment of the processing fee can be paid through escrow with Housing New Mexico releasing the final Letter of Determination immediately before or concurrently with the closing.

Section IV.C.7 explains the services that are included in the \$12,000 base portion of the design review. An example of an additional inspection is when a Project was not built to the specifications in the plans that Housing New Mexico approved prior to construction start, and it is not possible to confirm that the required work was completed without a site visit.

The existing fees for Application and Processing include one review of an Application (or subsequent submission such as a Carryover Application or Final Allocation Application) with one response indicating items requiring further clarification that need to be reviewed before a submission can be approved. The additional fee covers staff review when it takes multiple reviews to get to a point where a submission can be approved. For example, 4% bond financed transactions are sometimes submitted that do not meet



underwriting standards and it takes multiple reviews over years before it can be approved to move forward with a draft 42(m) letter.

The \$500 fee to process simple changes to a Project will remain in place. The difference between the two is that a single change, for example to replace a financing source, is far less time consuming to review than a constant stream of changes to an Application to get it to pencil.

Section IV.D.2.b - Developer Fees

Comment 40

We encourage MFA to revisit the developer fee for 4% LIHTC projects. While we appreciate that 4% LIHTC projects do not have per unit developer fee caps, we believe the 14 percent of total development cost is low compared to other states and is constraining affordable housing as a result. We suggest increasing the developer fee for 4% TEB transactions to 18-20 percent of total development costs.

Additionally, we urge MFA to reconsider its language requiring that acquisitions, where there is an identity of interest between the buyer and seller, to back out the acquisition costs from the TDC in which developer fee is calculated. This will discourage the use of bridge financing strategies which are critical to being competitive in today's hot acquisition markets. If MFA finds it desirable, it could require developers to defer any fee above 14 percent (the current 4% LIHTC developer fee caps).

Comment 41

Developer fees for 9% developments have not been increased in some time. Additionally, the "low-income unit" methodology further disincentivizes mixed-income developments. The project size cutoff for fees also seems rather arbitrary. We would recommend returning to the developer fee calculation as a percentage of overall development costs, as they are calculated for 4% developments.

Response to Comments 40 - 41:

NCSHA's recommended practices encourage limiting developer fees to the lesser of: 1) an appropriate defined per unit dollar cap on developer fee; or 2) 15 percent of total development cost. Housing New Mexico researched per unit dollar caps on developer fee and New Mexico's per unit dollar caps on developer fee are comparable to other states with a similar fee structure. Fees in New Mexico are slightly above the median among states that include per unit caps in their fee structure.



While Housing New Mexico 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. The percentage of developer fee in eligible basis that may be deferred is limited to the amount that can be repaid within 15 years through project cash flow. Therefore, it would take more of New Mexico's limited soft resources to pay for this increased fee.

Regarding the exclusion of acquisition costs from the calculation of developer fee in related party transactions, NCSHA's recommended practices encourage lower developer fees for the acquisition portion of acquisition/rehabilitation developments – in all instances including transactions between unrelated parties. Allowing the acquisition cost to be included in the developer fee calculation in recent transactions has resulted in similar sized developer fees as new construction transactions. While the new construction transactions result in a substantial portion of developer fee being deferred to pay for construction, the same cannot be said of the acquisition/rehabilitation transactions, where very little of the developer fee had been deferred to improve the property.

<u>Section IV.D.3 -Reserves (escrows) included in Development Costs</u>

Comment 42

We urge MFA to revise its operating reserve budget requirements to the lesser of 6 months or the lender/investor operating reserve requirements. This will allow developers to generate some additional debt leverage while meeting market requirements. We observe that the permanent lenders and tax credit investors, especially on 4% TEB percent developments, are the stakeholders with the majority of the financial risk associated with the long-term financial success of the development and conduct very thorough underwriting of reserves. We suggest deferring to these financial counterparties when they are comfortable underwriting less than 6 months of operating reserves.

Comment 43

The fees in IV.D.3. Please keep this Operating Reserve - lease up reserves are typically defined as lease-up period for shortfalls to operating expenses during this period of high vacancy. This name change could cause additional reserve on the project as the six-month operating reserve is pretty standard in investor and lender requirements. There is also operating reserves in IV.D.4.



Comment 44

Adding a lease-up reserve to the operating and replacement reserves is a drag on the uses of funds on the balance sheet. Most funders require healthy post construction interest cash trap to handle lease up so a lease up reserve is unnecessary.

Comment 45

Operating reserve vs Lease up reserve; investors require operating reserve. Once lease up, the reserve goes away. Doesn't want to get into argument with investor.

Response to Comments 42 - 45:

This language in the draft 2025 QAP has been removed to revert to the language in the 2024 QAP. The level of reserves will remain at six months of projected operating expenses, debt service payments and replacement reserve payments, which is standard in the industry (see AHIC Underwriting Guidelines and NCSHA Recommended Practices).

<u>Section IV.D.4 - Operating expenses and replacement reserves</u>

Comment 46

To provide developers with more working capital flexibility, we urge MFA to consider amending its operating reserve policy to allow a surety bond as an alternative to a funded reserve. Such a bond should meet stringent requirements including being backed by a S&P A rated / AM. Best Rated A++ IX Surety Company and be written in a way where it is "as good as cash" so that a syndicator/investor can request to have the reserve funded at any given time for any given reason.

Response:

NCSHA's recommended practices state that "Agencies should require reserves to stay with a development at the time of investor exit or sale of the property so that the current or future owners can access the accounts should the property require access to that capital during or after the extended use period..." Surety bonds or other instruments do not remain in place beyond their term and are unlikely to remain with the property beyond the involvement of the entity holding the bond.



<u>Section IV.E.3 – Limitation on tax credit awards to a single Project or Principal:</u>

Comment 47

Regarding "All Projects receiving a 9% LIHTC Reservation must be at least $\frac{1}{4}$ mile (1,320 feet) straight-line distance away from the property line of all other Projects receiving a 9% LIHTC Reservation in the same round."

I think the intent is the same applicant can not propose contiguous projects, but the language here could pose a problem if two separate developers/applicants proposed projects in close proximity.

Response:

The draft 2025 QAP language has been updated to "All Projects receiving a 9% LIHTC Reservation must be at least ¼ mile (1,320 feet) straight-line distance away from the property line of all other <u>Projects proposed by the same Principal or its Affiliate</u> receiving a 9% LIHTC Reservation in the same round." However, we may study the proximity of properties prior to drafting the 2026 QAP to determine whether a policy to geographically disperse units is appropriate in New Mexico.

Additionally, based on verbal comments received during the Developer Forum requesting an increase, the limitation on tax credits for a single Project has been raised from \$1,622,805 to \$1,700,000 – representing a 4.75% increase.

Section VI.1 - Percent of total sources limit

Comment 48

We support MFA's addition of waiver language to this section.

Response:

Thank you. For context, the draft 2025 QAP limits the private activity bond volume cap allocation by the State Board of Finance to 60% of the Project's "aggregate basis". Recognizing that there may be times when a Project has received an allocation of volume cap and costs increase that could not have been anticipated, the waiver language provides Housing New Mexico with the ability to underwrite a higher allocation of volume cap when it re-underwrites a Project that has incurred higher costs, necessitating an application for additional volume cap.



Additional Scoring Criteria Comments

Comment 49

We strongly encourage MFA to require or incentivize through the scoring criteria a designation from IBHS's [Insurance Institute for Business & Home Safety] FORTIFIED™ program for all projects seeking LIHTC funding from New Mexico... [and] to require or incentivize through the scoring criteria a designation from IBHS's *Wildfire Prepared* program for all single-family home projects seeking LIHTC funding in the state. The FORTIFIED™ program is a set of voluntary, beyond-code construction upgrades that improve a building's resistance to the effects of high winds, hurricanes and even tornadoes and the program includes hail supplements. *Wildfire Prepared* is a voluntary designation program designed to reduce the risk of home ignition.

Response:

Thank you for sharing these programs with us. We are happy to share these programs with developers requesting ideas to reduce their insurance premiums. We have already encouraged the developer of a multifamily project to be constructed in Ruidoso to take measures to prevent fire damage in the future. However, New Mexico's risk of these casualty events varies across the state, so we will need to do more research and weigh the benefits across the state before mandating or strongly incentivizing particular designations for all projects through points in the QAP.

Design Standards

Comment 50

I write to request that the New Mexico Mortgage Finance Authority (MFA) expand its Property Standards requirements to incentivize or require that funded projects certify to a comprehensive green building and/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.



Response:

Housing New Mexico'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 Energy, Minerals and Natural Resources Department offers additional incentives for those who wish to pursue additional sustainable building practices.



420 W. Main Street, Suite 300 Boise, Idaho 83702 (208) 343-8877 FAX (208) 343-8900

E-Mail: tmannschreck@thomasdevelopment.com

September 4, 2024

Sent via email: jredondo@housingnm.org

Ms. Jeanne Redondo New Mexico Mortgage Finance Authority 344 Fourth Street SW Albuquerque, NM 87102

Re:

2024 Qualified Allocation Plan

Dear Jeanne:

We will be participating in this afternoon's zoom call, however provide these comments to be included in the record as well.

Pages 25 and 26: We attach a memorandum we submitted to MFA and others on December 12, 2023, suggesting a strategy which could stretch private activity bond volume cap utilizing the Ventana Fund and/or a second tranche of taxable bonds to be redeemed at Permanent Loan conversions.

We encourage MFA to consider the proposals in this memorandum as a more cost-effective way to develop more affordable housing rather than incentivizing developers to incur the considerable expense of having permit ready plans and specifications completed and included in MFA applications.

Page 54: Scoring criteria 22 project readiness:

Developers and MFA, we submit, are equally aligned on getting developments completed and occupied as soon as possible. Recovery of predevelopment financing provided from the developers' resources and receipt of developer fees to continue developers' operations are the lifeblood of affordable housing development companies. Our industry suffered mightily during the COVID crisis including difficulty in obtaining entitlements and plan review from permitting jurisdictions which were short staffed, necessary public hearings were not scheduled, meteoric rise in construction costs attributable to supply chain shortages and insufficient labor particularly skilled labor.

Having permit ready architectural and engineering plans prepared for say a 100-unit development with a construction cost of say \$28 million utilizing a 4% fee results in a capital outlay of \$1,120,000 with little or no assurance that the development application will fund with MFA, or the permitting jurisdiction does not require substantial changes to the plans during the permitting and review process.

Presuming an award is received from MFA, our experience is that the due diligence timeline from MFA award to construction closing under the best of circumstances is six to eight months, during which time conceptual architectural and engineering plans can be further developed to permit ready plans.

September 4, 2024 Page 2

This capital outlay may have the unintended consequence of prohibiting smaller developers either nonprofit or for-profit from submitting applications.

The balance of the changes to the QAP all seem fine to us and the fact that, in our judgment they are relatively minimal, is a testament to MFA staff.

Sincerely,

THOMAS DEVELOPMENT CO

Thomas C. Mannschreck, President

Angie S. Fergusion, Executive Vice President

Evelyn P. Camp, Development Associate

TCM:jam Enclosures

cc:

Laura Chavez, SHCNM Debbie Davis, SHCNM

John Gauthier-Guillen, SHCNM



NEW MEXICO MORTGAGE FINANCE AUTHORITY

Contracted Services/Credit Committee Meeting Tuesday, October 8, 2024 @ 10:00 am

Webex- call in information is 1-408-418-9388 (access code): 2485 316 1174 Or you can join the call from the calendar item

,	AGENDA ITEM	TIME ALLOTTED	COMMITTEE RECOMMENDED	BOARD ACTION REQUIRED
1	HOME-ARP NOFA Approval- Mike Fuller & Shannon Tilseth	10:00-10:10	2-0	YES
2	Approval of 2022/2027 BIL DOE State Plan Modification DOA #21 – State Plan Approval and allocation of DOE Funds- Troy Cucchiara, David Gutierrez, & Dimitri Florez	10:10-10:20	28	YES
3	Cresta Ranch – New Mexico Housing Trust Fund Loan Request – Justin Carmona, Tim Martinez, & George Maestas	10:20-10:30	2-8	YES
<u>Int</u>	Formational Items Questions/comments from Committee	10:35-10:45	N/A	NO

Committee Members present: Rebecca Wurzburger, Chair	□ present	☑ absent	☐ conference call
Attorney General Raul Torrez/Designee Julie Ann Meade	□ present	☐ absent	Conference call
Randy Traynor	□ present	□ absent	☐ conference call

Homanda

2024 RENTAL AWARD SUMMARY

Project Name &	Cresta Ranch							
Address	4585 NM-14, Santa Fe, Santa Fe County, NM 87508							
Proposed Award	\$4,000,000 New Mexico Housing Trust Fund (NMHTF) Rate 2.0% Fixed							
Borrowers	Cresta Ranch Apartments LLP will be owned 0.01% by Cresta Ranch Apartments GP,LLC as General Partner and 99.99% by tax credit investor National Equity Fund (NEF) as Limited Partner.							
Management	Seldin, LLC is a full-service, multifamily apartment management company founded in 1923 and headquartered in Omaha, Nebraska. This company currently manages over 20,000 units of affordable and market-rate multifamily apartments across 10 states.							
Developers	Lincoln Avenue Communities (LAC) is a California-based affordable housing development company established in 2016 as a subsidiary of Lincoln Avenue Capital. This company is currently led by CEO and Founder Jeremy Bronfman. LAC develops new construction projects, acquires and preserves affordable housing properties, and preserves at-risk naturally occurring affordable housing. In 2023, LAC grew its affordable housing portfolio to four new states; they are looking to expand into New Mexico this year with the development of Cresta Ranch. To date, LAC has developed 150 properties consisting of over 27,000 units across 28 states.							
	Lincoln Avenue Communities' compiled financials as of FYE 12/31/2022 show unrestricted cash of \$13M, total assets of \$626M, a net worth of \$569M, and a debt-to-worth ratio of 0.10: 1:00. LAC's compiled financials as of FYE 12/31/2023 show unrestricted cash of \$30M, total assets of \$614M, a net worth of \$555M, and a debt-to-worth ratio of 0.11: 1:00. LAC's compiled interim financials as of 6/30/2024 show unrestricted cash of \$7M, total assets of \$767M, a net worth of \$708M, and a debt-to-worth ratio of 0.08: 1:00.							
Project Type & Size	New Construction of 240 units to be located on a 10.97-acre site. 60 units (25% of the project) will serve households with children. Six units will be income-restricted to households earning 80% or less of Area Median Income (AMI), 10 units will be income-restricted to households earning 70% or less of AMI, 216 units will be income restricted to households earning 60% or less of AMI, and eight units will be income restricted to households earning 30% or less of AMI.							
Project Description	Lincoln Avenue Communities is proposing the New Construction of Cresta Ranch, a 240-unit apartment project targeting households with children outside of the city limits of Santa Fe, NM. The project will be constructed on an undeveloped parcel of land within Santa Fe County's Planned Development District. The project will consist of 120 two-bedroom units, each at approximately 917 sq. ft. and 120 three-bedroom units, each at approximately 1,106 sq. ft. The project's gross square footage will be around 265,957 sq. ft. comprised of ten garden style, three-story walk-up buildings with 24 units in each building. Adjacent to the site are a proposed commercial development that will have a variety of restaurants and shops and another proposed affordable housing community. The development is within walking distance of the Santa Fe County/NM Highway 599 Railrunner Express train stop, a grocery store offering fresh produce, a bank, a hospital, a library, and an elementary school.							
	Cresta Ranch will have age-appropriate playgrounds and a clubhouse containing onsite leasing offices, fitness center, mail and package room, and common area laundry. The site's landscaping and open spaces will include native plants that consume less water, as well as underground cisterns to store rainwater for use when irrigating the site. In-unit amenities will include washer & dryer hookups, dishwashers, central heating and air conditioning, garbage disposal, microwaves, walk-in closets, low flow water fixtures, LED lighting, and energy efficient appliances.							
	The market study prepared by Novogradac and dated August 22, 2023, generally defines Cresta Ranch's Primary Market Area (PMA) as the City of Santa, as well as the neighboring communities of La Cienega, Agua Fria, and Senton Village. The market study advises that due to the high demand for quality affordable housing in the area the project is marketable as proposed. The project site is situated in Santa Fe County's Planned Development District and is part of Santa Fe Community College's District Plan on a 10.97-acre site. Surrounding land uses include commercial and office uses and newly constructed single-family homes, all in average to good conditions, as well as vacant, undeveloped land.							
	The analysis shows a Capture Rate of 17.0%, which is considered moderate. However, the market study indicates that comparable housing developments in the PMA are experiencing an average occupancy of 98.2%, as well as maintaining long waitlists. The average vacancy rate reported by							
Prosta Banch 240 units	Santa Eo, Santa Eo County, NM							

	affordable comparables was 0.7 percent, which is considered exceptionally low. The market study demand analysis shows the project will be fully occupied within 12 months of opening. This absorption period is based on an estimated average absorption rate of approximately 20 units per month.
Environmental & Site	A Phase I Environmental Site Assessment was completed for the subject property on January 5, 2024, by Terracon Consultants, LLC. No Recognized Environmental Conditions ("RECs") or Controlled Recognized Environmental Conditions ("CRCEs") were identified in connection with the site.
Project Financials, Projections and Assumptions, and Subsidy Layering Review	This project was underwritten utilizing Housing New Mexico/MFA's standard 7% vacancy rate, which is considered conservative due to the low vacancy rates at nearby affordable housing properties. The applicant has provided a detailed 15-year cash flow projection for the project, which assumes total annual income of \$3,694,416. The developers estimate \$1,080,439 in total operating expenses less reserves and social services (i.e., \$4,502 per unit per year), which is within Housing New Mexico/MFA's standard underwriting range of \$4,300 to \$5,800. The project's Debt Service Coverage Ratio (DSCR) starts at 1.15 to 1.00 in year one, increasing to 1.43 to 1.00 in year 15. This ratio is within Housing New Mexico/MFA's underwriting standards of a range between 1.20 – 1.40 to 1:00 from year four of operation through year 13. The DSCR for year one through year three is slightly below underwriting standards and the DSCR for years 14 and 15 are slightly above underwriting standards. The interest rate for Citibank's first mortgage loan is assumed to be 5.89% (5.39% adjusted upwards by 50 basis points for underwriting). If, for any reason, the rate increases too much to accommodate required DSCR, then the first mortgage permanent loan can be reduced and that portion of it replaced by a cash flow loan from LAC.
	Currently, it appears that 82% (\$10,247,324) of the \$12,441,948 developer fee will be deferred. Generally, a deferral in fee could be used to replace a portion of the first mortgage loan and would mitigate any possible interest rate risk that may occur between commitment and inception of the permanent loan. Deferral of the developer fee is usually allowable by the investor, provided that cash flow can repay the deferred fee by the end of the 15-year LIHTC compliance period. Current projections indicate the project would fully pay off the deferred developer fee by the end of year 15. Based on the investor's letter of interest, the project is currently underwritten using a credit price of 93 cents on the dollar, which is within the average range for recent LIHTC projects. Every one (1) cent drop in that price would create the need for an additional \$470K in deferred developer fee or cash flow loan from LAC.
Affordability Requirements	NMHTF: 112 two-bedroom units and 112 three-bedroom units income-restricted to households earning 60% or less of AMI for which a Land Use Restriction Agreement (LURA) will be filed in Santa Fe County. The NMHTF affordability period is 20 years as required by Affordable Housing Act Rules and to concurrence with the loan term and starts on the date the Certificate of Occupancy is issued.
Repayment and Disbursement	 NMHTF: Payments: Interest only monthly during the construction period not to exceed 24 months; 239 equal principal & interest payments based on a 40-year amortization, with a final balloon payment of all outstanding principal and interest due at maturity. All outstanding principal and interest are due at the earlier of maturity, refinance, or sale of the project. Disbursement: Multiple disbursements upon evidence of costs incurred, not more frequently than monthly.
Special Conditions	 All loans are subject to MFA's final underwriting for project feasibility if needed. Loan amounts may be reduced if the financing gap decreases, and/or terms (i.e. interest rate & amortization) may be revised in line with projected cash flow at closing; Any changes or additions to the following development team members listed in the loan application must be approved by MFA: developer, contractor, management company, consultant or architect; Financing commitments acceptable to MFA prior to funding on all funding sources; Acceptance of 2024 award of Low-Income Housing Tax Credits (LIHTC); Approval of plans/construction monitoring/draws by MFA's Architectural Services Representative or a third party acceptable to MFA (i.e. hired by MFA, investor or primary construction lender) and shared with MFA. Cost to be paid by applicant; Other conditions as may be determined by staff; and Subject to availability of funds.

