



NEW MEXICO MORTGAGE FINANCE AUTHORITY

Board Meeting

344 4th St. SW, Albuquerque, NM

Wednesday, June 17, 2020 at 9:30 a.m.

Agenda

Chair Convenes Meeting

- Roll Call (Izzy Hernandez)
- Approval of Agenda – Board Action
- Approval of May 20, 2020 Board Meeting Minutes – Board Action
- Executive Director Updates (Izzy Hernandez)

Board Action Items

Action Required?

Finance Committee

- | | | |
|---|---|-----|
| 1 | FY2020 General Fund Budget Amendment (Yvonne Segovia) | YES |
| 2 | Down Payment Assistance Housing Opportunity Fund Appropriation (Yvonne Segovia) | YES |
| 3 | Authorized Check and Electronic Funds Transfer Signatures (Yvonne Segovia) | YES |
| 4 | Electronic Signature Policy (Jeff Payne) | YES |
| 5 | State of New Mexico Infrastructure Capital Improvements Plan (ICIP) (Rebecca Velarde) | YES |

Allocation Review Committee

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|---|---|-----|
| 6 | Proposed 2020 Low Income Housing Tax Credit (LIHTC) Awards (Kathryn Turner) | YES |
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Contracted Services/Credit Committee & Housing Trust Fund Committee

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| 7 | Low Income Housing Tax Credit (LIHTC) Gap Financing Loan Requests (George Maestas/Jacobo Martinez)
<i>(Note: at the request of any Board Member, any of the five projects listed below may be removed from this combined agenda item and discussed and voted upon separately)</i> | YES |
| | a. A'diidi ni'kuwa - HOME and NHTF loan requests (George Maestas) | |
| | b. Encantada Apartments - HOME and NHTF requests (George Maestas) | |
| | c. Copper Terrace - HOME CHDO and NMHTF loan requests (George Maestas) | |
| | d. 6100 Harper - NHTF loan request (Jacobo Martinez) | |
| | e. Broadway/McKnight - NHTF loan request (Jacobo Martinez) | |
| 8 | Approval of the 2020-2021 Continuum of Care Performance Program Award (Natalie Michelback) | YES |
| 9 | State Neighborhood Stabilization Program (NSP) Award Reallocation (Theresa Laredo-Garcia) | YES |
| 10 | Idaho Housing & Finance Association-Limited Source Procurement for Subservicing and Program Support Services (Jeff Payne/Teresa Lloyd) | YES |

Other

- | | | |
|----|---|-----|
| 11 | Election of Officers (Chair Angel Reyes) | YES |
| 12 | Compensation Committee Charter (Izzy Hernandez) | YES |
| 13 | Appointment of Board Compensation Committee (Chair Angel Reyes) | YES |
| 14 | Espanola Pathways Shelter Award Overview (John Garcia) | NO |

Other Board Items

Information Only

- | | | |
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| 15 | (Staff is available for questions) | |
| | ▪ Staff Action Requiring Notice to Board | |
| | ▪ COVID-19 Staff Actions Requiring Notice to Board | |
| | ▪ Moody's Investor Service Credit Opinion | |

Monthly Reports

No Action Required

16 (Staff is available for questions)

- 4/30/20 Financial Statements
- Communications Department Reports

Announcements and Adjournment

Discussion Only

Confirmation of Upcoming Board/Committee Meetings

- July 7, 2020 - Contracted Services 10:00 a.m. Finance Committee 1:30 p.m.
- July 15, 2020 - Wednesday - 9:30 a.m. (MFA)
- August 11, 2020 - Contracted Services 10:00 a.m. Finance Committee 1:30 p.m.
- August 19, 2020 - Wednesday - 9:30 a.m. (MFA)
- September 8, 2020 Contracted Services 10:00 a.m. Finance Committee 1:30 p.m.
- September 16, 2020 - Wednesday – 9:30 a.m. (MFA)
- Board Retreat September 16-17, 2020 (ABQ - location TBD)



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Board Action Items

Action Required?

Finance Committee

- 1 FY2020 General Fund Budget Amendment (Yvonne Segovia)** - As a result of extraordinary single-family mortgage loan production and high turnover, Staff anticipates that we will not have sufficient expense and capital outlay budget to carry the organization through the end of the fiscal year. Therefore, staff is proposing an amendment to increase expense and capital budget by \$1,760,904 and increase revenue budget by \$617,502 for a net total of (\$1,143,402). YES
- 2 Down Payment Assistance Housing Opportunity Fund Appropriation (Yvonne Segovia)** - The Housing Opportunity Fund First Down Program has exhausted all available appropriations due to increased demand in the Single-Family Mortgage Program. Therefore, Staff recommends \$2.55mm of new funds be appropriated to the down payment assistance loan program to support anticipated demand through 9/30/2020. YES
- 3 Authorized Check and Electronic Funds Transfer Signatures (Yvonne Segovia)** - Staff is requesting the MFA policy requiring two signatures on checks of \$2,000 or more be raised to \$5,000. YES
- 4 Electronic Signature Policy (Jeff Payne)** - Staff recommends the approval and adoption of the attached Electronic Signature Policy. This policy creates a structure for the approval and use of electronic signature methods and mandates compliance with applicable state and federal laws governing the use of electronic signatures. The New Mexico Mortgage Finance Authority seeks to adapt to changing business technologies and practices, gain efficiencies for internal processes and make it easier for external parties to do business with MFA. This policy seeks to outline a framework and simple rules to comply with all state and federal laws governing the use of electronic signatures and documents. YES
- 5 State of New Mexico Infrastructure Capital Improvements Plan (ICIP) (Rebecca Velarde)** - Each year, DFA requests that state agencies, local governments, tribal governments, special districts and senior citizen facilities submit ICIPs for priority capital projects for which they will seek state funding in the next five years. MFA has submitted ICIPs through this process for the last five years, and \$2,200,000 has been received in this latest fiscal year. MFA is recommending that a new ICIP be submitted for the FY 2022-2026 ICIP for the following priority, which combines two priorities requested in previous ICIP requests: Priority 1: New Mexico Housing Trust Fund \$12 million each year for 2022-2026 YES

Allocation Review Committee

- 6 Proposed 2020 Low Income Housing Tax Credit (LIHTC) Awards (Kathryn Turner)** - Staff, by and through MFA's Allocation Review Committee ("ARC"), requests approval of eight LIHTC awards, attached as Table 7A, approval of a forward allocation of 2021 tax credits in the amount of \$2,868,952, and approval of four projects for the waitlist, attached as Table 7B. YES

Contracted Services/Credit Committee & Housing Trust Fund Committee

- 7 Low Income Housing Tax Credit (LIHTC) Gap Financing Loan Requests (George Maestas)** YES
(Note: at the request of any Board Member, any of the five projects listed below may be removed from this combined agenda item and discussed and voted upon separately)
 - a. **A'diidi ni'kuwa - HOME and NHTF loan requests** - A HOME loan request in the amount of \$292,500 and a National Housing Trust Fund (NHTF) loan request in the amount of \$400,000 for the A'diidi ni'kuwaa project, located in Mescalero, NM. A'diidi ni'kuwaa is new construction of a 40-unit multifamily project with 8 units (20%)

serving households with special needs. Four units are income-restricted to households earning 30% or less of Area Median Income (AMI), twenty units are income-restricted to households earning 50% or less of AMI, 10 units are income-restricted to households earning 60% or less of AMI and 5 units are income restricted to households earning 70% or less of AMI. One unit is a non-income producing manager's unit.

- b. **Encantada Apartments - HOME and NHTF requests** - A HOME loan request in the amount of \$400,000 and a National Housing Trust Fund (NHTF) loan request in the amount of \$400,000 for the Encantada Apartments, located in Los Lunas, NM. Encantada is acquisition/rehabilitation of a 48-unit multifamily project with 12 units (25%) serving households with children. Three units are income-restricted to households earning 30% or less of Area Median Income (AMI), nine units are income-restricted to households earning 50% or less of AMI and 35 units are income restricted to households earning 60% or less of AMI. One unit is a non-income producing manager's unit.
- c. **Copper Terrace - HOME CHDO and NMHTF loan requests** - A HOME loan request in the amount of \$1,000,000 and a New Mexico Housing Trust Fund (NMHTF) loan request in the amount of \$1,000,000 for the Copper Terrace Apartments, located in NE Albuquerque. Copper Terrace is acquisition/rehabilitation of a 96-unit multifamily project with 24 units (25%) serving households with children. Five units are income-restricted to households earning 30% or less of Area Median Income (AMI), 31 units are income-restricted to households earning 50% or less of AMI, 54 units income restricted to households earning 60% or less of AMI and six units will be leased at market rates limited to 80%.
- d. **6100 Harper - NHTF loan request** - A National Housing Trust Fund (NHTF) loan request in the amount of \$400,000 for the 6100 Harper project, located in NE Albuquerque. 6100 Harper is acquisition/rehabilitation of a 59-unit multifamily project with 15 units (25%) serving households with children. Four units are income-restricted to households earning 30% or less of Area Median Income (AMI), twenty units are income-restricted to households earning 50% or less of AMI and 35 units income restricted to households earning 60% or less of AMI.
- e. **Broadway/McKnight - NHTF loan request** - A National Housing Trust Fund (NHTF) loan request in the amount of \$400,000 for the Broadway/McKnight project, located in NE Albuquerque. Broadway/McKnight is new construction of a 54-unit multifamily project with 14 units (25%) serving households with children. Four units are income-restricted to households earning 30% or less of Area Median Income (AMI), 18 units are income-restricted to households earning 50% or less of AMI and 32 units are income restricted to households earning 60% or less of AMI.

8 Approval of the 2020-2021 Continuum of Care Performance Program Award (Natalie Michelback) - The Continuum of Care "COC" Performance awards were established to provide match funding to agencies who have received HUD Continuum of Care funding through either the Albuquerque or Balance of State applications to HUD. The funding provides support to agencies statewide that offer homeless prevention and supportive services. This year's total HUD "COC" funding for the Albuquerque and Balance of State service providers is \$11,025,488 and MFA's COC match funding totals \$461,966. YES

9 State Neighborhood Stabilization Program (NSP) Award Reallocation (Theresa Laredo-Garcia) - Staff is recommending approval to transfer a State NSP award in the amount of \$617,260 from Bernalillo County Affordable Housing Non-Profit to Homewise Inc. YES

10 Idaho Housing & Finance Association-Limited Source Procurement for Subservicing and Program Support Services (Jeff Payne/Teresa Lloyd) - Staff proposes approval of a limited source procurement and permission to renegotiate our current Mortgage Loan Sub-Servicing and Single-Family Program Support Services Agreement ("The Agreement") with Idaho Housing and Finance Association. The proposed contract term would be a two-year extension through September 30, 2022 with the option of one additional one-year extension. IHFA has and continues to perform functions that are not able to be outsourced by MFA. IHFA has mentored MFA and provides services that MFA either lacks expertise, staffing or other resources to perform while MFA builds knowledge and capacity. MFA has come to a point where staff are taking on more responsibilities and functions regarding pooling and securitizing but still relies on IHFA for significant and critical services that are difficult, if not impossible to find from other service providers. YES

Other

11 Election of Officers (Chair Angel Reyes) - as recommended by the Nominating Committee: Chair Reyes, Lieutenant Governor Morales and Attorney General Balderas. YES

- 12 Compensation Committee Charter (Izzy Hernandez)** - The purpose of the Compensation and Benefits Committee is to review MFA's compensation and benefits annually and report the results of its assessment back to the Board. YES
- 13 Appointment of Board Compensation Committee (Chair Angel Reyes)** - Compensation Committee (Chair Angel Reyes). Chair Reyes will appoint three Board members to a Compensation Committee. The committee's purpose is to review MFA's compensation and benefits and associated policies. YES
- 14 Espanola Pathways Shelter Award Overview (John Garcia)** - Staff will be awarding \$213,750 in program funds and \$5625 in administrative funds, to the Espanola Pathways Shelter in Espanola, New Mexico, as well as \$5,625 to MFA to cover the costs of administering the program. The contract will be provided to Espanola Pathways Shelter to ensure its execution by July 1. NO

Other Board Items

Information Only

15 (Staff is available for questions)

- Staff Action Requiring Notice to Board
- COVID-19 Staff Actions Requiring Notice to Board
- Moody's Investor Service Credit Opinion

Monthly Reports

No Action Required

16 (Staff is available for questions)

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Minutes

NEW MEXICO MORTGAGE FINANCE AUTHORITY

Board Meeting Minutes

344 4th St. SW, Albuquerque, NM

Wednesday, May 20, 2020 at 9:30 a.m.

Due to the COVID-19 Virus today's Board meeting was held via WebEx/Teleconference

Chair Reyes convened the meeting on May 20, 2020 at 9:26 a.m. Secretary Hernandez called the roll. Members available by phone: Chair Angel Reyes, Vice Chair Derek Valdo (joined the meeting at 9:48 a.m. prior to Tab 1), Sally Malavé (designee for Attorney General Hector Balderas), Lieutenant Governor Howie Morales, Diana Rosales-Ortiz (designee for State Treasurer Tim Eichenberg), Rebecca Wurzbarger, and Rosalyn Nguyen Chafey. Absent: none. 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 stating that today's meeting is being webcast. He introduced everyone on the phone and reminded the members of 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 May 20, 2020 Board agenda as presented: Malavé. Second: Nguyen Chafey. Roll call vote: Chair Reyes-yes, Morales-yes, Rosales-Ortiz-yes, Malavé-yes, Wurzbarger-yes, Nguyen Chafey-yes. Vote:6-0.

Approval of April 15, 2020 Board Meeting Minutes – Board Action. Motion to approve the April 15, 2020 Board Meeting Minutes as presented: Malavé. Second: Wurzbarger. Roll call vote: Chair Reyes-yes, Morales-yes, Rosales-Ortiz-yes, Malavé-yes, Wurzbarger-yes, Nguyen Chafey-yes. Vote:6-0.

Approval of April 15, 2020 Board Study Session – LIHTC/QAP Cost Study Minutes – Board Action. Motion to approve the April 15, 2020 Board Study Session – LIHTC/QAP Cost Study Minutes as presented: Wurzbarger. Second: Nguyen Chafey. Roll call vote: Chair Reyes-yes, Morales-yes, Rosales-Ortiz-yes, Malavé-yes, Wurzbarger-yes, Nguyen Chafey-yes. Vote:6-0.

Valdo joined the meeting during the update (9:48 a.m.)

Executive Director Updates: Hernandez provided the Board with the following information for his monthly update; he informed the Board that the Housing Summit has been rescheduled to September 2021. COVID19 programs approved by Delegates will be presented by staff as informational items listed on today's agenda. Financial Forecast was emailed to the Board, many variables to see how COVID19 will impact us. Good news: Under the stressed scenarios and servicing liquidity needs, we continue to meet our cash reserve policy requirements and meet our projected liquidity needs and MFA has maintained AA- (Stable) rating with Moody's. The single-family program is doing well and continuing to average over \$9m in weekly production. Multi-family: Couple of developers report that LIHTCs credit pricing has dropped and construction costs have increased, this will likely cause some gaps in financing that we will explore potentially filling. Homeless programs: serving less due to implementing social distancing and some individuals not feeling comfortable in coming in, using motels/vouchers, unsheltered individuals increasing. Servicing; Delinquency increased to 10.93% from 9.36% (as of April 30), Forbearance: 1017 loans, 10.8%, only 40% past due (Delinquent), rental portfolio - no delinquencies. Asset Management - monitoring: on-track; desktop monitoring being performed. The white paper regarding COVID was updated and sent to Speaker Egolf's Chief of staff in preparation for the special session and includes projected need for rental and mortgage payment assistance. Hernandez went over MFA's Office Safe Return to Work policies.

COVID-19 Staff Actions

- 1 New Mexico Housing Trust Fund Rental Assistance Notice of Funding Availability (NOFA)** (Sabrina Su/ Rebecca Velarde). Su began her presentation by reminding the Board that the Board had adopted the COVID-19 Emergency Resolution at the April 15, 2020 Board meeting. The resolution authorizes immediate and

extraordinary action with delegated authority to Chair, Vice Chair, Executive Director, Deputy Director of Programs and Deputy Director of Finance and Administration (Delegates). MFA received approval from the delegates on 5/4/2020 to release the Notice of Funding Availability (NOFA) for a rental assistance program funded by the New Mexico Housing Trust Fund in the amount of \$3m. Non – Action Item.

- 2 **Emergency Solutions Grant (ESG) CARES Act Fund Allocations** (John Garcia) Garcia began by informing the Board that MFA received approval from the delegates on May 12, 2020 for the ESG CARES Act implementation plan and award allocations in the amount of \$4,140,483.00 to the current Rental Assistance Program and (RAP) and Emergency Homeless Assistance (EHAP) service providers, and to award MFA 2.5% of the grant or \$103,512.08 for admin costs, and to award the RAP program 7.5% of the grant or \$310,536.23 for admin costs. MFA also requesting a waiver to the 2016/2017 RAP RFP to extend the renewal option for an additional year which we anticipate will alleviate the burden of an RFP and will result in the service providers expending the ESG CARES Act funding in a timely manner. Non – Action Item.
- 3 **Housing Opportunities for Persons with AIDS (HOPWA CARES Act Fund Allocations)** (Natalie Michelback). Michelback began by informing the Board that MFA received approval from the delegates on May 12, 2020 for the HOPWA CARES Act funding in the amount of \$146,170 to be awarded to Southwest CARE Center in the amount of \$111,314.80, El Camino Real Housing Authority in the amount of \$5,869.13, Alianza of New Mexico in the amount of \$20,215.88 and MFA in the amount of \$8,770.20 of administration fees Non – Action Item.

Finance Committee

- 4 **3/31/20 Quarterly Financial Statements.** Hickman informed the Board that she will provide a report for the sixth months ending March 31, 2020. She further informed the Board that an updated financial forecast dashboard was sent to the Board via email and those numbers are not reflected in March report; however, they will be updated for the April financial reporting. She reviewed the financial statements which are located behind tab four and will be included in the official board packet. She began by reviewing the comparative year to date summary of highlights discussing the year to date metrics and variances which included the following: Production, Statement of Net Position, Statement of Revenues, Expenses and Net Position, Moody's Benchmarks and Servicing. Hickman then reviewed the monthly and quarterly graphs, the Housing Opportunity Fund report, Effect of GASB31 on Financials data and the Loan and Credit Line Activity report. She further informed the Board that MFA's year end production report is located behind tab 18. Motion to approve the 3/31/20 Quarterly Financial Statements as presented: Wurzbarger. Second: Malavé. Roll call vote: Chair Reyes-yes, Vice Chair Valdo-yes, Morales-yes, Rosales-Ortiz-yes, Malavé-yes, Wurzbarger-yes, Nguyen Chafey-yes. Vote:7-0.
- 5 **3/31/20 Quarterly Investment Report (Gina Hickman & Cooper Hall).** Hickman began by introducing Cooper Hall, recent UNM graduate who joined MFA as the Finance Analyst stating that he will be available for any technical questions. Hickman provided a comprehensive and informative overview of the Quarterly Investment Review reports located behind tab five which will be included in the official board packet. She informed the Board that all asset classes are in compliance with the investment policy. She reviewed the General Fund Investment Compliance Report, the Portfolio Summary-Short & Intermediate Term Investments, the Portfolio Summary-Long Term and State Investment Council Investments, the Portfolio Summary-Housing Trust Fund and the General Fund Investment Portfolio Metrics highlighting the asset class balances and yields/rates of returns. Motion to approve the 3/31/20 Quarterly Investment Report as presented: Malavé. Second: Wurzbarger. Roll call vote: Chair Reyes-yes, Vice Chair Valdo-yes, Morales-yes, Rosales-Ortiz-yes, Malavé-yes, Wurzbarger-yes, Nguyen Chafey-yes. Vote:7-0.
- 6 **Waiver of Qualified Allocation Plan (QAP) Language for 4% Credits (Kathryn Turner).** Turner began her presentation with a request for approval of a waiver of the language to lock in the amounts generated by the percentage caps for builder profit, builder overhead, general requirements, and developer fee at application for 4% tax credit projects. These percentages would remain required caps at the underwriting at 8609 issuance, but the dollar amounts would be able to float with the actual costs of construction. Turner explained how this would affect a project in her review of the background and discussion information provided in the memo located behind tab six, which will become a part of the official board packet. Motion to approve the Waiver of Qualified

Allocation Plan (QAP) Language for 4% Credits as presented: Nguyen Chafey; Second: Wurzburger. Roll call vote: Chair Reyes-yes, Vice Chair Valdo-yes, Morales-yes, Rosales-Ortiz-yes, Malavé-yes, Wurzburger-yes, Nguyen Chafey-yes. Vote:7-0.

Contracted Services/Credit Committee

- 7 **MFA Building Renovation: Construction Services Request for Proposals (RFP) (Izzy Hernandez).** Hernandez began his presentation with a recommendation for approval of the Request for Proposals for MFA Building Remodel, Construction Services. He reminded the Board that on September 18, 2019 the Board approved the FY 2019-2020 General Fund Budget which included a line item for building renovation. He provided background information with regards to major renovations done in the past and are referenced in the memo located behind tab seven and will be made a part of the official board packet. Hernandez then reviewed the proposed building plans discussing how many additional spaces the building renovation would include; 98 office spaces from 85 currently available. Hernandez informed the Board that the RFP would be published in the Sunday Albuquerque Journal and was open to any recommendations the Board may want to include. Discussion ensued regarding the timeline and that in six months the construction costs might be more. Hernandez assured the Board that if a budget adjustment is needed it would come back to the Board at that time. Motion to approve MFA Building Renovation: Construction Services Request for Proposals (RFP) as recommended: Wurzburger. Second: Nguyen Chafey. Roll call vote: Chair Reyes-yes, Vice Chair Valdo-yes, Morales-yes, Rosales-Ortiz-yes, Malavé-yes, Wurzburger-yes, Nguyen Chafey-yes. Vote:7-0.
- 8 **General Counsel Legal Services Request for Proposals (RFP) (Izzy Hernandez).** Eleanor Werenko; MFA's general counsel; left the meeting and will rejoin the meeting once staff moves onto the next agenda item. Hernandez began the presentation with a request for approval of the Request for Proposals for General Counsel Legal Services. He informed the Board that typically general counsel reviews MFA's RFP's, Eleanor Werenko did not review this RFP due to the conflict. He thanked member Malavé for her review and input of the RFP. He further informed the Board that on June 1, 2015 the MFA Board of Directors approved the selection of the law firm of Sheehan and Sheehan, PA, as MFA's General Counsel. The General Counsel Services Agreement between MFA and the Sheehan firm became effective on August 1, 2015. The initial term of the General Counsel Services Agreement was for one year, with an option to extend the Agreement for a total of four (4) additional one-year periods. The current Agreement has been extended four times and will terminate on August 1, 2020. Hernandez reviewed the RFP which included; Services to be Performed, Evaluation Criteria, Contract Term, RFP proposed changes were reviewed as noted in the memo located behind tab eight, which will be made a part of the original board packet. Hernandez reviewed the timeline; the RFP publication May 21, 2020, proposals due to MFA June 19, 2020, recommendation to the Board to the July Board meeting and will be advertised in the bar bulletin. Motion to approve the General Counsel Legal Services Request for Proposals (RFP) as presented: Malavé. Second: Nguyen Chafey. Roll call vote: Chair Reyes-yes, Vice Chair Valdo-yes, Morales-yes, Rosales-Ortiz-yes, Malavé-yes, Wurzburger-yes, Nguyen Chafey-yes. Vote:7-0.

Eleanor Werenko general counsel joined the meeting.

- 9 **Approval of Housing Opportunities for Persons with AIDS (HOPWA) Service Providers and 2019/2020 Funding Awards (Natalie Michelback).** Michelback began her presentation with a request for Board approval of 2020/2021 Housing Opportunities for Persons with AIDS (HOPWA) Service Providers and Awards Southwest CARE Center, El Camino Real Housing Authority and Alianza of New Mexico as Service Providers for the HOPWA Program. In addition, staff recommends HOPWA funding in the amount of \$974,280.61 be awarded to the Service Providers and \$30,132.39 of admin to MFA. She reminded the Board the HOPWA RFP was approved by MFA's Board of Directors on March 18, 2020. MFA received three qualified respondents. She provided background information and scoring which included the areas the agencies will cover and funding. Michelback also provided the term of the contracts, they are; one-year contract beginning on July 1, 2020 with the option for extension for two additional program years 2021-2022 through 2022-2023. Motion for Approval of Housing Opportunities for Persons with AIDS (HOPWA) Service Providers and 2019/2020 Funding Awards as recommended: Malavé. Nguyen Chafey. Second: Roll call vote: Chair Reyes-yes, Vice Chair Valdo-yes, Morales-yes, Rosales-Ortiz-yes, Malavé-yes, Wurzburger-yes, Nguyen Chafey-yes. Vote:7-0.

- 10 Request for Proposals (RFP) for Architectural Review & Construction Inspection Services (Kathryn Turner).** Turner began with staff's recommendation for approval of the Architectural Review and Construction Inspection Services Request for Proposals (RFP). She provided background information from the memo provided behind tab 10, which will be made a part of the official board packet. She informed the Board that in 2016 this was formerly an RFQ. It is coming to the Board as the first RFP for this type of service and is anticipated to be repeated every 5 years. Turner then reviewed the Services to be Performed, Evaluation Criteria, Experience and Capability, Contract Term and Timeline. She further informed the Board the RFP would be published in the newspaper, email blast and the AIA New Mexico Chapter. Motion to approve the Request for Proposals (RFP) for Architectural Review & Construction Inspection Services as recommended: Wurzburger. Second: Malavé. Roll call vote: Chair Reyes-yes, Vice Chair Valdo-yes, Morales-yes, Rosales-Ortiz-yes, Malavé-yes, Wurzburger-yes, Nguyen Chafey-yes. Vote:7-0.
- 11 Emergency Homeless Assistance Program – Award Recommendations (Jackie Garrity/John Garcia).** Garrity began her presentation with a request for approval for the Emergency Homeless Assistance Program – Award Recommendations in the amounts of 7.5%, \$90,055.50, of the total HUD (ESG) award and 5%, \$60,785, of the state award for MFA admin. MFA is also requesting approval of the final awards in the amount of \$948,596.71 for the Emergency Homeless Assistance Program for all eighteen (18) eligible shelters. Final award letters will be sent upon approval from the MFA Board of Directors. Garrity reminded the Board on February 19, 2020, the MFA Board approved an RFP for program years 2020-2021 and 2021-2022, with option to renew for three additional years, through 2024-2025. On February 20, the EHAP RFP was released. Twenty-four (24) proposals were received. Six (6) were denied because they didn't meet the requirements in the RFP. She reviewed the funding allocations by program, program year and type of agency (domestic violence/ youth/adult) and each agency's recommended award. She further explained that the awards were determined based on each shelter's score as it compared to the scores of all qualified shelters within that category. Motion to approve the Emergency Homeless Assistance Program Awards as recommended: Wurzburger. Second: Malavé. Roll call vote: Chair Reyes-yes, Vice Chair Valdo-yes, Morales-yes, Rosales-Ortiz-yes, Malavé-yes, Wurzburger-yes, Nguyen Chafey-yes. Vote:7-0.
- 12 Approval of 2019/2021 Department of Energy Annual and Master State Plans (NM EnergySmart) (Troy Cucchiara).** Cucchiara began his presentation with a request for approval of the NM EnergySmart 2019/2021 Department of Energy (DOE) Weatherization Assistance Program Annual and Master State Plans. He provided background information stating that the State Plan is the annual application package that is submitted by MFA to the DOE prior to receiving funding for the Weatherization Assistance Program. Every year, DOE requires each state to submit an application by May 1, that is referred to as the State Plan. The State Plan consists of two sections; the Annual Plan, and the Master Plan and included as part of the packet. The Annual Plan includes a detailed breakdown of how the funds will be allocated. The Master Plan describes how the program will be managed overall by the NM EnergySmart Program. He explained that due to the COVID-19 crisis, the DOE has provided an option to combine the 2019-2020 funding with the 2020-2021 funding as a revision to the active 2019-2020 State Plan. The NM EnergySmart Program has chosen to utilize this option and revise the existing plan to include the new funding. This revision is reflected in the Annual Plan. He reviewed the chart provided in the memo located behind tab 12, which will become a part of the official board packet. He reviewed the breakdown of funding for each of the program years and the revision combining both years. The Department of Energy (DOE) funding for 2019-2021 anticipating funding from all funding sources for the NM EnergySmart Program is \$7,705,232.80. With the DOE funding, we are projecting that the ICAST will weatherize approximately 111 multifamily statewide units, Central New Mexico Housing will weatherize approximately 317 single family units and Southwestern Regional Housing and Community Development Corporation will weatherize approximately 125 single family units for a total of 553 units. Cucchiara further reviewed the memo which also includes total program funding, service provider breakdown and process. Informing the Board that the State Plan is subject to a 10-day public comment and review period. It was advertised in 18 statewide New Mexico newspapers and was posted on the MFA website since March 20, 2020. A Weatherization Assistance Program Policy Advisory Committee (WAP PAC) meeting and public hearing was held on March 19, 2020, in the MFA Board Room. No comments were received. Motion to approve the Approval of 2019/2021 Department of Energy Annual and Master State Plans as recommended: Malavé. Second: Valdo. Roll call vote: Chair Reyes-

yes, Vice Chair Valdo-yes, Morales-yes, Rosales-Ortiz-yes, Malavé-yes, Wurzbürger-yes, Nguyen Chafey-yes.
Vote:7-0.

New Mexico Affordable Housing Charitable Trust - Contracted Services/Credit Committee

Chair Reyes informed the Board that this trust was established by the MFA Board of Directors in 2007 as a separate legal entity; and any actions taken by the Board are as trustee of the New Mexico Affordable Housing Charitable Trust. General Counsel concurred.

- 13 New Mexico Affordable Housing Charitable Trust-2018 Rehab Federal Veterans Allocations (Amy Gutierrez/John Garcia).** Gutierrez began her presentation with a request from staff for the allocation of the 2018 Federal Veterans Housing Rehabilitation and Modification (VRM) program funding. Gutierrez provided background information regarding the establishment and uses of the NM Affordable Housing Charitable Trust. In addition, she provided background information from the memo reminding the Board that in October 2018 the NM Affordable Housing Charitable Trust received a grant agreement from HUD for the Federal Veterans Housing Rehabilitation and Modification Pilot Program. The total grant amount is \$1,000,000. MFA must provide a minimum of \$500,000 match and \$500,000 leverage funding to comply with the terms of the grant agreement for a total of \$2,000,000. She went over the rehabilitation services this program allows and further informed the Board that the purpose of this request is to reallocate the 2018 Veteran's Housing Rehabilitation and Modification Program funding of \$2mm from underperforming agencies to agencies that have displayed the capacity to spend their award in a timely manner. Staff reached out to service providers regarding their need for Veterans Rehab funding and capacity to expend the 2018 Federal Veterans award. Analysis of their responses and the need for these services, staff requests to amend the current 2018 HOME individual agency contracts to add the 2018 Federal Veterans awards as indicated in the two charts included in the memo; 2018 Veterans Rehabilitation Program (VRMP) Allocations, and Total Service Provider Allocations for both 2018 Programs, located behind tab 14, which will become a part of the official board packet. Upon Board approval, staff will amend the Rehab contracts for these agencies to include the additional amounts discussed. Motion to approve as Trustee the NM the New Mexico Affordable Housing Charitable Trust approval to allocate the 2018 Veteran's Housing Rehabilitation and Modification Program funding to six service providers as recommended: Wurzbürger. Second: Morales. Roll call vote: Chair Reyes-yes, Vice Chair Valdo-yes, Morales-yes, Rosales-Ortiz-yes, Malavé-yes, Wurzbürger-yes, Nguyen Chafey-yes. Vote:7-0.

Other

- 14 Additional Year 3 (FY 2020) Changes to MFA FY 2018-2022 Strategic Plan (Rebecca Velarde).** Velarde reminded the Board that MFA's current strategic plan is for FY 2018-2022. In addition, she further reminded the Board that the benchmarks had come before the Board for changes at the February 19, 2020 Board meeting. The Strategic Management Committee is recommending additional changes to some strategic benchmarks to reflect changes which are a result of the ongoing COVID-19 pandemic. She reviewed the changes to benchmarks 4, 5, 6, 13 and 14, the deletion of benchmark 5 and the addition of a new benchmark to assess MFA's organizational response to the COVID-19 pandemic and added 30 in the redlined version provided behind the memo which is located behind tab 14 and will be made a part of the official board packet. Discussion ensued regarding how some of these changes can be measured. Motion to approve the Additional Year 3 (FY 2020) Changes to MFA FY 2018-2022 Strategic Plan as recommended: Wurzbürger. Second: Malavé. Roll call vote: Chair Reyes-yes, Vice Chair Valdo-yes, Morales-yes, Rosales-Ortiz-yes, Malavé-yes, Wurzbürger-yes, Nguyen Chafey-yes. Vote:7-0.
- 15 Single Family Program Report (René Acuña).** Acuña reviewed the single-family program production report located behind tab 15 and will be made a part of the official board packet. He discussed the following charts and data during his presentation: historical rate trend by program, loan reservation vs loan purchases (total units), financing execution trends, reservations by program, comparison of down payment assistance (DPA) sources, comparison of loan types, borrower demographics, market utilization comparison by quarter, state wide median sales price of homes and state wide home sales. Acuña provided a briefing to the Board regarding the impacts COVID-19 is having on mortgage originations. Non-Action Item.

Other Board Items - Information Only

16 There were no questions asked of staff.

- Staff Action Requiring Notice to Board
- COVID-19 Staff Actions Requiring Notice to Board
- Strategic Plan Dashboard

Monthly Reports - No Action Required

17 There were no questions asked of staff.

- Communications Department Reports

Quarterly Reports - No Action Required

18 There were no questions asked of staff.

- Quarterly Board Report

Announcements and Adjournment - Confirmation of Upcoming Board Meetings. Chair Reyes informed the Board that the next Board meeting will be held on June 17, 2020 via webcast.

There being no further business the meeting was adjourned at 1:09 p.m.

Approved: May 20, 2020

Chair, Angel Reyes

Secretary, Isidoro Hernandez

Tab 1



NEW MEXICO MORTGAGE FINANCE AUTHORITY

Finance/Operations Committee Meeting

Tuesday, June 9, 2020 at 1:30 p.m.

Webex - call-in information is 1-844-992-4726 (access code): 146 414 2960
or you can join the call from the calendar item

Agenda Item	COMMITTEE RECOMMENDED	BOARD ACTION REQUIRED
1 FY2020 General Fund Budget Amendment (Yvonne Segovia)	3-Ø	YES
2 Down Payment Assistance Housing Opportunity Fund Appropriation (Yvonne Segovia)	3-Ø	YES
3 Authorized Check and Electronic Funds Transfer Signatures (Yvonne Segovia)	3-Ø	YES
4 Electronic Signature Policy (Jeff Payne)	3-Ø	YES
5 State of New Mexico Infrastructure Capital Improvements Plan (ICIP) (Rebecca Velarde)	3-Ø	YES

Committee Members present:

Derek Valdo, Chair

☐ present

☐ absent

☒ conference call

State Treasurer Tim Eichenberg or
Proxy Diana Rosales - Ortiz

☐ present

☐ absent

☒ conference call

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

☐ present

☐ absent

☒ conference call

[Handwritten signature]



MEMO

TO: MFA Board of Directors
Through: Finance Committee – June 9, 2020
Through: Policy Committee – June 2, 2020
FROM: Yvonne Segovia, Controller
DATE: June 17, 2020
SUBJECT: FY2020 Budget Amendment

Recommendation:

Staff recommends approval of the Budget Amendment to adjust for single family mortgage loan production and staffing changes.

Background:

The MFA By-laws authorize staff to expend the money of the MFA in accordance with the budget. On 9/18/2019 the Board approved the fiscal year 2020 budget, which authorized total expenses of \$19,265,549 for a total net excess revenue over expenses budgeted at \$4,260,794, plus capital outlay of \$4,834,359.

Discussion:

MFA has continued to experience extraordinary single family mortgage loan production this fiscal year. MFA owns the mortgage servicing rights on the MFA portfolio. As a result of this ownership, the accounting requires us to expense the lender compensation and capitalize the mortgage servicing rights. Therefore, single family loan production levels have a direct impact on our operating budget.

However, this increased production has also resulted in an increase in subservicing fees and TBA transaction fees. Although there is some increased revenue during the current year, the servicing fees also generate revenue over the life of the loans, therefore MFA will continue to realize increased long-term earnings. The budget amendment also reflects a reduction in interest income due to the reduced rate on the loans in the warehouse, and an increase in the foreclosure losses anticipated.

In addition, MFA has added five full-time equivalent positions this year that were not budgeted. Since partial year salaries will be incurred this year, a budget amendment is not requested for compensation because vacancy savings will offset these costs. In addition to the five new positions, we have experienced turnover in 14 positions;

therefore have incurred more recruiting expenses than anticipated, resulting in the additional budget request in Contractual Services for advertising the vacant positions.

MFA budget is created very closely to our anticipated operating needs; therefore, the production levels have a direct impact on our operating expense budget. Staff anticipates that we will not have sufficient expense budget to carry the organization through the end of the fiscal year. Therefore staff is proposing an amendment to increase expense by \$512,344 and increase revenue budget by \$617,502 for a net increase in budgeted revenue over expenses of 105,158; and increase capital budget by \$1,248,560 as reflected on the attached Budget Amendment schedule. If this request is approved, it will result in Excess Revenue over Expenses of \$4,365,951.

Summary:

As a result of extraordinary single family mortgage loan production and high turnover, Staff anticipates that we will not have sufficient expense and capital outlay budget to carry the organization through the end of the fiscal year. Therefore staff is proposing an amendment to increase expense and capital budget by \$1,760,904 and increase revenue budget by \$617,502 for a net total of (\$1,143,402).

NEW MEXICO MORTGAGE FINANCE AUTHORITY
Fiscal Year 2019-2020
Approved 9/18/2019

BUDGET AMENDMENT

	Proposed Budget FY2020	Amended Budget FY2020	Total Approved Budget FY2020	Proposed Amendment	% Change
Interest Income	6,777,285		6,910,183	(132,897)	-2%
Interest on Investments & Securities	1,882,217		1,882,217	(0)	0%
Loan & Commitment Fees	10,000		10,000	-	0%
Administrative Fee Income (Exp)	8,784,423		8,444,423	340,000	4%
Risk Sharing/Guaranty/RTC fees	69,431		69,431	-	0%
Housing Program Income	1,084,053		1,084,053	-	0%
Loan Servicing Income	5,913,525		5,392,126	521,399	10%
Other Operating Income	1,500		1,500	-	0%
Operating Revenues	24,522,434		23,793,933	728,502	3%
Gain (Loss) Asset Sale/Debt Ex	(378,750)		(267,750)	(111,000)	41%
Other Non-operating Income	160		160	-	0%
Non-Operating Revenues	(378,590)		(267,590)	(111,000)	41%
Revenue	24,143,844		23,526,343	617,502	3%
Salaries	5,396,868		5,396,868	-	0%
Overtime	24,756		24,756	(0)	0%
Incentives	468,417		468,417	0	0%
Payroll taxes, Employee Benefits	2,567,648		2,567,648	(0)	0%
Compensation	8,457,690		8,457,690	-	0%
Business Meals Expense	5,060		5,060	(0)	0%
Public Information	278,905		278,905	-	0%
In-State Travel	97,140		97,140	-	0%
Out-of-State Travel	211,399		211,399	-	0%
Travel & Public Information	592,504		592,504	0	0%
Utilities/Property Taxes	73,652		73,652	0	0%
Insurance, Property & Liability	126,646		126,646	0	0%
Repairs, Maintenance & Leases	940,422		940,422	(0)	0%
Supplies	52,166		52,166	0	0%
Postage/Express mail	36,792		36,792	0	0%
Telephone	20,843		20,843	0	0%
Janitorial	25,080		25,080	0	0%
Office Expenses	1,275,601		1,275,601	(0)	0%
Dues & Periodicals	51,850		51,850	-	0%
Education & Training	122,711		122,711	-	0%
Contractual Services	1,136,001		1,121,001	15,000	1%
Professional Services-Program	58,236		58,236	-	0%
Direct Servicing Expenses	3,767,072		3,269,728	497,344	15%
Program Expense-Other	14,500		14,500	-	0%
Other Operating Expense	5,150,370		4,638,026	512,344	11%
Interest Expense	1,045,643		1,045,643	-	0%
Non-Cash Expenses	2,384,900		2,384,900	-	0%
Expensed Assets	177,670		177,670	(0)	0%
Operating Expenses	19,084,378		18,572,034	512,344	3%
Program Training & Tech Asst	551,715		551,715	0	0%
Program Development	141,800		141,800	-	0%
Capacity Building Costs	693,515		693,515	-	0%
Non-Operating Expenses	693,515		693,515	0	0%
Expenses	19,777,893		19,265,549	512,344	3%
Excess Revenue over Expenses	4,365,951		4,260,794	105,158	2%

NEW MEXICO MORTGAGE FINANCE AUTHORITY
Fiscal Year 2019-2020
Approved 9/18/2019

BUDGET AMENDMENT

	Proposed Amended Budget FY2020	Total Approved Budget FY2020	Proposed Amendment	% Change
2690 PURCHASED SERVICING RIGHTS	5,035,560	3,787,000	1,248,560	33%
2950 COMPUTER HARDWARE	184,324	184,324	-	0%
2860 BUILDING	863,035	863,035	-	0%
Capital Budget	6,082,919	4,834,359	1,248,560	26%

Tab 2



MEMO

TO: MFA Board of Directors

Through: Finance Committee – June 9, 2020

Through: Policy Committee – June 2, 2020

FROM: Yvonne Segovia, Controller

DATE: June 17, 2020

SUBJECT: Down Payment Assistance (DPA) Housing Opportunity Fund
Appropriation

Recommendation:

As specified on the attached Resolutions, Staff recommends \$2.55 million be appropriated to the First Down DPA Loan Program to support demand for the Single Family Mortgage Program.

