



NEW MEXICO MORTGAGE FINANCE AUTHORITY
Board Meeting
344 4th St. SW, Albuquerque, NM
Wednesday, November 20, 2019 at 9:30 a.m.
Agenda

Chair Convenes Meeting

- Roll Call (Jay Czar)
- Approval of Agenda – Board Action
- Approval of October 16, 2019 Board Meeting Minutes – Board Action
- Approval of October 30, 2019 Board Study Session Minutes – 2020 Draft QAP

Board Action Items

Action Required?

Finance Committee

- | | | |
|---|---|-----|
| 1 | 9/30/19 Quarterly Financial Statement Review (Gina Hickman) | YES |
| 2 | 9/30/19 Quarterly Investment Review (Kathy Keeler) | YES |
| 3 | Authorized Signatures Resolution (Yvonne Segovia) | YES |
| 4 | 2020 Draft Qualified Allocation Plan (Kathryn Turner/Shawn Colbert) | YES |

Contracted Services/Credit Committee

- | | | |
|---|---|-----|
| 5 | State Neighborhood Stabilization Program (NSP) Service Provider Awards (Theresa Laredo-Garcia/Izzy Hernandez) | YES |
| 6 | Youth Homeless Demonstration Award (John Garcia) | YES |
| 7 | Primero loan request - Sandia Vista & Plaza David Chavez Apartments (George Maestas/Kevin Drexel) | YES |

Other

- | | | |
|----|--|-----|
| 8 | MFA Rules and Regulations Updates 2019 (Robyn Powell) | YES |
| 9 | FY 2019 Strategic Plan Close Out (Gina Hickman/Izzy Hernandez) | YES |
| 10 | Single Family Program Report (René Acuña) | NO |

Closed Session

Action Required

- | | | |
|----|--|-----|
| 11 | Limited Personnel Matters | YES |
| | ▪ Closed Session to be held Pursuant to Section 10-15-1(H) (2) of the Open Meetings Act – Executive Director Succession Committee discussion on candidates for the position of Executive Director (Chair Angel Reyes) (Motion and affirmative vote are required to close the meeting for this limited purpose) | |

Open Session

Action Required

- | | | |
|----|--|-----|
| 12 | Limited Personnel Matters | YES |
| | ▪ Executive Director Succession Committee Update (Chair Angel Reyes) | |

Other Board Items

Information Only

- | | | |
|----|--|--|
| 13 | (Staff is available for questions) | |
| | ▪ Staff Action Requiring Notice to Board | |

Reports

No Action Required

- | | | |
|----|-------------------------------------|--|
| 14 | (Staff is available for questions) | |
| | ▪ Communications Department Reports | |

Reports

No Action Required

15 (Staff is available for questions)

- Quarterly Board Report

Announcements and Adjournment

Discussion Only

Confirmation of Upcoming Board Meetings

- December 18, 2019 – 9:30 a.m. Wednesday (Albuquerque – MFA)
- January 22, 2020 – 9:30 a.m. Wednesday (Inn & Spa of Loretto, Santa Fe)
- February 19, 2020 – 9:30 a.m. Wednesday (Albuquerque – MFA)

Adjournment



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Chair Convenes Meeting

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Board Action Items

Action Required?

Finance Committee

- 1 **9/30/19 Quarterly Financial Statement Review (Gina Hickman)** - ongoing YES
- 2 **9/30/19 Quarterly Investment Review (Kathy Keeler)** - ongoing YES
- 3 **Authorized Signatures Resolution (Yvonne Segovia)** - The Authorized Signatures Resolution is updated periodically as needed. Staff recommends the update of the Authorized Signature Resolution to capture the signatures of the newly appointed Vice Chair and Treasurer of the Board and add the Secondary Market Loan Processor as an authorized signor of program and servicing documents. YES
- 4 **2020 Draft Qualified Allocation Plan (Kathryn Turner/Shawn Colbert)** - The proposed changes to the 2020 QAP continue to improve the allocation process. Staff conducted a Developer's Forum wherein we discussed significant changes to the QAP. New ideas were raised by attendees at the Forum, which were carefully considered. In addition, staff solicited input from staff from departments other than Housing Development. An initial draft of the 2020 QAP was approved by the Policy Committee and then posted for public comment. Notice of the public hearing was published in three newspapers of general circulation. A 21-day public comment period commenced on September 17, 2019 and closed on October 8, 2019. A total of 20 people/entities submitted written comments to the Draft 2020 QAP. A public hearing was also held on October 2, 2019 for the purpose of accepting oral comments. Four people attended the public hearing and made oral comments, and two people tuned into the webcast. The comment period is now completed, and staff considered all submitted comments and has recommended additional changes to the 2020 QAP. Upon approval of the 2020 QAP, it will be submitted to the Finance Committee and the Board for approval in November. Thereafter, MFA will seek the Governor's approval. YES

Contracted Services/Credit Committee

- 5 **State Neighborhood Stabilization Program (NSP) Service Provider Awards (Theresa Laredo-Garcia/Izzy Hernandez)** - Staff requests approval of the following qualified service providers Homewise, Inc., Tierra del Sol Housing Corporation, and Bernalillo County Housing Department for MFA's State NSP to provide acquisition, rehabilitation and sale/rent services using State NSP funding. The funding amount is \$3,847,254 less allowable administration fees of \$299,218, for an available funding of \$3,548,036. YES
- 6 **Youth Homeless Demonstration Award (John Garcia)** - The New Mexico Coalition to End Homelessness has been working with Youth Shelter & Family Services in Santa Fe and DreamTree Project in Taos to create a Continuum of Care Youth Homeless Demonstration Project which will assist homeless young adults to transition into housing through supportive services and rental assistance in northern NM. There will be a total of six service providers administering this program. Staff is recommending approval to award \$518,000, from three Jr House Bills, to the six service providers with an additional \$5,000 to MFA to cover the costs of admin for a total of \$523,000. All awards must be fully expended by June 30, 2020. YES
- 7 **Primero loan request - Sandia Vista & Plaza David Chavez Apartments (George Maestas/Kevin Drexel)** - A Primero construction loan request in the amount of \$1mm is requested for Sandia Vista & Plaza David Chavez Apartments located in NW Albuquerque. An acquisition/rehab of two scattered-site multifamily projects totaling 213 rental units with 54 units (25%) serving households with children. The combined project will continue to provide

HUD Project-Based Section 8 rental subsidy to 183 of the 213 units. Ninety-four units are income-restricted to households earning 30% or less of Area Median Income (AMI), 43 units restricted to households earning 50% or less of AMI, and 76 units income restricted to households earning 60% or less of AMI.

YES

Other

- 8 MFA Rules and Regulations Updates 2019 (Robyn Powell)** - Staff is proposing amendments to the MFA Rules and Regulations for reasons of accuracy in respect to the current practices in the implementation of MFA programs, and consistency with the applicable regulatory schemes. The draft proposed changes were posted from October 3, 2019 through November 4, 2019 on MFA's website at housingnm.org/resources/meetings-notices. No public comments were received. YES
- 9 FY 2019 Strategic Plan Close Out (Gina Hickman/Izzy Hernandez)** - Staff will present to the Board benchmark results for FY19 of the MFA Strategic Plan. YES
- 10 Single Family Program Report (René Acuña)** – ongoing. NO

Closed Session Action Required

- 11 Limited Personnel Matters** YES
- Closed Session to be held Pursuant to Section 10-15-1(H) (2) of the Open Meetings Act – Executive Director Succession Committee discussion on candidates for the position of Executive Director (Chair Angel Reyes) (Motion and affirmative vote are required to close the meeting for this limited purpose)

Open Session Action Required

- 12 Limited Personnel Matters** YES
- Executive Director Succession Committee Update (Chair Angel Reyes)

Other Board Items Information Only

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

Reports No Action Required

- 14 (Staff is available for questions)**
- Communications Department Reports

Reports No Action Required

- 15 (Staff is available for questions)**
- Quarterly Board Report

Announcements and Adjournment Discussion Only

Confirmation of Upcoming Board Meetings

- December 18, 2019 – 9:30 a.m. Wednesday (Albuquerque – MFA)
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- February 19, 2020 – 9:30 a.m. Wednesday (Albuquerque – MFA)

Adjournment

Minutes

NEW MEXICO MORTGAGE FINANCE AUTHORITY

Board Meeting Minutes

344 4th St. SW, Albuquerque, NM

Wednesday, October 16, 2019 at 9:30 a.m.

Chair Reyes convened the meeting on October 16, 2019 at 9:33 a.m. Secretary Czar called the roll Members present: Chair Angel Reyes, Vice Chair Derek Valdo (early departure – after tab four), Sally Malavé (designee for Attorney General Hector Balderas), Martina C'de Baca (designee for Lieutenant Governor Howie Morales), Rebecca Wurzburger, Tim Eichenberg and Randy McMillan. Absent: None. Czar informed the Board that everyone had been informed about today's meeting in accordance with the New Mexico Open Meetings Act.

Chair Reyes welcomed board members, guests and staff. He informed everyone that the meeting was being webcast live, making reference to the recording microphone sensitivity.

Chair Reyes asked for a moment of silence for Lieutenant Governor Howie Morales father Henry Morales who had passed suddenly. He asked that we keep Howie and his family in our prayers. He then reviewed the funeral arrangements.

Approval of Agenda - Board Action. Motion to approve the October 16, 2019, 2019 Board agenda as presented: Wurzburger. Second: Malavé. Vote: 7-0.

Approval of September 18, 2019 Board Meeting Minutes Motion to approve the September 18, 2019 Board Meeting Minutes as presented: Wurzburger. Second: Valdo. Vote: 7-0.

Approval of September 18, 2019 Executive Director Succession Planning Board Study Session Minutes – Board Action. Motion to approve the September 18, 2019 Executive Director Succession Planning Board Study Session Minutes as presented: Wurzburger. Second: Malavé. Vote: 7-0.

Request for public comment – regarding Hope Village NHTF Award Modification. Chair Reyes granted guest Connie Vigil five minutes for public comment. Vigil thanked the board for the opportunity. She addressed the audience regarding her standing in the community, her concerns of the location of Hope Village and the impact this decision to grant HOPE Village funding will have on the Wells Park neighborhood. Ms. Vigil then took questions from the Board.

Finance Committee & Contracted Services/Credit Committee

Chair Reyes wanted to take a moment to acknowledge and congratulated Claire Hilleary as one of the Woman to Watch, Emerging Leader with New Mexico Society of CPA's.

1 Internal Audit Follow Up on Open Observations Executive Summary (Claire Hilleary, REDW). Hilleary began by explaining that she would be reviewing the Executive Summary for the follow up report on open observations which is provided annually as part of the internal audit function. The Sub Recipient Monitoring internal audit took place in March 2019. The two observation were; 1) Community Development Department Policies and Procedures related to the Cost Allocation Plans were not updated; it remains open and will be completed with some training and updates to the policies and procedures; 2) the Monitoring procedures did not comply with Community Development Department Policies and Procedures; it has been resolved. The time line for the open item was addressed – MFA will begin training January – March 2020. The policies and procedures will be updated to reflect the updated requirements that surround the Cost Allocation Plans. Motion to approve the Internal Audit Follow Up on Open Observations Executive Summary as presented: Malavé. Second: Wurzburger. Vote: 7-0.

2 Internal Audit FY19 Budget v. Actual (Claire Hilleary, REDW). Hilleary informed the Board today's presentation is the summary of budgeted versus actual hours for the following areas audited: Risk Assessment, Audit Plan and Follow up, Sub Recipient Monitoring, HomeNow, Information Technology Security, Low Income Housing Tax Credit Procedures, Service Organization Controls Assessment, Fraud Training and Enterprise Risk Management. Internal audit budgeted hours for FY19 were 640; actual hours utilized for audits were 532 resulting in a positive variance of 109 hours. Hilleary noted that the Risk Assessment and related Audit Plan has not been

completed because MFA has gone out for RFP for internal audit services and the awardee will complete this plan to be presented to the Board. Motion to approve the Internal Audit FY19 Budget v. Actual as presented: Valdo. Second: Wurzbürger. Vote: 7-0.

- 3 Low Income Housing Tax Credit Project Audit (Claire Hilleary, REDW).** Hilleary explained that the Low Income Housing Tax Credit Project engagement focused on evaluating whether cost certifications at the developer level was fully supported and all related parties were properly disclosed. Hilleary reviewed the MFA Low Income Housing Tax Credits Project Report located being tab three which will be made a part of the official board packet. She went over the Purpose and Objectives, Scope and Procedures Performed, Results and Recommendations and Future Audit Approach. Motion to approve the Low-Income Housing Tax Credit Project Audit as recommended: Wurzbürger. Second: Valdo. Vote: 7-0.
- 4 Hope Village NHTF Award Modification (Kevin Drexel/Izzy Hernandez).** Hernandez began by introducing guests Greg Morris, Executive Director Hope Works, Michelle Den Bleyker, Yes Housing Inc., Doug Chaplin, City of Albuquerque and Doug Heller, Mullen Heller Architects. He then stated that staff is recommending that the \$3mm National Housing Trust Fund (NHTF) loan awarded to Hope Village in March 2018, be increased by \$1,250,000 for a total loan amount of \$4,250,000. Hernandez explained that due to various factors which will be explained in more detail by our guests, the total cost has increased. He then provided background information reminding the board that this is a new construction 42-unit project located in Albuquerque on 3rd street. The project will provide permanent supportive housing and enrichment services for homeless individuals with severe mental health and substance abuse disorders. Hernandez provided background information on the developers YES Housing and HopeWorks (formerly St. Martin's). He reviewed the other MFA loans for this project which include: NM Housing Trust Fund, HOME CHDO (Community Housing Development Organization) and National Housing Trust Fund (NHTF) which is the loan Hope Village is requesting an increase for today. He also mentioned the additional funds provided from the City of Albuquerque and Bernalillo County to support this project. Hernandez turned the presentation over to Sabrina Su (MFA staff) to go over the details of the loan modification request. Su explained that staff is requesting an additional \$1.25mm to the \$3mm loan made in March 2018. She explained the program parameters and conditions as well as the income levels served which are determined by HUD. She spoke of the community design meetings which have resulted in design changes, zoning ordinances which came into effect May 2019 which have all resulted in the increased costs which will be further detailed by our guests. The guests addressed the issues regarding costs for trauma-informed design and zoning including information regarding homelessness issues and how they are addressed. They also spoke to the comprehensive services Hope Works provides and mentioned that this project will be the first single site model in the state which will have 24/7 staffing and security. As a result of the level of scrutiny; a high level of transparency has been key and a requirement of the City. Five public neighborhood association meetings have been held including Wells Park, as a result of a Good Neighbor Agreement. Reference was made to trauma-informed design two years ago v. where we are today, best practice design changes (contributing to rising costs) which are results of the meetings held with the City/County and neighborhoods. Other items discussed included architect plans, design changes and how they work to help these individuals with the transition from homelessness, construction costs increases over two years, the positive impact housing first has not only for the individual being served but for the community. Their hope is that this model can be replicated throughout the state to house our most vulnerable individuals. Presenters then stood for questions from the Board. Question ranged from neighborhood impact, neighborhood support and project costs. MFA staff and guests addressed the questions. After questions and lengthy discussion member McMillan made a motion to table this item until the Board has an opportunity to hear from the neighborhood association directly. Second: None. Motion failed. Motion to approve the Hope Village NHTF Award Modification as presented with conditions as listed: Wurzbürger. Second: Valdo. McMillan asked for a roll call vote. Eichenberg yes. Wurzbürger yes. Malavé yes. Valdo yes. C'de Baca yes, McMillan no. Reyes yes. Vote: 6-1.

Derek Valdo left the meeting 11:33 a.m.

- 5 Moved from tab 9 to 5. Soleras Station State Tax Credit Award (Shawn Colbert).** Colbert began by introducing guest in the audience Justin Robison, Executive Director Santa Fe County Housing Trust. She

informed the board that staff requests a 2019 State Tax Credit Award for Soleras Station for \$686,671. This multi-family project is new construction of 87 rental units located within the master plan mixed-use subdivision of Las Soleras subdivision in Santa Fe, NM. The project consists of 16 units for households earning 30% or less of area median income (AMI), 29 units for 50% AMI households, 28 units for 60% AMI households and 14 units at market rent. The project has received a 2017 LIHTC award in the amount of \$1,081,327, and a HOME award of \$450k. Pulte Homes donated \$1,373,342 directly to the project in cash, property, and in-kind donations. Motion to approve the Soleras Station State Tax Credit Award as recommended. Malavé. Second: Wurzbürger. Vote: 5-1 (McMillan).

- 6 **Partner's Program Revisions (Jeff Payne) tab 5 on the agenda.** Reyes explained that he would abstain from the discussion and vote. Payne began his presentation by stating that staff is requesting revisions to the single-family Partners Program as outlined in the "Partners Program 2019 Policy" document. The proposed changes will expand origination options to allow program participants to originate Partners loans when retail mortgage lenders and banks are not available to originate and underwrite on behalf of the participants. Partners loans are designed to fulfill MFA's mission to support third party non-profits in promoting homeownership to New Mexico's low-income population and to provide options for originating loans while mitigating risk to an acceptable level. Payne reviewed the background information as well as the summary of changes to the Partner's Program located behind tab five which will become a part of the official board packet. Malavé asked for a motion to approve the Partner's Program Revisions as presented. McMillan. Second: Wurzbürger. Vote: 5-0 (Reyes abstained).
- 7 **Internal Audit Services Award Recommendation (Robyn Powell).** Powell began her presentation by reminding the Board that they had approved the Request for Proposal (RFP) for Internal Audit & Related Services on August 20, 2019. The RFP was advertised in Albuquerque, Rio Rancho, and Santa Fe local newspapers and posted on MFA's website. In addition, 4 firms were directly solicited to respond to the RFP. MFA received 3 response(s), which met the Minimum Requirements. Powell reviewed the scoring included in the memo which is located behind tab six and will become a part of the official board packet. Staff recommends the Internal Audit Services award be made to REDW, for a term of one year, with the option of two (2) one-year extensions at the option of the Policy Committee. Motion to approve the Internal Audit Services Award Recommendation as presented: Eichenberg. Second: McMillan. Vote: 4-2 (Eichenberg, McMillan).
- 8 **Compliance Activities Report (Robyn Powell).** Powell began her presentation by informing the Board that the compliance officer is responsible for communicating with the Board of Directors regarding compliance management activities and the results of related oversight of MFA's single-family mortgage lending and servicing departments, including subservicing oversight. The activities described in this report cover April 2019 through September 2019 and is intended to provide the Board of Directors with assurance that MFA is effectively managing compliance with Federal and State consumer financial laws applicable to the products and services being provided by MFA and mitigating related risk. Compliance activities will be reported to the Board through the Contracted Services/Credit Committee no less than twice per year, and as needed to fulfill the compliance department's responsibility to inform the Board of any critical compliance issues. Powell reviewed the compliance activities report as provided behind tab seven which will be made a part of the official board packet. There were no significant compliance concerns identified during this reporting period. No action required. Non-Action Item.
- 9 **Ceja Vista – National Housing Trust Fund (Sharlynn Rosales).** Rosales began her presentation with a request for a National Housing Trust Fund loan in the amount of \$1.5mm for Ceja Vista senior apartments located in Albuquerque, NM. It is a new construction apartment project of 156 units serving seniors and two employee apartments. The project consists of 111 one-bedroom and 43 two-bedroom apartments serving households 55 years and older. The Income Averaging (IA) election will be used to designate ten apartments for tenants at or below 30% Area Median Income (AMI), 114 apartments for tenants at or below 60% AMI and 30 apartments for tenants at or below 70% AMI. Motion to approve the Ceja Vista – National Housing Trust Fund as recommended: McMillan. Second: Wurzbürger. Vote: 6-0.

Other

- 10 MFA 2020 Legislative Agenda (Rebecca Velarde).** Velarde asked the board to consider MFA's 2020 Legislative Agenda. MFA is proposing the seven appropriation requests for the 2020 New Mexico Legislative Session, which were discussed with the Mortgage Finance Authority Act Oversight Committee on July 30, 2019. Pending MFA board approval, the Mortgage Finance Authority Act Oversight Committee will endorse the bills at its November meeting. She reviewed the 2020 legislative agenda which includes seven appropriations requests: Regional Housing Authority Oversight, Affordable Housing Act Oversight, the New Mexico Housing Trust Fund, the NM EnergySmart Program, Veteran Home Rehabilitation, Emergency Home Repair and Homebuyer Counseling. Motion to approve the MFA 2020 Legislative Agenda as presented: Wurzburger. Second: Malavé. Vote: 6-0.
- 11 Appointment and Approval of Board Finance Committee (Chair Reyes).** Chair Reyes recommends the appointment of member State Treasurer Tim Eichenberg to serve on the Finance Committee (Audit, Budget, Investments/Personnel, Program Policy & Development, Bond Structures, Investment Banking Underwriting). Motion to approve the Finance Committee which includes; Chair Derek Valdo, Lieutenant Governor Howie Morales and State Treasurer Tim Eichenberg as recommended. McMillan. Second: Malavé. Vote: 5-1 (Eichenberg). Chair Reyes stated that when he talked to member Eichenberg regarding this appointment he was very supportive and quick to help out.

Other Board Items - Information Only

- 12 There were no questions asked of staff.**
- Staff Action Requiring Notice to Board

Monthly Reports - No Action Required

- 13 There were no questions asked of staff.**
- August 31, 2019 Financial Statements
 - Communications Department Reports

Announcements and Adjournment - Confirmation of Upcoming Board Meetings. Member Wurzburger thought that there would be a quick update each meeting on the status of the search for Executive Director. Chair Reyes stated that we would start that in November. He informed the Board that we are on schedule with the timeline. October 21st is the application deadline. We have received a lot of applications and the committee has put together a draft of interview questions. The next Board of Directors meeting will be held on November 20, 2019 at 9:30 a.m. at the offices of the MFA.

There being no further business the meeting was adjourned at 12:27 p.m.

Approved: November 20, 2019

Chair, Angel Reyes

Secretary, Jay Czar

NEW MEXICO MORTGAGE FINANCE AUTHORITY
MFA Board of Directors Study Session – Draft 2020 Qualified Allocation Plan (QAP)
344 4th St. SW, Albuquerque, NM
Wednesday, October 30, 2019

The meeting convened at 10:05 a.m. Members present: Vice Chair Derek Valdo; Sally Malavé (Designee for Attorney General Hector Balderas); and Rebecca Wurzbarger. The following members participated by phone: Chair Angel Reyes; Lieutenant Governor Howie Morales; and Randy McMillan (joined at 10:20). Members absent: State Treasurer Tim Eichenberg. The public has been informed about today's meeting in accordance with the New Mexico Open Meetings Act.

Staff in attendance included: Jay Czar; Gina Hickman; Izzy Hernandez (participated by phone); Shawn Colbert; Rebecca Velarde; Kathryn Turner; Sandra Marez; and General Counsel Jeremiah Ritchie.

On Wednesday, October 30, 2019, the Board of Directors of the New Mexico Mortgage Finance Authority (MFA) conducted a study session to go over the 2020 Draft Qualified Allocation Plan (QAP) regarding the MFA Low Income Housing Tax Credit (LIHTC) program. Jay Czar began by thanking the board for their time and participation included introductions by attendees. He provided background information about the LIHTC program, including the program's inception in 1986. He further informed the board that MFA began administering the LIHTC program for the state beginning in 1997. He gave a brief explanation about the process and timeline for the new board members. He reminded the board that the QAP would come before the board at the November board meeting.

Kathryn Turner began by referencing MFA's vision/mandate and mission placing emphasis on the latter part of the mandate ("persons and families of low-and-moderate-income"), which helped the board understand how the LIHTC program accomplishes the vision. She stated because this is such a competitive process it is important to have a QAP approved by the board and signed by the Governor. Having a clear process in which MFA allocates these resources and a clear process on how MFA scores projects is imperative to the success of the program. Ms. Turner then reviewed the handout provided which included the following: LIHTC program overview; QAP structure and purpose; LIHTC rates (new construction and acquisition/rehab); LIHTC basis (non-eligible basis costs/eligible basis costs); LIHTC process (allocation, awards, equity produced, compliance); LIHTC boost; LIHTC example; LIHTC demand (investors/pricing/recapture/forward allocation). She then reviewed the QAP development process. Discussion ensued regarding beginning the process earlier as requested by developers at a past study session. Ms. Turner then discussed I.R.C Section 42 requirements, MFA housing priorities, QAP set-asides, QAP scoring criteria, the award process and Allocation Review Committee, and subsequent requirements, including the IRS Form 8609 process.

Rebecca Velarde reviewed some of the recent board-approved changes that occurred in the 2013 through 2019 QAPs, emphasizing that it is a living document. It is structured in such a way that it meets the needs of the state. The changes can be categorized as cost containment changes, scoring criteria changes and other important changes. Ms. Velarde explained that staff is planning another board study session to look at LIHTC project costs and referred to an MFA study completed in 2016, which will be updated and presented in a future board study session.

Ms. Turner explained that because we are out of time, she would not be able to go through the proposed changes to the 2020 QAP; however, it is available for review prior to next month's meeting. She further stated that the changes are reflective of public comments made and MFA's analysis of the policies. Some changes are also included due to the audit report that was presented at the October board meeting. She asked the board to reach out if they had any questions.

Jay Czar further stated that the draft 2020 QAP would go to the November finance committee meeting prior to the November board meeting.

**MFA Board of Directors Study Session – Draft 2020 Qualified Allocation Plan (QAP)
October 30, 2019**

No Actions were taken by the board during this meeting.

Mr. Czar thanked everyone for their participation stating he looked forward to continuing this process.

There being no further business the meeting was adjourned at 12:07 p.m.

Approved: November 20, 2019

Chair, Angel Reyes

Secretary, Jay Czar

Tab 1



Housing New Mexico

NEW MEXICO MORTGAGE FINANCE AUTHORITY

Finance/Operations Committee Meeting

Tuesday, November 12, 2019 at 1:30 a.m.

To dial in to the conference call dial: *All participants Dial-in number:*

(605) 313-4821 Participant code: 561172 # Host Code: 561172 *

Agenda Item	COMMITTEE RECOMMENDED	BOARD ACTION REQUIRED
1 9/30/19 Quarterly Financial Statement Review (Gina Hickman)	3-0	YES
2 9/30/19 Quarterly Investment Review (Kathy Keeler)	3-0	YES
3 Authorized Signatures Resolution (Yvonne Segovia)	3-0	YES
4 2020 Draft Qualified Allocation Plan (Kathryn Turner)	3-0	YES

Committee Members present:

Derek Valdo, Chair

☐ present

☐ absent

☒ conference call

~~Angel Reyes~~

Tim Eichenberg

☒ present

☐ absent

☐ conference call

Lt. Governor Howie Morales or

Proxy Martina C'de Baca

☐ present

☐ absent

☒ conference call

Secretary :


11.12.19

New Mexico Mortgage Finance Authority

Combined Financial Statements
And Schedules

September 30, 2019

UNAUDITED

NEW MEXICO MORTGAGE FINANCE AUTHORITY
FINANCIAL REVIEW
For the twelve-month period ended September 30, 2019

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

	12 months <u>9/30/2019</u>	12 months <u>9/30/2018</u>	% Change <u>Year / Year</u>	Forecast <u>9/30/2019</u>	Actual to <u>Forecast</u>	Forecast/Target <u>9/30/19</u>
PRODUCTION						
1 Single family issues (new money):	\$299.9	\$235.0	27.6%	\$294.0	2.0%	\$294.0
2 Single family loans sold (TBA):	\$107.1	\$235.4	-54.5%	\$126.0	-15.0%	\$126.0
3 Total Single Family Production	\$407.0	\$470.4	-13.5%	\$420.0	-3.1%	\$420.0
4 Multifamily issues:	\$18.7	\$0.0	100.0%	\$26.8	-30.2%	\$26.8
5 Single Family Bond MBS Payoffs:	\$43.6	\$57.3	-23.9%	\$51.3	-15.0%	\$51.3
STATEMENT OF NET POSITION						
6 Avg. earning assets:	\$1,179.8	\$978.7	20.5%	\$1,181.5	-0.1%	\$1,181.5
7 General Fund Cash and Securities:	\$85.8	\$94.1	-8.8%	\$89.0	-3.6%	\$89.0
8 General Fund SIC FMV Adj.:	\$0.0	\$0.7	-100.0%	\$0.0	N/A	\$0.0
9 Total bonds outstanding:	\$1,045.3	\$815.3	28.2%	\$1,066.7	-2.0%	\$1,066.7
STATEMENT OF REVENUES, EXPENSES AND NET POSITION						
10 General Fund expenses (excluding capitalized assets):	\$17.0	\$15.4	10.4%	\$18.0	-5.6%	\$18.0
11 General Fund revenues:	\$23.0	\$23.7	-3.0%	\$22.8	0.9%	\$22.8
12 Combined net revenues (all funds):	\$10.5	\$10.4	1.0%	\$7.3	43.8%	\$7.3
13 Combined net revenues excluding SIC FMV Adj. (all funds):	\$9.7	\$9.9	-2.0%	\$7.3	32.9%	\$7.3
14 Combined net position:	\$245.5	\$234.9	4.5%	\$242.2	1.4%	\$242.2
15 Combined return on avg. earning assets:	0.89%	1.06%	-15.6%	0.62%	44.1%	0.62%
16 Net TBA profitability:	0.82%	1.06%	-22.6%	1.00%	-18.0%	1.00%
17 Combined interest margin:	1.05%	1.06%	-0.9%	0.89%	18.0%	0.89%
MOODY'S BENCHMARKS						
18 Net Asset to debt ratio (5-yr avg):	29.94%	29.87%	0.2%	29.66%	0.9%	29.66%
19 Net rev as a % of total rev (5-yr avg):	10.98%	10.24%	7.2%	10.04%	9.4%	10.04%
SERVICING						
20 Mortgage Operations net revenues:	\$0.9	\$3.8	-76.3%	\$0.8	12.5%	\$0.8
21 Subserviced portfolio	\$1,137.7	\$771.7	47.4%	\$1,136.4	0.1%	\$1,136.4
22 Servicing Yield (subserviced portfolio)	0.40%	0.41%	-2.4%	0.38%	5.3%	0.38%
23 Combined average delinquency rate (MFA serviced)	9.84%	11.65%	-15.5%	12.00%	-18.0%	12.00%
24 DPA loan delinquency rate (all)	9.94%	9.73%	2.2%	N/A	N/A	N/A
25 Default rate (MFA serviced-annualized)	1.25%	1.52%	-17.8%	2.75%	-54.5%	2.75%
26 Subserviced portfolio delinquency rate (first mortgages)	9.48%	7.47%	26.9%	N/A	N/A	N/A
27 Purchased Servicing Rights Valuation Change (as of 9/30)	\$1.2	\$3.3	-63.6%	N/A	N/A	N/A

Note: Forecast updated with budget amendment and actuals through March 2019.

Legend:

Positive Trend Caution Negative Trend Known Trend/Immaterial

NEW MEXICO MORTGAGE FINANCE AUTHORITY
FINANCIAL REVIEW
For the twelve-month period ended September 30, 2019

SUMMARY OF NEW BOND ISSUES:

Single Family Issues:

\$49.9 mm 2018 Series D Bonds-New Money (December)
\$70.0 mm 2019 Series A Bonds-New Money (February)
\$26.1 mm 2019 Series B Bonds-Refunding (February)
\$80.0 mm 2019 Series C Bonds-New Money (May)
\$100 mm 2019 Series D Bonds-New Money (August)
\$22.7 mm 2019 Series E Bonds-Refunding (August)

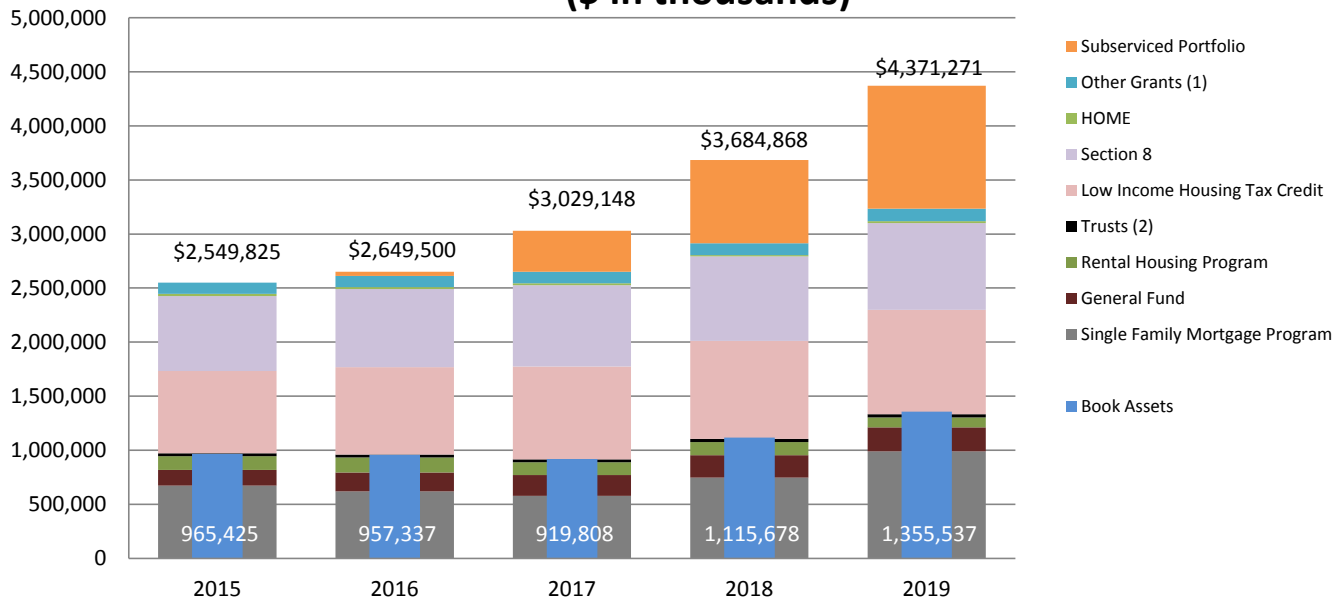
Multi-family Issues:

\$9.7 mm 2019 Series JLG North Multifamily-New Money (August)
\$9.0 mm 2019 Series JLG South Multifamily-New Money (August)

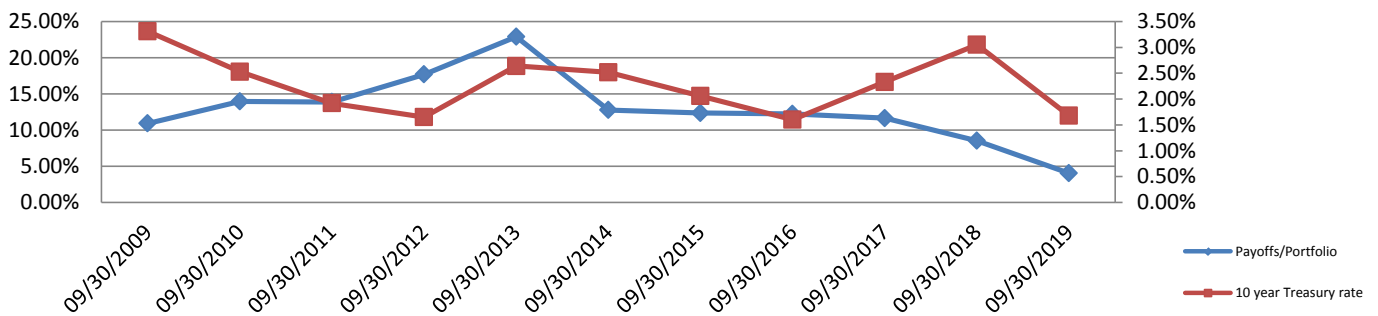
CURRENT YEAR FINANCIAL TRENDS & VARIANCES:

- ▶ During the course of the year MFA has experienced significant volatility in relation to fair market valuation (FMV) adjustments on the State Investment Council (SIC) portfolio. MFA classifies FMV adjustments on these portfolios as non-operating gains/losses, however, that line item is still a component of the net revenues reported in the financial statements and in this financial review. The General Fund portfolio ended the fiscal year net zero for FMV adjustments on the SIC portfolio and the Housing Trust Fund portfolio ended the fiscal year with \$.8 million in positive valuation adjustments. The financial statements record activity September through August.
- ▶ Servicing expansion continues to provide additional revenues as the subserviced portfolio and purchased servicing rights asset bases increase.
- ▶ This fiscal year bond issuance has been the best execution for Single Family Mortgage first-time homebuyer loans. In the bond execution the majority of the revenue is earned over time and with TBA sales all revenue is received upfront. Approximately 75% of the Single Family mortgage program was funded through tax-exempt bonds.
- ▶ NEXT HOME production levels are lower than anticipated this year and that is impacting the TBA program's performance. Staff has had to lower mortgage rates to attract lenders which has impacted the profitability of that execution, including financial performance of the Mortgage Operations unit. The strategy is to price NEXT HOME very competitively to motivate lenders to use the program and manage profitability thresholds accordingly.
- ▶ The subservicing oversight position reports to the Director of Servicing and provides full time monitoring of loss mitigation activities, collections and foreclosure services provided by MFA's subservicer. They coordinate with the Compliance Officer on risk management strategies and reporting. Staff actively analyzes default trends, quality control reports and portfolio profile characteristics to understand reasons for higher than expected delinquency rates. These delinquencies have an effect on the credit risk associated with MFA's down payment assistance portfolio as well as the financial impacts associated with defaults on the first mortgages themselves. Staff is actively engaged with the subservicer to identify additional delinquency reduction strategies, particularly early intervention strategies to prevent loans from becoming seriously delinquent. The subserviced portfolio is approx. 80% FHA insured loans; The Mortgage Bankers Association quarterly survey as of 6/30/19 indicates that the delinquency rate for FHA loans nationally is 7.08% and for New Mexico 3.33%. 5.00% of MFA's delinquencies in this portfolio are in the 30 to 59 days past due range.
- ▶ Reserve levels for all MFA loan portfolios are deemed adequate.
- ▶ Fair market value for purchased servicing rights as of September 30, 2019 was \$12.1 million an increase of approximately \$1.2 million over cost. GASB requires MFA to utilize "lower of cost or market" accounting for this asset. Therefore, no valuation adjustments are anticipated. Current purchased servicing rights are recorded at a cost of \$10.9 million as of September 30, 2019. Valuations are obtained on a quarterly basis. Valuation increases are declining primarily due to increases in mortgage loan prepayments, decreased earnings rates and increased delinquencies during the last quarter.
- ▶ Based on Moody's issuer credit rating scorecard, MFA's 29.94 percent net asset ratio (5-year average), which measures balance sheet strength, indicates a strong and growing level of resources for maintaining MFA's creditworthiness under stressful circumstances (> 20 percent). The net revenue as a percent of total revenue measures performance and profitability and MFA's 10.98 percent ratio (5-year average) points to a high profitability with favorable trends (10-15 percent range). While ratios currently fall within expected thresholds, there are some trends that are effecting these ratios. In future years MFA will see the net asset ratio decline as net revenues will not be increasing at the same rate as bonds outstanding. As previously noted, the bond execution has funded approximately 75% of the single family mortgage production this year.
- ▶ Moody's Investor Services issued an updated credit opinion on MFA in the spring of 2018. They reaffirmed the Aa3 rating. Comments included strong asset to debt ratio, good profitability and low risk profile due to mortgage-backed security structure, multifamily Risk Share Program and no exposure to variable rate debt. Additionally, Moody's reaffirmed the Aaa1 rating on the single family indenture.

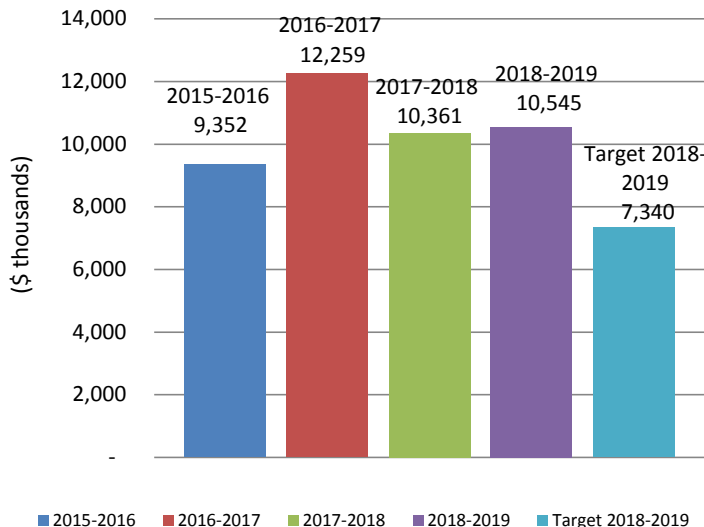
Assets Under Management as of 9/30/2019 (\$ in thousands)



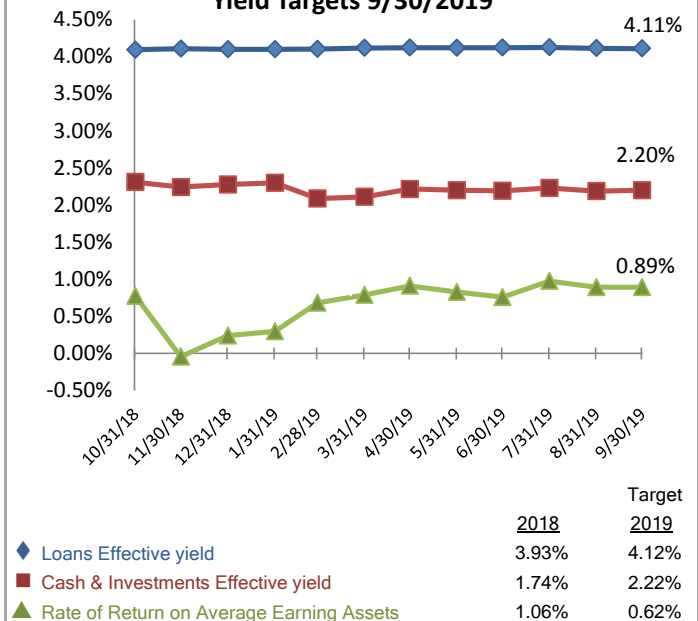
YTD Annualized Payoffs as a Percentage of Single Family Mortgage Portfolio as of 9/30/2019



YTD Excess Revenues over Expenses as of 9/30/2019

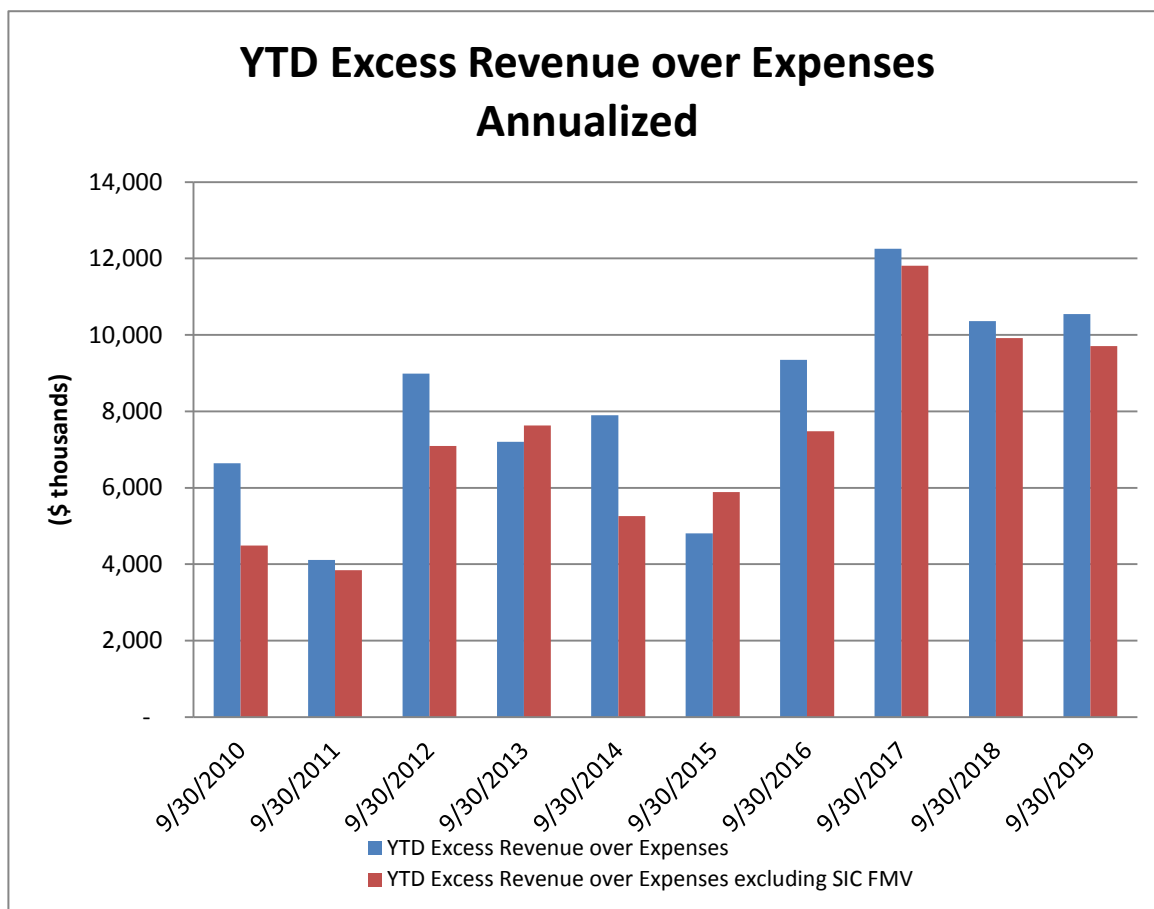
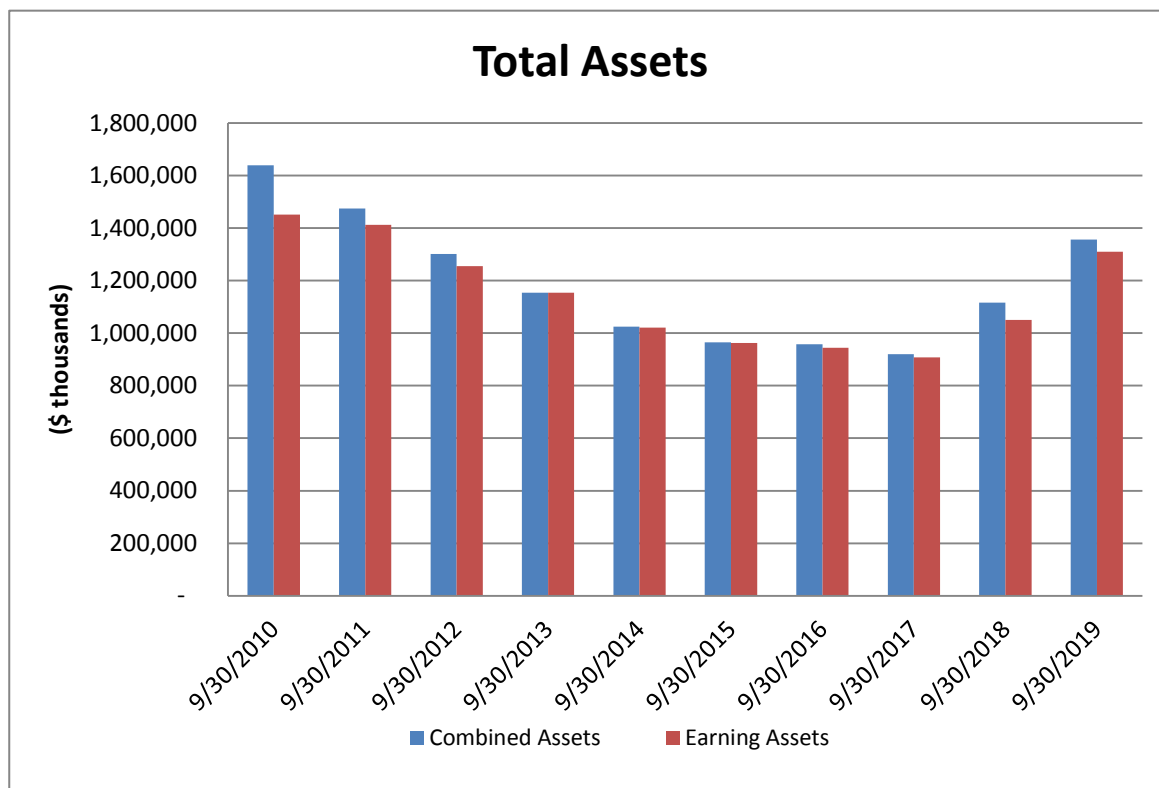