	8. Loan to be in second lien position; and9. Lincoln Avenue Communities must provide a guarantee during the construction period.					
Housing New Mexico/MFA	Lincoln Avenue Communities:					
Commitments to Other Projects	N/A – Cresta Ranch is the developer's first proposed affordable multifamily project in New Mexico.					
Housing New Mexico/MFA Exposure	None					
Risk Factors	 Market – Low (Strong demand for proposed property in PMA) Construction – Medium (construction material pricing remains high, however, the developer is experienced plus the investor and main construction lender will provide additional oversight and controls) Developer – Medium Guarantor – Medium General Partner/Managing Member – Medium (i.e. the developer) Community Opposition – Low Financing – Medium (as long as market conditions for interest rates & LIHTC pricing do not fluctuate too much, the project is feasible. However, in the event of adverse market conditions the project may not move forward. Final underwriting is required before loan closing to ensure viability before final commitment) 					
Summary & Recommendation	The proposed project presents a favorable risk profile and is recommended for approval.					
Prepared by	Justin Carmona, Development Loan Manager Justo Company Date 10/1/24					
Reviewed by	George Maestas, Director of Housing Development June 10/01/2024					

		PROJECT INFORMATION SUM	MARY				
Project Na	me	City	NC, AR,	Total # Units	Unit Sizes	Target AMIs	
Cresta Ran	ch	Santa Fe	NC/AR	UIIILS			
Total Development Cost	\$ 103,303,263		NC 240 2-BED & 3-BED 30% AMI, 60% AM				
Borrowers	Cresta Ridge Apartment	s LLP				AMI, 80% AMI	
Management	Seldin, LLC		YEAR BU	ILT (AR)	LIHTC ALLOC	4% or 9%	
Developer	Lincoln Avenue Commu	nities (LAC)	N/	A	\$ 4,702,009	4%	
			NC = New Construction AR = Acquisition/Rehab AMI = Area Median Income MR = Market Rate apartments				
NEW MEXICO HOUSING TR	UST FUND (NMHTF) REN	TAL LOAN INFORMATION	NUN	1BER OF	NMHTF UNITS:	224	
Funds Available as of:	09/24/24	\$0					
	MFA Guidelines	Loan Request			EPTIONS/CONDITIO		
Maximum Loan Amount	\$3,000,000	\$4,000,000	Request above NMHTF loan limit of \$3M with full amount carried through conversion to perm. If exception approved, Housing NM/MFA will require a 1% increase to base interestrate.				
Rates	0.0% to 5.0%	2.0%	Base rate for 4% LIHTC is 2% (3% after MFA increase of 1%). Project qualifies for 1% discount due to rural designation.				
Loan Fees	N/A	N/A					
Maximum Loan Term	2 yr construct, 40 yr	2 yr construct, 20 yr perm	Monthly p	ayments	over loan term, ball	oon payment upon	
	perm	loan term	maturity				
Loan Amortization	Mthly during perm	40 yr amortization					
Lien Position	Subordinate allowed	2nd lien position					
Affordability Requirements	Min 20 years, Max 60% AMI	40 yrs, 224 units @ 60% AMI					
DSCR	1.20 to 1.40 : 1 on all must-pay debt	1.15 : 1.00 in year 1 increasing to 1.43 : 1.00 by year 15	DSCR stays starts at 1.15: 1.00 in Year 1, trends upwards to 1.21: 1.00 in Year 4, remains between 1.20: 1.00 to 1.40: 1. in Years 4-13, trends upwards to slighly above 1.40: 1.00 in Years 14 & 15				
Scoring Criteria	57-112 points	71					

TOTAL DEVELOPMENT COST INFORMATION SUMMARY						
Project: Cresta Ranch		Total	% TDC		Cost/GSF*	
Acquisition Costs (land, building acquisition, & other acquisition costs)	\$	3,100,000	3%	\$	11.66	
Construction Hard Costs	\$	46,378,900	45%	\$	174.38	
Other Construction Costs (contractor O&P, general req, GRT, landscaping, furnishings, etc)	\$	16,471,967	16%	\$	61.93	
Professional Services/Fees (architect, engineer, real estate legal, etc)	\$	1,596,400	2%	\$	6.00	
Construction Financing Costs (interest, insurance, inspections, fees, etc)	\$	19,424,193	19%	\$	73.04	
Permanent Financing Costs (fees, title/recording, etc)	\$	1,074,275	1%	\$	4.04	
Other Soft Costs (tax credit fees, environmental reports, appraisals, accounting, etc)	\$	699,571	1%	\$	2.63	
Syndication-Related Costs (organization, bridge loan, tax opinion, etc)	\$	125,750	0.1%	\$	0.47	
Reserves (rent-up, operating, replacement, escrows, etc)	\$	1,990,259	2%	\$	7.48	
Developer Fees (inc consultant fees)	\$	12,441,948	12%	\$	46.78	
Total Development Costs (TDC)	\$	103,303,263	100%	\$	388.42	
TDC w/o Land, Reserves & Commercial	\$	98,213,004	95%	\$	369.28	

CONSTRUCTION SOURCES						
Project:	Cresta Ranch		Total	% of Total		Per Unit
Construct. Lender	Citibank/Private Placement Loan	\$	60,000,000	58.1%	\$	250,000.00
2nd Lien Holder	Housing NM/NMHTF	\$	4,000,000	3.9%	\$	16,666.67
Construction Loan	Citibank/Construction Loan	\$	8,357,026	8.1%	\$	34,820.94
Deferred Developer Fee	LAC	\$	9,342,628	9.0%	\$	38,927.62
Other Equity	LAC/GP Capital Contribution	\$	100	0.0%	\$	0.42
Other Equity	LAC/Bond Proceeds Reinvestment	\$	6,300,000	6.1%	\$	26,250.00
LIHTC Equity	NEF	\$	15,303,509	14.8%	\$	63,764.62
	Total Construction Sources	\$	103,303,263	100.0%	\$	430,430.26

PERMANENT SOURCES						
Project:	Cresta Ranch		Total	% of Total		Per Unit
Construct. Lender	Citibank/Private Placement Loan	\$	34,890,000	33.8%	\$	145,375.00
2nd Lien Holder	Housing NM/NMHTF	\$	4,000,000	3.9%	\$	16,666.67
Deferred Developer Fee	LAC	\$	10,247,324	9.9%	\$	42,697.18
Other Equity	LAC/GP Capital Contribution	\$	100	0.0%	\$	0.42
Other Equity	LAC/Cash Flow from Operations	\$	2,341,528	2.3%	\$	9,756.37
Other Equity	LAC/Bond Proceeds Reinvestment	\$	8,100,000	7.8%	\$	33,750.00
LIHTC Equity	NEF	\$	43,724,311	42.3%	\$	182,184.63
	Total Permanent Sources	\$	103,303,263	100.0%	\$	430,430.26

Development (Cost Budget	
Cresta Ranch	Gross Sq. Footage:	265,957
Santa Fe	TOTAL COST	COST/GSF
ACQUISITION COSTS		·
Land Acquisition	\$ 3,100,000	\$ 11.66
Building Acquisition	\$ -	\$ -
Other: Payoff existing deed of trust	\$ -	\$ -
SUBTOTAL	\$ 3,100,000	\$ 11.66
CONSTRUCTION HARD COSTS	\$ 3,100,000	3 11.00
	A	ć
Demolition	\$ -	\$ -
Accessory Structures	\$ -	\$ -
Site Construction	\$ 4,670,200	\$ 17.56
Buildings and Structures	\$ 38,436,100	\$ 144.52
Off-Site Improvements	\$ 2,180,000	\$ 8.20
Other: Electronic Safety and Security, Clubhouse Allowance	\$ 1,092,600	\$ 4.11
SUBTOTAL	\$ 46,378,900	ć 174.39
OTHER CONSTRUCTION COSTS	\$ 46,378,900	\$ 174.38
	d 000 366	¢ 2.72
Contractor Overhead	\$ 989,366	\$ 3.72
Contractor Profit	\$ 2,226,073	\$ 8.37
General Requirements	\$ 3,089,393	\$ 11.62
Construction Contingency	\$ 2,878,422	\$ 10.82
Gross Receipts Tax (GRT)	\$ 3,703,234	\$ 13.92
Landscaping	\$ -	\$ -
Furniture, Fixtures, & Equipment	\$ 1,698,000	\$ 6.38
Other: Permits, Water Rights Fee, Impact &	\$ 1,887,479	\$ 7.10
Connection Fees, Construction Security		
SUBTOTAL	\$ 16,471,967	\$ 61.93
PROFESSIONAL SERVICES/FEES		
Architect (Design)	\$ 938,000	\$ 3.53
Architect (Supervision)	\$ 33,400	\$ 0.13
Attorney (Real Estate)	\$ 450,000	\$ 1.69
Engineer/Survey	\$ 175,000	\$ 0.66
Other :	\$ -	\$ -
SUBTOTAL	\$ 1,596,400	\$ 6.00
CONSTRUCTION FINANCING COSTS		
Hazard Insurance	\$ 720,173	\$ 2.71
Liability Insurance	\$ 605,863	\$ 2.28
Performance Bond	\$ 575,619	\$ 2.16
Interest	\$ 6,857,253	\$ 25.78
Origination\Discount Points	\$ 341,785	\$ 1.29
Credit Enhancement	\$ -	\$ -
Inspection Fees	\$ 13,500	\$ 0.05
Title and Recording	\$ -	\$ -
Legal	\$ 30,000	\$ 0.11
Taxes	\$ -	\$ -
Other: Capitalized Bond Interest &		, ·
Construction Period Interest Rate Caps	\$ 10,280,000	\$ 38.65
	¢ 10.424.402	¢ 73.04
SUBTOTAL	\$ 19,424,193	\$ 73.04

Project: Cresta Ranch				
PERMANENT FINANCING COSTS				
Bond Premium	\$	-	\$	-
Credit Report	\$	-	\$	-
Origination\Discount Points	\$	174,450	\$	0.66
Credit Enhancement	\$	-	\$	-
Title and Recording	\$	167,225	\$	0.63
Legal	\$	65,000	\$	0.24
Cost of Bond Issuance	\$	632,400	\$	2.38
Pre-Paid MIP	\$	-	\$	-
Reserves and Escrows	\$	-	\$	-
Other: Lender Construciton Monitoring &	\$	2E 200	\$	0.12
Financing Fees	Ş	35,200	Ş	0.13
SUBTOTAL	\$	1,074,275	\$	4.04
SOFT COSTS				
Market Study	\$	7,500	\$	0.03
Environmental	\$	102,050	\$	0.38
Tax Credit Fees	\$	449,171	\$	1.69
Appraisal	\$	7,500	\$	0.03
Hard Relocation Costs	\$	-	\$	-
Accounting/Cost Certification	\$	15,000	\$	0.06
Other: Land Use Consultant, Developer 3rd				
Party Inspections, Soft Cost Contigency			\$	0.44
	\$	118,350		
SUBTOTAL	\$	699,571	\$	2.63
SYNDICATION				
Organization	\$	125,750	\$	0.47
Bridge Loan	\$	-	\$	-
Tax Opinion	\$	-	\$	-
Other:	\$	-	\$	-
SUBTOTAL	\$	125,750	\$	0.47
TDC before Dev. Fees & Reserves	\$	88,871,056	\$	334
RESERVES				
Rent Up	\$	278,222	\$	1.05
Operating	\$	1,712,037	\$	6.44
Replacement (inc. only if capitalized)	\$	-	\$	-
Escrows/Working Capital	\$	-	\$	-
Other:	\$	-	\$	-
SUBTOTAL	\$	1,990,259	\$	7.48
DEVELOPER FEES				
Developer Fee	\$	12,441,948	\$	46.78
Consultant Fee	\$	-	\$	-
SUBTOTAL	\$	12,441,948	\$	46.78
Total Development Cost (TDC)	\$	103,303,263	\$	388.42
TDC w/o Land, Reserves & Commercial	\$	98,213,004	\$	369.28



TO: Housing New Mexico MFA Board of Directors

Through: Contracted Services, October 8, 2024 **Through:** Policy Committee, September 24, 2024

FROM: Mike Fuller, Program Manager

Shannon Tilseth, Supervisor

DATE: October 16, 2024

SUBJECT: Approval of the HOME American Rescue Plan Supportive Services

Rapid Rehousing and Homeless Prevention Notice of Funding

Availability

DoA: #19 - Notice of Funding Availability (NOFA) Language and Selection of Vendor(s)

Recommendation:

Housing New Mexico|MFA staff recommends approval of the HOME American Rescue Plan Supportive Services Rapid Rehousing and Homeless Prevention "HOME-ARP RR/HP" Notice of Funding Availability "NOFA." Successful Offerors will receive awards beginning January 1, 2025, and ending September 30, 2029, or when all funds have been expended, whichever comes first.

Background:

Housing New Mexico|MFA is the state's recipient of the HOME Investment Partnerships American Rescue Plan "HOME-ARP" funding and is responsible for administering and overseeing the funding. MFA received \$19,577,257 on September 22, 2021, of which \$9.9 million was allocated to the HOME-ARP Supportive Services Program. Funding allocated specifically for HOME-ARP Supportive Service was awarded to subrecipients in New Mexico who applied for the Emergency Solutions Grant Rapid Rehousing and Homeless Prevention Program Request for Proposal due to the program similarities.

As of the date of this memo and pending a 1.78% reduction of the overall award from HUD in the amount of \$348,412.00, the remaining amount of funding available is \$4,795,593.86, which is due to expire September 30, 2030. Based on the current expenditure rate for this program, staff estimates that the funding will be completely allocated by the end of 2026.

Discussion:

The HOME-ARP RR/HP award is available to units of local government, tribal governments, and nonprofit organizations who have at least two years of demonstrated experience providing services to those that are experiencing homelessness. The program is designed to identify sheltered and unsheltered homeless persons, as well as those at-risk of homelessness, to provide the services necessary to help those persons quickly regain stability in permanent housing after experiencing a housing crisis or homelessness.

Currently, the program has six subrecipients administering the program. The amount that has been allocated to those subrecipients is \$4,787,740.78. The primary reason for releasing a NOFA for this funding is to gain additional subrecipient(s) throughout the state.

Housing New Mexico|MFA has an extensive list of potential agencies in the state who will be notified via Hub Spot once the NOFA is released. A NOFA Q&A will also take place on November 6, 2024.

This NOFA will remain open until September 30, 2029, or until funding falls below \$500,000.

The program is available to qualified populations (Homeless, At-Risk of Homelessness, Fleeing, or Attempting to Flee, Domestic Violence, Dating Violence, Sexual Assault, Stalking, or Human Trafficking, and Other Populations) as outlined in CPD Notice 21-10. Individuals and families must also meet the income requirements and lack the support and resources necessary to regain stability.

This program is intended to assist clients with the following:

Short- and medium-term rental assistance

- Rental Arrears
- Utility Deposits
- Utility Arrears
- Housing Search & Placement
- Housing Stability Case Management

All Offeror's must also meet the minimum threshold criteria that is outlined in Section 23 of the NOFA.

Funding for new HOME-ARP Supportive Services Housing New Mexico|MFA subrecipients will be capped at \$100,000.00 initially. Successful subrecipients will be allowed to request additional funding once they have expended 75% of the grant or \$75,000.00.00. Only subrecipients who show evidence through monitoring that they are proficient in understanding the eligibility requirements of the program and are not on a corrective action plan will be allowed to request additional funds beyond the initial \$100,000.00. The first funding amendment will be capped at \$200,000.00. All further requests for additional funding will be capped at \$400,000.00.

Administrative awards for this grant are capped at 10%. Subrecipients will be limited to serving no more than two counties for the first year. After that time, if the subrecipient has the capacity and has successfully administered the program as evidenced through monitoring, they may request to serve additional counties. Funding is awarded on a first come, first served basis.

Staff is also requesting approval of all new subrecipients to be granted at the Policy Committee level according to the Delegations of Authority.

All subrecipients of Housing New Mexico|MFA funds are required to meet the annual renewal criteria set by Housing New Mexico|MFA, as outlined in Section II Part 21, Renewal Criteria.

Offerors will be scored in the following categories according to the table on pages 13 and 14 of the NOFA. Applicants with an overall score that is at or below 70% of the total possible points will not be considered for funding.

Capacity & Experience (72 Possible Points)

Finance (10 Possible Points)

Upon approval, the below timeline of events will take place.

Timeline Activity
Release NOFA - October 22, 2024
NOFA & Program Information Webinar - November 6, 2024
Ask A Question Submissions - Answered within 2 business days
NOFA Submissions – Accepted until 9/30/2029 or until funding available is below
\$500,000
Deficiency Correction Notifications - within 1 week of submission
MFA Review Team Scoring – within 3 weeks of submission
Preliminary Award/Denial Letters to Offerors – within 1 week of finalized scoring
Protest Period Begins – upon receipt of Preliminary Award Notification
Protest Period Deadline – within 5 days from the Preliminary Award Notification
Award Recommendations to MFA Policy Committee
Issue Performance Agreements
Schedule Training

Summary:

Staff is requesting approval of the HOME-ARP RR/HP NOFA. Upon board approval, the NOFA will be released to the public via the Housing New Mexico|MFA website on October 22, 2024. The NOFA will remain open until September 30, 2029, or until funding falls below \$500,000.

HOUSING NEW MEXICO | MFA

NOTICE OF FUNDING AVAILABILITY

HOME Investment Partnerships American Rescue Plan Program Supportive Services

October 22, 2024





Welcome and thank you for your interest in responding to the HOME Investment Partnerships American Rescue Plan (HOME-ARP) Rapid Rehousing and Homeless Prevention Program Notice of Funds Availability "NOFA." Housing New Mexico | MFA is committed to choosing the most qualified Offerors and this information will provide the best opportunity to do so.

Part I – General information

The general information in the NOFA provides background information about Housing New Mexico | MFA, general proposal requirements and NOFA standards.

Part II - Program-Specific Criteria

Part II of the NOFA requires responses from the Offeror. It is designed to provide program-specific criteria such as program background, purpose of the NOFA, NOFA training, Ask A Question information, performance agreement terms, timelines, minimum qualifications and requirements, evaluation criteria, program standards and compliance with federal requirements.

NOTE: Offerors are prohibited from approaching members of the Housing New Mexico | MFA Board or Housing New Mexico | MFA Employees regarding this NOFA. Attempts by Offerors to contact any of the listed parties may result in the rejection of their proposal.

In an effort to provide clarification or answers to questions in this NOFA, an Ask a Question link will be available on Housing New Mexico | MFA's website after the NOFA Program Informational Webinar Training has been completed. Please refer to Part II Section 22, NOFA Timeline and Ask a Question.