Background:

The Housing Opportunity Fund (HOF) was created in 1992 to support MFA's legislative responsibility to provide decent, safe, and affordable housing programs to benefit all New Mexicans. The HOF programs are funded by MFA's General Fund reserves through appropriations designated by the Board. The programs that comprise the General Fund HOF include: Primero Investment Fund Program, Partners Loan Program, First Down DPA Program, and Access Loan Program. The Board has appropriated General Fund reserves to various programs in the HOF throughout the years. Total appropriations to date are \$113 million.

Discussion:

The DPA Program has exhausted all available appropriations due to increased demand in the Single Family Mortgage Program, resulting in a need for funds of \$2.55mm through 9/30/2020 to support anticipated demand. MFA currently has \$63.2mm in DPA portfolio loans on its statement of net position. The current interest rate on these loans is 6%. This program supports MFA's mission by providing affordable homeownership opportunities in New Mexico.

This appropriation would result in \$2.55mm in new funds being appropriated to the HOF. As of 4/30/2020, MFA has \$27.4mm in General Fund reserves which have been designated for use in the Single Family and Multifamily housing programs.

Summary:

The Housing Opportunity Fund First Down Program has exhausted all available appropriations due to increased demand in the Single Family Mortgage Program. Therefore, Staff recommends \$2.55mm of new funds be appropriated to the down payment assistance loan program to support anticipated demand through 9/30/2020.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY (MFA)
RESOLUTION**

WHEREAS, the New Mexico Mortgage Finance Authority Board of Directors (the "Board") met virtually via WebEx in a Regular meeting on June 17, 2020 at 9:30 a.m.; and

WHEREAS, as the State's Housing Agency, MFA is responsible for facilitating the provision of decent, safe and affordable housing to all New Mexicans; and

WHEREAS, there exists a need to provide statewide down payment assistance (DPA) to borrowers that have limited financial resources; and

WHEREAS, the Board has designated General Fund reserves to the Housing Opportunity Fund for the use in the HERO First Mortgage Program; and

WHEREAS, the Board also has designated repayments from the Housing Opportunity Fund HERO First Mortgage Program loans and various DPA loans to the DPA Program; and

WHEREAS, the Housing Opportunity Fund HERO First Mortgage Program funds have been fully disbursed; and

WHEREAS the MFA recommends an additional appropriation of \$2,550,000 plus repayments from the HERO First Mortgage loans and the various DPA loans be designated to the First Down DPA Loan Program; therefore

IT IS RESOLVED that the MFA Board agrees to appropriate an additional \$2,550,000 plus repayments of HERO and DPA loans to the First Down DPA Loan Program.

After discussion, the foregoing Resolution was duly moved by _____, and seconded by _____; adopted by the following vote:

Aye Nay Absent

Date Adopted: June 17, 2020

Tab 3



MEMO

TO: MFA Board of Directors

Through: Finance Committee – June 9, 2020

Through: Policy Committee – June 2, 2020

FROM: Yvonne Segovia, Controller

DATE: June 17, 2020

SUBJECT: Authorized Check and Electronic Funds Transfer (EFT) Signatures

Recommendation:

Management is recommending the Authorized Check and EFT policy be revised as follows:

According to MFA policy, the single signature of the Chair, Vice Chair, Treasurer (or other Board Member(s) designated by the Chair), Executive Director, Deputy Director(s), or Controller shall be required on any check or EFT up to ~~\$2,000~~\$5,000. Two signatures of any of the above shall be required on disbursements from ~~\$2,000~~\$5,000 up to \$10,000. Disbursements of \$10,000 or more require dual signatures, one of which must be the Chair, Vice Chair, Treasurer or a designee of the Chair.

Background:

According to MFA policy, the single signature of the Chair, Vice Chair, Treasurer (or other Board Member(s) designated by the Chair), Executive Director, Deputy Director(s), or Controller shall be required on any check or EFT up to \$2,000. Two signatures of any of the above shall be required on disbursements from \$2,000 up to \$10,000. Disbursements of \$10,000 or more require dual signatures, one of which must be the Chair, Vice Chair, Treasurer or a designee of the Chair.

Discussion:

In order to make check processing more efficient and expeditious, Management discussed raising the single check signature requirement from \$2,000. This change was discussed with both MFA's internal and external auditors to identify best practice. Both auditors indicated that they normally see two signatures required on checks of entities MFA's size at \$5,000 to up to \$15,000. They also pointed out that the level is really based on an institution's risk tolerance.

I analyzed check disbursements for 10/31/19 – 4/30/20 and found that 72% of the number of checks, which represents 7% of the total amount of checks, were less than

\$2,000. If we increase the level of single signatures to \$5,000, this would be 84% of the check volume and 15% of the check amount.

Level	# of check	\$ of checks	% of Total # of Checks	% of Total \$ of Checks
\$2,000	1,181	\$560,401	72%	7%
\$5,000	191	\$591,863	12%	8%
\$10,000	120	\$876,919	7%	11%
>\$15,000	139	\$5,655,617	9%	74%
Total	1,631	\$7,684,800	100%	100%

MFA has strong internal controls for the processing of payments. All invoices processed for payment are approved by someone other than the check signer. First check signatures are normally done by the Controller, with second signatures completed by the Deputy Director of Finance & Administration. The Executive Director, Deputy Director of Finance and Administration and Controller are designated by the Board Chair to sign checks greater than \$10,000.

An increase to \$5,000 for one check signor is minimal exposure at 15% in amount, yet is very efficient at 84% of check volume.

Summary:

Staff is requesting the MFA policy requiring two signatures on checks of \$2,000 or more be raised to \$5,000.

Tab 4



MEMO

TO: MFA Board of Directors

Through: Finance Committee – June 9, 2020

Through: Policy Committee – June 2, 2020

FROM: Jeff Payne, Senior Director of Mortgage Operations

DATE: June 17, 2020

SUBJECT: Electronic Signature Policy

Recommendation:

Staff recommends the approval and adoption of the attached Electronic Signature Policy. This policy creates a structure for the approval and use of electronic signature methods and mandates compliance with applicable state and federal laws governing the use of electronic signatures.

Background:

Staff has considered the need to adopt the use of electronic signatures for some time. The entire organization led by the Information Security Department has worked to implement technology to make MFA's processes efficient and secure. The use of electronic signatures has been a key component of this goal. Software and processes have been implemented for electronic document management and storage, digital signature software, remote telework equipment and policies, and software upgrades that allow MFA to be less dependent on manual processes.

In addition, our external partners, including mortgage lenders, have consistently requested the ability to utilize electronic signatures when dealing with MFA. Because of restrictions in place due to the COVID-19 pandemic in recent weeks, the ability to work remotely utilizing electronic documents has become critical to MFA's continued mission.

Staff researched and created the proposed policy in consultation with legal counsel. MFA directors and the compliance officer provided much needed perspective.

Discussion:

Although MFA is not required to abide by the New Mexico Admin Code 1.12.7 ("Code"), MFA intends to abide by the policy and principles outlined in the Code. It is also intended that MFA's electronic signatures policy conform to the requirements set forth under the federal Electronic Signatures in Global and National Commerce Act (the "E-SIGN Act") and under New Mexico's Uniform Electronic Transaction Act, Section 14-16-1 et seq NMSA 1978 ("UETA").

The attached policy is not meant to cover every conceivable situation, but rather to establish a framework for accountability regarding the approval process and use of electronic signatures. The proposed policy is simple enough to allow MFA to adapt to changing needs.

The policy outlines the process for departments within MFA to determine the “approved electronic signature method” with the approval of their respective Deputy Director or the Executive Director in consultation with the Chief Information Officer. Departments are given the responsibility to make sure approved electronic signature methods are employed according to the specific and varied needs of the department

The policy addresses approved electronic signature methods within MFA and external uses with contracts and agreements. The policy also includes a simple summary of the requirements for electronic signatures to be considered legally valid to assist staff in determining the electronic signature methods most appropriate. Legal prohibitions to the use of electronic signatures are also listed. The use of electronic signature vendors that meet federal and state requirements is mandated and suggested verbiage to be included in MFA contracts acknowledging the validity of electronic signatures is provided.

Summary:

Staff recommends the approval and adoption of the attached Electronic Signature Policy. This policy creates a structure for the approval and use of electronic signature methods and mandates compliance with applicable state and federal laws governing the use of electronic signatures. The New Mexico Mortgage Finance Authority seeks to adapt to changing business technologies and practices, gain efficiencies for internal processes and make it easier for external parties to do business with MFA. This policy seeks to outline a framework and simple rules to comply with all state and federal laws governing the use of electronic signatures and documents.

A. Purpose and Scope

This policy establishes when an electronic signature may replace a written signature in official MFA activities and applies to all Members, Management, Employees, or Funding Committee members, and governs all uses of electronic signatures and electronic records used to conduct the official business of MFA. Such business shall include, but not be limited to electronic communications, transactions, contracts, grant applications and other official purposes including transactions with MFA's external clients, partners, service providers, and their customers.

B. Definitions

For the purposes of this policy, the following terms have the following meanings:

1. "approved electronic signature method" is one that has been approved by a Deputy Director or the Executive Director in consultation with the Chief Information Officer, in accordance with this policy and all applicable state and federal laws, and which specifies the form of the electronic signature, and the significance of the use of the electronic signature;
2. "electronic" means relating to technology having electrical, digital, magnetic, wireless, telephonic, optical, electromagnetic or similar capabilities;
3. "electronic record" means a record created, generated, sent, communicated, received or stored by electronic means;
4. "electronic signature" means an electronic symbol, sound or process attached to or logically associated with a record and executed or adopted by a person with the intent to sign the record;
5. "Intent to sign" means the intent of a person that a symbol, sound or process is applied to a record in order to have a legally binding effect; and
6. "record" means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in a perceivable form.

C. Acceptance and Use of Electronic Signatures

1. Signature Required by MFA Policy / Internal Use

Where an MFA policy or Department procedure requires that a record have a signature, the requirement is met when the electronic record has associated with it an electronic signature, using an approved electronic signature method. Electronic signatures may be used on all internal records and approvals unless specifically prohibited by existing law, regulation or by management.

2. Signature Required by Law

Where there is a legal requirement, beyond MFA policy, that a record have the signature of a responsible person, that signature requirement is met when the electronic record has associated with it an electronic signature, using an approved electronic signature method that complies with New Mexico state law or federal law, including the Electronic Signatures in Global

and National Commerce Act (the “E-SIGN Act”) and New Mexico’s Uniform Electronic Transaction Act, Section 14-16-1 et seq NMSA 1978 (“UETA”).

For electronic signatures which are required by law, the approved electronic signature method must ensure that the following requirements are met:

- a) **Intent to sign** –each party must have had intent to sign
- b) **Consent** – each party must agree to use electronic signatures and electronic records for the transaction. For business transactions this may be evident by the circumstances of the transaction but for consumers, they must receive consent disclosures, agree to use electronic records and may not have withdrawn their consent.
- c) **Associate the signature with the record** – the electronic record must have an associated electronic signature with it that demonstrates the process used to capture the signature. It must be added to the electronic record permanently.
- d) **Retention** – the electronic record and associated electronic signature must be securely saved and accessible by the parties to the transaction.

3. **Approved Electronic Signature Vendors**

MFA shall contract with vendors capable of deploying technology which meets federal and state statutory requirements and complies with the E-Sign Act, UETA and any other regulatory requirements that may apply. Vendor certification of such must be maintained by the Information Technology Department.

4. **Prohibited Uses**

In addition to any prohibited use of electronic signature which may be identified by MFA Department Directors/Managers pursuant to Section 6 of this Policy, electronic signatures are expressly prohibited in the following circumstances that apply to MFA business:

- a) Notices of default, acceleration, repossession, foreclosure, or eviction, or the right to cure under a credit agreement secured by, or rental agreement for, a primary residence of an individual;
- b) Notices for the cancellation or termination of health insurance or benefits or life insurance benefits (excluding annuities)

5. **MFA Contracts**

MFA generated contracts or agreements that are executed electronically should contain language allowing for electronic signatures. An example of such language would be:

“Electronic Signatures. Each party agrees that the electronic signatures, whether digital or encrypted, of the parties included in this Agreement are intended to authenticate this writing and to have the same force and effect as manual signatures.

Electronic signature means any electronic sound, symbol, or process attached to or logically associated with a record executed and adopted by a party with the intent to sign such record, including facsimile or email electronic signatures.”

6. Department Procedures

MFA Department Directors/Managers may maintain a list of documents for which the use of electronic signatures is prohibited. Each Department Director/Manager shall be responsible for ensuring that the Department utilizes an approved electronic signature method that meets the requirements for the type of record requiring signature and partner electronic signature requirements. Departments shall continue to maintain their records in accordance with the appropriate record retention policy

Tab 5



MEMO

TO: MFA Board of Directors

Through: Finance Committee – June 9, 2020

Through: Policy Committee – June 2, 2020

FROM: Rebecca Velarde, Director of Policy and Planning

DATE: June 17, 2020

SUBJECT: 2022-2026 State of New Mexico Infrastructure Capital Improvement Plan

Recommendation:

Staff recommends approval of the following project for the FY 2022-2026 Infrastructure Capital Improvement Plan (ICIP), which must be submitted to the Capital Outlay Bureau of New Mexico Department of Finance and Administration (DFA) by July 1, 2020:

Priority 1: New Mexico Housing Trust Fund \$12 million each year for 2022-2026

Background and Discussion:

Each year, the Capital Outlay Bureau of DFA requests that state agencies, local governments, tribal governments, special districts and senior citizen facilities submit ICIPs for priority capital projects for which they will seek state funding in the next five years. Prior to 2015, MFA was not aware that it was eligible to request capital outlay funding through the state ICIP process. At a meeting with DFA staff in 2015, MFA was encouraged to submit an ICIP as a state agency. MFA was informed that, if prioritized through the ICIP process, its projects would be rolled into the severance tax bond capital outlay bill for consideration by the legislature. Severance tax bonds can be used for projects such as MFA's, which are privately owned once constructed.

MFA has submitted the same capital outlay requests for the past few years, including \$10 million each year for the New Mexico Housing Trust Fund and \$2 million for Weatherization, with the following results at these Legislative Sessions:

- 2016: Both requests were prioritized and included in the original severance tax bond capital outlay bill, although neither request was included in the substitute bill that was ultimately approved.
- 2017: No capital outlay requests were approved in 2017.
- 2018: Neither request was included in capital outlay legislation.

- 2019: Both requests were included in the capital outlay bill. The New Mexico Housing Trust Fund received \$2,000,000, and Weatherization received \$1,000,000.
- 2020: Both requests were included in the capital outlay bill. The New Mexico Housing Trust Fund received \$1,200,000, and Weatherization received \$1,000,000.

MFA has received guidance that its Legislative Agendas contain too many proposed bills, which hinders our success. Further, an initial review has found several of the bills proposed in prior Legislative Agendas could be combined. In anticipation of shortening MFA's Legislative Agenda for the 2021 Legislative Session, staff is recommending MFA include a single ICIP project request of \$12 million each year for five years that combines earlier funding requests for New Mexico Housing Trust Funds and Weatherization funds. The ICIP priority would be listed as a New Mexico Housing Trust Fund project. MFA staff has conducted an initial review of the New Mexico Housing Trust Fund Statute and believes the current Weatherization program could fit under this umbrella. However, MFA would need to pursue changes to the New Mexico Housing Trust Fund Rules during the Interim Session with the Legislative Oversight Committee.

Summary:

Each year, DFA requests that state agencies, local governments, tribal governments, special districts and senior citizen facilities submit ICIPs for priority capital projects for which they will seek state funding in the next five years. MFA has submitted ICIPs through this process for the last five years, and \$2,200,000 has been received in this latest fiscal year. MFA is recommending that a new ICIP be submitted for the FY 2022-2026 ICIP for the following priority, which combines two priorities requested in previous ICIP requests:

Priority 1:	New Mexico Housing Trust Fund	\$12 million each year for 2022-2026
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Infrastructure Capital Improvement Plan FY 2022-2026

ICIP for Mortgage Finance Authority

Contact: Rebecca Velarde
344 4th Street SW
Albuquerque, 87102

Telephone No.: 505-767-2273

Email Address: rvelarde@housingnm.org

County: Bernalillo

Entity Type: AG

Procurement Officer Name:

Telephone No.:

Email Address:

Financial Officer Name: Yvonne Segovia

Telephone No.: 505-767-2253

Email Address: ysegovia@housingnm.org

Executive Order 2013-006 Compliance

Is your entity compliant with Executive Order 2013-006? Yes

Does your entity have an asset management plan and/or inventory listing of capital assets? No

Entity Planning: Process, Nature/Effect/Options/Recommendations of Trends

Process

Each year, the New Mexico Mortgage Finance Authority (MFA), a quasi-governmental entity, develops a list of state legislative priorities for appropriations and capital outlay. Priorities are based on public comment and needs identified for the various programs administered by MFA (see Factors/Trends, below). During the Interim session, the Mortgage Finance Authority Act Oversight Committee and MFA's board of directors review and approve MFA's legislative priorities for the upcoming year.

Goals

MFA's capital improvement goal of providing additional resources for affordable housing development, rehabilitation, and/or weatherization is consistent with its current Strategic Plan, which includes an objective of developing new resources for affordable housing. The capital outlay goal also fall within two of MFA's primary program areas: Housing Development (financing to develop and rehabilitate single family and multifamily homes) and Community Development (grant programs for home rehabilitation, weatherization/energy-efficiency, homeless services and prevention). MFA's capital improvement goal is critical to MFA fulfilling its mission: All New Mexicans will have quality affordable housing opportunities.

Factors/Trends Considered

MFA conducts, oversees and considers the following studies and data to determine affordable housing needs in NM: NM Consolidated Plan, NM Annual Action Plan and Impediments to Fair Housing Choice (HUD mandated studies that require citizen participation); developers forum and public comment period for the Qualified Action Plan which governs the allocation of federal Low-Income Housing Tax Credits by MFA; affordable housing plans developed by local governments and overseen by MFA pursuant to the Affordable Housing Act; real estate sales data; market studies for rental housing (MFA contracts with BBER for one such study on an annual basis); Federal Home Loan Bank studies and reports; U.S. Census data; and federal affordable housing studies. Statewide needs identified in relation to capital improvement goals are: additional affordable housing development and additional resources for home rehabilitation and weatherization.

Infrastructure Capital Improvement Plan FY2022-2026

ICIP Capital Project Description

Year/Rank 2022 001 **Priority:** High **ID:**30500

Project Title: New Mexico Housing Trust Fund **Class:** New **Type/Subtype:** Facilities - Housing-Related Cap Infrastructure

Contact Name: Rebecca Velarde **Contact Phone:** 505-767-2273 **Contact E-mail:** rvelarde@housingnm.org

Total project cost: 83,047,632 **Proposed project start date:** July 2021

Project Location: Statewide To be determined NM TBD **Latitude:** To be determined **Longitude:** To be determined

Legislative Language: \$12 million in capital outlay funds for the NM Mortgage Finance Authority (MFA) to build or rehabilitate affordable housing and to weatherize and provide energy-efficiency improvements for low-income households statewide, pursuant to the New Mexico Housing Trust Fund Act and the Affordable Housing Act.

Scope of Work: NM Housing Trust Fund (HTF) awards are made to developers to finance construction and/or rehabilitation of affordable homes and to service providers to make weatherization and energy-efficiency improvements for low-income households. Twelve million in capital outlay funding is expected to weatherize and provide energy-efficiency improvements for approximately 300 low-income households (in addition to those already served with matching funds) and build or rehabilitate 1,000 affordable homes (when combined with matching funds). Matching funds consist of federal tax credits, federal grants and MFA's own resources that MFA receives or budgets for annually (FY of Oct-Sep) for this purpose. Pursuant to the New Mexico Housing Trust Fund Act (NMSA 1978 Section 58-18C-1), MFA oversees the Housing Trust Fund and the NM Housing Trust Fund advisory committee makes award recommendations to the MFA board of directors. Awards for specific projects are made after funding is received; therefore, project-specific costs, details and locations are not provided in this request. To date, the NM Housing Trust Fund has been used to finance over 3,500 homes. The state's investment of \$20.85 million in HTF has been leveraged 24 to 1 with other funding sources.

Secured and Potential Funding Budget:						
State Grant Funding should only be requested when all other funding sources have been exhausted if entity is providing matching funds, i.e. Federal, Local Taxes, Fees, NM Finance Authority Loans (NMFA), Tribal Infrastructure Fund (TIF), Water Trust Board (WTB), Public School Facility Authority (PSFA), Colonia's Infrastructure Board (CIB), etc.						
Please complete table below with all secured and potential funding sources.						
Funding Source(s)	Funding Amount	Applied For? Yes or No	Amount Secured	Amt Expended to Date	Date(s) Received	Comment
OTHER	5,897,332	No	5,897,332	0	FY 2020	LIHTC
FGRANT	5,245,062	No	5,245,062	0	FY 2020	HOME
FGRANT	3,000,000	No	3,000,000	0	FY 2020	NHTF
FGRANT	2,508,160	No	2,508,160	0	FY 2020	Department of Energy (DOE)
CAP	2,200,000	No	2,200,000	0	FY 2020	NMHTF & Weatherization
FGRANT	2,621,321	No	2,621,321	0	FY 2020	LIHEAP
FGRANT	65,704	No	65,704	0	FY 2018	Unspent Admin-Carryover DOE
OTHER	1,510,048	No	1,510,048	58,013.16	FY 2020	NMGC, PNM, CVE and CCLI Funds
TOTALS	23,047,628		23,047,628	58,013.16		

Infrastructure Capital Improvement Plan FY2022-2026

Project Budget - Complete the Budget below. Only include unfunded or unsecured funds under each project year. Note: Funded to Date column must equal the amounts listed above here.								
	Completed	Funded to Date	Estimated Costs Not Yet Funded					Total Project Cost
			2022	2023	2024	2025	2026	
Water Rights	No	0	0	0	0	0	0	0
Easements and Rights of Way	No	0	0	0	0	0	0	0
Acquisition	No	0	0	0	0	0	0	0
Archaeological Studies	No	0	0	0	0	0	0	0
Environmental Studies	No	0	0	0	0	0	0	0
Planning	No	0	0	0	0	0	0	0
Design (Engr./Arch.)	No	0	0	0	0	0	0	0
Construction	Yes	23,047,628	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	83,047,632
Furnishing/Equipment	No	0	0	0	0	0	0	0
TOTALS		23,047,628	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	83,047,632
Amount Not Yet Funded		60,000,000						

PHASING BUDGET

Can this project be phased? No

Phasing: Stand Alone: Yes Multi-Phased: No

A project single phase approach is used for projects that can be completed with one process because it is manageable, affordable, and will not require any foreseeable additional resources or activities to be fully operational when complete.

A project multi-phased approach is used for breaking down very large projects into manageable standalone parts that are independently functional and easier to fund.

If the multi-phase approach is being used it is required to provide accurate dates, costs, and funding sources for prior phases, and be able to provide reasonable projections of dates, costs, and funding sources for future phases. In addition, each multi-phase has three main levels: Planning, Design, and Construction. Each level can be funded individually, however strong emphasis is put on completing all three levels.

Phase	Amount	Plan	Design	Construct	Furnish/Equip	Other (Wtr Rights, Easements, Acq)	# Mos to Complete
1	0	No	No	No	No	No	0
2	0	No	No	No	No	No	0

Infrastructure Capital Improvement Plan FY2022-2026

3	0	No	No	No	No	No	0
4	0	No	No	No	No	No	0
5	0	No	No	No	No	No	0
TOTAL	0						

Has your local government/agency budgeted for operating expenses for the project when it is completed?							No
If no, please explain why: Property owner/borrower will own and operate							
ANNUAL OPERATING BUDGET	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	TOTAL	
Annual Operating Expenses plus Debt Service	0	0	0	0	0	0	
Annual Operating Revenues	0	0	0	0	0	0	

Does the project lower operating costs?

Yes

If yes, please explain and provide estimates of operating savings

If HTF funds are used for rehab/weatherization, operating costs will decrease due to energy-efficiency upgrades.

Weatherization homes see \$300-\$500 of utility savings per year.

Entities who will assume the following responsibilities for this project:

	Fiscal Agent:	Own:	Operate:	Own Land:	Own Asset:	Maintain:
	Project owner/borrower	Project owner/borrower	Owner or professional management company	Project owner/borrower	Project owner/borrower	Project owner/borrower
Lease/operating agreement in place?	No	No		No	No	No

More detailed information on project.

(a) How many years is the requested project expected to be in use before needing Renovate/Repair or Replacement? 16 years or more

(b) Has the project had public input and buy-in? Yes

(c) Is the project necessary to address population or client growth and if so, will it provide services to that population or clientele? Yes

(d) Regionalism - Does the project directly benefit an entity other than itself? Yes

If yes, please list the other entity. Each project benefits the city and county jurisdictions or tribe where it is located as well as the property owner.

Infrastructure Capital Improvement Plan FY2022-2026

(e) Are there oversight mechanisms built in that would ensure timely construction and completion of the project on budget?

Yes

Please explain. For housing loans, MFA verifies milestones before dispersing funds. For weatherization, a Quality Control Inspector (QCI) inspects work, and MFA monitors 100% of units.

(f) Other than the temporary construction jobs associated with the project, does the project maintain or advance the region's economy?

Yes

If yes, please explain. Affordable housing revitalizes neighborhoods, stabilizes families and improves health and education outcomes for low-income persons.

(g) Does the project benefit all citizens within a recognized region, district or political subdivision?

No

If yes, please explain and provide the number of people that will benefit from the project.

The project benefits low-income persons as defined by other program funds.

(h) Does the project eliminate a risk or hazard to public health and/or safety that immediately endangers occupants of the premises such that corrective action is urgent and unavoidable? Emergencies must be documented by a Subject Matter Expert.

No

If yes, please explain. (If mandatory, provide Summary Page of the Federal, State or Judiciary Agency who issued the mandate.)

FY 2021-2025 ICIP Submission Checklist

Agency Name: Mortgage Finance Authority

Agency Code: 02167

REQUIRED Documentation for a Compliant Submission:

Email Agency Certification and Checklist, to Tonantzin.Roybal@state.nm.us, with the following information completed:

- ☒ Agency Name
- ☒ Agency Code
- ☒ Digital Signature of Agency Secretary, Director or Manager with title listed
- ☒ Digital Signature of Board/Commission Chairperson, as applicable, with title listed
- ☒ Digital Signature of Contact/Preparer
- ☒ Contact Address
- ☒ Contact Phone Number
- ☒ Completed ICIP Submission Checklist (**check off boxes and email this checklist with the required agency certification**)

REQUIRED for a Compliant ICIP Submission:

- ☒ Enter ICIP Entity Information
- ☒ Ensure Agency contact information is complete
- ☒ Ensure Agency audit, budget and financial reporting information is complete
- ☒ **Enter ICIP Project Information**
- ☒ Ensure projects listed are only for the fiscal years 2022-2026 (July 1, 2021 – June 30, 2026)
- ☒ Ensure all prior year projects are deactivated or updated (**2021 projects are not to be listed and will not be considered**)
- ☒ Ensure year and rankings are consecutive (for example, do not skip a project rank by listing a 2022-001 project and a 2022-003 project without also including a 2022-002 project)
- ☒ Ensure all questions are answered and all fields populated
- ☒ Check grammar and spelling; this information is posted on the DFA website and shared with legislative agencies
- ☒ Ensure all project information is accurate, including but not limited to funding amounts, law language and project scope as this information is used to draft the appropriation language should it be included in a bill

Agency contact and project information must be entered into the ICIP database at www.state.nm.us/capitalprojects/ by Wednesday, July 1, 2020.

Agency Name: Mortgage Finance Authority

Agency Code: 02167

Agency Certification

2022 – 2026 Infrastructure Capital Improvement Plan (ICIP) Certification

I hereby certify that the accompanying summary and detailed statements are true and correct to the best of my knowledge

Signature – Agency Secretary/Director/Manager

Executive Director

Title

Signature – Board/Commission Chairperson, as applicable

Chairman of the Board

Title



Signature – Contact/Preparer

Director of Policy and Planning

Title

344 4th Street SW, Albuquerque, NM 87111

Contact Address

(505) 767-2273

Contact Phone

Tab 6



NEW MEXICO MORTGAGE FINANCE AUTHORITY
Contracted Services/Credit Committee Meeting
Tuesday, June 9, 2020 @ 10:00 am
MFA – Albuquerque

Webex join the meeting from the calendar or call
1-844-992-4726 (access code) 146 008 2230

AGENDA ITEM	COMMITTEE RECOMMENDED	BOARD ACTION REQUIRED
1 Proposed 2020 Low Income Housing Tax Credit (LIHTC) Awards (Kathryn Turner)	N/A (Info. only)	YES
2 Low Income Housing Tax Credit (LIHTC) Gap Financing Loan Requests (George Maestas) a. A'diidi ni'kuwa - HOME and NHTF loan requests b. Encantada Apartments - HOME and NHTF requests c. Copper Terrace - HOME CHDO and NMHTF loan requests d. 6100 Harper - NHTF loan request e. Broadway/McKnight - NHTF loan request	3-0	YES
3 Approval of the 2020-2021 Continuum of Care Performance Program Award (Natalie Michelback)	3-0	YES
4 State Neighborhood Stabilization Program (NSP) Award Reallocation (Theresa Laredo-Garcia)	3-0	YES
5 Idaho Housing & Finance Association-Limited Source Procurement for Subservicing and Program Support Services (Teresa Lloyd/Jeff Payne)	3-0	YES
6 Questions/Comments from Committee	N/A	NO

Committee Members present:

Rebecca Wurzbarger, Chair

☐ present

☐ absent

☒ conference call

Attorney General Hector Balderas or
Sally Malavé

☐ present

☐ absent

☒ conference call

Rosalyn Nguyen Chafey

☐ present

☐ absent

☒ conference call



MEMORANDUM

TO: MFA Board of Directors

Through: Special Policy Committee - March 25, 2020
Allocation Review Committee – April 21, 2020 (and May 19, 2020 for Appeals)
Contracted Services & Credit Committee - June 9, 2020 (for discussion only)

FROM: Kathryn Turner, Tax Credit Program Officer

DATE: May 29, 2020

SUBJECT: Proposed 2020 Low Income Housing Tax Credit (LIHTC) awards

Recommendation:

Staff, by and through MFA's Allocation Review Committee ("ARC"), requests approval of eight LIHTC awards, attached as Table 7A, approval of a forward allocation of 2021 tax credits in the amount of \$2,868,952, and approval of four projects for the waitlist, attached as Table 7B.

Background:

In accordance with the 2020 *State of New Mexico Housing Tax Credit Program Qualified Allocation Plan* (QAP), MFA accepted applications for the competitive 9% Tax Credit round submitted by February 14, 2020. Each application was reviewed for threshold requirements¹, scored, and underwritten to test financial feasibility and determine the maximum allowable tax credit award.

Threshold issues were discussed with legal counsel and, pursuant to Section IV.C.5 of the QAP, Applicants were allowed a deficiency correction period to remedy correctable threshold issues. All correctable threshold deficiencies identified were remedied. In addition, supplemental information requests were made pursuant to Section IV.C.6 of the QAP. The information provided in connection with these supplemental information requests was satisfactory. The results of staff's rating and ranking were reviewed and approved by the ARC at their meeting on April 21, 2020. The ARC approved a motion to recommend eight projects for award, forward allocations and four waitlisted projects, as presented herein to the Board of Directors. Preliminary award and waitlist letters were mailed on April 24, 2020, which letters outlined MFA's appeal process, all as described in Section IV.F.4 of the QAP. Two appeals were filed, one by Thomas Development Company, LLC and one by Tierra Realty Trust, LLC by the appeal deadline of May 5, 2020. The ARC convened an appeal hearing on May 19, 2020 and ruled in favor of both appellants. In addition, staff commissioned independent third-party market

¹ Threshold requirements are discussed in Section III.C. of the QAP and include the following: (i) site control; (ii) appropriate zoning; (iii) all fees current; (iv) minimum project score; (v) applicant eligibility; (vi) financial feasibility; and (vii) pre-application requirements.

studies for each of the eight projects proposed for award.² Each market study contained a delineation of the particular market area and discussion of market area economy (including population and household trends and household income distribution), a demand analysis based on capture rates of size appropriate, income eligible renter households, an absorption rate estimate, a competitive rental market analysis and an operating expense analysis. Each study confirmed the subject's rental rates are at or below achievable rents and confirmed market feasibility.

As detailed in the attached Table 1, *2020 Housing Tax Credit Ceiling*, MFA began the tax credit round with an estimated balance of \$4,153,332 after deducting the forward allocations from last year's round. As discussed below, staff recommends the allocation of all 2020 tax credits plus a forward allocation of \$2,868,952 of 2021 tax credits in order to fully fund the top five ranking new construction projects and the top three ranking rehabilitation projects.

Discussion:

A. Overview

- Demand for Tax Credits in 2020 was up slightly in comparison to 2019. MFA received 13 applications this year requesting a total of \$11,960,312 in annual tax credits vis-à-vis 2019 applications totaling \$11,768,678.
- The ratio of requests to ceiling (i.e. \$4,153,332) this year was 2.88:1, up from 2.59:1 last year.
- Average cost per unit (new construction) this year is \$202,888, slightly down from \$203,607 in 2019 and up from \$188,151 in 2018.
- Average cost per unit (acquisition/rehab projects) this year is \$175,116, up from \$138,466 in 2019. No project exceeds MFA's cost limits as defined in Section IV.C.2 of the QAP.
- Average project size went down; 60.69 units as compared with 75.1 units in 2019.
- Twelve projects were determined to be "Eligible" for tax credit awards; one application was rejected, due to financial infeasibility.
- At the conclusion of the ARC meeting held on April 21, 2020, ARC passed a motion recommending approval of eight proposed awards as presented in Table 7A, approval of the 2020 waitlist as presented in Table 7B, and approval of a forward allocation in the amount of \$2,868,952 in 2021 tax credits in order to fully fund the eight awards.
- The remaining four eligible projects will make up the waitlist.
- The 10% Non-Profit Set-Aside was achieved and one award is being made under the USDA Rural Development Set-Aside.³

² MFA engaged the market study analyst immediately following the successful appeal for Villa Mirasol, however we do not anticipate receiving this market study until right before the June board meeting (a traditional 4-week turnaround time.)

³ Projects under the nonprofit and USDA set-asides are funded first until the set-aside amount is satisfied.

- All eight of the recommended projects have a sponsor or co-sponsor that is a non-profit entity, local housing authority or local tribally designated housing entity (TDHE).
- Of the eight recommended projects, one project will serve households with special housing needs, one project will serve senior households and six projects will serve households with children.
- The eight recommended projects are located in the following counties: Bernalillo, Otero, Cibola, Dona Ana, and Valencia. Four projects are located in urban areas (Albuquerque) and four projects are located in rural areas (Sunland Park, Pueblo of Acoma, Mescalero and Village of Los Lunas).
- All of the projects are in Areas of Statistically Demonstrated Need.
- The eight recommended projects contain unit sizes ranging from 30 to 96 units.
- Five of the eight recommended projects involve new construction (projects contain 48, 91, 39, 30, and 54 units, for a total of 262 units, all of which are affordable units), and three of the eight recommended projects involve rehabilitation (59, 47 and 96 units, for a total of 202 units, 196 of which are affordable).
- A total of 464 units will be constructed or rehabilitated and 458 of these will be low income units. The table below details the unit rental restrictions for the units to be constructed or rehabilitated.

Unit Rental Restrictions for Recommended Projects

30% AMI	40% AMI	50% AMI	60% AMI	70% AMI	80% AMI	Not Restricted	Employee Occupied
68	18	266	94	8	8	0	2
14.7%	3.9%	57.3%	20.3%	1.7%	1.7%	0%	0.43%

B. Tax Credit Efficiency

All eight projects recommended for award qualified for points under the project selection criterion no. 20 for Efficient Use of Tax Credits. The table below outlines the tax credit efficiency for each of the eight projects.