Yield Targets 9/30/2019

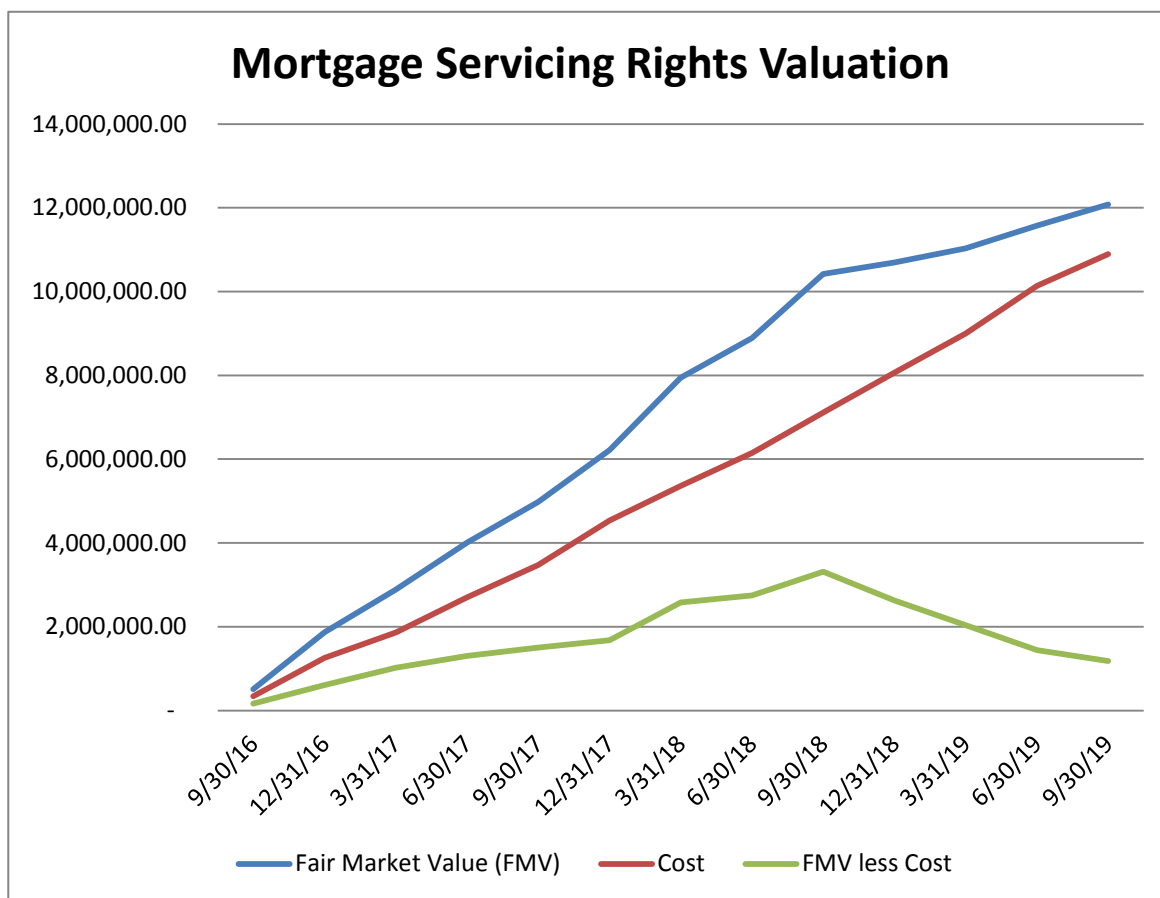
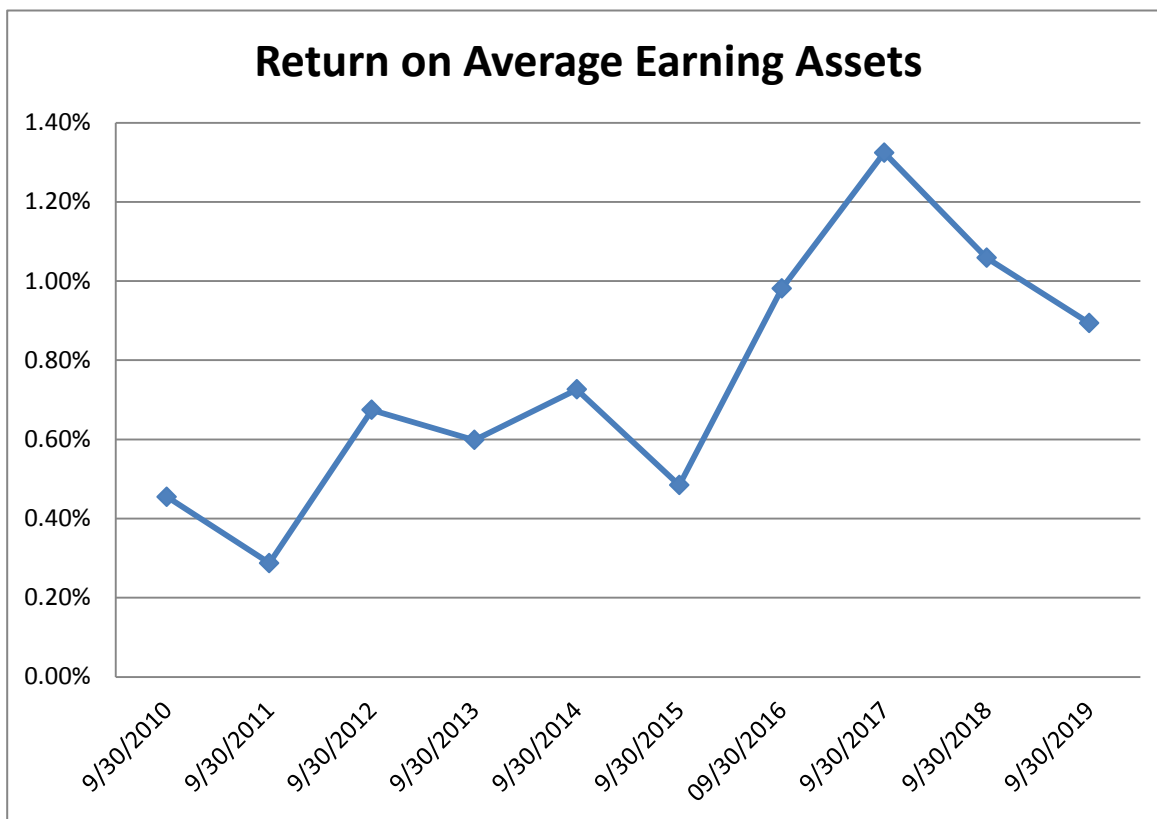


(1) Weatherization Assistance Programs; Emergency Shelter Grant; State Homeless; Housing Opportunities for People With Aids; NM State Tax Credit; Governor's Innovations; EnergySaver; Tax Credit Assistance Program; Tax Credit Exchange; Neighborhood Stabilization Program; Section 811 PRA; Homeownership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

QUARTERLY FINANCIAL GRAPHS



QUARTERLY FINANCIAL GRAPHS



NEW MEXICO MORTGAGE FINANCE AUTHORITY
COMBINED STATEMENT OF NET POSITION

September 2019
(THOUSANDS OF DOLLARS)

	<u>YTD 9/30/2019</u>	<u>YTD 9/30/2018</u>
<u>ASSETS:</u>		
<u>CURRENT ASSETS:</u>		
CASH & CASH EQUIVALENTS	\$31,239	\$39,240
RESTRICTED CASH HELD IN ESCROW	10,679	10,921
SHORT-TERM INVESTMENTS	-	-
ACCRUED INTEREST RECEIVABLE	4,183	3,435
OTHER CURRENT ASSETS	3,209	3,695
ADMINISTRATIVE FEES RECEIVABLE (PAYABLE)	-	(0)
INTER-FUND RECEIVABLE (PAYABLE)	-	-
TOTAL CURRENT ASSETS	<u>49,309</u>	<u>57,291</u>
 CASH - RESTRICTED	 67,830	 81,861
LONG-TERM & RESTRICTED INVESTMENTS	69,984	70,439
INVESTMENTS IN RESERVE FUNDS	324	68
FNMA, GNMA, & FHLMC SECURITIZED MTG. LOANS	923,608	666,320
MORTGAGE LOANS RECEIVABLE	235,237	232,103
ALLOWANCE FOR LOAN LOSSES	(3,300)	(1,391)
NOTES RECEIVABLE	-	-
FIXED ASSETS, NET OF ACCUM. DEPN	1,184	1,223
OTHER REAL ESTATE OWNED, NET	26	100
OTHER NON-CURRENT ASSETS	-	-
INTANGIBLE ASSETS	<u>10,960</u>	<u>7,179</u>
TOTAL ASSETS	<u>1,355,161</u>	<u>1,115,195</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
REFUNDINGS OF DEBT	376	483
 TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	 <u><u>1,355,537</u></u>	 <u><u>1,115,678</u></u>
 <u>LIABILITIES AND NET POSITION:</u>		
<u>LIABILITIES:</u>		
<u>CURRENT LIABILITIES:</u>		
ACCRUED INTEREST PAYABLE	\$5,880	\$3,265
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	9,842	11,826
ESCROW DEPOSITS & RESERVES	<u>10,575</u>	<u>10,814</u>
TOTAL CURRENT LIABILITIES	26,297	25,905
 BONDS PAYABLE, NET OF UNAMORTIZED DISCOUNT	 1,045,344	 815,322
MORTGAGE & NOTES PAYABLE	38,276	39,344
ACCRUED ARBITRAGE REBATE	-	-
OTHER LIABILITIES	166	199
TOTAL LIABILITIES	<u>1,110,083</u>	<u>880,769</u>
 <u>NET POSITION:</u>		
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	1,184	1,223
UNAPPROPRIATED NET POSITION (NOTE 1)	62,768	65,332
APPROPRIATED NET POSITION (NOTE 1)	<u>181,502</u>	<u>168,354</u>
TOTAL NET POSITION	<u>245,454</u>	<u>234,909</u>
 TOTAL LIABILITIES & NET POSITION	 <u><u>1,355,537</u></u>	 <u><u>1,115,678</u></u>

NEW MEXICO MORTGAGE FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE TWELVETH MONTHS ENDED SEPTEMBER 2019
(THOUSANDS OF DOLLARS)

	<u>YTD 9/30/2019</u>	<u>YTD 9/30/2018</u>
<u>OPERATING REVENUES:</u>		
INTEREST ON LOANS	\$42,488	\$33,716
INTEREST ON INVESTMENTS & SECURITIES	3,948	2,731
LOAN & COMMITMENT FEES	3,281	1,843
ADMINISTRATIVE FEE INCOME (EXP)	5,175	7,776
RTC, RISK SHARING & GUARANTY INCOME	116	108
HOUSING PROGRAM INCOME	1,196	1,157
LOAN SERVICING INCOME	4,397	3,068
OTHER OPERATING INCOME	1	1
SUBTOTAL OPERATING REVENUES	<u>60,603</u>	<u>50,401</u>
<u>NON-OPERATING REVENUES:</u>		
ARBITRAGE REBATE INCOME (EXPENSE)	-	-
GAIN(LOSS) ASSET SALES/DEBT EXTINGUISHMENT	959	415
OTHER NON-OPERATING INCOME	17	47
GRANT AWARD INCOME	48,588	44,761
SUBTOTAL NON-OPERATING REVENUES	<u>49,565</u>	<u>45,223</u>
TOTAL REVENUES	<u>110,168</u>	<u>95,623</u>
<u>OPERATING EXPENSES:</u>		
ADMINISTRATIVE EXPENSES	14,281	13,327
INTEREST EXPENSE	34,079	26,047
AMORTIZATION OF BOND/NOTE PREMIUM(DISCOUNT)	(2,206)	(2,190)
PROVISION FOR LOAN LOSSES	839	(218)
MORTGAGE LOAN & BOND INSURANCE	-	-
TRUSTEE FEES	113	85
AMORT. OF SERV. RIGHTS & DEPRECIATION	789	419
BOND COST OF ISSUANCE	3,033	2,398
SUBTOTAL OPERATING EXPENSES	<u>50,929</u>	<u>39,868</u>
<u>NON-OPERATING EXPENSES:</u>		
CAPACITY BUILDING COSTS	179	701
GRANT AWARD EXPENSE	48,514	44,693
OTHER NON-OPERATING EXPENSE	-	-
SUBTOTAL NON-OPERATING EXPENSES	<u>48,693</u>	<u>45,395</u>
TOTAL EXPENSES	<u>99,622</u>	<u>85,263</u>
NET REVENUES	10,545	10,361
OTHER FINANCING SOURCES (USES)	-	-
NET REVENUES AND OTHER FINANCING SOURCES(USES)	<u>10,545</u>	<u>10,361</u>
NET POSITION AT BEGINNING OF YEAR	<u>234,909</u>	<u>224,548</u>
NET POSITION AT 9/30/2019	<u>245,454</u>	<u>234,909</u>

NOTES TO FINANCIAL STATEMENTS

(For Informational Purposes Only)
(Thousands of Dollars)

(Note 1) MFA Net Position as of September 30, 2019:

UNAPPROPRIATED NET POSITION:

\$ 31,906	is held by Bond Program Trustees and is pledged to secure repayment of the Bonds.
\$ 30,408	is held in Trust for the NM Housing Trust Fund and the NM Land Title Trust Fund.
\$ 454	held for New Mexico Affordable Housing Charitable Trust .
<u>\$ 62,768</u>	Total unappropriated Net Position

APPROPRIATED NET POSITION: GENERAL FUND

By actions of the Board of Directors on various dates, General Fund net assets have been appropriated as follows:

\$ 112,961	for use in the Housing Opportunity Fund (\$96,688 in loans plus \$16,273 unfunded, of which \$4,602 is committed).
\$ 17,030	for future use in Single Family & Multi-Family housing programs.
\$ 2,241	for loss exposure on Risk Sharing loans.
\$ 1,184	invested in capital assets, net of related debt.
\$ 10,933	invested in mortgage servicing rights.
<u>\$ 24,100</u>	for the future General Fund Budget year ending 9/30/20.

\$ 168,449 Subtotal - General Fund

APPROPRIATED NET POSITION: HOUSING

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

\$ 14,237	for use in the federal and state housing programs administered by MFA.
<u>\$ 14,237</u>	Subtotal - Housing Program
<u>\$ 182,687</u>	Total appropriated Net Position
<u>\$ 245,454</u>	Total combined Net Position at September 30, 2019

Total combined Net Position, or reserves, at September 30, 2019 was \$245.5 million, of which \$62.8 million was pledged to the bond programs, Affordable Housing Charitable Trust and fiduciary trusts. \$182.7 million of available reserves, with \$85.8 million primarily liquid in the General Fund and in the federal and state Housing programs and \$96.9 million illiquid

-

- for use in existing and future programs
- for coverage of loss exposure in existing programs
- to meet servicing requirements, and
- for support of operations necessary to carry out the programs.

MFA's general plan for bond program reserves as they may become available to MFA over the next 30 years is to use the reserves for future programs, loss exposure coverage, servicing requirements and operations.

HOUSING OPPORTUNITY FUND

September 30, 2019

TOTAL General Fund Dollars Allocated: \$ 112,961,194 Outstanding: at an average yield of 5.50%

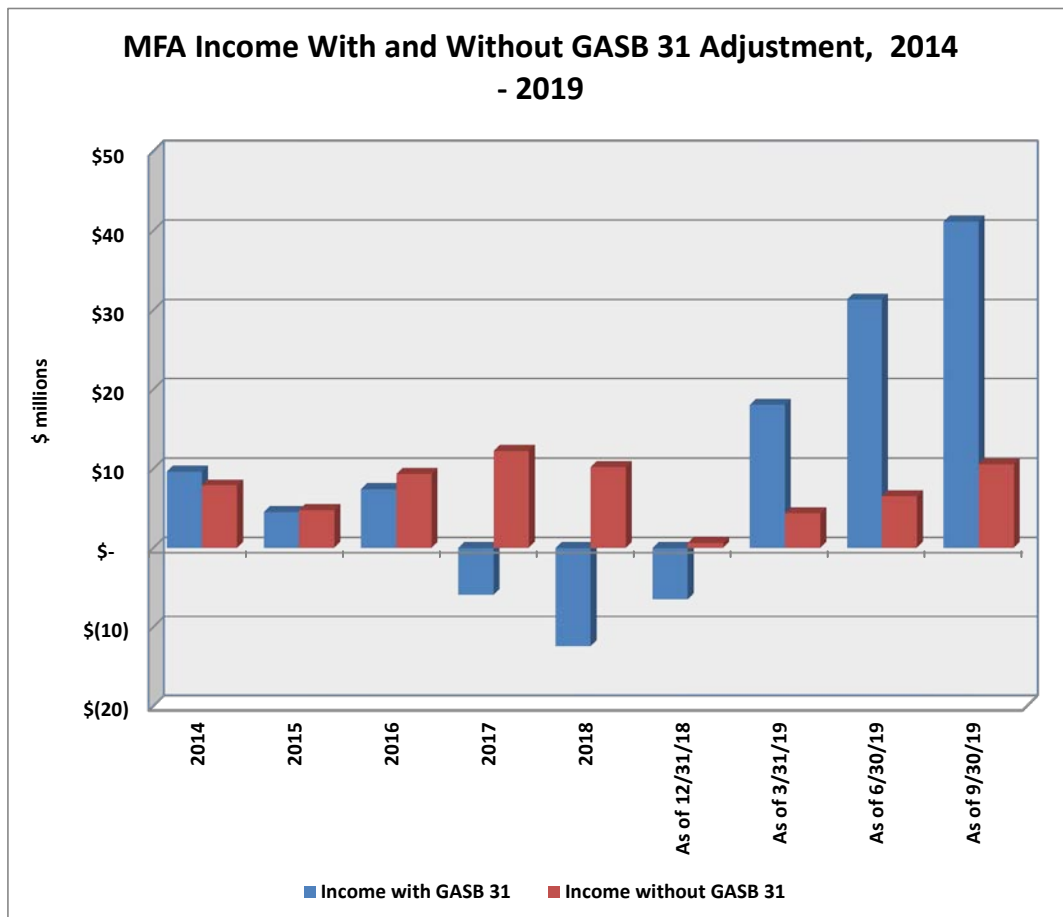
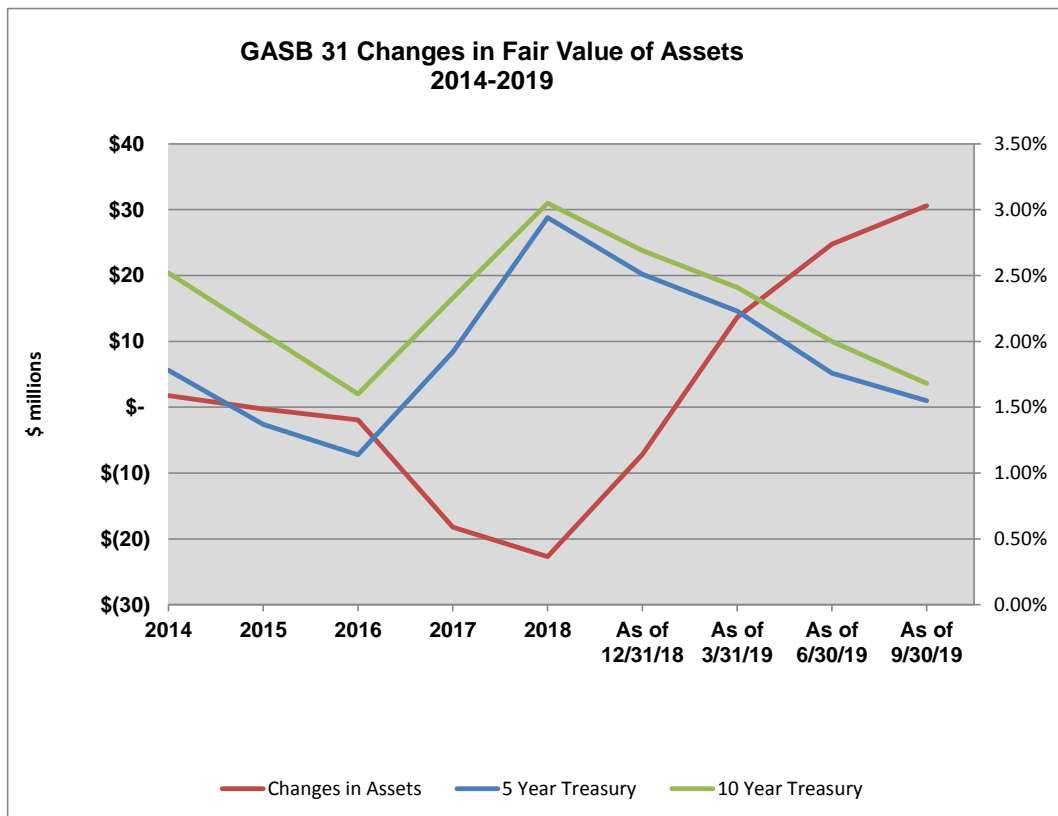
	Primero	Primero PRLF	Primero Working Capital	Partners SF 1st Mortgage	Build It Guaranty	DPA Mortgages	HERO 1st Mortgages	Emerging Markets	MF Access	Total
Original Allocation	\$5,824,041	\$0	\$350,000	\$6,838,000	\$2,500,000	\$34,810,739	\$10,000,000	\$1,550,000	\$32,143,000	\$94,015,781
Transfers	(\$4,579,000)	\$925,000	(\$350,000)	(\$3,091,000)	(\$2,500,000)	\$22,954,901	(\$7,744,901)	(\$1,550,000)	(\$4,065,000)	\$0
3rd Party Award	\$3,363,000	\$4,125,000				\$11,457,413				\$18,945,413
Current Allocation	\$4,608,041	\$5,050,000	\$0	\$3,747,000	\$0	\$69,223,054	\$2,255,099	\$0	\$28,078,000	\$112,961,194
Funded/ Committed	3,511 \$20,052,318	136 \$1,991,834	n/a \$35,000	251 \$13,247,709	105 units \$0	17,118 \$99,418,394	63 units \$9,258,705	None \$0	1,649 \$31,522,224	22,833 units \$175,526,183
Repayments	\$14,230,527	\$139,890	\$35,000	\$9,588,912	\$0	\$40,182,567	\$7,003,606	0	\$3,055,848	\$74,236,351
Available	(\$1,213,750)	\$3,198,056	\$0	\$88,204	\$0	\$9,987,228	(\$0)	\$0	(\$388,376)	\$11,671,362
Subsidy/ Unit	\$5,711	\$14,645.84	n/a	\$52,780	\$0	\$5,808	\$146,964	n/a	\$19,116	\$7,687
Outstanding & Yield	516 \$3,821,791 2.78%	136 \$1,796,075 3.00%	0 \$0 0.00%	164 \$3,658,796 0%	None \$0 0%	10,121 \$57,490,107 5.78%	19 \$2,255,099 5.33%	None \$0 n/a	1,589 \$27,666,376 6.26%	12,545 \$96,688,244 5.50%
Collateral	1st or 2nd mtg on SF or MF development	1st or 2nd mortg on MF development	1st mortgage on SF rentals	1st mortgage on SF homes	2nd mortgage on SF or MF development	2nd mortgage on SF homes	1st mortgage on SF homes	n/a	1st mortgage on MF development	
AMI Served	53% at 60% or below 47% at 80% or above	Up to 120%	n/a	60% statewide	54% at 60% or below 46% at 80% or above	Until 2003: Up to 80% & 95% Since 2003: M\$VR limits	Up to 140%	n/a	91% at 60% or below 9% at market	
Geographic Distribution	61% Albuquerque, SF & LC MSAs 39% Tribal & Rural	100% Rural	n/a	61% Albuquerque, SF & LC MSAs 39% Rural	15% Albuquerque 85% Rural	84% Albuquerque, SF & LC MSAs 16% Rural	Teachers, Police, Firefighters, Nurses, Military 81% MSA 19% Rural	n/a	43% Albuquerque, SF & Las Cruces MSA 57% Tribal & Rural	
Delinquency Rate	1.85%	0.00%	0.00%	12.20%	0.00%	9.99%	10.53%	n/a	0.00%	6.97%
Default Rate	3.28%	0.00%	0.00%	0.00%	0.00%	7.88%	0.00%	n/a	0.00%	7.71%
Loan Loss Allowance	70,000	-	-	5,145	-	3,005,163	-	n/a	-	3,080,308

**NEW MEXICO MORTGAGE FINANCE AUTHORITY GENERAL FUND & HOUSING
BUDGET VARIANCE REPORT
FOR THE TWELVE MONTHS ENDED 9/30/19**

	ONE MONTH ACTUAL	YEAR TO DATE ACTUAL	YEAR TO DATE PRO RATA BUDGET	UNDER/(OVER) YTD BUDGET	ANNUAL BUDGET	UNDER/(OVER) ANNUAL BUDGET	EXPENDED ANNUAL BUDGET PERCENTAGE
REVENUES							
OPERATING REVENUES							
INTEREST INCOME	720,162	8,636,567	8,713,054	76,487	8,713,054	76,487	99.12%
ADMIN INCOME	868,469	8,694,628	8,746,745	52,117	8,746,745	52,117	99.40%
OTHER OPERATING INCOME	529,739	5,802,022	5,499,669	(302,353)	5,499,669	(302,353)	105.50%
SUBTOTAL OPERATING REVENUES	2,118,369	23,133,217	22,959,468	(173,749)	22,959,468	(173,749)	100.76%
NON-OPERATING REVENUES	(259,848)	(106,532)	(123,900)	(17,368)	(123,900)	(17,368)	85.98%
TOTAL REVENUES	1,858,521	23,026,685	22,835,568	(191,117)	22,835,568	(191,117)	100.84%
EXPENSES							
OPERATING EXPENSES							
COMPENSATION	804,108	7,325,644	7,939,001	613,357	7,939,001	613,357	92.27%
TRAVEL & PUBLIC INFO	68,505	401,490	478,855	77,365	478,855	77,365	83.84%
OFFICE EXPENSES	122,024	1,094,853	1,008,359	(86,494)	1,008,359	(86,494)	108.58%
OTHER OPERATING EXPENSES	582,606	6,210,775	6,566,450	355,675	6,566,450	355,675	94.58%
SUBTOTAL OPERATING EXPENSES	1,577,242	15,032,761	15,992,665	959,904	15,992,665	959,904	94.00%
NON-OPERATING EXPENSES	22,604	179,302	450,200	270,898	450,200	270,898	39.83%
SUBTOTAL OPERATING & NON- OPERATING EXPENSES	1,599,846	15,212,063	16,442,865	1,230,802	16,442,865	1,230,802	92.51%
EXPENDED ASSETS	14,942	121,495	75,170	(46,325)	75,170	(46,325)	161.63%
NON-CASH ITEMS	417,884	1,661,990	1,516,417	(145,573)	1,516,417	(145,573)	109.60%
TOTAL EXPENSES	2,032,673	16,995,548	18,034,452	1,038,904	18,034,452	1,038,904	94.24%
NET REVENUES	(174,151)	6,031,137	4,801,116	(1,230,021)	4,801,116	(1,230,021)	125.62%
PURCHASED SERVICING & CAPITAL OUTLAY							
PURCHASED SERVICING RIGHTS	308,998	4,375,927	4,501,350	125,423	4,501,350	125,423	97.21%
CAPITALIZED ASSETS	21,587	146,999	88,397	(58,602)	88,397	(58,602)	166.29%
TOTAL PURCHASED SERVICING & CAPITAL OUTLAY	330,585	4,522,927	4,589,747	66,820	4,589,747	66,820	98.54%
TOTAL INCLUDING CAPITALIZED ITEMS	(504,736)	1,508,211	211,369	(1,296,842)	211,369	(1,296,842)	713.54%

5%

New Mexico Mortgage Finance Authority
Effect of GASB31 on Financials



New Mexico Mortgage Finance Authority
Loan and Credit Line Activity
As of 9/30/2019

Lender	Purpose	Collateral	Board Authorization Date	Authority Limit	Outstanding 6/30/19	Advances	Repayments	Outstanding 9/30/19	Maturity	Interest Rate as of 9/30/19	Interest Payments this quarter
Community Banks	Fund DPA program and assist financial institutions meet CRA requirements	DPA portfolio	March 2018	5,000,000	-	-	-	-	n/a	n/a	
FHLB	Mortgage Backed Security Warehouse, Loans Held for Sale Program	Mortgage loan pipeline	October 2017	60,000,000	23,000,000	58,000,000	56,000,000	25,000,000	10/24/2019	2.00%	151,529
FHLB	Mortgage Backed Security Warehouse, Loans Held for Sale Program & operations	Securities	October 2017	25,000,000	10,000,000	-	-	10,000,000	3/26/2021	2.48%	62,000
USDA-RD	Preservation Revolving Loan Fund Demonstration Program	PRLF mortgage loans	September 2015	2,125,000	-	-	-	-	n/a	n/a	
SBIC	Capitalize Primero Loan Fund	SBIC mortgage loans	April 2014, March 2019	2,500,000	700,000	-	-	700,000	11/30/2023	2.00%	3,539
FHLB	Mortgage Revenue Bond (MRB) Warehousing	MRB Mortgage backed securities	June 2013	30,000,000	-	-	-	-	n/a	n/a	
Wells Fargo	Capitalize Primero Loan Fund	None	October 2011	850,000	850,000	-	-	850,000	11/15/2023	2.00%	4,250
USDA-RD	Preservatio Revolving Loan Fund Demonstration Program	PRLF mortgage loans	May 2011	2,000,000	1,726,367	-	-	1,726,367	1/20/2042	1.00%	-
TOTAL				122,475,000	36,276,367	58,000,000	56,000,000	38,276,367			221,317

Tab 2

**September 30, 2019 Quarterly Investment Review
Agenda for Discussion at Finance Committee Meeting
Meeting Date: November 12, 2019**

For reference:

Finance Committee did not meet in August to review the June 30, 2019 Quarterly Investment Review so that information was presented solely at the MFA Board meeting on August 20, 2019.

For discussion:

Quarterly Investment Review of MFA General Fund investments

~Diversification and Asset Allocation Strategies – LGIP, bond ladder and SIC Investment Funds

~Market values and portfolio yield

**New Mexico Mortgage Finance Authority
Minutes of Quarterly Investment Review
(Taking place during the Finance Committee November 12, 2019)**

Present: Chair Derek Valdo, Member Lt. Governor Howie Morales and Member Tim Eichenberg

MFA Staff Present: Jay Czar, Gina Hickman, Izzy Hernandez, Yvonne Segovia, Shawn Colbert, Kathryn Turner

Quarterly Review of MFA General Fund investments:

- Report being presented is as of September 30, 2019 which is the end of FY 2019.
- Compliance Report (Diversification and Asset Allocation): Keeler reviewed the General Fund Investment Compliance Report. She informed the committee that all asset classes are in compliance with the investment policy. Keeler also reminded the committee that the Cash Held for Operations/Warehoused MBS does not include capital borrowed for loan operations or restricted funds.
- Portfolio Summary-Short & Intermediate Term Investments: Keeler reviewed book values by asset class and in total. She referred the committee to the yields, and discussed sector components of the bond ladder. Keeler also mentioned that MFA had two bond ladder securities that either matured or were called and funds were reinvested in July and August, respectively.
- Portfolio Summary-Long Term Investments Including State Investment Council Investments: Keeler reviewed market values, rates of return and realized gain/loss data for the mortgage backed securities portfolio and the SIC funds.
- Portfolio Summary-Housing Trust Fund: Keeler reviewed market values, rates of return and realized gain/loss data for the SIC fund. She reminded the committee that 100% of the Housing Trust Fund is invested in the Core Bonds Plus Active fund.
- General Fund Investment Portfolio Metrics: Keeler referred committee members to the ratings and interest income information. She informed the committee that there was no change in any of the ratings. Keeler also indicated that interest income earnings actually were 14% above budget.
- Summary of September 30, 2019 balances and yields/rates of returns:

General Fund:

Asset Class	9/30/19 Balance	Yield/Rate of Return	Average Life/ Maturity in Months
Cash Held for Operations/Warehoused MBS	\$7,761,255	Various	n/a
Local Government Investment Pool	4,669,122	2.08%	n/a
Bond Ladder	19,072,576	2.13%	13
MFA's Mortgage Backed Securities-Intermediate Term	9,471,633	5.21%	187*
MFA's Mortgage Backed Securities-Long Term	2,070,124	5.19%	n/a
Core Plus Bond Fund-Active (SIC)	8,820,188	9.72%	n/a
Large Cap Index Equity Fund (SIC)	8,710,758	3.77%	n/a
Small/Mid Cap Fund (SIC)	3,497,375	0.14%	n/a
Non-US Developed Markets Fund (SIC)	4,032,049	(1.51%)	n/a
Non-US Emerging Markets Fund (SIC)	1,096,857	(2.57%)	n/a

*Weighted Average Maturity

Housing Trust Fund:

Asset Class	9/30/19 Balance	Yield/Rate of Return	Average Life/ Maturity in Months
Core Plus Bond Fund-Active (SIC)	\$13,490,745	9.42%	n/a

INVESTMENT REPORT – EXECUTIVE SUMMARY FOR THE FOURTH QUARTER OF FISCAL YEAR 2019

1. During the fourth quarter of FY 2019, staff purchased two securities for the bond ladder due to prior securities either maturing or being called.
2. The General Fund investment portfolio is in compliance with the asset allocation ranges approved by the Board.
3. Overall portfolio performance was stable in comparison to last fiscal year. Year over year growth of the total General Fund portfolio is \$1.2 million or approximately 2%. Yields improved on the General Fund intermediate-term portfolio by .25% while returns on the long-term State Investment Council (SIC) portfolio decreased by almost 1%. The targeted yield for the General Fund SIC portfolio is 5% and it ended the year at 4.12%. The Housing Trust Fund State Investment Council portfolio, which is 100% invested in a core bond fund, out-performed last fiscal year by over 9% and was the best portfolio performance since FY2012. In total budgeted interest income exceeded the budget by 14% or approximately \$228,000. The portfolio is performing well in comparison to established benchmarks.
4. As of September 30, 2019, MFA's General Fund and Housing Trust Fund balances are as follows:

General Fund:

Asset Class	9/30/19 Balance	Yield/Rate of Return	Average Life/ Maturity in Months
Cash Held for Operations/Warehoused MBS	\$7,761,255	Various	n/a
Local Government Investment Pool	4,669,122	2.08%	n/a
Bond Ladder	19,072,576	2.13%	13
MFA's Mortgage Backed Securities-Intermediate Term	9,471,633	5.21%	187*
MFA's Mortgage Backed Securities-Long Term	2,070,124	5.19%	n/a
Core Plus Bond Fund-Active (SIC)	8,820,188	9.72%	n/a
Large Cap Index Equity Fund (SIC)	8,710,758	3.77%	n/a
Small/Mid Cap Fund (SIC)	3,497,375	0.14%	n/a
Non-US Developed Markets Fund (SIC)	4,032,049	(1.51%)	n/a
Non-US Emerging Markets Fund (SIC)	1,096,857	(2.57%)	n/a

*Weighted Average Maturity.

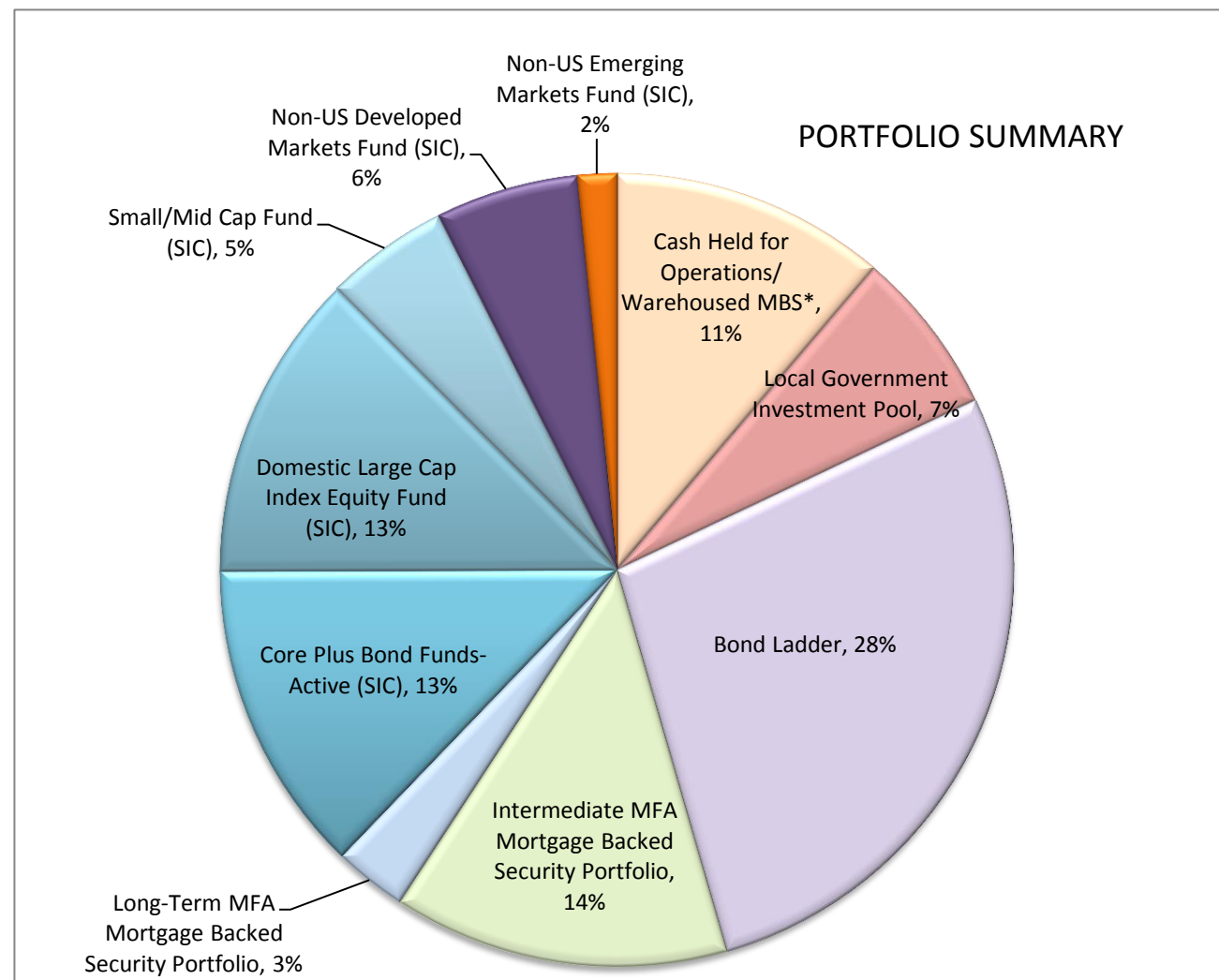
Housing Trust Fund:

Asset Class	9/30/19 Balance	Yield/Rate of Return	Average Life/ Maturity in Months
Core Plus Bond Fund-Active (SIC)	\$13,490,745	9.42%	n/a

GENERAL FUND INVESTMENT COMPLIANCE REPORT FOR QUARTER 4 (AS OF SEPTEMBER 30, 2019)

ASSET CLASS	Policy Requirement Target	Policy Requirement Range	Current Portfolio Carrying Value	Current %	Within \$ Limit Range	Action Plan
Short-Term Investments (Less than 1 year)						
Cash Held for Operations/Warehoused MBS*	14%	9%-19%	\$ 7,761,255	11%	Yes	
Local Government Investment Pool	6%	1%-11%	\$ 4,669,122	7%	Yes	
Intermediate Term Investments (1 to 10 years)						
Bond Ladder	27%	22%-32%	\$ 19,072,576	28%	Yes	
Intermediate MFA Mortgage Backed Security Portfolio	13%	8%-18%	\$ 9,471,633	14%	Yes	
Long-Term Investments (More than 10 years)						
Long-Term MFA Mortgage Backed Security Portfolio	4%	0%-9%	\$ 2,070,124	3%	Yes	
Core Plus Bond Funds-Active (SIC)	12%	7%-17%	\$ 8,820,188	13%	Yes	
Domestic Large Cap Index Equity Fund (SIC)	11%	6%-16%	\$ 8,710,758	13%	Yes	
Small/Mid Cap Fund (SIC)	5%	0%-10%	\$ 3,497,375	5%	Yes	
Non-US Developed Markets Fund (SIC)	6%	1%-11%	\$ 4,032,049	6%	Yes	
Non-US Emerging Markets Fund (SIC)	2%	0%-7%	\$ 1,096,857	2%	Yes	
	40%		<u>\$ 69,201,937</u>	<u>100.00%</u>		

*Does not include capital borrowed for loan operations or restricted funds.



SIC FUND ALLOCATION

	Policy	Actual
SIC Core Plus Bond-Active	33%	34%
SIC Large Cap Index Equity	31%	33%
Small/Mid Cap Index	14%	13%
Non-US Developed Markets	17%	15%
Non-US Emerging Markets	5%	4%

BOARD ACTIONS

August 2005 - approved General Fund Investment
February 2008 - aproved new Large Cap Index ETF Pool
Jauary 2009 - approved Revision to Investment Policy
October 2010 - Approved Revision to Investment Policy
May 2011 - Approved revision to Investment Policy
April 2012 - Approved revision to Investment Policy
April 2013 - Approved revision to Investment Policy
April 2016 - Approved revision to Investment Policy
October 2017 - Approved revision to Investment Policy

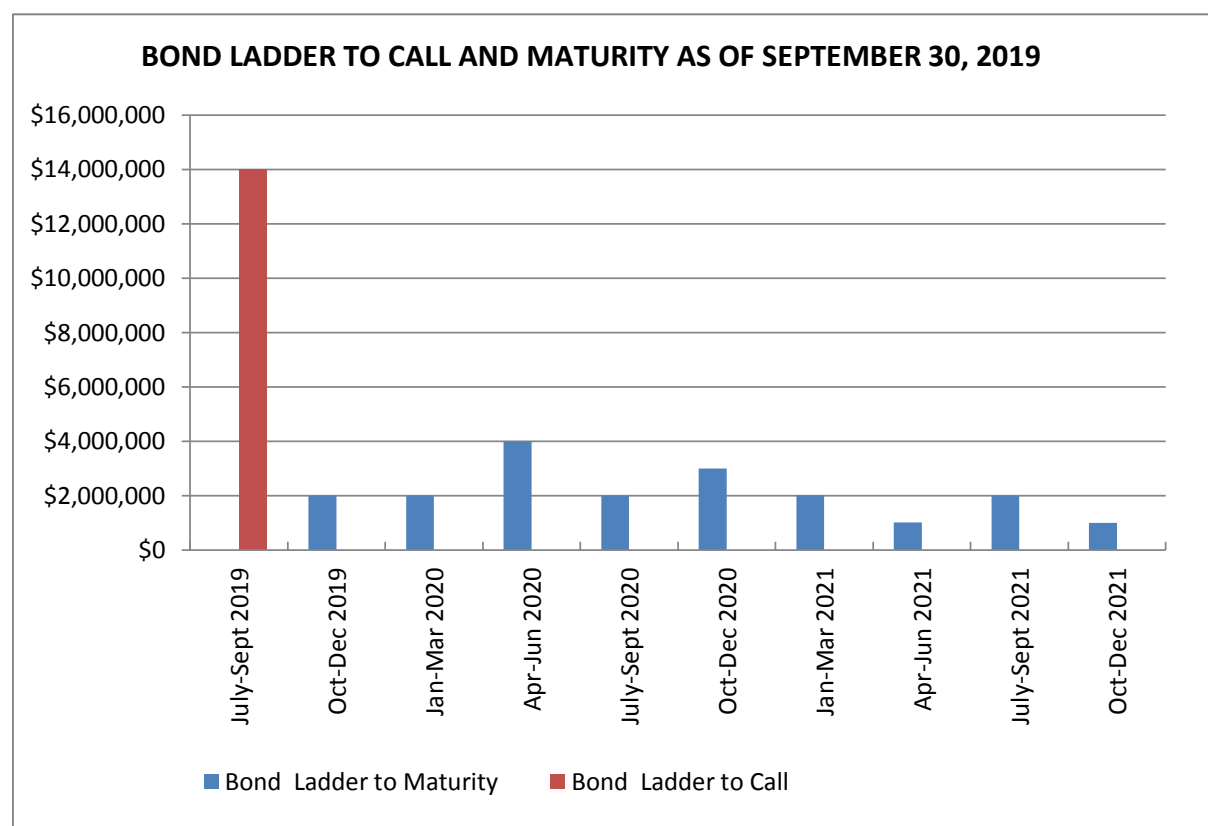


PORTFOLIO SUMMARY - Short & Intermediate Investments

General Fund	Book Value YTD/Quarter 4 as of 9/30/2019	Book Value YTD/Quarter 4 as of 9/30/2018	Unrealized Gain/Loss YTD/Quarter 4 as of 9/30/2019	Yield to Maturity YTD/Quarter 4 as of 9/30/2019	Yield to Maturity YTD/Quarter 4 as of 9/30/2018	Average Life/Maturity in Months
Short-Term						
Cash Held for Operations/Warehoused MBS*	\$ 7,761,255	\$ 7,220,656	N/A	Various	Various	n/a
Local Government Investment Pool	\$ 4,669,122	\$ 4,553,139	N/A	2.08%	2.04%	n/a
Intermediate-Term						
Bond Ladder	\$ 19,072,576	\$ 20,089,325	\$ 74,524	2.13%	1.86%	13
MFA Mortgage Backed Security Portfolio	\$ 9,471,633	\$ 8,746,279	\$ 542,566	5.21%	5.30%	187**
Yield to Maturity for Intermediate-Term Investments				3.15%	2.90%	70
Total Short & Intermediate Term	\$ 40,974,586	\$ 40,609,399	\$ 617,090			

*Does not include capital borrowed for loan operations or restricted funds.

**Weighted average maturity.



BOND LADDER SECTOR ALLOCATION

	Book Value	% of Total Dollars
Fannie Mae	\$ 2,000,057	10%
Federal Farm Credit Bank	\$ 3,007,648	16%
Federal Home Loan Bank	\$ 11,060,726	58%
Freddie Mac	\$ 3,004,144	16%
Total	\$ 19,072,576	100%

INVESTMENTS PURCHASED IN THE FOURTH QUARTER OF FY 2019

Date Purchased	Security	Interest Rate	YTM/YTC	Dollar Amount
8/8/2019	Freddie Mac	2.500%	1.755%	\$ 1,000,000
7/12/2019	FHLB	2.625%	2.029%	\$ 1,000,000

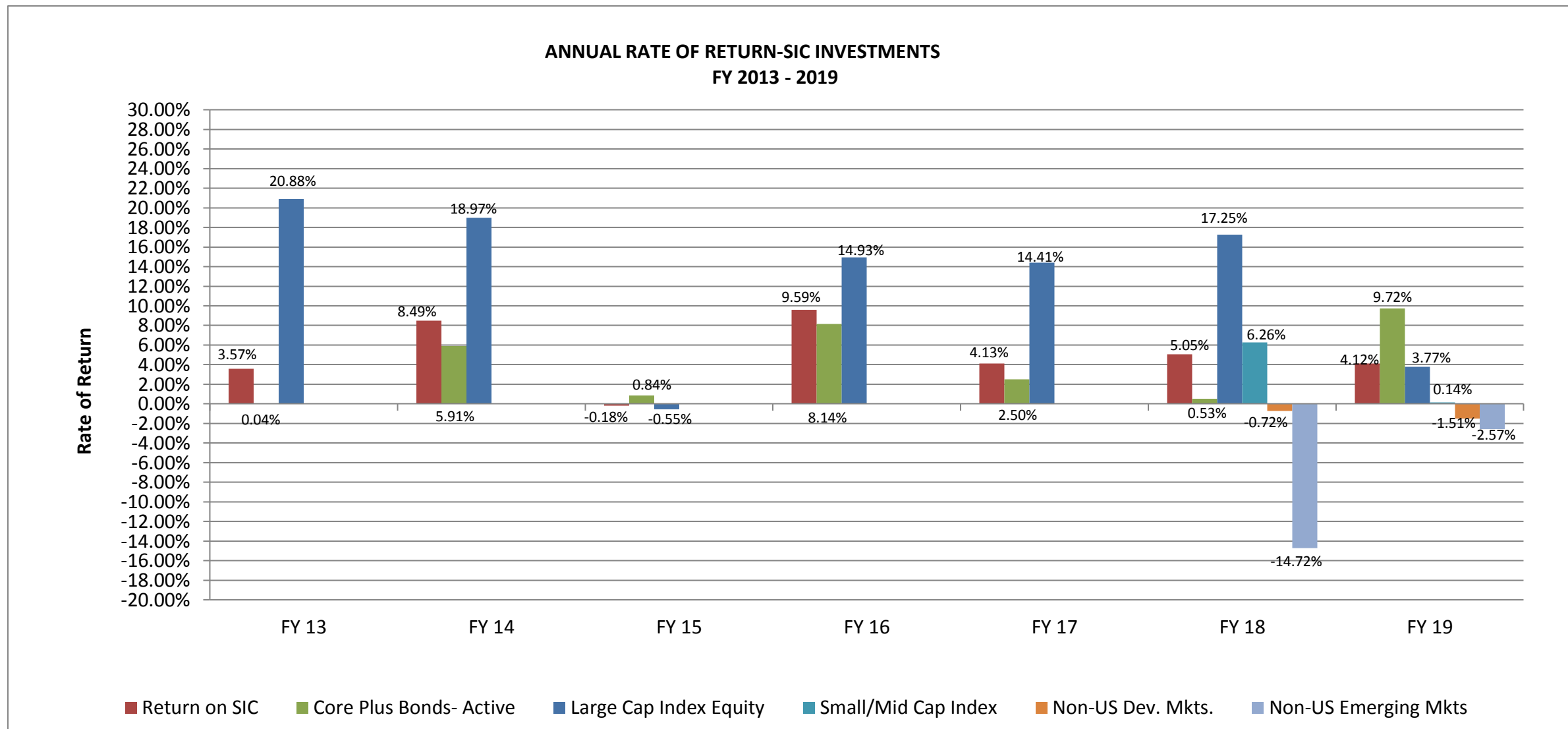


PORTFOLIO SUMMARY - Long Term Investments Including State Investment Council Investments

General Fund	Market Value YTD/Quarter 4 as of 9/30/2019	Market Value YTD/Quarter 4 as of 9/30/2018	Unrealized/Realized** Gain/Loss YTD/Quarter 4 as of 9/30/2019	Rate of Return YTD/Quarter 4 as of 9/30/2019 *	Rate of Return YTD/Quarter 4 as of 9/30/2018
MFA's Mortgage Backed Securities Portfolio	\$ 2,070,124	\$ 2,325,466	\$ 113,402	5.19%	5.30%
State Investment Council (SIC):					
Core Plus Bond Fund-Active	\$ 8,820,188	\$ 8,002,651	\$ 517,756	9.72%	0.53%
Domestic Large Cap Index Equity Fund	\$ 8,710,758	\$ 8,388,509	\$ 159,362	3.77%	17.25%
Small/Mid Cap Fund	\$ 3,497,375	\$ 3,492,343	\$ (25,952)	0.14%	6.26%
Non-US Developed Markets Fund	\$ 4,032,049	\$ 4,093,272	\$ (181,908)	-1.51%	-0.72%
Non-US Emerging Markets Fund	\$ 1,096,857	\$ 1,125,407	\$ (54,588)	-2.57%	-14.72%
Total State Investment Counsel	\$ 26,157,227	\$ 25,102,182	\$ 414,670	4.12%	5.05%
Total Long-Term Investments	\$ 28,227,351	\$ 27,427,648	\$ 528,072		

*SIC rate of returns are year to date, not annualized.

