



NEW MEXICO MORTGAGE FINANCE AUTHORITY
Board Meeting
344 4th St. SW, Albuquerque, NM
Wednesday, July 21, 2021 at 9:30 a.m.

Proposed Agenda

Chair Convenes Meeting

- Roll Call (Izzy Hernandez)
- Approval of Agenda – Board Action
- Approval of 6/16/21 Board Meeting Minutes – Board Action
- Executive Director Updates
- New Employee Introductions:
Maggie Sisco- Director of Communications and Marketing (Izzy Hernandez)

<u>Board Action Items</u>	<u>Action Required?</u>
----------------------------------	--------------------------------

- | | | |
|---|--|----|
| 1 | 2021 Construction Update for New Mexico (Jim Tofel managing member, Tofel Dent Construction) | NO |
|---|--|----|

Consent Agenda

- | | | |
|---|--|-----|
| 2 | 2021 Series D Bond Resolution (Cooper Hall) – Finance Committee | YES |
| 3 | JLG NM Central Apartments - Bond Resolution (Kathryn Turner) – Finance Committee | YES |

Finance Committee

- | | | |
|---|---|-----|
| 4 | NM Affordable Housing Charitable Trust Policy Modifications (Patty Balderrama and George Maestas) | YES |
| 5 | State Tax Credit Rules & Regulations Modifications (Patty Balderrama and George Maestas) | YES |

Contracted Services/Credit Committee

- | | | |
|---|--|-----|
| 6 | State Tax Credit NOFA Modifications (Patty Balderrama and George Maestas) | YES |
| 7 | Casa de Encantada Apartments NMHTF Loan Request (Jacobo Martinez and George Maestas) | YES |

Other

- | | | |
|---|---|----|
| 8 | Youth Homelessness Demonstration Project Limited Source Procurement and Award Recommendations (Kelly Patterson and John Garcia) | NO |
| 9 | Single Family Mortgage Refinance Program Analysis (Jeff Payne and David Jones from CSG) | NO |

<u>Other Board Items</u>	<u>Information Only</u>
---------------------------------	--------------------------------

- | | | |
|----|--|--|
| 10 | (Staff is available for questions) <ul style="list-style-type: none">▪ Staff Action Requiring Notice to Board▪ COVID Staff Actions▪ Conflict of Interest - Maggie Sisco (Izzy Hernandez) | |
|----|--|--|

<u>Monthly Reports</u>	<u>No Action Required</u>
-------------------------------	----------------------------------

- | | | |
|----|---|--|
| 11 | (Staff is available for questions) <ul style="list-style-type: none">▪ 5/31/21 Financial Statements▪ Northern Regional Housing (NRHA) Monthly Update Reports | |
|----|---|--|

<u>Announcements and Adjournment</u>	<u>Discussion Only</u>
---	-------------------------------

Confirmation of Upcoming Board Meetings – until further notice all Board Meetings & Committees will be held Virtually

- July 13, 2021- Tuesday, Contracted Services 9:00 a.m. Finance Committee 11:00 a.m.
- July 21, 2021 – Wednesday- 9:30 a.m. (MFA Board of Directors Meeting)
- August 10, 2021- Tuesday, Contracted Services 10:00 a.m. Finance Committee 1:30 p.m.
- August 18, 2021 – Wednesday- 9:30 a.m. (MFA Board of Directors Meeting)
- August 18-19, 2021 – Wed. – Thursday tentative (MFA Board of Directors Retreat)
- September 7, 2021 - Tuesday, Contracted Services 10:00 a.m. Finance Committee 1:30 p.m.
- September 15, 2021 – Wednesday- 9:30 a.m. (MFA Board of Directors Meeting)
- September 15-16, 2021 – Immediately following the Board meeting – MFA Board of Directors Retreat

MFA Board Agenda

June 16, 2021

Page 2

- October 12, 2021 - Tuesday, Contracted Services 10:00 a.m. Finance Committee 1:30 p.m.
- October 20, 2021 – Wednesday – 9:30 a.m. (MFA Board of Directors Meeting)



NEW MEXICO MORTGAGE FINANCE AUTHORITY
Board Meeting
344 4th St. SW, Albuquerque, NM
Wednesday, July 21, 2021 at 9:30 a.m.

Proposed Agenda

Chair Convenes Meeting

- Roll Call (Izzy Hernandez)
- Approval of Agenda – Board Action
- Approval of 6/16/21 Board Meeting Minutes – Board Action
- Executive Director Updates
Maggie Sisco- Director of Communications and Marketing (Izzy Hernandez)

Board Action Items

Action Required?

- | | |
|---|----|
| 1 2021 Construction Update for New Mexico (Jim Tofel managing member, Tofel Dent Construction) - A presentation will be provided to share information from the construction industry regarding rising construction costs and the impact of those costs on the New Mexico affordable housing industry. | NO |
|---|----|

Consent Agenda

- | | |
|---|-----|
| 2 2021 Series D Bond Resolution (Cooper Hall) – Finance Committee. To authorize future bonding activity and to ensure MFA can be responsive to market conditions, Staff is requesting approval of the 2021 Series D Single Family Bond Resolution in the aggregate amount not to exceed \$150 million. MFA anticipates providing funds for \$150 million of new loans. The timing of issuance has not been determined and will depend on actual reservation activity and bond market conditions. | YES |
| 3 JLG NM Central Apartments - Bond Resolution (Kathryn Turner) – Finance Committee. Staff requests approval of the Bond Resolution, Loan Agreement, Tax Regulatory Agreement, and Trust Indenture for JLG NM Central Apartment Projects to pursue issuance of up to \$11 million in tax exempt bonds that are expected to close in August 2021. Bond proceeds will fund the completion of the acquisition and rehabilitation of 218 units, including 213 rent restricted units, located on separate sites in the cities of Las Vegas, Artesia, Portales, Belen and Ruidoso Downs. Approval of the Bond Resolution will result in these properties remaining affordable for the next 30 years. | YES |

Finance Committee

- | | |
|---|-----|
| 4 NM Affordable Housing Charitable Trust Policy Modifications (Patty Balderrama and George Maestas). - Staff requests approval of all proposed modifications to the Charitable Trust Policy, most notably the changes to Section 4, defining methods for handling earmarked donations, and Section 5, adding the ability for MFA staff to recommend distribution of Trust funds following the delegations of authority. | YES |
| 5 State Tax Credit Rules & Regulations Modifications (Patty Balderrama and George Maestas). - Staff revisions to the Rules represent language updates and alignment with the State Tax Credit NOFA modifications. Staff requests approval of all proposed modifications to the Program Rules. | YES |

Contracted Services/Credit Committee

- | | |
|---|-----|
| 6 State Tax Credit NOFA Modifications (Patty Balderrama and George Maestas) - Staff revisions to the NOFA represent several years of needed program and language updates and align scoring priorities with the new Strategic Plan initiatives. Staff requests approval of all proposed modifications to the State Tax Credit NOFA. | YES |
| 7 Casa de Encantada Apartments NMHTF Loan Request (Jacobo Martinez and George Maestas). - A New Mexico Housing Trust Fund (NMHTF) loan request in the amount of \$2,000,000 for the Casa de Encantada Apartments, located in Rio Rancho, New Mexico. Casa de Encantada Apartments is a New Construction project that will create 152 one- and two-bedroom units for households with seniors (55+). All units will be income-restricted. The income-restricted units will be for households earning 60% of Area Median Income (AMI). | YES |

Other

- 8 Youth Homelessness Demonstration Project Limited Source Procurement and Award Recommendations (Kelly Patterson and John Garcia) - The Youth Homeless Demonstration Project funds five agencies in northern New Mexico to assist homeless young adults to transition into housing through supportive services and rental assistance. Staff is recommending approval to award \$413,000 of State of New Mexico 2021 Legislative funding, to be used as a match award for the HUD Youth Homeless Demonstration Project (YHDP) as follows: \$392,350 to the five HUD approved service providers and \$20,650 to MFA for administrative costs. NO
- 9 Single Family Mortgage Refinance Program Analysis (Jeff Payne and David Jones from CSG) – An analysis will be provided on the benefits/disadvantages of a Single Family Mortgage Refinance Program. NO

Other Board Items

Information Only

10 (Staff is available for questions)

- Staff Action Requiring Notice to Board
- COVID Staff Actions

Monthly Reports

No Action Required

11 (Staff is available for questions)

- 5/31/21 Financial Statements
- Northern Regional Housing (NRHA) Monthly Update Reports

Announcements and Adjournment

Discussion Only

Confirmation of Upcoming Board Meetings – until further notice all Board Meetings & Committees will be held Virtually

- July 13, 2021- Tuesday, Contracted Services 9:00 a.m. Finance Committee 11:00 a.m.
- July 21, 2021 – Wednesday- 9:30 a.m. (MFA Board of Directors Meeting)
- August 10, 2021- Tuesday, Contracted Services 10:00 a.m. Finance Committee 1:30 p.m.
- August 18, 2021 – Wednesday- 9:30 a.m. (MFA Board of Directors Meeting)
- August 18-19, 2021 – Wed. – Thursday tentative (MFA Board of Directors Retreat)
- September 7, 2021 - Tuesday, Contracted Services 10:00 a.m. Finance Committee 1:30 p.m.
- September 15, 2021 – Wednesday- 9:30 a.m. (MFA Board of Directors Meeting)
- September 15-16, 2021 – Immediately following the Board meeting – MFA Board of Directors Retreat
- October 12, 2021 - Tuesday, Contracted Services 10:00 a.m. Finance Committee 1:30 p.m.
- October 20, 2021 – Wednesday – 9:30 a.m. (MFA Board of Directors Meeting)

Minutes

NEW MEXICO MORTGAGE FINANCE AUTHORITY

Board Meeting Minutes

344 4th St. SW, Albuquerque, NM

Wednesday, June 16, 2021 at 9:30 a.m.

Chair Reyes convened the meeting on June 16, 2021 at 9:37 a.m. Secretary Hernandez called the roll. Members available by phone: Chair Angel Reyes, Vice Chair Derek Valdo, Martina C'de Baca (designee for Lieutenant Governor Howie Morales), State Treasurer Tim Eichenberg (technical difficulties voted starting tab four), Rebecca Wurzbarger. Absent: Sally Malavé (Designee for Attorney General Hector Balderas) and Rosalyn Nguyen Chafey. 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 and staff. He began by introducing everyone on the phone and went over the protocol for today's telephonic meeting. All members must identify themselves before they speak; this includes asking questions or making a motion. If at any time anyone loses their connection, please text Izzy and we will stop the meeting to wait for you to reconnect. There will be a roll call vote for all approvals.

Approval of Agenda - Board Action. Motion to approve the June 16, 2021 Board agenda as presented: Wurzbarger. Second Valdo: Roll call vote: Chair Reyes-yes, Vice Chair Valdo-yes, C'de Baca-yes, Wurzbarger-yes. Vote: 4-0

Approval of May 19, 2021 Board Meeting Minutes – Board Action– Board Action– Board Action. Motion to approve the May 19, 2021 Board Meeting Minutes as presented: Wurzbarger. Second: C'de Baca. Roll call vote: Chair Reyes-yes, Vice Chair Valdo-yes, C'de Baca-yes, Wurzbarger-yes. Vote: 4-0.

Hernandez began his presentation by welcoming Quintin Smith who was sitting in as Board Counsel for Eleanor "Ellie" Werenko. He provided the Board with an update on the following topics: **Significant meetings/presentations:** 6/17: Legislative Oversight Committee (LOC) Meeting: 7/14 Taos County Housing Opportunities Presentation. 7/19-21: NCSHA Exec. Director Conference and will participate remotely. 8/18: In Person Board Meeting, protocols will be provided. . September 15-16 Board meeting/Retreat initial plan; will adjust depending on venues available. **Activities and Actions:** Homeownership Assistance Fund (HAF) - \$2.5M Applications: 1130 (Submitted: 511, In Process: 619). Delinquencies: Good news/trends on the delinquencies: 30% Forbearance Decrease since January Peak; 20% Delinquency Decrease to 15% from 18.70%. **Mortgage Operations** – Slightly ahead of last year's production (Weekly Average) '20 - \$10.5m / '21 - \$10.9m (as of 6/11). **Market Update:** Homeownership – this is Albuquerque MSA based. 62.6% Decrease in inventory (YOY), – 691 Homes in market. 101.5% Average percent of list price – buyers are paying more than list price 2nd month in a row. 26.1% Increase in median sales price to \$290k. Other: LIHTC: Increased Building Costs has created a funding GAP. Staff is analyzing this information. Lumber price dropped more than 40% since May peak (Forbes & Fox Business 6/15). A couple of links to articles were provided to the board.

New Employee introductions: Izzy Hernandez executive director/CEO planning introduced Stephanie Yara chief financial officer. Chair Reyes welcomed her to the MFA.

Other

1 Election of Officers (Chair Angel Reyes). Chair Reyes presented the slate of officers as agreed upon by the nominating committee, they are Vice Chair – Derek Valdo, Treasurer Rebecca Wurzbarger, Secretary – Isidoro Hernandez, Assistant Secretary – Stephanie Yara, and Assistant Treasurer – Yvonne Segovia. Motion to approve the Slate of Officers as recommended: Wurzbarger. Second: C'de Baca. Roll call vote: Chair Reyes-yes, Vice Chair Valdo-yes, C'de Baca-yes, Wurzbarger-yes. Vote: 4-0

Consent Agenda

- 2 Approval of MFA Broker/Dealers, Custodian and Depositories (Yvonne Segovia)** - At least annually and as needed, MFA staff reviews and updates the Broker, Dealer, Custodian and Depository list. Staff recommends a revision to the Broker, Dealer, Custodian and Depository List to add KeyBank as an authorized depository. All organizations on the list meet established qualifications as stated in the MFA Investment Policy.
- 3 Authorized Signatures Resolution for Subservicer Accounts (Yvonne Segovia)** - The Authorized Signatures Resolution is updated periodically as needed. Staff recommends approval of the Authorized Signature Resolution to add IHFA sub-servicing staff to transact on MFA owned accounts used for subservicing the mortgage loan portfolio.

Motion to approve the consent agenda as listed - Approval of MFA Broker/Dealers, Custodian and Authorized Signatures Resolution for Subservicer Accounts: Wurzburger. Second Valdo: Roll call vote: Chair Reyes-yes, Vice Chair Valdo-yes, C'de Baca-yes, Wurzburger-yes. Vote: 4-0.

Finance Committee

- 4 Information Technology (IT) Operations Internal Audit Executive Summary (Claire Hillary, Audit and Consulting Senior Manager, REDW).** Hillary requested that Jennifer Moreno senior manager present the IT Operations Internal Audit Executive Summary; Chair Reyes concurred. Moreno explained that the audit was an evaluation conducted on the IT policies and procedures and IT Governance documentation based on best practices identified by the National Institute of Standards and Technology (NIST). She reviewed the purpose and objectives, summary of procedures and summary of results, explaining that REDW identified one low risk observation for consideration; Work from Home I Remote Access. REDW recommends IT work with the vendor to correct the configuration issue and going forward regularly test the VPN and Duo logs to ensure remote access connection and termination times are accurately captured. Motion to approve the Information Technology (IT) Operations Internal Audit Executive Summary as presented: Wurzburger. Second: Valdo. Roll call vote: Chair Reyes-yes, Vice Chair Valdo-yes, C'de Baca-yes, Eichenberg-yes, Wurzburger-yes. Vote: 5-0. Chair Reyes asked Joseph Navarrete to come up front and took a moment to express his gratitude and congratulate him on the success of the audit. He wanted to commend he and his team on their efforts and thanked the Board for their support. (Treasurer Eichenburg texted his vote in: yes).
- 5 2023-2027 State of New Mexico Infrastructure Capital Improvement Plan (Sherry Stephens).** Stephens began by staff's recommendation of the following project for the FY 2023-2027 Infrastructure Capital Improvement Plan (ICIP). She informed the Board that the request must be submitted to the Capital Outlay Bureau of New Mexico Department of Finance and Administration (DFA) by July 1, 2021. She provided background information as provided in the memo behind tab five which will become a part of the official board packet. She further informed the Board this funding process is appropriated through a severance tax bond process. She stated that since 2015 MFA has requested this funding annually. As the annual ICIP request has been legislatively approved and a successful strategy for MFA, the same capital outlay request will be submitted and includes a combined request of \$12 million for both the New Mexico Housing Trust Fund and Weatherization. Motion to approve the 2023-2027 State of New Mexico Infrastructure Capital Improvement Plan as presented: Valdo. Second: Wurzburger. Roll call vote: Chair Reyes-yes, Vice Chair Valdo-yes, C'de Baca-yes, Eichenberg-yes, Wurzburger-yes. Vote: 5-0.
- 6 Single Family Whole Loan Delivery Execution (Olivia Martinez & Jeff Payne).** Martinez began her presentation with a recommendation for Board approval of the adoption of another sales execution of conventional loans delivered to GSEs called whole loan delivery in order to allow staff flexibility in how loans are delivered. Whole loan delivery is available for individual loans sold directly to Fannie Mae or Freddie Mac. Although it is anticipated that this execution would not replace MFA's primary focus on delivery of Mortgage Backed Securities, staff sees a strong need to be able to adjust quickly to circumstances should they change. Martinez reviewed the background information provided in the memo behind tab six which will be made a part of the official board packet. In her review she provided information on the advantages of adding this strategy to MFA's portfolio. Motion to approve the Single Family Whole Loan Delivery Execution as presented: Wurzburger. Second: Valdo. Roll call vote: Chair Reyes-yes, Vice Chair Valdo-yes, C'de Baca-yes, Eichenberg-yes, Wurzburger-yes. Vote: 5-0.

Other

- 7 NSP (Neighborhood Stabilization Program) Update (Theresa Laredo-Garcia and Donna Maestas-De Vries).** Maestas De Vries provided a brief overview of the NSP (Neighborhood Stabilization Program) explaining that Theresa Laredo Garcia is the program development manager who oversees this program. She reminded the Board that the NSP was established as a result of the 2008 mortgage crisis to: Provide emergency assistance to stabilize communities with high rates of abandoned and foreclosed homes in order to preserve and improve communities and provide affordable housing opportunities by assisting households whose annual incomes are up to 120 percent of the area median income (AMI). There were 3 rounds of awards NSP I 2008, NSP II 2009 and NSP III in 2010. MFA successfully completed 78 single family home projects and one multifamily rental development using NSP funds under the original grant allocations from 2008-2014. In October 2019, MFA entered into a contract with New Mexico Department of Finance and Administration – Local Government Division (DFA) to receive and expend the state's remaining NSP Grant funds. MFA staff developed a new State NSP which was limited to Acquisition, Rehab and Sale or Rent of NSP funded properties. De Vries turned the presentation over to Laredo-Garcia who provided an in-depth presentation which

included a detailed list of the NSP acquired, rehabilitated and sold properties. She also provided before and after photos of a few of the current projects. Discussion ensued with regards to demolition and rebuild versus rehabilitation and the costs associated. Non Action

Other Board Items - Information Only

8 There was a question to staff with regards to one of the staff actions listed.

- Staff Actions Requiring Notice to Board - A question with regards to interest on Villa Las Vegas HOME Loan (HM019) modification was presented to staff. Payne provided an explanation of the loan modification stating he would provide a more detailed explanation to the Board once he gathered the details of the loan.
- COVID -19 Staff Actions
- Single Family Mortgage Program 2021 Series A and Series B Pricing Summaries

Monthly Reports - No Action Required

9 There were no questions asked of staff.

- 4/30/21 Financial Statements
- Northern Regional Housing Monthly Update Reports

Announcements and Adjournment - Confirmation of Upcoming Board Meetings. Chair Reyes informed the Board that the dates for future meeting are listed at the bottom of the agenda and that he looked forward to seeing everyone in person in August.

There being no further business the meeting was adjourned at 10:31 a.m.

Approved: July 21, 2021

Chair, Angel Reyes

Secretary, Isidoro Hernandez

Tab 1



July 21, 2021

2021 Construction Update



Construction Update

THE WALL STREET JOURNAL

SUBSCRIBE SIGN IN

MARKETS | COMMODITIES

Lumber Prices Are Way Down—but Don't Expect New Houses to Cost Less

Futures prices have dropped by about two-thirds since May, helping builders and do-it-yourselfers



Wood prices have returned to levels resembling those before lockdowns cut supplies and boosted demand. A contractor works on a home in South Carolina in early July.

*Source: Wall Street Journal, 7/14/21

Lumber Prices Stalling Much Needed Multifamily and Affordable Housing Supply

Filed in [Advocacy](#), [Material Costs](#), [Multifamily](#) on March 22, 2021 • 1 Comment

Housing demand has remained high throughout the COVID-19 pandemic, as people across the United States have rethought the concept of home and where and how they want to live. Single-family builders especially have had an increasingly hard time meeting this demand, as material prices — especially lumber — have continued to rise at unprecedented rates. Multifamily demand is



Inflation Fears Reflected in June Construction Price Increases

JUL 14, 2021

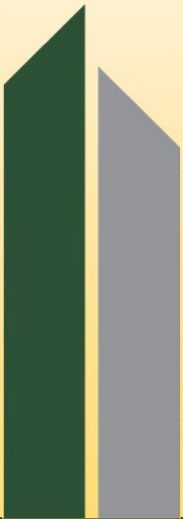


WASHINGTON, July 14 — Construction input prices increased 2.8% in June compared to the previous month, according to an [Associated Builders and Contractors](#) analysis of

*Source: [contractingbusiness.com](#), 7/14/21

Construction Update and Takeaways

- Rapid Inflation is occurring in the construction industry. Construction costs have jumped by 18% over the last 12 months which translates to \$27k per apartment.
- All indications are that inflation will continue (with the exception of lumber) through the rest of the year.
- Projects are taking longer to build:
 - Continued labor shortage
 - Material shortages and supply chain issues
 - Rural projects have added challenges
- Residential Construction remains very strong:
 - Albuquerque and surrounding communities continue strong growth
 - Low interest rates are driving new development
 - Many national developers are targeting the region



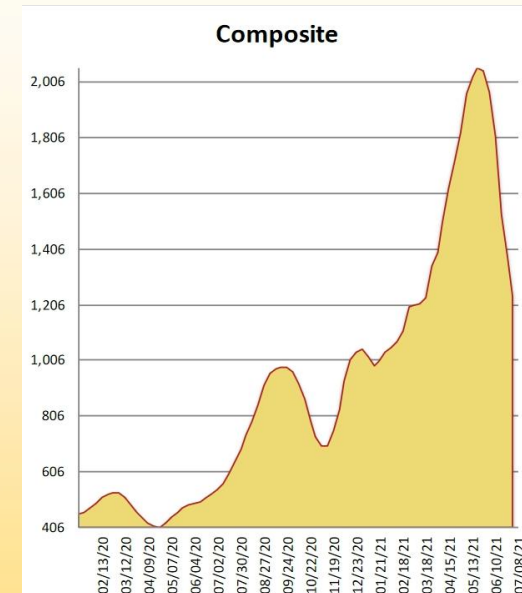
Lumber – Prices have skyrocketed

25-Year Historical Chart



*Source: tradingeconomics.com

1-Year Historical Chart



*Source: idapac.com

This lumber increase impacts the overall apartment construction costs by \$15/SF or roughly \$14,000 per apartment.

Steel 1-year graphs

Red Iron Structural Steel



Rebar



*Source: tradingeconomics.com

Steel is currently facing shortages and allocations – both for rebar and light gauge. Depending on the project, this may or may not have a significant impact on costs. Best case is an increase of \$500/apartment and worst case is \$15,000/apartment.

Copper 5-year graph



*Source: tradingeconomics.com

Copper is used primarily for electrical, HVAC and plumbing. Romex wire has increased by 250%, which equates to roughly \$2,000/apartment.

Gas / Oil 1-year graph



*Source: tradingeconomics.com

Gas and oil impact every trade because all materials need to be transported. The most significant impacts are to Earthwork / Site Utilities, asphalt, roofing and PVC / plastics. We estimate this increase to cost approx. \$2,500 / apartment.

Other Material Increases (12 months)



- Insulation – 20% (\$200/unit)
- Drywall* – 30% (\$3,500/unit)
- Concrete* – \$60/CY (\$1,400/unit)
- Doors – 20% (\$750/unit)
- Windows – 15% (\$300/unit)
- HVAC - \$1,000/unit
- Paint - \$500/unit
- Appliances* – 18% (\$380/unit)

* Includes planned increase

Project Durations

The amount of time required to construct a project has increased substantially over the years influenced by

- Demand for building components exceeding capacity - longer procurement lead times.
- Tariffs and government restrictive policies for imported building components
- Architectural detailing and added complexity to design.
- Local Building officials, planning and permitting requiring more due diligence, documentation and inspections.
- Neighborhood interactions given additional weight to project approvals.
- Offsite infrastructure improvements sought by municipalities as conditions for approval.
- More stringent code adaptations for sound, energy and structural designs
- Increased safety protocols mandated by OSHA
- Contraction of available Labor in all trades due to market, COVID-19 and government policies (unemployment benefits)

As a result of these influences typical multifamily projects are taking 2 to 4 months longer to complete than the norm 10 years ago.