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PART I: GENERAL INFORMATION

BACKGROUND INFORMATION

1 INTRODUCTION

New Mexico Mortgage Finance Authority (MFA) is a governmental instrumentality, separate and apart from the state, created by the Mortgage Finance Authority Act, NMSA 1978, § 58-18-1 et seq. (the "MFA Act") for the purpose of financing affordable housing for low- and moderate-income New Mexico residents. MFA will endeavor to ensure, in every way possible, that small and minority businesses, women-owned business enterprises and/or labor surplus area firms (collectively Disadvantaged Business Enterprises [DBE]) shall have every opportunity to participate in submitting proposals and providing services. DBE businesses are encouraged to submit proposals. MFA will not discriminate against any business on grounds of race, color, religion, gender, national origin, age, or disability. It is MFA's policy that suppliers of goods or services adhere to a policy of equal employment opportunity and demonstrate an affirmative effort to recruit, hire and promote regardless of race, color, religion, gender, national origin, age, or disability.

2 PURPOSE

The purpose of this Notice of Funding Availability "NOFA" is to solicit proposals, in accordance with Housing New Mexico | MFA 's Procurement Policy, from qualified Offerors, which by reason of their skill, knowledge, and experience are able to furnish services for Housing New Mexico | MFA in connection with the program for which they are applying "Offerors".

Pursuant to Housing New Mexico MFA 's Procurement Policy, all procurement activities involving the expenditure of federal funds must be conducted in compliance with the Procurement Standards codified in Uniform Guidance, 2 C.F.R. Part 200.317 through 200.326 as well as Part 200.327 which addresses contract provisions.

GENERAL PURPOSE REQUIREMENTS

3 PROPOSAL SUBMISSION

All Offeror proposals must be submitted by e-mail with a subject line of "Proposal to Offer Services – HOME ARP Supportive Services NOFA" to:

Community Development Department Program Coordinator CDDprogramcoordinator@housingnm.org 505.767.2219

Proposals will be accepted until the remaining funding balance is \$500,000 but no later than September 30, 2029, whichever comes first.

4 PROPOSAL TENURE

All proposals will be valid until performance agreement award, but no more than 90 calendar days from the proposal submission.

5 PROPOSAL FORMAT

Only electronic proposals will be accepted. Submissions must be submitted as a single PDF to include all required forms and requested documentation.

- NOFA and forms may be downloaded from Housing New Mexico | MFA 's website: housingnm.org under the "Funding Opportunities" tab and "Requests for Proposals, Requests for Qualifications, Notices of Funding Availability" section. Select the NOFA for which you are applying.
- Offerors must submit **one electronic copy** of its current agency financial audit, current audited financial statements or a letter from Housing New Mexico | MFA indicating that we have already received and approved your current audit.
- Offerors must submit **one electronic copy** of the proposal form and all required schedules and attachments.

6 IRREGULARITIES IN PROPOSALS

Proposals must include the program-specific forms attached to this proposal package and all schedules and attachments pertaining thereto. No substitutions will be accepted.

Housing New Mexico | MFA may waive technical irregularities in the form of proposal of any Offeror selected for award, which does not alter the price, quality or quantity of the services offered.

7 EVALUATION OF PROPOSALS

Proposals that meet the criteria outlined in Part II, Section 23, Minimum Qualifications and Requirements, will be evaluated by an internal review committee of Housing New Mexico | MFA staff using the criteria as described in Part II Section 24, Evaluation Criteria. The review committee will present award recommendations to Housing New Mexico | MFA management and Housing New Mexico | MFA's Policy Committee as required under Housing New Mexico | MFA's Delegations of Authority. Final selections will be made by Housing New Mexico | MFA's Policy Committee at a regularly scheduled weekly meeting.

Housing New Mexico | MFA does not guarantee and is not obligated to make an award. Awards will be based on availability of funds, Offerors' demonstrated need, Offerors' NOFA score, and for any of the other reasons set forth herein.

8 DEFICIENCY CORRECTION PERIOD

Upon receipt of all submitted proposals, Housing New Mexico | MFA staff members will review the proposal to verify that it is complete in accordance with the requirements of this NOFA. Should any proposal be missing an item required under Part II Section 23, Minimum Qualifications and Requirements, it will be deemed incomplete. Housing New Mexico | MFA will notify the Offeror if any information is required for Offeror to correct a deficiency related to an item required under Part II Section 23, Minimum Qualifications and Requirements. The deficient items must be submitted before the NOFA can be scored. The deficiency may not be used to increase the score. Items eligible for correction or submission include only missing or incomplete items required in the Minimum Qualifications and Requirements section of this proposal.

Housing New Mexico | MFA shall communicate proposal deficiencies to each Offeror's designated contact and alternate contact person via email. If the information requested is not provided, the NOFA application will not be scored until all documents are received.

NOFA STANDARDS

9 PROTEST

Any Offeror who is aggrieved in connection with this NOFA or the notification of preliminary selection under this NOFA may protest to Housing New Mexico|MFA. A protest must be based on an allegation of the failure of Housing New Mexico|MFA to adhere to the evaluation process as designated in the NOFA. The protest must be e-mailed to Housing New Mexico|MFA's contact person shown below:

Community Development Department Program Coordinator CDDprogramcoordinator@housingnm.org 505.767.2219

The protest must be submitted to Housing New Mexico|MFA to the contact person listed above within (5) five business days after the preliminary notice of award. Upon the timely filing of a protest, Housing New Mexico|MFA's contact person shall give notice of the protest to all Offerors who have a substantial and reasonable prospect of being affected by the outcome of the protest. The Offerors receiving notice may file responses to the protest within (5) five business days of notice of protest. The protest process shall consist of review of all documentation and any testimony provided in support of the protest by the Contracted Services Committee of Housing New Mexico|MFA's Board of Directors, which shall thereafter make a recommendation to the full Board of Directors regarding the disposition of the protest.

Housing New Mexico | MFA's Board of Directors shall make a final determination regarding the disposition of the protest. No appeal of the determination of the protest shall be allowed. Offerors or their representatives shall not communicate with Housing New Mexico | MFA's Board of Directors or any Housing New Mexico | MFA staff member regarding any proposal under consideration, except when specifically permitted to present testimony to the committee of the Board of Directors. A proposal will be deemed ineligible if the Offeror or any person or entity acting on behalf of the Offeror attempts to influence members of the Board of Directors or Housing New Mexico | MFA staff during any portion of the NOFA review process or does not follow the prescribed proposal and protest process.

10 NOFA REVISIONS AND SUPPLEMENTS

Should revisions or additional information be necessary to clarify any provision of this NOFA, a notice of revisions or request for additional information, as applicable, will be provided to all Offerors via Housing New Mexico | MFA's website and via email to each person who attends the NOFA and Program Informational Training Webinar at the email that the Offeror uses to register for the training.

11 INCURRED EXPENSES

Housing New Mexico | MFA will not be responsible for any expenses incurred by an Offeror in responding to this NOFA. All costs incurred by the Offeror in the preparation, transmittal or presentation of any

proposal or material submitted in response to this NOFA will be borne solely by the Offeror.

12 RESPONSIBILITY OF OFFERORS

If an Offeror, who otherwise would have been awarded a contract, is found not to be a Responsible Offeror, a determination setting forth the basis of the finding, shall be prepared and the Offeror shall be disqualified from receiving the award. A Responsible Offeror means an Offeror who submits a responsive proposal that conforms, in all material respects, to the requirements of this NOFA and who has furnished, when required, information and data to prove that the Offerors financial resources, production or service facilities, personnel, service reputation and experience are adequate to make satisfactory delivery of the services described in this NOFA. Failure of an Offeror to promptly supply information in connection with an inquiry concerning responsibility is grounds for a determination that the Offeror is not a Responsible Offeror.

Successful Offerors will be required to enter into a performance agreement the terms and conditions of which will be determined by Housing New Mexico | MFA in its sole discretion, and which shall comply with and require Offeror's compliance with all federal requirements of the Program.

13 CANCELLATION OF NOFA REJECTION OF PROPOSALS

This NOFA may be canceled, and any and all proposals may be rejected when it is in the best interest of the state of New Mexico and/or Housing New Mexico | MFA. In addition, Housing New Mexico | MFA may reject any or all proposals which are not responsive. Offeror may also cancel their proposal at any time during the proposal process.

14 AWARD NOTICE

Housing New Mexico | MFA shall provide written notice of the award to all Offerors within 10 business days of the date of the award approval by Housing New Mexico | MFA's Policy Committee. The award shall be contingent upon successful negotiations of a final performance agreement between Housing New Mexico | MFA and the Offeror whose proposal is accepted by Housing New Mexico | MFA.

15 PROPOSAL CONFIDENTIALITY

After an award is made by Housing New Mexico | MFA's Policy Committee, Offeror's proposal will be open to the public for inspection and copying pursuant to Housing New Mexico | MFA's Request to Inspect Documents policy.

Offerors must redact all confidential and personal identifier information from Offeror's proposal, if the information is not specifically required by Housing New Mexico | MFA.

16 CODE OF CONDUCT

No board member, employee or management of Housing New Mexico|MFA shall have any direct or indirect interest in any contract with the Offeror nor shall any contract exist between Offeror or its affiliate and any Housing New Mexico | MFA Board member or employee that might give rise to a claim of conflict of interest. Any violation of this provision will render void any contract between Housing New Mexico|MFA and the Offeror for which Housing New Mexico|MFA determines that a conflict of interest exists as herein described, unless that contract is approved by a majority of all the Board of Directors of Housing New Mexico|MFA after full disclosure, in accordance with Housing New Mexico|MFA's Conflict

of Interest Policy.

Offeror shall provide a statement disclosing any political contribution or gift valued in excess of \$250 (singularly or in the aggregate) made by Offeror or on Offeror's behalf to any elected official of the state of New Mexico currently serving or who has served on Housing New Mexico | MFA's Board of Directors in the last three years.

Offeror shall warrant that it has no interest, direct or indirect, which would conflict in any manner or degree with the performance of services required under the performance agreement entered into with Housing New Mexico|MFA pursuant to this NOFA. Offeror shall at all times conduct itself in a manner consistent with Housing New Mexico|MFA's Third-Party Code of Conduct. A copy of Housing New Mexico|MFA's Third-Party Code of Conduct is included as Exhibit J to this NOFA and can also be found at the Funding Opportunities tab and Requests for Proposals, Requests for Qualifications, Notices of Funding Availability section. Upon request by Housing New Mexico|MFA, Offeror shall disclose information Housing New Mexico|MFA may reasonably request relating to conflicts or potential conflicts of interest.

After awards, all proposals and documents pertaining to the proposals will be open to the public for inspection and copying pursuant to Housing New Mexico | MFA's Request to Inspect Documents policy.

PART II: PROGRAM-SPECIFIC CRITERIA

17 PROGRAM BACKGROUND

Housing New Mexico | MFA is the state's recipient of the HOME Investment Partnerships American Rescue Plan "HOME-ARP" funding and is responsible for administering and overseeing the funding. Housing New Mexico | MFA received the funding on September 22, 2021. Funding allocated specifically for HOME-ARP Supportive Service was awarded to subrecipients in New Mexico who were administering the Emergency Solutions Grant Rapid Rehousing and Homeless Prevention Program due to the program similarities.

The purpose of this NOFA is primarily to obtain additional subrecipients especially in areas of New Mexico that are either unserved or underserved.

The HOME-ARP Supportive Services Program follows the regulations under CPD Notice 21-10 combined with ESG regulations under 24 CFR Part 576. All subrecipients are required to follow the HOME-ARP Regulations, Housing New Mexico | MFA's HOME-ARP Written Standards, Federal 2 CFR 200 Regulations, and all contractual requirements.

As of the date of the NOFA release, the amount of funding available is \$4,795,593.86.

18 SCOPE OF WORK

The Rapid Rehousing and Homeless Prevention components of the program are designed to identify sheltered and unsheltered homeless persons, as well as those at risk of homelessness, and provide the

services necessary to help those persons quickly regain stability in permanent housing after experiencing a housing crisis and/or homelessness.

HOME-ARP Supportive Services assistance is not intended to provide long-term support for program participants, nor will it be able to address all the financial and supportive services needs of the household that affect housing stability. Assistance should be focused on housing stabilization, linking program participants to community resources and mainstream benefits, and helping them develop a plan for preventing future housing instability. The HOME-ARP Homelessness Prevention component of the program is intended to provide rental assistance, and housing relocation and stabilization services necessary to prevent an individual or family from moving into an emergency shelter, the streets, or a place not meant for human habitation. This program is not intended to be an eviction prevention program.

The term of the performance agreement will begin within 90 days from the time the award is approved by Housing New Mexico | MFA's Policy Committee. The initial agreement will be for a period of 18 months, in the amount of \$100,000. After that time, agreements may be extended and additional funds will be awarded through a draw down request only to subrecipients who meet Housing New Mexico | MFA's annual renewal criteria outlined in Section II, Part 21, Renewal Criteria.

Successful Offerors will be required to report all clients in the Homeless Management Information System "HMIS" that is managed by the New Mexico Coalition to End Homelessness. Subrecipients will also be required to report expenditures and number of participants and households assisted by county, and participant exit destinations monthly.

19 NOFA TRAINING AND ASK-A-QUESTION

Housing New Mexico | MFA will conduct an initial NOFA and Program Information Webinar for all Offerors by video conference on November 6, 2024, at 10:30 am. Mountain Time. MFA strongly recommends that all potential Offerors attend this webinar. Pre-registration is required. To register, visit https://housingnm.webex.com/weblink/register/r89f840cdb8c66f64050d5179e306ffb7. Offerors who are unable to attend webinar may view it on Housing New Mexico | MFA's https://housingnm.org/funding-opportunities/rfps-rfqs The webinar will be available until the NOFA submission expiration date or until funding falls below \$500,000. Points are awarded for those that attend or provide an affidavit (Exhibit K) verifying that they watched the webinar via the website. After the NOFA and Program Information Webinar, questions will only be answered through the Ask a Question "AAQ" at housingnm.org in the NOFA section of Housing New Mexico|MFA's website, housingnm.org. Questions will be answered within two business days from the time of submission. All questions and responses will be posted to ensure consistency.

20 PERFORMANCE AGREEMENT TERM

Successful Offerors will enter into a performance agreement with Housing New Mexico|MFA for services to be performed once approved by Housing New Mexico|MFA's Policy Committee. Offerors selected through this NOFA will receive an initial award of \$100,000. All subrecipients of Housing New Mexico|MFA funds are required to meet the annual renewal criteria set by Housing New Mexico|MFA, as outlined in Section II Part 21, Renewal Criteria. Only expenses incurred on or after the effective date of the performance agreement are allowable. If the subrecipient does not expend 75% of the initial award of \$100,000 within the first 12 months of the performance agreement, Housing New Mexico|MFA reserves the right to reallocate the funds to another subrecipient.

If an awardee of this NOFA is deemed not qualified to administer the program due to non-compliance or inability to properly administer the program, Housing New Mexico | MFA reserves the right to terminate the performance agreement and reallocate the funding to another subrecipient based on the availability of additional funds.

The performance agreement between Housing New Mexico | MFA and successful Offerors shall be for a fixed amount. All payments by Housing New Mexico | MFA shall be made on a reimbursement basis.

21 RENEWAL CRITERIA

Annual renewal is contingent upon the following criteria, which may be adjusted at Housing New Mexico | MFA's discretion.

- Funding Availability
- Proof of current registration as a charitable organization (if applicable)
- Annual fiscal audit or audited financial statements
- Unique Entity Identifier and SAM.gov registration
- Offeror Capacity Form
- Current Organization Chart
- Funders Form
- Offeror Certification Form
- County Service Area Form
- Housing New Mexico | MFA Program Awards Form
- Any other documentation Housing New Mexico | MFA deems necessary

Annual renewals are based on performance, monitoring results, and the ability of the awardee to properly administer the program.

22 NOFA TIMELINE

Housing New Mexico | MFA will adhere to the following timeline:

Timeline/Activity
Release NOFA – October 22, 2024
NOFA & Program Information Webinar - November 6, 2024
Ask A Question Submission – Answered within 2 business days
NOFA Submissions – Accepted until 9/30/2029 or until funding available is below \$500,000
Deficiency Correction Notifications – within 1 week of submission
Housing New Mexico MFA Review Team Scoring – within 3 weeks of submission
Preliminary Award/Denial Letters to Offerors – within 1 week of finalized scoring
Protest Period Begins – upon receipt of Preliminary Award Notifications
Protest Period Deadline – within 5 days from the Preliminary Award Notifications
Award Recommendations to Housing New Mexico MFA Policy Committee
Issue Performance Agreements
Schedule Training

23 MINIMUM QUALIFICATIONS AND REQUIREMENTS

Offeror must meet the basic eligibility criteria specified in Part II Section 23, Minimum Qualifications and Requirements, to be considered for funding.

Offerors must submit all requested documentation according to the checklist provided, Exhibit A, Minimum Threshold Requirements & Documentation Checklist.

- 1. Offeror must submit a single PDF of its proposal including all required schedules and attachments as outlined in Part I Section 5, Proposal Format.
- 2. Offerors who have received funding from Housing New Mexico|MFA but discontinued providing any program within the past two years due to capacity, compliance and/or programmatic issues are ineligible.
- Offeror must have a minimum of two years of demonstrated experience providing housing services to those that are experiencing homelessness and/or who are at risk of homelessness.
- 4. Offeror must be one of the following:
 - A nonprofit organization with 501(c)(3) status, (provide proof), with a primary
 mission of providing shelter and/or services to individuals who are experiencing
 homelessness, or are at risk of homelessness, including those fleeing domestic
 violence; or
 - A unit of general-purpose local government; or
 - A tribal government
- 5. Offeror Business License, if applicable
- 6. If Offeror is a nonprofit organization, Offeror must submit proof of current registration as a charitable organization with the New Mexico Attorney General's Office or proof of exemption therefrom. Registration/verification may be obtained at https://secure.nmag.gov/coros/. Verification should be in the form of the first page of the "NM Charitable Organization Registration Statement."
- 7. Offeror must be in "good standing" as of the date this NOFA was issued. To be in good standing, Offeror must not have been "suspended," "debarred" or had HUD's Limited Denial of Participation status conferred upon it by Housing New Mexico | MFA and/or other funding sources. Offeror must provide their UEI number on the application, Exhibit B.
- 8. Offeror must provide one electronic copy of their current fiscal year independent Certified Public Accountant (CPA) auditor's report (audit) conducted in accordance with Government Auditing Standards (GAS). The GAS audit will include an independent auditor's report on the following: 1) financial statements; and 2) internal control over financial reporting and compliance. If Offeror receives \$750,000 in federal funds, a Single Audit is required pursuant to 2 CFR 200. The following types of audit findings may disqualify Offeror from funding:

- Repeat and unresolved audit findings or any pending investigations.
- If Offeror has received greater than \$750,000 in funding and the single audit did not meet the requirements of 2 CFR 200.500-520.
- For Single Audit, no proof of federal audit clearinghouse submission (FORM SF-SAC) and, if governmental entity, proof is not included of current audit submission to the Office of the New Mexico State Auditor.
- If referenced in audit as a separate communication, no submission of management response letter and/or management response to concerns noted in the management letter.
- If any findings, no submission of management response to findings.

Local public bodies (housing authorities, local governments) must conduct annual independent financial audits by a certified auditor that has been approved by the New Mexico State Auditor's Office and is on the State Auditor's list.