** Fair Market Value adjustments on the mortgage backed security portfolio are unrealized, however, they are realized on the SIC portfolio.

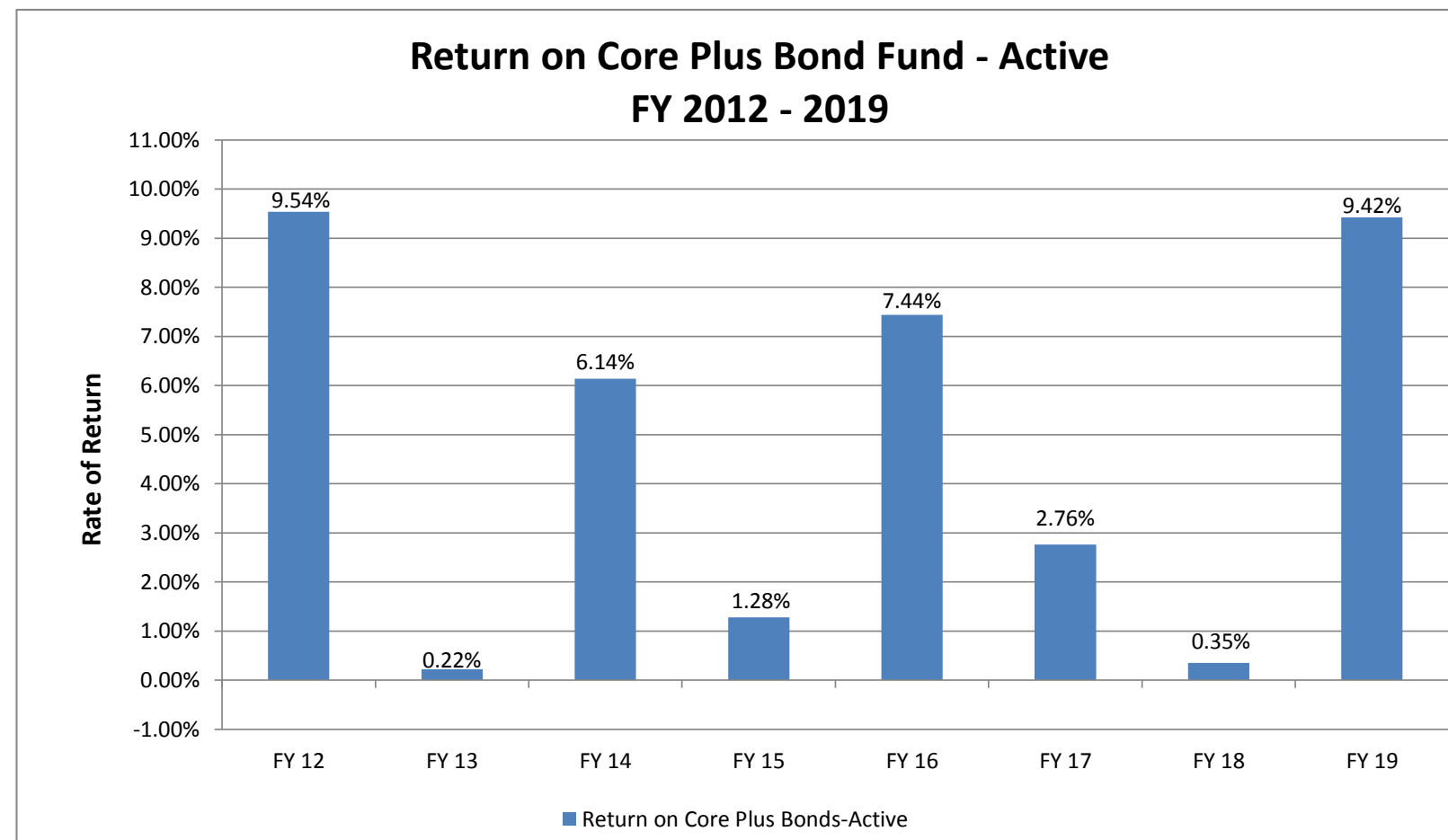




PORTFOLIO SUMMARY - Housing Trust Fund

	Market Value YTD/Quarter 4 as of 9/30/2019	Market Value YTD/Quarter 4 as of 9/30/2018	Realized Gain/Loss YTD/Quarter 4 as of 9/30/2019	Rate of Return YTD/Quarter 4 as of 9/30/2019	Rate of Return YTD/Quarter 4 as of 9/30/2018
Housing Trust Fund					
State Investment Council (SIC): Core Plus Bond Fund-Active	\$ 13,490,745	\$ 14,070,550	\$ 818,377	9.42%	0.35%
Total State Investment Council	\$ 13,490,745	\$ 14,070,550	\$ 818,377	9.42%	0.35%

SIC FUND ALLOCATION		
SIC Core Plus Bond-Active	100%	100%





GENERAL FUND INVESTMENT PORTFOLIO - METRICS

Asset Class	S&P Rating	Moody's Rating	Annual Interest Income (Budget) FY2019	Actual Annual Interest Income YTD/Quarter 4 as of 9/30/2019	Interest Income Earned of Total Budget YTD/Quarter 4 as of 9/30/2019	Yield to Maturity/ Rate of Return YTD/Quarter 4 as of 9/30/2019	Benchmark Yield/Rate of Return	Benchmark
Cash Held for Operations/Warehoused MBS	N/R	N/R	\$ 310,498	\$ 264,935	85%	Various	N/A	N/A
Local Government Investment Pool	AAAm	N/R	\$ 45,408	\$ 117,917	260%	2.08%	N/A	N/A
Bond Ladder			\$ 182,435	\$ 215,094	118%	2.13%	2.15%	BofA Merrill 1-3 Yr Agency
Fannie Mae	N/R	Aaa/Stable						
Federal Farm Credit Bank	N/R	Aaa/Stable						
Federal Home Loan Bank	N/R	Aaa/Stable						
Freddie Mac	N/R	Aaa/Stable						
MFA Mortgage Backed Security Portfolio	N/R	Aaa/Stable	\$ 630,921	\$ 578,152	92%		N/A	N/A
Intermediate Term	AA+	Aaa/Stable				5.21%		
Long-Term	AA+	Aaa/Stable				5.19%		
State Investment Council			\$ 417,252	\$ 638,135	153%	4.12%		
Core Plus Bond Fund-Active	N/R	N/R				9.72%	10.53%	Barclays US Agg Total Return Value
Large Cap Index Equity Fund	N/R	N/R				3.77%	3.87%	Russell 1000 Index-US Large Cap Equity
Small/Mid Cap Fund	N/R	N/R				0.14%	-4.68%	Average ⁽¹⁾
Non-US Developed Markets Fund	N/R	N/R				-1.51%	-3.25%	Average ⁽²⁾
Non-US Emerging Markets Fund	N/R	N/R				-2.57%	-2.02%	MSCI Emerging Markets Index (Net)
			\$ 1,586,514	\$ 1,814,233	114%			

Economic Indicators

	9/30/2019	9/30/2018
Federal Funds Rate	1.90%	2.18%
Consumer Price Index (yoy)	1.70%	2.00%
Unemployment Rate	3.50%	3.70%
Real GDP (yoy)	2.00%	3.00%
DJIA*	4.21%	20.76%

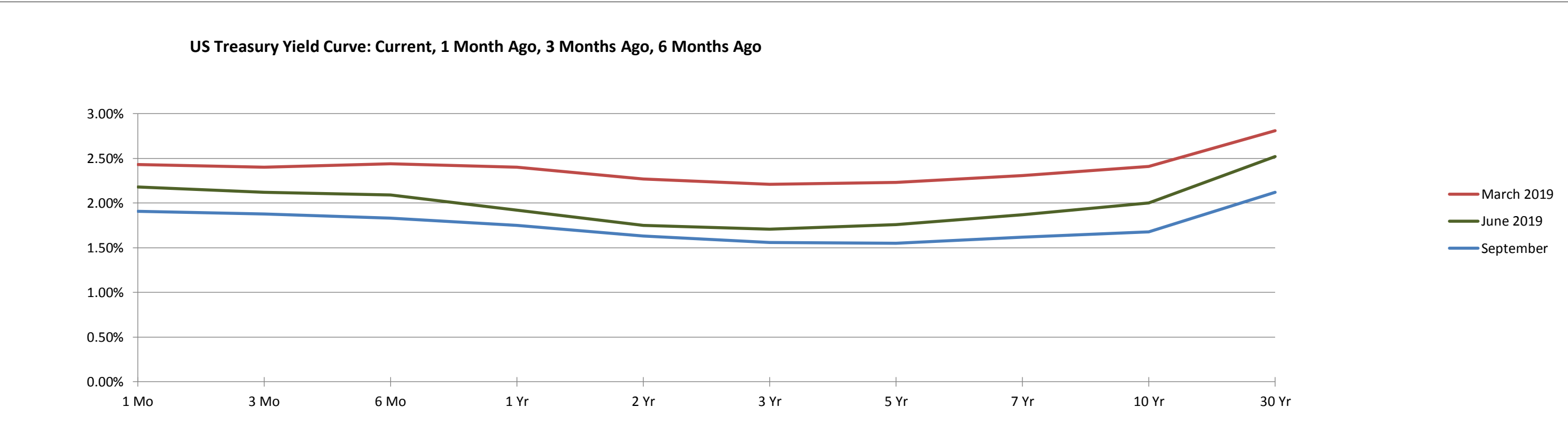
*Cumulative return for the period 10/1 through 9/30 which is four quarters of each respective fiscal year.

(1) Average of the following benchmarks:

Russell Mid Cap Index
Russell 2000 Value Index
Russell 2000 Index

(2) Average of the following benchmarks:

MSCI EAFE Net Total Return US Index
MSCI AC World Index EX USA Value Net Total Return
MSCI ACW EX US Small Cap Index
MSCI World Ex US IMI Index (net)



	1 Mo	3 Mo	6 Mo	1 Yr	2 Yr	3 Yr	5 Yr	7 Yr	10 Yr	30 Yr
March 2019	2.43%	2.40%	2.44%	2.40%	2.27%	2.21%	2.23%	2.31%	2.41%	2.81%
June 2019	2.18%	2.12%	2.09%	1.92%	1.75%	1.71%	1.76%	1.87%	2.00%	2.52%
September	1.91%	1.88%	1.83%	1.75%	1.63%	1.56%	1.55%	1.62%	1.68%	2.12%

Source: U.S. Department of the Treasury

Tab 3



MEMO

TO: MFA Board of Directors
Through: Finance Committee – November 12, 2019
Through: Policy Committee – October 15, 2019
FROM: Yvonne Segovia, Controller
DATE: November 20, 2019
SUBJECT: Authorized Signatures Resolution

Recommendation:

Staff recommends the update of the Authorized Signature Resolution to capture the signatures of the newly appointed Vice Chair and Treasurer of the Board and add the Secondary Market Loan Processor as an authorized signor of program and servicing documents.

Background:

The Board approved the appointment of the new Vice Chair and Treasurer of the Board on September 18, 2019. The Authorized Signatures Resolution is updated periodically as needed.

Discussion:

The MFA Board Resolution reflects signature authority based on positions held; therefore no changes are required for Board appointments. However, the more detailed Corporate Resolution used for banking purposes does require names and titles be included in order to change the signers on MFA accounts. This has been updated to reflect names and allow for signatures of the Vice Chair and Treasurer of the Board.

As an approved Ginnie Mae issuer, staff is required to perform various selling and servicing functions, which require the use of a Ginnie Mae RSA SecureID Token. In order to ensure adequate authorized staff to perform these functions, additional staff must apply to receive a token. In order to apply for the token, Ginnie Mae requires designated staff be listed on MFA's Authorized Signatures Resolution.

Summary:

The Authorized Signatures Resolution is updated periodically as needed. Staff recommends the update of the Authorized Signature Resolution to capture the signatures of the newly appointed Vice Chair and Treasurer of the Board and add the Secondary Market Loan Processor as an authorized signor of program and servicing documents.

NEW MEXICO MORTGAGE FINANCE AUTHORITY

AUTHORIZED SIGNATURES RESOLUTION

WHEREAS, a regular meeting of the Board of Directors of the New Mexico Mortgage Finance Authority (MFA) was held at 344 Fourth St. SW, Albuquerque, New Mexico on November 20, 2019 at 9:30 a.m.; and

WHEREAS, authorized signatures are required to conduct the ongoing business of the MFA;

IT IS THEREFORE RESOLVED:

1. The individuals holding the following positions are designated as Authorized Signatures on documents and/or instruments required to perform program and servicing activities:

Executive Director
Deputy Director(s)
Human Resources Director
Senior Director of [Homeownership Mortgage Operations](#)
Director of Servicing
Assistant Director of Servicing
Secondary Market Manager
[Secondary Market Loan Processor](#)
Employees Designated by Management

2. The individuals holding the following positions are designated as Authorized Signatures on Bank Accounts and related banking documents:

Chair of the Board
Vice-Chair of the Board
Treasurer of the Board
Board Members Designated by the Chair of the Board
Executive Director
Deputy Director(s)
Controller

3. The individuals holding the following positions are designated as Authorized Signatures on documents that legally bind the MFA, including contracts and federal fiscal reports and payment vouchers in accordance with OMB 2 CFR 200.415:

Chair of the Board
Executive Director
Deputy Director(s)
Human Resources Director
Controller

After discussion the foregoing resolution was adopted on November 20, 2019.

**NEW MEXICO MORTGAGE FINANCE AUTHORITY
CORPORATE RESOLUTION**

RESOLVED, the individuals listed below are fully authorized and empowered to establish accounts in any bank or financial or depository institution (bank) in the name and on behalf of New Mexico Mortgage Finance Authority (MFA); to make deposits in, change, transfer funds to, or withdraw funds from such accounts by checks, drafts, wire transfers, or other instruments or orders customarily used for the payment of accounts or the transfer of funds, including the proceeds of mortgages; and to make, execute, and deliver, under the seal of New Mexico Mortgage Finance Authority, any and all written instruments necessary or proper to effectuate the authority hereby conferred; and that any such actions heretofore taken by any of the following persons on behalf of New Mexico Mortgage Finance Authority are hereby ratified, approved and confirmed.

Angel A. Reyes	Chair of the Board	_____
Derek Valdo	Vice-Chair of the Board	_____
Rebecca Wurzbarger	Treasurer of the Board	_____
Jay J. Czar	Executive Director	_____
Gina Hickman	Deputy Director of Finance & Admin.	_____
Yvonne Segovia	Controller	_____
Isidoro Hernandez	Deputy Director of Programs	_____

IT IS FURTHER RESOLVED, that the authority conferred hereinabove shall continue in full force and effect until written notice of modification or revocation shall be received by the bank and that bank shall be protected in action upon any form of such written notice of modification or revocation which it in good faith believes to be genuine.

CORPORATE CERTIFICATION

I HEREBY CERTIFY, that I am the Secretary of New Mexico Mortgage Finance Authority; that the above and foregoing is a full, true and correct copy of a resolution duly and regularly adopted by the vote of a majority or more of the directors of the New Mexico Mortgage Finance Authority in accordance with the MFA by-laws on November 20, 2019; that there is no provision in the articles of the MFA conflicting with said resolution; and that said resolution has not been modified or revoked and still remains in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of the New Mexico Mortgage Finance Authority this _____ day of November, 2019.

Jay J. Czar, Secretary

(CORPORATE SEAL)

Tab 4



MEMORANDUM

TO: Mortgage Finance Authority ("MFA") Board of Directors
Through: Finance Committee, November 12, 2019
Policy Committee, October 29, 2019

FROM: Kathryn Turner, Tax Credit Program Officer

DATE: November 20, 2019

SUBJECT: 2020 Qualified Allocation Plan

Recommendation:

Staff recommends approval of the attached 2020 State of New Mexico Housing Tax Credit Program Qualified Allocation Plan (QAP).

Background:

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

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

Discussion:

Several changes are being considered for the Draft 2020 QAP. Below is a summary of the more notable proposed changes and attached is the redlined draft. Other changes found in the draft

are clarifications of existing policies/terms in the QAP i.e. insertion of answers/clarifications generated during last year's FAQ period, which become a part of the QAP by reference.

- A. **Equalization of New Construction and Rehabilitation Projects – Section II.C.** (starts page 4)
The language regarding the subsequent awarding of projects in each category was not how forward allocation was being administered in practice. This language was clarified to reflect the way MFA has been administering those credits.
- B. **Nonprofit Set-Aside – Section II.D.** (starts page 5)
Language was added to allow MFA to request an opinion of counsel if there are concerns regarding the control of the nonprofit by a for-profit.
- C. **Minimum Apartment Unit Set-Asides – Section II.E.** (starts page 6)
Last year we did not allow existing LIHTC projects to utilize the Average Income set-aside. Now that we have a better sense of how this set-aside will work with compliance, this is proposed to be allowed, however the project must meet both the existing set-aside and the new Average Income set-aside requirements.
- D. **General Public Use – Section II.G.** (starts page 8)
Per IRS guidance, any unit utilized by a manager may have rent collected, or be at any income level, and will still be considered common space in the eligible basis calculation. Language has been clarified to address this change.
- E. **Combined Rehabilitation and New Construction Projects and General Guidelines Around Rehabilitation – Section II.J.** (starts page 10)
This section header has changed to incorporate general guidelines on rehabilitation projects, that formerly was only held within the Rehabilitation Point category. Additionally, the 20 year rule was changed to only apply to 9% projects that are former Tax Credit projects and those projects looking for rehabilitation points.
- F. **Eligible Basis According to Type of Activity – Section II.M.** (page 13)
Language was clarified to explain how MFA applies the 30% basis boost to projects more accurately.
- G. **Building Classification and Tax Credit Applicable Percentages – Section II.R.** (starts page 15)
In 2015, the PATH Act permanently fixed the floor of the 9% credit at 9%. This is clarified in this paragraph.
- H. **Audit Requirements – Section II.S.** (page 16)
Language was added to require all general contractor bid records and communication regarding the required general contractor cost certification be retained.
- I. **Minimum Project Threshold Requirements – Section III.C.** (starts page 17)
 - 1. Following 2019 projects not meeting threshold requirements and one project not meeting the minimum score, it was suggested by counsel to move the minimum score requirement out of threshold criteria and into scoring criteria. In other words, threshold issues prevent an application from being scored, and that application is rejected for that reason. However, if a project meets all threshold requirements, it also must meet the minimum scoring requirement to qualify for the waitlist or an award. The minimum score threshold

requirement has been taken out of the threshold section and reinforced in the scoring section.

2. A visual diagram of the relationship of any related parties is required.
3. Under the Pre-Application Requirements, attendance at the most recent QAP training was added. Previously this requirement was only a part of the Nonprofit scoring criteria. Now it is required for all applicants AND any nonprofit partners if they want to claim points under that scoring item. We also are adding a note for 4% applications to allow them to take alternate “training”.

J. Allocation Set-Asides – Section III.D. (starts page 20)

Language in the USDA Rural Development set-aside was clarified to accurately reflect the requirements per conversations with USDA.

K. Project Selection Criteria to Implement Housing Priorities – Section III.E. (starts page 21)

Overall scoring minimums were lowered by 7 points, as there was an adjustment of the points available in the Housing Priorities scoring criteria.

Additional proposed scoring changes or clarifications include the following:

1. **Scoring Criterion no. 2-** *Locational Efficiency (starts page 23)*

No scoring change. Previously, the Locational Efficiency point detail was contained in a supplement. In an effort to streamline the application process, this detail was moved to the QAP itself.

2. **Scoring Criterion no. 3** – *Rehabilitation Projects (starts page 24)*

The point categories were amended to allow projects at 21 years to score in this category.

3. **Scoring Criterion no. 4-** *Sustaining Affordability (starts page 26)*

Projects with existing rental assistance contracts on 75 of the units were pulled out of the maximum point category of 15 points, and eligible for only 10 points. Language was added to clarify the requirements to receive points in this category, and made consistent with language in the application checklist and our underwriting guidelines.

4. **Scoring Criterion no. 5-** *Income Level of Tenants (starts page 27)*

Percentages required were amended to allow for projects utilizing the 20/50 set aside to not have an unfair advantage (two percentage levels in Rural areas are not available to those choosing the 20/50 set aside). Also, language was added to close the loophole of projects electing to utilize the Average Income set aside, but only have units under 60% AMI in order to receive maximum points in this category.

5. **Scoring Criterion nos. 8-10-** *Housing Priorities (starts page 29)*

- Threshold scores for all priorities were eliminated, and the maximum scoring for services were leveled to 8 points for each priority.
- Details on all scoring criterion were pulled out of application materials and incorporated into these sections to ensure clarity.
- Additionally, language making sure any units set aside for management were not utilized in the calculation of the targeted percentage of units for the Housing Priorities.

6. **Scoring Criterion no. 12**- *Complete Applications (starts page 41)*
Points were dropped from 5 to 3, recognizing the new scoring from 2019 made this category disproportionately high.
 7. **Scoring Criterion no. 14** – *QCT/Concerted Community Revitalization Plan (starts page 41)*
No scoring change. Language and format was clarified.
 8. **Scoring Criterion no. 17** – *Blighted Building and Brownfield Site Reuse (starts page 42)*
No scoring change. Clarification on requirements that was made through the FAQ process was added.
 9. **Scoring Criterion no. 19** – *Efficient Use of Tax Credits (starts page 44)*
Management units are to be included in the calculation of units.
 10. **Scoring Criterion no. 20** – *Non-Smoking Properties (page 45)*
No scoring change. Additional information was added on how to receive certification and language was clarified regarding the use of electronic cigarettes in properties.
- L. **Content and Format: Complete Applications – Section IV.A.4.d.** (page 49)
MFA will no longer require hard copies to be contained in brown classification folders. Three-ring binders will be accepted. Electronic applications should be submitted to MFA's file sharing site.
- M. **MFA Fees and Direct Costs - Section IV.B.** (starts page 52)
Fees have been increased slightly and 4% applications and 9% applications require the same fee.
- N. **Staff Analysis and Application processing – Section IV.C.** (starts page 54)
An additional hard construction cost per square foot requirement was added, mirroring the total development cost per unit requirement. A waiver was also outlined, if there were extenuating circumstances that increased costs above the limit.
- O. **Feasibility Analysis and Financial Considerations – Section IV.D.** (pages 60 and 62)
 - The reduction of architect fees when the same design has been used has been eliminated.
 - Language was added to explain the rent levels MFA will underwrite to for projects expecting a future project-based voucher award.
- P. **Credit Calculation Method – Section IV.E.3.** (starts page 62)
Language was clarified and updated.
- Q. **Notification of Approval and Subsequent Project Requirements – Section IV.G.3.c., Section IV.G.3.d., Section IV.G.7., and Section IV.G.8.a.** (pages 67, 68, 69 and 70)
 - Language was added to ensure any changes at carryover are highlighted and described, as well as ensuring that any changes following carryover are communicated with MFA.
 - A 12 month age limit for the CNA for rehabilitation and adaptive reuse projects was imposed.
 - A requirement was added to meet with MFA (both Asset Management and Housing Development staff) ahead of lease-up to confirm requirements with both development and management staff.

- The 60 day requirement to receive the final cost certification following Placed-in-Service was removed.

R. **Processing of Tax-Exempt Bond Financed Project Applications – Section VI.B.** (starts page 75)

Language was added to this section detailing the narrative required, which was previously only in the application materials.

S. **Annual Certification Review – Section X.D.18.** (page 80)

An additional requirement of compliance with VAWA, notification of changes of ownership or management, and documentation of the BIN, first year of credit period, and applicable fraction for each building was added to the Review.

T. **Glossary – Section XI.** (pages 88 and 90)

The terms “Hard Construction Costs” and “Management Units” were added.

Other updates

U. *Project Selection Criteria to Implement Housing Priorities – Section III.E.* (starts page 21)

Scoring items have been reformatted for clarity.

Summary:

The proposed changes to the 2020 QAP continue to improve the allocation process. Staff conducted a Developer’s Forum wherein we discussed significant changes to the QAP. New ideas were raised by attendees at the Forum, which were carefully considered. In addition, staff solicited input from staff from departments other than Housing Development.

An initial draft of the 2020 QAP was approved by the Policy Committee and then posted for public comment. Notice of the public hearing was published in three newspapers of general circulation. A 21-day public comment period commenced on September 17, 2019 and closed on October 8, 2019. A total of 20 people/entities submitted written comments to the Draft 2020 QAP. A public hearing was also held on October 2, 2019 for the purpose of accepting oral comments. Four people attended the public hearing and made oral comments, and two people tuned into the webcast.

The comment period is now completed, and staff considered all submitted comments and has recommended additional changes to the 2020 QAP. On October 29, 2019, the Policy Committee reviewed and approved the 2020 Draft QAP. On November 12, 2019, the Finance Committee reviewed and approved the 2020 Draft QAP. Upon approval of the 2020 QAP by the Board on November 20, 2019, MFA will seek the Governor’s approval.

STATE OF NEW MEXICO
HOUSING TAX CREDIT PROGRAM

QUALIFIED ALLOCATION PLAN

Effective as of January 1, 202019



NEW MEXICO MORTGAGE FINANCE AUTHORITY

Approved by Board of Directors on 11-20-2019~~18~~
Approved by the Honorable Governor ~~Susana Martinez~~ Michelle Lujan Grisham on December 21, 2019~~8~~

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I. Background and Purpose of the Qualified Allocation Plan

A. General

This “Allocation Plan” constitutes the “Qualified Allocation Plan” (QAP) for the state of New Mexico and is intended to comply with the requirements set forth in Section 42 of the Internal Revenue Code of 1986¹, as amended, including all applicable rules and regulations promulgated thereunder (collectively, the “Code”). This Allocation Plan applies to all allocations of Low Income Housing Tax Credits pursuant to Section 42 of the Code (hereinafter LIHTC, credits or tax credits) and multifamily private activity tax-exempt bonds made for QAP year 2020².

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

B. Role of MFA

New Mexico Mortgage Finance Authority (MFA) is the Housing Credit Agency (HCA) for the state of New Mexico, responsible for administering the tax credit program and allocating tax credits to eligible New Mexico Projects.² Accordingly, MFA awards tax credits to Projects meeting its Project Selection Criteria, including an annual population allocation, any subsequent carry-forward, returned credits and national pool credits. MFA monitors existing Projects for compliance with Section 42 of the Code; however, MFA does not make any representation to any party concerning compliance with Section 42 of the Code, Treasury regulations or other laws or regulations governing LIHTC. Neither MFA, nor its agents or employees will be liable for any matters arising out of or in relation to, the allocation of LIHTC. All organizations and individuals intending to utilize the LIHTC program should consult their own tax advisors concerning the application of tax credits to their projects and the effect of tax credits on their federal income taxes.

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

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

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

² Additional capitalized terms are defined in **Section XI**, the Glossary.

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

The federal laws governing the tax credit program are subject to change. Final interpretations of certain rules and regulations governing the program may not yet have been issued by the U.S. Department of Treasury. In the event that any portion of this QAP should conflict with Section 42 of the Code, amendments made thereto or federal regulation promulgated thereunder, the federal regulation shall take precedence. If any portion of this QAP is invalid due to such conflict, the validity of the remaining portions will in no way be impacted, affected or prejudiced.

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

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

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

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

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

THAT THE PROPOSED PROJECT SHALL COMPLY WITH THE CODE AND ALL ASSOCIATED REGULATIONS SHALL RESULT IN THE REJECTION OF THE APPLICATION AND PROJECT.

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

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

This document is intended to fulfill requirements one and two above for MFA's tax credit allocation activity in the state, commencing on its effective date. The procedure required in item three above is summarized in **Section X** but published in full under a separate cover and is available upon request.

C. Public Hearings

Following public notice, a draft QAP was made available to the public for comment for a period of 21 days (beginning September 17, ~~2018~~2019 and continuing through October 8, ~~2018~~2019), during which time a public hearing was held on October 2, ~~2018~~2019. MFA accepted written comments during this 21 day comment period and considered comments presented at the public hearing, prior to completion of the plan.

II. Low Income Housing Tax Credit Program Summary

A. General

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

There are numerous technical rules governing a Project's qualification for tax credits. The following subsections of this Section II contain a summary of certain key provisions of Section 42 of the Code and regulations and the tax credit program. Applicants are advised to review Section 42 of the Code directly for further detail. Capitalized terms, when not defined in the text of this document, are defined in **Section XI** or in Section 42 of the Code.

B. Amount of Tax Credit Available Statewide

The state of New Mexico, for the calendar year ~~2019~~2020, will receive a population-based tax credit allocation equal to \$2.~~75625~~8125 per resident. The current year's population estimates, as provided by the Internal Revenue Service (IRS) and the estimated Annual Credit Ceiling, including any carry-forward, returned or national pool credits received by the state, may be found on MFA's website.

C. Equalization of New Construction and Rehabilitation Projects

In order to serve the dual purposes of building new affordable housing units and rehabilitating existing structures to create or preserve affordable housing units, MFA desires to equalize the tax credits awarded in the 9 percent application round based on project type. As such, new construction Applications, including adaptive reuse Applications, will be scored against other new construction Applications and rehabilitation Applications will be scored against other rehabilitation Applications; thus creating two separate tracks or categories for purposes of scoring and reserving tax credits for specific projects. An adaptive reuse project shall be categorized as a new construction Project for purposes of equalization. Up to 50 percent of MFA's available tax credit ceiling (less any forward allocations) will be made available for award to the highest scoring new construction Projects, which includes adaptive reuse Projects. Up to 50 percent of MFA's available tax credit ceiling (less any forward allocations) will be made available for award to rehabilitation Projects. MFA anticipates allocating no more than 50 percent of its available tax credit ceiling (less any forward allocations) to each of these tracks/categories. MFA will award tax credits to the top scoring projects in each track/category, based on their eligibility and requested amount, up to the total amount that is 50 percent of the available tax credit ceiling (less any forward allocations.)

If tax credits remain in either track/category, these remaining tax credits, may, in MFA's discretion, be pooled. Thereafter, MFA may select one or more Projects to be awarded tax credits, including any forward allocation of tax credits. MFA will review the next highest scoring Project in each track/category, and may choose to award additional projects based on credits remaining, and forward allocation abilities. ~~using the following methodology. MFA will review the next highest scoring Project from each track/category and will determine which Project has the highest "proportionate" score; that is, the greater percentage of scoring points achieved versus possible scoring points available in the respective track/category. In the event of a tie in this calculation, the remaining tax credits will be awarded to the new construction Project, which includes adaptive reuse Projects. In the event MFA chooses, in its sole discretion, to forward allocate tax credits to an additional project, the next highest scoring project in the rehabilitation category will be awarded.~~ In the alternative, MFA may determine, in its sole discretion, to not "pool" remaining tax credits and to not forward allocate the following year's

tax credits, even if that means that MFA chooses to not fully allocate any year's Annual Credit Ceiling. Any ~~application of the tie breaker process and/or~~ decision to forward allocate tax credits lies solely within MFA's inherent discretion and is not subject to further review.

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

Should an Application consist of both new construction and rehabilitation, the Project will be classified, for purposes of this section, as new construction/adaptive reuse if 51 percent or more of the total units are newly constructed or constitute an adaptive reuse. Similarly, a Project will be classified as rehabilitation if 51 percent or more of the total units are proposed for rehabilitation. Note that for scoring purposes, the rehabilitation points set forth in Project Selection Criterion No. 3 shall not be made available to a combined new construction/rehabilitation Project should the Project be categorized as a new construction or adaptive reuse Project.

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

D. Nonprofit Allocation Set-Aside

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

For the purposes of identifying Applicants eligible for this allocation set-aside, several requirements must be met, as described in Code Section 42(h)(5). A qualified nonprofit organization is an organization described in Sections 501(c)(3) or 501(c)(4) of the Code and exempt from tax under Section 501(a). The production of decent, safe and affordable housing must be one of the defined goals, objectives or purposes of the nonprofit organization. The nonprofit organization must materially participate in the

Project, meaning that the organization must be involved on a regular, continuous and substantial basis in both the development and operation of the Project during the term of the Compliance Period. The nonprofit must also own an interest in the Project throughout the Compliance Period and may not be affiliated with or controlled by a for-profit organization. An opinion of counsel addressing the status of the nonprofit organization and qualification for the Nonprofit Set-Aside may be required.

E. Minimum Apartment Unit Set-Asides

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

1. 20/50 Election: At least 20 percent of the units in the Project must be rent-restricted to and occupied by households whose income is at or below 50 percent of the Area Gross Median Income (AMI).
 2. 40/60 Election: At least 40 percent of the units in the Project must be rent-restricted to and occupied by households whose income is at or below 60 percent of the AMI.
 3. ~~Income Averaging~~ Average Income (IAI) Election: This election under Section 42 of the IRS Code was authorized by the Consolidated Appropriations Act of 2018. This set-aside allows the Project to serve households up to 80 percent AMI (80%) as long as at least 40 percent of the total units are rent and income restricted **and** the average income limit for all tax credit units in the Project is at or below 60 percent AMI (60%).
 - a. The following applies for this election:
 - ~~i. Projects cannot be an existing LIHTC project.~~
 - i. Income and rent limits **must be in ten percent increments**, and may include 20 percent AMI (20%), 30 percent AMI (30%), 40 percent AMI (40%), 50 percent AMI (50%), 60 percent AMI (60%), 70 percent AMI (70%), or 80 percent AMI (80%).
 - ii. If the Project has an existing LIHTC LURA on the property, both initial set-aside (20/50 or 40/60) and AI set-aside must be met.
 - b. The average of the imputed income limitations designated cannot exceed 60% AMI.
 - ~~b.c.~~ Those projects electing the Average Income set aside must include at least 5% of their units above 60 percent AMI (60%).
 - ~~c.d.~~ All units must be designated with a specific AMI percentage at the time of application.
 - ~~d.e.~~ Unit designations may float, but are subject to the Next Available Unit Rule and the original designations must be maintained throughout the Affordability Period.
- ~~Income averaging~~ Average Income applies to rent and income limits. If a unit has a designated limit of 80% AMI, the maximum rent that can be charged to a household

for that unit is 30% of 80% of AMI. Similarly, if a unit has a limit of 40% AMI, the maximum rent that may be charged is 30% of 40% of AMI.

e.f. Skewing of unit designations is not permitted. Project Owners must disperse unit types across chosen rent/income limits in a way that does not violate Fair Housing. MFA will require reasonable parity between different bedrooms sizes at each income band utilized on the Project.

f.g. The MFA-ordered market study must demonstrate sufficient need at each income level chosen.

g.h. Project Owners of projects with more than one building must elect to treat all of them as part of a multiple building project (checking “Yes” on line 8b of the 8609 form).

h.i. ~~IA-AI~~ Projects may be subject to an increased compliance monitoring fee.

i.j. The MFA shall only accept an Application that chooses the ~~IA-AI~~ election if all units in the Project are rent-restricted to and occupied by households whose income is at or below 80% of AMI. In other words, the MFA will not accept an Application that chooses the ~~IA-AI~~ election if the Project includes unrestricted, market rate units.

j.k. An Application for an ~~IA-AI~~ Project must include within its equity and debt commitment letters confirmation of the utilization and approval of ~~Income Averaging~~ the Average Income set-aside.

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

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

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

Only low income units as determined by the Project’s set-aside election are eligible for tax credits. For example, if the 20/50 Election is chosen, only units that are rent restricted and set aside for tenants whose income does not exceed 50 percent of Area Gross Median Income are qualified as low income units. If the 20/50 Election is chosen, units with income and rent limits above 50 percent of Area Gross

Median Income are not eligible for tax credits. Similarly, if the ~~LA-AI~~ Election is chosen, only units that are rent restricted and set aside for tenants whose income does not exceed 80 percent of Area Gross Median Income are qualified as low income units. The minimum set-aside election is irrevocable under the Code.

F. Rent and Income Restrictions

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

G. General Public Use

Generally, all units, including set-aside units, must be made available to the general public under an initial lease term of at least six months. However, exceptions are made for single room occupancy and transitional homeless facilities.

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

Units set-aside for Project employees ~~i.e. {property managers, maintenance staff, etc.}~~ Management units are not considered residential units, even if rent is collected on the unit, but as facilities "reasonably required" for the project, (Management Units) and should not be included in the applicable fraction as low-income residential space. ~~for which rent is collected will be considered unavailable to the general public and, thus, will be treated as market rate units. Units set aside for Project employees for which rent is not collected will be treated as common area. These units should be described in the narrative and indicated on all appropriate sections of the application as Management Units and must be approved as such by MFA in order to be considered exempt.~~

Projects may set-aside or otherwise have a preference for military veterans that have served in the armed force of the United States and MFA encourages all Projects to develop marketing plans that involve outreach and marketing of units to veterans.

H. Eligible Projects

MFA's tax credit program is intended for rental housing located in the state of New Mexico. Projects may include transitional housing for the homeless, Single Room Occupancy (SRO) projects, senior and other special housing needs projects. Dormitories, "trailer parks" and transient housing (e.g. emergency shelters for homeless persons and families) are ineligible. Proposed Projects must be eligible for an allocation of credits under Section 42 of the Code.

I. Scattered-site Projects

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

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

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

J. Projects Involving Both Rehabilitation of Existing Units and the Construction of New Units Combined Rehabilitation and New Construction Projects and General Guidelines Around Rehabilitation Projects

In accordance with the provisions of this QAP, Projects may combine the rehabilitation of existing residential units with the construction of new residential units. Applications for combined rehabilitation and new construction Projects, however, must submit additional Application materials as provided for in Project Selection Criterion 4, *Rehabilitation Projects* (i.e. separate schedules A and D must be provided for each activity as well as for the entire Project.) Each activity (rehabilitation or new construction) will be evaluated separately, as if each were a separate Project, in regards to *MFA 2020~~19~~ Mandatory Design Standards for Multifamily Rental Housing* (Design Standards) and cost limits provided in Section IV.C.2. Section II.C., above, is applicable to combined new construction and rehabilitation.

For all Rehabilitation Projects, applicants must also submit an accurate, detailed and concise description of the work to be performed by the contractor, the Applicant and any third parties relating to the rehabilitation of the Project. Referred to as the Scope of Work, this submission must identify the work to be performed including any demolition. See MFA 2020 Mandatory Design Standards for Multifamily Housing for more detailed discussion of Scope of Work requirements.

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

1. Describe the following:

- a. Proposed rehabilitation plans, including a detailed discussion of whether the project constitutes a moderate rehabilitation or substantial rehabilitation, the major building systems to be replaced and/or improved, whether the work area exceeds 50 percent of the aggregate area of the building, and how the proposed rehabilitation plans are consistent or inconsistent with the Scope of Work and/or Capital Needs Assessment ("CNA"). Please provide a copy of the CNA if available.
- b. Any capital expenditures made to the project over the past two (2) years and the nature of these capital expenditures.
- c. Any past local, state or federal resources invested in the project.
- d. Any obvious design flaws, obsolescence issues or safety issues.
- e. Any significant events that have led to the current need for rehabilitation, e.g. fire, natural disaster.
- f. Why the project is appropriate for rehabilitation and not demolition;
- g. The physical aspects of the existing building(s), including, but not limited to, structural conditions;

- h. Any relocation issues;
- i. Work performed, including the inclusion of any third part reports, to determine the reasonableness of a rehabilitation versus demolition; and
- j. Preservation of affordability, including any existing federal rental assistance contracts, and the impact of a rehabilitation or demolition on this federal assistance.

2. Address the following:

- a. The anticipated date of site control and whether there is any identify of interest between or among any principal of the seller and buyer.
- b. The 10 year rule.
- c. Current financing on the property or project which will be assumed or paid with LIHTC equity or an MFA-administered funding source. e.g. paid in full vs assumed and current terms.
- d. For projects previously subsidized with tax credits, proof that more than 20 years has passed since the project was Placed in Service (Tax-exempt bond financed projects are excluded from this requirement)

3. For projects involving demolition, provide the following:

- a. Details of what the demolition entails. e.g. interior walls, debris removal, building envelope.

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

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

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

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

The initial Compliance Period for any Project is 15 years. An Extended Use Period also applies to any Project for a minimum of 15 additional years following the expiration of the Compliance Period, during which time transfers and tenant dislocation are limited. The Project Owner shall not sell, assign, convey, transfer or otherwise dispose of the Project or any building in the Project without prior written consent of MFA during the Compliance and Extended Use Periods. By agreeing to an Extended Use Period, the Project Owner and its successors and assigns agree to maintain the Project as a qualified low income housing project (as defined in Section 42(g) of the Code) through the expiration of the Extended Use Period. During the Compliance and Extended Use Periods the Project Owner is prohibited from evicting or terminating tenancy of an existing tenant of any low income unit other than for good cause and/or increasing the gross rent with respect to a low income unit not otherwise permitted by Section 42 of the Code, as applicable throughout the entire commitment period.

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

L. Compliance Monitoring

As of January 1, 1992 the IRS required each HFA to write and implement a Monitoring and Compliance Plan (summarized in Section X.) MFA’s plan includes a combination of Project Owner’s certification of continued compliance and regular property visits for all complete LIHTC Projects. During the property visit, MFA will conduct a compliance audit and a physical inspection. The IRS has provided substantial penalties, including recapture of the tax credits plus interest, for non-compliance with the policies and procedures set forth in Section 42 of the Code and MFA’s Tax Credit Monitoring and Compliance Plan. Monitoring and compliance fees described in **Section IV.B** will be assessed for each year of the Compliance and Extended Use Periods. The fees will be billed annually in December/January for the subsequent year and will be due no later than January 31. Project Owners will be given the option to pay the initial 15 years of monitoring and compliance fees at the time of final allocation application. Failure to pay monitoring and compliance fees within the time frame specified in the invoice will result in MFA’s filing of a “Notice of Noncompliance” (IRS Form 8823) with the IRS and the Principal(s) will be deemed ineligible for additional funding from MFA, including tax credit, for any Projects while the fees remain outstanding.

M. Eligible Basis According to Type of Activity

The “eligible basis” is generally the same as a Project’s adjusted depreciable basis for tax purposes. Fees or points charged to obtain long-term financing, syndication costs and fees and marketing expenses are not included in eligible basis. These ineligible fees, costs and expenses include credit enhancement, credit origination fees, bond issuance costs, reserves for replacement, start-up costs and future operating expenses. Costs related to the acquisition of land, costs attributable to any commercial portion of the property and costs attributable to non-set-aside units that are above the average quality of the set-aside units in the Project are also ineligible. Additionally, federal grants shall not be included in a Project’s eligible basis in accordance with Section 42 of the Code.

1. 9 Percent Projects ~~t~~The eligible basis attributable to new construction or rehabilitation costs for a Project that has units reserved for senior housing, households with children or households with special housing needs and that is not financed with tax-exempt bonds may, may be determined to be eligible for the basis increase (up to 30 percent) if deemed necessary for project feasibility as determined by MFA ~~.in MFA’s sole discretion, based upon a Project’s financial need and provided state housing priorities are advanced, be increased by up to 30 percent and as needed for financial feasibility for the purpose of calculating tax credits.~~

~~1-2.~~ **4 Percent/Tax Exempt Bond Projects** The eligible basis attributable to new construction or rehabilitation costs for a tax-exempt bond financed Project may be determined to be eligible for the basis increase (up to 30 percent) if deemed necessary for project feasibility as determined by MFA ~~may be increased by up to 30 percent and as needed for financial feasibility for the purpose of calculating tax credits~~ **only if the Project is located in a HUD-designated QCT or a HUD-designated Difficult Development Area (DDA.)** Documentation of this status must be included in the application under tab 42. In no case will a Project’s eligible basis attributable to the acquisition of an existing building be increased.

N. Ten-Year Rule

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

O. Federal Grants and Federal Subsidy

The eligible basis of any Project shall not include costs financed with a federal grant. Many federal operating and rental assistance funds are excluded from this provision, as are Native American Housing

Self Determination Act (NAHSDA) funds. Please refer to Section 1.42-16(b) of the Treasury regulations for a complete list of federal assistance waived from this provision.

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

P. Qualified Basis According to Type of Project

The "Qualified Basis" is that portion of the eligible basis attributable to low income units. It is calculated as the smaller of the percentage of low income units in the building or the percentage of floor space devoted to low income units in a building.

Q. Placed in Service Requirement

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

For 9 Percent Projects, Section 42(h)(1)(E) of the Code allows for the allocation or carryover allocation of tax credits to a building that is part of a new construction or rehabilitation Project, with the limitations described in Section 42(h)(1)(E), if an Applicant's qualified expenditures or actual basis in the Project, as of the date which is one year after the date that the allocation was made, is more than 10 percent of the taxpayer's reasonable expected total basis in the Project as of the close of the second calendar year following the calendar year in which the allocation was made. MFA requires evidence of ownership and submission of a complete carryover allocation application by November 15th³ of the year in which the tax credit award was made and evidence of the expenditure of more than 10 percent of the expected basis in the Project by August 31⁴ of the following year. A cost certification detailing the qualified expenditures or actual basis, that make up 10 percent of the reasonable expected basis and a description of Applicant's method of accounting must be prepared by a Certified Public Accountant (CPA) and submitted to MFA at that time. If the complete Carryover Allocation Application, the CPA's Cost Certification, the Attorney's Opinion, in the form required by MFA, regarding the qualification of the Project for tax credits and any other required materials are not received by 5:00 p.m. Mountain Standard Time on the applicable dates noted herein, the Project's credit reservation may be canceled.

³ November 15th is defined in the Glossary.

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

Section 42(h)(1)(E) further allows for a qualified building to be Placed in Service in either of the two calendar years following the calendar year in which the allocation is made.

