MFA Housing New Mexico
MFA Special Board Meeting October 27, 2023
October 27, 2023
1:30 pm-4:00 pm Mountain Time

Chair Convenes Meeting

Roll Call (Izzy Hernandez)

Approval of Agenda - Board Action

Board Action Items- Open Session **Action Required**

1 Financial Update Report- (Izzy Hernandez/Yvonne Segovia) NO

2 Moss Adams Audit Report: Acquisition and Financing of 7425 Jefferson - (Vice Chair, Derek Valdo) YES
(Action to be taken after Executive Session)

Board Action Items Closed Session **Action Required**
(Motion and affirmative vote are required to close the meeting for these limited purposes)

3 Executive Session – Acquisition and Financing of 7425 Jefferson St. NE/Moss Adams Audit Report
 Executive Session to be held pursuant to Sections 10-15-1 (H)(2) Limited Personnel Matters
and (H)(7) Threatened or Pending Litigation of the Open Meetings Act: Discuss Matters Related
to the Acquisition and Financing of 7425 Jefferson St. NE and Moss Adams Audit Report as it relates
the limited exceptions stated above (Vice Chair, Derek Valdo and Eleanor Werenko)

Open Session **Action Required**
(Motion and affirmative vote are required to open the meeting)

4 Statement Regarding Matters Discussed in Closed Session - Sections 10-15-1 (H)(2) Limited YES
Personnel Matters and (H)(7) Threatened or Pending Litigation of the Open Meetings Act:
Discuss Matters Related to the Acquisition and Financing of 7425 Jefferson St. NE and Moss
Adams Audit Report (Vice Chair, Derek Valdo)

5 Action on Agenda Item No. 2, Moss Adams Audit Report: Acquisition and Financing of 7425 Jefferson - (Vice Chair, Derek Valdo) YES

6 7425 Jefferson St. NE Cost Summary, Highlights and Budget Amendment (Izzy Hernandez) YES

7 7425 Jefferson Renovation RFP Award (Izzy Hernandez and Jeff Payne) YES

8 7425 Jefferson Re-Roof RFP Award (Jeff Payne) YES

NEW MEXICO MORTGAGE FINANCE AUTHORITY
Special Board Meeting
344 4th St. SW, Albuquerque, NM
Friday, October 27, 2023, 1:30 p.m.

Proposed Agenda

Chair Convenes Meeting

Roll Call (Izzy Hernandez)

- Approval of Agenda – Board Action

Board Action Items – Open Session		**Action Required**
1	Financial Update Report- (Izzy Hernandez/Yvonne Segovia)	NO
2	Moss Adams Audit Report: Acquisition and Financing of 7425 Jefferson - (Vice Chair, Derek Valdo) (Action to be taken after Executive Session)	YES

Board Action Items – Closed Session		**Action Required**
	(Motion and affirmative vote are required to close the meeting for these limited purposes)	YES
3	Executive Session – Acquisition and Financing of 7425 Jefferson St. NE/Moss Adams Audit Report	

- Executive Session to be held pursuant to Sections 10-15-1 (H)(2) Limited Personnel Matters and (H)(7) Threatened or Pending Litigation of the Open Meetings Act: Discuss Matters Related to the Acquisition and Financing of 7425 Jefferson St. NE and Moss Adams Audit Report as it relates the limited exceptions stated above (Vice Chair, Derek Valdo and Eleanor Werenko)

Board Action Items – Open Session		**Action Required**
	(Motion and affirmative vote are required to open the meeting)	
4	Statement Regarding Matters Discussed in Closed Session - Sections 10-15-1 (H)(2) Limited Personnel Matters and (H)(7) Threatened or Pending Litigation of the Open Meetings Act: Discuss Matters Related to the Acquisition and Financing of 7425 Jefferson St. NE and Moss Adams Audit Report (Vice Chair, Derek Valdo)	YES
5	Action on Agenda Item No. 2, Moss Adams Audit Report: Acquisition and Financing of 7425 Jefferson - (Vice Chair, Derek Valdo)	YES
6	7425 Jefferson St. NE Cost Summary, Highlights and Budget Amendment (Izzy Hernandez)	YES
7	7425 Jefferson Renovation RFP Award (Izzy Hernandez and Jeff Payne)	YES
8	7425 Jefferson Re-Roof RFP Award (Jeff Payne)	YES

Adjournment

MFA Financial Update

Special Board Meeting

October 27, 2023

Isidoro Hernandez

Yvonne Segovia

MFA Housing New Mexico

Financial Summary 9/30/2023

Consolidated Excess Revenue	$15,407k
General Fund Excess Revenue	$ 7,243k

General Fund Cash & Investments:

- Cash Held for Operations $8,493k
- LGIP $5,952k ($6,952k after bond maturity)
- Investments $60,465k ($1,000k matured 10/12/23, transferred to LGIP)
- Housing LGIP $5,251k (discretionary)
- Total $80,161k

MFA Housing New Mexico

Financial Projections FY2024

General Fund Excess Revenue $1,464k

Jefferson related operating expenses:

- Building Maintenance $79k
- Insurance $14k
- Property Taxes $46k
- Utilities $90k
- Debt Service $346k
- Depreciation $312k (non-cash)
- Total operating $887k

Potential Outlook: (Add'l savings/income: **$1,209k**)

Health insurance budgeted at $2,104k based on 13% increase; negotiated increase actually 7.3% resulting in savings potential of **$441k.**

Investment Interest $2,377k budgeted at a yield of 4.46%; maturities are being reinvested at 5.3% yield and LGIP rate is 5.33%. Continued increase in rates could produce additional **$680k** interest income.

Subservicing portfolio at $376m, rather than $310m/$325m budgeted for FY23 & FY24, will produce additional **$88k** in subservicing fee income.

Foreclosure losses of $1,568k budgeted; based on trends this amount may not materialize. The past few years have been approximately $500k.

MFA Housing New Mexico

NEW MEXICO MORTGAGE FINANCE AUTHORITY
FINANCIAL REVIEW
For the twelve-month period ended September 30, 2023

	COMPARATIVE FISCAL YEAR-TO-DATE FIGURES (Dollars in millions):	12 months 9/30/2023	12 months 9/30/2022	% Change Year / Year	Forecast 9/30/2023	Actual to Forecast	Forecast/Target 9/30/23
	PRODUCTION						
1	Single family issues (new money):	$315.0	$390.0	-19.2%	$300.0	5.0%	$300.0
2	Single family loans sold (TBA):	$21.4	$83.7	-74.5%	$10.0	114.0%	$10.0
3	Total Single Family Production	$336.4	$473.7	-29.0%	$310.0	8.5%	$310.0
4	Single Family Bond MBS Payoffs:	$54.5	$146.6	-62.8%	$47.9	13.9%	$47.9
	STATEMENT OF NET POSITION						
5	Avg. earning assets:	$1,769.8	$1,567.0	12.9%	$1,721.9	2.8%	$1,721.9
6	General Fund Cash and Securities:	$107.5	$91.9	16.9%	$87.8	22.5%	$87.8
7	General Fund SIC FMV Adj.:	$1.1	-$4.0	128.6%	$0.0	N/A	$0.0
8	Total bonds outstanding:	$1,547.4	$1,393.9	11.0%	$1,422.4	8.8%	$1,422.4
	STATEMENT OF REVENUES, EXPENSES AND NET POSITION						
9	General Fund expenses (excluding capitalized assets):	$26.5	$25.6	3.6%	$27.5	-3.7%	$27.5
10	General Fund revenues:	$34.3	$27.5	24.6%	$29.9	14.8%	$29.9
11	Combined net revenues (all funds):	$15.4	$0.2	6968.1%	$10.0	54.8%	$10.0
12	Combined net revenues excluding SIC FMV Adj. (all funds):	$14.6	$6.3	131.2%	$10.0	47.2%	$10.0
13	Combined net position:	$301.0	$285.6	5.4%	$296.1	1.7%	$296.1
14	Combined return on avg. earning assets:	0.87%	0.01%	6158.3%	0.58%	50.1%	0.58%
15	Combined return on avg. earning assets excluding SIC FMV Adj. (all funds):	0.83%	0.40%	104.7%	0.58%	42.7%	0.58%
16	Net TBA profitability:	0.57%	0.31%	83.0%	0.57%	0.0%	0.57%
17	Combined interest margin:	0.86%	0.55%	55.7%	0.79%	8.6%	0.79%
	MOODY'S BENCHMARKS						
18	Net Asset to debt ratio (5-yr avg):	24.51%	26.05%	-5.9%	25.18%	-2.6%	25.18%
19	Net rev as a % of total rev (5-yr avg):	10.75%	11.07%	-2.8%	10.12%	6.3%	10.12%
	SERVICING						
20	Subserviced portfolio	$2,126.6	$1,900.9	11.9%	$2,015.4	5.5%	$2,015.4
21	Servicing Yield (subserviced portfolio)	0.39%	0.41%	-4.3%	0.38%	3.9%	0.38%
22	Combined average delinquency rate (MFA serviced)	8.12%	8.03%	1.1%	9.50%	-14.5%	9.50%
23	DPA loan delinquency rate (all)	8.14%	7.80%	4.4%	N/A	N/A	N/A
24	Default rate (MFA serviced-annualized)	0.69%	0.80%	-13.8%	1.30%	-46.9%	1.30%
25	Subserviced portfolio delinquency rate (first mortgages)	12.18%	10.48%	16.2%	N/A	N/A	N/A
26	Purchased Servicing Rights Valuation Change (as of 9/30/23)	$11.9	$11.5	3.3%	N/A	N/A	N/A

Legend: Positive Trend | Caution | Negative Trend | Known Trend/Immaterial

NEW MEXICO MORTGAGE FINANCE AUTHORITY
FINANCIAL REVIEW
For the twelve-month period ended September 30, 2023

SUMMARY OF BOND ISSUES:

Single Family Issues:

$74.99 mm Series 2022E (November)
$60.00 mm Series 2023A (February)
$80.00 mm Series 2023B (May)
$100.00 mm Series 2023C (August)

CURRENT YEAR FINANCIAL TRENDS & VARIANCES:

●The single-family production has decreased from last year due to headwinds from rising home prices, climbing mortgage rates, and high inflation. Due to changes in the economics of the mortgage program, we currently favor issuing tax-exempt bonds as the primary loan financing tool. In June, we started to sell Mortgage-Backed Securities (MBS) originated through our HomeForward mortgage program into the TBA market. The issuance of bonds is currently producing a lower mortgage rate for the First Home program than the sales of those 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 beneficial. Payoffs slowed by 63% since last year due to rising mortgage rates discouraging homeowners from refinancing their loans.

●The Return on Average earnings assets was 0.87%, which is significantly better than last year as we rely heavily on bond financing, which led to growth in earning assets as new mortgage loans with higher interest rates are added to the balance sheet and earn interest revenue. Cash through bond proceeds and mortgage payments are invested in short-term funds earning higher interest revenue.

● The General Fund expenses increased 3.59% compared to last year, while the General Fund revenue increased by 24.62% due to interest from loans and investments, administrative fees and loan servicing income recognized higher than budgeted. The rise in short-term rates is having a direct and immediate positive effect on MFA earnings.

● The combined interest margin of 0.86% increased from the FY22 year-end mark of 0.55% due to higher income from interest on loans and investments. The rising interest rates are positively impacting loan portfolio performance, bolstering MFA's investment income and discouraging homeowners from refinancing their loans.

● Based on Moody's issuer credit rating scorecard, MFA's 24.51% 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. MFA's 10.75% ratio (5-year average) is just within the optimal range (10-15%) because the percentage was low in fiscal 2022 due to decreased FMV of SIC investments, lower TBA profitability resulting from market changes, and increased repurchased loan expenses. Although net revenue has increased substantially in FY23, the ratio remains below target because total revenue includes federal grants that have increased 52% this fiscal year.

● Moody's Investor Services completed an updated credit opinion on MFA's Issuer Credit Rating in June 2020. They assigned the Aa3/stable rating. Comments included a high asset-to-debt ratio, good profitability, and a low-risk profile due to a mortgage-backed security structure, and no exposure to variable-rate debt. Additionally, Moody's reaffirmed the Aaa/stable rating on the single-family indenture in October 2023, noting a high quality of collateral and future profitability.

● The Servicing Department monitors delinquencies and defaults to identify reduction strategies and refer borrowers to available loss mitigation programs. The Subserviced Portfolio delinquency rate is 12.18%. The subserviced portfolio is approximately 85% FHA-insured loans. The Mortgage Bankers Association quarterly survey as of June 30, 2023, indicates that the delinquency rate for FHA loans nationally is 8.95%, and for New Mexico is 6.59%. In addition, FHA Single Family Loan Performance Trends for August 2023 showed 12.85% delinquency (for purchase loans only), which decreased from 12.86% in July 2023.

● The fair market value for purchased servicing rights as of September 2023 is $32.0 million, an increase of about $11.9 million over cost. GASB requires MFA to record the value of servicing rights at the 'lower of cost or market'. The elevated FMV is related to decreased prepayment speed projections, and increased earnings rates impacted portfolio value positively. The current recorded cost of the asset is $20.1 million. Valuations are obtained every quarter.

MOSSADAMS

MEMORANDUM

Date: October 27, 2023

To: New Mexico Mortgage Finance Authority (MFA) Board of Directors Vice Chair

From: Moss Adams LLP

Re: Former CFO Allegations Investigation

BACKGROUND

Moss Adams LLP (Moss Adams) was requested by New Mexico Mortgage Finance Authority (MFA) to evaluate a specific matter related to the code of conduct and allegations made by the former Chief Financial Officer (CFO), Lizzy Ratnaraj, in their letter of resignation to the Board of Directors dated July 16, 2023. This memo describes the scope of our evaluation, the procedures performed, and the results of those procedures.

This engagement was performed in accordance with Standards for Consulting Services established by the American Institute of Certified Public Accountants. Accordingly, we provide no opinion, attestation, or other form of assurance with respect to our work or the information upon which our work is based. This report was developed based on information gathered from our interviews and analysis of sample documentation, if applicable. The procedures performed do not constitute an examination in accordance with generally accepted auditing standards or attestation standards.

SCOPE

The scope of this project was focused on evaluating the allegations made by the former CFO and determining if a violation related to the code of conduct occurred. The following bullets are not an exhaustive list of claims and is provided for illustrative purposes, representing some of the allegations made in the July 16, 2023, CFO letter:

- "There was a perceived conflict of interest between Chair Reyes and MFA in financing the new building that I became aware of as early as October 2022 and repeatedly brought to the attention of the Executive Director, Izzy Hernandez, and Jeff Payne, Chief Housing Officer. I strongly urged Izzy more than once, in the best interest of MFA, that Chair Reyes must disclose the conflict of interest to the board and ask the board members whether recusal from the decision-making process in the building purchase was necessary. As far as I know, it did not happen. I have enclosed the details of the events separately for your information."
- "Further, my job responsibilities require that I be responsible for accountability to ensure the fiscal integrity of MFA and the deployment of resources to projects in a fiscally responsible manner. However, I found increasingly that there were impediments to carrying out those responsibilities

effectively, causing me sufficient discomfort that I might be jeopardizing my license, principles, and character."

- "Though PC members participated in the Finance and Contract Committee meetings, neither Donna nor I were included in the Property Committee meetings. I did not have a seat at the table in any buyer-seller negotiations regarding the building purchase. Therefore, all information I received regarding the building purchase was second-hand."
- "Another critical point to note, around the time we decided to buy the building, MFA management financials reported a streak of losses and barely closed the fiscal year 2022 in black by $2k. The audited consolidated financials reported losses of $174m, reducing our net position from $334m to $158m. It indicated an uncertain future, and investing in a building beyond our needs would be considered not prudent."
- "There was also an unusual, concerted effort to debilitate the CFO position and keep the wings clipped for reasons I am trying to ascertain. I heard it is because the previous CFO (Gina Hickman) was too powerful, but I am unsure whether that is the only reason. However, I am mindful of your time and want to avoid burdening you with administrative issues."