New Construction:

Project Name:	Gross Sq. Ft.	Applicable Fraction	Adj. Sq. Ft.	Low Income Units	Tax Credit Request	Tax Credits/Adj. Sq. Ft.	Tax Credits/Low Income Unit
Villa Mirasol	64,747	100%	64,747	48	\$848,640	\$13.11	\$17,680.00
A'diidi ni'kuwaa	35,773	100%	35,773	39	\$626,772	\$17.52	\$16,071.08
Luminaria Senior	68,800	100%	68,800	91	\$1,142,400	\$16.60	\$12,553.85

PAHA Homes #2	42,081	100%	42,081	30	\$671,000	\$15.95	\$22,366.67
Broadway/McKnight	58,917	100%	58,917	54	\$954,720	\$16.20	\$17,680.00

Rehabilitation:

Project Name:	Gross Sq. Ft.	Applicable Fraction	Adj. Sq. Ft.	Low Income Units	Tax Credit Request	Tax Credits/Adj. Sq. Ft.	Tax Credits/Low Income Unit
Encantada Apartments	43,679	100%	35,899	47	\$633,630	\$15.94	\$11,448.02
6100 Harper	68,628	100%	19,007	59	\$912,789	\$29.46	\$14,000.00
Copper Terrace	92,997	93%	86,487	90	\$1,232,333	\$14.24	\$9,780.42

C. Total Development Costs-

The Total Development Cost Analysis (cost/gross square foot) for each of the recommended Projects is as follows:

TOTAL DEVELOPMENT COST INFORMATION SUMMARY			
Project: Villa Mirasol, Sunland Park, New Construction	Total	% TDC	Cost/GSF*
Acquisition Costs (land, building acquisition, & other acquisition costs)	\$640,332	5.8%	\$ 9.89
Construction Hard Costs	\$6,400,000	57.6%	\$ 98.85
Other Construction Costs (contractor O&P, general req, GRT, landscaping, furnishings, etc)	\$1,840,600	16.6%	\$ 28.43
Professional Services/Fees (architect, engineer, real estate legal, etc)	\$393,873	3.5%	\$ 6.08
Construction Financing Costs (interest, insurance, inspections, fees, etc)	\$447,500	4.0%	\$ 6.91
Permanent Financing Costs (fees, title/recording, etc)	\$25,500	0.2%	\$ 0.39
Other Soft Costs (tax credit fees, environmental reports, appraisals, accounting, etc)	\$109,559	1.0%	\$ 1.69
Syndication-Related Costs (organization, bridge loan, tax opinion, etc)	\$20,500	0.2%	\$ 0.32
Reserves (rent-up, operating, replacement, escrows, etc)	\$223,907	2.0%	\$ 3.46
Developer Fees (inc consultant fees)	\$1,008,000	9.1%	\$ 15.57
Total Development Costs (TDC)	\$11,109,771	100.0%	\$ 171.59
TDC w/o Land, Reserves & Commercial	\$10,245,532	92%	\$ 158.24
*Gross square footage: 64,747			

TOTAL DEVELOPMENT COST INFORMATION SUMMARY			
Project: A'diidi ni'kuwaa, Mescalero, New Construction	Total	% TDC	Cost/GSF*
Acquisition Costs (land, building acquisition, & other acquisition costs)	\$0	0.0%	\$ -
Construction Hard Costs	\$4,664,560	65.7%	\$ 130.39
Other Construction Costs (contractor O&P, general req, GRT, landscaping, furnishings, etc)	\$820,962	11.6%	\$ 22.95
Professional Services/Fees (architect, engineer, real estate legal, etc)	\$285,000	4.0%	\$ 7.97
Construction Financing Costs (interest, insurance, inspections, fees, etc)	\$30,000	0.4%	\$ 0.84
Permanent Financing Costs (fees, title/recording, etc)	\$0	0.0%	\$ -
Other Soft Costs (tax credit fees, environmental reports, appraisals, accounting, etc)	\$251,500	3.5%	\$ 7.03
Syndication-Related Costs (organization, bridge loan, tax opinion, etc)	\$130,000	1.8%	\$ 3.63
Reserves (rent-up, operating, replacement, escrows, etc)	\$76,791	1.1%	\$ 2.15
Developer Fees (inc consultant fees)	\$840,000	11.8%	\$ 23.48
Total Development Costs (TDC)	\$7,098,813	100.0%	\$ 198.44
TDC w/o Land, Reserves & Commercial	\$7,022,022	99%	\$ 196.29
*Gross square footage: 35,773			

TOTAL DEVELOPMENT COST INFORMATION SUMMARY			
Project: Luminaria Senior, Albuquerque, New Construction	Total	% TDC	Cost/GSF*
Acquisition Costs (land, building acquisition, & other acquisition costs)	\$32,400	0.2%	\$ 0.47
Construction Hard Costs	\$9,440,382	55.4%	\$ 137.21
Other Construction Costs (contractor O&P, general req, GRT, landscaping, furnishings, etc)	\$3,376,483	19.8%	\$ 49.08
Professional Services/Fees (architect, engineer, real estate legal, etc)	\$967,428	5.7%	\$ 14.06
Construction Financing Costs (interest, insurance, inspections, fees, etc)	\$882,450	5.2%	\$ 12.83
Permanent Financing Costs (fees, title/recording, etc)	\$74,000	0.4%	\$ 1.08
Other Soft Costs (tax credit fees, environmental reports, appraisals, accounting, etc)	\$325,786	1.9%	\$ 4.74
Syndication-Related Costs (organization, bridge loan, tax opinion, etc)	\$50,000	0.3%	\$ 0.73
Reserves (rent-up, operating, replacement, escrows, etc)	\$400,000	2.3%	\$ 5.81
Developer Fees (inc consultant fees)	\$1,500,000	8.8%	\$ 21.80
Total Development Costs (TDC)	\$17,048,929	100.0%	\$ 247.80
TDC w/o Land, Reserves & Commercial	\$16,648,929	98%	\$ 241.99
*Gross square footage: 68,800			

TOTAL DEVELOPMENT COST INFORMATION SUMMARY			
Project: PAHA Homes #2, Pueblo of Acoma, New Construction	Total	% TDC	Cost/GSF*
Acquisition Costs (land, building acquisition, & other acquisition costs)	\$0	0.0%	\$ -
Construction Hard Costs	\$5,382,269	71.2%	\$ 78.23
Other Construction Costs (contractor O&P, general req, GRT, landscaping, furnishings, etc)	\$1,455,903	19.3%	\$ 21.16
Professional Services/Fees (architect, engineer, real estate legal, etc)	\$254,000	3.4%	\$ 3.69
Construction Financing Costs (interest, insurance, inspections, fees, etc)	\$92,600	1.2%	\$ 1.35
Permanent Financing Costs (fees, title/recording, etc)	\$0	0.0%	\$ -
Other Soft Costs (tax credit fees, environmental reports, appraisals, accounting, etc)	\$89,503	1.2%	\$ 1.30
Syndication-Related Costs (organization, bridge loan, tax opinion, etc)	\$25,553	0.3%	\$ 0.37
Reserves (rent-up, operating, replacement, escrows, etc)	\$59,351	0.8%	\$ 0.86
Developer Fees (inc consultant fees)	\$200,000	2.6%	\$ 2.91
Total Development Costs (TDC)	\$7,559,179	100.0%	\$ 179.63
TDC w/o Land, Reserves & Commercial	\$7,499,828	99%	\$ 178.22
*Gross square footage: 42,081			

TOTAL DEVELOPMENT COST INFORMATION SUMMARY			
Project: Broadway/McKnight, Albuquerque, New Construction	Total	% TDC	Cost/GSF*
Acquisition Costs (land, building acquisition, & other acquisition costs)	\$0	0.0%	\$ -
Construction Hard Costs	\$8,429,698	59.9%	\$ 122.52
Other Construction Costs (contractor O&P, general req, GRT, landscaping, furnishings, etc)	\$2,530,265	18.0%	\$ 36.78
Professional Services/Fees (architect, engineer, real estate legal, etc)	\$590,327	4.2%	\$ 8.58
Construction Financing Costs (interest, insurance, inspections, fees, etc)	\$538,850	3.8%	\$ 7.83
Permanent Financing Costs (fees, title/recording, etc)	\$140,000	1.0%	\$ 2.03
Other Soft Costs (tax credit fees, environmental reports, appraisals, accounting, etc)	\$420,291	3.0%	\$ 6.11
Syndication-Related Costs (organization, bridge loan, tax opinion, etc)	\$40,000	0.3%	\$ 0.58
Reserves (rent-up, operating, replacement, escrows, etc)	\$250,000	1.8%	\$ 3.63
Developer Fees (inc consultant fees)	\$1,134,000	8.1%	\$ 16.48
Total Development Costs (TDC)	\$14,073,431	100.0%	\$ 238.87
TDC w/o Land, Reserves & Commercial	\$13,823,431	98%	\$ 234.63
*Gross square footage: 58,917			

TOTAL DEVELOPMENT COST INFORMATION SUMMARY			
Project: Encantada, Village of Los Lunas, Rehabilitation	Total	% TDC	Cost/GSF*
Acquisition Costs (land, building acquisition, & other acquisition costs)	\$1,350,000	18.1%	\$ 30.91
Construction Hard Costs	\$2,507,090	33.6%	\$ 57.40
Other Construction Costs (contractor O&P, general req, GRT, landscaping, furnishings, etc)	\$1,156,487	15.5%	\$ 26.48
Professional Services/Fees (architect, engineer, real estate legal, etc)	\$325,160	4.4%	\$ 7.44
Construction Financing Costs (interest, insurance, inspections, fees, etc)	\$443,151	5.9%	\$ 10.15
Permanent Financing Costs (fees, title/recording, etc)	\$32,500	0.4%	\$ 0.74
Other Soft Costs (tax credit fees, environmental reports, appraisals, accounting, etc)	\$615,665	8.2%	\$ 14.10
Syndication-Related Costs (organization, bridge loan, tax opinion, etc)	\$0	0.0%	\$ -
Reserves (rent-up, operating, replacement, escrows, etc)	\$275,000	3.7%	\$ 6.30
Developer Fees (inc consultant fees)	\$758,125	10.2%	\$ 17.36
Total Development Costs (TDC)	\$7,463,178	100.0%	\$ 170.86
TDC w/o Land, Reserves & Commercial	\$7,026,928	94%	\$ 160.88
*Gross square footage: 43,679			

TOTAL DEVELOPMENT COST INFORMATION SUMMARY			
Project: 6100 Harper, Albuquerque, Rehabilitation	Total	% TDC	Cost/GSF*
Acquisition Costs (land, building acquisition, & other acquisition costs)	\$1,990,000	16.4%	\$ 29.00
Construction Hard Costs	\$5,142,654	42.4%	\$ 74.94
Other Construction Costs (contractor O&P, general req, GRT, landscaping, furnishings, etc)	\$1,888,992	15.6%	\$ 27.53
Professional Services/Fees (architect, engineer, real estate legal, etc)	\$347,976	2.9%	\$ 5.07
Construction Financing Costs (interest, insurance, inspections, fees, etc)	\$540,500	4.5%	\$ 7.88
Permanent Financing Costs (fees, title/recording, etc)	\$140,000	1.2%	\$ 2.04
Other Soft Costs (tax credit fees, environmental reports, appraisals, accounting, etc)	\$617,041	5.1%	\$ 8.99
Syndication-Related Costs (organization, bridge loan, tax opinion, etc)	\$40,000	0.3%	\$ 0.58
Reserves (rent-up, operating, replacement, escrows, etc)	\$201,000	1.7%	\$ 2.93
Developer Fees (inc consultant fees)	\$1,210,427	10.0%	\$ 17.64
Total Development Costs (TDC)	\$12,118,590	100.0%	\$ 176.58
TDC w/o Land, Reserves & Commercial	\$11,917,590	98%	\$ 173.65
*Gross square footage: 68,628			

TOTAL DEVELOPMENT COST INFORMATION SUMMARY			
Project: Copper Terrace, Albuquerque, Rehabilitation	Total	% TDC	Cost/GSF*
Acquisition Costs (land, building acquisition, & other acquisition costs)	\$4,115,000	23.0%	\$ 44.25
Construction Hard Costs	\$6,912,000	38.7%	\$ 74.32
Other Construction Costs (contractor O&P, general req, GRT, landscaping, furnishings, etc)	\$2,687,583	15.0%	\$ 28.90
Professional Services/Fees (architect, engineer, real estate legal, etc)	\$534,145	3.0%	\$ 5.74
Construction Financing Costs (interest, insurance, inspections, fees, etc)	\$818,750	4.6%	\$ 8.80
Permanent Financing Costs (fees, title/recording, etc)	\$74,500	0.4%	\$ 0.80
Other Soft Costs (tax credit fees, environmental reports, appraisals, accounting, etc)	\$762,506	4.3%	\$ 8.20
Syndication-Related Costs (organization, bridge loan, tax opinion, etc)	\$30,000	0.2%	\$ 0.32
Reserves (rent-up, operating, replacement, escrows, etc)	\$429,760	2.4%	\$ 4.62
Developer Fees (inc consultant fees)	\$1,500,000	8.4%	\$ 16.13
Total Development Costs (TDC)	\$17,864,244	100.0%	\$ 192.09
TDC w/o Land, Reserves & Commercial	\$16,604,484	93%	\$ 178.55
*Gross square footage: 92,997			

Summary:

Staff and the ARC recommend approval of the following, all in accordance with ARC recommendations:

I. Approval of the following five new construction and top three rehabilitation projects, as follows:

1. Villa Mirasol, new construction, Sunland Park	\$848,640
2. A'diidi ni'kuwaa, new construction, Mescalero	626,772
3. Luminaria Senior, new construction, Albuquerque	1,142,400
4. PAHA Homes #2, new construction, Pueblo of Acoma	671,000
5. Broadway/McKnight, new construction, Albuquerque	954,720
6. Encantada Apartments, rehabilitation, Village of Los Lunas	633,630
7. 6100 Harper, rehabilitation, Albuquerque	912,789
8. Copper Terrace, rehabilitation, Albuquerque	1,232,333
Total	\$7,022,284

II. Approval of a forward allocation of 2021 tax credits in the amount of \$2,868,952 so that Villa Mirasol, Luminaria Senior, PAHA Homes #2, Broadway/McKnight, and Encantada Apartments may be fully funded.

III. Approval of four projects, as described in Table 7B, for the waitlist.

Attachments:

1. Table 1 – 2020 LIHTC Ceiling
2. Table 2 - Summary of Proposed 2020 LIHTC & Loan Allocations
3. Tables 7A and 7B – 2020 Proposed Initial LIHTC Awards and Waitlist
4. Photos with Brief Summaries

Villa Mirasol Sunland Park

Hard construction costs:	\$8,240,600 (74.2% of TDC)
Soft costs:	\$996,932 (9.0% of TDC)
Acquisition costs:	\$640,332 (5.8% of TDC)
Reserves:	\$223,907 (2.0% of TDC)
Developer fees:	\$1,008,000 (9.1% of TDC)

New, Households with Children, 48 units, \$11,109,771 TDC,
\$213,449/unit, \$158.24/sq ft, \$848,640 LIHTC request

Features:

Utilizes new USDA-RD 514 funding;

Large units to accommodate families; 9-ft ceilings; outdoor balconies

Energy efficient design and drought tolerant landscaping.



A'diidi ni'kuwaa Mescalero

Hard construction costs:	\$5,485,522 (77.3% of TDC)
Soft costs:	\$696,500 (9.8% of TDC)
Acquisition costs:	\$0 (0% of TDC)
Reserves:	\$76,791 (1.1% of TDC)
Developer fees:	\$840,000 (11.8% of TDC)

New, Special Needs, 39 units, \$7,098,813 TDC,
\$175,551/unit, \$196.29/sq ft, \$626,772 LIHTC request

Features:

Community room with a kitchen and laundry for community.

Units designed for formerly homeless individuals.



Luminaria Senior Albuquerque

Hard construction costs:	\$12,816,865 (75.2% of TDC)
Soft costs:	\$2,299,664 (13.5% of TDC)
Acquisition costs:	\$32,400 (0.2% of TDC)
Reserves:	\$400,000 (2.3% of TDC)
Developer fees:	\$1,500,000 (8.8% of TDC)

New, Senior, 92 units, \$17,048,929 TDC, \$180,967/unit,
\$241.99/sq ft, \$1,142,400 LIHTC request

Features:

Removes blighted building from community; acoustic wall along Central.

Elevator building with roof terrace; LEED eligible

Universal design elements



PAHA Homes #2

Pueblo of Acoma

Hard construction costs:	\$6,838,172 (90.5% of TDC)
Soft costs:	\$461,656 (6.1% of TDC)
Acquisition costs:	\$0 (0% of TDC)
Reserves:	\$59,351 (0.8% of TDC)
Developer fees:	\$200,000 (2.6% of TDC)

New, Households with Children, 30 units, \$7,559,179 TDC,
\$249,994/unit, \$178.22/sq ft, \$671,000 LIHTC request

Features:

Design reflective of Pueblo's original dwellings.

Native, drought resistant landscaping.



Broadway/McKnight Albuquerque

Hard construction costs:	\$10,959,963 (77.9% of TDC)
Soft costs:	\$1,729,468 (12.3% of TDC)
Acquisition costs:	\$0 (0% of TDC)
Reserves:	\$250,000 (1.8% of TDC)
Developer fees:	\$1,134,000 (8.1% of TDC)

New, Households with Children, 54 units, \$14,073,431 TDC,
\$255,989/unit, \$234.63/sq ft, \$954,720 LIHTC request

Features:

Replaces 40 units of deteriorating public housing;

Large units to accommodate families;

Energy efficient design and drought tolerant landscaping.



Encantada Apts. Village of Los Lunas

Hard construction costs:	\$3,663,577 (49.1% of TDC)
Soft costs:	\$1,416,476 (19.0% of TDC)
Acquisition costs:	\$1,350,000 (18.1% of TDC)
Reserves:	\$275,000 (3.7% of TDC)
Developer fees:	\$758,125 (10.2% of TDC)

Rehab, Households with Children, 47 units, \$7,463,178
TDC, \$146,394/unit, \$160.88/sq ft, \$633,630 LIHTC request

Major Building System Concerns:

- 1 - Building Site – accessibility issues addressed; landscaping and drainage improvements
- 2 - Mechanical Systems- evaporative coolers replaced; water heaters replaced
- 3 - Unit Interiors –include new kitchen appliances, cabinets, lighting, and flooring;
- 4 - Exterior envelope - doors replaced, roof repaired and improved.



6100 Harper Albuquerque

Hard construction costs:	\$7,031,646 (58.0% of TDC)
Soft costs:	\$1,685,517 (13.9% of TDC)
Acquisition costs:	\$1,990,000 (16.4% of TDC)
Reserves:	\$201,000 (1.7% of TDC)
Developer fees:	\$1,210,427 (10.0% of TDC)

Rehab, Households with Children, 59 units, \$12,118,590
TDC, \$201,986/unit, \$173.65/sq ft, \$912,789 LIHTC request

Major Building System Concerns:

- 1 - Building Site – accessibility issues addressed; new community building; improved landscaping and grading
- 2 - Mechanical Systems- new evaporative coolers and furnaces; replace water heaters
- 3 - Unit Interiors –new kitchen appliances, bath fixtures and surrounds, cabinets, lighting, and flooring;
- 4 - Exterior envelope - windows and doors replaced.



Copper Terrace Albuquerque

Hard construction costs:	\$9,599,583 (53.7% of TDC)
Soft costs:	\$2,219,901 (12.4% of TDC)
Acquisition costs:	\$4,115,000 (23.0% of TDC)
Reserves:	\$429,760 (2.4% of TDC)
Developer fees:	\$1,500,000 (8.4% of TDC)

Rehab, Households with Children, 96 units, \$17,864,244
TDC, \$172,963/unit, \$178.55/sq ft, \$1,232,333 LIHTC request

Major Building System Concerns:

- 1 - Building Site – accessibility issues addressed; landscape and drainage improved
- 2 - Mechanical Systems- evaporative coolers and furnaces replaced; water heaters replaced; new gas meters at each building
- 3 - Unit Interiors –new kitchen appliances, bath accessories, cabinets, lighting, and flooring;
- 4 - Exterior envelope - windows and doors replaced, roof repaired and improved.



Table 1
2020 Housing Tax Credit Ceiling

Component	Population	Credit \$ Per Capita	Amount	Balance
Population Allocation	2,096,829	2.81	\$ 5,897,332	\$ 5,897,332
2019 Forward Allocations			\$ 1,765,627	\$ 4,131,705
National Pool (2020)			\$ 21,627	\$ 4,153,332
Returned or Unused Credits from Prior Years			\$ -	\$ 4,153,332
			Set Aside	Achieved
Nonprofit Set Aside		10.00%	\$ 589,733	\$ 589,733
USDA Rural Development Set Aside*		10.00%	\$ 589,733	\$ 589,733

* if QAP set aside requirements satisfied

SUMMARY OF PROPOSED 2020 LIHTC & LOAN ALLOCATIONS

Project	NC, AR, or NC/AR ¹	Total # of Units	Location	Total Development Cost	Total Development Cost w/o Land, Reserves, & Commercial Costs	Cost w/o Land, Reserves, & Commercial Costs		LIHTC Investor Equity ²	9% LIHTC Allocation	HOME Loan (inc CHDO ³)	NM HTF ⁴	Primero	Ventana	Risk Share	Nat'l HTF ⁵	PRLF ⁶	Total 9 % LIHTC Allocation & MFA Loans
						Per Unit	Per Gross Square Foot (GSF)										
Villa Mirasol	NC	48	Sunland Park	\$ 11,109,771	\$ 10,245,532	\$ 213,448.58	\$ 158.24	\$ 7,892,352	\$ 848,640	\$ 360,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,208,640
A'diidi ni'kuwaa	NC	39	Mescalero	\$ 7,098,813	\$ 7,022,022	\$ 180,051.85	\$ 196.29	\$ 5,515,039	\$ 626,772	\$ 292,500	\$ -	\$ -	\$ -	\$ -	\$ 400,000	\$ -	\$ 1,319,272
Luminaria Senior	NC	91	Albuquerque	\$ 17,048,929	\$ 16,648,929	\$ 182,955.26	\$ 241.99	\$ 10,052,115	\$ 1,142,400	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,142,400
PAHA Homes #2	NC	30	Pueblo of Acoma	\$ 7,559,105	\$ 7,499,828	\$ 249,994.27	\$ 178.22	\$ 5,904,210	\$ 671,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 671,000
Broadway/McKnight	NC	54	Albuquerque	\$ 14,073,431	\$ 13,823,431	\$ 255,989.46	\$ 234.63	\$ 9,068,933	\$ 954,720	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 400,000	\$ -	\$ 1,354,720
Encantada Apartments	AR	47	Village of Los Lunas	\$ 7,463,178	\$ 7,026,928	\$ 149,509.11	\$ 160.88	\$ 5,892,170	\$ 633,630	\$ 400,000	\$ -	\$ -	\$ -	\$ -	\$ 400,000	\$ -	\$ 1,433,630
6100 Harper	AR	59	Albuquerque	\$ 12,118,590	\$ 11,917,590	\$ 201,993.05	\$ 173.65	\$ 8,305,549	\$ 912,789	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 400,000	\$ -	\$ 1,312,789
Copper Terrace	AR	96	Albuquerque	\$ 17,824,799	\$ 16,604,484	\$ 172,963.38	\$ 178.55	\$ 11,705,993	\$ 1,232,333	\$ 1,000,000	\$ 500,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,732,333
Total																	\$ 11,174,784

Average Costs for all 2020 Applications w/o Land, Reserves, and Commercial Costs		
Type of Project	Cost per Unit	Cost per GSF
New Construction	\$ 216,488	\$ 201.87
Acquisition/Rehab	\$ 174,822	\$ 171.03

¹ New Construction = NC
Acquisition/Rehab = AR

² Low Income Housing Tax Credit Equity - Not included in Total 9% LIHTC Allocation & MFA Loans column

³ Community Housing Development Corporation

⁴ New Mexico Housing Trust Fund

⁵ National Housing Trust Fund

⁶ Preservation Revolving Loan Fund

Table 7A
2020 LIHTC Awards - reduced by 2019 forward allocations

New Construction:

Total Ceiling: \$4,153,332

50% Ceiling: \$2,076,666

Rank	Score	Project	Developer	Units	Threshold	Amount	Tax Credit Balance	Tie Breaker Calculation	Proposed Status*
1	88	Villa Mirasol, Sunland Park	Housing and Economic Rural Opportunity, Inc.	48	Yes	\$848,640	-\$271,088	N/A	Split (\$577,552 in 2020 USDA set-aside funding, balance in 2021 Award)
2	106	A'diidi ni'kuwaa, Mescalero	Mescalero Apache Tribe Housing Department	39	Yes	\$626,772	\$872,342	N/A	2020 Award
3	105	Luminaria Senior, Albuquerque	Greater Albuquerque Housing Partnership	91	Yes	\$1,142,400	-\$270,058	N/A	Split
4	101	PAHA Homes #2, Pueblo of Acoma	Pueblo of Acoma Housing Authority	30	Yes	\$671,000	-\$941,058	N/A	2021 Award
5	100	Broadway/McKnight, Albuquerque	Albuquerque Housing Authority	54	Yes	\$954,720	-\$1,895,778	N/A	2021 Award
\$4,243,532									

Acq/Rehab:

Total Ceiling: \$4,153,332

50% Ceiling: \$2,076,666

Rank	Score	Project	Developer		Threshold	Amount	Tax Credit Balance	Tie Breaker Calc.	Proposed Status*
1	104	Encantada Apartments, Village of Los Lunas	Chelsea Investment Corporation & CC Housing Inc.	47	Yes	\$633,630	\$1,443,036	N/A	2020 Award
2	99	6100 Harper, Albuquerque	Albuquerque Housing Authority	59	Yes	\$912,789	\$530,247	N/A	2020 Award
3	91	Vista Grande/Copper Terrace, Albuquerque	YES Housing, Inc.	90	Yes	\$1,232,333	-\$702,086	N/A	Split
458				Subtotal		\$2,778,752			

Grand Total	\$7,022,284	2021 Forward Allocations	-\$2,868,952
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**2020 QAP provides if tax credits remain in either track/category, these remaining tax credits, may, in MFA's discretion, be pooled. Thereafter, MFA may select one or more Projects to be awarded tax credits, including any forward allocation of tax credits. MFA will review the next highest scoring Project in each track/category, and may choose to award additional projects based on credits remaining, and forward allocation abilities. In the alternative, MFA may determine, in its sole discretion, to not "pool" remaining tax credits and to not forward allocate the following year's tax credits, even if that means that MFA chooses to not fully allocate any year's Annual Credit Ceiling. Any decision to forward allocate tax credits lies solely within MFA's inherent discretion and is not subject to further review.*

Table 7B
2020 LIHTC Waitlist

New Construction:

Total Ceiling: \$4,153,332

50% Ceiling:

\$2,076,666

Rank	Score	Project	Developer	Units	Threshold	Amount	Tax Credit Balance	Tie Breaker Calculation	Proposed Status*
6	98	Alameda Flats, Roswell	Tierra Realty Trust LLC & Golden Spread Realty	60	Yes	\$964,380	-\$2,860,158	\$11,160,840 Adjusted TDC/60 units = \$186,014 per unit	Waitlist
7	98	Vista De Socorro Apartments, Socorro	El Camino Real Housing Authority	32	Yes	\$495,000	-\$3,355,158	\$5,992,154 Adjusted TDC/32 units = \$187,255 per unit	Waitlist
8	97	Espanola83	Santa Fe Civic Housing Authority	83	Yes	\$1,232,333	-\$4,587,491	N/A	Waitlist
9	95	West Berry Senior, Hobbs	YES Housing, Inc.	56	Yes	\$900,143	-\$5,487,634	N/A	Waitlist
10	N/A	Santana, Albuquerque	Thomas Development Company & Supportive Housing Coalition of NM	83	NO	\$1,232,333	-\$6,719,967	N/A	Rejected
314 Subtotal						\$4,824,189			

Acq/Rehab:

Total Ceiling: \$4,153,332

50% Ceiling:

\$2,076,666

Rank	Score	Project	Developer	Threshold	Amount	Tax Credit Balance	Tie Breaker Calculation	Proposed Status*
N/A								
Subtotal					\$0			

Grand Total \$4,824,189

**2020 QAP provides if tax credits remain in either track/category, these remaining tax credits, may, in MFA's discretion, be pooled. Thereafter, MFA may select one or more Projects to be awarded tax credits, including any forward allocation of tax credits. MFA will review the next highest scoring Project in each track/category, and may choose to award additional projects based on credits remaining, and forward allocation abilities. In the alternative, MFA may determine, in its sole discretion, to not "pool" remaining tax credits and to not forward allocate the following year's tax credits, even if that means that MFA chooses to not fully allocate any year's Annual Credit Ceiling. Any decision to forward allocate tax credits lies solely within MFA's inherent discretion and is not subject to further review.*

Tab 7

Tab a

2020 RENTAL AWARD SUMMARY

Project Name & Address	A'diidi ni' kuwaa Near Old Town Road between Mesquite and Mountain Mescalero, NM 88340			
Proposed Awards	\$292,500	HOME	Rate	0.0%
	\$400,000	National Housing Trust Fund	Rate	0.0%
Borrower	A'diidi ni' kuwaa Limited Partnership, owned 0.01% by the General Partner (GP), Mescalero Apache Tribe Housing Department (MATHD), and 99.99% by an equity investor, most likely an affiliate of Raymond James Tax Credit Funds, Inc. (RJTCF), the tax credit investor, as Limited Partner (LP). If required by the investor, the borrower for the NHTF loan may be MATHD, which would then re-lend to the partnership.			
Management	MATHD will manage the project for which it is well qualified as it already manages its only previous LIHTC project, I-Sah'-din'-dii, a 2007 LIHTC award for a 30-unit new construction project that was completed using RJTCF as the investor. MATHD manages eight projects containing 269 units.			
Developer	<p>Mescalero Apache Tribe Housing Department (MATHD) (fka Mescalero Apache Housing Authority) was formed in 1962 and has constructed over 500 units of rental housing and home ownership units on the Mescalero Apache reservation. It manages over \$2 million annually in Indian Housing Block Grant Funds. The interim Executive Director, Alvin Benally, has been with the organization since 2006 and manages a staff of 26 including 5 key senior managers.</p> <p>The Mescalero Apache Tribe Government Services Department audited financial statement for the fiscal year ended 12/31/18 shows MATHD as a component of the audit. MATHD had \$8 million in assets and \$1.8 million in liabilities for a \$6.2 million net worth and an excellent 0.29 to 1.00 debt-to-worth ratio. It showed positive net income after a transfer from the Tribe. Cash flow was positive after including federal grants. Interim statements as of 12/31/19 shows a 0.62 to 1.00 debt -to-worth and \$80K in net revenue for the quarter.</p>			
Project Type & Size	New construction of a 40-unit project (one is a manager's), with eight units (20%) serving special needs, on the Mescalero Apache reservation. The project will have 15 efficiencies (600 sq. ft.), 15 one-bedrooms (800 sq. ft.) and 10 two bedrooms (900 sq. ft.). Eight units (20%) will be for special needs persons, including veterans. The breakdown of the 39 rental units by maximum area median income (AMI) earned by the households is as follows: 4 at 30% Area Median Income (AMI), 20 at 50% AMI, 10 at 60@ AMI and 5 at 70% AMI.			
Project Description	<p>The project will comprise of 35,773 sq. ft. in four buildings on five acres of an existing 17-acre site with existing single-family homes. Inside common space will include a foyer, office space, kitchen and lounge areas. Services will include financial fitness, health promotion and case management. The project, which will include outdoor community space, is near the Four Direction Treatment Center, tribal offices, a restaurant, a general store and public transportation.</p> <p>The MFA-ordered, Novogradac & Company market study, dated 5/4/2020, advises that the subject project is feasible as presented, subject to the unknown effects of the current COVID 19 pandemic. The arts/ entertainment/ recreation sectors can be volatile during economic downturns and the tribe's largest employer is the Inn of The Mountain Gods, a casino/ hotel. The project will be in a remote location in the NW corner of the reservation about 2,500 feet from Old Road. Pinto Drive will be built to connect it. The tribe currently has as an interest list of 178 families, most of whom live off reservation. Rents are achievable and have upward potential. The tribe will subsidize each unit with a \$350 per month rent payment until the limited partner withdraws form the partnership, typically about 15 years after completion. All tribal community amenities are located with reasonable proximity to the project, which is expected to be lease up within three months of completion.</p>			

Affordability Requirements	<p>HOME Requirements: One efficiency and one 1-bedroom unit for families at or below 60% AMI and restricted to High HOME rents, for which a Land Use Restriction Agreement (LURA) will be filed in Otero County and with the Bureau of Indian Affairs (BIA). The affordability period is 40 years: 20 years as required by HOME new construction standards and 20 years for MFA's extended affordability period (i.e. in concurrence with the loan term). The affordability period starts on the date of acceptance by HUD of a final HOME project completion report and ends 40 years later.</p> <p>NHTF Requirements: One efficiency, one 1-bedroom and one 2-bedroom apartment restricted to households earning the greater of 30% AMI or the federal poverty level, for which a Land Use Restriction Agreement (LURA) will be filed in Otero County and with the BIA. The affordability period is 35 years, starting on the date of acceptance by HUD of a final NHTF project completion report.</p>		
Repayment and Disbursement	<p>HOME Loan: <u>Payments:</u> No payments during the construction period, which is not to exceed 24 months; 480 equal principal payments, based on 80-year amortization, during the permanent loan period, which matures in 40 years. Outstanding principal balance due at the earlier of maturity, refinance or sale of the project. <u>Disbursement:</u> Allow three draws, one at construction closing, one during the construction period, and final disbursement upon submission of a HUD project completion report.</p> <p>NHTF Loan: <u>Payments:</u> No payments during the construction period, which is not to exceed 24 months; thereafter, annual payments, as determined from available cash flow, maturing in 35 years. <u>Disbursement:</u> Allow up to three draws: two during the construction period, and the third upon submission of a final NHTF project completion report to HUD.</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 2020 and/or 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. HUD Environmental Review (ER) approval must occur prior to acquisition and construction start, and any ER approval conditions must be met. 7. Other conditions as may be determined by staff; and 8. Subject to availability of funds. <p>Additional Conditions: HOME Loan</p> <ol style="list-style-type: none"> 9. Loan to be in second lien position on a leasehold mortgage filed in Otero County and with the Bureau of Indian Affairs (BIA); 10. If other than minimal funds used during construction (i.e. \$50,000 or less, MATHD (i.e. the general partner) must provide a guarantee during construction only. <p>Additional Conditions: NHTF Loan</p> <ol style="list-style-type: none"> 11. Loan to be in third lien position on a leasehold mortgage filed in Otero County and with the Bureau of Indian Affairs (BIA); 12. If other than minimal funds used during construction (i.e. \$50,000 or less) MATHD (i.e. the general partner) must provide a guarantee during construction only. 		
MFA Commitments to Other Projects	<p>2007 9% Tax Credit – I'-Sah'-din'-dii LP - \$650,553 2007 HOME – I'-Sah'-din'-dii LP - \$245,987 2007 HOME – Pinon Palmer - \$598,650 2009 Primero loans – REVIVE Program - \$125,135 Notes: Risk Share loans carry 10% MFA risk - loan balances as of 5/8/20</p>		
MFA Exposure	<i>Total MFA Exposure: \$969,772 (excludes LIHTC, grants and loans pending approval).</i>		
Prepared by	George Maestas, Assistant Director of Housing Development	Date	6/02/2020
Reviewed by	Shawn Colbert, Director of Housing Development		

PROJECT INFORMATION SUMMARY						
Project Name		City	NC, AR, or NC/AR	Total # Units	Sizes	Target AMIs
A'diidi ni'kuwa		Mescalero, NM				
Total Development Cost	\$ 7,098,813		NC	40	Efficiency, 1-BED & 2-BED	70%, 60%, 50% & 30%
Borrower	To-be-Formed LP (NHTF possibly Mescalero Apache Tribe Housing Department for relending to LP)					
Management	Mescalero Apache Tribe Housing Department		YEAR BUILT (AR)		LIHTC ALLOC	4% or 9%
Developer	Mescalero Apache Tribe Housing Department		NA		\$ 626,772	9%
			NC = New Construction AR = Acquisition/Rehab AMI = Area Median Income MR = Market Rate apartments			
HOME LOAN INFORMATION			NUMBER OF HOME UNITS:			2
Funds Available as of:	04/30/20	\$3,882,085				
	MFA Guidelines	Loan Request	EXCEPTIONS/CONDITIONS/NOTES			
Maximum Loan Amount	\$400,000	\$292,500	Max loan with 9% LIHTC			
Rates	0.0% to 3.0%	0.0%				
Loan Fees	N/A	N/A				
Maximum Loan Term	2 yr construct, 40 yr perm	2 yr construct, 40 yr perm				
Loan Amortization	20 to 80 years	80 years				
Lien Position	Subordinate allowed	2nd lien position				
Affordability Requirements	Min 20 yrs, max 60% AMI	40 yrs, 60% AMI	High-HOME rents			
DSCR	1.2 to 1.4 to 1 on all must-pay debt*	above guidelines but decreasing to 1.26 to 1 in year 15	*1.15 if permitted by Investor. DSCR falls to 2.75, 2.28, 1.78, & 1.26, respectively, in yrs 12-15. Acceptable to MFA, if permitted by investor.			
Scoring Criteria	N/A	N/A				
NATIONAL HOUSING TRUST FUND LOAN INFORMATION			NUMBER OF NHTF UNITS:			3
Funds Available as of:	04/30/20	Pending \$3M 2020 Allocation				
	MFA Guidelines	Loan Request	EXCEPTIONS/CONDITIONS/NOTES			
Maximum Loan Amount	\$400,000	\$400,000	Max loan with 9% LIHTC			
Rates	0.0%	0.0%				
Loan Fees	N/A	N/A				
Maximum Loan Term	2 yr construct, no max on perm	2 yr construct, 35 yr perm				
Loan Amortization	Cash-flow or Forgiveable	Cash-flow				
Lien Position	Subordinate allowed	3rd lien position				
Affordability Requirements	Min 30 years, NHTF units restricted to 30% AMI	35 years, NHTF units at 30% AMI				
DSCR	1.2 to 1.4 to 1 on all must-pay debt*	above guidelines but decreasing to 1.26 to 1 in year 15	*1.15 if permitted by Investor. DSCR falls to 2.75, 2.28, 1.78, & 1.26, respectively, in yrs 12-15. Acceptable to MFA, if permitted by investor.			
Scoring Criteria	40-115 points	99				

TOTAL DEVELOPMENT COST INFORMATION SUMMARY				
Project:	A'diidi ni'kuwa	Total	% TDC	Cost/GSF*
Acquisition Costs (land, building acquisition, & other acquisition costs)		\$ -	0%	\$ -
Construction Hard Costs		\$ 4,664,560	66%	\$ 130.39
Other Construction Costs (contractor O&P, general req, GRT, landscaping, furnishings, etc)		\$ 820,962	12%	\$ 22.95
Professional Services/Fees (architect, engineer, real estate legal, etc)		\$ 285,000	4%	\$ 7.97
Construction Financing Costs (interest, insurance, inspections, fees, etc)		\$ 30,000	0%	\$ 0.84
Permanent Financing Costs (fees, title/recording, etc)		\$ -	0%	\$ -
Other Soft Costs (tax credit fees, environmental reports, appraisals, accounting, etc)		\$ 251,500	4%	\$ 7.03
Syndication-Related Costs (organization, bridge loan, tax opinion, etc)		\$ 130,000	2%	\$ 3.63
Reserves (rent-up, operating, replacement, escrows, etc)		\$ 76,791	1%	\$ 2.15
Developer Fees (inc consultant fees)		\$ 840,000	12%	\$ 23.48
Total Development Costs (TDC)		\$ 7,098,813	100%	\$ 198.44
TDC w/o Land, Reserves & Commercial		\$ 7,022,022	99%	\$ 196.29

*Gross square footage: 35,773

CONSTRUCTION SOURCES				
Project:	A'diidi ni'kuwa	Total	% of Total	Per Unit
Construct. Lender - 1st Lien	Mescalero Apache Housing Department	\$ 889,113	12.5%	\$ 22,228
2nd Lien holder	MFA HOME loan	\$ 263,250	3.7%	\$ 6,581
3rd Lien holder	MFA National Housing Trust Fund loan	\$ 360,000	5.1%	\$ 9,000
4th Lien holder		\$ -	0.0%	\$ -
5th Lien holder			0.0%	\$ -
Deferred Developer Fee	Mescalero Apache Housing Department	\$ 71,408	1.0%	\$ 1,785
LIHTC Equity	Raymond James Tax Credit Funds, Inc.	\$ 5,515,042	77.7%	\$ 137,876
Other source			0.0%	\$ -
Other source			0.0%	\$ -
Other source			0.0%	\$ -
Other source			0.0%	\$ -
Total Construction Sources		\$ 7,098,813	100.0%	\$ 177,470

PERMANENT SOURCES				
Project:	A'diidi ni'kuwa	Total	% of Total	Per Unit
Perm Lender - 1st Lien	Mescalero Apache Housing Department	\$ 889,113	12.5%	\$ 22,228
2nd Lien holder	MFA HOME loan	\$ 292,500	4.1%	\$ 7,313
3rd Lien holder	MFA National Housing Trust Fund loan	\$ 400,000	5.6%	\$ 10,000
4th Lien holder			0.0%	\$ -
5th Lien holder			0.0%	\$ -
Deferred Developer Fee	Mescalero Apache Housing Department	\$ 2,158	0.0%	\$ 54
LIHTC Equity	Raymond James Tax Credit Funds, Inc.	\$ 5,515,042	77.7%	\$ 137,876
Other source			0.0%	\$ -
Other source			0.0%	\$ -
Other source			0.0%	\$ -
Other source			0.0%	\$ -
Total Permanent Sources		\$ 7,098,813	100.0%	\$ 177,470

Housing Development Underwriting Analysis of 2020 Rental Award Summary– A'diidi ni' kuwaa

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 \$292, 500 HOME construction/permanent loan and; (2) a \$400,000 National Housing Trust Fund (NHTF) construction/permanent loan. Total Development Cost (TDC) is estimated at \$7,098,813. This project has received a preliminary MFA 9% LIHTC award of \$626,772. See 6/02/20 HOME and NHTF Award Summary for details.