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

R. Building Classification and Tax Credit Applicable Percentages

The tax credit's applicable credit percentage (i.e., the "4 percent" or "9 percent" credits for which a Project is eligible) is determined by the type of project proposed, its use of federal subsidy or federal grants and the amount of credit necessary to reach feasibility and long-term viability. The rates of 4 percent ~~credits fluctuate based on market conditions. and 9 percent are upper limits of available credits, which fluctuate based on market conditions.~~ The actual "applicable credit percentages" are based on monthly prevailing interest rates that are calculated and published by the U.S. Treasury department as the "applicable federal rate" or "AFR." The Protecting Americans from Tax Hikes (PATH) Act of 2015 permanently locked fixed the floor of the 9 percent credit at 9 percent. 9 percent credits can not be less than 9%. The amount of the annual tax credit is calculated to yield a present value of either 30 percent (in the case of 4 percent credits) or 70 percent (in the case of 9 percent credits) of Qualified Basis, as adjusted by MFA. The applicable credit percentage may be locked in at the Project Owner's option, at the sooner of 1) the month in which the building is Placed in Service or 2) the month in which a binding commitment (carryover allocation) is made for an allocation or, in the case of tax-exempt bond financed Projects, the month the tax-exempt obligations are issued. Listed below are types of projects, which could be considered eligible for the tax credits and the applicable credit percentage for each project type.

1. **New construction.** New construction Projects that are not financed by tax-exempt bonds are eligible for 9 percent credits. Projects financed with tax-exempt bonds are eligible for 4 percent credits only.
2. **Rehabilitation of an existing building.** To qualify for tax credits, rehabilitation expenditures includable in Qualified Basis must exceed the greater of 1) at least 20 percent of the Qualified Basis of the building being rehabilitated or 2) at least \$6,000 per low income unit being rehabilitated. For Projects Placed in Service after 2009, the \$6,000 will be indexed for inflation. The minimum rehabilitation expenditures included in Qualified Basis for Projects Placed in Service in 2017 ~~was is \$6,700~~ is \$6,700,100 per unit. Rehabilitation Projects that are not financed by tax-exempt bonds are eligible for 9 percent credits. Projects financed with tax-exempt bonds are eligible for 4 percent credits only.
3. **Acquisition/rehabilitation of an existing building.** The maximum applicable credit percentage for acquisition of an existing building that will be subsequently rehabilitated is 4 percent. To qualify for tax credits for the acquisition, rehabilitation expenditures includable in the Qualified Basis must exceed the greater of 1) at least 20 percent of the Qualified Basis of the building being rehabilitated or 2) at least \$6,000 per low income unit being rehabilitated. For Projects

Placed in Service after 2009, the \$6,000 per low income unit figure will be indexed for inflation. The minimum rehabilitation expenditures included in Qualified Basis for Projects Placed in Service in 202017 was is \$6,7007,100 per unit. Rehabilitation expenditures associated with acquisition of an existing building can qualify for the 9 percent tax credits as long as the rehabilitation expenditures are not funded with tax-exempt bonds. Projects financed with tax-exempt bonds are eligible for 4 percent credits only.

4. **Federal grant financed Projects with reduction in eligible basis.** In the case of a Project financed with federal grants, whether a newly-constructed or rehabilitated building, the Project Owner shall exclude the amount of the federal grants from eligible basis.

S. Audit Requirements

Beginning with issuance of the Reservation contract and Reservation letter by MFA and during the entire term of the Compliance and Extended Use Periods, MFA reserves the right, under the provisions of Section 42 of the Code, the Project's Land Use Restriction Agreement (LURA), and in accordance with its inherent discretion, to perform an audit or other related procedures of any project that has received an allocation of tax credits. Projects selected for audit or other related procedures may be chosen at random or based on MFA's discretion. An audit or other related procedure may include, but is not limited to, an on-site inspection of all buildings, and a review of all records and certifications and other documents supporting criteria for which the Project Owner received points in the Application for an allocation of tax credits. In addition, MFA reserves the right to audit all costs of a Project, including invoices, all third- party contracts, e.g. construction contract(s), management contract(s), architect and other professional contract(s), all construction pay applications and back up documentation (including, but not limited to, subcontractor invoices), and any other documents deemed necessary to perform the above.

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

III. Housing Priorities and Project Selection Criteria

A. Needs Analysis

This plan is consistent with the needs analysis of the state of New Mexico Consolidated Plan for Housing and Community Development and 2018-2019 Action Plan. Housing priorities stated in the Consolidated Plan include increasing the supply of decent, affordable rental housing, expanding housing opportunities and access for individuals with special needs, expanding the supply of housing and services to assist the homeless and preserving the state's existing affordable housing stock.

B. Housing Priorities

The following priorities are to be used by MFA in the distribution of tax credits and are reflected in the allocation set-asides and Project Selection Criteria used to rank competitive Projects. These priorities include the following:

1. Levels of affordability in excess of the minimum requirements, through one or more of the following:
 - a. Higher numbers of set-aside units; and/or
 - b. Rents set to serve lower income tenants, for example, tenants earning no more than 40 percent or 30 percent of median income; and/or
 - c. Extended Use Periods longer than the 30-year minimum.
2. Provision of affordable housing to households on public housing waiting lists;
3. Maximizing leverage by obtaining other public or private non-equity program resources;
4. An equitable distribution of tax credits throughout all parts of the state where affordable housing is needed;
5. Provision of housing to serve documented senior and households with special housing needs, tenant populations of households with children, projects intended for eventual tenant ownership and under-served urban and rural areas;
6. Nonprofit development;
7. Production of housing with high quality design and construction;
8. Production of projects that are located in QCTs and which projects contribute to the development of a Concerted Community Revitalization Plan;
9. Provision of housing that is energy efficient or historic in nature; and
10. Efficient use of scarce resources including tax credits, measured through lower development costs or other means.

C. Minimum Project Threshold Requirements

All tax credit Applications must meet each of the following requirements, in addition to the eligibility requirements of Section 42 of the Code. MFA will use the deficiency correction process as described in **Section IV.C.5** to allow Applicants to correct deficiencies related to site control, zoning and fees (requirements 1-3 below.) All other threshold requirements are not correctable and initial Applications not meeting those requirements will be rejected. Applications not meeting site control, zoning and fee requirements will be rejected if they are not corrected within the time period allowed in Section IV.C.5.

1. **Site control.**
 - a. Site control for all of the property needed for the Project must be evidenced by:
 - i. A fully executed and legally enforceable purchase contract or purchase option and/or a written governmental commitment to transfer or convey the property to the Applicant or Developer or Project Owner by deed or lease that demonstrates Applicant or Developer or Project Owner will possess a qualified leasehold interest upon execution of the lease, (collectively termed a “transfer commitment”). If a

transfer commitment is submitted, the commitment must provide for an initial term lasting at least until July 31 of the year in which the allocation is made (“initial term.”) **This initial term must not be conditioned upon any extensions requiring seller consent, additional payments, financing approval, tax credit award or other such requirements.** Similarly, the transfer commitment must not require any additional actions on behalf of Applicant during the initial term which could allow the seller/lessor to terminate the transfer commitment if the action is not fulfilled by Applicant. If the transfer commitment requires an escrow payment or other deposit due and payable after signing, evidence that payment was received must be included in the initial Application; or

ii. A recorded deed or recorded lease demonstrating that Applicant possesses a qualified leasehold interest.

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

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

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

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

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

~~4. **Minimum Project score.** The Project must achieve at least a minimum score established in the Project Selection Criteria established in accordance with Section III.E below.~~

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

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

7.6. Pre-Application Requirements.

- a. Intent to Submit- In advance of submitting the entire Application package on February 142, 20192020, Applicants must submit an Intent to Submit a Tax Credit Application and Development Synopsis on or before January 243, 20192020. (See Application Attachments Checklist for form.) This submission is a mandatory requirement for the 2019-2020 competitive LIHTC Application round. Information contained within the Intent to Submit will be posted on the MFA website following submission.
- b. ~~b.~~—All tax-exempt bond financed Projects are required to meet with MFA staff at least 30 days prior to submission to review and discuss the proposed Project. MFA desires and encourages all Applicants for the 202019 competitive LIHTC Application round to meet with MFA staff during the fourth quarter of 201918 to discuss their Project.
- c. A representative of the development team (board member, officer, director, commissioner or staff) must have attended the most recent MFA QAP training prior to submitting the Application. If the development team includes a qualified, nonprofit organization, NMHA, TDHE or THA, (board member, officer, director, commissioner or staff) a member of that organization must have attended in order to claim points under Scoring Criteria 1.

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

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

D. Allocation Set-asides

1. **Nonprofit set-aside.** Ten percent of the annual credit ceiling for each calendar year will be reserved for Projects sponsored by qualified nonprofit organizations as defined in Code Section 42(h)(5)(C). For purposes of this set-aside, only federal requirements identified in Code Section 42(h)(5) will apply. The aggregate amount of tax credits allocated by MFA to qualified nonprofit organizations may exceed this amount.
2. **USDA Rural Development set-aside.** Ten percent of the annual credit ceiling will be set aside for new construction Projects with direct USDA Rural Development (USDA-RD) financing (USDA-RD 514/515/516 and MPR programs) that meet the following requirements:
 - a. The initial Application for **new construction** Projects must include either the following:
 - i. A financing commitment for the direct USDA-RD financing. **Financing commitments and evidence of USDA-RD debt restructuring must include loan interest rate, term and repayment requirements, OR-**
 - ii. A letter from an authorized officer of the New Mexico USDA-RD office stating that:
 - ◆ The Project has been reviewed
 - ◆ USDA-RD favorably considers the proposed transaction
 - ◆ Upon approval of a complete Application to Rural Development and an award of tax credits, USDA-RD will submit the file to its national office in Washington, DC and recommend final approval of the transaction.
 - b. The Project's score must be within 20 percent of the highest scoring Project to be awarded tax credits through the ranking process in the same funding round.

Please note that USDA will not approve an application for a Section 514 farm labor housing loan unless the Applicant is a non-profit.

3. **Ranking to meet allocation set-asides.** If the scoring and ranking process, without regard to the nonprofit set-aside, does not result in awards to Projects sponsored by qualified nonprofit organizations sufficient to fill the nonprofit set-aside requirement, the next highest scoring, qualified nonprofit organization eligible Projects will receive awards sufficient to fulfill that requirement ahead of the lowest scoring Projects that would otherwise have received an award. If there are insufficient qualified nonprofit organization eligible Projects to meet the nonprofit

set-aside, the unallocated nonprofit set-aside tax credits cannot be allocated to other eligible Projects. A similar procedure will be used to meet the USDA-RD set-aside; however, if there are insufficient USDA-RD eligible Projects to meet the USDA-RD set-aside, any unallocated USDA-RD tax credits may be used for other eligible Projects. In addition, if the top scoring Project qualifying for the USDA-RD set-aside is awarded less than 10 percent of the annual credit ceiling but there are insufficient tax credits remaining to fully fund a second project under the set-aside, only the top scoring Project will be awarded tax credits under the set-aside.

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

E. Project Selection Criteria to Implement Housing Priorities

The criteria shown below are the basis for the awarding of points to a particular proposed Project during the Application round(s) conducted by MFA. Applicants may not rely on prior submissions or prior scoring to support a re-submission of an Application. In addition to meeting the above mentioned threshold requirements, tax credit reservations will not be awarded to 9 percent Projects achieving fewer than eighty-five (8578) points- unless too few Projects score above this level and MFA, in its reasonable judgment, decides to reduce the minimum score. Projects scoring eighty-five (8578) or more points will be ranked according to their scores and in accordance with Section II.C. herein, subject to allocation set-aside requirements. Reservations will be made to these Projects, unless they are eliminated under threshold review or subsequent processing, starting with the highest scoring Projects, all in accordance with Section II.C. herein, until all available tax credits are used. In order to avoid a concentration of tax credit awards in a particular year in any particular municipality, county or market area, MFA reserves the right, in its sole discretion and as a part of its subsequent processing, to eliminate a lower scoring Project which is located in the same municipality, county or market area as a higher scoring Project provided the lower scoring Project is “similar” in terms of construction type and/or resident population served.

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

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

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

inconsistent with the objectives of this QAP or prudent business practices regardless of the Project's numerical ranking.

Tax-exempt bond financed Projects will also be scored and must obtain the minimum score of at least seventy (70~~63~~) points in order to obtain a Letter of Determination. Included within those minimum points must be points for serving a targeted population (households with special housing needs, senior housing or households with children.)

Project Selection Criterion

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

Tier 1: 10 points

Tier 2: 5 points

Tier 1: Local nonprofits (as that term is defined in this criterion below), NMHAs, TDHEs and THAs that demonstrate financial capacity by having net worth/net assets of at least \$1,000,000 will qualify for 10 points. Nonprofits, NMHAs, TDHEs and THAs with net worth/net assets below \$1,000,000 may partner with another entity to increase the general partners combined net worth above this threshold.

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

For any entity to claim points under this scoring criterion, the qualified, nonprofit organization, NMHA, TDHE or THA must own at least 51 percent of the general partner interest and be receiving a minimum of 10 percent of the developer fee as identified in the Project Application. The developer fee calculation is made before any reduction for consultant fees. When more than one entity is receiving a portion of the developer fee, documentation will be required evidencing the agreement among the entities as to the fee split arrangement. Also, the Application must include evidence that a representative of the qualified, nonprofit organization, NMHA, TDHE or THA (board member, officer, director, commissioner or staff) has attended the most recent MFA QAP training and/or other MFA-approved tax credit training prior to submitting the Application. This approved training must have been completed within the six months prior to submittal of the Application.

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

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

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

2. Locational Efficiency

Up to 4 points

Projects located in proximity and connected to 1) services or 2) public transportation are eligible for up to two points for each of these criteria.

In addition to completing the *Locational Efficiency Scoring Worksheet* included in the application package, two maps must be submitted. Each of the maps shall be used to illustrate the Project compliance with the Locational Efficiency criteria. Each map shall include the scale, cardinal direction on the drawing, the appropriate perimeter rings (.25-mile, .5-mile, 1-mile, and/or 2-mile), and the property shall be indicated in red.

Projects seeking to use **Rural / Tribal / Small Towns** Locational Efficiency criteria must provide a map indicating the location of the proposed project and 1) USDA RHS eligibility, 2) Tribal Trust Land boundary, or 3) colonias boundary. Initial Applications that do not include a map demonstrating eligibility for **Rural / Tribal / Small Towns** classification will be scored using the **Suburban / Mid-Size Towns** Locational Efficiency criteria.

Proximity to Services (2 Points)

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

–**Suburban / Mid-Size Towns**: a 0.5-mile walk distance to at least three facilities, or a 1-mile walk distance to at least six facilities. For the 0.5-walk distance facilities, at least one of these facilities must be in the Retail or Services categories below. For the 1-mile walk distance facilities, at least two of these facilities must be in the Retail or Services categories below.

–**Rural / Tribal / Small Towns**: 2 miles walking distance to at least two facilities. At least one of these facilities must be in the Retail or Services categories below.

<u>Retail</u>	<u>Services</u>	<u>Civic and Community Facilities</u>

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

Access to Public Transportation (2 Points)

Locate project within a 0.25-mile walk distance of commuter bus (i.e. not Greyhound) or commuter rail stop. Public transportation must be established and provided on a fixed route with scheduled service. Alternative forms of transportation may be acceptable provided sufficient documentation is provided that establishes the alternate form of transportation is acceptable to MFA. For example, projects on tribal land with established “on call” transportation programs that provide the users a choice of local destinations shall be considered “public transportation.” A future promise to provide service does not satisfy this scoring criterion.

3. Rehabilitation Projects

Up to 5 Points

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

To be eligible for points under this criteria, Projects must incur average rehabilitation construction costs of \$25,000 per unit or more for moderate rehabilitation or \$45,000 per unit or more for substantial rehabilitation, and more than 20 years must have elapsed since issuance of certificates of occupancy or the units were Placed in Service and/or it has been 20 years since the Project’s prior rehabilitation

utilizing tax credits as a source of funding was finished and those units were Placed in Service (together, this prerequisite is referred to as the “20-year requirement.”) A limited exception to this 20-year requirement is available when a sale or transfer of Project ownership to an unrelated third party has occurred. A capital needs assessment (CNA) documenting rehabilitation needs of the Project will be required at time of Application when an Applicant is requesting an exception to the 20-year requirement. A CNA will be required at carryover for all other rehabilitation Projects. In all cases, the CNA will be reviewed and must support the scope of work outlined in the Application. Professionals performing the CNA must meet the minimum qualification/certification requirements set forth by MFA as defined in the Design Standards. (Rehabilitation Projects are also subject to the Qualified Basis limits outlined in Section II.R.2. & 3.)

In combined new construction and rehabilitation, rehabilitated units must account for the greater of at least 25 percent of the total units or 15 units. The separation of rehabilitation costs and new construction costs must be designated in the Application on separate Schedules A and D (i.e., the Application must include a Schedule A and D for the entire Project, a Schedule A and D for the rehabilitation costs and a Schedule A and D for the new construction costs.) All schedules must reconcile. The addition of common space to an existing Project is not considered new construction.

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

≥ 21 years - 1 point

≥ 23~~2~~ years - 2 points~~1 point~~

≥ 25~~4~~ years - 3~~2~~ points

~~≥ 26 years - 3 points~~

≥ 27~~8~~ years - 4 points

≥ 29~~30~~ years - 5 points

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

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

MFA reserves the right to request additional information or documentation regarding the scope of work.

4. Sustaining Affordability

5, 10, or 15 Points

Projects which meet one of the criteria listed below are eligible for 15 points:

1. Previously subsidized existing Projects that are currently restricted but for which use restrictions are to expire on or before December 31, ~~2024~~2023 or
2. Existing Projects that are currently subsidized and eligible for prepayment and termination of their use agreement or LIHTC projects that are eligible to make a Qualified Contract request ~~on or before December 31, 2023~~ or
3. Projects that ~~have or~~ will have a federal rental assistance contract covering at least 75 percent of all units.

Projects that have a federal rental assistance contract covering at least 75 percent of all units are eligible for ten points.

Projects that have or will have a federal rental assistance contract covering at least 20 percent of all units are eligible for five points.

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

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

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

~~Other the additional materials required to obtain these points.)~~

5. *Income Levels of Tenants*

12, 14 or 16 points

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

- A. For any Project located within an Urban Area that proposes to use either the 20-50 or 40-60 election under §42(g)(1)(A) or §42(g)(1)(B) of the Code, respectively:
- At least 40 percent of all Low-Income Units at 50 percent or less of Area Gross Median Income (16 points);
 - At least 30 percent of all Low-Income Units at 50 percent or less of Area Gross Median Income (14 points); or
 - At least ~~25~~30 percent of all Low-Income Units at 50 percent or less of Area Gross Median Income (12 points).
- B. For any Project not located within an Urban Area that proposes to use either the 20-50 or 40-60 election under §42(g)(1)(A) or §42(g)(1)(B) of the Code, respectively:
- At least ~~25~~30 percent of all Low-Income Units at 50 percent or less of Area Gross Median Income (16 points);
 - At least 15 percent of all Low-Income Units at 50 percent or less of Area Gross Median Income (14 points^{*}); or
 - At least 10 percent of all Low-Income Units at 50 percent or less of Area Gross Median Income (12 points^{*}).
- ^{*}Projects electing the 20-50 set aside are not eligible for these point categories]
- C. For any Project located within an Urban Area that proposes to use the Average Income Election under §42(g)(1)(C) of the Code:
- The Average Income for the proposed Project will be 54% or lower (16 points);
 - The Average Income for the proposed Project will be 55% or lower (14 points); or
 - The Average Income for the proposed Project will be 56% or lower (12 points).
- D. For any Project not located within an Urban Area that proposes to use the Average Income Election under §42(g)(1)(C) of the Code:
- The Average Income for the proposed Project will be 55% or lower (16 points);
 - The Average Income for the proposed Project will be 56% or lower (14 points); or
 - The Average Income for the proposed Project will be 57% or lower (12 points).

For Projects applying to receive points under Income Levels of Tenants ~~A and B above~~, Applicants should not include Management Units ~~provided for managers or maintenance staff~~ in the calculation for percentage of units at or below 50% of Area Gross Median Income (i.e. – manager and maintenance residential units should not be included in the denominator of the calculation).

Those projects electing the Average Income set aside must include at least 5% of their units above 60 percent of Area Gross Median Income.

Projects that receive points under Income Levels ~~of Tenants C and D~~ and utilize the Average Income set aside above may not receive points under Evaluation Criteria 6 below-.

Maximum points that may be awarded under the Income Levels of Tenants Scoring Criterion and the Projects that Incorporate Market Rate Units Scoring Criterion combined is 16.

6. Projects that Incorporate Market Rate Units

4 Points

Projects that incorporate market rate units equal to at least 15 percent of the total units.

Projects that ~~receive points under Income Levels of Tenants C and D~~ utilize the Average Income set aside above may not receive points under Projects that Incorporate Market Rate Units.

Maximum points that may be awarded under the Income Levels of Tenants Scoring Criterion and the Projects that Incorporate Market Rate Units Scoring Criterion combined is 16.

For purposes of this housing priority, total units does not include Management Units.

7. Projects Committed to a longer ~~Extended Use Period of the Following:~~

5 Points

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

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

8. Households with Special Housing Needs Housing Priority

Up to ~~5~~ or ~~15~~8 Points

Due to restrictions within the USDA program, this selection criterion is not available to Projects involving USDA-RD rental assistance. Projects in which units are reserved for households with special housing needs are eligible for points as follows:

Option A: 20 percent of total units reserved for households with special housing needs (see definition in Glossary). To be eligible for points under this option, at least 10 percent of the total units in the Project must be rent restricted at 30 percent of Area Median Income (AMI) or have permanent rental subsidy support with a project-based federal rental assistance contract that ensures residents do not pay rent in excess of 30 percent of their adjusted income.

Option B: 5 percent of total units reserved for households with special housing needs and 5 percent of the total units rent restricted at 30 percent of AMI. (This option will not receive points for additional services from the chart below.)

~~For purposes of this housing priority, total units includes non-revenue generating units i.e. manager's units.~~

For purposes of this housing priority, total units does not include Management Units.

Part I: Threshold Requirements (applies to Options A and B)

Project Applicants requesting consideration for points for Project in which units are reserved for Households with Special Housing Needs (Scoring Housing Priority no. 8) are required to submit a Service Coordination Plan ("Plan"), which Plan demonstrates satisfaction of items A, B, C and E below. The Plan, along with required reporting described in Section D below, shall be satisfied in order to achieve threshold and obtain five scoring points.

A. Service Coordination-

1. A minimum of four hours per week of onsite Service Coordination provided by the service coordinator for properties up to 20 units, with an additional one hour per week for every five units over 20. Service coordinator must be in addition to the property manager. Duties of the service coordinator include, but are not limited to:
 - a. Providing residents with information about available onsite and community services;

- b. Assisting residents in accessing available services through referral and advocacy;
 - a. Arranging for access to transportation; and
 - b. Organizing community-building and/or other enrichment events for residents (i.e. holiday events, resident counsel, etc.)
- 2. Adequate space to meet with residents that provides for confidential conversations and maintenance of secure records.
- 3. Access to telephone and internet services when meeting with residents for the purpose of coordinating services. Use of a smart phone and tablet is acceptable.
- 4. Meeting with residents requiring services within 60 days of move-in and semi-annually thereafter.
- 5. Provide follow up as needed to address resident's needs.

B. Coordinated Services-

- 1. Coordination of at least two services/programs to be offered on a monthly or quarterly basis, onsite, online, or in close proximity to the project (within ½ mile accessible walking distance or with free transportation provided.)
- 2. Services must be provided to residents at little or no cost. Services may not be provided by property management staff. While in limited circumstances some services may be provided by the service coordinator, the service coordinator's resume and a description of the experience the service coordinator has in providing the services must be provided with the application. Appropriate services will do one or more of the following:
 - a. Increase resident knowledge of and access to available services.
 - b. Help residents maintain stability and avoid eviction.
 - c. Build life skills.
 - d. Increase household income and assets.
 - e. Increase health and well-being.
 - f. Improve educational success of children and youth.
- 3. **Examples** of services that meet the threshold requirement are listed below, but other services will be considered. One of the two services must be provided at least quarterly by qualified personnel.
 - b. Literacy/language training;
 - c. Personal safety (fire, identity theft, scams, drug awareness, self-defense, etc.);

- d. Financial fitness (budgeting, money management, credit counseling, entitlement assistance/benefits counseling, etc.);
- e. Income and asset building (job coaching, homebuyer education);
- f. Life skills (communication skills, conflict resolution/mediation training, training in personal hygiene, self-care and housekeeping, etc.).

Note that any services selected undertaken to meet threshold shall not be eligible for additional ten points described in Part II below.

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

C. Marketing -

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

D. Reporting Requirements-

- 1. Project Owners will be required to submit an annual certification of:
 - a. The number of hours of onsite Service Coordination and coordinated services provided,
 - b. The number of residents served by each, and
 - c. The results of the annual survey.

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

a. Agreement for services on file, if any,

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

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

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

Part II: Scoring Points for Projects selecting Option A (up to 8 points):

<u>Applicants may choose from the following services to qualify for up to 10 additional points for providing services.</u>	
<u>Food pantry</u> - onsite, or contiguous and accessible to the property and of adequate size with reasonably sufficient quantities of food, both perishable and non-perishable.	<u>2</u>
<u>Free transportation services</u> to support medical and social service needs – minimum 2 days per week. Bus passes are not sufficient to satisfy this scoring item.	<u>5</u>
<u>Health Promotion/disease prevention/wellness classes or blood pressure or other health screening-</u> provided at least every two months onsite and provided by a qualified service provider. Any health services must be provided by a licensed individual or organization. Examples include substances abuse counseling, crisis prevention and intervention, mental health counseling/therapy, etc.	<u>3</u>
<u>Case management services</u> – provided onsite by a qualified service provider to a majority of the special housing needs residents on a voluntary and as-needed basis but at least quarterly.	<u>5</u>
<u>Other - MFA approved service. Must be approved by MFA in writing one month before Application due date.</u>	<u>1-2 Points each as deemed appropriate</u>

For services provided by a qualified service provider, application must include an MOU between the Project Owner and the service provider(s) describing their expertise with providing services, the planned description and delivery of services, and the staff capacity for providing ongoing case management. Qualified service providers shall have a minimum of three years of experience providing a service or assistance to persons with special housing needs.

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

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

To receive points for this housing priority, the initial Application shall include a completed Service Coordination Certification, on the template provided in the applicable Application Attachments Checklist, demonstrating how units will be marketed and made available to households with special housing needs, among other items.

Applicants are required to score a minimum of the five points for Threshold Requirements as found in the Service Coordination Certification in order to elect to serve households with special housing needs. Selection of either Option A or Option B requires submission of a completed Service Coordination Certification along with a proposed budget. In addition, Applicants must indicate on the Application form and Schedule B, Unit Type and Rent Summary that 10 percent or 5 percent in accordance with the election of Option A or B above, of the total units will be rent restricted at 30 percent of AMI or include a copy of the federal rental assistance contract that covers at least the minimum percentage of the total units required by the election made. In addition, Applicants selecting Option A may elect additional points as described below:

Food pantry—onsite, or contiguous and accessible to the property and of adequate size with reasonably sufficient quantities of food, both perishable and non-perishable.	2 points
Free transportation services to support medical and social service needs —minimum 2 days per week. Bus passes are not sufficient to satisfy this scoring item.	5 points
Health Promotion/disease prevention/wellness classes or blood pressure or other health screening — provided at least every two months onsite and provided by a qualified service provider. Any health services must be provided by a licensed individual or organization. Examples include substance abuse counseling, crisis prevention and intervention, mental health counseling/therapy, etc.	3 points
Case management services — provided onsite by a qualified service provider to a majority of the special housing needs residents on a voluntary and as-needed basis but at least quarterly.	5 points
Other — MFA approved service. Must be approved by MFA in writing one month before Application due date.	1-2 Points each as deemed appropriate

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

~~For services provided by a qualified service provider, an Application must include an MOU between the Project Owner and the service provider(s) describing their expertise with providing services, the planned description and delivery of services, and the staff capacity for providing ongoing case management. Qualified service providers must have a minimum of three years of experience providing a service or assistance to persons with special housing needs.~~

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

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

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

9. *Projects Reserved for Seniors Housing Priority*

Up to ~~15~~ 8 Points

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

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

Applicants are required to submit Fair Housing Act Certification for Senior Housing Facilities. a Certification for Projects Reserved for Seniors Housing Priority Scoring Detail/Commitment. For purposes of this housing priority, total units does not include Management Units.

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

Housing priority points will be awarded based on the Project first meeting the requirements above. Additional points may be awarded for enrichment service activities as listed below. To receive additional points under this housing priority, the Project Owner must certify that a service coordinator will be on-site a minimum of two days per week for a cumulative minimum of ten hours per week and the Project must include adequate common space for the provision of the proposed enrichment services. The service coordinator must be in addition to the property manager. Enrichment services must be optional to the residents and offered on-site, for the exclusive use of only those residents living at the site, and be actively linked to the Project, not simply available to the community at-large. The proposed Project annual operating budget must include sufficient costs to cover the selected services, and be detailed out in the submitted budget for serving this Housing Priority~~The proposed Project annual operating budget must include at least \$2,500 for the provision of enrichment services.~~

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

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

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

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

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

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

Housing priority and design requirements met (must be met to be eligible for further points in this category)	<u>Required</u> 7 points
Community building and all units incorporate universal design (must be evidenced in plans and specifications)	3 points
Service enrichment scoring (requires service coordinator for point awards):	
Providing one prepared meal on a daily basis, available to all tenants at little or no cost to tenants	2 points (congregate meals) 1 point (meal service)
Bi-monthly health and nutrition education. Examples include, but are not limited to, fitness classes, walking programs, seminar instruction on cooking for one, information on the Supplemental Nutrition Assistance Program (SNAP.)	1 point
Quarterly blood pressure or other health screening	1 point
Quarterly computer training	1 point
Social events designated to provide engaging activities for residents "build community" such as holiday potlucks, arts and crafts events, book clubs, creative writing, bingo and other games, field trips to the movies or a museum or other place of interest, etc. Bi-monthly or six per year (qualified service provider not required)	1 point
Beyond Financial Literacy – financial counseling and tax preparation-	1 point

educational programs to occur quarterly and focus on one or more of the following topics: budget counseling, financial planning assistance, credit score counseling, avoiding credit traps, income tax preparation in partnership with CPAs or a VITA program or local community college.	
Gardening: delivery of at least four monthly gardening classes per year during the growing season by a qualified instructor plus provision of gardening space of at least three square feet per unit for at least 50 percent of the units in the Project.	1 point
Estate Planning and End of Life Planning – educational programs to occur quarterly and focus on one or more of the following topics: 1) estate planning 101 – what is and do you need the following: advance health care directive (living will; durable power of attorney for healthcare and HIPAA release; durable power of attorney for finances; a will and revocable living trust; 2) What is hospice and does Medicare cover this?; 3) Probate: what is it and how to avoid it; and 4) funeral planning.	1 point
Other - MFA approved service. Must be approved by MFA in writing one month before Application due date.	1-2 Points each as deemed appropriate

10. Households with Children Housing Priority

Up to ~~15~~ 8 Points

Projects in which 25 percent of all units are reserved for households with children are eligible for points as described below:

In addition to meeting MFA's Mandatory Design Standards, ~~f~~For new construction Projects, at least 10 percent of the total units must have three or more bedrooms with at least 1.75 bathrooms and a further 15 percent of the total units must have two ~~or more~~ bedrooms with at least 1.75 bathrooms. For rehabilitation Projects, 30 percent of the total units must have at least two bedrooms. For Projects that combine rehabilitation and new construction, all units added to existing properties must have ~~at least~~ two bedrooms with 1.75 bathrooms and ~~for~~ three bedrooms with 1.75 bathrooms until the percentages required for new construction Projects are met for the Project overall. All Projects must include adequate common space for the provision of the proposed enrichment services. The Applicant must provide a description of the Project's specific design elements that serve the needs of households with children.

For purposes of this housing priority, total units does not include Management Units.

~~For purposes of this housing priority, total units includes non-revenue generating units i.e. manager's units.~~

Housing priority points will be awarded based on the Project meeting the requirements above, through the selection of. ~~Additional points may be awarded for~~ enrichment service activities as listed below. To

receive ~~additional~~ points under this housing priority, the Project Owner must certify that a service coordinator will be on-site a minimum of two days per week for a cumulative minimum of ten hours per week. The service coordinator must be in addition to the property manager. Enrichment services must be optional to the residents, offered on-site and be actively linked to the Project, not simply available to the community at-large. The proposed Project annual operating budget must include sufficient costs to cover the selected services, and be detailed out in the submitted budget for serving this Housing Priority. The proposed annual Project operating budget must include at least \$2,500 for the provision of enrichment services.

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

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

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

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

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

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

Housing priority and design requirements met (must be met to be eligible for further points in this category)	<u>Required</u> 7 points
Service enrichment scoring (requires service coordinator for point awards):	
Bi-monthly health and nutrition education, including but not limited to, fitness classes, walking programs, seminar instruction on meals in minutes.	1 point
Semi-annual CPR training	1 point
Quarterly blood pressure or other health screening	1 point
Quarterly computer training	1 point
Weekly tutoring during school year	1 point
Quarterly job training, search assistance and/or placement	1 point
Gardening: delivery of at least four monthly gardening classes per year during the growing season by a qualified instructor plus provision of gardening space of at least three square feet per unit for at least 50 percent of the units in the Project.	1 point
Food resources program: a monthly program offering two of the following: 1) assistance and referral with applications for SNAP, (USDA), 2) youth summer lunch program (USDA) (daily when school is not in session) or 3) after-school snack program twice a week.	1 point
Youth character building: a program occurring at least quarterly that will provide teens with group education covering a range of topics including drug prevention, self-defense, safe internet behavior, non-violence and teen dating, teambuilding, goal setting, basic teen financial literacy and referral to job training and alternative education resources.	1 point
Beyond financial literacy: financial counseling and tax preparation; educational programs to occur quarterly and focus on one or more of the following topics: budget counseling, financial planning assistance, credit score counseling (restoring credit and avoiding credit traps), homebuyer education and down payment assistance, income tax preparation in partnership with a certified public accountant or VITA program or community college.	1 point
Other - MFA approved service. Must be approved by MFA in writing one month before Application due date.	1-2 Points each as deemed appropriate

11. Leveraging Resources

Up to 10 Points

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

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

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

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

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

12. Complete Applications

5-3 Points

Points are awarded to initial Applications that meet all the standards described in Section IV.A.4 under “Content and Format” when initially submitted and that do not require any deficiency corrections. In addition, the following are necessary for a Complete Application: (i) all MFA Schedules must be fully completed, using the current year’s published forms and schedules, and contain accurate and consistent information/data, including, but not limited to, accurate and complete information contained in any Schedule and the “other” categories; (ii) Applicant shall adhere to MFA’s published Underwriting Supplement, unless a waiver has been granted by MFA, when completing Schedules; (iii) all information contained in the Application must match and be consistent with all other information in the Application, including, but not limited to, square footages in the Rental Development Project Application and Architect’s drawings and specifications; (iv) the electronic and hard copy Applications must match; and (v) any narratives submitted must be accurate, complete and concise and contain the requested information .

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

2 Points

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

14. QCT/Concerted Community Revitalization Plan

3 or 5 Points

~~Projects that meet the criteria listed below are eligible for 5 points:~~

1. ~~The Project is located in a QCT and~~

2. ~~Projects are eligible for 3 points if a) t~~The Project is ~~a) also~~ located in an area covered by a Concerted Community Revitalization Plan and the development of the proposed Project contributes to the Concerted Community Revitalization Plan by engaging in a housing activity promoted in the plan or b) the proposed Project is ~~also~~ located within ½ mile of a New Mexico designated MainStreet area.

The Project is eligible for an additional 2 points if ~~eligible for these 3 points and~~ it is ~~also~~ located in a QCT.

~~Projects that are not in a QCT but are either a) located in an area covered by a Concerted Community Revitalization Plan and the development of the proposed Project contributes to the Concerted Community Revitalization Plan by engaging in a housing activity promoted in the plan or b) are located within ½ mile of a New Mexico designated MainStreet area are eligible for 3 points.~~ For scattered site projects, all of the scattered sites comprising the Project need to be located in a QCT and/or located in an area covered by a Concerted Community Revitalization Plan, and all sites must contribute to the Plan to be eligible for points.

A list of New Mexico designated MainStreet areas is located at <http://www.nmmainstreet.org>

15. Projects with Units Intended for Eventual Tenant Ownership

5 Points

Projects in which at least half of the units are intended for eventual tenant ownership are eligible for points under this criterion, provided the Applicant commits to a minimum Extended Use Period of 15 additional years beyond the Compliance Period. The Project design must be conducive to this purpose, using single family homes, duplexes and/or townhomes that have individually-metered utilities and public streets. This commitment will be evidenced by submission of a long-range Tenant Conversion Plan at initial Application and will be documented in the LURA. The Tenant Conversion Plan, which must be reasonably acceptable to the MFA in order to receive points under this category, must be implemented on or before one (1) year prior to the termination of the Compliance Period. Please see definition of Tenant Conversion Plan in Section XI. These points may not be awarded in combination with points under Projects Committed to an Extended Use Period.

16. Projects with Historic Significance

5 Points

Projects certified on the National Register of Historic Places (i.e., meeting the criteria for Part 1 Approval for Historic Tax Credits) are eligible for points under this criterion.

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

17. Blighted Buildings and Brownfield Site Reuse

5 Points

Projects that include the demolition of blighted building(s) or the remediation and reuse of a Brownfield site are eligible for points under this criterion. Blighted building(s) must account for at least 10 percent

of the sum of each building's gross square feet. For scattered site projects, the total square footage of the blighted buildings must equal or exceed 10 percent of the proposed total new construction square footage. Points in this criterion cannot be combined with points under Rehabilitation Projects.

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

18. *Projects Located in Areas of Statistically Demonstrated Need*

Tier 1: 10 points

Tier 2: 5 points

Tier 1

Eligible Projects are located in the counties of: Dona Ana, Eddy, Lea*, Los Alamos, Otero, Sandoval**, Santa Fe, and Valencia. Bernalillo*, Cibola*, Dona Ana, Eddy, Los Alamos, Luna*, McKinley*, Otero, Rio Arriba*, Sandoval, Santa Fe, Taos* and Valencia*. In addition, all Projects on Native American Trust Lands or Native American-owned lands within the tribe's jurisdictional boundaries are eligible for Tier 1 points.

Tier 2

Eligible Projects are located in the counties of: Bernalillo, Chaves, Grant, Lincoln, McKinley, San Juan, Rio Arriba***, San Miguel, Sierra, and Tarrant. Chaves, Colfax*, Curry*, Grant, Lea, Roosevelt*, San Miguel*, Sierra, and Socorro*.

These tier areas are subject to change based on any changes in the 202019 Action Plan.

In addition to the above Tier 1 and Tier 2 counties described above, an Applicant may petition MFA, on or before January 24, 202019, through a narrative discussion, to include a particular town or municipality within one of the above Tier classifications or to re-classify a Tier 2 county to a Tier 1 county. Applicant will be required to provide MFA with specific, verifiable and measurable data in support of their request, which should include data for the particular town or municipality. MFA will consider data submitted evidencing vacancy rates, population growth, waiting lists and other applicable data regarding the area/market (e.g. market study, PHA list) when making the determination whether to classify a town or municipality as a tier area. To qualify or reclassify a town or municipality as Tier 1, the town or municipality, at a minimum, must meet MFA's Tier 1 criteria, e.g. vacancy rate and

population growth. MFA's determination shall be final and MFA will make a good faith effort to post notice of any such determinations on MFA's website by February 1.

*Indicates an area remains on the list for a second year even though it did not meet criteria in 20192020.

** Vacancy rate for Sandoval County is a weighted average of Rio Rancho (2.9%) and Sandoval (3.2%) data

*** Following the submission of a petition for Rio Arriba County to move to Tier 2, MFA reviewed submitted measurable and verifiable data and determined that Rio Arriba County would be classified as Tier 2 in 2020.

19. *Efficient Use of Tax Credits*

5, 10, or 15 Points

For purposes of this scoring criterion, new construction Projects include adaptive reuse Projects.

New construction Projects that request less than \$16,074 tax credits per low income unit **and** less than \$16.61 tax credits per low income square foot are eligible for 15 points. New construction Projects that request less than \$17,681 tax credits per low income unit **and** less than \$18.22 tax credits per low income square foot are eligible for 10 points. New construction Projects that request less than \$16,074 tax credits per low income unit **or** less than \$16.61 tax credits per low income square foot are eligible for 5 points.

Substantial rehabilitation Projects that request less than \$14,065 tax credits per low income unit **and** less than \$14.52 tax credits per low income square foot are eligible for 15 points. Substantial rehabilitation Projects that request less than \$15,472 tax credits per low income unit **and** less than \$15.95 tax credits per low income square foot are eligible for 10 points. Substantial rehabilitation Projects that request less than \$14,065 tax credits per low income unit **or** less than \$14.52 tax credits per low income square foot are eligible for 5 points.

Moderate rehabilitation Projects that request less than \$12,055 tax credits per low income unit **and** less than \$12.46 tax credits per low income square foot are eligible for 15 points. Moderate rehabilitation Projects that request less than \$13,261 tax credits per low income unit **and** less than \$13.66 tax credits per low income square foot are eligible for 10 points. Moderate rehabilitation Projects that request less than \$12,055 tax credits per low income unit **or** less than \$12.46 tax credits per low income square foot are eligible for 5 points.

For the purpose of this criterion, low income square footage means the sum of each building gross square feet multiplied by the Project's applicable fraction and includes common space allocated to low-

income use. Square footage of commercial space, garages and structured parking are excluded for the purposes of this calculation. Additionally, for the purposes of this scoring criterion, management units should be included in the total unit count.

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

20. Non-Smoking Properties

4 or 6 Points

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

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

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

21. Adaptive Reuse Projects

5 Points

Projects which will involve the conversion of an existing building that was not initially constructed for residential use to multifamily residential use are eligible for five points. Projects involving the conversion of motel rooms, hotel rooms, dormitories, convents, etc. are considered adaptive reuse and not rehabilitation.

In combined new construction and adaptive reuse Projects, converted space must account for at least 20 percent of the sum of each building's gross square feet. The separation of conversion costs and new construction costs must be designated in the Application on separate Schedule A and D (i.e., the Application must include a Schedule A and D for the entire Project, a Schedule A and D for the rehabilitation/conversion costs and a Schedule A and D for the new construction costs.) All schedules must reconcile.

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

22. Other Scoring Points Available

Up to 6 Points

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

- (i) The Project is not in the housing priority for Households with Special Housing Needs and targets extremely low income residents, which includes income and rent restricting at least 5 percent of total units in the Project to residents earning 30 percent or less of Area Median Income, for which no federal assistance is existing or anticipated. For projects in the Special Housing Needs housing priority category, the Project restricts an additional 5 percent of the total units in the Project to residents earning 30 percent or less of Area Median Income, which units may have permanent rental subsidy support with a project-based federal rental assistance contract that ensures residents do not pay rent in excess of 30 percent of their adjusted income. In either case, Applicants must indicate on the Application form and Schedule B, Unit Type and Rent Summary, the applicable units will be rent restricted at 30 percent of AMI (or include a copy of the federal rental assistance contract that covers at least the minimum percentage of the total units if in the Special Housing Needs housing priority category). (3 points)
- (ii) The Project involves newly constructed units totaling 35 units or less, and does not contain any rehabilitation or adaptive reuse in Project scope and the MFA-ordered Market Study supports need for the project (3 points); or
- (iii) The Project is to be located in a town, ~~or~~ municipality, or Census Designated Place (CDP) with a population less than 16,000 people pursuant to data published by the 2016 U.S. Census Bureau, and the MFA-ordered Market Study supports need for the project (3 points);

- (iv) The Project is to be located in a town or municipality with no “active” LIHTC Projects. “Active” is defined as a town or municipality for which a LIHTC award was made in the last five (5) calendar years and the MFA-ordered Market Study supports need for the project (3 points);
- (v) Project’s resident selection criteria contain a preference for active duty or retired US military Veterans. (3 points)

The Application is capped at six (6) points maximum for this scoring criterion.

F. Additional Credits for Projects with Partial Allocations

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

G. Additional Supplemental Tax Credits for Cost Increases

Projects with increased eligible basis as a result of increases in hard construction costs may apply for additional tax credits in subsequent allocation rounds prior to issuance of an IRS Form 8609. Full Applications will be required for competition within an allocation round and the Project will compete on the same basis as that of the subsequent round Projects. However, Projects for which increased tax credits have been requested cannot exceed MFA’s cost limits or limitation on an award to a single Project for the year of the initial award or subsequent round. In addition, Projects which were awarded points for the *Efficient Use of Credits* Project selection criteria may not apply for additional tax credits unless the subsequent Application results in the same scoring range under *Efficient Use of Credits* when combined with the scoring range in the initial Application. In other words, a subsequent request for additional tax credits shall not be granted if Applicant received points for the *Efficient Use of Credits* in a prior round and now exceeds the efficient use of credits scoring ranges when evaluating both Applications as one single Application. Applications that are submitted for additional tax credits will be subject to MFA’s evaluation process and the availability of credits, as well as limitations on the time period for allocation of additional credits under Section 42 of the Code. Only one additional tax credit allocation will be permitted by MFA for any given Project. The process is intended for hardship cases and hardship will have to be documented accordingly in any such request.

H. New Allocations to Projects Previously Subsidized with Tax Credits

Existing Projects that previously received tax credit allocations and are now eligible under Code Section 42(d)(2) for new acquisition tax credits may apply for a current allocation. However, because of prior

subsidy investment in the Project and the scarcity of the resource and to ensure that the subsidy is not being used primarily for ownership transfer, previously subsidized Projects must demonstrate: 1) a real risk of loss of affordable units, 2) an addition of significant improvements and services to enhance livability for the tenants and 3) that more than 20 years has passed since the Project was Placed in Service. These may qualify for standard tax credit applicable percentages (as described in **Section II.N.**)

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

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

I. Property Standards

All newly constructed and/or rehabilitated properties must meet applicable state and local building codes, including but not limited to: the New Mexico Commercial Building Code, the New Mexico Residential Building Code, the New Mexico Energy Conservation Code, the New Mexico Existing Building Code, the New Mexico Plumbing Code, the New Mexico Mechanical Code the New Mexico Solar Energy Code, the New Mexico Electrical Code, the New Mexico Electrical Safety Code, and all international and uniform building codes as referenced and adopted by the aforementioned codes. In addition, all newly constructed Projects must obtain a Home Energy Rating System (HERS) score of 65 or better and all rehabilitation Projects must obtain a HERS score of 75 or better. All Projects must meet the provisions and requirements of the Americans with Disabilities Act (ADA) as applicable. Public and common use areas within Projects are subject to these requirements. Projects combining housing tax credits with another federal source of funding must comply with HUD Section 504 requirements as required in the 2010 ADA Standards. Projects must also adhere to the Federal Fair Housing Act and shall adhere to the federal fair housing accessibility and adaptability requirements promulgated through the Fair Housing Accessibility Guidelines {56 FR 9472, 3/6/91}. Finally, conformance to Design Standards in the Application package is mandatory for all Projects, including tax-exempt bond financed Projects.

IV. Allocation Procedure and Application Requirements

A. Allocation Rounds

1. Submission Date(s)

MFA intends to conduct one competitive LIHTC Application round each calendar year. However, MFA reserves the right to conduct additional LIHTC rounds or to award tax credits outside of the rounds.

Initial applications for the ~~2019-2020~~ competitive LIHTC Application round will be accepted between the hours of 8 a.m. and 5 p.m. Mountain Standard Time on business days from February ~~31, 2019-2020~~ through February ~~1214, 20192020~~. Initial Applications must be received by MFA at the address

identified in Section IV.A.2 of this QAP no later than the Application deadline. Late Applications will not be accepted. If the Projects submitted do not use all of the available tax credits or if additional tax credits become available later in the year, MFA will consider a second round or make allocations to lower- scored eligible Projects at MFA's sole discretion.

Initial Applications for tax-exempt bond financed Projects are accepted on a continuous basis, subject to the timing requirements outlined in **Section VI.B.**

2. Place of Submission

Initial Applications may be delivered by U.S. mail, by courier service or by hand to the following address:

MFA
Attn: Tax Credit Program Manager
344 Fourth St., SW
Albuquerque, NM 87102
505-843-6880

3. Form of Submission

Initial Applications may not be delivered by facsimile transmission or e-mail. One complete original hard copy Application is required, along with an electronic color copy uploaded to MFA's file sharing site: <https://local.housingnm.org/FileTransferHD/> (described below in **Section IV.A.4.b.**) The required forms will be provided electronically and may be downloaded from MFA's website at <http://www.housingnm.org/developer>. All Applications must be marked "LIHTC APPLICATION" in readily visible print. On receipt, MFA will date and time stamp the Application. No additional materials may be submitted after the initial Application is date and time stamped by MFA, unless requested by MFA in accordance with the provisions of this QAP.