Recommendations

1. For 9% LIHTC projects, increase the project cap and allocation by 15%-20% per project (potentially funded by Affordable Housing Credit Improvement Act of 2021).
2. Provide a waiver of state sales tax for affordable housing projects.
3. Increase the National Housing Trust Fund (NHTF) cap from \$400k to \$800k which could be sourced from the \$1.75B received by the state from the American Recovery Plan Federal Recovery Fund bill.
4. Increase the HOME fund allocation maximum from \$400k to \$800k.
5. If one or two projects do not move forward, reallocate the funds from returned credits to the projects moving forward.
6. Forward allocate credits from 2022 to fill the gap.
7. For the 2022 QAP, do not further increase the HERS requirements.



NEW MEXICO MORTGAGE FINANCE AUTHORITY

Finance/Operations Committee Meeting

Tuesday, July 13, 2021 at 11:00 a.m.

Webex - call-in information is 1-844-992-4726 (access code): 146 263 8618
or you can join the call from the calendar item

Agenda Item	COMMITTEE RECOMMENDED	BOARD ACTION REQUIRED
<u>Discussion Item</u>		NO
1 External Audit Entrance Conference (Mandy Merchant & Gaby Miller, CLA)	✓	
<u>Recommended for Consent Agenda</u>		YES
2 2021 Series D Bond Resolution (Cooper Hall) – Finance Committee	2-0	
3 JLG NM Central Apartments - Bond Resolution (Kathryn Turner) – Finance Committee	2-0	YES
<u>Agenda</u>		YES
4 State Tax Credit Rules & Regulations Modifications (Patty Balderrama, Shawn Colbert and George Maestas)	2-0	
5 NM Affordable Housing Trust Policy Modifications (Patty Balderrama, Shawn Colbert and George Maestas)		YES

Committee Members present:

Derek Valdo, Chair

☐ present

☐ absent

☒ conference call

State Treasurer Tim Eichenberg

☐ present

☐ absent

☒ conference call

Lt. Governor Howie Morales or
Proxy Martina C'de Baca

☐ present

☐ absent

☒ conference call

Tab 2



MEMO

TO: MFA Board of Directors
Through: Policy Committee-July 6, 2021
Through: Finance Committee-July 13, 2021
FROM: Cooper Hall, Finance Manager
DATE: July 21, 2021
SUBJECT: 2021 Series D Bond Resolution

Recommendation:

Staff is recommending the approval of the 2021 Series D Single Family Bond Resolution in an amount not to exceed \$150 million. The resolution is anticipated to provide funds for \$150 million of new single family first-time homebuyer mortgage loans.

Background:

From FY2014 to FY2017, MFA relied mainly on the to be announced ("TBA") market to fund new single family mortgage loans. Starting in FY2018, the bond market had improved to the point where it had become more advantageous to fund all first-time homebuyer single family mortgage loans with tax-exempt bond proceeds than to utilize the TBA market.

During fiscal year 2020, MFA issued two bonds which were used to originate new loans totaling approximately \$190 million. The 2019 Series F issue was used to originate approximately \$120 million of new single family mortgage loans; and the 2020 Series A was used to originate approximately \$70 million of new single family loans. However, as a result of the health crisis and dysfunction in the bond market, MFA moved to funding the first-time homebuyer production with TBA.. The volatility in the bond market was short lived as yields returned to pre-COVID levels quickly. MFA issued 2020 Series B in October; it provided \$55 million in new loan proceeds for the program. MFA closed on the 2021 Series A and Series B issuances in May; which provided \$78 million in new loan proceeds for the program, as well as the refunding of \$16.9 million of prior issuances. MFA is in the process of issuing 2021 Series C; which is anticipated to provide \$100 million in new loan proceeds for the program. This bond issue will be fully reserved in early August and close August 19th. Staff continues to evaluate best execution options and is funding the program accordingly.

It has been MFA's practice to keep a Board approved single family program bond resolution in place to allow staff to respond to market conditions as needed in order to provide beneficial funding executions for both MFA and first-time homebuyers.

Discussion:

The 2021 Series D bond issues is anticipated to be in the amount of \$150 million based on the current level of loan reservations and will fund new loans. The timing of issuance has not been determined and will depend on actual reservation activity and bond market conditions.

Summary:

To authorize future bonding activity and to ensure MFA can be responsive to market conditions, Staff is requesting approval of the 2021 Series D Single Family Bond Resolution in the aggregate amount not to exceed \$150 million. MFA anticipates providing funds for \$150 million of new loans. The timing of issuance has not been determined and will depend on actual reservation activity and bond market conditions.

CERTIFICATE REGARDING THE RESOLUTION
OF THE AUTHORITY

I, the undersigned, Isidoro Hernandez, Secretary of the New Mexico Mortgage Finance Authority (the “Authority”), DO HEREBY CERTIFY that: (i) the annexed Resolution was duly adopted by the members of the New Mexico Mortgage Finance Authority at a meeting thereof duly called and held on July 21, 2021, at which meeting a quorum was present and acting throughout; (ii) the annexed Resolution has been compared by me with the original thereof recorded in the minute book of the Authority and is a correct transcript therefrom and of the whole of said original; (iii) the annexed Resolution has not been altered, amended or repealed; and (iv) the annexed Resolution is in full force and effect on the date of this Certificate.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Authority this 21st day of July, 2021.

Isidoro Hernandez, Secretary
New Mexico Mortgage Finance Authority

(SEAL)

Bond Resolution
Single Family Mortgage Program Class I Bonds, 2021 Series D

A RESOLUTION

OF THE NEW MEXICO MORTGAGE FINANCE AUTHORITY (THE “AUTHORITY”) AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SALE BY THE AUTHORITY OF ITS SINGLE FAMILY MORTGAGE PROGRAM CLASS I BONDS, 2021 SERIES D IN THE AGGREGATE PRINCIPAL AMOUNT OF NOT TO EXCEED **\$150,000,000**; AUTHORIZING THE EXECUTION AND DELIVERY BY THE AUTHORITY OF A SERIES INDENTURE, A BOND PURCHASE CONTRACT, AN OFFICIAL STATEMENT, INVESTMENT AGREEMENTS, AND OTHER DOCUMENTS REQUIRED IN CONNECTION THEREWITH; AND AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION; AND RELATED MATTERS.

WHEREAS, the Legislature of the State of New Mexico (the “State”), at its 1975 regular session, adopted Chapter 303, Laws of New Mexico, 1975, known and cited as the Mortgage Finance Authority Act, being Sections 58-18-1 through 58-18-27, inclusive, NMSA 1978 and Section 2-12-5, NMSA 1978, as amended (collectively, the “Act”); and

WHEREAS, there was created by the Act, a public body politic and corporate, separate and apart from the State, constituting a governmental instrumentality known and identified as the “New Mexico Mortgage Finance Authority” (the “Authority”), said Authority being created and established to serve a public purpose and to act for the public benefit by improving the health, safety, welfare and prosperity of the State and the general public; and

WHEREAS, the purposes of the Authority are to provide decent, safe and sanitary residential housing to persons of low or moderate income, and the Authority has determined that it will serve and fulfill the purposes for which it was created by the establishment of a program to finance the purchase of mortgage loans made by eligible mortgage lenders for the financing of residential housing; and

WHEREAS, the Authority is authorized by the Act to purchase and contract to purchase, mortgage loans, or securities backed by mortgage loans, originated by mortgage lenders to finance residential housing for persons of low or moderate income under rules adopted by the Authority; and

WHEREAS, in furtherance of its Single Family Mortgage Program and to finance the purchase of housing by persons of low or moderate income within the State, it has been deemed appropriate and necessary that the Authority authorize the issuance of its Single Family Mortgage Program Class I Bonds, 2021 Series D (or such other or additional series/title designation(s) as the Authority may determine and including the

issuance of MBS pass through program bonds) (the “Bonds”), and prescribe and establish conditions and other appropriate matters with respect to the issuance of the Bonds; and

WHEREAS, the Bonds shall be special obligations of the Authority payable solely from and secured by a lien on the proceeds, moneys, revenues, rights, interest and collections pledged therefor under a General Indenture of Trust dated as of November 1, 2005, as heretofore supplemented and amended (the “General Indenture”) between the Authority and Zions Bancorporation, National Association, as trustee (the “Trustee”); and

WHEREAS, there has been presented to the Authority at this meeting a proposed form of Bond Purchase Contract relating to the Bonds (the “Purchase Contract”) to be entered into among the Authority, and any of RBC Capital Markets LLC, Raymond James & Associates, Inc. (including any of their successors) or any other purchasers to be named therein (collectively, the “Underwriters”), a form of 2021 Series D Indenture (the “2021 Series D Indenture” and collectively with the General Indenture, the “Indenture”) to be entered into between the Authority and the Trustee, and a form of a Preliminary Official Statement to be used by the Underwriters in marketing the Bonds.

NOW, THEREFORE, BE IT RESOLVED BY THE NEW MEXICO MORTGAGE FINANCE AUTHORITY, AS FOLLOWS:

Section 1. The Authority has determined and hereby determines that the supply of funds available in the private banking system in the State for residential mortgages is inadequate to meet the demand of persons of low or moderate income for residential mortgage financing, and that financing the making of loans by the Authority will alleviate such inadequate supply of residential mortgage money in the State’s banking system.

Section 2. All other action heretofore taken (not inconsistent with the provisions of this resolution) by the Authority and by the officers of the Authority directed toward the issuance of the Bonds are hereby ratified, approved and confirmed.

Section 3. The 2021 Series D Indenture in substantially the form presented to this meeting is in all respects authorized, approved and confirmed. The Chair, Vice Chair, Chief Executive Officer, Secretary, Chief Financial Officer and the Assistant Secretary of the Authority are hereby authorized to execute, attest, seal and deliver the 2021 Series D Indenture in the form and with substantially the same content as presented to this meeting for and on behalf of the Authority with such alterations, changes or additions as may be authorized by Section 16 hereof.

Section 4. The mortgage loans shall be pooled and serviced pursuant to the Mortgage Loan Sub-servicing Agreements or Master Servicing Agreements each previously entered into or to be entered into by the Authority. The Chair, Vice Chair, Chief Executive Officer, Chief Financial Officer or Secretary are hereby authorized to execute and deliver the Mortgage Loan Sub-servicing Agreements or Master Servicing Agreements (to the extent not previously executed and delivered) and any necessary supplement thereto to reflect the terms of the mortgage loans attributable to the Bonds,

and the inclusion of any other loans approved by the governing board of the Authority thereunder.

Section 5. Employees of the Authority designated by the Chair, Vice Chair, Chief Executive Officer, Chief Financial Officer or Secretary are hereby authorized to give notice of the availability of funds from this issue (if applicable) and to enter into, execute and deliver program documents for and on behalf of the Authority.

Section 6. For the purpose of providing funds to finance the purchase of housing by persons of low or moderate income within the State, all as authorized under the Indenture, the Authority is authorized to issue the Bonds which shall be designated New Mexico Mortgage Finance Authority "Single Family Mortgage Program Class I Bonds, 2021 Series D" (or such other or additional Series/title designation as the Chair, Vice Chair, Chief Executive Officer, Chief Financial Officer or Secretary shall determine). The Bonds shall be issued only in fully registered form.

Section 7. The Authority hereby declares its intention to reimburse itself from all or a portion of proceeds of the Bonds for expenditures for costs of making the mortgage loans. The Authority intends that the Bonds are to be issued and the reimbursements made, by the later of 18-months after the payment of the costs or after the project financed by each respective mortgage loan is placed in service, but in any event, no later than three years after the date the mortgage loan was made.

Section 8. The Authority hereby authorizes the issuance of the Bonds in the aggregate principal amount of not to exceed \$150,000,000. The Bonds shall mature on the dates and in the principal amounts and shall bear interest at rates and payable all as provided in the Indenture, within the parameters set forth in Exhibit A hereto.

Section 9. The form, terms and provisions of the Bonds and the provisions for the signatures, authentication, payment, registration, transfer, exchange, redemption, and number shall be as set forth in the Indenture. The Chair, Vice Chair, Secretary and Assistant Secretary of the Authority are hereby authorized to execute, attest and seal by facsimile the Bonds and to deliver the Bonds to the bond registrar for authentication. All terms and provisions of the Indenture are hereby incorporated in this resolution.

Section 10. The appropriate officials of the Authority are hereby authorized to execute and deliver to the bond registrar the written order of the Authority for authentication and delivery of the Bonds in accordance with the provisions of the Indenture.

Section 11. The Bonds shall be sold to the Underwriters at a purchase price of not less than 100% of the principal amount thereof plus accrued interest in accordance with the provisions of the Purchase Contract. Pursuant to the Purchase Contract the Authority may agree to pay an underwriting fee to the Underwriters in an amount not to exceed 1.0% of the principal amount of the Bonds. The Chair, the Vice Chair, the Chief Executive Officer, the Chief Financial Officer or the Secretary, of the Authority are hereby authorized to execute and deliver the Purchase Contract in substantially the form

and with substantially the same content as presented at this meeting for and on behalf of the Authority with such alterations, changes or additions as may be authorized by Section 16 hereof. The Chair, Vice Chair, Chief Executive Officer, Chief Financial Officer and Secretary are hereby authorized to specify and agree as to the principal amounts, interest rates, maturities, purchase price and underwriting fee with respect to the Bonds for and on behalf of the Authority by the execution of the Purchase Contract and the Indenture, provided such terms are within the parameters set by this resolution.

Section 12. The Chair, Vice Chair, Chief Executive Officer, Chief Financial Officer and Secretary are hereby authorized to approve the distribution of a Preliminary Official Statement (in substantially the form presented to the Authority at this meeting) and an Official Statement in substantially the form of the Preliminary Official Statement, with modifications determined at the time of the sale of the Bonds and to execute and deliver for and on behalf of the Authority an Official Statement in connection with the sale of the Bonds.

Section 13. The Trustee and the Chair, Vice Chair, Chief Executive Officer, Chief Financial Officer or Secretary are hereby authorized to enter into investment agreements ("Investment Agreements"), in form and substance satisfactory to the Authority. Any and all proceeds of, and investment income attributable to, the Bonds may be loaned to or deposited from time to time pursuant to the Investment Agreements for the periods, and at the interest rates, specified therein.

Section 14. The appropriate officers of the Authority, including without limitation the Chair, Vice Chair, the Secretary, the Assistant Secretary, the Chief Executive Officer and Chief Financial Officer are authorized to take all action necessary or reasonably required by the Bonds, the Indenture, the Mortgage Loan Sub-servicing Agreement, the Master Servicing Agreement and the Purchase Contract to carry out, give effect to and consummate the transactions as contemplated thereby and are authorized to take all action necessary in conformity with the Act.

Section 15. Upon their issuance, the Bonds will constitute special obligations of the Authority payable solely from and to the extent of the sources set forth in the Bonds and the Indenture. No provision of this resolution, the Indenture, the Bonds or the Purchase Contract shall be construed as creating a general obligation of the Authority or as incurring or creating a charge upon the general credit of the Authority. No provision of this resolution or of the Purchase Contract, the Indenture or the Bonds shall be construed as creating a general or special obligation of the State of New Mexico or any political subdivision thereof.

Section 16. The appropriate officials of the Authority, including without limitation the Chair, the Vice Chair, the Secretary, the Assistant Secretary, the Chief Executive Officer and the Chief Financial Officer are authorized to make any alterations, changes or additions in the Indenture, the Bonds, the Purchase Contract, the Preliminary Official Statement, the Official Statement, the Investment Agreements, the Mortgage Loan Sub-servicing Agreement, the Master Servicing Agreement or any other document herein authorized and approved which may be necessary to correct errors or omissions

therein, to remove ambiguities therefrom, to permit the inclusion under the Indenture of any other loans approved by the governing board of the Authority, and maintain the expected rating on the Bonds, to conform the same to other provisions of said instruments, to the final terms established for the Bonds (within the parameters established herein), and the final agreement with the Underwriters, to the provisions of this resolution or any resolution adopted by the Authority, or the provisions of the laws of the State of New Mexico or the United States.

Section 17. The operating budget of the Authority is hereby amended to provide funds to pay costs relating to the issuance of the Bonds, any negative carry costs, or other related expenses in amounts not to exceed amounts specified in Exhibit A. Such amounts may also be taken from the Surplus Fund under the Indenture. The Authority may also allocate mortgage backed securities and/or cash held by the Authority (in the Surplus Fund or otherwise) to provide additional collateral for the Bonds.

Section 18. If any provisions of this resolution should be held invalid, the invalidity of such provision shall not affect the validity of any of the other provisions of this resolution.

Section 19. The appropriate officials of the Authority, including without limitation the Chair, the Vice Chair, the Secretary, the Assistant Secretary, the Chief Executive Officer and the Chief Financial Officer are hereby authorized and directed to execute and deliver for and on behalf of the Authority any or all additional certificates, documents and other papers and to perform all other acts they may deem necessary or appropriate in order to implement and carry out the matters authorized in this resolution and the documents authorized and approved herein.

Section 20. After any of the Bonds are delivered by the Trustee to the Underwriters and upon receipt of payment therefor, this resolution shall be and remain irrevocable until the principal of, premium, if any, and interest on the Bonds are deemed to have been fully discharged in accordance with the terms and provisions of the Indenture.

Section 21. No member or employee of the Authority has any interest, direct or indirect, in the transactions contemplated by the Authority and authorized by this resolution.

Section 22. All resolutions of the Authority or parts thereof, inconsistent herewith, are hereby repealed to the extent only of such inconsistency.

Section 23. This resolution shall become effective immediately upon its adoption.

ADOPTED:

Aye:

Nay:

Abstain:

Absent:

PASSED AND APPROVED BY THE NEW MEXICO MORTGAGE FINANCE
AUTHORITY THIS 21st DAY OF JULY, 2021.

Chair

(SEAL)

ATTEST:

Secretary

EXHIBIT A

Single Family Mortgage Program Class I Bonds, 2021 Series D

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	Authority Funds <u>Contribution:</u>
Not to extend beyond July 1, 2053	Not to exceed \$150,000,000	Not to exceed 4.00%	Not to exceed \$2,300,000

Tab 3



MEMO

TO: MFA Board of Directors

Through: Policy Committee - July 6, 2021

Through: Finance Committee – July 13, 2021

FROM: Kathryn Turner, Assistant Director for Housing Development

DATE: July 21, 2021

SUBJECT: Bond Resolution Approval – JLG NM Central Apartments

RECOMMENDATION:

Staff requests approval of the attached Bond Resolution, Loan Agreement, Tax Regulatory Agreement, and Trust Indenture for JLG NM Central Apartment Projects to pursue issuance of up to \$11 million in tax exempt bonds.

BACKGROUND:

MFA received an application for 4% low income housing tax credits and \$9 million of tax exempt bond volume cap for the development of JLG NM Central Apartments Projects (the “Project”), an existing 218 unit Project, including 213 rent restricted units located on separate sites. The specific properties of the Project include North Star and San Miguel Senior Apartments in Las Vegas, Inspiration Heights Apartments in Ruidoso Downs, Penasco Apartments in Artesia, Westside Apartments in Belen, and Ruth Visage Senior Apartments in the Portales. The developer is Community Preservation Partners, LLC (“CPP”), which is located in Irvine, CA. The owner of the project is JLG NM Central 2017 LLLP, which consists of JLG Properties, LLC as the general partner and a WNC & Associates, Inc. entity (fund to be determined) as the limited partner. MFA previously issued tax exempt bonds in 2019 for JLG NM North 2017 LLLP and JLG NM South 2017 LLLP, which are rehabilitation projects wherein CPP served as the developer.

The first “official action” required of MFA as the bond issuer is to adopt an Inducement Resolution communicating intent to issue bonds for a specific activity. An Inducement Resolution for the Project was adopted by the Board of Directors (“MFA Board”) on January 24, 2018.¹ Staff then made application to the New Mexico State Board of Finance (“SBOF”) for an allocation of private activity bond volume cap for the Project, and \$9 million of volume cap was approved at the February 20, 2018 meeting. Subsequently, due to the

¹ The MFA Board also approved Inducement Resolutions for those properties located in their north and south portfolios.

need to change the financing structure in response to a reduction in tax credit pricing and an increase to interest rates, MFA sought and received an extension of the allocation expiration date from June 30, 2018 to December 31, 2018, during the June 19, 2018 meeting of the SBOF. Following this extension, Bonneville Multifamily Capital, the proposed private placement lender for the transaction, obtained approval to be a United States Department of Agriculture (“USDA”) 538 lender, which would further improve the financing structure for the transaction. However, due to the complexity of the deals, it was again delayed. Thus, MFA requested SBOF approval of a carryforward allocation of \$9 million for the Project, which was approved at SBOF’s December 18, 2018 meeting.² The carryforward approval means the volume cap allocation is available for three calendar years, expiring on December 31, 2021. Currently, the project is requesting additional volume cap in the amount of \$2 million from State Board of Finance on July 20th. MFA approved the most recent bond resolution in June of 2019. Due to delays in closing and the change in financing structure, the MFA Board must consider a new Bond Resolution, which would replace the Bond Resolution approved in June 2019.

DISCUSSION:

MFA staff has reviewed the proposed rehabilitation, including area market studies, wait lists, appraisals and the developer’s pro forma spreadsheets, and has determined the proposed financing for the Project is financially feasible. The properties within the Project receive a subsidy through a Rental Assistance Agreement with USDA Rural Development. The Project operates at a stabilized occupancy rate, maintains wait lists, and will continue to satisfy a portion of the demand for low income units in their respective areas. The additional work to be performed is reasonable. The proposed bonds will be purchased by Bonneville Multifamily Capital. The Project is slated to close by July 2021 with construction beginning immediately upon closing.

SUMMARY:

Staff requests approval of the Bond Resolution, Loan Agreement, Tax Regulatory Agreement, and Trust Indenture for JLG NM Central Apartment Projects to pursue issuance of up to \$11 million in tax exempt bonds that are expected to close in August 2021. Bond proceeds will fund the completion of the acquisition and rehabilitation of 218 units, including 213 rent restricted units, located on separate sites in the cities of Las Vegas, Artesia, Portales, Belen and Ruidoso Downs. Approval of the Bond Resolution will result in these properties remaining affordable for the next 30 years.

² The State Board of Finance took similar actions for the north and south portfolios.

CERTIFICATE REGARDING THE RESOLUTION

OF THE AUTHORITY

I, the undersigned, Isidoro Hernandez, Executive Director/Chief Executive Officer and Secretary of the New Mexico Mortgage Finance Authority (the “Authority”), DO HEREBY CERTIFY that: (i) the annexed resolution was duly adopted by the members of the New Mexico Mortgage Finance Authority at a meeting thereof duly called and held on July 21, 2021, at which meeting a quorum was present and acting throughout; (ii) the annexed resolution has been compared by me with the original thereof recorded in the minute book of the Authority and is a correct transcript therefrom and of the whole of said original; (iii) the annexed resolution has not been altered, amended or repealed; and (iv) the annexed resolution is in full force and effect on the date of this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Authority this 21st day of July, 2021.

Isidoro Hernandez, Executive Director/Chief
Executive Officer and Secretary
New Mexico Mortgage Finance Authority

(SEAL)

BOND RESOLUTION
North Star Apartments
San Miguel Senior Apartments
Ruth Visage Senior Apartments
Penasco Apartments
Westside Apartments
Inspiration Heights Apartments

RESOLUTION

A RESOLUTION OF THE NEW MEXICO MORTGAGE FINANCE AUTHORITY (THE “AUTHORITY”) AUTHORIZING THE ISSUANCE AND SALE BY THE AUTHORITY OF ITS MULTIFAMILY HOUSING REVENUE TAX-EXEMPT BONDS (JLG CENTRAL APARTMENTS PROJECTS) IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$11,000,000, AUTHORIZING THE EXECUTION BY THE AUTHORITY OF A TRUST INDENTURE, BOND PURCHASE AGREEMENT, LOAN AGREEMENT, TAX REGULATORY AGREEMENTS, AN OFFICIAL STATEMENT, INVESTMENT AGREEMENT AND OTHER DOCUMENTS REQUIRED IN CONNECTION THEREWITH; AND AUTHORIZING THE TAKING OF ALL OTHER ACTIONS NECESSARY TO THE CONSUMMATION OF THE TRANSACTIONS CONTEMPLATED BY THIS RESOLUTION; AND RELATED MATTERS.