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

1. **Market Study:** The 5/2/2020 Novogradac market study advises the project will provide excellent quality affordable apartments that are in demand in the immediate area because of short supply. It will positively impact the neighborhood and should be of strong interest to tribal members. See project description section of the award summary for additional information.
2. **Site/Environmental:** A HUD environmental review must be completed prior to the purchase of the property. Upon MFA's approval of the Environmental Provisions portion of the review, triggered by the NHTF loan, an Authority to Use Grant Funds must be obtained from HUD for the 24 CFR Part 58 Environmental Review portion, triggered by the HOME loan. If the project cannot meet the Environmental Provisions portion, which accounts for half of the review, the project cannot be funded by NHTF.
3. **Site and Neighborhood Standards (HOME & NHTF New Construction only):** To be completed by MFA's environmental officer when applicant provides additional information. Approval is expected.
4. **Subsidy Layering Review (HOME & NHTF):**
 - a. **HOME-** MFA's Housing Development Department's underwriting guidelines, performed for the HOME loan request, show this project is not over-subsidized per HUD regulations.
 - b. **National HTF-** MFA's Housing Development Department's underwriting guidelines, performed for the National Housing Trust Fund loan request, show this project is not over-subsidized per HUD regulations.

C. **Town and County Characteristics:**

1. The Subject's Primary Market Area (PMA) comprises a circle with a five-mile radius with its center at Mescalero. Population in 2019 was 3,873 people or 1,121 households. It basically covers the reservation plus a few smaller towns outside of it. The Secondary Market Area (SMA) has a radius of 75 miles and covers other areas where tribal members live such as Alamogordo, Ruidoso Downs and Cloudcroft. Its 2019 household population was 25,967. Population in both the PMA and SMA is expected to increase by 0.6% & 0.4% respectively by 2021, the expected completion date of the project. Jobs are largely concentrated in the arts/ entertainment/ recreation sectors with three area casinos plus White Sands National Park and Lincoln National Forest. It is not yet clear how seriously employment will be affected by the current

Covid 19 pandemic. In any event, the 5% unemployment rate in the SMA will continue to be elevated and more volatile than the nation's 3.8% rate.

D. Developer Capacity:

1. **Management:** As explained in the award summary the Mescalero Tribe Housing Department (MATHD) Interim Executive Director Alvin Benally has been with the organization for over 14 years and has a capable staff of 26 people. They already successfully manage the 2007 LIHTC award project, I'-Sah'-din'-dii. We believe the team has the capability to build and manage this project.
2. **Financial:** Please see the award summary developer section for more information. The developer, Mescalero Apache Housing Department (MAHD) appears to have the financial capacity to complete this project.

E. General Partner Capacity:

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

F. Guarantor: Same as above (MATHD)

G. Project Financials & Projections:

1. **Financial Statements:** None, since this is a new project.
2. **Projections & Assumptions:** The applicant provided detailed income, expense and 15-year cash flow projections for the project. The Novogradac market study reviewed the expense projections and compared them with three comparable properties. At \$3,732 per unit they are just below lowest comparable but, after excluding, taxes (none on the reservation), utilities (residents pay) and reserves, the developer's estimate falls within the comparable range and is considered reasonable. Operating expenses fall within MFA standard of \$3,300 to \$4,800. Projections utilize MFA's standard 7% vacancy. Realistically, occupancy will be close to 100% occupancy, since renters (i.e. all tribal members) will receive a tribal subsidy of \$350 per month for at least 15 years. The Debt Service Coverage Ratio (DSCR) is 5.73 to 1 in year one dropping to 1.26 to 1 by year fifteen. The only required payment is \$3,656 annually on the HOME loan since both the tribe's first lien loan and our NHTF loan are cash-flow loans. Projections assume that only \$2,158 of the developer fee needs to be deferred. The biggest financial risk to the project is whether the investor will still hold credit pricing at 88 cents per 2/4/20 offer letter (i.e. before the U.S. Covid 19 pandemic). Every one cent drop in that price would create the need for an additional \$63K in capital. About 2.8 cents drop (i.e. \$175K) could probably be filled by deferring developer fee, as excess cash flow could repay it in 15 years, as usually required by investors. However, any drop beyond that would require an increase in the tribal loan. In summary, the project is financially feasible.

- H. **Collateral:** An appraisal was not ordered for this transaction as 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** (Strong demand for proposed property in PMA & SMA)
 2. **Construction – Low** (the developer is experienced plus the investor will provide additional oversight and controls)
 3. **Developer – Low**
 4. **Guarantor – Low**
 5. **General Partner/Managing Member – Low**
 6. **Community Opposition – Low**
 7. **Financing – Medium** - If market conditions for LIHTC pricing do not fluctuate too much, the project is feasible. However, in the event of adverse market conditions the project would not move forward. In any event, MFA's final underwriting is required before loan closing to ensure viability.
- J. **Summary & Recommendation:** The proposed project presents a favorable risk profile and is recommended for approval.

Recommend



George Maestas
Asst. Director of Housing Development

Concur



Shawn Colbert
Director of Housing Development

Dated as of June 2, 2020

Appendix A: Development Cost Budget		
A'diidi ni' kuwaa	Gross Sq. Footage:	35,773
Mescalero, NM	TOTAL COST	COST/GSF
ACQUISITION COSTS		
Land Acquisition	\$ -	\$ -
Building Acquisition	\$ -	\$ -
Other:		\$ -
SUBTOTAL	\$ -	\$ -
CONSTRUCTION HARD COSTS		
Demolition	\$ -	\$ -
Accessory Structures	\$ 414,560	\$ 11.59
Site Construction	\$ 500,000	\$ 13.98
Buildings and Structures	\$ 3,750,000	\$ 104.83
Off-Site Improvements	\$ -	\$ -
Other Costs:	\$ -	\$ -
SUBTOTAL	\$ 4,664,560	\$ 130.39
OTHER CONSTRUCTION COSTS		
Contractor Overhead	\$ 93,292	\$ 2.61
Contractor Profit	\$ 186,582	\$ 5.22
General Requirements	\$ 279,873	\$ 7.82
Construction Contingency	\$ 261,215	\$ 7.30
Gross Receipts Tax (GRT)	\$ -	\$ -
Landscaping		\$ -
Furniture, Fixtures, & Equipment	\$ -	\$ -
Other:		\$ -
SUBTOTAL	\$ 820,962	\$ 22.95
PROFESSIONAL SERVICES/FEES		
Architect (Design)	\$ 150,000	\$ 4.19
Architect (Supervision)	\$ 30,000	\$ 0.84
Attorney (Real Estate)	\$ 60,000	\$ 1.68
Engineer/Survey	\$ 20,000	\$ 0.56
Other:	\$ 25,000	\$ 0.70
SUBTOTAL	\$ 285,000	\$ 7.97
CONSTRUCTION FINANCING		
Hazard Insurance	\$ 30,000	\$ 0.84
Liability Insurance	\$ -	\$ -
Performance Bond		\$ -
Interest	\$ -	\$ -
Origination\Discount Points	\$ -	\$ -
Credit Enhancement	\$ -	\$ -
Inspection Fees	\$ -	\$ -
Title and Recording	\$ -	\$ -
Legal	\$ -	\$ -
Taxes	\$ -	\$ -
Other:	\$ -	\$ -
SUBTOTAL	\$ 30,000	\$ 0.84

Project: A'diidi ni' kuwaa		
PERMANENT FINANCING COSTS		
Bond Premium	\$ -	\$ -
Credit Report	\$ -	\$ -
Origination\Discount Points	\$ -	\$ -
Credit Enhancement	\$ -	\$ -
Title and Recording	\$ -	\$ -
Legal	\$ -	\$ -
Pre-Paid MIP	\$ -	\$ -
Reserves and Escrows	\$ -	\$ -
Other	\$ -	\$ -
SUBTOTAL	\$ -	\$ -
SOFT COSTS		
Market Study	\$ 8,500	\$ 0.24
Environmental	\$ 20,000	\$ 0.56
Tax Credit Fees	\$ 53,000	\$ 1.48
Appraisal	\$ -	\$ -
Hard Relocation Costs	\$ -	\$ -
Accounting/Cost Certification	\$ 20,000	\$ 0.56
Other: Marketing, Permits, Soft Cost Conting	\$ 150,000	\$ 4.19
SUBTOTAL	\$ 251,500	\$ 7.03
SYNDICATION		
Organization	\$ 130,000	\$ 3.63
Bridge Loan	\$ -	\$ -
Tax Opinion	\$ -	\$ -
Other:	\$ -	\$ -
SUBTOTAL	\$ 130,000	\$ 3.63
TDC before Dev. Fees & Reserves	\$ 6,182,022	\$ 172.81
RESERVES		
Rent Up	\$ -	\$ -
Operating	\$ 76,791	\$ 2.15
Replacement (inc. only if capitalized)	\$ -	\$ -
Escrows/Working Capital	\$ -	\$ -
Other:	\$ -	\$ -
SUBTOTAL	\$ 76,791	\$ 2.15
DEVELOPER FEES		
Developer Fee	\$ 780,000	\$ 21.80
Consultant Fee	\$ 60,000	\$ 1.68
Relocation Consultant	\$ -	\$ -
SUBTOTAL	\$ 840,000	\$ 23.48
Total Development Cost (TDC)	\$ 7,098,813	\$ 198.44
TDC w/o Land, Reserves & Commercial	\$ 7,022,022	\$ 196.29

Tab b

2020 RENTAL AWARD SUMMARY

Project Name & Address	Encantada Apartments 300 Canal Blvd SW, Los Lunas, NM 87031			
Proposed Awards	\$400,000	HOME	Rate	0.0%
	\$400,000	National Housing Trust Fund	Rate	0.0%
Borrower	<p>HOME loan: To-be-formed Limited Liability Limited Partnership (LLLP), owned by CC Housing, Inc. (0.051%) and a to-be-formed LLC (0.049%) with Sage Three, LLC as its Sole Member, as General Partners; and 99.99% by a subsidiary of The Richman Group, the tax credit investor, as Limited Partner.</p> <p>NHTF loan: CC Housing, Inc., a New Mexico non-profit 501(c)(3).</p>			
Management	<p>Monarch Properties, Inc. is a privately held Texas corporation chartered in 1982. Monarch provides third-party, full service management of multifamily apartment communities throughout Texas, New Mexico and Oklahoma. The corporate office is located in Albuquerque, New Mexico. The total apartments under management have consistently averaged more than 7,500 with over 280 team members employed.</p>			
Developer	<p>Chelsea Investment Corporation ("Chelsea") is a for-profit organization incorporated in 1986 by James J. Schmid, its CEO. Chelsea is a real estate company focused on the financing and development of affordable housing through its asset management, construction, and community investment affiliates. To date, Chelsea has developed over 100 affordable communities throughout California, New Mexico and Arizona and nearly 10,000 units throughout the Western United States. Chelsea has developed a variety of rental homes within both urban and suburban locations. Some of these developments are obligated to senior housing and/or are supportive housing. The company has developed approximately 1,000 units through acquisition and rehabilitation.</p> <p>Chelsea's consolidated (i.e. includes affiliates) company-prepared financial statements for the FYE 12/31/2019 show \$29M in assets, a \$17M net worth, a debt-to-worth ratio of 0.42 : 1.00, strong profit and positive traditional cash flow (i.e. net earnings plus non-cash charges). Consolidated audited financials for FYE 12/31/2018 show \$12M in assets, a \$10.5M net worth, a debt-to-worth ratio of 0.15 : 1.00, strong profit and positive traditional cash flow (i.e. net earnings plus non-cash charges). Chelsea is an experienced developer that has a proven history of obtaining LIHTC investors at good prices and large bank financing at favorable rates.</p> <p>CC Housing, Inc., a New Mexico non-profit 501 (c)(3), has as its mission to provide housing to individuals in a safe and affordable housing facility, at a reduced rate in which individuals may not be otherwise able to afford, putting them at risk for homelessness. The organization promotes self-sufficiency through low-income housing, strengthening families through education and counseling services, fighting poverty and building community through financial budgeting and education and engagement through community-based activities. CC Housing works very closely with Catholic Charities of Albuquerque (CC Housing's board members are all full-time employees of Catholic Charities) to provide social services and develop affordable housing. CC Housing, Inc. is a subsidiary of Catholic Charities of Albuquerque.</p> <p>Catholic Charities' consolidated audited financial statements for FYE 6/30/19 reflect \$8.2M in total assets, a net worth of \$3.8M, a debt-to-worth ratio of 1.17 to 1.00, and positive operating cash flow of \$250K.</p>			
Project Type & Size	<p>Acquisition & Rehabilitation of an existing 48-unit USDA Rural Development Project with 12 units (25%) serving Households with Children and providing project-based USDA Rental Assistance subsidy to 42 of the 48 units. Three of the units are income restricted to households earning 30% or less of Area Median Income (AMI). Nine of the units are income-restricted to households earning 50% or less of AMI. Thirty-five units are income restricted to households earning 60% or less of AMI. One unit is a non-income-producing manager's unit.</p>			

Project Description	<p>The Encantada Apartments project involves the acquisition and rehabilitation of an existing 48-unit multifamily project, located in the Village of Los Lunas, NM. The project is located on 2.9 acres and consists of four 2-story walk-up dwelling buildings and one rental office building with maintenance storage for a total gross square-footage of 43,679 square feet. There are 12 one-bedroom apartments and 36 two-bedroom apartments. The project's one-bedroom units average 604 net square feet and the two-bedroom units average 782 net square feet. The property has 42 apartments that participate in the USDA Rural Development Project-Based Rental Assistance Program. There is one non-revenue-producing manager's apartment.</p> <p>The Encantada Apartments project was built from 1980 to 1981. No substantial work has been completed at the property since it was built, with the exception of new windows that were installed in 2015. The property now suffers from age-related obsolescence and requires a substantial renovation. The HVAC, water heaters, asphalt, parking, curbs, sidewalks and roof systems are all in poor condition and require replacement. The areas over the staircases to the buildings show water damage. This has also affected the exterior stucco. A new roof configuration will be constructed over the stairs and the damaged stucco will be repaired. The buildings exteriors and trim will be repainted. Most major components of the buildings are original. As such, all interior and exterior doors, frames and hardware, interior kitchen cabinets & countertops, appliances, floor coverings, light fixtures and bath vanities will be replaced.</p> <p>The project does not currently have a community room. However, the current management office building is large and will be reconfigured to include a central laundry room, a leasing/ manager's office, a social-services coordinator's office, a computer center, and a community lounge with television and kitchen area.</p> <p>The Encantada Apartments will be provided with age-appropriate outdoor recreation areas, as well a larger recreational playing field. Picnic tables, benches and bike racks will be added throughout the property and a dog run will also be installed.</p> <p>The project will continue to target Households with Children and the Resident Selection Criteria will also contain a preference for active duty or retired U.S. military veterans.</p> <p>The MFA-ordered, Vogt Strategic Insights (VSI) market study, dated 4/27/2020, advises that the subject project is feasible as presented. The report summarizes that, post-renovation, a market will continue to exist for the 48-unit project, Encantada Apartments, in Los Lunas, Valencia County, NM. A commercial center, including restaurants and gas stations, is located along Main Street SW, approximately 0.4 miles northwest of the site. The subject is surrounded by commercial/ residential properties in good-to-excellent condition, which adds to the desirability of the neighborhood. The project's site is located in proximity to opportunities for shopping, employment, recreation, entertainment and education. Health and safety services are within 13.1 miles of the site. The site has convenient access to major highways and public transportation through the Rio Metro Regional Transit District. Overall, VSI considers the site's location and proximity to community services to have a positive effect on its continued marketability.</p>
Affordability Requirements	<p>HOME Requirements: One 1-bedroom apartment and two 2-bedroom apartments for households at or below 60% AMI and restricted to High HOME rents, for which a Land Use Restriction Agreement (LURA) will be filed in Valencia County. The affordability period is 40 years: 15 years as required by HOME rehabilitation standards and 25 years for MFA's extended affordability period (i.e. in concurrence with the loan term). The affordability period starts on the date of acceptance by HUD of a final HOME project completion report and ends 40 years later.</p> <p>NHTF Requirements: One 1-bedroom apartment and two 2-bedroom apartments restricted to households earning the greater of 30% AMI or the federal poverty level, for which a Land Use Restriction Agreement (LURA) will be filed in Valencia County. The affordability period is 35 years, starting on the date of acceptance by HUD of a final NHTF project completion report and ends 35 years later.</p>

Repayment and Disbursement	<p>HOME Loan: <u>Payments:</u> No payments during the construction period, which is not to exceed 24 months; 480 equal principal and interest payments, based upon an 80-year amortization, during the permanent loan period. Outstanding Principal due at the earlier of maturity, refinance or sale of the project. <u>Disbursement:</u> Allow three draws, one at construction closing, one during the construction period, and final disbursement upon submission of a HUD project completion report.</p> <p>NHTF Loan: <u>Payments:</u> No payments during the construction period, which is not to exceed 24 months; thereafter, annual payments, as determined from available cash flow, maturing in 35 years. <u>Disbursement:</u> Allow up to three draws: two during the construction period, and the third upon submission of a final NHTF project completion report to HUD.</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 2020 and/or 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: HOME Loan</p> <ol style="list-style-type: none"> 8. Loan to be in second lien position; 9. HUD Environmental Review (ER) approval must occur prior to acquisition and construction start, and any other ER approval conditions must be met; 10. Chelsea Investment Corporation must provide a guarantee during the construction period. <p>Additional Conditions: NHTF Loan</p> <ol style="list-style-type: none"> 11. Loan to be in third lien position; 12. HUD Environmental Review (ER) approval must occur prior to acquisition and construction start, and any other ER approval conditions must be met; and 13. Chelsea Investment Corporation must provide a guarantee during the construction period. 		
MFA Commitments to Other Projects	<p>Chelsea Investment Corporation 2012 HOME – Park Place (fka Casa Hermosa) - \$561,911 2012 Primero Grant – Park Place (fka Casa Hermosa) - \$75,000 2012 9% Tax Credit – Park Place (fka Casa Hermosa) – \$896,512 2013 Primero Grant –Cottonwood Apartments Artesia - \$50,000 2013 Primero Grant –The Elms Apartments - \$50,000 2014 Primero Grant – Roselawn Manor - \$50,000 2015 9% Tax Credit – Parkside Terrace - \$1,087,936 2015 9% Tax Credit – Roselawn Manor - \$1,150,000 2015 HOME – Roselawn Manor - \$380,000 2015 Risk Share – Roselawn Manor - \$1,082,638 2018 9% Tax Credit – Mission la Posada – \$800,000 2018 HOME - Mission la Posada- \$400,000 2018 NHTF - Mission la Posada- \$1,275,000 2019 9% Tax Credit – Sunray Lobo Canyon – \$1,232,333 2019 HOME – Sunray Lobo Canyon- \$400,000 2019 NHTF - Sunray Lobo Canyon- \$400,000 Notes: Risk Share loans carry 10% MFA risk - loan balances as of 5/12/20</p>		
MFA Exposure	<i>Total MFA Exposure: \$4,499,549 (excludes LIHTC, grants and loans pending approval).</i>		
Prepared by	George Maestas, Asst. Director of Housing Development	Date	6/02/2020
Reviewed by	Shawn Colbert, Director of Housing Development		

PROJECT INFORMATION SUMMARY						
Project Name		City	NC, AR, or NC/AR	Total # Units	Sizes	Target AMIs
Encantada Apartments		Los Lunas, NM				
Total Development Cost	\$ 7,463,178		AR	48	1-BED, 2-BED & 3 BED	60%, 50% & 30%
Borrower	To-be-Formed LLLP (HOME) CC Housing, Inc. (Natl HTF) Sponsor loan					
Management	Monarch Properties, Inc.		YEAR BUILT (AR)		LIHTC ALLOC	4% or 9%
Developer	Chelsea Investment Corp.		1980/1981		\$ 633,630	9%
			NC = New Construction AR = Acquisition/Rehab AMI = Area Median Income MR = Market Rate apartments			
HOME LOAN INFORMATION			NUMBER OF HOME UNITS:			3
Funds Available as of:	04/30/20	\$3,882,085	EXCEPTIONS/CONDITIONS/NOTES			
	MFA Guidelines	Loan Request				
Maximum Loan Amount	\$400,000	\$400,000	Max loan with 9% LIHTC			
Rates	0.0% to 3.0%	0.0%				
Loan Fees	N/A	N/A				
Maximum Loan Term	2 yr construct, 40 yr perm	2 yr construct, 40 yr perm				
Loan Amortization	20 to 80 years	80 years				
Lien Position	Subordinate allowed	2nd lien position	3rd lien position during construction			
Affordability Requirements	Min 20 yrs, max 60% AMI	40 yrs, 60% AMI	High-HOME rents			
DSCR	1.2 to 1.4 to 1 on all must-pay debt*	within guidelines Yrs 10, 11 & 12	*1.15 if permitted by Investor. DSCR starts at 1.76, declining to 1.01 in year 15. Average DCR during 15 year period is 1.44. Acceptable to MFA, if permitted by investor.			
Scoring Criteria	N/A	N/A				
NATIONAL HOUSING TRUST FUND LOAN INFORMATION			NUMBER OF NHTF UNITS:			3
Funds Available as of:	04/30/20	Pending \$3M 2020 Allocation	EXCEPTIONS/CONDITIONS/NOTES			
	MFA Guidelines	Loan Request				
Maximum Loan Amount	\$400,000	\$400,000	Max loan with 9% LIHTC			
Rates	0.0%	0.0%				
Loan Fees	N/A	N/A				
Maximum Loan Term	2 yr construct, no max on perm	2 yr construct, 35 yr perm				
Loan Amortization	Cash-flow or Forgivable	Cash-flow				
Lien Position	Subordinate allowed	3rd lien position	4th lien position during construction			
Affordability Requirements	Min 30 years, NHTF units restricted to 30% AMI	35 years, NHTF units at 30% AMI				
DSCR	1.2 to 1.4 to 1 on all must-pay debt*	within guidelines Yrs 10, 11 & 12	*1.15 if permitted by Investor. DSCR starts at 1.76, declining to 1.01 in year 15. Average DCR during 15 year period is 1.44. Acceptable to MFA, if permitted by investor.			
Scoring Criteria	40-100 points	62				

TOTAL DEVELOPMENT COST INFORMATION SUMMARY				
Project:	Encantada Apartments	Total	% TDC	Cost/GSF*
Acquisition Costs (land, building acquisition, & other acquisition costs)		\$ 1,350,000	18%	\$ 30.91
Construction Hard Costs		\$ 2,507,090	34%	\$ 57.40
Other Construction Costs (contractor O&P, general req, GRT, landscaping, furnishings, etc)		\$ 1,026,647	14%	\$ 23.50
Professional Services/Fees (architect, engineer, real estate legal, etc)		\$ 455,000	6%	\$ 10.42
Construction Financing Costs (interest, insurance, inspections, fees, etc)		\$ 443,151	6%	\$ 10.15
Permanent Financing Costs (fees, title/recording, etc)		\$ 32,500	0%	\$ 0.74
Other Soft Costs (tax credit fees, environmental reports, appraisals, accounting, etc)		\$ 615,665	8%	\$ 14.10
Syndication-Related Costs (organization, bridge loan, tax opinion, etc)		\$ -	0%	\$ -
Reserves (rent-up, operating, replacement, escrows, etc)		\$ 275,000	4%	\$ 6.30
Developer Fees (inc consultant fees)		\$ 758,125	10%	\$ 17.36
Total Development Costs (TDC)		\$ 7,463,178	100%	\$ 170.86
TDC w/o Land, Reserves & Commercial		\$ 7,026,928	94%	\$ 160.88

*Gross square footage: 43,679

CONSTRUCTION SOURCES				
Project:	Encantada Apartments	Total	% of Total	Per Unit
Construct. Lender - 1st Lien	USDA Loan (Assumed)	\$ 340,000	4.6%	\$ 7,083
2nd Lien holder	Wells Fargo	\$ 4,611,327	61.8%	\$ 96,069
3rd Lien holder	MFA HOME loan	\$ 360,000	4.8%	\$ 7,500
4th Lien holder	MFA National Housing Trust Fund loan	\$ 360,000	4.8%	\$ 7,500
5th Lien holder			0.0%	\$ -
Deferred Developer Fee	Chelsea Investment Corp.	\$ 633,025	8.5%	\$ 13,188
LIHTC Equity	The Richman Group	\$ 883,826	11.8%	\$ 18,413
Other source	Transferred Reserves	\$ 275,000	3.7%	\$ 5,729
Other source			0.0%	\$ -
Other source			0.0%	\$ -
Other source			0.0%	\$ -
Total Construction Sources		\$ 7,463,178	100.0%	\$ 155,483

PERMANENT SOURCES				
Project:	Encantada Apartments	Total	% of Total	Per Unit
Perm Lender - 1st Lien	USDA Loan (Assumed)	\$ 340,000	4.6%	\$ 7,083
2nd Lien holder	MFA HOME loan	\$ 400,000	5.4%	\$ 8,333
3rd Lien holder	MFA National Housing Trust Fund loan	\$ 400,000	5.4%	\$ 8,333
4th Lien holder			0.0%	\$ -
5th Lien holder			0.0%	\$ -
Deferred Developer Fee	Chelsea Investment Corp.	\$ 156,008	2.1%	\$ 3,250
LIHTC Equity	The Richman Group	\$ 5,892,170	78.9%	\$ 122,754
Other source	Transferred Reserves	\$ 275,000	3.7%	\$ 5,729
Other source			0.0%	\$ -
Other source			0.0%	\$ -
Other source			0.0%	\$ -
Total Permanent Sources		\$ 7,463,178	100.0%	\$ 155,483

Housing Development Underwriting Analysis of 2020 Rental Award Summary– Encantada Apartments

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 \$400,000 HOME construction/permanent loan and; (2) a \$400,000 National Housing Trust Fund (NHTF) construction/permanent loan. Total Development Cost (TDC) is estimated at \$7,463,178. This project has received a preliminary MFA 9% annual LIHTC award of \$633,630. See 6/02/20 HOME and NHTF Summary for details.

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

1. **Market Study:** The award summary provided information from the 4/27/2020 Vogt Strategic Insights (VSI) market study, which is not repeated here. In summary, VSI concludes that a market will continue to exist for the subject property following its renovation as proposed and that the subject floor plans and building amenities function well for the target market. The proposed renovations are expected to improve the general aesthetic appeal of the property, improve its overall marketability and extend its useful life. The subject site is surrounded by commercial and residential structures in good-to-excellent condition, which adds to the desirability of the neighborhood. Residents are in convenient proximity to several parks and opportunities for recreation. The site is in proximity to opportunities for shopping, employment, recreation, entertainment and education. Health and safety services are located within 13.1 miles of the property. The site also has convenient access to major highways and public transportation, through the Rio Metro Regional Transit District. Overall, VSI considers the site's location and proximity to community services to have a positive effect on its continued marketability.
2. **Site/Environmental:** A HUD environmental review must be completed prior to the purchase of the property. Upon MFA's approval of the Environmental Provisions portion of the review, triggered by the NHTF loan, an Authority to Use Grant Funds must be obtained from HUD for the 24 CFR Part 58 Environmental Review portion, triggered by the HOME loan. If the project cannot meet the Environmental Provisions portion, which accounts for half of the review, the project cannot be funded by NHTF.
3. **Site and Neighborhood Standards (HOME and NHTF New Construction only):**
N/A
4. **Subsidy Layering Review (HOME & NHTF):**
 - a. **HOME-** MFA's Housing Development Department's underwriting guidelines, performed for the HOME loan request, show this project is not over-subsidized per HUD regulations.

- b. National HTF- MFA's Housing Development Department's underwriting guidelines, performed for the National Housing Trust Fund loan request, show this project is not over-subsidized per HUD regulations.

C. Town and County Characteristics:

1. The Subject's Primary Market Area (PMA) generally comprises varying portions of the villages of Los Lunas and Bosque Farms; the town of Peralta, the city of Belen; the census-designated places of Chical, Valencia, Los Chavez, Jarales, Casa Colorado, Adelino and Los Trujillo-Gabaldon; and the unincorporated communities of the Isleta Village Proper and Bosque within Valencia County and a small portion of Bernalillo County. Los Lunas has a total population of 16,641, which represents 22% of the overall site PMA. The PMA is generally bounded on the north by land north of Isleta Village Proper; on the east by mountainous land and the Manzano Expressway; on the south by the Valencia County line; and on the west by the Belen Regional Airport and undeveloped land. VSI anticipates that most of the Subject's housing demand will be generated from this geographic area. Property managers at the subject, as well as several comparable properties, reported that a large portion of their tenants were originating from the PMA, with a much smaller portion coming from other areas of Valencia County. It is expected the most if not all of the current tenants will income-qualify and occupy the units.

D. Developer Capacity:

1. **Management:** As an experienced affordable multifamily housing developer, Chelsea Investment Corp. (Chelsea) has worked with a variety of non-profit partners throughout New Mexico, California, and Arizona. Chelsea has successfully developed affordable housing using programs such as the Affordable Housing Program, Multifamily Housing Program (CA), Community Development Block Grant, HOME, Infill Infrastructure Grant, Transit-Oriented Development Program, Mental Health & Special Needs Act Housing Program (CA), 4% and 9% Low Income Housing Tax Credits and tax-exempt bond financing. Founder/ CEO, James J. Schmid has nearly 40 years of experience in the housing industry. The company maintains good management depth and sufficient experience to manage the development process.
2. **Financial:** Chelsea's consolidated (i.e. includes affiliates) company-prepared financial statements for the FYE 12/31/2019 show \$29M in assets, a \$17M net worth, a debt-to-worth ratio of 0.42 : 1.00, good profit and positive traditional cash flow (i.e. net earnings plus non-cash charges). Consolidated audited financials for FYE 12/31/2018 show \$12M in assets, a \$10.5M net worth, a debt-to-worth ratio of 0.15 : 1.00, good profit and positive traditional cash flow.

E. General Partner Capacity:

1. Management:

- a. Chelsea Invest Corp. (Co-General Partner- 49%)- See above
- b. CC Housing, Inc., a subsidiary of Catholic Charities (Co-General Partner- 51%)- CC Housing works very closely with Catholic Charities of Albuquerque (CC Housing's board members are all full-time employees of Catholic Charities) to provide social services and develop affordable housing.

2. Financial:

- a. Chelsea Investment Corp. (Co-General Partner- 49%)- See above
- b. CC Housing, Inc., a subsidiary of Catholic Charities (Co-General Partner- 51%)- Catholic Charities consolidated audited financial statements for FYE 6/30/19 reflect \$189K in Cash, \$8.16M in Total Assets, and a Net Worth of \$3.77M, resulting in a debt-to-worth ratio of 1.17 to 1.00. Internally-prepared statements as of 12/31/19 reflect \$7.19 M in total assets, a net worth of \$3.92M and a debt-to-worth ratio of 0.84 to 1.00.

F. Guarantor: Same as above (Chelsea)

G. Project Financials & Projections:

1. Financial Statements:

Encantada Apartments' company-prepared financial statements for FYE 12/31/19 reflect \$2,942 in Net Operating Income (NOI).

- 2. Projections & Assumptions –** The Borrower is a to-be-formed Limited Liability Limited Partnership. The company has provided a detailed 15-year cash flow projection. Additionally, the Vogt Strategic Insights (VSI) market study reviewed the supplied expense projections and compared them with expense estimates from two different national data sources, the Institute of Real Estate Management (IREM) and the National Apartment Association (NAA). The estimated operating expense per-unit is higher than both the IREM data and the NAA data. Operating expenses for the Subject are projected at \$5,097 per unit, per annum (PUPA), after reducing for Replacement Reserves (\$300 PUPA) and Social Services. These expenses are slightly higher than the MFA standards of \$3,300 to \$4,800. However, VSI concludes that the developer's overall per-unit expense estimate appears reasonable, as the subject property is an existing development, reporting 100% occupancy with extensive waiting lists. Thus, the developer and property management have historic basis to evaluate the appropriateness of their projections. It is worth noting that the Owner pays all utility expenses for the property, which elevates total operating expenses. Also, the property is subject to unusually high water and sewer assessments by the Village of Los Lunas, which also elevates the total.

Projections utilize a 5% vacancy. MFA typically uses a standard vacancy of 7%, however, for projects with at least 90% of all apartments covered by a federal rental assistance contract, MFA will use the market study vacancy factor but not less than 5%. The subject property maintains USDA Rural Development Rental Assistance contracts on 42 of their 47 revenue-producing units (89%).

The Debt Service Coverage Ratio (DSCR) on all hard debt [i.e. USDA's \$340K first mortgage loan, MFA's \$400K HOME and \$400K NHTF loans] is projected to be 1.74 to 1.00 in the first year, decreasing to 1.00 to 1.00 by year 15. Initially, this ratio is much higher than MFA's underwriting standards of a range between 1.20 - 1.40 : 1.00, falling to a significantly lower ratio in the last several years of the period. The average DCR for the 15 year period is 1.42. Also, the preparer believes that the existing USDA debt may be re-cast beyond the 11 years remaining of the original term, which would reduce the project's hard debt service. In addition, the preparer believes that some of the historical utility expenses may be reduced with the energy-efficient upgrades that are proposed in the scope of work. Those reduced operating costs should increase NOI and improve the debt coverage.

The interest rate for the USDA first mortgage loan is assumed to be at 1.00% (If, for any reason, the rate increases too much to accommodate required DSCR, then the first mortgage permanent loan can be reduced and that portion of it replaced by additional deferred developer fee or a cash flow loan from Chelsea.

Currently, it appears that 21% (i.e. \$156,008 of the \$758,125) of the developer fee will be deferred. Generally, a deferral in fee could be used to replace a portion of the first mortgage loan and would mitigate any possible interest rate risk that may occur between commitment and inception of the permanent loan. Deferral of the developer fee is usually allowable by the investor, provided that cash flow can repay the deferred fee by the end of the 15-year LIHTC compliance period. Lender projections indicate that the Subject would fully pay the deferred developer fee by the end of the 7th year.

The developer is assuming that credits can be sold to an investor at 93 cents on the dollar (i.e. the high end of the 2019 MFA 88 to 95 cents guideline). Every one-cent drop in that price would create the need for additional \$63,357 in capital to be filled by either deferring developer fee or a cash-flow-only loan from Chelsea.