4. Content and Format: Complete Applications

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

- a) All Application documents that require signatures must be included and bear the original signatures in blue ink from all general partners.** MFA will require submission of an "omnibus" signature page wherein all general partners must certify, among other things, that the Application submitted, including all schedules and certifications, is accurate and complete and does not contain any misrepresentations.
- b) Complete initial Applications must include the application form, the LIHTC application attachments checklist found in the application package and all mandatory items listed in Section I of the LIHTC application attachments checklist. In addition to the hard copy application, including a CD, DVD or USB flash drive containing a complete **color** copy of the LIHTC Application, including all

attachments, in PDF file format with protected personal information such as Social Security numbers and Board member home addresses, redacted must be uploaded to MFA's file sharing site: <https://local.housingnm.org/FileTransferHD/>. ~~The CD, DVD or USB flash drive must contain a~~ single PDF file "bookmarked" for each Application tab (tab) and named accordingly (e.g. Tab 1, Tab 1.1, Tab 2, etc.) must be uploaded. Each bookmark must include all of the documents required for the respective tab, as identified in the Attachment Application Checklist and named accordingly (e.g. Tab 1.1 – Attachments Checklist, Tab 1.2 – Tax Credit Selection Criteria Scoring Worksheet." All documents must be submitted in numerical order. Additional excel spreadsheet files may be submitted, but spreadsheet pages must also be contained in the fully tabbed PDF file, as described above.

c) Complete initial Applications must include application fees as outlined in Section IV.B below.

d) Complete initial Applications must be submitted in ~~at least two brown classification folders, legal, two partitions (i.e. six fasteners), three-ring binders~~ with all attachments provided in the order listed. Attachments must be tabbed and numbered as in the Attachments Checklist and the PDF bookmarks. ~~Classification folders may be purchased at Staples, Office Max or similar suppliers.~~

e) No additional materials may be submitted after the initial Application is date- and time- stamped by MFA, unless requested by MFA in accordance with the provisions of this QAP.

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

g) All information must be current, clearly legible and consistent with all other information provided in the Application. Every document contained in the hard copy Application must match exactly to every document contained in the electronic Application.

h) Forms must be completely filled out and executed as needed. All signatures are to be made in **blue ink**.

i) Except as MFA may determine is necessary to evaluate the "Applicant eligibility" threshold requirement in **Section III.C.5** all Applications must be self-contained: MFA will not rely on any previously submitted information, written or verbal, to evaluate the Applications in a given round.

In determining whether the Application is complete, MFA will examine the package for both the availability of all required materials listed in Section I of the Application Attachments Checklist and for the content of those materials. Failure to provide or complete any element of the initial Application package, including all items listed in Section I of the Application Attachments Checklist, may result in immediate rejection of the Application without complete review. When special documents required to obtain points under particular project selection criteria are not provided in the initial Application, as listed in Section II of the Application Attachments Checklist, the related points will not be awarded. The Application Attachments Checklist is not intended to be a comprehensive listing of all documents required to be submitted. Applicants bear the burden of determining and submitting any additional

documents that directly support an Application or other information required by this QAP to be submitted.

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

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

5. Communications and Quiet Period

Questions concerning the competitive LIHTC Application round Application requirements must be submitted through MFA's website at www.housingnm.org/low-income-housing-tax-credits-lihtc-allocations. No questions will be accepted after 5 p.m. Mountain Standard Time, January 24, ~~2019~~2020. Answers will be posted to the website and once posted will be deemed a part of this QAP. It is the sole responsibility of Applicants to review the website for answers to questions.

A "Quiet Period" for each competitive round will begin at the time an initial Application is submitted and end upon the announcement of the tax credit awards. During the Quiet Period, Applicants shall not contact MFA's management, employees, members of the Board of Directors or their proxies, officers or agents in regard to an Application under consideration unless expressly directed to do so by MFA staff. The purpose of the Quiet Period is to create a fair and consistent process for all Applications in the competitive round. The Quiet Period only applies to Applications under consideration during the competitive round and not to any other projects, issues, or applications, including questions regarding MFA gap funding requested in conjunction with the Application.

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

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

~~Rebecca Velarde~~ Kathryn Turner
Tax Credit Program Officer
(505)767-2283
~~kturner+velarde@housingnm.org~~

6. Prohibited Activities

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

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

B. MFA Fees and Direct Costs

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

Application Fee (for initial and supplemental requests)

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

Market Study and Design Review Deposit

- ◆ \$8,500 (deposit) due at submission of tax credit initial Application

This deposit is intended to cover the cost of the commissioned market study and a portion of the design reviews for compliance with Design Standards. Design reviews are estimated to cost between \$8,000 to

\$15,000, depending on Project location and complexity. This is an estimate only and the final cost may vary. If the market study or design review costs more than the deposit, the difference will be billed. If the cost is less, the difference will be refunded. Any amount in excess of the \$8,500 deposit is due within 20 calendar days of billing by MFA.

Processing Fee

Projects receiving a reservation of 9 percent tax credits

- ◆ Due at execution of reservation contract for 9 percent awards; Due prior to delivery of letter of determination or construction start, whichever occurs first for projects financed with tax exempt bonds.
- ◆ 7.75 percent of the MFA-determined tax credit allocation amount rounded down to the nearest dollar.
- ◆ For projects financed with tax exempt bonds, if the actual tax credit amount is greater at final allocation than when the letter of determination was delivered, the Applicant must pay an additional processing fee of 7.75 percent of the increase in the tax credit amount.

Projects financed with tax-exempt bonds

- ◆ ~~Due prior to delivery of letter of determination or construction start, whichever occurs first.~~
- ◆ ~~3.5 percent of the MFA-determined annual tax credit amount rounded down to the nearest dollar~~
- ◆ ~~If the actual tax credit amount is greater at final allocation than when the letter of determination was delivered, the Applicant must pay an additional processing fee of 3.5 percent of the increase in the tax credit amount.~~

Monitoring and Compliance Fees

- ◆ Due annually by January 31st for each year of the Extended Use Period. The monitoring and compliance fee for the entire 15-year Compliance Period may be paid in a lump sum at the final allocation application (number of units x \$5045/unit/year x 15 years).
- ◆ ~~2019 –~~
 - ~~\$5045/set-aside unit/year (Income AveragingAverage Income projects may be subject to an increased compliance monitoring fee.)~~
 - \$20/set-aside unit/year during the Extended Use Period

Appeal Fee

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

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

- ◆ \$500 due at submission of review/correction request

Extension Fee

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

C. Staff Analysis and Application Processing

1. **Threshold review.** Following the Application deadline, MFA will undertake a threshold review to determine whether the initial Application meets the minimum Project threshold requirements shown in Section III.C. ~~If the initial Application fails the threshold review because it does not achieve the minimum score, it may be retained until MFA determines whether all tax credits can be allocated to higher scoring Projects.~~ If the initial Application fails to meet site control, zoning and fee requirements, the Applicant will be given an opportunity to correct the deficiency in accordance with Section IV.C.5 and if not corrected in the time period allowed, the Application will be rejected. The Applicant eligibility and financial feasibility threshold requirements are not correctable and Applications that fail to meet these requirements will be rejected.
2. **Cost limits.** Total development costs for various types of Projects may not exceed the following:
 - a. **New construction and adaptive reuse Projects.** The total development cost per unit must not exceed 130 percent of the ~~weighted~~ average total development cost per unit for all new construction and adaptive reuse Projects submitted in the same round. Similarly, the hard construction cost plus architect and engineering fees per square foot must not exceed 130% of the average cost per square foot for all new construction and adaptive reuse Projects submitted in the same round.
 - b. **Acquisition/rehabilitation Projects.** The total development cost must not exceed 100 percent of the ~~weighted~~ average total development cost per unit for all new construction and adaptive reuse Projects submitted in the same round. Similarly, the hard construction cost plus architect and engineering fees per square foot must not exceed 100% of the average cost per square foot for all new construction and adaptive reuse Projects submitted in the same round.
 - c. **Tax-exempt bond financed Projects.** Total development cost must not exceed the limits established for new construction, adaptive reuse or acquisition/rehabilitation Projects, as appropriate, submitted in the most recent allocation round.
 - d. **Rehabilitation, new construction and adaptive reuse Projects.** For Projects that involve rehabilitation of existing units, the construction of new units and/or the adaptive reuse

of an existing building, the costs related to each will be evaluated separately for comparison to the limits established in Sections IV.C.2.a. and b. above.

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

Recognizing that Tax Credit projects require soft costs above and beyond traditional development, when determining the average per square foot cost for each project, only hard costs as found on Schedule D and any architect and engineer fees will be used.

See the Glossary Section XI for the definition of the terms “unit,” ~~and~~ “total development cost,” and “hard construction costs” as they apply to the cost limit calculations in this section. Costs that exceed these limits will be excluded when calculating the tax credit amount. These limits are binding through final allocations.

3. **Local notice.** The Chief Executive Officer of the local jurisdiction where the Project is located will receive a “local notice” from MFA stating that an Application has been received. The local jurisdiction and the Chief Executive Officer are to be identified by the Applicant in the Application form. The jurisdiction may be a municipality, town, county or tribal government. Such notification will be issued for all Applications not more than 10 business days after MFA’s Application deadline and the recipient will have 30 calendar days to respond.
4. **Site visits.** On completion of the threshold review, MFA will visit the proposed sites for the highest ranking Projects. Sites considered by MFA in its reasonable judgment to be inappropriate due to current or foreseeable adverse health, safety, welfare, site constraints or marketability risks may be cause for rejection of any Application, regardless of threshold review or scoring results. Communications made by or on behalf of an Applicant in response to communications initiated by MFA in conjunction with a site visit shall not be a violation of the Quiet Period.
5. **Deficiency correction period.** MFA may provide a deficiency correction period after the threshold review. This period is intended only to: 1) correct threshold items that are identified as correctable in Section III.C, 2) address complete Application items, 3) clarify ambiguous information, 4) complete forms or 5) make minor corrections to the Application. In no case shall the deficiency correction period be used by MFA to allow an Applicant to submit scoring items listed on Section II of the LIHTC Application Attachments Checklist. If the deficiency correction period is used, MFA will provide notice to Applicants having such shortcomings in their Applications via e-mail and U.S. mail. Applicants will have five business days after the date of the

e-mail notice to correct deficiencies. All materials must be submitted no later than 5 p.m. Mountain Standard Time on the fifth business day, following “Form of Submission” requirements shown in **Section IV.A.3** above. Certain types of deficiencies cannot be corrected during the deficiency correction period, including an Applicant’s failure to provide materials or to provide materials in the required form, as well as other deficiencies that MFA determines in its reasonable judgment may not be correctable. Furthermore, the deficiency correction period may not be used by the Applicant to alter the original structure of the Project. This prohibition includes, but is not limited to, all changes listed in **Section IV.H**. If the information requested by MFA is not submitted within the timeframe provided or is submitted but remains deficient, the Application may be rejected without any further review.

6. **Supplemental Information Submission.** If at any point during the processing of an Application, staff determines that supplementary information is needed to complete its review, the Applicant will be notified in writing and will have five business days after the date of MFA’s notice to deliver a written response. In no case shall the supplemental information request be used by MFA to allow an Applicant to submit scoring items listed on Section II of the LIHTC Application Attachments Checklist. This provision does not apply to incomplete Applications, which may be rejected during the threshold review or subject to the deficiency correction period process.
7. **Design Review and Construction Start.** All Projects will be subject to a minimum of four design reviews by MFA (upon completion of the construction documents, twice during construction and upon full completion of the Project) to determine compliance with the Design Standards. Design review will require periodic site visits to determine compliance with Design Standards. For rehabilitation and adaptive reuse Projects, a CNA will be required subsequent to the initial Application (prior to the issuance of the letter of determination for tax-exempt bond finance Projects and at carryover application for all other Projects) and this assessment will be reviewed by MFA for completeness, consistency with the Application and compliance with the Design Standards. All plans and related design materials submitted as part of an Application must provide enough detail for MFA to determine compliance with the Design Standards. Professionals performing the CNA must meet the minimum qualification/certification requirements set forth by MFA as defined in the Design Standards. **Applicants shall not commence construction on a Project prior to receipt of MFA’s written approval of complete construction documents.** Applicants are required to post MFA-provided signs/banners in English and Spanish featuring MFA’s fraud hotline at the Project work site(s) throughout duration of construction. In the event there is material design changes/differences between those plans and specifications submitted an Application and those contained in the final construction documents, MFA will require Applicant to submit a detailed narrative of material design changes made to final plans and specifications. MFA staff will make a good faith effort to perform an initial review of construction documents within 10 business days of submission of complete construction documents. Final approval will occur upon receipt of an approval recommendation from MFA’s architect that all outstanding issues, if any, have been resolved.

8. **Market Study.** For Projects passing the threshold review in a 9 percent tax credit allocation round and ranking among the top scoring Projects and/or wherein MFA determines a study is warranted, MFA may commission a standardized market study by outside professionals chosen pursuant to the requirements of MFA's procurement policy and having no financial interest in any of the Projects. For all tax-exempt bond financed Projects, MFA shall commission or cause to be commissioned, a standardized market study by outside professionals chosen pursuant to the requirements of MFA's procurement policy and having no financial interest in any of the Projects. A deposit is required with each Application. Any additional cost of these studies will be charged to Applicant and failure to pay any additional costs within 20 calendar days of the billing will result in rejection of the Application.
9. **Other Project compliance.** All Principals (see Glossary) related entities and affiliates must be in compliance with respect to all other federally subsidized housing or LIHTC projects that they own or operate throughout the country. Applicants shall submit a complete list of **all** projects in which Applicant has an interest. Each Applicant shall also submit an affidavit certifying Applicant is not in default with respect to any material compliance matter for any such project or shall state what defaults exist and what corrective action Applicant is taking. If MFA determines, either through information provided by an Applicant or through MFA's investigation, that any federally subsidized housing or LIHTC project in which any Principal has an interest is in default of any material compliance matter, MFA may reject the Application. See **Section IV.F.1** for additional discussion. This determination of default in regards to any Principal may concern, but is not limited to, progress made with previous tax credit reservations, including timely delivery of required documents and meeting all required deadlines; development compliance; and payment of monitoring fees.
10. **Development team review.** Staff will review the qualifications of each development team member (Developer, Project Owner, general partner, contractor, management company, consultant(s), architect, attorney and accountant, etc.) to determine capacity to perform in the role proposed. Considerations may include related experience, financial capacity, performance history, references, management and staff, among others. All members of the development team (i.e. Developer, Project Owner, architect, general contractor, etc.) are required to sign an affidavit affirming they have no related party relationships; or, that all related party relationships have been properly disclosed. The form of this affidavit can be found on MFA's website. MFA may conduct its own related party search utilizing Secretary of State websites, online searches, or other means to ensure all related parties have been properly disclosed. **An Application may be rejected or substitutions requested if the development team or any member thereof is unsuitable and/or undisclosed related parties are identified as determined by MFA.**

D. Feasibility Analysis and Financial Considerations

All Projects successfully completing the threshold review and ranking among the highest scoring Projects for which annual credit ceiling is available in a given year, as well as tax-exempt bond financed Projects which pass threshold review, will undergo financial analysis by MFA staff to determine whether the Projects are financially feasible. Such determinations will rely on both the financial data submitted by the Applicant and on staff judgments with respect to feasibility matters. Projects that do not appear financially feasible in MFA's judgment may be rejected without further processing. Although financing commitments will not be required at initial Application, all sources must be clearly identified and their terms specified. Financing commitments will be required as a "subsequent requirement" after the initial reservation is made.

Initial Applications for any tax credits (4 or 9 percent) must include a letter of interest from a tax credit syndicator or direct investor stating the terms and pricing for the purchase of tax credits allocated to the Project. In addition, all Projects will be underwritten using the more conservative of the standards indicated in this QAP, those in an underwriting supplement to be published by MFA at least one month prior to the Application deadline, the terms listed in any financing commitment or letter of interest; or, in cases where one is available, the Project's market study. Project 15-year pro forma cash flow projections must include an operating expense inflation factor of at least 3 percent, a rental income inflation factor of no more than 2 percent and a vacancy factor of at least 7 percent for all occupancy-related income.

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

In Projects where an “identity of interest” (as defined in this section) is not present, builder profit may not exceed 6 percent of construction costs, builder overhead may not exceed 2 percent of construction costs and general requirements may not exceed 6 percent of construction costs. For purposes of these calculations, see definition of construction costs in the Glossary.

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

The maximum Builder fees are locked in at Initial Application. For LIHTC purposes, any amount of fee that exceeds the lesser of the limits established at Initial Application or the percentage limitations will be excluded from the Project’s Eligible Basis when calculating the tax credit allocation.

b. Developer fees

Developer fees for 9 Percent% LIHTC projects shall not exceed: 1) \$22,500 per low-income unit for Projects with 30 or fewer units, 2) \$21,000 per low-income unit for Projects with 31-60 units, 3) \$19,500 per low-income unit for Projects with 61-100 units not to exceed \$1.5 million and 4) \$15,000 per low-income unit for Projects with more than 100 units not to exceed \$1.8 million. Additionally, in no case shall the developer’s fee for a 9 Percent% or 4 Percent% LIHTC project or exceed 14 percent of total development cost.

Donations of land and waived fees are excluded from total development cost when calculating maximum allowable developer fees. Developer fees include all consulting costs for services typically rendered by a Developer. Any reserve, excluding the MFA-required project reserve (see below), may be considered as part of the developer fee, if it is not held for the benefit of the Project for a minimum of 15 years. For purposes of these calculations, Total Development Cost is adjusted to exclude developer fees, consultant fees and all reserves. Where an identity of interest exists between the Developer/Project Owner and the builder, the above-mentioned fee may be further reduced if MFA, in its discretion, determines the fee to be excessive. In a proposed sale transaction where there is an identity of interest in any Principal of the seller and buyer,

the Project will be subject to reduced developer fees. Where there is such an identity of interest, the developer fee percentages will be calculated on Total Development Cost reduced by Acquisition Costs. Also, an “as-is” appraisal dated no earlier than six months prior to the Application date and completed by an MAI licensed in New Mexico must be submitted. This paragraph is only applicable to 9 percent LIHTC projects.

The maximum developer fee is locked in at Initial Application. For LIHTC purposes, any amount of fee that exceeds the lesser of the limits established at Initial Application or the percentage limitations will be excluded from the Project’s Eligible Basis when calculating the tax credit allocation.

c. Architect and Engineering Fees

The architects’ fees, including design and supervision fees, and engineering fees, must be capped at 3.3 percent of Total Development Cost. Architects’ fee and engineering fees shall be deducted from Total Development Cost when calculating this fee cap.

~~Architect design fees may be reduced further when the same design has been used in previous developments.~~ This fee limit is a soft cap and any amounts in excess of this cap will not be included in eligible basis. Exceptions to the above rules governing architect and engineering fees may be granted based on site or project specifics and in MFA’s sole discretion. Supporting documentation shall be provided to justify any increase request. Although the same standards will apply for Projects subject to subsidy layering review, such Projects will require Board approval for subsidy layering purposes whenever they exceed the federally-defined ceiling standard limits and only five such excess fee amounts can be approved in any given year.

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

3. **Reserves (escrows) included in development costs.** The development budget must include an operating reserve equal to a minimum of six (6) months of projected operating expenses, debt service payments and replacement reserve payments. Larger operating reserves may be required for Projects which show a declining debt coverage ratio in 15-year cash flow projections, have rental assistance contracts included in their income projections or have other factors that MFA determines in its discretion to warrant larger reserves. Replacement reserve levels must be shown in the operating budget at the minimum of \$250 per unit per year for senior housing (new construction Projects only) and \$300 per unit per year for all other new construction and rehabilitation and adaptive reuse Projects. Project reserves of any kind in the

development budget will not be included in MFA's calculation of Eligible Basis for tax credit purposes.

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

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

5. **Debt service coverage and subordinate debt.** Applicants who are proposing subordinate debt must include the terms of the loan and pro formas must reflect the ability to repay the senior and subordinate debt with an aggregate minimum debt service ratio of 1.20. Projects that have debt service ratios higher than 1.40 may receive smaller tax credit awards, smaller subsidized loans or higher loan rates than requested in the Application. MFA will consider total annual cash flow as well as debt service ratio when making this determination. MFA will generally not consider the repayment of deferred developer fees when underwriting for feasibility but may consider a Project infeasible if the deferred fee represents a financial burden to the Project.
6. **Unit distributions.** For Projects with more than one income and rent tier, all unit types must be distributed proportionately among each of the multiple tiers. That is, if 30 percent of the units are to be set-aside for tenants earning no more than 50 percent of median income, then the units used for this income group must include 30 percent of all one-bedroom units, 30 percent of all two-bedroom units, etc. This also applies to market rate units in the Project. This is intended to prevent allocation of all of the high rent units to the higher income groups, thereby maximizing income while potentially violating the intent of fair housing law.

While the Code excludes any payments made under section 8 of the United States Housing Act of 1937 or any comparable rental assistance program (with respect to such unit or occupant thereof) from the gross rent calculation, only rents that do not exceed the tax credit Ceiling Rents and are supported by the market study will be used for underwriting purposes. Exceptions may be made for Projects with project-based subsidies when the program governing the project-based subsidy allows higher rents. See MFA underwriting policy - LIHTC and project-based rental assistance for additional requirements. Note

that in order to underwrite to such rents, a copy of a federally-approved rent schedule must be provided to MFA, e.g. HUD, USDA. If project-based vouchers are awarded, but a federally-approved rent schedule is unavailable, proof of the award is required, and MFA will underwrite to HUD FMR. More detail regarding rental assistance payments and qualifying tenants can be found in the MFA tax credit monitoring and compliance plan, which is issued under a separate cover and summarized in Section X.

E. Credit Calculation Method

1. **Tax credit calculations.** During each evaluation, MFA will determine the amount of tax credits to be reserved, committed or allocated by considering factors specific to each Project including, but not limited to, the following:
 - a. Development costs
 - b. Funding sources available to the Project for construction and permanent financing:
 - i. First mortgage loans
 - ii. Grants
 - iii. Tax credit proceeds
 - iv. Project Owner equity
 - v. Subordinate debt
 - c. Projected operating income and expenses, cash flow and tax benefits
 - d. Maximum tax credit eligibility
 - e. Debt service coverage ratio compared to lender requirements or commercial lending practices, as applicable
 - f. Project reserves
 - g. Developer fees and builder overhead and profit
 - h. Per unit and per square footage cost limits (section IV.C.2)
2. **Amount of tax credits for reservation or carryover allocation.** To estimate the amount of the tax credit allocation for a Project at initial Application or at carryover, MFA will use the prior 12 months average applicable credit percentage of the Qualified Basis, as adjusted by MFA or the amount needed to fill the financing gap. The procedure to determine the amount to fill the financing gap is outlined in number three below.
3. **Tax credit proceeds.** At the time of initial Application, MFA will use the more conservative of the equity-pricing factor stated in the letter of interest from the tax credit syndicator or the equity-pricing factor listed in the underwriting supplement published by MFA for the current allocation round. The ~~prior twelve months' average of~~ applicable credit percentage will be used along with the equity-pricing factor to estimate the tax credit proceeds.

For 9 percent credits, the applicable credit percentage will be 9 percent. At the time of the carryover allocation for 9 percent credits, the Project Owner must deliver a written letter of intent from a syndicator or equity provider that clearly states the equity-pricing factor. That

equity-pricing factor along with the ~~prior 12 months average~~ applicable credit percentage will be used to estimate the tax credit proceeds for the carryover allocation. The equity-pricing factor to be used at final allocation will be the actual equity-pricing factor contained in the Project's syndication agreement and the applicable credit percentage as determined at either carryover or Placed in Service date.

For 4 percent credits, the prior twelve months' average of applicable credit percentage will be used. The equity-pricing factor to be used at final allocation will be the actual equity-pricing factor contained in the Project's syndication agreement and the applicable credit percentage ~~as determined at either~~ will have been determined at either carryover (or in the case of tax-exempt bond financed Projects, the month the tax-exempt obligations are issued) or Placed in Service date.

3.4. Limitation on tax credit awards to a single Project or Principal. Subject to the exceptions contained herein, no LIHTC Project shall receive a tax credit reservation in excess of \$1,232,333. No Applicant, any general partner or affiliate of an Applicant or person or entity receiving or identified as eligible to receive any part of a developer fee for a Project may receive more than two tax credit reservations in any given competitive LIHTC Application round. Projects to be located on adjacent sites proposed by the same Applicant in the same allocation round will be treated as a single Project.

4.5. Other factors limiting the credit reservation. The amount of credit reserved, committed and finally allocated to a Project shall be the lesser of:

- a. The maximum tax credit eligibility of the Project
 - i. Maximum tax credit eligibility is the maximum amount of tax credit justified by a Project's Qualified Basis, as adjusted by MFA and taking into consideration any increase in eligible basis approved by MFA and the applicable credit percentage as described in **Section IV.E.2** above or the applicable credit percentage that was locked-in at carryover (or in the case of tax-exempt bond finance Projects, the month the tax-exempt obligations are issued) or was in effect when the building was Placed in Service; or
 - ii. The amount requested in the Application; or
 - iii. The amount necessary to fill the funding gap.
- b. The funding gap is the difference between total development cost (exclusive of syndication-related costs) and all available funding sources, including HOME funds awarded in conjunction with the tax credit allocations, excluding anticipated tax credit proceeds. The terms of all proposed sources must be within reasonable industry norms and financing for the Project has to be maximized when evaluating rate, term, debt service coverage, loan-to-value, etc. The maximum tax credit amount allowed based on the funding gap will be determined by the MFA limits stated in **Section IV.E.3** above.

5.6. Increased basis for high cost areas. Additional eligible basis (up to 30 percent of the initial calculation) will be considered for Projects located in HUD-designated difficult development areas and QCT if deemed necessary for viability of the Project by MFA. Applicants requesting such increases must deliver evidence in the initial Application package that the Project is located in a DDA or QCT. Note that all areas of the state are eligible for this additional basis boost. Projects that are not financed with tax-exempt bonds have units reserved for senior housing, households with children or households with special housing needs may also be determined to be eligible for the basis increase (up to 30 percent) if deemed necessary for project feasibility as determined by MFA. The boost may not be applied to Projects financed by tax-exempt bonds unless located within a HUD-designated DDA or QCT.

6.7. Adjustments to credit allocations. When actual tax credit proceeds are confirmed and final financial feasibility analysis is performed during review of final allocation packages, there may be adjustments to the tax credit allocation. Adjustments may also be made at carryover when the 12-month average applicable credit percentage has changed and, for rehabilitation Projects, when the CNA and appraisal are provided. Professionals performing the CNA must meet the minimum qualification/certification requirements set forth by MFA as defined in the Design Standards. If actual Project costs or funding sources differ substantially from the projections submitted in the Application, MFA may reduce the final tax credit allocation or the Project Owner may establish project reserves to offset the deficit, if in MFA's reasonable judgment the Project has sufficient tax credit eligibility. The conditions for such reserve accounts will be determined by MFA on a case-by-case basis.

7.8. Federally required subsequent financial analysis. Federal regulations require that housing credit agencies conduct evaluations at three specific times to determine the amount of applicable tax credits.

- a. Upon receipt of an Application for LIHTC reservation; and
- b. Prior to granting a tax credit allocation; and
- c. No earlier than 30 days prior to awarding the tax credit certification, IRS Form 8609.

F. Final Processing and Awards

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

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

2. **Selection of projects for awards.** Projects meeting the threshold review requirements listed in Section III.C will be ranked and ordered according to scoring procedures established in Sections II.C and III.E with consideration to the allocation set-asides as described in Section III.D. Staff will then prepare a summary of the Projects to be recommended for allocations. Eligible and ineligible Projects will be distinguished for purposes of subsequent awards if additional credits become available. Tax-exempt bond financed Projects will be evaluated in a similar process but will not compete against other Projects for an allocation of tax credits.
3. **Allocation Review Committee (ARC).** The Chairman of the Board of MFA will appoint an ARC. The functions of this committee will be to: 1) review the Project rating and ranking results in the staff's proposed award summary, 2) determine whether or not the proposed awards have been made consistent with the criteria and other aspects of this QAP, 3) conduct the appeals process and 4) make final award recommendations to the Board. MFA will notify Applicants of the preliminary status of their Projects with the use of a preliminary reservation letter, preliminary waitlist letter or rejection letter, after the committee's approval of the staff's proposed awards and before the appeal process begins. Such letters will be scheduled to be issued approximately 90 days after the Application deadline. Except for appeals as described in **Section IV.E.4** below, the provisions of this section are not applicable to tax-exempt bond financed Projects.
4. **Appeal process.** Applicants wishing to appeal a determination made by MFA with respect to their Application may do so in writing delivered to MFA no later than 5 p.m. Mountain Standard Time on the 10th calendar day after the date of the preliminary reservation letter, preliminary waitlist letter or rejection letter (or draft letter of determination, in the case of tax-exempt bond financed Projects). Appeal requests may only be filed by the general partner or proposed general partner and only one appeal may be filed with regard to an Application. MFA's initial determination with respect to the Application will stand unless the Applicant can prove or justify, solely on the basis of materials submitted in the initial Application, why the decision should be changed. The ARC will review the appeal and take whatever action it deems

appropriate. The decision by ARC or the Board, if the matter is referred to the Board, will be final' no further appeals will be entertained. Appeals may result in re-ranking of Projects, in rejection of previously approved Projects and/or in approval of previously rejected Projects. Once the appeals process is completed and the resulting recommendations are approved by MFA's Board of Directors, final reservation letters (or draft letter of determination in the case of tax-exempt bond financed Projects) will be issued.

5. **Board of Directors.** The Board will make final awards for each competitive 9 percent tax credit allocation round, although for logistical reasons the preliminary reservation letters, preliminary waitlist letter and rejection letters may be issued prior to the appeals process and the Board's final decisions. Final reservation letters will be issued following the Board decision. The Board will approve Projects considered to be eligible Projects and these may include Projects for which tax credit allocations are not immediately available. If any Projects receiving a reservation fail to meet subsequent requirements, an allocation of tax credits may be revoked and then awarded by MFA to the next highest scoring eligible Project(s) on the waiting list. Any conflicts of interest of Board members are to be disclosed and Board members having such conflicts will abstain from votes approving or disapproving LIHTC Projects in accordance with MFA's policies, procedures, rules and regulations regarding conflicts of interest. The provisions of this section relating to Board actions following competitive allocation rounds are not applicable to tax-exempt bond financed Projects.

G. Notification of Approval and Subsequent Project Requirements

Note: Only Sub-sections 87.e and 98-109 of this section (IV.G) apply to tax-exempt bond financed Projects.

Successful Applicants will be notified of MFA's allocation decision in the form of a reservation letter. MFA anticipates reservation letters will be delivered in June 2019-2020, shortly after approval of tax credit awards at the June, 2019-2020 board meeting

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

Affirmative actions after reservation. From the date of the reservation, the Applicant must meet each of the deadlines specified below for follow up activity in order to maintain its reservation or carryover allocation. **MFA has no obligation to provide any further notice to Applicants of these requirements**

and failure to submit any one or more of the items may cause the reservation to be terminated or the carryover allocation to be cancelled. Applicants must further agree to voluntarily return their reservations or tax credit allocations for reallocation to other Projects by MFA if any of the deadlines below are not met.

1. At reservation

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

2. Quarterly Progress Reports

All Projects must submit a quarterly progress report to MFA on or before March 31st, June 30th, September 30th, and December 31st each year, beginning with March 31st after the allocation year, and continuing until the final allocation application has been submitted. The information to be covered in the progress reports will be provided on MFA's website. Any failure to provide a timely progress report, or failure to provide a complete and accurate report containing the required information, may result in a loss of tax credits.

3. By November 15th (see glossary for the definition of this date) of the allocation year

a. Threshold requirement number two:

Applicants whose Projects were not required to meet threshold requirement number two (zoning) at the Application deadline must submit evidence that all required zoning approvals for the proposed Project have been obtained; and

b. All Applicants must deliver:

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

c. **Carryover allocation requirements.** If the Project will not be Placed in Service during the calendar year in which the reservation is made, the Applicant must request a carryover allocation, which allows for 24 additional months to complete the Project. The complete carryover allocation package, including an electronic version, [uploaded to MFA's file sharing site: https://local.housingnm.org/FileTransferHD/](https://local.housingnm.org/FileTransferHD/) ~~(CD, DVD or USB flash drive)~~

and hard copies of these documents shall be delivered to MFA by November 15th of the year in which the reservation was made. It must contain all items on the carryover allocation requirements checklist, which include, among other items, an updated Application form, any changes to Schedules A-F highlighted, updated scope of work (if Project involves rehabilitation), final construction drawings (if the Project involves rehabilitation), CNA (if Project involves rehabilitation), recorded deed or lease to the site, and a tax opinion addressing satisfaction of the 50 percent rule where there are related parties. Professionals performing the CNA must meet the minimum qualification/certification requirements set forth by MFA as defined in the Design Standards. The Applicant must deliver evidence that the Project Owner has taken ownership of the land and, if applicable, depreciable real property, that is expected to be part of the Project. For tribal Projects, this would include fully executed master and sub-lease agreements with evidence of filing with the Bureau of Indian Affairs. All tax credit fees must be paid to date. In addition, the Project architect must certify that the Project's final plans and specifications meet the Design Standards and contain all commitments made in the initial Application regarding design and building. The Project architect must further certify either there have been no material design changes in the final plans and specifications or, if there have been material design changes made, changes in the key team members, or if the costs as identified on Schedule D of the original application have changed more than 5 percent, then a detailed narrative description of the changes made in the construction drawings and/or Schedule D between Application and carryover must be provided. If there is a change to a key member of the development team (general contractor, architect, etc.) following carryover, the project must supply MFA with a written explanation of the reason behind the change, materials supporting the benefit to the project in making the change (including resumes) in order to assess whether or not the project is negatively impacted by the change.

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

4. **March 1⁵** of the year following carryover

If applicable, the MFA 542(c) Risk Sharing commitment is to be fully executed.

5. **No later than June 30 (see footnote 5) of the year following carryover**

The Applicant must submit complete final construction drawings, specifications and construction documents for MFA review for compliance with the Design Standards. Applicants must receive written approval of complete plans, specifications and construction documents

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

from MFA prior to start of construction. MFA staff will make a good faith effort to perform an initial review of construction documents within 10 business days of submission of complete construction documents. Final approval will occur upon receipt of an approval recommendation from MFA's architect that all outstanding issues, if any, have been resolved.

6. **August 31** (see footnote 5) of the year following carryover

- a. The Applicant must submit evidence that the basis in the Project exceeds 10 percent of the reasonable expected total basis in the Project, an independent auditor's report and cost certification, a Project Owner's attorney's opinion, in the form required by MFA, and any other documentation required by MFA ("10 percent test.") The submission must include an electronic version, uploaded to MFA's file sharing site: _____, along with hard copies of these documents.
- b. The Applicant must deliver evidence acceptable to MFA that construction of the Project has begun. This will include, at a minimum, building permits and site photographs.
- c. The Applicant must deliver an executed partnership agreement.
- d. If federal historic tax credits are included in the financing structure of the Project, evidence of National Park Service approval of the Project's historic certification – part 2 must be submitted.

7. **At or around the 50% construction completion mark**

The Applicant must organize a meeting with MFA staff (both Asset Management and Housing Development departments). The developer, owner, nonprofit representative, management company staff, and any service providers involved in the project must be in attendance. This meeting will be required ahead of lease-up.

7.8. **November 15th** (see glossary and footnote 5) of the second year following the initial allocation.

Final allocation and placed in service requirements. On or before November 15th of the second year following the initial allocation, a Placed in Service application or a final allocation application must be submitted, in electronic form, through MFA's file sharing site: <https://local.housingnm.org/FileTransferHD/>-(CD, DVD or USB flash drive) in addition to a hard copy, for each Project. **Failure to meet this requirement will result in the loss of tax credits.** If the Project is to be Placed in Service but Applicant is not yet ready to request LIHTC allocation certification (IRS Form 8609), the Placed in Service portion of the final allocation package must still be submitted on or before November 15th of the second year following the initial allocation. A complete final allocation package shall be submitted no later than 120 days following the close of the Project's first taxable year of the credit period. Prior to the issuance of IRS Form 8609 certifications for the Project, the Project Owner must submit a complete final allocation package, containing all items in the final allocation checklist, which include, among other items, the following:

- a. **Cost certification.** Two cost certifications are required to be submitted to MFA, as follows: (i) a Project cost certification prepared by a CPA and executed by both the

Project Owner and CPA preparing the report, with a minimum of 20 percent of costs tested, and (ii) a Project cost certification prepared and executed by the general contractor. Both of these cost certifications must be delivered by the Project Owner prior to the issuance of IRS Form 8609 certifications. ~~This form and required documentation must be completed within 60 days after the Project is Placed in Service.~~

- b. **Architects certification.** A certification from the Project architect with required text as set forth in the final allocation package, certified by the Project Owner, that the Project has been built in conformance with the Design Standards, all applicable codes and commitments made in the initial Application regarding design and building, unless otherwise approved in writing by MFA.
- c. **Project Owner's attorney's opinion.** A Project Owner's attorney opinion submitted on firm's letterhead with required text as set forth in the application package.
- d. **Final contractor's application and certificate for payment, AIA doc. G702 or equivalent.** A fully executed copy indicating all of the hard construction costs for the Project must be submitted with the final allocation package.
- e. **LURA.** Prior to December 31 of the year in which the buildings are Placed in Service, the Project Owner must submit an executed and recorded LURA, satisfactory to MFA in form and content.

8-9. **Other Project Owner responsibilities and elections.** The Project Owner has several options concerning the month in which the applicable credit percentage is locked in, for both taxable Projects and tax-exempt bond financed Projects. Additionally, the Project Owner must place the buildings in service and claim tax credits within certain time periods. Project Owner must forward written notice and copies of all Certificates of Occupancy (for new construction) or Certificates of Substantial Completion (for rehabilitation) to the tax credit program manager within 30 days of issuance, to ensure that all necessary administrative actions are taken in a timely manner. Otherwise tax credits may not be able to be claimed as desired.

9-10. **LURA or Extended Use Agreement.** Section 42(h)(6) of the Code requires imposition of "an extended low-income housing commitment." MFA complies with this requirement with a LURA filed at the time of placement in service or final allocation. The LURA sets forth, as covenants running with the land for a minimum of 30 years (or longer if Project Owner commits to a longer restriction period), the compliance fees, the low-income set-asides, the percentages of median income to be served, the special housing needs to be served, if any, and any other such commitment made in the initial Application or that may be imposed through this QAP and Code Section 42. The LURA may not be terminated prior to its term for any reason other than foreclosure or an instrument in lieu of foreclosure and the Project Owner will not have the right to require MFA to present a "Qualified Contract" in accordance with Code Section 42(h)(6). The Project Owner will also have to deliver subordination agreements from all lenders, giving lien priority to the tax credit restrictions.

H. Termination of Reservations or Rejection of Applications

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

1. Loss of site control or site change
2. Submission of any false or fraudulent information in the Application or in other submissions
3. Failure to meet the conditions of Section IV.B and IV.G above or in the reservation letter
4. Subsequent regulations issued by U.S. Treasury or the IRS pertaining to Section 42
5. Failure to promptly notify MFA of any material or adverse changes in the facts of the original Application pursuant to **Section IV.I** below
6. Instances of non-compliance continuing beyond the specified cure period on Applicant's or Principal's other projects
7. Any other change which would alter the original scoring of the Application or which was not approved in advance by MFA
8. Debarment from HUD, MFA or other federal programs, bankruptcy, criminal indictments or convictions, poor performance on prior MFA or HUD-financed projects (including but not limited to late payments within the 18 month period prior to the Application deadline, misuse of reserves and/or other project funds, default, fair housing violations, non-compliance [e.g. with the terms of LURAs on other projects,] failure to meet development deadlines or documentation requirements) on the part of any development team member or Project Owner or Principal
9. Change in the federal set-aside election or other set-aside proposed in the initial Application, subsequent to the Application deadline

I. Notification to MFA of Changes to the Project

It is Applicant's responsibility to notify MFA immediately, in writing, of any changes to the Project subsequent to submission of an Application, including the changes listed below and any other material changes, by requesting MFA's approval of such changes. Failure to notify MFA may result in the rejection of an Application or loss of a reservation or tax credit allocation. Approval of such changes will be made in MFA's sole discretion and the change may result in a change in the tax credit amount or other action by MFA. A \$500 fee payment is required at the time of the request for approval of any changes in accordance with Section IV.B. Applicants/Project Owners will not be allowed to make

changes to a Project that would result in a change to any of the specific items for which points were awarded, unless extraordinary and well-documented circumstances would warrant it, and changes must be approved by MFA. Any such change(s) to a Project that would require a re-scoring or re-evaluation which causes the Project's rank to fall below its original rank may cause the LIHTC allocation to be rescinded.

Examples of changes of which MFA must be notified:

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

J. Notice Provisions

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

K. Applications are Public Records

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

L. Attorney Fees

In any litigation, arbitration or other proceeding arising from, as a result of or pursuant to this QAP and/or the resulting tax credit allocation round, selection process or award determinations, MFA, if it is the prevailing party, shall be entitled to be awarded its reasonable attorney fees, costs and expenses incurred from the opposing party, regardless of which party initiated the litigation, arbitration or other proceeding.

V. Cost Certification

A. Applicability of Cost Certification

Certification by a CPA is required to certify compliance with the 10 percent test as defined in **Section IV.G.6.a**. Prior to the issuance of a LIHTC certification (IRS Form 8609), MFA will require two cost certifications, one prepared by an independent CPA and executed by both the CPA and Project Owner, and a second cost certification prepared and executed by the general contractor, both of which must meet MFA requirements for all Projects as defined in this QAP.

B. Requirements

The Form 8609 cost certification must meet the following requirements:

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

2. All fees, including the developer fee, paid to the Project Owner or Developer or to an entity with an identity of interest with the Project Owner or Developer, must be clearly identified. If all or a portion of the developer fee is deferred, copies of the promissory note or other substantiation of the validity of the fee must be reviewed.
3. If the land is purchased from a related party, the Project Owner must submit an appraisal to substantiate fair market value, which appraisal must include a determination of value based upon any land use restrictions per HUD or other entity, including MFA.
4. Legal fees related to land acquisition must be clearly identified.
5. Interest expense related to land must be clearly identified.
6. The sources of all funding including loans, tax credit proceeds, Project Owner/Developer equity and all other sources must be certified.

C. Authority to Determine Maximum Qualified Basis

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

VI. Auxiliary Functions

MFA conducts certain tax credit related functions which are separate from the regular allocation and monitoring process, including the following:

A. Subsidy Layering Review

Pursuant to Section 911 of the Housing and Community Development Act of 1992, HUD is required to determine that Projects receiving tax credits and federal, state or local assistance do not obtain subsidies in excess of that which is necessary to produce affordable housing. This responsibility has been delegated to MFA and MFA's review process will follow the HUD's administrative guidelines issued December 15, 1994. An essential component of this review is an analysis of the reasonableness of fees paid to sponsors, Project Owners, Developers and builders. Consequently for purposes of Section 911 reviews, fees used to calculate tax credit amounts will not exceed the limits stated in **Section IV.D.2 Developer and Other Fees**, above. Some of these maximum fees allowed by MFA exceed the "safe harbor" fee amounts, which apply to Section 911 reviews. Special factors that justify these published higher fees (which do exceed "ceiling" amounts) include, but are not limited to: the relatively high cost of construction and land within the state of New Mexico; the lack of state- or locally-funded soft second financing or operating subsidies; and the general inability of local governments to donate land and/or other services to worthy projects due to the state's "anti-donation" clause.

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

Requests for subsidy layering reviews may be made at any time by an Applicant and must include a \$500 review fee. Responses will be provided by MFA no later than 30 business days subsequent to receipt of the subsidy layering review request by MFA, unless the request is submitted less than ninety (90) days after an allocation round deadline.

B. Processing of Tax-Exempt Bond Financed Project Applications

Code Section 42 allows tax-exempt bond financed Projects to receive an allocation of 4 percent tax credits provided they meet the minimum requirements for an allocation in the QAP. MFA's determination that a Project satisfies the requirements of the QAP will be based on the Project meeting all minimum Project threshold requirements, staff analysis, application processing, feasibility analysis and property standards described in the QAP in effect when the determination is made. Unless otherwise stated, all provisions of this QAP are intended to apply to tax-exempt bond financed Projects. The tax credits allocated to tax-exempt bond financed Projects are not subject to the annual credit ceiling and, consequently, are not required to compete in the competitive allocation process described in the QAP. MFA staff will undertake an analysis to determine the tax credit amount necessary for financial feasibility using the same underwriting criteria used in evaluating non-bond-financed projects.

Requests for these determinations must be made by the Project's Developer/sponsor no more than 60 calendar days after an award of bond volume cap is made by the State Board of Finance and no less than 60 calendar days prior to the anticipated bond issuance date. Requests must include an application fee as listed in Section IV.B., a deposit toward the cost of a market study to be ordered by MFA, the development Project Application form with needed schedules, the Attachments Checklist and any other material specified by MFA. For tax-exempt bond financed Projects only, MFA may accept Applicant's market study if Applicant's market study meets all of the requirements of MFA's studies, in MFA's determination, and is dated not more than 180 calendar days prior to the date on which a complete Application is received by MFA. Prior to the release of the Letter of Determination by MFA staff, a processing fee in the amount of 3.5 percent of the approved annual credit amount will be due. MFA's initial response to the Application for 4 percent tax credits will be provided no later than 60 business days subsequent to receipt of the complete Application by MFA.

In addition to the full application requirements of 9 percent projects, a ~~t~~Tax-~~e~~Exempt ~~b~~Bond ~~n~~Narrative will be required. This Tax-Exempt Bond Narrative provides an opportunity for the Applicant to describe the characteristics of the project in terms of the tax-exempt bond issuance. This document shall not exceed three (3) pages with 0.8 margins and minimum font size of 11 points. A failure to provide any of the information required herein will result in a determination, in MFA's sole discretion, that the project application is incomplete. You may provide additional documentation that supports this ~~N~~narrative.

Each supporting document should include a brief description of what is contained in the document and the purpose for which it is being submitted. This Tax-Exempt Bond Narrative shall address the following:

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

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

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

1. **Percent of total sources limit.** The private activity bond volume cap allocation by the State Board of Finance must not exceed 75 percent of the Project's Total Development Cost.
2. **Costs of issuance limit.** Costs of issuance may not exceed 5 percent of the bond issue for Projects with total financing sources of \$2,000,000 or more and 7 percent for Projects with total financing sources of less than \$2,000,000.

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

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

MFA reserves the right to modify this QAP, including its compliance and monitoring provisions, as required by the promulgation or amendment of Section 42 of the Code, from time to time or for other reasons as determined by MFA. MFA will, however, make available to the general public a written explanation of any allocation of housing tax credits that is not made in accordance with established priorities and selection criteria of the agency.

VIII. Future Year's Binding Commitments

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

IX. Disaster Relief Allocations

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

X. MFA Tax Credit Monitoring and Compliance Plan Summary

A. General Requirements

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

Project Owners will be required to submit a quarterly report to MFA for each of the first four calendar quarters after a Project is Placed in Service. At that time, if the Project is determined to be in compliance with Section 42 of the Code, reports may be filed on an annual basis with MFA's approval. Project Owners will be required to submit to MFA a copy of all federal form 8609's, including schedule A, filed with the IRS in the first year that credits are claimed and at any subsequent time as requested by MFA. MFA reserves the right, in its sole discretion, to require such additional reports and/or records as MFA reasonably determines are necessary.

B. Inspections

MFA will conduct annual on-site inspections of at least 33 percent of the projects under MFA's jurisdiction. Each inspection will include a review of the Project's low-income certifications, supporting income documentation, leases, rent records (including utility documentation) and unit inspections in at least 20 percent of the Project's set-aside units and a physical inspection of the entire Project (interior and exterior.) In mixed-use and mixed-income properties, 100 percent of the units may be monitored. If Projects are determined to be in noncompliance, site visits may occur more often. MFA will provide written notification of scheduled inspections.

During the Extended Use Period, MFA reserves the right, under the provisions of Section 42 of the Code and the Project's LURA, to perform an audit of any Project that has received an allocation of tax credits. This audit will include an on-site inspection of all buildings and a review of all tenant records and certifications and other documents supporting criteria for which the Project Owner received points in the Application for an allocation of credits.

