MFA Housing New Mexico
MFA October Board of Directors Meeting
October 19, 2022
9:30 am-12:00 pm Mountain Time

Chair Convenes Meeting

- Roll Call (Izzy Hernandez)
- Approval of Agenda – Board Action
- Approval of 9/14/21 Board Meeting Minutes – Board Action
- Executive Director Updates

Board Action Items **(Action Required?)**

Consent Agenda

1 Approval of the Emergency Homeless Assistance Program (EHAP) Amended Award PY22-23 (Janice Shije and John Garcia) YES

Finance Committee

2 2023 Qualified Allocation Plan (Jeanne Redondo) YES

Contracted Services/Credit Committee

3 Biannual Compliance Activity Report October 2022 (Julie Halbig) NO

4 RFP Professional Services for the Sale of Commercial Real Estate (Jeff Payne) YES

Other

5 Training – National Innovations in Land Use/Planning Policies to Support Affordable Housing (Heidi Aggeler, Root Policy Research and Ted Chavez) NO

Other Board Items **Information Only**

6 **(Staff is available for questions)**

- Staff Action Requiring Notice to Board
- COVID Staff Actions
- 2022 Series D Pricing Summary
- Upcoming Single Family Bond Issue 2022 Series E

Monthly Reports **No Action Required**

7 **(Staff is available for questions)**

- 8/31/22 Financial Statements

Announcements and Adjournment **Discussion Only**

Confirmation of Upcoming Board Meetings

➢ November 8, 2022 – Tuesday, Contracted Services 10:00 a.m.
Finance Committee 1:30 p.m.
➢ November 16, 2022 - Wednesday- 9:30 a.m. (MFA Board of Directors Meeting, Location TBC)
➢ December 13, 2022 – Tuesday, Contracted Services 10:00 a.m.
Finance Committee 1:30 p.m.
➢ December 21, 2022 - Wednesday- 9:30 a.m. (MFA Board of Directors Meeting-MFA)
➢ January 10, 2023 – Tuesday, Contracted Services 10:00 a.m.
Finance Committee 1:30 p.m.
➢ January 18, 2023 - Wednesday- 9:30 a.m. (MFA Board of Directors Meeting- Santa Fe (location TBD)

MFA
Housing New Mexico

NEW MEXICO MORTGAGE FINANCE AUTHORITY
Board Meeting
344 4th St. SW, Albuquerque, NM
Wednesday, October 19, 2022 at 9:30 a.m.

Proposed Agenda

Chair Convenes Meeting

Roll Call (Izzy Hernandez)

- Approval of Agenda – Board Action
- Approval of 9/14/22 Board Meeting Minutes – Board Action
- Executive Director Updates

Board Action Items	**Action Required?**
Consent Agenda	
1 Approval of the Emergency Homeless Assistance Program (EHAP) Amended Award PY22-23 (Janice Shije and John Garcia)	YES
Finance Committee	
2 2023 Qualified Allocation Plan (Jeanne Redondo)	YES
Contracted Services/Credit Committee	
3 Biannual Compliance Activity Report October 2022 (Julie Halbig)	NO
4 Award for Professional Services for the Sale of Commercial Real Estate RFP (Jeff Payne)	YES
Other	
5 Training – National Innovations in Land Use/Planning Policies to Support Affordable Housing (Heidi Aggeler, Root Policy Research and Ted Chavez)	NO

Other Board Items — **Information Only**

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Monthly Reports — **No Action Required**

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MFA
Housing New Mexico

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Proposed Agenda

Chair Convenes Meeting

Roll Call (Izzy Hernandez)

- Approval of Agenda – Board Action
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Board Action Items — **Action Required?**

Consent Agenda

1 **Approval of the Emergency Homeless Assistance Program (EHAP) Amended Award PY22-23 (Janice Shije and John Garcia)** - Staff requests the approval of the amended awards in the amount of $265,634.99 for the Emergency Homeless Assistance Program. Upon approval, contract amendments will be sent to these 17 shelters. . YES

Finance Committee

2 **2023 Qualified Allocation Plan (Jeanne Redondo)** - The proposed changes to the 2023 QAP continue to improve the allocation process. Staff conducted a Developer's Forum wherein we gathered input to the QAP. New ideas were raised by attendees at the Forum, which were carefully considered. In addition, staff solicited input from staff from the Asset Management and Policy and Planning Departments. YES

Contracted Services/Credit Committee

3 **Biannual Compliance Activity Report October 2022 (Julie Halbig)** - The activities described in this report are intended to provide the Board of Directors with assurance that MFA is effectively managing compliance with Federal and State consumer financial laws applicable to the products and services being provided by MFA and mitigating related risk. Compliance activities will be reported to the Board through the Contracted Services/Credit Committee no less than twice per year, and as needed to fulfill the compliance department's responsibility to inform the Board of any critical compliance issues. There were no significant compliance concerns identified during this reporting period. NO

4 **Award for Professional Services for the Sale of Commercial Real Estate RFP (Jeff Payne)** - Staff recommends award of the New Mexico Mortgage Finance Authority Request for Proposals to Provide Professional Services for the Sale of Commercial Real Estate to Real Estate Advisors, LLC. YES

Other

5 **Training – National Innovations in Land Use/Planning Policies to Support Affordable Housing (Heidi Aggeler, Root Policy Research and Ted Chavez)** - As a follow up to the New Mexico Housing Strategy, Heidi Aggeler of Root Policy Research will provide an informational presentation on innovative land use and planning policies that can improve access to and provide support for affordable housing. NO

Other Board Items — **Information Only**

6 **(Staff is available for questions)**
- Staff Action Requiring Notice to Board
- COVID Staff Actions
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- Upcoming Single Family Bond Issue 2022 Series E

Monthly Reports — **No Action Required**

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Announcements and Adjournment **Discussion Only**

Confirmation of Upcoming Board Meetings

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NEW MEXICO MORTGAGE FINANCE AUTHORITY
DRAFT Board Meeting Minutes
Hotel Albuquerque – Salon G
800 Rio Grande Blvd., Albuquerque, NM
Wednesday, September 14, 2022 at 9:00 a.m.

Chair Reyes convened the meeting on September 14, 2022 at 9:04 a.m. Secretary Hernandez called the roll. Members present: Chair Angel Reyes, Sally Malavé (designee for Attorney General Hector Balderas - virtual attendee), Martina C'de Baca (designee for Lieutenant Governor Howie Morales), Heather Benavidez (designee for Treasurer Tim Eichenberg) Rebecca Wurzburger and Patricia Sullivan. Absent: Derek Valdo. Hernandez informed the Board that everyone had been informed about today's meeting in accordance with the New Mexico Open Meetings Act.

Chair Reyes welcomed board members, guests and staff. He informed everyone that the meeting is being recorded, making reference to the recording microphone sensitivity. He commended staff on their hard work putting together the Housing Summit, stating it was very exciting to see the attendance when walking into the hotel today for what he hopes will be a productive summit. He then welcomed Heather Benavidez chief of staff for the NM State Treasurers office who will be serving as designee for Tim Eichenberg state treasurer.

Approval of Agenda – Board Action. Motion to approve the August 17, 2022 Board agenda as recommended: Wurzburger. Second: Sullivan. Roll call vote: Chair Reyes-yes, C'de Baca–yes, Malavé-yes, Benavidez-yes, Wurzburger–yes, and Sullivan-yes. Vote: 6-0.

Approval of August 17, 2022 Board Meeting Minutes – Board Action. Motion to approve the August 17, 2022 Board Meeting Minutes as presented: Sullivan. Second: Wurzburger. Roll call vote: Chair Reyes-yes, C'de Baca–yes, Malavé-yes, Benavidez-yes, Wurzburger–yes, and Sullivan-yes. Vote: 6-0.

Approval of August 17-18, 2022 Board Meeting Minutes – Board Action. Motion to approve the August 17-18, 2022 Board Meeting Minutes as presented: Malavé. Second: Wurzburger. Roll call vote: Chair Reyes-yes, C'de Baca–yes, Malavé-yes, Benavidez-yes, Wurzburger–yes, and Sullivan-yes. Vote: 6-0.

Hernandez began his presentation by thanking Paul and staff for their efforts in doing a tremendous job in putting together the Housing Summit. He then provided the Board with an update on the following topics: **Significant meetings/presentations:** Staff continues to work on the Project based contract admin (PBCA) – HUD Draft Procurement – which will be discussed later on the agenda. 8/25: Best Place to Work – 5th Place – over 600 business' in the large company category, 8/31: Meeting with Representatives: Ezzell, Nibert & Townsend in Roswell. 9/01: Housing NM Advisory Committee meeting to wrap up the housing strategy. 9/06: Property Committee – Building Architect Award to Mullen, Heller. 9/12: Meeting w/Governor's Staff to discuss the NM housing strategy. 9/12: Meeting w/Architects (Mullen Heller). 9/13: Present to Military and Veteran's Affairs Committee in Raton. **Mortgage Operations** Reviewed the NM Housing Strategy graphs – Typical home value and medium income and Population projections by age, 2010 – 2035. **Upcoming Actions/Activities**: 9/22: LFC Presentation – Taos Ski Valley at 1:00 p.m. 10/14: LOC meeting & Capital Outlay Hearing Presentation.

Consent Agenda

1 **National Housing Trust Fund (NHTF) NOFA Revision (Jacobo Martinez & George Maestas) -** Finance Committee. MFA staff recommends revisions to the NHTF NOFA as there is a need to update the applicant submission, eligible applicants, funding limits and restriction, and scoring language. With anticipated future development projects in mind, staff views the $1,500,000 maximum threshold important to redistribute NHTF for more projects throughout the state. Also, adding language to the Eligible Applicant provides a clearer understanding of requirements for developers and non-profits. As such, staff recommends the approval of all proposed changes to the NHTF NOFA.

2 **Allocations of 2022 NHTF (National Housing Trust Fund) and 2022 HOME Funds (Donna Maestas-De Vries) -** Finance Committee. Staff recommends approval of the allocation of the NHTF in the amount of $3,521,165 for

programs, and up to 10% for administrative costs. Additionally, staff is seeking approval of $13,323,647 of HUD HOME funds to the activities listed in the memo.

3 **Approval of 2022-2023 MFA Broker/Dealers, Custodian and Depositories (Lizzy Ratnaraj) -** Finance Committee. At least annually and as needed, MFA staff reviews and updates the Broker, Dealer, Custodian and Depository list. Staff recommends approval of the Broker, Dealer, Custodian and Depository List. All organizations meet established qualifications as stated in the MFA Investment Policy.

Chair Reyes confirmed that all board members agree to approve the consent agenda items 1) National Housing Trust Fund (NHTF) NOFA Revision, 2) Allocations of 2022 NHTF (National Housing Trust Fund) and 2022 HOME Funds and 3) Approval of 2022-2023 MFA Broker/Dealers, Custodian and Depositories, seeing and hearing no objections he asked for a motion. Malavé made the motion to approve the consent agenda in its entirety: Second: Wurzburger. Roll call vote: Chair Reyes-yes, C'de Baca–yes, Malavé-yes, Benavidez-yes, Wurzburger–yes, and Sullivan-yes. Vote: 6-0.

4 **Production Statistics (Donna Maestas-De Vries, Lizzy Ratnaraj & Jeff Payne).** Payne informed the Board that this is an annual presentation which is provided in conjunction with the presentation of the annual budget. Payne, Ratnaraj and Maestas De-Vries provided financial highlights, data on assets managed, financial performance indicators and production results over the last 10 years. Non-Action Item.

5 **FY 2022-2023 General Fund Budget (Yvonne Segovia).** Segovia reviewed MFA's General Fund proposed budget for FY 2022-2023 being recommended for approval. Revenue is projected at $29,736,000, an increase of $699,000 or 2% over prior year budget and an increase of $3,955,000 or 15% over projected 9/30/22 actuals. The expense budget is projected at $27,290,000, an increase of $1,390,000 or 5% over prior year budget and an increase of $3,427,000 or 14% over 9/30/22 projected actuals. The FY 2022-2023 budgeted excess revenue over expenses is $2,447,000. The capital budget is $4,391,000, a decrease of ($1,246,000) or (22%) under prior year budget and an increase of $86,000 or 2% over projected actual.

Reyes explained that the Compensation Committee was established in October 2012; the purpose of the committee is to provide the appropriate oversight and transparency over MFA compensation and benefits. The Compensation Committee was asked to meet at least annually and to report the results of its assessment back to the full Board in conjunction with the annual General Fund budget approval. He informed the Board that the Compensation committee which consist of himself (Chair), Members Patricia Sullivan and Rebecca Wurzburger met August 23, 2022 and reviewed the following: Benefits - Healthcare Update, Compensation Survey Update, Incentive Compensation Plan and 2022-2023 Budget Outlook. The Compensation Committee discussed the General Fund compensation and benefits budget outlook for FY2023. The committee also discussed medical/dental/vision strategy and changes to premiums and received an update on the compensation study. Motion to approve the FY2022-2023 General Fund Budget as recommended: Wurzburger. Second: C'de Baca. Roll Call Vote: Roll call vote: Chair Reyes-yes, C'de Baca–yes, Malavé-yes, Benavidez-yes, Wurzburger–yes, and Sullivan-yes. Vote: 6-0.

6 **Housing Opportunity Fund Appropriations (Yvonne Segovia)**. Segovia informed the Board that 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" Down Payment Assistance (DPA) Program, HERO First Mortgage Program, Access Loan Program and Emergency Housing Needs Program. The Board has appropriated General Fund reserves to various programs in the HOF throughout the years. Total appropriations to date are $98.2 million. The First Down DPA loan program will exhaust all available appropriations due to increased demand in the program resulting in a need for funds of $1.812mm through 9/30/23 to support anticipated demand. MFA currently has $75.8m in the DPA portfolio loans on its Statement of Net Position, earning approximately 5%. This program supports MFA's mission by providing statewide DPA to borrowers that have limited financial resources. Motion to approve the Housing Opportunity Fund Appropriations as recommended: Malavé. Second: C'de Baca. Roll call vote: Chair Reyes-yes, C'de Baca–yes, Malavé-yes, Benavidez-yes, Wurzburger–yes, and Sullivan-yes. Vote: 6-0.

New Mexico Affordable Housing Charitable Trust – Finance Committee

7 **FY 2022-2023 NM Affordable Housing Charitable Trust Budget (Yvonne Segovia).** Segovia reminded the Board the New Mexico Affordable Housing Charitable Trust is a legally separate trust for which the MFA Board provides oversight. She reviewed the FY 2022-2023 NM Affordable Housing Charitable Trust Budget being recommended for approval. Revenue is projected at $91,000, and the expense budget is projected at $10,000, resulting in a FY 2022-2023 budgeted excess revenue over expenses of $81,000. Motion to approve MFA's action as Trustee for the FY2022-2023 NM Affordable Housing Charitable Trust Budget as presented: Wurzburger. Second: Benavidez. Roll call vote: Chair Reyes-yes, C'de Baca–yes, Malavé-yes, Benavidez-yes, Wurzburger–yes, and Sullivan-yes.. Vote: 6-0.

<u>**Contracted Services/Credit Committee & NM Housing Trust Fund Committee**</u>

8 **Regional Housing Authority Annual Reporting (Theresa Laredo-Garcia).** Laredo-Garcia informed the Board that she would be providing a summary of the three Regional Housing Authorities, they are Western Regional Housing Authority (WRHA), Eastern Regional Housing Authority (ERHA), and Northern Regional Housing Authority (NRHA). She reviewed the seven items that MFA has oversight responsibilities for, final operating budgets FY2020/2021, which covers the period of 7/1/20 thru 6/30/21, the overall status of the Regional Board of Commissioners, new executive directors, creation/dissolution of non-profit entities, approval of contracts greater that 100K, approval of transfers, sales or liquidations of real or personal property, of which there were none and the annual reports, which are listed in the memo located behind tab one and will become a part of the official board packet. She also gave a brief review of their external financial audits; ERHA received an unmodified opinion on the FYE 6/30/21 audit. There are 2 findings noted in the audit, which she reviewed as listed in the memo provided. WRHA received an unmodified opinion on their FYE 6/30/21 audit. There are no findings noted in the audit. NRHA has not completed the FYE 6/30/21 audit. She provided an update on the overall status of NRHA as provided in the memo. They have received a HUD approved extension and their audit is currently in progress under a new auditing firm.. She reminded the Board that the legislature did not appropriate funding during the 2020 legislative session for the RHA oversight. She introduced the Regional Housing Executive Directors; Chris Herbert (ERHA), and Terry Baca (NRHA). Cathy DeMarco (WRHA) was not present. Chair Reyes asked Executive Director Terry Baca the status on Northern's 6/30/2021 audit as well as HUD troubled status. Mr. Baca responded that the audit should be completed by the end of the week and that NRHA is very close/on track to coming out of troubled status and will keep MFA apprised of the situation. Motion to approve the Regional Housing Authorities Annual Reports as presented: Wurzburger. Second: Malavé. Roll call vote: Chair Reyes-yes, C'de Baca–yes, Malavé-yes, Benavidez-yes, Wurzburger–yes, and Sullivan-yes. Vote: 6-0.

9 **HOME American Rescue Plan (ARP) Supportive Services Award Recommendations (Lucas Wylie and Shannon Tilseth).** Wylie began his presentation with a request for approval of the awards for the HOME American Rescue Plan Supportive Services Program (HOME ARP) in the amount of $1,237,500 to eight subrecipients. The program provides short- and medium-term rental assistance, security deposits, utility assistance, utility deposits, housing stability case management and housing search and placement that primarily benefits qualifying individuals and families who are homeless, at-risk of homelessness, or in other vulnerable populations. If approved, service providers who meet the renewal criteria set by MFA will receive an annual award over a period of eight years. Funding will expire on September 20, 2030. Wylie reviewed the chart provided in the memo of the award recommendations which included: Service provider, service territory and award amount. Malavé asked if today's approval is for the eight years, Wylie stated that they would come back to the Board at the end of year. Motion to approve the HOME American Rescue Plan (ARP) Supportive Services Award Recommendations as presented: Wurzburger. Second: Benavidez. Roll call vote: Chair Reyes-yes, C'de Baca–yes, Malavé-yes, Benavidez-yes, Wurzburger–yes, and Sullivan-yes. Vote: 6-0.

10 **Bipartisan Infrastructure Law State Plan (Troy Cucchiara, Dimitri Florez & David Gutierrez)**. Gutierrez, Florez and Cucchiara each presented a portion of the plan to request approval of the NM Energy$mart 2022/2027 Bipartisan Infrastructure Law (BIL) Department of Energy (DOE) Weatherization Assistance Program Annual and Master State Plans. Background information was provided stating the State Plan is the annual application package that is submitted by MFA to the DOE prior to receiving funding for the Weatherization Assistance Program. DOE requires that the State Plan be submitted to them October 1, 2022. The State Plan consists of two sections, the Annual Plan, and the Master Plan. The Annual Plan includes a detailed breakdown of how the funds will be allocated. The Master Plan describes how the program will be managed overall by the NM Energy$mart Program. The Board was

further informed that the Bipartisan Infrastructure Law (BIL) funds are appropriated by the Infrastructure Investment and Jobs Act, Public Law 117-58, signed on November 15, 2021. This is administered by the DOE, authorized by Title IV, Energy Conservation and Production Act. The total appropriations for weatherization are $3,168,000,000. Of this amount, MFA's formula grant is $22,066,0751, and is to be used to weatherize homes in addition to the regular DOE annual allocations over a five-year grant period. The Service provider breakdown was reviewed which is available in the memo, which will become a part of the official board packet. The State Plan is subject to a 10-day public comment and review period. It was advertised in 14 statewide New Mexico newspapers and was posted on the MFA website on August 15, 2022. A Weatherization Assistance Program Policy Advisory Committee (WAP PAC) meeting and public hearing was virtually held on August 16, 2022. No comments were received. Strike single in the last sentence of the summary. Motion to approve the Bipartisan Infrastructure Law State Plan as recommended: Sullivan. Second: Wurzburger. Roll call vote: Chair Reyes-yes, C'de Baca–yes, Malavé-yes, Benavidez-yes, Wurzburger–yes, and Sullivan-yes. Vote: 6-0.

Other

11 **Approval of the New Mexico Housing Strategy (Sonja Unrau & Rebecca Velarde).** Unrau began her presentation with a request for approval of the New Mexico Housing Strategy. She reminded the Board that MFA staff has managed the development of the New Mexico Housing Strategy since September 2021. The Strategy incorporates quantitative data analysis, results of a resident survey, and extensive stakeholder engagement. The Housing New Mexico Advisory Committee, which provided leadership over the Strategy throughout its development, endorsed the document on September 1, 2022. She informed the Board of the changes since the last time the Board reviewed this report. Chair Reyes thanked MFA for their leadership and hard work in this process with the Housing New Mexico Advisory Committee. Motion to approve the New Mexico Housing Strategy as presented: Wurzburger. Second: Sullivan. Roll call vote: Chair Reyes-yes, C'de Baca–yes, Malavé-yes, Benavidez-yes, Wurzburger–yes, and Sullivan-yes. Vote: 6-0. Following the vote discussion ensued regarding next steps, the implementation plan - subcommittees, short/medium/long term strategies, and when the Board would be updated on progress. Velarde suggested biannual updates in line with the planned future Advisory Committee meetings.

12 **FY2022 Updates to the FY2021-2025 Strategic Plan (Rebecca Velarde).** Velarde began her presentation with a request for board approval of the changes in strike-through, underline format to MFA's FY 2021-2025 Strategic Plan, which include new/changed strategic objectives, initiatives and benchmarks for Year 3 (FY 2023). Velarde reviewed the changes to the benchmarks and the initiatives in the Strategic Plan located behind the memo in tab twelve, which will be made a part of the official board packet. MFA will complete the second year (FY 2022) of the plan on September 30, 2022 and will begin the third year (FY 2023) on October 1, 2022. Board approval is requested for changes to MFA's FY 2021-2025 Strategic Plan for Year 3 (FY 2022). Discussion ensued regarding some of the marketing strategies. Hernandez stated that Paul Dahlgren was not available at this time but would come back to the board to discuss MFA's marketing strategies at a later date. Motion to approve the FY2022 updates to the FY2021-2025 Strategic Plan as presented. Sullivan. Second: Malavé. Roll Call Vote: Roll call vote: Chair Reyes-yes, C'de Baca–yes, Malavé-yes, Benavidez-yes, Wurzburger–yes, and Sullivan-yes. Vote: 6-0.

Other Board Items - Information Only

13 **There were no questions asked of staff.**
- Staff Actions Requiring Notice to Board
- COVID Staff Actions Requiring Notice to Board
- Summary of 2021C Bond Issue

Monthly Reports - No Action Required

14 **There were no questions asked of staff.**
- July 31, 2021 Financial Statements

Closed Session **Action Required**

15 **Legal Matters.** Chair Reyes stated that on our agenda is a discussion of a matter concerning threatened litigation. Board legal counsel has advised that we undertake this discussion in a closed session pursuant to the limited exception of the Open Meetings Act, which allows for closed sessions to discuss threatened or pending litigation. Chair Reyes entertained a motion to close the meeting for the sole purpose of discussing potential litigation related

to the Department of Housing and Urban Development's (HUD) Solicitation for Housing Assistance Payments (HAP) Contract Support Services (HAPSS) (Formerly known as Performance-Based Contract Administrator (PBCA) Program) pursuant to Section 10-15-1 H (7) of the Open Meetings Act – threatened or Pending Litigation. Malavé. Second: Wurzburger.

Chair Reyes asked if there are any discussions regarding the motion to close the meeting for the sole purpose of discussing this threatened litigation? Seeing none, he asked Secretary Hernandez to call roll. Roll Call Vote: Chair Reyes-yes, C'de Baca–yes, Malavé-yes, Benavidez-yes, Wurzburger–yes, and Sullivan-yes. Vote: 6-0. The Board will now enter closed session. Chair Reyes asked that everyone except the Board members present, Board legal counsel, Policy Committee and the Director of Asset Management of MFA leave the room and requested staff to terminate the webcast.

Open Session **Action Required**

16 **Legal Matters**. At 11:12 a.m. Chair Reyes requested a motion to re-open the meeting. Malavé Second: Wurzburger. Roll Call Vote: Roll call vote: Chair Reyes-yes, C'de Baca–yes, Malavé-yes, Benavidez-yes, Wurzburger–yes, and Sullivan-yes. Vote: 6-0.

Chair Reyes confirmed that the Board is now convened in open session, that the webcast and recording are running again, and made the following statement: The Board met in closed session and the only discussions taken in closed session were attorney-client privileged discussions relating to possible litigation related to HUD's Housing Assistance Payments (HAP) Contract Support Services (HAPSS). No other issues were discussed, and no actions were taken.

There being no further business the meeting was adjourned at 11:18 a.m.

Approved: October 19, 2022

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Chair, Angel Reyes Secretary, Isidoro Hernandez

MFA Housing New Mexico

MEMO

TO: Policy Committee

FROM: Janice Shije, Emergency Homeless Assistance Program Manager

John Garcia, Assistant Director of Community Development

DATE: September 27, 2022

SUBJECT: Emergency Homeless Assistance Program 2022-2023 Award Amendments

Recommendation:
Staff is requesting approval to award additional funding to the Emergency Homeless Assistance Program (EHAP) funding for the 2022-2023 program year.

Background:
MFA has received additional funding which is higher than anticipated from HUD. We also had ESG carryover funds that caused us to have unallocated funding for the current program year with a total of **$265,634.99**.

Discussion:
It would be in the best interest of the program to award the funding to the EHAP subrecipients. Award allocations for the additional funding were determined by the percentage of the original EHAP award that each service provider received. For example, if a service provider received 10% of the total grant amount for this program, they will receive 10% of the additional funds. Below is the chart of awards.

Shelter Name	Location	2022-2023 Award	Amended 2022-2023 Award	Revised Balance
Center of Protective Environment (COPE)	Alamogordo	$51,546.56	$14,539.22	$66,085.78
Community Against Violence	Taos	$40,048.61	$11,296.11	$51,344.72
El Refugio	Silver City	$52,312.23	$14,755.18	$67,067.41
Family Crisis Center	Farmington	$49,625.91	$13,997.48	$63,623.39
Grammy's House	Artesia	$57,671.88	$16,266.92	$73,938.80
Hartley House	Clovis	$48,094.58	$13,565.55	$61,660.13
Haven House	Rio Rancho	$18,099.54	$5,105.15	$23,204.69
Option, Inc.	Hobbs	$54,609.22	$15,403.07	$70,012.29
SAFE House	Albuquerque	$46,563.25	$13,133.63	$59,696.88

Valencia Shelter Services	Los Lunas	$52,312.23	$14,755.18	$67,067.41
Assurance Home	Roswell	$63,510.75	$17,913.84	$81,424.58
DreamTree	Taos	$69,789.21	$19,684.74	$89,473.95
Youth Shelters & Family Services	Santa Fe	$55,054.04	$15,528.54	$70,582.58
St. Elizabeth	Santa Fe	$106,957.79	$30,168.50	$137,126.29
Barrett Foundation	Albuquerque	$54,487.93	$15,368.86	$69,856.79
Heading Home	Albuquerque	$58,524.07	$16,507.29	$75,031.36
People Assisting the Homeless (PATH)	Farmington	$62,560.21	$17,645.73	$80,205.94
		Total	**$ 265,634.99**	

Summary:
Staff requests the approval of the amended awards in the amount of **$265,634.99** for the Emergency Homeless Assistance Program. Upon approval, contract amendments will be sent to these 17 shelters.

MFA
Housing New Mexico

NEW MEXICO MORTGAGE FINANCE AUTHORITY

Finance/Operations Committee Meeting

Wednesday, October 12, 2022 at 1:30 p.m.

Webex - call-in information is 1-844-992-4726 (access code): 2496 185 8900
or you can join the call from the calendar item

Agenda Item	COMMITTEE RECOMMENDED	BOARD ACTION REQUIRED
Agenda **1** 2023 Qualified Allocation Plan (Jeanne Redondo)	3-0	YES
Information items **2** August 2022 Wire Transfers	✓	NO
3 August 2022 Check Register	✓	NO
4 External Audit Status Update	✓	NO

Committee Members present:

Angel Reyes, Chair	☐ present	☐ absent	☑ conference call
State Treasurer Tim Eichenberg	☐ present	☐ absent	☑ conference call
Lt. Governor Howie Morales or Proxy Martina C'de Baca	☐ present	☐ absent	☑ conference call

Hernandez

MFA Housing New Mexico

MEMO

TO: MFA Board of Directors

Through: Policy Committee (October 4, 2022)
Through: Finance Committee (October 12, 2022

FROM: Jeanne Redondo

DATE: October 19, 2022

SUBJECT: 2023 Draft Qualified Allocation Plan

Recommendation

Staff recommends approval of the attached 2023 State of New Mexico Housing Tax Credit Program Qualified Allocation Plan (QAP).

Background:

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

While stakeholder feedback is encouraged throughout the year, MFA staff holds a "Developer's Forum" focus group prior to beginning draft revisions and then presents a list of proposed changes to the Policy Committee and Finance Committee for discussion. A draft QAP is then composed and posted on MFA's website and published in at least three newspapers of general circulation. This posting and publication mark the beginning of a 21-day public comment period during which a public hearing is held. After the public comment period is concluded, a final QAP is composed and presented to Policy Committee, Finance Committee, and then the Board of Directors for approval. After Board approval, the QAP is sent to the Governor for final approval.

Discussion:

One significant change is being considered for the Draft 2023 QAP:

In response to comments at the Developer's Forum, the draft 2023 QAP includes language addressing hybrid 9%/4% LIHTC projects (aka as "twinning"). Hybrid projects are actually two separate projects in which the excess eligible basis that ordinarily would go unused on a 9% project may be used to generate 4% non-competitive tax credits to increase the number of units that may be developed. Hybrid projects may be developed on two adjacent tracts of land or through a condominium plat of a building.

In addition, the following changes are proposed:

Combined Rehabilitation and New Construction Projects and General Guidelines Around Rehabilitation Projects – Section II.J (begins on page 9)

- Section II.J.1.a was updated to direct applicants to capital needs assessment requirements further down in the section. (*See* page 10)
- Section II.J.2.d was updated to clarify that the only projects placed in service and claiming points under Section III.E.3 are required to provide evidence that the project was placed in service more than 20 years ago. (*See* page 10)
- Section II.J.3 was updated to clarify when the Capital Needs Assessment is due based on the type of application. (*See* page 11)

Building Classification and Tax Credit Applicable Percentages – Section II.R (*See* page 14)

- Language referring to a fluctuating rate for 4% credits was removed. The Consolidated Appropriations Act of 2021 permanently fixed the floor of the 4% credit at 4%.

Hybrid 9%/4% Developments – Section II.U (starts on page 16)

- As mentioned above, a new section was inserted into the QAP describing the parameters under which developments that combine 9% and 4% LIHTC are acceptable. Under the Internal Revenue Code, the development is two separate projects and two projects on adjacent parcels of land was always permitted. Two separate projects in one building – one with 9% credits and one with 4% credits is new to New Mexico. However, some other states have been encouraging hybrid developments because it allows excess 9% eligible basis to receive tax credits when that excess eligible basis cost is allocated to the 4% project. Some states have gone as far as requiring developments to structure projects with as many 4% credits as possible, in which case the development only receives the bare minimum of 9% credits that are required. However, hybrid projects are typically only feasible when they are larger. The "sweet spot" for 4% projects is around 200 units, which is often too many units for a small community to absorb.

  In addition to submitting two separate applications for the development, any reservation that is approved for a hybrid development that includes both 9% and 4% LIHTC in one building or on one parcel of land would be held until the 4% project receives an allocation of private activity bond volume cap from the state board of finance.

Applicant Eligibility – Section III.C.5 (See page 20)

- The specific portion of the application where the related party affidavit may be found was added.

Allocation Set-Asides – Section III.D (*See* page 22)

- The requirements for permanent supportive housing under the Underserved Populations set-aside were expanded to require with the Application, a preliminary Memorandum of Understanding between the Project Owner and service providers describing service provider's expertise to provide the proposed services, the planned description and delivery of services, and the staff capacity to provide ongoing case management. This requirement was added in conjunction with parameters regarding MOUs that will be required at 50% construction (*See* Section III.E.8 below) to clarify the level of detail in the MOU at Application. (In past QAPs, MOUs have only been described in the Households with Special Needs Housing Priority scoring criterion.)
- The location in the application where the PSH Commitment to Quality Checklist may be found was added.

Project Selection Criteria to Implement Housing Priorities – Section III.E (starts page 22)

- **Tax-exempt bond financed projects** (*See* page 23) will, outside Urban Areas, be able to locate within a 15-minute drive (as demonstrated through Google Maps) from a facility in which fresh produce is available, rather than two miles. Tax-exempt bond projects are typically larger developments that are harder to locate in infill areas because they need larger tracts of land. Retail development, including supermarkets, typically follows housing development, once the population is large enough to support retail operations.

1. ***<u>Scoring Criterion no. 1</u>*** – *Nonprofit, NMHA, TDHE, or THA Participation* (*See* page 25)
   - This scoring criterion was updated to remove references to requirements for tax-exempt bond projects that are not scored.

2. ***<u>Scoring Criterion no. 2</u>*** – *Locational Efficiency* (*See* page 26)
   - The criterion was updated to include "separate" maps for each amenity and public transportation claimed for points. This will make it simpler for Applicants to show the *actual walking distance* from the site that is required. The Locational Efficiency Scoring Worksheet will be updated to allow Applicants to describe the specific amenities claimed for points for which the maps are provided to support the claim for points. This will eliminate the need to describe every amenity within a radial distance from the project and provide staff with useful information to review this scoring criterion in applications.
   - Additionally, the Rural/Tribal walking distance from facilities was increased to five miles driving distance to allow greater flexibility in site selection.

3. ***<u>Scoring Criterion no. 3</u>*** – *Rehabilitation Projects (See page 28)*
   - The criterion was updated to remove the exception to the 20-year requirement from the threshold criteria to score under this scoring criterion because there are no points available to projects that don't meet this threshold. The requirement for projects not eligible for points under this scoring criterion to submit a capital needs assessment with the application was relocated to Section II.J.

4. ***Scoring Criterion no. 4*** – *Sustaining Affordability* (*See* page 29)
   - Clarifies that only projects that are currently unsubsidized are eligible to earn points for a new federal rental assistance contract.

5. ***Scoring Criterion no. 8*** – *Households with Special Housing Needs Housing Priority (See* page 35)
   - The requirement for an MOU between the Project Owner and Qualified Service Provider was clarified. In addition, more detail regarding steps that need to be taken to plan the implementation of supportive services prior to 50% of construction completion were added, including a Service Coordination Checklist to assist developers to clarify the roles and responsibilities of property management versus service providers.

6. ***Scoring Criterion no. 11*** – *Leveraging Resources* (begins on page 42)
   - The scoring criterion was reorganized to clarify which forms of leverage are applicable to each potential source of leverage. This eliminates the need to wade through multiple paragraphs of information that may not apply to the project proposed.
   - This scoring criterion was revised to clarify that any donated land and/or buildings must use the valuation based on the existing use of the property and donate the entire value of the vacant land or developed land with improvements that are being claimed for points under this scoring criterion. This discourages unnecessarily increasing total development costs on a 9% project but doesn't restrict a tax-exempt bond project that may require the extra eligible basis to be feasible from using valuations that have been acceptable for the HUD Rental Assistance Demonstration program.
   - Donations of the proceeds of a loan of a capitalized lease payment was added to the list of unacceptable leverage under this scoring criterion.

7. ***Scoring Criterion no. 12*** – *Complete Applications* (starts on page 45)
   - Complete Schedules was added as a criterion under this scoring criterion to clarify that the schedules that were included in the 2022 MFA Universal Rental Development Application must still be completed. Schedules A – F will be a separate document this year based on comments during the Developer Forum. Separating the schedules makes it more feasible to share that portion of the Application with others who need to comment or work on the financial portion of the Application.

8. ***Scoring Criterion no. 18*** – *Efficient Use of Tax Credits* (starts page 49)
   - The limits on the Efficient Use of Tax Credits were increased by approximately 17.5% to reflect higher construction costs as documented by the Bureau of Labor Statistics residential construction goods index change from June 2021 to June 2022. This increase also reduces the burden on limited MFA gap financing resources.

9. ***Scoring Criterion no. 20*** – *Adaptive Reuse Projects (See page 51)*
   - This scoring criterion was clarified that adaptive reuse points are available for the conversion of non-residential buildings to residential rental units (as compared to

conversion of a non-residential building to be used solely as common area in a residential rental project).

10. ***Scoring Criterion no. 22*** – *Other Scoring Points Available* (starts page 52)

- Section III.E.22.iv - For Projects located in a town or municipality with no "active" LIHTC Projects, clarification of the acceptable criteria to be considered an "active" project were added as follows: "9% as evidenced by a reservation letter and inclusion of MFA's list of 9% projects on its website and/or 4% LIHTC as evidenced by issuance of a 42(m) letter and inclusion on MFA's list of 4% projects posted on its website on or before the Application Due Date." (*See* page 53)

- Section III.E.22.vi – To clarify the minority or female participation for a non-profit entity that would be eligible for points under the scoring criterion, language specifying that minority or female individuals may comprise at least 50% of the board of directors was added. Additionally, the term "Minority" was added to the Glossary and referenced to add clarity. (*See* page 55)

Additional Supplemental Tax Credits for Cost Increases – Section III.G (*See* page 55)

- The provision to limit the amount of supplemental tax credits to the cost limits of the 2020 – 2022 round, as applicable to the project requesting supplemental credits is waived for the 2023 competition. This will provide the ability for projects with cost overruns to apply for additional tax credits if they are competitive in the 2023 round and the total tax credits a project would be eligible for, including tax credits awarded in a prior round, would be limited to the cap on tax credits in the 2023 round.

New Allocations to Projects Previously Subsidized with Tax Credits – Section III.H (*See* page 56)

- This section was updated to remove the so-called 20-year requirement. Scoring Criterion No. 3 for Rehabilitation Projects on page 28 limits points for rehabilitation projects to those for which more than 20 years has passed since the project was placed in service. The Rehabilitation scoring criterion incentivizes projects that are older and need more rehabilitation. The 20-year requirement in the QAP, as previously written, was confusing, and appeared to prevent applicants from even applying for tax credits for projects that may need rehabilitation sooner than 20 years.

New Allocations to Projects Previously Subsidized with Tax Credits - Section IV.H (*See* page 56)

- This section was updated to clarity that the "as-is" appraisal used to support the proposed sale between related parties for properties previously subsidized with tax credits must be valued assuming that existing use restrictions will remain in place.

Submission Date(s) – Section IV.A.1 (*See* page 57)

- The submission deadline was moved forward to January 20, 2023 to provide an additional week for staff to review applications. The 2022 QAP had moved the deadline back two weeks to January 28, 2022. After considering how this impacted the review of the 2022 applications, staff is considering moving the deadline forward by one week. This still provides additional time to applicants so they don't have to prepare applications during the holidays.

Form of Submission and Content and Format: Complete Applications – Section IV.A.3-4 (*See* page 58)

- Schedules A - F that were included in the 2022 MFA Universal Rental Development Application are added as a separate document based on comments received during the Developer Forum. Separating the schedules makes it more feasible to share that portion of the Application with others who need to comment or work on the financial portion of the Application.

MFA Fees and Direct Costs – Section IV.B (*See* page 61)

- The Direct Cost Deposit has been increased from $10,000 to $12,000 to cover the base portion of the design reviews for compliance with Design Standards. This section also clarifies that the cost of an MFA-ordered Market Study, if required during the application phase, will be taken from the Direct Cost Deposit. (If the project is selected for a reservation of tax credits, the Applicant will be invoiced for the cost of the market study to replenish the base portion of the design review.) Additionally, if the design review requires additional site visits and/or document reviews, they will be billed separately and above the $12,000 base fee.

Staff Analysis and Application Processing – Section IV.C (starts page 62)

- *Cost Limits – Section IV.C.2* (*See* pages 63-64)
    - The previous 9% round cost limit was added for reference, so developers can estimate where the cost limits may land in the current year.
- *Deficiency Correction Period – Section IV.C.5* (*See* page 64)
    - Language was clarified that neither MFA nor the Applicant may alter the original structure of the project during the deficiency correction period.
- *Supplemental Information Submission – Section IV.C.6* (*See* page 65)
    - Language was clarified that the original structure of the project may not be modified through a supplemental information request.

Feasibility Analysis and Financial Considerations – Section IV.D (starts page 66)

- *Development Team Review – Section IV.C.9* (*See* page 66)
    - This section now refers the Applicant to Schedule H to certify their experience. For consistency across policies, Schedule H will be modified to conform to the schedule provided pursuant to the Ownership Change Policy.
- *Developer Fees – Section IV.D.2.b* (*See* page 68)
    - Consistent with Section IV.H, the value in an "as-is" appraisal used to support a proposed sale must be valued assuming that existing use restrictions will remain in place when calculating the amount of any donation of land and waived fees to be excluded from the calculation of developer fees.
- *Credit Calculation Method – Section IV.E.3* (*See* page 73)
    - The maximum allowable reservation has been increased 17.5% consistent with the increase in the efficiency of tax credits scoring criterion. The limit is increased from $1,380,213 to $1,622,805.

Final Processing and Awards – Section IV.F (starts on page 74)

- *Board of Directors – Section IV.F.5* (*See* page 76)
  - In lieu of a personal presentation to the board, a three-minute video has been added. Applicants will still be required to attend the board meeting to answer any questions the board may have. MFA will provide an outline of the presentation format so the videos are consistent.
  - This section also restates that reservation letters for hybrid 9%/4% projects with a pending allocation of private activity bond volume cap will be issued following receipt of approval from the state board of finance.

Notification of Approval and Subsequent Project Requirements – Section IV.G (starting on page 76)

- *At or around the 50% construction completion mark – Section IV.G.7* (*See* page 79)
  - The MOU required under Section III.E.8 is referenced with the required meeting at this benchmark.

Notice Provisions – Section VI.J (*See* page 83)

- Updated to remove references to facsimile transmission. This is not requested in the Application and MFA does not typically provide notice via facsimile.

MFA Tax Credit Monitoring and Compliance Plan Summary – Section X (starts on page 88)

- *Annual Certification Review – Section X.D* (starts on page 90)
  - Provisions 19-24 were updated to be consistent with the Annual Owner's Certification required since December of 2021. (*See* pages 92-93)

Glossary – Section XI (starts on page 95)

- Adaptive Reuse was updated to be consistent with the description in Section III.E.20 (*See* page 95)
- Historic Property was added to clarify that it refers to buildings meeting the criteria for Part 1 Approval for Historic Tax Credits (*See* page 100)
- Minority was added as a defined term (*See* page 103)
- Total Development Cost was updated to remove the costs of bond issuance on line 65 of Schedule A for purposes of calculating cost limits. Costs of bond issuance are not applicable to 9% LIHTC projects, so this change makes the cost limits more consistent across 9% and 4% projects. (*See* page 106)
- Urban Areas were updated to remove the cities of Farmington and Roswell (*See* page 107)

List of Appendices – Section XII (*See* page 108)

This section was added to incorporate the ancillary documents by reference into the QAP.

Summary:

The proposed changes to the 2023 QAP continue to improve the allocation process. Staff conducted a Developer's Forum wherein we gathered input to the QAP. New ideas were raised by attendees at the Forum, which were carefully considered. In addition, staff solicited input from staff from the Asset Management and Policy and Planning Departments.

STATE OF NEW MEXICO

LOW-INCOME HOUSING TAX CREDIT PROGRAM

QUALIFIED ALLOCATION PLAN

Effective as of December 1, ~~2021~~2022

NEW MEXICO MORTGAGE FINANCE AUTHORITY

Approved by Board of Directors on October ~~20~~19, ~~2021~~2022
Approved by the Honorable Governor Michelle Lujan Grisham on October 21, ~~2021~~2022

TABLE OF CONTENTS

I. Background and Purpose of the Qualified Allocation Plan

A. General

This "Allocation Plan" constitutes the "Qualified Allocation Plan" (QAP) for the state of New Mexico and is intended to comply with the requirements set forth in Section 42 of the Internal Revenue Code of 1986[1], as amended, including all applicable rules and regulations promulgated thereunder (collectively, the "Code"). This Allocation Plan applies to all allocations of Low Income Housing Tax Credits pursuant to the Code (hereinafter LIHTC, credits or tax credits) and multifamily private activity tax-exempt bonds made for QAP year ~~2022~~2023.

The LIHTC program was created in the Tax Reform Act of 1986 as an incentive for individuals and corporations to invest in the construction or rehabilitation of low income housing. The tax credit provides the investor a dollar-for-dollar reduction in personal or corporate federal income tax liability for a 10-year period for Projects[2] meeting the Program's requirements.

B. Role of MFA

New Mexico Mortgage Finance Authority (MFA) is the Housing Credit Agency (HCA) for the state of New Mexico, responsible for administering the Tax Credit Program and allocating tax credits to eligible New Mexico Projects. Accordingly, MFA awards tax credits to Projects meeting its Project selection criteria, including an annual population allocation, any subsequent carry-forward, returned credits and national pool credits. MFA monitors existing Projects for compliance with the Code; however, MFA does not make any representation to any party concerning compliance with the Code, U.S. Department of Treasury ("Treasury") regulations[3] or other laws or regulations governing LIHTC. Neither MFA, nor its agents or employees will be liable for any matters arising out of or in relation to, the allocation of LIHTC. All organizations and individuals intending to utilize the LIHTC program should consult their own tax advisors concerning the application of tax credits to their Projects and the effect of tax credits on their federal income taxes.