- 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** (Strong demand for proposed property in PMA- 100% occupancy, property maintains waiting list)

2. **Construction – Low** (the developer is experienced plus the investor and main construction lender will provide additional oversight and controls)
3. **Developer – Low**
4. **Guarantor – Low**
5. **General Partner/Managing Member – Low (i.e. the developer)**
6. **Community Opposition – Low (existing project)**
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 would 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



George Maestas
Asst. Director of Housing Development

Concur



Shawn Colbert
Director of Housing Development

Dated as of June 2, 2020

Appendix A: Development Cost Budget		
Encantada Apartments	Gross Sq. Footage:	43,679
Los Lunas, NM	TOTAL COST	COST/GSF
ACQUISITION COSTS		
Land Acquisition	\$ 161,250	\$ 3.69
Building Acquisition	\$ 1,188,750	\$ 27.22
Other:		\$ -
SUBTOTAL	\$ 1,350,000	\$ 30.91
CONSTRUCTION HARD COSTS		
Demolition	\$ 61,850	\$ 1.42
Accessory Structures	\$ -	\$ -
Site Construction	\$ 487,116	\$ 11.15
Buildings and Structures	\$ 1,958,124	\$ 44.83
Off-Site Improvements	\$ -	\$ -
Other Costs:	\$ -	\$ -
SUBTOTAL	\$ 2,507,090	\$ 57.40
OTHER CONSTRUCTION COSTS		
Contractor Overhead	\$ -	\$ -
Contractor Profit	\$ 207,482	\$ 4.75
General Requirements	\$ 156,090	\$ 3.57
Construction Contingency	\$ 321,249	\$ 7.35
Gross Receipts Tax (GRT)	\$ 246,861	\$ 5.65
Landscaping		\$ -
Furniture, Fixtures, & Equipment	\$ -	\$ -
Other:	\$ 94,965	\$ 2.17
SUBTOTAL	\$ 1,026,647	\$ 23.50
PROFESSIONAL SERVICES/FEES		
Architect (Design)	\$ 290,000	\$ 6.64
Architect (Supervision)		\$ -
Attorney (Real Estate)	\$ 95,000	\$ 2.17
Engineer/Survey	\$ 70,000	\$ 1.60
Other:		\$ -
SUBTOTAL	\$ 455,000	\$ 10.42
CONSTRUCTION FINANCING		
Hazard Insurance	\$ -	\$ -
Liability Insurance	\$ 40,000	\$ 0.92
Performance Bond		\$ -
Interest	\$ 199,538	\$ 4.57
Origination\Discount Points	\$ 46,113	\$ 1.06
Credit Enhancement	\$ -	\$ -
Inspection Fees	\$ 30,000	\$ 0.69
Title and Recording	\$ 60,000	\$ 1.37
Legal	\$ 60,000	\$ 1.37
Taxes	\$ 7,500	\$ 0.17
Other:	\$ -	\$ -
SUBTOTAL	\$ 443,151	\$ 10.15

Project: Encantada Apartments		
PERMANENT FINANCING COSTS		
Bond Premium	\$ -	\$ -
Credit Report	\$ -	\$ -
Origination\Discount Points	\$ -	\$ -
Credit Enhancement	\$ -	\$ -
Title and Recording	\$ 7,500	\$ 0.17
Legal	\$ 25,000	\$ 0.57
Pre-Paid MIP	\$ -	\$ -
Reserves and Escrows	\$ -	\$ -
Other	\$ -	\$ -
SUBTOTAL	\$ 32,500	\$ 0.74
SOFT COSTS		
Market Study	\$ 8,000	\$ 0.18
Environmental	\$ 25,000	\$ 0.57
Tax Credit Fees	\$ 88,922	\$ 2.04
Appraisal	\$ 7,000	\$ 0.16
Hard Relocation Costs	\$ 205,000	\$ 4.69
Accounting/Cost Certification	\$ 58,750	\$ 1.35
Other: Marketing, Permits, Soft Cost Conting	\$ 222,993	\$ 5.11
SUBTOTAL	\$ 615,665	\$ 14.10
SYNDICATION		
Organization	\$ -	\$ -
Bridge Loan	\$ -	\$ -
Tax Opinion	\$ -	\$ -
Other:	\$ -	\$ -
SUBTOTAL	\$ -	\$ -
TDC before Dev. Fees & Reserves	\$ 6,430,053	\$ 147.21
RESERVES		
Rent Up	\$ -	\$ -
Operating	\$ 165,000	\$ 3.78
Replacement (inc. only if capitalized)	\$ -	\$ -
Escrows/Working Capital	\$ -	\$ -
Other:	\$ 110,000	\$ 2.52
SUBTOTAL	\$ 275,000	\$ 6.30
DEVELOPER FEES		
Developer Fee	\$ 758,125	\$ 17.36
Consultant Fee	\$ -	\$ -
Relocation Consultant	\$ -	\$ -
SUBTOTAL	\$ 758,125	\$ 17.36
Total Development Cost (TDC)	\$ 7,463,178	\$ 170.86
TDC w/o Land, Reserves & Commercial	\$ 7,026,928	\$ 160.88

Tab c

2020 RENTAL AWARD SUMMARY

Project Name & Address	Copper Terrace AKA Vista Grande 12801 Copper Avenue NE, Albuquerque (Bernalillo County), NM 88123			
Proposed Awards	\$1,000,000	HOME	Rate	0.00%
	\$1,000,000	NMHTF	Rate	3.00% Fixed
Borrower	Copper Terrace Limited Partnership LLLP , a to-be formed limited liability limited partnership that will be 0.01% owned by YES Copper Terrace, LLC a New Mexico limited liability company, with YES Housing, Inc., as its sole member, and 99.99% owned by a to-be-determined investor member.			
Management	Monarch Properties, Inc. is a privately held Texas corporation chartered in 1982. Monarch provides third-party, full-service management of multifamily apartment communities throughout Texas, New Mexico and Oklahoma. The corporate office is located in Albuquerque, New Mexico. The total apartments under management have consistently averaged more than 7,500 with over 280 team members employed.			
Developer	<p>YES Housing Inc. (YES) was formed in 1990 as a 501(c)(3) New Mexico nonprofit Community Development Corporation. The company has a current full-time staff of 24 including Michelle DenBleyker, Senior Vice President of Development, an experienced developer, as well as Holly Barela, the company's Senior Vice President, CFO and COO. YES has constructed or rehabilitated over 2,400 units of affordable rental housing in New Mexico, Arizona & Texas. Its staff has experience in accessing Federal, State and local funding sources, private activity bonds, 501(c)(3) bonds, tax exempt bonds and the HUD Section 202 program to acquire, rehabilitate and construct new developments. On several past projects, YES Housing Inc. has been designated by MFA as a Community Housing Development Organization (CHDO).</p> <p>Consolidated (i.e. includes affiliates) audited financial statements for FYE 12/31/18 show Unrestricted Cash of \$2.6M, Total Assets of \$127M and a Net Worth of \$53.5M, resulting in a Debt-to Worth Ratio of 1.36 :1.00. Developers typically rely on developer fees to generate revenue; because these fees are intermittently received, this can have a fluctuating impact on cash flow. Net Income for the period was negative, however, Traditional Cash Flow (i.e. net earnings plus depreciation, amortization, and interest) was positive. Consolidated audited financial statements for FYE 12/31/17 show Unrestricted Cash of \$3.4M, Total Assets of \$120M and a Net Worth of \$55.4M, resulting in a debt-to-worth ratio of 1.17 to 1.00. Net Income and Traditional Cash Flow were both positive. Consolidated internally-prepared statements for the 11 months ended 11/30/19 show Unrestricted Cash of \$4.1M, Total Assets of \$47.2M and a Net Worth of \$23.9M, resulting in a Debt-to Worth Ratio of 0.97 : 1.00. YES Housing's borrowing and repayment history with MFA has been good.</p>			
Project Type & Size	Acquisition & Rehabilitation of an existing 96-unit multifamily project, with 24 units (25%) serving Households with Children and providing HUD Section 8 project-based rental assistance subsidy to 34 of the 96 apartments. Five of the units are income restricted to households earning 30% or less of Area Median Income (AMI). Thirty-one of the units are income-restricted to households earning 50% or less of AMI. Fifty-four units are income restricted to households earning 60% or less of AMI. Six units will be leased at market rates limited to 80% AMI.			
Project Description	<p>The Copper Terrace Apartments project involves the acquisition and rehabilitation of an existing 96-unit multifamily project currently named Vista Grande Apartments, located in Northeast Albuquerque, NM. The project is located on 4.09 acres and consists of nine two-story residential buildings and one community/rental office building for a total gross square-footage of 92,997 square feet. There are 24 one-bedroom garden-style apartment units, 44 two-bedroom townhouse-style units, 24 three-bedroom townhouse-style units and 4 four-bedroom townhouse-style units. The project's one-bedroom units average 579 net square feet, the two-bedroom units average 811 net square feet, the three-bedroom units average 963 net square feet and the four-bedroom units average 1,134 net square feet. The property has 34 apartments that participate in the HUD Section 8 Project-Based Housing Assistance Payments (HAP) Program. There are six market-rate units.</p> <p>Copper Terrace was originally built in 1974. The property now suffers from age-related obsolescence and requires a substantial rehabilitation. The proposed renovation includes upgrades to improve energy efficiency and accessibility to the property. Improvements include upgrades to the building envelopes, the HVAC systems, the lighting systems and much of the site and site utilities. The roofing</p>			

	<p>systems of the buildings will be reconstructed. New windows and exterior doors will be installed. Stucco will be repaired and will receive a new color-coat. Stairs, treads and railings will be replaced. All exterior lighting will be converted to LED.</p> <p>Individual units will receive new interior paint and flooring. Kitchens will receive all new Energy Star appliances, countertops and cabinets. Bathrooms will receive new bathroom vanities & tops, tub surrounds and all new bathroom accessories. All plumbing fixtures in the units will be replaced. Interior LED lighting will be installed, and new smoke and carbon monoxide detectors will be added.</p> <p>The existing community building will be renovated to provide accessibility at the restrooms, offices and laundry room. Interior finishes, lighting and mailboxes will be replaced, and the building's mechanical system will be upgraded.</p> <p>Copper Terrace will continue to target Households with Children and has been designed to include three age-appropriate outdoor recreation areas, including a tot-lot, a play area for children ages 5-12, and a fenced basketball court for older children. The existing pool will be maintained and made accessible.</p> <p>The MFA-ordered, Vogt Strategic Insights (VSI) market study, dated 4/27/2020, advises that the subject project is feasible as presented. The report concludes that, post-renovation, a market will continue to exist for the 96-unit project, Copper Terrace, in Albuquerque, NM. The subject site is surrounded by residential properties in good-to-excellent condition, which adds to the desirability of the neighborhood. A park, southeast of the site, contains tennis and basketball courts, a playground and picnic areas. Residents with children are in close proximity to major public school, which adds to the site's appeal. The project's site is located in close proximity to opportunities for shopping, employment, recreation, entertainment and education. Overall, VSI considers the site's location and proximity to community services to have a positive effect on its continued marketability.</p>
Affordability Requirements	<p><u>HOME Requirements:</u> Two units for households earning at or below 50% AMI and restricted to Low HOME rents on the following apartment types: One two-bedroom and one three-bedroom; and four units for households earning at or below 60% AMI and restricted to High HOME rents on the following apartment types: one 1-bedroom, two 2-bedroom and one 4-bedroom, for which a Land Use Restriction Agreement (LURA) is to be filed in Bernalillo County. The minimum affordability period is 15 years as required by HOME rules and 25 years for MFA's extended affordability period (i.e. in concurrence with the loan term). The affordability period starts on the date of acceptance by HUD of a final HOME project completion report and ends 40 years later.</p> <p><u>NMHTF Requirements:</u> Households earning 60% AMI or less, equaling 90 units in the project, for which a Land Use Restriction Agreement (LURA) is to be filed in Bernalillo 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>HOME Loan:</u></p> <p><u>Payments:</u> No payments during construction period, not to exceed 24 months; thereafter 480 equal principal payments (0% interest), maturing in 40 years, based upon an 80-year amortization. All outstanding principal due at the earlier of maturity, refinance or sale of the project.</p> <p><u>Disbursement:</u> Allow three draws, one at construction closing, one during the construction period, and final disbursement upon submission of a HUD project completion report.</p> <p><u>NMHTF Loan:</u></p> <p><u>Payments:</u> Interest only monthly during the construction period not to exceed 24 months; 360 equal P & I payments during the permanent loan period. 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 2020 and/or 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: HOME Loan</p> <ol style="list-style-type: none"> 1. Loan to be in second lien position; 2. If other than minimal funds used during construction (i.e. \$50,000 or less), YES Housing, Inc. must provide a guarantee; 3. HUD Environmental Review (ER) approval must occur prior to acquisition and construction start, and any ER approval conditions must be met; and 4. If HOME CHDO (Community Housing Development Organization) funds are to be used, YES Housing, Inc. must be approved by MFA as a CHDO, and any transfers of ownership must be in accordance with HUD's CHDO rules. <p>Additional Conditions: NMHTF Loan</p> <ol style="list-style-type: none"> 1. Loan to be in third lien position; and 2. YES Housing, Inc. must provide a guarantee during the construction period; 																																																								
MFA Commitments to Other Projects	<p><u>YES Housing, Inc.</u></p> <table> <tr><td>1999 LIHTC (9%) Otero Village</td><td>\$ 243,715</td></tr> <tr><td>1999 HOME CHDO - Otero Village</td><td>\$ 400,000</td></tr> <tr><td>2000 Risk Share - Otero Village ⁽¹⁾</td><td>\$ 562,526</td></tr> <tr><td>2000 LIHTC (4%) - Wildewood Apartments</td><td>\$ 142,500</td></tr> <tr><td>2001 LIHTC (4%) - Brentwood Gardens</td><td>\$ 229,137</td></tr> <tr><td>2001 LIHTC (4%) - Montana Meadows</td><td>\$ 170,606</td></tr> <tr><td>2002 LIHTC (4%) - Apple Ridge</td><td>\$ 205,484</td></tr> <tr><td>2003 LIHTC (4%) - Vista Grande</td><td>\$ 148,910</td></tr> <tr><td>2007 HOME CHDO - Bella Vista</td><td>\$ 366,000</td></tr> <tr><td>2007 LIHTC (9%) - Bella Vista</td><td>\$ 904,052</td></tr> <tr><td>2007 HOME CHDO - Roswell Summit</td><td>\$ 490,000</td></tr> <tr><td>2007 LIHTC (9%) - Roswell Summit</td><td>\$ 328,473</td></tr> <tr><td>2008 Risk Share - Roswell Summit</td><td>\$ 734,194</td></tr> <tr><td>2009 NSP - La Hacienda</td><td>\$ 2,305,543</td></tr> <tr><td>2010 NMHTF - Mountain View</td><td>\$ 419,891</td></tr> <tr><td>2011 HOME CHDO - Mountain View</td><td>\$ 346,660</td></tr> <tr><td>2011 LIHTC - Mountain View</td><td>\$ 556,678</td></tr> <tr><td>2012 LIHTC - Mesa del Norte</td><td>\$ 515,026</td></tr> <tr><td>2012 NMHTF - Mesa del Norte</td><td>\$ 428,281</td></tr> <tr><td>2012 HOME CHDO - Mesa del Norte</td><td>\$ 462,500</td></tr> <tr><td>2013 LIHTC (9%) – Sunset Hills</td><td>\$ 966,241</td></tr> <tr><td>2013 HOME CHDO - Sunset Hills</td><td>\$ 309,860</td></tr> <tr><td>2013 NMHTF - Sunset Hills</td><td>\$ 504,199</td></tr> <tr><td>2014 LIHTC (9%) – The Imperial Building</td><td>\$ 1,150,000</td></tr> <tr><td>2014 NMHTF – The Imperial Building</td><td>\$ 469,591</td></tr> <tr><td>2014 LIHTC (9%) – New Leaf</td><td>\$ 959,500</td></tr> <tr><td>2014 HOME CHDO – New Leaf</td><td>\$ 411,562</td></tr> <tr><td>2014 NMHTF – New Leaf</td><td>\$ 463,004</td></tr> </table>	1999 LIHTC (9%) Otero Village	\$ 243,715	1999 HOME CHDO - Otero Village	\$ 400,000	2000 Risk Share - Otero Village ⁽¹⁾	\$ 562,526	2000 LIHTC (4%) - Wildewood Apartments	\$ 142,500	2001 LIHTC (4%) - Brentwood Gardens	\$ 229,137	2001 LIHTC (4%) - Montana Meadows	\$ 170,606	2002 LIHTC (4%) - Apple Ridge	\$ 205,484	2003 LIHTC (4%) - Vista Grande	\$ 148,910	2007 HOME CHDO - Bella Vista	\$ 366,000	2007 LIHTC (9%) - Bella Vista	\$ 904,052	2007 HOME CHDO - Roswell Summit	\$ 490,000	2007 LIHTC (9%) - Roswell Summit	\$ 328,473	2008 Risk Share - Roswell Summit	\$ 734,194	2009 NSP - La Hacienda	\$ 2,305,543	2010 NMHTF - Mountain View	\$ 419,891	2011 HOME CHDO - Mountain View	\$ 346,660	2011 LIHTC - Mountain View	\$ 556,678	2012 LIHTC - Mesa del Norte	\$ 515,026	2012 NMHTF - Mesa del Norte	\$ 428,281	2012 HOME CHDO - Mesa del Norte	\$ 462,500	2013 LIHTC (9%) – Sunset Hills	\$ 966,241	2013 HOME CHDO - Sunset Hills	\$ 309,860	2013 NMHTF - Sunset Hills	\$ 504,199	2014 LIHTC (9%) – The Imperial Building	\$ 1,150,000	2014 NMHTF – The Imperial Building	\$ 469,591	2014 LIHTC (9%) – New Leaf	\$ 959,500	2014 HOME CHDO – New Leaf	\$ 411,562	2014 NMHTF – New Leaf	\$ 463,004
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	2016 Risk Share – New Leaf	\$	1,401,636
	2017 LIHTC (9%) – Solar Villa	\$	1,150,000
	2017 HOME CHDO – Solar Villa	\$	591,667
	2017 NMHTF – Solar Villa	\$	238,644
	2018 HOME – Nuevo Atrisco	\$	540,000
	2018 NMHTF – Nuevo Atrisco	\$	1,000,000
	2018 NHTF – Nuevo Atrisco	\$	1,147,500
	2018- HOME- Hope Village	\$	630,000
	2018- NMHTF- Hope Village	\$	1,300,000
	2018- NHTF- Hope Village	\$	3,000,000
	2019- LIHTC (9%) – Skyview Terrace	\$	1,157,325
	2019- HOME- Skyview Terrace	\$	600,000
	2019- NMHTF- Skyview Terrace	\$	1,000,000
	2020- STC- Hope Village	\$	500,000
	⁽¹⁾ Risk Share loans carry 10% MFA risk		
	⁽²⁾ Bonds are non-recourse to MFA		
	⁽³⁾ Loan Balances as of 5/12/2020		
MFA Exposure	YES Housing, Inc.: \$21,373,258 (excludes LIHTC & loans pending approval) ⁽³⁾		
Prepared by	George Maestas, Asst. Director of Housing Development	Date	6/02/2020
Reviewed by	Shawn Colbert, Director of Housing Development		

PROJECT INFORMATION SUMMARY						
Project Name		City	NC, AR, or NC/AR	Total # Units	Sizes	Target AMIs
Copper Terrace		Albuquerque	NC	96	1-BED, 2-BED, 3-BED & 4-BED	30%, 50%, 60%, and 80% AMI
Total Development Cost	\$ 17,864,244					
Borrower	Copper Terrace Limited Partnership, LLLP					
Management	Monarch Properties, Inc.		YEAR BUILT (AR)		LIHTC ALLOC	4% or 9%
Developer	YES Housing Inc.		NC		\$ 1,232,333	9%
			NC = New Construction AR = Acquisition/Rehab AMI = Area Median Income MR = Market Rate apartments			
HOME LOAN INFORMATION			NUMBER OF HOME UNITS:			6
Funds Available as of:	04/30/20	\$786,759 HOME CHDO Set-aside \$3,882,085 HOME Rental				
	MFA Guidelines	Loan Request		EXCEPTIONS/CONDITIONS/NOTES		
Maximum Loan Amount	\$1,000,000	\$1,000,000		*max for CHDOs (Community Housing Development Organizations)		
Rates	0.0% to 3.0%	0.00%				
Loan Fees	NA	NA				
Maximum Loan Term	2 yr construct, 40 yr perm	2 yr construct, 40 yr perm				
Loan Amortization	20 to 80 years	80 years				
Lien Position	Subordinate allowed	2nd lien position				
Affordability Requirements	Min 20 yrs, max 60% AMI	40 yrs, 4 units @ 60% AMI, 2 units @ 50% AMI				
DSCR	1.2 to 1.4 to 1 on all must-pay debt	within guidelines		Cash flow shows all-in DSCR beginning at 1.20 in Year 1 to 1.25 in Year 15		
Scoring Criteria	NA	NA				
NEW MEXICO HOUSING TRUST FUND LOAN INFORMATION			NUMBER OF NMHTF UNITS:			90
Funds Available as of:	04/30/20	\$10,288,187				
	MFA Guidelines	Loan Request		EXCEPTIONS/CONDITIONS/NOTES		
Maximum Loan Amount	\$1,500,000	\$1,000,000		\$1,000,000 construction loan (paid down to \$500,000 after 24 months at conversion to perm)		
Rates	3.0%	3.0%				
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 1.20 in Year 1 to 1.25 in Year 15		
Scoring Criteria	50-100 points	52				

TOTAL DEVELOPMENT COST INFORMATION SUMMARY				
Project:	Copper Terrace	Total	% TDC	Cost/GSF*
Acquisition Costs (land, building acquisition, & other acquisition costs)		\$ 4,115,000	23%	\$ 44.25
Construction Hard Costs		\$ 6,912,000	39%	\$ 74.32
Other Construction Costs (contractor O&P, general req, GRT, landscaping, furnishings, etc)		\$ 2,687,583	15%	\$ 28.90
Professional Services/Fees (architect, engineer, real estate legal, etc)		\$ 534,145	3%	\$ 5.74
Construction Financing Costs (interest, insurance, inspections, fees, etc)		\$ 818,750	5%	\$ 8.80
Permanent Financing Costs (fees, title/recording, etc)		\$ 74,500	0%	\$ 0.80
Other Soft Costs (tax credit fees, environmental reports, appraisals, accounting, etc)		\$ 762,506	4%	\$ 8.20
Syndication-Related Costs (organization, bridge loan, tax opinion, etc)		\$ 30,000	0%	\$ 0.32
Reserves (rent-up, operating, replacement, escrows, etc)		\$ 429,760	2%	\$ 4.62
Developer Fees (inc consultant fees)		\$ 1,500,000	8%	\$ 16.13
Total Development Costs (TDC)		\$ 17,864,244	100%	\$ 192.09
TDC w/o Land, Reserves & Commercial		\$ 16,604,484	93%	\$ 178.55

*Gross square footage: 92,997

CONSTRUCTION SOURCES				
Project:	Copper Terrace	Total	% of Total	Per Unit
Construct. Lender - 1st Lien	Construction Lender	\$ 10,750,000	60.2%	\$ 111,979
2nd Lien holder	MFA HOME CHDO loan (partial release of total)	\$ 900,000	5.0%	\$ 9,375
3rd Lien holder	MFA NMHTF loan	\$ 1,000,000	5.6%	\$ 10,417
Deferred Developer Fee	Deferred Developer Fee	\$ 846,805	4.7%	\$ 8,821
Other Source	Unfunded Reserves	\$ 390,315	2.2%	\$ 4,066
Other Source	YES Housing- Developer Contribution	\$ 465,326	2.6%	\$ 4,847
LIHTC Equity	Equity proceeds by TDB Equity Investor	\$ 3,511,798	19.7%	\$ 36,581
Total Construction Sources		\$ 17,864,244	100.0%	\$ 186,086

PERMANENT SOURCES				
Project:	Copper Terrace	Total	% of Total	Per Unit
Perm Lender - 1st Lien	Rocky Mountain CRC	\$ 3,770,000	21.1%	\$ 39,271
2nd Lien holder	MFA HOME CHDO loan	\$ 1,000,000	5.6%	\$ 10,417
3rd Lien holder	MFA NMHTF loan (paid down at closing to perm amt)	\$ 500,000	2.8%	\$ 5,208
Deferred Developer Fee	Deferred Developer Fee	\$ 422,925	2.4%	\$ 4,405
Other Source	YES Housing- Developer Contribution	\$ 465,326	2.6%	\$ 4,847
LIHTC Equity	Equity proceeds by TDB Equity Investor	\$ 11,705,993	65.5%	\$ 121,937
Total Permanent Sources		\$ 17,864,244	100.0%	\$ 186,086

Housing Development Underwriting Analysis of 2020 Rental Award Summary– Copper Terrace

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 \$1,000,000 HOME construction/ permanent loan and; (2) a \$1,000,000 New Mexico Housing Trust Fund (NMHTF) construction loan, to be paid down to a \$500,000 permanent loan. Total Development Cost (TDC) is estimated at \$17,864,244. This project has received a preliminary MFA 9% LIHTC award of \$1,232,333. See 6/02/2020 HOME and New Mexico Housing Trust Fund Rental Awards Summary for details.

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

1. **Market Study:** The award summary provided info from the 4/27/2020 Vogt Strategic Insights (VSI) market study, which is not repeated here. In summary, VSI concludes that a market will continue to exist for the subject property following its renovation as proposed and that the proposed renovations are expected to improve the general aesthetic appeal of the property, improve its overall marketability and extend its useful life. The subject site is surrounded by residential properties in good-to-excellent condition, which adds to the desirability of the neighborhood. A park, located southeast of the site, contains tennis and basketball courts, a playground and picnic areas. Residents with children are in close proximity to major public schools, which adds to the site's appeal. Visibility is considered excellent and access is good. The site is also in proximity to opportunities for shopping, employment, recreation, entertainment and education. Health and safety services are located within 3.7 miles of the property. The site also has convenient access to major highways and public transportation. Overall, VSI considers the site's location and proximity to community services to have a positive effect on its continued marketability. It is expected that most if not all of the current residents will income-qualify and occupy the apartments.
2. **Site/Environmental:** A HUD Part 58 Environmental Review is required for HOME loans and be completed prior to the acquisition of the property.
3. **Site and Neighborhood Standards (HOME New Construction only):** N/A
4. **Subsidy Layering Review (HOME):**
 - a. **HOME-** MFA's Housing Development Department's underwriting guidelines, performed for the HOME loan request, show this project is not over-subsidized per HUD regulations.

C. Town and County Characteristics:

The Subject's Primary Market Area (PMA) generally consists of the eastern portion of the city of Albuquerque, including the neighborhoods of Indian Moon, Panorama Heights, Silver Leaf, Princess Jeanne, Quail Ridge, City View Estates, Towne Park, Terracita and North Four Hills, within Bernalillo County. The PMA is generally bounded on the north by Indian School Rd NE and Rebonito Drive NE; on the east by the city of Albuquerque's eastern boundary; on the south by Eubank Boulevard SE, Innovation Parkway SE and the Tijeras Arroyo; and on the west by Wyoming Boulevard NE and Central Avenue SE. VSI 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 the eastern and southeastern Albuquerque area, located inside the PMA, with a much smaller portion coming from other areas of greater Albuquerque and suburban communities in the area.

D. Developer Capacity:

1. **Management:** As an experienced affordable multifamily housing developer, YES Housing, Inc. (YES) has created or restored over 2,400 units of rental housing in New Mexico, Arizona and Texas. YES's staff has years of experience in accessing federal, state and local funding sources, private activity bonds, 501(c)(3) bonds, tax exempt bonds and the HUD 202 Program to acquire, rehabilitate and construct new developments. The company maintains good management depth and sufficient experience to manage the development process.
2. **Financial:** YES Housing, Inc.'s (i.e. includes affiliates) CPA-audited financial statements for FYE 12/31/18 show Unrestricted Cash of \$2.6M, Total Assets of \$127M and a Net Worth of \$53.5M, resulting in a Debt-to Worth Ratio of 1.36 :1.00. Developers typically rely on developer fees to generate revenue and, because these fees are intermittently received, this can have a fluctuating impact on cash flow. Net Income for the period was negative, however, Traditional Cash Flow (i.e. net earnings plus depreciation, amortization, and interest) was positive. Consolidated audited financial statements for FYE 12/31/17 show Unrestricted Cash of \$3.4M, Total Assets of \$120M and a Net Worth of \$55.4M, resulting in a debt-to-worth ratio of 1.17 to 1.00. Net Income and Traditional Cash Flow were both positive. YES is an experienced developer that has a proven history of obtaining LIHTC investors at good prices and large bank financing at favorable rates.

E. General Partner Capacity:

1. **Management:** Same as above (YES Housing, Inc.).
2. **Financial:** Same as above (YES Housing, Inc.)

F. **Guarantor:** Same as above (YES Housing, Inc.)

G. **Project Financials & Projections:**

1. **Financial Statements:**

The project's (currently known as Vista Grande) FYE 12/31/18 CPA-audited financial statements reflect \$173K in traditional cash flow (i.e. profit or loss plus non-cash charges).

2. **Projections & Assumptions** – Copper Terrace Limited Partnership, LLLP is a to-be-formed Limited Liability Limited Partnership. The company has provided a detailed 15-year cash flow projection. Additionally, the Vogt Strategic Insights (VSI) market study reviewed the supplied expense projections and compared them with expense estimates from two different national data sources, the Institute of Real Estate Management (IREM) and the National Apartment Association (NAA). The estimated operating expense per-unit is higher than both the IREM data and the NAA data. Operating expenses for the Subject are projected at \$5,480 per unit, per annum (PUPA), after reducing for Replacement Reserves (\$300 PUPA) and Social Services. These expenses are higher than the MFA standards of \$3,300 to \$4,800. However, VSI concludes that the developer's overall per-unit expense estimate appears reasonable, as the subject property is an existing development, reporting 95.8% occupancy, and the developer utilized historic basis to evaluate the appropriateness of their projections. It is worth noting that the Owner pays all utility expenses for the property, which elevates total operating expenses.

Projections utilize a 7% vacancy. MFA typically uses a standard vacancy of 7%, however, for projects with at least 90% of all apartments covered by a federal rental assistance contract, MFA may use the market study vacancy factor but not less than 5%. The subject property maintains a HUD Section 8 Housing Assistance Payments (HAP) contract on 34 of their 96 apartments (35%).

The Debt Service Coverage Ratio (DSCR) on all hard debt (i.e. Rocky Mountain CRC's \$3,770,000 first mortgage loan, MFA's \$1,000,000 HOME loan and MFA's \$500,000 NM HTF permanent loan) is projected to be 1.20 to 1.00 in the first year, increasing to 1.25 to 1.00 by year 15. This ratio is within MFA's underwriting standards of a range between 1.20 - 1.40 : 1.00. The interest rate for the first mortgage loan is assumed to be at 5.50%. MFA's underwriting guidelines typically require the preparer to adjust the LOI rate upwards by 50 basis points for underwriting. However, due to the current national health crisis, and related economic conditions, the preparer believes it is very unlikely that interest rates will rise in the next 8 to 10 months, the time that the transaction would likely close. If, for any reason, the rate increases too much to accommodate required DSCR, then the first mortgage permanent loan can be reduced and that portion of it replaced by a cash flow loan from YES.

Currently, it appears that 28% (\$422,925) of the \$1,500,000 developer fee will be

deferred. Generally, a deferral in fee could be used to replace a portion of the first mortgage loan and would mitigate any possible interest rate risk that may occur between commitment and inception of the permanent loan. Deferral of the developer fee is usually allowable by the investor, provided that cash flow can repay the deferred fee by the end of the 15-year LIHTC compliance period. Lender projections indicate that the Subject would fully pay the deferred developer fee by the end of the 7th year.

The developer is assuming that credits can be sold to an investor at 95 cents on the dollar (i.e. the high end of the 2019 MFA 88 to 95 cents guideline). Every one-cent drop in that price would create the need for additional \$123K in capital to be filled by either deferring developer fee or a cash-flow-only loan from YES.

- 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** (Existing property, low historical vacancy- currently 4.2%)
 2. **Construction – Low** (the developer is experienced plus the investor and main construction lender will provide additional oversight and controls)
 3. **Developer – Low** (experienced developer, strong balance sheet)
 4. **Guarantor – Low** (strong balance sheet)
 5. **General Partner/Managing Member – Low** (i.e. the developer)
 6. **Community Opposition – Low** (existing project)
 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



George Maestas
Asst. Director of Housing Development
Dated as of June 2, 2020

Concur



Shawn Colbert
Director of Housing Development

Appendix A: Development Cost Budget		
Copper Terrace	Gross Sq. Footage:	92,997
Albuquerque	TOTAL COST	COST/GSF
ACQUISITION COSTS		
Land Acquisition	\$ 830,000	\$ 8.93
Building Acquisition	\$ 3,270,000	\$ 35.16
Other: Closing/Title Costs	\$ 15,000	\$ 0.16
SUBTOTAL	\$ 4,115,000	\$ 44.25
CONSTRUCTION HARD COSTS		
Demolition	\$ 585,302	\$ 6.29
Accessory Structures	\$ 180,512	\$ 1.94
Site Construction	\$ 1,235,676	\$ 13.29
Buildings and Structures	\$ 4,910,510	\$ 52.80
Off-Site Improvements		\$ -
Other:		\$ -
SUBTOTAL	\$ 6,912,000	\$ 74.32
OTHER CONSTRUCTION COSTS		
Contractor Overhead	\$ 152,064	\$ 1.64
Contractor Profit	\$ 456,192	\$ 4.91
General Requirements	\$ 456,192	\$ 4.91
Construction Contingency	\$ 691,200	\$ 7.43
Gross Receipts Tax (GRT)	\$ 682,577	\$ 7.34
Landscaping		\$ -
Furniture, Fixtures, & Equipment	\$ 75,000	\$ 0.81
Other: Builder's Risk Insurance, P&P Bond, Building Permits	\$ 174,358	\$ 1.87
SUBTOTAL	\$ 2,687,583	\$ 28.90
PROFESSIONAL SERVICES/FEES		
Architect (Design)	\$ 262,945	\$ 2.83
Architect (Supervision)	\$ 134,200	\$ 1.44
Attorney (Real Estate)	\$ 20,000	\$ 0.22
Engineer/Survey	\$ 25,000	\$ 0.27
Other : HERS Testing/ Phase 1/2, Geotechnical	\$ 92,000	\$ 0.99
SUBTOTAL	\$ 534,145	\$ 5.74
Hazard Insurance	\$ -	\$ -
Liability Insurance	\$ 50,000	\$ 0.54
Performance Bond	\$ -	\$ -
Interest	\$ 450,000	\$ 4.84
Origination\Discount Points	\$ 90,000	\$ 0.97
Credit Enhancement		\$ -
Inspection Fees	\$ 32,000	\$ 0.34
Title and Recording	\$ 106,750	\$ 1.15
Legal	\$ 40,000	\$ 0.43
Taxes	\$ 50,000	\$ 0.54
Other:		\$ -
SUBTOTAL	\$ 818,750	\$ 8.80

Project: Copper Terrace		
PERMANENT FINANCING COSTS		
Bond Premium		\$ -
Credit Report		\$ -
Origination\Discount Points	\$ 49,500	\$ 0.53
Credit Enhancement		\$ -
Title and Recording	\$ 25,000	\$ 0.27
Legal	\$ -	\$ -
Pre-Paid MIP		\$ -
Reserves and Escrows		\$ -
Other:		\$ -
SUBTOTAL	\$ 74,500	\$ 0.80
SOFT COSTS		
Market Study	\$ 8,500	\$ 0.09
Environmental	\$ 3,250	\$ 0.03
Tax Credit Fees	\$ 96,256	\$ 1.04
Appraisal	\$ 5,000	\$ 0.05
Hard Relocation Costs	\$ 528,000	\$ 5.68
Accounting/Cost Certification	\$ 30,000	\$ 0.32
Other: Soft Cost Contingency, Constr. Mngr	\$ 91,500	\$ 0.98
SUBTOTAL	\$ 762,506	\$ 8.20
SYNDICATION		
Organization	\$ 30,000	\$ 0.32
Bridge Loan		\$ -
Tax Opinion		\$ -
Other:		\$ -
SUBTOTAL	\$ 30,000	\$ 0.32
TDC before Dev. Fees & Reserves	\$ 15,934,484	\$ 171
RESERVES		
Rent Up		\$ -
Operating	\$ 429,760	\$ 4.62
Replacement (inc. only if capitalized)		\$ -
Escrows/Working Capital		\$ -
Other:		\$ -
SUBTOTAL	\$ 429,760	\$ 4.62
DEVELOPER FEES		
Developer Fee	\$ 1,500,000	\$ 16.13
Consultant Fee		\$ -
SUBTOTAL	\$ 1,500,000	\$ 16.13
Total Development Cost (TDC)	\$ 17,864,244	\$ 192.09
TDC w/o Land, Reserves & Commercial	\$ 16,604,484	\$ 178.55

Tab d

2020 RENTAL AWARD SUMMARY

Project Name & Address	6100 Harper 6100 Harper Drive NE, Albuquerque, NM 87109			
Proposed Award	\$400,000	NHTF	Interest Rate:	0.00%
Borrower	A to-be-formed Limited Liability Limited Partnership (LLLP) , owned 0.01% by a to-be-formed LLC (with Albuquerque Housing Authority as its Sole Member) as its General Partner; and 99.99% by a subsidiary of The Richman Group, the tax credit investor, as its Limited Partner.			
Management	<p>Albuquerque Housing Authority (AHA), a component unit of the city of Albuquerque, is a public entity that was formed in 1967 to provide federally subsidized housing and housing assistance to low-income families within the city of Albuquerque. AHA currently owns and manages 27 multifamily and senior housing developments, totaling approximately 1,020 units throughout the municipal limits of the city of Albuquerque. AHA's public housing staff directly manages all of AHA's public housing stock. Twenty-six of these properties (945 units) operate as public housing and offer rental assistance to the families that reside in them.</p> <p>AHA's Section 8 division administers approximately 4,000 section 8 housing choice vouchers as well as Veterans Affairs Supporting Housing (VASH) housing choice vouchers. All homes rented by housing choice voucher clients, as well as AHA's public housing, are inspected by AHA's housing inspection staff to ensure that the homes meet the quality housing standards of the US Department of Housing and Urban Development (HUD).</p>			
Developer	<p>Albuquerque Housing Authority (AHA), a component unit of the city of Albuquerque, is a public entity that was formed in 1967 to provide federally subsidized housing and housing assistance to low-income families within the city of Albuquerque. AHA currently provides direct and indirect support to over ten thousand individuals in the city of Albuquerque by providing access to quality housing, neighborhood engagement, and by building vibrant communities. AHA is headed by an executive director and governed by a five-person board of commissioners. Sixty-four staff members support AHA's six main divisions: administration, finance, public housing inspections, Section 8 and maintenance. AHA is the state's largest housing authority.</p> <p>AHA's CPA-audited financial statements for FYE 6/30/19 show Unrestricted Cash of \$15.2M, Total Assets of \$36.9M and a Net Worth of \$24.6M, resulting in a Debt-to Worth Ratio of 0.57 : 1.00. Net Income for the period was positive and Traditional Cash Flow (i.e. net earnings plus depreciation, amortization, and interest) was also positive. Audited financial statements for FYE 6/30/18 reflect Total Assets of \$34.7M and a Net Worth of \$22.7M, resulting in a debt-to-worth ratio of 0.59 : 1.00. Net Income for the period was positive. Consolidated internally prepared statements for the 11 months ended 11/30/19 show Cash of \$17.0M, Total Assets of \$40.0M and a Net Worth of \$26.3M, resulting in a Debt-to Worth Ratio of 0.47 : 1.00. Net Income remained positive. AHA is an experienced developer that has a proven history of obtaining LIHTC investors at good prices and large bank financing at favorable rates.</p>			
Project Type & Size	Acquisition & Rehabilitation of an existing 59-unit public housing complex with 15 units (25%) serving Households with Children and providing HUD Rental Assistance Demonstration (RAD) program project-based vouchers to all of the 59 units. Four of the units are income restricted to households earning 30% or less of Area Median Income (AMI), twenty of the units are income-restricted to households earning 50% or less of AMI and thirty-five units are income restricted to households earning 60% or less of AMI.			

Project Description	<p>The 6100 Harper project involves the acquisition & rehabilitation of an existing 59-unit public housing project in Albuquerque, NM. The project is located on 4.16 acres and consists of 11 residential buildings, including one single-story building and ten 2-story buildings. The project will also include the construction of a new community building, for a total project gross square-footage of 68,628. There are 36 two-bedroom units, 19 three-bedroom units and 4 four-bedroom units. The project's two-bedroom units average 581 net square feet, the three-bedroom units average 1,140 net square feet, four-bedroom units average 1,325 net square feet. The property provides HUD Rental Assistance Demonstration (RAD) program project-based vouchers to all 59 units.</p> <p>6100 Harper was first placed in service in 1982. All roofs were replaced within the last year (Community Development Block Grant funded) and approximately two years ago, three units at the property were renovated for ADA accessibility (public housing funds). No substantial rehabilitation has occurred at the property in the 38 years since it was built, and the property has never received a tax credit allocation. The property now suffers from age-related obsolescence and requires a substantial renovation. The proposed renovations include upgrades to the building envelopes, the heating & cooling systems, the lighting systems and much of the site.</p> <p>Individual units will receive new interior paint and flooring. Furnaces, evaporative coolers and water heaters will be replaced with new high-efficiency units. LED interior light fixtures will be installed, and all plumbing fixtures will be replaced. Kitchens will receive new Energy Star appliances, cabinets & countertops. Bathrooms will receive new tub surrounds, vanities & tops, and bathroom accessories. Unit's amenities include washer/dryer hook-ups, patio space and attached storage space. Two units will be renovated to support persons with hearing impairments.</p> <p>The buildings exteriors will be repaired and receive new stucco. All exterior doors and windows will be replaced, and all exterior lighting will be upgraded to LED.</p> <p>The project does not currently have a community building. The proposed renovation includes the construction of a new community building with offices, restrooms, community space and an exterior-accessed mail center.</p> <p>Site improvements include grading and improved parking and sidewalk accessibility. New drought-tolerant landscaping will be installed. Playgrounds will be updated and upgraded with new equipment, a new play surface and new all-weather permanent benches. A new basketball court will also be constructed.</p> <p>The project will continue to target Households with Children and the Resident Selection Criteria will also contain a preference for active duty or retired U.S. military veterans.</p> <p>The MFA-ordered, Novogradac & Company market study, dated 5/01/2020, advises that the subject project is feasible as presented. The report concludes that, post-renovation, the 6100 Harper project will represent good-quality affordable apartments that are in strong demand in the area. The project's site is located in a primarily residential neighborhood with retail/commercial, medical, and educational uses scattered throughout, with surrounding land uses in overall average condition. Residential uses consist of predominantly single-family homes and multifamily properties. Good quality affordable housing is limited in the area and the Subject will have a positive impact on the surrounding neighborhood. All major shopping, employment, and recreational amenities are located within reasonable proximity to the Subject. Renovation of the Subject will positively impact the neighborhood, which is well suited for an affordable family development.</p>
Affordability Requirements	<p>NHTF Requirements: One 1-bedroom unit, one 2-bedroom unit, one 3-bedroom unit and one 4-bedroom unit restricted to households earning the greater of 30% AMI or the federal poverty level, for which a Land Use Restriction Agreement (LURA) will be filed in Bernalillo County. The affordability period is 35 years, starting on the date of acceptance by HUD of a final NHTF project completion report and ends 35 years later.</p>

Repayment and Disbursement	<p><u>NHTF Loan:</u> <u>Payments:</u> No payments during the construction period, which is not to exceed 24 months; thereafter, annual payments, as determined from available cash flow, maturing in 35 years.</p> <p><u>Disbursement:</u> Allow up to three draws: two during the construction period, and the third upon submission of a final NHTF project completion report to HUD.</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 2020 and/or 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: NHTF Loan</p> <ol style="list-style-type: none"> 8. Loan to be in third lien position; 9. HUD Environmental Review (ER) approval must occur prior to acquisition and construction start, and any other ER approval conditions must be met; and 10. Albuquerque Housing Authority must provide a guarantee during the construction period. 		
MFA Commitments to Other Projects	<p><u>Albuquerque Housing Authority</u></p> <p>2016 9% LIHTC- Rio Vista- \$984,020</p> <p>Notes: Risk Share loans carry 10% MFA risk - loan balances as of 5/12/2020</p>		
MFA Exposure	<i>Total MFA Exposure: \$0 (excludes LIHTC, grants and loans pending approval).</i>		
Prepared by	George Maestas, Asst. Director of Housing Development	Date	6/02/2020
Reviewed by	Shawn Colbert, Director of Housing Development		

PROJECT INFORMATION SUMMARY						
Project Name		City	NC, AR, or NC/AR	Total # Units	Sizes	Target AMIs
6100 Harper		Albuquerque, NM				
Total Development Cost	\$ 12,118,590		AR	59	2-BED, 3-BED & 4 BED	60%, 50% & 30%
Borrower	To-be-Formed LLLP					
Management	Albuquerque Housing Authority		YEAR BUILT (AR)		LIHTC ALLOC	4% or 9%
Developer	Albuquerque Housing Authority		1982		\$ 912,789	9%
			NC = New Construction AR = Acquisition/Rehab AMI = Area Median Income MR = Market Rate apartments			
NATIONAL HOUSING TRUST FUND LOAN INFORMATION			NUMBER OF NHTF UNITS:			4
Funds Available as of:	04/30/20	Pending \$3M 2020 Allocation				
	MFA Guidelines	Loan Request	EXCEPTIONS/CONDITIONS/NOTES			
Maximum Loan Amount	\$400,000	\$400,000	Max loan with 9% LIHTC			
Rates	0.0%	0.0%				
Loan Fees	N/A	N/A				
Maximum Loan Term	2 yr construct, no max on perm	2 yr construct, 35 yr perm				
Loan Amortization	Cash-flow or Forgiveable	Cash-flow				
Lien Position	Subordinate allowed	3rd lien position				
Affordability Requirements	Min 30 years, NHTF units restricted to 30% AMI	35 years, NHTF units at 30% AMI				
DSCR	1.2 to 1.4 to 1 on all must-pay debt*	within guidelines	1.36 in year 1 - 1.23 in year 15			
Scoring Criteria	40-100 points	60				

TOTAL DEVELOPMENT COST INFORMATION SUMMARY				
Project:	6100 Harper	Total	% TDC	Cost/GSF*
Acquisition Costs (land, building acquisition, & other acquisition costs)		\$ 1,990,000	16%	\$ 29.00
Construction Hard Costs		\$ 5,142,654	42%	\$ 74.94
Other Construction Costs (contractor O&P, general req, GRT, landscaping, furnishings, etc)		\$ 1,888,992	16%	\$ 27.53
Professional Services/Fees (architect, engineer, real estate legal, etc)		\$ 347,976	3%	\$ 5.07
Construction Financing Costs (interest, insurance, inspections, fees, etc)		\$ 540,500	4%	\$ 7.88
Permanent Financing Costs (fees, title/recording, etc)		\$ 140,000	1%	\$ 2.04
Other Soft Costs (tax credit fees, environmental reports, appraisals, accounting, etc)		\$ 617,041	5%	\$ 8.99
Syndication-Related Costs (organization, bridge loan, tax opinion, etc)		\$ 40,000	0%	\$ 0.58
Reserves (rent-up, operating, replacement, escrows, etc)		\$ 201,000	2%	\$ 2.93
Developer Fees (inc consultant fees)		\$ 1,210,427	10%	\$ 17.64
Total Development Costs (TDC)		\$ 12,118,590	100%	\$ 176.58
TDC w/o Land, Reserves & Commercial		\$ 11,917,590	98%	\$ 173.65

*Gross square footage: 68,628

CONSTRUCTION SOURCES				
Project:	6100 Harper	Total	% of Total	Per Unit
Construct. Lender - 1st Lien	Citi	\$ 4,376,151	36.1%	\$ 74,172
2nd Lien holder	AHA Carryback Financing	\$ 1,791,000	14.8%	\$ 30,356
3rd Lien holder	MFA National Housing Trust Fund loan	\$ 360,000	3.0%	\$ 6,102
4th Lien holder			0.0%	\$ -
5th Lien holder			0.0%	\$ -
Deferred Developer Fee	Albuquerque Housing Authority	\$ 608,109	5.0%	\$ 10,307
LIHTC Equity	The Richman Group	\$ 4,983,330	41.1%	\$ 84,463
Other source			0.0%	\$ -
Other source			0.0%	\$ -
Other source			0.0%	\$ -
Other source			0.0%	\$ -
Total Construction Sources		\$ 12,118,590	100.0%	\$ 205,400

PERMANENT SOURCES				
Project:	6100 Harper	Total	% of Total	Per Unit
Perm Lender - 1st Lien	Citi	\$ 1,465,000	12.1%	\$ 24,831
2nd Lien holder	AHA Carryback Financing	\$ 1,791,000	14.8%	\$ 30,356
3rd Lien holder	MFA National Housing Trust Fund loan	\$ 400,000	3.3%	\$ 6,780
4th Lien holder			0.0%	\$ -
5th Lien holder			0.0%	\$ -
Deferred Developer Fee	Albuquerque Housing Authority	\$ 157,041	1.3%	\$ 2,662
LIHTC Equity	The Richman Group	\$ 8,305,549	68.5%	\$ 140,772
Other source			0.0%	\$ -
Other source			0.0%	\$ -
Other source			0.0%	\$ -
Other source			0.0%	\$ -
Total Permanent Sources		\$ 12,118,590	100.0%	\$ 205,400

Housing Development Underwriting Analysis of 2020 Rental Award Summary– 6100 Harper

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 \$400,000 NHTF construction/permanent loan. Total Development Cost (TDC) is estimated at \$12,118,590. This project has received a preliminary MFA 9% annual LIHTC award of \$912,789. See 6/02/20 NHTF Summary for details.