C. Recordkeeping and Record Retention

Under the provisions of the tax credits, the Project Owner will be required to keep records as defined below for each building within a particular Project. These records must be retained by the Project Owner for a minimum of six years beyond the Project Owner's income tax filing date for that year. However, first-year Project records must be maintained for six (6) years beyond the tax filing date of the final year of the Project's eligibility for tax credits. The Project Owner must report to MFA, through MFA's WCMS online system, annual audited property financial statements within 120 days of the close of the Project's

fiscal year, as well as annual operating budgets. On a monthly basis, the Project Owner must provide tenant income certifications and property vacancy data using the WCMS online system. In addition, the Project Owner must maintain records for each qualified low-income building in the Project showing:

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

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

D. Annual Certification Review

It is the responsibility of the Project Owner to annually certify to MFA that the Project meets the requirements of Section 42 of the Code, whichever set-aside is applicable to the Project. Failure to make this certification is deemed as noncompliance and is reportable to the IRS. This annual certification requires the Project Owner to certify that:

1. The Project meets the minimum requirements of the set-aside election
2. There has been no change in the applicable fraction

3. An annual low-income certification has been received from each low-income tenant and documentation is available to support that certification
4. Each low-income unit is rent restricted under Section 42 of the Code
5. Subject to the income restrictions on the Project, all units in the Project are for use by the general public and are used on a non-transient basis
6. There has been no finding of discrimination under the Fair Housing Act
7. Each building within the Project is suitable for occupancy taking into account local health, safety and building codes
8. There has been no change in any building's eligible basis under Section 42 of the Code or if there has been a change, adequate explanation of the nature of the change has been given
9. All tenant facilities included in the eligible basis of any building in the Project are provided on a comparable basis, without a separate fee, to all tenants in the building
10. If a low-income unit in the Project becomes vacant during the year, reasonable attempts are made to rent the unit to tenants having a qualifying income and while the unit is vacant, no units of comparable or smaller size are rented to tenants not having a qualifying income
11. If the income of low-income tenants of units increases above 140 percent of the applicable income limit allowed in Section 42 of the Code, the next available unit of comparable or smaller size will be leased to tenants having qualifying income.
12. Project Owner has not refused to lease a unit to an applicant based exclusively on their status as a holder of a Section 8 voucher and the Project otherwise meets the provisions outlined in the extended low-income housing commitment
13. If the Project Owner received its tax credit allocation from the state ceiling set-aside for projects involving "qualified nonprofit organizations," the nonprofit entity materially participated in the operation of the development
14. There has been no change in ownership or management of the Project that was not approved in advance by MFA
15. The Project Owner has obtained accurate, allowable, current utility allowances for use in the calculation of rents for the Project and acknowledges this to be an annual requirement for the duration for the Compliance Period

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

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

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

19. Changes in Ownership or Management, if any

17-20. The building identification number, first year of credit period and applicable fraction of each building.

As an exception, only for RD Projects, MFA may accept a certification from RD that income is based upon annual tenant certifications/re-certifications and that third party verification has been obtained. This certification will be in a form that is acceptable to both RD and MFA. Project Owners must furnish RD certifications annually, verifying that Projects are in compliance with Section 42 of the Code.

Tax-exempt bond financed Projects in which 50 percent or more of the aggregate basis is funded with the proceeds of bond financing may also be exempt, in MFA's discretion, from many of the certification and review provisions outlined within this document. The monitoring and certification guidelines for these Projects must be in a form that will satisfy those agencies issuing the bonds and MFA. The Project's monitoring procedures must, at a minimum, satisfy the compliance guidelines set forth by Section 42 of the Code.

Projects which are 100 percent allowable for tax credit purposes (i.e. all units are income and rent restricted at 60 percent of AMI or lower or 80 percent of AMI or lower with an average income of 60% AMI or lower for Average Income projects) and that have no other financing requiring annual income re-certifications may also be exempt pursuant to HR 3221. Project Owners must furnish MFA certifications annually, verifying that Projects are in compliance with Section 42 of the Code, as well as any other data that MFA may require per our monitoring and compliance guidelines.

The Project Owner of any exempted Project must certify to MFA on an annual basis that the Project is in compliance with the requirements for RD assistance, tax credits or the tax-exempt bond financing guidelines, as applicable, and that all requirements of Section 42 are also being met. The Project Owner must inform MFA of any noncompliance or if Project Owner is unable to make one or more of the required certifications.

E. Compliance Review

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

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

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

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

In order to offset the cost of monitoring procedures, an annual fee will be assessed for each year of the Extended Use Period. For 2019, the monitoring/compliance fee is \$45.00/set-aside unit/per year. The monitoring/compliance fee can be paid annually or in a lump sum to cover the initial 15 years of the Compliance Period. If paid in a lump sum, the amount will be determined in the year the development receives a final allocation. Payment of the lump sum amount will be required prior to issuance of Forms 8609 for each Project. The amount of the compliance monitoring fee for the remainder of the contractual Extended Use Period will be determined in year 15. Annual certifications and reports are due in the MFA office by March 31st of each year (for the past reporting year.) Annual compliance reports are due by March 31st of each year, through MFA's WCMS online compliance system for the full term of the Extended Use Period. Annual audited property financial statements are due in the MFA office within 120 days of the property's fiscal year end. A notice will be mailed to each Project Owner or a designated representative to remind them that the certification, reports and fees are due.

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XI. GLOSSARY

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

Adaptive reuse Projects - Projects which will involve the conversion of an existing building or buildings, which was not initially constructed for residential use to multifamily residential use.

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

Agency - New Mexico Mortgage Finance Authority (MFA.)

Allocation Review Committee - a committee appointed by the Chairman of the MFA board to review Projects rating and ranking results, to determine if the proposed allocations have been made consistent with the Project selection criteria and the QAP, and to hear appeals and decide their outcome.

Allocation set-asides - the federally mandated tax credit allocation set-aside requirement for projects involving qualified nonprofit organizations, as well as other tax credit allocation set-asides designated by MFA from time-to-time and incorporated into the QAP.

Annual credit ceiling - the total dollar volume of tax credits available for distribution by the agency and authorized pursuant to Section 42 of the Code, in a given year. The population-based ceiling amount is the amount of tax credits allocated to the state each year based on the state population.

Applicable credit percentage - the monthly interest rate issued by the Treasury Department and used to discount the present value of the 70 percent tax credit (approximately 9 percent) and the 30 percent tax credit (approximately 4 percent.)

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

Applicant - the general partner or the managing member(s) of the general partner.

Application - the completed forms, schedules, checklists, exhibits, electronic versions ~~such as CDs and USBs~~ uploaded to MFA's file sharing site: <https://local.housingnm.org/FileTransferHD/>, -and any additional documentation requested in the initial Application package, carryover allocation package and

final allocation package, as well as any supplemental materials requested by MFA. They must be submitted to MFA in accordance with the QAP in order to apply for the tax credit program.

Application deadline - 5 p.m. Mountain Standard Time on the final day of the application period, except for tax-exempt bond financed Projects, for which the submission date is specified in Section VI.B.

Application package - the forms, schedules, checklists, exhibits, electronic versions ~~such as CDs and USBs~~ uploaded to MFA's file sharing site: <https://local.housingnm.org/FileTransferHD/>, and instructions thereto obtained from the agency, which shall be completed and submitted to the agency in accordance with all regulations in order to apply for the tax credit program.

Application period – the period during which Applications will be accepted by MFA as described in the QAP.

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

Average Income (AI) Election – This election under Section 42 of the IRS Code was authorized by the Consolidated Appropriations Act of 2018. This set-aside allows the Project to serve households up to 80 percent AMI (80%) as long as at least 40 percent of the total units are rent and income restricted and the average income limit for all tax credit units in the Project is at or below 60 percent AMI (60%).

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

Blighted buildings – buildings that are in such severe disrepair to the extent that rehabilitation or adaptive reuse is no longer feasible.

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

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

Building's gross square feet – the sum of the gross square feet on each floor of a building. Covered parking and structured parking should not be included in the building's gross square feet.

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

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

Carryover allocation – the provision under Section 42 of the Code which allows a Project, under certain conditions allowed by Section 42 of the Code, to receive a tax credit allocation in a given calendar year and to be placed in service within a period of two calendar years after the calendar year in which Applicant qualifies for a carryover allocation. The carryover allocation is MFA’s binding commitment for tax credits.

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

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

Compliance monitoring – the agency’s procedure, as required by Section 42 of the Code and detailed in MFA’s Tax Credit Monitoring and Compliance Plan, of auditing and inspecting all completed LIHTC Projects.

Compliance Period – with respect to any building that is included in the LIHTC Project, a minimum period of 15 years beginning on the first day of the first taxable year of the tax credit period with respect thereto in which a LIHTC Project shall continue to maintain the low-income units as low-income units pursuant to Applicant’s set-aside election in the Application, pursuant to Section 42 of the Code. Compliance Period plus Extended Use Period equals Affordability Period.

Concerted Community Revitalization Plan – a metropolitan development plan as defined in NMSA 1978 Section 3-60A-4 prepared and enacted by a local, county or tribal government at least six months prior to the Application deadline. For Projects located on sovereign tribal lands, “concerted community revitalization plan means a written plan similar in content and affect to a metropolitan redevelopment plan as defined in NMSA 1978 Section 3-60A-4, prepared and enacted by a tribal government at least six months prior to the Application deadline, which identifies barriers to community vitality and promotes specific concerted revitalization activities within an area having distinct geographic boundaries.

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

Construction costs – for purposes of calculating builder profit, overhead and general requirements and per unit rehabilitation construction cost, the on-site and construction costs in the construction contract, before gross receipts tax, profit, overhead and general requirements. At initial Application and carryover, construction cost should include a reasonable construction contingency.

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

Contractor's cost certification – a certification prepared by a CPA, indicating the method of certification, all identities of interest and certification that all construction costs included are related to the Project.

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

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

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

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

1. The cost of acquiring real property and any building thereon, including payment for options, deposits or contracts to purchase properties
2. The cost of site preparation and development
3. Any expenses relating to the issuance of tax-exempt bonds or taxable bonds by the agency, if any, related to the Project.
4. Fees in connection with the planning, execution and financing of the Project, such as those of architects, engineers, attorneys, accountants and the agency.
5. The cost of studies, surveys, plans, permits, insurance, interest, financing, tax and assessment costs and other operating and carrying costs incurred during construction, rehabilitation or reconstruction of the Project.
6. The cost of the construction, rehabilitation and equipping of the Project.
7. The cost of land improvements, such as landscaping and off-site improvements related to the Project, whether such costs are paid in cash, property or services.

8. Expenses in connection with initial occupancy of the Project.
9. Allowances established by the agency for working capital, contingency reserves and reserves for any anticipated operating deficits during the first two years after completion of the Project.
10. The cost of such other items, including relocation cost, indemnity and surety bonds, premium on insurance and fee and expenses of trustees, depositories and paying agents for bonds.

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

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

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

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

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

Executive director – the executive director of MFA.

Extended Use Period – with respect to any building that is included in a LIHTC Project, the period of affordability **following** the initial 15-year Compliance Period during which time the project continues to be restricted to affordable low-income housing. The minimum Extended Use Period required by Code is fifteen years. Compliance Period plus Extended Use Period equals Affordability Period. **Feasibility analysis** – a financial analysis based on rules established by the IRA and MFA to determine a Project's financial feasibility, which is completed to ascertain a tax credit amount, the adequacy of financing sources, the income required to support operation of the Project.

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

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

Federally-assisted building – any building which is substantially assisted, financed or operated under Section 8 of the United States Housing Act of 1937, Section 221(d)(3), Section 221(d)(4) or 236 of the

United States Housing Act, Section 515 of the Housing Act of 1949 or any other program administered by HUD or by the rural housing service of the Department of Agriculture.

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

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

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

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

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

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

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

1. lack a fixed, regular, and adequate nighttime residence, which includes a primary nighttime residence of places not designed for or ordinarily used as a regular sleeping accommodation (including cars, parks, abandoned buildings, etc.) or publicly or privately operated shelters or transitional housing, including a hotel or motel paid for by government or charitable organizations; or
2. are being discharged from an institution where they've been a resident for 90 days or less and the person resided in a shelter (but not transitional housing) or place not meant for human habitation immediately prior to entering that institution; or
3. are being evicted from their primary nighttime residence within 14 days and no subsequent residence has been identified and the individual/household lacks the resources and support networks (i.e. family, friends, faith-based or other social networks) needed to obtain housing; or
4. have ALL of these characteristics:

- unaccompanied youth (less than 25 years of age) or family with children and youth;
 - defined as homeless under other federal statutes who do not otherwise qualify under this definition;
 - has not had a lease, ownership interest, or occupancy agreement in permanent housing for 60 days prior to applying for occupancy;
 - has moved two or more times in the 60 days immediately prior to applying for occupancy;
 - AND
 - has one or more of the following: a) chronic disabilities, b) chronic physical or mental health conditions, c) substance addiction, d) histories of domestic violence or childhood abuse, e) child with a disability, f) or two or more barriers to employment, which include i) lack of a high school diploma or GED, ii) illiteracy, iii) low English proficiency, iv) history of incarceration or detention for criminal activity, or v) history of unstable employment.
5. are fleeing or attempting to flee domestic violence, dating violence, sexual assault, stalking, or other dangerous or life-threatening situations related to violence; have no other residence; and lack the resources and support networks needed to obtain housing.

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

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

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

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

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

Income Averaging (IA) or Average Income (AI) Election – This election under Section 42 of the IRS Code was authorized by the Consolidated Appropriations Act of 2018. This set aside allows the Project to

~~serve households up to 80 percent AMI (80%) as long as at least 40 percent of the total units are rent and income restricted and the average income limit for all tax credit units in the Project is at or below 60 percent AMI (60%).~~

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

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

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

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

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

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

Low income housing tax credit (LIHTC) program or tax credit program – the rental housing program administered by MFA pursuant to Section 42 of the Code and by the state of New Mexico Executive Order 97-01.

Low-income tenants – households that occupy set-aside units.

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

Management Units - Units set-aside for Project employees i.e. property managers, maintenance staff, etc., regardless of whether rent is charged to the Project employees or not. These units are not considered residential units, but as facilities "reasonably required" for the project, should not be included in the applicable fraction as low-income residential space. Management Units must be approved by MFA to be considered exempt. and are not considered in any unit count calculations included in scoring categories.

Market rate units – residential rental units that are not low-income units.

Material design changes – any change in the Project, its scope or its quality which would affect its underwriting or compliance with MFA's mandatory design standards. For example, a change in building

area, unit areas, unit counts, amenities, parking quantities, landscaping scope, energy performance, water usage, quality of construction or specification would each constitute a material change.

Minimum score – the lowest score with which an Application will be considered to have passed the minimum Project threshold requirement related to scoring.

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

Mortgage revenue bonds (MRB) or tax-exempt bonds – bonds issued by state designated issuers, including MFA, which may be used to finance LIHTC projects subject to project allocations made by the State Board of Finance.

Net square feet – the net rentable space measured from the interior of the walls and includes all air conditioned space.

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

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

Ownership of land – holding fee title or a qualified leasehold interest.

Participating title company – a New Mexico title company that maintains pooled, interest-bearing transaction account(s) pursuant to the Land Title Trust Fund Act of 1997.

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

Principal – an Applicant, any general partner of an Applicant and any officer, director, board member or any shareholder, general partner, managing member or affiliate of an Applicant. It also includes any entity receiving any part of a developer fee for a Project. For Project compliance purposes (**Section IV.C.11**), Principal would include shareholders with interests of 25 percent or more, all officers or a corporation (whether board members or employees), all general partners or members.

Program – the tax credit program as administered by MFA.

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

Project expenses – usual and customary operating and financial costs. The term does not include extraordinary capital expenses, development fees and other on-operating expenses.

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

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

Qualified Allocation Plan or QAP – this Qualified Allocation Plan, which was adopted by Board action on November ~~20, 2018-2019~~ and made effective as of January 1, ~~2019~~2020, which was approved by the Governor of the state of New Mexico pursuant to Section 42(m)(1)(B) of the Code and sets forth the Project selection criteria and the preferences for Projects which will receive tax credits.

Qualified basis – the portion or percentage of the eligible basis that qualifies for the tax credit. It is calculated by multiplying the eligible basis by the applicable fraction.

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

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

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

Rehabilitation costs – as stated in Code Section 42(e)(2), the amounts chargeable to capital accounts and incurred for property in connection with the rehabilitation of a building. For the purposes of the calculation in scoring rehabilitation Projects, only rehabilitation “hard” costs will be considered, which are those costs that would be included in a construction contract. If the Project does not include the construction of new rent restricted units, the cost of the construction of common space buildings will be considered rehabilitation costs.

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

Reservation or reservation contract – the contract executed by MFA and the Applicant with respect to an allocation of tax credits, which states the conditions to be met by Applicant prior to issuance of a carryover allocation.

Reservation letter or reservation – a document issued by MFA which describes the amount of credits provisionally awarded to a Project and the conditions which the Project Owner must meet in order to obtain a binding commitment for tax credits.

Reserved – the units may not be rented to other categories of households unless the Project Owner demonstrates a subsequent change in the level of demand for such units and a good faith effort to obtain the originally targeted tenant category. Any such change in tenant characteristics must be approved in advance by MFA.

Rural development or RD or USDA (previously called “Farmer’s Home Administration” or “FMHA” of the U.S. Department of Agriculture) means rural development or other agency or instrumentality created or chartered by the U.S. to which the powers of RD have been transferred.

Scope of work – as described in MFA’s 202019 submission instructions for preliminary architectural documentation under the caption “rehabilitation scope of work narrative.”

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

Set-aside – all or a portion of a Project’s units that are rent restricted and/or limited to use by a specified tenant income category or a particular special needs tenant group. Set-asides will be described in the LURA.

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

Set-aside units – low-income units.

Single room occupancy (SRO) – housing consisting of single room dwelling units. The unit must contain either food preparation and/or sanitary facilities.

Special needs – see definition above under Households with special housing needs. **State-assisted building** – any building which is substantially assisted, financed or operated under any state law similar in purposes to Section 8 of the United States Housing Act of 1937, Section 221(d)(3), Section 221(d)(4) or

236 of the United States Housing Act, Section 515 of the Housing Act of 1949 or any other program administered by HUD or by the USDA Rural Housing Service.

Subsidy layering review or 911 review – the review conducted under subsidy layering guidelines adopted by HUD in order to assure that excessive subsidies are not provided to Projects which receive both tax credits and other governmental assistance.

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

Tax credit allocation – tax credits approved for a Project by MFA in an amount determined by MFA as necessary to make a Project financially feasible and viable throughout the Project’s Compliance Period pursuant to Section 42(m)(2)(A) of the Code.

Tax credit ceiling rents – the maximum rent that may be charged for a rent restricted unit.

Tax-exempt bond financed Project – a Project, which is being financed by the issuance of tax-exempt bonds subject to applicable volume cap pursuant to Section 42(h)(4) of the Code.

Tenant conversion plan – a written plan acceptable to MFA, describing the method to be used to enable tenants to acquire ownership of their units at such time as conversion to owner occupancy is allowed under Code Section 42. The Project Owner must provide and describe the type of homeownership, financial and maintenance counseling to be offered. The Project Owner must describe in detail how the unit will be converted from a rental unit to homeownership. Other financial and programmatic structure items the plan must contain include:

1. Timing of ownership
2. All lienholder interests
3. Eligibility and selection process for potential owners
4. How the value and sales price of the home will be determined at the time of purchase.
5. Any favorable financing or down payment assistance
6. Formation of any neighborhood associations and if so, the benefits and responsibilities outlined within the proposal.
7. Copy of the plot plan for ultimate subdivision or proposed condominium declaration

Threshold review – the assessment of a Project with respect to minimum Project threshold requirements as defined in the QAP.

Threshold tests – the minimum Project threshold requirements described in Section III.C. that must be achieved for a Project to be considered further for an allocation.

Total Development Cost – the total of all costs incurred or to be incurred by the Project in acquiring, constructing, rehabilitating and financing the Project. For purposes of calculating developer fees, total development cost will be adjusted to exclude developer fees, consultant fees, commercial space construction costs and all reserves. For purposes of calculating cost limits, the purchase price attributed to the land, any costs related to commercial space and reserves (not eligible for tax credits) will be excluded.

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

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

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

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Exhibit 1

Board Members

Chair – ~~Angel Reyes – Centinel Bank in Taos~~ ~~Dennis R. Burt – Burt & Company CPAs, LLC~~

~~Vice Chair – Angel Reyes – Centinel Bank in Taos~~

~~Vice Chair – Derek Valdo – Chief Executive Officer, AMERIND Risk~~

~~Treasurer – Rebecca Wurzburger – Strategic Planning Consultant~~

Member ~~– John Sanchez~~ Howie Morales - Lieutenant Governor, state of New Mexico

Member ~~–~~ Hector Balderas – Attorney General, state of New Mexico

Member ~~–~~ Tim Eichenberg – Treasurer, state of New Mexico

~~Member – Steven Smith – President, R.O.G. Enterprises~~

Member – Randy McMillan – President, NAI First Valley Realty, Inc.

Allocation Review Committee

Chair, To be appointed by MFA Board Chair ~~Angel Reyes~~

Member, Michael A. D’Antonio

Member, Lyle Greenberg

Member, Patricia A. Sullivan

Member, Robert White

Management

Jay Czar, Executive Director

Isidoro “Izzy” Hernandez, Deputy Director of Programs

Gina Hickman, Deputy Director of Finance and Administration

Shawn Colbert, Director of Housing Development

~~Rebecca Velarde~~ Kathryn Turner, Tax Credit Program Officer

are clarifications of existing policies/terms in the QAP i.e. insertion of answers/clarifications generated during last year's FAQ period, which become a part of the QAP by reference.

- A. **Equalization of New Construction and Rehabilitation Projects – Section II.C.** (starts page 4)
The language regarding the subsequent awarding of projects in each category was not how forward allocation was being administered in practice. This language was clarified to reflect the way MFA has been administering those credits.
- B. **Nonprofit Set-Aside – Section II.D.** (starts page 5)
Language was added to allow MFA to request an opinion of counsel if there are concerns regarding the control of the nonprofit by a for-profit.
- C. **Minimum Apartment Unit Set-Asides – Section II.E.** (starts page 6)
Last year we did not allow existing LIHTC projects to utilize the Average Income set-aside. Now that we have a better sense of how this set-aside will work with compliance, this is proposed to be allowed, however the project must meet both the existing set-aside and the new Average Income set-aside requirements.
- D. **General Public Use – Section II.G.** (starts page 8)
Per IRS guidance, any unit utilized by a manager may have rent collected, or be at any income level, and will still be considered common space in the eligible basis calculation. Language has been clarified to address this change.
- E. **Combined Rehabilitation and New Construction Projects and General Guidelines Around Rehabilitation – Section II.J.** (starts page 10)
This section header has changed to incorporate general guidelines on rehabilitation projects, that formerly was only held within the Rehabilitation Point category. Additionally, the 20 year rule was changed to only apply to 9% projects that are former Tax Credit projects and those projects looking for rehabilitation points.
- F. **Eligible Basis According to Type of Activity – Section II.M.** (page 13)
Language was clarified to explain how MFA applies the 30% basis boost to projects more accurately.
- G. **Building Classification and Tax Credit Applicable Percentages – Section II.R.** (starts page 15)
In 2015, the PATH Act permanently fixed the floor of the 9% credit at 9%. This is clarified in this paragraph.
- H. **Audit Requirements – Section II.S.** (page 16)
Language was added to require all general contractor bid records and communication regarding the required general contractor cost certification be retained.
- I. **Minimum Project Threshold Requirements – Section III.C.** (starts page 17)
 - 1. Following 2019 projects not meeting threshold requirements and one project not meeting the minimum score, it was suggested by counsel to move the minimum score requirement out of threshold criteria and into scoring criteria. In other words, threshold issues prevent an application from being scored, and that application is rejected for that reason. However, if a project meets all threshold requirements, it also must meet the minimum scoring requirement to qualify for the waitlist or an award. The minimum score threshold

requirement has been taken out of the threshold section and reinforced in the scoring section.

2. A visual diagram of the relationship of any related parties is required.
3. Under the Pre-Application Requirements, attendance at the most recent QAP training was added. Previously this requirement was only a part of the Nonprofit scoring criteria. Now it is required for all applicants AND any nonprofit partners if they want to claim points under that scoring item. We also are adding a note for 4% applications to allow them to take alternate “training”.

J. Allocation Set-Asides – Section III.D. (starts page 20)

Language in the USDA Rural Development set-aside was clarified to accurately reflect the requirements per conversations with USDA.

K. Project Selection Criteria to Implement Housing Priorities – Section III.E. (starts page 21)

Overall scoring minimums were lowered by 7 points, as there was an adjustment of the points available in the Housing Priorities scoring criteria.

Additional proposed scoring changes or clarifications include the following:

1. Scoring Criterion no. 2- Locational Efficiency (starts page 23)

No scoring change. Previously, the Locational Efficiency point detail was contained in a supplement. In an effort to streamline the application process, this detail was moved to the QAP itself.

2. Scoring Criterion no. 3 – Rehabilitation Projects (starts page 24)

The point categories were amended to allow projects at 21 years to score in this category.

3. Scoring Criterion no. 4- Sustaining Affordability (starts page 26)

Projects with existing rental assistance contracts on 75 of the units were pulled out of the maximum point category of 15 points, and eligible for only 10 points. Language was added to clarify the requirements to receive points in this category, and made consistent with language in the application checklist and our underwriting guidelines.

4. Scoring Criterion no. 5- Income Level of Tenants (starts page 27)

Percentages required were amended to allow for projects utilizing the 20/50 set aside to not have an unfair advantage (two percentage levels in Rural areas are not available to those choosing the 20/50 set aside). Also, language was added to close the loophole of projects electing to utilize the Average Income set aside, but only have units under 60% AMI in order to receive maximum points in this category.

5. Scoring Criterion nos. 8-10- Housing Priorities (starts page 29)

- Threshold scores for all priorities were eliminated, and the maximum scoring for services were leveled to 8 points for each priority.
- Details on all scoring criterion were pulled out of application materials and incorporated into these sections to ensure clarity.
- Additionally, language making sure any units set aside for management were not utilized in the calculation of the targeted percentage of units for the Housing Priorities.

6. **Scoring Criterion no. 12**- *Complete Applications (starts page 41)*
Points were dropped from 5 to 3, recognizing the new scoring from 2019 made this category disproportionately high.
 7. **Scoring Criterion no. 14** – *QCT/Concerted Community Revitalization Plan (starts page 41)*
No scoring change. Language and format was clarified.
 8. **Scoring Criterion no. 17** – *Blighted Building and Brownfield Site Reuse (starts page 42)*
No scoring change. Clarification on requirements that was made through the FAQ process was added.
 9. **Scoring Criterion no. 19** – *Efficient Use of Tax Credits (starts page 44)*
Management units are to be included in the calculation of units.
 10. **Scoring Criterion no. 20** – *Non-Smoking Properties (page 45)*
No scoring change. Additional information was added on how to receive certification and language was clarified regarding the use of electronic cigarettes in properties.
- L. **Content and Format: Complete Applications – Section IV.A.4.d.** (page 49)
MFA will no longer require hard copies to be contained in brown classification folders. Three-ring binders will be accepted. Electronic applications should be submitted to MFA's file sharing site.
 - M. **MFA Fees and Direct Costs - Section IV.B.** (starts page 52)
Fees have been increased slightly and 4% applications and 9% applications require the same fee.
 - N. **Staff Analysis and Application processing – Section IV.C.** (starts page 54)
An additional hard construction cost per square foot requirement was added, mirroring the total development cost per unit requirement. A waiver was also outlined, if there were extenuating circumstances that increased costs above the limit.
 - O. **Feasibility Analysis and Financial Considerations – Section IV.D.** (pages 60 and 62)
 - The reduction of architect fees when the same design has been used has been eliminated.
 - Language was added to explain the rent levels MFA will underwrite to for projects expecting a future project-based voucher award.
 - P. **Credit Calculation Method – Section IV.E.3.** (starts page 62)
Language was clarified and updated.
 - Q. **Notification of Approval and Subsequent Project Requirements – Section IV.G.3.c., Section IV.G.3.d., Section IV.G.7., and Section IV.G.8.a.** (pages 67, 68, 69 and 70)
 - Language was added to ensure any changes at carryover are highlighted and described, as well as ensuring that any changes following carryover are communicated with MFA.
 - A 12 month age limit for the CNA for rehabilitation and adaptive reuse projects was imposed.
 - A requirement was added to meet with MFA (both Asset Management and Housing Development staff) ahead of lease-up to confirm requirements with both development and management staff.

- The 60 day requirement to receive the final cost certification following Placed-in-Service was removed.

R. **Processing of Tax-Exempt Bond Financed Project Applications – Section VI.B.** (starts page 75)

Language was added to this section detailing the narrative required, which was previously only in the application materials.

S. **Annual Certification Review – Section X.D.18.** (page 80)

An additional requirement of compliance with VAWA, notification of changes of ownership or management, and documentation of the BIN, first year of credit period, and applicable fraction for each building was added to the Review.

T. **Glossary – Section XI.** (pages 88 and 90)

The terms “Hard Construction Costs” and “Management Units” were added.

Other updates

U. *Project Selection Criteria to Implement Housing Priorities – Section III.E.* (starts page 21)

Scoring items have been reformatted for clarity.

Summary:

The proposed changes to the 2020 QAP continue to improve the allocation process. Staff conducted a Developer’s Forum wherein we discussed significant changes to the QAP. New ideas were raised by attendees at the Forum, which were carefully considered. In addition, staff solicited input from staff from departments other than Housing Development.

An initial draft of the 2020 QAP was approved by the Policy Committee and then posted for public comment. Notice of the public hearing was published in three newspapers of general circulation. A 21-day public comment period commenced on September 17, 2019 and closed on October 8, 2019. A total of 20 people/entities submitted written comments to the Draft 2020 QAP. A public hearing was also held on October 2, 2019 for the purpose of accepting oral comments. Four people attended the public hearing and made oral comments, and two people tuned into the webcast.

The comment period is now completed, and staff considered all submitted comments and has recommended additional changes to the 2020 QAP. On October 29, 2019, the Policy Committee reviewed and approved the 2020 Draft QAP. On November 12, 2019, the Finance Committee reviewed and approved the 2020 Draft QAP. Upon approval of the 2020 QAP by the Board on November 20, 2019, MFA will seek the Governor’s approval.

Tab 5



NEW MEXICO MORTGAGE FINANCE AUTHORITY
Contracted Services/Credit Committee Meeting
Tuesday, November 12, 2019 @ 10:00 am
MFA – Albuquerque

To dial in to the conference call dial: MFA (Abbott Hall) all participant dial in (605) 313-4821 Participant code: 561172 # Host Code: 561172 *

AGENDA ITEM	COMMITTEE RECOMMENDED	BOARD ACTION REQUIRED
1 State Neighborhood Stabilization Program (NSP) Service Provider Awards (Theresa Laredo-Garcia)	2-0	YES
2 Youth Homeless Demonstration Award (John Garcia)	2-0	YES
3 Primero loan request - Sandia Vista & Plaza David Chavez Apartments (George Maestas)	2-0	YES

Committee Members present:

Rebecca Wurzbarger, Chair

☐ present

☐ absent

☒ conference call

Attorney General Hector Balderas or
Sally Malavé

☐ present

☐ absent

☒ conference call


Randy McMillan

☐ present

☒ absent

☐ conference call

Secretary:


11/12/19



MEMO

TO: MFA Board of Directors

Through: Contracted Services Committee – November 12, 2019

Through: Policy Committee – October 29, 2019

FROM: Theresa Laredo-Garcia, Program Development Manager

DATE: November 20, 2019

SUBJECT: Recommendation for State Neighborhood Stabilization Program (NSP)
Service Providers Awards

Recommendation:

Staff recommends approval of the following qualified service providers for MFA's State NSP to provide acquisition, rehabilitation and sale/rent services using State NSP funding in the amount of \$3,847,254 less allowable administration fees of \$299,218, for an available funding of \$3,548,036.

Agency	Award Amount
Homewise, Inc	\$2,453,589
Tierra del Sol Housing Corporation	\$419,195
Bernalillo County Housing Department	\$675,252
Total Award	\$3,548,036

Background:

MFA has received funds from the U.S. Department of Housing and Urban Development (HUD) for NSP. NSP is authorized under the Housing and Economic Recovery Act of 2008 (HERA), and provided to MFA through the New Mexico Department of Finance and Administration (DFA). NSP funds awarded to MFA are targeted to Albuquerque, Las Cruces, Santa Fe and 10 counties throughout New Mexico that meet NSP's "areas of greatest need" requirements, as defined in DFA's Action Plan.

NSP assists communities that have been or are likely to be affected by foreclosed and abandoned properties and provides affordable housing opportunities to residents at or below 120 percent of area median income (AMI) with a 25 percent set aside for residents at or below 50 percent AMI and promotes housing market stabilization for the benefit of low- and moderate- income New Mexicans.

The purpose of the RFP is to select qualified service providers to partner with MFA in the utilization of NSP funds. MFA issued an RFP on September 19, 2019 soliciting qualified service providers to provide acquisition, rehabilitation and sale or rent services in NSP approved geographic areas identified in the RFP. RFP training was held on October 2, 2019 and responses to the RFP were due on October 18, 2019.

Discussion:

MFA received four responses that were reviewed independently by five MFA team members.

Offerors must meet “Minimum Qualification and Requirements” and must obtain a minimum score of 65 out of 100.

- One Offeror did not meet the “Minimum Qualifications and Requirements”

Scoring Criteria

Criteria	Maximum Score
Organization Capacity	20
Finance	15
Experience Acquisition, Rehabilitation and Sale/Rent	35
Implementation Plan	20
Waiting List and Readiness to Proceed Pipeline	10
Total Maximum Points	100

Offerors Scores and Amounts Requested

Agency	Total Score	Amount Requested
Southwestern Regional Housing and Community Development Corporation	Offeror did not meet minimum	
Homewise, Inc	92	\$3,526,506
Tierra del Sol Housing Corporation	78	\$750,000
Bernalillo County Housing Department	77	\$1,208,124

Award recommendations were determined by calculating the percentage for the sum of amounts requested to funding amount available and adjusted for score variances. Upon Board approval, MFA will enter into eighteen-month Performance Agreements with each agency. Performance Agreements will include the agency’s projected activity based on actual award amounts.

The NSP budget projection covers a two-year period for all activities from program development to closeout with DFA. The projected cost is \$247,321 which includes salaries and benefits for all MFA staff (Program Management, Accounting, Information Systems, Management) required to administer NSP, staff travel, supplies, legal and indirect cost. These fees are all eligible expenses under the NSP program. Any unused administration fees will be transferred to cover acquisition, rehabilitation and sale/rent activities.

Summary:

Staff recommends approval of the following qualified service providers for MFA's State NSP to provide acquisition, rehabilitation and sale/rent services using State NSP funding in the amount of \$3,847,254 less allowable administration fees of \$299,218, for an available funding of \$3,548,036.

Agency	Award Amount
Homewise, Inc	\$2,453,589
Tierra del Sol Housing Corporation	\$419,195
Bernalillo County Housing Department	\$675,252
Total Award	\$3,548,036

Tab 6



MEMORANDUM

TO: MFA Board of Directors

Through: Contracted Services- November 12, 2019

Through: Policy Committee-October 23,2019

FROM: Natalie Michelback, Program Manager

DATE: November 20, 2019

SUBJECT: Limited Source Procurement for the Jr House Bill Awards for Youth Homeless Demonstration Project Award in Northern NM

Recommendation:

Staff is recommending approval to award \$518,000 from three junior house bills from the 2019 New Mexico state legislature (HB2 Jr, HB548 Jr), to the six service providers listed in the funding allocation table below. The remaining \$5,000 from the original award of \$523,000 will be awarded to MFA for admin costs. All awards must be fully expended by June 30,2020.

Background:

The New Mexico Coalition to End Homelessness (NMCEH) released a Request for Proposal "RFP" for the HUD Youth demonstration grant and received six responses. The NMCEH scored the proposals and selected all six service providers for the award. A needs analysis by county using public school and Department of Health homeless youth data was performed to determine a fair distribution of the award among the service providers.

During the 2019 state legislature, three Jr House Bills (Appropriation Number ZD5035 \$400,000, ZD9016 \$50,000 and ZD9017 \$73,000) were approved which awarded a total of \$523,000 to provide match funds for the HUD Continuum of Care Youth Homeless Demonstration Project. Procurement for the Project was completed by NMCEH and the Department of Finance and Administration (DFA) appropriations were specifically awarded to MFA as match funds for the HUD Homeless Youth Demonstration Project. Therefore, it would be impractical for MFA to issue an RFP as this award qualifies as a limited source procurement. Limited source procurement is used when there is a limited number of qualified sources for the procurement, and a competitive sealed proposal procedure would be impractical.

DFA approved up to 10 % of this award for admin costs (\$52,300). MFA estimates only needing \$5,000 to cover admin expenses. In addition, the services providers will be allowed to use 5% of the award for admin costs.

Discussion:

The funding allocation percentages for service providers was determined by a county needs analysis performed by NMCEH as mentioned in the Background section of this memo. The state fund allocations to the six service providers will use those established percentages. The agreement will be effective August 2, 2019 (date the agreement was executed with the state) through June 30, 2020.

Staff participated in discussions with DFA and MFA's accounting staff and it was agreed that the three awards would be drawn down in the following order:

1. Appropriation #ZD9016 \$50,000
2. Appropriation #ZD9017 \$73,000
3. Appropriation #ZD5035 \$400,000

DFA approved the submission of one Final Report (Exhibit B), when all funds are exhausted, to include a description of the methodology used to draw from the three awards. This single report will be submitted for each of the three appropriations.

Funding Allocations

Agency	Service Area	Percentage of the total Award	Program Funds	Admin Funds	State Match Award
Youth Shelter & Family Services	Santa Fe, Los Alamos, McKinley, Cibola & Sandoval	53.98%	\$265,635.58	\$13,980.82	\$279,616.40
DreamTree Project	Taos, Colfax, Union & Harding	5.47%	\$26,917.87	\$1,416.73	\$28,334.60
Rio Arriba County	Rio Arriba	10.74%	\$52,851.54	\$2,781.66	\$55,633.20
San Juan County	San Juan	8.71%	\$42,861.91	\$2,255.89	\$45,117.80
Samaritan House	San Miguel, Mora & Quay	6.11%	\$30,067.31	\$1,582.49	\$31,649.80
NMCEH (Kewa House)	All counties in service area	14.99%	\$73,765.79	\$3,882.41	\$77,648.20
MFA				\$5,000.00	\$5,000.00
Total			\$492,100.00	\$30,900.00	\$523,000.00

Summary:

The New Mexico Coalition to End Homelessness has been working with Youth Shelter & Family Services in Santa Fe and DreamTree Project in Taos to create a Continuum of Care Youth Homeless Demonstration Project which will assist homeless young adults to transition into housing through supportive services and rental assistance in northern NM. There will be a total of six service providers administering this program.

Staff is recommending approval to award \$518,000, from three Jr House Bills, to the six service providers with an additional \$5,000 to MFA to cover the costs of admin for a total of \$523,000. All awards must be fully expended by June 30, 2020.



Youth Homelessness Demonstration Program

HUD, its federal partners, and youth with lived experience of homelessness designed the Youth Homelessness Demonstration Program (YHDP) to drastically reduce the number of youth experiencing homelessness, including unaccompanied, pregnant and parenting youth.

What YHDP Requires

- Communities must bring together a wide variety of stakeholders, including housing providers, local and state child welfare agencies, school districts, workforce development organizations, and the juvenile justice system.
- Communities must convene Youth Action Boards, comprised of youth that have current or past lived experience of homelessness, to lead the planning and implementation of the YHDP.
- Communities must assess the needs of special populations at higher risk of experiencing homelessness, including racial and ethnic minorities, LGBTQ+ youth, parenting youth, youth involved in the foster care and juvenile justice systems, and youth victims of human trafficking.
- Communities will create a coordinated community plan that assesses the needs of youth at-risk of and experiencing homelessness in the community and addresses how it will use the money from the YHDP grant, along with other funding sources, to address these needs.
- Communities may propose innovative projects and test new approaches to address youth homelessness.





Youth Homelessness Demonstration Program

Round 1	Round 2	Round 3
10 Communities \$33 million	11 Communities \$43 million	23 Communities \$75 million

YHDP Round 1 & 2 Communities

Round 1

Anchorage - \$1.5 million
 Austin/Travis County - \$5.2 million
 Cincinnati/Hamilton County - \$3.8 million
 Connecticut Balance of State - \$6.6 million
 Kentucky Balance of State - \$1.9 million
 Northwest Michigan - \$1.3 million
 Ohio Balance of State - \$2.2 million
 San Francisco - \$2.9 million
 Seattle/King County - \$5.4 million
 Watsonville/Santa Cruz - \$2.2 million

Round 2

City of Boston - \$4.92 million
 Columbus/Franklin County - \$6.07 million
 Louisville/Jefferson County - \$3.45 million
 Nashville/Davidson County - \$3.54 million
 Nebraska Balance of State - \$3.28 million
 New Mexico Balance of State - \$3.37 million
 Northwest Minnesota - \$1.41 million
 San Diego City and County - \$7.94 million
 Snohomish County - \$2.39 million
 Vermont Balance of State - \$2 million
 Washington Balance of State - \$4.63 million

YHDP Round 3 Communities

Alaska Balance of State (rural): \$1.65 million
 Allegheny County, Pennsylvania: \$3.49 million
 Baltimore, Maryland: \$3.70 million
 Clackamas County, Oregon: \$1.78 million
 Cook County, Illinois: \$6.08 million
 Des Moines, Iowa: \$1.87 million
 Erie & Niagara Falls Counties, New York: \$3.59 million
 Fairfield County, Connecticut: \$3.01 million
 Franklin County, Massachusetts (rural): \$1.96 million
 Gulf Coast, Mississippi (rural): \$2.05 million
 Honolulu, Hawaii: \$3.8 million
 Indianapolis, Indiana: \$3.88 million

Northeast Wyoming (rural): \$1.08 million
 Ohio Balance of State (rural): \$1.47 million
 Palm Beach County, Florida: \$4.92 million
 Prince George's County, Maryland: \$3.48 million
 San Antonio/Bexar County, Texas: \$6.88 million
 Springfield, Massachusetts: \$2.43 million
 State of Maine (rural): \$3.35 million
 State of Montana (rural): \$3.43 million
 Tucson, Arizona: \$4.56 million
 Waco County, Texas (rural): \$2.23 million
 Washington, D.C.: \$4.28 million

YHDP projects will have 2-year grant terms and may be renewed under the Continuum of Care (CoC) Program if they meet program statutory requirements. For more information, FAQs, and community planning resources, visit: www.hudexchange.info/programs/yhdp/

Tab 7

2019 RENTAL AWARD SUMMARY

Project Name & Addresses	SV-PDC, LP Sandia Vista Apartments- 901 Tramway Blvd NE, Albuquerque, NM 87123 Plaza David Chavez Apartments- 2821 Mountain Rd NW, Albuquerque, NM 87104			
Proposed Award	\$1,000,000	Primero Investment Fund	Rate	2.50% Fixed
Borrower	SV-PDC, LP , a California limited partnership formed in 2019, will be owned .01% by SV-PDC, LLC, as General Partner, with Bernalillo Housing Corporation II (owned by Cesar Chavez Foundation) as its Sole Member; and 99.99% by a to-be-determined tax credit investor, as Limited Partner.			
Management	The Cesar Chavez Foundation (CCF), a California nonprofit 501(c)(3) corporation founded in 1966, currently manages over 5,200 residential rental units, including over 4,400 affordable rental units, as either third-party or directly for projects that it has developed in California, Arizona, New Mexico, and Texas. CCF's affordable housing management experience includes units financed by tax-exempt bonds, 4% low-income housing tax credits (LIHTCs), 9% LIHTCs, HOME funds and Section 202 Project Rental Assistance Contracts. Alfonso Trujillo is CCF's Director of Property Management and has held the position since 2009.			
Developer	<p>The Cesar Chavez Foundation (CCF) is the developer in addition to being the management agent. CCF's mission is to provide housing and related services to individuals, families, seniors and special needs households. Paul Chavez, the President, is supported by a senior management team of eight executives & over 100 employees. CCF has been involved in affordable housing in New Mexico since 1998 with the acquisition of La Vida Nueva. In 2003, it acquired & rehabilitated five properties in New Mexico via 4% LIHTCs. MFA issued the bonds as well as Risk Share loans for each property. Two of the properties are in Albuquerque, one is in Truth or Consequences, one is in Deming and one is in Lordsburg. In 2017, La Vida Nueva was awarded 9% LIHTCs, as well as \$2M in construction financing from MFA, to rehabilitate the project.</p> <p>CCF's audited consolidated financial statements for FYE 12/31/18 show \$212 million in assets with \$63M in total liabilities vs. \$149M in net assets, resulting in a strong debt-to-worth ratio of .42 to 1.00. Operating cash flow is positive with cash-on-hand of \$14.5 million. Audited consolidated financial statements for FYE 12/31/17 show \$203 million in assets with \$55M in total liabilities vs. \$148M in net assets, resulting in a strong debt to worth ratio of .37 to 1.00. Operating cash flow is positive with cash-on-hand of \$11.8 million. The auditor's summaries of results revealed no significant deficiencies, no material weaknesses and no control deficiencies or findings for either year. CCF's internally prepared combined financial statements for 6/30/19 show continued strong performance with \$15.2 million in cash-on-hand.</p>			
Project Type & Size	Acquisition/rehabilitation of two scattered-site multifamily projects totaling 213 rental units with 54 units (25%) serving Households with Children. Ninety-four units are income-restricted to households earning 30% or less of Area Median Income (AMI), 43 units restricted to households earning 50% or less of AMI, and 76 units income restricted to households earning 60% or less of AMI. The resulting rents range from \$717-\$739 for a one-bedroom unit, \$831-\$888 for a two-bedroom, \$979-\$1,027 for a three-bedroom, and \$1,179 for a four-bedroom. The combined project will continue to provide HUD Project-Based Section 8 rental subsidy to 183 of the 213 units.			