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

> The legislature hereby finds and declares that there exists in the state of New Mexico a serious shortage of decent, safe and sanitary residential housing available at prices and rentals within the financial means of persons and families of low income. This shortage is

[1] Section 42 of the Code is found in the United States Code in Title 26, Subtitle A, Chapter 1, Subchapter A, Part 4, Subpart D, at Section 42 (26 U.S.C. §42.)
[2] Capitalized terms, when not defined in the text of this document, are defined in **Section XI** or in the Code.
[3] Treas. Reg. 26 CFR § 1.42.

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

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

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

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

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

In addition, MFA may cancel or modify the provisions of this QAP at any time~~,~~ and may reject any or all Applications submitted under this QAP and re-issue the QAP. If MFA rejects any or all Applications submitted under this QAP and re-issues the QAP, all costs incurred by Applicants in the preparation, transmittal or presentation of any Application or materials submitted in response to this QAP shall again be borne solely by Applicants.

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

REGULATIONS IN ALL RESPECTS. FAILURE BY ANY APPLICANT TO DEMONSTRATE THAT THE PROPOSED PROJECT SHALL COMPLY WITH THE CODE AND ALL ASSOCIATED REGULATIONS SHALL RESULT IN THE REJECTION OF THE APPLICATION AND PROJECT.

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

1. Sets forth Project Selection Criteria to be used to determine housing priorities of the HCA, which are appropriate to local conditions. These criteria must consider project location, housing needs characteristics, project characteristics, sponsor characteristics, public housing waiting lists, tenants with Special Housing Needs including individuals with children, energy efficiency standards, historic character and projects intended for eventual tenant ownership.

2. Gives preference in allocating housing credit dollar amounts among selected Projects to those which:
   a. Serve the lowest income tenants;
   b. Serve qualified tenants for extended periods of time; and
   c. Are located in Qualified Census Tracts (QCTs) and the development of which contributes to a Concerted Community Revitalization Plan.

3. Provides a procedure that the Agency will use in monitoring for noncompliance.

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

C. Public Hearings

Following public notice, a draft QAP was made available to the public for comment for a period of 21 days (beginning August 16, ~~2021~~2022 and continuing through September 6~~7~~, ~~2021~~2022, and extended through September 16, 2022), during which time ~~a~~two public hearings were~~as~~ held on ~~September 1~~August 31, ~~2021~~2022, and September 16, 2022. MFA accepted written comments during this 21-day comment period, as extended, and considered comments presented at the public hearing, prior to completion of the plan.

II. Low Income Housing Tax Credit Program Summary

A. General

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

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

B. Amount of Competitive Tax Credit Available Statewide

The state of New Mexico, for the calendar year ~~2022~~2023, will receive a population-based 9% tax credit allocation equal to $2.60 per resident. The current year's population estimates, as provided by the Internal Revenue Service (IRS) and the estimated Annual credit ceiling, including any carry-forward, returned or national pool credits received by the state, may be found on MFA's website: http://housingnm.org/developers/low-income-housing-tax-credits-lihtc.

C. Allocation to New Construction and Rehabilitation Projects

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

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

D. Nonprofit Allocation Set-aside

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

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

E. Minimum Apartment Unit Set-Asides

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

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

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

3. Average Income (AI) election: This election under the Code was authorized by the Consolidated Appropriations Act of 2018. This election allows the Project to serve households up to 80% AMI as long as at least 40% of the total Units are rent and income restricted and the average income limit for all tax credit Units in the Project is at or below 60% AMI. The following applies for this election:
    a. Income and rent limits **must be in ten percent increments,** and may include 20% AMI, 30% AMI, 40% AMI, 50% AMI, 60% AMI, 70% AMI, or 80% AMI.

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

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

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

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

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

F. Rent and Income Restrictions

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

G. General Public Use

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

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

Units set-aside for Project employees i.e. property managers, maintenance staff, etc. Management Units are not considered residential Units, even if rent is collected on the Unit, but as facilities "reasonably required" for the Project~~,~~ and should not be included in the Applicable Fraction as low-income residential space. These Management Units should be described in the narrative but will not be indicated on the application. Management Units must be approved by the MFA Asset Management Department for exemption. (see Glossary, Management Units)

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

H. Eligible Projects

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

I. Scattered-site Projects

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

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

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

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

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

In the event a Project consists of an equal number of new construction/Adaptive reuse Units and an equal number of Units to be rehabilitated, then Applicant shall specifically state in their Application which track/category to place its Project for scoring purposes. Note: an Applicant may choose to place its combined new construction/rehabilitation Project in the rehabilitation track even if the Project fails to satisfy the provisions of Project Selection Criterion No. 3 and is awarded no points pursuant to that criterion. In the event Applicant fails to specify which scoring track/category they desire to place their Project, MFA will make this determination based on the information available, which shall be final and not subject to review.

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

Applications for combined rehabilitation and new construction Projects must adhere to the *MFA ~~2022~~2023 Mandatory Design Standards for Multifamily Rental Housing* (Design Standards) for both rehabilitated and newly constructed Units as they pertain to each Unit type. The cost limits will be applied based on the category chosen. For example, if the Project has 51% or more newly constructed Units, it will be held to the new Construction Cost limits provided in Section IV.C.2.

For all rehabilitation Projects, Applicants must also submit an accurate, detailed and concise description of the work to be performed by the contractor, the Applicant and any third parties relating to the rehabilitation of the Project. Referred to as the Scope of Work, this submission must identify the work to be performed including any demolition. See MFA ~~2022~~2023 Mandatory Design Standards for Multifamily Housing for more detailed discussion of Scope of Work requirements.

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

1. Describe the following:

    a. Proposed rehabilitation plans, including a detailed discussion of whether the Project constitutes a Moderate Rehabilitation or Substantial Rehabilitation, the major building systems to be replaced and/or improved, whether the work area exceeds 50% of the aggregate area of the building, and how the proposed rehabilitation plans are consistent or inconsistent with the Scope of Work and/or Capital needs assessment ("CNA"). ~~Please provide a copy of the CNA if available.~~ (See below for CNA requirements.)

b. Any capital expenditures made to the Project over the past two (2) years and the nature of these capital expenditures.

c. Any past local, state or federal resources invested in the Project.

d. Any obvious design flaws, obsolescence issues or safety issues.

e. Any significant events that have led to the current need for rehabilitation, e.g. fire, natural disaster or any other catastrophic event.

f. Why the Project is appropriate for rehabilitation and not demolition;

g. The physical aspects of the existing building(s), including, but not limited to, structural conditions;

h. Any relocation issues;

i. Work performed, including the inclusion of any third party reports, to determine the reasonableness of a rehabilitation versus demolition; and

j. Preservation of affordability, including any existing federal rental assistance contracts, and the impact of a rehabilitation or demolition on this federal assistance.

2. Address the following:

   a. The anticipated date of site control and whether there is any identity of interest between or among any Principal of the seller and buyer.

   b. The Ten-Year Rule.

   c. Current financing on the property or Project which will be assumed or paid with LIHTC equity or an MFA-administered funding source. e.g. paid in full vs assumed and current terms.

   d. For 9% Projects claiming points available for Rehabilitation Projects under Section III.E.3 that were previously subsidized with either 9% or 4% tax credits, proof that more than 20 years has passed since the Project was Placed In Service. (Tax-exempt bond financed Projects are excluded from this requirement, as they are not scored.)

~~3.~~ For Projects involving demolition, provide d~~the following:~~

~~4.~~3. ~~D~~etails of what the demolition entails. e.g. interior walls, debris removal, building envelope.

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

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

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

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

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

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

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

The initial Compliance Period for any Project is 15 years. An Extended Use Period also applies to any Project for a minimum of 15 additional years following the expiration of the Compliance Period, during which time transfers and tenant dislocation are limited as provided for in the Project's Land Use Restriction Agreement (LURA). The Project Owner shall not sell, assign, convey, transfer or otherwise dispose of the Project or any building in the Project without prior written consent of MFA during the Compliance and Extended Use Periods. For the purposes of the tax credit program, transfer of any of the ownership interests in Project Owner or Project Owner's partner(s) or member(s), as applicable, before the end of the Compliance Period shall be deemed a transfer of the Project. By agreeing to an

Extended Use Period, the Project Owner and its successors and assigns agree to maintain the Project as a qualified low income housing project (as defined in Section 42(g) of the Code) through the expiration of the Extended Use Period. During the Compliance and Extended Use Periods the Project Owner is prohibited from evicting or terminating tenancy of an existing tenant of any low income Unit other than for good cause and/or increasing the gross rent with respect to a low income Unit not otherwise permitted by the Code, as applicable throughout the entire commitment period.

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

L. Compliance Monitoring

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

M. Eligible Basis According to Type of Activity

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

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

3. See Section IV.E.5~~6~~. for further information and instruction on basis boosts for 9% and 4% projects.

N. Ten-Year Rule

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

O. Federal Grants and Federal Subsidy

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

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

P. Qualified Basis According to Type of Project

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

Q. Placed In Service Requirement

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

For 9% Projects, Section 42(h)(1)(E) of the Code allows for the allocation or Carryover Allocation of tax credits to a building that is part of a new construction or rehabilitation Project, with the limitations described in Section 42(h)(1)(E), if an Applicant's qualified expenditures or actual basis in the Project, as of the date which is one year after the date that the allocation was made, is more than 10% of the taxpayer's reasonable expected total basis in the Project as of the close of the second calendar year following the calendar year in which the allocation was made. MFA requires submission of a complete Carryover Allocation Application by November 15th[4] of the year in which the tax credit award was made and evidence of the expenditure of more than 10% of the expected basis in the Project by August 31st[5] of the following year. A Cost Certification detailing the qualified expenditures or actual basis, that make up 10% of the reasonable expected basis and a description of Applicant's method of accounting must be prepared by a Certified Public Accountant (CPA) and submitted to MFA at that time. If the complete Carryover Allocation Application, the CPA's Cost certification, the Attorney's Opinion, in the form required by MFA, regarding the qualification of the Project for tax credits and any other required materials are not received by 5:00 p.m. Mountain Standard Time on the applicable dates noted herein, the Project's credit Reservation may be canceled. Section 42(h)(1)(E) further allows for a qualified building to be Placed In Service in either of the two calendar years following the calendar year in which the allocation is made.

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

R. Building Classification and Tax Credit Applicable Percentages

The tax credit's Applicable Credit Percentage (i.e., the "4%" or "9%" credits for which a Project is eligible) is determined by the type of project proposed, its use of Federal Subsidy or Federal Grants and

[4] ~~November 15th is defined in the Glossary.~~If such date falls on a weekend or holiday, the deadline shall be the first working day following such date.

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

the amount of credit necessary to reach feasibility and long-term viability. ~~The rates of 4% credits fluctuate based on market conditions. The actual "Applicable credit percentages" are based on monthly prevailing interest rates that are calculated and published by the U.S. Department of Treasury as the "applicable federal rate" or "AFR."~~ The Protecting Americans from Tax Hikes (PATH) Act of 2015 permanently fixed the floor of the 9% credit at 9%, similarly, The Consolidated Appropriations Act of 2021 permanently fixed the floor of the 4% credit at 4%.The amount of the annual tax credit is calculated to yield a present value of either 30% (in the case of 4% credits) or 70% (in the case of 9% credits) of Qualified Basis, as adjusted by MFA. Listed below are types of projects, which could be considered eligible for the tax credits and the Applicable Credit Percentage for each project type.

1. **New construction**. New construction Projects that are not financed by tax-exempt bonds are eligible for 9% credits. Projects financed with tax-exempt bonds are eligible for 4% credits only.

2. **Rehabilitation of an existing building**. To qualify for tax credits, rehabilitation expenditures includable in Qualified Basis must exceed the greater of 1) at least 20% of the Qualified Basis of the building being rehabilitated or 2) at least $6,000 per low income Unit being rehabilitated. For Projects Placed In Service after 2009, the $6,000 will be indexed for inflation. The minimum rehabilitation expenditures included in Qualified Basis for Projects Placed In Service in ~~2022~~2023 is $7,400 per Unit. Rehabilitation Projects that are not financed by tax-exempt bonds are eligible for 9% credits. Projects financed with tax-exempt bonds are eligible for 4% credits only.

3. **Acquisition/rehabilitation of an existing building**. The maximum Applicable Credit Percentage for acquisition of an existing building that will be subsequently rehabilitated is 4%. To qualify for tax credits for the acquisition, rehabilitation expenditures includable in the Qualified Basis must exceed the greater of 1) at least 20% of the Qualified Basis of the building being rehabilitated or 2) at least $6,000 per low income Unit being rehabilitated. For Projects Placed In Service after 2009, the $6,000 per low income Unit figure will be indexed for inflation. The minimum rehabilitation expenditures included in Qualified Basis for Projects Placed In Service in ~~2022~~2023 is $7,400 per Unit. Rehabilitation expenditures associated with acquisition of an existing building can qualify for the 9% tax credits as long as the rehabilitation expenditures are not funded with tax-exempt bonds. Projects financed with tax-exempt bonds are eligible for 4% credits only.

4. **Federal Grant financed Projects with reduction in Eligible Basis**. In the case of a Project financed with Federal Grants, whether a newly-constructed or rehabilitated building, the Project Owner shall exclude the amount of the Federal Grants from Eligible Basis.

S. Audit Requirements

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

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

T. Subsidy Layering Review

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

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

U. Hybrid 9%/4% Developments

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

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

III. Housing Priorities and Project Selection Criteria

A. Needs Analysis

This Allocation Plan is consistent with the needs analysis of the state of New Mexico Consolidated Plan for Housing and Community Development and ~~2021~~2022 Action Plan. Housing priorities stated in the Consolidated Plan include increasing the supply of decent, affordable rental housing, expanding housing opportunities and access for individuals with Special Needs, expanding the supply of housing and services to assist the homeless and preserving the state's existing affordable housing stock.

B. Housing Priorities

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

1. Levels of affordability in excess of the minimum requirements, through one or more of the following:
    a. Higher numbers of Set-aside Units; and/or
    b. Rents set to serve lower income tenants, for example, tenants earning no more than 40% or 30% of median income; and/or
    c. Affordability Periods longer than the 30-year minimum.
2. Provision of affordable housing to households on public housing waiting lists;
3. Maximizing leverage by obtaining other public or private non-equity program resources;

4. An equitable distribution of tax credits throughout all parts of the state where affordable housing is needed;
5. ~~5.~~ Provision of housing to serve documented Senior Households; Permanent Supportive units; and Tribal communities;
~~5.~~6. Nonprofit development;
~~6.~~7. Production of housing with high quality design and construction;
~~7.~~8. Production of Projects that are located in QCTs and which Projects contribute to the development of a Concerted Community Revitalization Plan;
~~8.~~9. Provision of housing that is energy efficient; and
~~9.~~10. Efficient use of scarce resources including tax credits, measured through lower Development Costs or other means.

C. Minimum Project Threshold Requirements

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

1. **Site control**.
   a. Site control for all of the property needed for the Project must be evidenced by:
      i. A fully executed and legally enforceable purchase contract or purchase option and**/or** a written governmental commitment to transfer or convey the property to the Applicant or Developer or Project Owner by deed or lease that demonstrates Applicant or Developer or Project Owner will possess a Qualified Leasehold Interest upon execution of the lease, (collectively termed a “transfer commitment”). If a transfer commitment is submitted, the commitment must provide for an initial term lasting at least until June 30 of the year in which the allocation is made (“initial term.”) **This initial term must not be conditioned upon any extensions requiring seller consent, additional payments, financing approval, tax credit award or other such requirements**. Similarly, the transfer commitment must not require any additional actions on behalf of Applicant during the initial term which could allow the seller/lessor to terminate the transfer commitment if the action is not fulfilled by Applicant. If the transfer commitment requires an escrow payment or other deposit due and payable after signing, evidence that payment was received must be included in the Initial Application; or
      ii. A recorded deed or recorded lease demonstrating that Applicant possesses a Qualified Leasehold Interest.

b. Site control evidence and the Application materials must show exactly the same names, legal description and Acquisition Costs. (Exception: ~~-~~In the case of To Be Formed partnerships, the relationship between the parties must be shown.) All signatures, exhibits and amendments must be included to be considered complete.

c. For 9 percent projects, at 10% test submission (August 31 of the year following the Reservation), Project Owner must submit evidence that they have taken ownership of the land or depreciable real property or has executed a lease for the land (and buildings if applicable) with a term extending at least three years beyond that of any agreed upon Affordability Period. For tribal projects, this includes a fully executed Master lease and sublease with evidence of filing with the Bureau of Indian Affairs.

For 4 percent projects, proof of the above level of site control must be provided upon 8609 request if it had not been provided previously.

2. **Zoning**. Evidence that the current zoning of the proposed site(s) does not prohibit multifamily housing must be submitted. The evidence must indicate the specific address or location of the site, if no address has been assigned, for the proposed Project and be dated no more than six months prior to the Application Deadline. This requires that multifamily projects not be prohibited by the existing zoning of the proposed site and that there is no pending litigation, pending variance, or unexpired appeal process relating to the zoning of the proposed site. Projects sited on land which is not zoned or which is zoned agricultural, are exempt from this threshold test, but must obtain zoning approval and deliver evidence of it to MFA no later than November 15th of the year of the Reservation.

3. **Fees**. All fees owed to MFA for all Projects in which Principal(s) of the proposed Project participate must be current. Fees currently due and owing must be received by MFA by the date due.

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

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

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

If the Market Study as submitted is not sufficient, there may be an additional Market Study ordered by MFA. The cost of this MFA-ordered Market Study will be covered by the Applicant through the design deposit submitted at Application, with any overage billed to owner. It is MFA's sole discretion whether or not the Market Study is sufficient.

5. **Applicant eligibility**. All members of the development team (i.e., Developer, Project Owner, General Partner, contractor, management company, consultant(s), architect, attorney and accountant, etc.) of the proposed Project must be in good standing with MFA and all other state and federal affordable housing agencies. For example, debarment from HUD, MFA or other federal housing programs, bankruptcy, criminal indictments or convictions, poor performance on prior MFA or federally-financed Projects (for example, late payments within the 18-month period prior to the Application Deadline, misuse of reserves and/or other Project funds, default, fair housing violations, noncompliance (e.g., with the terms of LURAs on other Projects), or failure to meet development deadlines or documentation requirements)~~,~~ on the part of any proposed development team member or Project Owner or other Principal may result in rejection of an Application by MFA. In addition, MFA will consider a Principal's progress made with previous tax credit Reservations, including timeliness in delivering required documents and fees and meeting all required deadlines. All members of the development team (i.e., Developer, Project Owner, General Partner, contractor, management company, consultant(s), architect, attorney and accountant, etc.) are required to sign an affidavit affirming they have no related party relationships; or, that all related party relationships have been properly disclosed. The form of this affidavit can be found ~~on MFA's website~~at Tab 1h of the 2023 Universal Rental Development Application on MFA's website. Additionally, a visual diagram of the relationship of the related parties must be submitted, if applicable.

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

7. **Pre-Application Requirements**.
    a. Intent to Submit-
        i. The entire Application Package is due on January ~~28~~20, ~~2022~~2023. Before then, Applicants must submit an Intent to Submit a Tax Credit Application and Development Synopsis on or before December 20, ~~2021~~2022. This submission is

a mandatory requirement for the ~~2022~~2023 competitive LIHTC Application round. Information contained within the Intent to Submit will be posted on the MFA website following submission.

ii. All tax-exempt bond financed Projects are required to submit an Intent to Submit a Tax Credit Application and Development Synopsis at least 30 days prior to submitting their Application in order to insure timely processing to meet other bond issuance deadlines.

b. MFA allows all Applicants for the ~~2022~~2023 competitive LIHTC Application round to meet with MFA staff to discuss their Project (staff is not able to discuss scoring but is available to discuss underwriting issues and gap financing questions). Meetings must take place ahead of the FAQ closing date. All tax-exempt bond financed Projects are encouraged to meet with MFA staff at least 30 days prior to submission to review and discuss the proposed Project.

c. A representative of the development team (Board member, officer, director, commissioner or staff) must have attended the most recent MFA QAP training prior to submitting the Application. If the development team includes a qualified, nonprofit organization, NMHA, TDHE or THA, a member of that organization must have attended as well ~~in order to~~to claim points under Project Selection Criteria 1.

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

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

D. Allocation Set-asides

1. **Nonprofit set-aside**. Ten percent (10%) of the Annual Credit Ceiling for each calendar year will be reserved for Projects sponsored by Qualified Nonprofit Organizations as defined in Code Section 42(h)(5)(C). For purposes of this set-aside, only federal requirements identified in Code Section 42(h)(5) will apply. The aggregate amount of tax credits allocated by MFA to Qualified Nonprofit Organizations may exceed this amount.

2. **Underserved Populations set-aside.** Twenty percent (20%) of the Annual Credit Ceiling will be set aside for Underserved Populations as defined in this section. The Application must indicate the desire for the Project to participate in the Underserved Populations set-aside, otherwise the Project will compete within the general round. The Project's score must be within 20% of the highest scoring Project to be awarded tax credits through the ranking process in the same funding round. The aggregate amount of tax credits allocated by MFA to Projects meeting the set-aside requirement may exceed this amount. Any decision to award tax credits within the Underserved Populations set-aside lies solely within MFA's inherent discretion and is not subject

to further review. Awards under this set-aside may be made to the highest scoring Project(s) that falls in any of the following categories:

a. **Permanent Supportive Housing (PSH)** Projects that meet the following requirements:

i. The Project must meet threshold requirements within the Households with Special Housing Needs Housing Priority and agree to provide voluntary Case Management Services to residents.*
ii. All service coordination and budget requirements must be sufficient to provide proposed services to all PSH residents,
iii. PSH Units have no time limits on occupancy,
iv. PSH residents have the same rights and responsibilities as those occupying other low-income or market rate housing Units**,
v. PSH residents must have individual leases with identical requirements and protections as other low-income or market rate residents,
vi. PSH Units must cover 25% or more of the total Unit count, and
vii. Project-Based Vouchers or other Federal operating subsidy must be in place or secured for 75% or more of the PSH Units in the Project.
~~vii.~~viii. The Application includes a preliminary Memorandum of Understanding (MOU) between the Project Owner and service provider(s) that describes the service provider's expertise to provide the proposed services (with a minimum of three years of experience providing that service to the targeted population), the planned description and delivery of services, and the staff capacity to provide ongoing case management.

* Competing in the Underserved Populations set aside as a PSH Project does not automatically result in points in the Households with Special Housing Needs Priority scoring category. Services must be selected and all required scoring items met in order to receive points in that category.

**All Projects will be required to submit a PSH Commitment to Quality checklist (Tab 15c of the 2023 MFA Universal Rental Development Application) with the Application and annually following the award.

b. **Tribal Projects.** Projects that are located within a Tribal Trust Lands boundary.

3. **Ranking to meet Allocation Set-asides**. The highest scoring, Qualified Nonprofit Organization Eligible Project will be funded first. If there are insufficient Qualified Nonprofit Organization

Eligible Projects to meet the nonprofit set-aside, the unallocated nonprofit set-aside tax credits **cannot** be allocated to other Eligible Projects. A similar procedure will be used to meet the Underserved Populations set-aside, following the fulfillment of the nonprofit set-aside; however, if there are insufficient Underserved Populations Eligible Projects to meet the Underserved Populations set-aside, any unallocated set-aside tax credits may be used for other Eligible Projects.

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

E. Project Selection Criteria to Implement Housing Priorities

The criteria shown below are the basis for the awarding of points to a particular proposed Project during the Application round(s) conducted by MFA. Applicants may not rely on prior submissions or prior scoring to support a re-submission of an Application. In addition to meeting the above mentioned threshold requirements, tax credit Reservations will not be awarded to 9% Projects achieving fewer than fifty-three (53) points unless too few Projects score above this level and MFA, in its reasonable judgment, decides to reduce the minimum score. Projects scoring fifty-three (53) or more points will be ranked according to their scores and in accordance with Section II.C. herein, subject to Allocation set-aside requirements. Reservations will be made to these Projects, unless they are eliminated under threshold review or subsequent processing, starting with the highest scoring Projects, all in accordance with Section II.C. herein, until all available tax credits are used. In order to avoid a concentration of tax credit awards in a particular year in any particular municipality, county or market area, MFA reserves the right, in its sole discretion and as a part of its subsequent processing, to eliminate a lower scoring Project which is located in the same municipality, county or market area as a higher scoring Project provided the lower scoring Project is “similar” in terms of construction type and/or resident population served.

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

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

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

Tax-exempt bond financed Projects will *no longer be required to meet a minimum score* ~~in order to~~to obtain a Letter of Determination. Tax-exempt bond financed Projects must meet and agree to all of the following mandatory criteria in order to be eligible for 4% non-competitive tax credits:

1. Serve a targeted population (Households with Special Housing Needs, Households with Children, or Projects Reserved for Seniors) and meet the applicable threshold requirements OR meet the requirements for the Underserved Populations set-aside, as described in Section III.~~-~~D.
2. Achieve a Smoke-Free at Home Certification of Platinum or Gold;
3. Meet all of ~~2022~~2023 Design Requirements (including HERS ratings), unless granted a waiver;
4. Must be located within ~~2 miles of~~a 15-minute drive (as demonstrated through Google Maps) to a facility in which fresh produce is available;

~~4.~~

5. Market Study must indicate a vacancy rate in the Primary Market Area of less than 10%;
6. Must market to local Public Housing Authorities;
7. Include a preference for Veterans in the Tenant Selection Criteria.

Project Selection Criterion

1. Nonprofit, New Mexico Housing Authority (NMHA), local Tribally Designated Housing Entity (TDHE), or Tribal Housing Authority (THA) Participation	**Tier 1: 5 points** **Tier 2: 3 points**

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

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

For any entity to claim points under this Project Selection Criterion, the qualified, nonprofit organization, NMHA, TDHE or THA must own at least 51% of the General Partner interest and be receiving a minimum of 10% of the developer fee as identified in the Project Application. The developer fee calculation is made before any reduction for consultant fees. When more than one entity is receiving a portion of the developer fee, documentation will be required evidencing the agreement among the entities as to the fee split arrangement. Also, the Application must include evidence that a representative of the qualified, nonprofit organization, NMHA, TDHE or THA (board member, officer, director, commissioner or staff) has attended the most recent MFA QAP training prior to submitting the Application.

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

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

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

2. Locational Efficiency	**Up to 6 points**

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

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

Proximity to Services (2 Points)

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

General: a 0.5-mile walk distance to at least three facilities, or a 1-mile walk distance to at least six facilities. For the 0.5-walk distance facilities, at least one of these facilities must be a supermarket, farmers market or other food store with produce. For the 1-mile walk distance facilities, at least two of these facilities must be in the Retail or Services categories below and one must be a supermarket, farmers market or other food store with produce.
Rural / Tribal: A ~~2~~5-mile walk/drive distance to at least two facilities. At least one of these facilities must be a supermarket, farmers market or other food store with produce.

Projects seeking to use **Rural / Tribal** Locational Efficiency criteria must provide a map indicating the location of the proposed Project. Rural Projects are defined as any Project outside of the defined Urban Areas as defined in the Glossary, Section XI. Initial Applications that do not include a map demonstrating eligibility for **Rural / Tribal** classification will be scored using the **General** Locational Efficiency criteria.

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

<u>Access to Public Transportation</u> **(2 or 4 Points)**

General and Rural / Tribal (2 points) Locate Project within a 0.5-mile walk distance of commuter bus (i.e. not Greyhound) or commuter rail stop. Public transportation must be established and provided on a fixed route with scheduled service. Alternative forms of transportation may be acceptable provided sufficient documentation is provided that establishes the alternate form of transportation is acceptable to MFA. For example, Projects on tribal land with established “on call” transportation programs that provide the users a choice of local destinations, regardless of their residency in the Project, shall be considered “public transportation.” A future promise to provide service does not satisfy this Project Selection Criterion.

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

3. ***Rehabilitation Projects***	**Up to 5 Points**

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

To be eligible for points under this criteria, Projects must incur average rehabilitation Construction Costs of $25,000 per Unit or more for Moderate Rehabilitation or $45,000 per Unit or more for Substantial Rehabilitation, and more than 20 years must have elapsed since issuance of certificates of occupancy or the Units were Placed In Service and/or it has been 20 years since the Project's prior rehabilitation utilizing tax credits as a source of funding was finished and those Units were Placed In Service (together, this prerequisite is referred to as the "20-year requirement.") ~~A limited exception to this 20-year requirement is available when a sale or transfer of Project ownership to an unrelated third party has occurred. A Capital Needs Assessment (CNA) documenting rehabilitation needs of the Project will be required at time of Application when an Applicant is requesting an exception to the 20-year requirement.~~ A CNA will be required at Carryover for ~~all other~~ rehabilitation Projects that are eligible for points under this scoring criterion. ~~In all cases, t~~The CNA will be reviewed and must support the Scope of Work outlined in the Application. Professionals performing the CNA must meet the minimum qualification/certification requirements set forth by MFA as defined in the Design Standards. (Rehabilitation Projects are also subject to the Qualified Basis limits outlined in Sections II.R.2. & 3.)

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

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

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

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

MFA reserves the right to request additional information or documentation regarding the Scope of Work.

4. Sustaining Affordability **6, 8, 10 Points**

A. Projects which meet one of the criteria listed below are eligible for 10 points:

1. Previously subsidized existing Projects that are currently restricted, but for which use restrictions are to expire on or before December 31, ~~2026~~ 2027 or

2. Existing Projects that are currently subsidized and eligible for prepayment and termination of their use agreement or LIHTC projects that are eligible to make a Qualified Contract request or

3. Existing Projects that are at imminent risk of conversion to market rate or

4. Projects currently without federal rental assistance that will have a new federal rental assistance contract covering at least 75% of all Units.

B. Projects that have an existing federal rental assistance contract covering at least 75% of all Units (or those Projects utilizing a conversion of existing federal rental assistance) are eligible for eight points.

C. Projects that have or will have a federal rental assistance contract covering at least 20% of all Units are eligible for six points.

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

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

1. A copy of the PHA administrative plan which describes the selection procedures for owner submission of PBV and for PHA selection of PBV proposals
2. A copy of the published public notice of the PBV proposal selected
3. If the proposal selected is for PHA-owned units, a copy of the HUD field office or HUD-approved independent entity’s determination that the PHA-owned units were appropriately selected
(If the proposal is selected based on a previous competitive award, MFA would require documentation that the proposal meets the criteria for selection without additional competition.)

5. Income Levels of Tenants **12, 14 or 16 points**

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

A. For any Project located within an Urban Area that proposes to use either the 20-50 or 40-60 election under §42(g)(1)(A) or §42(g)(1)(B) of the Code, respectively:
- At least 40% of all low-income units at 50% or less of Area Median Income (16 points);
- At least 30% of all low-income units at 50% or less of Area Median Income (14 points); or
- At least 25% of all low-income units at 50% or less of Area Median Income (12 points).

B. For any Project not located within an Urban Area that proposes to use either the 20-50 or 40-60 election under §42(g)(1)(A) or §42(g)(1)(B) of the Code, respectively:
- At least 25% of all low-income units at 50% or less of Area Median Income (16 points);
- At least 15% of all low-income units at 50% or less of Area Median Income (14 points*); or
- At least 10% of all low-income units at 50% or less of Area Median Income (12 points*).

[*Projects choosing the 20-50 election are not eligible for these point categories]

C. For any Project located within an Urban Area that proposes to use the Average Income election under §42(g)(1)(C) of the Code:
- The Average Income for the proposed Project will be 54% or lower (16 points);
- The Average Income for the proposed Project will be 55% or lower (14 points); or
- The Average Income for the proposed Project will be 56% or lower (12 points).

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

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

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

6. Projects that Incorporate Market Rate Units **2 Points**

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

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

7. Projects Committed to a longer Extended Use Period **5 Points**

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

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

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

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

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

Part I: Threshold Requirements

Applicants requesting consideration for points for a Project in which Units are reserved for Households with Special Housing Needs (Project Selection Criterion No. 8) are required to submit a Service

Coordination Plan, which Plan demonstrates satisfaction of items A, B, C and E below. In addition to supplying the Plan, Applicant shall certify to MFA that it will meet the reporting requirements of Section D below.

A. Service Coordination-

1. A minimum of four hours per week of onsite Service Coordination provided by the service coordinator for properties up to 20 Units, with an additional one hour per week for every five Units over 20. Service coordinator must be in addition to the property manager and property management site staff. Duties of the service coordinator include, but are not limited to:
   a. Providing residents with information about available onsite and community services;
   b. Assisting residents in accessing available services through referral and advocacy;
   c. Arranging for access to transportation; and
   d. Organizing community-building and/or other enrichment events for residents (i.e. holiday events, resident counsel, etc.)
2. Adequate space to meet with residents that provides for confidential conversations and maintenance of secure records.
3. Access to telephone and internet services when meeting with residents for the purpose of coordinating services. Use of a smart phone and tablet is acceptable.
4. Meeting with residents requiring services within 60 days of move-in and semi-annually thereafter.
5. Provide follow up as needed to address resident's needs.

B. Coordinated Services-

1. Coordination of at least two services/programs to be offered on a monthly or quarterly basis, onsite, online, or in close proximity to the Project (within 0.5--mile ADA compliant walking distance or with free transportation provided.)

2. Services must be provided to residents at little or no cost. Services may not be provided by property management staff. In limited circumstances some services may be provided by the service coordinator. Appropriate services will do one or more of the following:
   a. Increase resident knowledge of and access to available services.
   b. Help residents maintain stability and avoid eviction.
   c. Build life skills.
   d. Increase household income and assets.

e. Increase health and wellbeing.

f. Improve educational success of children and youth.

3. **Examples** of services that meet the threshold requirement are listed below, but other services will be considered. One of the two services must be provided at least quarterly by qualified personnel.

b. Literacy/language training;

c. Personal safety (fire, identity theft, scams, drug awareness, self-defense, etc.);

d. Financial fitness (budgeting, money management, credit counseling, entitlement assistance/benefits counseling, etc.);

e. Income and asset building (job coaching, homebuyer education);

f. Life skills (communication skills, conflict resolution/mediation training, training in personal hygiene, self-care and housekeeping, etc.).

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

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

C. <u>Marketing -</u>

1. Applicants shall provide a narrative explaining how Units will be marketed and made available to Households with Special Housing Needs. This plan shall describe the following:

    a. The manner in which all proposed marketing and outreach will be performed and encouraged in connection with locating and confirming Special Housing Needs applicants, including any assistance to be provided in connection with the Application process, move-in process and resident's rights education.

    b. The process for maintaining and updating a waiting list of Special Housing Needs applicants eligible to reside in a Special Housing Needs Unit.

    c. How the Project will liaise with a Special Housing Needs applicant/resident in order to facilitate communication to help residents maintain stability and avoid eviction.

2. Project Applicant shall agree that Special Housing Needs Units shall not be rented to other non-Special Housing Needs households unless the Unit has been marketed by the Project Owner and/or Management Company for 30 days from Placed In Service or Substantial Completion date, date notice to vacate is received for occupied Units, or date vacancy was established when no notice was received.

D. Reporting Requirements-

1. Project Owners will be required to submit an annual certification of:

    a. The number of hours of onsite Service Coordination and coordinated services provided,

    b. The number of residents served by each, and

    c. The results of the annual survey.

2. Project Owners will be responsible for ensuring that property managers maintain:

    a. Agreement for services on file, if any,

    b. Evidence that the services are being provided (i.e., sign-in sheets, letters/memos to residents advertising the event/service, service logbook and/or activity reports, etc.), and

    c. Evidence of efforts taken to market and attract Special Housing Needs applicants as promised in Item C. Marketing (i.e., proof/copies of advertisements, evidence of outreach to organizations/non-profits working with Special Housing Needs populations, etc.).

E. **Service Coordination Plan and Budget** The proposed Project annual operating budget must include sufficient costs to cover the selected services and be detailed out in the submitted budget for serving this Housing Priority.

Part II: Scoring Points Available (up to 8 points):

Applicants may choose from the following services to qualify for up to 8 points for providing services.	
Food pantry - onsite, or contiguous and accessible to the property and of adequate size with reasonably sufficient quantities of food, both perishable and non-perishable.	2
Free transportation services to support medical and social service needs – minimum 2 days per week. Bus passes are not sufficient to satisfy this scoring item.	5
Health promotion/disease prevention/wellness classes or blood pressure or other health screening- provided at least every two months onsite and provided by a qualified service provider. Any health services must be provided by a licensed individual or organization. Examples include substance abuse counseling, crisis prevention and intervention, mental health counseling/therapy, etc.	3

Case management services – provided onsite by a qualified service provider to a majority of the Special Housing Needs residents on a voluntary and as-needed basis but at least quarterly.	5
Other - MFA approved service. Must be approved by MFA in writing one month before Application due date and will be posted on the FAQ section of the MFA website.	1-2 Points each as deemed appropriate

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

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

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

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

The Household with Special Housing Needs Housing Priority requirement and any additional services committed to by Applicant will be enforced through a provision in the LURA. Services must be provided throughout the Affordability Period and must not allow for more than a 30-day gap in services provided. Project Owner must notify MFA within seven days of the termination of service agreements/contracts. Recognizing that circumstances change over time, the Service Coordination Plan may evolve as needs of residents and market conditions change. Project Owner must obtain MFA approval prior to instituting changes to the plan, and the new services must provide a similar level of service to the residents. The Project will be determined out of compliance if the requirements of the LURA are not met (e.g., if a new service contract is not timely executed or services are altered without MFA's advance approval). The Project Owner will be required to maintain a file containing contracts with qualified service providers and other third-party qualified personnel, documentation of when and where services were provided, and documentation of time spent both on-site and off-site by the qualified service provider or other third-party qualified personnel.

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

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

9. Projects Reserved for Seniors Housing Priority **Up to 10 Points**

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

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

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

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

Housing priority points will be awarded based on the Project first meeting the requirements above. Additional points may be awarded for enrichment service activities as listed below. To receive points under this housing priority, the Project Owner must certify that a service coordinator will be on-site a minimum of two days per week for a cumulative minimum of ten hours per week and the Project must include adequate common space for the provision of the proposed enrichment services. The service coordinator must be in addition to the property manager. Enrichment services must be optional to the residents and offered on-site, for the exclusive use of only those residents living at the site, and be actively linked to the Project, not simply available to the community at-large. The proposed Project annual operating budget must include sufficient costs to cover the selected services and be provided in detail within the submitted budget for serving this Housing Priority.

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

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

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

Additionally, there will be the following reporting requirements:

a. The number of hours of onsite Service Coordination and coordinated services provided,

b. The number of residents served by each, and

c. The results of the annual survey.

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

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

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

Housing priority and design requirements met (must be met to be eligible for further points in this category)	Required
Community building and all Units incorporate Universal Design (must be evidenced in plans and specifications)	3 points
Service enrichment scoring (requires service coordinator for point awards):	
Providing one prepared meal on a daily basis, available to all tenants at little or no cost to tenants	2 points (congregate meals) 1 point (meal service)
Bi-monthly health and nutrition education. Examples include, but are not limited to, fitness classes, walking programs, seminar instruction on cooking for one, information on the Supplemental Nutrition Assistance Program (SNAP.)	1 point
Quarterly blood pressure or other health screening	1 point
Quarterly computer training	1 point
Social events designated to provide engaging activities for residents "build community" such as holiday potlucks, arts and crafts events, book clubs, creative writing, bingo and other games, field trips to the movies or a museum or other place of interest, etc. Bi-monthly or six per year. This must include alternative methods for socializing incorporating social distancing. (qualified service provider not required)	1 point
Beyond Financial Literacy – financial counseling and tax preparation-educational programs to occur quarterly and focus on one or more of the following topics: budget counseling, financial planning assistance, credit score counseling, avoiding credit traps, income tax preparation in partnership with CPAs or a VITA program or local community college.	1 point

Gardening: delivery of at least four monthly gardening classes per year during the growing season by a qualified instructor plus provision of gardening space of at least three square feet per Unit for at least 50% of the Units in the Project.	1 point
Estate Planning and End of Life Planning – educational programs to occur quarterly and focus on one or more of the following topics: 1) estate planning 101 – what is and do you need the following: advance health care directive (living will;) durable power of attorney for healthcare and HIPAA release; durable power of attorney for finances; a will and revocable living trust; 2) What is hospice and does Medicare cover this?; 3) Probate: what is it and how to avoid it; and 4) funeral planning.	1 point
Other - MFA approved service. Must be approved by MFA in writing one month before Application due date and will be posted on the FAQ section of the MFA website.	1-2 Points each as deemed appropriate

10. Households with Children Housing Priority **Up to 8 Points**

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

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

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

For rehabilitation Projects, at least:

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

For Projects that combine rehabilitation and new construction:

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

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

Housing priority points will be awarded based on the Project meeting the requirements above, through the selection of enrichment service activities as listed below. To receive points under this housing priority, the Project Owner must certify that a service coordinator will be on-site a minimum of two days per week for a cumulative minimum of ten hours per week. The service coordinator must be in addition to the property manager. Enrichment services must be optional to the residents, offered on-site and be actively linked to the Project, not simply available to the community at-large. The proposed Project annual operating budget must include sufficient costs to cover the selected services and be detailed out in the submitted budget for serving this Housing Priority.

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

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

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

Additionally, there will be the following reporting requirements:

a. The number of hours of onsite Service Coordination and coordinated services provided,

b. The number of residents served by each, and

c. The results of the annual survey.

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

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

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

Housing priority and design requirements met (must be met to be eligible for further points in this category)	Required
Service enrichment scoring (requires service coordinator for point awards):	
Bi-monthly health and nutrition education, including but not limited to, fitness classes, walking programs, seminar instruction on meals in minutes.	1 point
Semi-annual CPR training	1 point
Quarterly blood pressure or other health screening	1 point
Quarterly computer training	1 point
Weekly tutoring during school year	1 point
Quarterly job training, search assistance and/or placement	1 point
Gardening: delivery of at least four monthly gardening classes per year during the growing season by a qualified instructor plus provision of gardening space of at least three square feet per Unit for at least 50% of the Units in the Project.	1 point
Food resources program: a monthly program offering two of the following: 1) assistance and referral with applications for SNAP, (USDA), 2) youth summer lunch program (USDA) (daily when school is not in session) or 3) after-school snack program twice a week.	1 point
Youth character building: a program occurring at least quarterly that will provide teens with group education covering a range of topics including drug prevention, self-defense, safe internet behavior, non-violence and teen dating, teambuilding, goal setting, basic teen financial literacy and referral to job training and alternative education resources.	1 point
Beyond financial literacy: financial counseling and tax preparation; educational programs to occur quarterly and focus on one or more of the following topics: budget counseling, financial planning assistance, credit score counseling (restoring credit and avoiding credit traps), homebuyer	1 point

education and down payment assistance, income tax preparation in partnership with a certified public accountant or VITA program or community college.	
Other - MFA approved service. Must be approved by MFA in writing one month before Application due date and will be posted on the FAQ section of the MFA website.	1-2 Points each as deemed appropriate

11. Leveraging Resources	**Up to 10 Points**

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

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

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

- Unrelated private third party with no ownership interest in the project or affiliation with the developer:

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

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

- General Partner:

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

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

- Government (federal, state or local government):

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

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

  Land and/or buildings: submit a copy of the contract contributing the land and/or building(s) between the governmental entity and the developer or the proposed project owner (if duly formed) along with an "As-is" appraisal evidencing the value of the land and/or buildings dated no earlier than six months prior to the Application date that was completed by an MAI appraiser licensed in New Mexico. The value in the appraisal that will be acceptable for points must assume that any existing use restrictions will remain in place and include the value of any leasehold interest, if applicable. Contributions may be in the form of:

  - donation of an entire parcel of land and any improvements thereon;
  - lease of an entire parcel of land through the Extended Use Period for a nominal amount (i.e., $1 per year).

- Local tribal governmental entity, tribal housing entity or tribal council:

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

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

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

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

~~Applicants should not plan on using solely LIHTC equity financing. Projects in which at least 1% of the Total Development Cost (TDC) is to be made permanently available to the Project through a grant or other contribution by an unrelated private third-party entity or other federal funds or endowed by formal resolution of a state, Local Governmental entity or local tribal governmental entity or tribal council are eligible for points. A grant or other contribution awarded by a private third party may count as a contribution provided Applicant provides evidence the grant/contribution is irrevocable, legally binding, evidenced by a formal resolution of the third party's board of directors or other controlling authority and the third party does not possess an ownership interest in the Project. Federal funds may count as a contribution provided Applicant provides a binding federal award letter. General Partner contributions may count as a contribution provided there is no hard debt repayment requirement. In addition, deferred developer fee may count as a contribution provided the pro forma, which pro forma shall be confirmed by MFA, supports repayment of deferred fee by year 15. Any deferred fee that cannot be repaid in 15 years will not be considered a contribution and will not count in Eligible Basis.~~

~~Up to 10 points will be awarded corresponding to the percentage of TDC contributed as described in this Project Selection Criterion. Only whole points will be awarded with the point value rounded down to the nearest percentage point. For example, a Project that provides leverage of 2.3% of TDC, is eligible for two points, a Project that provides leverage of 5.7% of TDC is eligible for five points, etc., up to 10 points. The value of the contribution must be listed as a source on Schedule A-1 and, when not a cash contribution, as a cost on Schedule A.~~

~~The commitment from an unrelated private third party, federal government, state, Local Governmental entity, local tribal governmental entity or tribal council may be made in the form of cash, land and/or buildings. Construction permit fee waivers may count as a contribution provided Applicant submits a signed letter from the Local Governmental entity confirming the legal basis for imposing the permit fee(s) and the amount of the permit fee(s) to be waived. A tax abatement, cost to remediate the land and/or buildings, or similar cost incurred by a prior landowner do not qualify as a contribution. Tax-exempt or taxable bond financings, funds awarded or loaned by MFA requiring hard debt payment during the Affordability Period, non-verifiable or non-measurable sources not based upon an existing fee schedule, and sources requiring any hard debt payment during the Affordability Period, will not be counted in meeting this criterion. Contributions made more than two years prior to submission of an Application will not be counted as a contribution.~~

~~"As-is" appraisals dated no earlier than six months prior to the Application date and completed by MAIs licensed in New Mexico must be submitted for all Applications in which land or building values are counted toward the contribution, unless the land is Native American Trust Land. Appraisals must take into account any use restrictions on contributed land and buildings and include the value of any leasehold interest, if applicable. Contributions of Native American Trust Land qualify for five points. Additional points may be awarded for additional eligible cash or building contributions. For Native American Trust Land contributions, a certified copy of the tribal council resolution will be required.~~

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

12. Complete Applications	**3 Points**

Points are awarded to Initial Applications that meet all the standards described in Section IV.A.4 under "Content and Format" when initially submitted and that do not require any deficiency corrections. In addition, the following are necessary for a Complete Application: (i) The ~~2022~~2023 MFA Universal Rental Development Application and Schedules must be fully completed and contain accurate and consistent information/data, including, but not limited to, accurate and complete information contained in any Schedule, with required signatures and the "other" categories; (ii) Applicant shall adhere to MFA's published Underwriting Supplement, unless a waiver has been granted by MFA, when completing the ~~2022~~2023 MFA Universal Rental Development Application and Schedules; (iii) all information contained in the Application Package must match and be consistent with all other information in the Application Package, including, but not limited to, square footages in the ~~2022~~2023 MFA Universal Rental Development Application and Schedules and Architect's drawings and specifications; (iv) the electronic

Application Package must be legible; and (v) any narratives submitted must be accurate, complete and concise and contain the requested information.