- 9. Offeror must provide proof of insurance coverage, through a Commercial General Liability Insurance policy **upon contract execution.**
- 10. Offerors Certification must be signed by an authorized official (form provided, Part II Section 29, NOFA Forms) and submitted with application.
- 11. Offerors Reputation Certification must be submitted in which Offerors must describe any material, current or pending litigation, administrative proceedings or investigations that could impact the reputation or financial viability of the Offeror (form provided, Part II Section 29, NOFA Forms).
- 12. Offeror must provide a copy of the Housing New Mexico | MFA's Third-Party Code of Conduct, signed by an authorized official (form provided, Part II Section 29, NOFA Forms).
- 13. Offeror must list all funding sources, to include the amounts received from each entity, for the last two years (form provided, Part II Section 29, NOFA Forms)
- 14. Offeror must provide their most recent monitoring reports from all funding sources verifying that Offeror is in good standing with all funders.
- 15. Offeror must provide an Executive Summary with the application (not to exceed 2 pages).
- 16. Offeror must provide their agency's Mission Statement with the application (not to exceed 1 page).

24 EVALUATION CRITERIA

Housing New Mexico | MFA will award a performance agreements to Offerors whose proposals score at least 57 points with respect to the evaluation criteria. Applications with an overall score that is at or below 70% of the total possible points will not be considered for funding. Final award decisions will be made by Housing New Mexico | MFA's Policy Committee.

Scoring will be based on the following categories:

- Offeror Experience and Capacity
- Finance

Housing New Mexico | MFA will use the following checklist to score Offerors who meet the minimum threshold requirements of the NOFA.

Experience & Capacity		Score – 72 possible points
Did the Offeror attend the NOFA & Program Information Webinar or submit the affidavit (Exhibit K) verifying that they watched the webinar via the website.	Yes +5 pts. No 0 pts.	5
What populations does your organization primarily serve (select all that apply, you cannot score more than 10 points total):	10 pts. maximum	10
 Individuals Only (1pts) Families Only (2 pts) Individuals and Families (5 pts) Domestic Violence Survivors (1 pts) 		
" Unaccompanied Youth (1 pts) Total		
Experience of management and key personnel - Outline the experience in housing and services for those experiencing homelessness or at risk of experiencing homelessness for each key staff member listed below:	20 pts. maximum	20
Less than 2 years (1 point) 2-5 years (3 points) 5+ years (5 points)		
Executive Director		
 Program Manager Fiscal Manager Housing Stability Case Manager 	Total	
Experience in the following areas: 2 points each unless otherwise		
 Administering federal grants specifically intended to house those experiencing homelessness or those most at-risk of homelessness (5 pts.) 		
Housing stability case management (targeted to the homeless)		37
3. Supportive services		
4. Housing search & placement		
5. Landlord/tenant relationships & recruitment		
6. Income calculation training7. Rent calculation (based on income)		
8. Landlord/Tenant rights		
9. Lead-based paint requirements		
10. Unit inspections – habitability, HQS or other (specify)		

 Coordinated Entry System Homeless Management Information Systems "HMIS" or Osnium databases Fair Market Rent Rent Reasonableness Scattered-site delivery Housing First Model Experience working with the local Continuum of Care 		Score – 10
Finance		possible points
External Audit Points will be awarded based on the results of the Offeror's independent audit or audited financial statements for their most recently completed fiscal year not ending earlier than 2023. Audit materials must include management response to any finding(s) and corrective action to clear the finding or provide details of the status of the finding(s).	10 pts. maximum	
 Unresolved Findings 0 pts.* Cleared Findings +5 pts. No Findings +10 pts. If the audit submitted contains unresolved findings, Offeror shall submit to Housing New Mexico MFA management's response to the findings and the timeline/plan for taking corrective action needed to clear the finding. Housing New Mexico MFA may reject Offeror's application where the following types of audits or audited financial findings are present: Repeat and unresolved audit findings, as determined by Housing New Mexico MFA. If Offeror has received greater than \$750,000 in the prior fiscal year and the single audit did not meet the requirements of the 2 CFR 200 Subpart F:	Total	

25 AWARD DETERMINATIONS

Funding for first-time Housing New Mexico | MFA subrecipients will be capped at \$100,000.00. Successful subrecipients will be allowed to request additional funding once they have expended 75% of the grant or \$75,000.00. The first award request after the initial \$100,000 will be capped at \$200,000.00. All requests thereafter can be up to \$400,000.00. Only subrecipients who show evidence through monitoring that they are proficient in understanding the eligibility requirements of the program and are not on a corrective action plan will be allowed to request additional funds beyond the initial \$100,000.00. Administrative awards for this grant are capped at 10%. Subrecipients will be limited to serving two counties for the first year. After that time, if the subrecipient has the capacity and has successfully administered the program as evidenced through monitoring, they may request to serve additional counties. Funding is awarded on a first come, first served basis.

26 PROGRAM STANDARDS

HOME-ARP Supportive Services funding is used to assist individuals/households to quickly regain stability in permanent housing after experiencing a housing crisis and/or homelessness. The program is intended to be used for the most vulnerable populations who meet the eligibility criteria as outlined in CPD Notice 10-21 Section IV "Qualifying Populations". Only households who meet HUD's definition of homelessness, imminent risk of homelessness, Fleeing or Attempting to Flee, Domestic Violence, Dating Violence, Sexual Assault, Stalking, or Human Trafficking, or at-risk of homelessness can be considered for this program. The purpose of the program is to rapidly re-house homeless individuals and families and prevent individuals and families from becoming homeless.

Eligible costs by category:

- Rental Assistance: rental assistance and rental arrears
- Financial Assistance: rental application fees, security & utility deposits, utility payments, utility arrears, last month's rent, moving costs
- Services: housing search and placement, housing stability case management, landlord-tenant mediation, tenant legal services, credit repair

Eligible program participants for homeless prevention: Individuals and families who meet the criteria under the "at risk of homeless definition" or who meet the criteria in paragraph 2, 3 or 4 of the homeless definition in CPD Notice 21-10 Section IV and have an annual income below 30 percent of median family income for the area, as determined by HUD, Fleeing, or Attempting to Flee, Domestic Violence, Dating Violence, Sexual Assault, Stalking, or Human Trafficking, or at Greatest Risk of Housing Instability.

Eligible program participants for Rapid Rehousing: Individuals and families who meet the criteria under paragraph 1 of the "homeless" definition in CPD Notice 21-10 Section IV or who meet the criteria under Fleeing, or Attempting to Flee, Domestic Violence, Dating Violence, Sexual Assault, Stalking, or Human Trafficking and live in an emergency shelter or other place described in paragraph 1 of the "homeless" definition.

HOME-American Rescue Plan Supportive Services Rapid Rehousing Program Regulations

The HOME-ARP Supportive Services Program follows the regulations under CPD Notice 21-10. Additionally, all subrecipients are required to follow Housing New Mexico | MFA's ESG/HOME-ARP Written Standards, ESG Regulations under 24 CFR Part 576, federal regulations under 2 CFR 200, and all contractual requirements. The following is a list of the main program requirements:

- All beneficiaries (participants) must meet the minimum eligibility requirements; Homeless Prevention CPD Notice 21-10 Section VI.D.3.b., Rapid Rehousing CPD Notice 21-10 Section VI.D.3.a.
- All rental units must meet the Fair Market Rent and Rent Reasonableness requirements under 24 CFR 888, 24 CFR, 982.503 & 24 CFR 982.507
- Funds cannot be used to help a beneficiary remain in or move into housing that does not meet the Minimum Habitability Standards under 24 CFR 576.403(c)
- All participants must be provided with supportive services, housing stability case management, connection to other mainstream financial and/or supportive services, and housing search and placement assistance
- All HUD-funded housing units occupied by program participants are required to incorporate lead-based paint remediation and disclosure requirements under CPD Notice 21-10 Section VII.E.
- Service Provider must choose between using Coordinated Entry or selecting qualified applicants from an activity-specific waiting list in chronological order to the extent practicable. Service Providers must clearly define their chosen method in their written policies and procedures manual and/or desktop manual. All subrecipients are required to assist all Rapid Rehousing program participants requesting assistance through the New Mexico Coordinated Entry System
- All subrecipients are required to use the NM Homeless Management Information System "HMIS" for reporting
- Subrecipients are required to attend all applicable trainings provided by Housing New Mexico|MFA, HUD and/or any other training deemed necessary by Housing New Mexico|MFA to administer this program

Other Program Information

- Funds cannot be used for households that already receive the same type of assistance through other federally funded programs
- Beneficiaries must be literally homeless, at imminent risk of homelessness or at-risk of homelessness (those who would otherwise be homeless but for the assistance) according to HUD's definitions
- Documentation must be maintained in the participant files according to the program regulations

27 COMPLIANCE WITH OTHER FEDERAL REQUIREMENTS

Offerors must comply with all applicable federal, state, and local codes, statutes, laws, and regulations which include, but are not limited to:

- Standards for Financial and Program Management (2 CFR 200.300-200.309)
- Cost Principles (2 CFR 200 Subpart E)

- Financial Internal Controls (2 CFR 200.303)
- Protected Personally Identifiable Information (2 CFR 200.82)
- Title VI of the Civil Rights Act of 1964, as amended (42 USC 2000d, et seq. and 24 CFR Part 1)
- Fair Housing Act (42 USC 3601 et seq.)
- Equal Opportunity in Housing (Executive Order 11063, as amended by Executive Order 12892 and 24 CFR Part 107)
- Age Discrimination Act of 1975, as amended (42 USC 6101 et. seq.)
- Americans with Disabilities Act (42 USC 12101 et seq.)
- Equal Employment Opportunity, Executive Order 11246, as amended (24 CFR 570.607)
- Fair Labor Standards Act of 1938, as amended (29 USC 201, et seq.)
- Contract Work Hours and Safety Standards Act, as amended (40 USC 3701 et seq.)
- Anti-Kickback Act of 1986 (41 USC 8701-8707)
- Section 3 of the Housing and Urban Development Act of 1968 (12 USC 1701u), as implemented pursuant to Housing New Mexico | MFA's HUD Section 3, Economic Opportunity Compliance Policy
- Minority/Women's Business Enterprises, Executive Orders 11625, 12138 and 12432
- Section 504 of the Rehabilitation Act of 1973 as amended (29 USC 794)
- Lead-Based Paint Poisoning Act (42 USC §4822 and 24 CFR Part 35)
- Environmental Reviews (24 CFR Part 92.352)
- National Environmental Policy Act (NEPA) of 1968 (24 CFR Parts 50 and 58)
- Emergency Shelter Inspections-ESG Minimum Habitability Standards for Emergency Shelters)
 (24 CFR Part 576.403(b)(c))
- Debarment & Suspension (Executive Order 12549, 51 Fed. Reg. 6370)
- Affirmative Outreach (24 CFR 576.407)
- Participation in HUD programs by Faith-Based Organizations (24 CFR 5.109)

28 Housing New Mexico | MFA BOARD MEMBERS AND MANAGEMENT

Board Members

Chair, Angel Reyes - President, Centinel Bank of Taos

Vice Chair, Derek Valdo, Chief Executive Officer, AMERIND Risk Management

Ex Officio Member, Howie Morales, Lieutenant Governor

Ex Officio Member, Raul Torrez, Attorney General

Ex Officio Member, Laura M. Montoya, State Treasurer

Member, Rebecca Wurzburger, Strategic Planning Consultant

Member, Randy Traynor, Principal, Traynor Associates, LLC

Housing New Mexico | MFA Management

Executive Director/Chief Executive Officer, Isidoro Hernandez Chief Housing Officer, Donna Maestas-De Vries Chief Financial Officer, Arundhati Bose Chief Lending Officer, Jeff Payne

29 NOFA FORMS

As outlined in Part I Section 5, Proposal Format, the following NOFA-specific forms must be included with the proposal. No substitutions will be accepted.

- Exhibit A NOFA Checklist
- Exhibit B NOFA Application
- Exhibit C Offeror Experience
- Exhibit D Offeror Capacity
- Exhibit E Offeror Funders
- Exhibit F Offeror Certification
- Exhibit G Offeror Reputation Certification
- Exhibit H Offeror Certification of Accounting Practices
- Exhibit I Offeror Board of Directors
- Exhibit J Offeror Third-Party Code of Conduct
- Exhibit K NOFA Training Webinar Affidavit, if applicable

Proposals and forms may be downloaded from Housing New Mexico | MFA's website, housingnm.org in the Funding Opportunities tab and Requests for Proposals, Requests for Qualifications, Notices of Funding Availability section.



TO: Housing NM | MFA Board of Directors

Through: Contract Services Committee – October 8, 2024

Through: Policy Committee – October 2, 2024

FROM: Troy Cucchiara, David Gutierrez, Dimitri Florez

DATE: October 16, 2024

SUBJECT: Approval of 2022/2027 BIL DOE State Plan Modification

DOA #21 – State Plan Approval and allocation of DOE Funds

Recommendation:

Staff is requesting approval of a modification the NM Energy\$mart 2022/2027 Bipartisan Infrastructure Law (BIL) Department of Energy (DOE) Weatherization Assistance Program State Plan to allow for an additional funding of \$2M of Sustainable Energy Resources for Consumers (SERC).

Background:

State Plan Description

The State Plan is the annual application package that is submitted by Housing New Mexico | MFA to the DOE prior to receiving funding for the Weatherization Assistance Program. The Board approved the BIL State Plan on September 21, 2022.

BIL

The BIL funds are appropriated by the Infrastructure Investment and Jobs Act, Public Law 117-58, signed on November 15, 2021. This is administered by the DOE, authorized by Title IV, Energy Conservation and Production Act. The total appropriations for weatherization are \$3,168,000,000. Of this amount, Housing New Mexico | MFA's formula grant is \$22,066,0751 and is being used to weatherize homes in addition to the regular DOE annual allocations over a five-year grant period.

Sustainable Energy Resources for Consumers (SERC)

DOE has reserved \$70M of funding available for competitive grants that would be used to expand the Weatherization Assistance Program for materials, benefits, and renewable and domestic energy technologies not currently covered. Further, this funding must align with DOE's goal of delivering 40% of the overall benefits of climate investments to disadvantaged communities. These funds were released under a competitive grant referred to as Sustainable Energy Resource

for Consumers (SERC) Grant and would need to be expended between the time the modification is approved by DOE and June 30, 2027.

These funds are deriving from Title IV of the Energy Independence and Securities Act of 2007, Section 411(b) and authorizes the use of 2 percent of funds when total appropriated amounts exceed \$275 million for the Weatherization Assistance Program (WAP), administered by the DOE. Housing New Mexico | MFA has applied for and successfully won this grant in the amount of \$2M. The grant application is specifically for the northern counties in the state.

Discussion:

Use of SERC funds

The SERC funding will be used to provide two energy efficiency technologies not covered under the existing program: Air Source Heat Pumps (ASHPs) (including mini-splits when not allowed under WAP) and solar panels (including new electrical panels or materials to support solar energy). Currently, ASHPs are only allowed if they pass the cost-effective test or health and safety test.

ASHPs will replace the heating and air conditioning systems that currently provide heating and cooling to the units. ASHPs rely on the difference between air temperatures inside and outside the home to provide heating and cooling. For units with non-ducted heating systems, mini split units will be installed that do not have the need for an air handler or duct system. Without converting fuel, as combustion systems do, ASHPs are the most efficient heating and refrigerated air-cooling systems.

The installation of solar panels will enhance energy efficiency and cost savings by reducing reliance on electric energy produced through gas and coalfired plants. Solar panels function by absorbing photons from sunlight, which creates an electric field across the layers and causes electricity to flow. SERC funds will also be used to provide new electrical panels or materials to support solar energy. Solar electricity has the ancillary benefit of increasing home value, which in turn increases wealth for homeowners in disadvantaged communities.

All homes will either have already received weatherization or will be receiving these services. There will not be heat pumps or solar panels installed on homes that have not had the base necessary improvements.

<u>Targeted population and implementing agency</u>

Eligible households are those whose homes have been previously weatherized but have not received SERC measures, along with homes receiving weatherization measures for the first time. Applicants must meet all program eligibility requirements spelled out in our existing State Plan.

At least 50% of these households will be located in disadvantaged communities in the following counties and Tribal areas: Bernalillo, Sandoval, Torrance, Valencia, Taos, Colfax, Union, Mora, Harding, San Miguel, Guadalupe, Quay, Cibola, McKinley, San Juan, Rio Arriba, Santa Fe, Los Alamos, Cochiti Pueblo, Jemez Pueblo, San Felipe Pueblo, Sandia Pueblo, Santa Ana Pueblo, Santo Domingo Pueblo, Zia Pueblo, Isleta Pueblo, Taos Pueblo, Picuris Pueblo, Acoma Pueblo, Laguna Pueblo, Zuni Pueblo, Jicarilla Apache Nation, Ohkay Owingeh Pueblo, Nambe Pueblo, Pojoaque Pueblo, San Ildefonso Pueblo, Santa Clara Pueblo, and Tesuque Pueblo.

To achieve these aims, Housing NM | MFA will implement the proposed project in partnership with Central New Mexico Housing Corporation (CNMHC), a current weatherization subrecipient.

At least 85 single-family site-built and mobile homes will be completed, some of which rely exclusively on electric energy, meaning measures such as air source heat pumps will have a cost-saving effect that solar panel installation will further enhance. Other units may require fuel switching in the form of natural gas to electric, in which case, dual fuel heat pumps and added solar panels will prevent the risk of an increased energy burden associated with more expensive fuel sources.

The below chart illustrates the existing funding and additional SERC amount.

Category	Housing NM MFA	Central NM Housing Corp.	Southwestern Regional Housing and CDC	ICAST (Multifamily)	Red Feather Development	Total
Administration	\$1,103,337.55	\$915,919.78	\$363,970.70	\$728,202.78	\$198,581.84	\$ 3,310,012.65
Leverage	\$83,250.00	-	-	-		83,250.00
Capital Outlay	\$1,177,853.82	-	-	-		\$1,177,853.82
Training & Technical Assistance	\$1,522,909.44	\$881,201.01	\$489,912.33	\$480,104.67	\$512,735.55	\$3,886,863.00
Program Operations	-	\$3,908,651.09	\$1,553,230.41	\$3,107,576.29	\$847,440.05	\$9,416,897.84
Health & Safety	-	\$1,422,769.41	\$565,383.98	\$1,131,174.00	\$308,472.61	\$3,427,800.00
Financial Audit	-	\$54,034.25	\$57,212.73	\$6,674.00		\$117,920.08
Liability Insurance	-	\$277,526.24	\$165,281.22	\$103,345.08	\$100,000.00	\$646,152.54
SERC	\$100,000	\$1,900,000	0	0	0	\$2,000,000
Existing Total	\$3,887,350.99	\$7,460,101.77	\$3,194,991.37	\$5,557,076.82	1,967,230.05	\$22,066,751.00
Total with SERC	\$3,987,350.99	\$9,360,101.77	\$3,194,991.37	\$5,557,076.82	1,967,230.05	\$24,066,751.00
Estimated SERC Units		85				85
Estimated DOE Units	-	722	287	574	157	176

Summary:

Staff recommends approval of a modification the BIL DOE State Plan to allow for an additional \$2M of SERC funding. This funding will be used by CNMH to install solar panels, and ASHP in 85 homes throughout the northern counties of NM.





TO: Housing New Mexico Board of Directors

Through: PC Committee October 7, 2024

FROM: Arundhati Bose

DATE: October 16, 2024

SUBJECT: Single Family Mortgage Bonds 2024 Series E/F

Pricing Summary

Summary:

The 2024 Series E/F transaction is a new money bond issue which priced on July 16th, 2024, and closed on August 20th, 2024. Below is a summary of the bond sale:

<u>Structure</u>: The bond issue is a blended \$150.0 million (i.e., \$105.0 million tax-exempt, \$45.0 million taxable) traditional bond issue which provides for non-AMT serial bonds, term bonds, and a premium planned amortization class ("PAC") bond.