Project Description	<p>The SV-PDC project includes the acquisition and rehabilitation of two scattered-site multifamily properties- Sandia Vista Apartments (138 units) and Plaza David Chavez Apartments (75 units) with a total of 213 apartments. The combined project is located on 16.86 acres and consists of 17 two-story garden-style residential buildings, seven single-story residential buildings, and three ancillary buildings with a total gross square footage of 205,677 square feet. There are 40 one-bedroom apartments, 75 two-bedroom apartments, 83 three-bedroom apartments and 15 four-bedroom apartments. The project's one-bedroom units average in size from 613 to 619 square feet, the two-bedroom units average from 744 to 814 square feet, the three-bedroom units average from 966 to 1,034 square feet and the four-bedroom units average from 1,172 to 1,225 square feet. Together, the two properties have 183 apartments that participate in the HUD Project-Based Section 8 rental subsidy program.</p> <p>Sandia Vista Apartments was originally constructed in 1987 and Plaza David Chavez in 1970. Both properties were renovated in 2004 with Low Income Housing Tax Credits (LIHTCs). In 2017 and 2018, additional renovations were made at both properties for new floor coverings, windows & sliding doors, cabinetry, plumbing, HVAC and electrical & lighting. At Plaza David Chavez, over \$160,000 was expended on roofing repair and replacement. During the same time period, Sandia Vista received over \$20,000 in paving and parking lot repairs. Both properties now exhibit an average condition.</p> <p>The proposed rehabilitation of Sandia Vista and Plaza David Chavez Apartments is a substantial rehabilitation project with an anticipated per-unit construction cost of approximately \$47,400. The scope of work is in line with the recent Capital Needs Assessment, dated 5/31/19. Proposed renovations include: converting the existing swamp coolers to new HVAC condensers, new water heaters, low-flow plumbing fixtures, energy efficient kitchen appliances, flooring and windows, interior and exterior paint, replace and/or repair roofing systems, energy efficient lighting, drywall repair, new signage, and asbestos and lead-based paint remediation. The developer has budgeted \$1.45M for the remediation.</p> <p>This project includes a developer fee of \$4.26M. This is 11.28% of the Total Development Cost, which is less than the 14% cap allowed under the QAP. The developer fee includes the acquisition of the property, which is not uncommon in LIHTC projects. While some states exclude acquisition costs from the developer fee calculation, the total cap for those states is generally higher than MFA's (up to 20%). MFA's 14% developer fee cap for 4% LIHTC projects is lower than many other states' caps.</p> <p>A Novogradac market study of Sandia Vista Apartments, dated 5/28/19, advises that the subject project is feasible as proposed, based on the Subject's historic performance in the market and the continuation of project-based rental assistance for the majority of the units. The renovated Subject will represent good quality affordable apartments that are in strong demand in the area. The site is located in a primarily residential neighborhood with surrounding land uses in overall average condition. Residential uses consist of predominantly single-family homes. Good quality affordable housing is limited in the area and the Subject will have a positive impact on the surrounding neighborhood. All major shopping, employment, and recreation amenities are located within reasonable proximity to the Subject. Public transportation, medical services, groceries, and shopping are available to the Subject. Renovation of the Subject property will positively impact the neighborhood, which is well-suited for an affordable family development.</p> <p>A Novogradac market study of Plaza David Chavez Apartments, dated 5/24/19, advises that the subject project is feasible as proposed based on the Subject's historic performance in the market and the continuation of project-based rental assistance for all 75 of the units. The renovated Subject will represent good quality affordable apartments that are in strong demand in the area. The site is located in a primarily residential neighborhood with surrounding land uses in overall average condition. Residential uses consist of predominantly single-family homes. Good quality affordable housing is limited in the area and the Subject will have a positive impact on the surrounding neighborhood. All major shopping, employment, and recreation amenities are located within reasonable proximity to the Subject. Public transportation, medical services, groceries, and shopping are available to the Subject. Renovation of the Subject property will positively impact the neighborhood, which is well-suited for an affordable family development.</p>
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Affordability Requirements	Two hundred thirteen apartments reserved for households earning 60% or less of AMI for which a Land Use Restriction Agreements (LURA) will be filed in Bernalillo County. The Primero loan's affordability period is 5 years and will start on the date that the architect of record issues a certificate of substantial completion AIA Form G704.		
Repayment and Disbursement	<p>Payments: Interest monthly during the construction period not to exceed 24 months. Outstanding P&I due at the earlier of maturity, refinance or sale of the project.</p> <p>Disbursement: Multiple disbursements upon evidence of costs incurred, not more frequently than monthly.</p>		
Special Conditions	<ol style="list-style-type: none"> 1. All loans are subject to MFA's final underwriting for project feasibility if needed. Loan amounts may be reduced if the financing gap decreases, and/or terms (i.e. interest rate & amortization) may be revised in line with projected cash flow at closing; 2. Any changes or additions to the following development team members listed in the loan application must be approved by MFA: developer, contractor, management company, consultant or architect; 3. Financing commitments acceptable to MFA prior to funding on all funding sources; 4. Acceptance of 2019 award of Low Income Housing Tax Credits (LIHTC); 5. Approval of plans/construction monitoring/draws by a third party acceptable to MFA (i.e. hired by MFA, investor or primary construction lender) and shared with MFA. Cost to be paid by applicant; 6. Other conditions as may be determined by staff; and 7. Subject to availability of funds. <p>Additional Conditions:</p> <ol style="list-style-type: none"> 8. Loan to be in third lien position during construction period; and 9. The Cesar Chavez Foundation must provide a guarantee during the construction period. 		
MFA Commitments to Other Projects	<p><u>Cesar Chavez Foundation</u></p> <p>2001 LIHTC (4%)- La Vida Nueva (fka Mtn View I) - \$439,811 2004 LIHTC (4%)- Sunny Acres- \$118,062 2004 Risk Share loan #RS062- Sunny Acres - \$2,216,857 2004 LIHTC (4%)- Sandia Vista- \$172,583 2004 Risk Share loan #RS063- Sandia Vista - \$3,320,998 2004 LIHTC (4%)- Deming Manor - \$43,820 2004 Risk Share loan #RS064- Deming Manor - \$540,598 2004 LIHTC (4%)- Tradewinds- \$34,422 2004 Risk Share loan #RS065- Tradewinds- \$488,454 2004 LIHTC (4%)- King Arthur's Court - \$17,952 2004 Risk Share loan #RS066- King Arthur's Court - \$339,283 2017 NM HTF Loan #NMHTF17001- La Vida Nueva - \$999,645 2017 Primero Loan #PIF99157- La Vida Nueva - \$1,000,000</p> <p>(Note: Risk Share loans carry 10% MFA risk – loan balances as of 9/30/19)</p>		
Total MFA Exposure	<i>Total MFA Exposure: \$8,905,835 (excludes loans pending approval).</i>		
Prepared by	George Maestas, Development Loan Manager	Date	10/23/2019
Reviewed by	Shawn Colbert, Director of Housing Development		

PROJECT INFORMATION SUMMARY						
Project Name		City	NC, AR, or NC/AR	Total # Units	Sizes	Target AMIs
Sandia Vista Apts. & Plaza David Chavez Apts.		Albuquerque, NM				
Total Development Cost	\$ 37,753,989		AR	213	1-BED, 2-BED, 3 BED & 4 BED	30%, 50% & 60%
Borrower	SV-PDC, LP					
Management	Cesar Chavez Foundation		YEAR BUILT (AR)		LIHTC ALLOC	4% or 9%
Developer	Cesar Chavez Foundation		1987/1970		\$ 1,333,320	4%
			NC = New Construction AR = Acquisition/Rehab AMI = Area Median Income MR = Market Rate apartments			
LOAN INFORMATION			NUMBER OF PRIMERO UNITS:		213	
Funds Available as of:	09/30/19	\$2,222,743				
	Primero Guidelines	Loan Request	EXCEPTIONS/CONDITIONS/NOTES			
Maximum Loan Amount	\$1,000,000	\$1,000,000				
Rates	2.5%	2.5%				
Loan Fees	1%	1%				
Maximum Loan Term	2 yr construction	2 yr construction	Due at maturity			
Loan Amortization	N/A	N/A	Construction Only			
Lien Position	Subordinate allowed	3rd lien position				
Affordability Requirements	Min 5 yrs, 60% AMI	5 yrs, 60% AMI				
DSCR	N/A- Const. only	N/A - Constr. Only				
Scoring Criteria	N/A	N/A				

TOTAL DEVELOPMENT COST INFORMATION SUMMARY				
Project:	Sandia Vista Apts. & Plaza David Chavez Apts.	Total	% TDC	Cost/GSF*
Acquisition Costs (land, building acquisition, & other acquisition costs)		\$ 14,413,200	38%	\$ 70.08
Construction Hard Costs		\$ 10,090,850	27%	\$ 49.06
Other Construction Costs (contractor O&P, general req, GRT, landscaping, furnishings, etc)		\$ 2,765,419	7%	\$ 13.45
Professional Services/Fees (architect, engineer, real estate legal, etc)		\$ 885,640	2%	\$ 4.31
Construction Financing Costs (interest, insurance, inspections, fees, etc)		\$ 2,797,550	7%	\$ 13.60
Permanent Financing Costs (fees, title/recording, etc)		\$ 425,000	1%	\$ 2.07
Other Soft Costs (tax credit fees, environmental reports, appraisals, accounting, etc)		\$ 1,100,381	3%	\$ 5.35
Syndication-Related Costs (organization, bridge loan, tax opinion, etc)		\$ 30,000	0%	\$ 0.15
Reserves (rent-up, operating, replacement, escrows, etc)		\$ 985,949	3%	\$ 4.79
Developer Fees (inc consultant fees)		\$ 4,260,000	11%	\$ 20.71
Total Development Costs (TDC)		\$ 37,753,989	100%	\$ 183.56
TDC w/o Land, Reserves & Commercial		\$ 35,268,040	93%	\$ 171.47

*Gross square footage: 205,677

CONSTRUCTION SOURCES				
Project:	Sandia Vista Apts. & Plaza David Chavez Apts.	Total	% of Total	Per Unit
Construct. Lender - 1st Lien	Citibank	\$ 24,000,000	63.6%	\$ 112,676
2nd Lien holder	Seller Note/Subordinate Debt	\$ 7,650,000	20.3%	\$ 35,915
3rd Lien holder	MFA Primero Investment Fund loan	\$ 1,000,000	2.6%	\$ 4,695
Deferred Developer Fee	Cesar Chavez Foundation	\$ 2,605,903	6.9%	\$ 12,234
LIHTC Equity	Hudson Housing Capital- paid in during construction	\$ 1,998,086	5.3%	\$ 9,381
Other source	Operating Reserves	\$ 500,000	1.3%	\$ 2,347
Total Construction Sources		\$ 37,753,989	100.0%	\$ 177,249

PERMANENT SOURCES				
Project:	Sandia Vista Apts. & Plaza David Chavez Apts.	Total	% of Total	Per Unit
Perm Lender - 1st Lien	Citibank	\$ 15,680,000	41.5%	\$ 73,615
2nd Lien holder	Seller Note/Subordinate Debt	\$ 7,650,000	20.3%	\$ 35,915
3rd Lien holder		\$ -	0.0%	\$ -
Deferred Developer Fee	Cesar Chavez Foundation	\$ 1,392,204	3.7%	\$ 6,536
LIHTC Equity	Hudson Housing Capital	\$ 12,531,785	33.2%	\$ 58,835
Other source	Operating Reserves	\$ 500,000	1.3%	\$ 2,347
Total Permanent Sources		\$ 37,753,989	100.0%	\$ 177,249

Appendix A: Development Cost Budget		
SV-PDC, LP	Gross Sq. Footage:	205,677
Albuquerque, NM	TOTAL COST	COST/GSF
ACQUISITION COSTS		
Land Acquisition	\$ 1,500,000	\$ 7.29
Building Acquisition	\$ 12,900,000	\$ 62.72
Other: Misc. Acquisition Fee, including title &	\$ 13,200	\$ 0.06
SUBTOTAL	\$ 14,413,200	\$ 70.08
CONSTRUCTION HARD COSTS		
Demolition	\$ -	\$ -
Accessory Structures	\$ -	\$ -
Site Construction	\$ 1,681,100	\$ 8.17
Buildings and Structures	\$ 6,767,550	\$ 32.90
Off-Site Improvements	\$ -	\$ -
Other Costs: Abestos abatement; Playground	\$ 1,642,200	\$ 7.98
SUBTOTAL	\$ 10,090,850	\$ 49.06
OTHER CONSTRUCTION COSTS		
Contractor Overhead	\$ 218,973	\$ 1.06
Contractor Profit	\$ 506,919	\$ 2.46
General Requirements	\$ 261,216	\$ 1.27
Construction Contingency	\$ 1,009,085	\$ 4.91
Gross Receipts Tax (GRT)	\$ 734,226	\$ 3.57
Landscaping		\$ -
Furniture, Fixtures, & Equipment	\$ 35,000	\$ 0.17
Other:	\$ -	\$ -
SUBTOTAL	\$ 2,765,419	\$ 13.45
PROFESSIONAL SERVICES/FEES		
Architect (Design)	\$ 220,000	\$ 1.07
Architect (Supervision)	\$ -	\$ -
Attorney (Real Estate)	\$ 239,015	\$ 1.16
Engineer/Survey	\$ 26,625	\$ 0.13
Other: Utilities Consultant	\$ 400,000	\$ 1.94
SUBTOTAL	\$ 885,640	\$ 4.31
CONSTRUCTION FINANCING		
Hazard Insurance		\$ -
Liability Insurance	\$ 195,000	\$ 0.95
Performance Bond	\$ 112,848	\$ 0.55
Interest	\$ 2,030,782	\$ 9.87
Origination\Discount Points	\$ 230,000	\$ 1.12
Credit Enhancement	\$ -	\$ -
Inspection Fees	\$ 178,920	\$ 0.87
Title and Recording	\$ 50,000	\$ 0.24
Legal		\$ -
Taxes		\$ -
Other:	\$ -	\$ -
SUBTOTAL	\$ 2,797,550	\$ 13.60

Project: SV-PDC, LP		
PERMANENT FINANCING COSTS		
Bond Premium	\$ -	\$ -
Credit Report	\$ -	\$ -
Origination\Discount Points		\$ -
Credit Enhancement	\$ -	\$ -
Title and Recording	\$ 100,000	\$ 0.49
Legal	\$ 55,000	\$ 0.27
Costs of Bond Issuance	\$ 250,000	\$ 1.22
Pre-Paid MIP		\$ -
Reserves and Escrows	\$ 20,000	\$ 0.10
Other:		\$ -
SUBTOTAL	\$ 425,000	\$ 2.07
SOFT COSTS		
Market Study	\$ 22,500	\$ 0.11
Environmental	\$ 20,000	\$ 0.10
Tax Credit Fees	\$ 65,000	\$ 0.32
Appraisal	\$ 20,000	\$ 0.10
Hard Relocation Costs	\$ 909,357	\$ 4.42
Accounting/Cost Certification	\$ 20,000	\$ 0.10
Other: Soft Cost Contingency	\$ 43,524	\$ 0.21
SUBTOTAL	\$ 1,100,381	\$ 5.35
SYNDICATION		
Organization		\$ -
Bridge Loan	\$ -	\$ -
Tax Opinion	\$ -	\$ -
Other: Bank Inspections	\$ 30,000	\$ 0.15
SUBTOTAL	\$ 30,000	\$ 0.15
TDC before Dev. Fees & Reserves	\$ 32,508,040.00	\$ 158.05
RESERVES		
Rent Up	\$ -	\$ -
Operating	\$ 985,949	\$ 4.79
Replacement (inc. only if capitalized)	\$ -	\$ -
Escrows/Working Capital	\$ -	\$ -
Other: Reserve for Social Services		\$ -
SUBTOTAL	\$ 985,949	\$ 4.79
DEVELOPER FEES		
Developer Fee	\$ 4,260,000	\$ 20.71
Consultant Fee	\$ -	\$ -
Relocation Consultant		\$ -
SUBTOTAL	\$ 4,260,000	\$ 20.71
Total Development Cost (TDC)	\$ 37,753,989	\$ 183.56
TDC w/o Land, Reserves & Commercial	\$ 35,268,040	\$ 171.47

Tab 8



MEMO

TO: MFA Board of Directors
Through: Legislative Oversight Committee - November 7, 2019
Through: Policy Committee - November 5, 2019
FROM: Robyn Powell
DATE: November 20, 2019
SUBJECT: Adoption of Updates to MFA Rules and Regulations

Recommendation:

MFA staff recommends adoption of the amendments outlined herein to the MFA Rules and Regulations which were approved by the Legislative Oversight Committee on November 7, 2019.

Background:

Pursuant to Section 58-18-8 NMSA 1978, Rules and Regulations of the authority:

- A. The authority shall adopt and may from time to time modify or repeal, subject to prior approval by the Mortgage Finance Authority Act oversight committee, rules and regulations...

Pursuant to New Mexico Statutes Section 58 Financial Institutions and Regulations, Article 18, the rules and regulations governing MFA must be approved by an oversight committee from the New Mexico legislature.

As required by Section 10 of the MFA Rules and Regulations, MFA provided an opportunity for public comment by posting the Notice of Request for Public Comment and Proposed Amendments to MFA Rules and Regulations. The notice and proposed changes were posted from October 3, 2019 through November 4, 2019 at <http://housingnm.org/resources/meetings-notice>. No comments were received.

The proposed changes were presented to and approved by the Legislative Oversight Committee on November 5, 2019.

Discussion:

Attached for your review is a redlined version of the MFA Rules and Regulations, indicating amendments proposed for reasons of accuracy in respect to the current practices in the implementation of MFA programs, and consistency with the applicable regulatory schemes. The changes are summarized below:

Page	Section	Proposed Amendments	Reason for Amendment
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7	Section 5. Single Family Homeownership Programs 5.1 B	The definition for properties and projects funded by tax exempt bonds, a single family residence was revised by additional verbiage added to 5.1 B (a) (i) and by deleting 5.1 B (a) (ii) and (iv).	Verbiage added to 5.1 B (a)(i) is being amended to align with IRS requirements and at the advice of Bond Counsel; The verbiage in 5.1 B (a) (ii) and (iv) is being removed at the advice of Bond Counsel and instead rely on the required affidavit by the borrower attesting to the intended use.
9	Section 5. Single Family Homeownership Programs 5.7 B	Addition of the phrase “unless other Board approved program limits are in place.” to the first sentence of 5.7 B.	MFA’s NEXTHome program has one income limit across the State. Since income levels vary across the state, this limit may not be considered a low- or moderate-income level in some counties. The statewide program limit is approved by the Board of Directors.

Summary:

Staff is proposing adoption of the recent amendments to the MFA Rules and Regulations for reasons of accuracy in respect to the current practices in the implementation of MFA programs, and consistency with the applicable regulatory schemes. The draft proposed amendments were posted from October 3, 2019 through November 4, 2019 on MFA’s website at housingnm.org/resources/meetings-notice. No public comments were received. The proposed amendments were approved by the Legislative Oversight Committee on November 7, 2019.

NEW MEXICO MORTGAGE FINANCE AUTHORITY RULES AND REGULATIONS

SECTION 1. AUTHORITY. These Rules and Regulations are issued under and pursuant to the Mortgage Finance Authority Act, enacted as Chapter 303 of the Laws of 1975 of the State of New Mexico, as amended; Chapter 86 of the Laws of 1982 of the State of New Mexico, as amended (being Section 58-18-1 through 58-18-27, N.M.S.A. (1978); and Section 2-12-5, N.M.S.A. (1978), as amended (collectively, the “Act”). These Rules and Regulations supersede and replace all prior rules and regulations of the MFA and will become effective upon approval of the MFA Oversight Committee.

SECTION 2. PURPOSE AND OBJECTIVES. These Rules and Regulations are established to effectuate, and shall be applied so as to accomplish, the general purposes of the Act and the following specific objectives: (i) expanding the supply of funds in New Mexico available for new residential mortgages for persons and families of low or moderate income; (ii) alleviating the shortage of adequate housing, including multiple-family, transitional and congregate dwellings, in New Mexico for persons and families of low or moderate income; (iii) encouraging and providing the financing for the acquisition, construction, rehabilitation and improvement of residential housing, including multiple-family, transitional and congregate dwellings, in New Mexico for persons and families of low or moderate income; (iv) assisting in providing mortgage loans at below-market interest rates for private individuals, organizations and entities willing to undertake the acquisition, development and/or operation of multiple-family, transitional and congregate dwellings for persons and families of low or moderate income; and (v) obtaining the effective participation by lending institutions and others in the mortgage purchase program authorized by the Act, while restricting the financial return and benefit to such lending institutions to that necessary and reasonable to induce such participation. In carrying out its objectives and purposes, the New Mexico Mortgage Finance Authority, pursuant to the Act has the power to raise funds from private and public investors to make funds available for such purposes; to create and implement programs from time to time as may be necessary or appropriate to accomplish its purposes; and to assist, administer, finance or service housing programs and to contract for such services for or through private and nonprofit organizations and local, state, federal and tribal agencies or their instrumentalities.

SECTION 3. GENERAL DEFINITIONS. The following words and terms shall have the following meanings. A statutory change in the New Mexico Mortgage Finance Authority Act of any of the following definitions shall result in a corresponding change in the meaning of the same word or term within Section 3. of these Rules and Regulations.

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

B. “Affiliate” shall mean any entity controlling, controlled by or under the common control of another entity, person or common parent company; provided that an entity which is a

Mortgage Lender, must meet the MFA's requirements set forth in the Policies and Procedures of the MFA. For the purposes of this definition, "control" when used with respect to any specified entity, means the power to direct the management and policies of such entity, directly or indirectly, whether through the ownership of voting securities, by contract, statute or otherwise. For purposes of this definition the terms "person" and "entity" include non-profit corporation, other public entities, governmental agencies and instrumentalities, Mortgage Lenders, Sponsors, Builders, and Applicants.

C. "Affordable" shall mean consistent with minimum rent and/or income limitations set forth in the Act, and in guidelines established for specific programs administered by MFA.

D. "Applicant" shall mean a lending institution, non-profit corporation, public or tribal entity, governmental agency or instrumentality, Mortgage Lender, Builder, Sponsor, or Affiliate of any of the foregoing, or any other person or entity meeting the appropriate criteria of the MFA.

E. "Application" shall mean an application for MFA approval to participate in one or more programs of the MFA submitted by an Applicant to the MFA.

F. "Bonds" or "Notes" shall mean the bonds or bond anticipation notes, respectively issued by the MFA pursuant to the Act.

G. "Builder" shall mean a person or entity licensed as a general contractor to construct Residential Housing in the state which has been approved by the MFA to participate in an MFA program.

H. "Code" shall mean the Internal Revenue Code of 1986, as amended.

I. "Existing Mortgage Loan" shall mean a loan secured by a Mortgage or Deed of Trust made by a Mortgage Lender to: (i) a Person of Low or Moderate Income to finance the purchase of an owner-occupied single family residence in the state; or (ii) to a person or entity to finance multiple-family, transitional and congregate dwelling projects for persons and families of low or moderate income, which loan was made prior to the date of submission by the Mortgage Lender of its Application.

J. "Federal Government" shall mean the United States of America and any agency or instrumentality, corporate or otherwise, of the United States of America.

K. "FHA" shall mean the Federal Housing Administration or its successors.

L. "FHLMC" or "Freddie Mac" shall mean the Federal Home Loan Mortgage Corporation or its successors.

M. "FNMA" or "Fannie Mae" shall mean the Federal National Mortgage Association or its successors.

N. “GNMA” or “Ginnie Mae” shall mean the Government National Mortgage Association or its successors.

O. “Home Improvement Loan” shall mean a mortgage loan to finance such alterations, repairs and improvements on or in connection with an existing residence as the MFA may determine will substantially protect or improve the basic livability or energy efficiency of the residence, including without limitation the acquisition and installation of energy conservation building materials and solar energy equipment.

P. “HUD” shall mean the United States Department of Housing and Urban Development.

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

R. “Mobile Home” shall mean a movable or portable housing structure, constructed to be towed on its own chassis and designed so as to be installed with or without a permanent foundation for human occupancy as a residence that may include one or more components that can be retracted for towing purposes and subsequently expanded for additional capacity, or two or more units separately towable but designed to be joined into one integral unit, except that the definition does not include recreational vehicles or modular or remanufactured homes, built to Uniform Building Code standards, designed to be permanently affixed to real property.

S. “Mortgage” shall mean a mortgage, mortgage deed, deed of trust or other instrument creating a lien, subject only to title exceptions as may be acceptable to the MFA with a fee interest in real property located within the state, or with a leasehold interest that has a remaining term at the time of computation that exceeds the maturity date or is renewable at the option of the lessee after the maturity date, of the Mortgage Loan or the instrument creating a lien on a mobile home.

T. “Mortgage Credit Certificate” shall mean certificates issued by the MFA to Persons of Low or Moderate Income enabling them to claim a credit against federal income tax for a portion of interest paid by such persons on a Mortgage Loan.

U. “Mortgage Lender” shall mean any bank, trust company, mortgage company, mortgage banker, national banking association, credit union, building and loan association and any other lending institution; *provided that the mortgage lender maintains an office in New Mexico, is authorized to make mortgage loans in the state and is approved by the MFA and either the FHA, VA, RHS, HUD’s Office of Native American Programs, FNMA (“Fannie Mae”), or FHLMC (“Freddie Mac”).*¹

V. “Mortgage Loan” shall mean a financial obligation secured by a Mortgage, including a Project Mortgage Loan.

¹ Definition of “Mortgage Lender” was amended (as italicized) per 1999 legislative action and was subsequently approved by the MFA Board of Directors and MFA Legislative Oversight Committee.

W. “Municipality” shall mean any county, city, town or village or the state.

X. “New Mortgage Loan” shall mean a Mortgage Loan, including a Home Improvement Loan, made by a Mortgage Lender to a Person of Low or Moderate Income to finance project costs, and containing such terms and conditions as the MFA may require.

Y. “Oversight Committee” shall mean the MFA’s Oversight Committee created by, and appointed in accordance with, the Act.

Z. “Persons of Very Low, Low or Moderate Income” shall mean the categories of income levels attributed to persons and families for the determination of eligibility for MFA’s programs. Very Low, Low or Moderate Income persons and families within the state are those who are determined by the MFA to lack sufficient income to pay enough to cause private enterprise to build an adequate supply of quality affordable residential housing in their locality or in an area reasonably accessible to their locality and whose incomes are below the income levels established by the MFA to be in need of the assistance made available by the Act, taking into consideration, without limitation, such factors as defined under the Act. For purposes of this definition, the word “families” shall mean a group of persons consisting of, but not limited to, the head of a household; his or her spouse, if any; and children, if any, who are allowable as personal exemptions for Federal income tax purposes. Very Low Income persons or families are those with income at or below 50% of the Area Median Income (“AMI”). For Loans to persons and families on Indian Reservations, MFA will use the income basis determined under HUD’s Native American Housing and Self Determination Act (NAHASDA). Low Income persons or families are those with income above 50% and up to 80% of the AMI. Moderate Income persons or families are those with income above 80% and up to 120% of the AMI, or up to 140% AMI, on a program by program basis, as determined by MFA, in light of the needs throughout the State and in accordance with the requirements of the Act. AMI is defined as the point at which half the households in an area have lower incomes and half have higher incomes.

AA. “Policies and Procedures” shall mean Policies and Procedures of the MFA, including but not limited to, Mortgage Loan purchasing, selling, servicing and reservation procedures, which the MFA may update and revise from time to time as the MFA deems appropriate.

BB. “Recertification” shall mean the recertification of Applicants participating in MFA programs as determined necessary from time to time by the MFA.

CC. “Rehabilitation” shall mean the substantial renovation or reconstruction of an existing single-family residence, not including an increase in living area, which complies with requirements established by the MFA. Rehabilitation shall not include routine or ordinary repairs, improvements or maintenance, such as interior decorating, remodeling or exterior painting, except in conjunction with other substantial renovation or reconstruction.

DD. “Reservation and Compliance Procedures” shall mean the MFA’s procedures for allocating funds to purchase Mortgage Loans, and allocating Mortgage Credit Certificates, if

applicable. Such procedures may be updated and revised by the MFA as the MFA deems appropriate.

EE. “Residential Housing” shall mean a specific work or improvement undertaken primarily to provide one or more dwelling accommodations, including, without limitation, mobile homes, single-family, multiple-family, transitional and congregate dwellings for Persons of Low or Moderate Income, including the acquisition, construction or rehabilitation of real property, buildings and improvements

FF. “Residential Use” shall mean that the structure is designed primarily for use as the principal residence of the occupant or occupants and shall exclude vacation or recreational homes.

GG. “RHS/USDA” shall mean Rural Housing Service of the United States Department of Agriculture and Rural Housing Community Development Service (RHCDs) and its successors.

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

II. “VA” shall mean the Department of Veterans Affairs.

SECTION 4. GENERAL REQUIREMENTS. The following requirements shall apply to all programs established by the MFA.

4.1 Fees and Charges of the MFA. The MFA may establish and collect fees from Applicants who file Applications: (i) requesting allocations of funds for Mortgage Loans; or (ii) selling or offering to sell Mortgage Loans to the MFA in such amounts as the MFA may deem appropriate. Such fees may be used for, among other purposes: (i) reimbursing the MFA for all or part of its reasonably expected costs of issuing its bonds or other obligations and of administering its programs; and (ii) providing inducements to make or deliver Mortgage Loans or other financing for public purposes which the MFA determines require additional inducements to accomplish. The MFA may establish such other charges, premiums and penalties as it shall deem to be necessary in connection with the administration of its programs.

4.2 Servicing of Mortgage Loans. The MFA shall cause each Mortgage Loan financed by the MFA to be serviced pursuant to the Policies and Procedures of the MFA.

4.3 Examination of Books and Records. The MFA shall cause to be made such examinations of the books and records of each Applicant as the MFA deems necessary or appropriate to determine compliance with the terms of the Act, these Rules and Regulations and any agreement between the Applicant and the MFA. The MFA may require each Applicant to pay the costs of any such examination.

4.4 Consent to Jurisdiction. Each Applicant shall consent to the jurisdiction of the courts of the State, or the appropriate tribal court, over any proceeding to enforce compliance with the terms of the Act, these Rules and Regulations and any agreement between the Applicant and the MFA.

4.5 Purchase of the MFA's Bonds. No Mortgage Lender (including any "related person," as defined in Section 103 of the Code, and the regulations related thereto) shall, pursuant to any arrangement, formal or informal, or direct or indirect, purchase Bonds or other obligations of the MFA in an amount related to the aggregate principal amount of the Mortgage Loans to be sold to the MFA by such Mortgage Lender (or related person).

4.6 Policies and Procedures. The MFA shall adopt written Policies and Procedures for each of its programs and for the general conduct of its business. MFA's Policies and Procedures Manual shall become effective upon approval by the Board of Directors of the MFA; and shall be established in accordance with the Act, the Code, these Rules and Regulations, and if applicable, the requirements of the guarantor, insurer or purchaser with respect to the particular program. All Policies and Procedures and these Rules and Regulations shall be maintained at the offices of the MFA and be available for review by all Applicants and the general public during normal business hours.

4.7 Recertification. The MFA may establish procedures for recertifying Applicants from time to time. Applicants which fail to satisfy the MFA's requirements for recertification shall cease to be eligible and shall be denied further participation in MFA programs until the requirements of the MFA are satisfied.

SECTION 5. SINGLE FAMILY HOMEOWNERSHIP PROGRAMS. In addition to the programs defined in this Section 5, the MFA shall have the power to create variations or extensions of such programs, or additional programs which comply with the Act and these Rules and Regulations.

5.1 Additional Definitions. The following words and terms shall have the following meanings only within this Section 5.

A. "Single Family Homeownership Programs" shall mean the MFA's single family mortgage programs in which funds are available to finance Mortgage Loans through the sale of Bonds or other obligations, or from the proceeds of a secondary market facility, or from the MFA's general fund, or through the issuance of mortgage credit certificates allocated to Applicants on an aggregate or loan-by-loan basis pursuant to the Act and these Rules and Regulations set forth in this Section 5, and shall include: (i) the MFA's program pursuant to which the MFA shall issue Mortgage Credit Certificates to Persons of Low or Moderate Income; (ii) the financing of Home Improvement Loans; and (iii) the purchase and sale of Mortgage Loans.

B. FOR PURPOSES OF THE MAKING OF LOANS TO MORTGAGE LENDERS, THE PURCHASE OF MORTGAGE LOANS AND HOME IMPROVEMENT LOANS, "Residential Housing" shall mean an owner-occupied, single family residence located in the State, which the mortgagor(s) intend(s) to occupy as his or her (their) principal residence within sixty (60) days after: (1) the date of the closing of the purchase of the residence, or (2) in the case of a Rehabilitation loan where the Rehabilitation is to be accomplished by the

mortgagor, the date of completion of the Rehabilitation. For purposes of this definition, with regard to those properties and projects funded by tax exempt bonds, a single family residence:

(a) shall not include:

(i) a residence intended for occupancy by more than one family as its owner-occupied residence;

~~(ii) a residence which has been used as a residence for more than one family, or which could be used as a residence for more than one family;~~

~~(iii) a residence where more than 15% of the total area of which is reasonably expected to be used primarily in a trade or business, which is used as a vacation or recreational home, or with respect to which all or any portion of the land acquired with the proceeds of the related Mortgage Loan is used in a trade or business.~~

~~(iv) a residence which has a separate entrance to a section thereof which contains a second kitchen consisting of a sink and cooking facilities in addition to the residence's main kitchen; and~~

(b) shall meet such other requirements as the MFA may from time to time determine to be necessary or appropriate to properly administer the Single Family Homeownership Program.

5.2 Allocation of Funds for Financing.

A. Notice of Funds Availability (NOFA). When tax exempt bond proceeds are available or expected to be available, the MFA will issue a Notice of Funds Availability. The notice shall be an invitation to submit a request for reservation of funds to the MFA.

B. Allocation of Funds by the MFA. Funds may be allocated by the MFA either on an aggregate or on a loan-by-loan basis in accordance with the MFA's Reservation and Compliance Procedures. Allocations of funds for mortgages and/or Home Improvement Loans financed by the MFA shall be conclusive. In making such allocations, the MFA may consider, among other things, as appropriate:

1. In the case of programs, the funds of which are allocated on a loan-by-loan basis, the order of receipt of a request for reservation of funds, so as to generally allocate funds on a first-come, first-served basis;

2. The ability of the Applicant to deliver individual Mortgage Loans or Home Improvement Loans or otherwise utilize the funds for the purpose stated in the notice within the time limits of the program;

3. In the case of programs for the purchase of Existing Mortgage Loans, the terms and conditions of the Mortgage Loans offered for sale by the Applicant.

C. Allocation of Mortgage Credit Certificates. Mortgage Credit Certificates shall be allocated on a loan-by-loan basis in accordance with the Policies and Procedures established by the MFA.

5.3 Applications.

A. Process for Applying. The MFA shall maintain an application policy for Applicants wishing to apply for MFA approval to participate in the Single Family Homeownership Program. Applications will be provided with all documents required to be executed and submitted in connection therewith upon request. An Application to sell Mortgage Loans or Home Improvement Loans to the MFA shall contain, among other things, the unconditional agreement of the Applicant, upon acceptance of the Application by the MFA, to sell Mortgage Loans or Home Improvement Loans to the MFA or its designee which comply with the terms of an agreement to be signed by the Applicant and the MFA.

B. Review by the MFA. On receipt of an Application, the MFA shall review and analyze the Applicant's ability to sell Mortgage Loans or Home Improvement Loans to the MFA or its designee and to service such Mortgage Loans or Home Improvement Loans, or cause them to be serviced.

C. Notification of Acceptance. The MFA, by written notice shall notify each Applicant which has submitted an Application of the approval or disapproval of its Application. Upon approval of its Application, a Mortgage Lender or other Applicant shall be considered approved by the MFA to participate in the Single Family Homeownership Program. The MFA's approval or disapproval of any Application shall be conclusive.

5.4 Acceptance. The MFA shall establish Policies and Procedures for the purchase of Mortgage Loans and Home Improvement Loans as set forth in paragraph 4.6 of these Rules and Regulations. Each allocation of funds shall be conditioned upon the receipt by the MFA from the Applicant of a commitment fee, if any, and the documents required by the MFA within the time specified in the acceptance. In all cases the MFA may deny requests and may reallocate funds in accordance with the MFA's Reservation and Compliance Procedures. The allocation and reallocation of funds by the MFA for the financing of Mortgage Loans and Home Improvement Loans shall be conclusive.

5.5 Financing of Mortgage Loans and Home Improvement Loans. The financing of Mortgage Loans and Home Improvement Loans by the MFA shall be in accordance with the Policies and Procedures established by the MFA. Each Mortgage Loan and Home Improvement Loan financed must: (i) be the subject of an allocation of funds; (ii) be the subject of a written agreement executed by the MFA and the Applicant; (iii) comply with the terms and conditions of such agreement; (iv) be serviced in compliance with the servicing requirements of such agreement; and (v) otherwise comply with the MFA's requirements for the financing and

servicing of Mortgage Loans and Home Improvement Loans under the Single Family Homeownership Program.

5.6 Yield on Mortgage Loans and Home Improvement Loans. Mortgage Loans and Home Improvement Loans under the Single Family Homeownership Program shall bear interest at such a rate or rates as in the aggregate shall produce a yield to the MFA on such Mortgage Loans and Home Improvement Loans sufficient to (i) pay interest on any related issue of the MFA's bonds or other obligations; (ii) provide adequate reserves, if any, for the holder of any of the MFA's bonds or other obligations; and (iii) cover the operating costs of the MFA.

5.7 Conditions of Mortgage Loans and Home Improvement Loans.

A. Mortgage Loans and Home Improvement Loans financed by the MFA under the Single Family Homeownership Program shall: (i) comply with the applicable terms and conditions prescribed by the MFA in a written agreement between the MFA and the Applicant for such Mortgage Loan or Home Improvement Loan; and (ii) comply with the Policies and Procedures of the MFA.

B. Each loan commitment to make a Mortgage Loan or Home Improvement Loan must be made to a Person of Low or Moderate Income unless other Board approved program limits are in place. Mortgage Loans and Home Improvement Loans shall be financed by the MFA within such time periods as are specified by the MFA.

5.8 Restrictions on Return Realized by Mortgage Lenders. The MFA shall establish and set forth the maximum rate or rates of return which may be realized by Mortgage Lenders from Mortgage Loans or Home Improvement Loans, including any commitment fees, premiums, bonuses, points or other fees charged by the Mortgage Lender in connection with the making of such Mortgage Loans or Home Improvement Loans. Such maximum rates of return shall be set in such amounts as the MFA finds to be reasonably necessary to induce participation in the Single Family Homeownership Program by Applicants in order to accomplish the purposes of the Act.

5.9 Mobile Homes. The eligibility of mobile homes for use as security for Mortgage Loans shall be determined in accordance with standards established by the MFA.

SECTION 6 MULTIPLE FAMILY DWELLING, TRANSITIONAL, AND CONGREGATE PROJECT MORTGAGE LOANS. In addition to the Multi-Family Housing Programs as defined in this Section 6, the MFA shall have the power to create variations or extensions of the programs, or additional programs which comply with the Act and these Rules and Regulations.

6.1 Additional Definitions. The following words and terms shall have the following meanings only within this Section 6.

A. "Congregate Housing Facility" shall mean residential housing designed for occupancy by more than four Persons of Low or Moderate Income living independently of

each other. The facility may contain group dining, recreational, health care or other communal facilities and each unit in a congregate housing facility shall contain at least its own living, sleeping and bathing facilities.

B. “Lender Loan” shall mean a loan made by the MFA to a Mortgage Lender, pursuant to the Act and these Rules and Regulations, the proceeds of which are used directly or indirectly to make Project Mortgage Loans.

C. “Multiple-Family Dwelling Project” shall mean the residential housing that is designed for occupancy by more than four persons or families living independently of each other or living in a congregate housing facility, at least sixty percent of whom are Persons of Low or Moderate Income, including without limitation Persons of Low or Moderate Income who are elderly and handicapped as determined by the MFA, provided that the percentage of low-income persons and families shall be at least the minimum, if any, required by federal tax law or other federal or state funding regulations.

D. “Multi-Family Housing Program” shall mean a program involving a Congregate Housing Facility, a Multi-Family Dwelling Project or a Transitional Housing Facility.

E. “Project” shall mean any work or undertaking, whether new construction, acquisition of existing residential housing, remodeling, improvement, rehabilitation or conversion approved by the MFA for the primary purpose of providing sanitary, decent, safe and affordable residential housing within the State for one or more Persons of Low or Moderate Income.

F. “Project Mortgage Loan” shall mean a Mortgage Loan made to Sponsor to finance project costs of a Multi-Family Housing Project

G. “Sponsor” shall mean an individual, association, corporation, public or tribal entity, joint venture, partnership, limited partnership, trust or any combination thereof which has been approved by the MFA as qualified to own and maintain a multiple-family dwelling, transitional or congregate housing project, maintains its principal office or a branch office in New Mexico and has agreed to subject itself to the regulatory power of the MFA and the jurisdiction of the courts of the State, including Tribal courts having jurisdiction of projects located on Native American Trust Lands located in New Mexico.

H. “Transitional Housing Facility” shall mean residential housing that is designed for temporary or transitional occupancy by Persons of Low or Moderate Income or special needs.

6.2 Application Procedures.

A. Offers to Sell Project Mortgage Loans. Application procedures for offers to sell Project Mortgage Loans shall be set forth in the Policies and Procedures established by the MFA in accordance with paragraph 4.6 of these Rules and Regulations. The Application shall

contain such information as required by the Act and the MFA for determining whether the MFA shall finance the Mortgage Loans.

B. Loans to Lenders Program. A Sponsor requesting a Lender Loan from the MFA must first submit an Application to the MFA, in the form prescribed by the MFA. Formal Application procedures for loans to lenders shall be set forth, in writing, in the Policies and Procedures established by the MFA in accordance with paragraph 4.6 of these Rules and Regulations.

C. Other Programs Established by the MFA. The MFA shall, from time to time, establish Application procedures for programs. The Application procedures shall be published in Policies and Procedures established by the MFA in accordance with paragraph 4.6 of these Rules and Regulations for various programs. The Application procedures shall take into consideration:

1. timely completion and submission to the MFA of a program Application;
2. timely submission of all other information and documentation related to the program required by the MFA, as set forth in MFA's Policies and Procedures;
3. timely payment of any fees required to be paid to the MFA at the time of submission of the Application; and
4. compliance with program eligibility requirements as set forth in MFA's Policies and Procedures.

6.3 Standards for Approving Qualification of Applicants.

A. Sponsors. The MFA shall, from time to time, establish standards for approving qualifications of Sponsors, which standards shall be published in Policies and Procedures established for the particular program. These standards shall take into consideration the following factors:

1. The MFA shall require each Sponsor, at the time of such Sponsor's request for MFA approval, to submit a verified certificate stating that, among other things:

- (a) for every Multi-Family Housing Program, including every assisted or insured project of HUD, RHS/USDA, FHA and any other state or local government housing finance agency in which such Sponsor has been or is a principal;

- (b) except as shown on such certificate:

- (i) no mortgage on a project listed on such certificate has ever been in default, assigned to the United States government or foreclosed, nor has any mortgage relief by the mortgagee been given;

(ii) there has not been a suspension or termination of payments under any HUD assistance contract in which the Sponsor has had a legal or beneficial interest;

(iii) such Sponsor has not been suspended, debarred or otherwise restricted by any department or agency of the federal government or any state government from doing business with such department or agency because of misconduct or alleged misconduct; and

(iv) the Sponsor has not defaulted on an obligation covered by a surety or performance bond.

If such Sponsor cannot certify to each of the above, such Sponsor shall submit a signed statement to explain the facts and circumstances which such Sponsor believes will explain the lack of certification. The MFA may then, in its sole and absolute discretion, determine if such Sponsor is or is not qualified.

2. The experience of the Sponsor in developing, financing and managing Multiple-Family Residential Housing.

3. Whether the Sponsor has been found by the United States Equal Employment Opportunity Commission or the New Mexico Human Rights Commission to be in noncompliance with any applicable civil rights laws.

B. Mortgage Lenders. In approving Mortgage Lenders, the MFA shall consider, among other things:

1. The financial condition of the Mortgage Lender;

2. The terms and conditions of the Lender Loans to be made;

3. The aggregate principal balances of Lender Loans to be made to each Mortgage Lender compared with the aggregate principal balances of the Lender Loans to be made to all other Mortgage Lenders;

4. The MFA's assessment of the ability of the Mortgage Lender or its designated servicer to act as originator and servicer of Mortgage Loans for the Multi-Family Housing Programs to be financed; and

5. Previous participation by the Mortgage Lender in the MFA's programs and HUD, FHA, or RHS/USDA programs.

C. Other Applicants. The MFA shall, from time to time, establish standards for approving the qualifications of other Applicants seeking MFA assistance, which standards shall be published in Policies and Procedures established for the particular program.

6.4 Notice of Acceptance. The MFA shall, in writing, notify each Applicant, which has submitted an Application as to the aggregate principal balance of the loan, if any, the MFA shall agree to make, subject to the conditions set forth in the Application. The aggregate principal balance of loans, which the MFA agrees to make to any Applicant, may be in an amount less than that requested.

6.5 Standards for Determining Minimum Equity Requirements, Acceptable Debt-to-Equity Ratios, and Acceptable Loan-to-Value Ratios.

A. Generally. The MFA shall, from time to time, establish standards for (i) minimum equity requirements and acceptable debt-to-equity ratios; and (ii) acceptable loan-to-value ratios for each project under a particular program, which standards shall be in accordance with generally accepted standards in the lending industry and shall be published in Policies and Procedures established for the particular program.

B. Sponsors. With respect to establishing such standards for Sponsors, the MFA shall require that the maximum mortgage amount not exceed the estimate of the replacement cost of the Multi-Family Housing Project when the proposed improvements are completed and required reserves are funded. The replacement cost may include land, the proposed physical improvements, utilities within the boundaries of the land, architect's fees, taxes, interest during construction and other miscellaneous charges incident to construction and approved by the MFA, including an allowance for Builder's and Sponsor's profit and risk.

6.6 Uniform Accounting System. The accounting system used by Sponsors shall be based upon generally accepted accounting standards for the industry. Additional requirements may be dictated by the state or federal funding source, which in such cases will be included in the Sponsor's contract or loan documents.

6.7 Costs of the Project.

A. Submission of Cost Certificate. Upon completion of any Multi-Family Housing Project, the MFA shall require the Sponsor to submit a cost certificate detailing the specific items of the project if required by the regulations of the funding source. MFA will require the Sponsor to document all costs funded by MFA.

B. Cost Approvals. The MFA shall, from time to time, develop standards for approving Project costs for Projects to be financed through an MFA program. These standards shall be set forth in Policies and Procedures established for the particular program and shall include such factors as:

1. the cost of the land upon which the project is to be built;
2. the architect's and other professionals' fees;
3. organizational and legal expenses;

4. the number of square feet to be built together with the cost per square foot to build;
5. the amount of Builder's and Sponsor's overhead to be allocated to the project;
6. the amount of Builder's and Sponsor's profit;
7. taxes and insurance, including title insurance and recording fees; and
8. the Sponsor's relationship, if any, with the Builder or general contractor for the project, including any collateral agreements.

The MFA shall take into account the guarantor's, insurer's, or purchaser's approved cost limits in effect at the time in evaluating the reasonableness of and approving the project costs for each project. These standards shall also take into consideration the requirements of the Act, the Code and the requirements of any applicable federal government program.

6.8 Geographic Allocation and Other Site Considerations. The MFA shall make all reasonable efforts to provide loan assistance under various Multi-Family Housing Programs on a statewide basis. In providing for reasonable geographic allocation for all MFA Multi-Family Housing Programs, the MFA may consider with respect to a project, among other things:

- A. the nature of the proposed neighborhood;
- B. whether there is a need in the area for decent, safe and sanitary housing for Persons of Low and Moderate Income;
- C. the number of similar multi-family housing projects, if any, located in the particular area and the type, location, number of units and size of such projects;
- D. the occupancy history of similar multi-family housing projects in the area;
- E. the need for new housing in the area to attract a new industry or plant;
- F. the availability of adequate utilities (water, sewer, gas and electricity) and streets to service the project;
- G. the availability of, and accessibility to, social, recreational, educational, commercial and health facilities and services, which should at least be equivalent to those found in neighborhoods consisting largely of unassisted, standard housing of similar market rents; and
- H. whether the project site is free from adverse environmental conditions, natural or man-made, such as instability, flooding, sewage hazards, harmful air pollution, smoke or dust, excessive vehicular traffic and fire hazards.

In addition, the MFA shall give great weight in making its determination with respect to geographic allocation to whether the project will promote a greater choice of housing opportunities in the area and will avoid an undue concentration of assisted persons in areas containing a high proportion of Persons of Low and Moderate Income. The MFA may rely on such guarantor's, insurer's or purchaser's approval as evidence that the above criteria have been met.

6.9 Discrimination Prohibited. The development, construction, occupancy and operation of a Multi-Family Housing Program financed or assisted by the MFA shall be undertaken in a manner consistent with principles of non-discrimination and equal opportunity, and the MFA shall require compliance with all applicable federal and State laws and regulations relating to affirmative action, non-discrimination and equal opportunity.

SECTION 7. HOUSING OPPORTUNITY FUND ("HOF"). In addition to the following programs defined in this Section 7, the MFA shall have the power to create certain variations or extensions of the programs, or additional programs which comply with the Act and these Rules and Regulations.

7.1 Additional Definitions. The following words and terms shall have the following meanings only within this Section 7.

A. "Down Payment Assistance Programs" shall mean the MFA's programs that provide down payment and closing cost assistance in the form of a second mortgage lien to Persons of Low and Moderate Income who are, with few exceptions, using the MFA's Single Family Homeownership Program (as defined in Section 5, above) to acquire single family homes.

B. "Partners Program" shall mean the MFA's program designed to serve as a secondary market for below-market-rate single family mortgages which have been originated by nonprofit organizations to provide financing for families earning no more than 60% of county or median income as published by the US Department of Housing and Urban Development at the time of initial family qualification by participants and MFA.

C. "Primero Investment Fund" shall mean the MFA's program designed to provide flexible financing to nonprofit organizations, Tribal and public agencies, as well as for-profit entities undertaking the development of Affordable owner-occupied, rental or special needs housing projects.

D. "ACCESS Loan Program" shall mean the MFA's program designed to provide guaranteed or insured construction and permanent financing for affordable rental developments.

E. "BUILD IT Loan Guaranty Program" shall mean the MFA's program designed to guaranty interim financing provide by other lenders for affordable housing developments.

F. “HERO” shall mean the MFA’s program designed to provide a first fixed-rate mortgage loan, including down payment and closing cost assistance in the amount of a 3.5% grant to be funded to the borrower at the time of loan closing, to households in which at least one member is a teacher, safety worker, health care worker or active member of the armed forces.

7.2 Funding.

A. Initial Funding. The HOF shall be initially funded with net residual assets of the MFA’s issue of Home Improvement Loan Revenue Bonds, 1985 Series A and financing adjustment factor (FAF) savings derived from the MFA’s Multi-Family Housing Refunding Revenue Bonds 1990 Series A.

B. Additional Sources. Additional sources of funding may include, but are not limited to:

1. gifts, loans and grants received from the federal government, private foundations, corporate and private individuals and other sources;

2. money and other assets specifically allocated by the MFA to the HOF from time to time; and

3. earnings of the HOF.