13. Marketing Units to Households Listed on Public or Indian Agency Waiting Lists **2 Points**

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

14. QCT/Concerted Community Revitalization Plan **3 or 5 Points**

Projects are eligible for 3 points if:

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

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

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

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

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

15. Projects with Units Intended for Eventual Tenant Ownership	**2 Points**

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

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

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

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

16. Projects with Historic Significance	2 Points

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

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

17. Blighted Buildings and Brownfield Site Reuse	5 Points

Projects that include the demolition of Blighted building(s) or the remediation and reuse of a Brownfield site are eligible for points under this criterion. Blighted building(s) must account for at least 10% of the sum of each Building's Gross Square Feet. For scattered site projects, the total Gross Square Footage of the Blighted Buildings must equal or exceed 10% of the proposed total new construction Gross Square Footage. Points in this criterion cannot be combined with points under Rehabilitation Projects.

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

18. Efficient Use of Tax Credits	1, 3, 5 Points

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

Tribal and PSH projects:

- New construction Tribal or PSH Projects that request less than ~~$18,485~~$21,734 tax credits per low income Unit **and** less than ~~$19.10~~$22.46 tax credits per low income square foot are eligible for 5 points.
- New construction Tribal or PSH Projects that request less than ~~$20,333~~$23,907 tax credits per low income Unit **and** less than ~~$20.95~~$24.63 tax credits per low income square foot are eligible for 3 points.
- New construction Tribal or PSH Projects that request less than ~~$18,485~~$21,734 tax credits per low income Unit **or** less than ~~$19.10~~$22.46 tax credits per low income square foot are eligible for 1 points.

- Substantial Rehabilitation Tribal or PSH Projects that request less than ~~$16,175~~$19,018 tax credits per low income Unit **and** less than ~~$16.70~~$19.64 tax credits per low income square foot are eligible for 5 points.
- Substantial Rehabilitation Tribal or PSH Projects that request less than ~~$17,793~~$20,920 tax credits per low income Unit **and** less than ~~$18.34~~$21.56 tax credits per low income square foot are eligible for 3 points.
- Substantial Rehabilitation Tribal or PSH Projects that request less than ~~$16,175~~$19,018 tax credits per low income Unit **or** less than ~~$16.70~~$19.64 tax credits per low income square foot are eligible for 1 points.

- Moderate Rehabilitation Tribal or PSH Projects that request less than ~~$13,863~~$16,300 tax credits per low income Unit **and** less than ~~$14.33~~$16.85 tax credits per low income square foot are eligible for 5 points.
- Moderate Rehabilitation Tribal or PSH Projects that request less than ~~$15,250~~$17,930 tax credits per low income Unit **and** less than ~~$15.71~~$18.47 tax credits per low income square foot are eligible for 3 points.
- Moderate Rehabilitation Tribal or PSH Projects that request less than ~~$13,863~~$16,300 tax credits per low income Unit **or** less than ~~$14.33~~$16.85 tax credits per low income square foot are eligible for 1 points.

All OTHER projects:

- New construction Projects that request less than ~~$17,681~~$20,789 tax credits per low income Unit **and** less than ~~$18.27~~$21.48 tax credits per low income square foot are eligible for 5 points.
- New construction Projects that request less than ~~$19,449~~$22,867 tax credits per low income Unit **and** less than ~~$20.04~~$23.56 tax credits per low income square foot are eligible for 3 points.
- New construction Projects that request less than ~~$17,681~~$20,789 tax credits per low income Unit **or** less than ~~$18.27~~$21.48 tax credits per low income square foot are eligible for 1 point~~s~~.

- Substantial Rehabilitation Projects that request less than ~~$15,472~~$18,191 tax credits per low income Unit **and** less than ~~$15.97~~$18.78 tax credits per low income square foot are eligible for 5 points.
- Substantial Rehabilitation Projects that request less than ~~$17,019~~$20,010 tax credits per low income Unit **and** less than ~~$17.55~~$20.63 tax credits per low income square foot are eligible for 3 points.
- Substantial Rehabilitation Projects that request less than ~~$15,472~~$18,191 tax credits per low income Unit **or** less than ~~$15.97~~$18.78 tax credits per low income square foot are eligible for 1 point~~s~~.

- Moderate Rehabilitation Projects that request less than ~~$13,261~~$15,592 tax credits per low income Unit **and** less than ~~$13.71~~$16.12 tax credits per low income square foot are eligible for 5 points.
- Moderate Rehabilitation Projects that request less than ~~$14,587~~$17,151 tax credits per low income Unit **and** less than ~~$15.03~~$17.67 tax credits per low income square foot are eligible for 3 points.
- Moderate Rehabilitation Projects that request less than ~~$13,261~~$15,592 tax credits per low income Unit **or** less than ~~$13.71~~$16.12 tax credits per low income square foot are eligible for 1 point~~s~~.

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

Applicants may request less credits than the project is otherwise eligible for to obtain points in this category, however, projects must meet underwriting guidelines for financial feasibility. Projects which were awarded points for the Efficient Use of Credits Project Selection Criteria may not apply for additional tax credits if circumstances change unless the subsequent Application results in the same scoring range under Efficient Use of Credits when combined with the scoring range in the Initial

Application. In other words, a subsequent request for additional tax credits shall not be granted if Applicant received points for the Efficient Use of Credits in a prior round and now exceeds the efficient use of credits scoring ranges when evaluating both Applications as one single Application. An exception to this is in the event of a Casualty, in which case additional tax credits may be considered. See Section III.G. for additional requirements concerning supplemental tax credits and the definition of a Casualty.

19. Non-Smoking Properties **4 or 6 Points**

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

(i) Projects agreeing to participate and obtain the Smoke-Free at Home NM Platinum Certification (new construction Projects which do not allow any smoking or use of electronic cigarettes at any time on any part of the property) (6 points);

(ii) Projects agreeing to participate and obtain the Smoke-Free at Home NM Gold Certification (applies to, rehabilitation and/or Adaptive Reuse Projects and no smoking or use of electronic cigarettes is permitted at any time on any part of the property) (6 points);

(iii) Projects agreeing to participate and obtain the Smoke-Free at Home NM Silver Certification (applies to new construction, rehabilitation and/or Adaptive Reuse Projects and does not allow smoking or use of electronic cigarettes inside any of the Units and common areas, nor within 25 feet of all entry ways and windows of the building. (4 points)

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

20. Adaptive Reuse Projects **2 Points**

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

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

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

21. Other Scoring Points Available	**Up to 9 Points**

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

(i) Deep Affordability:

a. **The Project is not in the housing priority for Households with Special Housing Needs** and targets extremely low income residents, which includes income and rent restricting at least 5% of total Units in the Project to residents earning 30% or less of Area Median Income, for which no federal assistance is existing or anticipated or

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

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

(ii) The Project involves newly constructed Units totaling 35 Units or less, and does not contain any rehabilitation or Adaptive reuse in Project scope and the Market Study supports need for the Project (3 points); or

(iii) The Project is to be located in a town, municipality, or Census Designated Place (CDP) with a population less than 16,000 people pursuant to data published by the 2020 U.S. Census Bureau, and the Market Study supports need for the Project (3 points);

(iv) The Project is to be located in a town or municipality with no “active” LIHTC Projects. “Active” is defined as a town or municipality for which a LIHTC award (9% as evidenced by a reservation letter and inclusion of MFA’s list of 9% projects on its website and/or 4% LIHTC as evidenced by issuance of a 42(m) letter and inclusion on MFA’s list of 4% projects posted on its website on or before the Application Due Date) was made in the last five (5) calendar years and the Market Study supports need for the Project (3 points);

(v) Project's resident selection criteria contain a preference for active duty, Honorably Discharged, or retired US military Veterans (3 points);

(vi) Women and/or M~~m~~inorities (see Glossary) are encouraged to participate in the ownership, development, or management of the Project. The M~~m~~inority or female individual(s) must serve as either:

a. The General Partner, manager or managing member of the Ownership Entity or Responsible Owner, must have at least a 50% ownership interest in the Ownership Entity or Responsible Owner or
b. Must have at least 50% ownership interest in the participating business to qualify for the points. These businesses include any members of the development team (i.e. contractor, management company, consultant(s), architect, attorney and accountant, etc.) or
~~b.~~c. Minority or female individuals must comprise at least 50% of the board of directors of the entity which qualifies the Project for points under Project Selection Criterion 1 above.

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

The Application is capped at nine (9) points maximum for this Project Selection Criterion.

F. Additional Credits for Projects with Partial Allocations

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

G. Additional Supplemental Tax Credits for Cost Increases

Projects with increased Eligible Basis as a result of increases in hard Construction Costs may apply for additional tax credits in subsequent allocation rounds prior to issuance of an IRS Form 8609. Full Applications will be required for competition within an allocation round and the Project will compete on the same basis as that of the subsequent round Projects.

The following provision in italics is waived in 2023 for projects that were initially awarded tax credits in 2020 – 2022:

However, Projects for which increased tax credits have been requested cannot exceed MFA's cost limits or limitation on an award to a single Project for the year of the initial award or subsequent round. In addition, Projects which were awarded points for the Efficient Use of Credits Project Selection Criteria may not apply for additional tax credits unless the subsequent Application results in the same scoring range under Efficient Use of Credits when combined with the scoring range in the Initial Application. In other words, a subsequent request for additional tax credits shall not be granted if Applicant received points for the Efficient Use of Credits in a prior round and now exceeds the efficient use of credits scoring ranges when evaluating both Applications as one single Application.

Applications that are submitted for additional tax credits will be subject to MFA's evaluation process and the availability of credits, as well as limitations on the time period for allocation of additional credits under the Code. The total amount of tax credits for the project (including those previously awarded) shall not exceed the total credits available in Section IV.E.3 of this QAP. Only one additional tax credit allocation will be permitted by MFA for any given Project. The process is intended for hardship cases and hardship will have to be documented accordingly in any such request.

An exception to this section will be made for projects undergoing an unforeseen Casualty event, as defined in the Glossary.

H. New Allocations to Projects Previously Subsidized with Tax Credits

Existing Projects that previously received tax credit allocations and are now eligible under Code Section 42(d)(2) for new acquisition tax credits may apply for a current allocation. However, because of prior subsidy investment in the Project and the scarcity of the resource and to ensure that the subsidy is not being used primarily for ownership transfer, previously subsidized Projects must demonstrate: 1) a real risk of loss of affordable Units, and 2) an addition of significant improvements and services to enhance livability for the tenants~~ and 3) that more than 20 years has passed since the Project was Placed In Service~~. These may qualify for standard tax credit applicable percentages.

However, in a proposed sale transaction when there is an Identity of Interest in any Principal of the buyer and seller, the Project will be subject to reduced developer fees. When there is such an Identity of Interest, the developer fee percentages (described in **Section IV.D.2.b**) will be calculated on Total Development Cost less Acquisition Costs. An "as-is" appraisal dated no earlier than six months prior to the Application date and completed by MAIs licensed in New Mexico must be submitted. The value in the appraisal must assume that any existing use restrictions will remain in place.

Tax-exempt bond financed Projects are excluded from the above requirements.

I. Property Standards

All newly constructed and/or rehabilitated properties must meet applicable state and local building codes, including but not limited to: the New Mexico Commercial Building Code, the New Mexico

Residential Building Code, the New Mexico Energy Conservation Code, the New Mexico Existing Building Code, the New Mexico Plumbing Code, the New Mexico Mechanical Code the New Mexico Solar Energy Code, the New Mexico Electrical Code, the New Mexico Electrical Safety Code, and all international and uniform building codes as referenced and adopted by the aforementioned codes. In addition, all newly constructed Projects must obtain a Home Energy Rating System (HERS) score of 55 or better and all rehabilitation Projects must obtain a HERS score of 65 or better. All Projects must meet the provisions and requirements of the Americans with Disabilities Act (ADA) as applicable. Public and common use areas within Projects are subject to these requirements. Projects combining housing tax credits with another federal source of funding must comply with HUD Section 504 requirements as required in the 2010 ADA Standards. Projects must also adhere to the Federal Fair Housing Act and shall adhere to the federal fair housing accessibility and adaptability requirements promulgated through the Fair Housing Accessibility Guidelines {56 FR 9472, 3/6/91}. Finally, conformance to Design Standards in the Application Package is mandatory for all Projects, including tax-exempt bond financed Projects.

IV. Allocation Procedure and Application Requirements

A. Allocation Rounds

1. Submission Date(s)

MFA intends to conduct one competitive LIHTC Application round each calendar year. However, MFA reserves the right to conduct additional LIHTC rounds or to award tax credits outside of the rounds. **Initial Applications for the ~~2022~~2023 competitive LIHTC Application round will be accepted anytime between January ~~14~~6, ~~2022~~2023 through January ~~28~~20, ~~2022~~2023 at 4 p.m. Mountain Standard Time. Initial Applications must be submitted ahead of 4 p.m. Mountain Standard Time on January ~~28~~20, ~~2022~~2023 (Application Deadline). Initial applications must be fully uploaded to the file sharing site identified in Section IV.A.2 of this QAP no later than the Application Deadline. Late Applications will not be accepted**. If the Projects submitted do not use all of the available tax credits or if additional tax credits become available later in the year, MFA will consider a second round or make allocations to lower- scored Eligible Projects at MFA's sole discretion.

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

2. Place of Submission

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

3. Form of Submission

Initial Applications may not be delivered by facsimile transmission or e-mail. The ~~2022~~2023 MFA Universal Rental Development Application ~~form~~ and Schedules in excel format and a fully tabbed PDF file that includes all ~~other~~ materials listed on the Attachments Checklist at Tab 1a must be uploaded to MFA's file sharing site: https://local.housingnm.org/FileTransferHD/ (described below in **Section IV.A.4.b**.) The required ~~2022~~2023 MFA Universal Rental Development Application will be provided electronically and may be downloaded from MFA's website at https://housingnm.org/developers/lihtc/current-and-prior-tax-credit-rounds. No additional materials may be submitted after the Initial Application Deadline, unless requested by MFA in accordance with the provisions of this QAP.

4. Content and Format: Complete Applications

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

a) All Application documents that require signatures must be included and bear scanned blue ink or third-party verified digital signatures from all General Partners. MFA will require submission of an "omnibus" signature page wherein all General Partners must certify, among other things, that the Application submitted, including all schedules and certifications, is accurate and complete and does not contain any misrepresentations.

b) Complete Initial Applications must include the ~~2022~~2023 MFA Universal Rental Development Application ~~form~~and Schedules, including all attachments and exhibits that are applicable to the Project – both those listed in the attachments checklist found at Tab 1a of the Application form and any other materials requested in the ~~2022~~2023 QAP that apply to the Project. The ~~2022~~2023 MFA Universal Rental Development Application Form and Schedules must be submitted in excel format. All additional materials (those described in Tab 1a and others indicated in the ~~2022~~2023 QAP) must be contained in a fully tabbed PDF file with protected personal information such as Social Security numbers and board member home addresses redacted. The PDF file must be "bookmarked" with each applicable tab ("Tab") and named accordingly (e.g., Tab 1, Tab 1a, Tab 2, etc.). Each bookmark must include all of the documents required for the respective tab (~~except~~ including those in the ~~2022~~2023 MFA Universal Rental Development Application and Schedules), as identified in the Attachments Checklist and named accordingly (e.g., Tab 1f – Rehabilitation Scope of Work, Tab 1g – One-page summary of Developer affordable housing experience." All documents must be submitted in numerical order. ~~Both documents~~The entire Application Package (the ~~2022~~2023 MFA Universal Rental Development Application, Schedules and the PDF file) must be uploaded to MFA's file sharing site: https://local.housingnm.org/FileTransferHD/.

c) Complete Initial Applications must include Application fees as outlined in Section IV.B below.

d) No additional materials may be submitted after the Initial Application deadline, unless requested by MFA in accordance with the provisions of this QAP.

e) Current year MFA forms **must be used** when provided and **no substitutions will be accepted**.

f) All information must be current, clearly legible and consistent with all other information provided in the Application.

g) Forms must be completely filled out and executed as needed. Forms that require signatures must bear scanned blue ink or third-party verified digital signatures.

h) Except as MFA may determine is necessary to evaluate the "Applicant eligibility" threshold requirement in **Section III.C.54** all Applications must be self-contained: MFA will not rely on any previously submitted information, written or verbal, to evaluate the Applications in a given round.

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

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

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

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

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

5. Communications and Quiet Period

Questions concerning the competitive LIHTC Application round Application requirements must be submitted through MFA's website at ~~www.housingnm.org/low-income-housing-tax-credits-lihtc-allocations.~~ https://housingnm.org/developers/lihtc/applications-faq. No questions will be accepted after 5 p.m. Mountain Standard Time, December 20, ~~2021~~2022. Answers will be posted to the website and once posted will be deemed a part of this QAP. It is the sole responsibility of Applicants to review the website for answers to questions.

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

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

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

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

6. Prohibited Activities

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

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

B. MFA Fees and Direct Costs

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

Application Fee (for initial and supplemental requests)

- Due at submission of tax credit Initial Application
- $750 for nonprofit or governmental entity Applicant; $1,500 for a for-profit Applicant

Direct Cost Deposit

- ~~$10,000~~$12,000 (deposit) due at submission of tax credit Initial Application

This deposit is intended to cover the ~~cost of a~~ base portion of the design reviews for compliance with Design Standards. Design reviews ~~are estimated to cost between $8,000 to $15,000, depending on Project location and complexity~~may require additional site visits and/or document reviews, which would be billed separately and above this $12,000 base fee. This is an estimate only and the final cost may vary. ~~If the design review costs more than the deposit, the difference will be billed. If the cost is less, the difference will be refunded.~~ Any amount in excess of the $~~10~~12,000 deposit is due within 20 calendar days of billing by MFA.

If a subsequent MFA-ordered Market Study is required during the application phase, the cost will be covered by the Applicant through this deposit. Additionally, the base ~~incurred~~ design ~~costs~~ review fee balance will be billed to cover the $12,000, if the project moves forward with an award~~.~~

Processing Fee

- Due at execution of Reservation Contract for 9% awards; due prior to delivery of Letter of Determination or construction start, whichever occurs first for Projects financed with tax-exempt bonds.
- 7.75% of MFA-determined tax credit allocation amount rounded down to the nearest dollar.
- For Projects financed with tax-exempt bonds, if the actual tax credit amount is greater at Final Allocation than when the Letter of Determination was delivered, the Applicant must pay an additional processing fee of 7.75% of the increase in the tax credit amount.

Monitoring and Compliance Fees

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

Appeal Fee

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

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

- $500 due at submission of review/correction request

Extension Fee

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

C. Staff Analysis and Application Processing

1. **Threshold review**. Following the Application Deadline, MFA will undertake a threshold review to determine whether the Initial Application meets the minimum Project threshold requirements shown in Section III.C.~~.~~ If the Initial Application fails to meet site control, zoning, fee, or market study requirements, the Applicant will be given an opportunity to correct the deficiency in accordance with Section IV.C.5 and if not corrected in the time period allowed, the Application will be rejected. The Applicant eligibility and financial feasibility threshold requirements are not correctable and Applications that fail to meet these requirements will be rejected.

2. **Cost limits**. Total Development Costs for various types of Projects may not exceed the following:
   a. **New construction and Adaptive Reuse Projects**. The Total Development Cost per Unit must not exceed 130% of the average Total Development Cost per Unit for all new construction and Adaptive Reuse Projects submitted in the same round. Similarly, the hard Construction Cost plus architect and engineering fees per square foot must not exceed 130% of the average cost per square foot for all new construction and Adaptive Reuse Projects submitted in the same round.
   b. **Acquisition/rehabilitation Projects**. The Total Development Cost must not exceed 100% of the average Total Development Cost per Unit for all new construction and Adaptive Reuse Projects submitted in the same round. Similarly, the hard Construction Cost plus architect and engineering fees per square foot must not exceed 100% of the average cost per square foot for all new construction and Adaptive Reuse Projects submitted in the same round.
   c. **Tax-exempt bond financed Projects**. Total Development Cost must not exceed the limits established for new construction, Adaptive reuse or acquisition/rehabilitation Projects, as appropriate, submitted in the most recent allocation round.
   d. **Combined Rehabilitation and New construction Projects**. For Projects that involve rehabilitation of existing Units, the construction of new Units and/or the Adaptive reuse of an existing building, the costs will be evaluated based on the track/category selected by the project as described in Section II.J. above to the limits established in Sections IV.C.2.a. and b. above.

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

Recognizing that Tax Credit Projects require soft costs above and beyond traditional development, when determining the average per square foot cost for each Project, only hard costs as found on Schedule D and any architect and engineer fees will be used. For reference, the average Total Development Cost in 2022 was $248,930 and the average hard cost on

Schedule D plus architectural and engineering fees for new construction in 2022 was $183,092 ($187.39 psf).

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

3. **Local Notice**. The Chief Executive Officer of the local jurisdiction where the Project is located will receive a "Local Notice" from MFA stating that an Application has been received and requesting a response. The local jurisdiction and the Chief Executive Officer are to be identified by the Applicant in the Application form. The jurisdiction may be a municipality, town, county or tribal government. Such notification will be issued for all Applications not more than 10 business days after MFA's Application Deadline and the recipient will have 30 calendar days to respond.

4. **Site visits**. On completion of the threshold review, and as allowed by current health conditions, public health and executive orders, or laws, MFA will visit the proposed sites for the highest ranking Projects. Sites considered by MFA in its reasonable judgment to be inappropriate due to current or foreseeable adverse health, safety, welfare, site constraints or marketability risks may be cause for rejection of any Application, regardless of threshold review or scoring results. Communications made by or on behalf of an Applicant in response to communications initiated by MFA in conjunction with a site visit shall not be a violation of the Quiet Period.

5. **Deficiency correction period**. MFA may provide a deficiency correction period after the threshold review. This period is intended only to: 1) correct threshold items that are identified as correctable in Section III.C, 2) address Complete Application items, including any issues with the electronic application, 3) clarify ambiguous information, 4) complete forms or 5) make minor corrections to the Application. In no case shall the deficiency correction period be used by MFA to allow an Applicant to submit scoring items listed on Section II of the LIHTC Application Attachments Checklist or to alter the original structure of the project. If the deficiency correction period is used, MFA will provide notice to Applicants having such shortcomings in their Applications via e-mail and U.S. mail. Applicants will have five business days after the date of the e-mail notice to correct deficiencies. All materials must be submitted no later than 5 p.m. Mountain Standard Time on the fifth business day, following "Form of Submission" requirements shown in **Section IV.A.3** above. Certain types of deficiencies cannot be corrected during the deficiency correction period, including an Applicant's failure to provide materials or to provide materials in the required form, as well as other deficiencies that MFA determines in its reasonable judgment may not be correctable. Furthermore, the deficiency correction period may not be used by the Applicant or MFA to alter the original structure of the Project. This prohibition includes, but is not limited to, all changes listed in **Section IV.H**. If the information

requested by MFA is not submitted within the timeframe provided or is submitted but remains deficient, the Application may be rejected without any further review.

6. **Supplemental Information Submission**. If at any point during the processing of an Application, staff determines that supplementary information is needed to complete its review, the Applicant will be notified in writing and will have five business days after the date of MFA's notice to deliver a written response. In no case shall the supplemental information request be used by MFA to allow an Applicant to submit scoring items listed on Section II of the LIHTC Application Attachments Checklist or to alter the original structure of the project. This provision does not apply to incomplete Applications, which may be rejected during the threshold review or subject to the deficiency correction period process.

7. **Design Review and Construction Start**. All Projects will be subject to a minimum of four design reviews by MFA (upon completion of the construction documents, twice during construction and upon full completion of the Project) to determine compliance with the Design Standards. Design review will require periodic site visits to determine compliance with Design Standards. For rehabilitation and Adaptive Reuse Projects, a CNA will be required subsequent to the Initial Application (prior to the issuance of the Letter of Determination for tax-exempt bond financed Projects and at Carryover Application for all other Projects) and this assessment will be reviewed by MFA for completeness, consistency with the Application and compliance with the Design Standards. All plans and related design materials submitted as part of an Application must provide enough detail for MFA to determine compliance with the Design Standards. Professionals performing the CNA must meet the minimum qualification/certification requirements set forth by MFA as defined in the Design Standards. **Applicants shall not commence construction on a Project prior to receipt of MFA's written approval of complete construction documents.** Applicants are required to post MFA-provided signs/banners in English and Spanish featuring MFA's fraud hotline at the Project work site(s) throughout the duration of construction. In the event there are Material Design Changes/differences between those plans and specifications submitted with the Application and those contained in the final construction documents, MFA will require Applicant to submit a detailed narrative of Material Design Changes made to final plans and specifications along with the Change Fee as described in Section IV.I. MFA staff will make a good faith effort to perform an initial review of construction documents within 10 business days of submission of complete construction documents. Final approval will occur upon receipt and acceptance of the final construction completion report confirming that the Project was built as proposed and that all outstanding issues, if any, have been resolved. MFA must give final approval prior to 8609 issuance.

8. **Other Project compliance**. All Principals (see Glossary) related entities and affiliates must be in compliance with respect to all other federally subsidized housing or LIHTC Projects that they own or operate throughout the country. Applicants shall submit a complete list of **all** Projects in

which Applicant, or a Principal or affiliate of Applicant has an interest. Each Applicant shall also submit an affidavit certifying Applicant is not in default with respect to any material compliance matter for any such Project or shall state what defaults exist and what corrective action Applicant is taking. If MFA determines, either through information provided by an Applicant or through MFA's investigation, that any federally subsidized housing or LIHTC Project in which Applicant, or any Principal or affiliate of Applicant has an interest is in default of any material compliance matter, MFA may reject the Application. See **Section IV.F.1** for additional discussion. This determination of default in regard to any Principal may concern, but is not limited to, progress made with previous tax credit Reservations, including timely delivery of required documents and meeting all required deadlines; development compliance; and payment of monitoring fees.

9. **Development team review**. Staff will review the qualifications of each development team member (Developer, Project Owner, General Partner, contractor, management company, consultant(s), architect, attorney, and accountant, etc.) to determine capacity to perform in the role proposed. Considerations may include related experience, financial capacity, performance history, references, management and staff, among others. All members of the development team (i.e., Developer, Project Owner, General Partner, contractor, management company, consultant(s), architect, attorney, and accountant, etc.) are required to sign an affidavit affirming they have no related party relationships; or, that all related party relationships have been properly disclosed. The form of this affidavit can be found ~~on MFA's website~~in the 2023 Universal Rental Development Application. The applicant's experience is certified on Schedule H that may also be found in the 2023 Universal Rental Development Application. MFA may conduct its own related party search utilizing Secretary of State websites, online searches, or other means to ensure all related parties have been properly disclosed. **An Application may be rejected or substitutions requested if the development team or any member thereof is unsuitable and/or undisclosed related parties are identified as determined by MFA.**

D. Feasibility Analysis and Financial Considerations

All Projects, in addition to the threshold review process, will undergo financial analysis by MFA staff to determine whether the Projects are financially feasible. Such determinations will rely on both the financial data submitted by the Applicant and on staff judgments with respect to feasibility matters. Projects that do not appear financially feasible in MFA's judgment may be rejected without further processing. Although Financing Commitments will not be required at Initial Application, all sources must be clearly identified, and their terms specified. Financing Commitments will be required as a "subsequent requirement" after the initial Reservation is made.

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

1. **Development Costs**. Development Costs will be evaluated against the average costs of competing Projects. In the case of rehabilitation Projects and Adaptive Reuse Projects an appraisal and CNA of the existing project will be required (prior to the issuance of the Letter of Determination for tax-exempt bond financed Projects and at the time of the Carryover Application for all other Projects) and used by MFA to evaluate Development Costs. Professionals performing the CNA must meet the minimum qualification/certification requirements set forth by MFA as defined in the Design Standards. For rehabilitation Projects, the acquisition cost on which tax credits are calculated will be held to the lesser of sale price or appraised value at application, or construction lender appraised value. Applicants submitting costs atypical in the marketplace must provide information acceptable to MFA, justifying such costs. Projects with excessive costs will be subject to adjustments to the amount of tax credits requested. MFA, in the course and scope of its underwriting, will examine how costs are categorized /allocated in Schedules A and D. MFA reserves the right to re-categorize /allocate costs to different categories should MFA determine, in its sole discretion, that costs have been categorized incorrectly. Applicants shall describe all costs contained in any category labelled "other" with sufficient specificity so that it is clear what these costs encompass.

2. **Developer and other fees**. Fees are limited to the following standards:
   a. **Builder profit, overhead and general requirements**
   In Projects where an "identity of interest" (as defined in this section) is not present, builder profit may not exceed 6% of Construction Costs, builder overhead may not exceed 2% of Construction Costs and general requirements may not exceed 6% of Construction Costs. For purposes of these calculations, see definition of Construction Costs in the Glossary.

   Where an Identity of Interest exists between or among the Developer/Project Owner, builder (e.g., the general contractor), design professionals and/or subcontractors, builder profit shall not exceed 4% of Construction Costs. An Identity of Interest means any relationship that is based on shared family or financial ties between or among the Developer/Project Owner, builder (general contractor), design professionals and/or subcontractors that would suggest that one entity may have control over or a financial interest in another. An Identity of Interest will be presumed if any of the following factors are present as between or among the Developer/Project Owner, builder (general contractor), design professionals and/or subcontractors; common or shared ownership of any of the above-listed entities; common family members as owners or investors in any of the above-listed entities; common control of the above-listed entities even if the control is not exercised by a common owner or common investor.

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

b. **Developer fees**

Developer fees for 9% LIHTC Projects shall not exceed: 1) $22,500 per low-income Unit for the first 30 Units, plus 2) $20,000 per low-income Unit for Units 31 – 60, plus 3) $17,500 per low-income Unit for Units 61+, which shall not cause the total Developer Fee to exceed the lesser of $2,000,000 or 14% of Total Development Cost. Developer Fee for 4% LIHTC Projects shall not exceed 14% of Total Development Cost. *9% Projects utilizing MFA-issued Section 811 Project Rental Assistance (PRA) are eligible for a 5% boost to the capped developer fee (as calculated above; for qualifications, see below) For example, a 30-Unit Project which qualifies for $675,000 and which is at or below 14% of Total Development Cost qualifies for a 5% boost to the allowable Developer Fee resulting in a total Developer Fee of $708,750.

Donations of land and waived fees are excluded from Total Development Cost when calculating maximum allowable developer fees. Developer fees include all consulting costs for services typically rendered by a Developer. Any reserve, excluding any MFA-required Project reserve (see below), may be considered as part of the developer fee, if it is not held for the benefit of the Project for a minimum of 15 years. For purposes of these calculations, Total Development Cost is adjusted to exclude developer fees, consultant fees and all reserves. Notwithstanding the Developer Fee amounts described in the preceding paragraph, where an Identity of Interest exists between the Developer/Project Owner and the builder, the above-mentioned fee may be further reduced if MFA, in its discretion, determines the fee to be excessive. In a proposed sale transaction where there is an Identity of Interest in any Principal of the seller and buyer, the Project will be subject to reduced developer fees. Where there is such an Identity of Interest, the developer fee percentages will be calculated on Total Development Cost reduced by Acquisition Costs. Also, an "as-is" appraisal dated no earlier than six months prior to the Application date and completed by a MAI licensed in New Mexico must be submitted. The value in the appraisal must assume that any existing use restrictions will remain in place. This paragraph is only applicable to 9% LIHTC Projects.

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

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

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

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

- Be provided Section 811 PRA funds
- Be used for supportive housing for persons with disabilities
- Have any occupancy preference for persons with disabilities

Owner Capacity and Experience:
Owner and Property Management must demonstrate the capacity to participate in Section 811 PRA. This will be measured, in part, by the level of experience administering HUD rental subsidy programs, specifically with HUD's Tenant Rental Assistance Certification System (TRACS) and Enterprise Income Verification (EIV) and experience with managing a range of housing populations, with a particular emphasis on persons with disabilities.

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

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

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

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

c. Architect and Engineering Fees

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

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

3. **Reserves (escrows) included in Development Costs**. The development budget must include an operating reserve equal to a minimum of six (6) months of projected operating expenses, debt service payments and replacement reserve payments. Larger operating reserves may be required for Projects which show a declining debt coverage ratio in 15-year cash flow projections, have rental assistance contracts included in their income projections or have other factors that MFA determines in its discretion to warrant larger reserves. Replacement reserve levels must be shown in the operating budget at the minimum of $250 per Unit, per year for Senior Housing (new construction Projects only) and $300 per Unit, per year for all other new construction and rehabilitation and Adaptive Reuse Projects. Project reserves of any kind in the development budget will not be included in MFA's calculation of Eligible Basis for tax credit purposes.

4. **Operating expenses and replacement reserves**. MFA will review the projected operating expenses, replacement reserves and loan terms and may, in its determination of economic feasibility, make adjustments based upon industry standards, its own underwriting parameters, the CNA or facts obtained from other appropriate sources. Applicants are urged to carefully review operating cost pro formas. Applicants must include real estate taxes in their operating expenses~~,~~ unless evidence of a perpetual real estate tax waiver (throughout the term of permanent financing) is submitted with the Application.

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

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

5. **Debt service coverage and subordinate debt**. Applicants who are proposing subordinate debt must include the terms of the loan and pro formas must reflect the requirements set forth in the MFA's ~~Multifamily Underwriting Guidelines~~Universal Multifamily Initial Underwriting Supplement. MFA will consider total annual cash flow as well as debt service ratio when making this determination. MFA will generally not consider the repayment of deferred developer fees when underwriting for feasibility but may consider a Project infeasible if the deferred fee represents a financial burden to the Project.

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

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

E. Credit Calculation Method

1. **Tax credit calculations**. During each evaluation, MFA will determine the amount of tax credits to be reserved, committed or allocated by considering factors specific to each Project including, but not limited to, the following:
    a. Development Costs
    b. Funding sources available to the Project for construction and permanent financing:
        i. First mortgage loans
        ii. Grants
        iii. Tax credit proceeds
        iv. Project Owner equity
        v. Subordinate debt
    c. Projected operating income and expenses, cash flow and tax benefits
    d. Maximum tax credit eligibility
    e. Debt service coverage ratio compared to lender requirements or commercial lending practices, as applicable
    f. Project reserves
    g. Developer fees and builder overhead and profit
    h. Per Unit and per square footage cost limits (section IV.C.2)

2. **Amount of tax credits for Reservation or Carryover Allocation**. To estimate the amount of tax credit allocation for a Project at Initial Application or at Carryover, MFA will use the Applicable Credit Percentage of the Qualified Basis, as adjusted by MFA, or the amount needed to fill the financing gap. The procedure to determine the amount to fill the financing gap is outlined in number three below.

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

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

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

3. **Limitation on tax credit awards to a single Project or Principal.** Subject to the exceptions contained herein, no 9% LIHTC Project shall receive a tax credit Reservation in excess of ~~$1,380,213~~$1,622,805. No Applicant, any General Partner or affiliate of an Applicant or person or entity receiving or identified as eligible to receive any part of a developer fee for a Project may receive more than two tax credit Reservations in any given competitive LIHTC Application round. Two 9% LIHTC Projects to be located on adjacent sites proposed by the same Applicant in the same LIHTC Application round will be treated as a single Project.

4. **Other factors limiting the credit Reservation**. The amount of credit reserved, committed and finally allocated to a Project shall be the lesser of:
   a. The maximum tax credit eligibility of the Project
      i. Maximum tax credit eligibility is the maximum amount of tax credit justified by a Project's Qualified Basis, as adjusted by MFA and taking into consideration any increase in Eligible Basis approved by MFA and the Applicable Credit Percentage as described in **Section IV.E.2** above or the Applicable Credit Percentage that was locked-in at Carryover (or in the case of tax-exempt bond financed Projects, the month the tax-exempt obligations are issued) or was in effect when the building was Placed In Service; or
      ii. The amount requested in the Application; or
      iii. The amount necessary to fill the funding gap.
   b. The funding gap is the difference between Total Development Cost (exclusive of syndication-related costs) and all available funding sources, including HOME funds awarded in conjunction with the tax credit allocations, excluding anticipated tax credit proceeds. The terms of all proposed sources must be within reasonable industry norms, and financing for the Project has to be maximized when evaluating rate, term, debt service coverage, loan-to-value, etc. The maximum tax credit amount allowed based on the funding gap will be determined by MFA limits stated in **Section IV.E.3** above.

5. **Increased basis for high cost areas**. Additional Eligible Basis (30% of the initial calculation) will be applied for Projects located in HUD-designated Difficult Development Areas (DDA) or Qualified Census Tracts (QCT). Applicants requesting such increases must deliver evidence in the Initial Application Package that the Project is located in a DDA or QCT.

Projects, regardless of whether they are located in a DDA or QCT, may also be determined to be eligible for the state-designated basis boost (up to 30% of the initial calculation) if deemed necessary for Project feasibility as determined by MFA.

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

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

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

6. **Adjustments to credit allocations**. When actual tax credit proceeds are confirmed and final financial Feasibility Analysis is performed during review of Final Allocation packages, there may be adjustments to the tax credit allocation. Adjustments may also be made at Carryover for rehabilitation Projects when the CNA and appraisal are provided. Professionals performing the CNA must meet the minimum qualification/certification requirements set forth by MFA as defined in the Design Standards. If actual Project costs or funding sources differ substantially from the projections submitted in the Application, MFA may adjust the final tax credit allocation or the Project Owner may establish Project reserves to offset the deficit, if in MFA's reasonable judgment the Project has sufficient tax credit eligibility. The conditions for such reserve accounts will be determined by MFA on a case-by-case basis.

7. **Federally required subsequent financial analysis**. Federal regulations require that housing credit agencies conduct evaluations at three specific times to determine the amount of applicable tax credits.
   a. Upon receipt of an Application for LIHTC Reservation; and
   b. Prior to granting a tax credit allocation; and
   c. No earlier than 30 days prior to awarding the tax credit certification, IRS Form 8609.

F. Final Processing and Awards

1. **Additional considerations**. Applications meeting the requirements of the threshold review and Feasibility Analysis described above will be further evaluated and processed by MFA. In this step all remaining determinations will be made with respect to development team capability, design, readiness to proceed and other factors in MFA's reasonable judgment to evaluate the Project's Application. Projects must meet the Design Standards available from MFA on the website. Debarment from HUD, MFA or other federal housing programs, bankruptcy, criminal indictments or convictions, poor performance on prior MFA or federally-financed Projects (for example, late payments within the 18-month period prior to the Application Deadline, misuse of

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

2. **Selection of projects for awards**. Projects meeting the threshold review requirements listed in Section III.C will be ranked and ordered according to scoring procedures established in Sections II.C and III.E with consideration to the Allocation Set-asides as described in Section III.D. Staff will then prepare a summary of the Projects to be recommended for allocations. Eligible and ineligible Projects will be distinguished for purposes of subsequent awards if additional credits become available. Tax-exempt bond financed Projects will be evaluated in a similar process but will not compete against other Projects for an allocation of tax credits.

3. **Allocation Review Committee (ARC)**. The Chairman of the Board of MFA will appoint an ARC. The functions of this committee will be to: 1) review the Project rating and ranking results in the staff's proposed award summary, 2) determine whether or not the proposed awards have been made consistent with this QAP, 3) conduct the appeals process and 4) make final award recommendations to the Board of Directors. MFA will notify Applicants of the preliminary status of their Projects with the use of a preliminary Reservation Letter, preliminary waitlist letter or rejection letter, after ARC's approval of the staff's proposed awards and before the appeal process begins. Such letters will be scheduled to be issued approximately 90 days after the Application Deadline. Except for appeals as described in **Section IV.F.4** below, the provisions of this section are not applicable to tax-exempt bond financed Projects.

4. **Appeal process**. Applicants wishing to appeal a determination made by MFA with respect to their Application may do so by way of the "Form of Submission" (Section IV.A.3) no later than 5 p.m. Mountain Standard Time on the 10th calendar day after the date of the preliminary Reservation Letter, preliminary waitlist letter or rejection letter (or draft Letter of Determination, in the case of tax-exempt bond financed Projects). Appeal requests may only be filed by the General Partner or proposed General Partner and only one appeal may be filed with regard to an Application. MFA's initial determination with respect to the Application will stand

unless the Applicant can prove or justify, solely on the basis of materials submitted in the Initial Application, why the decision should be changed. The ARC will review the appeal and take whatever action it deems appropriate. The decision by ARC or the Board, if the matter is referred to the Board, will be final, no further appeals will be entertained. Appeals may result in re-ranking of Projects, in rejection of previously approved Projects and/or in approval of previously rejected Projects. Once the appeals process is completed and the resulting recommendations are considered and approved by MFA's Board of Directors, final Reservation Letters, in accordance with Section IV.F.5, (or draft Letter of Determination in the case of tax-exempt bond financed Projects) will be issued.

5. **Board of Directors**. The Board will make final awards for each competitive 9% tax credit allocation round (for logistical reasons the preliminary Reservation Letters, preliminary waitlist letter and rejection letters will be issued prior to the appeals process and the Board's final decisions).

   On or before May 1, 2023, Applicants are required to ~~make~~ upload a brief (approximately ~~five~~ three minute) ~~presentation~~ MP4 video (suitable to be shared on YouTube) to MFA's website portal. The video must highlight ~~of~~ the proposed Project being recommended ~~to~~ for approval by MFA's Board of Directors. - MFA will provide an outline of the presentation format. Applicants are also required to attend the MFA Board of Directors meeting to answer any questions board members may have regarding the Project recommended for approval. Final Reservation Letters will be issued following the Board decision. MFA Board-approved hybrid 9%/4% projects with a pending allocation of private activity bond volume cap will receive Final Reservation Letters following approval of private activity bond volume cap. The Board will approve Projects considered to be Eligible Projects and these may include Projects for which tax credit allocations are not immediately available. If any Projects receiving a Reservation fail to meet subsequent requirements, an allocation of tax credits may be revoked and then awarded by MFA to the next highest scoring Eligible Project(s) on the waiting list. Any conflicts of interest of Board members are to be disclosed and Board members having such conflicts will abstain from votes approving or disapproving LIHTC Projects in accordance with MFA's policies, procedures, rules and regulations regarding conflicts of interest. The provisions of this section relating to Board actions following competitive allocation rounds are not applicable to tax-exempt bond financed Projects.

G. Notification of Approval and Subsequent Project Requirements

Note: Only Sub-sections 2, 7, 8 (at 8609 Application), and 9-11~~0~~ of this section (IV.G) apply to tax-exempt bond financed Projects.

Successful Applicants will be notified of MFA's allocation decision in the form of a Reservation Letter. MFA anticipates Reservation Letters will be delivered in May ~~2022~~2023, shortly after approval of tax credit awards at the May ~~2022~~2023 Board meeting.

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

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

1. **At Reservation**

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

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

3. **By November 15th** (see ~~Glossary for the definition of this date~~footnote 5) of the allocation year
   a. Threshold requirement number two:
      Applicants whose Projects were not required to meet threshold requirement number two (zoning) at the Application Deadline must submit evidence that all required zoning approvals for the proposed Project have been obtained; and

b. All Applicants must deliver:
   i. The contractor's resume, if it was not included in the Application.
   ii. Financing Commitment(s) (see definition) for construction and permanent financing and any other rental or other subsidy, as applicable. Financing Commitments must be submitted from all funding and subsidy sources including construction and first mortgage lender(s), all secondary financing sources (i.e., grants, loans, in-kind contributions) and a letter of intent from the equity provider. Projects which include federal historic tax credits in the financing structure must submit evidence from National Park Service that a complete historic certification – part two (2) for the Project has been received.
   iii. For a Project to be financed by HUD (e.g., HUD 221(d)(4)), evidence that Applicant has submitted a site appraisal and market analysis (SAMA) application to HUD (for new construction Projects) or a feasibility application (for rehabilitation Projects).
   iv. For a Project to be financed by MFA's 542(c) Risk Sharing program, a HUD firm approval letter.

c. **Carryover Allocation requirements**. If the Project will not be Placed In Service during the calendar year in which the Reservation is made, the Applicant must request a Carryover Allocation, which allows for 24 additional months to complete the Project. The complete Carryover Allocation package must contain all items on the Carryover Allocation requirements checklist, including a tax opinion addressing satisfaction of the 50% rule where there are related parties. Professionals performing the CNA must meet the minimum qualification/certification requirements set forth by MFA as defined in the Design Standards. All tax credit fees must be paid to date. In addition, the Project architect must certify that the Project's final plans and specifications meet the Design Standards and contain all commitments made in the Initial Application regarding design and building. The Project architect must further certify either there have been no Material Design Changes in the final plans and specifications or, if there have been Material Design Changes made, changes in the key development team members, or if the costs as identified on Schedule D of the original Application have changed more than 5%, then a detailed narrative description of the changes made in the construction drawings and/or Schedule D between Application and Carryover must be provided. If there is a change to a key member of the development team (Developer, Project Owner, General Partner, contractor, management company, consultant(s), architect, attorney and accountant, etc.) following Carryover, the project must supply MFA with a written explanation of the reason behind the change, materials supporting the benefit to the Project in making the change (including resumes) in order to assess whether or not the Project is negatively impacted by the change.

d. **Rehabilitation and Adaptive reuse Projects**. In addition, rehabilitation Projects must provide, with the Carryover Application, an appraisal and a CNA of the existing Project, dated within 12 months of the Carryover Application. Professionals performing the CNA must meet the minimum qualification/certification requirements set forth by MFA as defined in the Design Standards.