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

1. **Market Study:** The award summary provided information from the 5/01/2020 Novogradac & Company market study. In summary, Novogradac concludes that the renovated Subject will represent good quality affordable apartments that are in strong demand in the area. The site is located in a primarily residential neighborhood with retail/commercial, medical, and educational uses scattered throughout, with surrounding land uses in overall average condition. Residential uses consist of predominantly single-family homes and multifamily properties. Good quality affordable housing is limited in the area and the Subject will have a positive impact on the surrounding neighborhood. All major shopping, employment, and recreational amenities are located within reasonable proximity to the Subject. The off-site amenities are appropriate and sufficient for the market and the intended tenants. The total general population is projected to increase through market entry and 2024. As the total population and number of households continue to grow, the demand for housing units will continue to increase. In addition to two- and three-bedroom units, the Subject offers large four-bedroom unit sizes that are far above the range of the comparables. Also, the Subject's units will operate under the Rental Assistance Demonstration (RAD) program, thus tenants will pay 30 percent of their income towards rent. All tenants are expected to remain income qualified. Unfortunately, the Subject's lack of unit amenities, such as dishwashers and garbage disposals, could be a potential weakness in the development scheme. However, given that the units will operate with subsidies, Novogradac does not believe that the lack of unit amenities will represent a marketing disadvantage, or will negatively impact the Subject's performance. It is expected that most if not all of the current tenants will income-qualify and occupy the units. Ultimately, renovation of the Subject will positively impact the neighborhood, which is well suited for an affordable family development.
2. **Site/Environmental:** A HUD environmental review must be completed prior to the acquisition of the property.
3. **Site and Neighborhood Standards (NHTF New Construction only):** N/A

4. **Subsidy Layering Review (NHTF):**

- a. NHTF- MFA's Housing Development Department's underwriting guidelines, performed for the NHTF loan request, show this project is not over-subsidized per HUD regulations.

C. **Town and County Characteristics:**

1. The Subject's Primary Market Area (PMA) generally consists of the northeastern portion of the city of Albuquerque. The PMA is generally bounded on the north by Paseo del Norte Blvd NE; on the east by Tramway Blvd NE; on the south by the Coronado Freeway/Interstate 40; and on the west by Edith Blvd. Market data demonstrates that a significant amount of the renter base considers housing opportunities within these boundaries. We anticipate that much of the demand will be generated from this geographic area. Property managers at the majority of the comparables, including the most similar comparables, reported that a large portion of tenants were originating from inside the PMA.

D. **Developer Capacity:**

1. **Management:** Albuquerque Housing Authority (AHA), a component unit of the city of Albuquerque, is a public entity that was formed in 1967 to provide federally subsidized housing and housing assistance to low-income families within the city of Albuquerque. AHA currently provides direct and indirect support to over ten thousand individuals in the city of Albuquerque by providing access to quality housing, neighborhood engagement, and by building vibrant communities. AHA is headed by an executive director and governed by a five-person board of commissioners. Sixty-four staff members support AHA's six main divisions: administration, finance, public housing inspections, Section 8 and maintenance. AHA is the state's largest housing authority. The organization maintains good management depth and sufficient experience to manage the development process.
2. **Financial:** AHA's CPA-audited financial statements for FYE 6/30/19 show Unrestricted Cash of \$15.2M, Total Assets of \$36.9M and a Net Worth of \$24.6M, resulting in a Debt-to Worth Ratio of 0.57 : 1.00. Net Income for the period was positive and Traditional Cash Flow (i.e. net earnings plus depreciation, amortization, and interest) was also positive. Audited financial statements for FYE 6/30/18 reflect Total Assets of \$34.7M and a Net Worth of \$22.7M, resulting in a debt-to-worth ratio of 0.59 : 1.00. Net Income for the period was positive. Consolidated internally-prepared statements for the 11 months ended 11/30/19 show Cash of \$17.0M, Total Assets of \$40.0M and a Net Worth of \$26.3M, resulting in a Debt-to Worth Ratio of 0.47 : 1.00. Net Income remained positive.

E. **General Partner Capacity:**

1. **Management:** Same as above (To-be-formed LLC affiliate of AHA).

2. **Financial:** Same as above (To-be-formed LLC affiliate of AHA).

F. **Guarantor:** Same as above (AHA)

G. **Project Financials & Projections:**

1. **Financial Statements:** AHA did not provide individual financial statements for the Harper property, as it consolidates its public housing portfolio and does not break it out for each property.

2. **Projections & Assumptions** – The Borrower is a to-be-formed Limited Liability Limited Partnership. The company has provided a detailed 15-year cash flow projection. Historical data for 2017, 2018, and 2019 was also provided. The Novogradac & Company market study reviewed the supplied expense projections and compared them with the Historical data and the actual operating expenses for three LIHTC properties, all of which are located in Albuquerque. The operating expense data is considered adequate to support their analysis. All three comparable properties are operated under the LIHTC program. Operating expenses for the Subject are projected at \$4,747 per unit, per annum (PUPA), after reducing for Replacement Reserves (\$350 PUPA) and Social Services. These expenses are within the MFA standards of \$3,300 to \$4,800. Novogradac concludes that the developer's overall per-unit expense estimate appears reasonable, as it is within range of both the comparables and the historic data.

Projections utilize a 7% vacancy. MFA typically uses a standard vacancy of 7%, however, for projects with at least 90% of all apartments covered by a federal rental assistance contract, MFA may use the market study vacancy factor (in this case 3%) but not less than 5%. The subject property provides HUD Rental Assistance Demonstration (RAD) program project-based vouchers to all of the 59 units (100%).

The Debt Service Coverage Ratio (DSCR) on all hard debt [i.e. Citi's \$1,465,000 first mortgage loan and MFA's \$400,000 NHTF loan] is projected to be 1.36 to 1.00 in the first year, decreasing to 1.23 to 1.00 by year 15. This ratio meets MFA's underwriting standards of a range between 1.20 - 1.40 : 1.00 for the full 15 years of the projection period. The interest rate for the first mortgage loan is assumed to be at 5.00% (4.50%, adjusted upwards by 50 basis points for underwriting). This rate seems reasonable now, but it is difficult to forecast where rates might be in 8 to 10 months, the time that the transaction would likely close. If, for any reason, the rate increases too much to accommodate required DSCR, then the first mortgage permanent loan can be reduced and that portion of it replaced by a larger cash flow loan from AHA.

Currently, it appears that 13% (i.e. \$157,041 of the \$1,210,426) of the developer fee will be deferred. Generally, a deferral in fee could be used to replace a portion of the first mortgage loan and would mitigate any possible interest rate risk that may occur between commitment and inception of the permanent loan. Deferral of the developer fee is usually allowable by the investor, provided that cash flow can repay the deferred fee by the end of the 15-year LIHTC compliance period. Lender projections

indicate that the Subject would fully pay the deferred developer fee by the end of the 5th year.

The developer is assuming that credits can be sold to an investor at 91 cents on the dollar (i.e. the middle of the 2019 MFA 88 to 95 cents guideline). Every one-cent drop in that price would create the need for additional \$91K in capital to be filled by either deferring developer fee or a larger cash-flow-only loan from AHA.

- 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** (Strong demand for subject property within PMA- existing subsidized property, 100% occupancy)
 2. **Construction – Low** (the developer is experienced plus the investor and main construction lender will provide additional oversight and controls)
 3. **Developer – Low**
 4. **Guarantor – Low**
 5. **General Partner/Managing Member – Low (i.e. the developer)**
 6. **Community Opposition – Low (existing project)**
 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 would 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



George Maestas
Asst. Director of Housing Development

Concur



Shawn Colbert
Director of Housing Development

Dated as of June 2, 2020

Appendix A: Development Cost Budget		
6100 Harper	Gross Sq. Footage:	68,628
Albuquerque, NM	TOTAL COST	COST/GSF
ACQUISITION COSTS		
Land Acquisition		\$ -
Building Acquisition	\$ 1,990,000	\$ 29.00
Other:		\$ -
SUBTOTAL	\$ 1,990,000	\$ 29.00
CONSTRUCTION HARD COSTS		
Demolition	\$ 410,400	\$ 5.98
Accessory Structures	\$ -	\$ -
Site Construction	\$ 524,282	\$ 7.64
Buildings and Structures	\$ 4,207,973	\$ 61.32
Off-Site Improvements	\$ -	\$ -
Other Costs:	\$ -	\$ -
SUBTOTAL	\$ 5,142,655	\$ 74.94
OTHER CONSTRUCTION COSTS		
Contractor Overhead	\$ 113,130	\$ 1.65
Contractor Profit	\$ 339,391	\$ 4.95
General Requirements	\$ 339,391	\$ 4.95
Construction Contingency	\$ 514,266	\$ 7.49
Gross Receipts Tax (GRT)	\$ 507,814	\$ 7.40
Landscaping		\$ -
Furniture, Fixtures, & Equipment	\$ 75,000	\$ 1.09
Other:		\$ -
SUBTOTAL	\$ 1,888,992	\$ 27.53
PROFESSIONAL SERVICES/FEES		
Architect (Design)	\$ 332,976	\$ 4.85
Architect (Supervision)		\$ -
Attorney (Real Estate)		\$ -
Engineer/Survey	\$ 15,000	\$ 0.22
Other:		\$ -
SUBTOTAL	\$ 347,976	\$ 5.07
CONSTRUCTION FINANCING		
Hazard Insurance	\$ -	\$ -
Liability Insurance	\$ 50,000	\$ 0.73
Performance Bond	\$ 110,500	\$ 1.61
Interest	\$ 240,000	\$ 3.50
Origination\Discount Points	\$ 50,000	\$ 0.73
Credit Enhancement		\$ -
Inspection Fees	\$ 15,000	\$ 0.22
Title and Recording	\$ 25,000	\$ 0.36
Legal	\$ 50,000	\$ 0.73
Taxes		\$ -
Other:	\$ -	\$ -
SUBTOTAL	\$ 540,500	\$ 7.88

Project: 6100 Harper		
PERMANENT FINANCING COSTS		
Bond Premium	\$ -	\$ -
Credit Report	\$ -	\$ -
Origination\Discount Points	\$ 15,000	\$ 0.22
Credit Enhancement		\$ -
Title and Recording	\$ 50,000	\$ 0.73
Legal	\$ 75,000	\$ 1.09
Pre-Paid MIP	\$ -	\$ -
Reserves and Escrows	\$ -	\$ -
Other	\$ -	\$ -
SUBTOTAL	\$ 140,000	\$ 2.04
SOFT COSTS		
Market Study	\$ 5,800	\$ 0.08
Environmental	\$ 50,000	\$ 0.73
Tax Credit Fees	\$ 72,241	\$ 1.05
Appraisal	\$ 6,000	\$ 0.09
Hard Relocation Costs	\$ 400,000	\$ 5.83
Accounting/Cost Certification	\$ 8,000	\$ 0.12
Other: Soft Cost Contingency	\$ 75,000	\$ 1.09
SUBTOTAL	\$ 617,041	\$ 8.99
SYNDICATION		
Organization	\$ 25,000	\$ 0.36
Bridge Loan	\$ -	\$ -
Tax Opinion	\$ 15,000	\$ 0.22
Other:	\$ -	\$ -
SUBTOTAL	\$ 40,000	\$ 0.58
TDC before Dev. Fees & Reserves	\$ 10,707,164	\$ 156.02
RESERVES		
Rent Up	\$ -	\$ -
Operating	\$ 201,000	\$ 2.93
Replacement (inc. only if capitalized)	\$ -	\$ -
Escrows/Working Capital	\$ -	\$ -
Other:		\$ -
SUBTOTAL	\$ 201,000	\$ 2.93
DEVELOPER FEES		
Developer Fee	\$ 1,135,426	\$ 16.54
Consultant Fee	\$ -	\$ -
Relocation Consultant	\$ 75,000	\$ 1.09
SUBTOTAL	\$ 1,210,426	\$ 17.64
Total Development Cost (TDC)	\$ 12,118,590	\$ 176.58
TDC w/o Land, Reserves & Commercial	\$ 11,917,590	\$ 173.65

Tab e

2020 RENTAL AWARD SUMMARY

Project Name & Address	Broadway/McKnight 1840-1880 Broadway Place NE, Albuquerque, NM 87102 (current addresses)			
Proposed Award	\$400,000	NHTF	Interest Rate:	0.00%
Borrower	A to-be-formed Limited Liability Limited Partnership (LLLP) , owned 0.01% by a to-be-formed LLC (with Albuquerque Housing Authority as its Sole Member) as its General Partner; and 99.99% by a subsidiary of The Richman Group, the tax credit investor, as its Limited Partner.			
Management	<p>Albuquerque Housing Authority (AHA), a component unit of the city of Albuquerque, is a public entity that was formed in 1967 to provide federally subsidized housing and housing assistance to low-income families within the city of Albuquerque. AHA currently owns and manages 27 multifamily and senior housing developments, totaling approximately 1,020 units throughout the municipal limits of the city of Albuquerque. AHA's public housing staff directly manages all of AHA's public housing stock. Twenty-six of these properties (945 units) operate as public housing and offer rental assistance to the families that reside in them. AHA is the state's largest housing authority.</p> <p>AHA's Section 8 division administers approximately 4,000 section 8 housing choice vouchers as well as Veterans Affairs Supporting Housing (VASH) housing choice vouchers. All homes rented by housing choice voucher clients, as well as AHA's public housing, are inspected by AHA's housing inspection staff to ensure that the homes meet the quality housing standards of the US Department of Housing and Urban Development (HUD).</p>			
Developer	<p>Albuquerque Housing Authority (AHA), a component unit of the city of Albuquerque, is a public entity that was formed in 1967 to provide federally subsidized housing and housing assistance to low-income families within the city of Albuquerque. AHA currently provides direct and indirect support to over ten thousand individuals in the city of Albuquerque by providing access to quality housing, neighborhood engagement, and by building vibrant communities. AHA is headed by an executive director and governed by a five-person board of commissioners. Sixty-four staff members support AHA's six main divisions: administration, finance, public housing inspections, Section 8 and maintenance.</p> <p>AHA's CPA-audited financial statements for FYE 6/30/19 show Unrestricted Cash of \$15.2M, Total Assets of \$36.9M and a Net Worth of \$24.6M, resulting in a Debt-to Worth Ratio of 0.57 : 1.00. Net Income for the period was positive and Traditional Cash Flow (i.e. net earnings plus depreciation, amortization, and interest) was also positive. Audited financial statements for FYE 6/30/18 reflect Total Assets of \$34.7M and a Net Worth of \$22.7M, resulting in a debt-to-worth ratio of 0.59 : 1.00. Net Income for the period was positive. Consolidated internally prepared statements for the 11 months ended 11/30/19 show Cash of \$17.0M, Total Assets of \$40.0M and a Net Worth of \$26.3M, resulting in a Debt-to Worth Ratio of 0.47 : 1.00. Net Income remained positive. AHA is an experienced developer that has a proven history of obtaining LIHTC investors at good prices and large bank financing at favorable rates.</p>			
Project Type & Size	New Construction of a 54-unit multifamily project with 14 units (25%) serving Households with Children. The project will provide HUD Section 8 project-based vouchers to 30 units and HUD Rental Assistance Demonstration (RAD) program project-based vouchers to 13 units. Four of the units are income restricted to households earning 30% or less of Area Median Income (AMI), eighteen of the units are income-restricted to households earning 50% or less of AMI and thirty-two units are income restricted to households earning 60% or less of AMI.			

Project Description	<p>The Broadway/McKnight project includes the demolition of an existing 30-unit public housing project and the construction of 54 townhome-style units in the Martineztown neighborhood of Albuquerque, NM. The property is currently owned and managed by the Albuquerque Housing Authority. The project will convert from a public housing project to a LIHTC property, with HUD Rental Assistance Demonstration (RAD) project-based vouchers covering 30 units and HUD Section 8 project-based vouchers covering another 13 units. The project is located on 3.43 acres and consists of 26 two-story residential buildings, each containing one to five units. The project will also include the construction of a new community building, for a total project gross square-footage of 58,917 square feet. There are 12 one-bedroom units, 22 two-bedroom units, 11 three-bedroom units, 8 four-bedroom units and one five-bedroom unit. The project's one-bedroom units average 624 net square feet, the two-bedroom units average 864 net square feet, the three-bedroom units average 1,136 net square feet, four-bedroom units average 1,330 net square feet and the five-bedroom unit is 1,669 net square feet.</p> <p>Broadway McKnight was first placed in service in 1972. However, the existing units were poorly designed with shoddy construction. Interior unit layouts offered inadequate circulation, poor bathroom placement, confined kitchens and no ability to adapt the units for households with mobility impairments. The site plan and unit configurations made poor use of the property's space. The property now suffers from both functional and age-related obsolescence.</p> <p>Unit's amenities include hard surface flooring and patio space/ yard space. Heating and cooling of the units will be managed by split system heat pumps controlled by programmable thermostats. All lighting systems will have Energy Star rated LED lamps and all domestic water heaters will be Energy Star rated.</p> <p>A new community building with a leasing office and space for service delivery will be constructed. A laundry facility will also be installed within the community building. The site will include playgrounds for children, a community garden plot, and drought tolerant landscaping. The project will also include an on-site service coordinator to provide residents with free services, specifically designed for households with children.</p> <p>The project will continue to target Households with Children and the Resident Selection Criteria will also contain a preference for active duty or retired U.S. military veterans.</p> <p>The MFA-ordered, Vogt Strategic Insights (VSI) market study, dated 5/19/2020, concludes that a market exists for the subject property following its development as currently proposed. The site is in proximity to opportunities for shopping, employment, recreation, entertainment and education. Health and safety services are located within 2.2 miles of the property. The subject also has convenient access to major highways and public transportation. Overall, VSI considers the site's location and proximity to community services to have a positive effect on its continued marketability.</p>
Affordability Requirements	<p>NHTF Requirements: One 1-bedroom unit, one 2-bedroom unit, and one 3-bedroom unit restricted to households earning the greater of 30% AMI or the federal poverty level, for which a Land Use Restriction Agreement (LURA) will be filed in Bernalillo County. The affordability period is 35 years, starting on the date of acceptance by HUD of a final NHTF project completion report and ends 35 years later.</p>

Repayment and Disbursement	<p><u>NHTF Loan:</u> <u>Payments:</u> No payments during the construction period, which is not to exceed 24 months; thereafter, annual payments, as determined from available cash flow, maturing in 35 years. <u>Disbursement:</u> Allow up to three draws: two during the construction period, and the third upon submission of a final NHTF project completion report to HUD.</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 2020 and/or 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: NHTF Loan</p> <ol style="list-style-type: none"> 8. Loan to be in Third lien position; 9. HUD Environmental Review (ER) approval must occur prior to acquisition and construction start, and any other ER approval conditions must be met; and 10. Albuquerque Housing Authority must provide a guarantee during the construction period. 		
MFA Commitments to Other Projects	<p><u>Albuquerque Housing Authority</u></p> <p>2016 9% LIHTC- Rio Vista- \$984,020</p> <p>Notes: Risk Share loans carry 10% MFA risk - loan balances as of 5/12/2020</p>		
MFA Exposure	<i>Total MFA Exposure: \$0 (excludes LIHTC, grants and loans pending approval).</i>		
Prepared by	George Maestas, Asst. Director of Housing Development	Date	6/02/2020
Reviewed by	Shawn Colbert, Director of Housing Development		

PROJECT INFORMATION SUMMARY						
Project Name		City	NC, AR, or NC/AR	Total # Units	Sizes	Target AMIs
Broadway/McKnight		Albuquerque, NM				
Total Development Cost	\$ 14,073,431		AR	54	1-BED, 2-BED, 3-BED & 4-BED & 5-BED	60%, 50% & 30%
Borrower	To-be-Formed LLLP					
Management	Albuquerque Housing Authority		YEAR BUILT (AR)		LIHTC ALLOC	4% or 9%
Developer	Albuquerque Housing Authority		1972		\$ 954,720	9%
			NC = New Construction AR = Acquisition/Rehab AMI = Area Median Income MR = Market Rate apartments			
NATIONAL HOUSING TRUST FUND LOAN INFORMATION			NUMBER OF NHTF UNITS:			3
Funds Available as of:	04/30/20	Pending \$3M 2020 Allocation				
	MFA Guidelines	Loan Request	EXCEPTIONS/CONDITIONS/NOTES			
Maximum Loan Amount	\$400,000	\$400,000	Max loan with 9% LIHTC			
Rates	0.0%	0.0%				
Loan Fees	N/A	N/A				
Maximum Loan Term	2 yr construct, no max on perm	2 yr construct, 35 yr perm				
Loan Amortization	Cash-flow or Forgiveable	Cash-flow				
Lien Position	Subordinate allowed	3rd lien position				
Affordability Requirements	Min 30 years, NHTF units restricted to 30% AMI	35 years, NHTF units at 30% AMI				
DSCR	1.2 to 1.4 to 1 on all must-pay debt*	within guidelines	1.23 in year 1 - 1.31 in year 15			
Scoring Criteria	40-100 points	64				

TOTAL DEVELOPMENT COST INFORMATION SUMMARY				
Project:	Broadway/McKnight	Total	% TDC	Cost/GSF*
Acquisition Costs (land, building acquisition, & other acquisition costs)		\$ -	0%	\$ -
Construction Hard Costs		\$ 8,429,698	60%	\$ 143.08
Other Construction Costs (contractor O&P, general req, GRT, landscaping, furnishings, etc)		\$ 2,530,265	18%	\$ 42.95
Professional Services/Fees (architect, engineer, real estate legal, etc)		\$ 590,327	4%	\$ 10.02
Construction Financing Costs (interest, insurance, inspections, fees, etc)		\$ 538,850	4%	\$ 9.15
Permanent Financing Costs (fees, title/recording, etc)		\$ 140,000	1%	\$ 2.38
Other Soft Costs (tax credit fees, environmental reports, appraisals, accounting, etc)		\$ 420,291	3%	\$ 7.13
Syndication-Related Costs (organization, bridge loan, tax opinion, etc)		\$ 40,000	0%	\$ 0.68
Reserves (rent-up, operating, replacement, escrows, etc)		\$ 250,000	2%	\$ 4.24
Developer Fees (inc consultant fees)		\$ 1,134,000	8%	\$ 19.25
Total Development Costs (TDC)		\$ 14,073,431	100%	\$ 238.87
TDC w/o Land, Reserves & Commercial		\$ 13,823,431	98%	\$ 234.63

*Gross square footage: 58,917

CONSTRUCTION SOURCES				
Project:	Broadway/McKnight	Total	% of Total	Per Unit
Construct. Lender - 1st Lien	Citi	\$ 5,500,000	39.1%	\$ 101,852
2nd Lien holder	AHA GP Loan	\$ 2,000,000	14.2%	\$ 37,037
3rd Lien holder	MFA National Housing Trust Fund loan	\$ 360,000	2.6%	\$ 6,667
4th Lien holder			0.0%	\$ -
5th Lien holder			0.0%	\$ -
Deferred Developer Fee	Albuquerque Housing Authority	\$ 772,071	5.5%	\$ 14,298
LIHTC Equity	TBD- Tax Credit Proceeds	\$ 5,441,360	38.7%	\$ 100,766
Other source			0.0%	\$ -
Other source			0.0%	\$ -
Other source			0.0%	\$ -
Other source			0.0%	\$ -
Total Construction Sources		\$ 14,073,431	100.0%	\$ 260,619

PERMANENT SOURCES				
Project:	Broadway/McKnight	Total	% of Total	Per Unit
Perm Lender - 1st Lien	Citi	\$ 2,548,000	18.1%	\$ 47,185
2nd Lien holder	AHA GP Loan	\$ 2,000,000	14.2%	\$ 37,037
3rd Lien holder	MFA National Housing Trust Fund loan	\$ 400,000	2.8%	\$ 7,407
4th Lien holder			0.0%	\$ -
5th Lien holder			0.0%	\$ -
Deferred Developer Fee	Albuquerque Housing Authority	\$ 56,498	0.4%	\$ 1,046
LIHTC Equity	TBD- Tax Credit Proceeds	\$ 9,068,933	64.4%	\$ 167,943
Other source			0.0%	\$ -
Other source			0.0%	\$ -
Other source			0.0%	\$ -
Other source			0.0%	\$ -
Total Permanent Sources		\$ 14,073,431	100.0%	\$ 260,619

Housing Development Underwriting Analysis of 2020 Rental Award Summary– Broadway/McKnight

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 \$400,000 NHTF construction/permanent loan. Total Development Cost (TDC) is estimated at \$14,073,431. This project has received a preliminary MFA 9% annual LIHTC award of \$954,720. See 6/02/20 NHTF Summary for details.

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

1. **Market Study:** The award summary provided information from the 5/19/2020 Vogt Strategic Insights (VSI) market study, which is not repeated here. In summary, VSI concludes that a market exists for the subject property following its development as currently proposed. The area around the proposed site consists of residential neighborhoods, commercial businesses and industrial structures. Adjacent properties in excellent condition add to the desirability of the neighborhood. The site is within convenient access to various community services. The property is located near a railroad and Interstate 40, both of which are not considered to be significant nuisances due to the low vacancy rate of other residences in the area. Visibility is considered excellent and access is considered good. The site is also in proximity to opportunities for shopping, employment, recreation, entertainment and education. Health and safety services are located within 2.2 miles of the property. The subject also has convenient access to major highways and public transportation. Despite the population decline between 2000 and 2010, the population grew by 1,450, or 3.7%, between 2010 and 2019. Projections indicate a population increase of 928, or 2.3%, between 2019 and 2024. Overall, VSI considers the site's location and proximity to community services to have a positive effect on its continued marketability.
2. **Site/Environmental:** HUD environmental review must be completed and approved by MFA's Environmental Review Officer prior to property acquisition and construction start.
3. **Site and Neighborhood Standards (NHTF New Construction only):** To be completed by MFA's environmental officer at such time as applicant provides additional information. Approval is expected.
4. **Subsidy Layering Review (NHTF):**
 - a. **NHTF-** MFA's Housing Development Department's underwriting guidelines, performed for the NHTF loan request, show this project is not over-subsidized per HUD regulations.

C. **Town and County Characteristics:**

1. The Subject's Primary Market Area (PMA) comprises the Wells Park, Downtown, Huning Highland Historic District, Matthew Meadows, Waidelich Estates, North Campus and Citadel neighborhoods in central Albuquerque. The PMA is generally bounded on the north by Candelaria Road; on the east by Carlisle Boulevard; on the south by Central Avenue/ Route 66, Coal Avenue and Avenida Cesar Chavez; and on the west by the Rio Grande river and Rio Grande Boulevard. VSI anticipates that much of the Subject's housing demand will be generated from this geographic area. Property managers of several comparable properties reported that the majority of their tenants were originating from inside the PMA, with a much smaller portion coming from other areas of greater Albuquerque and suburban communities in the area.

D. **Developer Capacity:**

1. **Management:** Albuquerque Housing Authority (AHA), a component unit of the city of Albuquerque, is a public entity that was formed in 1967 to provide federally subsidized housing and housing assistance to low-income families within the city of Albuquerque. AHA currently provides direct and indirect support to over ten thousand individuals in the city of Albuquerque by providing access to quality housing, neighborhood engagement, and by building vibrant communities. AHA is headed by an executive director and governed by a five-person board of commissioners. Sixty-four staff members support AHA's six main divisions: administration, finance, public housing inspections, Section 8 and maintenance. AHA is the state's largest housing authority. The organization maintains good management depth and sufficient experience to manage the development process.
2. **Financial:** AHA's CPA-audited financial statements for FYE 6/30/19 show Unrestricted Cash of \$15.2M, Total Assets of \$36.9M and a Net Worth of \$24.6M, resulting in a Debt-to Worth Ratio of 0.57 : 1.00. Net Income for the period was positive and Traditional Cash Flow (i.e. net earnings plus depreciation, amortization, and interest) was also positive. Audited financial statements for FYE 6/30/18 reflect Total Assets of \$34.7M and a Net Worth of \$22.7M, resulting in a debt-to-worth ratio of 0.59 : 1.00. Net Income for the period was positive. Consolidated internally-prepared statements for the 11 months ended 11/30/19 show Cash of \$17.0M, Total Assets of \$40.0M and a Net Worth of \$26.3M, resulting in a Debt-to Worth Ratio of 0.47 : 1.00. Net Income remained positive.

E. **General Partner Capacity:**

1. **Management:** Same as above (To-be-formed LLC affiliate of AHA).
2. **Financial:** Same as above (To-be-formed LLC affiliate of AHA).

F. **Guarantor:** Same as above (AHA)

G. Project Financials & Projections:

1. **Financial Statements:** AHA did not provide individual financial statements for the Broadway McKnight property, as it consolidates its public housing portfolio and does not break it out for each property.
2. **Projections & Assumptions** – The Borrower is a to-be-formed Limited Liability Limited Partnership. The company has provided a detailed 15-year cash flow projection. Additionally, the Vogt Strategic Insights (VSI) market study reviewed the supplied expense projections and compared them with expense estimates from two different national data sources, the Institute of Real Estate Management (IREM) and the National Apartment Association (NAA). Operating expenses for the Subject are projected at \$4,781 per unit, per annum (PUPA), after reducing for Replacement Reserves (\$300 PUPA) and Social Services. These expenses are within the MFA standards of \$3,300 to \$4,800. The estimated operating expense per-unit is higher than the IREM data and lower than the NAA data. However, the expenses per unit are similar to averages reported among IREM and NAA data and suggest the expenses for the project are typical for a rent-assisted rental project. VSI concludes that the developer's estimated operating expenses are appropriate, especially when considering 30 of the units are expected to house former tenants of the currently existing fully subsidized project. Thus, the developer and management have a historic basis to evaluate the appropriateness of their projections. It is worth noting that the Owner pays all utility expenses for the property, which elevates total operating expenses.

Projections utilize a 7% vacancy. MFA typically uses a standard vacancy of 7%, however, for projects with at least 90% of all apartments covered by a federal rental assistance contract, MFA may use the market study vacancy factor but not less than 5%. The subject property provides HUD Section 8 Project Based Vouchers to 30 units and HUD Rental Assistance Demonstration (RAD) program project-based vouchers to 13 units (80% covered by rental assistance).

The Debt Service Coverage Ratio (DSCR) on all hard debt [i.e. Citi's \$2,548,000 first mortgage loan and MFA's \$400K NHTF loan] is projected to be 1.23 to 1.00 in the first year, increasing to 1.31 to 1.00 by year 15. This ratio meets MFA's underwriting standards of a range between 1.20 - 1.40 : 1.00 for the full 15 years of the projection period. The interest rate for the first mortgage loan is assumed to be at 5.00% (4.50%, adjusted upwards by 50 basis points for underwriting). This rate seems reasonable now but it is difficult to forecast where rates might be in 8 to 10 months, the time that the transaction would likely close. If, for any reason, the rate increases too much to accommodate required DSCR, then the first mortgage permanent loan can be reduced and that portion of it replaced by a larger cash flow loan from AHA.

Currently, it appears that 5% (i.e. \$56,498 of the \$1,134,000) of the developer fee will be deferred. Generally, a deferral in fee could be used to replace a portion of the first mortgage loan and would mitigate any possible interest rate risk that may occur

between commitment and inception of the permanent loan. Deferral of the developer fee is usually allowable by the investor, provided that cash flow can repay the deferred fee by the end of the 15-year LIHTC compliance period. Lender projections indicate that the Subject would fully pay the deferred developer fee by the end of the 2nd year.

The developer is assuming that credits can be sold to an investor at 95 cents on the dollar (i.e. the high end of the 2019 MFA 88 to 95 cents guideline). Every one-cent drop in that price would create the need for additional \$95K in capital to be filled by either deferring developer fee or a larger cash-flow-only loan from AHA.

- H. **Collateral:** An 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** (Strong demand for subject property within PMA- existing subsidized property)
 2. **Construction – Low** (the developer is experienced plus the investor and main construction lender will provide additional oversight and controls)
 3. **Developer – Low**
 4. **Guarantor – Low**
 5. **General Partner/Managing Member – Low (i.e. the developer)**
 6. **Community Opposition – Low (existing project)**
 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 would 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



George Maestas
Asst. Director of Housing Development

Concur



Shawn Colbert
Director of Housing Development

Dated as of June 2, 2020

Appendix A: Development Cost Budget		
Broadway/McKnight	Gross Sq. Footage:	58,917
Albuquerque, NM	TOTAL COST	COST/GSF
ACQUISITION COSTS		
Land Acquisition		\$ -
Building Acquisition		\$ -
Other:		\$ -
SUBTOTAL	\$ -	\$ -
CONSTRUCTION HARD COSTS		
Demolition	\$ 250,000	\$ 4.24
Accessory Structures	\$ -	\$ -
Site Construction	\$ 1,251,372	\$ 21.24
Buildings and Structures	\$ 6,928,326	\$ 117.59
Off-Site Improvements	\$ -	\$ -
Other Costs:	\$ -	\$ -
SUBTOTAL	\$ 8,429,698	\$ 143.08
OTHER CONSTRUCTION COSTS		
Contractor Overhead	\$ 177,024	\$ 3.00
Contractor Profit	\$ 531,071	\$ 9.01
General Requirements	\$ 531,071	\$ 9.01
Construction Contingency	\$ 421,485	\$ 7.15
Gross Receipts Tax (GRT)	\$ 794,615	\$ 13.49
Landscaping		\$ -
Furniture, Fixtures, & Equipment	\$ 75,000	\$ 1.27
Other:		\$ -
SUBTOTAL	\$ 2,530,265	\$ 42.95
PROFESSIONAL SERVICES/FEES		
Architect (Design)	\$ 575,327	\$ 9.77
Architect (Supervision)		\$ -
Attorney (Real Estate)		\$ -
Engineer/Survey	\$ 15,000	\$ 0.25
Other:		\$ -
SUBTOTAL	\$ 590,327	\$ 10.02
CONSTRUCTION FINANCING		
Hazard Insurance	\$ -	\$ -
Liability Insurance	\$ 50,000	\$ 0.85
Performance Bond	\$ 108,850	\$ 1.85
Interest	\$ 240,000	\$ 4.07
Origination\Discount Points	\$ 50,000	\$ 0.85
Credit Enhancement		\$ -
Inspection Fees	\$ 15,000	\$ 0.25
Title and Recording	\$ 25,000	\$ 0.42
Legal	\$ 50,000	\$ 0.85
Taxes		\$ -
Other:	\$ -	\$ -
SUBTOTAL	\$ 538,850	\$ 9.15

Project: Broadway/McKnight		
PERMANENT FINANCING COSTS		
Bond Premium	\$ -	\$ -
Credit Report	\$ -	\$ -
Origination\Discount Points	\$ 15,000	\$ 0.25
Credit Enhancement		\$ -
Title and Recording	\$ 50,000	\$ 0.85
Legal	\$ 75,000	\$ 1.27
Pre-Paid MIP	\$ -	\$ -
Reserves and Escrows	\$ -	\$ -
Other	\$ -	\$ -
SUBTOTAL	\$ 140,000	\$ 2.38
SOFT COSTS		
Market Study	\$ 5,800	\$ 0.10
Environmental	\$ 50,000	\$ 0.85
Tax Credit Fees	\$ 75,491	\$ 1.28
Appraisal	\$ 6,000	\$ 0.10
Hard Relocation Costs	\$ 200,000	\$ 3.39
Accounting/Cost Certification	\$ 8,000	\$ 0.14
Other: Soft Cost Contingency	\$ 75,000	\$ 1.27
SUBTOTAL	\$ 420,291	\$ 7.13
SYNDICATION		
Organization	\$ 25,000	\$ 0.42
Bridge Loan	\$ -	\$ -
Tax Opinion	\$ 15,000	\$ 0.25
Other:	\$ -	\$ -
SUBTOTAL	\$ 40,000	\$ 0.68
TDC before Dev. Fees & Reserves	\$ 12,689,431	\$ 215.38
RESERVES		
Rent Up	\$ -	\$ -
Operating	\$ 250,000	\$ 4.24
Replacement (inc. only if capitalized)	\$ -	\$ -
Escrows/Working Capital	\$ -	\$ -
Other:		\$ -
SUBTOTAL	\$ 250,000	\$ 4.24
DEVELOPER FEES		
Developer Fee	\$ 1,059,000	\$ 17.97
Consultant Fee	\$ -	\$ -
Relocation Consultant	\$ 75,000	\$ 1.27
SUBTOTAL	\$ 1,134,000	\$ 19.25
Total Development Cost (TDC)	\$ 14,073,431	\$ 238.87
TDC w/o Land, Reserves & Commercial	\$ 13,823,431	\$ 234.63

Tab 8



MEMO

TO: MFA Board of Directors

Through: Contracted Serviced – June 9, 2020

Through: Policy Committee – June 2, 2020

FROM: Natalie Michelback, Program Manager

DATE: June 17, 2020

SUBJECT: Approval of the 2020/2021 Awards for the Continuum of Care Performance “COC” Program

Recommendation

Staff recommends approval of \$461,966 to 25 service providers for the Continuum of Care (COC) performance awards for the 2020/2021 program year. In addition, staff requests approval for three one-year renewal options to the award contracts.