WHEREAS, the New Mexico Mortgage Finance Authority (the “Authority”) is authorized by the Constitution and the laws of the State of New Mexico, particularly Chapter 58, Article 18, NMSA 1978, as amended (the “Act”) (a) to issue revenue bonds for the purpose of making project mortgage loans to finance the acquisition, construction or rehabilitation of multifamily housing facilities; (b) to enter into agreements for the purpose of providing revenues to pay such revenue bonds upon such terms and conditions as the Authority may deem advisable; (c) to secure the payment of such revenue bonds; and (d) to otherwise participate fully in federal government housing programs to secure for the people of New Mexico the benefits of such programs; and

WHEREAS, to provide decent, safe and sanitary residential housing facilities for low or moderate income persons within the State of New Mexico (the “State”) who are eligible under the Act, and after having determined that mortgage loans are not otherwise available upon reasonably equivalent terms and conditions from private lenders, the Authority has developed rules and regulations with respect to the issuance by the Authority of multifamily revenue bonds to finance the acquisition, construction or rehabilitation and equipping of multifamily residential facilities intended for rental to eligible persons located in the State; and

WHEREAS, JLG Properties, LLC, a New Mexico limited liability company and general partner of JLG NM Central 2017 LLLP, a New Mexico limited liability limited

partnership (or an entity related to or affiliated therewith), on behalf of itself and its affiliated entities either existing now or to be created (collectively, the “Borrowers” and each a “Borrower”), have asked the Authority to issue its Multifamily Housing Revenue Tax-Exempt Bonds (JLG Central Apartments Projects) Series 2021 (the “Bonds”); and

WHEREAS, in furtherance of the purposes of the Authority, it has been deemed appropriate and necessary that the Authority authorize the issuance and sale of the Bonds and prescribe and establish conditions and other appropriate matters with respect to the issuance thereof; and

WHEREAS, the Bonds shall be special limited obligations of the Authority payable solely from and secured by the proceeds, moneys, revenues, rights, interest and collections pledged therefor under the Indenture, as hereinafter defined; and

WHEREAS, there has been presented to the Authority at this meeting a form of Trust Indenture (the “Indenture”) to be entered into between the Authority and U.S. Bank National Association (the “Trustee”), a form of Bond Purchase Agreement (the “Bond Purchase Agreement”) to be entered into among the Authority, Stifel, Nicolaus & Company Incorporated, as underwriter (the “Underwriter”) and the Borrower, a form of the Tax Regulatory Agreements (the “Regulatory Agreements”) to be entered into among the Authority, the Trustee and the Borrower, a form of Loan Agreement (the “Loan Agreement”) to be entered into among the Borrower, the Trustee and the Authority under which the Borrower will agree to repay the loan of the proceeds of the Bonds and to use such proceeds to finance or refinance the acquisition, rehabilitation and equipping of each of the multifamily housing projects identified in Exhibit A attached hereto (collectively, the “Projects”) and a form of a Preliminary Official Statement (the “Preliminary Official Statement”) to be used by the Underwriters in marketing the Bonds.

NOW, THEREFORE, BE IT RESOLVED BY THE NEW MEXICO MORTGAGE FINANCE AUTHORITY, AS FOLLOWS:

Section 1. Words used in the foregoing recitals shall have the same meanings when used in the body of this resolution.

Section 2. The Authority hereby finds, determines and declares that the issuance of the Bonds to finance the acquisition, construction or rehabilitation and equipping of the Projects is in furtherance of the public purposes set forth in the Act and is in compliance with the provisions of the Act, and that the issuance of the Bonds is therefore in the public interest.

Section 3. The Indenture, the Bond Purchase Agreement, the Regulatory Agreements, the Loan Agreement and the Preliminary Official Statement (collectively, the “Authority Documents”) in substantially the forms presented to this meeting are in all respects authorized, approved and confirmed. The Chair, the Executive Director/Chief Executive Officer and Secretary, the Chief Housing Officer, the Chief Financial Officer

or the Chief Lending Officer of the Authority are hereby authorized to execute, attest, seal and deliver the Authority Documents in the forms and with substantially the same content as presented to this meeting for and on behalf of the Authority with such alterations, changes or additions as may be authorized herein.

Section 4. For the purpose of providing decent, safe and sanitary residential housing for low or moderate income persons within the State of New Mexico, all as authorized under the Act, the Authority shall issue the Bonds which shall be designated, unless otherwise provided by an officer of the Authority pursuant to Section 12 hereof, New Mexico Mortgage Finance Authority Multifamily Housing Revenue Tax-Exempt Bonds (JLG Central Apartments Projects) Series 2021 in an aggregate principal amount not to exceed \$11,000,000. The Bonds shall be issued only in fully registered form and shall have a maturity of thirty (30) months with an automatic extension of six (6) months for an additional extension fee due and payable at the date of the extension. The weighted average interest rate on the Bonds shall not exceed ~~7.00~~4.00% per annum.

Section 5. The Bonds shall be sold to the Underwriters at a purchase price of not less than 100% of the principal amount thereof plus accrued interest in accordance with the provisions of the Purchase Contract. Pursuant to the Purchase Contract the Authority may agree to pay an underwriting fee to the Underwriters in an amount not to exceed 1.0% of the principal amount of the Bonds. The Chair, the Executive Director/Chief Executive Officer and Secretary, the Chief Housing Officer, the Chief Financial Officer or the Chief Lending Officer, of the Authority are hereby authorized to execute and deliver the Purchase Contract in substantially the form and with substantially the same content as presented at this meeting for and on behalf of the Authority with such alterations, changes or additions as may be authorized by Section 14 hereof. The Chair, the Executive Director/Chief Executive Officer and Secretary, the Chief Housing Officer, the Chief Financial Officer or the Chief Lending Officer are hereby authorized to specify and agree as to the principal amounts, interest rates, maturities, purchase price and underwriting fee with respect to the Bonds for and on behalf of the Authority by the execution of the Purchase Contract and the Indenture, provided such terms are within the parameters set by this resolution.

Section 6. The Chair, the Executive Director/Chief Executive Officer and Secretary, the Chief Housing Officer, the Chief Financial Officer or the Chief Lending Officer are hereby authorized to approve the distribution of a Preliminary Official Statement (in substantially the form presented to the Authority at this meeting) and an Official Statement in substantially the form of the Preliminary Official Statement, with modifications determined at the time of the sale of the Bonds and to execute and deliver for and on behalf of the Authority an Official Statement in connection with the sale of the Bonds.

Section 7. The form, terms and provisions of the Bonds and the provisions for the signatures, authentication, payment, registration, transfer, exchange, redemption, tender and number shall be as set forth in the Indenture. The Chair, the Executive

Director/Chief Executive Officer and Secretary, the Chief Housing Officer, the Chief Financial Officer or the Chief Lending Officer of the Authority are hereby authorized to execute, attest and seal by facsimile the Bonds and to deliver the Bonds to the bond registrar for authentication.

Section 8. The appropriate officials of the Authority are hereby authorized to execute and deliver to the bond registrar the written order of the Authority for authentication and delivery of the Bonds in accordance with the provisions of the Indenture.

Section 9. The Bonds shall be sold to the Purchaser at a price not less than 100% of the principal amount thereof plus accrued interest, if any, in accordance with the provisions of the Bond Purchase Agreement. The Chair, the Executive Director/Chief Executive Officer and Secretary, the Chief Housing Officer, the Chief Financial Officer or the Chief Lending Officer of the Authority are hereby authorized to execute and deliver the Bond Purchase Agreement in substantially the form presented to the Board at this meeting, for and on behalf of the Authority. The Chair, the Executive Director/Chief Executive Officer and Secretary, the Chief Housing Officer, the Chief Financial Officer or the Chief Lending Officer are hereby authorized to specify and agree as to the interest rates and maturities of the Bonds for and on behalf of the Authority by the execution of the Bond Purchase Agreement and the Indenture, provided such terms are within the parameters set by this resolution.

Section 10. If certain of the Bonds are sold directly to Fannie Mae, the Chair, the Executive Director/Chief Executive Officer and Secretary, the Chief Housing Officer, the Chief Financial Officer or the Chief Lending Officer of the Authority are hereby authorized to execute and deliver a bond purchase agreement for and on behalf of the Authority, such bond purchase agreement to be in substantially the same form as the Bond Purchase Agreement presented at this meeting.

Section 11. The Chair, the Executive Director/Chief Executive Officer and Secretary, the Chief Housing Officer, the Chief Financial Officer or the Chief Lending Officer of the Authority are, and each of them is, hereby authorized to enter into an investment agreement or agreements ("Investment Agreement"), in form and substance satisfactory to such officer or to direct the Trustee to enter into an Investment Agreement. Any and all proceeds of, and investment income attributable to, the Bonds may be loaned to or deposited from time to time pursuant to the Investment Agreement for the periods, and at the interest rates, specified therein.

Section 12. The appropriate officers of the Authority, including without limitation the Chair, the Executive Director/Chief Executive Officer and Secretary, the Chief Housing Officer, the Chief Financial Officer or the Chief Lending Officer, are authorized to take all action necessary or reasonably required by the Bond Purchase Agreement to carry out, give effect to and consummate the transactions as contemplated thereby.

Section 13. Upon their issuance, the Bonds will constitute special limited obligations of the Authority payable solely from and to the extent of the sources set forth in the Bonds and the Indenture. No provision of this resolution or of the Bond Purchase Agreement, the Authority Documents, the Bonds or any other instrument, shall be construed as creating a general obligation of the Authority, or as creating a general obligation of the State of New Mexico or any political subdivision thereof, or as incurring or creating a charge upon the general credit of the Authority.

Section 14. The appropriate officials of the Authority, including without limitation the Chair, the Executive Director/Chief Executive Officer and Secretary, the Chief Housing Officer, the Chief Financial Officer or the Chief Lending Officer are authorized to make any alterations, changes or additions in the Authority Documents, the Bonds, the Official Statement, or any other document herein authorized or that may be made pursuant to the Act which may be necessary or desirable. In addition, to the extent that the mortgage loans to be made to the Borrower with proceeds of the Bonds are unable to be closed prior to the expiration of the volume cap allocations for the Bonds, as determined by the appropriate officials of the Authority, including without limitation the Chair, the Executive Director/Chief Executive Officer and Secretary, the Chief Housing Officer, the Chief Financial Officer or the Chief Lending Officer, such appropriate officials of the Authority are authorized to make any alterations, changes or additions in the Authority Documents, the Bonds, the Bond Purchase Agreement or any other document herein as may be necessary or desirable to issue the Bonds prior to expiration of the volume cap allocations and invest the proceeds thereof in permitted investments as provided under the Indentures for a period of no more than a year until such Bonds can be refunded or remarketed and the proceeds thereof be used to make mortgage loans to the Borrower.

Section 15. The appropriate officials of the Authority, including without limitation the Chair, the Executive Director/ Chief Executive Officer and Secretary, the Chief Housing Officer, the Chief Financial Officer or the Chief Lending Officer, are hereby authorized and directed to execute and deliver for and on behalf of the Authority any or all additional certificates, documents and other papers and to perform all other acts they may deem necessary or appropriate in order to implement and carry out the matters authorized in this resolution and the documents authorized and approved herein.

Section 16. After any of the Bonds are delivered by the Trustee to the Purchaser and upon receipt of payment therefore, this resolution shall be and remain irrevocable until the principal of, premium, if any, and interest on the Bonds are deemed to have been fully discharged in accordance with the terms and provisions of the Indenture.

Section 17. Except as otherwise disclosed to the governing board of the Authority prior to the adoption of this resolution, no member or employee of the Authority has any interest, direct or indirect, in the transactions contemplated by the Authority herein.

Section 18. If any provisions of this resolution should be held invalid, the invalidity of such provision shall not affect the validity of any of the other provisions of this resolution.

Section 19. All resolutions of the Authority or parts thereof, inconsistent herewith, are hereby repealed to the extent only of such inconsistency.

Section 20. This resolution shall become effective immediately upon its adoption.

PASSED AND APPROVED BY THE NEW MEXICO MORTGAGE FINANCE
AUTHORITY THIS 21st DAY OF JULY, 2021.

Chair

(SEAL)

ATTEST:

Executive
and Secretary

Director/Chief

Executive

Officer

EXHIBIT A

PROJECTS

The Projects are described below:

1. North Star Apartments located at approximately 333 Chico Drive, Las Vegas, New Mexico, consisting of 40 units;
2. San Miguel Senior Apartments located at approximately 2710 Collins Drive, Las Vegas, New Mexico, consisting of 40 units;
3. Ruth Visage Senior Apartments located at approximately 1101 West Fir Street, Portales, New Mexico consisting of 26 units;
4. Penasco Apartments located at approximately 501 South 20th Street, Artesia, New Mexico consisting of 40 units;
5. Westside Apartments located at approximately 721 Christopher Road, Belen, New Mexico consisting of 24 units; and
6. Inspiration Heights Apartments located at approximately 301 Sierra Lane, Ruidoso Downs, New Mexico, consisting of 48 units.

Document comparison by Workshare 9.5 on Thursday, July 1, 2021 5:30:17 PM

Input:	
Document 1 ID	interwovenSite://DMS-EAST/DMEAST/36002053/8
Description	#36002053v8<DMEAST> - Bond Resolution - NM Housing JLG Central 2021
Document 2 ID	interwovenSite://DMS-EAST/DMEAST/36002053/9
Description	#36002053v9<DMEAST> - Bond Resolution - NM Housing JLG Central 2021
Rendering set	Standard

Legend:	
<u>Insertion</u>	
Deletion	
Moved from	
<u>Moved to</u>	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	9
Deletions	9
Moved from	0
Moved to	0
Style change	0
Format changed	0
Total changes	18

Tab 4



MEMO

TO: MFA Board of Directors

Through: Finance Committee – July 13, 2021

Through: Policy Committee – June 29, 2021

FROM: Patty Balderrama – Program Coordinator
Shawn Colbert – Director of Housing Development

DATE: July 21, 2021

RE: Updates to the New Mexico Affordable Housing Charitable Trust Policy

Recommendation:

Staff recommends modifications to New Mexico Housing Charitable Trust Policy to align definitions, define handling of earmarked donations, and add another method for recommending distribution of funds.

Background:

The New Mexico Affordable Housing Charitable Trust (the “Trust”) was created in November 2007 by a Trust Agreement that names the New Mexico Mortgage Finance Authority (“MFA”) as Trustee and establishes the purpose and uses of the Trust. It was revised in September 2016.

The Trust was created to support the Affordable Housing purposes for which MFA was established. The Trust receives, holds, invests and manages property, including, but not limited to, cash and cash equivalents, stocks, bonds, notes, tangible personal property and real property (the “Property”) and uses and distributes the Property for the purposes set forth in the New Mexico Mortgage Finance Authority Act, NMSA 1978, §58-18-1 et seq. (the “MFA Act”). These purposes include making funds available as grants or loans for land acquisition, infrastructure, construction, building acquisition, remodeling, improvement, rehabilitation, conversion, weatherization and financing Residential Housing for Persons of Low- or Moderate-Income as approved by the Trustee.

Discussion:

Several definitions in SECTION 3. GENERAL DEFINITIONS were updated to align with current definitions, the most substantive being:

3.3 Area Median Income (AMI) – added definition to describe the income measures issued annually by HUD.

3.4 Donor – revised to match the definition of “person” in the Affordable Housing Tax Credit Act.

3.12 Rehabilitation – revised to align with the newly-revised legislative changes to the New Mexico Housing Trust Fund program to allow for consistency of use between the programs under the new Strategic Plan.

Currently SECTION 4. DONATIONS TO THE NEW MEXICO AFFORDABLE HOUSING CHARITABLE TRUST (“Charitable Trust”) does not address the acceptance of earmarked donations to future or anticipated State Tax Credit awards. The addition of this language provides guidance to such donations by allowing donations made to the Charitable Trust and earmarked for an MFA approved Affordable Housing Project that has met all readiness requirements outlined in the reservation letter. The earmarked donation will be transferred to the Affordable Housing Project owner after the investment voucher has been issued to the donor. For donations made directly to the Trust and earmarked for a project which has not been approved by MFA as an Affordable Housing Project, MFA will notify the donor that the earmarked donation will be transferred to the organization once the State Tax Credit Award is approved. MFA will obtain agreement from the donor to either apply the funds to an MFA-approved Affordable Housing Project, or to administer the donation in accordance with Section 5 in the event the earmarked Affordable Housing Project does not receive or is otherwise ineligible for a State Tax Credit award. In these cases, MFA will issue investment vouchers directly to the donor, after reviewing and approving the investment certification form and obtaining agreement from the donor of an alternate use of the donation.

Additionally, SECTION 5. GRANT AND LOAN AWARDS has been revised to also allow MFA staff to make recommendations for the use of Trust funds by following the delegations of authority for distributing Trust funds.

Summary:

Staff requests approval of all proposed modifications to the Charitable Trust Policy, most notably the changes to Section 4, defining methods for handling earmarked donations, and Section 5, adding the ability for MFA staff to recommend distribution of Trust funds following the delegations of authority.

NEW MEXICO MORTGAGE FINANCE AUTHORITY NEW MEXICO AFFORDABLE HOUSING CHARITABLE TRUST POLICY

As approved by MFA Board of Directors, and revised September 21, 2016 and
July XX, 2021

SECTION 1. AUTHORITY. The New Mexico Affordable Housing Charitable Trust (the “Trust”) was created in November 2007 by a Trust Agreement that names the New Mexico Mortgage Finance Authority (the “MFA”) as Trustee and establishes the purpose and uses of the Trust.

SECTION 2. PURPOSE. The Trust was created to support the Affordable Housing purposes for which MFA was established. The Trust will receive, hold, invest and manage property, including, but not limited to, cash and cash equivalents, stocks, bonds, notes, tangible personal property and real property (the “Property”) and will use and distribute the Property for the purposes set forth in the New Mexico Mortgage Finance Authority Act, NMSA 1978, §58-18-1 et seq. (the “MFA Act”). These purposes include making funds available as grants or loans for land acquisition, infrastructure, construction, building acquisition, remodeling, improvement, rehabilitation, conversion, weatherization and financing Residential Housing for Persons of Low- or Moderate-Income as approved by the Trustee.

SECTION 3. GENERAL DEFINITIONS. The following words and terms shall have the following meanings:

3.1 “Affordable Housing” means Residential Housing primarily for Persons or **households** of Low- or Moderate-Income.

3.2 “Affordable Housing Tax Credits” or “**State Tax Credits**” shall mean any tax credits awarded or to be awarded under the Affordable Housing Tax Credit Act, NMSA 1978, §7-9I-1 et seq.,

3.3 “**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.

3.4 “Donor” shall mean an individual, **tribal government, housing authority, corporation, limited liability company, partnership, joint venture, syndicate, association or nonprofit organization** that contributes to the New Mexico Affordable Housing Charitable Trust.

3.5 “Donations” shall mean irrevocable and unconditional contributions of land,



buildings, materials, cash or services.

3.6 “MFA” shall mean the New Mexico Mortgage Finance Authority.

3.7 “MFA Act” shall mean the Mortgage Finance Authority Act, enacted as Chapter 303 of the Laws of 1975 of the State of New Mexico, as amended (being Sections 58-18-1 through 58-18-27 N.M.S.A. (1978), as amended).

3.8 “Multifamily Housing” shall mean Residential Housing that is designed for occupancy by five or more households living independently of each other, a percentage of whom are Persons of Low- or Moderate-Income, including without limitation Persons of Low- or Moderate-Income who are elderly and handicapped as determined by MFA, provided that the percentage of low-income persons and households shall be at least the minimum, if any, required by any applicable federal tax law. MFA, in its discretion, may increase or decrease the percentage of units that must be occupied by Persons of Low- or Moderate-Income in any agreement with an Applicant consistent with the purposes of the MFA Act.

3.9 “New Mexico Affordable Housing Charitable Trust” shall mean the nonprofit organization for which MFA is Trustee, contributions to which are eligible for Affordable Housing Tax Credits and the federal deduction for charitable contributions.

3.10 “NOFA” shall mean Notice of Funding Availability.

3.11 “Persons of Low- or Moderate-Income” Low-income shall mean persons and households who earn up to 80 percent of local Area Median Income (AMI). Persons of moderate-income shall mean persons and households who earn up to 120 percent of local AMI.

3.12 “Rehabilitation” shall mean the renovation or reconstruction of existing Residential Housing which complies with requirements established by MFA. Rehabilitation shall not include routine or ordinary repairs, improvements or maintenance, such as interior decorating, remodeling or exterior painting, except in conjunction with other renovation or reconstruction, but shall include moderate rehabilitation including but not limited to weatherization activities, roof repair, and improvements to meet Americans with Disabilities Act requirements.

3.13 “Residential Housing” shall mean any building, structure or portion thereof that is primarily occupied, or designed or intended primarily for occupancy, as a residence by one or more households and any real property that is offered for sale or lease for the construction or location thereon of such a Building, structure or portion thereof. “Residential Housing” includes Single Family Housing, Multifamily Housing, manufactured homes, and housing intended to provide or providing Transitional Housing or temporary housing for homeless persons.

3.14 “Single Family Housing” shall mean Residential Housing that is designed for occupancy by one to four households living independently of each other.

3.15 “State” shall mean the State of New Mexico.



3.16 “Transitional Housing” shall mean Residential Housing that is designed for temporary or transitional occupancy by Persons of **Low-** or **Moderate-Income** or special needs.

3.17 “Trust Agreement” shall mean the written instrument approved and executed by the MFA Board of Directors in 2007, creating the New Mexico Affordable Housing Charitable Trust and establishing the MFA as Trustee.

3.18 “Trustee” shall mean the MFA, as Trustee of New Mexico Affordable Housing Charitable Trust.

SECTION 4. DONATIONS TO THE NEW MEXICO AFFORDABLE HOUSING CHARITABLE TRUST. Donations to the New Mexico Affordable Housing Charitable Trust include:

4.1 Donations of Cash and Securities. Donations of cash, cash equivalents, stocks and bonds may be utilized at MFA’s discretion as described in Section 2 of these Policies and for other purposes allowed by the Trust Agreement.

- (A) There is no minimum cash donation to the Trust; however, donations of cash equivalents, stocks and bonds must be valued at two hundred dollars (\$200.00) or more.
- (B) Donations of cash equivalents, stocks and bonds shall be liquidated by MFA at the time of donation.
- (C) A Donor may earmark the Donation **either** for expenditure in a specific New Mexico county at the time of donation **or for expenditure on a specific Affordable Housing Project.**

4.2 Other Donations. Donations of land, buildings, materials and services must be associated with an Affordable Housing **Project** approved by MFA.

4.3 Affordable Housing Tax Credits or State Tax Credits. In accordance with the Affordable Housing Tax Credit Act, NMSA 1978, §7-9I-1 et seq., Donations to the Trust are eligible for Affordable Housing Tax Credits as follows:

- (A) Donations of Cash and Securities: To apply for Affordable Housing Tax Credits for Donations of cash, cash equivalents, stocks and bonds, a Donor shall complete an investment certification form and submit the form to MFA. MFA will issue investment vouchers directly to the Donor after reviewing and approving the investment certification form.
- (B) Other Donations: Donations of land, buildings, materials and services are eligible for Affordable Housing Tax Credits if they are associated with an Affordable Housing **Project** approved by MFA



pursuant to the New Mexico Affordable Housing Tax Credit Program Rules.

- (C) For Donations made directly to the Trust and earmarked for a MFA- approved Affordable Housing Project that has met all readiness requirements outlined in the reservation letter, MFA will issue investment vouchers directly to the Donor after reviewing and approving the investment certification form. The earmarked Donation will be transferred to the Affordable Housing Project owner after the investment voucher has been issued to the Donor. For Donations made directly to the Trust and earmarked for a project which has not been approved by MFA as an Affordable Housing Project, MFA will notify the Donor that the earmarked Donation will be transferred to the organization once the State Tax Credit Award is approved and will obtain agreement from the donor to either apply the funds to an MFA-approved Affordable Housing Project, or to administer the Donation in accordance with Section 5 in the event the earmarked Affordable Housing Project does not receive or is otherwise ineligible for a State Tax Credit award. In these cases, MFA will issue investment vouchers directly to the Donor, after reviewing and approving the investment certification form and obtaining agreement from the Donor of an alternate use of the Donation.

SECTION 5. GRANT AND LOAN AWARDS. At its discretion, MFA may make Trust funds available for grants or loans to Persons or households of Low- or Moderate-Income or other entities serving Persons or households of Low- or Moderate-Income, including but not limited to developers, nonprofit organizations, governmental agencies or service providers. MFA may make grants or loans through any of its existing Affordable Housing programs, and such use of Trust funds shall follow the Delegations of Authority and requirements, policies and processes established for existing programs. MFA may also make grants or loans available through a NOFA for a new or special program which may introduce new requirements, policies and processes for use of Trust funds. Grants or loans to Persons or households of Low- or Moderate-Income or other entities serving Persons or households of Low- or Moderate-Income may also be recommended by MFA staff and such use of Trust funds shall follow the Delegations of Authority.

SECTION 6. DEPARTMENTAL RESPONSIBILITIES The Trust shall be overseen by MFA's Chief Lending Officer, acting pursuant to MFA's Delegations of Authority. The following departmental responsibilities apply to MFA's administration of the Trust:

- (A) Accounting Department: Accounting for the Trust, IRS reporting, tracking of Trust expenses, disbursement and tracking of program expenditures and borrower billing.
- (B) Finance Department: Investment of Trust funds.
- (C) Housing Development Department: Approval and processing of



Affordable Housing Tax Credits resulting from a Donation to the Trust.

- (D) Various Departments: Trust funds granted or loaned through one of MFA's Affordable Housing programs shall be solicited, awarded and monitored by the MFA department that manages said Affordable Housing program.
- (E) Legal Counsel: Preparation and/or review of documents.

Adopted by MFA's Board of Directors on July XX, 2021.

This Policy supersedes and replaces all prior New Mexico Mortgage Finance Authority New Mexico Affordable Housing Charitable Trust policies in their entirety.



Tab 5



MEMO

TO: MFA Board of Directors

Through: Finance Committee – July 13, 2021

Through: Policy Committee – June 29, 2021

FROM: Patty Balderrama – Program Coordinator
Shawn Colbert – Director of Housing Development

DATE: July 21, 2021

RE: Proposed Revisions to the NM Affordable Housing Tax Credit Program Rules

Recommendation:

Staff recommends the proposed revisions to the NM Affordable Housing Tax Credit Program Rules (Rules) to align with modifications of the same date made to the NM Affordable Housing Tax Credit Notice of Funding Availability (NOFA) to better account for multifamily awards, align with new Strategic Plan initiatives, and general program information and process updates.