PROCEDURES PERFORMED

The procedures performed included:

- **Interviews and Inquiries:** To gain an understanding of the allegations and relevant documents and information gathered by MFA legal counsel, we met with the MFA Board of Directors Vice Chair and MFA legal counsel.
- **Document Review:** MFA legal counsel provided Moss Adams with an initial packet of documents for inspection based on the allegations made in the July 16, 2023 CFO resignation letter. These included:
  - Letter to Board
  - Sequence of Events
  - Projected Space Needs and Projected Staff Growth
  - Approval of Resolution to Sell and Acquire Real Property
  - RFP Professional Services for the Sale of Commercial Real Estate
  - Amended Resolution – To Sell, Acquire Real Property
  - Other Related Significant Events
  - Board Meeting Minutes
  - Bylaws of MFA
  - Policies and Procedures Manual
  - MFA Rules and Regulations
  - Delegations of Authority Matrix

  Additional document requests for the below information were also made freely available to Moss Adams upon request:

  - CFO Job Description
  - Calendar Meeting Invitations
  - Procurement documentation (e.g., RFQ's, RFP's, vendor scorecards, and committee reviews)

  - Property Committee Questions-Answers (dated 10-12-2023)

- **Allegation Analysis:** We conducted an examination of every allegation outlined in the Letter to the Board and categorized each allegation according to its associated risk category. In this process we identified three overarching risk categories that encompassed all statements made. Subsequently, we conducted a rigorous and in-depth analysis pertaining to the three identified risk areas. The three risk categories identified and associated procedures performed are as follows:
  - **Conflict of Interest Concerns**: Our conflict-of-interest evaluation was a step-by-step assessment that included the following:
    - Identification of the potential conflicts based on allegations made.
    - Review of all information regarding the individuals involved, their roles, and the context of the potential conflict including timelines. The timelines were primarily based on the Sequence of Events document prepared by the former CFO; however, we only placed reliance on timeline events that were supported by other documentation such as email correspondence.
    - Evaluation of the nature and significance of the perceived conflicts and assessment whether the conflict was a potential, perceived or actual conflict.
    - Review of the policies and procedures surrounding conflicts of interest and disclosure requirements, including required timeliness standards. We evaluated timeliness of disclosure based upon these documents. Specifically, we identified relevant portions of policy and process in the following documents:
      - By-Laws – Rules that govern violation complaints.
      - MFA Policies and Procedures - Code of Conduct – Rules surrounding Conflict-of-Interest transactions and disclosure obligations.
    - Impact assessment.
  - **Obstruction Toward CFO Roles and Responsibilities:** We conducted a comprehensive review, comparing the Bylaws of MFA, the Policies and Procedures Manual, and the CFO's Job Description with the available documentation. Our objective was to assess the presence of any unusual or concerted actions aimed at undermining the CFO's role concerning the financing, purchasing, and selling of office buildings. This assessment included an evaluation of individuals appointed by the Board of Directors to negotiate these terms and whether the CFO was involved in such negotiations.
  - **Lack of Fiscal Responsibility:** We conducted a review of allegations concerning the lack of fiscal responsibility in the purchase of a new building. Our assessment aimed to evaluate for compliance with the Bylaws of MFA and the Policies and Procedures Manual. Furthermore, we evaluated the procurement of services related to the financing, purchase, and sale of both MFA's current building and the newly acquired building, with a focus on adherence to the Procurement Policy outlined in the Policies and Procedures Manual.

RESULTS

Based on our procedures performed and review of information provided, Moss Adams did not identify any code of conduct violations as they relate to the three risk areas identified (conflicts of interest, obstruction of the CFO's role, or lack of fiscal responsibility) in the initial July 16, 2023 letter. Our assessment indicated that reasonable business decisions were made and authorized by the MFA Board of Director's under the Amended & Restated Bylaws of MFA. No violations of the Bylaws of MFA and Policies and Procedures Manual were identified; however, we did identify some opportunities for language enhancement and/or process improvement for consideration. Our assessments were limited by the information provided; thus we cannot provide any assurance that other documentation or support does not exist that would contradict our results. We expand on our assessments for each area in greater detail below.

Conflict of Interest

The Bylaws of MFA and Policies and Procedures Manual require:

- The submission of an Annual Disclosure Statement and Updated Disclosure Statement for any "Financial Interest(s) in any business engaged in, or proposing to engage in, and Transaction with MFA" on or before January 31 of each year.
- Updated disclosures are required within forty-five days of the date of any transactions in which MFA is engaging or proposing to engage in.
- Disclosure of interests, either direct or indirect, to the board via board minutes.
- General Counsel is responsible for determining the existence or potential existence of a conflict of interest on the part of any Member and is required to perform necessary disclosures, as needed.

Angel Reyes (President and CEO of Centinel Bank of Taos) submitted an Annual Disclosure Statement on January 21, 2023, indicating "potential participation in financing arranging for MFA acquisition of real property."

On March 31, 2023, Board Chair, Angel Reyes notified General Counsel again of a potential conflict of interest and requested confirmation that disclosures previously submitted were sufficient. General Counsel did not identify a conflict of interest or a need to disclose based on the following analysis:

- "MFA's Board of Directors has approved a Resolution authorizing MFA to borrower money from Main Bank, FHLB or to otherwise utilize best execution to purchase 7425 Jefferson."
- "After exploring best execution options, MFA has elected to obtain a loan from Main Bank who has offered the most advantageous financing terms to MFA."
- "Main Bank will be lending $8,000,000 to MFA."
- "Concurrent with or after closing Main Bank will/may enter into participation agreements with various local banking institutions."

- "Main Bank is currently having discussions with potential participants."
- "MFA will not be a party to any participation agreement."
- "MFA has no control over Main Bank."
- "MFA will not direct any of the participation agreements or the terms thereof."
- "Centinel Bank may benefit from entering into a participation agreement with Main Bank."
- "Centinel Bank's participation or decision to decline participation is not a factor MFA is considering in obtaining a loan from Main Bank."

General Counsels assessment concluded that "because MFA is not involved in, or directing Main Bank's discussions or negotiations with potential participants and will not be involved in any way in the participation agreements I do not find a conflict of interest exists related to Centinel Bank's potential participation in a loan with Main Bank."

If looking singularly at two sections of the Code of Conduct, Section D. 4 "Disclosure in the Minutes" and Section F. 1 c) "Member, Management and Employee Transactions" it appears that the potential conflict may not have been properly disclosed and memorialized in the board minutes prior to the transaction closing. These sections of the Code of Conduct indicate that any interest, direct or indirect, should be disclosed in the board minutes. However, the Code of Conduct Section D. 6 "Disclosure Process" indicates that it is the responsibility of General Counsel and the Executive Director/CEO to determine the existence or potential existence of a conflict of interest on the part of any board member and that they would also be responsible for disclosure of that transaction to the board, when applicable.

This language could be interpreted in two ways: 1) that General Counsel must evaluate the facts provided and determine if they rise to a reportable condition that would be communicated to the board, or, 2) that regardless of their evaluation, a disclosure in the board minutes is required. It is this ambiguity in the language that may have been a contributing factor for the lack of disclosure in the board minutes. It appears that General Counsel interpreted the Code of Conduct using the former framework, in which they have a responsibility to make the initial assessment in determination of disclosure.

Given that the Chair sought out legal guidance whether this relationship would rise to a reportable event it appears a reasonable level of effort was made to fully comply with disclosure responsibilities. The General Counsel performed its due diligence and determined, based on their professional judgement, that no conflict existed and thus no disclosure was needed. While a more conservative handling would be for all potential conflict concerns to be brought to the board the language within the Code of Conduct can also be interpreted that it is General Counsel's responsibility to make certain evaluations and assess the need for disclosure. MFA should consider enhancements to its Code of Conduct policy to better outline whether it is the responsibility of General Counsel to make the determination whether disclosure is required or if disclosure is always required, regardless of General Counsel's assessment.

While it is best practice to provide full transparency in any instances of potential conflicts of interest, based on the physical documentation reviewed and timeline of events, it does not appear a violation of the conflict of interest was purposely made but rather a difference in interpretation.

An updated Disclosure Statement was submitted on August 4, 2023, and on August 16, 2023 a formal memo was provided to the board to better outline the timeline and updated disclosure for full transparency.

Obstruction Toward CFO Roles and Responsibilities

On July 20, 2022, the MFA Board of Directors appointed a task force, the “Property Committee” in accordance with Article VI, Section 6.3 of the Bylaws of MFA, which states, “Task Force Committees may be appointed by the Chair of the Authority as deemed necessary to the functioning of the Authority. Task Force Committees shall be limited in their jurisdiction to the purpose of their establishment as set forth by the Chair of the Authority.” The Property Committee’s purpose was established as follows:” (i) sell MFA’s offices, (ii) identify real property for the Authority to acquire, (iii) negotiate the terms of a purchase, and/or sale agreement(s), (iv) procure Services and Tangible Personal Property (as such terms are defined in the Authority’s Policies and Procedures), (v) incur debt to acquire, renovate, and furnish the real property, (vi) use general funds, and (vii) execute those documents necessary to consummate the sale and acquisition of said real and tangible personal property.”

The CFO’s Letter to Board included allegations surrounding an unusual and concerted effort to debilitate the CFO position, and that while the Property Committee members participated in the Finance and Contract Committee meetings, the CFO was not included in the Property Committee meetings and did not have a seat at the table in any buyer-seller negotiations regarding the building purchase. However, upon review, MFA provided screenshots of various calendar meeting invitations to the CFO for meetings with Main Bank, Hillcrest Bank, the Property Committee, Financing Calls, Board Meetings, and the new office building closing meeting. While we are unable to confirm that the CFO attended the meetings, it appears, based on the screenshots provided, that the CFO had the opportunity to participate and was invited to, not only the Property Committee meetings, but also meetings with banks and various financing calls. Given that the Property Committee was authorized to negotiate the terms of the purchase and the negotiations appear to have been compliant with the Bylaws of MFA, no violations appear to have occurred.

The current structure of MFA committee’s selection is to include three board members and one management executive. This structure is made for operational efficiency and provides a framework for nimble decision making. The Property Committee met those requirements and included three Board members and one member of executive management (Initial composition: Chair, Treasurer, State Treasurer, and Executive Director/Chief Executive Officer; Later composition: Chair, Treasurer, Member Sullivan, and Executive Director/Chief Executive Officer; Current composition: Vice Chair, Treasurer, Member Sullivan, and Executive Director/Chief Executive Officer). From an operational standpoint, it is impractical to anticipate the active involvement of multiple executive management roles in every committee. However, in cases involving extraordinary purchases or strategic decisions, it is imperative for MFA to thoroughly document the reasoning behind the formation of the committee and considerations made for its composition. MFA should consider including the CFO as a required party for any future financial transactions dealing with significant and/or extraordinary strategic investments such as a new property. MFA should document and retain the considerations of the committee composition and deliberations made in instances in which only one executive member will represent management.

Lack of Fiscal Responsibility

The CFO's Letter to Board included allegations related to a lack of fiscal responsibility in regard to the purchase of the new building. Specifically, we assessed the following allegations from the July 16, 2023 CFO letter:

- "Normal business prudence is to sell the current building so that MFA does not have to maintain two buildings. Just what most businesses do, like REDW, who put their building on the market first. Once they got the buyer (MFA), they found a place to move and are leasing a portion from us until their new space is ready. We could have just done that. Now we are in a position where we are still determining when the current building will be sold and whether we can fetch the desired price while we are paying the mortgage on the new building."
- "MFA's current policy requires Staff to come to work once a week and management staff twice a week. The existing building is barely 1/3 of its occupancy potential on any given day unless an event or meeting is planned. Once we move to the new building, the expectation communicated by Izzy to the staff is that they are required to be in the office twice a week and the management three times a week. With this hybrid requirement or otherwise, a significant part of the 45,000 Sq. ft. new building will be unoccupied on any given day."
- "HUD extended the existing Performance-Based Contract Administration (PBCA) in January 2023. The projected staff growth included ten staff if MFA was awarded a regional contract. Moreover, in February 2023, MFA staff requested and received Board approval to maintain a long-term subservicing relationship and negotiate a three-year contract with two additional one-year extensions of the subservicing agreement with the Idaho Housing Finance Authority (IHFA). The staff needs assessment included 19 staff for the in-house subservicing purpose. For these reasons, no imminent significant growth was perceived for MFA in the near future. Given these changes, it would have been reasonable to pause purchasing a new building, particularly in volatile market conditions, and not prudent to invest in a commercial building when there is a drastic decline in demand nationwide due to a remote/hybrid work environment…Further, the Housing Assistance Fund (HAF) program will end in 2025, and staff providing those services will be eliminated unless there is growth in other areas they can be absorbed."

- "Another critical point to note, around the time we decided to buy the building, MFA management financials reported a streak of losses and barely closed the fiscal year 2022 in black by $2k. The audited consolidated financials reported losses of $174m, reducing our net position from $334m to $158m. It indicated an uncertain future, and investing in a building beyond our needs would be considered not prudent."

On July 20, 2022, the MFA Board of Director's authorized MFA to sell the old building after procuring the new building. Based on documentation received, reasonings for the move included increasing concerns about safety, parking, and space and adaptability needs, along with benefits of improved security, newer and efficient facilities to meet projected needs, improved parking, and large enough rooms to accommodate staff. Purchasing a new building before selling the old one, known as bridging or swing financing, can be appropriate in situations where it aligns with an organization's financial and strategic goals. These perceptions and the factors evaluated will vary, however it appears the Property Committee evaluated the factors relevant to MFA and determined this strategy met their business case for a variety of reasons.

According to the Space Needs Analysis performed by Mullen Heller Architecture, dated November 8, 2022, MFA staff levels are projected to increase 45.73% in the next 5 to 10 years, and the Servicing department projects an increase of four personnel, which does not include potential sub-servicing program growth. For purposes of additional analysis, we extracted the 10 PBCA positions and the 19 in-house sub-servicer positions explicitly identified in the allegation. The HAF positions were not discretely presented in the details provided thus these were not considered. A total of 63 additional positions were projected, based on this more conservative growth model, putting the total position count at 184 by year 10. The proposed building plans indicated a total of 174 workspaces but with room to add shared spaces, as needed. Based on the analysis described above, it appears that due diligence was performed by MFA in seeking out a larger building to support staffing needs and the more conservative estimates calculated would still support this determination.

It should also be noted that, as presented to the MFA Board of Directors at the meeting on July 20, 2022, from the Executive Director/CEO, Chief Housing Officer, and Chief Lending Officers, the factors that led to the decision to move included additional reasons, outside of the projected staff growth, such as improved parking and security, and newer and more efficient facilities.

In reference to the reported losses of approximately $174 million attributed to a net decrease in the fair value of investments, as disclosed in the Management's Discussion and Analysis section within the September 30, 2022, and 2021 financial statements, it is important to note that these adjustments primarily represent unrealized gains and/or losses that have been adjusted to fair value, in accordance with the requirements of GASB Statement No. 31. Legally, the Authority is precluded from selling or trading these securities unless the bonds are optionally redeemable and have been redeemed. The audited financials did not indicate a going concern, which is typically provided if there is a concern that MFA would not be able to continue for a period of at least 12 months from the date of the financial statements; however, a going concern is a severe instance of financial instability and other metrics would likely be present long before a going concern was issued. The concerns raised related to the financial condition of MFA and its risk appetite are relevant considerations for deliberation. Given the inherent responsibilities associated with the role of a CFO it's not unreasonable for the expectation of a heightened level of prudence and conservatism when weighing the risks of financial condition in this context.

Fiscal management decisions are characterized by their multifaceted and intricate nature, often lacking a definitive demarcation between right and wrong. Instead, they typically reside along a spectrum of risk tolerance. In the case of procuring the building, it is important to note that these factors and the decisions made were not made unilaterally; rather, they were subject to the careful consideration of the Property Committee, which considered MFA's risk appetite.

Thank you for letting Moss Adams assist you with this project. Should you have any questions about the results, please do not hesitate to contact us.