4. **March 1**[6] of the year following Carryover
If applicable, the MFA 542(c) Risk Sharing commitment is to be fully executed.

5. **No later than June 30** (see footnote 5) of the year following Carryover
The Applicant must submit complete final construction drawings, specifications and construction documents for MFA review for compliance with the Design Standards. Applicants must receive written approval of complete plans, specifications and construction documents from MFA prior to the start of construction. MFA staff will make a good faith effort to perform an initial review of construction documents within 10 business days of submission of complete construction documents. Final approval will occur upon receipt of an approval recommendation from MFA's architect that all outstanding issues, if any, have been resolved.

6. **August 31** (see footnote 5) of the year following Carryover
   a. The Applicant must submit evidence that the basis in the Project exceeds 10% of the reasonable expected total basis in the Project, an independent auditor's report and Cost Certification, a Project Owner's attorney's opinion, in the form required by MFA, and any other documentation required by MFA ("10% test.")
   b. The Applicant must deliver evidence acceptable to MFA that construction of the Project has begun. This will include, at a minimum, building permits and site photographs.
   c. The Applicant must deliver an executed partnership agreement.
   d. If federal historic tax credits are included in the financing structure of the Project, evidence of National Park Service approval of the Project's historic certification – part 2 must be submitted.
   e. The Applicant must deliver evidence that the Project Owner has taken ownership of the land and, if applicable, depreciable real property, that is expected to be part of the Project. For tribal Projects, this would include fully executed master and sub-lease agreements with evidence of filing with the Bureau of Indian Affairs.

7. **At or around the 50% construction completion mark**
The Applicant must organize a meeting with MFA staff (both Asset Management and Housing Development departments). The Developer, owner, nonprofit representative, management company staff, and any service providers involved in the Project must be in attendance. This meeting will be required ahead of lease-up. The MOU required under Section III.E.8 above will be required for this meeting, as applicable.

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

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

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

a. **Cost Certification**. Two Cost Certifications are required to be prepared as follows: (i) a Project Cost Certification prepared by a CPA and executed by both the Project Owner and CPA preparing the report, with a minimum of 20% of costs tested, and (ii) a Project Cost Certification prepared and executed by the general contractor if the project is not utilizing a stipulated sum contract. The CPA-prepared Cost Certification must be delivered by the Project Owner prior to the issuance of IRS Form 8609 certifications; the general contractor-prepared Cost Certification (if applicable) may be held in escrow by the project or general contractor, but would be required for audit purposes, as outlined in Section II.S.
b. **Architect's certification**. A certification from the Project architect with required text as set forth in the Final Allocation package, certified by the Project Owner, that the Project has been built in conformance with the Design Standards, all applicable codes and commitments made in the Initial Application regarding design and building, unless otherwise approved in writing by MFA.
c. **Project Owner's attorney's opinion**. A Project Owner's attorney opinion submitted on the firm's letterhead with required text as set forth in the Application Package.
d. **Final contractor's application and certificate for payment, AIA doc. G702 or equivalent**. A fully executed copy indicating all ~~of~~ the hard Construction Costs for the Project must be submitted with the Final Allocation package.
e. **LURA**. Prior to December 31st of the year in which the buildings are Placed In Service, the Project Owner must submit an executed and recorded LURA, satisfactory to MFA in form and content.

9. **Design Review.** MFA must approve the final construction completion inspection described in Section IV.C.7. prior to 8609 issuance.

10. **Other Project Owner responsibilities and elections**. The Project Owner must place the buildings in service and claim tax credits within certain time periods. Project Owner must forward written notice and copies of all Certificates of Occupancy (for new construction) or Certificates of Substantial Completion (for rehabilitation) to the tax credit program manager within 30 days of

issuance, to ensure that all necessary administrative actions are taken in a timely manner. Otherwise, tax credits may not be able to be claimed as desired.

11. **LURA or Extended Use Agreement**. Section 42(h)(6) of the Code requires imposition of "an extended low-income housing commitment." MFA complies with this requirement with a LURA filed at the time of placement in service or Final Allocation. The LURA sets forth, as covenants running with the land for a minimum of 30 years (or longer if Project Owner commits to a longer restriction period), the compliance fees, the low-income set-asides, the percentages of median income to be served, the Special Housing Needs to be served, if any, and any other such commitment made in the Initial Application or that may be imposed through this QAP and the Code. The LURA may not be terminated prior to its term for any reason other than foreclosure or an instrument in lieu of foreclosure and the Project Owner will not have the right to require MFA to present a "Qualified Contract" in accordance with Code Section 42(h)(6). The Project Owner will also have to deliver subordination agreements from all lenders, giving lien priority to the tax credit restrictions.

H. Termination of Reservations or Rejection of Applications

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

1. Loss of site control or site change

2. Submission of any false or fraudulent information in the Application or in other submissions

3. Failure to meet the conditions of Section IV.B and IV.G above or in the Reservation Letter

4. Subsequent regulations issued by U.S. Department of Treasury or the IRS pertaining to the Code

5. Failure to promptly notify MFA of any material or adverse changes in the facts of the original Application pursuant to **Section IV.I** below

6. Instances of non-compliance continuing beyond the specified cure period on Applicant's or Principal's other Projects

7. Any other change which would alter the original scoring of the Application or which was not approved in advance by MFA

8. Debarment from HUD, MFA or other federal programs, bankruptcy, criminal indictments or convictions, poor performance on prior MFA or HUD-financed Projects (including but not limited to late payments within the 18 month period prior to the Application Deadline, misuse of

reserves and/or other Project funds, default, fair housing violations, non-compliance [e.g. with the terms of LURAs on other Projects,] failure to meet development deadlines or documentation requirements) on the part of any development team member or Project Owner or Principal

9. Change in the federal Set-aside Election or other set-aside proposed in the Initial Application, subsequent to the Application Deadline

I. Notification to MFA of Changes to the Project

It is Applicant's responsibility to notify MFA immediately, in writing, of any changes to the Project subsequent to submission of an Application, including the changes listed below and any other material changes, by requesting MFA's approval of such changes. Failure to notify MFA may result in the rejection of an Application or loss of a Reservation or tax credit allocation. Approval of such changes will be made in MFA's sole discretion and the change may result in a change in the tax credit amount or other action by MFA. A $500 fee payment is required at the time of the request for approval of any changes in accordance with Section IV.B. In addition to this fee Applicant agrees it shall pay MFA any legal fees it may incur in processing the request. Applicants/Project Owners will not be allowed to make changes to a Project that would result in a change to any of the specific items for which points were awarded, unless extraordinary and well-documented circumstances would warrant it, and changes must be approved by MFA. Any such change(s) to a Project that would require a re-scoring or re-evaluation which causes the Project's score to fall below its original score may cause the LIHTC allocation to be rescinded in the case of 9% Projects or never issued in the case of 4% Projects.

Examples of changes of which MFA must be notified:

1. Site control or rights of way are lost;

2. Project costs change in excess of 5% of the Total Development Cost shown in the Carryover Allocation Application Package (for 9% Projects) or subsequent to Initial Application submission (for 4% Projects);

3. Applicant obtains additional subsidies or financing other than those disclosed in the Carryover Allocation Application Package; or loses subsidies or financing included in the Carryover Application Package, and/or the amount of any such financing or subsidy changes by greater than or equal to 10% from the amount shown in the Carryover Allocation Application Package (for 9% Projects) or subsequent to Initial Application submission (for 4% Projects);

4. Development cost contributions made by a state, local or tribal governmental entity are reduced, increased, withdrawn or substituted with other types of contributions than the ones originally proposed in the Application;

5. The syndication payment timing and/or net proceeds change from those stated in the Carryover Allocation Application Package (for 9% Projects) or subsequent to Initial Application submission (for 4% Projects);

6. The parties [other than the limited partner(s) formation] involved in the ownership entity as represented in the Application change;

7. Changes to Project design, unit design, square footage, unit mix, number of Units, number of buildings changes, amenities, parking quantities, landscaping scope, energy performance, water usage, quality of construction or specification;

8. A change in any enrichment service provider and/or change in type of enrichment service to be provided;

9. The general contractor or other member of the original development team changes;

10. Any fire or other natural disaster occurring at or near the Project site; or

11. Any other factor deemed material by MFA in its reasonable judgment.

J. Notice Provisions

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

K. Applications are Public Records

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

L. Attorney Fees

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

V. Cost Certification

A. Applicability of Cost Certification

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

B. Requirements

The Form 8609 Cost Certification must meet the following requirements:

1. The CPA preparing the Cost Certification must certify that all costs are related to the Project's development and do not include costs for organization, syndication, professional or consultant fees related to syndication. The CPA shall "test" a minimum of 20% of all costs listed therein. Both the CPA and Project Owner must execute the Cost Certification. In addition, a Cost Certification is required to be prepared and executed by the general contractor if the project is not utilizing a stipulated sum contract. Each Cost Certification must specifically identify those costs listed in any general or "Other" category. The general contractor Cost Certification (if

applicable) may be held in escrow by the project or general contractor but must be produced in the event of an audit as outlined in Section II.S.

2. All fees, including the developer fee, paid to the Project Owner or Developer or to an entity with an Identity of Interest with the Project Owner or Developer, must be clearly identified. If all or a portion of the developer fee is deferred, copies of the promissory note or other substantiation of the validity of the fee must be reviewed.

3. If the land is purchased from a related party, the Project Owner must submit an appraisal to substantiate fair market value, which appraisal must include a determination of value based upon any land use restrictions per HUD or other entity, including MFA.

4. Legal fees related to land acquisition must be clearly identified.

5. Interest expense related to land must be clearly identified.

6. The sources of all funding including loans, tax credit proceeds, Project Owner/Developer equity and all other sources must be certified.

C. Authority to Determine Maximum Qualified Basis

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

VI. Processing of Tax-Exempt Bond Financed Project Applications

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

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

Requests for these determinations (Applications) must be made by the Project's Developer/sponsor ~~no more than 60 calendar days after an award of bond volume cap is made by the State Board of Finance and no less than 60 calendar days prior to the anticipated bond issuance date~~at least 60 days prior to submission to the State Board of Finance for bond volume cap. Requests must include an Application fee and Direct Cost Deposit as listed in Section IV.B., a market study, ~~a deposit toward the cost of design reviews, the development Project Application form with needed schedules, the Attachments Checklist~~a completed 2023 Universal Rental Development Application and Schedules with all attachments and any other material specified by MFA. The market study must meet all of the requirements identified within the Market Study Parameters in MFA's determination and be dated no more than 180 calendar days prior to the date on which a Complete Application is received by MFA. (See Section III.C.4 for more information about Market Study requirements.) Prior to the release of the Letter of Determination by MFA staff, a processing fee in the amount of 7.75% of the approved annual credit amount will be due. MFA's initial response to the Application for 4% tax credits will be provided no later than 60 business days subsequent to receipt of the Complete Application by MFA.

In addition to the full Application requirements of 9% Projects, the required Project Narrative must also include the description of the characteristics of the Project in terms of the tax-exempt bond issuance. A failure to provide any of the information required herein will result in a determination, in MFA's sole discretion, that the Project Application is incomplete. You may provide additional documentation that supports this narrative. Each supporting document should include a brief description of what is contained in the document and the purpose for which it is being submitted. This expanded document shall also address the following:

a. The current use and condition of the proposed site;

b. The amount of requested Volume Cap. Provide explanation of and support for the amount requested;

c. Evidence of qualification under the relevant bond financing sections of the Code;

d. Describe in detail the bond financing structure;

    1. Identify if there will be more than one series of bonds;

    2. Will the bonds be used in construction only or be used in permanent financing;

    3. Bond terms including any source used to pay back the bonds;

4. All entities involved in the financing, e.g., rating agencies, bond insurer, letter of credit bank, credit enhancement entity;

e. Evidence and support of adequate market for the Units and explanation of why the housing needs of households eligible to live in the proposed Project are not being met by existing multifamily housing;

f. Conditions to be satisfied prior to bond issue, e.g., all governmental approvals, real estate conditions;

g. Statement indicating why the public purpose of the bonds could not be as economically or effectively served without an allocation of bond cap;

h. Other information regarding the economic benefits of the Project to the Project's community and the State of New Mexico;

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

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

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

1. **Percent of total sources limit**. The private activity bond volume cap allocation by the State Board of Finance must not exceed 75% of the Project's Total Development Cost.

2. **Costs of issuance limit**. Costs of issuance may not exceed 5% of the bond issue for Projects with total financing sources of $2,000,000 or more and 7% for Projects with total financing sources of less than $2,000,000.

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

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

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

VIII. Future Year's Binding Commitments

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

IX. Disaster Relief Allocations

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

X. MFA Tax Credit Monitoring and Compliance Plan Summary

A. General Requirements

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

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

B. Inspections

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

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

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

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

C. Recordkeeping and Record Retention

Under the provisions of the tax credits, the Project Owner will be required to keep records as defined below for each building within a particular Project. These records must be retained by the Project Owner for a minimum of six years beyond the Project Owner's income tax filing date for that year. However, first-year Project records must be maintained for six years beyond the tax filing date of the final year of the Project's eligibility for tax credits. The Project Owner must report to MFA, through MFA's Web

Compliance Management System (WCMS), annual audited property financial statements within 120 days of the close of the Project's fiscal year, as well as annual operating budgets. On a monthly basis, the Project Owner must provide tenant income certifications and property vacancy data using the WCMS online system. In addition, the Project Owner must maintain records for each qualified low-income building in the Project showing:

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

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

D. Annual Certification Review

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

1. The Project meets the minimum requirements of the set-aside election

2. There has been no change in the Applicable Fraction

3. An annual low-income certification has been received from each low-income tenant and documentation is available to support that certification

4. Each low-income Unit is rent restricted under the Code

5. Subject to the income restrictions on the Project, all Units in the Project are for use by the general public and are used on a non-transient basis

6. There has been no finding of discrimination under the Fair Housing Act

7. Each building within the Project is suitable for occupancy taking into account local health, safety and building codes

8. There has been no change in any building's Eligible Basis under the Code or if there has been a change, adequate explanation of the nature of the change has been given

9. All tenant facilities included in the Eligible Basis of any building in the Project are provided on a comparable basis, without a separate fee, to all tenants in the building

10. If a low-income Unit in the Project becomes vacant during the year, reasonable attempts are made to rent the Unit to tenants having a qualifying income and while the Unit is vacant, no Units of comparable or smaller size are rented to tenants not having a qualifying income

11. If the income of Low-income Tenants of Units increases above 140% of the applicable income limit allowed in the Code, the next available Unit of comparable or smaller size will be leased to tenants having qualifying income.

12. Project Owner has not refused to lease a Unit to an Applicant based exclusively on their status as a holder of a Section 8 voucher and the Project otherwise meets the provisions outlined in the extended low-income housing commitment

13. If the Project Owner received its tax credit allocation from the state ceiling set-aside for Projects involving "Qualified Nonprofit Organizations," the nonprofit entity materially participated in the operation of the development

14. There has been no change in ownership or management of the Project that was not approved in advance by MFA

15. The Project Owner has obtained accurate, allowable, current utility allowances for use in the calculation of rents for the Project and acknowledges this to be an annual requirement for the duration for the Compliance Period

16. For the preceding 12 months the Project Owner has complied with Section 42(h)(6)(E)(ii)(I) of the Code that an existing tenant of a low-income Unit has not been evicted or had their tenancies terminated for anything other than good cause

17. The Project Owner has complied with Section 42(h)(6)(E)(ii)(II) of the Code and not increased the gross rent above the maximum allowed under the Code with respect to any low-income Unit.

18. The Project has complied with the Violence Against Women Act (VAWA), which provides protections for residents and Applicants who are victims of domestic violence, dating violence or stalking, and any other situation or incidence mandated by VAWA. Compliance requirements mandated by VAWA include, but are not limited to, honoring civil protection orders, eviction protection and bifurcation of lease when necessary.

~~19. Changes in Ownership or Management, if any~~

~~20. The building identification number, first year of Credit Period and Applicable Fraction of each building.~~

~~21.~~19. The owner has received an annual Student Self Certification for each low-income household.

~~22.~~20. The owner continues to comply with all terms it agreed to in its Application for Credit authority, including all federal and state-level program requirements and any commitments for which it received points or other preferential treatment in its Application.

21. The property has not suffered a casualty loss resulting in the current displacement of residents.

22. If applicable, the property has completed the annual service coordination requirements per the LURA including on site office hours, providing coordinated services and conducting an annual survey. If yes, include the number of hours and the number of residents served with coordinated services in the next section.

23. The property has completed PSH Commitment to Quality checklist for every Permanent Supportive Housing for each qualified household if applicable.

24. The property has provided all required service enrichments according to the schedule listed in the LURA if applicable.

~~23.~~25. The property is in compliance with the Smoke Free at Home Program.

24. ~~There have not been any changes to the ownership entities (General Partner/Limited Partner) in the last year that were not approved by MFA~~ The building identification number, first year of Credit Period and Applicable Fraction of each building.

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

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

Projects which are 100% allowable for tax credit purposes (i.e., all Units are income and rent restricted at 60% of AMI or lower or 80% of AMI or lower with an average income of 60% AMI or lower for Average Income Projects) and that have no other financing requiring annual income re-certifications may also be exempt pursuant to HR 3221. Project Owners must furnish MFA certifications annually, verifying that Projects are in compliance with the Code, as well as any other data that MFA may require per our monitoring and compliance guidelines.

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

E. Compliance Review

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

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

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

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

In order to offset the cost of monitoring procedures, an annual fee will be assessed for each year through the end of the Extended Use Period. For ~~2022~~2023, the monitoring/compliance fee is $50.00/set-aside Unit/per year. The monitoring/compliance fee can be paid annually, on or before January 31,or in a lump sum to cover the initial 15 years of the Compliance Period. If paid in a lump sum, the amount will be determined in the year the development receives a Final Allocation. Payment of the lump sum amount will be required prior to issuance of Forms 8609 for each Project. For ~~2022~~2023, the amount of the Compliance Monitoring fee for the remainder of the contractual Extended Use Period will be $20.00/set-aside Unit/per year beginning in year 16. Annual certifications and reports are due in the MFA office by March 31st of each year (for the past reporting year.) Annual compliance reports are due by March 31st of each year, through MFA's WCMS online compliance system for the full term of the Extended Use Period. Annual audited property financial statements are due in the MFA office within 120 days of the property's fiscal year end. A notice will be mailed to each Project Owner or a designated representative to remind them that the certification, reports and fees are due.

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XI. GLOSSARY

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

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

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

Agency - New Mexico Mortgage Finance Authority (MFA).

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

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

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

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

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

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

Application - the completed forms, schedules, checklists, exhibits uploaded to MFA's file sharing site: https://mfa.internal.housingnm.org/FileTransferHD/ any additional documentation requested in the

Initial Application Package, Carryover Allocation package and Final Allocation package, as well as any supplemental materials requested by MFA. They must be submitted to MFA in accordance with the QAP in order to apply for the Tax Credit Program.

Application Deadline - 4 p.m. Mountain Standard Time on the final day of the Application Period, except for tax-exempt bond financed Projects, for which the submission date is specified in Section VI.

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

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

Area Median Income (AMI)– the median income level, issued annually by HUD for each metropolitan area and for each county outside a metropolitan area, which is adjusted for household size and used to calculate maximum income of eligible persons and rents for Rent Restricted Units. As of July 30, 2008, any Project located in a rural area (as defined in Section 520 of the Housing Act of 1949) shall have income limitations measured by the greater of the HUD median income or the national non-metropolitan median income.

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

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

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

Board of Directors (Board) – MFA's Board of Directors.

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

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

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

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

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

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

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

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

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

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

Compliance Period – with respect to any building that is included in the LIHTC Project, a minimum period of 15 years beginning on the first day of the first taxable year of the tax Credit Period with respect thereto in which a LIHTC Project shall continue to maintain the low-income Units as low-income

Units pursuant to Applicant's Set-aside Election in the Application, pursuant to the Code. Compliance Period plus Extended Use Period equals Affordability Period.

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

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

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

Contact Person – a person identified in the Initial Application with decision-making authority for the Applicant, Developer or the Project Owner, with whom MFA will correspond concerning the Application and for the Project.

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

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

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

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

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

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

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

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

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

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

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

Extended Use Period – with respect to any building that is included in a LIHTC Project, the period of affordability **following** the initial 15-year Compliance Period during which time the Project continues to be restricted to affordable low-income housing. The minimum Extended Use Period required by Code is fifteen years. Compliance Period plus Extended Use Period equals Affordability Period.

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

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

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

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

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

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

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

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

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

Hard Construction Costs - calculated as the sum of costs for existing structures, site work, rehab and/or new construction, and hard cost contingency, as related to the housing components of the development only. This figure excludes land costs. The costs considered for calculating these points will not include any costs related to commercial or retail space. (All costs reflected on Schedule D in the Application.)

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

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

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

Households with Children – households that include one or more persons under the age of 18 years.

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

1. Has a physical or mental impairment that substantially limits one or more major life activities; has a record of such impairment; or is regarded as having such impairment. In general, a physical or mental impairment includes hearing, mobility and visual impairments, chronic alcoholism, chronic mental illness, AIDS, AIDS Related Complex, and developmental disability that substantially limits

one or more major life activities. Major life activities include walking, talking, hearing, seeing, breathing, learning, performing manual tasks, and caring for oneself.

2. Households or individuals experiencing homelessness (see definition above).

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

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

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

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

Letter of Determination – the letter issued by MFA pursuant to Section 42(m)(1)(D) of the Code advising the Project Owner that MFA has made the determination that a tax-exempt bond financed Project satisfies the requirements for an allocation of tax credits under the QAP conditioned upon Project compliance with the Code.

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

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

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

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

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

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

Management Units -

Employee/Exempt Unit

The general-public-use requirement of § 1.42-9 does not apply in the case of units for resident managers, maintenance personnel or courtesy officers (Exempt Units) in a qualified low- income building because the units are not residential rental units but facilities reasonably required for the project.

Based upon the above facts and representations, the IRS has ruled as follows: The adjusted basis of

the unit occupied by resident managers, maintenance personnel or courtesy officers is included in the eligible basis of the building under section 42(d)(1), but the unit is excluded from the applicable fraction of the building under section 42(c)(1)(B). Further, the inclusion of the adjusted basis of the unit occupied by resident managers, maintenance personnel or courtesy officers in eligible basis will not be affected by a later conversion of that unit into a residential rental unit.

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

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

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

(1) African Americans. Persons having origins in any of the African racial groups of Africa.

(2) Hispanic Americans. All persons of Mexican, Puerto Rican, Cuban, South or Central American, Caribbean and other Spanish or Portuguese culture or origin.

(3) Native Americans. Persons having origins in any of the original peoples of North America or the Hawaiian Islands, in particular, American Indians, Eskimos, Aleuts and Native Hawaiians.

(4) Asian-Pacific Americans. Persons having origins in Japan, China, the Philippines, Vietnam, Korea, Samoa, Guam, the U.S. Trust Territories of the Pacific, Northern Marianas, Laos, Cambodia, Taiwan and India.

Moderate Rehabilitation – repairs, replacements and improvements that do not fall into Substantial Rehabilitation as defined herein or where the work is limited to level two (2) alterations (as described by

Enterprise Green Communities Criteria.) Level two alterations include the reconfiguration of space, the addition or elimination of any door or window, the reconfiguration or extension of any system, does not include the replacement of two or more major systems or the installation of any additional equipment. A Project where the work area does not exceed 50% of the aggregate area of the building (the work scope is less than an ICC level three alteration.)

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

~~**November 15th** – November 15th, unless this date falls on the weekend or a holiday, in which case it means the first business day following November 15th.~~

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

Principal – an Applicant, any General Partner of an Applicant, and any officer, director, board member or any shareholder, General Partner, managing member or affiliate of an Applicant. It also includes any entity receiving any part of a developer fee for a Project. For Project compliance purposes (**Section IV.C.8**), Principal would include shareholders with interests of 25% or more, all officers of a corporation (whether board members or employees), all General Partners or members.

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

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

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

Qualified Allocation Plan or **QAP** – this Qualified Allocation Plan, which was adopted by Board action on October ~~20~~19, ~~2021~~ 2022 and made effective as of December 1, ~~2021~~2022, which was approved by the Governor of the state of New Mexico pursuant to Section 42(m)(1)(B) of the Code and sets forth the Project Selection Criteria and the preferences for Projects which will receive tax credits.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

XII. List of Appendices

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

- 2023 MFA Universal Rental Development Application
- 2023 MFA Universal Rental Development Schedules A – F
- 2023 MFA Underwriting Supplement
- 2023 MFA Design Standards
- 2023 MFA Design Standards – Supplement A – NHTF Requirements
- 2023 Market Study Parameters
- 2023 Bond Checklist
- 2023 Carryover Allocation & 10% Test Instructions & Checklist
    - Assignment of Building Identification Numbers
    - Architect's Certification
    - Option to Lock Applicable Credit Percentage (Section 42(b) of the Code)
    - Ten Percent Letter (Independent Accountant's Report)
    - Form of Owner's Attorney's Opinion
    - Exhibit A to Independent Auditor's Report
- MFA Compliance Addendum
- Service Coordination Checklist of Responsibilities
- 2023 Placed In Service and Final Allocation Instructions & Checklist
    - Schedule M Addendum to Application
    - Form A Instructions
    - Form A – Final Certification of Uses
    - Form B – Independent Accountant's Report
    - Form C1 – Owner's Cost Certification
    - Form C2 – General Contractor's Cost Certification
    - 2023 MFA form of Attorney Opinion
    - 2023 Form 8609 Certification
    - 2023 As-Built Architect Certification
    - 2023 Lender's Consent and Agreement to Recording of and Subordination to Land Use Restriction Agreement
    - 2023 Project Ownership Profile
    - 2023 Sample LIHTC LURA
    - 2023 Sample Equity Certification Letter
- Low-Income Housing Tax Credit Compliance Plan, December 2021 as may be amended
- Annual Owners Certification, December 2021 as may be amended

Exhibit 1

Board Members
Chair – Angel Reyes – Centinel Bank in Taos
Vice Chair – Derek Valdo – Chief Executive Officer, AMERIND Risk
Treasurer – Rebecca Wurzburger – Strategic Planning Consultant
Member - Howie Morales - Lieutenant Governor, state of New Mexico
Member - Hector Balderas – Attorney General, state of New Mexico
Member -Tim Eichenberg – Treasurer, state of New Mexico
Member – ~~Rosalyn Nguyen Chafey~~Patricia A. Sullivan – ~~Attorney, Presbyterian Healthcare Services~~Associate Dean, New Mexico State University

Allocation Review Committee
Chair, ~~Rosalyn Nguyen Chafey~~ Patricia A. Sullivan
Member, Michael A. D'Antonio
Member, Lyle Greenberg
Member, ~~Patricia A. Sullivan~~Rosalyn Nguyen Chafey
Member, Robert White
Member, Nicole L. Martinez
Member, Adelmo (Del) Archuleta

Management
Isidoro "Izzy" Hernandez, Executive Director and Chief Executive Officer
Donna Maestas-De Vries, Chief Housing Officer
Jeff Payne, Chief Lending Officer
~~Stephanie Yara~~Lizzy Ratnaraj, Chief Financial Officer
George Maestas, Director of Housing Development
Kathryn Turner , Assistant Director of Housing Development
Jeanne Redondo, Tax Credit Program Manager
Christi Wheelock, Tax Credit Analyst

STATE OF NEW MEXICO

LOW-INCOME HOUSING TAX CREDIT PROGRAM

QUALIFIED ALLOCATION PLAN

Effective as of December 1, 2022

NEW MEXICO MORTGAGE FINANCE AUTHORITY

Approved by Board of Directors on October 19, 2022
Approved by the Honorable Governor Michelle Lujan Grisham on October 21, 2022

TABLE OF CONTENTS

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I. Background and Purpose of the Qualified Allocation Plan

A. General

This "Allocation Plan" constitutes the "Qualified Allocation Plan" (QAP) for the state of New Mexico and is intended to comply with the requirements set forth in Section 42 of the Internal Revenue Code of 1986[1], as amended, including all applicable rules and regulations promulgated thereunder (collectively, the "Code"). This Allocation Plan applies to all allocations of Low Income Housing Tax Credits pursuant to the Code (hereinafter LIHTC, credits or tax credits) and multifamily private activity tax-exempt bonds made for QAP year 2023.

The LIHTC program was created in the Tax Reform Act of 1986 as an incentive for individuals and corporations to invest in the construction or rehabilitation of low income housing. The tax credit provides the investor a dollar-for-dollar reduction in personal or corporate federal income tax liability for a 10-year period for Projects[2] meeting the Program's requirements.

B. Role of MFA

New Mexico Mortgage Finance Authority (MFA) is the Housing Credit Agency (HCA) for the state of New Mexico, responsible for administering the Tax Credit Program and allocating tax credits to eligible New Mexico Projects. Accordingly, MFA awards tax credits to Projects meeting its Project selection criteria, including an annual population allocation, any subsequent carry-forward, returned credits and national pool credits. MFA monitors existing Projects for compliance with the Code; however, MFA does not make any representation to any party concerning compliance with the Code, U.S. Department of Treasury ("Treasury") regulations[3] or other laws or regulations governing LIHTC. Neither MFA, nor its agents or employees will be liable for any matters arising out of or in relation to, the allocation of LIHTC. All organizations and individuals intending to utilize the LIHTC program should consult their own tax advisors concerning the application of tax credits to their Projects and the effect of tax credits on their federal income taxes.

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

> The legislature hereby finds and declares that there exists in the state of New Mexico a serious shortage of decent, safe and sanitary residential housing available at prices and rentals within the financial means of persons and families of low income. This shortage is

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

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

[3] Treas. Reg. 26 CFR § 1.42.

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

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

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

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

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

In addition, MFA may cancel or modify the provisions of this QAP at any time and may reject any or all Applications submitted under this QAP and re-issue the QAP. If MFA rejects any or all Applications submitted under this QAP and re-issues the QAP, all costs incurred by Applicants in the preparation, transmittal or presentation of any Application or materials submitted in response to this QAP shall again be borne solely by Applicants.

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

REGULATIONS IN ALL RESPECTS. FAILURE BY ANY APPLICANT TO DEMONSTRATE THAT THE PROPOSED PROJECT SHALL COMPLY WITH THE CODE AND ALL ASSOCIATED REGULATIONS SHALL RESULT IN THE REJECTION OF THE APPLICATION AND PROJECT.

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

1. Sets forth Project Selection Criteria to be used to determine housing priorities of the HCA, which are appropriate to local conditions. These criteria must consider project location, housing needs characteristics, project characteristics, sponsor characteristics, public housing waiting lists, tenants with Special Housing Needs including individuals with children, energy efficiency standards, historic character and projects intended for eventual tenant ownership.

2. Gives preference in allocating housing credit dollar amounts among selected Projects to those which:
   a. Serve the lowest income tenants;
   b. Serve qualified tenants for extended periods of time; and
   c. Are located in Qualified Census Tracts (QCTs) and the development of which contributes to a Concerted Community Revitalization Plan.

3. Provides a procedure that the Agency will use in monitoring for noncompliance.

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

C. Public Hearings

Following public notice, a draft QAP was made available to the public for comment for a period of 21 days (beginning August 16, 2022 and continuing through September 6, 2022, and extended through September 16, 2022), during which time two public hearings were held on August 31, 2022, and September 16, 2022. MFA accepted written comments during this 21-day comment period, as extended, and considered comments presented at the public hearing, prior to completion of the plan.

II. Low Income Housing Tax Credit Program Summary

A. General

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

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

B. Amount of Competitive Tax Credit Available Statewide

The state of New Mexico, for the calendar year 2023, will receive a population-based 9% tax credit allocation equal to $2.60 per resident. The current year's population estimates, as provided by the Internal Revenue Service (IRS) and the estimated Annual credit ceiling, including any carry-forward, returned or national pool credits received by the state, may be found on MFA's website: http://housingnm.org/developers/low-income-housing-tax-credits-lihtc.

C. Allocation to New Construction and Rehabilitation Projects

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

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

D. Nonprofit Allocation Set-aside

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

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

E. Minimum Apartment Unit Set-Asides

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

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

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

3. Average Income (AI) election: This election under the Code was authorized by the Consolidated Appropriations Act of 2018. This election allows the Project to serve households up to 80% AMI as long as at least 40% of the total Units are rent and income restricted and the average income limit for all tax credit Units in the Project is at or below 60% AMI. The following applies for this election:
    a. Income and rent limits **must be in ten percent increments,** and may include 20% AMI, 30% AMI, 40% AMI, 50% AMI, 60% AMI, 70% AMI, or 80% AMI.

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

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

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

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

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

F. Rent and Income Restrictions

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

G. General Public Use

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

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

Units set-aside for Project employees i.e. property managers, maintenance staff, etc. Management Units are not considered residential Units, even if rent is collected on the Unit, but as facilities "reasonably required" for the Project and should not be included in the Applicable Fraction as low-income residential space. These Management Units should be described in the narrative but will not be indicated on the application. Management Units must be approved by the MFA Asset Management Department for exemption. (see Glossary, Management Units)

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

H. Eligible Projects

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

I. Scattered-site Projects

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

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

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

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

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

In the event a Project consists of an equal number of new construction/Adaptive reuse Units and an equal number of Units to be rehabilitated, then Applicant shall specifically state in their Application which track/category to place its Project for scoring purposes. Note: an Applicant may choose to place its combined new construction/rehabilitation Project in the rehabilitation track even if the Project fails to satisfy the provisions of Project Selection Criterion No. 3 and is awarded no points pursuant to that criterion. In the event Applicant fails to specify which scoring track/category they desire to place their Project, MFA will make this determination based on the information available, which shall be final and not subject to review.

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

Applications for combined rehabilitation and new construction Projects must adhere to the *MFA 2023 Mandatory Design Standards for Multifamily Rental Housing* (Design Standards) for both rehabilitated and newly constructed Units as they pertain to each Unit type. The cost limits will be applied based on the category chosen. For example, if the Project has 51% or more newly constructed Units, it will be held to the new Construction Cost limits provided in Section IV.C.2.

For all rehabilitation Projects, Applicants must also submit an accurate, detailed and concise description of the work to be performed by the contractor, the Applicant and any third parties relating to the rehabilitation of the Project. Referred to as the Scope of Work, this submission must identify the work to be performed including any demolition. See MFA 2023 Mandatory Design Standards for Multifamily Housing for more detailed discussion of Scope of Work requirements.

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

1. Describe the following:

    a. Proposed rehabilitation plans, including a detailed discussion of whether the Project constitutes a Moderate Rehabilitation or Substantial Rehabilitation, the major building systems to be replaced and/or improved, whether the work area exceeds 50% of the aggregate area of the building, and how the proposed rehabilitation plans are consistent or inconsistent with the Scope of Work and/or Capital needs assessment (“CNA”). (See below for CNA requirements.)

b. Any capital expenditures made to the Project over the past two (2) years and the nature of these capital expenditures.

c. Any past local, state or federal resources invested in the Project.

d. Any obvious design flaws, obsolescence issues or safety issues.

e. Any significant events that have led to the current need for rehabilitation, e.g. fire, natural disaster or any other catastrophic event.

f. Why the Project is appropriate for rehabilitation and not demolition;

g. The physical aspects of the existing building(s), including, but not limited to, structural conditions;

h. Any relocation issues;

i. Work performed, including the inclusion of any third party reports, to determine the reasonableness of a rehabilitation versus demolition; and

j. Preservation of affordability, including any existing federal rental assistance contracts, and the impact of a rehabilitation or demolition on this federal assistance.

2. Address the following:

   a. The anticipated date of site control and whether there is any identity of interest between or among any Principal of the seller and buyer.

   b. The Ten-Year Rule.

   c. Current financing on the property or Project which will be assumed or paid with LIHTC equity or an MFA-administered funding source. e.g. paid in full vs assumed and current terms.

   d. For 9% Projects claiming points available for Rehabilitation Projects under Section III.E.3 that were previously subsidized with either 9% or 4% tax credits, proof that more than 20 years has passed since the Project was Placed In Service. (Tax-exempt bond financed Projects are excluded from this requirement, as they are not scored.)

3. For Projects involving demolition, provide details of what the demolition entails. e.g. interior walls, debris removal, building envelope.

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

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

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

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

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

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

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

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

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

L. Compliance Monitoring

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

M. Eligible Basis According to Type of Activity

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

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

3. See Section IV.E.5. for further information and instruction on basis boosts for 9% and 4% projects.

N. Ten-Year Rule

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

O. Federal Grants and Federal Subsidy

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

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

P. Qualified Basis According to Type of Project

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

Q. Placed In Service Requirement

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

For 9% Projects, Section 42(h)(1)(E) of the Code allows for the allocation or Carryover Allocation of tax credits to a building that is part of a new construction or rehabilitation Project, with the limitations described in Section 42(h)(1)(E), if an Applicant's qualified expenditures or actual basis in the Project, as of the date which is one year after the date that the allocation was made, is more than 10% of the taxpayer's reasonable expected total basis in the Project as of the close of the second calendar year following the calendar year in which the allocation was made. MFA requires submission of a complete Carryover Allocation Application by November 15th[4] of the year in which the tax credit award was made and evidence of the expenditure of more than 10% of the expected basis in the Project by August 31st[5] of the following year. A Cost Certification detailing the qualified expenditures or actual basis, that make up 10% of the reasonable expected basis and a description of Applicant's method of accounting must be prepared by a Certified Public Accountant (CPA) and submitted to MFA at that time. If the complete Carryover Allocation Application, the CPA's Cost certification, the Attorney's Opinion, in the form required by MFA, regarding the qualification of the Project for tax credits and any other required materials are not received by 5:00 p.m. Mountain Standard Time on the applicable dates noted herein, the Project's credit Reservation may be canceled. Section 42(h)(1)(E) further allows for a qualified building to be Placed In Service in either of the two calendar years following the calendar year in which the allocation is made.

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

R. Building Classification and Tax Credit Applicable Percentages

The tax credit's Applicable Credit Percentage (i.e., the "4%" or "9%" credits for which a Project is eligible) is determined by the type of project proposed, its use of Federal Subsidy or Federal Grants and

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

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

1. **New construction**. New construction Projects that are not financed by tax-exempt bonds are eligible for 9% credits. Projects financed with tax-exempt bonds are eligible for 4% credits only.

2. **Rehabilitation of an existing building**. To qualify for tax credits, rehabilitation expenditures includable in Qualified Basis must exceed the greater of 1) at least 20% of the Qualified Basis of the building being rehabilitated or 2) at least $6,000 per low income Unit being rehabilitated. For Projects Placed In Service after 2009, the $6,000 will be indexed for inflation. The minimum rehabilitation expenditures included in Qualified Basis for Projects Placed In Service in 2023 is $7,400 per Unit. Rehabilitation Projects that are not financed by tax-exempt bonds are eligible for 9% credits. Projects financed with tax-exempt bonds are eligible for 4% credits only.

3. **Acquisition/rehabilitation of an existing building**. The maximum Applicable Credit Percentage for acquisition of an existing building that will be subsequently rehabilitated is 4%. To qualify for tax credits for the acquisition, rehabilitation expenditures includable in the Qualified Basis must exceed the greater of 1) at least 20% of the Qualified Basis of the building being rehabilitated or 2) at least $6,000 per low income Unit being rehabilitated. For Projects Placed In Service after 2009, the $6,000 per low income Unit figure will be indexed for inflation. The minimum rehabilitation expenditures included in Qualified Basis for Projects Placed In Service in 2023 is $7,400 per Unit. Rehabilitation expenditures associated with acquisition of an existing building can qualify for the 9% tax credits as long as the rehabilitation expenditures are not funded with tax-exempt bonds. Projects financed with tax-exempt bonds are eligible for 4% credits only.

4. **Federal Grant financed Projects with reduction in Eligible Basis**. In the case of a Project financed with Federal Grants, whether a newly-constructed or rehabilitated building, the Project Owner shall exclude the amount of the Federal Grants from Eligible Basis.

S. Audit Requirements

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

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

T. Subsidy Layering Review

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

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

U. Hybrid 9%/4% Developments

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

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

III. Housing Priorities and Project Selection Criteria

A. Needs Analysis

This Allocation Plan is consistent with the needs analysis of the state of New Mexico Consolidated Plan for Housing and Community Development and 2022 Action Plan. Housing priorities stated in the Consolidated Plan include increasing the supply of decent, affordable rental housing, expanding housing opportunities and access for individuals with Special Needs, expanding the supply of housing and services to assist the homeless and preserving the state's existing affordable housing stock.

B. Housing Priorities

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

1. Levels of affordability in excess of the minimum requirements, through one or more of the following:
    a. Higher numbers of Set-aside Units; and/or
    b. Rents set to serve lower income tenants, for example, tenants earning no more than 40% or 30% of median income; and/or
    c. Affordability Periods longer than the 30-year minimum.
2. Provision of affordable housing to households on public housing waiting lists;
3. Maximizing leverage by obtaining other public or private non-equity program resources;

4. An equitable distribution of tax credits throughout all parts of the state where affordable housing is needed;
5. Provision of housing to serve documented Senior Households; Permanent Supportive units; and Tribal communities;
6. Nonprofit development;
7. Production of housing with high quality design and construction;
8. Production of Projects that are located in QCTs and which Projects contribute to the development of a Concerted Community Revitalization Plan;
9. Provision of housing that is energy efficient; and
10. Efficient use of scarce resources including tax credits, measured through lower Development Costs or other means.

C. Minimum Project Threshold Requirements

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

1. **Site control**.
   a. Site control for all of the property needed for the Project must be evidenced by:
      i. A fully executed and legally enforceable purchase contract or purchase option and**/or** a written governmental commitment to transfer or convey the property to the Applicant or Developer or Project Owner by deed or lease that demonstrates Applicant or Developer or Project Owner will possess a Qualified Leasehold Interest upon execution of the lease, (collectively termed a "transfer commitment"). If a transfer commitment is submitted, the commitment must provide for an initial term lasting at least until June 30 of the year in which the allocation is made ("initial term.") **This initial term must not be conditioned upon any extensions requiring seller consent, additional payments, financing approval, tax credit award or other such requirements**. Similarly, the transfer commitment must not require any additional actions on behalf of Applicant during the initial term which could allow the seller/lessor to terminate the transfer commitment if the action is not fulfilled by Applicant. If the transfer commitment requires an escrow payment or other deposit due and payable after signing, evidence that payment was received must be included in the Initial Application; or
      ii. A recorded deed or recorded lease demonstrating that Applicant possesses a Qualified Leasehold Interest.

b. Site control evidence and the Application materials must show exactly the same names, legal description and Acquisition Costs. (Exception: In the case of To Be Formed partnerships, the relationship between the parties must be shown.) All signatures, exhibits and amendments must be included to be considered complete.
c. For 9 percent projects, at 10% test submission (August 31 of the year following the Reservation), Project Owner must submit evidence that they have taken ownership of the land or depreciable real property or has executed a lease for the land (and buildings if applicable) with a term extending at least three years beyond that of any agreed upon Affordability Period. For tribal projects, this includes a fully executed Master lease and sublease with evidence of filing with the Bureau of Indian Affairs.

For 4 percent projects, proof of the above level of site control must be provided upon 8609 request if it had not been provided previously.

2. **Zoning**. Evidence that the current zoning of the proposed site(s) does not prohibit multifamily housing must be submitted. The evidence must indicate the specific address or location of the site, if no address has been assigned, for the proposed Project and be dated no more than six months prior to the Application Deadline. This requires that multifamily projects not be prohibited by the existing zoning of the proposed site and that there is no pending litigation, pending variance, or unexpired appeal process relating to the zoning of the proposed site. Projects sited on land which is not zoned or which is zoned agricultural, are exempt from this threshold test, but must obtain zoning approval and deliver evidence of it to MFA no later than November 15th of the year of the Reservation.

3. **Fees**. All fees owed to MFA for all Projects in which Principal(s) of the proposed Project participate must be current. Fees currently due and owing must be received by MFA by the date due.

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

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

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

If the Market Study as submitted is not sufficient, there may be an additional Market Study ordered by MFA. The cost of this MFA-ordered Market Study will be covered by the Applicant through the design deposit submitted at Application, with any overage billed to owner. It is MFA's sole discretion whether or not the Market Study is sufficient.

5. **Applicant eligibility**. All members of the development team (i.e., Developer, Project Owner, General Partner, contractor, management company, consultant(s), architect, attorney and accountant, etc.) of the proposed Project must be in good standing with MFA and all other state and federal affordable housing agencies. For example, debarment from HUD, MFA or other federal housing programs, bankruptcy, criminal indictments or convictions, poor performance on prior MFA or federally-financed Projects (for example, late payments within the 18-month period prior to the Application Deadline, misuse of reserves and/or other Project funds, default, fair housing violations, noncompliance (e.g., with the terms of LURAs on other Projects), or failure to meet development deadlines or documentation requirements) on the part of any proposed development team member or Project Owner or other Principal may result in rejection of an Application by MFA. In addition, MFA will consider a Principal's progress made with previous tax credit Reservations, including timeliness in delivering required documents and fees and meeting all required deadlines. All members of the development team (i.e., Developer, Project Owner, General Partner, contractor, management company, consultant(s), architect, attorney and accountant, etc.) are required to sign an affidavit affirming they have no related party relationships; or, that all related party relationships have been properly disclosed. The form of this affidavit can be found at Tab 1h of the 2023 Universal Rental Development Application on MFA's website. Additionally, a visual diagram of the relationship of the related parties must be submitted, if applicable.