Background:

The New Mexico Affordable Housing Tax Credit Program, also referred to herein as the State Tax Credit Program, was created by approval of the Affordable Housing Tax Credit Act by the Legislature of the State of New Mexico in March 2005 and signed into law by Governor Bill Richardson in April 2005. On March 2, 2010, Governor Bill Richardson signed into law SB 144 amending the Affordable Housing Tax Credit Act making donations made to multifamily affordable housing projects statewide eligible for tax credits. That law became effective July 1, 2010.

The New Mexico Affordable Housing Tax Credit Program provides certain tax credits to qualified applicants that provide eligible donations, both as defined in the NOFA, to affordable housing projects approved by the New Mexico Mortgage Finance Authority (MFA) or into the MFA-administered New Mexico Affordable Housing Charitable Trust (Trust). MFA is responsible for adopting rules for the approval, issuance, and administration of the investment vouchers. MFA's Board of Directors approved the Program Rules and the first NOFA at the meeting September 20, 2005, with revisions to both documents at meetings September 27, 2006, May 23, 2007, and March 18, 2009. The 2008 NOFA was approved by the Board on September 19, 2007, and the 2009 NOFA was approved by the Board on September 17, 2008. The 2010 NOFA and Program Rules were approved by the Board of Directors on April 21, 2010. The 2013 NOFA was approved by the Board of Directors on May 15, 2013.

The Program Rules is a set of broad policy statements to establish the fundamental program parameters. Although the program selection criteria, processing details, and requirements could change from time to time as a result of newly emerging priorities or prior years' experience, the underlying premises of the rules should remain much the same over time. The program rules are the domain of the board and express its general intentions concerning the use of the resources derived from the State Tax Credit Program. Any changes to the rules require board approval.

Discussion:

Staff has proposed several non-substantive changes relating to overall language improvements and clarifications not addressed in this memo. In sequential order, staff is recommending the following notable language revisions and substantial amendments to the Program Rules:

B. THE PROGRAM – DESCRIPTION OF THE NEW MEXICO AFFORDABLE HOUSING TAX CREDIT PROGRAM – Paragraph 1: The definition of eligible applicants was revised to match the definition of “person” in the Affordable Housing Tax Credit Act.

F. BASIC STATE TAX CREDIT PROGRAM PARAMETERS:

3) Changed to align with eligible projects under the NOFA.

5) Changed to align with “Eligible Donations and Investment Vouchers” section of the NOFA.

7) Changed to align with the “Eligible Donations and Investment Vouchers” section of the NOFA that says, “The maximum voucher amount will be the lesser of \$1,000,000 or 25 percent of the annual available amount for the year the reservation is made.”

G. PROCESSING OF APPLICATIONS, AWARDS, AND INVESTMENT VOUCHERS – Paragraph 4: Added “but are not necessarily limited to:” to the factors to be considered in processing applications to allow for some flexibility in aligning with the NOFA.

Summary:

Staff revisions to the Rules represent language updates and alignment with the State Tax Credit NOFA modifications. Staff requests approval of all proposed modifications to the Program Rules.

NEW MEXICO AFFORDABLE HOUSING TAX CREDIT PROGRAM RULES

As approved by the MFA Board of Directors September 20, 2005,
Revised September 2006, June 2007, May 2009,
April 21st, 2010 (Effective July 1, 2010),
May 15th, 2013, and July XX, 2021

A. INTRODUCTION/PURPOSES

MFA uses three key documents to regulate the use of the New Mexico Affordable Housing Tax Credit Program also referred to herein as the “State Tax Credit Program”. This document, the *Program Rules*, is the first of these three documents. It is a set of broad policy statements to establish the fundamental program parameters. Although the program selection criteria, processing details, and requirements could change from year-to-year as a result of newly emerging priorities or prior years' experience, the underlying premises of the rules should remain much the same over time. The Program Rules are the domain of the MFA Board of Directors (“Board”) and express its general intentions concerning the use of the resources derived from the State Tax Credit Program. Any changes to the Program Rules in the future will require Board approval.

The second key program document, the *State Tax Credit Program Manual*, provides detailed direction to staff in the day-to-day operations of the program. It addresses application requirements, application processing and approval procedures, due diligence requirements, underwriting standards, limits and other criteria used to structure the award, documentation, file maintenance, interdepartmental coordination, Tax and Revenue coordination and reporting. It is updated from time to time as needed. In addition, all individual awards will continue to be approved through the staff and/or Board and Board committee process, consistent with MFA's authorization policy.

The third key program document, the *Notice of Funding Availability (NOFA)*, provides notice to program sponsors of the availability of investment vouchers, manner of application, selection criteria and method.

B. THE PROGRAM – DESCRIPTION OF THE NEW MEXICO AFFORDABLE HOUSING TAX CREDIT PROGRAM

The New Mexico Affordable Housing Tax Credit Program, also referred to herein as the State Tax Credit Program, was created by approval of the Affordable Housing Tax Credit Act (“Act”) by the Legislature of the State of New Mexico in March 2005, signed into law by Governor Bill Richardson in April 2005, and amended July 2015. The New Mexico Affordable Housing Tax Credit Program provides state tax credits to any individual, tribal government, housing authority, corporation, limited liability company, partnership, joint venture, syndicate, association or nonprofit organization that provide donations to Affordable Housing Projects approved by the New Mexico Mortgage Finance Authority (MFA). The state offers credits on income taxes, gross receipts taxes and compensating

taxes (excluding local option gross receipts tax imposed by a municipality or county, or the government gross receipts tax) to any eligible individual, business, or tribal government that donates land, buildings, materials, cash or services for an Affordable Housing Project approved by MFA. In addition, MFA is authorized to issue vouchers for donations made directly to the New Mexico Affordable Housing Charitable Trust (Charitable Trust). The credit is equal to 50 percent of the value of the donation. MFA is responsible for adopting rules for the approval, issuance and administration of the investment vouchers.

C. DEPARTMENTAL RESPONSIBILITIES

Following standard agency practice, the program design, establishment of application and threshold requirements, review and selection of projects, structuring and underwriting of awards, documentation and processing of awards, and reporting to the state Taxation and Revenue Department, are the primary responsibility of MFA's Housing Development Department. They are carried out under the direction of the Director of Housing Development. Various ancillary activities that are essential to the program and to the Housing Development Department's activity, but which are carried out by other departments of MFA, include but may not be limited to the following:

- 1) Accounting for fees and expenses and borrower billing (Accounting);
- 2) Various compliance and monitoring activities to ensure that use restrictions are properly implemented and documented (Program Administration); and
- 3) Legal counsel preparation and/or review of documents.

It is the responsibility of the Housing Development Department to coordinate its activities with the other departments as needed. Management is the primary entity responsible for internal allocations of any needed resources to this program, and for problem solving and interdepartmental coordination activities.

D. DESIGN AND DEVELOPMENT

The MFA Board of Directors will establish priorities which will remain in effect until amended. These priorities may be based on prior years' experience, and/or emerging strategies and needs identified by the Board, staff, and the state.

E. OVERALL PROGRAM OBJECTIVES

The following apply to all of MFA's housing development activities, including the State Tax Credit Program.

- 1) Program resources will be used in the most efficient way possible, as reflected in efforts to maximize leverage through commitments of resources from other sources, and establish limits for awards to any given project.
- 2) Program funding will generally emphasize the greatest level of affordability possible where that is the prominent need. However, this may also allow for mixed-income projects where these are more responsive to local needs.

- 3) Program design will promote an equitable geographic distribution of funds throughout the state of New Mexico, subject to demand for the program and restrictions within the Act.
- 4) Program design will address housing production for special needs populations identified by MFA from time to time, including minority and/or underserved communities, people with disabilities, and people living within special socio-economic circumstances.

F. BASIC STATE TAX CREDIT PROGRAM PARAMETERS

- 1) The program will be operated in accordance with applicable **state** requirements, including *The Affordable Housing Tax Credit Act* and any subsequent regulations governing the **state** program.
- 2) Only sponsors of Affordable Housing Projects approved by MFA or MFA via the Charitable Trust, may solicit donations in exchange for the **state tax credit**, **provided that sponsors may solicit and submit commitments for donations with their application as may be required under any NOFA**
- 3) Affordable Housing Projects include MFA-approved single family housing, multifamily housing projects, **transitional housing, and emergency shelters.**
- 4) Donations may include land, buildings, materials, cash or services. Cash equivalents, such as store credit or waived invoices, will be considered a cash donation. Evidence of the value of the donation satisfactory to MFA will be required prior to issuing the donor investment voucher.
- 5) Donations received by the project sponsor in exchange for **state** tax credits may be used to fund **land and building acquisition (including down payment and closing cost assistance for the acquisition of single family housing), construction, remodeling, improvement, rehabilitation, conversion or weatherization throughout the state..**
- 6) There will be no minimum or maximum dollar limits for donations made directly to the Charitable Trust. Donations made directly to Affordable Housing Projects in an amount less than \$200 are not eligible for investment vouchers; the maximum donation made directly to Affordable Housing Projects which will be eligible for investment vouchers is \$2,000,000.
- 7) Any one applicant, or group of applicants, may not receive aggregate awards in excess of **the lesser of \$1,000,000 or 25** percent of the annual amount of **state tax credits** available in the year the reservations are made.
- 8) Donors will receive an investment voucher for the lesser of 1) 50 percent of the value of their donations or 2) the amount of investment voucher requested. Investment vouchers issued on behalf of a given project cannot exceed the amount reserved for the project. Investment vouchers will be issued only after securing evidence of the donation irrevocably and unconditionally contributed, expended or devoted and, with the exception of donations made directly to the Charitable Trust, the project meeting certain readiness requirements including 1) site control, 2) obtaining other financing commitments, and 3) recording of a Land Use Restriction Agreement. Alternately, when donations are made to fund a downpayment assistance program for Affordable Housing Projects, the voucher will be issued to the donor after securing evidence of the donation irrevocably and unconditionally contributed to the sponsor and upon the sponsor entering into a written binding agreement with MFA. This agreement will govern the use of such

funds only for eligible homebuyers, eligible Affordable Housing Projects, and outline compliance and reporting requirements.

- 9) Staff will underwrite the projects completely to ensure soundness, and will apply industry practice in assessing each project proposed. The level of analysis and specific requirements may vary based on the scale of individual projects. All such differences will be specifically addressed in the *Program Manual* to ensure consistent underwriting. Underwriting for downpayment and closing cost assistance provided by sponsors of single family affordable housing may be delegated to qualified sponsors. Staff will base approval of a sponsor for such activity on the organizational and financial capacity of the sponsor and their administrative procedures in place for such a program.
- 10) Underwriting standards will be established from time to time for staff use and will be incorporated into the *Program Manual*.
- 11) All awards will be approved by staff and/or the Board and its designated committees, consistent with MFA's authorization policy.
- 12) MFA may charge fees for its services in operating the program. MFA will also collect payments from borrowers to cover the cost of third party services needed in underwriting.
- 13) Project eligibility will be fully documented with the use of reservation letters, binding agreements, investment vouchers, and Land Use Restriction Agreements (or acceptable alternative) in all cases, in addition to any other documentation required by MFA counsel.
- 14) The program will not have minimum set-aside requirements; however, the state tax credit award will be sized based on the amount of units that are designated affordable.
- 15) The set-aside requirements will be enforced with a Land Use Restriction Agreement (or acceptable alternative) for a minimum period of five years for single family housing and 10 years for multifamily housing. In cases in which donations are used to directly fund downpayment assistance, affordability shall be achieved by the recapture of assistance upon resale, refinance or transfer of ownership within the applicable Affordability Period (defined below). All recaptured funds shall be earmarked for affordable housing purposes only.

The Affordability Period for downpayment assistance is defined as follows:

- If the amount of the donation that is being used for a unit is below \$5,000, it shall be considered impractical for MFA to impose an Affordability Period.
- If the amount of the donation that is being used for a unit is from \$5,000 to \$14,999, then the Affordability Period shall be not less than five (5) years.
- If the amount of the donation that is being used for a unit is from \$15,000 to \$40,000, then the Affordability Period shall be not less than ten (10) years.

- If the amount of the donation that is being used for a unit is greater than \$40,000 then the Affordability Period shall be not less than thirty (30) years.

The project sponsor, in its sole discretion, may increase the Affordability Period in any contract, note mortgage, loan agreement, **Land Use Restriction Agreement**, restrictive covenant agreements and/or any other agreement which the project sponsor may enter into with any beneficiary of the donation.

G. PROCESSING OF APPLICATIONS, AWARDS, AND INVESTMENT VOUCHERS

Staff will determine threshold and application requirements, process and underwrite or approve the underwriters for the awards, and perform a variety of other activities required to operate the program.

Reservations will be made in accordance with a **NOFA** issued with Board approval on a periodic basis. Applications will be received and evaluated on an open application cycle on a first come, first served basis subject to the availability of credits, unless it is determined by staff to be more appropriate to hold funding rounds. Reservations will be approved first by the Policy Committee, then as needed by a committee of the Board and by the Board consistent with MFA's authorization policy.

At a minimum applications will be required to address:

- 1) Name and location of proposed project, or in the case of downpayment and closing cost assistance, the geographic areas in which the assistance will be used and a description of the single family affordable housing, including price range and whether existing or new construction or both;
- 2) Contact information for the project sponsor and identification of all development or project sponsor team members;
- 3) Organization documents of project sponsor (if available);
- 4) History of sponsors experience in developing housing and/or providing downpayment and closing cost assistance and previous participation in low **or moderate** income housing projects;
- 5) Complete description of the proposed project;
- 6) Identification of the sources of financing for the proposed project, including letters of commitment where available;
- 7) Nature and amount of the anticipated donations;
- 8) Proposed set-aside levels and time period for which the affordable housing units shall be provided;
- 9) Total project cost;
- 10) Schedule for completion if applicable;
- 11) Amount of **state tax credits** requested;
- 12) Sponsor certification that all information contained in the application is true, accurate and complete;
- 13) **Other certifications as required by the then current NOFA**; and
- 14) Any additional information MFA may require.

Factors to be considered in the approval or disapproval of an application for affordable housing projects may include **but are not necessarily limited to**:

- 1) Availability of site and utilities;
- 2) Appropriateness of zoning;
- 3) Size of the development;
- 4) Level of rents or housing assistance;
- 5) Strength and experience of the sponsor, development team and management entity;
- 6) Market demand;
- 7) Time period available for qualified families;
- 8) Unit mix;
- 9) Geographic location;
- 10) Design;
- 11) Community support;
- 12) Correlation with redevelopment efforts;
- 13) Consistency with community or neighborhood development plans;
- 14) Project feasibility;
- 15) Preservation of affordable housing units;
- 16) Readiness and availability of donations.

Upon successful review of an application, MFA will issue a **state** tax credit reservation letter to a sponsor of a qualified Affordable Housing Project. The reservation letter authorizes the sponsor to solicit donations that would be eligible for **state** tax credits up to the credit amount authorized by the reservation letter. The project sponsor is responsible for providing evidence of all eligible donations and satisfactory valuation documentation. Upon receipt and review of the donation documents, and only after the project has met all other readiness requirements as outlined in the reservation letter, MFA will issue investment vouchers to the donors.

Alternately, MFA will issue investment vouchers directly to the donor of any qualified donations made to the Charitable Trust administered by MFA.

MFA shall notify Taxation and Revenue within 20 days of the issuance of an investment voucher. If a donor transfers all or a fraction of the certificate to an eligible individual or business, the donor shall provide notification to MFA and Taxation and Revenue within 10 days of such transfer.

Applicants who have a complaint concerning the disposition of a proposal shall have available an appeals process.

Staff will make every effort to award the full amount of **state** tax credits available each year. Any credit ceiling unreserved for a given program year cannot be carried forward into the next program year. If a reservation of **state tax** credits cannot be used for its intended purpose and is returned within the same program year, those **state tax** credits can be reserved for another project or donor in that same program year. Housing Development is responsible for tracking the availability of **state tax** credits.

Adopted by MFA's Board of Directors on July XX, 2021.

Tab 6



MEMO

TO: MFA Board of Directors

Through: Contracted Services/Credit Committee – July 13, 2021

Through: Policy Committee – June 29, 2021

FROM: Patty Balderrama – Program Coordinator
Shawn Colbert – Director of Housing Development

DATE: July 21, 2021

RE: Proposed Revisions to the NM Affordable Housing Tax Credit Program
Notice of Funding Availability (NOFA)

Recommendation:

Staff recommends the proposed revisions to the NM Affordable Housing Tax Credit NOFA to better account for multifamily awards, align with new Strategic Plan initiatives, update scoring criteria, and general program information and application process updates.

Background:

The New Mexico Affordable Housing Tax Credit Program, also referred to herein as the State Tax Credit Program, was created by approval of the Affordable Housing Tax Credit Act by the Legislature of the State of New Mexico in March 2005 and signed into law by Governor Bill Richardson in April 2005. On March 2, 2010, Governor Bill Richardson signed into law SB 144 amending the Affordable Housing Tax Credit Act making donations made to multifamily affordable housing projects statewide eligible for tax credits. That law became effective July 1, 2010.

The New Mexico Affordable Housing Tax Credit Program provides certain tax credits to qualified applicants that provide eligible donations, both as defined in the NOFA, to affordable housing projects approved by the New Mexico Mortgage Finance Authority (MFA) or into the MFA-administered New Mexico Affordable Housing Charitable Trust (Trust). MFA is responsible for adopting rules for the approval, issuance, and administration of the investment vouchers. MFA's Board of Directors approved the Program Rules and the first NOFA at the meeting September 20, 2005, with revisions to both documents at meetings September 27, 2006, May 23, 2007, and March 18, 2009. The 2008 NOFA was approved by the Board on September 19, 2007, and the 2009 NOFA was approved by the Board on September 17, 2008. The 2010 NOFA and Program Rules were approved by the Board of Directors on April 21, 2010. The 2013 NOFA was approved by the Board of Directors on May 15, 2013.

The NOFA is intended to provide funding and application guidelines and solicit applications from qualified applicants for projects that will provide affordable housing in

accordance with the State Tax Credit Program. Any changes to the NOFA require board approval.

Discussion:

Staff has proposed several non-substantive changes relating to overall language improvements and clarifications not addressed in this memo. In sequential order, staff is recommending the following notable language revisions and substantial amendments to the NOFA:

1. **Background and Purpose - Paragraph 2:** The definition of eligible applicants was revised to match the definition of “person” in the Affordable Housing Tax Credit Act. Also, in this section in **Paragraph 3**, clarification regarding issuance of vouchers for donations made to the Trust was added.
2. **Application Submission and Due Date:** The application process was updated throughout to account for electronic submissions.
Additionally, in **Paragraph 1** the application fee was increased to \$250 to be consistent with other programs.
3. **Program Summary:**
 - a. **Eligible Applicants - Paragraph 2:** Language was added requiring all members of the development team to be in good standing with MFA and all other state and federal affordable housing agencies. Examples of good standing and noncompliance have been provided.
 - b. **Third-Party Code of Conduct:** language was added here and as Exhibit A to align with the newly-adopted code.
 - c. **Unit Set-Asides and Compliance Period - Single Family:** Guidelines for the sales price and rental rates for single family homes have been added.
4. **Project Selection Criteria** - While conceptually the categories have not changed, this section has been reformatted and updated to provide a clearer point system and scoring detail to the applicants and MFA staff scoring the application to provide objective and equitable results, and to account for differences in single family vs multifamily projects. Several changes of note include:
 - 1 - Leveraging Funds** - provides incentive points for committed financing sources.
 - 2 - Demonstrated Demand/Support** - points were added for Tribal, Rural, Senior or Permanent Supportive Housing projects to align with the new Strategic Plan initiatives.
 - 4 - Development Team** - section has been expanded to define scoring definitions for successful completion.

5 - Housing Priorities - points were added for Tribal, Rural, Senior or Permanent Supportive Housing projects to align with the new Strategic Plan initiatives.

5. Staff Analysis and Application Processing:

- a. **Design Review:** The requirement for reviews by the MFA-engaged architect for multifamily projects was added.
- b. **Feasibility Analysis:** The requirement for a market study for multifamily projects was added.

Summary:

Staff revisions to the NOFA represent several years of needed program and language updates and align scoring priorities with the new Strategic Plan initiatives. Staff requests approval of all proposed modifications to the State Tax Credit NOFA.

New Mexico Affordable Housing Tax Credit Program

Notice of Funding Availability

Approved by the MFA Board of Directors April 21, 2010 (Effective July 1, 2010)

Amended May 15, 2013 and July XX, 2021

Background and Purpose

The New Mexico Affordable Housing Tax Credit Program, also referred to herein as the State Tax Credit Program, was created by approval of the Affordable Housing Tax Credit Act by the Legislature of the State of New Mexico in March 2005 and signed into law by Governor Bill Richardson in April 2005. The State Tax Credit Program provides tax credits to individuals, businesses and local governments that provide donations to Affordable Housing Projects approved by the New Mexico Mortgage Finance Authority ("MFA"). The state offers credits on income taxes, gross receipts taxes and compensating taxes (excluding local option gross receipts tax imposed by a municipality or county, or the government gross receipts tax) to any eligible **individual, tribal government, housing authority, corporation, limited liability company, partnership, joint venture, syndicate, association or nonprofit organization** that donates land, buildings, materials, cash or services for an **Affordable Housing Project** approved by MFA or for a trust fund administered by MFA. The credit is equal to 50 percent of the value of the donation. MFA is a governmental instrumentality separate and apart from the state, created by the New Mexico Mortgage Finance Authority Act for the purpose of financing affordable housing for low and moderate income New Mexico residents. MFA is responsible for adopting rules for the approval, issuance and administration of the investment vouchers.

The purpose of this Notice of Funding Availability (NOFA) is to solicit applications from qualified sponsors for Affordable Housing Projects in accordance with the State Tax Credit Program. Sponsors whose projects are designated as eligible **Affordable Housing Projects** under the State Tax Credit Program will receive a reservation of available tax credits for a given program year. This reservation will enable the project sponsor to solicit donations to pay for eligible costs for the Affordable Housing Project. Upon acceptance of evidence of donations and valuation and satisfaction of readiness and other program requirements for the project, MFA will issue investment vouchers to the donor.

MFA may also issue investment vouchers to donors who donate directly to a trust fund administered by MFA. MFA created the New Mexico Affordable Housing Charitable Trust ("**Charitable Trust**") in November 2007 and received IRS approval of tax exempt status under section 501(c)(3) of the Internal Revenue Code in June 2008. For donations made directly to the Charitable Trust administered by MFA, investment vouchers will be issued to donors upon receipt of the donation, and review and approval of documentation. **Vouchers for donations to the Charitable Trust, including those earmarked for Affordable Housing Projects with MFA-approved State Tax Credit awards, shall be issued in accordance with the New Mexico Affordable Housing Charitable Trust Policy.**

Contact Person

Applicants are encouraged to direct questions regarding this NOFA to:

Patty Balderrama
New Mexico Mortgage Finance Authority

344 4th Street SW
Albuquerque, NM 87102
Phone: (505) 843-6880 or toll-free statewide (800) 444-6880
Fax: (505) 243-3289
E-mail: pbalderrama@housingnm.org

Application Submission and Due Date

MFA awards New Mexico Affordable Housing Tax Credit reservations on a [continuous](#), first come, first-served basis, [subject to the availability of credits](#), and according to the Project Selection Criteria outlined below. [Applications may not be delivered by facsimile transmission or email. Complete applications may be submitted either electronically or as hard copies per the following instructions. For hard copy application submissions, only one complete, original hard copy is required. The required forms will be provided electronically and may be downloaded from MFA's web site at \[www.housingnm.org/developer/new-mexico-state-affordable-housing-tax-credit\]\(http://www.housingnm.org/developer/new-mexico-state-affordable-housing-tax-credit\). All hard copy applications shall be marked "New Mexico Affordable Housing Tax Credit Program Application" in readily visible print. All electronic applications shall be similarly named. On receipt, MFA will date and time stamp the application. All applications must include an application fee of \\$250. To pay electronically, contact the Contact Person named in this NOFA for direction. If an application is successful in receiving a reservation, an additional reservation fee of \\$500 is due within 30 days of notification.](#)

[Hard copy applications](#) may be delivered by U.S. mail, by courier service, or by hand* to the following address:

New Mexico Mortgage Finance Authority
344 4th Street SW
Albuquerque, NM 87102
(505) 843-6880
Attn: [New Mexico Affordable Housing Tax Credit Program Manager](#)

[*All in person deliveries must call the main line at \(505\) 843-6880 to schedule a time to drop off the application.](#)

[Electronic applications must be uploaded to MFA's file sharing site:
<https://local.housingnm.org/FileTransfersHD>](#)

Complete applications will meet the following standards:

1. [Hard copy applications must bear the original signature of the applicant. Electronic applications must bear a scan of the original signature.](#)
2. Include the application form, application checklist, and all mandatory items listed on the application checklist at the time it is submitted.
3. Include the application fee ([see instructions regarding payment of the fee in above paragraph](#)).
4. All applications must be self-contained.

Failure to provide or complete any element of the application may result in rejection of the application. MFA may request additional information as deemed necessary for a fair and accurate evaluation; MFA, however, is under no obligation to seek further information or clarification to complete its review of the application. The applicant will

bear full responsibility for submitting its application in accordance with the requirements of this Notice.

Use of Electronic Versions of this NOFA

This NOFA is being made available by electronic means. If accepted by such means, the applicant acknowledges and accepts full responsibility to ensure that no changes are made to the NOFA. In the event of conflict between a version of the NOFA in the applicant's possession and the version maintained by MFA, the version maintained by MFA shall govern.