MFA
Housing New Mexico

MEMORANDUM

TO: MFA Property Committee

FROM: Isidoro Hernandez, Executive Director/CEO

DATE: October 27, 2023

SUBJECT: **7425 Jefferson St, NE Cost Summary and Highlights**

Recommendation:

Staff respectfully requests your approval of the recommended awards in the amount of $4,220,689, along with an amendment to the capital budget for this amount. We are confident that the RFPs have rendered us competitive bids and that the recommended agencies will provide quality work. While the proposed total improvement cost of $4.2m is higher than our pre-design budget estimates of $2.3M, the reconciling list of added scope costs ($1.6M not fully reflective of all new scope) in addition to the increased costs we have been experiencing, brings our initial estimate in line with the proposed bids. Staff through Mr. Doug Heller (Architect) will work with contractors to hone-in costs where possible.

Background:

MFA determined that it required a property better able to accommodate its current and future operations. The Board approved a resolution on July 20, 2022, forming and authorizing the Property Committee "to conduct a search for real property to acquire that will satisfy the Authority's current and reasonably foreseeable future needs for space from which to conduct its operations, and to list and sell its Offices." Our current building has 98 workspaces, 54 parking spaces and we currently have 141 (136.875 FTE) approved and budgeted positions.

Reasons for relocating:

- *344 4th Street does not meet our space needs.*
- *Need additional workstations and offices.*
- *Need for larger Community/Board room. (All Staff meetings, LOC, Board Meetings, Partner Trainings.)*
- *Need for additional parking.*
- *Security Concerns.*

A third-party space needs assessment was conducted and used in conjunction with other criteria developed by staff and the Property Committee in our search of a suitable building. A total of 18 meetings (Finance Committee (1), Property Committee (11), Board Meetings (6)) were held in the methodical process leading to the purchase/closing of 7425 Jefferson Ave on May 15, 2023.

7425 Jefferson is a 45,035 square foot building on 2.77 acres with 186 parking spaces, great corner location on main thoroughfare (excellent visibility/exposure), energy efficient with solar panels (LEED GOLD Certified). The building meets/exceeds our building selection criteria and has room for future projected growth. The negotiated purchase price of $9,950,000 included approximately $2M of office and systems furniture that was installed by the original tenant. The appraisal came in at $10,000,000 and considered the unfinished/shell space. A $50,000 credit was negotiated prior to closing due to the condition of the roof.

Building Search Criteria
- ✓ *Affordable/Price*
- ✓ *Square Footage*
- ✓ *Parking*
- ✓ *Large Community/Board Room*
- ✓ *Location/ Accessible (staff/partners/customers)*
- ✓ *Visibility*
- ✓ *Energy Efficient*
- ✓ *Public Transit*
- ✓ *Proximity to amenities*
- ✓ *Large Break Room*
- ✓ *Security*

7425 Jefferson - Value vs. Purchase Price		
ITEM	**VALUE**	**NOTES**
Building Appraised Value	$10,000,000	Value took into account the unfinished/shell space estimated at $77/sq ft.
Furniture (Office and Systems)	$2,000,000	Approximately $2M of office and systems furniture was installed by tenant.
TOTAL VALUE	**$12,000,000**	Total value w/o the proposed improvements.
PURCHASE PRICE	**$9,950,000**	We negotiated a $50k credit due to roof condition.
Proposed Improvements	$4,220,689	Includes Re-Roof, Furniture and Internal Improvements (Community Room and other "preference" improvements.)
TOTAL PROPOSED EXPENDITURES	**$14,170,689**	

On July 19, 2023, the Board approved staff to publish two Requests for Proposals (RFPs) for Building Renovation/Improvements and Building Roofing along with approval of a Limited Source Procurement for systems furniture.

Cost Summary:

Proposals have been received for the two RFPs and award recommendations are being presented for approval. We've also received cost quotes for the disassembly, reinstallation, and purchase of new systems furniture from Contract Associates and a quote for the removal and reinstallation of the solar panels to enable the new roofing of the building. The table below summarizes the various bids and total costs. The table also includes our very preliminary pre-design budget estimates. It is important to note that the pre-design estimates were developed prior to detailed discussions and design documents being produced. Further, the pre-design estimates ($1,452,000) were calculated at $100/sq ft to build out the 6,900 sq foot of shell space ($690k) and $20 sq ft for cosmetic improvements of 38,100 sq ft ($762k). These pre-design estimates did not include new flooring, IT Needs/Wiring, HVAC, Electrical, 2nd floor community room and exterior improvement which are detailed below. It is important to note that we do not yet have quotes for information technology (IT) equipment, we will come back to the Board for a budget amendment if needed at a future meeting.

7425 Jefferson - Building Improvements/Re-Roofing/Furniture Costs				
Activity		Pre-Design Budget Estimate	Recommended Awards	Notes
Improvements		$1,500,000	$2,935,626	$1.5M was a pre-design estimate w/o actual bids and limited scope
Not Included in pre-design estimates	Flooring		$240,000	Cost detailed in recommended bid.
	IT Needs/Wiring		$150,000	Cost detailed in recommended bid. (Does not include equipment)
	HVAC/Electrical/Plumbing		$743,000	Cost detailed in recommended bid. Cost to be honed in.
	Community Room (2nd Floor)		$474,000	3160/SF at $150/SF. Evaluated 1st & 2nd floor.
	New Offices		NA	Not Detailed in proposal
	Conference Rooms		NA	Not Detailed in proposal
	Sub-Total of Added Scope	$1,607,000		Total of items added that were not included in pre-design estimates
	Total Improvements (Pre-Design & Added)	$3,107,000		
Re-Roof		$500,000	$373,777	
Furniture		$300,000	$778,500	
				1. Potential savings on demo and storage of existing workstations. 2. Reusing and relocating existing MFA furniture. 3. Reusing all existing office furniture. Reusing all existing workstations. 4. 51 new workstations. 5. Community Room furniture.
Solar Panels		$132,786	$132,786	
				Not included in pre-design budget estimate. Remove, Clean, Reinstall and Connect Solar Panels.
TOTAL w/o Added Scope		$2,300,000		
TOTAL w/ Added Scope		$4,039,786	$4,220,689	

Below is a table detailing cost per square foot calculations.

7425 Jefferson St NW Cost Per Square Foot Calculations		
	Costs	Cost Per Sq/Ft
Building w/o improvements	$9,950,000	$220.94
Improvements minus furniture	$2,935,626	$65.19
Interior Improvement Costs (No Roof/Solar)	$3,714,126	$82.47
All Improvements	$4,220,689	$93.72
Total Cost (Purchase Price & Improvements)	$14,220,689	$315.77

Attached are the current building layout/design and the proposed design plans developed by Mullen Heller Architecture which depict the current building design and new building as re-designed. Additionally, the design drawings drafted by Contract Associates are attached for your review. You will notice the re-use of the existing systems furniture and the new additions. There is a slight difference in workstation layout between Mullen Heller Architecture and Contract Associates. The architect plans are from the bid documents, and we've since worked with Contract Associates to define the exact workstation layout.

Summary:

Staff respectfully requests your approval of the recommended awards in the amount of $4,220,689, along with an amendment to MFA's capital budget for this amount.

7425 Jefferson - Value vs. Purchase Price		
ITEM	**VALUE**	**NOTES**
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	IT Needs/Wiring		$150,000	Cost detailed in recommended bid. (Does not include equipment)
	HVAC/Electrical/Plumbing		$743,000	Cost detailed in recommended bid. Cost to be honed in.
	Community Room (2nd Floor)		$474,000	3160/SF at $150/SF. Evaluated 1st & 2nd floor.
	New Offices		NA	Not Detailed in proposal
	Conference Rooms		NA	Not Detailed in proposal
	Sub-Total of Added Scope	**$1,607,000**		Total of items added that were not included in pre-design estimates.
	Total Improvements (Pre-Design & Added)	**$3,107,000**		
Re-Roof		**$500,000**	**$373,777**	
Furniture		**$300,000**	**$778,500**	
				1. Potential savings on demo and storage of existing workstations. 2. Reusing and relocating existing MFA furniture. 3. Reusing all existing office furniture. Reusing all existing workstations. 4. 51 new workstations. 5. Community Room furniture.
Solar Panels		$132,786	**$132,786**	
				Not included in pre-design budget estimate. Remove, Clean, Reinstall and Connect Solar Panels.
TOTAL w/o Added Scope		**$2,300,000**		
TOTAL w/ Added Scope		**$4,039,786**	**$4,220,689**	