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

7. **Pre-Application Requirements**.
    a. Intent to Submit-
        i. The entire Application Package is due on January 20, 2023. Before then, Applicants must submit an Intent to Submit a Tax Credit Application and Development Synopsis on or before December 20, 2022. This submission is a mandatory requirement for the 2023 competitive LIHTC Application round.

Information contained within the Intent to Submit will be posted on the MFA website following submission.

ii. All tax-exempt bond financed Projects are required to submit an Intent to Submit a Tax Credit Application and Development Synopsis at least 30 days prior to submitting their Application in order to insure timely processing to meet other bond issuance deadlines.

b. MFA allows all Applicants for the 2023 competitive LIHTC Application round to meet with MFA staff to discuss their Project (staff is not able to discuss scoring but is available to discuss underwriting issues and gap financing questions). Meetings must take place ahead of the FAQ closing date. All tax-exempt bond financed Projects are encouraged to meet with MFA staff at least 30 days prior to submission to review and discuss the proposed Project.

c. A representative of the development team (Board member, officer, director, commissioner or staff) must have attended the most recent MFA QAP training prior to submitting the Application. If the development team includes a qualified, nonprofit organization, NMHA, TDHE or THA, a member of that organization must have attended as well to claim points under Project Selection Criteria 1.

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

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

D. Allocation Set-asides

1. **Nonprofit set-aside**. Ten percent (10%) of the Annual Credit Ceiling for each calendar year will be reserved for Projects sponsored by Qualified Nonprofit Organizations as defined in Code Section 42(h)(5)(C). For purposes of this set-aside, only federal requirements identified in Code Section 42(h)(5) will apply. The aggregate amount of tax credits allocated by MFA to Qualified Nonprofit Organizations may exceed this amount.

2. **Underserved Populations set-aside.** Twenty percent (20%) of the Annual Credit Ceiling will be set aside for Underserved Populations as defined in this section. The Application must indicate the desire for the Project to participate in the Underserved Populations set-aside, otherwise the Project will compete within the general round. The Project's score must be within 20% of the highest scoring Project to be awarded tax credits through the ranking process in the same funding round. The aggregate amount of tax credits allocated by MFA to Projects meeting the set-aside requirement may exceed this amount. Any decision to award tax credits within the Underserved Populations set-aside lies solely within MFA's inherent discretion and is not subject

to further review. Awards under this set-aside may be made to the highest scoring Project(s) that falls in any of the following categories:

a. **Permanent Supportive Housing (PSH)** Projects that meet the following requirements:

   i. The Project must meet threshold requirements within the Households with Special Housing Needs Housing Priority and agree to provide voluntary Case Management Services to residents.*
   ii. All service coordination and budget requirements must be sufficient to provide proposed services to all PSH residents,
   iii. PSH Units have no time limits on occupancy,
   iv. PSH residents have the same rights and responsibilities as those occupying other low-income or market rate housing Units**,
   v. PSH residents must have individual leases with identical requirements and protections as other low-income or market rate residents,
   vi. PSH Units must cover 25% or more of the total Unit count, and
   vii. Project-Based Vouchers or other Federal operating subsidy must be in place or secured for 75% or more of the PSH Units in the Project.
   viii. The Application includes a preliminary Memorandum of Understanding (MOU) between the Project Owner and service provider(s) that describes the service provider's expertise to provide the proposed services (with a minimum of three years of experience providing that service to the targeted population), the planned description and delivery of services, and the staff capacity to provide ongoing case management.

   * Competing in the Underserved Populations set aside as a PSH Project does not automatically result in points in the Households with Special Housing Needs Priority scoring category. Services must be selected and all required scoring items met in order to receive points in that category.

   **All Projects will be required to submit a PSH Commitment to Quality checklist (Tab 15c of the 2023 MFA Universal Rental Development Application) with the Application and annually following the award.

b. **Tribal Projects.** Projects that are located within a Tribal Trust Lands boundary.

3. **Ranking to meet Allocation Set-asides**. The highest scoring, Qualified Nonprofit Organization Eligible Project will be funded first. If there are insufficient Qualified Nonprofit Organization Eligible Projects to meet the nonprofit set-aside, the unallocated nonprofit set-aside tax credits **cannot** be allocated to other Eligible Projects. A similar procedure will be used to meet the Underserved Populations set-aside, following the fulfillment of the nonprofit set-aside; however, if there are insufficient Underserved Populations Eligible Projects to meet the

Underserved Populations set-aside, any unallocated set-aside tax credits may be used for other Eligible Projects.

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

E. Project Selection Criteria to Implement Housing Priorities

The criteria shown below are the basis for the awarding of points to a particular proposed Project during the Application round(s) conducted by MFA. Applicants may not rely on prior submissions or prior scoring to support a re-submission of an Application. In addition to meeting the above mentioned threshold requirements, tax credit Reservations will not be awarded to 9% Projects achieving fewer than fifty-three (53) points unless too few Projects score above this level and MFA, in its reasonable judgment, decides to reduce the minimum score. Projects scoring fifty-three (53) or more points will be ranked according to their scores and in accordance with Section II.C. herein, subject to Allocation set-aside requirements. Reservations will be made to these Projects, unless they are eliminated under threshold review or subsequent processing, starting with the highest scoring Projects, all in accordance with Section II.C. herein, until all available tax credits are used. In order to avoid a concentration of tax credit awards in a particular year in any particular municipality, county or market area, MFA reserves the right, in its sole discretion and as a part of its subsequent processing, to eliminate a lower scoring Project which is located in the same municipality, county or market area as a higher scoring Project provided the lower scoring Project is "similar" in terms of construction type and/or resident population served.

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

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

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

Tax-exempt bond financed Projects will *no longer be required to meet a minimum score* to obtain a Letter of Determination. Tax-exempt bond financed Projects must meet and agree to all of the following mandatory criteria in order to be eligible for 4% non-competitive tax credits:

1. Serve a targeted population (Households with Special Housing Needs, Households with Children, or Projects Reserved for Seniors) and meet the applicable threshold requirements OR meet the requirements for the Underserved Populations set-aside, as described in Section III.D.
2. Achieve a Smoke-Free at Home Certification of Platinum or Gold;
3. Meet all of 2023 Design Requirements (including HERS ratings), unless granted a waiver;
4. Must be located within a 15-minute drive (as demonstrated through Google Maps) to a facility in which fresh produce is available;
5. Market Study must indicate a vacancy rate in the Primary Market Area of less than 10%;
6. Must market to local Public Housing Authorities;
7. Include a preference for Veterans in the Tenant Selection Criteria.

Project Selection Criterion

1. Nonprofit, New Mexico Housing Authority (NMHA), local Tribally Designated Housing Entity (TDHE), or Tribal Housing Authority (THA) Participation	**Tier 1: 5 points** **Tier 2: 3 points**

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

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

For any entity to claim points under this Project Selection Criterion, the qualified, nonprofit organization, NMHA, TDHE or THA must own at least 51% of the General Partner interest and be receiving a minimum of 10% of the developer fee as identified in the Project Application. The developer fee calculation is made before any reduction for consultant fees. When more than one entity is receiving a portion of the developer fee, documentation will be required evidencing the agreement among the entities as to the fee split arrangement. Also, the Application must include evidence that a representative of the qualified, nonprofit organization, NMHA, TDHE or THA (board member, officer, director, commissioner or staff) has attended the most recent MFA QAP training prior to submitting the Application.

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

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

2. Locational Efficiency Up to 6 points

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

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

<u>Proximity to Services</u> (2 Points)

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

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

Projects seeking to use **Rural / Tribal** Locational Efficiency criteria must provide a map indicating the location of the proposed Project. Rural Projects are defined as any Project outside of the defined Urban Areas as defined in the Glossary, Section XI. Initial Applications that do not include a map demonstrating eligibility for **Rural / Tribal** classification will be scored using the **General** Locational Efficiency criteria.

Retail	**Services**	**Civic and Community Facilities**

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

<u>**Access to Public Transportation**</u> **(2 or 4 Points)**

General and Rural / Tribal (2 points) Locate Project within a 0.5-mile walk distance of commuter bus (i.e. not Greyhound) or commuter rail stop. Public transportation must be established and provided on a fixed route with scheduled service. Alternative forms of transportation may be acceptable provided sufficient documentation is provided that establishes the alternate form of transportation is acceptable to MFA. For example, Projects on tribal land with established "on call" transportation programs that provide the users a choice of local destinations, regardless of their residency in the Project, shall be considered "public transportation." A future promise to provide service does not satisfy this Project Selection Criterion.

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

3. *Rehabilitation Projects* **Up to 5 Points**

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

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

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

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

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

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

MFA reserves the right to request additional information or documentation regarding the Scope of Work.

4. *Sustaining Affordability* **6, 8, 10 Points**

A. Projects which meet one of the criteria listed below are eligible for 10 points:

1. Previously subsidized existing Projects that are currently restricted, but for which use restrictions are to expire on or before December 31, 2027 or

2. Existing Projects that are currently subsidized and eligible for prepayment and termination of their use agreement or LIHTC projects that are eligible to make a Qualified Contract request or

3. Existing Projects that are at imminent risk of conversion to market rate or

4. Projects currently without federal rental assistance that will have a new federal rental assistance contract covering at least 75% of all Units.

B. Projects that have an existing federal rental assistance contract covering at least 75% of all Units (or those Projects utilizing a conversion of existing federal rental assistance) are eligible for eight points.

C. Projects that have or will have a federal rental assistance contract covering at least 20% of all Units are eligible for six points.

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

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

1. A copy of the PHA administrative plan which describes the selection procedures for owner submission of PBV and for PHA selection of PBV proposals
2. A copy of the published public notice of the PBV proposal selected
3. If the proposal selected is for PHA-owned units, a copy of the HUD field office or HUD-approved independent entity's determination that the PHA-owned units were appropriately selected
(If the proposal is selected based on a previous competitive award, MFA would require documentation that the proposal meets the criteria for selection without additional competition.)

5. Income Levels of Tenants	**12, 14 or 16 points**

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

A. For any Project located within an Urban Area that proposes to use either the 20-50 or 40-60 election under §42(g)(1)(A) or §42(g)(1)(B) of the Code, respectively:
• At least 40% of all low-income units at 50% or less of Area Median Income (16 points);
• At least 30% of all low-income units at 50% or less of Area Median Income (14 points); or
• At least 25% of all low-income units at 50% or less of Area Median Income (12 points).

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

C. For any Project located within an Urban Area that proposes to use the Average Income election under §42(g)(1)(C) of the Code:
• The Average Income for the proposed Project will be 54% or lower (16 points);
• The Average Income for the proposed Project will be 55% or lower (14 points); or
• The Average Income for the proposed Project will be 56% or lower (12 points).

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

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

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

6. Projects that Incorporate Market Rate Units	**2 Points**

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

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

7. *Projects Committed to a longer Extended Use Period*	**5 Points**

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

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

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

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

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

Part I: Threshold Requirements

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

A. Service Coordination-

1. A minimum of four hours per week of onsite Service Coordination provided by the service coordinator for properties up to 20 Units, with an additional one hour per week for every five Units over 20. Service coordinator must be in addition to the property manager and property management site staff. Duties of the service coordinator include, but are not limited to:
   a. Providing residents with information about available onsite and community services;
   b. Assisting residents in accessing available services through referral and advocacy;
   c. Arranging for access to transportation; and
   d. Organizing community-building and/or other enrichment events for residents (i.e. holiday events, resident counsel, etc.)
2. Adequate space to meet with residents that provides for confidential conversations and maintenance of secure records.
3. Access to telephone and internet services when meeting with residents for the purpose of coordinating services. Use of a smart phone and tablet is acceptable.
4. Meeting with residents requiring services within 60 days of move-in and semi-annually thereafter.
5. Provide follow up as needed to address resident's needs.

B. Coordinated Services-

1. Coordination of at least two services/programs to be offered on a monthly or quarterly basis, onsite, online, or in close proximity to the Project (within 0.5-mile ADA compliant walking distance or with free transportation provided.)

2. Services must be provided to residents at little or no cost. Services may not be provided by property management staff. In limited circumstances some services may be provided by the service coordinator. Appropriate services will do one or more of the following:
   a. Increase resident knowledge of and access to available services.
   b. Help residents maintain stability and avoid eviction.
   c. Build life skills.
   d. Increase household income and assets.
   e. Increase health and wellbeing.
   f. Improve educational success of children and youth.

3. **Examples** of services that meet the threshold requirement are listed below, but other services will be considered. One of the two services must be provided at least quarterly by qualified personnel.

   b. Literacy/language training;

   c. Personal safety (fire, identity theft, scams, drug awareness, self-defense, etc.);

   d. Financial fitness (budgeting, money management, credit counseling, entitlement assistance/benefits counseling, etc.);

   e. Income and asset building (job coaching, homebuyer education);

   f. Life skills (communication skills, conflict resolution/mediation training, training in personal hygiene, self-care and housekeeping, etc.).

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

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

C. <u>Marketing -</u>

1. Applicants shall provide a narrative explaining how Units will be marketed and made available to Households with Special Housing Needs. This plan shall describe the following:

   a. The manner in which all proposed marketing and outreach will be performed and encouraged in connection with locating and confirming Special Housing Needs applicants, including any assistance to be provided in connection with the Application process, move-in process and resident's rights education.

   b. The process for maintaining and updating a waiting list of Special Housing Needs applicants eligible to reside in a Special Housing Needs Unit.

   c. How the Project will liaise with a Special Housing Needs applicant/resident in order to facilitate communication to help residents maintain stability and avoid eviction.

2. Project Applicant shall agree that Special Housing Needs Units shall not be rented to other non-Special Housing Needs households unless the Unit has been marketed by the Project Owner and/or Management Company for 30 days from Placed In Service or Substantial Completion date, date notice to vacate is received for occupied Units, or date vacancy was established when no notice was received.

D. <u>Reporting Requirements-</u>

1. Project Owners will be required to submit an annual certification of:
   a. The number of hours of onsite Service Coordination and coordinated services provided,
   b. The number of residents served by each, and
   c. The results of the annual survey.
2. Project Owners will be responsible for ensuring that property managers maintain:
   a. Agreement for services on file, if any,
   b. Evidence that the services are being provided (i.e., sign-in sheets, letters/memos to residents advertising the event/service, service logbook and/or activity reports, etc.), and
   c. Evidence of efforts taken to market and attract Special Housing Needs applicants as promised in Item C. Marketing (i.e., proof/copies of advertisements, evidence of outreach to organizations/non-profits working with Special Housing Needs populations, etc.).

E. **Service Coordination Plan and Budget** The proposed Project annual operating budget must include sufficient costs to cover the selected services and be detailed out in the submitted budget for serving this Housing Priority.

Part II: Scoring Points Available (up to 8 points):

Applicants may choose from the following services to qualify for up to 8 points for providing services.	
Food pantry - onsite, or contiguous and accessible to the property and of adequate size with reasonably sufficient quantities of food, both perishable and non-perishable.	2
Free transportation services to support medical and social service needs – minimum 2 days per week. Bus passes are not sufficient to satisfy this scoring item.	5
Health promotion/disease prevention/wellness classes or blood pressure or other health screening- provided at least every two months onsite and provided by a qualified service provider. Any health services must be provided by a licensed individual or organization. Examples include substance abuse counseling, crisis prevention and intervention, mental health counseling/therapy, etc.	3
Case management services – provided onsite by a qualified service provider to a majority of the Special Housing Needs residents on a voluntary and as-needed basis but at least quarterly.	5

Other - MFA approved service. Must be approved by MFA in writing one month before Application due date and will be posted on the FAQ section of the MFA website.	1-2 Points each as deemed appropriate

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

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

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

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

The Household with Special Housing Needs Housing Priority requirement and any additional services committed to by Applicant will be enforced through a provision in the LURA. Services must be provided throughout the Affordability Period and must not allow for more than a 30-day gap in services provided. Project Owner must notify MFA within seven days of the termination of service agreements/contracts. Recognizing that circumstances change over time, the Service Coordination Plan may evolve as needs of residents and market conditions change. Project Owner must obtain MFA approval prior to instituting changes to the plan, and the new services must provide a similar level of service to the residents. The Project will be determined out of compliance if the requirements of the LURA are not met (e.g., if a new service contract is not timely executed or services are altered without MFA's advance approval). The Project Owner will be required to maintain a file containing contracts with qualified service providers and other third-party qualified personnel, documentation of when and where services were provided, and documentation of time spent both on-site and off-site by the qualified service provider or other third-party qualified personnel.

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

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

9. Projects Reserved for Seniors Housing Priority	**Up to 10 Points**

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

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

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

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

Housing priority points will be awarded based on the Project first meeting the requirements above. Additional points may be awarded for enrichment service activities as listed below. To receive points under this housing priority, the Project Owner must certify that a service coordinator will be on-site a minimum of two days per week for a cumulative minimum of ten hours per week and the Project must include adequate common space for the provision of the proposed enrichment services. The service coordinator must be in addition to the property manager. Enrichment services must be optional to the residents and offered on-site, for the exclusive use of only those residents living at the site, and be actively linked to the Project, not simply available to the community at-large. The proposed Project annual operating budget must include sufficient costs to cover the selected services and be provided in detail within the submitted budget for serving this Housing Priority.

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

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

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

Additionally, there will be the following reporting requirements:

a. The number of hours of onsite Service Coordination and coordinated services provided,

b. The number of residents served by each, and

c. The results of the annual survey.

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

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

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

Housing priority and design requirements met (must be met to be eligible for further points in this category)	Required
Community building and all Units incorporate Universal Design (must be evidenced in plans and specifications)	3 points
Service enrichment scoring (requires service coordinator for point awards):	
Providing one prepared meal on a daily basis, available to all tenants at little or no cost to tenants	2 points (congregate meals) 1 point (meal service)
Bi-monthly health and nutrition education. Examples include, but are not limited to, fitness classes, walking programs, seminar instruction on cooking for one, information on the Supplemental Nutrition Assistance Program (SNAP.)	1 point
Quarterly blood pressure or other health screening	1 point
Quarterly computer training	1 point
Social events designated to provide engaging activities for residents "build community" such as holiday potlucks, arts and crafts events, book clubs, creative writing, bingo and other games, field trips to the movies or a museum or other place of interest, etc. Bi-monthly or six per year. This must include alternative methods for socializing incorporating social distancing. (qualified service provider not required)	1 point
Beyond Financial Literacy – financial counseling and tax preparation-educational programs to occur quarterly and focus on one or more of the following topics: budget counseling, financial planning assistance, credit score counseling, avoiding credit traps, income tax preparation in partnership with CPAs or a VITA program or local community college.	1 point

Gardening: delivery of at least four monthly gardening classes per year during the growing season by a qualified instructor plus provision of gardening space of at least three square feet per Unit for at least 50% of the Units in the Project.	1 point
Estate Planning and End of Life Planning – educational programs to occur quarterly and focus on one or more of the following topics: 1) estate planning 101 – what is and do you need the following: advance health care directive (living will;) durable power of attorney for healthcare and HIPAA release; durable power of attorney for finances; a will and revocable living trust; 2) What is hospice and does Medicare cover this?; 3) Probate: what is it and how to avoid it; and 4) funeral planning.	1 point
Other - MFA approved service. Must be approved by MFA in writing one month before Application due date and will be posted on the FAQ section of the MFA website.	1-2 Points each as deemed appropriate

10. Households with Children Housing Priority **Up to 8 Points**

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

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

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

For rehabilitation Projects, at least:

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

For Projects that combine rehabilitation and new construction:

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

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

Housing priority points will be awarded based on the Project meeting the requirements above, through the selection of enrichment service activities as listed below. To receive points under this housing priority, the Project Owner must certify that a service coordinator will be on-site a minimum of two days per week for a cumulative minimum of ten hours per week. The service coordinator must be in addition to the property manager. Enrichment services must be optional to the residents, offered on-site and be actively linked to the Project, not simply available to the community at-large. The proposed Project annual operating budget must include sufficient costs to cover the selected services and be detailed out in the submitted budget for serving this Housing Priority.

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

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

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

Additionally, there will be the following reporting requirements:

a. The number of hours of onsite Service Coordination and coordinated services provided,

b. The number of residents served by each, and

c. The results of the annual survey.

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

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

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

Housing priority and design requirements met (must be met to be eligible for further points in this category)	Required
Service enrichment scoring (requires service coordinator for point awards):	
Bi-monthly health and nutrition education, including but not limited to, fitness classes, walking programs, seminar instruction on meals in minutes.	1 point
Semi-annual CPR training	1 point
Quarterly blood pressure or other health screening	1 point
Quarterly computer training	1 point
Weekly tutoring during school year	1 point
Quarterly job training, search assistance and/or placement	1 point
Gardening: delivery of at least four monthly gardening classes per year during the growing season by a qualified instructor plus provision of gardening space of at least three square feet per Unit for at least 50% of the Units in the Project.	1 point
Food resources program: a monthly program offering two of the following: 1) assistance and referral with applications for SNAP, (USDA), 2) youth summer lunch program (USDA) (daily when school is not in session) or 3) after-school snack program twice a week.	1 point
Youth character building: a program occurring at least quarterly that will provide teens with group education covering a range of topics including drug prevention, self-defense, safe internet behavior, non-violence and teen dating, teambuilding, goal setting, basic teen financial literacy and referral to job training and alternative education resources.	1 point
Beyond financial literacy: financial counseling and tax preparation; educational programs to occur quarterly and focus on one or more of the following topics: budget counseling, financial planning assistance, credit score counseling (restoring credit and avoiding credit traps), homebuyer	1 point

education and down payment assistance, income tax preparation in partnership with a certified public accountant or VITA program or community college.	
Other - MFA approved service. Must be approved by MFA in writing one month before Application due date and will be posted on the FAQ section of the MFA website.	1-2 Points each as deemed appropriate

11. Leveraging Resources — Up to 10 Points

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

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

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

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

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

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

- <u>General Partner:</u>

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

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

- <u>Government (federal, state or local government):</u>

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

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

  Land and/or buildings: submit a copy of the contract contributing the land and/or building(s) between the governmental entity and the developer or the proposed project owner (if duly formed) along with an "As-is" appraisal evidencing the value of the land and/or buildings dated no earlier than six months prior to the Application date that was completed by an MAI appraiser licensed in New Mexico. The value in the appraisal that will be acceptable for points must assume that any existing use restrictions will remain in place and include the value of any leasehold interest, if applicable. Contributions may be in the form of:

  - donation of an entire parcel of land and any improvements thereon;
  - lease of an entire parcel of land through the Extended Use Period for a nominal amount (i.e., $1 per year).

- <u>Local tribal governmental entity, tribal housing entity or tribal council:</u>

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

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

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

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

12. Complete Applications **3 Points**

Points are awarded to Initial Applications that meet all the standards described in Section IV.A.4 under "Content and Format" when initially submitted and that do not require any deficiency corrections. In addition, the following are necessary for a Complete Application: (i) The 2023 MFA Universal Rental Development Application and Schedules must be fully completed and contain accurate and consistent information/data, including, but not limited to, accurate and complete information contained in any Schedule, with required signatures and the "other" categories; (ii) Applicant shall adhere to MFA's published Underwriting Supplement, unless a waiver has been granted by MFA, when completing the 2023 MFA Universal Rental Development Application and Schedules; (iii) all information contained in the Application Package must match and be consistent with all other information in the Application Package, including, but not limited to, square footages in the 2023 MFA Universal Rental Development Application and Schedules and Architect's drawings and specifications; (iv) the electronic Application Package must be legible; and (v) any narratives submitted must be accurate, complete and concise and contain the requested information.

13. *Marketing Units to Households Listed on Public or Indian Agency Waiting Lists* — **2 Points**

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

14. *QCT/Concerted Community Revitalization Plan* — **3 or 5 Points**

Projects are eligible for 3 points if:

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

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

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

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

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

15. Projects with Units Intended for Eventual Tenant Ownership **2 Points**

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

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

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

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

16. Projects with Historic Significance **2 Points**

Projects certified on the National Register of Historic Places (i.e., meeting the criteria for Part 1 Approval for Historic Tax Credits) are eligible for points under this criterion. For scattered site projects, the total

Gross Square Footage of the Historic Property must equal or exceed 10% of the proposed total project Gross Square Footage.

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

17. Blighted Buildings and Brownfield Site Reuse **5 Points**

Projects that include the demolition of Blighted building(s) or the remediation and reuse of a Brownfield site are eligible for points under this criterion. Blighted building(s) must account for at least 10% of the sum of each Building's Gross Square Feet. For scattered site projects, the total Gross Square Footage of the Blighted Buildings must equal or exceed 10% of the proposed total new construction Gross Square Footage. Points in this criterion cannot be combined with points under Rehabilitation Projects.

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

18. Efficient Use of Tax Credits **1, 3, 5 Points**

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

Tribal and PSH projects:

- New construction Tribal or PSH Projects that request less than $21,734 tax credits per low income Unit **and** less than $22.46 tax credits per low income square foot are eligible for 5 points.
- New construction Tribal or PSH Projects that request less than $23,907 tax credits per low income Unit **and** less than $24.63 tax credits per low income square foot are eligible for 3 points.
- New construction Tribal or PSH Projects that request less than $21,734 tax credits per low income Unit **or** less than $22.46 tax credits per low income square foot are eligible for 1 points.

- Substantial Rehabilitation Tribal or PSH Projects that request less than $19,018 tax credits per low income Unit **and** less than $19.64 tax credits per low income square foot are eligible for 5 points.
- Substantial Rehabilitation Tribal or PSH Projects that request less than $20,920 tax credits per low income Unit **and** less than $21.56 tax credits per low income square foot are eligible for 3 points.
- Substantial Rehabilitation Tribal or PSH Projects that request less than $19,018 tax credits per low income Unit **or** less than $19.64 tax credits per low income square foot are eligible for 1 points.

- Moderate Rehabilitation Tribal or PSH Projects that request less than $16,300 tax credits per low income Unit **and** less than $16.85 tax credits per low income square foot are eligible for 5 points.
- Moderate Rehabilitation Tribal or PSH Projects that request less than $17,930 tax credits per low income Unit **and** less than $18.47 tax credits per low income square foot are eligible for 3 points.
- Moderate Rehabilitation Tribal or PSH Projects that request less than $16,300 tax credits per low income Unit **or** less than $16.85 tax credits per low income square foot are eligible for 1 points.

All OTHER projects:

- New construction Projects that request less than $20,789 tax credits per low income Unit **and** less than $21.48 tax credits per low income square foot are eligible for 5 points.
- New construction Projects that request less than $22,867 tax credits per low income Unit **and** less than $23.56 tax credits per low income square foot are eligible for 3 points.
- New construction Projects that request less than $20,789 tax credits per low income Unit **or** less than $21.48 tax credits per low income square foot are eligible for 1 point.

- Substantial Rehabilitation Projects that request less than $18,191 tax credits per low income Unit **and** less than $18.78 tax credits per low income square foot are eligible for 5 points.
- Substantial Rehabilitation Projects that request less than $20,010 tax credits per low income Unit **and** less than $20.63 tax credits per low income square foot are eligible for 3 points.
- Substantial Rehabilitation Projects that request less than $18,191 tax credits per low income Unit **or** less than $18.78 tax credits per low income square foot are eligible for 1 point.

- Moderate Rehabilitation Projects that request less than $15,592 tax credits per low income Unit **and** less than $16.12 tax credits per low income square foot are eligible for 5 points.
- Moderate Rehabilitation Projects that request less than $17,151 tax credits per low income Unit **and** less than $17.67 tax credits per low income square foot are eligible for 3 points.
- Moderate Rehabilitation Projects that request less than $15,592 tax credits per low income Unit **or** less than $16.12 tax credits per low income square foot are eligible for 1 point.

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

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

19. Non-Smoking Properties — **4 or 6 Points**

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

(i) Projects agreeing to participate and obtain the Smoke-Free at Home NM Platinum Certification (new construction Projects which do not allow any smoking or use of electronic cigarettes at any time on any part of the property) (6 points);

(ii) Projects agreeing to participate and obtain the Smoke-Free at Home NM Gold Certification (applies to, rehabilitation and/or Adaptive Reuse Projects and no smoking or use of electronic cigarettes is permitted at any time on any part of the property) (6 points);

(iii) Projects agreeing to participate and obtain the Smoke-Free at Home NM Silver Certification (applies to new construction, rehabilitation and/or Adaptive Reuse Projects and does not allow smoking or use of electronic cigarettes inside any of the Units and common areas, nor within 25 feet of all entry ways and windows of the building. (4 points)

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

20. Adaptive Reuse Projects — **2 Points**

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

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

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

21. Other Scoring Points Available — **Up to 9 Points**

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

(i) Deep Affordability:

a. **The Project is not in the housing priority for Households with Special Housing Needs** and targets extremely low income residents, which includes income and rent restricting at least 5% of total Units in the Project to residents earning 30% or less of Area Median Income, for which no federal assistance is existing or anticipated or

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

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

(ii) The Project involves newly constructed Units totaling 35 Units or less, and does not contain any rehabilitation or Adaptive reuse in Project scope and the Market Study supports need for the Project (3 points); or

(iii) The Project is to be located in a town, municipality, or Census Designated Place (CDP) with a population less than 16,000 people pursuant to data published by the 2020 U.S. Census Bureau, and the Market Study supports need for the Project (3 points);

(iv) The Project is to be located in a town or municipality with no “active” LIHTC Projects. “Active” is defined as a town or municipality for which a LIHTC award (9% as evidenced by a reservation letter and inclusion of MFA’s list of 9% projects on its website and/or 4% LIHTC as evidenced by issuance of a 42(m) letter and inclusion on MFA’s list of 4% projects posted on its website on or before the Application Due Date) was made in the last five (5) calendar years and the Market Study supports need for the Project (3 points);

(v) Project's resident selection criteria contain a preference for active duty, Honorably Discharged, or retired US military Veterans (3 points);

(vi) Women and/or Minorities (see Glossary) are encouraged to participate in the ownership, development, or management of the Project. The Minority or female individual(s) must serve as either:

a. The General Partner, manager or managing member of the Ownership Entity or Responsible Owner, must have at least a 50% ownership interest in the Ownership Entity or Responsible Owner or
b. Must have at least 50% ownership interest in the participating business to qualify for the points. These businesses include any members of the development team (i.e. contractor, management company, consultant(s), architect, attorney and accountant, etc.) or
c. Minority or female individuals must comprise at least 50% of the board of directors of the entity which qualifies the Project for points under Project Selection Criterion 1 above.

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

The Application is capped at nine (9) points maximum for this Project Selection Criterion.

F. Additional Credits for Projects with Partial Allocations

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

G. Additional Supplemental Tax Credits for Cost Increases

Projects with increased Eligible Basis as a result of increases in hard Construction Costs may apply for additional tax credits in subsequent allocation rounds prior to issuance of an IRS Form 8609. Full Applications will be required for competition within an allocation round and the Project will compete on the same basis as that of the subsequent round Projects.

The following provision in italics is waived in 2023 for projects that were initially awarded tax credits in 2020 – 2022:

However, Projects for which increased tax credits have been requested cannot exceed MFA's cost limits or limitation on an award to a single Project for the year of the initial award or subsequent round. In addition, Projects which were awarded points for the Efficient Use of Credits Project Selection Criteria may not apply for additional tax credits unless the subsequent Application results in the same scoring range under Efficient Use of Credits when combined with the scoring range in the Initial Application. In other words, a subsequent request for additional tax credits shall not be granted if Applicant received points for the Efficient Use of Credits in a prior round and now exceeds the efficient use of credits scoring ranges when evaluating both Applications as one single Application.

Applications that are submitted for additional tax credits will be subject to MFA's evaluation process and the availability of credits, as well as limitations on the time period for allocation of additional credits under the Code. The total amount of tax credits for the project (including those previously awarded) shall not exceed the total credits available in Section IV.E.3 of this QAP. Only one additional tax credit allocation will be permitted by MFA for any given Project. The process is intended for hardship cases and hardship will have to be documented accordingly in any such request.

An exception to this section will be made for projects undergoing an unforeseen Casualty event, as defined in the Glossary.

H. New Allocations to Projects Previously Subsidized with Tax Credits

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

However, in a proposed sale transaction when there is an Identity of Interest in any Principal of the buyer and seller, the Project will be subject to reduced developer fees. When there is such an Identity of Interest, the developer fee percentages (described in **Section IV.D.2.b**) will be calculated on Total Development Cost less Acquisition Costs. An "as-is" appraisal dated no earlier than six months prior to the Application date and completed by MAIs licensed in New Mexico must be submitted. The value in the appraisal must assume that any existing use restrictions will remain in place.

Tax-exempt bond financed Projects are excluded from the above requirements.

I. Property Standards

All newly constructed and/or rehabilitated properties must meet applicable state and local building codes, including but not limited to: the New Mexico Commercial Building Code, the New Mexico Residential Building Code, the New Mexico Energy Conservation Code, the New Mexico Existing Building

Code, the New Mexico Plumbing Code, the New Mexico Mechanical Code the New Mexico Solar Energy Code, the New Mexico Electrical Code, the New Mexico Electrical Safety Code, and all international and uniform building codes as referenced and adopted by the aforementioned codes. In addition, all newly constructed Projects must obtain a Home Energy Rating System (HERS) score of 55 or better and all rehabilitation Projects must obtain a HERS score of 65 or better. All Projects must meet the provisions and requirements of the Americans with Disabilities Act (ADA) as applicable. Public and common use areas within Projects are subject to these requirements. Projects combining housing tax credits with another federal source of funding must comply with HUD Section 504 requirements as required in the 2010 ADA Standards. Projects must also adhere to the Federal Fair Housing Act and shall adhere to the federal fair housing accessibility and adaptability requirements promulgated through the Fair Housing Accessibility Guidelines {56 FR 9472, 3/6/91}. Finally, conformance to Design Standards in the Application Package is mandatory for all Projects, including tax-exempt bond financed Projects.

IV. Allocation Procedure and Application Requirements

A. Allocation Rounds

1. Submission Date(s)

MFA intends to conduct one competitive LIHTC Application round each calendar year. However, MFA reserves the right to conduct additional LIHTC rounds or to award tax credits outside of the rounds. **Initial Applications for the 2023 competitive LIHTC Application round will be accepted anytime between January 6, 2023 through January 20, 2023 at 4 p.m. Mountain Standard Time. Initial Applications must be submitted ahead of 4 p.m. Mountain Standard Time on January 20, 2023 (Application Deadline). Initial applications must be fully uploaded to the file sharing site identified in Section IV.A.2 of this QAP no later than the Application Deadline. Late Applications will not be accepted**. If the Projects submitted do not use all of the available tax credits or if additional tax credits become available later in the year, MFA will consider a second round or make allocations to lower-scored Eligible Projects at MFA's sole discretion.

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

2. Place of Submission

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

3. Form of Submission

Initial Applications may not be delivered by facsimile transmission or e-mail. The 2023 MFA Universal Rental Development Application and Schedules in excel format and a fully tabbed PDF file that includes all materials listed on the Attachments Checklist at Tab 1a must be uploaded to MFA's file sharing site: https://local.housingnm.org/FileTransferHD/ (described below in **Section IV.A.4.b**.) The required 2023 MFA Universal Rental Development Application will be provided electronically and may be downloaded from MFA's website at https://housingnm.org/developers/lihtc/current-and-prior-tax-credit-rounds. No additional materials may be submitted after the Initial Application Deadline, unless requested by MFA in accordance with the provisions of this QAP.

4. Content and Format: Complete Applications

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

a) All Application documents that require signatures must be included and bear scanned blue ink or third-party verified digital signatures from all General Partners. MFA will require submission of an "omnibus" signature page wherein all General Partners must certify, among other things, that the Application submitted, including all schedules and certifications, is accurate and complete and does not contain any misrepresentations.

b) Complete Initial Applications must include the 2023 MFA Universal Rental Development Application and Schedules, including all attachments and exhibits that are applicable to the Project – both those listed in the attachments checklist found at Tab 1a of the Application form and any other materials requested in the 2023 QAP that apply to the Project. The 2023 MFA Universal Rental Development Application Form and Schedules must be submitted in excel format. All additional materials (those described in Tab 1a and others indicated in the 2023 QAP) must be contained in a fully tabbed PDF file with protected personal information such as Social Security numbers and board member home addresses redacted. The PDF file must be "bookmarked" with each applicable tab ("Tab") and named accordingly (e.g., Tab 1, Tab 1a, Tab 2, etc.). Each bookmark must include all of the documents required for the respective tab (including those in the 2023 MFA Universal Rental Development Application and Schedules), as identified in the Attachments Checklist and named accordingly (e.g., Tab 1f – Rehabilitation Scope of Work, Tab 1g – One-page summary of Developer affordable housing experience." All documents must be submitted in numerical order. The entire Application Package (the 2023 MFA Universal Rental Development Application, Schedules and the PDF file) must be uploaded to MFA's file sharing site: https://local.housingnm.org/FileTransferHD/.

c) Complete Initial Applications must include Application fees as outlined in Section IV.B below.

d) No additional materials may be submitted after the Initial Application deadline, unless requested by MFA in accordance with the provisions of this QAP.

e) Current year MFA forms **must be used** when provided and **no substitutions will be accepted**.

f) All information must be current, clearly legible and consistent with all other information provided in the Application.

g) Forms must be completely filled out and executed as needed. Forms that require signatures must bear scanned blue ink or third-party verified digital signatures.

h) Except as MFA may determine is necessary to evaluate the "Applicant eligibility" threshold requirement in **Section III.C.5** all Applications must be self-contained: MFA will not rely on any previously submitted information, written or verbal, to evaluate the Applications in a given round.

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

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

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

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

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

5. Communications and Quiet Period

Questions concerning the competitive LIHTC Application round Application requirements must be submitted through MFA's website at https://housingnm.org/developers/lihtc/applications-faq. No questions will be accepted after 5 p.m. Mountain Standard Time, December 20, 2022. Answers will be posted to the website and once posted will be deemed a part of this QAP. It is the sole responsibility of Applicants to review the website for answers to questions.

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

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

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

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

6. Prohibited Activities

Applicants (including Applicants for tax-exempt bond financed Projects) or their representatives shall not communicate with or by any other means attempt to influence members of the Board of Directors and their proxies or members of the Allocation Review Committee (ARC) regarding any Application except when specifically permitted to present testimony at a tax credit related proceeding. **An**

Application shall be rejected if the Applicant or any person or entity acting on behalf of Applicant violates the prohibitions of this section. A list of the members of MFA's Board of Directors and their proxies and ARC members can be found at http://www.housingnm.org. A list of ARC members, MFA Board members, and MFA leadership, and LIHTC program management staff, which is current as of the date of this QAP, is attached hereto as Exhibit 1. It is the Applicant's responsibility to check MFA's website for a current list of Board members and ARC members.

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

B. MFA Fees and Direct Costs

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

Application Fee (for initial and supplemental requests)

- Due at submission of tax credit Initial Application
- $750 for nonprofit or governmental entity Applicant; $1,500 for a for-profit Applicant

Direct Cost Deposit

- $12,000 (deposit) due at submission of tax credit Initial Application

This deposit is intended to cover the base portion of the design reviews for compliance with Design Standards. Design reviews may require additional site visits and/or document reviews, which would be billed separately and above this $12,000 base fee. This is an estimate only and the final cost may vary. Any amount in excess of the $12,000 deposit is due within 20 calendar days of billing by MFA.

If a subsequent MFA-ordered Market Study is required during the application phase, the cost will be covered by the Applicant through this deposit. Additionally, the base design review fee balance will be billed to cover the $12,000, if the project moves forward with an award

Processing Fee

- Due at execution of Reservation Contract for 9% awards; due prior to delivery of Letter of Determination or construction start, whichever occurs first for Projects financed with tax-exempt bonds.
- 7.75% of MFA-determined tax credit allocation amount rounded down to the nearest dollar.
- For Projects financed with tax-exempt bonds, if the actual tax credit amount is greater at Final Allocation than when the Letter of Determination was delivered, the Applicant must pay an additional processing fee of 7.75% of the increase in the tax credit amount.

Monitoring and Compliance Fees

- Due annually by January 31st for each year of the Extended Use Period. The monitoring and compliance fee for the entire 15-year Compliance Period may be paid in a lump sum at the Final Allocation Application (number of Units x $50/Set-aside Unit/year x 15 years).

  - $50/set-aside Unit/year (Average Income projects may be subject to an increased Compliance Monitoring fee.)
  - $20/set-aside Unit/year during the Extended Use Period

Appeal Fee

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

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

- $500 due at submission of review/correction request

Extension Fee

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

C. Staff Analysis and Application Processing

1. **Threshold review**. Following the Application Deadline, MFA will undertake a threshold review to determine whether the Initial Application meets the minimum Project threshold requirements shown in Section III.C. If the Initial Application fails to meet site control, zoning, fee, or market study requirements, the Applicant will be given an opportunity to correct the deficiency in accordance with Section IV.C.5 and if not corrected in the time period allowed, the Application

will be rejected. The Applicant eligibility and financial feasibility threshold requirements are not correctable and Applications that fail to meet these requirements will be rejected.

2. **Cost limits**. Total Development Costs for various types of Projects may not exceed the following:
    a. **New construction and Adaptive Reuse Projects**. The Total Development Cost per Unit must not exceed 130% of the average Total Development Cost per Unit for all new construction and Adaptive Reuse Projects submitted in the same round. Similarly, the hard Construction Cost plus architect and engineering fees per square foot must not exceed 130% of the average cost per square foot for all new construction and Adaptive Reuse Projects submitted in the same round.
    b. **Acquisition/rehabilitation Projects**. The Total Development Cost must not exceed 100% of the average Total Development Cost per Unit for all new construction and Adaptive Reuse Projects submitted in the same round. Similarly, the hard Construction Cost plus architect and engineering fees per square foot must not exceed 100% of the average cost per square foot for all new construction and Adaptive Reuse Projects submitted in the same round.
    c. **Tax-exempt bond financed Projects**. Total Development Cost must not exceed the limits established for new construction, Adaptive reuse or acquisition/rehabilitation Projects, as appropriate, submitted in the most recent allocation round.
    d. **Combined Rehabilitation and New construction Projects**. For Projects that involve rehabilitation of existing Units, the construction of new Units and/or the Adaptive reuse of an existing building, the costs will be evaluated based on the track/category selected by the project as described in Section II.J. above to the limits established in Sections IV.C.2.a. and b. above.

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

Recognizing that Tax Credit Projects require soft costs above and beyond traditional development, when determining the average per square foot cost for each Project, only hard costs as found on Schedule D and any architect and engineer fees will be used. For reference, the average Total Development Cost in 2022 was $248,930 and the average hard cost on Schedule D plus architectural and engineering fees for new construction in 2022 was $183,092 ($187.39 psf).

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

3. **Local Notice**. The Chief Executive Officer of the local jurisdiction where the Project is located will receive a "Local Notice" from MFA stating that an Application has been received and requesting a response. The local jurisdiction and the Chief Executive Officer are to be identified by the Applicant in the Application form. The jurisdiction may be a municipality, town, county or tribal government. Such notification will be issued for all Applications not more than 10 business days after MFA's Application Deadline and the recipient will have 30 calendar days to respond.

4. **Site visits**. On completion of the threshold review, and as allowed by current health conditions, public health and executive orders, or laws, MFA will visit the proposed sites for the highest ranking Projects. Sites considered by MFA in its reasonable judgment to be inappropriate due to current or foreseeable adverse health, safety, welfare, site constraints or marketability risks may be cause for rejection of any Application, regardless of threshold review or scoring results. Communications made by or on behalf of an Applicant in response to communications initiated by MFA in conjunction with a site visit shall not be a violation of the Quiet Period.

5. **Deficiency correction period**. MFA may provide a deficiency correction period after the threshold review. This period is intended only to: 1) correct threshold items that are identified as correctable in Section III.C, 2) address Complete Application items, including any issues with the electronic application, 3) clarify ambiguous information, 4) complete forms or 5) make minor corrections to the Application. In no case shall the deficiency correction period be used by MFA to allow an Applicant to submit scoring items listed on Section II of the LIHTC Application Attachments Checklist or to alter the original structure of the project. If the deficiency correction period is used, MFA will provide notice to Applicants having such shortcomings in their Applications via e-mail and U.S. mail. Applicants will have five business days after the date of the e-mail notice to correct deficiencies. All materials must be submitted no later than 5 p.m. Mountain Standard Time on the fifth business day, following "Form of Submission" requirements shown in **Section IV.A.3** above. Certain types of deficiencies cannot be corrected during the deficiency correction period, including an Applicant's failure to provide materials or to provide materials in the required form, as well as other deficiencies that MFA determines in its reasonable judgment may not be correctable. Furthermore, the deficiency correction period may not be used by the Applicant or MFA to alter the original structure of the Project. This prohibition includes, but is not limited to, all changes listed in **Section IV.H**. If the information requested by MFA is not submitted within the timeframe provided or is submitted but remains deficient, the Application may be rejected without any further review.

6. **Supplemental Information Submission**. If at any point during the processing of an Application, staff determines that supplementary information is needed to complete its review, the Applicant will be notified in writing and will have five business days after the date of MFA's notice to deliver a written response. In no case shall the supplemental information request be used by MFA to allow an Applicant to submit scoring items listed on Section II of the LIHTC

Application Attachments Checklist or to alter the original structure of the project. This provision does not apply to incomplete Applications, which may be rejected during the threshold review or subject to the deficiency correction period process.