Background

The COC Program is designed to assist unaccompanied youth, and families experiencing homelessness with the services needed to help such individuals move into transitional and permanent housing, with the goal of long-term stability.

MFA’s COC program provides match funding to agencies that have received HUD Continuum of Care funding through either the Albuquerque or Balance of State applications to HUD. Each year the New Mexico Coalition to End Homelessness provides MFA the HUD COC awards. MFA uses this information to determine the MFA match award which is funded exclusively with State Homeless funds. For the 2020/2021 program year, HUD’s COC funding for the Albuquerque and Balance of State service providers totals \$11,025,488.

Discussion:

MFA’s COC awards are considered limited source procurement funds due to the fact that the prerequisite for receiving MFA’s COC match funding is that a Service Provider has already been awarded a HUD COC award and executed a grant agreement.

MFA’s COC award amounts are based on a formula of 6% of the HUD award, 90% of the previous year’s award or a minimum of \$2,500 (whichever is the greater amount). The award amounts are capped at \$30,788.74 resulting in the total COC Performance funding of \$461,966.

The chart below provides an overview of how federal and state funding awarded to MFA for homelessness activities are disbursed. Staff is proposing that the annual \$461,966 allocated to the COC program be awarded to service providers as outlined on Exhibit A attached to this memo. Upon approval, this funding will become available to service providers beginning July 1, 2020.

Funding Allocations for the 2020/2021 Program Year	
HUD – ESG	\$1,200,740.00
State Homeless	\$1,215,700.00
State of NM - Human Services Department RAP Award	\$50,000.00
HUD – ESG Admin 7.5% (MFA Admin)	\$90,055.50
State Homeless Admin 5% (MFA Admin)	\$60,785.00
Balance to Allocate	\$2,466,440.00
Allocations for 2020/2021 by Program	
NM Coalition to End Homelessness	\$88,000.00
EHAP	\$948,596.71
RAP	\$817,036.79
COC	\$461,966.00
HUD – ESG Admin 7.5% (MFA Admin)	\$90,055.50
State Homeless Admin 5% (MFA Admin)	\$60,785.00
Total	\$2,466,440.00

MFA requires that a recipient of a COC match award provide the below information prior to an agreement being fully executed:

- Proof of current registration as a charitable organization with the New Mexico Charitable Organizations Registrar, NM Attorney General's Office (if applicable);
- A current external audit or financial statements;
- Organizational Chart;
- A list of all the agency's funders and award amounts;
- A list of all the programs the agency administers through MFA;
- Proof that service provider and executive director have not been suspended or debarred under HUD's "Limited Denial of Participation" conferred upon it by MFA or other funding sources;
- Proof of active status under the System Award Management;
- MFA's Offeror Certification of Compliance.

Summary

The Continuum of Care "COC" Performance awards were established to provide match funding to agencies who have received HUD Continuum of Care funding through either the Albuquerque or Balance of State applications to HUD. The funding provides support to agencies statewide that offer homeless prevention and supportive services. This award would begin July 1, 2020 through June 30, 2021 with a three one-year renewal option. If during the next three years there were any new applicants who were approved and received a HUD Continuum of Care executed grant, they would be included in the COC limited source procurement process.

The annual total HUD COC funding for the Albuquerque and Balance of State service providers is \$11,025,488 and MFA's COC match funding totals for the 2020/2021 program year is \$461,966.

Staff is requesting approval of awards in the amount of \$461,966 for the Continuum of Care Program as outlined in Exhibit A. (Upon approval, contracts will be sent to the individual service providers.) and the option for up to a three one-year renewal.

EXHIBIT A
Recommended Awards to Continuum of Care Performance Award Service Providers

Service Provider	Location	2019-2020 Awards	2020-2021 Awards Recommendations
Abode, Inc.	Las Cruces	\$6,250.00	\$6,250.00
Albuquerque Health Care for Homeless	Albuquerque	\$31,387.00	\$30,788.71
Barrett Foundation	Albuquerque	\$18,906.00	\$14,485.00
Casa Milagro	Santa Fe	\$6,207.00	\$6,407.00
Catholic Charities	Albuquerque	\$31,387.00	\$30,788.71
Community Against Violence	Taos	\$8,382.00	\$8,382.00
County of Sandoval Shelter plus Care	Bernalillo	\$21,573.00	\$19,415.00
Cuidando Los Ninos (CLN Kids)	Albuquerque	\$12,503.00	\$12,503.00
DreamTree Project	Taos	\$13,241.00	\$13,780.00
El Camino Real Housing Authority	Socorro	\$20,687.00	\$18,618.00
El Refugio, Inc.	Silver City	\$7,411.00	\$7,412.00
Hopeworks	Albuquerque	\$31,387.00	\$30,788.71
La Casa, Inc.	Las Cruces	\$7,472.00	\$6,724.00
Mesilla Valley Community of Hope	Las Cruces	\$31,387.00	\$28,248.00
NM Coalition to End Homelessness	Albuquerque and BoS	\$0.00	\$15,662.00
S.A.F.E. House	Albuquerque	\$23,461.00	\$23,369.00
Samaritan House	Las Vegas	\$7,471.00	\$7,648.00
San Juan County Partnership	Farmington	\$14,783.00	\$14,985.00
Santa Fe Community Housing Trust	Santa Fe	\$17,469.00	\$18,702.00
St. Elizabeth Shelter	Santa Fe	\$16,276.00	\$14,648.00
Supportive Housing Coalition of NM	Albuquerque	\$31,387.00	\$30,788.71
The Life Link	Santa Fe	\$31,387.00	\$30,788.71
Therapeutic Living Services	Albuquerque	\$31,387.00	\$30,788.71
Valencia Shelter Services	Los Lunas	\$31,387.00	\$30,788.74
Youth Shelters & Families Services	Santa Fe	\$8,778.00	\$9,207.00
		\$461,966.00	\$461,966.00

Tab 9



MEMO

TO: MFA Board of Directors

Through: Contracted Services Committee – June 9, 2020

Through: Policy Committee – June 2, 2020

FROM: Theresa Laredo-Garcia, Program Development Manager

DATE: June 17, 2020

SUBJECT: Request to transfer a State Neighborhood Stabilization Program (NSP) award in the amount of \$617,260 from Bernalillo County Affordable Housing Non-Profit (BCAHNP) to Homewise Inc.

Recommendation:

Staff is recommending approval to transfer a State NSP award in the amount of \$617,260 from Bernalillo County Affordable Housing Non-Profit to Homewise Inc.

Background:

MFA has received funds from the U.S. Department of Housing and Urban development (HUD) for the NSP. NSP is authorized under the Housing and Economic Recovery Act of 2008 (HERA), and provided to MFA through the New Mexico Department of Finance and Administration (DFA). NSP assists communities that have been or are likely to be affected by foreclosed and abandoned properties and provides affordable housing opportunities to residents at or below 120 percent of area median income (AMI) with a 25 percent set aside for residents at or below 50 percent AMI, and promotes housing market stabilization for the benefit of low- and moderate- income New Mexicans.

In December 2019, MFA awarded the amounts as follows:

Agency	Award Amount
Homewise, Inc	\$2,242,872
Tierra del Sol Housing Corporation	\$383,194
Bernalillo County Housing Department	\$617,260
MFA Administration Fees	\$283,181.
Total Award	\$3,526,507.

On April 14, 2020, MFA approved the assignment of the State NSP award from Bernalillo County Housing Department to Bernalillo County Affordable Housing Non-Profit

Discussion:

On May 19, 2020, MFA received a letter from BCAHNP advising MFA staff that they are unable to expend the funding by the October 22, 2021 expiration date of the grant and therefore declined the award. A performance agreement was never executed between BCAHNP and MFA.

MFA is nine months into a twenty-four-month contract with DFA. At this point in time, it is not feasible to complete another Request for Proposal (RFP) process and still meet the contract deadline with DFA.

To date, Homewise Inc. in Albuquerque, has acquired and begun work on two eligible properties and is in the process of acquiring two additional properties. The rehabilitation on the first acquired property will be complete in June (this month) and will be sold to an eligible buyer who meets NSP's national objective guidelines. Homewise is on track to expend its NSP award before the expiration date. Homewise has expressed an interest in receiving additional funding that may be available to further its State NSP activities. Additionally, Homewise is planning to rehabilitate homes in Sandoval County with these additional funds.

To date, Tierra del Sol Housing in Las Cruces, has not begun activities to expend their NSP award. They are currently not in a position to receive additional funds.

To ensure that State NSP funds are fully expended by October 22, 2021, staff is requesting approval to reallocate BCAHNP's funding in the amount of \$617,260 to Homewise Inc. This transfer would increase the total award to Homewise Inc. to \$2,860,132.

Upon approval, the overall allocations are summarized below.

Agency Name	Original Award Amount	Change in Awards	New Award Amount
Bernalillo County Affordable Housing Non-Profit	\$617,260	(\$617,260)	\$0
Homewise Inc.	\$2,242,872	\$617,260	\$2,860,132
Tierra del Sol Housing	\$383,194	\$0.00	\$383,194
MFA Administration Fees	\$283,181	\$0.00	\$283,181

Summary:

Staff is recommending approval to transfer a State NSP award in the amount of \$617,260 from Bernalillo County Affordable Housing Non-Profit to Homewise Inc.



BERNALILLO COUNTY AFFORDABLE HOUSING NONPROFIT



May 19, 2020

Izzy Hernandez
Executive Director
NM Mortgage Finance Authority
344 4th Street SW
Albuquerque, NM 87102

Dear Mr. Hernandez,

On April 15, 2020 The Bernalillo County Affordable Housing Nonprofit received notification that it had received an award for the State NSP Award in the amount of \$617,260 by the NM Mortgage Finance Authority (NM MFA).

While we appreciate this award, and have shared a great partnership over many years with NM MFA, we are concerned that we would not meet the deadline to expend this money by June 2021 per the agreement. We understand, that you too have commitments to expend these dollars and we would not want to be the source that did not allow you to meet your obligation.

Therefore, per our discussion we would like to request that you award these dollars to another entity.

If you need anything further from us please let me know.
Thank you again for your consideration and patience with us.

Respectfully,

Betty Valdez
Director
Bernalillo County Affordable Housing Nonprofit

Tab 10



MEMO

TO: MFA Board of Directors

Through: Contracted Services – June 9, 2020

Through: Policy Committee – June 2, 2020

FROM: Teresa Lloyd, Director of Servicing
Jeff Payne, Senior Director of Mortgage Operations

DATE: June 17, 2020

SUBJECT: Mortgage Loan Sub-Servicing and Single-Family Program Support Services Agreement

Recommendation: Staff proposes approval of a limited source procurement and permission to renegotiate our current Mortgage Loan Sub-Servicing and Single-Family Program Support Services Agreement (“The Agreement”) with Idaho Housing and Finance Association. The proposed contract term would be for two years through September 30, 2022 with the option of one additional one-year extension.

Background: On June 1, 2016 the New Mexico Mortgage Finance Authority (“MFA”) entered into an agreement through September 30, 2020 with Idaho Housing and Finance Association (“IHFA”) to sub-service MFA’s first mortgage loans. Previous to this agreement, IHFA acted as the master servicer for MFA. In June of 2016 MFA began implementation of a new hybrid, sub-servicing model. The agreement included provisions for IHFA to not only act as a sub-servicer of MFA’s first mortgage loans, but to provide additional services on behalf of MFA. The hybrid nature of the services performed by IHFA lead to MFA board approval of the contract as a limited source procurement.

IHFA’s hybrid and unique functions outside of the typical sub-servicing model are:

- Provide pre-purchase reviews of loans to determine acceptability for purchase
- Purchase loans from MFA’s participating lenders on behalf of MFA
- Post purchase quality control reviews of a percentage loans to assure adherence by the lenders to secondary market requirements
- Receive and ship mortgage loan documents to MFA’s document custodian
- Follow up with lenders to assure complete and accurate loan documents are provided by lenders for the document custodian
- Pooling and securitization of purchased loans
- Purchase and transfer of mortgage servicing rights (“MSR”) to MFA

Discussion:

Typical mortgage servicing functions include receiving and posting borrower payments, administering escrows for payment of taxes and insurance, passing interest payments on to investors, working with borrowers to mitigate losses and foreclosures and making claims to insurers for default losses. Sub-servicers provide those functions on behalf of the entity that actually owns the MSR. Sub-Servicers are paid fees or a portion of the servicing income to perform these tasks.

As owner of the first mortgage MSR, the quality of the loans in our portfolio and quality control reviews are necessary to meet the requirements of the investors. These services require extensive knowledge of regulations and underwriting requirements. Contract service providers are available to perform these reviews on a sample of purchased loans for a fee. Similarly, there are companies that perform pre-purchase reviews to ensure that documents are in order prior to the purchase of these loans. Not only is IHFA able to perform servicing functions but they provide required quality control reviews on behalf of MFA.

IHFA has and continues to perform functions that are not able to be outsourced by MFA. IHFA has mentored MFA and provides services that MFA either lacks expertise, staffing or other resources to perform while MFA builds knowledge and capacity. MFA has come to a point where staff are taking on more responsibilities and functions in regard to pooling and securitizing but still relies on IHFA for significant and critical services that are difficult, if not impossible to find from other service providers.

MFA's policies and procedures manual defines a limited source procurement as a procurement for services *"that are only available from one source or when there are such a limited number of qualified sources for the procurement, as determined under the facts and circumstances of the procurement, that a competitive sealed proposal procedure would be impracticable and therefore competition is determined inadequate. In such conditions MFA may conduct negotiations to obtain the price and terms most advantageous to MFA, with any vendor or vendors that MFA determines to be most capable of delivering the procurement"*. Staff believes the following highly specialized services provided by IHFA to MFA justify proceeding with a limited source procurement:

- The pooling and securitization and related functions that IHFA provides are unique to our business. While we have been building capacity to bring these services in house, that will not happen until the fall of 2020 if all goes according to plan, MFA will rely on mentorship from IHFA in order to be successful. These are services that cannot be obtained elsewhere.
- IHFA provides services MFA is not staffed to perform or lacks systems to perform.
 1. Purchasing loans from lenders
 2. The loan shipping function which includes purchased loan document flow and review

3. Quality Control reviews prior to, and after, loan purchase. This function could eventually be outsourced but would require additional changes in processes with our lenders

Other considerations and reasons for extending our current contract with IHFA include the fact that IHFA provides reputation and stability in the eyes Government National Mortgage Association ("Ginnie Mae") and the Government Sponsored Enterprises ("GSEs") as they work with MFA in our new role as a direct seller and servicer. Additionally, MFA staff need more time to obtain the capability and expertise to perform all the functions that cannot be outsourced but are performed by IHFA.

MFA's Director of Servicing obtained cost information from two sub-servicers as a comparison to the costs MFA would expect to pay from each vendor. Based on the information provided, IHFA's cost is in high end of the middle of the range. Costs for loan reviews are paid separately and are not included. Costs for other services detailed above are included in the IHFA monthly cost but no such services are offered by the other two sub-servicers.

Chart 1: Vendor Cost Comparison:

	Servicer Quote 1	Servicer Quote 2	Idaho Housing and Finance Agency (IHFA)
Total Monthly Cost	\$99,699.36	\$156,349.56	\$147,330.29
Average Monthly Cost/Loan	\$10.99	\$17.24	\$16.30
Average Annual Cost/loan	\$131.92	\$206.88	\$195.66
Total Annual Cost	\$1,196,392.32	\$1,876,194.72	\$1,767,963.48

IHFA cost assumes current 13.5 basis points as servicing fee.

For these reasons, staff recommends approval of a limited source procurement and permission to renegotiate the agreement with IHFA. Staff proposes the following:

- New contract term of two years with the ability to extend for one additional year
- Renegotiate fees and costs as MFA takes over more functions from IHFA
 1. Monthly Servicing fee which includes the cost of IHFA roles other than those specified below. Roles to be outlined in detail with a scope of work document to be made part of the agreement
 2. Quality control and pre-purchase loan review fee
 3. Foreclosure fee for each foreclosure case

Summary: Staff proposes approval of a limited source procurement and permission to renegotiate our current Mortgage Loan Sub-Servicing and Single-Family Program Support Services Agreement ("The Agreement") with Idaho Housing and Finance Association. The

proposed contract term would be a two-year extension through September 30, 2022 with the option of one additional one-year extension. IHFA has and continues to perform functions that are not able to be outsourced by MFA. IHFA has mentored MFA and provides services that MFA either lacks expertise, staffing or other resources to perform while MFA builds knowledge and capacity. MFA has come to a point where staff are taking on more responsibilities and functions regarding pooling and securitizing but still relies on IHFA for significant and critical services that are difficult, if not impossible to find from other service providers.

Tab 11



PROPOSED MFA OFFICERS

JUNE 17, 2020

MFA Officers

Vice Chair: Derek Valdo
Secretary: Izzy Hernandez
Assistant Secretary: Gina Hickman
Treasurer: Rebecca Wurzburger
Assistant Treasurer: Yvonne Segovia

Nominating Committee

Chair, Angel Reyes
Lieutenant Governor Howie Morales
Attorney General Hector Balderas

Tab 12



NEW MEXICO MORTGAGE FINANCE AUTHORITY

COMPENSATION AND BENEFIT COMMITTEE CHARTER

The Compensation and Benefit Committee (“Committee”) is a Task Force committee of the New Mexico Mortgage Finance Authority (“MFA”).

PURPOSE:

The purpose of the Committee is to ensure the appropriate oversight and transparency over MFA’s compensation and benefits. The Committee will review compensation and benefits between June and August of each calendar year. The Committee will report the results of its assessment back to the full Board in conjunction with the annual General Fund budget approval.

ORGANIZATION:

The Committee is structured as follows:

- Committee shall be composed of a maximum of three voting members, appointed by the Chair of the Board of Directors, including appointment of a Committee Chair.
- With the exception of the Committee Chair, the other members may be rotated annually. This will facilitate different perspectives while maintaining consistency.
- Committee will meet once per year between June and August, unless otherwise required due to scheduling conflicts or emergency committee business.
- The Committee agenda will normally be set by staff; however, the Committee Chair will manage the meeting.
- The MFA Executive Director or his/her designee shall maintain the record of the Committee’s actions which will be attached to the minutes of the regular meeting of the MFA Board when the General Funds budget is approved.
- Special meetings of the Committee may be called at any time and place by the chair of the Committee, or by the Chair of the Board of Directors.
- The Committee must have a quorum, comprised of the majority of the Committee members, present either in person or by means of telephone or other electronic device permitting audio communication, for a vote to be taken on a recommendation to the full Board of Directors.
- There shall be no proxy voting except on behalf of the ex-officio members of the MFA.

AUTHORITY AND RESPONSIBILITIES:

The Committee shall be responsible to review and provide recommendations to the Board of Directors for matters involving MFA's compensation and benefits. The committee will be assessing the reasonableness, fairness and market competitiveness of the compensation and benefit programs at MFA.

At a minimum, the following items will be reviewed:

1. Salary Levels
2. Salary Market Survey Results
3. Incentive Compensation
4. Benefits

The recommendation of the Committee shall not deter review and determination of the matter by the full Board of Directors. A majority vote of the Committee is required to approve recommendations. The Committee may not take any action which shall establish policy for MFA or make any decision which shall be binding upon MFA.

Tab 13



MFA BOARD COMPENSATION TASK FORCE COMMITTEE
JUNE 17, 2020

Derek Valdo (Chairman)

Lieutenant Governor Howie Morales

Sally Malavé (Attorney General Designee)

Tab 14



MEMORANDUM

TO: Policy Committee

FROM: Jackie Garrity, Emergency Homeless Assistance Program (EHAP) Program Manager

DATE: June 2, 2020

SUBJECT: Espanola Pathways Shelter Award Approval

Recommendation:

Staff is recommending approval to award \$219,375 from the 2020 New Mexico State Legislative Session to the Espanola Pathways Shelter. The total award is \$225,000. Of that amount \$213,750 will be awarded in program funding and \$5,625 will be awarded in administrative fees. In addition, MFA will receive \$5,625 for administrative fees. The term of the contract will be July 1, 2020 through June 30, 2021.

	Espanola Shelter	MFA	Total Award
Admin Fees (5%)	\$5,625	\$5,625	\$11,250
Program Funding	\$213,750		\$213,750
Total	\$219,375	\$5,625	\$225,000

Background:

During the 2020 State Legislative Session, a general fund appropriation was awarded to the New Mexico Human Services Department Behavioral Health Program in the amount of \$225,000, for a second year, to assist the Espanola Pathways Shelter in their efforts toward opening their emergency shelter which will serve individuals and families experiencing homelessness in Rio Arriba County, specifically Espanola.

Discussion:

The Espanola Pathways Shelter will use this funding to make necessary structural changes to the building to not only provide space for their clients, but also to ensure that all federal regulations are met regarding safety and access. The New Mexico Coalition to End Homelessness will continue to serve as Fiscal Agent by providing consulting services for program development, service expectations and administrative support as well as facilitate the submission of reimbursement requests from the shelter.

Since receipt of the first award in November 2019, the shelter has completed work on the interior and exterior of the building, such as replacing interior and exterior doors and windows, installing interior security windows, upgrades and maintenance on the HVAC system and structural repair. Work has slowed since the COVID-19 shut down, but it is anticipated to pickup in the near future. The remaining activities are to connect to the city's main water line, install a fire alarm system, dry wall and stucco repair, plumbing

and painting and finally parking lot striping and fencing. The anticipated open date is in early August of 2020.

Summary:

Staff is recommending approval to award \$213,750 in program funds and \$5,625 in administrative funds, to the Espanola Pathways Shelter in Espanola, New Mexico, as well as \$5,625 to MFA to cover the costs of administering the program. Upon approval, the contract will be provided to Espanola Pathways Shelter to ensure its execution by July 1.

Tab 15

**Staff Actions Requiring Notice to Board
During the Period of May 1 – 31, 2020**

Department and Program	Project	Action Taken	Comments / Date Approved
Housing Development	Oyee Pin Estates, a project of Ohkay Owingeh, a Tribally Designated Housing Authority	Approve a NM Housing Trust Fund loan extension from 11/1/19 to 12/31/20	Approved by Donna Maestas-DeVries on 5/1/20
Servicing	March 2020 Servicing Quality Control Quarterly Report	Approval of report issued by REDW – no findings	Approved by Policy Committee on May 5, 2020
Housing Development National Housing Trust Fund	Valle de Atrisco	Modified the Affordability period of the NHTF award from 35 years to 30 years, to match the application.	Approved by Donna Maestas-De Vries – 5/7/20
Community Development	Veterans Rehab Matching Funds Allocation to Service Providers	Staff requested the disbursement of funds for weatherization as follows: Central NM Housing - \$42,844.83 for 7 homes and Southwestern Regional - \$134,655,17 for 22 homes. However, staff would like to disclose that due to the current COVID-19 situation, the agencies will not be able to complete the work or spend the funds by the contract date of June 30th.	Approved by Donna – 5/5/20
Housing Development	Santa Teresa Terrace Apartments Phase 3 (fka Santa Teresa Family Homes)	Approve subordinating MFA's HOME loan to a new first mortgage loan.	Approved by Donna Maestas-DeVries on 5/7/20
Community Development	NRHA Budgets for the Regional Housing Authority (RHA) Legislative Funding	Staff recommended that \$5,000 be transferred from MFA's budget to Northern Regional Housing Authority for their efforts in merging with Raton Housing Authority.	Approved by Donna – 5/7/20
Housing Development – LIHTC	LURA Modification for Lifestyle Apartments at Renaissance Center	Project is eligible for a Qualified Contract and in order to maintain any affordability in the project, MFA agreed to allow 60% of the units	May 7, 2020 PC approved

Department and Program	Project	Action Taken	Comments / Date Approved
		to become market rate through attrition, over 3 years. The project now must waive its right to a Qualified Contract.	
Community Development	Rap Award Reallocations	Staff recommended that \$10,200 in unused funds from Catholic Charities and CLNKids be transferred to The Life Link.	Approved by Donna – 5/18/10
Community Development	Continuum of Care (COC) funding from Santa Fe Community Housing Trust to St. Elizabeth Shelter	Staff requested approval to move Santa Fe Community Housing Trust funding in the amount of \$17,469 to St. Elizabeth Shelter for a total award in the amount of \$33,745.	Approved by Donna – 5/15/20
Community Development	2020/2021 ESG Rental Assistance Program Award Allocations	Staff recommended approval of the 2020/2021 ESG Rental Assistance Program awards for nine sub-recipients in the amount of \$817,036.79	Approved at PC – 5/18/20
Community Development	2020-2021 Award Recommendations for the Linkages Program	Staff recommended approval to award Linkages Housing Administrators “HA” a total of \$1,260,400.00 under Limited Source Procurement for program year 2020/2021. In June 2018, MFA’s Board of Directors approved a request to allow for two, one-year renewal extensions to the contract requiring only Policy Committee approval.	Approved at PC – 5/18/20
Community Development	2018 Community Development Block Grant Funding (CDBG) for White Sands Habitat for Humanity (WSHFH)	Staff recommends approval to reduce 2 projects originally allocated to WSHFH in the amount of \$12,050.00 under the 2018 CDBG Program funding and reallocate this funding to Southwestern Regional Housing and Community Development Corporation (SRHCDC).	Approved by Donna – 5/21/20



NEW MEXICO MORTGAGE FINANCE AUTHORITY
Delegate Meeting Agenda
COVID-19 Actions
June 11, 2020 @ 11:030 a.m.

AGENDA ITEMS	ACTION REQUIRED	DELEGATE APPROVAL	BOARD COMMITTEE RECOMMENDED
1 New Mexico Housing Trust Fund (NMHTF) Rental Assistance Preliminary Awards – Sabrina Su, Patrick Ortiz and Amanda Aragon	Approval	5-0	NO
2 NMHTF Notice of Funding Availability, Addendum #1 – Sabrina Su, Rebecca Velarde, Patrick Ortiz and Amanda Aragon	Approval	5-0	NO

Board members present:

Chair, Angel Reyes

☐ present

☐ absent

☒ conference call

Vice Chair, Derek Valdo

☐ present

☐ absent

☒ conference call

Policy Committee members present:

Izzy Hernandez

☐ present

☐ absent

☒ conference call

Gina Hickman

☐ present

☐ absent

☒ conference call

Donna Maestas-De Vries

☐ present

☐ absent

☒ conference call

A handwritten signature in blue ink, appearing to read "Amanda Aragon".

items for Approval (if any) require Policy Committee approval only

COVID-19
Staff Actions Requiring Notice to Board
During the Period of May 13, 2020 - June 11, 2020

Department and Program	Project	Action Taken	Comments / Date Approved
Policy and Planning	New Mexico Housing Trust Fund Rental Assistance Program Awards	MFA received applications from 15 property owners representing 29 tenant households in the first round of the NMHTF Rental Assistance Program. Eleven applications were denied due to tenant ineligibility. Staff recommends approval of awards totaling \$4,797 to four properties, assisting seven households.	Approved by: Delegates - 6/11/20
Policy and Planning	New Mexico Housing Trust Fund Rental Assistance Notice of Funding Availability, Addendum #1	Following the first round of funding under the NMHTF Rental Assistance NOFA, staff anticipates that a minimum of \$2,995,203 will remain available for additional rental assistance awards. Staff recommends approval of Addendum #1 to the NMHTF Rental Assistance NOFA to allow for future rounds of funding.	Approved by: Delegates - 6/11/20

CREDIT OPINION

5 June 2020



Contacts

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 EMEA 44-20-7772-5454

New Mexico Mortgage Finance Authority

Update to credit analysis

Summary

New Mexico Mortgage Finance Authority's issuer rating (Aa3/Stable) is favorably positioned due to its strong asset to debt ratio (ADR) of 1.27x, good profitability of 10.59%, and low risk profile. Single family bond programs have minimal risk from being backed by mortgage backed securities (MBS) as well as having minimal exposure to counter parties. Multifamily bonds are collateralized by FHA risk-share loans with the Authority only responsible for 10% of any loan losses.

We regard the coronavirus (COVID-19) outbreak as a social risk under our ESG framework, given the substantial implications for public health and safety. The coronavirus crisis is not a key driver for this rating. We do not see any material immediate credit risks for the Agency. However, the situation surrounding Coronavirus is rapidly evolving and the longer term impact will depend on both the severity and duration of the crisis. If our view of the credit quality of the Agency changes, we will update the rating and/or outlook at that time.

Credit strengths

- » High asset-to-debt ratio of about 1.27x based on 2019 audited financial statements, with Moody's adjustments
- » Single family bond programs are insulated from loan loss as they are backed by MBS
- » Profitability remains at a good level
- » No exposure to variable rate debt

Credit challenges

- » Lower profitability compared to peers in the Aa3 rating category, however, we expect this trend to reverse as NM MFA's loan origination accelerates

Rating outlook

The outlook is stable reflecting the Authority's low risk profile, improving profitability and our expectation that management will maintain key credit metrics in line with the assigned rating

Factors that could lead to an upgrade

- » Sustained increases in asset-to-debt ratio
- » Sustained increases in profitability

Factors that could lead to a downgrade

- » Decline of asset-to-debt ratio.
- » Significant erosion of profitability.
- » Increased risk profile

Key indicators

Exhibit 1

(Year Ending 09/30)	2015	2016	2017	2018	2019
Total Bonds Outstanding	729,878	725,135	675,778	840,245	1,062,339
Asset to Debt Ratio	132.32%	135.26%	137.53%	132.20%	126.89%
Margins	6.15%	11.52%	13.10%	10.60%	10.59%

Source: New Mexico Mortgage Finance Authority Audits with Moody's adjustments

Profile

The New Mexico Mortgage Finance Authority (MFA) was established in 1975 and is a self-supporting quasi-governmental entity that provides financing to make quality affordable housing and other related services available to low- and moderate-income New Mexicans. Using funding from housing bonds, tax credits and other federal and state agencies, MFA provides resources to build affordable rental communities rehabilitate aging homes, supply down payment assistance and affordable mortgages, offer emergency shelter and administer rental assistance and subsidies. All state and federal housing programs are now administered by MFA, including Section 8 housing and the Department of Energy's weatherization programs.

MFA has a staff of eighty-three. The Authority is led by a seven-member board comprised of four members from the private sector, appointed by the governor with the approval of the state senate, and three ex-officio members.

Detailed credit considerations

Loan portfolio: MBS and FHA-Riskshare program strongly protects exposure to loan loss

All loans from bond programs are of the highest quality, either securitized single family loans or multifamily loans that are FHA insured. We expect that these high-quality loans will continue to provide protection against loan losses from loan delinquencies.

The Single Family Mortgage Program (the 2005 Indenture) is the Authority's largest program at roughly \$878 million, as of 9/30/2019, secured by Ginnie Mae (GNMA) and Fannie Mae (FNMA) Mortgage Backed Securities (MBS). The MBS are guaranteed as to timely payment of principal and interest by GNMA and by FNMA regardless of the performance of the underlying loans. In addition, the Single Family Mortgage (NIBP) Program is secured by GNMA and FNMA MBS in an amount of about \$75 million, as of 9/30/2019.

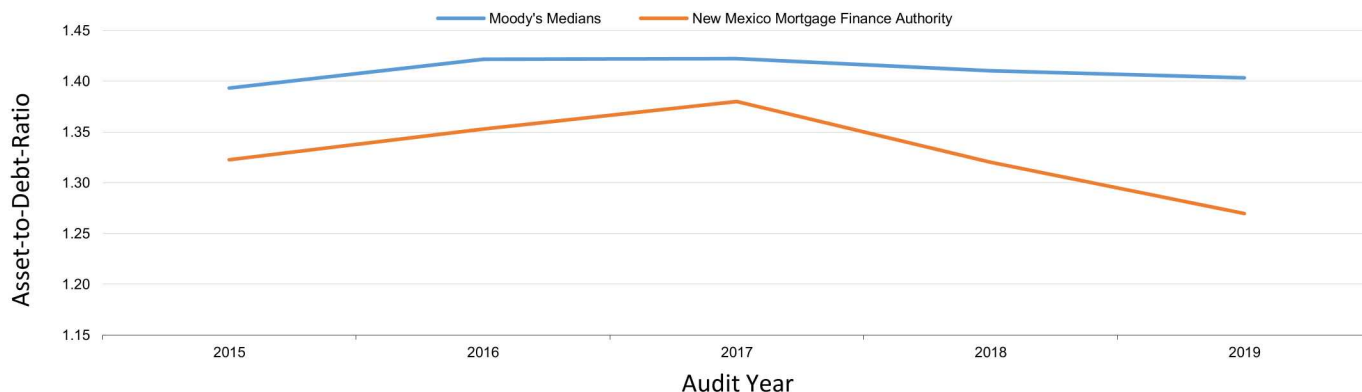
Approximately 8% of the Authority's total bonds outstanding are multifamily bonds, all of which are secured by loans insured under HUD's FHA Risk Share Program.

Financial position and performance: strong balance sheet heightens credit stability

Financial position is strong with an asset-to-debt ratio (ADR) of 1.27x as of the fiscal year ended on September 30, 2019 down from 1.32x in the prior year, due to new issuance, with an average of 1.33x the past 5 years. We expect to see slight drops as new issuance continues. The Authority's risk adjusted ADR is comparable to other housing authorities in their rating category. All loan assets are primarily MBS, with 8% of assets being either FHA Insured, with the agency only taking a 10% risk share level, or having some form of credit enhancement such as multifamily loans guaranteed by Fannie Mae.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moody's.com for the most updated credit rating action information and rating history.

Exhibit 2

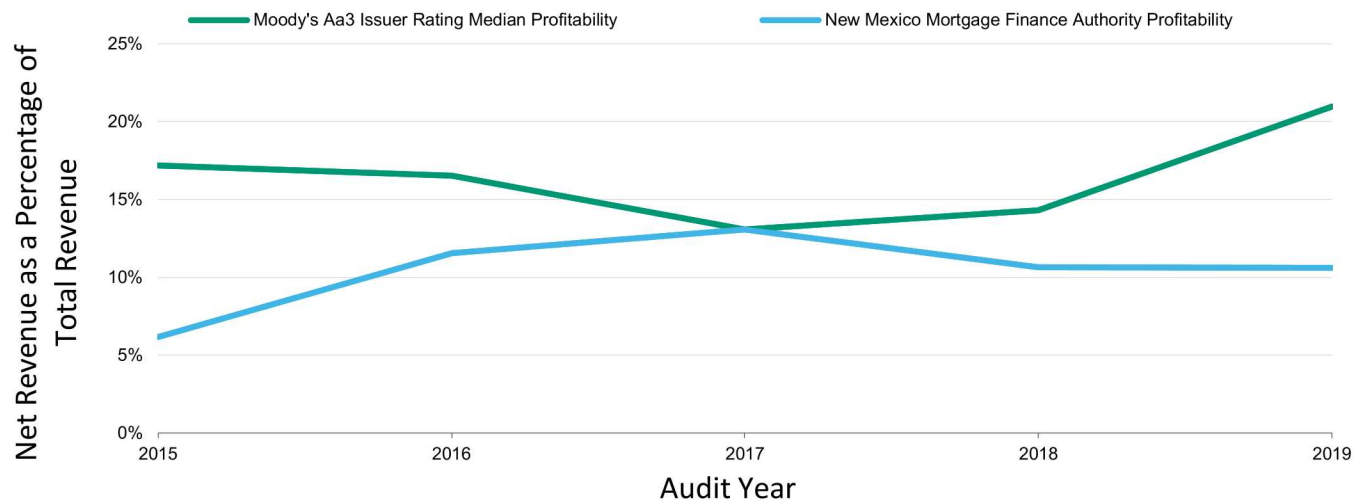
New Mexico MFA asset to debt drops on increased bond issuance

* 2019 data contains 36 of 52 HFAs.

Source: Moody's rated HFA's adjusted audited financials

Margins for the fiscal year ended on September 30, 2019 was 10.59% which is a drop from prior years as the Authority's issuance has increased. The 5 years average is 10.40%.

Exhibit 3

New Mexico MFA's profitability is stable. Chart compares New Mexico against the other Aa3 rated HFAs median profitability.

* 2019 data does not contain 2 HFAs that were included in prior years. One was upgraded. The other HFA's data was not available at time of publication.

Source: New Mexico Mortgage Finance Authority's audited financials with Moody's adjustments

LIQUIDITY

The Authority maintains sufficient liquidity to meet its obligations, based on annual cash flows for the bond programs and sufficient over collateralization.

Legal framework, covenants, and debt structure: Strong legal provisions provide additional bond holder security.

The Authority issues bonds under special limited obligations. The Authority does not have any taxing power, nor do they receive money from the state. Bond programs are paid solely from funds held under their respective trust indentures. All bonds issued by the Authority are fixed rate.

DEBT STRUCTURE

Total outstanding debt for the Corporation as of September 30, 2019 was approximately \$1.062 billion, all of which is fixed rate

ESG considerations

Environmental risk is not a credit driver for Single Family Mortgage Revenue Bond Program due to the Ginnie Mae (GNMA) and Fannie Mae (FNMA) or Freddie Mac (FHLMC) guarantee of the underlying mortgage that will help cover debt service in the event of a natural disaster or climatic event necessitating an extraordinary mandatory redemption of the bonds.

Social Considerations are not a main driver of the issuer rating due to the bond programs collateral being guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA) or Freddie Mac (FHLMC), for the single family programs as well as the FHA insurance for the multifamily bond program. These guarantees will covers mortgage payments even in the event of heightened delinquencies due to social factors.

We view the management team as effective in managing its existing core business and fully dedicated to fulfilling the Authority's mission. Management staff has demonstrated strong competence in making decisions that have proven to have minimal risk and improve financial and operational results, while exploring key opportunities for innovative ways to continue meeting the Authority's mission.