JOURNAL CENTER OFFICE BUILDING

7425 Jefferson St. NE | Albuquerque, NM 87109

FLOOR PLAN

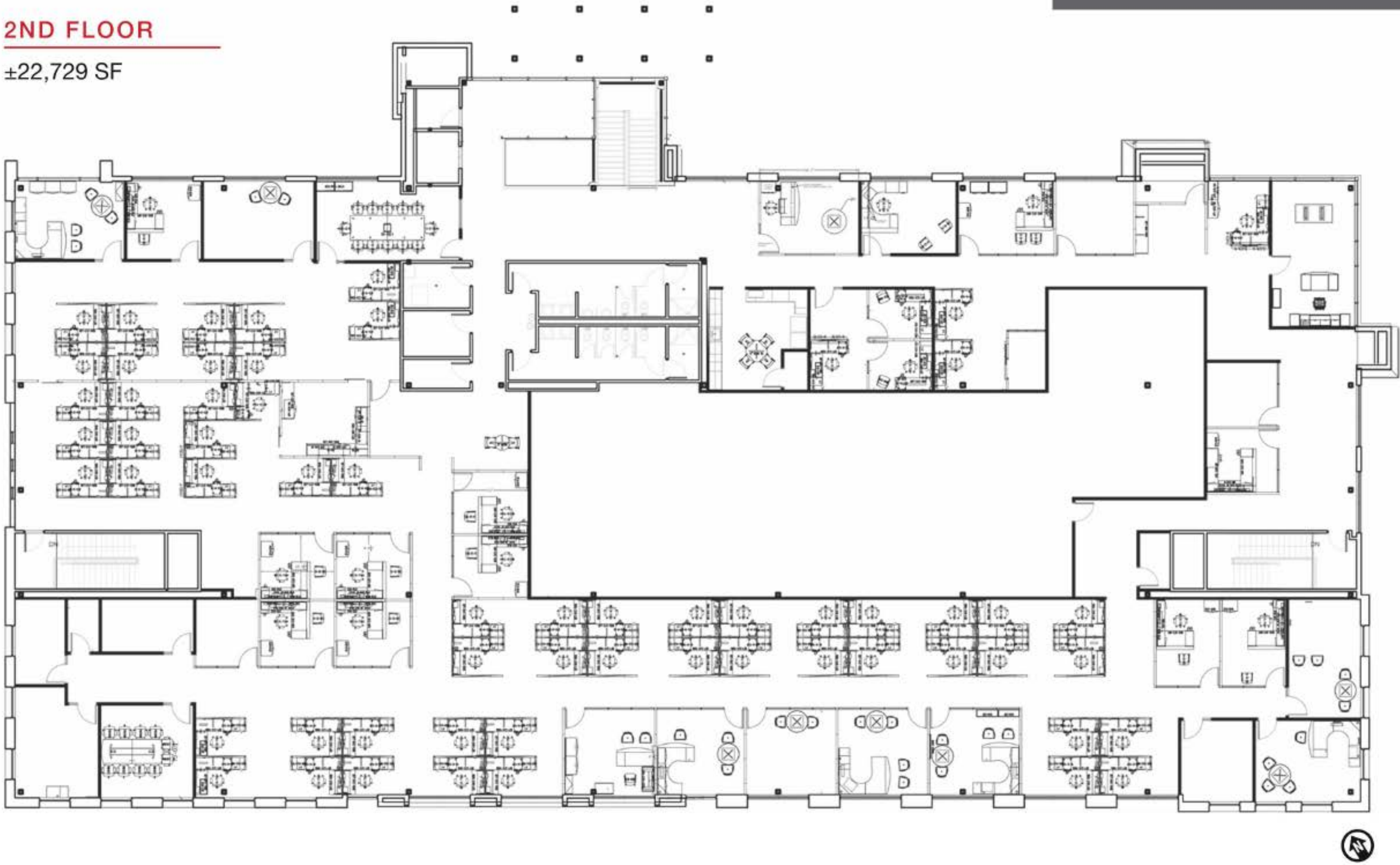
1ST FLOOR

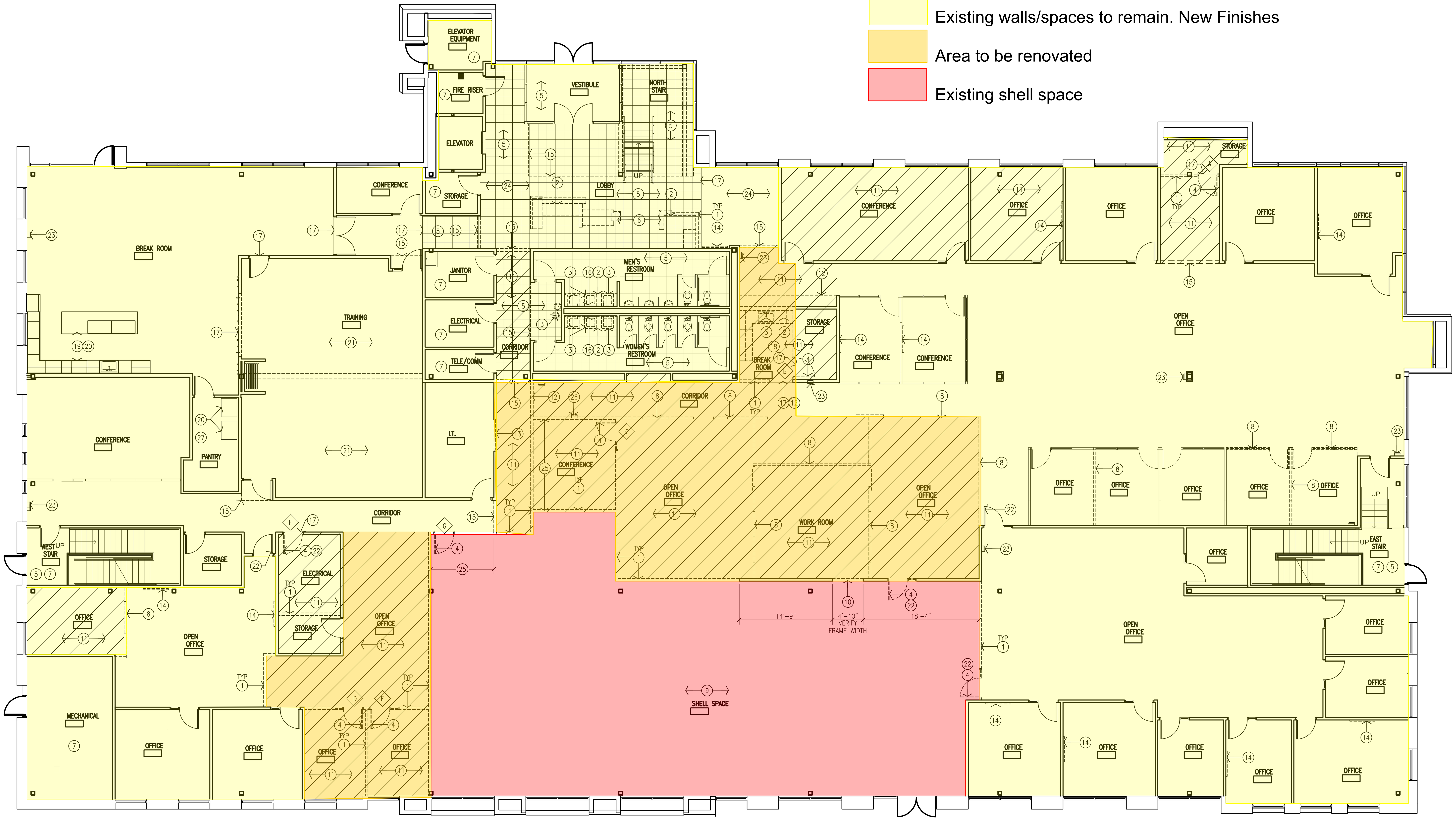
±21,676 SF

FLOOR PLAN

2ND FLOOR

±22,729 SF





Existing walls/spaces to remain. New Finishes

Area to be renovated

Existing shell space

1 First Floor Demolition Plan
Scale: 1/8"=1'-0"

REV | DATE | BY | DESCRIPTION

mullen heller architecture

PRELIMINARY NOT FOR CONSTRUCTION

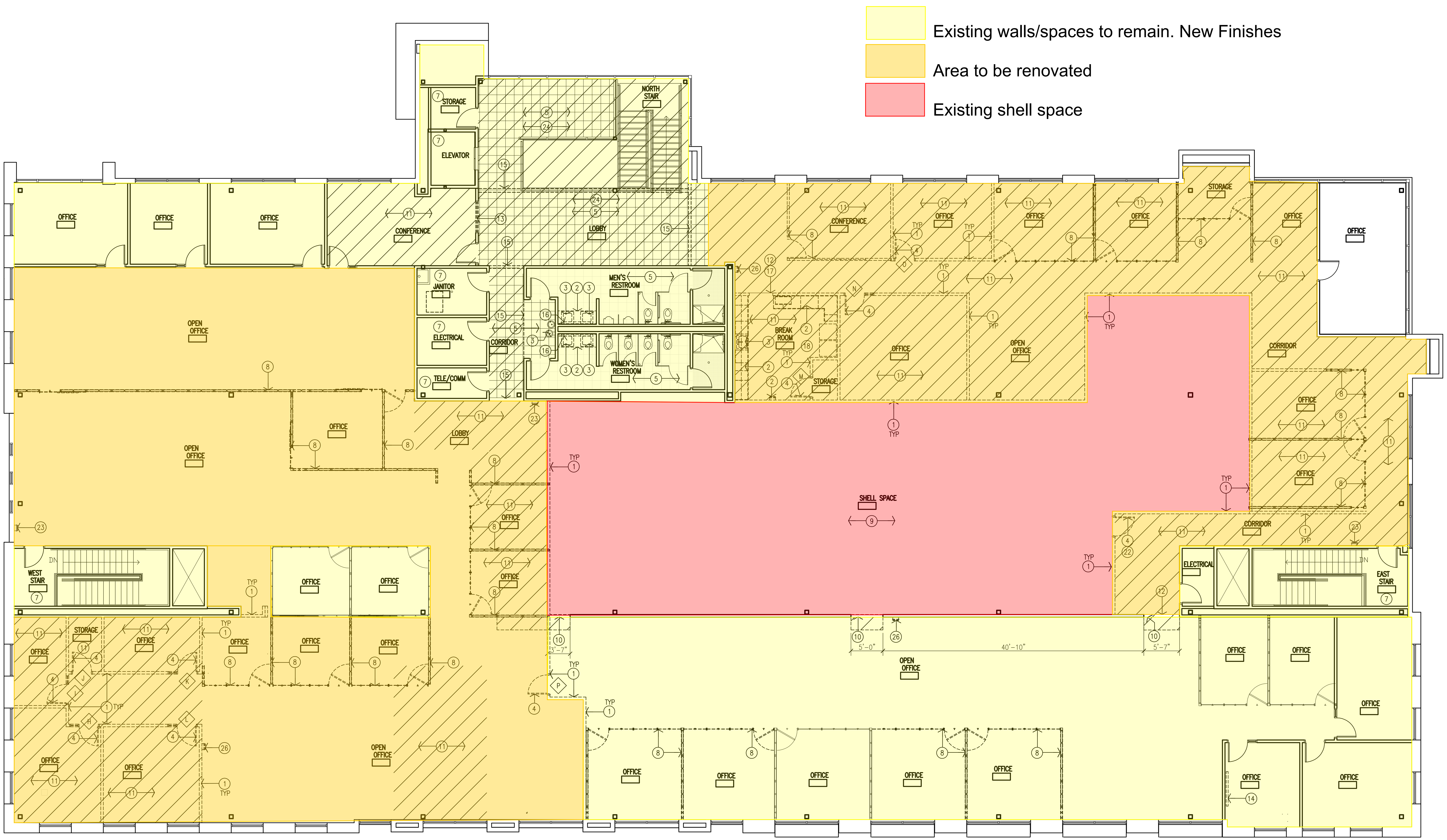
MULLEN HELLER ARCHITECTURE
1718 CENTRAL AVE SW | STE. D
ALBUQUERQUE, NM | 87109
P | 505.268.4144
F | 505.268.4244
www.mullenheller.com

JOB NUMBER	22-19
DRAWN BY	LF
PROJECT MGR	JDH
DATE	7/20/23
PHASE	BID SET

PROJECT
NM MFA Office Renovation
7425 JEFFERSON ST. NE
ALBUQUERQUE, NM 87109

TITLE
First Floor Demolition Plan

SHEET
D101



1 Second Floor Demolition Plan
Scale: 1/8"=1'-0"

REV	DATE	BY	DESCRIPTION
1			
2			
3			
4			
5			

mullen heller architecture

PRELIMINARY NOT FOR CONSTRUCTION

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JOB NUMBER	22-19
DRAWN BY	LF
PROJECT MGR	JDH
DATE	7/20/23
PHASE	BID SET

PROJECT
NM MFA Office Renovation
7425 JEFFERSON ST. NE
ALBUQUERQUE, NM 87109

TITLE
Second Floor Demolition Plan

SHEET
D102

GENERAL NOTES:

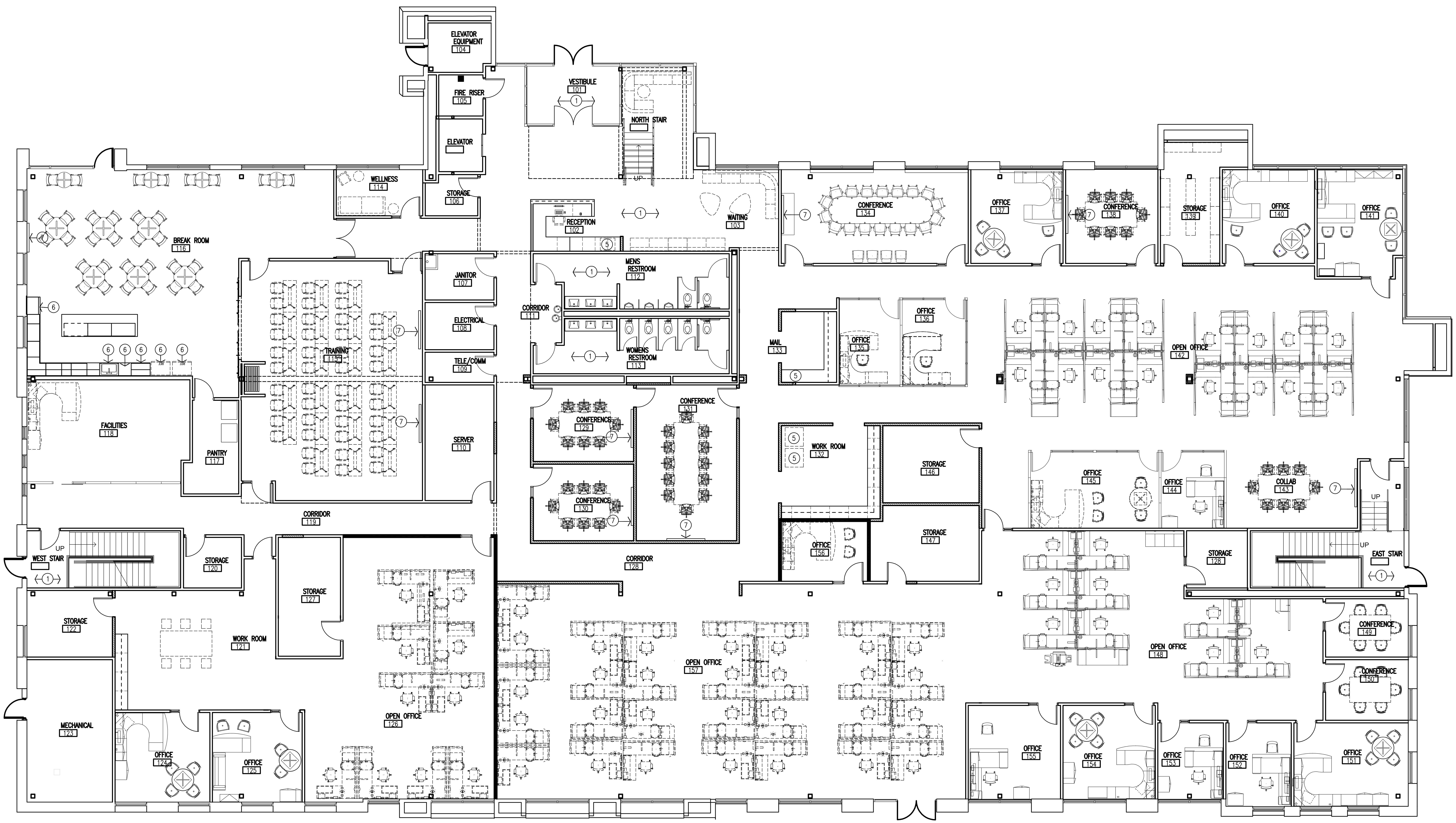
[A] FURNITURE PROVIDED BY OWNER. CONTRACTOR TO COORDINATE INSTALLATION. CONTRACTOR TO PROVIDE BLOCKING AS REQUIRED. CONTRACTOR TO COORDINATE LOCATION OF POWER, SWITCHES, AND LIGHT FIXTURES.

[B] EQUIPMENT PROVIDED BY OWNER UNLESS NOTED OTHERWISE. CONTRACTOR TO COORDINATE RELOCATION & ELECTRICAL OR PLUMBING NEEDS.

[C] REFER TO INTERIOR ELEVATIONS FOR ADDITIONAL INFORMATION.

KEYED NOTES:

1. RELOCATED REFRIGERATOR.
2. RELOCATED MICROWAVE.
3. RELOCATED DISHWASHER.
4. ICE MAKER BY OWNER.
5. OFFICE EQUIPMENT BY OWNER. COORDINATE POWER & DATA. CONFIRM LOCATION WITH OWNER PRIOR TO INSTALLATION.
6. EXISTING APPLIANCE TO REMAIN.
7. RELOCATED TV BY OWNER. PROVIDE BLOCKING, POWER, AND DATA.



1 First Floor Furniture Plan

Scale: 1/8"=1'-0"

REV | DATE | BY | DESCRIPTION

mullen heller architecture

PRELIMINARY NOT FOR CONSTRUCTION

MULLEN HELLER ARCHITECTURE
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ALBUQUERQUE, NM | 87109
P | 505.268.4144
F | 505.268.4244
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JOB NUMBER	22-19
DRAWN BY	LF
PROJECT MGR	JDH
DATE	7/20/23
PHASE	BID SET

PROJECT
NM MFA Office Renovation
7425 JEFFERSON ST. NE
ALBUQUERQUE, NM 87109

TITLE
First Floor Furniture & Equipment Plan

SHEET
F201

GENERAL NOTES:

[A] FURNITURE PROVIDED BY OWNER. CONTRACTOR TO COORDINATE INSTALLATION. CONTRACTOR TO PROVIDE BLOCKING AS REQUIRED. CONTRACTOR TO COORDINATE LOCATION OF POWER, SWITCHES, AND LIGHT FIXTURES.

[B] EQUIPMENT PROVIDED BY OWNER UNLESS NOTED OTHERWISE. CONTRACTOR TO COORDINATE RELOCATION & ELECTRICAL OR PLUMBING NEEDS.

[C] REFER TO INTERIOR ELEVATIONS FOR ADDITIONAL INFORMATION.

KEYED NOTES:

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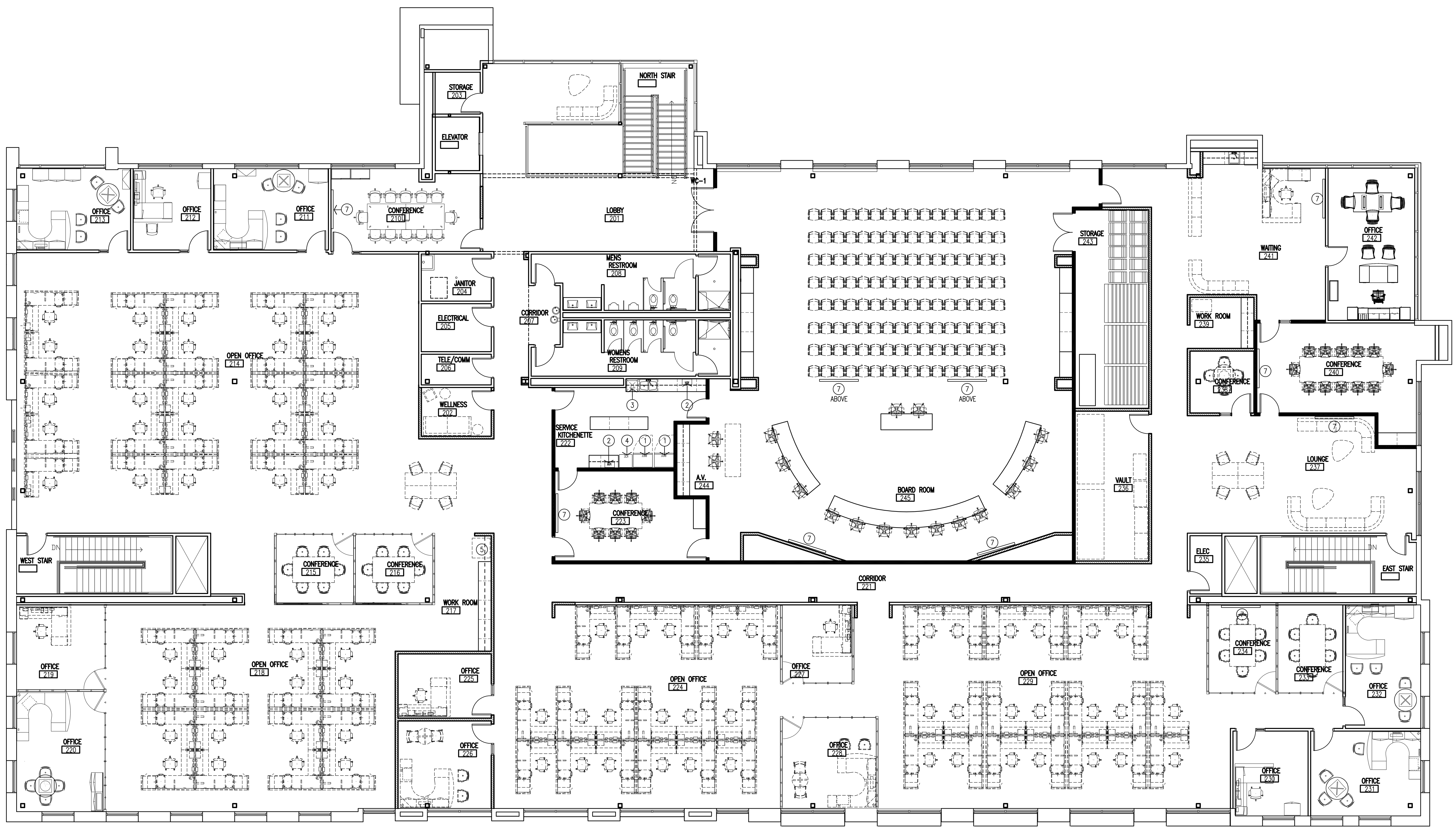
2. RELOCATED MICROWAVE.
3. RELOCATED DISHWASHER.
4. ICE MAKER BY OWNER.
5. OFFICE EQUIPMENT BY OWNER. COORDINATE POWER & DATA. CONFIRM LOCATION WITH OWNER PRIOR TO INSTALLATION.
6. EXISTING APPLIANCE TO REMAIN.
7. RELOCATED TV BY OWNER. PROVIDE BLOCKING, POWER, AND DATA.