7. **Design Review and Construction Start**. All Projects will be subject to a minimum of four design reviews by MFA (upon completion of the construction documents, twice during construction and upon full completion of the Project) to determine compliance with the Design Standards. Design review will require periodic site visits to determine compliance with Design Standards. For rehabilitation and Adaptive Reuse Projects, a CNA will be required subsequent to the Initial Application (prior to the issuance of the Letter of Determination for tax-exempt bond financed Projects and at Carryover Application for all other Projects) and this assessment will be reviewed by MFA for completeness, consistency with the Application and compliance with the Design Standards. All plans and related design materials submitted as part of an Application must provide enough detail for MFA to determine compliance with the Design Standards. Professionals performing the CNA must meet the minimum qualification/certification requirements set forth by MFA as defined in the Design Standards. **Applicants shall not commence construction on a Project prior to receipt of MFA's written approval of complete construction documents.** Applicants are required to post MFA-provided signs/banners in English and Spanish featuring MFA's fraud hotline at the Project work site(s) throughout the duration of construction. In the event there are Material Design Changes/differences between those plans and specifications submitted with the Application and those contained in the final construction documents, MFA will require Applicant to submit a detailed narrative of Material Design Changes made to final plans and specifications along with the Change Fee as described in Section IV.I. MFA staff will make a good faith effort to perform an initial review of construction documents within 10 business days of submission of complete construction documents. Final approval will occur upon receipt and acceptance of the final construction completion report confirming that the Project was built as proposed and that all outstanding issues, if any, have been resolved. MFA must give final approval prior to 8609 issuance.

8. **Other Project compliance**. All Principals (see Glossary) related entities and affiliates must be in compliance with respect to all other federally subsidized housing or LIHTC Projects that they own or operate throughout the country. Applicants shall submit a complete list of **all** Projects in which Applicant, or a Principal or affiliate of Applicant has an interest. Each Applicant shall also submit an affidavit certifying Applicant is not in default with respect to any material compliance matter for any such Project or shall state what defaults exist and what corrective action Applicant is taking. If MFA determines, either through information provided by an Applicant or through MFA's investigation, that any federally subsidized housing or LIHTC Project in which Applicant, or any Principal or affiliate of Applicant has an interest is in default of any material compliance matter, MFA may reject the Application. See **Section IV.F.1** for additional discussion. This determination of default in regard to any Principal may concern, but is not limited to,

progress made with previous tax credit Reservations, including timely delivery of required documents and meeting all required deadlines; development compliance; and payment of monitoring fees.

9. **Development team review**. Staff will review the qualifications of each development team member (Developer, Project Owner, General Partner, contractor, management company, consultant(s), architect, attorney, and accountant, etc.) to determine capacity to perform in the role proposed. Considerations may include related experience, financial capacity, performance history, references, management and staff, among others. All members of the development team (i.e., Developer, Project Owner, General Partner, contractor, management company, consultant(s), architect, attorney, and accountant, etc.) are required to sign an affidavit affirming they have no related party relationships; or, that all related party relationships have been properly disclosed. The form of this affidavit can be found in the 2023 Universal Rental Development Application. The applicant's experience is certified on Schedule H that may also be found in the 2023 Universal Rental Development Application. MFA may conduct its own related party search utilizing Secretary of State websites, online searches, or other means to ensure all related parties have been properly disclosed. **An Application may be rejected or substitutions requested if the development team or any member thereof is unsuitable and/or undisclosed related parties are identified as determined by MFA.**

D. Feasibility Analysis and Financial Considerations

All Projects, in addition to the threshold review process, will undergo financial analysis by MFA staff to determine whether the Projects are financially feasible. Such determinations will rely on both the financial data submitted by the Applicant and on staff judgments with respect to feasibility matters. Projects that do not appear financially feasible in MFA's judgment may be rejected without further processing. Although Financing Commitments will not be required at Initial Application, all sources must be clearly identified, and their terms specified. Financing Commitments will be required as a "subsequent requirement" after the initial Reservation is made.

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

1. **Development Costs**. Development Costs will be evaluated against the average costs of competing Projects. In the case of rehabilitation Projects and Adaptive Reuse Projects an appraisal and CNA of the existing project will be required (prior to the issuance of the Letter of Determination for tax-exempt bond financed Projects and at the time of the Carryover Application for all other Projects) and used by MFA to evaluate Development Costs. Professionals performing the CNA must meet the minimum qualification/certification requirements set forth by MFA as defined in the Design Standards. For rehabilitation Projects, the acquisition cost on which tax credits are calculated will be held to the lesser of sale price or appraised value at application, or construction lender appraised value. Applicants submitting costs atypical in the marketplace must provide information acceptable to MFA, justifying such costs. Projects with excessive costs will be subject to adjustments to the amount of tax credits requested. MFA, in the course and scope of its underwriting, will examine how costs are categorized /allocated in Schedules A and D. MFA reserves the right to re-categorize /allocate costs to different categories should MFA determine, in its sole discretion, that costs have been categorized incorrectly. Applicants shall describe all costs contained in any category labelled "other" with sufficient specificity so that it is clear what these costs encompass.

2. **Developer and other fees**. Fees are limited to the following standards:
   a. **Builder profit, overhead and general requirements**
      In Projects where an "identity of interest" (as defined in this section) is not present, builder profit may not exceed 6% of Construction Costs, builder overhead may not exceed 2% of Construction Costs and general requirements may not exceed 6% of Construction Costs. For purposes of these calculations, see definition of Construction Costs in the Glossary.

      Where an Identity of Interest exists between or among the Developer/Project Owner, builder (e.g., the general contractor), design professionals and/or subcontractors, builder profit shall not exceed 4% of Construction Costs. An Identity of Interest means any relationship that is based on shared family or financial ties between or among the Developer/Project Owner, builder (general contractor), design professionals and/or subcontractors that would suggest that one entity may have control over or a financial interest in another. An Identity of Interest will be presumed if any of the following factors are present as between or among the Developer/Project Owner, builder (general contractor), design professionals and/or subcontractors; common or shared ownership of any of the above-listed entities; common family members as owners or investors in any of the above-listed entities; common control of the above-listed entities even if the control is not exercised by a common owner or common investor.

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

b. **Developer fees**

Developer fees for 9% LIHTC Projects shall not exceed: 1) $22,500 per low-income Unit for the first 30 Units, plus 2) $20,000 per low-income Unit for Units 31 – 60, plus 3) $17,500 per low-income Unit for Units 61+, which shall not cause the total Developer Fee to exceed the lesser of $2,000,000 or 14% of Total Development Cost. Developer Fee for 4% LIHTC Projects shall not exceed 14% of Total Development Cost. *9% Projects utilizing MFA-issued Section 811 Project Rental Assistance (PRA) are eligible for a 5% boost to the capped developer fee (as calculated above; for qualifications, see below) For example, a 30-Unit Project which qualifies for $675,000 and which is at or below 14% of Total Development Cost qualifies for a 5% boost to the allowable Developer Fee resulting in a total Developer Fee of $708,750.

Donations of land and waived fees are excluded from Total Development Cost when calculating maximum allowable developer fees. Developer fees include all consulting costs for services typically rendered by a Developer. Any reserve, excluding any MFA-required Project reserve (see below), may be considered as part of the developer fee, if it is not held for the benefit of the Project for a minimum of 15 years. For purposes of these calculations, Total Development Cost is adjusted to exclude developer fees, consultant fees and all reserves. Notwithstanding the Developer Fee amounts described in the preceding paragraph, where an Identity of Interest exists between the Developer/Project Owner and the builder, the above-mentioned fee may be further reduced if MFA, in its discretion, determines the fee to be excessive. In a proposed sale transaction where there is an Identity of Interest in any Principal of the seller and buyer, the Project will be subject to reduced developer fees. Where there is such an Identity of Interest, the developer fee percentages will be calculated on Total Development Cost reduced by Acquisition Costs. Also, an “as-is” appraisal dated no earlier than six months prior to the Application date and completed by a MAI licensed in New Mexico must be submitted. The value in the appraisal must assume that any existing use restrictions will remain in place. This paragraph is only applicable to 9% LIHTC Projects.

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

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

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

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

- Be provided Section 811 PRA funds
- Be used for supportive housing for persons with disabilities
- Have any occupancy preference for persons with disabilities

Owner Capacity and Experience:
Owner and Property Management must demonstrate the capacity to participate in Section 811 PRA. This will be measured, in part, by the level of experience administering HUD rental subsidy programs, specifically with HUD's Tenant Rental Assistance Certification System (TRACS) and Enterprise Income Verification (EIV) and experience with managing a range of housing populations, with a particular emphasis on persons with disabilities.

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

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

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

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

c. Architect and Engineering Fees

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

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

3. **Reserves (escrows) included in Development Costs**. The development budget must include an operating reserve equal to a minimum of six (6) months of projected operating expenses, debt service payments and replacement reserve payments. Larger operating reserves may be required for Projects which show a declining debt coverage ratio in 15-year cash flow projections, have rental assistance contracts included in their income projections or have other factors that MFA determines in its discretion to warrant larger reserves. Replacement reserve levels must be shown in the operating budget at the minimum of $250 per Unit, per year for Senior Housing (new construction Projects only) and $300 per Unit, per year for all other new construction and rehabilitation and Adaptive Reuse Projects. Project reserves of any kind in the development budget will not be included in MFA's calculation of Eligible Basis for tax credit purposes.

4. **Operating expenses and replacement reserves**. MFA will review the projected operating expenses, replacement reserves and loan terms and may, in its determination of economic feasibility, make adjustments based upon industry standards, its own underwriting parameters, the CNA or facts obtained from other appropriate sources. Applicants are urged to carefully review operating cost pro formas. Applicants must include real estate taxes in their operating expenses unless evidence of a perpetual real estate tax waiver (throughout the term of permanent financing) is submitted with the Application.

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

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

5. **Debt service coverage and subordinate debt**. Applicants who are proposing subordinate debt must include the terms of the loan and pro formas must reflect the requirements set forth in the MFA's Universal Multifamily Initial Underwriting Supplement. MFA will consider total annual cash flow as well as debt service ratio when making this determination. MFA will generally not consider the repayment of deferred developer fees when underwriting for feasibility but may consider a Project infeasible if the deferred fee represents a financial burden to the Project.

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

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

E. Credit Calculation Method

1. **Tax credit calculations**. During each evaluation, MFA will determine the amount of tax credits to be reserved, committed or allocated by considering factors specific to each Project including, but not limited to, the following:
    a. Development Costs
    b. Funding sources available to the Project for construction and permanent financing:
        i. First mortgage loans
        ii. Grants
        iii. Tax credit proceeds
        iv. Project Owner equity
        v. Subordinate debt

c. Projected operating income and expenses, cash flow and tax benefits
d. Maximum tax credit eligibility
e. Debt service coverage ratio compared to lender requirements or commercial lending practices, as applicable
f. Project reserves
g. Developer fees and builder overhead and profit
h. Per Unit and per square footage cost limits (section IV.C.2)

2. **Amount of tax credits for Reservation or Carryover Allocation**. To estimate the amount of tax credit allocation for a Project at Initial Application or at Carryover, MFA will use the Applicable Credit Percentage of the Qualified Basis, as adjusted by MFA, or the amount needed to fill the financing gap. The procedure to determine the amount to fill the financing gap is outlined in number three below.

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

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

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

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

9% LIHTC Projects to be located on adjacent sites proposed by the same Applicant in the same LIHTC Application round will be treated as a single Project.

4. **Other factors limiting the credit Reservation**. The amount of credit reserved, committed and finally allocated to a Project shall be the lesser of:
   a. The maximum tax credit eligibility of the Project
      i. Maximum tax credit eligibility is the maximum amount of tax credit justified by a Project's Qualified Basis, as adjusted by MFA and taking into consideration any increase in Eligible Basis approved by MFA and the Applicable Credit Percentage as described in **Section IV.E.2** above or the Applicable Credit Percentage that was locked-in at Carryover (or in the case of tax-exempt bond financed Projects, the month the tax-exempt obligations are issued) or was in effect when the building was Placed In Service; or
      ii. The amount requested in the Application; or
      iii. The amount necessary to fill the funding gap.
   b. The funding gap is the difference between Total Development Cost (exclusive of syndication-related costs) and all available funding sources, including HOME funds awarded in conjunction with the tax credit allocations, excluding anticipated tax credit proceeds. The terms of all proposed sources must be within reasonable industry norms, and financing for the Project has to be maximized when evaluating rate, term, debt service coverage, loan-to-value, etc. The maximum tax credit amount allowed based on the funding gap will be determined by MFA limits stated in **Section IV.E.3** above.

5. **Increased basis for high cost areas**. Additional Eligible Basis (30% of the initial calculation) will be applied for Projects located in HUD-designated Difficult Development Areas (DDA) or Qualified Census Tracts (QCT). Applicants requesting such increases must deliver evidence in the Initial Application Package that the Project is located in a DDA or QCT.

   Projects, regardless of whether they are located in a DDA or QCT, may also be determined to be eligible for the state-designated basis boost (up to 30% of the initial calculation) if deemed necessary for Project feasibility as determined by MFA.

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

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

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

6. **Adjustments to credit allocations**. When actual tax credit proceeds are confirmed and final financial Feasibility Analysis is performed during review of Final Allocation packages, there may be adjustments to the tax credit allocation. Adjustments may also be made at Carryover for rehabilitation Projects when the CNA and appraisal are provided. Professionals performing the CNA must meet the minimum qualification/certification requirements set forth by MFA as defined in the Design Standards. If actual Project costs or funding sources differ substantially from the projections submitted in the Application, MFA may adjust the final tax credit allocation or the Project Owner may establish Project reserves to offset the deficit, if in MFA's reasonable judgment the Project has sufficient tax credit eligibility. The conditions for such reserve accounts will be determined by MFA on a case-by-case basis.

7. **Federally required subsequent financial analysis**. Federal regulations require that housing credit agencies conduct evaluations at three specific times to determine the amount of applicable tax credits.
    a. Upon receipt of an Application for LIHTC Reservation; and
    b. Prior to granting a tax credit allocation; and
    c. No earlier than 30 days prior to awarding the tax credit certification, IRS Form 8609.

F. Final Processing and Awards

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

2. **Selection of projects for awards**. Projects meeting the threshold review requirements listed in Section III.C will be ranked and ordered according to scoring procedures established in Sections II.C and III.E with consideration to the Allocation Set-asides as described in Section III.D. Staff will then prepare a summary of the Projects to be recommended for allocations. Eligible and ineligible Projects will be distinguished for purposes of subsequent awards if additional credits become available. Tax-exempt bond financed Projects will be evaluated in a similar process but will not compete against other Projects for an allocation of tax credits.

3. **Allocation Review Committee (ARC)**. The Chairman of the Board of MFA will appoint an ARC. The functions of this committee will be to: 1) review the Project rating and ranking results in the staff's proposed award summary, 2) determine whether or not the proposed awards have been made consistent with this QAP, 3) conduct the appeals process and 4) make final award recommendations to the Board of Directors. MFA will notify Applicants of the preliminary status of their Projects with the use of a preliminary Reservation Letter, preliminary waitlist letter or rejection letter, after ARC's approval of the staff's proposed awards and before the appeal process begins. Such letters will be scheduled to be issued approximately 90 days after the Application Deadline. Except for appeals as described in **Section IV.F.4** below, the provisions of this section are not applicable to tax-exempt bond financed Projects.

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

5. **Board of Directors**. The Board will make final awards for each competitive 9% tax credit allocation round (for logistical reasons the preliminary Reservation Letters, preliminary waitlist letter and rejection letters will be issued prior to the appeals process and the Board's final decisions).

On or before May 1, 2023, Applicants are required to upload a brief (approximately three minute) MP4 video (suitable to be shared on YouTube) to MFA's website portal. The video must highlight the proposed Project being recommended for approval by MFA's Board of Directors. MFA will provide an outline of the presentation format. Applicants are also required to attend the MFA Board of Directors meeting to answer any questions board members may have regarding the Project recommended for approval. Final Reservation Letters will be issued following the Board decision. MFA Board-approved hybrid 9%/4% projects with a pending allocation of private activity bond volume cap will receive Final Reservation Letters following approval of private activity bond volume cap. The Board will approve Projects considered to be Eligible Projects and these may include Projects for which tax credit allocations are not immediately available. If any Projects receiving a Reservation fail to meet subsequent requirements, an allocation of tax credits may be revoked and then awarded by MFA to the next highest scoring Eligible Project(s) on the waiting list. Any conflicts of interest of Board members are to be disclosed and Board members having such conflicts will abstain from votes approving or disapproving LIHTC Projects in accordance with MFA's policies, procedures, rules and regulations regarding conflicts of interest. The provisions of this section relating to Board actions following competitive allocation rounds are not applicable to tax-exempt bond financed Projects.

G. Notification of Approval and Subsequent Project Requirements

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

Successful Applicants will be notified of MFA's allocation decision in the form of a Reservation Letter. MFA anticipates Reservation Letters will be delivered in May 2023, shortly after approval of tax credit awards at the May 2023 Board meeting.

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

Affirmative actions after Reservation. From the date of the Reservation, the Applicant must meet each of the deadlines specified below for follow up activity in order to maintain its Reservation or Carryover Allocation. **MFA has no obligation to provide any further notice to Applicants of these requirements**

and failure to submit any one or more of the items may cause the Reservation to be terminated or the Carryover Allocation to be cancelled. Applicants must further agree to voluntarily return their Reservations or tax credit allocations for reallocation to other Projects by MFA if any of the deadlines below are not met. All submissions must follow "Form of Submission" requirements shown in Section IV.A.3.

1. **At Reservation**

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

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

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

c. **Carryover Allocation requirements**. If the Project will not be Placed In Service during the calendar year in which the Reservation is made, the Applicant must request a Carryover Allocation, which allows for 24 additional months to complete the Project. The complete Carryover Allocation package must contain all items on the Carryover Allocation requirements checklist, including a tax opinion addressing satisfaction of the 50% rule where there are related parties. Professionals performing the CNA must meet the minimum qualification/certification requirements set forth by MFA as defined in the Design Standards. All tax credit fees must be paid to date. In addition, the Project architect must certify that the Project's final plans and specifications meet the Design Standards and contain all commitments made in the Initial Application regarding design and building. The Project architect must further certify either there have been no Material Design Changes in the final plans and specifications or, if there have been Material Design Changes made, changes in the key development team members, or if the costs as identified on Schedule D of the original Application have changed more than 5%, then a detailed narrative description of the changes made in the construction drawings and/or Schedule D between Application and Carryover must be provided. If there is a change to a key member of the development team (Developer, Project Owner, General Partner, contractor, management company, consultant(s), architect, attorney and accountant, etc.) following Carryover, the project must supply MFA with a written explanation of the reason behind the change, materials supporting the benefit to the Project in making the change (including resumes) in order to assess whether or not the Project is negatively impacted by the change.

d. **Rehabilitation and Adaptive reuse Projects**. In addition, rehabilitation Projects must provide, with the Carryover Application, an appraisal and a CNA of the existing Project, dated within 12 months of the Carryover Application. Professionals performing the CNA must meet the minimum qualification/certification requirements set forth by MFA as defined in the Design Standards.

4. **March 1**[6] of the year following Carryover
If applicable, the MFA 542(c) Risk Sharing commitment is to be fully executed.

5. **No later than June 30** (see footnote 5) of the year following Carryover
The Applicant must submit complete final construction drawings, specifications and construction documents for MFA review for compliance with the Design Standards. Applicants must receive written approval of complete plans, specifications and construction documents from MFA prior to the start of construction. MFA staff will make a good faith effort to perform an initial review of construction documents within 10 business days of submission of complete construction documents. Final approval will occur upon receipt of an approval recommendation from MFA's architect that all outstanding issues, if any, have been resolved.

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

6. **August 31** (see footnote 5) of the year following Carryover
   a. The Applicant must submit evidence that the basis in the Project exceeds 10% of the reasonable expected total basis in the Project, an independent auditor's report and Cost Certification, a Project Owner's attorney's opinion, in the form required by MFA, and any other documentation required by MFA ("10% test.")
   b. The Applicant must deliver evidence acceptable to MFA that construction of the Project has begun. This will include, at a minimum, building permits and site photographs.
   c. The Applicant must deliver an executed partnership agreement.
   d. If federal historic tax credits are included in the financing structure of the Project, evidence of National Park Service approval of the Project's historic certification – part 2 must be submitted.
   e. The Applicant must deliver evidence that the Project Owner has taken ownership of the land and, if applicable, depreciable real property, that is expected to be part of the Project. For tribal Projects, this would include fully executed master and sub-lease agreements with evidence of filing with the Bureau of Indian Affairs.

7. **At or around the 50% construction completion mark**
   The Applicant must organize a meeting with MFA staff (both Asset Management and Housing Development departments). The Developer, owner, nonprofit representative, management company staff, and any service providers involved in the Project must be in attendance. This meeting will be required ahead of lease-up. The MOU required under Section III.E.8 above will be required for this meeting, as applicable.

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

   Final Allocation and Placed in Service requirements. On or before November 15th of the second year following the initial allocation, a Placed In Service Application or a Final Allocation Application must be submitted. **Failure to meet this requirement will result in the loss of tax credits**. If the Project is to be Placed In Service but Applicant is not yet ready to request LIHTC allocation certification (IRS Form 8609), the Placed In Service portion of the Final Allocation package must still be submitted on or before November 15th of the second year following the initial allocation. A complete Final Allocation package shall be submitted no later than 120 days following the close of the Project's first taxable year of the Credit Period. Prior to the issuance of IRS Form 8609 certifications for the Project, the Project Owner must submit a complete Final Allocation package, containing all items in the Final Allocation checklist, which include, among other items, the following:
   a. **Cost Certification**. Two Cost Certifications are required to be prepared as follows: (i) a Project Cost Certification prepared by a CPA and executed by both the Project Owner and CPA preparing the report, with a minimum of 20% of costs tested, and (ii) a Project Cost Certification prepared and executed by the general contractor if the project is not utilizing a stipulated sum contract. The CPA-prepared Cost Certification must be

delivered by the Project Owner prior to the issuance of IRS Form 8609 certifications; the general contractor-prepared Cost Certification (if applicable) may be held in escrow by the project or general contractor, but would be required for audit purposes, as outlined in Section II.S.

b. **Architect's certification**. A certification from the Project architect with required text as set forth in the Final Allocation package, certified by the Project Owner, that the Project has been built in conformance with the Design Standards, all applicable codes and commitments made in the Initial Application regarding design and building, unless otherwise approved in writing by MFA.
c. **Project Owner's attorney's opinion**. A Project Owner's attorney opinion submitted on the firm's letterhead with required text as set forth in the Application Package.
d. **Final contractor's application and certificate for payment, AIA doc. G702 or equivalent**. A fully executed copy indicating all the hard Construction Costs for the Project must be submitted with the Final Allocation package.
e. **LURA**. Prior to December 31st of the year in which the buildings are Placed In Service, the Project Owner must submit an executed and recorded LURA, satisfactory to MFA in form and content.

9. **Design Review.** MFA must approve the final construction completion inspection described in Section IV.C.7. prior to 8609 issuance.

10. **Other Project Owner responsibilities and elections**. The Project Owner must place the buildings in service and claim tax credits within certain time periods. Project Owner must forward written notice and copies of all Certificates of Occupancy (for new construction) or Certificates of Substantial Completion (for rehabilitation) to the tax credit program manager within 30 days of issuance, to ensure that all necessary administrative actions are taken in a timely manner. Otherwise, tax credits may not be able to be claimed as desired.

11. **LURA or Extended Use Agreement**. Section 42(h)(6) of the Code requires imposition of "an extended low-income housing commitment." MFA complies with this requirement with a LURA filed at the time of placement in service or Final Allocation. The LURA sets forth, as covenants running with the land for a minimum of 30 years (or longer if Project Owner commits to a longer restriction period), the compliance fees, the low-income set-asides, the percentages of median income to be served, the Special Housing Needs to be served, if any, and any other such commitment made in the Initial Application or that may be imposed through this QAP and the Code. The LURA may not be terminated prior to its term for any reason other than foreclosure or an instrument in lieu of foreclosure and the Project Owner will not have the right to require MFA to present a "Qualified Contract" in accordance with Code Section 42(h)(6). The Project Owner will also have to deliver subordination agreements from all lenders, giving lien priority to the tax credit restrictions.

H. Termination of Reservations or Rejection of Applications

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

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

I. Notification to MFA of Changes to the Project

It is Applicant's responsibility to notify MFA immediately, in writing, of any changes to the Project subsequent to submission of an Application, including the changes listed below and any other material changes, by requesting MFA's approval of such changes. Failure to notify MFA may result in the rejection of an Application or loss of a Reservation or tax credit allocation. Approval of such changes will be made in MFA's sole discretion and the change may result in a change in the tax credit amount or other action by MFA. A $500 fee payment is required at the time of the request for approval of any changes in accordance with Section IV.B. In addition to this fee Applicant agrees it shall pay MFA any legal fees it may incur in processing the request. Applicants/Project Owners will not be allowed to make changes to a Project that would result in a change to any of the specific items for which points were awarded, unless extraordinary and well-documented circumstances would warrant it, and changes must be approved by MFA. Any such change(s) to a Project that would require a re-scoring or re-evaluation which causes the Project's score to fall below its original score may cause the LIHTC allocation to be rescinded in the case of 9% Projects or never issued in the case of 4% Projects.

Examples of changes of which MFA must be notified:

1. Site control or rights of way are lost;

2. Project costs change in excess of 5% of the Total Development Cost shown in the Carryover Allocation Application Package (for 9% Projects) or subsequent to Initial Application submission (for 4% Projects);

3. Applicant obtains additional subsidies or financing other than those disclosed in the Carryover Allocation Application Package; or loses subsidies or financing included in the Carryover Application Package, and/or the amount of any such financing or subsidy changes by greater than or equal to 10% from the amount shown in the Carryover Allocation Application Package (for 9% Projects) or subsequent to Initial Application submission (for 4% Projects);

4. Development cost contributions made by a state, local or tribal governmental entity are reduced, increased, withdrawn or substituted with other types of contributions than the ones originally proposed in the Application;

5. The syndication payment timing and/or net proceeds change from those stated in the Carryover Allocation Application Package (for 9% Projects) or subsequent to Initial Application submission (for 4% Projects);

6. The parties [other than the limited partner(s) formation] involved in the ownership entity as represented in the Application change;

7. Changes to Project design, unit design, square footage, unit mix, number of Units, number of buildings changes, amenities, parking quantities, landscaping scope, energy performance, water usage, quality of construction or specification;

8. A change in any enrichment service provider and/or change in type of enrichment service to be provided;

9. The general contractor or other member of the original development team changes;

10. Any fire or other natural disaster occurring at or near the Project site; or

11. Any other factor deemed material by MFA in its reasonable judgment.

J. Notice Provisions

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

K. Applications are Public Records

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

L. Attorney Fees

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

V. Cost Certification

A. Applicability of Cost Certification

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

B. Requirements

The Form 8609 Cost Certification must meet the following requirements:

1. The CPA preparing the Cost Certification must certify that all costs are related to the Project's development and do not include costs for organization, syndication, professional or consultant fees related to syndication. The CPA shall "test" a minimum of 20% of all costs listed therein. Both the CPA and Project Owner must execute the Cost Certification. In addition, a Cost Certification is required to be prepared and executed by the general contractor if the project is not utilizing a stipulated sum contract. Each Cost Certification must specifically identify those costs listed in any general or "Other" category. The general contractor Cost Certification (if applicable) may be held in escrow by the project or general contractor but must be produced in the event of an audit as outlined in Section II.S.

2. All fees, including the developer fee, paid to the Project Owner or Developer or to an entity with an Identity of Interest with the Project Owner or Developer, must be clearly identified. If all or a portion of the developer fee is deferred, copies of the promissory note or other substantiation of the validity of the fee must be reviewed.

3. If the land is purchased from a related party, the Project Owner must submit an appraisal to substantiate fair market value, which appraisal must include a determination of value based upon any land use restrictions per HUD or other entity, including MFA.

4. Legal fees related to land acquisition must be clearly identified.

5. Interest expense related to land must be clearly identified.

6. The sources of all funding including loans, tax credit proceeds, Project Owner/Developer equity and all other sources must be certified.

C. Authority to Determine Maximum Qualified Basis

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

VI. Processing of Tax-Exempt Bond Financed Project Applications

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

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

Requests for these determinations (Applications) must be made by the Project's Developer/sponsor at least 60 days prior to submission to the State Board of Finance for bond volume cap. Requests must include an Application fee and Direct Cost Deposit as listed in Section IV.B., a market study, a completed 2023 Universal Rental Development Application and Schedules with all attachments and any other material specified by MFA. The market study must meet all of the requirements identified within the Market Study Parameters in MFA's determination and be dated no more than 180 calendar days prior to the date on which a Complete Application is received by MFA. (See Section III.C.4 for more information about Market Study requirements.) Prior to the release of the Letter of Determination by MFA staff, a processing fee in the amount of 7.75% of the approved annual credit amount will be due. MFA's initial response to the Application for 4% tax credits will be provided no later than 60 business days subsequent to receipt of the Complete Application by MFA.

In addition to the full Application requirements of 9% Projects, the required Project Narrative must also include the description of the characteristics of the Project in terms of the tax-exempt bond issuance. A failure to provide any of the information required herein will result in a determination, in MFA's sole discretion, that the Project Application is incomplete. You may provide additional documentation that supports this narrative. Each supporting document should include a brief description of what is contained in the document and the purpose for which it is being submitted. This expanded document shall also address the following:

a. The current use and condition of the proposed site;

b. The amount of requested Volume Cap. Provide explanation of and support for the amount requested;

c. Evidence of qualification under the relevant bond financing sections of the Code;

d. Describe in detail the bond financing structure;

    1. Identify if there will be more than one series of bonds;

    2. Will the bonds be used in construction only or be used in permanent financing;

    3. Bond terms including any source used to pay back the bonds;

    4. All entities involved in the financing, e.g., rating agencies, bond insurer, letter of credit bank, credit enhancement entity;

e. Evidence and support of adequate market for the Units and explanation of why the housing needs of households eligible to live in the proposed Project are not being met by existing multifamily housing;

f. Conditions to be satisfied prior to bond issue, e.g., all governmental approvals, real estate conditions;

g. Statement indicating why the public purpose of the bonds could not be as economically or effectively served without an allocation of bond cap;

h. Other information regarding the economic benefits of the Project to the Project's community and the State of New Mexico;

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

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

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

1. **Percent of total sources limit**. The private activity bond volume cap allocation by the State Board of Finance must not exceed 75% of the Project's Total Development Cost.

2. **Costs of issuance limit**. Costs of issuance may not exceed 5% of the bond issue for Projects with total financing sources of $2,000,000 or more and 7% for Projects with total financing sources of less than $2,000,000.

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

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

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

VIII. Future Year's Binding Commitments

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

IX. Disaster Relief Allocations

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

X. MFA Tax Credit Monitoring and Compliance Plan Summary

A. General Requirements

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

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

B. Inspections

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

Each inspection will include a review of the Project's low-income certifications, supporting income documentation, leases, rent records (including utility documentation) and Unit inspections in at least the minimum Unit sample size of the Project's Set-aside Units and a physical inspection of the entire

Project (interior and exterior.) In mixed-use and mixed-income properties, 100% of the Units may be monitored. If Projects are determined to be in noncompliance, site visits may occur more often. MFA will provide the owner written notification at least 15 days in advance of scheduled inspections.

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

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

C. Recordkeeping and Record Retention

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

1. The total number of residential Units in the building (including the number of bedrooms and size in square feet of each residential unit)

2. The percentage of residential Units in the building that are Set-aside Units

3. The rent charged on each residential Unit in the building (including utility allowances)

4. The number of occupants in each residential Unit in the building

5. The low-income Unit vacancies in the building and documentation of when and to whom the "next available Units" were rented

6. The income certification of each low-income tenant

7. The documentation to support each low-income tenant's income certification

8. The Eligible Basis and Qualified Basis for each building

9. The character and use of any nonresidential portion of the building included in the building's Eligible Basis (this includes separate facilities such as clubhouses or swimming pools whose Eligible Basis is allocated to each building)

10. Additional documentation and reporting as required by federal regulation

11. Additional documentation and reporting as required by MFA

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

D. Annual Certification Review

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

1. The Project meets the minimum requirements of the set-aside election

2. There has been no change in the Applicable Fraction

3. An annual low-income certification has been received from each low-income tenant and documentation is available to support that certification

4. Each low-income Unit is rent restricted under the Code

5. Subject to the income restrictions on the Project, all Units in the Project are for use by the general public and are used on a non-transient basis

6. There has been no finding of discrimination under the Fair Housing Act

7. Each building within the Project is suitable for occupancy taking into account local health, safety and building codes

8. There has been no change in any building's Eligible Basis under the Code or if there has been a change, adequate explanation of the nature of the change has been given

9. All tenant facilities included in the Eligible Basis of any building in the Project are provided on a comparable basis, without a separate fee, to all tenants in the building

10. If a low-income Unit in the Project becomes vacant during the year, reasonable attempts are made to rent the Unit to tenants having a qualifying income and while the Unit is vacant, no Units of comparable or smaller size are rented to tenants not having a qualifying income

11. If the income of Low-income Tenants of Units increases above 140% of the applicable income limit allowed in the Code, the next available Unit of comparable or smaller size will be leased to tenants having qualifying income.

12. Project Owner has not refused to lease a Unit to an Applicant based exclusively on their status as a holder of a Section 8 voucher and the Project otherwise meets the provisions outlined in the extended low-income housing commitment

13. If the Project Owner received its tax credit allocation from the state ceiling set-aside for Projects involving "Qualified Nonprofit Organizations," the nonprofit entity materially participated in the operation of the development

14. There has been no change in ownership or management of the Project that was not approved in advance by MFA

15. The Project Owner has obtained accurate, allowable, current utility allowances for use in the calculation of rents for the Project and acknowledges this to be an annual requirement for the duration for the Compliance Period

16. For the preceding 12 months the Project Owner has complied with Section 42(h)(6)(E)(ii)(I) of the Code that an existing tenant of a low-income Unit has not been evicted or had their tenancies terminated for anything other than good cause

17. The Project Owner has complied with Section 42(h)(6)(E)(ii)(II) of the Code and not increased the gross rent above the maximum allowed under the Code with respect to any low-income Unit.

18. The Project has complied with the Violence Against Women Act (VAWA), which provides protections for residents and Applicants who are victims of domestic violence, dating violence or stalking, and any other situation or incidence mandated by VAWA. Compliance requirements mandated by VAWA include, but are not limited to, honoring civil protection orders, eviction protection and bifurcation of lease when necessary.

19. The owner has received an annual Student Self Certification for each low-income household.

20. The owner continues to comply with all terms it agreed to in its Application for Credit authority, including all federal and state-level program requirements and any commitments for which it received points or other preferential treatment in its Application.

21. The property has not suffered a casualty loss resulting in the current displacement of residents.

22. If applicable, the property has completed the annual service coordination requirements per the LURA including on site office hours, providing coordinated services and conducting an annual survey. If yes, include the number of hours and the number of residents served with coordinated services in the next section.

23. The property has completed PSH Commitment to Quality checklist for every Permanent Supportive Housing for each qualified household if applicable.

24. The property has provided all required service enrichments according to the schedule listed in the LURA if applicable.

25. The property is in compliance with the Smoke Free at Home Program.

24. The building identification number, first year of Credit Period and Applicable Fraction of each building.

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

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

Projects which are 100% allowable for tax credit purposes (i.e., all Units are income and rent restricted at 60% of AMI or lower or 80% of AMI or lower with an average income of 60% AMI or lower for Average Income Projects) and that have no other financing requiring annual income re-certifications may also be exempt pursuant to HR 3221. Project Owners must furnish MFA certifications annually, verifying that

Projects are in compliance with the Code, as well as any other data that MFA may require per our monitoring and compliance guidelines.

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

E. Compliance Review

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

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

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

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

In order to offset the cost of monitoring procedures, an annual fee will be assessed for each year through the end of the Extended Use Period. For 2023, the monitoring/compliance fee is $50.00/set-aside Unit/per year. The monitoring/compliance fee can be paid annually, on or before January 31,or in a lump sum to cover the initial 15 years of the Compliance Period. If paid in a lump sum, the amount will be determined in the year the development receives a Final Allocation. Payment of the lump sum amount will be required prior to issuance of Forms 8609 for each Project. For 2023, the amount of the Compliance Monitoring fee for the remainder of the contractual Extended Use Period will be

$20.00/set-aside Unit/per year beginning in year 16. Annual certifications and reports are due in the MFA office by March 31st of each year (for the past reporting year.) Annual compliance reports are due by March 31st of each year, through MFA's WCMS online compliance system for the full term of the Extended Use Period. Annual audited property financial statements are due in the MFA office within 120 days of the property's fiscal year end. A notice will be mailed to each Project Owner or a designated representative to remind them that the certification, reports and fees are due.

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XI. GLOSSARY

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

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

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

Agency - New Mexico Mortgage Finance Authority (MFA).

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

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

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

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

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

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

Application - the completed forms, schedules, checklists, exhibits uploaded to MFA's file sharing site: https://mfa.internal.housingnm.org/FileTransferHD/ any additional documentation requested in the

Initial Application Package, Carryover Allocation package and Final Allocation package, as well as any supplemental materials requested by MFA. They must be submitted to MFA in accordance with the QAP in order to apply for the Tax Credit Program.

Application Deadline - 4 p.m. Mountain Standard Time on the final day of the Application Period, except for tax-exempt bond financed Projects, for which the submission date is specified in Section VI.

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

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

Area Median Income (AMI)– the median income level, issued annually by HUD for each metropolitan area and for each county outside a metropolitan area, which is adjusted for household size and used to calculate maximum income of eligible persons and rents for Rent Restricted Units. As of July 30, 2008, any Project located in a rural area (as defined in Section 520 of the Housing Act of 1949) shall have income limitations measured by the greater of the HUD median income or the national non-metropolitan median income.

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

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

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

Board of Directors (Board) – MFA's Board of Directors.

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

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

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

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

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

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

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

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

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

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

Compliance Period – with respect to any building that is included in the LIHTC Project, a minimum period of 15 years beginning on the first day of the first taxable year of the tax Credit Period with respect thereto in which a LIHTC Project shall continue to maintain the low-income Units as low-income

Units pursuant to Applicant's Set-aside Election in the Application, pursuant to the Code. Compliance Period plus Extended Use Period equals Affordability Period.

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

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

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

Contact Person – a person identified in the Initial Application with decision-making authority for the Applicant, Developer or the Project Owner, with whom MFA will correspond concerning the Application and for the Project.

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

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

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

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

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

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

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

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

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

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

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

Extended Use Period – with respect to any building that is included in a LIHTC Project, the period of affordability **following** the initial 15-year Compliance Period during which time the Project continues to be restricted to affordable low-income housing. The minimum Extended Use Period required by Code is fifteen years. Compliance Period plus Extended Use Period equals Affordability Period.

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

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

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

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

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

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

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

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

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

Hard Construction Costs - calculated as the sum of costs for existing structures, site work, rehab and/or new construction, and hard cost contingency, as related to the housing components of the development only. This figure excludes land costs. The costs considered for calculating these points will not include any costs related to commercial or retail space. (All costs reflected on Schedule D in the Application.)

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

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

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

Households with Children – households that include one or more persons under the age of 18 years.

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

1. Has a physical or mental impairment that substantially limits one or more major life activities; has a record of such impairment; or is regarded as having such impairment. In general, a physical or mental impairment includes hearing, mobility and visual impairments, chronic alcoholism, chronic mental illness, AIDS, AIDS Related Complex, and developmental disability that substantially limits

one or more major life activities. Major life activities include walking, talking, hearing, seeing, breathing, learning, performing manual tasks, and caring for oneself.

2. Households or individuals experiencing homelessness (see definition above).

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

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

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

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

Letter of Determination – the letter issued by MFA pursuant to Section 42(m)(1)(D) of the Code advising the Project Owner that MFA has made the determination that a tax-exempt bond financed Project satisfies the requirements for an allocation of tax credits under the QAP conditioned upon Project compliance with the Code.

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

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

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

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

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

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

Management Units -

Employee/Exempt Unit

The general-public-use requirement of § 1.42-9 does not apply in the case of units for resident managers, maintenance personnel or courtesy officers (Exempt Units) in a qualified low- income building because the units are not residential rental units but facilities reasonably required for the project.

Based upon the above facts and representations, the IRS has ruled as follows: The adjusted basis of

the unit occupied by resident managers, maintenance personnel or courtesy officers is included in the eligible basis of the building under section 42(d)(1), but the unit is excluded from the applicable fraction of the building under section 42(c)(1)(B). Further, the inclusion of the adjusted basis of the unit occupied by resident managers, maintenance personnel or courtesy officers in eligible basis will not be affected by a later conversion of that unit into a residential rental unit.

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

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

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

(1) African Americans. Persons having origins in any of the African racial groups of Africa.

(2) Hispanic Americans. All persons of Mexican, Puerto Rican, Cuban, South or Central American, Caribbean and other Spanish or Portuguese culture or origin.

(3) Native Americans. Persons having origins in any of the original peoples of North America or the Hawaiian Islands, in particular, American Indians, Eskimos, Aleuts and Native Hawaiians.

(4) Asian-Pacific Americans. Persons having origins in Japan, China, the Philippines, Vietnam, Korea, Samoa, Guam, the U.S. Trust Territories of the Pacific, Northern Marianas, Laos, Cambodia, Taiwan and India.

Moderate Rehabilitation – repairs, replacements and improvements that do not fall into Substantial Rehabilitation as defined herein or where the work is limited to level two (2) alterations (as described by

Enterprise Green Communities Criteria.) Level two alterations include the reconfiguration of space, the addition or elimination of any door or window, the reconfiguration or extension of any system, does not include the replacement of two or more major systems or the installation of any additional equipment. A Project where the work area does not exceed 50% of the aggregate area of the building (the work scope is less than an ICC level three alteration.)

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

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

Principal – an Applicant, any General Partner of an Applicant, and any officer, director, board member or any shareholder, General Partner, managing member or affiliate of an Applicant. It also includes any entity receiving any part of a developer fee for a Project. For Project compliance purposes (**Section IV.C.8**), Principal would include shareholders with interests of 25% or more, all officers of a corporation (whether board members or employees), all General Partners or members.

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

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

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

Qualified Allocation Plan or **QAP** – this Qualified Allocation Plan, which was adopted by Board action on October 19, 2022 and made effective as of December 1, 2022, which was approved by the Governor of the state of New Mexico pursuant to Section 42(m)(1)(B) of the Code and sets forth the Project Selection Criteria and the preferences for Projects which will receive tax credits.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

XII. List of Appendices

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

- 2023 MFA Universal Rental Development Application
- 2023 MFA Universal Rental Development Schedules A – F
- 2023 MFA Underwriting Supplement
- 2023 MFA Design Standards
- 2023 MFA Design Standards – Supplement A – NHTF Requirements
- 2023 Market Study Parameters
- 2023 Bond Checklist
- 2023 Carryover Allocation & 10% Test Instructions & Checklist
  - Assignment of Building Identification Numbers
  - Architect's Certification
  - Option to Lock Applicable Credit Percentage (Section 42(b) of the Code)
  - Ten Percent Letter (Independent Accountant's Report)
  - Form of Owner's Attorney's Opinion
  - Exhibit A to Independent Auditor's Report
- MFA Compliance Addendum
- Service Coordination Checklist of Responsibilities
- 2023 Placed In Service and Final Allocation Instructions & Checklist
  - Schedule M Addendum to Application
  - Form A Instructions
  - Form A – Final Certification of Uses
  - Form B – Independent Accountant's Report
  - Form C1 – Owner's Cost Certification
  - Form C2 – General Contractor's Cost Certification
  - 2023 MFA form of Attorney Opinion
  - 2023 Form 8609 Certification
  - 2023 As-Built Architect Certification
  - 2023 Lender's Consent and Agreement to Recording of and Subordination to Land Use Restriction Agreement
  - 2023 Project Ownership Profile
  - 2023 Sample LIHTC LURA
  - 2023 Sample Equity Certification Letter
- Low-Income Housing Tax Credit Compliance Plan, December 2021 as may be amended
- Annual Owners Certification, December 2021 as may be amended

Exhibit 1

Board Members
Chair – Angel Reyes – Centinel Bank in Taos
Vice Chair – Derek Valdo – Chief Executive Officer, AMERIND Risk
Treasurer – Rebecca Wurzburger – Strategic Planning Consultant
Member - Howie Morales - Lieutenant Governor, state of New Mexico
Member - Hector Balderas – Attorney General, state of New Mexico
Member -Tim Eichenberg – Treasurer, state of New Mexico
Member – Patricia A. Sullivan – Associate Dean, New Mexico State University

Allocation Review Committee
Chair, Patricia A. Sullivan
Member, Michael A. D'Antonio
Member, Lyle Greenberg
Member, Rosalyn Nguyen Chafey
Member, Robert White
Member, Nicole L. Martinez
Member, Adelmo (Del) Archuleta

Management
Isidoro "Izzy" Hernandez, Executive Director and Chief Executive Officer
Donna Maestas-De Vries, Chief Housing Officer
Jeff Payne, Chief Lending Officer
Lizzy Ratnaraj, Chief Financial Officer
George Maestas, Director of Housing Development
Kathryn Turner , Assistant Director of Housing Development
Jeanne Redondo, Tax Credit Program Manager
Christi Wheelock, Tax Credit Analyst

MFA

NEW MEXICO MORTGAGE FINANCE AUTHORITY
Contracted Services/Credit Committee Meeting
Tuesday, October 11, 2022 @ 10:00 am
MFA – Albuquerque

WebEx join the meeting from the calendar or call 1-844-992-4726 (access code): 2496 234 4466

	AGENDA ITEM	TIME ALLOTTED	COMMITTEE RECOMMENDED	BOARD ACTION REQUIRED
1	Biannual Compliance Activity Report October 2022 (Julie Halbig)	10:00 – 10:15	2-0	YES
2	Approval of the Emergency Homeless Assistance Program (EHAP) Amended Award PY22-23 (Janice Shije and John Garcia)	10:15 – 10:30	2-0	YES
3	RFP Professional Services for the Sale of Commercial Real Estate (Jeff Payne)	10:30-12:45	2-0	YES
Discussion				
4	Allowance for loan loss (Yvonne Segovia)	10:45-11:00	✓	NO
5	Questions/comments from Committee	11:00-11:15	✓	NO

Committee Members present:

Rebecca Wurzburger, Chair	☐ present	☐ absent	☑ conference call
Attorney General Hector Balderas or Sally Malavé	☐ present	☑ absent	☐ conference call
Patricia Sullivan	☐ present	☐ absent	☑ conference call

J. Hernandez

MFA Housing New Mexico

MEMO

TO: MFA Board of Directors

Through: Contracted Services Committee, October 11, 2022

Through: Policy Committee, October 4, 2022

FROM: Julie Halbig, Compliance Manager

DATE: October 19, 2022

RE: Biannual Compliance Activity Report for April 2022- October 2022

The compliance officer is responsible for communicating with the Board of Directors regarding compliance matters. The compliance activities report is intended to provide information to the Board regarding compliance management activities and the results of related oversight of MFA's single-family mortgage lending and servicing departments, including subservicing oversight. During this reporting period, no significant compliance concerns were identified.