Program Summary

MFA will make available investment vouchers in the following amounts for eligible Affordable Housing Projects approved by MFA through the application process described herein and for donations made directly to a trust fund administered by MFA.

Amount available

Beginning on January 1, 2008 and during each subsequent calendar year, MFA may issue or approve investment vouchers for an amount each calendar year equal to \$1.85 (adjusted annually) multiplied by the state population.

Eligible Applicants

Eligible applicants include nonprofit or for-profit developers, governmental and tribal instrumentalities. Applicants must be legally able to do business in New Mexico. Nonprofit applicants must be able to demonstrate compliance with the New Mexico Charitable Solicitations Act. Any one applicant, or group of applicants, may not receive aggregate awards in excess of 50 percent of the annual amount of State Tax Credits available in the year the reservations are made.

Additionally, 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 Affordable Housing Project must be in good standing with MFA and all other state and federal affordable housing agencies. For example, debarment from HUD, MFA or other federal housing programs, bankruptcy, criminal indictments or convictions, poor performance on prior 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 Affordable Housing 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 MFA.

Third-Party Code of Conduct

Applicant shall conduct themselves in a manner consistent with MFA's Third-Party Code of Conduct which is attached hereto as Exhibit A.

Applicant shall promptly disclose information MFA may reasonably request relating to conflicts or potential conflicts of interest.

Eligible Projects

Affordable Housing Projects include MFA-approved single family homebuyer projects, multifamily rental projects, as well as transitional housing and emergency shelters. Activities may include land and building acquisition, construction, remodeling, improvement, rehabilitation, conversion or weatherization. Down payment and closing cost assistance is an eligible activity related to the acquisition of single family housing. Funding of operating expenses is not an eligible activity under the New Mexico Affordable Housing Tax Credit Program.

Eligible Donations and Investment Vouchers

Donations may include land, buildings, materials, cash (and cash equivalents) or services. Evidence that the donation has been secured and the value of donation (other than cash) satisfactory to MFA will be required prior to issuing an investment voucher to the donor. Donations received by a project sponsor in exchange for tax credits may be used to fund land and building acquisition (including down payment and closing cost assistance for the acquisition of single family housing), construction, remodeling, improvement, rehabilitation, conversion or weatherization throughout the state. The minimum permitted donation to an Affordable Housing Project is \$200; the maximum donation to an Affordable Housing Project which will be eligible for an investment voucher is \$2,000,000. The maximum voucher amount will be the lesser of \$1,000,000 or 25 percent of the annual available amount for the year the reservation is made. Donors will receive an investment voucher for the lesser of: 1) 50 percent of the value of their donations or 2) the amount requested. Investment vouchers issued on behalf of a given project **cannot** exceed the amount reserved for a project.

Investment vouchers will be issued by MFA only after securing evidence of the donation irrevocably and unconditionally contributed, expended or devoted, and for donations applied directly to a project, evidence of the project meeting certain readiness requirements including, but not limited to:

- 1) Site control,
- 2) Securing other financing commitments, and
- 3) Recording of a Land Use Restriction Agreement ("**LURA**").

Alternately, when donations are made to fund a down payment assistance program for Affordable Housing Projects the voucher will be issued to the donor after securing evidence of the donation irrevocably and unconditionally contributed to the sponsor and upon the sponsor entering into a written binding agreement with MFA. This agreement will govern the use of such funds only for eligible homebuyers, eligible Affordable Housing Projects, and outline compliance and reporting requirements.

Unit Set-Asides and Compliance Period

The program will not have minimum set-aside requirements; **however** the tax credit reservation will be sized based on the number of units that are designated affordable. The housing cost for the affordable unit should be within the guidelines described below.

- Single Family: Mortgage payments for the purchase or rehabilitation of owner-occupied housing as a percentage of the incomes of eligible and targeted households must not exceed acceptable industry standards for secondary market

financing. Mortgage payments include principal, interest, taxes, and insurance (PITI). Although there is no set limit for the purchase price of single family homes, the FIRSTHome first mortgage loan program for first-time homebuyers who have low and moderate incomes will be used as a general guideline. Borrowers must meet income and purchase price guidelines, which vary by household size and location. Income and purchase price guidelines are available on MFA's website.

Rental rates for single family rental units must be no greater than 30 percent of the maximum eligible household target income for the assisted unit. Gross rent includes the cost of all utilities except telephone, internet and cable television. Should the occupant pay any utilities directly, the gross rental rate will be reduced by a utility allowance approved by MFA.

- Multifamily (projects with five or more units): Rental rates must be no greater than 30 percent of the maximum eligible household target income for the assisted unit. Gross rent includes the cost of all utilities except telephone, internet and cable television. Should the occupant pay any utilities directly, the gross rental rate will be reduced by a utility allowance approved by MFA.

The set-aside requirements will be enforced with a LURA (or an alternative acceptable to MFA) for a minimum period of five years for single family housing and 10 years for multifamily housing. The affordability period for down payment assistance is defined as follows:

- If the amount of the donation that is being used for a unit is below \$5,000, it shall be considered impractical for MFA to impose an affordability period.
- If the amount of the donation that is being used for a unit is from \$5,000 to \$14,999, then the affordability period shall be not less than five years.
- If the amount of the donation that is being used for a unit is from \$15,000 to \$40,000, then the affordability period shall be not less than 10 years.
- If the amount of the donation that is being used for a unit is greater than \$40,000 then the affordability period shall be not less than 30 years.

The project sponsor, in its sole discretion, may increase the affordability period in any contract, note mortgage, loan agreement, LURA, restrictive covenant agreements and/or any other agreement which the project sponsor may enter into with any beneficiary of the donation. Affordability shall be achieved by the recapture of assistance upon resale, refinance or transfer of ownership within the applicable affordability period. All recaptured funds shall be paid to project sponsor who shall utilize recaptured funds for affordable housing purposes only.

The owner of a multifamily project will be required to certify annually compliance with use requirements. The project sponsor and the single family owner occupant will provide certification at initial sale/occupancy. Any transfer of ownership requires notification to MFA and an assumption of the remainder of the affordability period by the

new owner. Subsequent owners must also provide certifications to MFA as outlined above. MFA will retain the right to audit records and inspect properties. Any project sponsors that **are** found to be in non-compliance will be ineligible for future program participation.

Project Selection Criteria

~~Applications will be scored according to the following criteria:~~

~~1. The degree to which the applicant has leveraged other public or private sector resources appropriate for the proposed type of affordable housing project or activity. Applicants are expected access other resources that are available for the type of housing project proposed. Up to 20 points will be awarded to applicant projects that demonstrate other planned or committed financing sources.~~

~~Maximum Points Awarded: 20~~

~~2. The degree to which the applicant has demonstrated the need and market for the proposed Affordable Housing Project or activity. Up to 30 points will be awarded to applicant projects that demonstrate market demand through means such as market studies, appraisals, redevelopment plans, community support, surveys and prospect lists. In addition, points may be awarded to applicant projects that demonstrate the ability to maintain long term affordability.~~

~~Maximum Points Awarded: 30~~

~~3. The degree to which the applicant has demonstrated readiness to proceed. Up to 40 points will be awarded to applicant projects that are ready to begin implementation immediately with any environmental review requirements completed, any site control secured, planning design and permitting complete, any availability of utilities, other resources firmly committed, and identification of donors/donations and all other related upfront issues resolved.~~

~~Maximum Points Awarded: 40~~

~~4. Strength and experience of the sponsor, development team and management entity. Up to 10 points will be awarded to applicant projects that have a development team with the capacity to complete the project as proposed in a timely and efficient manner.~~

~~Maximum Points Awarded: 10~~

~~Additional points will be awarded to projects which meet the following investment priorities:~~

~~5. Projects which will produce affordable homeownership units.~~

~~Maximum Points Awarded: 10~~

~~6. Projects serving the lowest income households appropriate for the type of affordable housing project or activity. For example, appropriate income levels of~~

~~households served by a transitional housing project may be at or below 30 percent of the area median, whereas appropriate income levels for a homeownership project may be at or below 80 percent of the area median. Appropriateness may also vary due to the average gross median income for a given area.~~

~~Maximum Points Awarded: 10~~

~~Projects will be ranked according to their scores and reservations will be made to projects, unless they are eliminated under subsequent processing, starting with the highest scoring projects until all available investment vouchers are reserved. Awarded projects must achieve at least a minimum score of 70 based on the scoring criteria above.~~

Project Selection Criteria

Applications will be scored according to the following criteria:

	Project Selection Criteria	Score
1	<p>Leveraging Funds</p> <p>The degree to which the applicant has leveraged other public or private sector resources appropriate for the proposed type of Affordable Housing Project or activity. Applicants are expected to access other resources that are available for the type of housing project proposed. A maximum of 20 points will be awarded to applicant projects that demonstrate other committed* financing sources.</p> <p>STC award as a percentage of total development cost:</p> <ul style="list-style-type: none"> • 0% to 20% = 20 points; or • 21% to 40% = 15 points; or • 41% to 60% = 10 points; or • 61% to 80% = 5 points; or • Greater than 80% = 0 points <p><i>*For this purpose, committed is evidenced by an executed agreement, award letter, commitment letter, or other documentation acceptable to MFA.</i></p>	Maximum 20 points
2	<p>Demonstrated Demand/Support</p> <p>The degree to which the applicant has demonstrated the need and support for the proposed Affordable Housing Project or activity. Up to 25 points will be awarded to applicant projects that demonstrate market demand through means such as market studies, appraisals, redevelopment plans, or support such as other committed funding. Market Study or evidence of other forms of need or support must be submitted with the application. In addition, points may be awarded to applicant projects that demonstrate the ability to maintain longer-term affordability.</p> <ul style="list-style-type: none"> • Market Study with capture rate of no greater than 10% = 25 points • Rural, Tribal, Senior or Permanent Supportive Housing projects = 25 points • Appraisal demonstrating need = 10 points • Donated land = 10 points • Committed Donated Services/Materials = 10 points • Redevelopment Plan that includes project = 5 points 	Up to 25 points

	<ul style="list-style-type: none"> Committed Donations – Other* = 5 points Affordability term exceeding minimum required: Multifamily – greater than 10 years = 5 points Single family – greater than five years = 5 points Down Payment Assistance – greater than 10 years = 5 points <p><i>*Defined as letters from donors with a specified donation amount, scheduled fundraising events that have historically proven effective in solicitation of donations, donations to the Affordable Housing Charitable Trust, or other documentation acceptable to MFA.</i></p>	
3	<p>Readiness to Proceed</p> <p>The degree to which the applicant has demonstrated readiness to proceed. Up to 40 points will be awarded to applicant projects that are ready to begin implementation immediately with any environmental review requirements completed, any site control secured, planning design or permitting complete, any availability of utilities, and identification of donors/donations and all other related upfront issues resolved.</p> <ul style="list-style-type: none"> Environmental site assessment with appropriate clearances = 10 points Building Permits in place = 10 points Evidence of site control = 5 points Site Survey = 5 points Zoning approval or other proof of permissible zoning = 5 points Preliminary site and building design provided = 5 points Utilities available onsite or at site perimeter = 5 points 	Up to 40 points
4	<p>Development Team</p> <p>Strength and experience of the sponsor, development team and management entity. Up to 10 points will be awarded to applicant projects that have at least one member of the development team with the capacity to complete the project as proposed in a timely and efficient manner.</p> <ul style="list-style-type: none"> Successful completion of more than two previous STC projects (<i>projects that are developed and utilized 100% of previous STC awards</i>) = 5 points Successful completion of other type of affordable housing project (<i>projects that are developed and have received Certificates of Occupancy</i>) = 5 points Successful completion of similar housing project development* (<i>projects that are developed and have received Certificates of Occupancy</i>) = 5 points <p><i>*Examples include market rate homeownership or rental projects, transitional housing, shelters, etc.</i></p>	Up to 10 points
5	<p>Housing Priorities</p> <ul style="list-style-type: none"> Projects which will produce affordable homeownership units = 10 points; or Tribal, Rural, Senior or Permanent Supportive Housing Projects = 10 points <p><i>For purposes of this criteria, Rural is defined as any area outside the boundaries of Bernalillo County, the City of Rio Rancho, the City of Las Cruces, the City of Santa Fe, the City of Farmington or the City of Roswell.</i></p>	Maximum 10 points
6	<p>Income Limits Served</p> <p>Projects serving the lowest income households appropriate for the type of</p>	Maximum 15 points

	<p>Affordable Housing Project or activity. For example, appropriate income levels of households served by a permanent supportive or transitional housing project may be at or below 30 percent of the area median, whereas appropriate income levels for a homeownership project may be at or below 80 percent of the area median. Appropriateness may also vary due to the average gross median income for a given area.</p> <p>Points available based on number of lowest income household units as a percentage of total units.</p> <ul style="list-style-type: none"> • Greater than 25% = 15 points; or • 11% to 25% = 10 points; or • 5% to 10% = 5 points; or • Less than 5% = 0 points 	
	Maximum Score Available	120
	Minimum Score Required	70

Awarded projects must achieve a minimum score of 70 based on the scoring criteria above. Projects will be reviewed in accordance with the Project Selection Criteria and reservations will be made to projects in the order the completed applications are received, unless they are eliminated under subsequent processing, until all available investment vouchers are reserved.

Staff Analysis and Application Processing

Design Review

Each project will be subject to a design review. All properties must meet applicable state and local building codes, and handicapped accessibility requirements, as well as any applicable requirements from federal funding sources. In addition all projects must comply with MFA Design Standards. Multifamily projects require reviews by an MFA-engaged architect at the owner's expense as required under the MFA Design Standards. Architectural reviews required under another MFA program may be accepted. MFA may waive this requirement in its sole discretion.

Development Team Review

Debarment from MFA programs, HUD or other federal programs, bankruptcy, criminal indictments or convictions, poor performance on prior MFA or HUD financed projects by or on the part of any proposed sponsor or development team member or owner or principal may result in rejection of an application by MFA.

The project sponsor will be evaluated for their capacity to complete the proposed project. Staff will review the qualifications of each development team member to determine capacity to perform in the role proposed. Considerations may include related experience, financial capacity, performance history, references, management, staff, and administrative procedures, among others. An application may be rejected or substitutions requested if the development team or any member thereof is unsuitable as determined by MFA.

Feasibility Analysis

Staff will underwrite the projects completely to ensure soundness, and will apply industry standards in assessing each project proposed. Factors considered in this analysis will include: market need, target market, target set-asides, unit mix and design, development and operating costs, adequacy of reserves, scope of work, terms and availability of other sources of financing, ability to repay debt, and housing cost to tenant/owner. Developer and builder fees will be expected to be at reasonable levels, and may be adjusted by MFA. MFA may also make reservations contingent on specific modifications to the project that MFA, in its sound judgment, considers necessary to enhance the feasibility or safety of the project. Multifamily projects require submission of a market study following MFA's Market Study Parameters, which can be found at http://www.housingnm.org/developers/low-income-housing-tax-credits-lihtc/2021_Market_Study_Parameters and a Market Study Professional Certification, which can be found at http://www.housingnm.org/developers/low-income-housing-tax-credits-lihtc/2021_Market_Study_Professional_Certification. Market studies required under another MFA program may be accepted and MFA may waive the market study requirement for projects that adequately support the need for the project by other means such as appraisals, redevelopment plans, community support, surveys and prospect lists. Underwriting for down payment and closing cost assistance provided by sponsors of single family affordable housing may be delegated to qualified sponsors, upon review and approval of the sponsor for such activity based on the sponsor's organizational and financial capacity.

Reservation Amount

After evaluation of all the factors described above, MFA will determine the reservation amount based on the amount of donations necessary to fill any remaining and necessary funding gap.

Award Limits

No project will receive an award in excess of 25 percent of the annual available amount for the year the reservation is made, unless there are too few eligible projects requesting a reservation. At MFA's discretion, exceptions to this limit may be made to ensure maximum distribution and/or effective utilization of the investment vouchers.

Notification and Subsequent Requirements

Upon successful review of an application, MFA will issue a reservation letter to an applicant of a qualified Affordable Housing Project. The reservation letter authorizes the sponsor to solicit donations that would be eligible for tax credits up to the credit amount authorized by the reservation letter. The project sponsor is responsible for providing evidence of all eligible donations and satisfactory valuation documentation. Upon receipt and review of the donation documents, and only after the project has met all other readiness requirements as outlined in the reservation letter, MFA will issue investment vouchers to the donors. MFA shall notify Taxation and Revenue within 20 days of the issuance of a voucher. If a donor conveys all or a fraction of the certificate to an eligible individual or business, the donor shall provide notification to MFA and Taxation and Revenue within 10 days of such transfer.

In the event the application is declined or rejected, applicant will be notified in writing within 30 days of the final decision.

Appeals Process

Any applicant who is aggrieved in connection with this NOFA or the award of a reservation pursuant to this NOFA may protest to MFA. The protest must be written and addressed to the Contact Person. Appeal requests must be specific to the decision being appealed, and must include an appeal processing fee of \$500. The protest must be delivered to MFA within **five business** days after the notice of reservation or rejection. Upon the timely filing of a protest, the Contact Person shall give notice of the protest to all applicants who appear to have a **substantial and** reasonable prospect of being affected by the outcome of the protest. The applicants receiving notice may file responses to the protest within **five business** days of notice of protest. A committee made up of **MFA's Policy Committee and staff and/or Members of the** MFA Board of Directors, **as appropriate**, shall review the protest and responses to the protest and shall make a recommendation to the Board of Directors regarding the disposition of the protest.

The Board of Directors shall make a final determination regarding the disposition of the protest **within a reasonable time after submission of the protest**. Applicants or their representatives shall not communicate with MFA Board of Directors or staff members 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 applicant or any person or entity acting on behalf of applicant attempts to influence members of the Board of Directors or staff during any portion of the review process, or does not follow the prescribed Application and Protest process.

Adopted by MFA's Board of Directors on July XX, 2021

EXHIBIT A

NEW MEXICO MORTGAGE FINANCE AUTHORITY THIRD-PARTY CODE OF CONDUCT

A. Preamble. The New Mexico Mortgage Finance Authority ("MFA"), an instrumentality of the state government, exists to serve the citizens of the State of New Mexico. To maintain the respect, trust, and confidence of the public, and consistent with MFA's commitment to conduct its business in an ethical and legal manner, MFA requires that all Third Parties doing business with MFA comply with this Third-Party Code of Conduct and otherwise uphold the highest standards of ethics and behavior.

B. Purpose. The purpose of this Code of Conduct is to provide general guidelines and a minimum standard of conduct for Third Parties doing business with MFA.

C. Definitions. For the purpose of this Third-Party Code of Conduct, the following words and phrases shall have the following meanings:

"MFA Employee" means any person employed directly by MFA and any person employed through a staffing agency or by contract and for whom MFA has the right to direct and control the work performed.

"MFA Member" means a Member, and with respect to an ex-officio Member, his or her proxy, of the Board of Directors of the MFA.

"MFA Management" means the Executive Director/Chief Executive Officer, Chief Housing Officer, Chief Financial Officer, Chief Lending Officer and Director of Human Resources employed by the MFA.

"Transaction" means any transaction including, but not limited to any sale, purchase, or exchange of tangible or intangible property or services; any loan, loan commitment or loan guarantee; any sale, purchase, or exchange of mortgage loans, notes, or bonds; or any other business arrangement or contract therefor.

D. Conflicts of Interest. Third Parties should avoid engaging in any activity that would conflict, interfere, or even create the appearance of a conflict with their business with MFA. Third Parties must disclose any potential conflicts to MFA in writing as soon as practicable upon discovery or recognition. Examples of potential conflicts include, but are not limited to:

- Engaging in a conflict-of-interest transaction prohibited by Section F of MFA's Code of Conduct, which can be found at: (website reference to be added)
- Providing gifts and entertainment to any MFA Employee, MFA Management or MFA Member in an attempt to improperly influence MFA business decisions.

MFA shall not enter into any Transaction with a former MFA Member or former MFA Management for a period of one (1) year after such person ceases to be an MFA Member or

MFA Management, except with prior approval of a disinterested majority of all current MFA Members.

To the extent applicable, Third-Party shall disclose conflicts of interest required pursuant to state or federal law, including but not limited to 2 CFR 200.112.

- E. Anti-Discrimination and Anti-Harassment Policy.** MFA is committed to maintaining an employment environment in which all individuals are treated with respect and dignity and expects the same from Third Parties doing business with MFA. MFA expects that Third Parties will maintain a workplace where employment-related decisions are based on performance, ability, or other legitimate, non-discriminatory bases and are never based on race, color, national origin, ancestry, citizenship status, religion, sex, sexual orientation, gender identity, age, physical or mental disability, serious medical condition, marital status, status with regard to public assistance, veteran status, or any other legally-protected status. MFA also maintains and expects Third Parties to maintain a workplace that is free of unlawful harassment. This includes harassment based upon any of the above legally-protected status (such as age, sex, religion, national origin, etc.) and which creates an intimidating, hostile, or offensive working environment. This also includes sexual harassment which is defined as unwelcome sexual advances, requests for sexual favors, or other verbal or physical conduct of a sexual nature when submission to such conduct is made either explicitly or implicitly a term or condition of an individual's employment, submission to or rejection of such conduct by an individual is used as a basis for employment decisions affecting such individual; or such conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidated, hostile, or offensive working environment. MFA will also not tolerate any form of unlawful discrimination or harassment of an MFA Employee by any Third-Party including by its employees, owners, managers, members, directors, agents, or representatives.
- F. Confidential Information and Intellectual Property.** Third Parties doing business with MFA must protect any confidential or proprietary information that belongs either to MFA or any other third-party with whom MFA does business, if such other third-party has provided MFA with confidential or proprietary information. Confidential or proprietary information includes, but is not limited to, any non-public financial information, business processes and systems, intellectual property, personally identifiable information of MFA's customers, and personally identifiable or private information about any MFA Employee, MFA Member, MFA Management, third-party, or customer, such as identity, medical, employment, or financial information. To the extent necessary for a Third-Party to share MFA's confidential or proprietary information with a sub-contractor, MFA expects the Third-Party to implement adequate controls at a level no less than those set forth in this Third-Party Code of Conduct with such sub-contractor. Third Parties must not infringe upon the intellectual property rights of other companies or organizations.

Third Parties must return all confidential and proprietary information in their possession to MFA when the contractual relationship between MFA and the Third-Party has terminated, unless otherwise specified by contract. The obligation to protect MFA's confidential and proprietary information continues even after any business relationship between MFA and the Third-Party ends.

MFA may require that Third Parties sign a separate confidentiality and non-disclosure agreement.

- G. Onsite Visitor Requirements.** While on MFA's premises, Third Parties must comply with all MFA rules and procedures, including security measures and requests. These may include but are not limited to:
- Registering with reception.
 - Accessing only authorized areas unless accompanied by an MFA Employee.
 - Promptly reporting known security violations and property loss or damage.
 - Complying with all MFA facility requirements, including maintaining a substance-free and violence-free workplace.
 - Any public health and safety policies in effect, including wearing a face mask.
- H. Compliance with Laws, Regulations, Policies and Procedures and Contracts.** All Third Parties must comply with all applicable state and federal laws, codes, and regulations and MFA's policies and procedures to the extent applicable to the Third-Party and must not violate any terms and conditions established by contract with MFA.
- I. Business Integrity.** Any and all forms of illegal or inappropriate activity by a Third-Party doing business with MFA, including, but not limited to, corruption, misrepresentation, extortion, embezzlement, or bribery, are strictly prohibited and may result in termination of any or all agreements with MFA.