1 Second Floor Furniture Plan
Scale: 1/8"=1'-0"

REV | DATE | BY | DESCRIPTION

mullen heller architecture

PRELIMINARY NOT FOR CONSTRUCTION

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JOB NUMBER	22-19
DRAWN BY	LF
PROJECT MGR	JDH
DATE	7/20/23
PHASE	BID SET

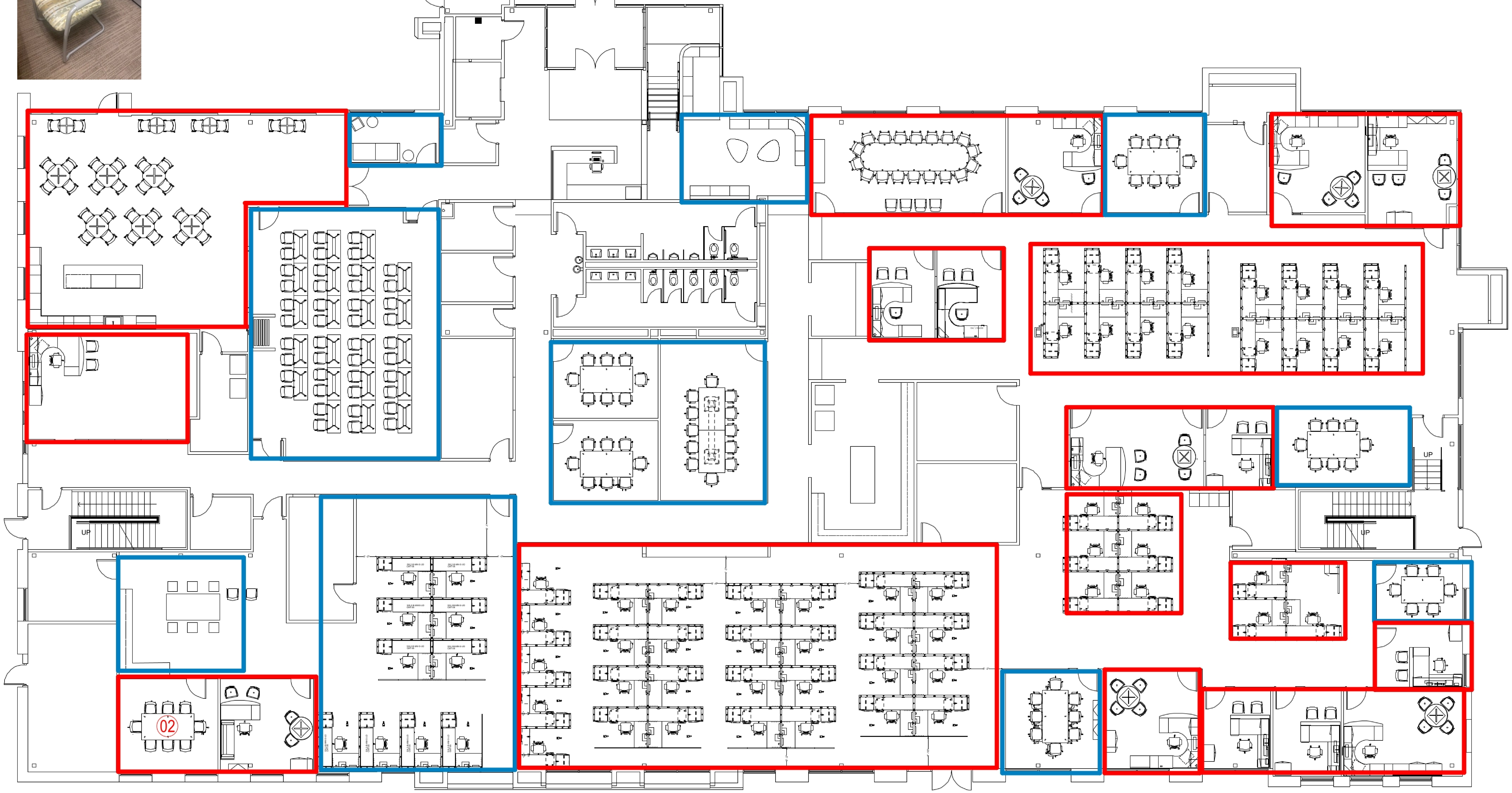
PROJECT
NM MFA Office Renovation
7425 JEFFERSON ST. NE
ALBUQUERQUE, NM 87109

TITLE
Second Floor Furniture & Equipment Plan

SHEET
F202

A8526 MFA RECONFIGURE: DESIGN DRAWING FLOOR 1 NEW AND RE-USE

02



Scale1/8" = 1'

1 FLOOR PLAN

GENERAL NOTES

A. Installation staff are not permitted to make changes to design scope or undertake work beyond that described on this installation drawing without prior approval from project management.
B. Client is responsible for hardwire connections from furniture to building power as noted in key notes.
C. All telecommunication lines to be provided, routed, and terminated by client (as needed).

KEY NOTES

- EXISTING TO RE-USE
- NEW FURNITURE

KEY NOTES

01. ALL TASK CHAIRS IN OFFICES AND WORKSTATION ASSUMED TO BE EXISTING OR RE-USE
02. CONFERENCE ROOM UTALIZING THE ZODY GUEST RE-USE CHIARS - SEE REFERENCE IMAGE ABOVE

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o. 915.642.6808 | 500 W. Overland, Suite 260, El Paso, TX 79901

DESIGN DRAWING

PROJECT INFORMATION

COMPANY:	MFA
SITE ADDRESS:	7425 Jefferson St NE, Albuquerque, NM 87109
CONTACT:	-
PROJECT NAME:	-
PROJECT #:	A8526
SALES:	MARIA
DESIGNER:	MADISON
DATE:	6-28-2023

REVISIONS

REVISION #	DATE:	INITIALS:
01	-	-
02	-	-
03	-	-
04	-	-
05	-	-

CLIENT APPROVAL

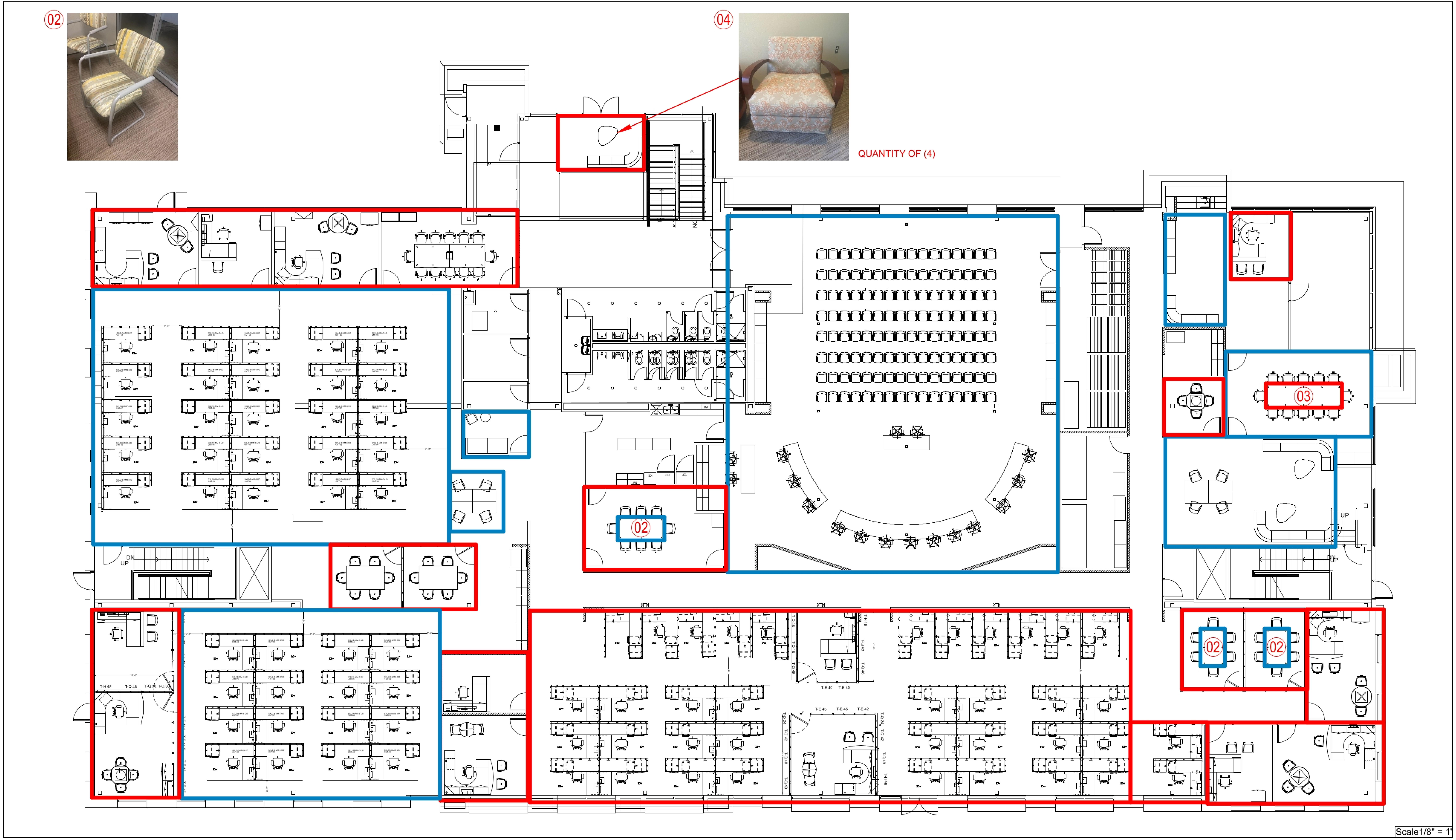
SIGNATURE:

DATE:

SHEET NUMBER

1/2

A8526 MFA RECONFIGURE: DESIGN DRAWING FLOOR 2 NEW AND RE-USE



1 FLOOR PLAN

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KEY NOTES

- EXISTING TO RE-USE
- NEW FURNITURE

KEY NOTES

01. ALL TASK CHAIRS IN OFFICES AND WORKSTATION ASSUMED TO BE EXISTING OR RE-USE
02. CONFERENCE ROOM UTALIZING THE ZODY GUEST RE-USE CHIARS - SEE REFERENCE IMAGE ABOVE
03. CONFERENCE ROOM RE-USING CONFERENCE TABLE
04. (4) EXISTING HBF CHAIRS TO BE RE-USED IN 2ND FLOOR LOUNGE

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DESIGN DRAWING

PROJECT INFORMATION

COMPANY:	MFA
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PROJECT #:	A8526
SALES:	MARIA
DESIGNER:	MADISON
DATE:	6-28-2023

REVISIONS

REVISION #	DATE:	INITIALS:
01	-	-
02	-	-
03	-	-
04	-	-
05	-	-

CLIENT APPROVAL

SIGNATURE:

DATE:

SHEET NUMBER

2/2

October 12, 2023 Property Committee Questions/Comments and Answers	
Questions	**Summation of Answers**
1. Did we evaluate leasing vs owning?	Yes. While there was a strong preference from leadership and Property Committee to own vs. lease, we analyzed the costs. Based on an average cost of $24.54 per sq ft (NNN) and an average escalation factor of 3%/year on a 45,000 sq ft building, Total lease payments were: • Yr. 10: $12.6M • **Yr. 11: $14.1M** • Yr. 12: $15.6M • Yr. 15: $20.5M • Yr. 20: $29.6M We've been in our current building for close to 40 years. With 7425 Jefferson, we are building for and investing in our future. Its size can accommodate our current and projected growth. Total proposed cost for 7425 Jefferson is $14.2M. This includes all of the proposed improvements. While the building sizes vary, the prices per square foot in the Albuquerque market are comparable.
2. Has there been any interest/buyers for our current building?	Yes. We do not yet have an actual purchase offer but there have been 3 tours of the building to date. Our Broker indicates that there are a few other entities that have expressed interest on taking a tour. • 9/18: Albuquerque Community Foundation • 10/2: Bernalillo County (County Manager and Sheriff) • 10/5: City of Albuquerque Others expressing interest: • Charter School – Undisclosed • Law Firm – Undisclosed
3. Will we continue with a hybrid work environment once we move into the new building?	Yes. The hybrid work environment has worked well for us. We've made some adjustments in the last couple of years and have reached a good comfort level. The new building has sufficient space and is conducive to the entire organization coming together as a team. It will enable each department to be together in their respective areas and not spread throughout the building or having to participate in department meetings virtually. The new layout provides improved flow and will support increased collaboration. The building has sufficient office areas and conference rooms to better accommodate a virtual/hybrid environment without being disruptive. We will continue to have a robust cybersecure IT system that meets our internal and remote work environment.

4. We don't want to be in a situation where we invest $14M in the building and it is half empty. Will staff continue to telecommute in the new building.	Yes. We plan on continuing to offer a telecommuting option. Upon moving into the new building our telecommuting policy requires that staff be in the building a minimum of 3 days a week. Based on the new policy we anticipate having the following percentage of staff in the office: (total of 141 positions/staff). 35 are in the office 100% of the time. • Monday: (35-45%) 40% - 56 • Tuesday: 90% - 127 • Wednesday: 100% - 141 • Thursday: 90% - 127 • Friday (CWS): (25-35%) 30% - 43 Note: MFA offers a compressed work schedule (CWS). For those participating, they are off every other Friday. This does not include others coming to the office for meetings, training, etc.
5. How many workspaces will you have at the new building with the proposed improvements:	174 Workspaces vs. the current need for 141. This leaves 33 spaces (23%) for growth available. • 27 offices • 147 workstations The offices and workstations are planned as dedicated spaces. We currently have 98 workspaces (344 4th Street)
6. What is the difference between the initial estimates for improvements and the costs that are now being recommended? There is a significant difference.	There are a couple of reasons for the differences: 1. The initial estimates were pre-design estimates and not based on actual bids obtained from contractors. Initial Estimates: **$2.3M** a. Improvements: $1.5M b. Re-Roof: $500k c. Furniture: $300k 2. The initial estimates did not include the following that we added/included in the RFPs that were issued: **$1.6M** a. Flooring - $240k b. IT Wiring - $150K c. HVAC/Electrical – $743k d. 2nd Floor Community Room - $474k
7. Did we know the building needed a new roof?	Yes. Roof inspection during the due diligence period surfaced the roof issues. We attempted to negotiate a $250k credit due to the roof condition and settled for a $50k credit. We were willing to settle for a $50k credit as we had negotiated the furniture estimated at a value of $2M in the purchase price of $9,950,000.
8. Will the proposed improvements meet MFA's growth needs in the foreseeable future? 10-20 Years?	Yes. We currently have 141 team members. While it is difficult to determine what our growth will be in 10-20 years, at the time of the space needs assessment, we had 129 employees and estimated growing by 59 in the next 5-10 years for a total of 188. These estimates were based on growth in: • Servicing Portfolio • Asset Management Portfolio • Direct Services Dept.