Background:

The compliance officer is responsible for maintaining a comprehensive compliance program to address legal, regulatory, and internal requirements for MFA's single family mortgage lending and servicing functions, ensure MFA is meeting regulatory compliance requirements related to mortgage operations, and maintain oversight of MFA's contracted subservicer performance.

Discussion:

The following is a summary of compliance activities related to vendor management, subservicing oversight, loan quality control, and tracking of regulatory compliance and consumer complaints from April 2022 through October 2022.

Vendor Management

Vendor management and oversight is an ongoing function within the compliance management system and is conducted according to the underlying vendor management policy. Staff identifies vendors who provide services to MFA which are subject to regulation and oversight by the Consumer Financial Protection Bureau (CFPB), or any entity contracted to provide services that would cause MFA to face risk if the vendor or service provider fails to meet contractual obligations, regulatory requirements, or engages in activities that could adversely impact MFA consumers.

Vendors are evaluated for inherent risk, compliance systems and controls, and business performance. This evaluation is completed by the compliance manager, in cooperation with appropriate department directors. All vendors are now on a schedule based on their risk assessment. The most recent vendor reviews did not identify any vendors with critical weaknesses which present a significant risk of violating the law and causing consumer harm.

Risk ratings are assigned to vendors based on the below criteria and the Vendor Management Policy dictates the level and frequency of vendor reviews.
Risk Ratings:

- High – full operational reliance, access to MFA consumer NPPI (non-public personal information), access to MFA consumers, access to MFA systems.
- Medium – limited operational reliance, limited access to MFA consumer NPPI, no access to MFA consumers, no access to MFA systems.
- Low – no operational reliance, no access to MFA consumer NPPI, no access to MFA consumers, no access to MFA systems.

Vendor Review:

Vendor Name	Function	Risk Rating
ANM	Network Management Service Provider	High
Artic Wolf	Network Security (monitoring/alerts)	High
ASC Powerlender	Loan File Management System	High
Cogent	Internet Service Provider	Medium
IntelePeer	Text Messaging Platform	Low
Metasource	Business Process Management	Medium
Mitas	Software for Servicing	High
Virpack	Software for Document Management	Medium

Subservicing Oversight
Staff continues to monitor service level performance to ensure our contracted sub-servicer provider, Idaho Housing and Finance Association (IHFA), maintains regulatory compliance, that staffing levels support MFA needs and that controls over data integrity are in place.

IHFA provides several monthly loan portfolio reports, including servicing quality control, advances and reimbursements, loss mitigation and foreclosure activity reports. All reports are reviewed, reconciled, and analyzed for any negative trends or ongoing issues. Monthly calls are held with IHFA to discuss operational processes, reconcile reporting, and provide current updates. An example of the collaboration and discussion that takes place is that MFA and IHFA are scheduled for a call to discuss any processes and procedures that could impact MFA's reimbursement billing to IHFA.

During the reporting period, staff completed the Annual Subservicing Oversight review of IHFA. This year the annual review conducted by our internal auditors, REDW, focused on the following areas:

- Delinquencies: Timely outreach to borrowers upon delinquency as well as evaluating the frequency and details of contact attempts were properly documented.
- Loss Mitigation/Loan Modification/Fair Servicing: Proper procedures (COVID-related regulations) for loss mitigation options being presented to borrowers to make sure their financial condition was assessed and escrow was analyzed.
- Proper coding of the files per FHA guidelines
- Foreclosures, Claims and Conveyances: Reviewed that COVID-19 foreclosure moratoriums protections were upheld and only vacant properties were foreclosed on.
    - Ensured that all proper notices were recorded appropriately and timely including property inspections and appraisals.
- New Loan Setup
- Escrow Setup, Disbursements and Payment Applications (New Loans)

These areas were reviewed to ensure that IHFA is meeting all regulatory requirements as well as loan servicing and loan origination procedures. There are opportunities for process improvements including training of IHFA staff to ensure uniformity in coding and the notes section of the loan files. IHFA is now in the process of providing more detailed feedback about how to best to address some of these processes. REDW did not report any findings or areas of concern in the annual subservicing oversight review.

MFA and IHFA are closely watching the rise in foreclosures and monitoring delinquency rates. MFA continues to see delinquency rates decline in the subserviced portfolio, which reached the highest total delinquency in February 2021 of 18.70%. Rates continue to remain stable and, in some instances, declined. The August 2022 delinquency rate is 10.81%% and the seriously delinquent rate is 4.45%. See Chart 1 – Subserviced Portfolio Delinquency Trends on the second to last page of the report.

At this stage, most borrowers have exited forbearance where they were allowed to take advantage of loan modifications and partial claim processes to bring their loan current, lower interest rates and monthly payments, to achieve affordability. These options resulted in a recast of the loan terms and/or a soft second lien on the property that is due at the time of transfer of title or refinancing of the property.

While partial claims do not require repurchase from GNMA pools, modifications do require repurchase from the GNMA pool. Another benefit of these options is that loans can be modified to adjust interest rates and repayment terms so that affordability is achieved for those experiencing a permanent loss of income. As a result, borrowers are more likely to maintain homeownership.

Loan Quality Control

Loan quality control reports and portfolio management reports received from IHFA alert MFA staff to loan level issues with MFA's approved lenders. These reports provide insight regarding trends and performance of specific lenders and loan officers. MFA staff takes a proactive approach in communicating with our partner lenders to mitigate the risk of material findings or repurchase.

Every month, MFA's quality control vendor, IHFA, selects and reviews post-funded loans based on a random sampling of 10% of loans purchased during the previous month. MFA staff then completes a 10% oversight review of the vendor's selected sample of Fannie Mae loans. The sample includes a cross-section of the approved lenders as well as MFA's overall book of business being sold or securitized by Fannie Mae.

The post-purchase review examines includes, but is not limited, to the following:

- Original loan application;
- Underwriting process;
- Employment and Income data;
- Tax Returns;
- Assets;
- Credit history;
- Compliance documents initialed by borrower as having received; and
- Closing documentation

Issues related to the loan file are classified as minor, moderate or serious defects. The below table represents the MFA loan origination defect trend data of cases with serious exceptions (defects). The Gross Defect Rate include all preliminary serious exceptions and the Net Defect Rate represents only unresolved, serious exceptions. According to MFA's Quality Control plan, the Net Defect Rate should be 4% or less for serious and moderate findings in a reporting month. As you can see, MFA's Net Defect rate remains under the 3.5% Target Rate. Staff did not identify any issues in the loan quality reviews.

NET DEFECT TREND REPORT Random QC

CASES WITH SERIOUS EXCEPTION(S) - COMPLIANCE EXCLUDED

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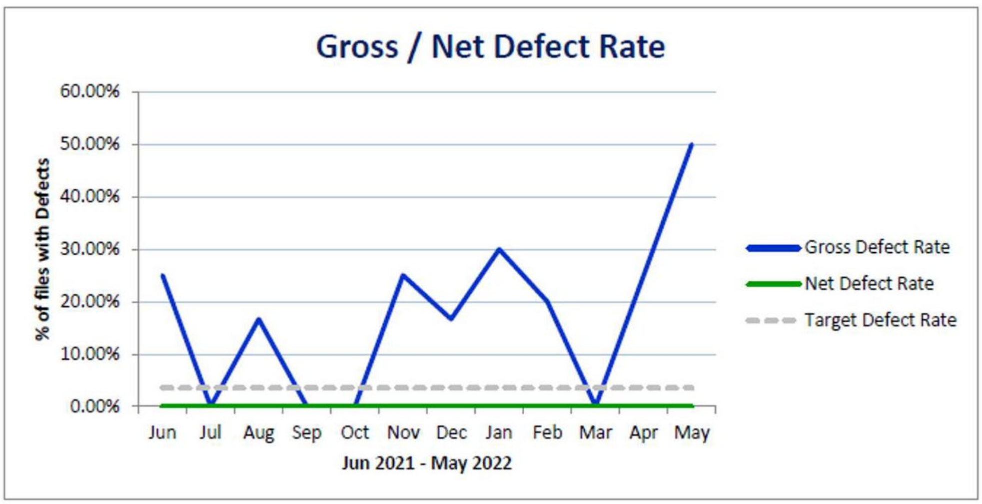
Year	Month	Target Defect Rate	Cases Audited	Defective Cases (Gross)	Defective Cases (Net)	Gross Defect Rate	Net Defect Rate
2021	Jun	3.5%	8	2	0	25.00%	0.00%
2021	Jul	3.5%	4	0	0	0.00%	0.00%
2021	Aug	3.5%	6	1	0	16.67%	0.00%
2021	Sep	3.5%	5	0	0	0.00%	0.00%
2021	Oct	3.5%	4	0	0	0.00%	0.00%
2021	Nov	3.5%	4	1	0	25.00%	0.00%
2021	Dec	3.5%	6	1	0	16.67%	0.00%
2022	Jan	3.5%	10	3	0	30.00%	0.00%
2022	Feb	3.5%	5	1	0	20.00%	0.00%
2022	Mar	3.5%	4	0	0	0.00%	0.00%
2022	Apr	3.5%	4	1	0	25.00%	0.00%
2022	May	3.5%	4	2	0	50.00%	0.00%
Sub-total			**64**	**12**	**0**	**18.75%**	**0.00%**



<u>Regulatory and Legal Compliance</u>

Tracking regulatory information related to federal consumer financial law, and implementation of new processes resulting from changing requirements is completed by the compliance officer and mortgage operations staff and management.

Throughout this reporting period, MFA and IHFA have been actively reaching out to borrowers who may benefit from the Homeowner Assistance Fund (HAF). The initial priority was to reach out to those homeowners who had previously contacted MFA seeking assistance but were not able to take part in the pilot due to the limited amount of funds at that time. However, additional marketing of the program has since occurred along with IHFA's assistance.

HAF grants are to fund mortgage payments, taxes, and insurance up to $20,000 per household, to maintain housing and/or to reduce housing cost delinquency. Applicants still experiencing hardship that did not receive the household maximum of $20,000 on their initial request during the HAF Pilot Program (May 18, 2021 – August 16, 2021) are eligible to reapply for the difference.

As of September 29, 2022, the total HAF funding distributed is $9,635,928.07 to 1,627 households. Approximately, another 245 applications are in the initial review stage with another 130 applications in the final stages of records waiting to be received from the borrower's servicer.

As shared back in April, the State of New Mexico has the following protections for homeowners due to rules adopted by the New Mexico Supreme Court. Before filing a foreclosure case, the rules require that:

- Homeowners are given information about loan modification and loss mitigation options,
- Homeowners are provided with a list of resources where they can get help to avoid foreclosure, including legal services and possible financial assistance, and
- The foreclosing party must certify to the court that the required information was provided. The certification also requires that the foreclosing lender attest that it complied with the Consumer Financial Protection Bureau's (CFPB) rule that provides additional pre-foreclosure protections to borrowers during the COVID-19 pandemic.

Before a court will enter a foreclosure judgment, a certification must be submitted about loss mitigation and loan modification negotiations with the homeowner. These rules apply to foreclosure cases filed on or after September 7, 2021. The NM Court system shared that eight foreclosures have been prevented with another eight homeowners in the process of being approved for HAF and able to avoid foreclosure.

New Mexico Eviction Prevention and Diversion Program for Renters and Landlords
As shared in the April Compliance report, the State of New Mexico expanded statewide an Eviction Prevention and Diversion Program for Renters and Landlords. EPD is a program available to New Mexico households who need help paying for rent, utilities, or relocation assistance during the COVID-19 pandemic. EPD is a program for both Landlord/Tenant and Mobile Home Park cases involving non-payment of rent. EPD navigators and facilitators work to get financial assistance to landlords and tenants to preserve a defendant's tenancy, prevent eviction, and compensate the owner, landlord, or management. New Mexico has combined this program with Court Outreach for Rental Assistance (CORA). The Department of Finance Administration has utilized their Emergency Rental Assistance Program (ERAP) funds throughout the state in this effort. In addition, the City of Albuquerque staff attend Metro Court eviction hearings daily via Zoom. Between 1/1/22-6/30/22, CORA staff have attended 6,033 eviction hearings. They have provided information about Emergency Rental Assistance (ERAP) to tenants

in real time during the eviction hearing and are prepared to schedule appointments with tenants to assist with the completion of applications. Just as importantly, they can provide information in real time to the judge regarding the status of the tenant's application for ERAP. Because of the information provided by CORA staff at these hearings, the judges often delay making a final determination. As a result, City staff are not able to track the final eviction outcomes for tenants who have participated in CORA. However, Metro Court judges have reported that they believe the CORA program has been highly effective collaboration between City and Metro Court that has helped both tenants and landlords. The White House recently highlighted the success of New Mexico's eviction diversion efforts, stating that "In New Mexico, eviction diversion reduced eviction filings to 36% below historic averages across the state and 41% below historic averages in Albuquerque."

Training

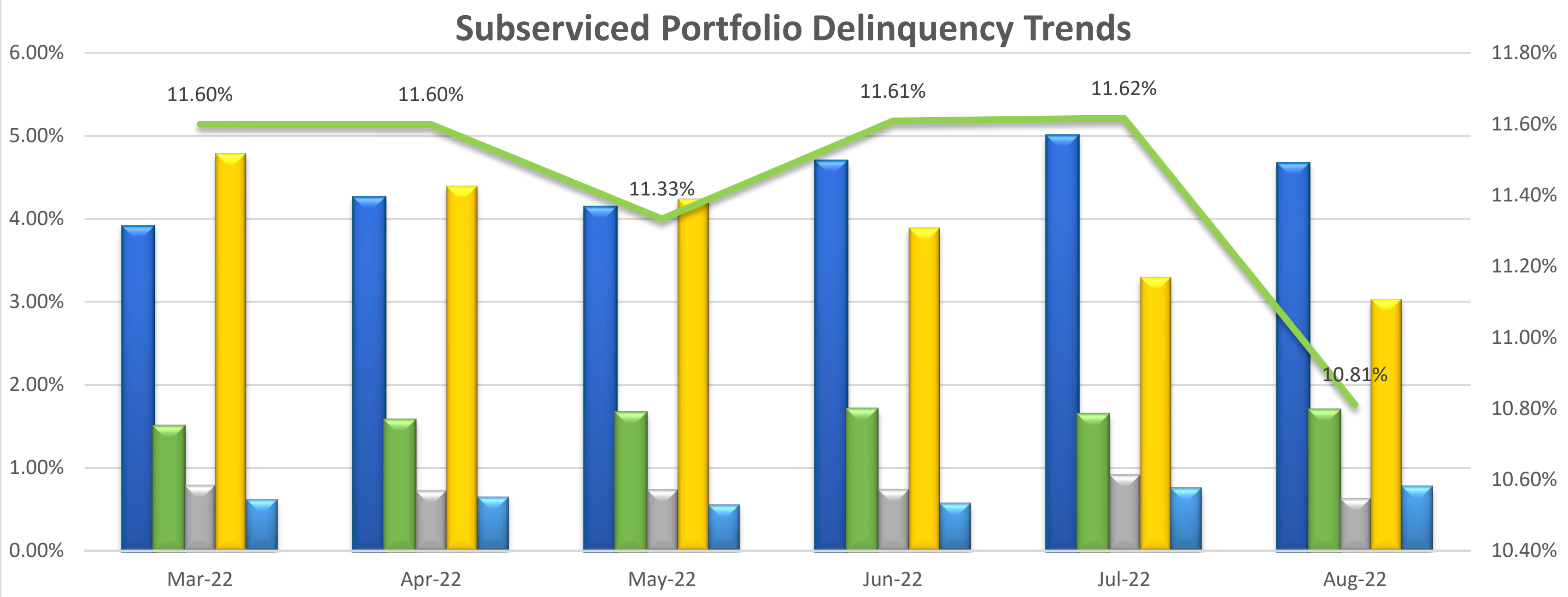
No trainings occurred during this reporting period.

Consumer complaints
Tracking, investigating, and responding to consumer complaints is a function of the Compliance Management System. No new consumer complaints were received in the current reporting cycle.

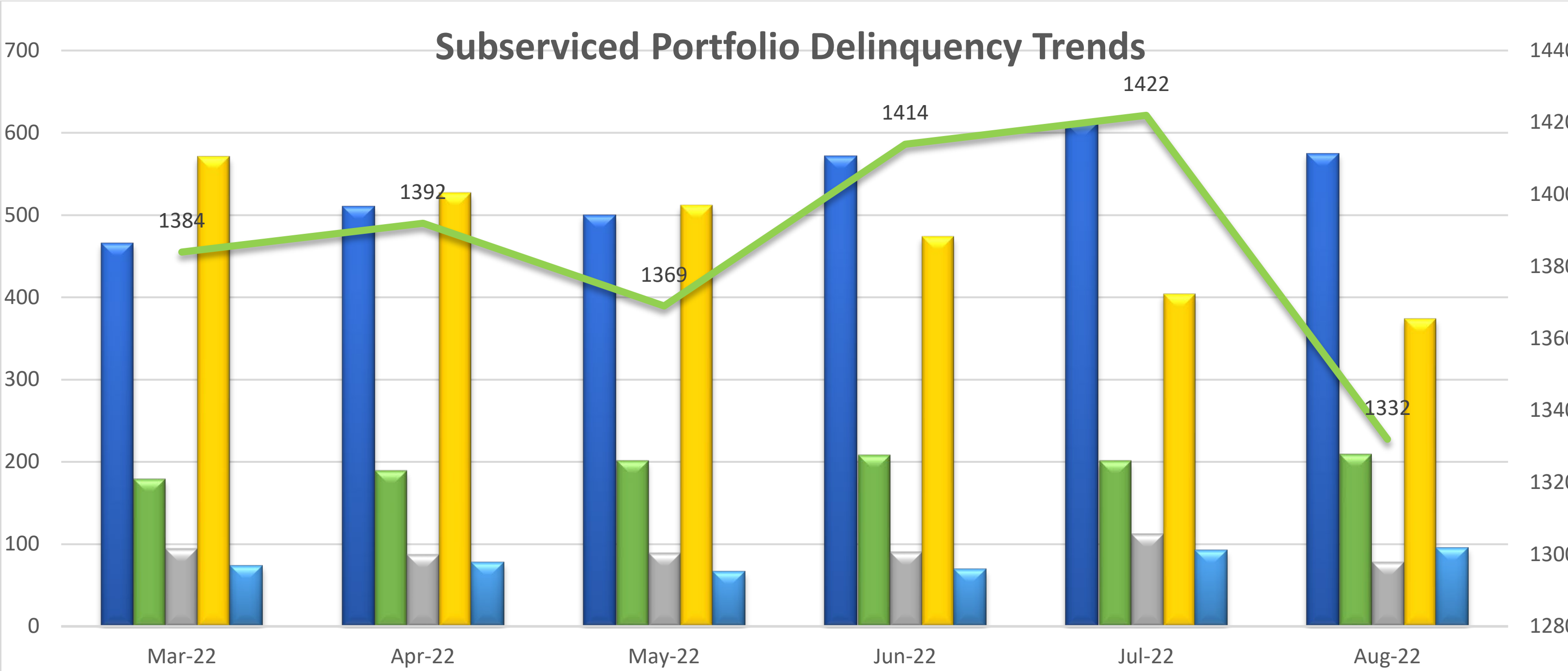
Summary:
The activities described in this report are intended to provide the Board of Directors with assurance that MFA is effectively managing compliance with Federal and State consumer financial laws applicable to the products and services being provided by MFA and mitigating related risk.

Compliance activities will be reported to the Board through the Contracted Services/Credit Committee no less than twice per year, and as needed to fulfill the compliance department's responsibility to inform the Board of any critical compliance issues. There were no significant compliance concerns identified during this reporting period.

Chart 1



	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22
30 days	3.91%	4.26%	4.14%	4.70%	5.00%	4.67%
60 days	1.50%	1.57%	1.66%	1.71%	1.64%	1.70%
90 days	0.79%	0.72%	0.74%	0.74%	0.91%	0.63%
120+	4.79%	4.39%	4.24%	3.89%	3.30%	3.04%
PreForeclosure and Refer to Legal	0.62%	0.65%	0.55%	0.57%	0.76%	0.78%
Total Delinquency	11.60%	11.60%	11.33%	11.61%	11.62%	10.81%



	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22
30 days	466	511	500	572	612	575
60 days	179	189	201	208	201	209
90 days	94	87	89	90	112	78
120+ days	571	527	512	474	404	374
PreForeclosure and Refer to Legal	74	78	67	70	93	96
Total Delinquency	1384	1392	1369	1414	1422	1332

MFA Housing New Mexico

MEMO

TO: MFA Board of Directors

Through: Contracted Services/Credit Committee October 11, 2022
Through: Policy Committee October 4, 2022

FROM: Isidoro Hernandez, Executive Director and CEO
Jeff Payne, Chief Lending Officer

DATE: October 19, 2022

SUBJECT: Request for Proposals Award to Provide Professional Services for the Sale of the New Mexico Mortgage Finance Authority Building

Recommendation:
Staff recommends the award of the Request for Proposals (RFP) to Provide Professional Services for the Sale of Commercial Real Estate to Real Estate Advisors, LLC.

Background:
In August 2022, the MFA Board of Directors approved an RFP to select a commercial real estate broker to assist with the sale of our existing location. The sale of MFA's existing building will take place subsequent to the purchase of a new property to house MFA. Staff desires to select a commercial real estate broker now so that when the time is right, staff can move forward with the marketing and sale of our building. As has been mentioned in previous discussions, the sale of our current building is not a prerequisite to purchasing a new location.

Discussion:
To market and negotiate the sale of the building now occupied by MFA, staff evaluated proposals of five commercial real estate brokerage firms. The recommended firm, Real Estate Advisors, LLC is a commercial real estate broker that has experience with the downtown Albuquerque market, has the experience and expertise to advise MFA on how to market the property, maximize the price, and provide guidance through the sales process. The broker will be compensated by commission upon the sale of the property calculated as a percentage of the sales price. MFA procurement policies require MFA Board approval of the RFP award.

Services to be Performed
The services solicited under this RFP are for professional services commonly provided by commercial real estate brokers and include, but are not limited to, the following:

1. Provide assistance assessing the market value of the building and setting a sales price.

2. Advise MFA on how to best market and present the property for interested parties to evaluate.

3. Provide guidance on duties required or expected of MFA as seller in the current market.

4. Assist MFA in obtaining a favorable sale price and net sales proceeds.

5. Provide other guidance through the process from listing of the property to closing on the sale,

Evaluation Criteria
In accordance with the approved RFP, the internal review committee recommends the award of the contract for professional services to the Offeror whose proposal is most advantageous to MFA. Proposals were scored on a scale of 1 to 70 based on the criteria listed below:

- Experience and Capability - 15
- Downtown Albuquerque Experience - 10
- Fees – 20
- References – 10
- New Mexico Resident Business – 5
- Interview – 10 (if necessary)

Scoring Results
MFA received offers from five commercial real estate brokers with varying levels of experience, especially in the downtown market. An MFA internal review team of five was assigned to independently evaluate each proposal and then come together to share their conclusions. Real Estate Advisors, LLC was selected as the top proposal. They presented a very good plan for the sale of the MFA building. They demonstrate a particular knowledge of the downtown Albuquerque market with a history sales of office buildings including some large and complex transactions. Their proposed commission is very attractive for MFA. The review of each proposal and scoring resulted in a clear selection of Real Estate Advisors, LLC as the commercial brokerage firm to sell MFA's building. Because they had a significantly higher score, the review team felt that interviews were not necessary (See attached Exhibit A for scoring results)

Summary:
Staff recommends award of the New Mexico Mortgage Finance Authority Request for Proposals to Provide Professional Services for the Sale of Commercial Real Estate to Real Estate Advisors, LLC.

Exhibit A

Award Scoring

RFP Professional Services for the Sale of Commercial Real Estate Scoring		Point Range	Maximum Points	Offerors				
Criteria				Colliers	Real Estate Advisors	Remax Exclusive	NAI Sun Vista	SVN Walt Arnold Commercial
Experience and Capacity	1. Overall Experience and Capability: Offeror's skill, knowledge and experience with-- a. New Mexico real estate, zoning, representing sellers in commercial real estate transactions in New Mexico, assessing the market value of commercial real estate, obtaining a favorable sale price and net sales proceeds, marketing and presenting the property for sale, providing guidance on duties required or expected a seller, guiding and advising the seller through the sales process from listing of the property to closing on the sale	0-15	15	11	15	8	12	9
Downtown Experience	2. Downtown Albuquerque Experience	0-10	10	6	10	0	4	2
Fees	3. Hourly rates and other fees and costs	0-20	20	7	20	15	5	5
References	4. References	0-10	10	7	7	4	8	4
New Mexico Resident Business	5. Offeror is licensed to do business in New Mexico and the majority of Offeror's employees who would perform the services to be performed in New Mexico reside in New Mexico	0-5	5	5	5	5	5	5
Interview	6. Interview	0-10	NA	NA	NA	NA	NA	NA
	Maximum Points		**60**	36	57	32	34	25

New Mexico MFA

Innovations in State Land Use/Planning Policies to Support Affordable Housing

PRESENTED BY

Heidi Aggeler, *Managing Director*

ROOT POLICY RESEARCH

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Research shows the most highly regulated housing markets are the least affordable (Glaeser & Gyourko, 2005)

The impact of zoning regulations reducing housing supply outweighs any negative impacts of new development (Glaeser & Gyourko, 2018)

Land use controls have limited new housing construction and increased housing prices (Glaeser & Gyourko, 2005)

–1970s economic growth and housing growth went hand in hand
–1990s relationship reversed

Land Use and Affordability

New Mexico Housing Strategy

Advocate for concrete changes to state law to reduce regulatory barriers to housing development. Examples of changes considered or adopted in other states and localities that could be studied include:

- Incentivize and/or require that planning commissions consider housing needs documented in local or regional housing needs assessments when making zoning and land use decisions;
- Incentivize and/or require that economic development incentives, such as those offered through LEDA, include a workforce housing component for production and/or preservation;
- Incentivize by right or administrative approval for developments with a significant share of affordable units including casitas/ADUs and plexes;

New Mexico Housing Strategy (con’t)

Examples of changes considered or adopted in other states and localities that could be studied include:

- Allow density bonuses and/or fast track approval for homes that meet energy efficiency requirements (to offset higher costs of green building);
- Create a model development code that includes feasible land use incentives for affordable housing, mixed-income housing, and mixed-use development;
- Create an incentive program that provides funding to local governments that adopt policies that facilitate flexibility and efficiency in development approval, infill development, income-diverse development, and efficient zoning. Funding could be used for: community revitalization, economic development, or infrastructure expansion activities;
- Create a program to mitigate resistance to affordable housing at the local level, including training to build community awareness and support of needs.

Background on Fair Share Model Exercise

COMPARABLE STATES

- New Hampshire
- Utah
- Colorado
- Texas (Austin)
- Oregon
- California

AREAS EXAMINED

- Housing needs considered in planning commission approval
- Incentives: funding for assessments/regulatory reform, transportation, infrastructure
- By right/fast track approval and density incentives/flexibility
- Land use reform

Planning Commission Considerations

The state legislature deemed planning and development of moderate income housing a "statewide concern," allowing the state legislature to direct localities to consider Moderate Income Housing (MIH) in planning

Senate Bill 34 (2019) **requires that each local General Plan** include:

1. Land use elements for long term goals to create housing for "various income levels"
2. Transportation and traffic elements that correlate to population projections
3. A "realistic opportunity" to meet MIH need of each locality
4. Adopt three or more strategies from a menu to achieve MIH planning and report annually on progress. Requirement varies by municipality size
5. In 2022, the bill was updated to provide enhanced state funding through TIF and ARPA if 5-6 strategies are adopted

Municipal Land Use, Development, and Management Act requires land use training for city commissions

Utah's Approach

The Menu

1. **rezoning densities** necessary to provide MIH
2. facilitate **rehab or expansion of infrastructure to encourage MIH construction**
3. facilitate **rehab of existing uninhabitable housing stock** for MIH use
4. **waving construction-related fees** imposed by the cite through general fund subsidies or other sources of revenue
5. create, allow for, or **reduce regulations related to ADUs** in residential zones
6. **allow for higher density** or moderate income residential development **in commercial centers, employment centers, or other mixed-use zones**
7. encourage **higher density or moderate income residential development near major transit investment corridors**
8. **reduce or eliminate parking requirements** for residential development near major transit investment corridors or senior living facilities
9. **allow single occupancy developments**
10. allow for **zoning incentives** for low to moderate income units in new developments
11. develop and use strategies to **preserve subsidized low and moderate income units** for the **long-term**
12. **preserve existing moderate income housing**
13. **reduce impact fees** relating to low to moderate income housing
14. **participate in a land trust program** for low to moderate income housing
15. **adopt mortgage assistance programs** for employees of the municipality or employers providing contracted services to the municipality
16. apply for or partner with an entity that applies for **state/federal dollars to promote the construction** of MIH
17. apply for or partner with an entity that applies for **programs offered by Utah Housing Corporation**
18. apply for or partner with an entity that applies for **affordable housing programs offered by the Department of Workforce Services**
19. apply for or partner with an entity that applies for **programs administered by other local governments via interlocal agreements**
20. apply for or partner with an entity that applies for **services provided by public housing authorities to preserve and create MIH**
21. apply for or partner with an entity that applies for **programs administered by a metropolitan planning organization** or other transportation agency
22. **utilize MIH funds set aside** by a community reinvestment agency, redevelopment agency, community development or renewal agency
23. any other program that municipality implements to address the need for 80% AIM housing

Utah's Approach

"Workforce Housing Statute"

RSA 672:1, III-e provides an overall statement that "…Establishment of housing which is decent, safe, sanitary and affordable to low and moderate income persons and families is in the best interests of each community and the state of New Hampshire, and serves a vital public need. Opportunity for development of such housing shall not be prohibited or unreasonably discouraged by use of municipal planning and zoning powers or by unreasonable interpretation of such powers…"

RSA 674:59, III states "If a municipality's existing housing stock is sufficient to accommodate its fair share of the current and reasonably foreseeable regional need for such housing, the municipality shall be deemed to be in compliance with this subdivision and RSA 672:1, III-e."

New Hampshire's Approach

Implementation:

Regional Planning Councils (RPCs) conduct housing needs assessments that identify current regional and city/town needs

RPCs project future housing needs based on population and employment growth. Housing unit goals are communicated to city/town leaders

Developers may sue and have their case heard in a housing court if zoning is denied and the community is not in compliance with RSA 672:1

New Hampshire also requires training of planning commission members

New Hampshire’s Approach

HB2003 (2019):

Requires Oregon cities with >10,000 residents to study the future housing needs of their residents and develop strategies that encourage the production of needed housing

Directs the Oregon Housing and Community Services (OHCS) to conduct a pilot program to calculate housing needs for 20 years in each region of the state; result is a technical report recommending a housing unit allocation approach

Directs the Department of Land Conservation and Development (DLCD) to evaluate that methodology and report to the legislature

Oregon’s Approach

Incentives/Grants

Municipal Grants for:

Community Housing Navigator Grants are for municipalities to hire local staff to coordinate regulatory change to help increase housing development

Housing Opportunity Planning Grants are for municipalities to hire consultants to:

- Perform housing needs analyses ($25,000)
- Perform a regulatory audit ($50,000)
- Revise or create zoning and land use regulations ($100,000)

New Hampshire's Approach

Municipal Grants for:

1. **Planning Grants** fund needs assessments to help local governments "guide their policy and regulatory approaches" to reduce barriers to affordable housing development ($50,000 to $200,000). Must also plan to pursue at least one qualifying strategy for the Incentives Grant Program

2. **Incentives Grant Program** supports affordable housing development through tap fees, infrastructure, parks/playgrounds, community amenities. To qualify, must have adopted three qualifying strategies

3. **Predevelopment Grants**

State develops a model code for town/city use

Colorado's Approach

Strategies and Examples

- Use of vacant publicly-owned property for affordable housing development
- Subsidize/reduce local government fees
- Expedited development review for affordable housing up to 120% AMI
- Expedited development review for acquiring or repurposing underutilized commercial property
- Density bonus program for housing needs
- Promote sub metering utility charges for affordable housing
- Dedicated funding source to subsidize affordable housing infrastructure costs and fees
- Middle multifamily (duplex, triplex, other) use by right in single family residential zoning districts
- Affordable housing as a use by right in residential zoning districts
- ADU use by right in single family zoning districts
- Allow planned unit developments (PUDs) with integrated affordable housing units
- Allow small square footage residential unit sizes (under development as examples arise)
- Lessened minimum parking requirements for new affordable housing
- Land donation/acquisition/banking program (under development as examples arise)
- Inclusionary zoning ordinance (HB21-1117)
- Other novel, innovative, creative approaches

Colorado's Approach

By right or Fast Track Approval/Density Bonuses or Flexibility

Austin (TX) Affordability Unlocked

Allows developers to build more units on a site and leverage public resources when significant amounts of affordable housing are included.

Development Bonuses include:

- Height and density increases,
- Parking and compatibility waivers,
- Reduction in minimum lot sizes

Two levels of affordability:

1. Rental units—50% must be affordable averaging 60% AMI, with 20% serving up to 50% AMI. 25% must include 2+ bedrooms or be supportive or elderly housing. Ownership units must average 80% AMI and 25% must include 2+ bedrooms or be supportive or elderly housing

1. Same as above but 75% of units are affordable. Allows maximum height to increase by 1.5x and up to 8 dwelling units/lot in single family zoned districts

Land Use Reforms

SB 1069 and AB 2299 (2016): Set clear, statewide standards for how local governments could and could not regulate ADUs . 60,000 permitted to date. Limits impact fees on ADUs

Most powerful outcome may be in legalizing ADUs that were formerly illegal. Cities forced demolitions and displaced many households

SB 9 (2021): Eliminated single family zoning by allowing duplexes on almost any lot and subdivide an existing lot. Limits density to 4 units on a single family lot

SB 10 (2021): Requires density in transit rich areas (up to 10 units/parcel)

California's Approach

HB2001 (2019):

Cities with > 10,000 people must allow duplexes on lots zoned for single family homes

Cities with > 25,000 people must allow middle housing (rowhomes, cottage clusters, stacked flats, ADUs) and duplexes on lots zoned for single family homes

State develops uniform standards for adoption

Cities are required to approve or deny applications within 15 business days and must provide an administrative process for appeal denials within 30 days

Oregon's Approach

Recent reforms in other states:

Vermont: Expands ADU flexibility and reduces barriers in construction; Prioritizes housing affordability over neighborhood character by banning multifamily project denials solely on character

Massachusetts: Reduces voting threshold for some zoning changes; Requires Bay Transportation Authority communities to allow multifamily development by right in at least one district

Maine: Makes it easier to build ADUs on single family lots; Allows up to 4 units in single family lots in larger communities with designated growth areas; Incentivizes the conversion of historical buildings into affordable housing

Other States

Discussion

Staff Actions Requiring Notice to Board
During the Period of September 2022

Department and Program	Project	Action Taken	Comments / Date Approved
Community Development – Emergency Homeless Assistance Program-EHAP	EHAP Program – Award	The State of New Mexico, Human Services Department awarded MFA $450,000.00 to be used for the Espanola Pathways Shelter effective 7/1/2022 to 6/30/2024. Staff is requesting approval to award $438,750.00 to the Espanola Pathways Shelter ($427,500.00 for operations and $11,250.00 for admin). MFA will retain $11,250.00 of the funding to cover MFA for administrative costs.	Approved by PC on September 7, 2022
Policy and Planning and Housing Development	Award Accepted	MFA accepted $2 million from the State of New Mexico Aging and Long-Term Services Department for Senior Housing.	Approved by PC on September 7, 2022
Community Development – NM Energy $mart	NM Energy $mart Award	The State of New Mexico Department of Finance granted MFA $3.75M through the State Capital Appropriation Project. The funds can be used to acquire, build, rehabilitate and weatherize affordable housing statewide. The NM Energy $mart Service Providers have agreed to utilize this funding for weatherization applicants that need emergency measures that the current funding does not allow for. All work performed using these funds will either show an energy savings, health, and safety, or support current and future energy efficiency modification	Approved by PC on September 12, 2022
Servicing	Monthly Quality Control Loan Servicing July 2022 Report	Approved	Approved by PC on September 12, 2022

Department and Program	Project	Action Taken	Comments / Date Approved
Community Development-Emergency Homeless Assistance Program-EHAP	Revised EHAP Award Allocation	The full two-year award of $450,000 from HSD was approved at PC on September 7, 2022. When the contract was executed with EPS, the term was for only one year (July 22-June 23). The contract that was setup in MFA's on-line invoicing system was also for one year and the award amount in the system is $225,000, half of what was approved by PC. This is an issue because the award approval memo does not match the contract award entered in the invoicing system. Discussions with MFA's Accounting Department revealed that the best way to correct this issue is to get PC approval for the award amount that matches the contract award, $225,000. MFA typically awards funding on a program year basis and this change will alleviate any issues that may arise by awarding multiple program years at once.	Approved by PC on September 27, 2022

Staff Actions Requiring Notice to Board
During the Period of September 7, 2022 – October 12, 2022 –

Department and Program	Project	Action Taken	Comments / Date Approved

MFA Housing New Mexico

MEMO

TO: MFA Board of Directors

FROM: Cooper Hall and Viktoria Gonsior

DATE: October 19th , 2022

SUBJECT: Single Family Mortgage Bonds 2022 Series D– Pricing Summary

2022 Series D

The 2022 Series D transaction is a new money bond issue which closed on August 18, 2022. The following is a summary of the bond sale:

Structure: The bond issue is a $99.0 million tax-exempt traditional bond issue which provides for non-AMT serial bonds, term bonds and a premium planned amortization class ("PAC") bond.

Marketing: In order to enhance the marketing of bonds to retail investors, our selling group members participated in the underwriting syndicate, namely, D.A. Davidson & Co., Fidelity Capital Markets, Drexel Hamilton, Inc. and UBS Financial Services Inc. New Mexico retail investors had first priority followed by national retail investors. The underwriting syndicate submitted $10.040 million in orders and was allotted $4.950 million of bonds. There was significant demand from retail investors in general; a total of $68.7 million in retail orders were received of which $14.6 million was New Mexico retail. This is a significant increase of 270% in retail orders compared to the 2022 Series C issuance which priced in April of 2022.

As a result of strong demand overall from investors, the PAC bonds were oversubscribed 7.57 times and we were able to lower the yield by 8 basis points. The 2037, 2042, 2047 and 2052 term bonds were also oversubscribed, and yields were lowered by 5, 2.5, 5, and 7.5 basis points, respectively.

Total orders for the bond issue were $482.45 million for both retail and institutional investors.

Use of Bond Proceeds: The $99.0 million is being used to originate new mortgage loans and to roll forward a subsidy generated from prior bond issues which helped maintain competitive mortgage rates. The weighted average mortgage rates are as follows:

Program	Government	Conventional <80% AMI	Conventional >80% AMI
FIRST HOME	5.199%	5.496%	5.927%

Spread: The spread on the transaction is 1.120%. Spread is the difference between the mortgage yield and the bond yield. The maximum spread permitted by federal tax law is 1.125%. The net present value benefit of the transaction is $3.7 million or approximately 3.7% of the bonds issued.

Investment of Bond Proceeds: Funds from the bond issue are invested in Federal Government Obligations Fund Institutional Shares through Zions Bank, the General Indenture Trustee.

The attached Exhibit 1 contains a table summarizing more detailed information about the 2022 Series D bond issue as well as bond issue characteristics from other recent single-family issuances for comparative purposes.

Following Exhibit 1 is a comprehensive in-depth "Post-Sale Analysis" for 2022 Series D, prepared by MFA's Financial Advisor, CSG Advisors.

EXHIBIT 1

New Mexico Mortgage Finance Authority

Summary of Recent Bond Issue Characteristics

		For Info Only	For Info Only	For Info Only	For Info Only	
		2021D	2022A	2022B	2022C	2022D
		New Money Tax-Exempt	New Money Tax-Exempt	Refunding Federally Taxable	New Money Tax-Exempt	New Money Tax-Exempt
Type of Structure		Traditional	Traditional	Pass-Through	Traditional	Traditional
1	Tax Exempt Bonds	$99,990,000	$100,000,000	n/a	$90,000,000	$99,000,000
	Taxable Bonds	n/a	n/a	n/a	n/a	n/a
	Tax-Exempt Refunding Bonds	n/a	n/a	n/a	n/a	n/a
	Taxable Refunding Bonds	n/a	n/a	$33,467,202	n/a	n/a
	Total Amount of Bonds Issued	$99,990,000	$100,000,000	$33,467,202	$90,000,000	$99,000,000
2	Bond Issue(s) Refunded	n/a	n/a	2011 Series A/ 2015 Series C, 2012 Series A and 2012 Series B	n/a	n/a
3	MFA Subsidy*/Benefit-(New Available)/ Present Value Economic Benefit	$2.6 million/$1.4 million	$2.6 million/$2.7 million	$1.055 million	$2.7 million/$2.0 million	$3.7 million/$4.7 million
4	Original Bond Ratings:					
	Standard & Poor's	None	None	None	None	None
	Moody's	Aaa	Aaa	Aaa	Aaa	Aaa
5	Pricing Date(s)	10/13/2021	1/13/2022	1/13/2022	4/12/2022	7/12/2022
6	Bond Closing Date	11/18/2021	2/23/2022	2/23/2022	5/24/2022	8/18/2022
7	Serial Bond Maturities					
	AMT	None	None	None	None	None
	Non-AMT	7/1/23-7/1/33	3/1/23-9/1/34	None	3/1/23-9/1/33	9/1/23-9/1/34
	Taxable	None	None	None	None	None
8	Term Bond Maturities	7/1/36,7/1/41 7/1/46,7/1/51	9/1/37,9/1/42 9/1/47,9/1/52	1/1/44	9/1/37,9/1/42 9/1/47,9/1/52	9/1/37,9/1/42 9/1/47,9/1/52
9	Premium PAC Maturity	1/1/52	3/1/53	None	3/1/53	3/1/53
10	Split Between FIRST HOME Government and Conventional Loans					
	Government	84%	84%	n/a	85%	80%
	Conventional	16%	16%	n/a	15%	20%
11	Weighted Average Loan Rates+					
	FIRST HOME - Government	3.101%	3.471%	n/a	4.650%	5.199%
	FIRST HOME - Conventional <80%	3.167%	3.538%	n/a	4.674%	5.496%
	FIRST HOME - Conventional >80%	3.548%	3.934%	n/a	5.051%	5.927%
12	10-Year Treasury Rate at Pricing	1.54%	1.70%	1.70%	2.72%	2.98%
13	GIC Rates**					
	Acquisition Fund Rate	n/a	n/a	n/a	n/a	n/a
	Float Fund Rate	n/a	n/a	n/a	n/a	n/a
14	MFA Contribution at Closing					
	Cost of Issuance (COI)	$870,000	$835,000	$260,000	$800,000	$870,000
	COI as a % of Bonds Issued	0.87%	0.84%	0.78%	0.89%	0.88%
	Negative Arbitrage Deposit	$1,000,000	$1,000,000	$0	$1,000,000	$1,000,000
15	Yield Spread	1.123%	1.121%	n/a	n/a	n/a
16	Administrative Fee (to MFA)	0.180%	0.180%	1.618%	0.180%	0.180%
17	Bond Allocation System Followed***	Yes	Yes	Yes	Yes	Yes

*Subsidy was generated by a prior bond issue.
+Weighted average rate of loans in the pipeline.
**The Guaranteed Investment Contract is competitively bid.
***The bond allocation system that is followed is common in the investment banking industry and is as follows:
The lead manager keeps track of when the orders are received which is referred to as an order flow tracking system.
The bond allocation system also dictates that Bonds are awarded to managers prior to any selling group members even though group members may have entered orders first. In-state retail orders receive first priority, followed by orders for the benefit of the group which are allocated by management fee percentage; next are net designated orders placed through the senior manager where the buyer designates the sales credit to specific managers, and finally, member orders receive the lowest priority.

$99,900,000
New Mexico Mortgage Finance Authority
Single Family Mortgage Program Class I Bonds
2022 Series D (Tax-Exempt) (Non-AMT)

POST-SALE ANALYSIS

KEY RESULTS FOR MFA

Purpose. This transaction is a traditional single-family bond issue with semi-annual interest and principal, though bonds can be redeemed quarterly from excess revenues. Its purpose, like similar prior new money transactions is to:

1. Finance new loan production at attractive interest rates for homebuyers,
2. Provide beneficial economics to MFA with as close to the maximum yield spread permitted by the IRS as possible,
3. Use as few of MFA's zero participation loans as needed, and
4. Keep negative arbitrage to a minimum.