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Asia Pacific	852-3551-3077
Japan	81-3-5408-4100
EMEA	44-20-7772-5454

Tab 16

New Mexico Mortgage Finance Authority

Combined Financial Statements
And Schedules

APRIL 30, 2020

NEW MEXICO MORTGAGE FINANCE AUTHORITY
FINANCIAL REVIEW
For the seven-month period ended April 30, 2020

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

	7 months 4/30/2020	7 months 4/30/2019	% Change Year / Year	Forecast 4/30/2020	Actual to Forecast	Forecast/Target 9/30/20
PRODUCTION						
1 Single family issues (new money):	\$190.0	\$119.9	58.5%	\$190.0	0.0%	\$190.0
2 Single family loans sold (TBA):	\$58.9	\$68.4	-13.9%	\$122.5	-51.9%	\$210.0
3 Total Single Family Production	\$248.9	\$188.3	32.2%	\$312.5	-20.4%	\$400.0
4 Multifamily issues:	\$0.0	\$0.0	0.0%	\$0.0	0.0%	\$20.0
5 Single Family Bond MBS Payoffs:	\$39.6	\$23.1	71.4%	\$46.5	-14.8%	\$79.7
STATEMENT OF NET POSITION						
6 Avg. earning assets:	\$1,394.9	\$1,115.5	25.0%	\$1,324.3	5.3%	\$1,373.9
7 General Fund Cash and Securities:	\$88.8	\$85.7	3.6%	\$82.4	7.7%	\$89.6
8 General Fund SIC FMV Adj.:	(\$3.1)	(\$0.6)	-416.7%	\$0.0	N/A	\$0.0
9 Total bonds outstanding:	\$1,186.5	\$896.2	32.4%	\$1,179.4	0.6%	\$1,155.2
STATEMENT OF REVENUES, EXPENSES AND NET POSITION						
10 General Fund expenses (excluding capitalized assets):	\$10.2	\$9.1	12.1%	\$11.2	-8.9%	\$19.3
11 General Fund revenues:	\$11.4	\$12.5	-8.8%	\$13.7	-16.8%	\$23.5
12 Combined net revenues (all funds):	\$3.9	\$5.9	-33.9%	\$5.3	-25.7%	\$9.0
13 Combined net revenues excluding SIC FMV Adj. (all funds):	\$7.5	\$6.3	19.0%	\$5.3	42.9%	\$9.0
14 Combined net position:	\$249.4	\$240.8	3.6%	\$250.8	-0.5%	\$254.4
15 Combined return on avg. earning assets:	0.48%	0.91%	-47.3%	0.65%	-26.2%	0.65%
16 Combined return on avg. earning assets excluding SIC FMV Adj. (all funds):	0.92%	0.97%	-5.2%	0.65%	41.5%	0.65%
17 Net TBA profitability:	1.01%	0.85%	18.8%	1.25%	-19.2%	1.25%
18 Combined interest margin:	0.90%	1.08%	-16.7%	0.52%	73.1%	0.52%
MOODY'S BENCHMARKS						
19 Net Asset to debt ratio (5-yr avg):	29.77%	30.38%	-2.0%	28.55%	4.3%	28.55%
20 Net rev as a % of total rev (5-yr avg):	10.87%	11.02%	-1.4%	10.40%	4.5%	10.40%
SERVICING						
21 Subserviced portfolio	\$1,322.1	\$987.3	33.9%	\$1,342.1	-1.5%	\$1,447.9
22 Servicing Yield (subserviced portfolio)	0.39%	0.39%	0.0%	0.41%	-4.9%	0.41%
23 Combined average delinquency rate (MFA serviced)	9.37%	10.34%	-9.4%	14.00%	-33.1%	14.00%
24 DPA loan delinquency rate (all)	8.36%	8.72%	-4.1%	N/A	N/A	N/A
25 Default rate (MFA serviced-annualized)	1.10%	1.37%	-19.7%	1.50%	-26.7%	1.50%
26 Subserviced portfolio delinquency rate (first mortgages)	10.93%	7.56%	44.6%	N/A	N/A	N/A
27 Purchased Servicing Rights Valuation Change (as of 3/31)	(\$0.1)	\$2.0	-105.0%	N/A	N/A	N/A

Note: Forecast updated as of March 30, 2020

Legend:

Positive Trend Caution Negative Trend Known Trend/Immaterial

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
FINANCIAL REVIEW
For the seven-month period ended April 30, 2020**

SUMMARY OF NEW BOND ISSUES:

Single Family Issues:

\$120.0 mm 2019 Series F Bonds-New Money (November)
\$70.0 mm 2020 Series A Bonds-New Money (February)

Multi-family Issues:

None

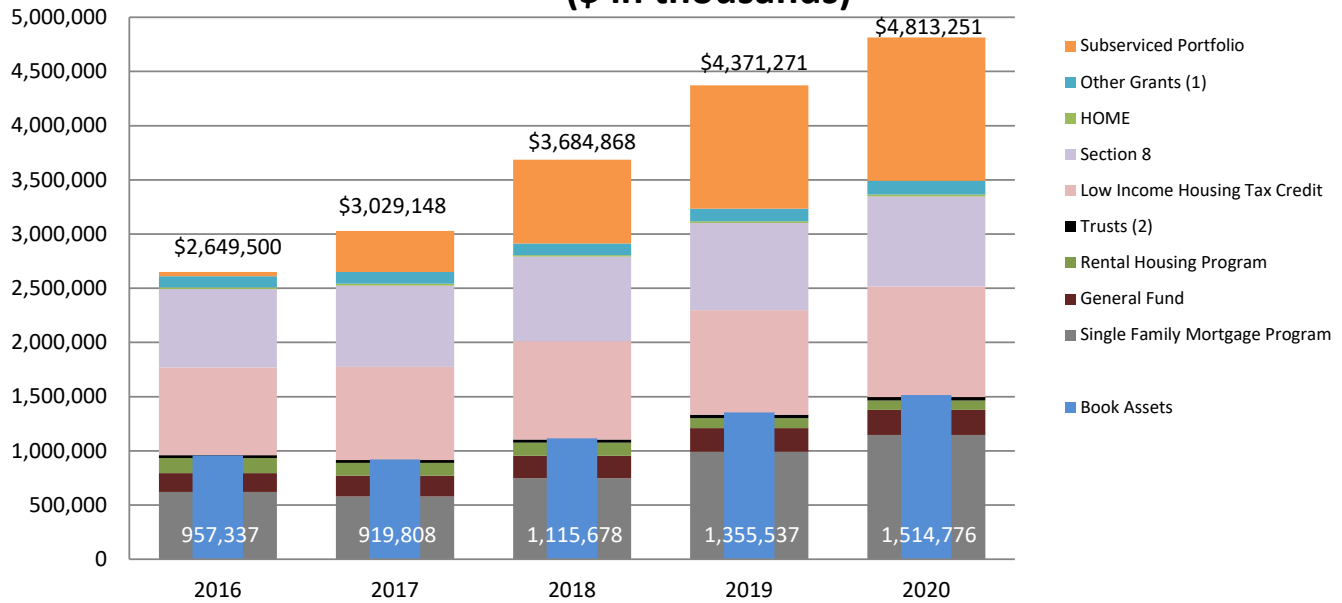
SIGNIFICANT MONTHLY FINANCIAL VARIANCES:

- ▶ Due to decreases in mortgage rates, prepayments are trending higher than last year.
- ▶ Incurred approximately \$1.6 million in cost of issuance for Single Family Mortgage program bond issuance (\$190 million); majority of the expense was paid for through bond premium.
- ▶ Due to market conditions related to the health crisis, the State Investment Council General Fund portfolio is experiencing significant fair market value losses in comparison to this time last year. In March, the General Fund portfolio experienced a fair market decline of (\$3.1) million. While these losses are non-operating in nature, they impact General Fund revenues, combined net revenues and return on average earning assets. Just a reminder that the accounting records are one month in arrears due to SIC reporting timeframes.

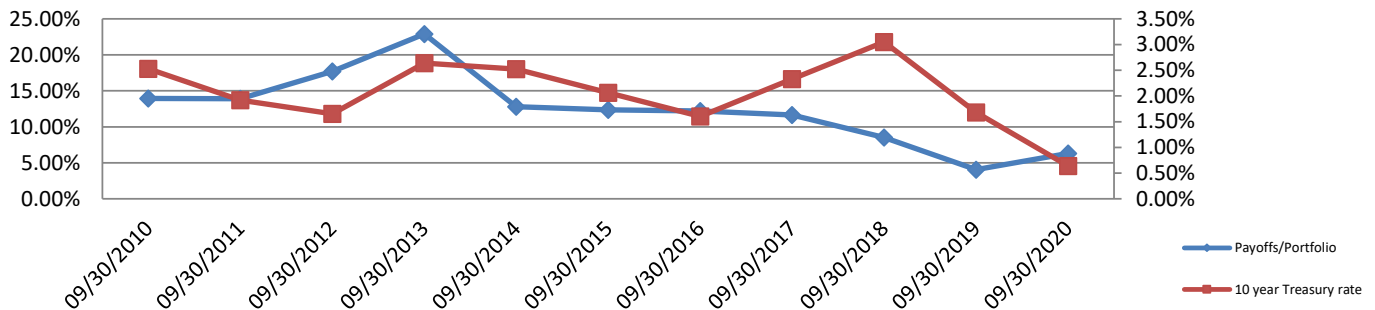
CURRENT YEAR FINANCIAL TRENDS & VARIANCES:

- ▶ Servicing expansion continues to provide additional revenues as the subserviced portfolio and purchased servicing rights asset bases increase.
- ▶ Best execution for the Single Family Mortgage first-time homebuyer loans was moved to TBA loan sales on March 17th due to a disfunctional bond market. In the bond execution the majority of the revenue is earned over time and with TBA loan sales all revenue is received upfront. This strategic change will increase administrative fees. MFA does not anticipate issuing bonds for the remainder of the fiscal year.
- ▶ The subservicing oversight position reports to the Director of Servicing and provides full-time monitoring of loss mitigation activities, collections and foreclosure services provided by MFA's subservicer. They coordinate with the Compliance Officer on risk management strategies and reporting. Staff actively analyzes default trends, quality control reports and portfolio profile characteristics to understand reasons for higher than expected delinquency rates. These delinquencies have an effect on the credit risk associated with MFA's down payment assistance portfolio as well as the financial impacts associated with defaults on the first mortgages themselves. Staff is actively engaged with the subservicer to identify additional delinquency reduction strategies, particularly early intervention strategies to prevent loans from becoming seriously delinquent. The subserviced portfolio is approx. 80% FHA insured loans. The Mortgage Bankers Association quarterly survey as of 12/31/19 indicates that the delinquency rate for FHA loans nationally is 9.08% and for New Mexico 7.67%. 6.19% of MFA's delinquencies in this portfolio are in the 30 to 59 days past due range.
- ▶ Reserve levels for all MFA loan portfolios are deemed adequate.
- ▶ Fair market value for purchased servicing rights as of March 31, 2020 was \$13.4 million, a decrease of approximately (\$.1) million under cost. GASB requires MFA to utilize "lower of cost or market" accounting for this asset. Due to significant market fluctuations associated with the health crisis, MFA will be recording this decline in fair value in April 2020. Current purchased servicing rights are recorded at a cost of \$13.5 million. Valuations are obtained on a quarterly basis.
- ▶ Based on Moody's issuer credit rating scorecard, MFA's 29.77 percent net asset ratio (5-year average), which measures balance sheet strength, indicates a strong and growing level of resources for maintaining MFA's creditworthiness under stressful circumstances (> 20 percent). The net revenue as a percent of total revenue measures performance and profitability and MFA's 10.87 percent ratio (5-year average) points to high profitability with favorable trends (10-15 percent range). While ratios currently fall within expected thresholds, there are some trends that are affecting these ratios. In future years MFA will see the net asset ratio decline as net revenues will not be increasing at the same rate as bonds outstanding.
- ▶ Moody's Investor Services issued an updated credit opinion on MFA in the spring of 2018. They reaffirmed the Aa3 rating. Comments included strong 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 rating on the single family indenture in the spring of 2019. Moody's will begin updating MFA's issuer credit rating in April 2020.

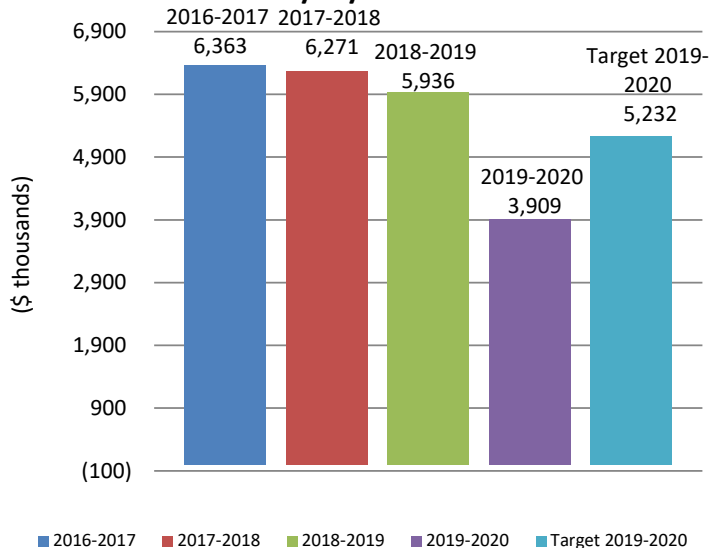
Assets Under Management as of 9/30/2020 (\$ in thousands)



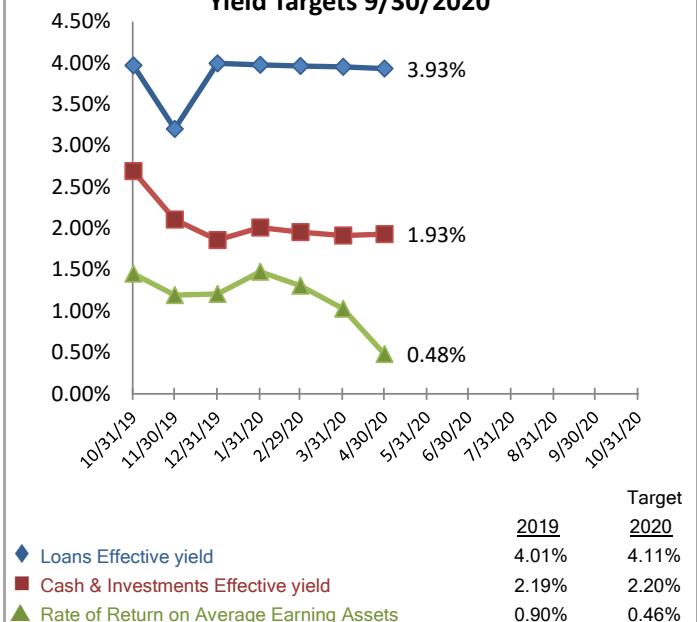
YTD Annualized Payoffs as a Percentage of Single Family Mortgage Portfolio as of 9/30/2020



YTD Excess Revenues over Expenses as of 4/30/2020



Yield Targets 9/30/2020



(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
APRIL 2020
(THOUSANDS OF DOLLARS)

	<u>YTD 4/30/20</u>	<u>YTD 4/30/19</u>
<u>ASSETS:</u>		
<u>CURRENT ASSETS:</u>		
CASH & CASH EQUIVALENTS	\$41,234	\$32,451
RESTRICTED CASH HELD IN ESCROW	10,499	8,817
SHORT-TERM INVESTMENTS	-	-
ACCRUED INTEREST RECEIVABLE	4,428	3,716
OTHER CURRENT ASSETS	2,688	2,165
ADMINISTRATIVE FEES RECEIVABLE (PAYABLE)	-	-
INTER-FUND RECEIVABLE (PAYABLE)	0	-
TOTAL CURRENT ASSETS	<u>58,850</u>	<u>47,148</u>
 CASH - RESTRICTED	 71,542	 34,610
LONG-TERM & RESTRICTED INVESTMENTS	63,155	68,187
INVESTMENTS IN RESERVE FUNDS	0	264
FNMA, GNMA, & FHLMC SECURITIZED MTG. LOANS	1,076,223	801,723
MORTGAGE LOANS RECEIVABLE	235,426	232,494
ALLOWANCE FOR LOAN LOSSES	(4,974)	(2,080)
NOTES RECEIVABLE	-	-
FIXED ASSETS, NET OF ACCUM. DEPN	1,139	1,234
OTHER REAL ESTATE OWNED, NET	-	53
OTHER NON-CURRENT ASSETS	-	-
INTANGIBLE ASSETS	13,092	9,352
TOTAL ASSETS	<u>1,514,454</u>	<u>1,192,985</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
REFUNDINGS OF DEBT	322	415
 TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	 <u>1,514,776</u>	 <u>1,193,401</u>
 <u>LIABILITIES AND NET POSITION:</u>		
<u>LIABILITIES:</u>		
<u>CURRENT LIABILITIES:</u>		
ACCRUED INTEREST PAYABLE	\$9,858	\$6,750
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	7,981	11,297
ESCROW DEPOSITS & RESERVES	10,382	9,884
TOTAL CURRENT LIABILITIES	<u>28,221</u>	<u>27,930</u>
 BONDS PAYABLE, NET OF UNAMORTIZED DISCOUNT	 1,186,525	 896,180
MORTGAGE & NOTES PAYABLE	50,509	28,276
ACCRUED ARBITRAGE REBATE	-	-
OTHER LIABILITIES	158	170
TOTAL LIABILITIES	<u>1,265,413</u>	<u>952,556</u>
 <u>NET POSITION:</u>		
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	1,139	1,234
UNAPPROPRIATED NET POSITION (NOTE 1)	66,897	61,999
APPROPRIATED NET POSITION (NOTE 1)	181,327	177,612
TOTAL NET POSITION	<u>249,363</u>	<u>240,844</u>
 TOTAL LIABILITIES & NET POSITION	 <u>1,514,776</u>	 <u>1,193,401</u>

NEW MEXICO MORTGAGE FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE SEVEN MONTHS ENDED APRIL 2020
(THOUSANDS OF DOLLARS)

	<u>YTD 4/30/20</u>	<u>YTD 4/30/2019</u>
<u>OPERATING REVENUES:</u>		
INTEREST ON LOANS	\$28,625	\$23,648
INTEREST ON INVESTMENTS & SECURITIES	2,268	2,256
LOAN & COMMITMENT FEES	2,034	1,695
ADMINISTRATIVE FEE INCOME (EXP)	3,443	3,083
RTC, RISK SHARING & GUARANTY INCOME	42	62
HOUSING PROGRAM INCOME	556	592
LOAN SERVICING INCOME	3,285	2,357
OTHER OPERATING INCOME	-	-
SUBTOTAL OPERATING REVENUES	<u>40,253</u>	<u>33,694</u>
<u>NON-OPERATING REVENUES:</u>		
ARBITRAGE REBATE INCOME (EXPENSE)	-	-
GAIN(LOSS) ASSET SALES/DEBT EXTINGUISHMENT	(3,723)	(127)
OTHER NON-OPERATING INCOME	18	5
GRANT AWARD INCOME	29,281	27,441
SUBTOTAL NON-OPERATING REVENUES	<u>25,576</u>	<u>27,319</u>
TOTAL REVENUES	<u>65,829</u>	<u>61,013</u>
<u>OPERATING EXPENSES:</u>		
ADMINISTRATIVE EXPENSES	8,452	7,564
INTEREST EXPENSE	23,612	18,874
AMORTIZATION OF BOND/NOTE PREMIUM(DISCOUNT)	(1,536)	(1,182)
PROVISION FOR LOAN LOSSES	329	582
MORTGAGE LOAN & BOND INSURANCE	-	0
TRUSTEE FEES	84	61
AMORT. OF SERV. RIGHTS & DEPRECIATION	823	374
BOND COST OF ISSUANCE	1,582	1,310
SUBTOTAL OPERATING EXPENSES	<u>33,346</u>	<u>27,584</u>
<u>NON-OPERATING EXPENSES:</u>		
CAPACITY BUILDING COSTS	250	102
GRANT AWARD EXPENSE	28,151	27,391
OTHER NON-OPERATING EXPENSE	171	-
SUBTOTAL NON-OPERATING EXPENSES	<u>28,573</u>	<u>27,493</u>
TOTAL EXPENSES	<u>61,919</u>	<u>55,077</u>
NET REVENUES	3,909	5,936
OTHER FINANCING SOURCES (USES)	0	-
NET REVENUES AND OTHER FINANCING SOURCES(USES)	<u>3,909</u>	<u>5,936</u>
NET POSITION AT BEGINNING OF YEAR	<u>245,454</u>	<u>234,909</u>
NET POSITION AT TD 4/30/20	<u>249,363</u>	<u>240,844</u>

NOTES TO FINANCIAL STATEMENTS

(For Informational Purposes Only)
(Thousands of Dollars)

(Note 1) MFA Net Position as of April 30, 2020:

UNAPPROPRIATED NET POSITION:

\$ 34,902	is held by Bond Program Trustees and is pledged to secure repayment of the Bonds.
\$ 31,546	is held in Trust for the NM Housing Trust Fund and the NM Land Title Trust Fund.
\$ 449	held for New Mexico Affordable Housing Charitable Trust .
<u>\$ 66,897</u>	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:

\$ 112,961	for use in the Housing Opportunity Fund (\$102,265 in loans plus \$10,696 unfunded, of which \$3,123 is committed).
\$ 27,399	for future use in Single Family & Multi-Family housing programs.
\$ 2,048	for loss exposure on Risk Sharing loans.
\$ 1,139	invested in capital assets, net of related debt.
\$ 13,162	invested in mortgage servicing rights.
<u>\$ 10,912</u>	for the future General Fund Budget year ending 9/30/20 (\$24,100 total budget less \$13,188 expended budget through 04/30/20.)
<u>\$ 167,621</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:

\$ 14,846	for use in the federal and state housing programs administered by MFA.
\$ 14,846	Subtotal - Housing Program
<u>\$ 182,467</u>	Total appropriated Net Position
<u>\$ 249,363</u>	Total combined Net Position at April 30, 2020

Total combined Net Position, or reserves, at April 30, 2020 was \$249.4 million, of which \$66.9 million was pledged to the bond programs, Affordable Housing Charitable Trust and fiduciary trusts. \$182.5 million of available reserves, with \$88.8 million primarily liquid in the General Fund and in the federal and state Housing programs and \$93.7 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 2019-2020 Budget
For the seven months ended 4/30/2020

	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	536,482	3,874,676	4,030,940	6,910,183	156,264	3,035,507	56.07%
Interest on Investments & Securities	148,721	1,055,511	1,097,960	1,882,217	42,449	826,706	56.08%
Loan & Commitment Fees	-	11,937	5,833	10,000	(6,104)	(1,937)	119.37%
Administrative Fee Income (Exp)	835,978	5,807,383	4,925,913	8,444,423	(881,470)	2,637,040	68.77%
Risk Sharing/Guaranty/RTC fees	9,001	42,026	40,501	69,431	(1,524)	27,405	60.53%
Housing Program Income	7,740	555,739	559,210	1,084,053	3,471	528,314	51.26%
Loan Servicing Income	473,638	3,284,981	3,145,407	5,392,126	(139,574)	2,107,145	60.92%
Other Operating Income			750	1,500	750	1,500	
Operating Revenues	2,011,559	14,632,252	13,806,515	23,793,933	(825,737)	9,161,681	61.50%
Gain (Loss) Asset Sale/Debt Ex	(3,357,155)	(3,228,613)	(156,188)	(267,750)	3,072,425	2,960,863	1205.83%
Other Non-operating Income	-	704	93	160	(610)	(544)	439.84%
Non-Operating Revenues	(3,357,155)	(3,227,909)	(156,094)	(267,590)	3,071,815	2,960,319	1206.29%
Revenue	(1,345,596)	11,404,343	13,650,421	23,526,343	2,246,078	12,122,000	48.47%
Salaries	388,416	2,727,491	3,116,706	5,396,868	389,215	2,669,377	50.54%
Overtime	1,926	11,785	14,282	24,756	2,498	12,972	47.60%
Incentives	124,949	227,954	270,542	468,417	42,587	240,463	48.66%
Payroll taxes, Employee Benefits	208,408	1,295,621	1,489,345	2,567,648	193,724	1,272,027	50.46%
Compensation	723,698	4,262,851	4,890,875	8,457,690	628,024	4,194,839	50.40%
Business Meals Expense	-	749	2,952	5,060	2,202	4,311	14.81%
Public Information	7,664	93,317	162,695	278,905	69,377	185,588	33.46%
In-State Travel	2,240	35,154	56,665	97,140	21,511	61,986	36.19%
Out-of-State Travel	(4,143)	84,568	123,316	211,399	38,748	126,831	40.00%
Travel & Public Information	5,761	213,789	345,627	592,504	131,839	378,715	36.08%
Utilities/Property Taxes	5,343	41,814	42,964	73,652	1,150	31,839	56.77%
Insurance, Property & Liability	10,757	75,309	73,877	126,646	(1,432)	51,337	59.46%
Repairs, Maintenance & Leases	73,569	509,273	548,579	940,422	39,306	431,149	54.15%
Supplies	4,080	26,100	30,430	52,166	4,330	26,066	50.03%
Postage/Express mail	3,331	22,435	21,462	36,792	(973)	14,357	60.98%
Telephone	1,439	4,850	12,159	20,843	7,309	15,994	23.27%
Janitorial	2,142	16,941	14,630	25,080	(2,312)	8,138	67.55%
Office Expenses	100,661	696,722	744,100	1,275,601	47,379	578,879	54.62%
Dues & Periodicals	2,545	27,442	30,246	51,850	2,804	24,408	52.93%
Education & Training	7,775	41,902	71,581	122,711	29,679	80,809	34.15%
Contractual Services	73,493	525,043	653,917	1,121,001	128,874	595,958	46.84%
Professional Services-Program	4,957	11,780	33,971	58,236	22,191	46,456	20.23%
Direct Servicing Expenses	287,723	2,412,177	1,907,342	3,269,728	(504,835)	857,552	73.77%
Program Expense-Other	-	1,410	8,458	14,500	7,048	13,090	9.73%
Other Operating Expense	376,494	3,019,754	2,705,515	4,638,026	(314,239)	1,618,272	65.11%
Interest Expense	40,735	422,867	609,958	1,045,643	187,091	622,776	40.44%

GENERAL FUND
Fiscal Year 2019-2020 Budget
For the seven months ended 4/30/2020

	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 %
Non-Cash Expenses	143,307	1,151,698	1,384,006	2,384,900	232,308	1,233,202	48.29%
Expensed Assets	85,826	167,298	103,641	177,670	(63,657)	10,372	94.16%
Operating Expenses	1,476,481	9,934,979	10,783,723	18,572,034	848,744	8,637,056	53.49%
Program Training & Tech Asst	44,374	144,659	321,834	551,715	177,174	407,056	26.22%
Program Development	23,796	105,240	82,717	141,800	(22,523)	36,560	74.22%
Capacity Building Costs	68,170	249,900	404,550	693,515	154,651	443,615	36.03%
Non-Operating Expenses	68,170	249,900	404,550	693,515	154,651	443,615	36.03%
Expenses	1,544,652	10,184,878	11,188,273	19,265,549	1,003,395	9,080,671	52.87%
Excess Revenue over Expenses	(2,890,248)	1,219,465	2,462,148	4,260,794	1,242,683	3,041,329	28.62%

GENERAL FUND CAPITAL BUDGET
Fiscal Year 2019-2020 Budget
For the seven months ended 4/30/2020

	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	378,719	2,932,870	2,209,083	3,787,000	(723,786)	854,130	77.45%
2950 COMPUTER HARDWARE	-	45,600	107,522	184,324	61,922	138,724	24.74%
2960 SOFTWARE LICENSES	-	17,648			(17,648)	(17,648)	
2920 FURNITURE & EQUIPMENT-10 YR	-	-			-	-	
2930 FURNITURE & EQUIP, 5 YR.	-	-			-	-	
2860 BUILDING	7,329	7,329	863,035	863,035	855,706	855,706	0.85%
Capital Budget	386,048	3,003,447	3,179,641	4,834,359	176,194	1,830,912	62.13%



May 12 - June 9, 2020

SOCIAL MEDIA POSTS

Each item was posted to Facebook, Instagram, Twitter and LinkedIn

- 5-12 2020 Housing Summit postponed
- 5-14 Home is where
- 5-20 Make your mortgage payment online
- 5-21 Thank you to Frost Mortgage and Bell Bank Mortgage
- 5-22 Happy Memorial Day
- 5-28 MFA offices temporarily closed
- 6-1 June is National Homeownership Month
- 6-3 Homeownership Month: Homebuyer education course
- 6-4 Homeownership Month: Benefits of homeownership

PRESS RELEASES, NEWSLETTERS and LENDER MEMOS

- | | | |
|------|---------------------------|--|
| 5-12 | All MFA contacts | <i>Summit postponement</i> |
| 5-14 | Asset management partners | <i>NM Housing Trust Fund Rental Assistance NOFA</i> |
| 5-21 | General release | <i>RFP for general counsel services</i> |
| 6-1 | General release | <i>RFP for architectural services</i> |
| 6-4 | Asset Management partners | <i>NM Housing Trust Fund Rental Assistance NOFA – second round</i> |



MFA Housing New Mexico is with Ripe Inc.

May 12 at 12:11 PM · 🌐

...

After careful consideration, we have made the difficult decision to postpone the New Mexico Housing Summit until 2021 due to the COVID-19 crisis. Please plan to join us September 15-17, 2021 as we renew friendships and strengthen our shared commitment to provide quality affordable housing opportunities to the people of New Mexico.



500

People Reached

32

Engagements

Boost Post



10

8 Shares



MFA Housing New Mexico

May 14 at 3:12 PM · ⚙️

...

Whether it's a fierce monopoly game around the kitchen table or an online card game with friends, enjoy!



Home is where we have virtual game night



103

People Reached

7

Engagements

Boost Post



4



MFA Housing New Mexico

May 20 at 12:46 PM · 🌐

...

If you are not doing it already, you can make your mortgage payment online through the MFA website which is simple and easy!

For more information about how COVID-19 could impact you as a homeowner visit our website:

<https://bit.ly/2XlwYyK>



MFA will continue to keep its office closed to visitors.

We want to make sure we are doing everything possible to keep you and our staff safe.

If you are not doing it already, you can make your mortgage payment online through the MFA website which is simple and easy!



212

People Reached

12

Engagements

Boost Post



8

2 Shares



MFA Housing New Mexico

May 21 at 4:22 PM · 🌐

...

Thank you **Frost Mortgage Lending Group** and **Bell Bank Mortgage** for helping make the dream of homeownership come true for so many New Mexicans in the Clovis and Portales area!



*MFA wants to thank our participating lenders
Frost Mortgage Lending Group and Bell Bank Mortgage.
For helping 23 families so far in 2020 to buy homes with
MFA affordable mortgage programs in Clovis and Portales.*

1,497

People Reached

56

Engagements

Boost Post



11

1 Comment 5 Shares



MFA Housing New Mexico

May 22 at 2:47 PM · 🌐

...

Have a safe Memorial Day weekend, while honoring those who have made the ultimate sacrifice to protect our freedoms.



241
People Reached

13
Engagements

Boost Post



8

2 Shares



MFA Housing New Mexico

May 28 at 10:06 AM · 🌐



MFA offices are temporarily closed for cleaning and disinfecting. There are no program interruptions due to the office closure. Staff is working remotely and can be contacted via their office phone or email as usual.

MFA offices are temporarily closed for cleaning and disinfecting.

There are no program interruptions due to the office closure.

Staff is working remotely and can be contacted via their office phone or email as usual.



384

People Reached

28

Engagements

Boost Post



5

4 Shares



MFA Housing New Mexico

June 1 at 3:44 PM · 🌐

...

With historically low-interest rates, there has never been a better time to buy a home!

Go to <https://bit.ly/2XOJM0x> to find an MFA-approved lender and get started today.

June

NATIONAL
HOMEOWNERSHIP
MONTH



476

People Reached

27

Engagements

Boost Post



12

7 Shares



MFA Housing New Mexico

June 3 at 2:15 PM · 🌐

...

Wondering if you can afford to own a home? Thinking about what you need to do to prepare for homeownership? Wondering how the homebuying process works? MFA partners with eHomeAmerica to provide answers to all of your homebuying questions through its online homebuyer education course. The course is required for homebuyers using MFA's down payment assistance programs, so taking eHomeAmerica's homebuyer course will not only make you a well-informed buyer, but it is the beginning... [See More](#)

eHomeAmerica HOMEBUYER EDUCATION COURSE



CONVENIENCE

Upon registration and payment of the fee, you may log in and out as often as you want and when you want. Most homebuyers take 5 to 6 hours to complete the course but prefer to spread it out over several days.

AFFORDABILITY

The class is only \$45 for up to two borrowers who register together. The fee can be paid using a debit or credit card.

USEFUL INFORMATION

You'll learn about budgeting, managing your credit, the mortgage loan process, the responsibilities of homeownership and more. The modules are available in English and Spanish. It's open to anyone.

STRESS-FREE

The certificate of completion is valid for a full year, so homebuyers are free to move forward with the process only when they decide they're ready.

CERTIFICATE OF COMPLETION

Upon successful completion of the course, students will receive a certificate of completion.



492

People Reached

26

Engagements

[Boost Post](#)



9

8 Shares

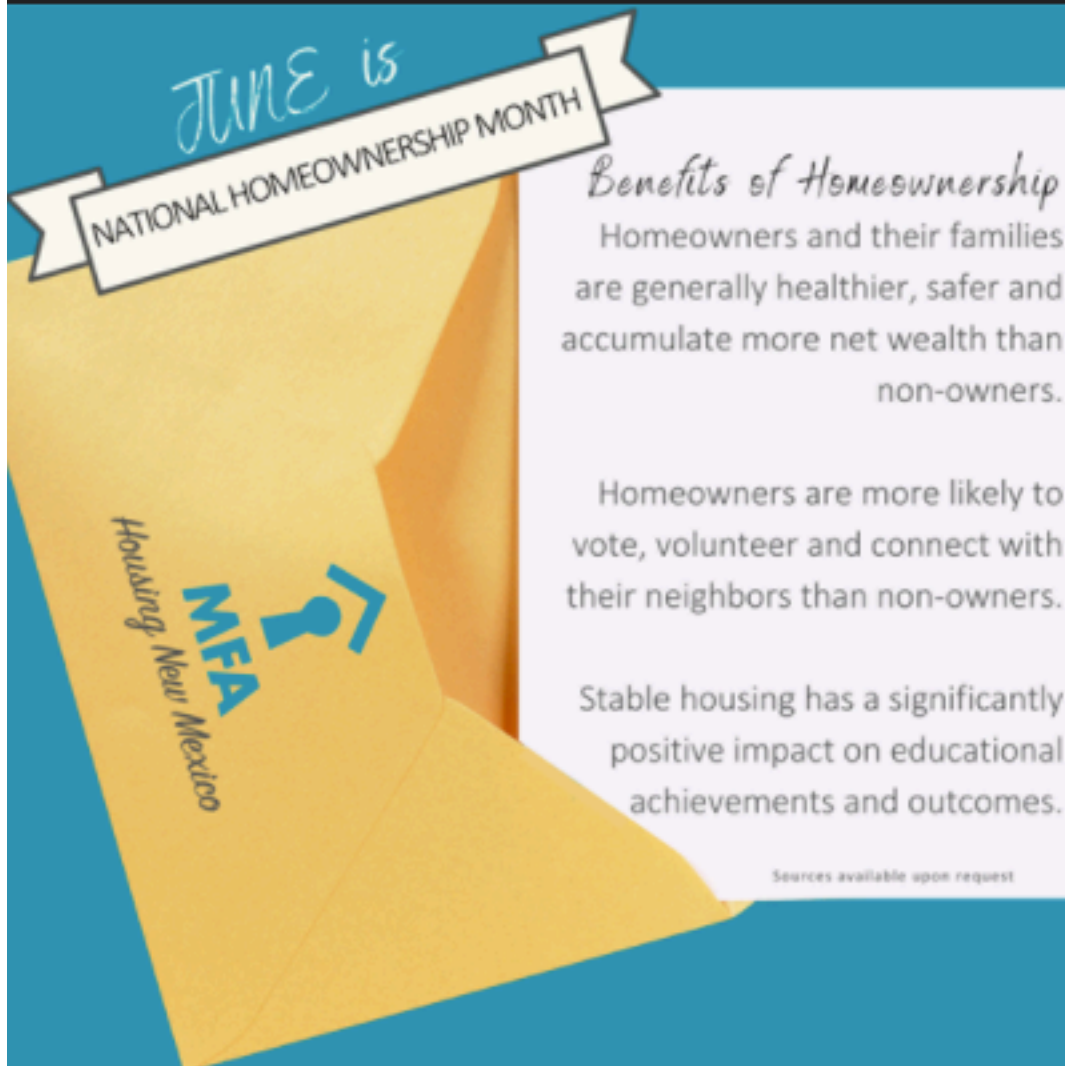


MFA Housing New Mexico

June 4 at 3:15 PM · 🌐



What are you waiting for? Enjoy the benefits of homeownership now!



309

People Reached

18

Engagements

Boost Post



9

6 Shares



Like



Comment



Share



[View this email in your browser](#)



20²¹ New Mexico HOUSING SUMMIT

New Dates!

SEPTEMBER 15-17

at Hotel Albuquerque

After careful consideration, MFA has made the difficult decision to postpone the New Mexico Housing Summit until 2021 due to the COVID-19 crisis.

In addition to bans on large gatherings in New Mexico for the foreseeable future, many out-of-state speakers, sponsors and attendees are facing their own state-imposed restrictions and organizational travel bans. With input from our summit partners, we have determined that the current climate and an unpredictable future makes it difficult -- if not impossible -- to produce a successful summit this year.

We have secured the same week in September for the 2021 Housing Summit. Mark your calendars now for September 15-17, 2021 at Hotel Albuquerque. Registration will open on May 17, 2021.

Many thanks to our summit partners and sponsors who have been incredibly supportive of the change in plans. Everyone is prepared to pick up right where we left off when planning resumes after the first of the year.

We look forward to a wonderful time of renewing friendships and of strengthening our shared commitment to affordable housing when we meet in 2021. And come prepared to have a great time!

Brought to you by:



New Mexico Coalition to
End Homelessness



Housing New Mexico

New Mexico Mortgage Finance Authority

344 Fourth St. SW, Albuquerque, New Mexico 87102

505.843.6880 800.444.6880 housingnm.org

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New Mexico Housing Trust Fund Rental Assistance Notice of Funding Availability (NOFA) and Application Training

MFA has issued a Notice of Funding Availability (NOFA) for a new rental assistance program funded by the New Mexico Housing Trust Fund (NMHTF). A portion of NMHTF funds will be available under this NOFA to provide short-term rental assistance to eligible tenants of income-restricted properties monitored by MFA who are experiencing financial hardship caused by the COVID-19 pandemic. The NOFA is available at [New Mexico Housing Trust Fund Rental Assistance NOFA](#).

In order to be considered for funding, completed applications must be received no later than 5 p.m. MDT on May 25, 2020 for the first round. Applications may be submitted electronically starting May 18, 2020 via a link that will be posted at [MFA - New Mexico Housing Trust Fund Rental Assistance](#).

All applicants are encouraged to attend an online training session on application submission to be held on Monday, May 18, 2020 at 10 a.m. MDT. To attend the online training session use this link: [New Mexico Housing Trust Fund Rental Assistance Application Training](#). Registration is not required.

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Request for Proposals for General Counsel Legal Services



The New Mexico Mortgage Finance Authority is seeking proposals from qualified applicants to provide general counsel legal services to MFA. MFA is a quasi-governmental agency that provides affordable housing financing and services to low- and moderate-income New Mexico residents.

The general counsel legal services Request for Proposal and accompanying FAQs can be found at www.housingnm.org/rfp.

RFP responses are due by June 30, 2020.



REQUEST FOR PROPOSAL (RFP)

MFA has released an RFP for Architectural Review and Construction Inspection Services. The RFP can be found on our website, and submissions of electronic proposals must be uploaded to our file sharing site by July 1, 2020 at 4 p.m. Mountain Time.

*FAQs are also open and can be submitted and found on our website.
FAQs will close on June 24, 2020.*





New Mexico Housing Trust Fund Rental Assistance Notice of Funding Availability (NOFA): Second Round

MFA will hold a second round of funding under the [New Mexico Housing Trust Fund Rental Assistance Notice of Funding Availability \(NOFA\)](#).

In order to be considered for funding in this second round, completed applications must be received no later than 5 p.m. MDT on June 30, 2020. Applications may be submitted electronically via a link that will be posted at [MFA - New Mexico Housing Trust Fund Rental Assistance](#).

All applicants must attend a mandatory online training session on application submission, which will be held on Tuesday, June 16, 2020 at 3 p.m. MDT. To attend the online training session, use this link: [New Mexico Housing Trust Fund Rental Assistance Application Training](#). Registration is not required.

Please note: This funding is only available to properties monitored by MFA. Owners of properties monitored by MFA must apply for rental assistance on behalf of their tenants.

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