	• NM HTF Activities • Other… As proposed the building will have 174 workspaces but has room to add “hoteling”/shared spaces as needed.
9. Is there a way to perform the improvements in a phased in approach?	While it is possible to phase in the improvements, we do not believe a phased approach is ideal for the following reasons: • Performing construction/renovations while the building is occupied can be very disruptive. • We do not believe that material and construction costs will be going down in the future. • Finding contractors for smaller scope jobs may be challenging and/or more expensive. • Colors/Material matching may be challenging in future (carpets, systems furniture, etc.) We do plan on phasing in the IT equipment for the conference rooms. We plan to outfit the minimal number of conference rooms with the Audio/Visual equipment and phasing in the other conference rooms in the next few years.
10. Is it more effective to do the work before we move in or can staff move in and the work be phased in?	We strongly believe that getting the improvements completed before we occupy the building is the best approach. See answer above (#9) on phasing in the improvements.
11. Could new workstations be purchased later, after MFA moves in?	Yes, we could defer the purchase and installation of some of the new workstations. The estimated savings per workstation (material only) is $5529. We are proposing a total of 51 new workstations for a total of $282,000 (Material only). Please see phasing in answers to question #9 above.
12. Are the items listed in the rehab scope of work needs or wants, what items are absolutely necessary?	We see the building and proposed improvements as needs and investment for the future. They will enable us to re-establish a family culture and collaborative work environment that will help us attract and retain employees. While the extra workstations are not needed now, they are an investment for the future. See answers to question #9 for potential risks.
13. May we go without the new furniture now? Why do we need new furniture?	See answer to question #11 above regarding systems furniture. Most of the furniture is not new furniture. The only new furniture is detailed below, question #14 answer.
14. What exactly does the furniture bid entail?	The furniture bid of $778,500 consists of: • New workstations (51): $282,000 • Parts for reconfiguration: $ 5,000 • Labor for Demo and Storage: $125,000 • Labor for installation: <u>$172,900</u> • **Sub-Total: $585,500**

	• Community Room: $65,000 • Training Room: $40,000 • Conference Rooms:* $47,000 • Touch Down Areas: $10,000 • IT Worktable:* $ 5,000 • 1st Floor Lounge/Reception: $ 13,000 • 2nd Floor Lounge: $ 13,000 • **Sub-Total: $193,000** • **TOTAL: $778,500** • *** Potential re-use of existing furniture at 344 4th Street** Our Architect (Mullen Heller Architecture) will make every effort to work with the various contractors to value engineer and lower costs and equipment needed.
15. Could we move in and make do with old carpet and old furniture?	**Carpet:** We could but believe that replacing the carpet later would be very disruptive and likely more expensive. Additionally, as we relocate some of the workstations, we believe there will be noticeable color (wear/tear) differences in the carpet. **Furniture:** Most of the existing furniture is being reused. See answers to question #9 concerns/risks.
16. Can we put off some of the rehab items until after the current building sells?	This would not be our recommendation for several reasons. • We are fortunate to be in a strong financial position and can afford the improvement without the proceeds from the sale of 344 4th Street. • Our current RFP requires the contractors to hold their bid prices for 90 days. The timing of the sale of the building is unknown and will very likely be after the 90 days have expired, which would require a new RFP and potential price increases. • Phasing in or delaying some of the improvements may be challenging to coordinate with the respective contractors. • We believe that having all improvements completed at the same time is more efficient and will eliminate the risks with phasing in improvement mentioned in question #9.
17. What exactly is the breakdown of the quotes?	Renovation: $2,935,626 Re-Roof: $373,777 Solar Panels: $132,786 Furniture: $778,500 **TOTAL: $4,220,689**
18. What is the cost of the Community Room?	$474k. 3160 square feet at $150 per sq feet. The cost would be similar if placed on the 1st floor, but the room would not be quite as functional.

19. Aside from Board meetings, what will the Community Room be used for? Assuming it can be used to bring in the public and let them be part of what is happening to MFA.	We anticipate the community room to be used for: • Board Meetings • Legislative Oversight Committee Meetings • All Staff Meetings • Partners meeting/trainings • We envision using the room for health/benefit fairs, focus group meetings with our partners, housing fairs, developer forums, and other events that help advance and support our mission. • The IT and Audio/Visual capabilities in the community room will be designed to accommodate in-person, virtual and hybrid meetings. Note: We currently rent out space to conduct larger meetings including All Staff Meetings.
20. Can the vacant space (unfinished/shell space) be converted into the community room?	Confining the community room into the existing shell spaces boundaries is not ideal. The existing shell spaces have several challenges for use as a Community Room. A couple are listed below. • 1st Floor: Long and narrow with windows facing the alley. Space is in the back of the building and direct access would be from the alley. • 2nd Floor: The shell space is in the middle of the 2nd floor, is a narrow space and has no natural light.
21. Are we able pay for this? How are we paying for this?	Yes. MFA if fortunate to be in a strong financial position. We have earmarked funds available in the Local Government Investment Pool (LGIP) to pay for the improvements. The balance in LGIP is currently \$6M and will be \$7M at the end of October. We also have the option of using proceeds from the sale of the building to pay for a portion of the improvements. Proceeds are estimated to be between \$3M -4M. Upon sale of the 344 4th street building, we'll evaluate the most advantageous (best execution) use of the proceeds, e.g. pay for improvements, prepayment of mortgage loan or investment. MFA is projecting a \$1.6M excess revenues over expenses in FY 2024. The building is considered a fixed asset on our financial statements. The long-term investment in the 7425 will not impact our ability to meet our mission of providing affordable housing opportunities for all New Mexican's. We view this investment as helping us expand our reach by enabling us to grow, bring on additional funding sources and programs, and attract/retain the employees to administer them.
22. What other uses are there for Local Government Investment Pool (LGIP)?	LGIP funds are non-restricted funds and can be used at the discretion of MFA. Please see answer to question #21 above.

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<td>23. Will this affect our bond rating?</td>
<td>No, we do not anticipate a change in our Issuer Credit Rating. Our Aa3/Stable rating issued by Moody's in 2020 included the following comments: a high asset-to-debt ratio, good profitability, and a low-risk profile due to a mortgage-backed security structure, and no exposure to variable-rate debt.

Our single-family indenture ratings are tied to an indenture that is collateralized backed by mortgage-backed securities (MBS). The indenture ratings of Aaa/Stable were reaffirmed on 10/10/23.

Our use of LGIP will not impact our bond ratings.</td>
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<td>24. Are we using our funds wisely?

25. What are the optics to outsiders of the new building remodel?

ANSWER: We will develop talking points that highlight the process and analysis undertaken as outlined on the right to support that the right decision was made.</td>
<td>Yes. We strongly believe that this is a wise use of funds and that it was a well-thought-out decision to purchase a new building.

Over 20 meetings have been held in the last 16 months with the Board to evaluate and make decisions regarding the purchase of a building. This has been a very methodical process.
A professional third-party architect was procured to assess the current and future space needs of MFA. We have outgrown our building and need a building that will satisfy our current and future needs.
7425 Jefferson meets the building evaluation/selection criteria vetted by the Property Committee that includes:

Space needs/square footage
Parking
Accommodates a large community room.
Location/Accessible to partners and staff
Visibility
Security and safety for staff, partners and stakeholders (Community).
Energy Efficiency (LEED Certified/Solar panels)
Public Transportation.

The building was appraised for $50k ($10M) more than we paid and included furniture with an estimated value of $2M.
We procured very favorable financing terms/interest rates.
We evaluated several options to include purchasing land and building new, leasing, and acquiring an existing building. We are confident that the total cost of purchasing 7425 Jefferson and the proposed improvements is more cost effective than building or leasing.

The cost to build easily exceeded $400/sq ft as compared to $315.
With a lease, we'd pay over $14M by year 11 at which point we will have finished paying off our 10-year loan of 7425 Jefferson.

The proposals for the improvements (3) and re-roof (3) were obtained via a competitive process.

The proposed improvement cost of $65/sq ft is very reasonable compared to a few examples obtained from our architect ranging from $200-$400/sq ft.

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	The decision to purchase a new building and the improvements are an investment in the future that will allow us to continue growing, expand our reach and enable us to continue attracting and retaining employees for the next 40 years.
26. How does our cost per square foot compare to other renovations?	See above, #25.
27. How comfortable is MFA that the cost of the renovations will not increase?	The RFP required that respondents commit to holding the proposed pricing for 90 days. We feel confident that the contractors we are recommending are well established, have a great reputation and will honor their commitment as submitted in their proposal. We feel confident that the design and plans provided by Mullen Heller were comprehensive and we do not anticipate change orders that would increase the total costs. Once the contracts are awarded, Mullen Heller will work with contractors to value engineer and work to reduce costs.
28. Did we budget for the cost of two properties this year? Impact on budget?	Yes. Operations and maintenance costs were budgeted for both 344 4th Street ($21k) and 7425 Jefferson Street ($79k). We also budgeted the revenue from the lease with REDW. We are projecting $1.6M excess revenues over expenses.
29. Aside from IT equipment, are there any other costs that will surface later? We don't want this to continue to grow.	We do not anticipate any additional cost other than IT equipment.
30. The initial building purchase was $10M which included approximately $2million in furniture. That is a value of $12 million. The pre-design rehab amount was estimated at $2.3M. The current improvement bids total $4.2M; so is it accurate (big picture) to say we are not off in overall cost?	The value of the building and furniture totals $12M. We had a pre-bid estimate of $2.3M for improvements. The sum of the value of the building and the improvement estimates is $14.3M. The $9.95M purchase price of the building along with the proposed improvements of $4.22M total $14.170M
31. Is it fair to say that Investment in the building is for the long term?	Yes. We see this as a long-term and wise investment. We have been in our current building for close to 40 years. 7425 Jefferson accommodates our current and foreseeable future needs and will allow us to attract and retain valued team members. Our analysis indicates that the purchase and renovations costs of the building are more cost effective than building or leasing.

The Property Committee unanimously approved awarding the contracts totaling $4,220,689 with the caveat that Architect (Mullen Heller Architecture) would make every effort to work with the various contractors to value engineer and lower costs. There was also a clarification and understanding that the IT equipment costs were not included in these awards.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
GENERAL FUND
Fiscal Year 2023-2024 Budget

	Approved Budget FY2023-24	Budget FY2023-24 Amendment #1	Variance: Amendment #1 - Approved Budget	Variance %: Amendment #1 - Approved Budget
2690 PURCHASED SERVICING RIGHTS	3,772,362	3,772,362	-	0%
2920 FURN & EQUIP, 10 YR	-	778,500	(778,500)	-100%
2950 COMPUTER HARDWARE	105,324	105,324	-	0%
2860 BUILDING	-	3,442,189	(3,442,189)	-100%
Capital Budget	3,877,686	8,098,375	(4,220,689)	-52%

MEMO

TO: MFA Board of Directors

Through: Property Committee

FROM: Isidoro Hernandez, Executive Director/CEO

Jeff Payne, Chief Lending Officer

DATE: October 27, 2023

SUBJECT: Construction Services Award Approval for 7425 Jefferson Renovation

Recommendation:

Staff recommends the Construction Services Award be made to Klinger, LLC in an amount not to exceed $2,935,626 (not including NMGRT) along with an amendment to the capital budget for this amount. Klinger, LLC was selected by MFA's internal review committee based on the highest score per evaluation criteria outlined in the RFP and detailed below. Staff intends to hone the scope and reduce potential construction costs as the contract is negotiated.

Background:

The MFA Board approved the Request for Proposal (RFP) for Construction Services on July 19, 2023. The RFP was advertised in the Albuquerque Journal and posted on MFA's website. In addition, Doug Heller of MFA's architectural firm, Mullen Heller Architecture, P.C., reached out to contractors who may be interested in the project to view the RFP on the MFA website.

Discussion:

On May 15, 2023, MFA closed on the purchase of the office building at 7425 Jefferson St. NE, Albuquerque, NM. Renovations are to be made to meet the current and future needs of MFA. After approval of the RFP for construction services by MFA's Board of Directors, staff and MFA's contracted architect, Mullen Heller Architects (Doug Heller) held a mandatory Pre-bid meeting with interested contractors at the Jefferson building. Five contractors attended the pre-bid conference. Four of the five contractors that attended the pre-bid conference were contractors contacted by Mr. Heller. The architect explained the scope of work, answered questions, and took the potential offerors on a tour of the building to help provide additional clarity for work requested in the RFP.

The RFP gave Offerors the deadline of August 10, 2023, to submit bids directly to MFA.

Preliminary Budget Expectations:

Mullen Heller Architecture's initial estimated renovation costs at the time the Jefferson building became available for purchase in January 2023 was $1,452,000 ($690,000: Tenant Improvements; $762,000: Cosmetic Improvements). Assumptions were that any interior improvements were anticipated to be cosmetic, such as painting. The flooring, ceiling, and lighting did not look like they needed to be replaced, although the budget anticipated some replacement of damaged ceiling tiles, carpet tiles, window coverings, etc. We did not believe there would be a need for new offices, conference rooms, etc. This budget did not include any exterior improvements, additional IT needs, replacement of mechanical units, or other equipment that may be determined to be at the 'end of life.'

In February 2023 as part of staff's attempt to project the overall cost of purchasing the building, staff produced an estimate of $1.5 million to renovate the Jefferson property and $1 million for furniture and other related costs. MFA was able to negotiate the inclusion of the existing systems furniture as part of the purchase, which had an estimated value of $700,000+.

Minimum Qualifications and Requirements:
Only those Offerors who met the following minimum criteria outlined in the RFP were eligible to be evaluated. Any proposal submitted by an Offeror that did not meet these minimum qualifications and requirements would be rejected:

1. An Offeror must, at a minimum, hold a current State of New Mexico general contractor license designation of GB-98 and be licensed to do business in the State of New Mexico.

2. Have the ability to work around the existing tenant and to comply with their security and professional requirements.

3. Offeror shall be willing and able to enter into a standard American Institute of Architects (AIA) contract with MFA (**Exhibit B**). MFA shall be under no obligation to accept any material changes to the standard terms of the AIA contract. Materiality shall be determined in MFA's sole discretion.

4. Offeror shall provide evidence of its ability and willingness to provide MFA certificates of insurance acceptable to MFA prior to the commencement of any Work evidencing compliance with the insurance requirements in the AIA Document A101 Exhibit A, including but not limited to:
    a. Commercial General Liability;
    b. Automobile Liability;
    c. Workers' Compensation;
    d. Employers' Liability;
    e. All Risks; and
    f. Other insurance that may be identified by MFA.

5. Offeror shall provide evidence of its ability and willingness to provide surety bonds, from a company or companies lawfully authorized to issue surety bonds in the jurisdiction where the Project is located, as follows:
    a. Payment Bond in an amount equal to 100% of the contract between MFA and Offeror
    b. Performance Bond in an amount equal to 100% of the contract between MFA and Offeror

Offerors were also required to meet the following requirements, among others:

6. Offeror shall provide a written statement disclosing: (1) any political contribution or gift valued in excess of $250.00 (singularly or in the aggregate) made by Offeror to any elected official of the State of New Mexico in the last three years, (2) any current or proposed business transaction between Offeror and any MFA member, officer, or employee, and (3) any other conflict or potential conflict which may give rise to a claim of conflict of interest.

7. Offeror shall provide a written statement disclosing any pending investigation, litigation, recent settlements or regulatory sanctions in performing professional services during the past five years involving Offeror's firm or employees or individuals or organizations involved in any third-party agreements or joint venture agreements. Describe any circumstances under which Offeror's firm or any of Offeror's members or employees have been disciplined by any professional licensing, regulatory or ethics entity. Indicate whether Offeror's firm has been involved in any capacity in litigation, investigations or regulatory proceedings involving HUD, the State of New Mexico or any agency thereof.

8. Offeror shall provide written certification, on the form attached as Exhibit A (to the RFP), that Offeror has read and shall at all times conduct itself in a manner consistent with MFA's Third-Party Code of Conduct. Upon request by MFA, Offeror shall disclose information MFA may reasonably request relating to conflict or potential conflicts of interest.

9. Offeror shall provide a written certification that Offeror is an Equal Opportunity Employer and complies fully with all government regulations regarding nondiscriminatory employment practices.

Project Description

This project is an interior renovation of the 2-story, ±44,978 square feet building at 7425 Jefferson Street NE. There is no change of occupancy associated with this project. The renovation is considered a Level 3 Alteration based on the International Existing Building Code. Currently, a majority of the building is unoccupied, except as noted below.

The renovated building will house new private offices, new open office areas, new conference rooms, a new Community Room on the second floor and new support spaces. New metal stud partitions, ceilings, finishes, painting, wallcovering, casework, doors, manual and automatic blinds, plumbing fixtures, power distribution, interior lighting, and modifications to the existing HVAC systems, fire suppression system and fire alarm will be required to complete the renovation. Currently there are two areas that are considered 'shell' spaces. These areas are to be improved, with new partitions, ceilings, finishes, HVAC equipment, lighting and power distribution. No work to the building envelope or site is anticipated.