Additionally, this transaction reallocates zero participation loans from prior series (2022 Series C) well within the required time of 18 months for which to reallocate loans.

Approach and Strategy. Over the past three years, MFA has used traditional bond structures to finance new production that did not need a refunding component in order to generate full spread economics. Since the beginning of 2018, MFA has issued multiple all new-money transactions that did not include a refunding component, providing MFA with a balance sheet solution for new production without a form of subsidy such as refundings. Zero participation loans will be used in this transaction to bring it to full spread.

From a strategic point of view, MFA has been:

1. Building a loan pipeline by reserving loans, while reviewing expected rates on a traditional bond structure,
2. Issuing bonds to begin financing mortgage-backed securities at bond closing through an approximate 3-month origination period, and
3. Protecting itself against rates rising before bonds are sold by using zero participation interest subsidies it has earned from past transactions.

Primary Objectives. MFA therefore has three primary objectives:

1. Finance existing production at the lowest yield possible,

2. While keeping mortgage loan rates low, use as little of MFA's approximately $15.7 million of zero participations (prior to issuing 2022D) as possible to achieve full spread, thus preserving more zero participations for future production, and,

3. Raise bond premium in order to generate proceeds to help fund the purchase of the MBS from the servicer at 101%, to fund cash flow lag, and to fund all of the costs of issuance of the transaction.

Structure. The 2022D bonds:

- Included bond proceeds sufficient to finance more than $99.9 million of new pipeline production and provide sufficient proceeds to use and store zero participations,

- Were structured with serials bonds, term bonds and Planned Amortization Class (PAC) bonds,

- Sold the PAC bonds with a total premium of $3.4 million which provides additional funds to purchase

$100.4 million of MBS and fund all of the costs of issuance. Given the amount of premium raised, the issue is being overcollateralized with $0.5 million of new MBS, which strengthens the cash flows of the indenture and will provide MFA with excess net assets in the future.

- Were priced slightly more than 5 weeks prior to closing, enabling MFA to lock in its borrowing cost sooner as well as finance more of its pipeline production prior to closing; thus reducing both interest rate risk and negative arbitrage,
- Allowed for either GNMA, Fannie Mae (FNMA), or Freddie Mac (FHLMC) MBS depending on MFA's loan pipeline,
- Provided MFA with an optional par call in 9.5 years if it proves profitable to redeem the bonds in the future,
- Deposited $1.0 million of Authority funds in a negative arbitrage account for securities – including those to be financed by the zero participations – that had not yet been originated by bond closing. We expect most or all of MFA's funds to be transferred back to MFA within 12 to 18 months.

Results. The bond structure consisted of three major components: non-AMT serial bonds, term bonds and a premium PAC bond.

1. **Yields.** The bond yield (true interest cost) was 3.886% assuming 100% FHA prepayments (compared to 3.57% for the 2022C bonds sold in April, illustrating the continued rise in bond rates experienced over the last 3 months.

2. **Use of Zero Participations.** In order to achieve full spread, 2022D is forecasted to create $2.6 million in zeros resulting in $18.3 million in zeros for future bond issues (assuming participation with a future issue in 3 months).

3. **Net Economic Benefits.** The transaction's projected net present value was $3.7 million at 150% PSA prepayment speed, or approximately 3.7% of the bonds issued. Including the impact of zeros consumed, the net present value was $4.7 million.

Bond Results. Following are key highlights:

1. **Timing.** The bonds were priced on Tuesday, July 12th with a retail order period in the morning followed by an institutional order period that afternoon.

   Single family issuance was moderate during the week that 2022D was priced. Including MFA's sale, three single family bond issues were priced the week of July 11th, but only two of them were comparable tax-exempt transactions (Colorado and Vermont).

   On the pricing date of July 12th, the 10-year Treasury was lower by 0.02% from the prior day to a 2.98% yield. The municipal market as measured by MMD rates was unchanged compared to the prior day. See "Market Details" below for a full description of the market leading up to the pricing date.

Retail Interest. A separate 2.5 hour retail order period was established with first priority to orders from New Mexico retail investors and second priority to national retail investors. This resulted in a total of $68.7 million of retail orders ($14.6 million of New Mexico retail); a phenomenal 270% increase in retail orders compared to 2022 Series A which had $18.5 million of retail orders. $49.9 million of the 2022D retail orders were for serial bonds, which combined with $12.7 million in institutional orders resulted in all serial bonds being sold, most with substantial oversubscription. As such, 16 of the serial bonds were repriced lower in yield by 0.025% to 0.075% (most reduced by 0.05%).

2. **Institutional Interest.** In all, institutions put in orders totaling $413.6 million (compared to $164 million for Series C), $121 million of which were for the (4) term bonds (maturing in 2037, 2042, 2047 and 2052). Investor interest for the $37 million in PAC bonds was also notably strong, with $280 million in orders. Given the oversubscription, the 2037, 2042, 2047 and 2052 term bonds were lowered by 0.05%, 0.025%, 0.05% and 0.075% respectively, while the PAC bond was lowered by 0.08%.

3. **Selling Group.** To enhance the order flow particularly with retail investors, four selling group members were included in the underwriting syndicate for 2022D, continuing the same group from the last six transactions as well. Selling group members included Baird, D.A. Davidson, Drexel Hamilton, Fidelity Capital Markets, and UBS. See below for orders and allotments from the selling group, of which UBS brought the most orders to the pricing:

RETAIL ORDERS BY SELLING GROUP MEMBER (THOUSANDS):

Selling Group Member	Orders	Allotments
Fidelity Capital Markets	$ 6,900	$ 3,685
D.A. Davidson & Co	1,380	520
UBS	1,045	495
Baird	715	250
Drexel Hamilton	-	-
TOTAL	***$ 10,040***	***$ 4,950***

The selling group was very useful to the issuance in terms of generating additional retail interest. Fidelity led the selling group in orders, followed by D.A. Davidson. Baird in their first time participating on the selling group brought in 715k in orders.

4. **Comparable Transactions.** The 2022D bonds priced at tighter spreads and slightly lower yields compared to the $23 million non-AMT Vermont HFA issue (AA1/-/AA+) that priced the same day. MFA's serial bonds were largely 5 bps lower in yield across comparable maturities (Vermont sold locked-out serial bonds from 2029-2032 which are not comparable), while its 2037 term bond priced at the same yields and spreads to MMD. MFA's 2042 term bond priced 5 bps lower in yield than Vermont, while its 2047 term bond priced 3 bps lower in terms of spread to MMD. MFA's PAC bonds priced 8 bps lower in spread to MMD than Vermont's and 2 bps tighter in spread to MMD than Colorado's. In summary, MFA receive overwhelming interest for its serials, term bonds and PAC bonds, in part due to investors preference for MBS collateral as opposed to whole loans as well as high demand for MFA bonds.

See **Section 3** for detailed pricing comparables of all recent tax-exempt traditional bond issues priced around 2022 Series D.

MARKET DETAILS

Key Dates:	Institutional Order Period:	Tuesday, July 12, 2022
	Closing Date:	Thursday, August 18, 2022

Economic Calendar. Economic news in 2022 has largely been dominated by escalating concerns about inflation. Continuing record-setting trends in recent month, CPI soared to 9.1% in June—its highest level in 40 years. To combat such inflation, the Federal Reserve is rapidly increasing the Fed Funds rate, including by 75 basis points at its June 15th meeting, which was its largest jump since 1994. Consensus expectations are that the Fed will increase short-term rates by 300 basis points in 2022. As important as these increases in the short-term Federal Funds rate are, the Fed's plan to sell off some of its balance sheet holdings of US Treasuries and MBS is further raising long-term rates.

Treasuries. As of the market close on the day of pricing, the 10-year US Treasury yield was 2.96%, 126 basis points higher than MFA's first bond issue of the year, 2022A was priced on January 13th. This dramatic increase in Treasury yields has been driven by the drumbeat of inflation news and increasingly hawkish Federal Reserve policy. The 10-year UST yield was as low as 1.41% in mid-December but rose quickly throughout January and the first half of February, rising to a high of 2.05%. The invasion of Ukraine in late February temporarily reversed this trend as investors globally rushed to the safety of Treasuries, driving the 10-year UST yield to 1.73%. Since that time, however, the 10-year UST has increased in yield by more than 120 bps with Fed rate hikes and pronouncements.

One of the more significant changes this year has been the flattening—and, at times, inversion—of the yield curve. The 2-year Treasury rate was 85 basis points lower than the 10-year rate at the beginning of the year; however, the 2-year rate was actually 5 basis points higher than the 10-year rate when 2022D was priced.

Municipals. The difference between demand for municipal bonds in 2022 and 2021 is one of night and day. In 2021, 45 straight weeks of inflows to municipal bond funds, and the relatively limited supply of bonds, brought near-historic lows in the ratio of MMD to Treasuries. Those relationships have reversed entirely in 2022. As Treasury yields rose dramatically, municipal bond investors pulled back from new purchases, dismayed by a 7% decline in municipal bond fund returns in the first quarter. Investors withdrew over $21.9 billion from municipal bond funds, the fourth-worst quarter on record, putting stress on new issues looking to price.

Muni bond outflows were consistently high throughout the second quarter of this year as well. While municipal investors might have been attracted by increasing yields on new bond issues, many had suffered significant losses on their past holdings and were reluctant to re-enter the market. Late in the first quarter, the ratio of the 10-year MMD to Treasuries had jumped from the historically low ratios of 60% throughout much of 2021 to more than 90%—with investors giving little value to the benefits of tax-exemption. Ratios in excess of 90% persisted early into the second quarter.

While strong performance by tax-exempt bonds late in the second quarter pushed the ratio of the 10-year MMD to Treasuries to 80%, that ratio had increased to 82% by the time 2022D priced.

TABLE 1: COMPARISON OF RATES IN RECENT TRANSACTIONS

Issue	Date	10 Year MMD	10 Year Treasury	MMD to Treasury Ratio	30 Year MMD	30 Year Treasury	MMD to Treasury Ratio
2020 A	1/22/20	1.28%	1.77%	72.3%	1.93%	2.22%	86.9%
2020 B	9/24/20	0.82%	0.67%	122.4%	1.58%	1.41%	112.1%
2021 A	4/13/21	1.01%	1.64%	61.6%	1.62%	2.32%	69.8%
2021 C	7/8/21	0.81%	1.30%	62.3%	1.33%	1.93%	68.9%
2021 D	10/13/21	1.19%	1.54%	77.2%	1.69%	2.03%	83.2%
2022 A	1/13/22	1.18%	1.70%	69.4%	1.64%	2.04%	80.4%
2022 C	**4/12/22**	**2.42%**	**2.72%**	**89.0%**	**2.77%**	**2.82%**	**98.2%**
2022 D	**7/12/22**	**2.44%**	**2.96%**	**82.4%**	**2.98%**	**3.13%**	**95.2%**
Change from 2022C to 2022D		*+ 2 bps*	*+ 24 bps*	*- 6.6%*	*+21 bps*	*+ 31 bps*	*- 3.0%*

UNDERWRITING

Underwriter. RBC Capital Markets served as senior managing underwriter and Raymond James as co-manager. As described above, we also had a four-firm selling group.

Underwriting Fees. The underwriter discount of $6.50 per $1,000 bonds is reasonable compared to other similarly sized issues in the market.

Performance. RBC Capital Markets as book-running senior manager and Raymond James as co-manager worked well together and achieved good order flow as described above. The strong order flow was evidenced by the ability to generate $482 million in total orders (excluding stock member orders) in a very challenging bond market, including sufficient oversubscription to lower the yield on all (4) of the term bonds, the PAC bond and most of the serials.

The five-firm selling group enhanced the sale of the bonds. We recommend that MFA use a selling group on the next traditional bond issuance as well.

MFA Housing New Mexico

MEMO

TO: MFA Board of Directors

FROM: Cooper Hall – Finance Manager

DATE: October 19, 2022

SUBJECT: Single Family Mortgage Bonds 2022 Series E– Upcoming Issuance

2022 Series E

The 2022 Series E transaction is a new money bond issue which is expected to price on November 8th and close on December 15th, 2022. The bond issue is expected to be a $74.9 million tax-exempt traditional bond issue which provides for non-AMT serial bonds, term bonds and a premium planned amortization class ("PAC") bond. This bond issuance will be all new money and all proceeds will be used to fund single-family first-time homebuyer mortgages. The final maturity of the bonds will not extend past September 3rd, 2053. The interest rate the bonds will carry will not be determined, until the bonds are priced on November 8th.

Market Update and Best Execution Discussion

Staff continues to monitor both the Bond market and the To Be Announced Market to determine the best method of funding MFA's single-family first-time homebuyer program. There has been significant volatility in both markets over the last several months. Much of this volatility is driven by the actions taken by the Federal Reserve in fighting inflation. On September 30th, 2021 the Effective Federal Funds Rate was 0.08%. That same rate a year later on September 30th, 2022 is now 3.08%. This significant increase in the EFFR has triggered massive volatility across all financial markets.

That being said, increasing the EFFR is not the only action taken by the Federal Open Market Committee in an attempt to reduce inflation. Beginning in April of 2020 the Federal Reserve began purchasing Mortgage-Backed Securities (MBS) at a rate of $40 billion a month. This massive demand for MBS in 2020 and 2021 largely favored the TBA market, which allowed MFA to profitably utilize the TBA execution while maintaining historically low mortgage rates. In October of 2021 the Federal Reserve slowed its MBS purchasing to the point where it only purchased enough MBS to replace its "Balance Sheet Runoff". In layperson's terms the Federal Reserve was purchasing enough MBS to replace the MBS that paid off each month.

In January of 2022 they took this a step further and began allowing their MBS portfolio to runoff. The Federal Reserves MBS portfolio is currently running off at a rate of $35 Billion per month. The Fed's balance sheet actions have a more direct impact on the TBA market, because the TBA market is essentially the direct sale of MBS. As a result the bond market has been more advantageous to MFA and MFA's borrowers over the last year. This trend will continue through the 2022 Series E issuance. MFA's First Home Government mortgage rate is currently 6.125%. With the 2022 Series E issuance staff expects to maintain this rate in the low 6's. If we were to fund via TBA as of 10/3/22 that same rate would be 7.375%. The bond market is heavily favored at this time. MFA expects to be able to maintain these comparatively low rates with the 2022 Series E bond issuance while also creating ~$2.5 million in net economic benefit for MFA.

New Mexico Mortgage Finance Authority

Combined Financial Statements

and Schedules

August 31, 2022

NEW MEXICO MORTGAGE FINANCE AUTHORITY
FINANCIAL REVIEW
For the eleven-month period ended August 31, 2022

	COMPARATIVE YEAR-TO-DATE FIGURES (Dollars in millions):	11 months 8/31/2022	11 months 8/31/2021	% Change Year / Year	Forecast 8/31/2022	Actual to Forecast	Forecast/Target 9/30/22
	PRODUCTION						
1	Single family issues (new money):	$390.0	$233.0	67.4%	$390.0	0.0%	$376.0
2	Single family loans sold (TBA):	$83.0	$316.9	-73.8%	$83.0	0.0%	$94.0
3	Total Single Family Production	$473.0	$549.9	-14.0%	$473.0	0.0%	$470.0
4	Multifamily issues (new money):	$24.0	$0.0	0.0%	$24.0	0.0%	$57.0
5	Single Family Bond MBS Payoffs:	$139.6	$150.4	-7.1%	$151.4	-7.8%	$165.2
	STATEMENT OF NET POSITION						
6	Avg. earning assets:	$1,555.2	$1,433.7	8.5%	$1,611.1	-3.5%	$1,611.1
7	General Fund Cash and Securities:	$102.3	$79.9	28.1%	$95.4	7.3%	$95.4
8	General Fund SIC FMV Adj.:	($3.3)	$4.0	-182.0%	$0.0	N/A	$0.0
9	Total bonds outstanding:	$1,404.3	$1,179.4	19.1%	$1,429.1	-1.7%	$1,429.1
	STATEMENT OF REVENUES, EXPENSES AND NET POSITION						
10	General Fund expenses (excluding capitalized assets):	$22.0	$20.5	7.3%	$23.6	-6.6%	$25.9
11	General Fund revenues:	$24.7	$40.7	-39.3%	$26.4	-6.4%	$29.0
12	Combined net revenues (all funds):	($0.9)	$21.7	-104.4%	($1.0)	6.1%	($1.1)
13	Combined net revenues excluding SIC FMV Adj. (all funds):	$4.1	$17.7	-76.6%	($1.0)	-510.2%	($1.1)
14	Combined net position:	$285.0	$285.0	0.0%	$284.8	0.1%	$284.8
15	Combined return on avg. earning assets:	-0.07%	1.65%	-104.0%	-0.07%	5.2%	-0.07%
16	Combined return on avg. earning assets exluding SIC FMV Adj. (all funds):	0.29%	1.35%	-78.5%	-0.07%	514.5%	-0.07%
17	Net TBA profitability:	0.33%	2.10%	-84.3%	0.17%	94.1%	0.17%
18	Combined interest margin:	0.54%	0.61%	-12.3%	0.44%	21.5%	0.44%
	MOODY'S BENCHMARKS						
19	Net Asset to debt ratio (5-yr avg):	25.99%	28.27%	-8.1%	26.03%	-0.2%	26.03%
20	Net rev as a % of total rev (5-yr avg):	10.93%	13.24%	-17.5%	10.69%	2.2%	10.69%
	SERVICING						
21	Subserviced portfolio	$1,896.7	$1,690.4	12.2%	$1,856.5	2.2%	$2,025.2
22	Servicing Yield (subserviced portfolio)	0.41%	0.41%	0.2%	0.41%	0.3%	0.41%
23	Combined average delinquency rate (MFA serviced)	8.05%	7.20%	11.8%	9.00%	-10.6%	9.00%
24	DPA loan delinquency rate (all)	7.18%	7.09%	1.3%	N/A	N/A	N/A
25	Default rate (MFA serviced-annualized)	0.81%	0.69%	17.0%	1.30%	-37.9%	1.30%
26	Subserviced portfolio delinquency rate (first mortgages)	10.83%	12.58%	-13.9%	N/A	N/A	N/A
27	Purchased Servicing Rights Valuation Change (as of 6/30/22)	$10.4	$3.5	197.1%	N/A	N/A	N/A

Legend:	Positive Trend	Caution	Negative Trend	Known Trend/Immaterial

NEW MEXICO MORTGAGE FINANCE AUTHORITY
FINANCIAL REVIEW
For the eleven-month period ended August 31, 2022

SUMMARY OF BOND ISSUES:

Single Family Issues:

$99.99 mm Series 2021D (November)
$100.00 mm Series 2022A (February)
$90.00 mm Series 2022C (May)
$99.99 mm Series 2022D (August)

Multi-family Issues:

$11.0 mm Series 2021 JLG Central (October)
$13.0 mm Series 2022 Vista Mesa Villa Apartments Project (June)

CURRENT YEAR FINANCIAL TRENDS & VARIANCES:

● The single-family production has decreased by 14% from August of last year due to headwinds from rising home prices, climbing mortgage rates, and high inflation. TBA loans sold to date were 73.8% lower than last year since the execution of the bonds was more favorable than at the beginning of FY21. The issuance of bonds is currently producing a lower mortgage rate than the sales of loans to the TBA market. As a result, MFA is likely to lean more heavily toward bond financing and continue to use the TBA market where appropriate. MFA issued the 2021D Series for $99.9 million in November, the 2022 A Series for $100.00 mm in February 2022, the 2022 C Series bond for $90 mm in May, and the 2022 D Series bond for $99.9 was closed on August 18. MFA also issued Series B refunding for $33.5 million in February. Payoffs slowed by 7.1% due to rising mortgage rates discouraging homeowners from refinancing their loans.

● The multifamily JLG Central bond issue closed in October for $11 million. The bond issue for the Vista Mesa Villa Apartments project for $13m was closed on June 29. The EMLI at Wells of Artesia project for $33m closed on July 28 as a governmental note instead of a bond and will not be included in MFA financials as it is considered conduit debt.

● In eleven months of activities, the Return on Average earnings assets was negative 0.07% lower than last year because of an award made to the Homeowner Assistance Fund (HAF) program from the NM Housing Trust Fund on consolidated revenues ($1.1m), the Cost of Issuance of bonds ($3.8m) and YTD SIC Investments losses ($4.1m) and lower TBA loan production curtailing immediate recognition of revenue, has affected general fund revenues and Moody's net revenue benchmark.

● The General Fund expenses increased by 7.3% due to increased compensation, technology system, and services contract for the HAF program, and increased purchase of Mortgage Servicing Rights (MSR), while the General Fund revenue decreased by 39.3% due to administrative fee income from selling loans to the TBA market significantly lower compared to last year. The State Investment Council (SIC) General Fund portfolio valuation decreased by $4.1 m. While the investment losses are non-operational, they impact General Fund revenues, combined net revenues and Return on Average Earning Assets.

● The combined interest margin of 0.54% decreased from the FY21 year-end mark of 0.61% due to lower income from interest on loans and investments. The interest income is lower as some of the MBS portfolios acquired earlier in the year have lower interest rates and faster prepayments as borrowers refinanced when the mortgage rates were lower. Also, we recently had some of the large multifamily loans paid off.

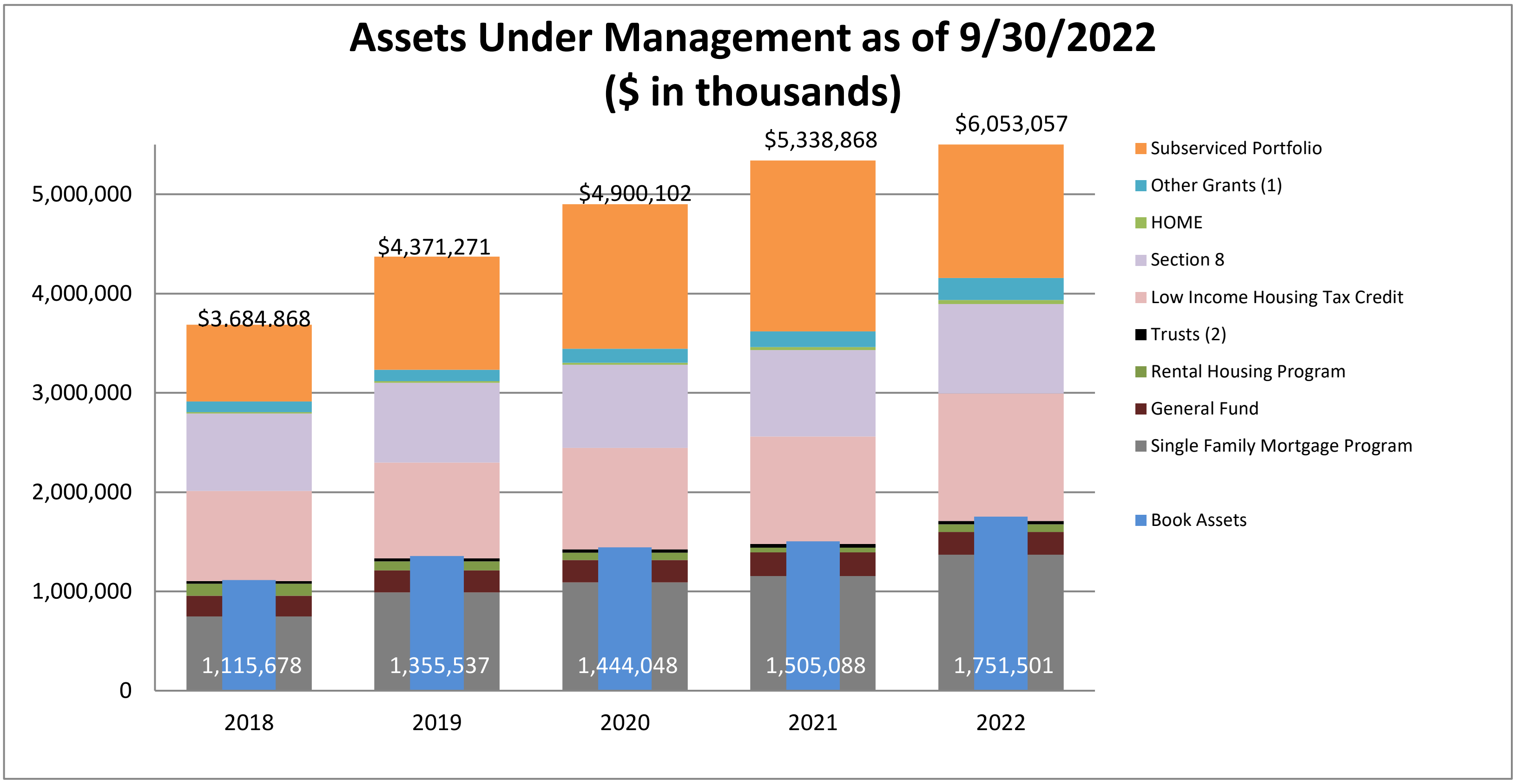
● Based on Moody's issuer credit rating scorecard, MFA's 25.99% net asset to debt ratio (5-year average), which measures balance sheet strength, indicates a strong and growing level of resources for maintaining HFA's creditworthiness under stressful circumstances (> 20 %). The net revenue as a percent of total revenue measures performance and profitability. We take caution as MFA's 10.93% ratio (5-year average) is within the lower end of the range (10-15%) because of varied reasons, including board-approved award made through NMHTF for the emergency roofing repair program, cost of issuance of bonds, decreased FMV of SIC investments, lower TBA profitability resulting from market changes and increased expense in the purchase of Mortgage Servicing Rights (MSR).

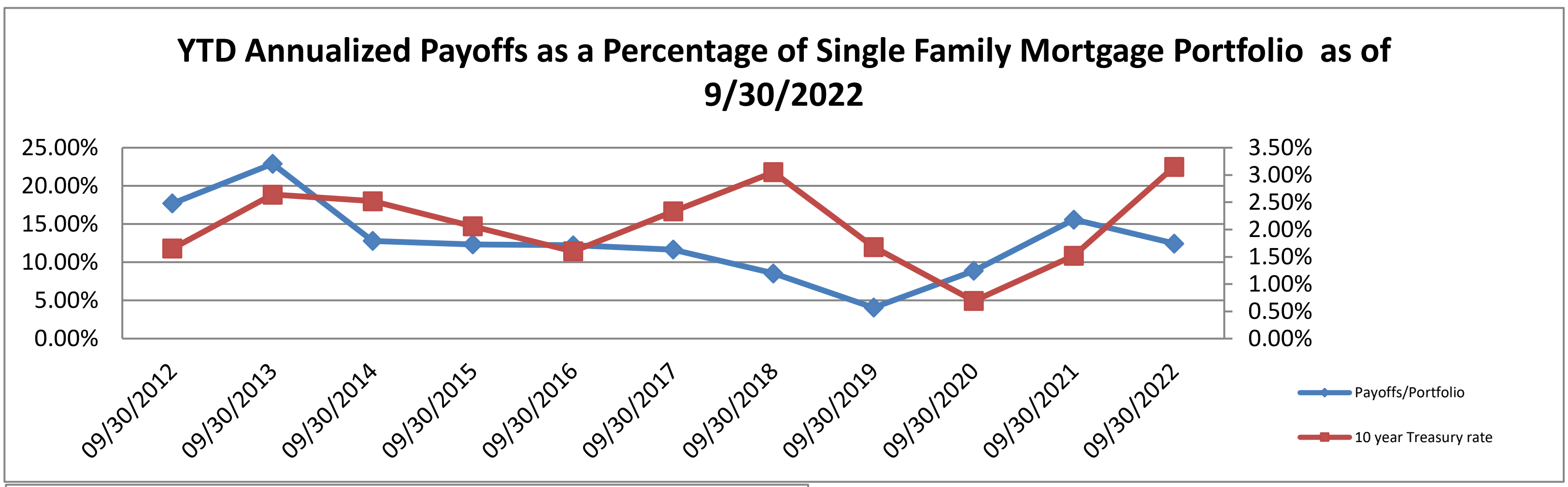
● Moody's Investor Services completed an updated credit opinion on MFA's Issuer Rating in June 2020. They reaffirmed the Aa3/stable rating. Comments included high asset-to-debt ratio, good profitability, and low-risk profile due to mortgage-backed security structure, multifamily Risk Sharing Program, and no exposure to variable-rate debt. Additionally, Moody's reaffirmed the Aaa/stable rating on the single-family indenture in April 2021, noting a growing asset to debt ratio and stabilizing profitability.

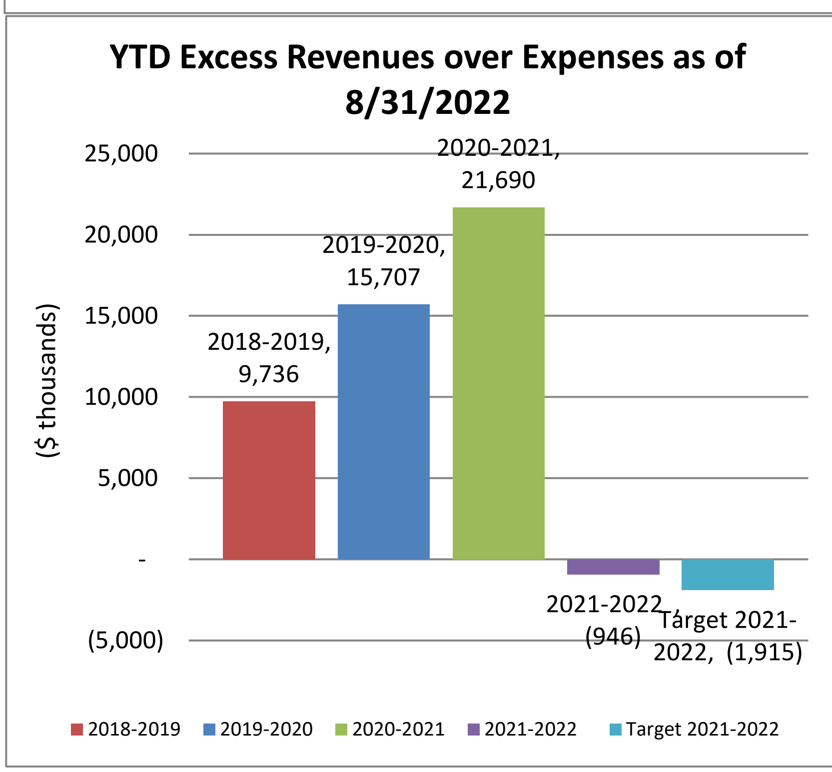
● The Servicing Department monitors delinquencies and defaults to identify reduction strategies and refer borrowers to available loss mitigation programs. Sub-serviced Portfolio delinquency rate is 10.83%. The sub-serviced portfolio is approximately 85% FHA-insured loans. The Mortgage Bankers Association quarterly survey as of June 30, 2022, indicates that the delinquency rate for FHA loans nationally is 8.85%, and for New Mexico is 7.25%. FHA Single Family Loan Performance Trends for June 2022 showed 12.29% delinquency (for purchase loans only), marginally down from 12.60% in March 2022.

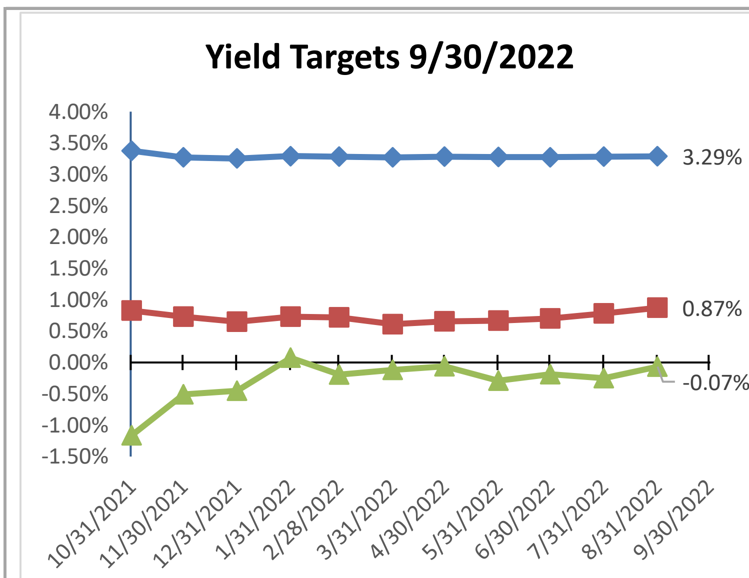
● The fair market value for purchased servicing rights as of June 2022 is $29 million, an increase of about $10.4 million over cost. GASB requires MFA to record the value of servicing rights at the 'lower of cost or market'. A steady increase over the last two quarters in FMV related to decreased prepayment speed projections and increased earnings rates impacted portfolio value positively. The current recorded cost of the asset is $18.6 million. Valuations are obtained every quarter.

MONTHLY FINANCIAL GRAPHS









	2021	Target 2022
Loans Effective yield	3.58%	3.50%
Cash & Investments Effective yield	0.88%	1.20%
Rate of Return on Average Earning Assets	1.56%	0.17%

(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
AUGUST 2022
(THOUSANDS OF DOLLARS)

	YTD 08/31/22	YTD 08/31/21
ASSETS:		
CURRENT ASSETS:		
CASH & CASH EQUIVALENTS	$54,185	$29,255
RESTRICTED CASH HELD IN ESCROW	9,347	9,190
SHORT-TERM INVESTMENTS	(0)	(25)
ACCRUED INTEREST RECEIVABLE	4,574	4,032
OTHER CURRENT ASSETS	8,475	6,880
ADMINISTRATIVE FEES RECEIVABLE (PAYABLE)	-	-
INTER-FUND RECEIVABLE (PAYABLE)	0	0
TOTAL CURRENT ASSETS	76,581	49,332
CASH - RESTRICTED	166,071	146,173
LONG-TERM & RESTRICTED INVESTMENTS	63,184	70,582
INVESTMENTS IN RESERVE FUNDS	11,001	-
FNMA, GNMA, & FHLMC SECURITIZED MTG. LOANS	1,209,354	1,025,950
MORTGAGE LOANS RECEIVABLE	213,033	214,244
ALLOWANCE FOR LOAN LOSSES	(9,822)	(8,136)
NOTES RECEIVABLE	-	-
FIXED ASSETS, NET OF ACCUM. DEPN	1,757	1,931
OTHER REAL ESTATE OWNED, NET	1,657	942
OTHER NON-CURRENT ASSETS	14	-
INTANGIBLE ASSETS	18,483	17,105
TOTAL ASSETS	1,751,312	1,518,123
DEFERRED OUTFLOWS OF RESOURCES		
REFUNDINGS OF DEBT	190	212
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	1,751,501	1,518,335
LIABILITIES AND NET POSITION:		
LIABILITIES:		
CURRENT LIABILITIES:		
ACCRUED INTEREST PAYABLE	$9,106	$8,018
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	31,279	14,337
ESCROW DEPOSITS & RESERVES	9,265	9,002
TOTAL CURRENT LIABILITIES	49,650	31,357
BONDS PAYABLE, NET OF UNAMORTIZED DISCOUNT	1,404,346	1,179,422
MORTGAGE & NOTES PAYABLE	12,053	22,441
ACCRUED ARBITRAGE REBATE	-	-
OTHER LIABILITIES	217	138
TOTAL LIABILITIES	1,466,265	1,233,358
DEFERRED INFLOWS	283	-
TOTAL LIAB/DEFERRED INFLOWS	1,466,548	1,233,358
NET POSITION:		
NET INVESTED IN CAPITAL ASSETS	1,757	1,931
UNAPPROPRIATED NET POSITION (NOTE 1)	60,773	68,739
APPROPRIATED NET POSITION (NOTE 1)	222,423	214,307
TOTAL NET POSITION	284,954	284,977
TOTAL LIABILITIES & NET POSITION	1,751,501	1,518,335

NEW MEXICO MORTGAGE FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE ELEVEN MONTHS ENDED AUGUST 2022
(THOUSANDS OF DOLLARS)

	YTD 08/31/22	YTD 08/31/21
OPERATING REVENUES:		
INTEREST ON LOANS	$40,415	$40,488
INTEREST ON INVESTMENTS & SECURITIES	1,923	1,536
LOAN & COMMITMENT FEES	3,341	1,853
ADMINISTRATIVE FEE INCOME (EXP)	5,912	16,286
RTC, RISK SHARING & GUARANTY INCOME	397	107
HOUSING PROGRAM INCOME	1,827	1,243
LOAN SERVICING INCOME	8,395	7,234
OTHER OPERATING INCOME	-	-
SUBTOTAL OPERATING REVENUES	62,211	68,747
NON-OPERATING REVENUES:		
ARBITRAGE REBATE INCOME (EXPENSE)	-	-
GAIN(LOSS) ASSET SALES/DEBT EXTINGUISHMENT	(4,773)	4,817
OTHER NON-OPERATING INCOME	117	11
GRANT AWARD INCOME	58,914	84,104
SUBTOTAL NON-OPERATING REVENUES	54,258	88,932
TOTAL REVENUES	116,469	157,679
OPERATING EXPENSES:		
ADMINISTRATIVE EXPENSES	18,971	17,562
INTEREST EXPENSE	34,675	33,971
AMORTIZATION OF BOND/NOTE PREMIUM(DISCOUNT)	(2,935)	(2,698)
PROVISION FOR LOAN LOSSES	152	(90)
MORTGAGE LOAN & BOND INSURANCE	-	-
TRUSTEE FEES	141	124
AMORT. OF SERV. RIGHTS & DEPRECIATION	2,612	2,639
BOND COST OF ISSUANCE	3,765	2,139
SUBTOTAL OPERATING EXPENSES	57,382	53,647
NON-OPERATING EXPENSES:		
CAPACITY BUILDING COSTS	218	445
GRANT AWARD EXPENSE	59,815	81,655
OTHER NON-OPERATING EXPENSE	-	243
SUBTOTAL NON-OPERATING EXPENSES	60,033	82,342
TOTAL EXPENSES	117,415	135,989
NET REVENUES	(946)	21,690
OTHER FINANCING SOURCES (USES)	-	0
NET REVENUES AND OTHER FINANCING SOURCES(USES)	(946)	21,690
NET POSITION AT BEGINNING OF YEAR	285,900	263,288
NET POSITION AT 08/31/22	284,954	284,977

NOTES TO FINANCIAL STATEMENTS
(For Informational Purposes Only)
(in Thousands of Dollars)

(Note 1) MFA Net Position as of August 31, 2022:

UNAPPROPRIATED NET POSITION:

$	26,571	is held by Bond Program Trustees and is pledged to secure repayment of the Bonds.
$	33,324	is held in Trust for the NM Housing Trust Fund and the NM Land Title Trust Fund.
$	878	is held for New Mexico Affordable Housing Charitable Trust.
$	**60,773**	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:

$	117,129	for use in the Housing Opportunity Fund ($106,100 in loans plus $11,030 unfunded, of which $4,329 is committed).
$	60,405	for future use in Single Family & Multi-Family housing programs.
$	1,124	for loss exposure on Risk Sharing loans.
$	1,757	invested in capital assets, net of related debt.
$	18,388	invested in mortgage servicing rights.
$	6,193	for the future General Fund Budget year ending 09/30/22 ($31,538 total budget less $25,345 expended budget through 08/31/22.)
$	204,996	Subtotal - General Fund

APPROPRIATED NET POSITION: HOUSING

$	19,184	for use in the federal and state housing programs administered by MFA.
$	19,184	Subtotal - Housing Program
$	**224,180**	Total Appropriated Net Position
$	**284,954**	Total Combined Net Position at August 31, 2022

Total combined Net Position, or reserves, at August 31, 2022 was $285 million, of which $61.0 million was pledged to the bond programs, Affordable Housing Charitable Trust and fiduciary trusts. $224.2 million of available reserves, with $102.3 million primarily liquid in the General Fund and in the federal and state Housing programs and $121.9 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 2021-2022 Budget
For the eleven months ended 8/31/2022

	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	579,951	6,307,225	6,823,902	7,444,257	516,677	1,137,031	84.73%
Interest on Investments & Securities	140,213	1,177,345	1,085,897	1,184,614	(91,448)	7,270	99.39%
Loan & Commitment Fees	21,751	182,963	167,326	182,537	(15,637)	(426)	100.23%
Administrative Fee Income (Exp)	733,845	9,381,140	9,302,041	10,480,358	(79,100)	1,099,218	89.51%
Risk Sharing/Guaranty/RTC fees	111	389,786	76,273	83,207	(313,513)	(306,580)	468.46%
Housing Program Income	217,686	1,827,497	1,326,873	1,332,863	(500,624)	(494,634)	137.11%
Loan Servicing Income	1,547,605	8,395,205	7,596,340	8,329,639	(798,865)	(65,566)	100.79%
Other Operating Income			-	-	-	-	
Operating Revenues	3,241,162	27,661,161	26,378,651	29,037,475	(1,282,510)	1,376,314	95.26%
Gain (Loss) Asset Sale/Debt Ex	1,232,975	(2,975,254)	-	-	2,975,254	2,975,254	
Other Non-operating Income	507	537	92	100	(446)	(437)	537.38%
Non-Operating Revenues	1,233,482	(2,974,716)	92	100	2,974,808	2,974,816	-2974716.61%
Revenue	4,474,645	24,686,445	26,378,742	29,037,575	1,692,298	4,351,130	85.02%
Salaries	554,510	5,958,274	6,633,637	7,205,901	675,363	1,247,626	82.69%
Overtime	1,964	12,855	27,732	30,051	14,878	17,196	42.78%
Incentives	1,823	453,219	556,684	604,381	103,464	151,162	74.99%
Payroll taxes, Employee Benefits	253,179	2,685,997	3,285,437	3,580,904	599,440	894,907	75.01%
Compensation	811,477	9,110,346	10,503,490	11,421,237	1,393,144	2,310,891	79.77%
Business Meals Expense	-	1,869	4,464	4,870	2,595	3,001	38.38%
Public Information	23,662	120,780	336,302	366,875	215,522	246,095	32.92%
In-State Travel	2,316	44,917	120,461	131,412	75,544	86,495	34.18%
Out-of-State Travel	10,013	56,015	173,098	188,834	117,082	132,819	29.66%
Travel & Public Information	35,990	223,581	634,325	691,991	410,744	468,410	32.31%
Utilities/Property Taxes	8,026	74,712	69,952	76,311	(4,760)	1,599	97.90%
Insurance, Property & Liability	20,587	173,612	187,177	204,194	13,565	30,582	85.02%
Repairs, Maintenance & Leases	102,306	1,398,848	1,166,475	1,285,715	(232,373)	(113,133)	108.80%
Supplies	1,375	23,725	35,017	38,200	11,291	14,475	62.11%
Postage/Express mail	6,054	50,185	50,417	55,000	231	4,815	91.25%
Telephone	260	6,333	20,809	22,701	14,476	16,368	27.90%
Janitorial	3,168	34,977	33,458	36,500	(1,519)	1,523	95.83%
Office Expenses	140,853	1,754,221	1,560,483	1,715,542	(193,738)	(38,678)	102.25%
Dues & Periodicals	4,424	47,954	53,185	58,020	5,231	10,066	82.65%
Education & Training	8,035	80,381	137,371	149,859	56,989	69,478	53.64%
Contractual Services	121,881	1,048,155	1,512,337	1,673,004	464,182	624,849	62.65%
Professional Services-Program	-	63,276	62,700	68,400	(576)	5,124	92.51%
Direct Servicing Expenses	629,684	6,326,317	5,106,872	5,769,601	(1,219,444)	(556,716)	109.65%
Program Expense-Other	-	38,640	57,767	63,019	19,127	24,379	61.32%
Rebate Analysis Fees			-	-	-	-	
Other Operating Expense	764,024	7,604,724	6,930,233	7,781,903	(674,491)	177,179	97.72%

GENERAL FUND
Fiscal Year 2021-2022 Budget
For the eleven months ended 8/31/2022

	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 %
Interest Expense	25,282	145,240	383,005	417,824	237,766	272,584	34.76%
Non-Cash Expenses	165,680	2,761,753	3,100,400	3,382,254	338,647	620,501	81.65%
Expensed Assets	3,217	173,865	109,863	119,850	(64,002)	(54,015)	145.07%
Operating Expenses	1,946,522	21,773,729	23,221,798	25,530,602	1,448,069	3,756,873	85.28%
Program Training & Tech Asst	1,000	71,892	151,158	164,900	79,266	93,008	43.60%
Program Development	3,805	146,521	187,460	204,502	40,939	57,981	71.65%
Capacity Building Costs	4,805	218,413	338,619	369,402	120,205	150,989	59.13%
Non-Operating Expenses	4,805	218,413	338,619	369,402	120,205	150,989	59.13%
Expenses	1,951,327	21,992,142	23,560,417	25,900,004	1,568,275	3,907,862	84.91%
Excess Revenue over Expenses	2,523,318	2,694,303	2,818,326	3,137,571	124,023	443,269	85.87%

GENERAL FUND CAPITAL BUDGET
Fiscal Year 2021-2022 Budget
For the eleven months ended 8/31/2022

	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	23,819	3,329,022	4,627,905	5,369,388	1,298,883	2,040,366	62.00%
2950 COMPUTER HARDWARE	-	23,650	168,964	184,324	145,314	160,674	12.83%
2960 SOFTWARE LICENSES	-	-	-	-	-	-	
2920 FURNITURE & EQUIPMENT-10 YR	-	-	76,908	83,900	76,908	83,900	0.00%
2930 FURNITURE & EQUIP, 5 YR.	-	-	-	-	-	-	
2860 BUILDING	-	-	-	-	-	-	
Capital Budget	23,819	3,352,672	4,873,777	5,637,612	1,521,105	2,284,940	59.47%