OFFEROR ACKNOWLEDGMENT

DATE

Tab 7

2021 RENTAL AWARD SUMMARY

Project Name & Address	Casa de Encantada Apartments 7780 Paseo 550 Drive NE, Rio Rancho, NM 87144			
Proposed Awards	\$2,000,000	NMHTF	Rate	1.00% Fixed
Borrower	Casa de Encantada Apartments LLLP , a New Mexico limited liability limited partnership formed in 2021, is owned 0.01% by DBG Casa de Encantada Investors LLC, as General Partner, with DBG Properties LLC as its sole member; and 99.99% owned by a to-be-determined investor as Limited Partner.			
Management	GSL Properties, Inc. is a privately held New Mexico corporation founded in 1985 with a corporate office located in Portland, Oregon. GSL Properties acquires, develops and manages multifamily apartment communities throughout Oregon, Washington, New Mexico, Colorado, and Nevada. GSL Properties manages approximately 9,000 apartment units of which approximately 7,400 are rent restricted. GSL's management staff is well-trained to manage the specialized requirements of LIHTC compliance and other local housing agency requirements.			
Developer	<p>DBG Properties LLC is an affordable housing development firm formed as a New Mexico limited liability company in 2012. The principals of DBG Properties LLC are Walter "Skip" Grodahl and his son, Eric Grodahl. Walter is a development professional with over 31 years of experience in housing development. Eric joined the firm in 2017 and primarily focuses on development opportunities in Colorado and New Mexico. DBG has completed construction and fully leased projects in Oregon, Washington, and New Mexico since its inception, totaling approximately 950 units. DBG is currently under construction with another 750 units across New Mexico, Colorado and Oregon. All DBG's current and completed projects have been for income qualified residents, almost exclusively at or below 60% of median income. The company's first development, Silver Moon Lodge, located in downtown Albuquerque, was completed in December 2014. In 2018, DBG completed and fully leased the Village at Avalon, a 240-unit project in Southwest Albuquerque. In 2019, Ceja Vista Senior Apartments, a 156-unit multifamily project, was approved for a \$1,500,000 National Housing Trust Fund award and will begin construction in 2021. Valle de Atrisco, a proposed 240-unit affordable multifamily project in Southwest Albuquerque, was approved for a \$1,830,000 National Trust Fund award and a \$500,000 NMHTF award in 2020. 550 Paseo Apartments, a proposed 240-unit affordable multifamily project in Rio Rancho, was approved for a \$750,000 HOME award and a \$2,000,000 NMHTF award in 2021.</p> <p>DGB's audited financial statements dated FYE 12/31/18 show \$5.9M in assets with \$3.7M in total liabilities, resulting in a net worth of \$2.2M and a debt-to-worth ratio of 1.73 to 1.00. The company had cash-on-hand of \$330K, however, operating cash flow was negative for the period. Audited financial statements dated FYE 12/31/19 show \$9.3M in assets with \$6.3M in total liabilities, resulting in a net worth of \$3.0M and a debt-to-worth ratio of 2.09 to 1.00. The company had cash-on-hand of \$970K and operating cash flow was also negative for the period. DGB's internally prepared financial statements dated 03/31/21 show \$8.0M in assets with \$4.4M in total liabilities for \$3.6M in net worth and a debt-to-worth ratio of 2.23 to 1.00. Cash levels were up at \$1.7M but operating cash flow remained negative. It is important to note that DBG also operates as a construction company. Generally, construction companies fluctuate in revenue and operating expenses, depending on the number of contracts they may have each year.</p>			
Project Type & Size	New Construction of 152-unit multifamily project, with all 152 units (100%) income restricted to households earning 60% or less of Area Median Income (AMI). There will be 114 one-bedroom units and 38 two-bedroom units. In addition, at least 80% of all units are reserved for households with seniors (age 55+).			
Project Description	<p>Casa de Encantada Apartments is a proposed new construction Senior oriented project located south of US Highway 550 at Safelite Blvd. NE in Rio Rancho New Mexico. It is proposed to be financed with 4% low-income housing tax credits (LIHTC) and Multifamily Private Activity Bonds to be issued by Sandoval County. The project will serve persons 55 years of age or older (in compliance with the Housing for Older Persons Act (HOPA) 24 CFR Part 100 Final Rule) at or below 60% AMI.</p> <p>This project will consist of two (2) 4-story wood framed residential buildings in a contemporary Southwest style. Each residential building will have elevator service to all four levels. There will also be a one-story community building. The two residential buildings and one-story community building will</p>			

	<p>be connected through the site with accessible walking paths and landscaped areas that connect the various site amenities such as a pool, outdoor gathering areas, walking paths, bike racks, interior mailrooms, and a community garden. Perimeter fencing will also be provided.</p> <p>The community building and all units will incorporate Universal Design Features to provide equitable use among all residents and be geared to universally adapt to a resident's pace and ability. The design will provide accessibility, security and safety to all residents and visitors. With centrally located elevators, all units on all levels of the building are planned to have adaptable provisions for accessibility.</p> <p>The site is currently vacant and is directly adjacent to 550 Paseo Apartments, a family oriented affordable housing project also being developed by DBG Properties LLC (scheduled for completion by 2023). The project will have access to public transportation and a bike lane. The site design incorporates an accessible walking path as well as an access gate towards a pedestrian path south of the site.</p> <p>The Novogradac market study, dated 05/06/2021, advises that the subject project is feasible as presented. The report concludes that, all the data combined with interviews of local real estate professionals demonstrate an ongoing need for the creation of affordable housing over the foreseeable term. As evidenced in the Demand Analysis, there is a sufficient level of demand for affordable senior housing in the area. Additionally, a number of affordable housing developments maintain waiting lists for all unit types. The Subject will have a positive impact on the surrounding neighborhood and will not adversely affect existing affordable housing located in the PMA. Novogradac believes that construction of the project will have a positive impact upon the neighborhood and provide much needed affordable housing in the area.</p>
Affordability Requirements	<p>NMHTF Requirements: Households earning 60% AMI or less, equaling 152 units in the project, for which a Land Use Restriction Agreement (LURA) is to be filed in Sandoval County. The NMHTF affordability period is 30 years; 20 as required by Affordable Housing Act Rules and 10 for MFA's extended affordability period (i.e., in concurrence with the loan term) and starts on the date the Certificate of Occupancy is issued.</p>
Repayment and Disbursement	<p><u>NMHTF Loan:</u></p> <p><u>Payments:</u> Interest only monthly during the construction period not to exceed 24 months; 360 equal principal & interest payments during the permanent loan period. All outstanding principal and interest due at the earlier of maturity, refinance or sale of the project.</p> <p><u>Disbursement:</u> Multiple disbursements upon evidence of costs incurred, not more frequently than monthly.</p>
Special Conditions	<ol style="list-style-type: none"> 1. 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; 2. 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; 3. Financing commitments acceptable to MFA prior to funding on all funding sources; 4. Acceptance of 2021 award of Low-Income Housing Tax Credits (LIHTC); 5. Approval of plans/construction monitoring/draws by 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; 6. Other conditions as may be determined by staff; and 7. Subject to availability of funds. <p>Additional Conditions: NMHTF Loan</p> <ol style="list-style-type: none"> 1. Loan to be in third lien position; 2. DBG Properties LLC must provide a guarantee during the construction period; 3. Walter Grodahl must provide a personal guarantee during the construction period.

MFA Commitments to Other Projects	<u>DBG Properties LLC</u> 2013 LIHTC (4%) - Silver Moon - \$474,526 2013 NMHTF - Silver Moon - \$447,507 2015 LIHTC (4%) - Village at Avalon - \$1,261,508 2017 LIHTC (4%) - Valle de Atrisco - \$1,145,803 2019 LIHTC (4%) - Ceja Vista - \$886,136 2019 NHTF - Ceja Vista - \$1,250,000 2020 NHTF - Valle de Atrisco - \$1,647,000 2020 NMHTF - Valle de Atrisco - \$500,000 2020 LIHTC (4%) – 550 Paseo Apartments - \$2,313,494 2021 HOME - 550 Paseo Apartments - \$750,000 (pending Board approval) 2021 NMHTF - 550 Paseo Apartments - \$2,000,000 (pending Board approval) 2021 LIHTC (4%) - Casa de Sierra - \$894,009
Total MFA Exposure	<i>Total MFA Exposure: \$6,594,507 (excludes loans pending approval) as of 6/17/2021.</i>
Prepared by	Jacobo Martinez, Development Loan Manager
Reviewed by	George Maestas, Assistant Director of Housing Development

PROJECT INFORMATION SUMMARY						
Project Name		City	NC, AR, or NC/AR	Total # Units	Sizes	Target AMIs
Casa de Encantada		Rio Rancho				
Total Development Cost	\$ 30,690,676		NC	152	1-BED and 2-BED	60% AMI
Borrower	Casa de Encantada Apartments LLLP					
Management	GSL Properties, inc.		YEAR BUILT (AR)		LIHTC ALLOC	4% or 9%
Developer	DBG Properties LLC		NC		\$ 1,463,655	4%
			NC = New Construction AR = Acquisition/Rehab AMI = Area Median Income MR = Market Rate apartments			
NEW MEXICO HOUSING TRUST FUND LOAN INFORMATION			NUMBER OF NMHTF UNITS:			152
Funds Available as of:	05/31/21	\$2,375,589				
	MFA Guidelines	Loan Request	EXCEPTIONS/CONDITIONS/NOTES			
Maximum Loan Amount	\$2,000,000 Const. \$1,000,000 Perm.	\$2,000,000 Const. \$2,000,000 Perm.	Construction loan request is within guidelines, however, permanent loan at \$2,000,000 exceeds MFA guidelines by \$1,000,000.			
Rates	1% to 5%	1.0%				
Loan Fees	NA	NA				
Maximum Loan Term	2 yr construct, 30 yr perm	2 yr construct, 30 yr perm				
Loan Amortization	Mthly during perm	Mthly during perm				
Lien Position	Subordinate allowed	3rd lien position				
Affordability Requirements	Min 20 yrs, max 60% AMI	30 yrs, 60% AMI				
DSCR	1.2 to 1.4 to 1 on all must-pay debt	within guidelines	Cash flow shows all-in DSCR beginning at 1.15 in Year 1 to 1.38 in Year 15			
Scoring Criteria	50-100 points	60				

TOTAL DEVELOPMENT COST INFORMATION SUMMARY				
Project:	Casa de Encantada	Total	% TDC	Cost/GSF*
Acquisition Costs (land, building acquisition, & other acquisition costs)		\$ 974,000	3%	\$ 7.79
Construction Hard Costs		\$ 16,637,734	54%	\$ 133.07
Other Construction Costs (contractor O&P, general req, GRT, landscaping, furnishings, etc)		\$ 4,307,103	14%	\$ 34.45
Professional Services/Fees (architect, engineer, real estate legal, etc)		\$ 957,500	3%	\$ 7.66
Construction Financing Costs (interest, insurance, inspections, fees, etc)		\$ 2,832,634	9%	\$ 22.66
Permanent Financing Costs (fees, title/recording, etc)		\$ 250,500	1%	\$ 2.00
Other Soft Costs (tax credit fees, environmental reports, appraisals, accounting, etc)		\$ 222,721	1%	\$ 1.78
Syndication-Related Costs (organization, bridge loan, tax opinion, etc)		\$ 90,000	0%	\$ 0.72
Reserves (rent-up, operating, replacement, escrows, etc)		\$ 743,484	2%	\$ 5.95
Developer Fees (inc consultant fees)		\$ 3,675,000	12%	\$ 29.39
Total Development Costs (TDC)		\$ 30,690,676	100%	\$ 245.47
TDC w/o Land, Reserves & Commercial		\$ 28,973,192	94%	\$ 231.73

*Gross square footage: 125,030

CONSTRUCTION SOURCES				
Project:	Casa de Encantada	Total	% of Total	Per Unit
\$	Construction Lender (Sterling Bank)	\$ 23,000,000	74.9%	\$ 151,316
3rd Lien holder	MFA NMHTF loan	\$ 2,000,000	6.5%	\$ 13,158
Deferred Developer Fee	DBG Properties LLC	\$ 3,123,388	10.2%	\$ 20,549
Deferred Operating Reserves	DBG Properties LLC	\$ 652,919	2.1%	\$ 4,296
GP Equity	DBG Casa de Encantada Investors LLC	\$ 100	0.0%	\$ 1
LIHTC Equity	TBD	\$ 1,914,269	6.2%	\$ 12,594
Total Construction Sources		\$ 30,690,676	100.0%	\$ 201,912

PERMANENT SOURCES				
Project:	Casa de Encantada	Total	% of Total	Per Unit
Perm Lender- 2nd Lien	Permanent Lender (Specialty Finance Group)	\$ 11,150,000	36.3%	\$ 73,355
3rd Lien holder	MFA NMHTF loan	\$ 2,000,000	6.5%	\$ 13,158
Deferred Developer Fee	DBG Properties LLC	\$ 2,817,979	9.2%	\$ 18,539
Cash from oper. Before const.	DBG Casa de Encantada Investors LLC	\$ 250,000	0.8%	\$ 1,645
GP Equity	DBG Casa de Encantada Investors LLC	\$ 1,710,902	5.6%	\$ 11,256
LIHTC Equity	Equity proceeds by TDB Equity Investor	\$ 12,761,795	41.6%	\$ 83,959
Total Permanent Sources		\$ 30,690,676	100.0%	\$ 201,912

Housing Development Underwriting Analysis of 2021 Rental Award Summary – Casa de Encantada

This MFA document is designed to provide additional detail and analysis to the reviewer. This analysis should not repeat information contained in the award summary but rather provide further detail, discuss strengths & weaknesses and explain why the request is recommended.

- A. **Request:** Applicant requests and staff recommends (1) a \$2,000,000 New Mexico Housing Trust Fund (NMHTF) construction/permanent loan. Total Development Cost (TDC) is estimated at \$30,690,676. This project has received a preliminary MFA 4% Low Income Housing Tax Credit (LIHTC) award of \$1,463,655. See 6/28/2021 New Mexico Housing Trust Fund Rental Awards Summary for details.

B. **Market & Site/Environmental:**

1. **Market Study:** The award summary provided info from the 05/06/2021 Novogradac market study, which is not repeated here. In summary, Novogradac concludes that, the site is located in a mixed-use neighborhood with surrounding land uses in overall average to good condition. All major shopping, employment, and recreational amenities are located within reasonable proximity to the Subject. The Subject is located just 0.5 miles northwest of a mixed-use retail shopping district featuring commercial/retail uses in good condition. Public transportation, medical services groceries, and shopping are available to the Subject. Construction of the Subject's units will positively impact the surrounding area by improving the Subject's neighborhood. Construction of the Subject will positively impact the neighborhood. Total population and the senior population are projected to increase through market entry and 2025. As the population and number of households continue to grow, the demand for housing units will continue to increase. The Subject's LIHTC rents are below comparable market rents, providing a tenant rent advantage for low to moderate income households.
2. **Site/Environmental:** N/A
3. **Site and Neighborhood Standards (HOME & NHTF New Construction only):** N/A
4. **Subsidy Layering Review (HOME & NHTF):** N/A

C. **Town and County Characteristics:**

The Subject's Primary Market Area (PMA) generally consists of the northern portion of the city of Rio Rancho, the northwestern portion of the city of Bernalillo, the northern portion of Albuquerque and surrounding areas with boundaries and their distance from the Subject site that are generally defined as follows:

North: US Highway 550 – 0.1 miles northeast of the Subject site

Housing Development Underwriting Analysis of 2021 Rental Award Summary – Casa de Encantada

This MFA document is designed to provide additional detail and analysis to the reviewer. This analysis should not repeat information contained in the award summary but rather provide further detail, discuss strengths & weaknesses and explain why the request is recommended.

- A. **Request:** Applicant requests and staff recommends (1) a \$2,000,000 New Mexico Housing Trust Fund (NMHTF) construction/permanent loan. Total Development Cost (TDC) is estimated at \$30,690,676. This project has received a preliminary MFA 4% Low Income Housing Tax Credit (LIHTC) award of \$1,463,655. See 6/28/2021 New Mexico Housing Trust Fund Rental Awards Summary for details.

B. **Market & Site/Environmental:**

1. **Market Study:** The award summary provided info from the 05/06/2021 Novogradac market study, which is not repeated here. In summary, Novogradac concludes that, the site is located in a mixed-use neighborhood with surrounding land uses in overall average to good condition. All major shopping, employment, and recreational amenities are located within reasonable proximity to the Subject. The Subject is located just 0.5 miles northwest of a mixed-use retail shopping district featuring commercial/retail uses in good condition. Public transportation, medical services groceries, and shopping are available to the Subject. Construction of the Subject's units will positively impact the surrounding area by improving the Subject's neighborhood. Construction of the Subject will positively impact the neighborhood. Total population and the senior population are projected to increase through market entry and 2025. As the population and number of households continue to grow, the demand for housing units will continue to increase. The Subject's LIHTC rents are below comparable market rents, providing a tenant rent advantage for low to moderate income households.
2. **Site/Environmental:** N/A
3. **Site and Neighborhood Standards (HOME & NHTF New Construction only):** N/A
4. **Subsidy Layering Review (HOME & NHTF):** N/A

C. **Town and County Characteristics:**

The Subject's Primary Market Area (PMA) generally consists of the northern portion of the city of Rio Rancho, the northwestern portion of the city of Bernalillo, the northern portion of Albuquerque and surrounding areas with boundaries and their distance from the Subject site that are generally defined as follows:

North: US Highway 550 – 0.1 miles northeast of the Subject site

East: Interstate 25 – 2.9 miles southeast of the Subject site
South: Interstate 40 – 15.8 miles south of the Subject site
West: Unser Boulevard – 4.8 miles west of the Subject site

Novogradac anticipates that much of the Subject's housing demand will be generated from this geographic area. Property managers at the majority of the comparables reported that a large portion of their tenants were originating from inside the PMA.

D. **Developer Capacity:**

1. **Management:** As explained in the award summary, DBG Properties LLC has been a partner in the development of many successful LIHTC projects.
2. **Financial:** DGB's audited financial statements dated FYE 12/31/18 show \$5.9M in assets with \$3.7M in total liabilities, resulting in a net worth of \$2.2M and a debt-to-worth ratio of 1.73 to 1.00. The company had cash-on-hand of \$330K, however, operating cash flow was negative for the period. Audited financial statements dated FYE 12/31/19 show \$9.3M in assets with \$6.3M in total liabilities, resulting in a net worth of \$3.0M and a debt-to-worth ratio of 2.09 to 1.00. The company had cash-on-hand of \$970K and operating cash flow was also negative for the period. DGB's internally prepared financial statements dated 03/31/2021 show \$8M in assets with \$4.4M in total liabilities for \$3.6M in net worth and a debt-to-worth ratio of 2.23 to 1.00. Cash levels were up at \$1.7M but operating cash flow remained negative. It is important to note that DBG also operates as a construction company. Generally, construction companies fluctuate in revenue and operating expenses, depending on the number of contracts they may have each year.

E. **General Partner Capacity:** Same as above (DBG Casa de Encantada Investors LLC has the same principals as DBG Properties LLC)

1. **Management:** Same as above
2. **Financial:** Same as above

F. **Guarantors:** DBG Properties LLC and Walter Grodahl, personally

G. **Project Financials & Projections:**

1. **Financial Statements:** N/A – New construction
2. **Projections & Assumptions –** The Borrower is an LLLP (Casa de Encantada Apartments LLLP). The company has provided a detailed 15-year cash flow projection. A market study, performed by Novogradac & Company, reviewed the supplied expense projections and compared them to the actual operating expenses of seven LIHTC properties, all of which are located within 12.6 miles of the proposed project. Novogradac noted that the operating expense data was adequate to support

their conclusions. All seven comparables are operated under the LIHTC program. Overall, Novogradac believes that the developer's estimated operating expenses are reasonable based upon the comparables. Projections utilize a 7% vacancy rate in accordance with MFA's standard underwriting rate. However, the market study states that most of the comparable projects in the area have a waiting list with an average of a 0.3% vacancy rate.

Operating expenses for the Subject are projected at \$3,600 per unit, per annum (PUPA), after reducing for Replacement Reserves (\$250 PUPA) and Social Services. These operating expenses are below the MFA Standards range of \$4,300 to \$5,800, however, the market study confirms their reasonableness. It should be noted that the developer has received confirmation that property taxes for the project will be abated, which reduces expenses. Additionally, the property will be managed by a related property management company, at a rate of 4% (of net revenue), which also reduces overall expenses.

The Debt Service Coverage Ratio (DSCR) on all hard debt (i.e. Specialty Finance Group's \$11,150,000 first mortgage loan & MFA's \$2,000,000 New Mexico Housing Trust Fund Loan) is projected at 1.15 to 1.00 in the first year, increasing to 1.38 to 1.00 by year 15. Initially, this ratio falls slightly below MFA's underwriting standards of a range between 1.20 - 1.40 : 1.00. However, by year 4, projections show the ratio increasing up to 1.20 : 1.00.

Currently, 77% of the \$3.6M developer fee will be deferred. This is allowable by the investor, provided that cash flow can repay deferred developer fee by the end of the 15-year LIHTC compliance period. Projections show that this deferred fee could be fully repaid by cash-flow in 15 years. The investor has agreed to purchase the credits at 87.2 cents on the dollar assuming the market for tax credits remains stable relative to current trends. Every one-cent drop in that price would create the need for additional \$146k in capital to be filled by either deferring developer fee or, in this case, a cash-flow-only loan from DBG.

- H. **Collateral:** An "as complete" appraisal report was not ordered for this transaction. However, MFA does not base its subordinate debt decisions on collateral but rather on cash flow, because, as New Mexico's Housing Finance Agency (HFA), it is our mission to help provide such loans to cover gaps and make projects feasible.
- I. **Risk Factors:** (i.e. Low, Medium or High & explain why)
1. **Market – Low** (Low vacancy demonstrated in market study comparables, current waiting lists for similar LIHTC properties)
 2. **Construction – Medium** (developer/principal has the financial capacity to cover significant cost overruns if they occur; DBG Properties LLC is the contractor for this project. MFA's construction representative will monitor construction and review all construction draws; investor will provide additional oversight and controls; scope of work is low-risk)

3. **Developer – Low** (developer is experienced in constructing in New Mexico and has hired experienced consultant, Carol Sugarman).
4. **Guarantor – Medium** (Developer's financials show revenue fluctuations from 2017 and 2018 due to operating expenses which resulted in net income loss, Walter Grodahl shows significant personal financial wherewithal).
5. **General Partner/Managing Member – Medium** (developer is not financially strong, however, very experienced in construction in NM and several other states.)
6. **Community Opposition – Low** (Project will be adjacent to similar multifamily uses as well as vacant land)
7. **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. MFA's final underwriting is required before loan closing to ensure viability before final commitment)

- J. **Summary & Recommendation:** The proposed project presents a favorable risk profile and is recommended for approval.

Recommend



Jacobo Martinez
Development Loan Manager

Concur



George Maestas
Assistant Director of Housing Development

Dated as of 6/28/2021

Appendix A: Development Cost Budget		
Casa de Encantada	Gross Sq. Footage:	125,030
Rio Rancho	TOTAL COST	COST/GSF
ACQUISITION COSTS		
Land Acquisition	\$ 974,000	\$ 7.79
Building Acquisition	\$ -	\$ -
Other: Closing/Title Costs	\$ -	\$ -
SUBTOTAL	\$ 974,000	\$ 7.79
CONSTRUCTION HARD COSTS		
Demolition	\$ -	\$ -
Accessory Structures	\$ -	\$ -
Site Construction	\$ 1,951,507	\$ 15.61
Buildings and Structures	\$ 13,893,954	\$ 111.12
Off-Site Improvements		\$ -
Other:	\$ 792,273	\$ 6.34
SUBTOTAL	\$ 16,637,734	\$ 133.07
OTHER CONSTRUCTION COSTS		
Contractor Overhead	\$ 332,755	\$ 2.66
Contractor Profit	\$ 665,509	\$ 5.32
General Requirements	\$ 998,264	\$ 7.98
Construction Contingency	\$ 831,887	\$ 6.65
Gross Receipts Tax (GRT)	\$ 1,279,026	\$ 10.23
Landscaping		\$ -
Furniture, Fixtures, & Equipment	\$ 75,000	\$ 0.60
Other: Builder's Risk Insurance, P&P Bond, Building Permits	\$ 124,662	\$ 1.00
SUBTOTAL	\$ 4,307,103	\$ 34.45
PROFESSIONAL SERVICES/FEES		
Architect (Design)	\$ 700,000	\$ 5.60
Architect (Supervision)	\$ -	\$ -
Attorney (Real Estate)	\$ -	\$ -
Engineer/Survey	\$ 90,000	\$ 0.72
Other : HERS Testing/ Phase 1/2, Geotechnical	\$ 167,500	\$ 1.34
SUBTOTAL	\$ 957,500	\$ 7.66
Hazard Insurance	\$ 100,000	\$ 0.80
Liability Insurance	\$ 100,000	\$ 0.80
Performance Bond	\$ 125,000	\$ 1.00
Interest	\$ 1,224,652	\$ 9.79
Origination\Discount Points	\$ 258,982	\$ 2.07
Credit Enhancement		\$ -
Inspection Fees	\$ 40,000	\$ 0.32
Title and Recording	\$ 75,000	\$ 0.60
Legal	\$ 100,000	\$ 0.80
Taxes	\$ -	\$ -
Other:	\$ 809,000	\$ 6.47
SUBTOTAL	\$ 2,832,634	\$ 22.66

Project: Casa de Encantada		
PERMANENT FINANCING COSTS		
Bond Premium		\$ -
Credit Report		\$ -
Origination\Discount Points	\$ 10,000	\$ 0.08
Credit Enhancement		\$ -
Title and Recording	\$ -	\$ -
Legal	\$ 50,000	\$ 0.40
Pre-Paid MIP		\$ -
Reserves and Escrows		\$ -
Other:	\$ 190,500	\$ 1.52
SUBTOTAL	\$ 250,500	\$ 2.00
SOFT COSTS		
Market Study	\$ 10,000	\$ 0.08
Environmental	\$ 15,000	\$ 0.12
Tax Credit Fees	\$ 113,433	\$ 0.91
Appraisal	\$ 10,000	\$ 0.08
Hard Relocation Costs	\$ -	\$ -
Accounting/Cost Certification	\$ 15,000	\$ 0.12
Other: Soft Cost Contingency, Constr. Mngm	\$ 59,288	\$ 0.47
SUBTOTAL	\$ 222,721	\$ 1.78
SYNDICATION		
Organization	\$ 75,000	\$ 0.60
Bridge Loan		\$ -
Tax Opinion	\$ 15,000	\$ 0.12
Other:		\$ -
SUBTOTAL	\$ 90,000	\$ 0.72
TDC before Dev. Fees & Reserves	\$ 26,272,192	\$ 210
RESERVES		
Rent Up	\$ 75,000	\$ 0.60
Operating	\$ 652,919	\$ 5.22
Replacement (inc. only if capitalized)		\$ -
Escrows/Working Capital	\$ 15,565	\$ 0.12
Other:		\$ -
SUBTOTAL	\$ 743,484	\$ 5.95
DEVELOPER FEES		
Developer Fee	\$ 3,600,000	\$ 28.79
Consultant Fee	\$ 75,000	\$ 0.60
SUBTOTAL	\$ 3,675,000	\$ 29.39
Total Development Cost (TDC)	\$ 30,690,676	\$ 245.47
TDC w/o Land, Reserves & Commercial	\$ 28,973,192	\$ 231.73

Tab 8



MEMO

TO: Policy Committee

FROM: Kelly Patterson, Program Manager

DATE: June 22, 2021

RE: Youth Homeless Demonstration Project Limited Source Procurement and Award Recommendations

Recommendation:

Staff is recommending approval to award \$413,000 of State of New Mexico funding to be used as match funding for the Youth Homeless Demonstration Project (YHDP). Of the \$413,000, 10% (\$41,300) is allowable for administrative costs. The admin will be split equally between MFA and the service providers. The remaining \$392,350 will be awarded to the HUD approved service providers listed in the funding allocation table below.