All flooring, with the exception of the porcelain tile in the lobby and the restrooms, and those areas designated as 'No Work,' in the RFP is to be removed and replaced with new carpet tile and vinyl tile with wall base.

The majority of the interior doors will remain in place. It is the intent to relocate existing doors and frames to new locations. Door hardware may require modifications for the Owner's new access control system.

The majority of the suspended acoustical ceilings throughout the building will remain 'as-is' with modifications needed to accommodate the new layout. New gypsum board 'beams' and decorative wood ceilings will be installed in the new conference rooms and Community Room.

The majority of the existing lighting is to be removed and replaced 'in kind' with LED fixtures throughout. New decorative and specialty lights will be installed in the lobby, new conference rooms and Board Room.

The restrooms will remain 'as-is' with the exception of new solid surface countertops, sinks, trim, and new vanity lighting. There is no change to the flooring, ceilings, toilet partitions or other plumbing fixtures.

All new and existing gypsum board walls and ceilings, with the exception of those areas designed as 'No Work,' are to be repainted.

The current lobby stair and second floor railing system are to remain 'as-is' and are to be protected during construction.

Installation of the phone, data, IT, and audio and visual systems.

Reconfiguration of the current modular office furniture and removal of the modular wall systems will be the responsibility of MFA. The Offeror will be required to coordinate with the MFA's vendor to maintain the construction schedule.

The Offeror will be required to coordinate new roof penetrations with MFA's vendor to maintain the construction schedule.

Finally, a separate tenant currently occupies ±8,000sf on the west side of the second floor. This tenant, also, has use of the building lobby, the restrooms and a breakroom on the second floor outside their space. During construction, the Offeror must ensure these spaces remain operational for the tenant's employees and guests at all times. Electrical, mechanical, and plumbing systems in these areas shall remain in working order throughout construction. The Offeror must provide a schedule for work in these areas as MFA will coordinate appropriately with the tenant. The schedule for work in these areas will be determined by MFA and tenant. Other than these areas, the Offeror will have full access to the building during construction.

Drawings and Manual

Interested parties were electronically provided with a 28-page set of bid drawings which included a demolition plan, renovation plan, reflected ceiling plan, door and hardware schedule, community room elevations, finish plan, furniture plan, original construction mechanical and HVAC documents with notations regarding the new scope of work, a list of new heat pump units needed, renovation plan with notes for mechanical scope of work. Bid drawings can be accessed at: https://mfa.internal.housingnm.org/BoardSS/NM_Mortgage_Finance_Authority_Office_Renovation-Bid_Drawings_7-20-23.pdf

In addition, interested parties were given an electronic 274-page project manual with instructions to bid and scopes of work for electrical, mechanical, and an overall scope of work. This manual covers topics such as access to the site, coordination with occupants, work restrictions, project management and coordination, construction progress documentation, submittal and quality requirements, and various detailed specification requirements. The Project Manual can be accessed at: NM Mortgage Finance Authority Office Renovation - Project Manual 7-20-23.pdf

Evaluation Criteria

The Board-approved RFP set out the following criteria to evaluate proposals and gave the flexibility to award the contract for construction services to the offeror whose proposal is most advantageous to MFA. Proposals that met the Minimum Qualifications and Requirements were evaluated. Proposals were scored on a scale of 1 to 150 based on the criteria listed below. A serious deficiency in any one criterion could be grounds for rejection regardless of overall score.

Criteria	**Point Range**	**Maximum Points**
1. Evidence of Offeror's Ability to Perform the Work: 1. profiles of the technical competence and experience of: i. Offeror's principal(s); ii. Proposed Project manager and superintendent; and iii. any Subcontractor(s) identified in the response	 0-5 0-3 0-2	10
2. Examples of Past Performance in terms of cost control, quality of work, and compliance with performance schedules.	0-30	30
3. Base Bid Proposal not including NMGRT.	0-35	35
4. Project Schedule and capability to provide services in a timely manner	0-20	20
5. New Mexico Resident Business: 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
6. Interviews, if held	0-50	50
Maximum Points		150 with interviews held

Staff proposed and received approval from the MFA Policy Committee to create an internal review committee to evaluate the proposals received. MFA policy requires at least three members for an internal review committee. While policy also allows non-MFA staff to participate on the review committee, only MFA staff committee member scores as listed in **Exhibit A** were used to arrive at the recommendation. The internal review committee consisted of the MFA Executive Director/CEO, Chief Lending Officer, and the Architectural Services Representative, all of whom are employed by MFA. MFA's Architectural Services Representative is an architect and member of MFA staff. He evaluates plans for proposed multifamily construction and renovation projects and inspects the work to make sure it meets or exceeds MFA's design standards.

Doug Heller, MFA's contracted architect, was involved in providing information to the bidders, attended the scoring meeting and answered committee member questions. Staff each individually reviewed and scored the proposals received prior to the scoring meeting and then came together to share those scores and their own evaluations of the proposals. All three proposals met the Minimum Qualifications and Requirements. The individual scores of the internal review committee members were recorded and averaged. Although there was some variation in the scores awarded by the individual committee members, there was unanimity in the ranking of the proposals.

Proposals Received

MFA received proposals from William Cervantes Enterprises, Inc. ("William Cervantes"), Klinger Constructors, LLC ("Klinger"), and Enterprise Builders Corporation ("Enterprise").

The following is a summary of the evaluation of each scoring category. **Final scores of all qualified offerors are summarized on attached, Exhibit A**

Ability to Perform the Work

Each of the offerors are experienced. All offerors provided information on the offeror's principals, and the proposed project manager and superintendent, and any subcontractor who would work with MFA on the renovation project and shared their level of experience. Based on materials contained within the proposals the teams presented by Klinger and Enterprise scored higher in this evaluation criterion based on is years of experience, education and training. William Cervantes did not provide any indication of how long the company had been in business or the experience of its principals. Enterprise scored the highest on average, followed closely by Klinger.

William Cervantes: The William Cervantes proposal did not give much background about the company or how long the company had been in business but listed Gerald Cervantes as the proposed project coordinator. Gerald Cervantes has been in this role since 2017 and prior to that worked as an Electrician Helper for three years. Alex Apachito was listed as Lead Carpenter and had been in that role for two years. Before that he worked as a framing carpenter for eight years. The project management team proposed by William Cervantes is less experienced than the teams proposed by the other offerors.

Klinger: The Klinger proposal indicated the company has been in business for over 40 years. Klinger's principals have 40, 28, 33, and 15 years of experience. The proposal indicated Klinger performs 20 to 25% of the work themselves instead of using subcontractors. The company has over 100 field employees. The Klinger proposal listed Joe Reed as Senior Project Manager. Mr. Reed joined Klinger in 1997 and has over 24 years of experience in the construction industry. He has a BA in business and completed a four-year carpentry apprenticeship. He has completed 19 projects as Project Manager throughout the state of New Mexico ranging in size from 3,200 sq ft to 70,000 sq ft. The Superintendents that would be involved with the project have been with the company since 1991 and 1997 and have 40 years and 28 years of experience respectively.

Enterprise: Enterprise has been in business for over 35 years and has a team of seasoned managers with 26 years, 36 years, and 16 years of experience for the CEO, EVP of Operations and VP of Estimating. The Enterprise' proposal listed Jared Vigil as the project manager. Mr. Vigil has a BA in construction and a minor in business. He has seven years of experience in the construction industry and lists 13 projects varying from 2,500 sq ft to 60,000 sq ft in size. John Lente is the Project Superintendent and has 20 years of experience and has been with Enterprise just over a year.

Examples of Past Performance

All offerors indicated that their projects were on time and budget and customers were happy with the work they performed. While all the offerors seemed capable as contractors, Enterprise and Klinger were seen as superior in their examples of past performance provided. Both had examples of projects that were recent and very impressive. They showed they do very similar work to that specified in the RFP. As a result, Enterprise and Klinger received a full 30 points in this category while Cervantes earned 24.67.

William Cervantes: The William Cervantes proposal listed 5 examples of past performance. The projects presented in the proposal were not recent and were as old as 2012, 2017, and 2019. No recent examples were provided. The cost of these projects ranged from $1 million to $3.6 million. They ranged in size from 6,600 sq ft to 27,000 sq ft. Four of those projects were new construction of a charter school, shooting range, animal shelter and a club house.

Klinger: The Klinger proposal listed five examples with only two projects mentioning dates of construction (2019 and 2022). These projects were selected because they involved working with renovations where the buildings were still occupied. They also listed several projects in buildings with high traffic like three hospitals where they have had to work around the occupants for long periods of time and large projects. Finally, they listed eight projects ranging from $2.5 million to $19 million that are in progress with both bid and negotiated contracts. The sizes ranged from 18,000 to 100,000 sq ft.

Enterprise: The Enterprise proposal listed five project examples ranging in cost from $1 million to $23 million. The proposal materials presented two new construction projects and three renovation or tenant improvement projects. The sizes ranged from 22,000 sq ft to 89,000 sq ft. One project is still under construction.

Base Bid Proposal

Bid prices are listed below with William Cervantes being the lowest bidder followed by Klinger at the 2nd lowest. Enterprises' bid was significantly higher than the other bids. William Cervantes received the highest score of 33.33 and Klinger was close at 30.67. Enterprise was rated much lower at 21.67. In the process of negotiating the contract with the winning offeror, there would be an opportunity to work with the contractor to refine the scope to reduce the cost.

William Cervantes: $2,331,170
Klinger: $2,935,626
Enterprise: $4,016,247

Project Schedule

The William Cervantes and Klinger proposals contained timelines that fit the expected time to complete the project. While William Cervantes proposal mentioned an earlier completion time, it lacked much detail. The Klinger proposal provided a detailed path and schedule to meet that timeline. Enterprise showed some level of completion in February but had many weeks scheduled to wrap up and get a Certificate of Occupancy. Klinger unanimously earned full points with William Cervantes a close second, and Enterprise earning a little more than half of the 20 points available.

William Cervantes: The William Cervantes proposal indicated that the project could be completed by late December 2023 or January 2024. The company is available to start right away and proposed getting started with demolition while waiting for building permits and ordering mechanical equipment immediately.

Klinger: The Klinger proposal presented a very specific timeline r. They projected that the project could be completed by January 25, 2024. They also described a three week look ahead method of keeping the project on schedule used by the project superintendents.

Enterprise: A specific timeline was presented in the Enterprise proposal showing completion by May 8, 2024, with a certificate of occupancy.

New Mexico License and Employees

All offerors received all five points available.

William Cervantes: New Mexico licensed and New Mexico employees.
Klinger: New Mexico licensed and New Mexico employees.
Enterprise: New Mexico licensed and New Mexico employees.

Results

After all scoring was determined and averaged, Klinger was the top choice with 94.67 points and William Cervantes as a runner up with 89.00 points. The Enterprise proposal scored significantly lower. It was determined that the leading two candidates would be interviewed with another 50 points available.

Interviews

The internal review committee posed the following questions the William Cervantes and Klinger teams:

- How have you worked with occupying tenants and how do you propose to work with tenants in this project? Do you provide a 3 week look ahead?
- What is your plan to keep common areas open and safe?
- Do you anticipate any problems with phasing/working around existing tenant?
- How is the timeline impacted with the change in the RFP award date?
- How often will you hold construction update meetings?
- How much parking will you need and what is the ideal location?
- How did you determine your bid in Mechanical and Electrical?
- Was there anything on the plans you were unsure of?
- How have you resolved conflicts with owners in the past?
- Any suggested changes to plans to "value engineer"?
- Discuss how you maintain schedule control of your subcontractor base.
- Have you seen price increases recently that require change orders to signed contracts?
- How many full-time staff will be assigned to this project?
- How many projects is the project manager going to be working on during construction?
- How many projects is the superintendent going to be working on during construction?

Staff scheduled in person interviews with both offerors. Both were provided with an agenda and list of questions or topics to be covered. The Executive Vice President and the proposed Project Manager attended for Klinger. They shared experience with many jobs in hospitals, schools and at Intel which required them to work in a setting where the building was not only occupied but where outside patients, students and customers were coming and going constantly. They shared that in their view frequent communication is the key to project success and has resulted in Klinger maintaining good relationships with its customers even after project completion. Their goal is that the owner becomes a long-time customer and that they continue to provide construction services in the future for even the smallest of tasks.

Klinger holds weekly meetings with the architect and owners. They also meet weekly with sub-contractors. An automated system maintains the construction schedule and notifies all parties involved of tasks needed to be completed. The key to maintaining a schedule is treating their sub-contractors well. They pay on time and don't hold back pay so there is loyalty and trust. The project manager for the MFA job was awarded "Project Manager of the Year" as voted on by the sub-contractors.

Klinger sees an opportunity to reduce costs when the final plans for mechanical and electrical are available. Because they did not have the detailed plans at the time of bidding, they think their mechanical subcontractor bid on the worst-case scenario. They committed to assigning a full-time superintendent on the project and the project manager has 2 to 4 projects at any given time. They expect five months to completion of the project.

William Cervantes was the only attendee on behalf of the offeror. Mr. Cervantes is the Owner and President of the company. He also believes that communication is key to success. He proposed bi-weekly meetings with the architect and owner but was open to weekly meetings as well. He also thought that receiving the final plans for mechanical and electrical would help to refine costs. As the owner, Mr. Cervantes is involved in everything and would act as the project manager. He also proposed a full-time superintendent at the job site.

Mr. Cervantes acknowledged that maintaining control of the subcontractor base is difficult. He indicated that the subcontractors he works with have “bought in” to the project and are ready to throw in extra manpower. He also noted that his wood prices were only good for 30 days.

William Cervantes expects to have another project in process during our job. Other projects are expected to come online at the beginning of the year.

Both offerors scored high, and the final scores were very close. Klinger received more points in the definitive nature of their answers. Beyond the questions asked, it was apparent that Klinger is a very capable contractor with a lot of resources and employees. The nature and scope of our project is routine for them. William Cervantes also sounded very capable but in several of his answers it sounded like the size of this project was larger than his company typically performs.

After the interviews were held, the internal review committee shared their individual scores which were averaged and resulted in the following:

William Cervantes: 44 interview points
Klinger: 48 interview points

Total points average between the three internal review committee members was:

William Cervantes: 133.00
Klinger: 142.67

After the evaluation process, Klinger, LLC had the highest combined score based on ability to perform work, past performance, bid proposal, project schedule, New Mexico business and interviews. Staff will negotiate a standard AIA Contract with the offeror selected through the RFP process and approved by the board.

Summary:

The Board approved the Construction Services RFP on July 19, 2023. MFA received three responses. All responses met the Minimum Qualifications and Requirements and were scored. Staff recommends the Construction Services RFP award be made to Klinger Constructors, LLC, approval of an amendment to the capital budget for the award amount, and that staff begin contract negotiations.