<u>Marketing</u>: To enhance the marketing of bonds to retail investors, our selling group members participated in the underwriting syndicate, namely, D.A. Davidson & Co., Fidelity Capital Markets, Drexel Hamilton, Jefferies Financial Group Inc., and Hilltop Securities Inc. The underwriting syndicate submitted \$22.805 million in orders and was allotted \$13.045 million of bonds.

Tax-Exempt Issue Performance

- \$280.2 million of institutional orders
- \$25.3 million in retail orders
 - \$3.4 million from NM retail investors

Taxable Issue Performance

- \$104 million of institutional orders
- \$0.6 million in retail orders (taxable demand largely comes from institutions)

Total orders for the bond issue were \$415 million for both retail and institutional investors (not including stock member orders), which is an increase of 114% in total orders compared to the 2024 Series C/D issuance. A substantial increase in investor appetite for MFA's taxable bonds and sustained demand for municipal bonds was the primary cause for this. This outcome led to oversubscription that allowed MFA to revise its pricing and led to yields that were more advantageous for the Authority.

Use of Bond Proceeds: The \$150.0 million is being used to originate new mortgage loans and to roll forward a subsidy generated from prior bond issues which helped maintain competitive mortgage rates. The aggregate weighted average mortgage rates are as follows:

<u>Program</u>	Government (FHA)	Conventional (FNMA & FHLMC)
FirstHome	6.252%	6.619%

Spread: Spread is the difference between the mortgage yield and the bond yield. The maximum spread permitted by federal tax law on tax-exempt issues is 1.125% but can be higher when blended with taxable bond issues. The following table details the individual spreads anticipated for each portion of the issue:

	Aggregate	Tax-Exempt	Taxable
Loan Yield	5.987%	5.428%	7.373%
Bond Yield	4.719%	4.338%	5.597%
Spread	1.268%	1.090%	1.777%

Additionally, the net present value benefit of the transaction is \$7.0 million or approximately 4.7% of the bonds issued.

Investment of Bond Proceeds: Funds from the bond issue are invested in Federal Government Obligations Fund Institutional Shares through Zions Bank, the General Indenture Trustee.

Exhibits:

- 1. The attached Exhibit 1 contains a table summarizing more detailed information about the 2024 Series E/F bond issue as well as bond issue characteristics from other recent single-family issuances for comparative purposes.
- 2. The attached Exhibit 2 is a comprehensive in-depth "Post-Sale Analysis" for 2024 Series E/F, prepared by MFA's Financial Advisor, CSG Advisors Inc..
- 3. The attached Exhibit 3 is a summary from the rating agency, Moody's, detailing how zero participations (or zeroes) function when they are created in a bond issue.

EXHIBIT 1

Housing New Mexico (MFA)

Summary of Recent Bond Issue Characteristics

		For Info Only	For Info Only	For Info Only	For Info Only	
		2023C	2023D	2024A/B	2024C/D	2024E/F
		New Money	New Money	New Money	New Money	New Money
		Tax-Exempt	Tax-Exempt	Blended	Blended	Blended
Гуре	e of Structure	Traditional	Traditional	Traditional	Traditional	Traditional
1	Tax Exempt Bonds	\$100,000,000	\$125,000,000	\$96,000,000	\$87,500,000	\$105,000,000
•	Taxable Bonds	n/a	n/a	\$24,000,000	\$37,500,000	\$45,000,000
	Tax-Exempt Refunding Bonds	n/a	n/a	n/a	n/a	n/a
	Taxable Refunding Bonds	n/a	n/a	n/a	n/a	n/a
	Total Amount of Bonds Issued	\$100,000,000	\$125,000,000	\$120,000,000	\$125,000,000	\$150,000,000
2	Bond Issue(s) Refunded	n/a	n/a	n/a	n/a	n/a
3	MFA Subsidy*/Benefit-(New Available)/ Present Value Economic Benefit	\$3.5 million/\$4.8 million	\$4.0 million/\$1.1 million	\$4.4 million/\$4.9 million	\$5.1 million/\$6.4 million	\$7.0 million/\$8.9 millior
4	Original Bond Ratings: Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
5	Pricing Date(s)	7/13/2023	10/19/2023	1/24/2024	4/16/2024	7/16/2024
6	Bond Closing Date	8/17/2023	11/21/2023	2/22/2024	5/23/2024	8/20/2024
7	Serial Bond Maturities AMT Non-AMT	None 9/1/24-9/1/35	None 3/1/25-9/1/35	None 3/1/25-9/1/36	None 3/1/25-9/1/36	None 9/1/25-9/1/36
	Taxable	None	None	3/1/25-9/1/33	9/1/25-9/1/34	9/1/25-9/1/34
8	Term Bond Maturities AMT	9/1/38,9/1/43 9/1/48,9/1/53	9/1/38,9/1/43 9/1/48,9/1/53	9/1/39,9/1/44 9/1/49,9/1/54	9/1/39,9/1/44 9/1/49,9/1/54	9/1/39,9/1/44 9/1/49,9/1/54
	Taxable	None None	None None	9/1/39,9/1/44 9/1/49,9/1/54	9/1/39,9/1/44 9/1/49,9/1/54	9/1/39,9/1/44 9/1/49,9/1/54
9	Premium PAC Maturity AMT Taxable	3/1/54 None	9/1/54 None	3/1/55 None	3/1/55 3/1/55	3/1/55 3/1/55
10	Split Between FIRST HOME Government and Conventional Loans Government Conventional	80% 20%	80% 20%	74% 26%	74% 26%	72% 28%
11	Weighted Average Loan Rates+ FIRST HOME - Government FIRST HOME - FNMA <80% FIRST HOME - FNMA >80% FIRST HOME - FHLMC <80% FIRST HOME - FHLMC >80%	5.771% 6.135% 6.135% n/a n/a	6.162% 6.304% 6.304% 6.601% 6.601%	6.027% 6.371% 6.371% 6.254% 6.254%	6.314% 6.718% 6.718% 6.660% 6.660%	6.252% 6.619% 6.619% 6.619% 6.619%
12	10-Year Treasury Rate at Pricing	3.76%	4.98%	4.13%	4.67%	4.16%

13	GIC Rates** Acquisition Fund Rate Float Fund Rate	n/a n/a	n/a n/a	n/a n/a	n/a n/a	n/a n/a
14	MFA Contribution at Closing Cost of Issuance (COI) COI as a % of Bonds Issued Negative Arbitrage Deposit	\$880,000 0.88% \$1,300,000	\$1,055,000 0.84% \$1,600,000	\$1,035,000 0.86% \$1,450,000	\$1,075,000 0.86% \$1,500,000	\$1,235,000 0.82% \$2,000,000
15	Yield Spread	n/a	n/a	n/a	n/a	n/a
16	Administrative Fee (to MFA)	0.180%	0.180%	0.180%	0.180%	0.180%
17	Bond Allocation System Followed***	Yes	Yes	Yes	Yes	Yes

^{*}Subsidy generated by a prior bond issue.

The lead manager keeps track of when the orders are received which is referred to as an order flow tracking system.

The bond allocation system also dictates that Bonds are awarded to managers prior to any selling group members even though group members may have entered orders first. In-state retail orders receive first priority, followed by orders for the benefit of the group which are allocated by management fee percentage; next are net designated orders placed through the senior manager where the buyer designates the sales credit to specific managers, and finally, member orders receive the lowest priority.

⁺Weighted average rate of loans in the pipeline.

^{**}The Guaranteed Investment Contract is competitively bid.

^{***}The bond allocation system that is followed is common in the investment banking industry and is as follows:





TO: Housing New Mexico Board of Directors

Through: Contracted Services Committee – Through: Policy Committee – October 7, 2024

FROM: John A. Garcia, Assistant Director of Community Development

DATE: October 16, 2024

SUBJECT: Northern Regional Housing Authority Commissioner Appointment

Recommendation

Recommendation:

Staff requests approval to recommend Dr. Barbara A. Perea Casey, to the Governor's office to serve as a Commissioner for the Northern Regional Housing Authority (NRHA).

Background:

The Regional Housing Law (11-3A-29 NMSA 1978) mandates that the Mortgage Finance Authority (MFA) as the oversight body for certain Regional Housing Authoriy (RHA) activities. This includes a specific provision in Section 11-3A-6 E, which requires that all recommendations for the appointment of RHA commissioners be reviewed and approved by Housing New Mexico's Board of Directors before being forwarded to the Governor's boards and commissions office.

Northern Regional Housing Authority serves nine counties: San Juan, Rio Arriba, Taos, Colfax, Mora, McKinley, Sandoval, San Miguel, and Cibola. The Regional Housing Law states that the Board of Commissioners for the Regional Housing Authorities shall consist of at least seven members who shall be residents of the designated area of the regional housing authority. It also states that no more than two members shall be residents of the same county. As noted in the below chart, Northern Regional has 4 active members, leaving at least 3 vacancies.

County within Region	Commissioner Assigned to County	Current Status and Term End Date
San Miguel	Donna Vigil	7/1/28
San Juan	Nichole R Sandoval-Belt	7/1/28
Cibola	Rev. Garland McCoy Moore	7/1/25
Taos	Bernadine Trujillo	7/1/27

Colfax	Vacant	Vacant
Mora	Vacant	Vacant
McKinley	Vacant	Vacant
Rio Arriba	Vacant	Vacant
Sandoval	Vacant	Vacant

Criteria to Serve

11-3A-6 D – The threshold requirements for commissioners of RHAs are that commissioners have expertise and experience in housing construction, real estate, architecture, law, banking, housing finance, business, property management, accounting, residential development, public housing programs, community development, social services, or health care.

Discussion:

Northern Regional Housing Authority (NRHA)

Two commissioners recently resigned, leaving at least three vacancies on the NRHA Board. Housing New Mexico has received a resume and letter of interest from Dr. Barbara Perea Casey to fill one of these commissioner vacancies.

After reviewing Dr. Casey's credentials, it is noted that while her education and experience are primarily in the field of education, she has served two terms on the Las Vegas city council where she gained first-hand experience addressing the city's housing issues. She has also served on various boards including law and healthcare. In addition, she has community development experience developing programs to help decrease the dropout rate in the city of Las Vegas and established West Las Vegas's first school-based health clinic. She oversaw a capital outlay project for Hondo Valley schools that constructed a new middle school and remodeled a library. Attached is her letter of interest and resume for your consideration.

Summary:

Staff recommends approval to forward the nomination of Dr. Barbara A. Perea Casey to the Governor's boards and commissions office for consideration as a commissioner for the Northern Regional Housing Authority.

September 30, 2024

To: Mr. Chris García, MFA

From: Barbara Casey

RE: Letter of interest

Dear Mr. Garcia,

I am very much interested in being appointed to the Northern Regional Housing Authority. As a city council member for the City of Las Vegas, I had the opportunity to hear monthly reports from the Housing Authority director of finance as well as the Authority's director. I learned much about the functioning of the Housing Authority here in San Miguel County and also found that as the months passed, I felt a stronger desire to participate in the workings of the local authority as well as those in other parts of the state.

When the Housing Authority reorganized and added more counties for the northeastern region of our state, I applied for a position on the newly constituted regional board functioning out of Raton. I was not selected at that time; however, when I learned about the opening on the current board, I made an effort to apply once again. As I mentioned in our phone conversation yesterday, I have already been interviewed by Jesse Guillén from the Governor's office. I submitted my résumé and a questionnaire regarding my qualifications and knowledge of the area.

I am familiar with the workings of the Housing Authority not only because I heard monthly presentations from local staff, but I also have friends and family members (now deceased), who lived in public housing. My family members were very happy to have an affordable, safe place to live until they were able to find suitable employment which allowed them to move from the public housing to a home of their own. I feel very strongly about helping those who are willing to help themselves and giving them a purposeful opportunity to so.

I respectfully request your consideration of my request to become a member of the Northern Regional Housing Authority Board.

Thank you,

Dr. Barbara A. Perea Casey 509 Raynolds Avenue Las Vegas, NM 87701 505-454-1117 Landline 505-429-5904 cell

Dr. Barbara A. Perea Casey

509 Raynolds Avenue Las Vegas, New Mexico 87701

Telephone: 505-454-1117 (H)

Telephone: 505-454-1117 (H) E-mail: <u>bap.casey@yahoo.com</u>

RESUME January 2024

EDUCATIONAL BACKGROUND

CATIONAL BACKG	ROUND
2015	Church Administration, Certificate program, Villanova University, Philadelphia, Pennsylvania.
2007	Doctorate in Educational Leadership and Organizational Learning, University of New Mexico.
1995 Non-degree gr	raduate school. New Mexico Highlands University. Completed coursework for certification and licensure in education administration.
1974.1991 Non-d	egree graduate school. Summer and evening classes to certify in English, bilingual education, and school administration. Attended New Mexico State University, Eastern New Mexico University, University of New Mexico, and New Mexico Highlands University.
1973 New Mexico	Highlands University, Las Vegas, New Mexico. Master of Arts degree in Spanish Literature. Graduated with high honors.
1972 New Mexico	Highlands University, Las Vegas, New Mexico. Bachelor of Arts degree; Major in Spanish, minor in French and German. Graduated cum laude.

WORK EXPERIENCE

2024	Appointed as Acting Superintendent for Las Vegas City Schools. Six month assignment, ending June 30.2024.
2015 – Present	Educational consultant, ENMU-Portales; NM Public Education Department, Bilingual Task Force

5 of class.

West Las Vegas High School. Las Vegas, New Mexico. Graduated in top

2015

Retired. Office Manager for the Law Office of H. Chico Gallegos, Attorney-at-Law. Part time employment.

2008 - 2014

Executive Director of Court Appointed Special Advocates Program for the Fourth Judicial District.

Adjunct professor, New Mexico Highlands University School of Education

Educational consultant to public school districts in Northern New Mexico, specializing in curriculum development and bilingual education. (Developed bilingual program policy, evaluation protocol for bilingual teachers, bilingual curriculum and English Language Development curriculum for Pecos School District. Consulted for Peñasco School District in area of bilingual program school improvement plan).

Educational consultant with Eastern New Mexico University and the New Mexico Public Education Dept. in the area of *La Prueba para Certificación Bilingüe* (test for certification in bilingual education for New Mexico teachers).

2004-2008

Associate Superintendent for Curriculum, Instruction and Elementary Operations, Las Vegas City Schools, Las Vegas, New Mexico.

Major Accomplishments while at Las Vegas City Schools: Developed a model for an alternative middle school designed to help students at risk of failure; created academic initiatives program to enhance learning opportunities for all students, decrease the dropout rate and increase graduation rates; developed classroom strategies for English Language Learners; wrote policy on truancy, anti-bullying, and Sick Leave Bank; developed the district RTI (Response to Intervention) policy and protocol; created Student Growth Plan; developed a plan for career clusters in the high school. Also served as the district's director for testing and student assessment.

Grants: Wrote grants and received funding for the following: Arts in Education program (\$146,550); Character Counts (\$10,000); LANL Education Enrichment (\$4,236 a year for three years); Reading First (\$386,000 the first year and \$276,282 for subsequent years).

2004.2002 Superintendent, West Las Vegas Schools. Las Vegas, New Mexico.

Major Accomplishments while at West Las Vegas: Implemented GRADS program for pregnant teens to learn parenting skills while attending school; initiated and implemented the district's first school based health clinic.

2002.2001 Associate Superintendent, West Las Vegas Schools. Las Vegas, New Mexico.

Major Accomplishments while at West Las Vegas:
Developed EPSS; revised curriculum to align with state
Standards and Benchmarks; revised School Board Policy
Manual; brought Head Start into compliance with federal
standards; worked in collaboration with district architect to
create a five year master plan; completed construction on
high school classrooms and cafeteria; served as a member
of the school's acequia association; implemented federal
grant for bilingual education (\$5 million over a three year
period); found and corrected deficiencies in Special
Education Dept.; provided professional development
opportunities for teachers working on master's degrees in
bilingual education or curriculum and instruction.

2001 - 1996 S

Superintendent, Hondo Valley Public Schools, Hondo, New Mexico.

Major Accomplishments while in Hondo:

Capital outlay—constructed an all purpose room, remodeled library, constructed a middle school; constructed a new elementary and Head Start playground; remodeled the kitchen; installed new HVAC in high school, gym, and elementary school; added two new computer labs; constructed a community clinic with a school based health component; constructed a greenhouse; installed a waste water treatment facility; landscaped the campus.

Program changes—Developed curriculum and aligned it to state Standards & Benchmarks; reconfigured schools to include a middle school (K-6, 7-8, 9-12); implemented Accelerated Reader and Academy Reading programs; revised elementary schedule to give teachers planning time; implemented STAR math and reading programs; added chemistry, algebra II, calculus, music, art, and elementary PE to the curriculum; developed EPSS; created 4 year plans for high school students.

1996 - 1980

Roswell Independent School District, Goddard High School. Teacher: English, civics, French, and Spanish. Started Advanced Placement program in the Foreign Language Department. Sponsored Spanish Club for 10 years

1980 - 1979

Roswell Independent School District. Attendance/truant officer at Goddard High School. Duties included staffing attendance office; supervising one assistant and 12 student aides; developed a system for monitoring attendance, making home visits to account for truant students; acted as liaison between Chaves County Youth Services and the JPO. Maintained positive public relations with the community.

1979 - 1978

Roswell Independent School District, Continuing Education Program, Educational Services Center, first "alternative" high school. Taught English, typing, civics, and reading to students who had been expelled from both Goddard and Roswell High School. Duties included curriculum development, maintaining attendance records, reporting to the juvenile probation officer, supervising 55 students; inventorying of instructional materials, and cafeteria, hall and outdoor duty.

1978 - 1974

Roswell Independent School District, Goddard High School. Teacher: French, English and Spanish.

1974 - 1972

New Mexico Highlands University, Las Vegas, New Mexico. Instructor, Modern Foreign Languages Department. Taught Spanish Phonemics, Conversational Spanish and Beginning Spanish.

OTHER OCCUPATIONAL EXPERIENCE

2015 Secretary/receptionist for Herman "Chico" Gallegos Law Office

2013 - 2001

New Mexico Highlands University, College of Education, adjunct professor. Taught Principles of Curriculum Development, Classroom Management, Public School Issues for the Classroom Teacher, Educational Leadership, Research Methods, Public School Law, Reading in the Content Areas, and Educational Psychology.

2002-2001 Luna Community College, Las Vegas, New Mexico. Taught Spanish classes.

1984 Roswell Police Academy. Taught first Spanish class for law enforcement officers. Duties included curriculum development, daily instruction and evaluation of 20 cadets.

1982 - 1978New Mexico Military Institute, taught continuing education course in Conversational Spanish.

1977 Taught continuing education course in English and American History to persons seeking United States Citizenship, Eastern New Mexico University-Roswell.

> Summer director of Home Education Livelihood Program located in Dexter and Hagerman, New Mexico. The program provided instruction in reading, English and mathematics for migrant students ages 3 through 16. Duties included program and curriculum development; supervision of two instructors, two aides, one bus driver/janitor, and two cooks. Other responsibilities consisted of providing safe transportation to and from program sites for the children; menu planning and ordering of food supplies; weekly contact with parents of program participants; provision of health care for students; dental checks, immunization, hearing and vision testing.