Background:

In 2018 HUD designed the YHDP Program to drastically reduce the number of youths experiencing homelessness by providing services such as housing and case management to affected youth. HUD awarded New Mexico \$3.37 million in a two-year grant for counties in northern NM. The New Mexico Coalition to End Homelessness received the grant and manages the HUD award. The YHDP funds will now be awarded as part of the state's annual Continuum of Care (COC) grant.

During the 2021 state legislative session, \$413,000 was awarded to MFA as recurring funds that are designated as a match for the HUD YHDP recipients. Because these funds are designated as a match for the HUD YHDP recipients, this award qualifies the services providers under a limited source procurement.

Discussion:

To determine allocations of the state match funding to the service providers, MFA used the same percentages of funding allocation used for the HUD award. Upon approval, the awards will be effective the day the agreement is executed with the state, through June 30, 2022. Currently MFA is waiting for the signed agreement. The service provider allocations are listed in the table below:

Funding Allocations:

Agency	Service Area	Percentage of the Total Award	Program Funds	Admin Funds	Total State Match Award
Youth Shelters & Family Services	Santa Fe, Los Alamos, McKinley, Cibola & Sandoval	53.98%	\$200,643.66	\$11,146.85	\$211,790.51
DreamTree Project	Taos, Colfax, Union, Harding & Rio Arriba	16.21%	\$60,252.57	\$3,347.37	\$63,599.94
San Juan Safe Communities *Pending HUD approval	San Juan	8.71%	\$32,375.07	\$1,798.62	\$34,173.69
Samaritan House	San Miguel, Mora & Quay	6.11%	\$22,710.87	\$1,261.72	\$23,972.59
NMCEH (Kewa House)	All counties in service area	14.99%	\$55,717.83	\$3,095.44	\$58,813.27
MFA				\$20,650	20,650
TOTAL		100%	\$371,700.00	\$41,300.00	\$413,000.00

*San Juan County submitted a formal request to HUD in March 2021 to have their grant transferred to San Juan Safe Communities. They are currently still waiting for HUD approval of this transfer. In the event the transfer is not approved the funding will remain with San Juan County.

Summary:

The Youth Homeless Demonstration Project funds five agencies in northern New Mexico to assist homeless young adults to transition into housing through supportive services and rental assistance.

Staff is recommending approval to award \$413,000 of State of New Mexico 2021 Legislative funding, to be used as a match award for the HUD Youth Homeless Demonstration Project (YHDP) as follows: \$392,350 to the five HUD approved service providers and \$20,650 to MFA for administrative costs.

Tab 9



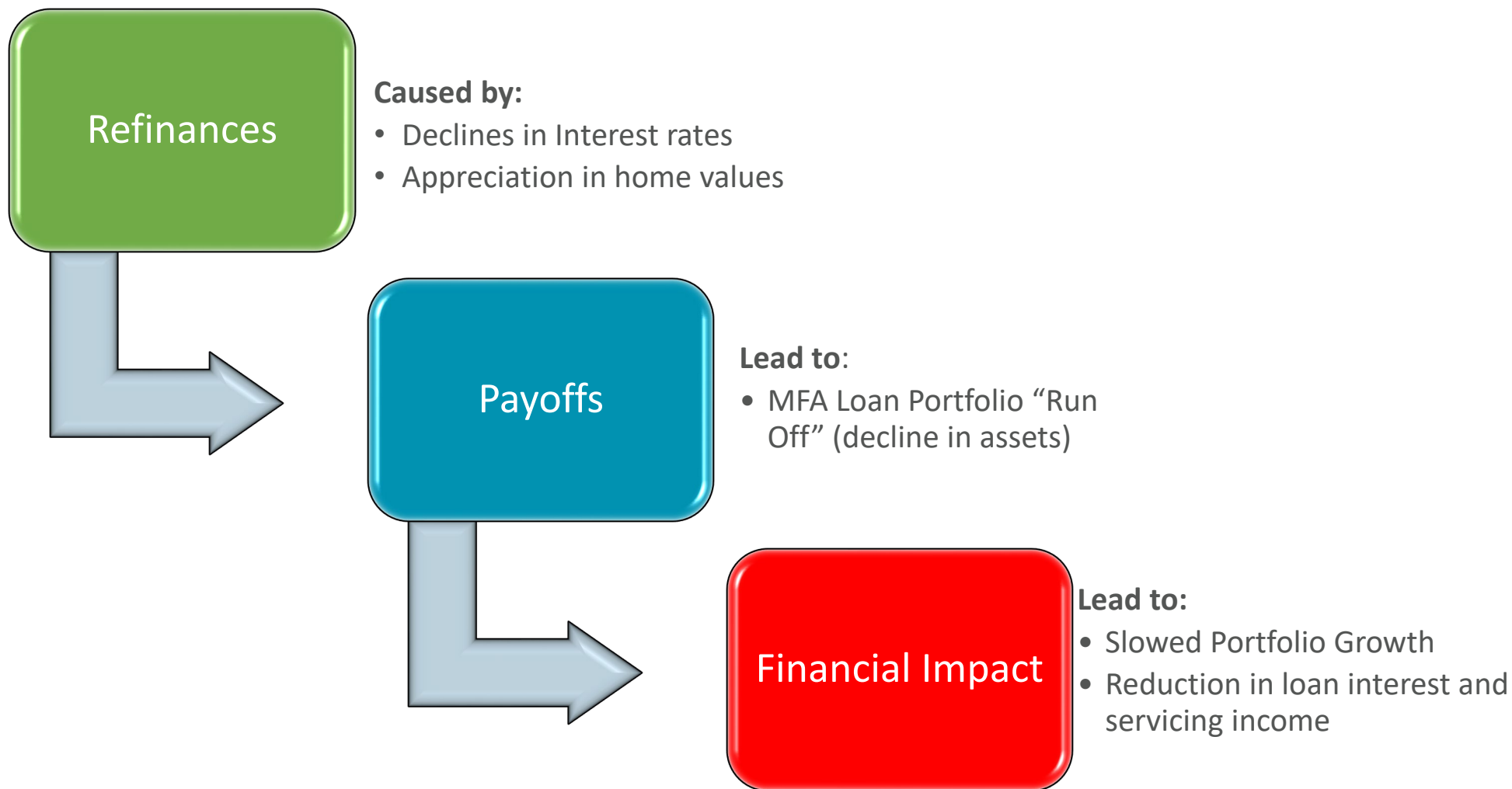
New Mexico Mortgage Finance Authority

Single Family Mortgage Refinance Program Analysis

David Jones, CSG Advisors
Jeff Payne, Chief Lending Officer

Board Presentation
June 16, 2021

Refinance and DPA Subordination Analysis



Initial Questions to Consider

- Would a refinance program help MFA and our mission?
- Is Refinancing allowed in the MFA Act?
 - Only to refinance loans in MFA's own portfolio
 - To preserve or increase the availability of affordable housing
 - To provide a new rehabilitation mortgage
- What benefit could MFA provide to borrowers who choose to refinance?
 - Benefit at time of home purchase was down payment assistance (DPA) at a competitive rate
 - Provided by tax exempt bond funding
 - Provided by premium pricing

Weighing the Factors



Participating Lender Perspective

Why MFA?

- Could MFA Provide a Unique Loan Type?
- Limit Refinances to MFA's Own Portfolio Loans



MFA Must Compete With Participating Lenders



Potential Damage to Relationships

Impact on Future Borrowers

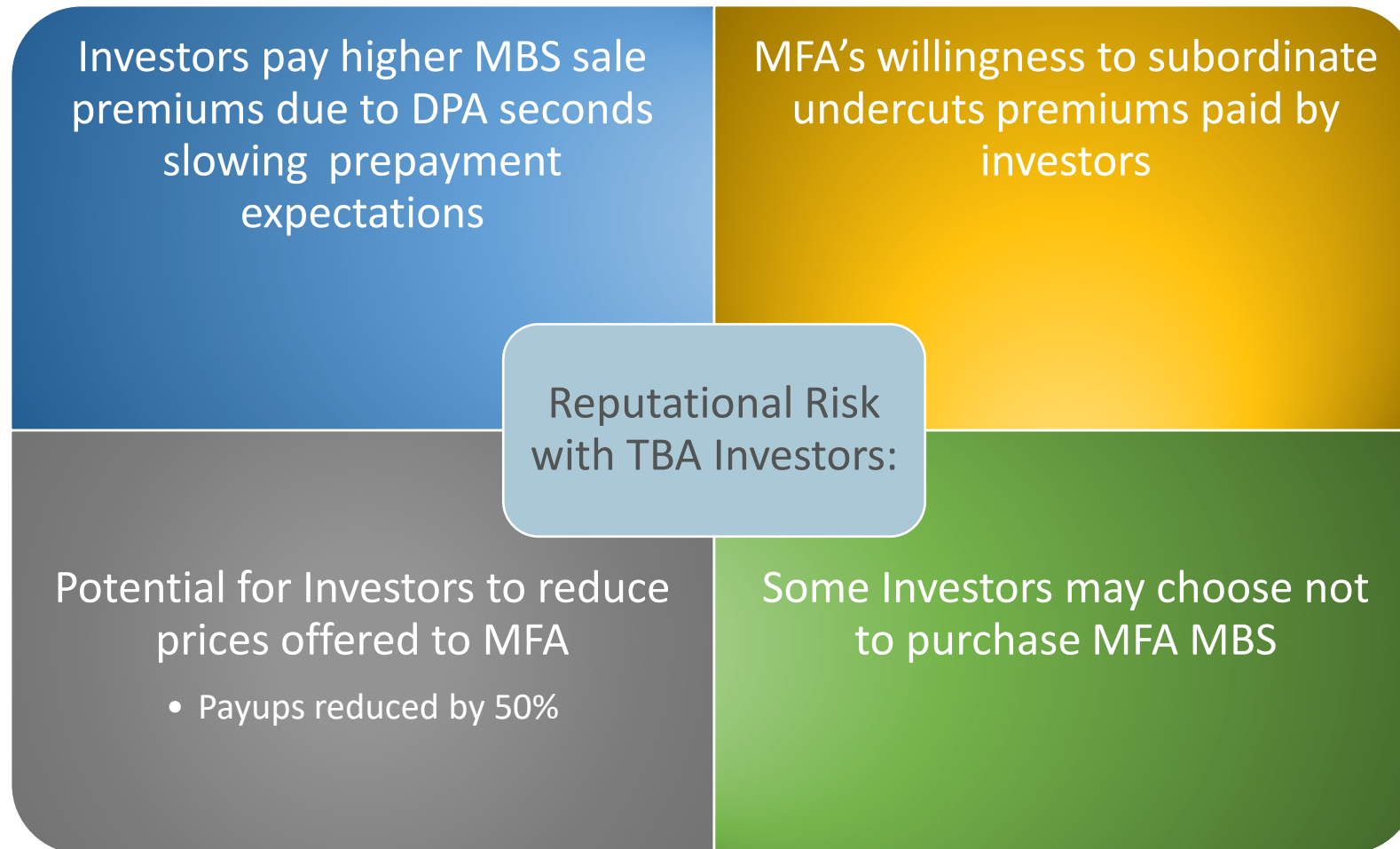
Benefit:

Borrowers would not have to pay off MFA DPA
2nd mortgage to refinance

Cost:

Potential to require MFA to raise rates on all
future homebuyers to offset negative impact on
MFA income.

Impact on MFA



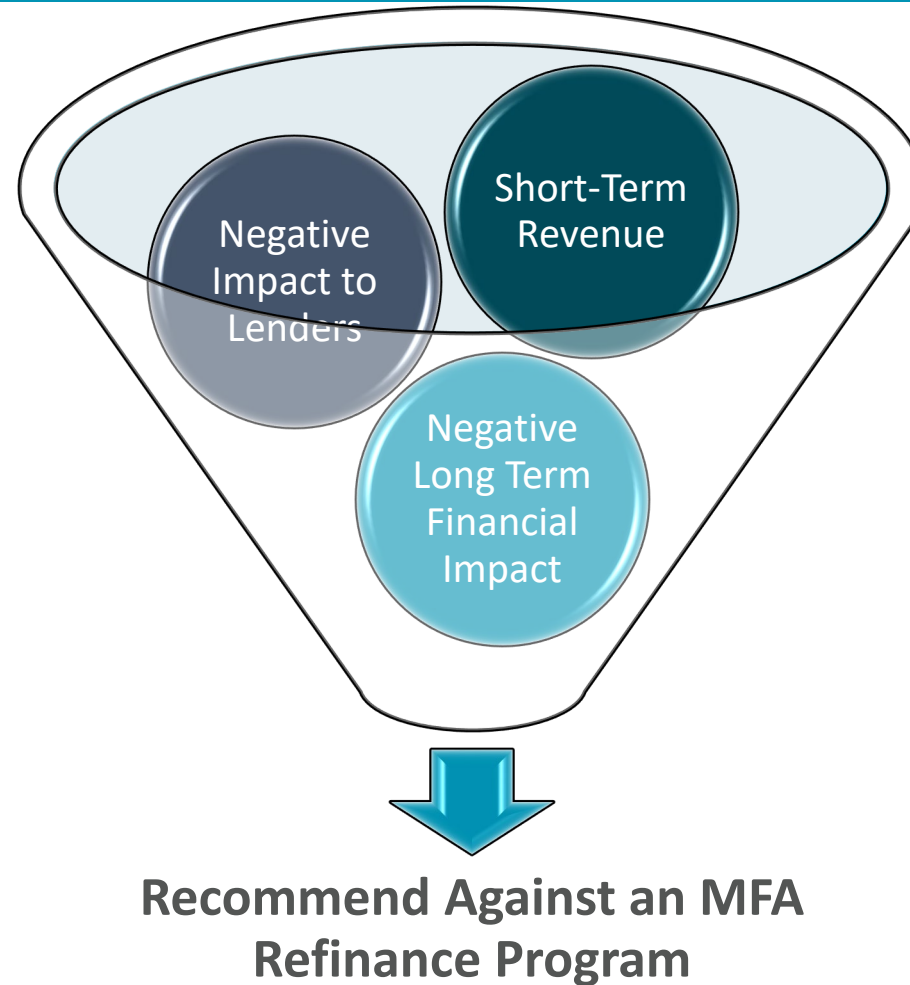
Potential Financial Impact

Potential Impact of Resubordinating				New Mexico Mortgage Finance Authority			
				(in Millions)			
% of Portfolio Potentially Affected				10%	-	20%	
MFA First Mortgage Refi Candidates per year:		\$	853	-	\$	853	
Total Loans Assumed to Refinance (10% - 20%):			85	-		171	
MFA Refi % as a % of Refinanced Loans (25%)*:			21		43	2.5% - 5%	of total candidates
				Potential	5-Year Cumulative		
				Gain or (Loss)	Potential Gain or (Loss)		
IMPACT ON EXISTING PORTFOLIO:							
Potential Gain if MFA Refinances the 1st				\$	0.6	1.1	\$ 0.6 1.1
		Payups on TBA sale		0.1	0.2	occurs once on MFA's existing loan portfolio	
		Cash refi profit		0.3	0.7		
		NPV of servicing 1st		0.1	0.3		
ONE-TIME FINANCIAL IMPACT				Net Gain	\$	0.06	1.1
IMPACT ON LENDING TO NEW BORROWERS:							
Potential Annual Impact on Lending to New Borrowers				\$	(1.50)	(1.50)	x5 years (7.50) (7.50)
Annual impact on reduced TBA sale premiums					(1.00)	(1.00)	occurs on all production
Reduction in NPV of Annual Bond Production					(0.50)	(0.50)	for 5 years
Potential Gain of Refinancing Future MFA Loans				\$	0.30	0.60	x5 yearsx33% 0.50 0.90
(based on one year's worth of production, \$435 million)							assumes a 33% probability that market rates fall at least 50-75 bps below current lending rate
IMPACT ON LENDING TO NEW BORROWERS (OVER 5-YEAR PERIOD)						\$	(7.10) (6.60)
TOTAL FINANCIAL IMPACT (OVER 5-YEAR PERIOD)						\$	(6.50) (5.50)

Summary of Financial Considerations

- Impact on MFA Liquidity:
 - Cost: Re-subordinations instead of payoffs cut down repayments used to fund future DPA 2nds
 - Cost: Investor reaction poses some risk to MFA's business model.
- Refinance Market is “Boom or Bust”:
 - High volume in declining interest rate environment
 - Refinance activity can dry up quickly when rates increase
- Purchase Market is MFA's primary mission and focus:
 - Highs and lows are much less volatile
 - Importance to low- and moderate-income borrowers and New Mexico economy
 - Homeownership provides stability to society and long-term wealth creation

Conclusion and Recommendation



New Mexico Mortgage Finance Authority

Comments or Questions?



344 Fourth St. SW Albuquerque, NM 87102 505.843.6880

Tab 10

Staff Actions Requiring Notice to Board
During the Period of June 2021

Department and Program	Project	Action Taken	Comments / Date Approved
Programs – Recovery Housing Program (RHP)	New Program Development	Grant Acceptance FY 2020 \$940,000	Approved by Policy Committee on June 1, 2021
Community Development-Continuum of Care/COC	2021/2022 Awards for the Continuum of Care Performance “COC” Program	Approval granted to award \$461,966 to 25 service providers for the Continuum of Care performance awards for the 2021/2022 program year.	Approved by Policy Committee on June 1, 2021
Servicing Department	February 2021 Loan Servicing Quality Control Report	Approval of report issued by REDW – no findings	Approved by Policy Committee on June 7, 2021
Servicing Department	March 2021 Quarterly Loan Servicing Quality Control Report	Approval of report issued by REDW – no findings	Approved by Policy Committee on June 7, 2021
Servicing Department	April 2021 Loan Servicing Quality Control Report	Approval of report issued by REDW – no findings	Approved by Policy Committee on June 7, 2021
Community Development Housing Opportunities for People with AIDS/HOPWA	2021/2022 HOPWA Service Providers and Awards	Approval of funding for Southwest CARE Center, El Camino Real Housing Authority and Alianza of New Mexico as Service Providers for the Housing Opportunity for People with Aids Program, in the amount of \$1,091,539, this amount includes \$32,746.17 of administration fees to be awarded to MFA.	Approved by Policy Committee on June 15, 2021

Department and Program	Project	Action Taken	Comments / Date Approved
Community Development – HOME Rehabilitation	Award Recommendation - 2021 HOME Rehabilitation NOFA	Approval granted to allocate the 2021 HOME Rehabilitation Program NOFA Final Award to San Felipe Pueblo Housing Authority, Ohkay Owingeh Pueblo Housing Authority and Bernalillo County Housing Department.	Approved by Policy Committee on June 22, 2021
Community Development – Veterans Home Rehabilitation Modification Program/VHRMP	Award Recommendation - 2021 Veterans Home Rehabilitation Modification Program (VHRMP) NOFA	Approval granted to allocate the 2021 Veteran’s Home Rehabilitation NOFA Final Award to the San Felipe Pueblo Housing Authority.	Approved by Policy Committee on June 22, 2021
Servicing Department	May 2021 Loan Servicing Quality Control Report	Approval of report issued by REDW – no findings	Approved by Policy Committee on June 29, 2021

COVID-19
Staff Actions Requiring Notice to Board
During the Period of June 16, 2021 - present

Department and Program	Project	Action Taken	Comments / Date Approved



MEMO

TO: MFA Board of Directors

Through: Policy Committee – July 12, 2021

FROM: Izzy Hernandez, Executive Director/CEO

DATE: July 21, 2021

SUBJECT: Conflict of Interest Disclosure – Haven Collective/Maggie Sisco

The MFA Executive Director/CEO is providing this memo to inform and disclose to the MFA Board of Directors of an approved conflict of interest. The approved conflict of interest allows MFA to continue engaging Haven Collective to conduct strategic communications planning services for the term of existing contract.

Background:

MFA's 2021-2025 strategic plan calls for the creation of a comprehensive, multi-pronged communication and marketing plan. The five-year plan will seek to educate the public about affordable housing, MFA's work in New Mexico and to increase MFA's name recognition throughout the state.

In order to create a comprehensive plan, MFA contracted with Haven Collective to provide strategic communication planning services that included: Discovery, Research/Planning and Execution. The contact period is from April 5, 2021 to October 5, 2021.

Maggie Sisco is the sole member of Haven Collective a limited liability company. Maggie started employment with MFA on July 12, 2021 as the incoming Director of Communications and Marketing. To maximize the transition time between Maggie and Leann while still accomplishing the scope of work under the contract, MFA amended the contract (scope and compensation) to allow Haven Collective to engage an employee to perform approximately twenty-five percent of the scope of work while Maggie will complete approximately seventy-five percent as an MFA employee.

Discussion:

The amended contract will allow maximum transition time between incoming/outgoing Director of Communications and Marketing while ensuring that the contract scope of work is completed in a timely manner.