Exhibit A

Average Scores

Scoring Criteria	Point Range	Maximum Points	Cervantes Average	Enterprise Average	Klinger Average
Ability to Perform the Work Profiles of technical competence and experience		10	7.67	9.33	9.00
Offeror's principal(s)	0-5				
Proposed Project manager and superintendent	0-3				
Any subcontractor(s) identified in response	0-2				
Examples of Past Performance: Cost control, quality of work, compliance with performance schedule	0-30	30	24.67	30.00	30.00
Base Bid Proposal not including NMGRT	0-35	35	33.33	21.67	30.67
Project Schedule: Capability to Provide Services in Timely Manner	0-20	20	18.33	11.67	20.00
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	5.00	5.00	5.00
Interviews (if held)	0-50	50	44.00	NA	48.00
Total	**100-150**	**150**	**133.00**	**77.67**	**142.67**

Links to Documents

Renovation Proposals

Enterprise Builders:
https://mfa.internal.housingnm.org/BoardSS/7425_Jefferson_Renovation_RFP_Proposals/Enterprise_Builders_Proposal.pdf

Klinger LLC Proposal:
https://mfa.internal.housingnm.org/BoardSS/7425_Jefferson_Renovation_RFP_Proposals/Klinger_LLC-NM_MFA_Proposal_Schedule.pdf
Klinger LLC Schedule:
https://mfa.internal.housingnm.org/BoardSS/7425_Jefferson_Renovation_RFP_Proposals/Klinger_LLC-NM_MFA_Proposal.pdf

William Cervantes:
https://mfa.internal.housingnm.org/BoardSS/7425_Jefferson_Renovation_RFP_Proposals/William_Cervantes_Proposal.pdf

Re-Roof Proposals

First Mesa Construction:
https://mfa.internal.housingnm.org/BoardSS/First_Mesa_Construction_bid.pdf

J3 Systems:
https://mfa.internal.housingnm.org/BoardSS/J3_systems_bid.pdf

William Cervantes:
https://mfa.internal.housingnm.org/BoardSS/William_Cervantes_bid.pdf

Renovations Project Manual

https://mfa.internal.housingnm.org/BoardSS/NM_Mortgage_Finance_Authority_Office_Renovation-Project_Manual_7-20-23.pdf

Renovations Bid Drawings

https://mfa.internal.housingnm.org/BoardSS/NM_Mortgage_Finance_Authority_Office_Renovation-Bid_Drawings_7-20-23.pdf

MFA Housing New Mexico

MEMO

TO: MFA Board of Directors

Through: Property Committee

FROM: Jeff Payne, Chief Lending Officer

DATE: October 27, 2023

SUBJECT: Construction Services Award Approval for 7425 Jefferson Re-roof

Recommendation:
Staff recommends the Construction Services Award to re-roof the building at 7425 Jefferson be made to J3 Systems, LLC for $373,777 along with an amendment to the capital budget for this amount. J3 Systems, LLC was selected by MFA's internal review committee based on highest score per evaluation criteria outlined in the RFP and detailed below.

Background:
The MFA Board approved the Request for Proposal (RFP) for Construction Services to re-roof on July 19, 2023. The RFP was advertised in the Albuquerque Journal and posted on MFA's website.

Discussion:
On May 15, 2023, MFA closed on the purchase of the office building at 7425 Jefferson St. NE, Albuquerque, NM. Renovations are to be made to meet the current and future needs of MFA. Inspections of the building prior to purchase revealed a somewhat unconventional metal roof with many seams and fasteners requiring frequent maintenance and attention. The roofing consultant used by staff to evaluate the building, the architect and staff determined it would be better to replace the roof than to continue with the maintenance of the current roof and potential for failure of the system. The removal, storage, and reinstallation of the exiting solar system on the roof will be procured separately and contracted directly with the MFA, and as a result not part of the RFP's scope. Staff proposed through an RFP to award a contract to remove the existing metal roof and install a more conventional roofing option. After approval of the RFP for Construction Services to Re-Roof by MFA's Board of Directors, staff and MFA's architect scheduled a mandatory Pre-bid meeting for interested contractors at the Jefferson building.

Although some contractors expressed interest none attended the pre-bid conference. It was determined that the meeting would be rescheduled, and an updated RFP was posted with communication to the interested parties of the change in schedule. The pre-bid meeting was rescheduled from July 25, 2023, to August 1, 2023. Five companies attended the pre-bid conference, two of which were general contractors who were in attendance with their roofing subcontractors. At the meeting, the architect explained the scope of work, answered questions, and took the potential offerors on a tour of the roof to help provide additional clarity for work requested in the RFP.

The updated RFP timeline gave Offerors the deadline of August 22, 2023, to submit bids directly to MFA. All three roofing contractors that attended the pre-bid conference provided proposals by the deadline.

Preliminary Budget Expectations:
Mullen Heller Architecture's initial estimate to install a new roof prior to closing on the Jefferson building as $250,000. The additional labor cost to remove and dispose of the existing metal panels was an unknown variable.

Minimum Qualifications and Requirements:
Only those Offerors who met the following minimum criteria outlined in the RFP were eligible to be evaluated. Any proposal submitted by an Offeror that did not meet these minimum qualifications and requirements would be rejected:

1. An Offeror must, at a minimum, hold a current State of New Mexico general contractor license designation of GB-98 and be licensed to do business in the State of New Mexico.

2. Have the ability to work around the existing tenant and to comply with their security and professional requirements.

3. Offeror shall be willing and able to enter into a standard American Institute of Architects (AIA) contract with MFA (**Exhibit B**). MFA shall be under no obligation to accept any material changes to the standard terms of the AIA contract. Materiality shall be determined in MFA's sole discretion.

4. Offeror shall provide evidence of its ability and willingness to provide MFA certificates of insurance acceptable to MFA prior to the commencement of any Work evidencing compliance with the insurance requirements in the AIA Document A101 Exhibit A, including but not limited to:
    a. Commercial General Liability;
    b. Automobile Liability;
    c. Workers' Compensation;
    d. Employers' Liability;
    e. All Risks; and
    f. Other insurance that may be identified by MFA

5. Offeror shall provide evidence of its ability and willingness to provide surety bonds, from a company or companies lawfully authorized to issue surety bonds in the jurisdiction where the Project is located, as follows:
    a. Payment Bond in an amount equal to 100% of the contract between MFA and Offeror
    b. Performance Bond in an amount equal to 100% of the contract between MFA and Offeror

Offerors were also required to meet the following requirements:

6. Offeror shall provide a written statement disclosing: (1) any political contribution or gift valued in excess of $250.00 (singularly or in the aggregate) made by Offeror to any elected official of the

State of New Mexico in the last three years, (2) any current or proposed business transaction between Offeror and any MFA member, officer, or employee, and (3) any other conflict or potential conflict which may give rise to a claim of conflict of interest.

7. Offeror shall provide a written statement disclosing any pending investigation, litigation, recent settlements or regulatory sanctions in performing professional services during the past five years involving Offeror's firm or employees or individuals or organizations involved in any third-party agreements or joint venture agreements. Describe any circumstances under which Offeror's firm or any of Offeror's members or employees have been disciplined by any professional licensing, regulatory or ethics entity. Indicate whether Offeror's firm has been involved in any capacity in litigation, investigations or regulatory proceedings involving HUD, the State of New Mexico, or any agency thereof.

8. Offeror shall provide written certification, on the form attached as Exhibit A (to the RFP), that Offeror has read and shall at all times conduct itself in a manner consistent with MFA's Third-Party Code of Conduct. Upon request by MFA, Offeror shall disclose information MFA may reasonably request relating to conflict or potential conflicts of interest.

9. Offeror shall provide a written certification that Offeror is an Equal Opportunity Employer and complies fully with all government regulations regarding nondiscriminatory employment practices.

Project Description

This project is the re-roof of the existing 2-story, ±44,978 square feet building located at 7425 Jefferson Street NE. The roof is approximately ±23,000 square feet with existing solar panels which need to be removed, stored and re-installed. The Offeror will be required to coordinate new roof penetrations with MFA's General Contractor who will be renovating the interior of the building and with tenant to maintain the Project Schedule.

Evaluation Criteria

The board-approved RFP set out the following criteria to evaluate proposals and gave the flexibility to award the contract for construction services to the offeror whose proposal is most advantageous to MFA. Proposals that met the Minimum Qualifications and Requirements were evaluated. Proposals were scored on a scale of 1 to 150 based on the criteria listed below. A serious deficiency in any one criterion could be grounds for rejection regardless of overall score.

Criteria	Point Range	Maximum Points
1. Evidence of Offeror's Ability to Perform the Work: 1. profiles of the technical competence and experience of: i. Offeror's principal(s); ii. Proposed Project manager and superintendent; and iii. any Subcontractor(s) identified in the response	 0-5 0-3 0-2	10
2. Examples of Past Performance in terms of cost control, quality of work, and compliance with performance schedules.	0-30	30
3. Base Bid Proposal not including NMGRT.	0-35	35
4. Project Schedule and capability to provide services in a timely manner	0-20	20
5. New Mexico Resident Business: 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
6. Interviews, if held	0-50	50
Maximum Points		150 with interviews held

Staff proposed and received approval from the MFA Policy Committee to create an internal review committee to evaluate the proposals received. MFA policy requires at least three members for an internal review committee. While policy also allows non-MFA staff to participate on the review committee, only MFA staff committee member scores as listed in **Exhibit A** were used to arrive at the recommendation. The internal review committee consisted of the MFA Chief Lending Officer, the Architectural Services Representative, and the Facilities Coordinator, all of whom are employed by MFA. MFA's Architectural Services Representative is an architect and member of MFA staff. He evaluates plans for proposed multifamily construction and renovation projects and inspects the work to make sure it meets or exceeds MFA's design standards. MFA's Facilities Coordinator manages the care, maintenance and vendors related to MFA's physical facilities.

Doug Heller, MFA's contracted architect, who was involved in providing information to the bidders, attended the scoring meeting and answered internal review committee member questions. Staff each individually reviewed and scored the proposals received prior to the scoring meeting and then came together to share those scores and their own evaluations of the proposals. All three proposals met the Minimum Qualifications and Requirements. The individual scores of the internal review committee members were recorded and averaged. Although there was some variation in the scores awarded by the individual committee members, there was unanimity in the ranking of the proposals.

Proposals Received

MFA received proposals from William Cervantes Enterprises, Inc. (“William Cervantes”), First Mesa Construction, Inc. (“First Mesa”), and J3 Systems, LLC (“J3 Systems”).

The following is a summary of the evaluation of each scoring category. **Final scores of all qualified offerors are summarized on attached, Exhibit A**

Ability to Perform the Work

William Cervantes (who also bid on the renovation contract) and First Mesa are general contractors and indicated they would subcontract to a roofing contractor for the project. The third offeror, J3 Systems is a roofing contractor with a general contractor license. They indicated that they would do the work themselves and not use a subcontractor as the company’s focus is roofing. Each of the offerors were experienced. Offerors provided information on their principals, and the proposed project manager and superintendent who would work with MFA on the project and shared their level of experience. J3 Systems scored the highest on average with 9.33 points followed closely by First Mesa at 8.33 and Cervantes at 7.67.

William Cervantes: William Cervantes’ proposal did provide much background about the company or how long it has been in business. The proposal listed Gerald Cervantes as the superintendent and Mr. Cervantes as the Project Manager, and Alanis Roofing, LLC and Gila Electric Inc. as subcontractors for the job.

J3 Systems: J3 indicated the company had been in business since 1973 with a focus on roofing. As a general contractor, J3 is also able to perform and contract out related project needs. J3 indicated it is an approved applicator of roofing systems. J3 has over 70 employees. Ouida Sanchez was listed as Project Coordinator. He has been with J3 Systems for 11 years. Eduardo Ramirez-Botello is listed as Project Manager with 12 years in the industry and 9 years at J3 Systems. J3 estimates that this project would account for approximately 11%- 17% of the company’s workload during the work period.

First Mesa: While First Mesa did not specifically say how long they have been in business, the proposal indicated their roofing engineer had worked with the Company for 23 years. First Mesa has collaborated with DKG & Associates to complete 75 or more roofs.

Examples of Past Performance

While all the offerors presented evidence of their capabilities as contractors, J3 Systems was seen as superior in their examples of past performance provided. All offerors indicated their projects were on time and on budget and customers were happy with their work. First Mesa and J3 Systems had examples of projects that were recent. All offerors showed they do very similar work to that specified in the RFP. As a result, J3 Systems received 27.33 points in this category while First Mesa Construction received 16.67 and Cervantes earned 16.67.

William Cervantes: The William Cervantes proposal listed 5 examples of past performance. These projects (completed by the subcontractor) were not recent and were as old as 2012, with the most recent completed in 2020. No recent examples were provided. They ranged in size from 6,600 sq ft to 27,000 sq ft. and used the roofing system specified in MFA's RFP.

J3 Systems: Listed 6 projects. J3's proposal provided the name or address of the project, date, size of roof, roofing product used and a contact name. The projects presented were all very relevant and used a roofing system specified in MFA's RFP. These projects are as recent as 2023 and no older than 2020 and were similar sizes. Four of the examples given were as large or larger than the current RFP request. They also provided a list of 22 clients comprising cities, counties, a shopping mall, and school districts.

First Mesa Construction: First Mesa's proposal listed six brief examples of projects although two were the replacement of a couple of large skylights. The proposal did not mention the type of roofing systems that were installed on these buildings. The projects presented by First Mesa were on occupied buildings and highlighted First Mesa's (and subcontractor's) ability to work around the needs of the occupants. Some of those buildings housed critical services that could not be interrupted.

Base Bid Proposal

J3 Systems received the highest score of 30.00, First Mesa Construction scored 25.00, and William Cervantes 23.33.

William Cervantes: $712,500
J3 Systems: $373,777
First Mesa Construction: $724,500

Project Schedule

J3 Systems presented a timeline that fit the expected time to complete the project provided by MFA's contracted architect. While William Cervantes' proposal mentioned an earlier completion time, the proposal lacked detail. J3 Systems timeline projected completion a few weeks later but but provided out a detailed path and schedule to meet that timeline. First Mesa's proposal indicated the amount of sq ft they could complete per work week but did not give any additional details. The review team had to calculate project completion timeframes based on pace of work and roof square footage. J3 Systems earned full points with First Mesa receiving 17.67 points and William Cervantes earning 14.33 of the 20 points available.

William Cervantes: No mention of a project schedule was made in the proposal aside from indicating that they would start upon materials becoming available.

J3 Systems: A very specific timeline was presented in the proposal from J3 Systems. J3 projected that the project could be completed by January 5, 2024, and solar panels re-installed by February 2, 2024.

First Mesa Construction: A pace of 3,500 square feet of roof per 40-hour work week was given in the First Mesa proposal. Trying to interpret that information, a 23,000 square foot roof would take over 6.5 weeks. It is not clear to the internal review committee whether this would include the time to remove the existing roof. First Mesa's proposal included copies of the specifications given in conjunction with the pre-bid conference with comments in red font interspersed throughout the document. This format made it much more difficult for the internal review committee to review the proposal. The committee was unsure of the actual timeframe proposed for the project.

New Mexico License and Employees

All offerors received all five points available.

William Cervantes: New Mexico licensed and New Mexico employees.

J3 Systems: New Mexico licensed and New Mexico employees.

First Mesa Construction: New Mexico licensed and New Mexico employees.

Results

After all scoring was determined and averaged, J3 Systems was the top choice with 91.67 points out of 100 possible and First Mesa as a runner up with 72.67 points followed by William Cervantes scoring 67.00 points.[1] Because J3 Systems scored significantly higher than the other offerors, interviews were not deemed as necessary.

Staff reached out to three references for J3 Systems, two school districts and one city government. All had very strong recommendations. Between the three references they had about 30 projects with J3 Systems. J3 was recommended as very professional and provided good and prompt customer service. Customers indicated J3 is good at keeping a schedule and change orders are very uncommon.

Summary:

The Board approved the Construction Services Request for Proposals to Re-Roof the building at 7425 Jefferson St. NE on July 19, 2023. MFA received three responses. All offerors met the Minimum Qualifications and Requirements and were scored. Staff recommends the Construction Services Award to Re-Roof 7425 Jefferson be made to J3 Systems, LLC along with an amendment to the capital budget for the award amount.

[1] Scorers included MFA's Architectural Services Representative and Facilities Coordinator. MFA's Executive Director recused himself from scoring as he is acquainted with the owners of offeror J3 Systems, LLC.

Exhibit A

Average Scores

Scoring Criteria	Point Range	Maximum Points	Cervantes Average	J3 Systems Average	First Mesa Construction Average
Ability to Perform the Work Profiles of technical competence and experience		10	7.67	9.33	8.33
Offeror's principal(s)	0-5				
Proposed Project manager and superintendent	0-3				
Any subcontractor(s) identified in response	0-2				
Examples of Past Performance: Cost control, quality of work, compliance with performance schedule	0-30	30	16.67	27.33	16.67
Base Bid Proposal not including NMGRT	0-35	35	23.33	30.00	25.00
Project Schedule: Capability to Provide Services in Timely Manner	0-20	20	14.33	20.00	17.67
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	5.00	5.00	5.00
Interviews (if held)	0-50	NA	NA	NA	NA
Total	**100-150**	**100**	**67.00**	**91.67**	**72.67**