PROFESSIONAL LICENSURE

1976

License Number: 039091, Level III, Instructional Leader 7 – 12 Secondary Endorsements in Modern & Classical Language, Language Arts, and Bilingual Education,

License Number: 039091, Level III-B, K-12 Administrative License

APPOINTMENTS, HONORS AND AWARDS

2023	Appointed by NMHU Board of Regents to serve on Presidential Search Committee
2021	Appointed to Board of Directors for the Fourth Judicial District Court Appointed Special Advocates Program (CASA)
2020	Appointed by Archbishop John Wester to the Archdiocesan Pastoral Council for the NM Northeast Deanery

2020	Appointed to Health Security Act Campaign Executive Committee
2018	Appointed to Governor-elect Michelle Luján-Grisham's Transition Team for Public Education
2015	Received the New Mexico Association of Bilingual Education Matias Chacón Award for statewide advocacy in bilingual education.
2009	Received the American Association of University Women's Grace Barker Wilson Award for Distinguished Service (Breaking Barriers for Women)
2007	Appointed to serve on NM Higher Education Task Force on Dual Credit.
2006	Appointed to New Mexico State Bilingual Advisory Council by Secretary of Education, Veronica Garcia.
2005	Appointed to New Mexico Highlands University Foundation Board of Directors.
2004 - 2006	Elected president of New Mexico Highlands University Alumni Association Board of Directors.
2004 - 2001	Elected president of Luna Community College Foundation Board of Directors.
2000 Selected as N	NMHU's Spirit Award recipient for outstanding support of the university.
1999- 1997	Elected president of New Mexico Highlands University Alumni Association Board of Directors.
1997- present	Selected as an official test scorer by the State Department of Education for <i>La Prueba de Español para Certificación Bilingüe</i> for bilingual teaching endorsement.
1995 National Edu	neation Association-NM Special Recognition Award recipient for advocacy of education in the state.
1994	Appointed by the United Nations as a special election monitor in El Salvador
1994 Selected to V	Vho's Who Among American Teachers.

1993	Appointed to participate in International Round Table on Education Policy at Sommerville College, Oxford University, England. Coauthored book, <i>The Faces of Education: A World View</i> (The New Mexico Legislature and System Educational Change: Coordinating Systemic Change in New Mexico).
1992	Selected to Who's Who Among American Teachers
1991	Selected to Who's Who Among American Teachers
1988	Received Distinguished Alumnus Award from West Las Vegas School District.
1986 -	Appointed as Education Commissioner for the State of New Mexico, serving nine terms.
1985	Selected as National Education Association Southeast Regional Advocate of the Year.
1972	Received National Teaching Fellowship to New Mexico Highlands University.
1972	Named to Phi Sigma Iota National Language Honor Society.
1972	Named to Phi Kappa Phi National Honor Society.
1972	Named to Who's Who Among American University Students.
<u>IMUNI</u>	TY INVOLVEMENT
2023	Appointed by San Miguel County Commission to Healthcare Task Force
2022	Elected to a second term in the Las Vegas City Council

COM

	Healthcare Task Force
2022	Elected to a second term in the Las Vegas City Council
2021	Re-elected as Chaplain of the Las Vegas Chapter H of the Philanthropic Education Organization (PEO)
2021	Appointed to the Northeast NM Literacy Council's Imagination Library Board of Directors for San Miguel County

2021	Re-appointed to a tenth 2 year term as Chairwoman of the San Miguel County Family and Community Health Council		
2020	Re-appointed to a fourth 4 year term on the New Mexico Highlands University Foundation Board of Directors		
2020	Elected as co-president of the Las Vegas Branch of the American Association of University Women (AAUW)		
2020	Appointed as an ex-officio advisory member to the Las Vegas Chamber of Commerce		
2017	Re-appointed to third 4 year term on the New Mexico Highlands University Foundation Board of Directors		
2016	Elected to 4 year term in Las Vegas City Council, Ward 3		
2015	Re-appointed to second 4-year term on the New Mexico Highlands University Foundation Board of Directors		
2014	San Miguel County Economic Development Leadership Taskforce. Helped develop county 5 year Strategic Plan		
2013	Elected Secretary for Greater Las Vegas San Miguel Chamber of Commerce Board of Directors. Currently serve as a member of the Chamber Committee for Economic Development, and advisory member of the executive Committee.		
2009	American Association of University Women, Co-president, served three terms (six years).		
2012 - 2001	Kiwanis Club of Las Vegas		
2009 – 2007	Chairwoman of Our Lady of Sorrows Finance Council. Currently serve as a lector and Eucharistic minister, and member of Parish Council. Volunteer in church office. I am also a Certified church administrator (Villanova University, Philadelphia, Pennsylvania.)		
	Council. Volunteer in church office. I am also a Certified church administrator (Villanova University,		

- 2007 to present Founding member of The Literacy Council of Northeastern New Mexico.
- 1994 Named honorary Colonel in the New Mexico State

Defense Force.

1994 Appointed as part of a United Nations delegation to monitor first

democratic elections in El Salvador.

Monitored elections in a politically sensitive area near Honduran border. Selected for this particular area because of my knowledge in conflict mediation and ability to diffuse potentially dangerous situations.

1991 Selected to represent New Mexico in an international conference on NAFTA with Carlos Salinas de Gortari, President of Mexico.

LEGISLATIVE HONORS

- 2000 Appointed by Governor Gary Johnson to serve as a member of the Education Initiatives and Accountability Task Force.
- 1995 Selected to attend National Order of Women Legislators Leadership

 Conference at the University of North Carolina at Chapel
 Hill.
- 1993 Appointed as National Vice-Chairwoman of the Education Committee for National Conference of State Legislatures.
- 1992 Appointed to serve as education committee member for the Mexican American Legislator's Policy Institute.
- 1991 Appointed as Chairwoman of the Legislative Education Study Committee.
- 1991 Selected to represent American educators in an international conference with members of Mexico's National Teachers' Syndicate.
- 1983 Elected to New Mexico House of Representatives. Served six terms—12 years.

PROFESSIONAL ORGANIZATIONS

MEMBER: New Mexico Coalition of School Administrators (past); NM

> Superintendents' Association; American Association of University Women (past Co-president, current government policy, co-

chairwoman); New Mexico Association of Bilingual Education;

Delta Kappa Gamma, Phi Kappa Phi, Alpha Delta Kappa.

Other

Memberships: National Trust for Historic Preservation, past state advisor;

> Democrat Women of San Miguel County; New Mexico Highlands University Foundation and Alumni Association; MainStreet Las; State Bilingual Advisory Council; the Literacy Council of

Northeastern New Mexico, New Mexico Court Appointed Special Advocates Children's Advocacy Network; Las Vegas/San Miguel

Chamber of Commerce Advisor.

HOBBIES:

Reading, writing short stories and poetry, doing crosswords,

community organizing.

TRAVEL AND OTHER INTERESTS

Have traveled extensively throughout the United States, Great Britain, Mexico and El Salvador. Have been a guest speaker/panelist on education and health issues representing both New Mexico House of Representatives and the

Education Commission of the States. Have been very involved in community organizing and community empowerment initiatives.

PROFESSIONAL REFERENCES

Dr. Patrick E.Romero Mary Jane Robinson Mr. Eddie King 202 Sandoval Dr. 2117 Old National Road P.O. Box 862 Las Vegas, NM Las Vegas, NM 87701

Las Vegas, NM 87701

505-429-1377 505-429-1335 505-425-8890

Staff Actions Requiring Notice to Board During the Period of September 2024

Department and Program	Project	Action Taken	Comments / Date Approved
Policy and Planning Department- Compliance and Initiative	Consolidated Annual Performance and Evaluation Report (CAPER)	Approval to proceed with publishing 2023 Consolidated Annual performance and Evaluation Draft report.	Approved by Policy Committee on September 9, 2024
Community Development Department- HOME-ARP	HOME-ARP NOFA Internal Review Committee	Approval for HOME ARP NOFA Internal Review Committee recommendation.	Approved by Policy Committee on September 24, 2024
Housing Development Department LIHTC 4% Bond	Sunset 1600 Roswell, NM	Inducement Resolution for request of \$5.7 million in private activity bonds. To be included in application to SBOF for the November 19, 2024 meeting.	Approved by Jeff Payne on September 16, 2024



Housing New Mexico | MFA Marketing & Communications Monthly Report September 2024

Press Releases

September 5

Housing New Mexico partners with City of Albuquerque, New Mexico Coalition to End Homelessness on Landlord Engagement Program

https://housingnm.org/about-mfa/news/housing-new-mexico-partners-with-city-of-albuquerque-new-mexico-coalition-to-end-homelessness-on-landlord-engagement-program

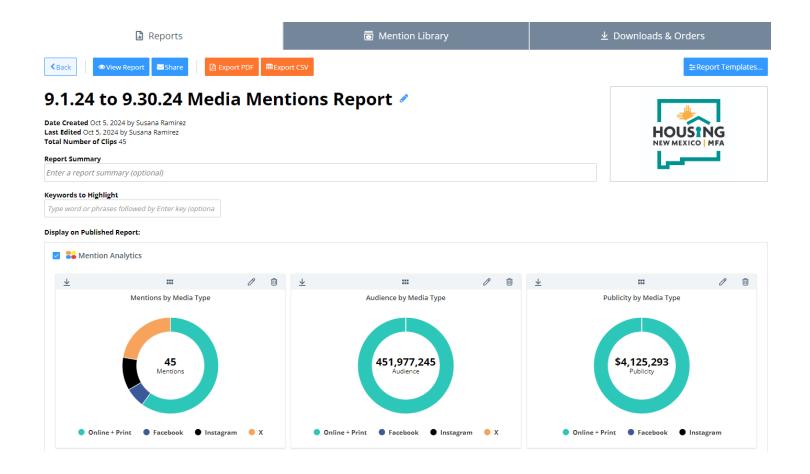
September 25

Housing New Mexico celebrates groundbreaking of Farolito Senior Community in Albuquerque https://housingnm.org/about-mfa/news/housing-new-mexico-celebrates-groundbreaking-of-farolito-senior-community-in-albuquerque

Podcast

Federal Home Loan Bank of Dallas: BankCast Isidoro Hernandez, Housing New Mexico Executive Director/CEO https://www.fhlb.com/podcasts/bankcast

Media Mentions/News Coverage



Advertisements

The Real Estate Book



Your New Mexico Home Awaits — Affordable Mortgage Loans & Assistance Available!

Take the first step toward homeownership with our affordable mortgage options and down payment assistance programs. We serve all of New Mexico. Start your journey today by contacting a participating lender!

Housing New Mexico | MFA housingnm.org/programs/homebuyers

Google



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https://www.housingnm.org

Housing New Mexico | MFA

MFA Provides Down Payment Assistance & Competitive Interest Rate Mortgage Loans. Contact New Mexico Mortgage Finance Authority Today For Help Purchasing Your Home.

Mortgage lender · 5.9 mi · Albuquerque · Closed · Opens 8 AM Mon Homebuyer Resources · Homeowner Assistance · About Mfa · Inquire Now · News Center



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housingnm.org https://www.housingnm.org

Housing New Mexico

Find Affordable Housing in NM - MFA Is New Mexico's Leader In Affordable Homes. Find Quality Affordable Housing Nearby, New Mexico MFA Can Help You Find Affordable Housing Programs. Let MFA Help You Today. Specialized Housing. Emergency Shelter. Affordable Living. Save Big on Housing.

News Center · Homebuyer Resources · About Us · Inquire Now · Mortgage Calculators



Google Ads September Report:

Housing New Mexico's Google Ads resulted in 841 conversions. Conversions from the Affordable Housing search campaign increased by 43.2%.

Total conversion breakdown was as follows:

- Phone calls directly from the ads: 77
- Phone calls from the website after clicking on an ad: 371
- Contact form submissions: 393 (an increase from 294 in August)

Conversions = The number of leads Housing New Mexico received after a user clicked on an ad



New Mexico Society of CPAs E-Newsletter



Albuquerque Journal Venue Plus

September 13



Combat property vacancy, improve property value, and boost affordable housing with Housing New Mexico's Restoring Our Communities program.

To learn more, visit: www.housingnm.org

September 27



Need assistance purchasing your first home?

We can help!



To learn more, visit: www.housingnm.org

New Mexico Bankers Association Directory



Providing affordable mortgage loans and down payment assistance to homebuyers throughout New Mexico.

344 Fourth St. SW Albuquerque, NM 87102 505.843.6880 | housingnm.org



Outreach

September 5: Community Outreach Meeting – Listening Session (Gallup)

September 7: With Many Hands Southeast New Mexico Food and Housing Summit (Alamogordo)





September 11: Housing Presentation to Rep. Montoya and Developers (Farmington)

September 12-13: New Mexico Bankers Association Annual Conference (Bernalillo)

September 18: U.S. Department of Housing and Urban Development El Paso/Las Cruces Housing Summit: Multifamily Housing Development (El Paso)

September 19: Community Outreach Meeting – Listening Session (Española)

September 25: Farolito Senior Community Groundbreaking Ceremony (Albuquerque)



September 26: Zuni Housing Summit (McKinley County)





September 28: Supportive Housing Coalition of New Mexico's Strike Out Homelessness Fundraiser (Albuquerque)

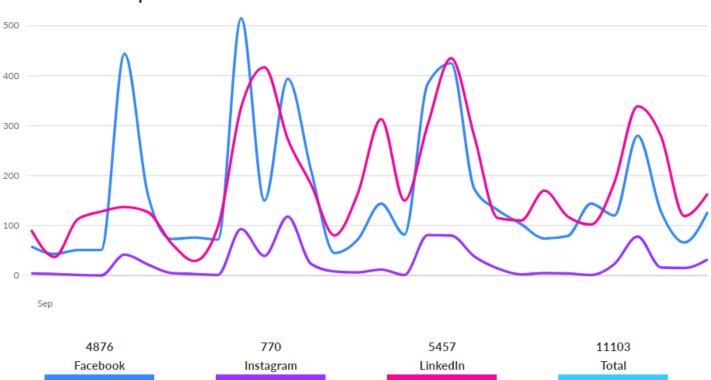




Social Media Analytics

LinkedIn: Housing New Mexico Facebook: @HousingNewMexico Instagram: @HousingNewMexico YouTube: @HousingNewMexico X/Twitter: @HousingNM

Cross-Channel Impressions 0

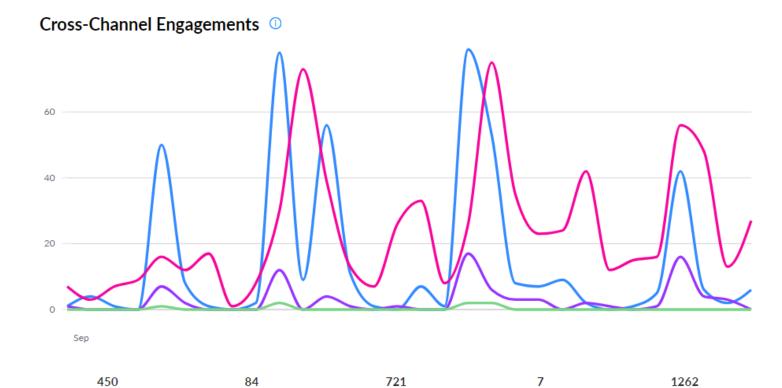


Impressions =

The number of times Housing New Mexico social media page content was displayed.

Social Media Analytics

LinkedIn: Housing New Mexico Facebook: @HousingNewMexico Instagram: @HousingNewMexico YouTube: @HousingNewMexico X/Twitter: @HousingNM



Engagements =

Instagram

Facebook

Depending on platform, engagements include likes, comments, shares, clicking on links, saves, story replies, post clicks.

LinkedIn

Х

Total

Top Post Performance

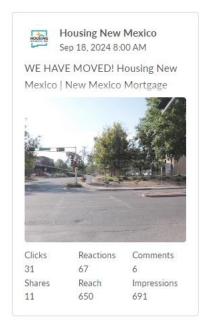














593

6

649



Top Post Performance

















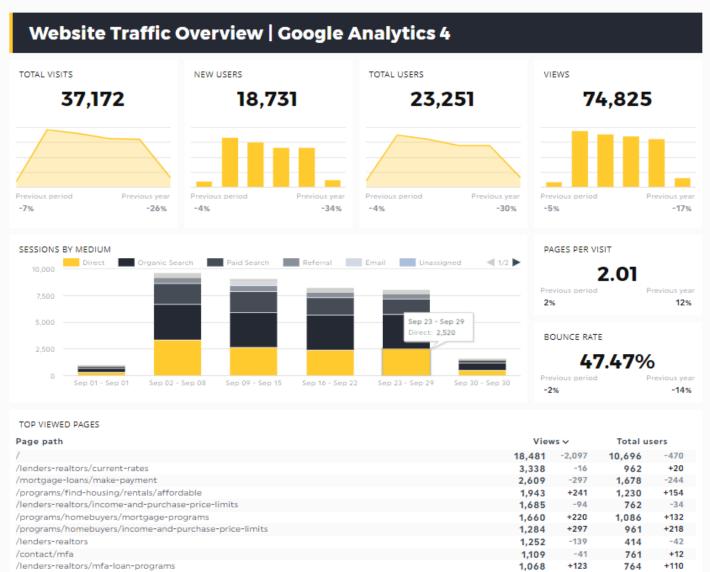
Website

https://housingnm.org/

Top-Viewed Page "/" = Home Page



Housing New Mexico Monthly Dashboard



New Mexico Mortgage Finance Authority

Combined Financial Statements and Schedules

August 31, 2024

HOUSING NEW MEXICO (NMMFA) FINANCIAL REVIEW

For the eleventh-month period ended August 31, 2024

C	DMPARATIVE FISCAL YEAR-TO-DATE FIGURES (Dollars in millions):	11 months 8/31/2024	11 months 8/31/2023	% Change Year / Year	Forecast 8/31/2024	Actual to Forecast
	PRODUCTION	<u>0/31/2021</u>	<u>0/31/2023</u>	rear y rear	<u>0/31/2021</u>	1010005
1	Single family issues (new money):	\$520.0	\$315.0	65.1%	\$275.6	88.7%
2	Single family loans sold (TBA):	\$97.8	\$15.0	553.4%	\$22.3	337.7%
3	Total Single Family Production	\$617.8	\$330.0	87.2%	\$297.9	107.4%
4	Single Family Bond MBS Payoffs:	\$50.6	\$48.7	3.9%	\$54.8	-7.7%
	STATEMENT OF NET POSITION					
5	Avg. earning assets:	\$2,079.8	\$1,760.1	18.2%	\$1,985.3	4.8%
6	General Fund Cash and Securities:	\$94.4	\$122.4	-22.8%	\$117.4	-19.5%
7	SIC FMV Adj. (General Fund):	\$1.7	\$1.6	2.0%	N/A	N/A
8	Total bonds outstanding:	\$1,996.4	\$1,559.2	28.0%	\$1,712.5	16.6%
	STATEMENT OF REVENUES, EXPENSES AND NET POSITION					
9	General Fund expenses (excluding capitalized assets):	\$29.1	\$23.1	26.0%	\$32.2	-9.8%
10	General Fund revenues:	\$36.6	\$31.8	15.2%	\$33.8	8.5%
11	Combined net revenues (all funds):	\$73.4	\$15.6	369.4%	N/A	
12	SIC FMV Adj. (Combined net revenues):	\$1.8	\$1.3	41.7%	N/A	
13	Combined net position:	\$374.5	\$301.3	24.3%	\$350.0	7.0%
14	Combined return on avg. earning assets:	3.85%	0.97%	297.3%	N/A	
15	SIC FMV Adj. (return on avg. earning assets):	0.10%	0.08%	20.8%	N/A	
16	Net TBA profitability:	1.69%	0.59%	187.4%	0.10%	1586.5%
17	Combined interest margin:	0.88%	0.86%	2.9%	0.40%	118.1%
	MOODY'S BENCHMARKS		_		_	
18	Net Asset to debt ratio (5-yr avg):	23.57%	24.04%	-2.0%	24.82%	-5.0%
19	Net rev as a % of total rev (5-yr avg):	15.09%	10.80%	39.7%	8.98%	68.1%
	SERVICING		_		_	
20	Subserviced portfolio	\$2,521.2	\$2,098.5	20.1%	\$2,210.1	14.1%
21	Servicing Yield (subserviced portfolio)	0.39%	0.40%	-2.4%	0.36%	7.3%
22	Combined average delinquency rate (MFA serviced)	8.42%	8.22%	2.4%	9.50%	-11.4%
23	DPA loan delinquency rate (all)	8.89%	7.89%	12.7%	N/A	N/A
24	Default rate (MFA serviced-annualized)	0.88%	0.65%	35.0%	1.30%	-32.0%
25	Subserviced portfolio delinquency rate (first mortgages)	11.30%	11.14%	1.4%	N/A	N/A
26	Mortgage Servicing Rights Valuation Cost Difference (as of 6/30/24)	\$12.5	\$11.0	13.6%	N/A	N/A

Legend: Positive Trend Caution Negative Trend Known Trend/Immaterial

HOUSING NEW MEXICO (NMMFA) FINANCIAL REVIEW

For the eleventh-month period ended August 31, 2024

SUMMARY OF BOND ISSUES:

Single Family Issues:

2023D: \$125.0M 2024A/B: \$120.0M 2024C/D: \$125.0M 2024E/F: \$150.0M

CURRENT YEAR FINANCIAL TRENDS & VARIANCES:

PRODUCTION

- Housing New Mexico has closed four bond issues as of the beginning of the fiscal year, for a combined total of \$520 million. With extremely strong production, bolstered in part by the First Down Plus program, Housing New Mexico has exceeded its overall single-family production forecast (made in September 2023) by ~88%.
- Although TBA production has paled in comparison to bond production, Housing New Mexico has nevertheless sold a sizeable amount (~\$97M) of loans through the TBA market and outperformed (in both value and ratio) the total in last fiscal year.