Tab 11

New Mexico Mortgage Finance Authority

Combined Financial Statements
and Schedules

May 31, 2021

NEW MEXICO MORTGAGE FINANCE AUTHORITY
FINANCIAL REVIEW
For the eight-months period ended May 31, 2021

COMPARATIVE YEAR-TO-DATE FIGURES (Dollars in millions):

	8 months <u>5/31/2021</u>	8 months <u>5/31/2020</u>	% Change <u>Year / Year</u>	Forecast <u>5/31/2021</u>	Actual to <u>Forecast</u>	Forecast/Target <u>9/30/21</u>
PRODUCTION						
1 Single family issues (new money):	\$133.0	\$190.0	-30.0%	\$133.0	0.0%	\$235.0
2 Single family loans sold (TBA):	\$284.3	\$72.9	290.0%	\$156.7	81.5%	\$235.0
3 Total Single Family Production	\$417.3	\$262.9	58.7%	\$289.7	44.1%	\$470.0
4 Multifamily issues (new money):	\$0.0	\$0.0	0.0%	\$0.0	0.0%	\$20.0
5 Single Family Bond MBS Payoffs:	\$107.0	\$48.3	121.5%	\$104.6	2.3%	\$156.9
STATEMENT OF NET POSITION						
6 Avg. earning assets:	\$1,456.0	\$1,393.9	4.5%	\$1,409.6	3.3%	\$1,464.6
7 General Fund Cash and Securities:	\$88.0	\$75.0	17.3%	\$75.6	16.4%	\$70.0
8 General Fund SIC FMV Adj.:	\$3.3	(\$1.3)	353.8%	\$0.0	N/A	\$0.0
9 Total bonds outstanding:	\$1,140.8	\$1,175.6	-3.0%	\$1,128.7	1.1%	\$1,195.4
STATEMENT OF REVENUES, EXPENSES AND NET POSITION						
10 General Fund expenses (excluding capitalized assets):	\$14.5	\$11.8	22.9%	\$12.9	12.4%	\$22.5
11 General Fund revenues:	\$32.0	\$15.5	106.5%	\$17.8	79.8%	\$30.7
12 Combined net revenues (all funds):	\$18.9	\$7.0	170.0%	\$5.6	237.5%	\$8.4
13 Combined net revenues excluding SIC FMV Adj. (all funds):	\$15.9	\$8.4	89.1%	\$5.6	183.6%	\$8.4
14 Combined net position:	\$282.2	\$252.4	11.8%	\$268.9	4.9%	\$271.7
15 Combined return on avg. earning assets:	1.95%	0.75%	160.1%	0.57%	242.2%	0.57%
16 Combined return on avg. earning assets exluding SIC FMV Adj. (all funds):	1.64%	0.91%	79.8%	0.57%	187.0%	0.57%
17 Net TBA profitability:	2.19%	1.12%	95.5%	1.75%	25.1%	1.75%
18 Combined interest margin:	0.64%	0.88%	-27.0%	0.43%	49.4%	0.43%
MOODY'S BENCHMARKS						
19 Net Asset to debt ratio (5-yr avg):	28.64%	29.07%	-1.5%	28.42%	0.8%	28.42%
20 Net rev as a % of total rev (5-yr avg):	12.19%	10.85%	12.4%	10.70%	13.9%	10.70%
SERVICING						
21 Subserviced portfolio	\$1,638.7	\$1,351.5	21.3%	\$1,595.5	2.7%	\$1,797.9
22 Servicing Yield (subserviced portfolio)	0.41%	0.39%	4.8%	0.40%	2.2%	0.40%
23 Combined average delinquency rate (MFA serviced)	8.26%	9.24%	-10.6%	10.00%	-17.4%	10.00%
24 DPA loan delinquency rate (all)	7.53%	8.29%	-9.2%	N/A	N/A	N/A
25 Default rate (MFA serviced-annualized)	0.71%	1.20%	-40.8%	1.30%	-45.4%	1.30%
26 Subserviced portfolio delinquency rate (first mortgages)	15.00%	13.14%	14.2%	N/A	N/A	N/A
27 Purchased Servicing Rights Valuation Change (as of 3/31)	\$3.2	(\$0.1)	3280.0%	N/A	N/A	N/A

Legend:

Positive Trend Caution Negative Trend Known Trend/Immaterial

NEW MEXICO MORTGAGE FINANCE AUTHORITY
FINANCIAL REVIEW
For the eight-months period ended May 31, 2021

SUMMARY OF BOND ISSUES:

Single Family Issues:

\$55.0 mm 2020 Series B Bonds-New Money (October)

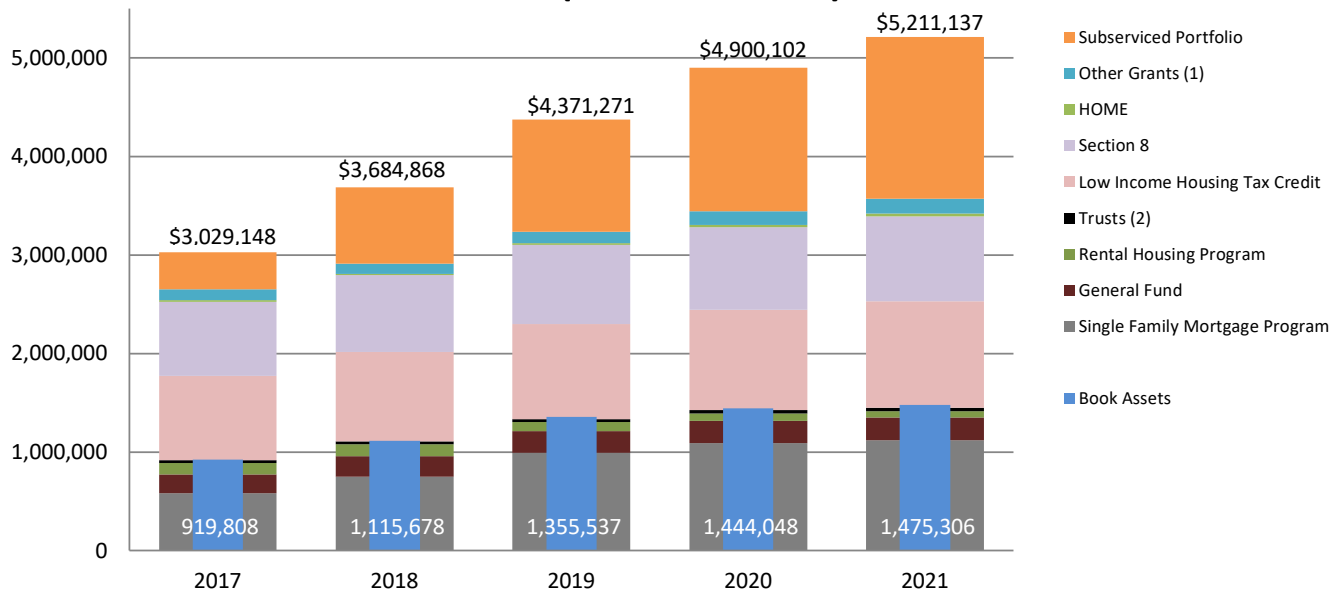
\$78.0 mm 2021 Series A Bonds- New Money (May)

Multi-family Issues:

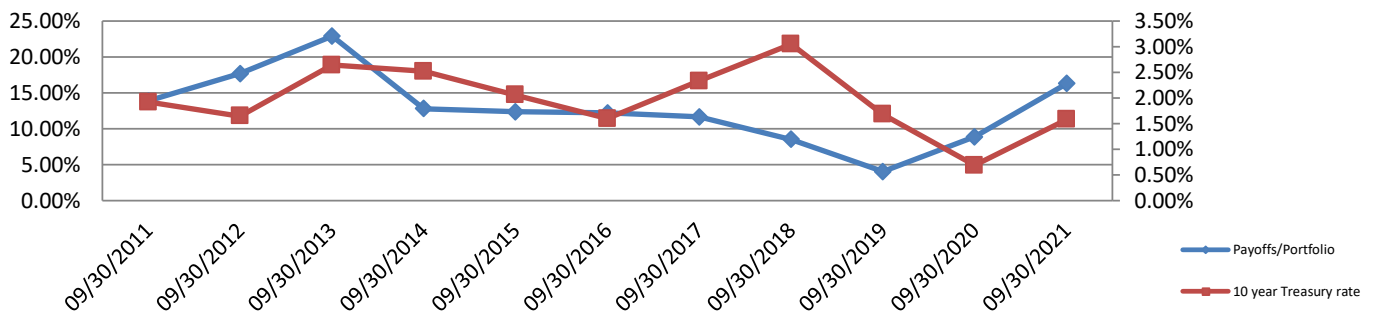
CURRENT YEAR FINANCIAL TRENDS & VARIANCES:

- Due to decreases in mortgage rates, prepayments are trending much higher than last year as borrowers take advantage of refinancing opportunities. New loan production has also increased by 58.7% due to favorable rates. Current year bond fundings to-date are less than in the prior year; MFA continues to target a 50% Bonds/50% TBA funding strategy, and makes funding decisions on a case-by-case basis given current market conditions.
- MFA is currently reserving loans for the Series 2021C Bonds that will close in August, issue is estimated at \$100 million. Once 2021C is issued, MFA will continue to reserve loans for an anticipated Series 2021D Bonds targeted for issue in December. Combined cost of issuance for the 2020B and 2021A Series (new money), and 2021B Series (refunding), was approximately \$1.3 million and was funded by bond proceeds.
- Due to an increase in loan production, the success of the 2021 funding strategy to date (Bonds + TBAs), and additional Administrative Fee revenue from increased Federal and other one-time funds (mostly pandemic relief); the Return on Average earnings assets has increased from prior year, from 0.75% to 1.95%.
- The Federal interest rate policy as a result of the health crisis has driven investment interest margins down in comparison to last year at this same time; but volatility in market conditions continues to subside during 2021. The State Investment Council (SIC) General Fund portfolio valuation increased \$663K in April. While these movements are non-operating, they do impact General Fund revenues, combined net revenues and Return on Average Earning Assets. Please note that the SIC reporting is one month in arrears due to their reporting time frames.
- MFA's Director of Servicing continues to provide full-time monitoring of the sub-serviced loan portfolio activity through comprehensive reporting and analysis. Throughout the recent pandemic, staff has been actively engaged with the subservicer to identify additional delinquency reduction strategies. Delinquencies not only pose a risk for MFA due to the financial impacts of defaults on first mortgages, but they also affect the credit risk associated with the Down Payment Assistance program. Of the 15% Serviced Portfolio delinquency rate, 11.11% represents loans in forbearance. As of May 31, 18.6% of MFA loans on forbearance plans are current. The subserviced portfolio is approximately 85% FHA insured loans. The Mortgage Bankers Association quarterly survey as of March 31, 2021 indicates that the delinquency rate for FHA loans nationally is 14.67% and for New Mexico 11.46%. FHA Single Family Loan Performance Trends for May 2021 show 16.29% delinquency (for purchase loans only) down from 18.59% in May 2020; reflecting a slowing of the impact of pandemic related forbearance agreements, which are set to end in June 2021.
- The fair market value for purchased servicing rights as of March 31 is \$19.5 million, an increase of about \$3.2 million over cost. GASB requires MFA to record the value of servicing rights at the 'lower of cost or market'. Decreases in FMV related to the pandemic have been recovered. Current recorded cost of the asset is \$16.3 million. Valuations are obtained on a quarterly basis. (next valuation is June 2021)
- Based on Moody's issuer credit rating scorecard, MFA's 28.64% net asset 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 percent). The net revenue as a percent of total revenue measures performance and profitability and MFA's 12.19% ratio (5-year average) points to high profitability with favorable trends (10-15 percent range).
- Moody's Investor Services completed an updated credit opinion on MFA's Issuer Rating in June 2020. They reaffirmed the Aa3/stable rating. Comments included high asset to debt ratio, good profitability and low risk profile due to mortgage-backed security structure, multifamily Risk Sharing Program and no exposure to variable rate debt. Additionally, Moody's reaffirmed the Aaa/stable rating on the single family indenture in April 2021, noting a growing asset to debt ratio and stabilizing profitability.

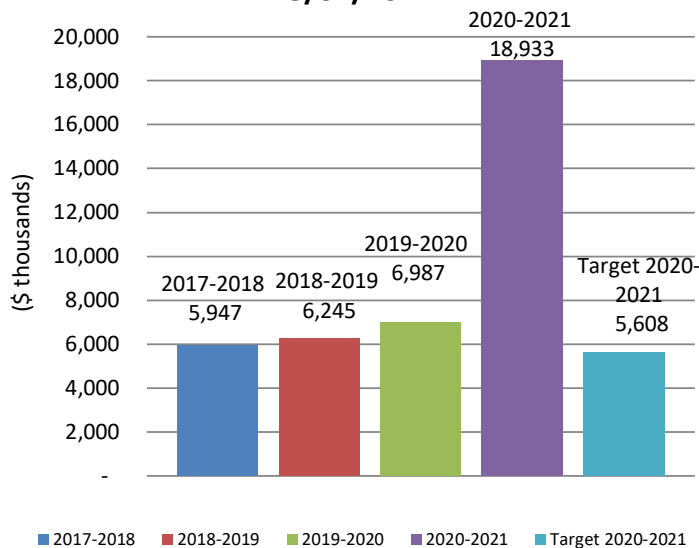
Assets Under Management as of 9/30/2021 (\$ in thousands)



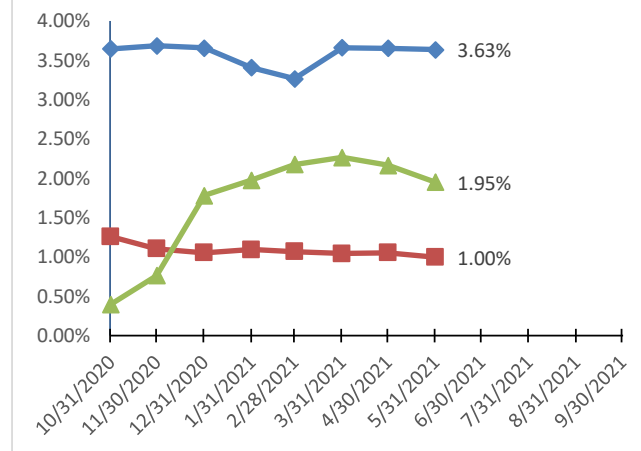
YTD Annualized Payoffs as a Percentage of Single Family Mortgage Portfolio as of 9/30/2021



YTD Excess Revenues over Expenses as of 5/31/2021



Yield Targets 9/30/2021



	2020	2021
Loans Effective yield	3.96%	3.50%
Cash & Investments Effective yield	2.03%	2.00%
Rate of Return on Average Earning Assets	1.30%	0.57%

(1) Weatherization Assistance Programs; Emergency Shelter Grant; State Homeless; Housing Opportunities for People With Aids; NM State Tax Credit; Governor's Innovations; EnergySaver; Tax Credit Assistance Program; Tax Credit Exchange; Neighborhood Stabilization Program; Section 811 PRA; Homeownership Preservation Program (2) NM Affordable Housing Charitable Trust Fund; Land Title Trust Fund; Housing Trust Fund

NEW MEXICO MORTGAGE FINANCE AUTHORITY
COMBINED STATEMENT OF NET POSITION
MAY 2021
(THOUSANDS OF DOLLARS)

	<u>YTD 05/31/21</u>	<u>YTD 5/31/20</u>
<u>ASSETS:</u>		
<u>CURRENT ASSETS:</u>		
CASH & CASH EQUIVALENTS	\$36,777	\$28,897
RESTRICTED CASH HELD IN ESCROW	9,168	10,565
SHORT-TERM INVESTMENTS	-	4,748
ACCRUED INTEREST RECEIVABLE	3,994	4,557
OTHER CURRENT ASSETS	5,493	2,414
ADMINISTRATIVE FEES RECEIVABLE (PAYABLE)	-	0
INTER-FUND RECEIVABLE (PAYABLE)	(0)	(0)
TOTAL CURRENT ASSETS	<u>55,432</u>	<u>51,181</u>
CASH - RESTRICTED	140,137	54,740
	69,516	61,844
INVESTMENTS IN RESERVE FUNDS	-	-
FNMA, GNMA, & FHLMC SECURITIZED MTG. LOANS	979,784	1,087,582
MORTGAGE LOANS RECEIVABLE	218,792	225,291
ALLOWANCE FOR LOAN LOSSES	(7,699)	(5,110)
NOTES RECEIVABLE	-	-
FIXED ASSETS, NET OF ACCUM. DEPN	1,961	1,123
OTHER REAL ESTATE OWNED, NET	631	2,162
OTHER NON-CURRENT ASSETS	-	-
INTANGIBLE ASSETS	16,522	13,440
TOTAL ASSETS	<u>1,475,078</u>	<u>1,492,252</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
REFUNDINGS OF DEBT	229	315
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>1,475,306</u>	<u>1,492,567</u>
<u>LIABILITIES AND NET POSITION:</u>		
<u>LIABILITIES:</u>		
<u>CURRENT LIABILITIES:</u>		
ACCRUED INTEREST PAYABLE	\$11,585	\$12,614
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	12,066	8,818
ESCROW DEPOSITS & RESERVES	9,004	10,429
TOTAL CURRENT LIABILITIES	<u>32,656</u>	<u>31,861</u>
BONDS PAYABLE, NET OF UNAMORTIZED DISCOUNT	1,140,851	1,175,601
MORTGAGE & NOTES PAYABLE	19,441	32,509
ACCRUED ARBITRAGE REBATE	-	-
OTHER LIABILITIES	138	155
TOTAL LIABILITIES	<u>1,193,086</u>	<u>1,240,126</u>
<u>NET POSITION:</u>		
NET INVESTED IN CAPITAL ASSETS	1,961	1,123
UNAPPROPRIATED NET POSITION (NOTE 1)	68,160	66,416
APPROPRIATED NET POSITION (NOTE 1)	212,099	184,902
TOTAL NET POSITION	<u>282,220</u>	<u>252,441</u>
TOTAL LIABILITIES & NET POSITION	<u>1,475,306</u>	<u>1,492,567</u>

NEW MEXICO MORTGAGE FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE EIGHT MONTHS ENDED MAY 2021
(THOUSANDS OF DOLLARS)

	<u>YTD 05/31/21</u>	<u>YTD 5/31/20</u>
<u>OPERATING REVENUES:</u>		
INTEREST ON LOANS	\$30,047	\$32,659
INTEREST ON INVESTMENTS & SECURITIES	1,197	2,500
LOAN & COMMITMENT FEES	839	2,283
ADMINISTRATIVE FEE INCOME (EXP)	14,026	4,128
RTC, RISK SHARING & GUARANTY INCOME	85	43
HOUSING PROGRAM INCOME	786	625
LOAN SERVICING INCOME	5,299	3,764
OTHER OPERATING INCOME	-	-
SUBTOTAL OPERATING REVENUES	<u>52,278</u>	<u>46,002</u>
<u>NON-OPERATING REVENUES:</u>		
ARBITRAGE REBATE INCOME (EXPENSE)	-	-
GAIN(LOSS) ASSET SALES/DEBT EXTINGUISHMENT	3,781	(1,544)
OTHER NON-OPERATING INCOME	11	18
GRANT AWARD INCOME	65,281	33,164
SUBTOTAL NON-OPERATING REVENUES	<u>69,073</u>	<u>31,638</u>
TOTAL REVENUES	<u>121,351</u>	<u>77,640</u>
<u>OPERATING EXPENSES:</u>		
ADMINISTRATIVE EXPENSES	12,811	9,903
INTEREST EXPENSE	25,007	27,026
AMORTIZATION OF BOND/NOTE PREMIUM(DISCOUNT)	(1,970)	(1,693)
PROVISION FOR LOAN LOSSES	(93)	320
MORTGAGE LOAN & BOND INSURANCE	-	-
TRUSTEE FEES	91	96
AMORT. OF SERV. RIGHTS & DEPRECIATION	1,792	957
BOND COST OF ISSUANCE	1,334	1,582
SUBTOTAL OPERATING EXPENSES	<u>38,971</u>	<u>38,191</u>
<u>NON-OPERATING EXPENSES:</u>		
CAPACITY BUILDING COSTS	82	258
GRANT AWARD EXPENSE	63,123	32,032
OTHER NON-OPERATING EXPENSE	243	171
SUBTOTAL NON-OPERATING EXPENSES	<u>63,448</u>	<u>32,461</u>
TOTAL EXPENSES	<u>102,419</u>	<u>70,653</u>
NET REVENUES	18,933	6,987
OTHER FINANCING SOURCES (USES)	(0)	0
NET REVENUES AND OTHER FINANCING SOURCES(USES)	<u>18,933</u>	<u>6,987</u>
NET POSITION AT BEGINNING OF YEAR	<u>263,288</u>	<u>245,454</u>
NET POSITION AT 05/31/21	<u><u>282,220</u></u>	<u><u>252,441</u></u>

NOTES TO FINANCIAL STATEMENTS

(For Informational Purposes Only)
(Thousands of Dollars)

(Note 1) MFA Net Position as of May 31, 2021:

UNAPPROPRIATED NET POSITION:

\$ 32,558	is held by Bond Program Trustees and is pledged to secure repayment of the Bonds.
\$ 35,017	is held in Trust for the NM Housing Trust Fund and the NM Land Title Trust Fund.
\$ 585	held for New Mexico Affordable Housing Charitable Trust .
\$ 68,160	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:

\$ 116,629	for use in the Housing Opportunity Fund (\$106,446 in loans plus \$10,183 unfunded, of which \$5,409 is committed).
\$ 51,469	for future use in Single Family & Multi-Family housing programs.
\$ 1,199	for loss exposure on Risk Sharing loans.
\$ 1,961	invested in capital assets, net of related debt.
\$ 16,496	invested in mortgage servicing rights.
<u>\$ 8,570</u>	for the future General Fund Budget year ending 9/30/21 (\$27,232 total budget less \$18,662 expended budget through 05/31/21.)
<u>\$ 196,324</u>	Subtotal - General Fund

APPROPRIATED NET POSITION: HOUSING

By actions of the Board of Directors on December 7, 1999, Housing assets have been appropriated as follows:

\$ 17,736	for use in the federal and state housing programs administered by MFA.
<u>\$ 17,736</u>	Subtotal - Housing Program
\$ 214,060	Total appropriated Net Position
\$ 282,220	Total combined Net Position at May 31, 2021

Total combined Net Position, or reserves, at May 31, 2021 was \$282.2 million, of which \$68.1 million was pledged to the bond programs, Affordable Housing Charitable Trust and fiduciary trusts. \$214.1 million of available reserves, with \$88.0 million primarily liquid in the General Fund and in the federal and state Housing programs and 126.1 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 2020-2021 Budget
For the eight months ended 5/31/2021

	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	532,736	4,503,596	5,060,112	7,590,168	(4,503,596)	(4,503,596)	59.33%
Interest on Investments & Securities	101,766	846,817	986,745	1,480,118	(846,817)	(846,817)	57.21%
Loan & Commitment Fees	19,734	121,691	6,667	10,000	(121,691)	(121,691)	1216.91%
Administrative Fee Income (Exp)	1,468,096	16,378,672	9,225,787	13,805,002	(16,378,672)	(16,378,672)	118.64%
Risk Sharing/Guaranty/RTC fees	650	83,653	56,772	85,158	(83,653)	(83,653)	98.23%
Housing Program Income	11,700	785,936	522,330	1,104,920	(785,936)	(785,936)	71.13%
Loan Servicing Income	658,245	5,298,949	4,696,640	7,044,959	(5,298,949)	(5,298,949)	75.22%
Other Operating Income		-	250	500	-	-	0.00%
Operating Revenues	2,792,928	28,019,315	20,555,303	31,120,826	(28,019,315)	(28,019,315)	90.03%
Gain (Loss) Asset Sale/Debt Ex	662,623	4,009,562	(307,000)	(460,500)	(4,009,562)	(4,009,562)	-870.70%
Other Non-operating Income	-	40	107	160	(40)	(40)	25.00%
Non-Operating Revenues	662,623	4,009,602	(306,893)	(460,340)	(4,009,602)	(4,009,602)	-871.01%
Revenue	3,455,551	32,028,917	20,248,409	30,660,486	(32,028,917)	(32,028,917)	104.46%
Salaries	475,019	3,889,258	4,334,070	6,436,024	(3,889,258)	(3,889,258)	60.43%
Overtime	1,884	26,385	27,213	39,048	(26,385)	(26,385)	67.57%
Incentives	292	246,920	366,101	543,798	(246,920)	(246,920)	45.41%
Payroll taxes, Employee Benefits	197,577	1,721,418	2,096,256	3,182,619	(1,721,418)	(1,721,418)	54.09%
Compensation	674,772	5,883,982	6,823,640	10,201,489	(5,883,982)	(5,883,982)	57.68%
Business Meals Expense	-	22	3,573	5,360	(22)	(22)	0.41%
Public Information	9,476	230,207	272,608	362,906	(230,207)	(230,207)	63.43%
In-State Travel	8	793	81,925	122,888	(793)	(793)	0.65%
Out-of-State Travel		-	131,132	196,698	-	-	0.00%
Travel & Public Information	9,483	231,022	489,238	687,852	(231,022)	(231,022)	33.59%
Utilities/Property Taxes	5,170	48,352	49,452	74,178	(48,352)	(48,352)	65.18%
Leasehold Expense		-			-	-	
Insurance, Property & Liability	16,821	134,548	116,473	174,709	(134,548)	(134,548)	77.01%
Repairs, Maintenance & Leases	75,670	742,244	694,737	1,013,348	(742,244)	(742,244)	73.25%
Supplies	1,407	11,307	22,395	33,592	(11,307)	(11,307)	33.66%
Postage/Express mail	6,202	37,993	24,549	36,823	(37,993)	(37,993)	103.18%
Telephone	643	3,970	13,801	20,701	(3,970)	(3,970)	19.18%
Janitorial	4,051	29,816	26,861	40,291	(29,816)	(29,816)	74.00%
Office Expenses	109,964	1,008,231	948,267	1,393,643	(1,008,231)	(1,008,231)	72.34%
Dues & Periodicals	2,976	28,079	39,284	58,926	(28,079)	(28,079)	47.65%
Education & Training	3,922	39,106	87,587	131,380	(39,106)	(39,106)	29.77%
Contractual Services	92,823	673,654	1,055,984	1,575,332	(673,654)	(673,654)	42.76%
Professional Services-Program	1,579	58,195	76,229	114,344	(58,195)	(58,195)	50.89%
Direct Servicing Expenses	590,781	4,418,121	3,269,937	4,904,905	(4,418,121)	(4,418,121)	90.08%
Program Expense-Other	-	23,426	15,570	23,355	(23,426)	(23,426)	100.30%
Rebate Analysis Fees			-	-			

GENERAL FUND
Fiscal Year 2020-2021 Budget
For the eight months ended 5/31/2021

	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 %
Other Operating Expense	692,080	5,240,580	4,544,591	6,808,242	(5,240,580)	(5,240,580)	76.97%
Interest Expense	5,592	223,421	235,873	353,809	(223,421)	(223,421)	63.15%
Non-Cash Expenses	259,285	1,695,851	1,418,424	2,127,636	(1,695,851)	(1,695,851)	79.71%
Expensed Assets	9,612	176,308	198,525	262,187	(176,308)	(176,308)	67.25%
Operating Expenses	1,760,789	14,459,395	14,658,557	21,834,859	(14,459,395)	(14,459,395)	66.22%
Program Training & Tech Asst	-	6,497	99,933	149,900	(6,497)	(6,497)	4.33%
Program Development	523	75,190	314,255	471,383	(75,190)	(75,190)	15.95%
Capacity Building Costs	523	81,687	414,189	621,283	(81,687)	(81,687)	13.15%
Non-Operating Expenses	523	81,687	414,189	621,283	(81,687)	(81,687)	13.15%
Expenses	1,761,311	14,541,082	15,072,746	22,456,142	(14,541,082)	(14,541,082)	64.75%
Excess Revenue over Expenses	1,694,239	17,487,835	5,175,664	8,204,345	(17,487,835)	(17,487,835)	213.15%

GENERAL FUND CAPITAL BUDGET
Fiscal Year 2020-2021 Budget
For the eight months ended 5/31/2021

	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 %
2690 PURCHASED SERVICING RIGHTS	268,225	3,305,742	2,563,167	3,844,750	(742,576)	539,008	85.98%
2950 COMPUTER HARDWARE	-	24,565	80,667	121,000	56,102	96,435	20.30%
2960 SOFTWARE LICENSES	-	-	-	-	-	-	
2920 FURNITURE & EQUIPMENT-10 YR	-	-	161,714	161,714	161,714	161,714	0.00%
2930 FURNITURE & EQUIP, 5 YR.	-	-	-	-	-	-	
2860 BUILDING	9,890	790,773	648,077	648,077	(142,696)	(142,696)	122.02%
Capital Budget	278,116	4,121,081	3,453,624	4,775,541	(667,456)	654,460	86.30%