STATEMENT OF NET POSITION

- Average earning assets is higher than it was at this point last year and slightly higher than what Housing New Mexico forecasted for the month. Increases in mortgage production primarily explain how Housing New Mexico is earning interest on its balance sheet.
- General Fund Cash & Securities is lagging its budget more than anticipated, which was caused by timing differences in the cash balances with the Federal Home Loan Bank of Dallas (FHLB), but performance is still improved over last year. General Fund investments with the State Investment Council continued to report gains.

STATEMENT OF REVENUES, EXPENSES AND NET POSITION

- Expenses year-to-date are higher than they were last year, but just under what was budgeted last year. Our combined net revenues continue to see welcome gains due to the recognition of grant award income.
- Housing New Mexico's TBA-funded programs, which halted last year due to poor rate offerings, has provided welcome profitability since the beginning of the fiscal year. At 1.69%, Housing New Mexico's current profitability is much stronger than both its FY24 goal (0.5%) and its profiability margin from this time last year (0.74%).

MOODY'S BENCHMARKS

• Based on Moody's issuer credit rating scorecard, Housing New Mexico's 23.57% net asset to debt ratio (5-year average), which measures balance sheet strength, indicates a strong and growing level of resources for maintaining HFA's creditworthiness under stressful circumstances (>20 %). Housing New Mexico's net revenue as a % of total revenue (5-year average) has increased to 15.09%, which is identified to have very favorable trends by Moody's (>15%). Moody's Investor Services completed an updated credit opinion on Housing New Mexico's Issuer Credit Rating in June 2020. They assigned the Aa3 rating. Comments included a high asset-to-debt ratio, good profitability, and a low-risk profile due to a mortgage-backed security structure, and no exposure to variable-rate debt. Additionally, Moody's reaffirmed the Aaa rating on the single-family indenture in January 2024.

SERVICING

- Housing New Mexico continues to monitor delinquencies and defaults on our loan portfolio to identify reduction strategies and refer borrowers to available loss mitigation programs. The subserviced portfolio delinquency rate, currently serviced by Idaho Housing Finance Authority, is 11.30%. The subserviced portfolio is characterized by approximately 82% FHA-insured loans. The Mortgage Bankers Association quarterly survey as of June 30, 2024, indicates that the delinquency rate for FHA loans nationally is 10.60%, and for New Mexico is 9.07%. In addition, FHA Single Family Loan Performance Trends for August 2024 showed a 13.75% delinquency (for purchase loans only), which increased from 13.62% in July. (These figures can be used for market comparison, and may not align with trends seen internally).
- Housing New Mexico's's annualized default rate is 0.88%, which noticably higher than last July, but also well below its target rate of 1.30%.
- The fair market value for mortgage servicing rights as of June 2024 is \$34.9 million, an increase of about \$1.14 million over the quarter and ~12.5 million over cost. GASB requires Housing New Mexico to record the value of servicing rights at the 'lower of cost or market'. The elevated FMV is related to decreased prepayment speed projections, and increased earnings rates impacted portfolio value positively. The current recorded cost of the asset is \$22.3 million. Valuations are obtained every quarter.

ADDITIONAL NOTES

- Bond Payoffs, GF expenses, and servicing delinquency & default rates use an inverse scale.
- The originally forecasted numbers for FY 2024 are based off of actual data ending September 2023.
- The colors in the % Change columns (E & G) reference a materiality threshold of 10%, with a cautionary range between 10% and 25%.

NEW MEXICO MORTGAGE FINANCE AUTHORITY COMBINED STATEMENT OF NET POSITION AUGUST 2024 (THOUSANDS OF DOLLARS)

	YTD 08/31/24	YTD 8/31/23
ASSETS:		
CURRENT ASSETS:		
CASH & CASH EQUIVALENTS	\$91,636	\$69,079
RESTRICTED CASH HELD IN ESCROW	9,527	10,453
SHORT-TERM INVESTMENTS	-	
ACCRUED INTEREST RECEIVABLE OTHER CURRENT ASSETS	7,984 7,829	5,744 7,689
ADMINISTRATIVE FEES RECEIVABLE (PAYABLE)	-	-
INTER-FUND RECEIVABLE (PAYABLE)	0	0
TOTAL CURRENT ASSETS \	116,976	92,965
ALOU PEOTPIOTED	044.004	101 110
CASH - RESTRICTED	241,304	161,118
LONG-TERM & RESTRICTED INVESTMENTS INVESTMENTS IN RESERVE FUNDS	64,521	67,247
FNMA, GNMA, & FHLMC SECURITIZED MTG. LOANS	1,812,891	1,440,997
MORTGAGE LOANS RECEIVABLE	217,166	195,854
ALLOWANCE FOR LOAN LOSSES	(8,875)	(9,643)
NOTES RECEIVABLE	-	-
FIXED ASSETS, NET OF ACCUM. DEPN	13,616	11,612
OTHER REAL ESTATE OWNED, NET OTHER NON-CURRENT ASSETS	4,820 8	2,624 11
INTANGIBLE ASSETS	23,235	20,018
TOTAL ASSETS	2,478,647	1,982,806
	, -,-	,,
DEFERRED OUTFLOWS OF RESOURCES		
REFUNDINGS OF DEBT	127	156
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	2,478,774	1,982,962
LIABILITIES AND NET POSITION:		
LIABILITIES:		
CURRENT LIABILITIES:		
ACCRUED INTEREST PAYABLE	\$26,420	\$15,458
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	15,785	21,859
ESCROW DEPOSITS & RESERVES	9,383	10,315
TOTAL CURRENT LIABILITIES	51,588	47,632
BONDS PAYABLE, NET OF UNAMORTIZED DISCOUNT	1,996,370	1,559,241
MORTGAGE & NOTES PAYABLE	55,592	74,395
ACCRUED ARBITRAGE REBATE	-	´-
OTHER LIABILITIES	545	190
TOTAL LIABILITIES	2 104 005	1 691 459
DEFERRED INFLOWS	2,104,095 219	1,681,458 251
TOTAL LIAB/DEFERRED INFLOWS	2,104,314	1,681,709
NET POSITION:	4	
NET INVESTED IN CAPITAL ASSETS	13,616	11,612
UNAPPROPRIATED NET POSITION (NOTE 1) APPROPRIATED NET POSITION (NOTE 1)	134,593 226,250	69,734 219,907
TOTAL NET POSITION	374,459	301,253
TOTAL LIABILITIES & NET POSITION	2,478,774	1,982,962

NEW MEXICO MORTGAGE FINANCE AUTHORITY STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION FOR THE ELEVEN MONTHS ENDED AUGUST 2024 (THOUSANDS OF DOLLARS)

	YTD 08/31/24	YTD 8/31/23
OPERATING REVENUES:		
INTEREST ON LOANS	\$68,904	\$50,073
INTEREST ON INVESTMENTS & SECURITIES	9,645	6,592
LOAN & COMMITMENT FEES	4,664	3,130
ADMINISTRATIVE FEE INCOME (EXP)	6,481	4,887
RTC, RISK SHARING & GUARANTY INCOME	54	539
HOUSING PROGRAM INCOME	1,793	1,749
LOAN SERVICING INCOME	9,407	9,004
OTHER OPERATING INCOME		
SUBTOTAL OPERATING REVENUES	100,947	75,975
NON-OPERATING REVENUES:		
ARBITRAGE REBATE INCOME (EXPENSE)	-	-
GAIN(LOSS) ASSET SALES/DEBT EXTINGUISHMENT	1,999	1,309
OTHER NON-OPERATING INCOME	101	107
GRANT AWARD INCOME	153,114	92,358
SUBTOTAL NON-OPERATING REVENUES	155,213	93,775
TOTAL REVENUES	256,160	169,749
OPERATING EXPENSES:		
ADMINISTRATIVE EXPENSES	23,092	19,455
INTEREST EXPENSE	61,712	42,821
AMORTIZATION OF BOND/NOTE PREMIUM(DISCOUNT)	(4,005)	(3,258)
PROVISION FOR LOAN LOSSES	7,437	393
MORTGAGE LOAN & BOND INSURANCE	-	-
TRUSTEE FEES	187	146
AMORT. OF SERV. RIGHTS & DEPRECIATION	2,558	1,599
BOND COST OF ISSUANCE	4,362	2,752
SUBTOTAL OPERATING EXPENSES	95,344	63,908
NON-OPERATING EXPENSES:	000	454
CAPACITY BUILDING COSTS	299	154
GRANT AWARD EXPENSE	87,073	90,042
OTHER NON-OPERATING EXPENSE SUBTOTAL NON-OPERATING EXPENSES	87,373	90,196
SOBTOTAL NON-OFLICATING EXPENSES		90,190
TOTAL EXPENSES	182,716	154,105
NET REVENUES	73,444	15,645
OTHER FINANCING SOURCES (USES)	(0)	
NET REVENUES AND OTHER FINANCING SOURCES(USES)	73,444	15,645
NET POSITION AT BEGINNING OF YEAR	301,015	285,608
NET POSITION AT 08/31/24	374,459	301,253

NOTES TO FINANCIAL STATEMENTS

(For Informational Purposes Only) (in Thousands of Dollars)

(Note 1) MFA Net Position as of August 31, 2024

UNAPPROPRIATED NET POSITION:

\$ 36,323	is held by Bond Program Trustees and is pledged to secure repayment of the Bonds.
\$ 97,619	is held in Trust for the NM Housing Trust Fund and the NM Land Title Trust Fund.
\$ 650	is held for New Mexico Affordable Housing Charitable Trust.
\$ 134.593	Total Unappropriated Net Position

APPROPRIATED NET POSITION: GENERAL FUND

By actions of the Board of Directors on various dates, General Fund net assets have been appropriated as follows:

\$	118,129	for use in the Housing Opportunity Fund (\$108,755 in loans and grants plus \$9,374 unfunded, of which \$5,699 is committed).
\$	52,712	for future use in Single Family & Multi-Family housing programs.
\$	1,030	for loss exposure on Risk Sharing loans.
\$	13,616	invested in capital assets, net of related debt.
\$	22,587	invested in mortgage servicing rights.
\$	8,990	for the future General Fund Budget year ending 09/30/24 (\$38,374 total budget
_		less \$35,294 expended budget through 8/31/24.)
\$	217,064	Subtotal - General Fund

APPROPRIATED NET POSITION: HOUSING

\$_	22,802	for use in the federal and state housing programs administered by MFA.
\$	22,802	Subtotal - Housing Program
\$	239,866	Total Appropriated Net Position
\$	374,459	Total Combined Net Position at August 31, 2024

Total combined Net Position, or reserves, at August 31, 2024 was \$374 million, of which \$135 million was pledged to the bond programs, Affordable Housing Charitable Trust and fiduciary trusts. \$240 million of available reserves, with \$94.4 million primarily liquid in the General Fund and in the federal and state Housing programs and \$146 million illiquid in the programs of the General Fund, have been:

- for use in existing and future programs
- for coverage of loss exposure in existing programs
- to meet servicing requirements, and
- for support of operations necessary to carry out the programs.

MFA's general plan for bond program reserves as they may become available to MFA over the next 30 years is to use the reserves for future programs, loss exposure coverage, servicing requirements and operations.

GENERAL FUND Fiscal Year 2023-2024 Budget For the eleven months ended 8/31/2024

	One Month Actual	Year to Date Actuals	Year to Date ProRata Budget	Annual Budget	YTD Budget Under/(Over)	Annual Budget Under/(Over)	Expended Annual Budget %
Revenue							
Interest Income	847,895	9,264,444	9,275,216	10,118,418	10,772	853,974	91.56%
Interest on Investments & Securities	275,591	3,228,044	3,279,645	3,577,794	51,601	349,750	90.22%
Loan & Commitment Fees	73,500	444,361	383,664	418,542	(60,697)	(25,819)	106.17%
Administrative Fee Income (Exp)	1,110,813	10,522,526	9,672,995	10,552,358	(849,530)	29,833	99.72%
Risk Sharing/Guaranty/RTC fees	6,064	52,132	46,143	50,338	(5,988)	(1,793)	103.56%
Housing Program Income	59,491	1,790,874	1,758,994	1,764,177	(31,880)	(26,697)	101.51%
Loan Servicing Income	914,767	9,406,908	9,292,528	10,137,304	(114,380)	730,395	92.79%
Other Operating Income			-	-	-	-	
Operating Revenues	3,288,121	34,709,288	33,709,185	36,618,931	(1,000,103)	1,909,643	94.79%
Gain (Loss) Asset Sale/Debt Ex	377,103	1,809,650	-	-	(1,809,650)	(1,809,650)	
Other Non-operating Income	20	100,562	55,215	60,235	(45,347)	(40,327)	166.95%
Non-Operating Revenues	377,123	1,910,212	55,215	60,235	(1,854,997)	(1,849,977)	3171.27%
Revenue	3,665,243	36,619,500	33,764,400	36,679,166	(2,855,100)	59,666	99.84%
Expenses							
Salaries	829,433	6,783,784	7,683,135	8,323,579	899,350	1,539,795	81.50%
Overtime	2,012	36,961	29,402	31,885	(7,560)	(5,076)	115.92%
Incentives	9,827	566,425	659,756	714,768	93,331	148,343	79.25%
Payroll taxes, Employee Benefits	296,105	3,140,691	4,029,785	4,381,069	889,094	1,240,378	71.69%
Compensation	1,137,377	10,527,862	12,402,078	13,451,302	1,874,215	2,923,440	78.27%
Business Meals Expense	427	2,436	12,742	13,900	10,306	11,464	17.52%
Public Information	37,539	276,335	331,750	361,909	55,415	85,574	76.35%
In-State Travel	18,841	88,757	129,783	141,581	41,025	52,824	62.69%
Out-of-State Travel	14,268	132,339	287,898	314,070	155,558	181,731	42.14%
Travel & Public Information	71,075	499,867	762,172	831,460	262,304	331,593	60.12%
Utilities/Property Taxes	17,706	157,781	193,016	210,562	35,234	52,781	74.93%
Insurance, Property & Liability	21,842	249,775	225,051	245,510	(24,724)	(4,265)	101.74%
Repairs, Maintenance & Leases	191,250	1,251,589	1,567,973	1,709,334	316,385	457,746	73.22%
Supplies	636	24,759	31,808	34,700	7,050	9,941	71.35%
Postage/Express mail	6,700	51,472	41,800	45,600	(9,672)	(5,872)	112.88%
Telephone	2,042	15,449	27,043	29,501	11,594	14,052	52.37%
Janitorial	3,044	38,521	81,711	89,139	43,190	50,618	43.21%
Office Expenses	235,171	1,722,105	2,132,856	2,325,571	410,751	603,465	74.05%
Dues & Periodicals	4,408	66,275	73,422	80,097	7,148	13,822	82.74%
Education & Training	12,171	77,372	158,760	173,193	81,388	95,821	44.67%
Contractual Services	155,329	1,075,731	1,337,080	1,458,632	261,349	382,902	73.75%
Professional Services-Program	10,127	134,521	106,242	115,900	(28,279)	(18,621)	116.07%
Direct Servicing Expenses	751,692	7,721,253	7,845,610	8,558,847	124,357	837,594	90.21%

GENERAL FUND Fiscal Year 2023-2024 Budget For the eleven months ended 8/31/2024

	One Month Actual	Year to Date Actuals	Year to Date ProRata Budget	Annual Budget	YTD Budget Under/(Over)	Annual Budget Under/(Over)	Expended Annual Budget %
Program Expense-Other	24,710	305,810	254,672	277,824	(51,138)	(27,986)	110.07%
Rebate Analysis Fees			1,458	1,590	1,458	1,590	
Miscellaneous	<u> </u>	33,000			(33,000)	(33,000)	
Other Operating Expense	958,436	9,413,961	9,777,243	10,666,083	363,281	1,252,122	88.26%
Interest Expense	287,357	3,487,949	3,677,372	4,011,679	189,423	523,730	86.94%
Non-Cash Expenses	278,904	2,986,794	3,113,658	3,396,718	126,864	409,924	87.93%
Expensed Assets	1,538	151,037	158,904	173,350	7,867	22,313	87.13%
Operating Expenses	2,969,859	28,789,576	32,024,283	34,856,162	3,234,706	6,066,586	82.60%
Program Training & Tech Asst	-	151,358	94,639	103,242	(56,719)	(48,116)	146.60%
Program Development	6,686	148,123	124,942	136,300	(23,181)	(11,823)	108.67%
Capacity Building Costs	6,686	299,481	219,580	239,542	(79,901)	(59,939)	125.02%
Non-Operating Expenses	6,686	299,481	219,580	239,542	(79,901)	(59,939)	125.02%
Expenses	2,976,545	29,089,057	32,243,863	35,095,704	3,154,806	6,006,647	82.88%
Excess Revenue over Expenses	688,699	7,530,443	1,520,538	1,583,462	(6,009,906)	(5,946,981)	475.57%

GENERAL FUND CAPITAL BUDGET Fiscal Year 2023-2024 Budget For the eleven months ended 8/31/24

	One Month Actual Yea	r to Date Actuals	Year to Date ProRata Budget	Annual Budget	YTD Budget Under/(Over)	Annual Budget Under/(Over)	Expended Annual Budget %
2690 PURCHASED SERVICING RIGHTS	334,599	4,082,545	4,456,588	4,861,732	374,042	779,187	83.97%
2950 COMPUTER HARDWARE	-	78,989	96,547	105,324	17,558	26,335	75.00%
2960 SOFTWARE LICENSES	-	-	-	-	-	-	
2920 FURNITURE & EQUIPMENT-10 YR	-	-	713,625	778,500	713,625	778,500	0.00%
2930 FURNITURE & EQUIP, 5 YR.	-	-	-	-	-	-	
2860 BUILDING	70,358	2,043,202	3,155,340	3,442,189	1,112,138	1,398,987	59.36%
Capital Budget	404,957	6,204,736	8,422,100	9,187,745	2,217,363	2,983,009	67.53%

New Mexico Housing Trust Fund Monthly Overview

October 16, 2024

New Mexico Housing Trust Fund Funding Source	Total Allocation	Total Procure	ement	Total Awarded		Procured but not Awarded	Tota	al Expended (as of So 2024)	eptember 31,	Awards Proposed at 10/2024 Board Meeting	Award Amount	Activity
Severance Tax Bond 2024	\$37,530,000.00	\$37,530,000.00	100%	\$ 34,900,000.00	93%	\$2,630,000.00	\$	18,386,475.14	49%			
Severance Tax Bond 2025	\$34,620,000.00	\$34,620,000.00	100%	\$ 34,620,000.00	100%	\$0.00	\$	2,759,348.06	8%			
Legislative 2024 \$50 Million Allocation	\$50,000,000.00	\$28,630,000.00	57%	\$ 16,217,498.00	57%	\$33,782,502.00	\$	1,370,466.17	3%	Cresta Ranch	\$ 4,000,000.00	Gap Financing
Total	\$122,150,000.00	\$100,780,000.00		\$ 85,737,498.00		\$36,412,502.00	\$	22,516,289.37				

Awards in green are included in the total awarded but are being proposed at the current MFA Board of Directors meeting. All awards and expenditures are as of the final Policy Committee meeting on October 2, 2024.

New Mexico Housing Trust Fund by Awards

August 21, 2024

Awardee	Award	Award Amount	Strategic Impact Area	Activity	New Mexico Housing Trust Fund Funding Source	Anticipated Impact (Household s)	County
Homeownership Department	FirstDown Plus	\$ 10,625,000.00	Build Homeownership & Wealth	Down Payment Assistance	SFY24 STB	708	Statewide
Homeownership Department	HomeForward DPA	\$ 1,000,000.00	Build Homeownership & Wealth	Down Payment Assistance	SFY24 STB	67	Statewide
Southwest Regional Housing and Community Development		\$ 134,655.19	Preserve Existing Affordable Housing	Home Improvement Program	SFY24 STB	3	Dona Ana, Eddy, Grant, Hidalgo, Luna, Sierra, Curry, De Baca, Lincoln, Chaves, Roosevelt, Otero, and Lea Counties
Southwest Regional Housing and Community Development		\$ 98,999.86	Preserve Existing Affordable Housing	Home Improvement Program	SFY24 STB	1	Dona Ana, Eddy, Grant, Hidalgo, Luna, Sierra, Curry, De Baca, Lincoln, Chaves, Roosevelt, Otero, and Lea Counties
Home Improvement Program		\$ 728,737.21	Preserve Existing Affordable Housing	Home Improvement Program	SFY24 STB	27	Guadalupe, Quay, Harding, Union, Rio Arriba, San Juan, McKinley, and Los Alamos Counties
San Felipe Pueblo		\$ 37,607.74	Preserve Existing Affordable Housing	Home Improvement Program	SFY24 STB	3	Sandoval County
Central New Mexico Housing Corporation		\$ 475,000.00	Preserve Existing Affordable Housing	Weatherization	SFY24 STB	33	Bernalillo, Sandoval, Torrance, Valencia, Taos, Colfax, Union, Mora, Harding, San Miguel, Guadalupe, Quay, Cibola, McKinley, San Juan, Rio Arriba, Santa Fe, Los Alamos
Southwest Regional Housing and Community Development		\$ 300,000.00	Preserve Existing Affordable Housing	Weatherization	SFY24 STB	21	Dona Ana, Eddy, Grant, Hidalgo, Luna, Sierra, Curry, De Baca, Lincoln, Chaves, Roosevelt, Otero, and Lea Counties
Restoring Our Communities Program		\$ 2,000,000.00	Preserve Existing Affordable Housing	Restoring Our Communities	SFY24 STB	12	Bernalillo County
Chelsea Investment Corp.	Three Sisters	\$ 3,500,000.00	Create More Housing	Gap Financing	SFY24 STB	70	Dona Ana County
La Serena Apartments, LLC	La Serena Apartments	\$ 1,000,000.00	Create More Housing	Gap Financing	SFY24 STB	100	Bernalillo County
Pedrena Apartments LLC	Pedrena Apartments	\$ 1,000,000.00	Create More Housing	Gap Financing	SFY24 STB	80	Dona Ana County

Awardee	Award	Award Amount	Strategic Impact Area	Activity	New Mexico Housing Trust Fund Funding Source	Anticipated Impact (Household s)	County
NCNO Limited Partnership, LLLP	Encino Senior Gardens	\$ 2,000,000.00	Create More Housing	Gap Financing	SFY24 STB	165	Bernalillo County
Peachetree Canyon Limited Partnership (to be formed)	Peachtree Canyon	\$ 3,000,000.00	Create More Housing	Gap Financing	SFY24 STB	144	Dona Ana County
EC Ruidoso LP	Elk Meadows Apartments	\$ 2,000,000.00	Create More Housing	Gap Financing	SFY24 STB	72	Lincoln County
Post Las Brisas, LLC	Las Brisas Apartments	\$ 1,000,000.00	Preserve Existing Affordable Housing	Preservation	SFY24 STB	120	Bernalillo County
Homewise	Sombra del Oeste	\$ 500,000.00	Create More Housing	SF Development	SFY24 STB	10	Bernalillo County
Homewise	Miraflores	\$ 500,000.00	Create More Housing	SF Development	SFY24 STB	7	Santa Fe County
Town of Silver City		\$ 500,000.00	Preserve Existing Affordable Housing	Housing Innovation	SFY24 STB	8	Grant County
NM Ramp Project		\$ 500,000.00	Preserve Existing Affordable Housing	Housing Innovation	SFY24 STB	100	Bernalillo, Chaves, Cibola, Dona Ana, Eddy, Lea, Los Alamos, Luna, Rio Arriba, Roosevelt, San Juan Sandoval, Santa Fe, Torrance, and Valencia Counties
Sawmill CLT		\$ 262,498.00	Preserve Existing Affordable Housing	Housing Innovation	SFY24 STB	105	Bernalillo County
HagermanForward Inc.		\$ 500,000.00	Preserve Existing Affordable Housing	Housing Innovation	SFY24 STB	18	Chaves County
San Felipe Pueblo		\$ 450,000.00	Preserve Existing Affordable Housing	Housing Innovation	SFY24 STB	24	Sandoval County
Ohkay Owingeh		\$ 500,000.00	Preserve Existing Affordable Housing	Housing Innovation	SFY24 STB	10	Rio Arriba County

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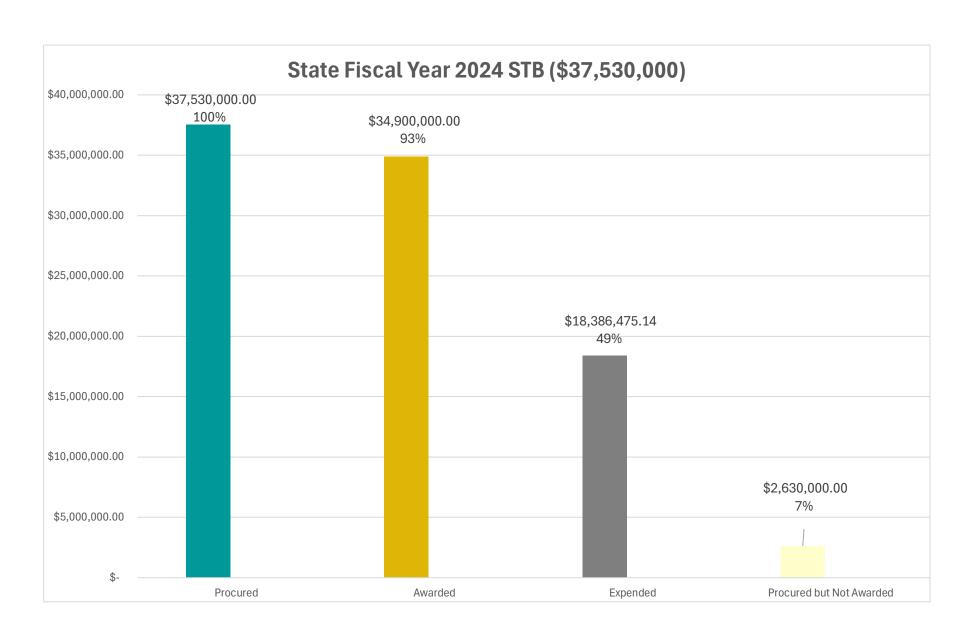
Awardee	Award	Award Amount	Strategic Impact Area	Activity	New Mexico Housing Trust Fund Funding Source	Impact	County
North Central New Mexico Economic Development District		\$ 500,000.00	Preserve Existing Affordable Housing	Housing Innovation	SFY24 STB	4	Colfax, Los Alamos, Mora, Rio Arriba, San Miguel, Sandoval, Santa Fe, and Taos
Homeownership Department	FirstDown Plus	\$ 15,500,000.00	Build Homeownership & Wealth	Down Payment Assistance	SFY25 STB	1,033	Statewide
Homeownership Department	HomeForward DPA	\$ 4,500,000.00	Build Homeownership & Wealth	Down Payment Assistance	SFY25 STB	300	Statewide
Somos Apartments Limited Partnership	Somos Apartments	\$ 4,000,000.00	Create More Housing	Gap Financing	SFY25 STB	70	Bernalillo County
Ocate SF, LLC (to be formed)	Ocate Apartments	\$ 3,000,000.00	Create More Housing	Gap Financing	SFY25 STB	60	Santa Fe County
Country Club SF, LLC (to be formed)	Country Club Apartments	\$ 3,000,000.00	Create More Housing	Gap Financing	SFY25 STB	62	Santa Fe County
Chelsea Investment Group	Mariposa Apartments	\$ 2,000,000.00	Create More Housing	Gap Financing	SFY25 STB	51	Taos County
Rio Rancho Leased Housing Authority I, LLF	Sandoval Flats	\$ 1,620,000.00	Create More Housing	Gap Financing	SFY25 STB	216	Sandoval County
Rio Rancho Leased Housing Authority I, LLF	Sandoval Flats	\$ 1,380,000.00	Create More Housing	Gap Financing	2024 Legislative Allocation	216	Sandoval County
Preservation and Reinvestment Initiative for Community Enhancement Grant		\$ 1,000,000.00	Preserve Existing Affordable Housing	Housing Innovation	SFY25 STB	18	Statewide
Artisan's Guild Contracting, LLC	El Toro Community	\$ 3,000,000.00	Create More Housing	SF Development	2024 Legislative Allocation	29	Chaves County
YSM Development Advisors LLC	Salazar South	\$ 2,500,000.00	Create More Housing	SF Development	2024 Legislative Allocation	81	Taos County
Home Improvement Program		\$ 500,000.00	Preserve Existing Affordable Housing	Home Improvement Program	2024 Legislative Allocation	19	Guadalupe, Quay, Harding, Union, Rio Arriba, San Juan, McKinley, and Los Alamos Counties
Central New Mexico Housing Corporation		\$ 125,000.00	Preserve Existing Affordable Housing	Weatherization	2024 Legislative Allocation	9	Bernalillo, Sandoval, Torrance, Valencia, Taos, Colfax, Union, Mora, Harding, San Miguel, Guadalupe, Quay, Cibola, McKinley, San Juan, Rio Arriba, Santa Fe, Los Alamos
Southwest Regional Housing and Community Development		\$ 75,000.00	Preserve Existing Affordable Housing	Weatherization	2024 Legislative Allocation	5	Dona Ana, Eddy, Grant, Hidalgo, Luna, Sierra, Curry, De Baca, Lincoln, Chaves, Roosevelt, Otero, and Lea Counties
Redfeather Development		\$ 50,000.00	Preserve Existing Affordable Housing	Weatherization	2024 Legislative Allocation	4	Navajo Nation

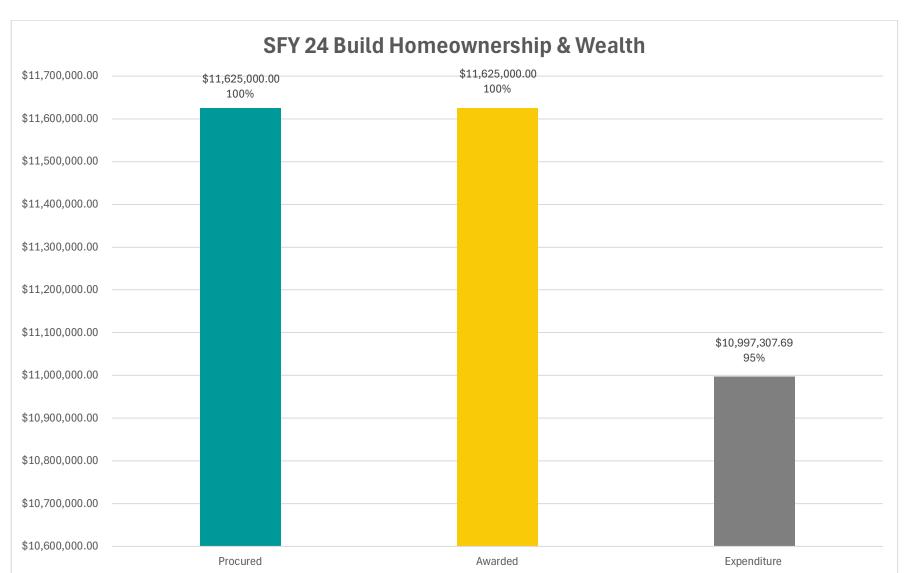
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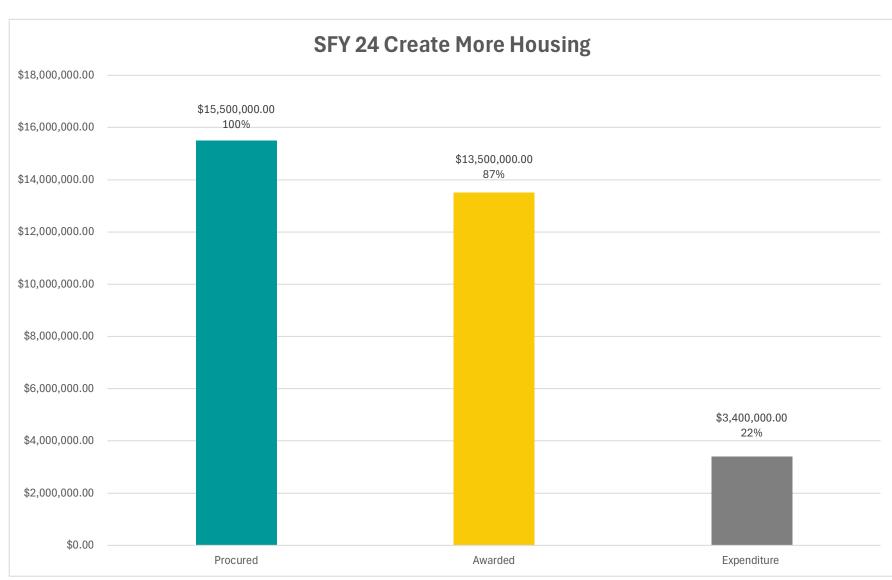
Awardee	Award	Award Amount	Strategic Impact Area	Activity	New Mexico Housing Trust Fund Funding Source	Impact	County
Central New Mexico Housing Corporation		\$ 75,000.00	Preserve Existing Affordable Housing	Weatherization - Energy\$mart Solar Program			Bernalillo, Sandoval, Torrance, Valencia, Taos, Colfax, Union, Mora, Harding, San Miguel, Guadalupe, Quay, Cibola, McKinley, San Juan, Rio Arriba, Santa Fe, Los Alamos
Southwest Regional Housing and Community Development		\$ 2,400,000.00	Preserve Existing Affordable Housing	Weatherization - Energy\$mart Solar Program	2024 Legislative Allocation	170	Dona Ana, Eddy, Grant, Hidalgo, Luna, Sierra, Curry, De Baca, Lincoln, Chaves, Roosevelt, Otero, and Lea Counties
Redfeather Development		\$ 25,000.00	Preserve Existing Affordable Housing	Weatherization - Energy\$mart Solar Program	2024 Legislative Allocation	2	Navajo Nation
City of Las Cruces		\$ 1,000,000.00	Preserve Existing Affordable Housing	Homeless and Homelessness Prevention	2024 Legislative Allocation	50	Dona Ana County
City of Las Cruces		\$ 500,000.00	Preserve Existing Affordable Housing	Housing Innovation	2024 Legislative Allocation		Dona Ana County
Village of Ruidoso		\$ 287,502.00	Preserve Existing Affordable Housing	Housing Innovation	SFY24 STB	10	Lincoln County
Village of Ruidoso		\$ 712,498.00	Preserve Existing Affordable Housing	Housing Innovation	2024 Legislative Allocation		Lincoln County
Forget Me Not Park		\$ 375,000.00	Preserve Existing Affordable Housing	Housing Innovation/ Homeless and Homelessness Prevention	2024 Legislative Allocation	40	Socorro County
Tierra del Sol Housing Corporation	Vado New Horizons	\$ 1,000,000.00	Create More Housing	SF Development	2024 Legislative Allocation	56	Dona Ana County
Lincoln Avenue Communities	Cresta Ranch	\$ 4,000,000.00	Create More Housing	Gap Financing	2024 Legislative Allocation	240	Santa Fe County
Total		\$ 85,737,498.00					

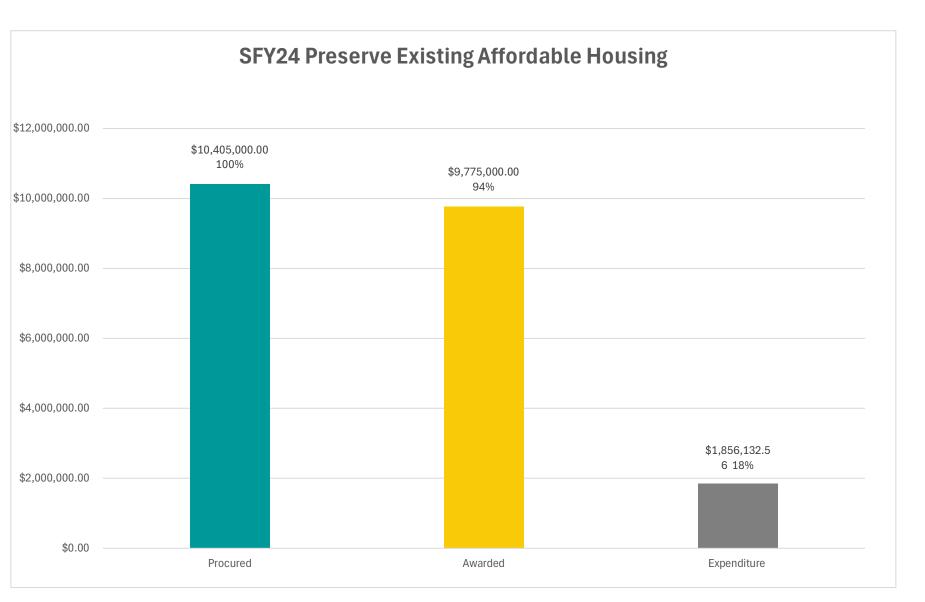
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New Mexico Housing Trust Fund Graphs









New Mexico Housing Trust Fund Graphs