7.3 Use of Funds. Monies and other assets of the HOF shall be disbursed to Applicants in accordance with the purposes of the HOF and Policies and Procedures developed and established by the MFA for the HOF as follows:

A. to provide down payment assistance for the financing of housing by Persons of Low and Moderate Income;

B. to provide closing cost assistance for the financing of housing by Persons of Low and Moderate Income;

C. to pay fees for services utilized in connection with HOF programs;

D. to pay costs of acquisition, rehabilitation and/or construction of Affordable housing projects, as well as costs associated with single family mortgages; and

E. in such other manner as the MFA may determine from time to time.

7.4 Administration. The MFA shall administer the affairs of the HOF in accordance with provisions of the Act, these Rules and Regulations, any applicable state and federal laws and regulations, each of which may be amended or supplemented from time to time. The MFA, in establishing, funding and administering the affairs of the HOF and by making, executing, delivering and performing any award, contract, grant or any other activity or transaction

contemplated by the HOF, shall not violate any provision of law, rule or regulation or any decree, writ, order, injunction, judgment, determination or award and will not contravene the provisions of or otherwise cause a default under any of its agreements, indentures, or other instruments to which it may be bound.

7.5 Program Guidelines. The MFA shall, from time to time, develop and adopt Policies and Procedures for each program of the HOF, which shall set forth the specific Application and approval procedures.

SECTION 8. SECONDARY MARKET FACILITY. The MFA may establish and implement a secondary market facility for Mortgage Loans and to otherwise act as a conduit for public and private funds to provide an increased degree of liquidity for mortgage investments. In establishing a secondary market facility, the MFA may issue pass-through securities and may purchase and contract to purchase Mortgage Loans, pass-through securities, obligations secured by Mortgage Loans or revenues therefrom or interests therein. The MFA shall establish Policies and Procedures, in accordance with paragraph 4.6 of these Rules and Regulations, which Policies and Procedures shall provide for the governing of the operations of the secondary market facility, the issuance of pass-through securities and for the purchase or issuance by, or the sale of, such obligations to the secondary market facility. The Policies and Procedures shall include, among other things: (i) the submission by Mortgage Lenders of offers to sell Mortgage Loans; pass-through securities; and obligations secured by Mortgage Loans or pledges of Mortgage Loan revenues; (ii) standards for allocating available funds or guarantees among Mortgage Lenders through the secondary market facility; (iii) qualifications or conditions relating to the reinvestment by Mortgage Lenders of the funds made available to Mortgage Lenders by the secondary market facility; and (iv) characteristics of pass-through securities to be issued by the secondary market facility.

SECTION 9. MISCELLANEOUS. Capitalized terms not otherwise defined in these Rules and Regulations have the same meaning as defined in the Act.

SECTION 10. AMENDMENT TO RULES AND REGULATIONS. These Rules and Regulations may be amended or supplemented by the MFA, with the approval of the Oversight Committee, at any time. Proposed amendments to these Rules and Regulations will be posted on MFA's website for a minimum of thirty (30) days prior to approval by the Oversight Committee, to enable public comment on the proposed changes.

Tab 9



MFA Strategic Plan Benchmarks

FY 2019

Goal 1 - Respond to New Mexico's affordable housing needs.



Benchmark: 1

Provide mortgage financing for 2,000 homebuyers

Q1

On Target

MFA financed 696 homebuyers in Q1 of FY 2019 and 696 homebuyers YTD.

Q2

On Target

MFA financed 681 homebuyers in Q2 of FY 2019 and 1,377 homebuyers YTD.

Q3

Met

MFA financed 696 homebuyers in Q3 of FY 2019 and 2,073 homebuyers YTD.

Q4

Met

MFA financed 755 homebuyers in Q4 of FY 2019 and 2,828 homebuyers YTD.



Benchmark: 2

Attain average mortgage product utilization of 20% of all FHA loans recorded in New Mexico

Q1

On Target

The MFA quarterly product utilization in Q1 is 27.89%.

Q2

On Target

The MFA quarterly product utilization in Q2 is 32.02% for a YTD average of 29.95%.

Q3

On Target

The MFA quarterly product utilization in Q3 is 41.91% for a YTD average of 33.94%.

Q4

Met

The MFA quarterly product utilization in Q4 is 28.65% for a YTD average of 32.62%.



Benchmark: 3

Finance 1,000 rental units

Q1

On Target

MFA financed 446 units in Q1.

Q2

On Target

MFA financed 5 units in Q2 for a YTD total of 451.

Q3

Caution

MFA financed zero additional units in Q3 for a YTD total of 451. Although MFA closed \$5,600,000 in loans in Q3, all associated units were reported with their LIHTC awards in previous quarters. MFA anticipates hitting the 1,000 target with currently scheduled closings in Q4. However, the future of three large 4% tax exempt bond deals remain uncertain.

Q4

Not Met

MFA financed 532 units in Q4 for a YTD total of 983. The total unit count is the result of \$8,670,000 in loans, \$19,450,000 in tax exempt bonds, \$6,921,757 in 4% and 9% Low Income Housing Tax Credits (LIHTC), and \$523,500 in New Mexico Affordable Housing Tax Credits.



Benchmark: 4

Achieve annual combined average loan delinquencies of MFA serviced portfolio below 12 percent

Q1

On Target

The Q1 combined average delinquency rate was 11.31%. Combined average delinquency rate YTD is 11.31%.

Q2

On Target

The Q2 combined average delinquency rate was 9.94%. Combined average delinquency rate YTD is 10.62%.

Q3

On Target

The Q3 combined average delinquency rate was 8.80%. Combined average delinquency rate YTD is 10.02%.

Q4

Met

The Q4 combined average delinquency rate was 9.32%. Combined average delinquency rate YTD is 9.84%.



MFA Strategic Plan Benchmarks

FY 2019



Benchmark: 5

Implement MFA housing summit and open house

Q1	On Target	MFA's 2019 open house will be held on September 12 from 4 to 6 p.m.
Q2	On Target	The theme of MFA's 2019 open house will be: Home is where life is the sweetest.
Q3	On Target	The open house committee met and assignments were distributed. The caterer and musical entertainment is secured. Staff are being asked to participate.
Q4	Met	The open house was held on September 12, 2019. Approximately 250 people attended.



Benchmark: 6

Develop social media plan and implement at least one new portion of the plan

Q1	On Target	A social media specialist has been hired. A marketing plan is being developed, which will include a social media/digital marketing component.
Q2	On Target	MFA accounts have been established for Facebook, Instagram and Twitter. Facebook has 415 followers; Instagram has 71.
Q3	Met	A social media inventory has been done of all HFAs. A social media SWOT analysis and SMART plan were developed, which informed the creation of a social media plan. Social media posts are being made weekly on three platforms, which is part of the plan. In addition, digital ads ran in five online newspapers for three months.
Q4	Met	An average of two social media posts run each week on three platforms. Facebook has 671 followers, Instagram 145 and Twitter 35.



Benchmark: 7

Evaluate at least three new specialty products or significant program or product improvements

Q1	On Target	In Q1, the NextHome program was restructured to ensure long-term sustainability of the program. The down payment assistance grant was replaced with a second mortgage. The new program structure will make the program more attractive to secondary market investors, improve mortgage rates for borrowers and provide better profit margins to MFA. Also, a strategy for Manufactured Home Lending was discussed and drafting began on a policy for an internal Neighborhood Stabilization Program.
Q2	On Target	In Q2, MFA began discussions with the New Mexico Department of Finance and Administration to finalize a contract for a new NSP program, with program launch expected later in FY2019. MFA also continued its work on a manufactured home lending initiative.
Q3	On Target	In Q3, staff evaluated the HUD 542(c) Risk Share program and recommended an alternative way to calculate interest rates that could encourage additional utilization of the program.
Q4	Met	In Q4, the NSP evaluation was completed, and an RFP for service providers for the newly improved program was approved by the Board of Directors. Also in Q4, conventional program was adapted to address changes by Fannie Mae. In total, four products/programs were evaluated for improvements, including NextHome, NSP, the HUD Risk Share product and the conventional mortgage program.



MFA Strategic Plan Benchmarks

FY 2019

Goal 2 - Ensure prudent stewardship of affordable housing resources.



Benchmark: 8

Obtain unmodified opinion on MFA financial statements and no material weakness in internal control over financial reporting or major programs, excluding first-time audits

Q1

On Target

MFA received an unmodified opinion on the financial statements with no findings. The audit has been approved by the Office of the State Auditor and will go to Board for approval in January, 2019.

Q2

Met

MFA received an unmodified opinion on the financial statements with no findings. The audit was approved by the Board in January, 2019.



Benchmark: 9

Maintain or improve credit rating

Q1

On Target

There is no rating activity currently other than quarterly reporting as required. MFA maintains its Aa3 Stable rating.

Q2

On Target

There is no rating activity currently other than quarterly reporting as required. MFA maintains its Aa3 Stable rating.

Q3

Met

During this quarter, Moody's issued an updated credit analysis of MFA's single family program indenture. They confirmed the Aaa (stable) rating. Although not updated, the issuer credit rating remains Aa3 (stable). Also during this quarter, Moody's conducted a management review of MFA. Staff presented updates on management and governance, financing plans, the single family mortgage landscape and multifamily activities. Additional items discussed included legislative success, servicing expansion, Performance Based Contract Administration (PBCA) and new housing programs. Staff continues to support all rating agency reporting requirements.



Benchmark: 10

Achieve operating performance and profitability equal to net revenues over total revenues of at least 10.0 percent, based on five-year average

Q1

On Target

As of 12/31/18, the operating performance and profitability ratio was 7.2%. It is currently low due to State Investment Council losses and is expected to improve.

Q2

On Target

As of 3/31/19, the operating performance and profitability ratio was 11.0%.

Q3

On Target

As of 6/30/19, the operating performance and profitability ratio was 10.6%.

Q4

Met

As of 9/30/19, the operating performance and profitability ratio was 11.0%.



Benchmark: 11

Obtain balance sheet strength equal to net asset position over total bonds outstanding of at least 30.2 percent, based on five-year average

Q1

On Target

As of 12/31/18, balance sheet strength was 29.0%.

Q2

On Target

As of 3/31/19, balance sheet strength was 30.5%.

Q3

On Target

As of 6/30/19, balance sheet strength was 29.9%.



MFA Strategic Plan Benchmarks FY 2019

Q4	Not Met	As of 9/30/19, balance sheet strength was 29.9%.
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Benchmark: 12

Realize administrative fee of at least 18 basis points on all bond issues

Q1	On Target	The 2018 Series D Single Family Bond issue has an authority fee of 18 basis points.
Q2	On Target	The 2019 Series A new money tax exempt bond issue has an administrative fee of 18 basis points. The 2019 Series B refunding taxable bond issue has an administrative fee of 185 basis points.
Q3	On Target	The 2019 Series C new money tax exempt bond issue has an administrative fee of 18 basis points.
Q4	Met	The 2019 Series D new money tax exempt bond issue has an administrative fee of 18 basis points. The 2019 Series E taxable refunding bond issue has an administrative fee of 209 basis points. All single family bonds issued this year met the 18 bps benchmark.



Benchmark: 13

Realize profitability of 1.0 percent on TBA executions

Q1	Caution	As of 12/31/18, TBA profitability was .62%.
Q2	Caution	As of 3/31/19, TBA profitability was .89%. In order to keep rates competitive, MFA has had to balance margin and mission.
Q3	Caution	As of 6/30/19, TBA profitability was .80%. NEXTHome profitability continues to be challenging. Focus is on keeping mortgage rates as competitive as possible.
Q4	Not Met	As of 9/30/19, TBA profitability was .82%. NEXTHome profitability was a challenge all year even after significant program changes in the fall. Staff evaluated a taxable bond structure for this program, however, it was not economically feasible. Focus continues to be keeping mortgage rates as competitive as possible in line with market conditions.



Benchmark: 14

Maintain servicing fee yield at an average of 0.36 percent of the purchased servicing portfolio

Q1	On Target	As of 12/31/18, servicing fee yield was .39%.
Q2	On Target	As of 3/31/19, servicing fee yield was .39%.
Q3	On Target	As of 6/30/19, servicing fee yield was .39%.
Q4	Met	As of 9/30/19, servicing fee yield was .40%.



Benchmark: 15

Earn 100 percent base fees for PBCA contract

Q1	On Target	All PBCA tasks were completed this quarter as required by the contract. The Annual Contributions Contract (ACC) was signed and extended through 6/30/19.
Q2	On Target	All PBCA tasks were completed as required for Q2, and 100% of base fees were earned.



MFA Strategic Plan Benchmarks FY 2019

Q3	On Target	All PBCA tasks were completed as required for Q3, and 100% of base fees were earned. The ACC contract was signed and extended to 9/30/2019.
Q4	Met	All PBCA tasks were completed as required for Q4, and 100% of base fees were earned. The ACC contract was signed and extended to January 31, 2021 with HUD's option to extend up to two additional and successive extension terms of 6 calendar months each.



Benchmark: 16

Yield a collection rate of 95 percent or greater for compliance monitoring fees

Q1	On Target	Invoices for compliance monitoring fees were sent out this quarter.
Q2	On Target	Invoices for compliance monitoring fees were sent out, and 92% of fees have been collected.
Q3	Met	Late invoices for compliance monitoring fees were sent out, and 96% of fees have been collected.
Q4	Met	Late invoices for compliance monitoring fees were sent out, and 99.62% of fees have been collected.



Benchmark: 17

Meet commitment and expenditure requirement of 95 percent of grant funding

Q1	On Target	As of 12/31/18, MFA has met 100% of the commitment and expenditure requirement.
Q2	On Target	As of 3/31/19, MFA has met 98% of the commitment and expenditure requirement.
Q3	Met	As of 6/30/19, MFA has met 96% of the commitment and expenditure requirement.
Q4	Met	As of 9/30/19, MFA has met 96% of the commitment and expenditure requirement.



Benchmark: 18

Generate at least \$500,000 in contributions through the state affordable housing tax credit program

Q1	Met	MFA received \$879,600 in donations for four affordable housing projects and \$15,200 in cash donations not associated with specific projects to the Charitable Trust, for a total of \$894,800.
Q2	Met	In Q2, MFA received \$303,387 in contributions. MFA has received \$1,198,187 in contributions YTD.
Q3	Met	In Q3, MFA received \$0 in contributions. MFA has received \$1,198,187 in contributions YTD.
Q4	Met	In Q4, MFA received \$115,285 in contributions. MFA has received \$1,313,472 in contributions YTD.



Benchmark: 19

Evaluate at least one new business model or financial tool

Q1	On Target	Staff will resume work on a new Resource Allocation Study during the second quarter. A Board study session is tentatively scheduled for April 2019.
Q2	On Target	The Resource Allocation Study will be presented at a Board Study Session on April 17, 2019.
Q3	Met	The Resource Allocation Study was implemented and presented at a Board Study Session April 17, 2019. Information



MFA Strategic Plan Benchmarks FY 2019

was well received and in the future will become part of an annual presentation to the Board. This report provides a more comprehensive approach in assessing adequacy of reserves and fiscal health to assist in making long-term decisions using expected market conditions and alternatives that might occur.



Benchmark: 20

Increase funding by at least one new source

Q1	Met	MFA received \$1 million HUD award for Veterans Home Rehabilitation and Modification Pilot Program (VHRMP).
Q2	Met	MFA received a total of \$3,759,500 from the 2019 State of New Mexico Legislative Session, including \$2.15 million for the New Mexico Housing Trust Fund, \$1 million for NM EnergySmart, \$200,000 for Regional Housing Authority oversight, \$232,000 for Affordable Housing Act oversight and \$177,500 for Veterans Home Rehabilitation. MFA evaluated, but determined not to apply for, the Federal Home Loan Bank's Affordable Housing Program grant.
Q3	Met	MFA expects to receive \$1 million award for 2019 VHRMP Program.
Q4	Met	Goal met in previous quarters. YTD - Six new sources including VHRMP, two capital outlay appropriations (NMHTF and EnergySmart) and three state legislative appropriations for other programs.

Goal 3 - Strengthen affordable housing partners.



Benchmark: 21

Expand services of at least one program to an underserved area of the state

Q1	Met	MFA expanded rehab services to seven new counties: Rio Arriba; Taos; Grant; Lincoln; Hidalgo; Eddy and Catron.
Q2	Met	Benchmark met in previous quarter. NM EnergySmart developed an RFP to procure for an additional service provider. HomeNow DPA outreach to low income borrowers in New Mexico has focused on rural areas. Through Q2, HomeNow fundings are at 46% of our two-year, \$360,000 goal for rural areas after only six months of the program's introduction. Counties where MFA programs are trending to exceed the prior year's results include: Chaves; Eddy; Grant; Lincoln; Otero; Quay; Rio Arriba; Roosevelt; San Miguel; San Juan; Sierra; and Socorro.
Q3	Met	Benchmark met in prior quarters. We will continue to explore opportunities to expand services to underserved areas in Q4.
Q4	Met	MFA received state funding that will allow start-up fees for a homeless shelter in Espanola. MFA has expanded services through four programs, including the home rehabilitation program, New Mexico EnergySmart, HomeNow and homeless services (Espanola).



Benchmark: 22

Assist at least ten local or tribal governments with affordable housing plans, implementation or programs

Q1	Met	Assisted nine local governments and one tribal government as follows: Albuquerque, Colfax County, Espanola and Taos received assistance on plans and ordinances; Farmington, Gallup, Las Cruces, Ruidoso and Santa Fe received assistance with implementation and programs; and Taos Pueblo received environmental review training for MFA's rehab program.
Q2	Met	Assisted nine local governments, and one tribal government as follows: Albuquerque, Espanola, Silver City, Socorro and Grant County received assistance on plans and ordinances; Las Cruces, Ruidoso, Colfax and Lea Counties received



MFA Strategic Plan Benchmarks FY 2019

assistance with implementation and programs. Taos Pueblo received assistance with the environmental review process. Other work with tribal partners included outreach for Freddie Mac's Savings Project, and technical assistance provided to both the NM Tribal Homeownership Coalition and the Northern Pueblos Housing Authority. Total assisted YTD is 15.

Q3 **Met** Assisted eight local governments, and three tribal governments as follows: Albuquerque, Silver City, Socorro and Grant County received assistance on plans and ordinances; Los Lunas, Ruidoso, Colfax and Lea Counties received assistance with implementation and programs. Assisted Northern Pueblo Housing Authority, Ohkay Owingeh, and Isleta Pueblo with information sharing about their housing programs. Total assisted YTD is 18.

Q4 **Met** Assisted five local governments, and one tribal government as follows: Espanola and Deming received assistance on plans and ordinances; Los Lunas, Taos County and Grant County received assistance with implementation and programs. Assisted Taos Pueblo by providing them information about MFA housing programs. Total assisted YTD is 20.



Benchmark: 23

Provide at least ten formal training opportunities for property owners, developers and/or service providers

Q1 **On Target** Q1 trainings included Qualified Allocation Plan (QAP) training, HOME Rehab training for new providers (Santa Clara Pueblo Housing Authority, Taos Pueblo Housing Authority and Espanola Habitat), training on Fannie Mae's new Native American lending initiative, and owner/agent training on the special needs housing priority. YTD = 4.

Q2 **On Target** Q2 trainings include fair housing training for 22 MFA agencies, income calculation training for 23 agencies, Rental Assistance Program (RAP) training for 12 agencies and NM EnergySmart training for six agencies. Additionally, Section 811 training was provided by MFA and the Behavioral Health Services Division (New Mexico Human Services Department) for MFA partners and local lead agencies. YTD = 9.

Q3 **On Target** No training held this quarter. YTD = 9.

Q4 **Met** Q4 trainings include a tax credit training for MFA partners with Elizabeth Moreland Consulting, a HOME rehabilitation peer exchange, a Weatherization Assistance Program (WAP) service providers training on asbestos and a training on the Low Income Housing Tax Credit (LIHTC) carryover process. Additionally, an I-CAST employee attended to a National Association for State Community Services Program (NASCSPP) training on weatherization. YTD = 14.



Benchmark: 24

Improve at least three MFA processes or resources

Q1 **Met** MFA transitioned production data for the annual report from a calendar to fiscal year in order to be consistent with quarterly board reports. MFA also finalized the process for updating the MFA housing needs assessment, which includes having the University of New Mexico Bureau of Business and Economic Research (BBER) update data under its existing contract. Next, MFA implemented several 2019 Qualified Allocation Plan (QAP) improvements based on the REDW audit report. MFA also migrated Domain Name Service (DNS) away from CenturyLink to avoid a single point of failure for network services. Finally, MFA updated online invoicing for the New Mexico Energy Smart programs to improve functionality. YTD = 5.

Q2 **Met** MFA automated the daily mortgage rate setting analysis process. The new process not only creates efficiencies, it also eliminates human error. MFA began receiving Affordable Housing Act reviews, including plans, ordinances and qualifying grantee requests, through the website portal rather than through mail or email. Next, MFA redesigned the Continuum of Care invoicing and monitoring process. Under the Servicing Department, MFA implemented monthly



MFA Strategic Plan Benchmarks FY 2019

payment reminder email messages for our down payment assistance customers and an after-hours call strategy to reduce delinquencies. Additionally, the Servicing Department found efficiencies by automating letters to borrowers through Mitas saving 13 hours of staff time per month and reducing mailing costs for the payoff process by eliminating unnecessary documents. Finally, the Servicing Department simplified the payoff process and eliminated unnecessary documentation that was being sent to borrowers saving time and lowering mailing costs. YTD = 11.

Q3 Met Benchmark met in prior quarters. YTD = 11.

Q4 Met Benchmark met in prior quarters. YTD = 11

Goal 4 - Provide robust technology solutions.



Benchmark: 25

Maintain a low risk in semi-annual vulnerability scans

- | | | |
|----|-----------|--|
| Q1 | On Target | MFA's internal and external penetration testing was completed on 11/12/18. MFA received a security posture of 7 for Internal and 9 for External (7 - Secure, 9 - Extremely Secure) |
| Q2 | On Target | MFA's vulnerability scans are now conducted on a weekly basis, and our vulnerability risk rating is 793. The rating range is from 300 (high risk) to 850 (low risk). MFA has also added a Security Awareness Program that provides security awareness training on a quarterly basis and monthly phishing testing. |
| Q3 | On Target | MFA's vulnerability scans continue on a weekly basis, and our vulnerability risk rating is 792. The rating range is from 300 (high risk) to 850 (low risk). MFA's Security Awareness Program continues to provide security awareness training on a quarterly basis and monthly phishing testing, with all employees completing 100% of their training. |
| Q4 | Met | MFA's internal and external penetration testing was completed on 11/12/18. MFA received a security posture of 7 for Internal and 9 for External (7 - Secure, 9 - Extremely Secure). MFA's vulnerability scans continue on a weekly basis, and our vulnerability risk rating is 792. The rating range is from 300 (high risk) to 850 (low risk). MFA's Security Awareness Program continues to provide security awareness training on a quarterly basis and monthly phishing testing, with all employees completing 100% of their training. |



Benchmark: 26

Maintain system availability at 99 percent

- | | | |
|----|-----------|--|
| Q1 | On Target | In Q1, MFA experienced a partial outage that affected all Internet traffic including mobile phone usage for a period of two hours. This was a CenturyLink outage that occurred on 12/27-29 for 2 days and 19 hours. MFA successfully switched over to its backup circuits (Comcast) to limit our downtime. MFA maintained system availability of 99.94%. |
| Q2 | On Target | MFA did not experience any full system outages in Q2 and maintained system availability of 100%. |
| Q3 | On Target | MFA did not experience any full system outages in Q3 and maintained system availability of 100%. |
| Q4 | Met | In Q1, MFA experienced a partial outage that affected all Internet traffic including mobile phone usage for a period of two hours. This was a CenturyLink outage that occurred on 12/27-29 for 2 days and 19 hours. MFA successfully switched over to its backup circuits (Comcast) to limit our downtime. MFA did not experience any full system outages in Q2, Q3 or Q4. MFA maintained system availability of 99.94%. |





MFA Strategic Plan Benchmarks

FY 2019

Benchmark: 27

Implement new software solutions

Q1	On Target	MFA continued work on the implementation of VirPack is ongoing with a major application upgrade scheduled for Q2. Power Lender organization specific configurations have begun with the Homeownership Department and vendor. MFA has begun conversion of Access database project in preparation for the install of Office365. The email portion of Office365 is scheduled for implementation in Q2.
Q2	On Target	Office365 implementation completed in Q2. All legacy Access database files have been updated in preparation of support for Office 2016 (client side application). Data Warehouse software "SageWorks" has been kicked off, and new contract has been signed with PowerSellers for pooling and securitization. A new cloud-based budgeting software application has also been purchased to aid in the budgeting process.
Q3	On Target	MITAS Pipeline Report and EnergySmart Unit Inspections moved from an access database to online application. Section 811 programming completed, currently in testing phase awaiting contracts. SageWorks is currently in the implementation phase as initial data mapping has been completed. PowerSellers, data mapping has been completed and operational testing is underway; automated data updates will be scheduled once testing is complete. PowerLender/VirPack Lender Portal is currently being configured to allow origination data viewable in the document management system. Budget Maestro has been implemented, and Accounting is using the budget management software for next year's fiscal budget.
Q4	Met	Implementation of VirPack Lender Portal has been completed, and testing is scheduled with Homeownership. Power Lender testing continues with Homeownership completing weekly testing in preparation of lender beta testing. Conversion of Access database project files has been completed, and Office 365 email has also been implemented in Q2. Data Warehouse software "SageWorks" has been implemented and is correcting syncing up historical data. MITAS Pipeline Report and NM EnergySmart Unit Inspections moved from an access database to online application. Section 811 programming completed. PowerSellers, data mapping has been completed and operational testing is underway; automated data updates have been configured and tested. Budget Maestro has been implemented, and Accounting is using the budget management software for next year's fiscal budget.

Goal 5 - Foster a dynamic work environment.



Benchmark: 28

Maintain or improve employee engagement score of 82 percent

Q1	On Target	Annual engagement survey will be conducted in the month of May.
Q2	On Target	Survey will be sent to staff in April.
Q3	Met	Survey conducted with 97% participation. MFA surpassed our goal of 82% with a final score of 83.63%.



Benchmark: 29

Complete compensation survey

Q1	On Target	Full compensation survey was completed during fiscal year 2018. A compensation analysis will be conducted this fiscal year to ensure MFA is in line with other HFAs that participate in a third party survey.
Q2	On Target	Survey results should be received in the 3rd quarter.



MFA Strategic Plan Benchmarks

FY 2019

Q3

Met

Survey complete.

Tab 10

MEMORANDUM

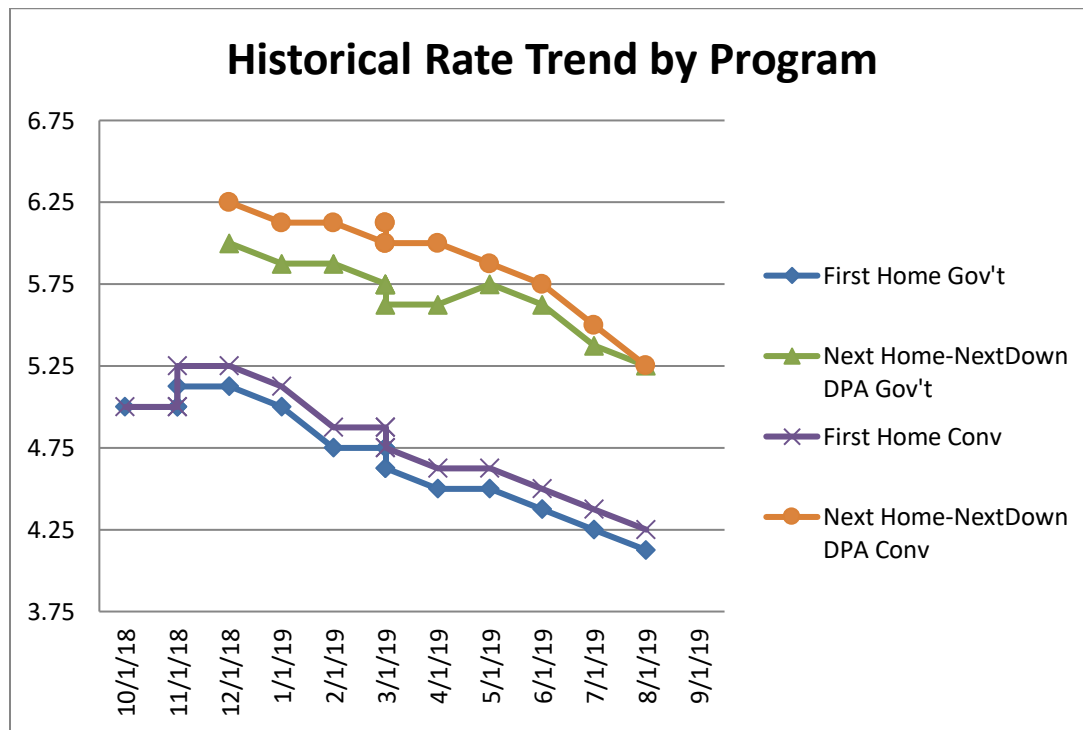
TO: MFA Board of Directors

FROM: Rene Acuña, Director of Homeownership

DATE: November 20, 2019

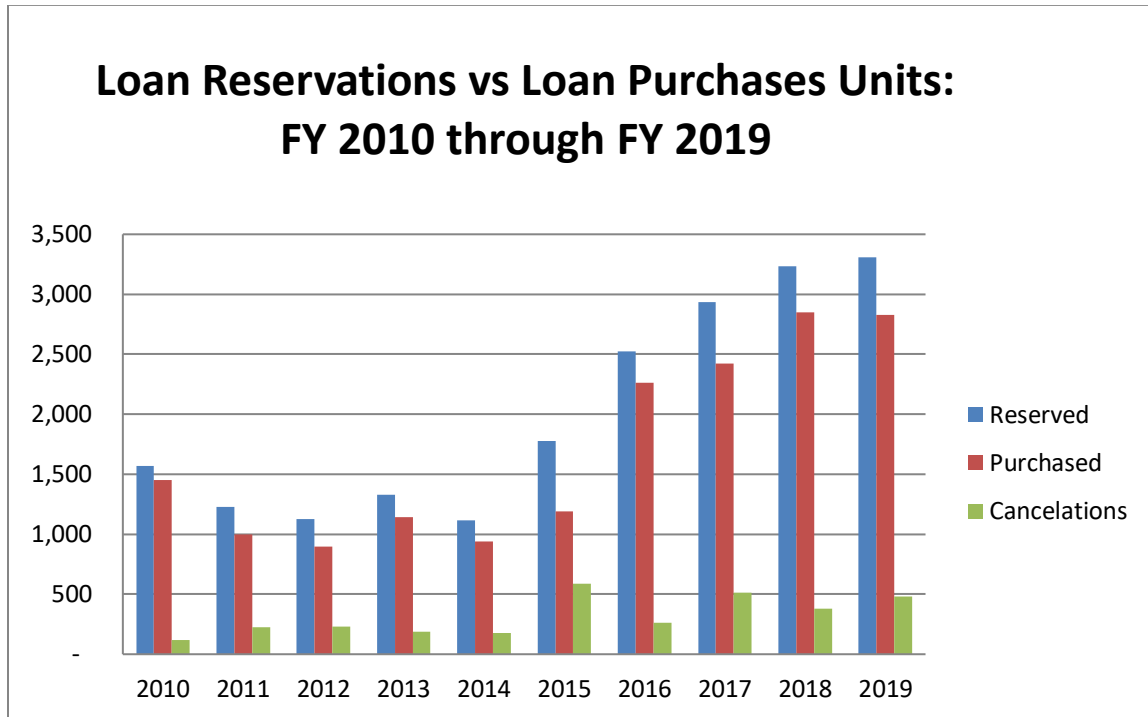
SUBJECT: Single Family Production Report

• Interest Rate History by Program

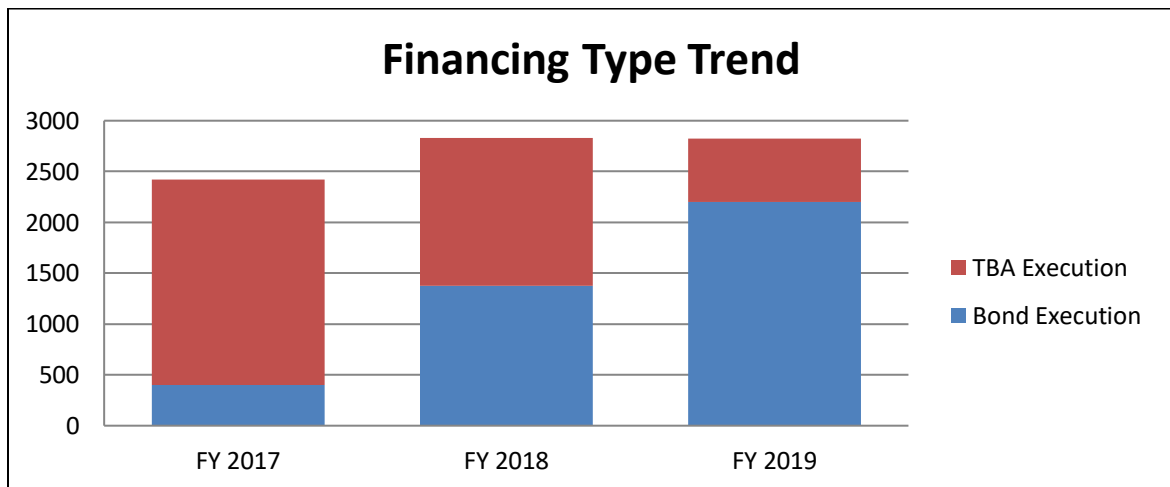


NextHome – NextDown programs were implemented in November 2018.

- **Historical Reservation and Purchased loans**



- **Financing Execution:**



- **Reservations by Program**

Reservations by Program	Fiscal Year 2019 (10/01/2018 - 9/30/2019)	Fiscal Year 2018 (10/01/2017 - 9/30/2018)
FIRST HOME GOV'T	65.67%	61.32%
FIRST HOME CONV	14.46%	13.26%
NEXT HOME CONV - GRANT	1.16%	8.24%
NEXT HOME CONV - NEXT DOWN DPA	3.44%	N/A
NEXT HOME GOV'T - GRANT	2.69%	17.18%
NEXT HOME GOV'T -NEXT DOWN DPA	12.58%	N/A
The Grant Program Ended 11/12/2018		

- **Comparison of Down Payment Assistance (DPA) Sources**

Down Payment Comparison	Fiscal Year 2019 (10/01/2018 - 9/30/2019)	Fiscal Year 2018 (10/01/2017 - 9/30/2018)
FIRST DOWN	65.19%	73.70%
HOME NOW	14.26%	0.32%
NEXT HOME GRANT	4.31%	25.98%
NEXTDOWN FORGIVABLE LOAN	16.24%	N/A
The Grant Program Ended 11/12/2018		

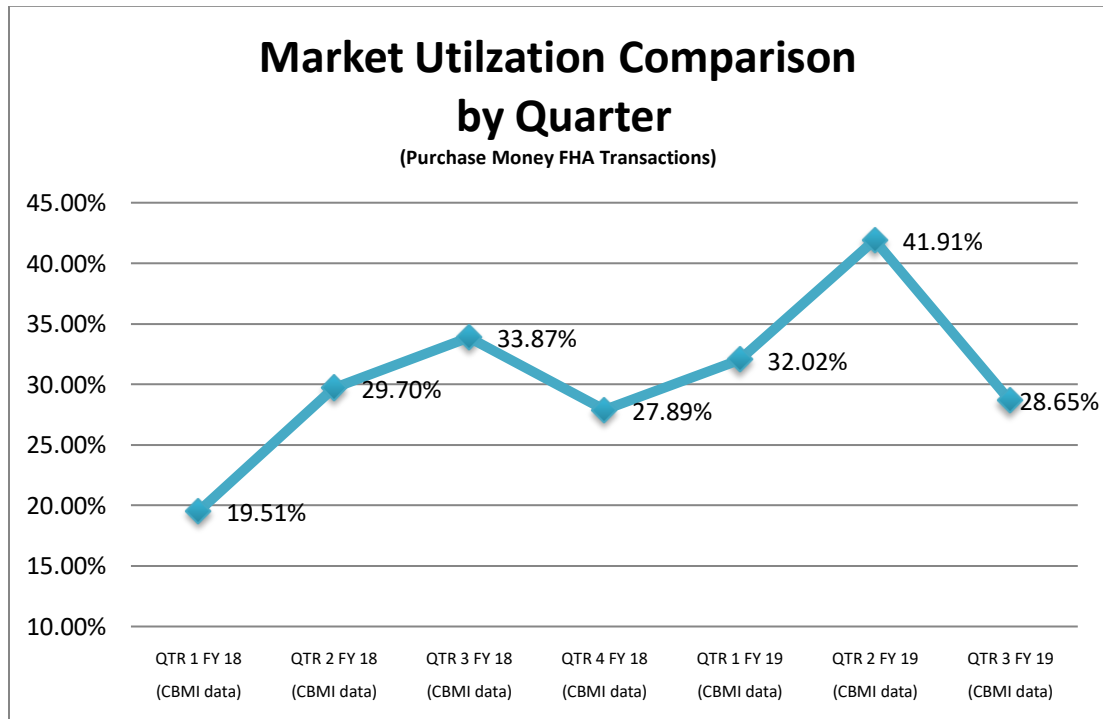
- **Comparison of Loan Types**

Loan Type Comparison	Fiscal Year 2019 (10/01/2018 - 9/30/2019)	Fiscal Year 2018 (10/01/2017 - 9/30/2018)
FHA	76.75%	87.14%
Conventional	22.11%	12.16%
HUD Section 184	0.39%	0.31%
VA	0.71%	0.31%

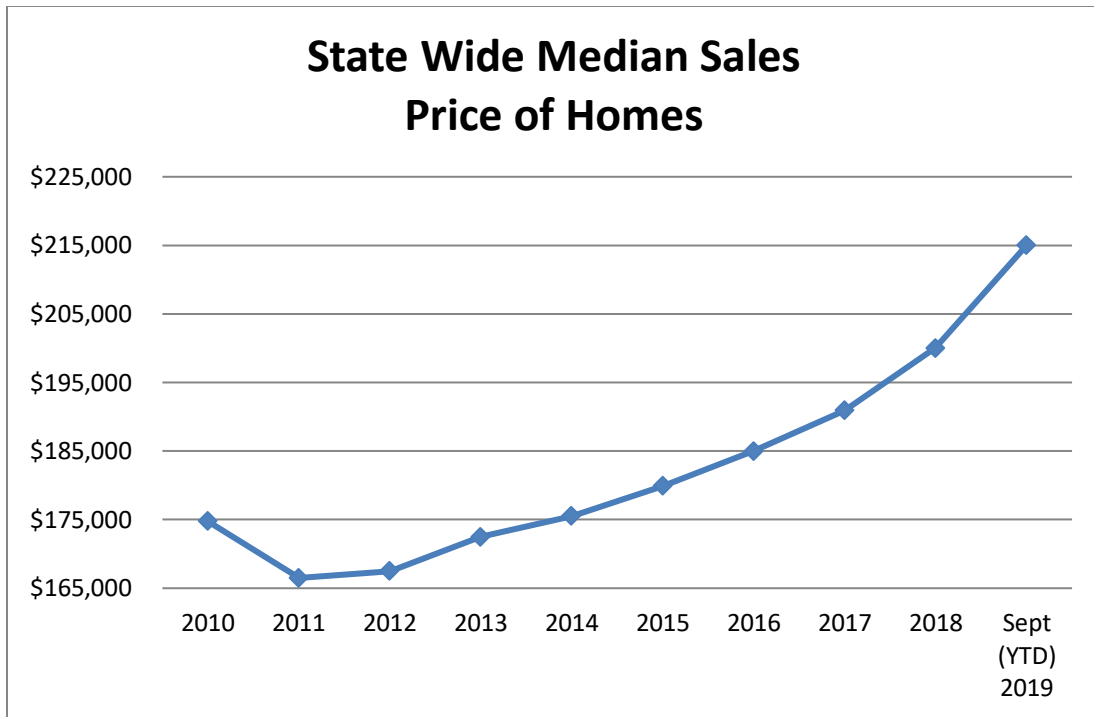
- **Borrower Demographics:**

	Fiscal Year 2019 (10/01/2018 - 9/30/2019)	Fiscal Year 2018 (10/01/2017 - 9/30/2018)	Fiscal Year 2017 (10/01/2016 - 9/30/2017)
Average Sales Price	\$156,787	\$151,039	\$146,734
Average Loan Amount	\$152,974	\$147,613	\$143,618
Average Down Payment Assistance Amount	\$6,675	\$6,102	\$5,736
Average Household Income	\$51,655	\$50,604	\$49,906
Average Family Size	2.6 person household	2.6 person household	2.5 person household
Ethnicity	47.52 percent Minority	41.04 percent Minority	37.5 percent Minority
Average Borrower Age	36 years old	35 years old	36 years old
Average Number of Dependents	1 dependent	1 dependent	1 dependent
Primary Borrower Gender	45.40% female / 54.60% male	42.97% female / 57.03% male	44.08% female / 55.92% male
Average FICO score	678	679	684

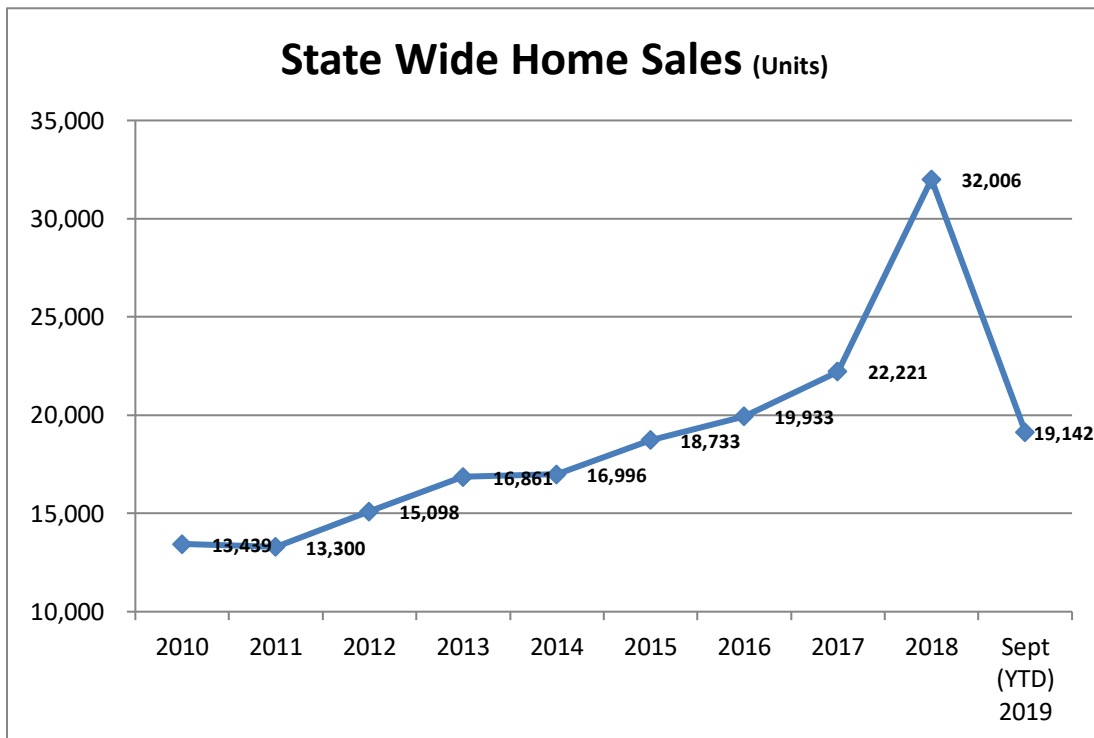
- **MFA Program Utilization:**



- **Median Sales Price and Home Sales Trend for New Mexico**
(Realtors Association of NM data)

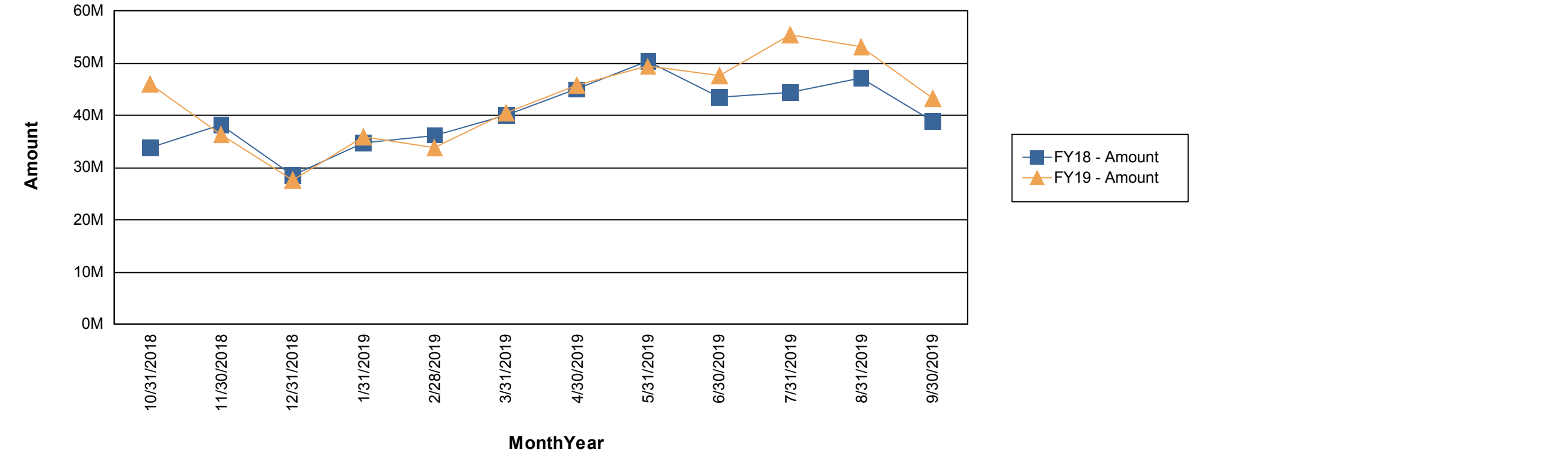


New Mexico Association of Realtors data



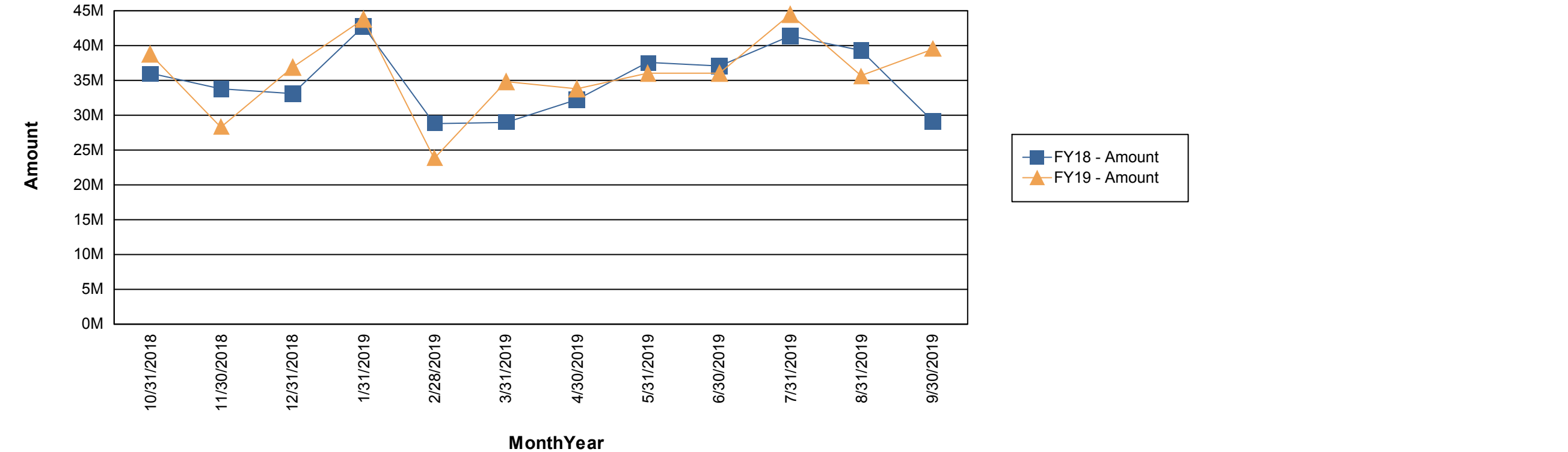
New Mexico Association of Realtors data

Reservation Loans



	10/31/2018	11/30/2018	12/31/2018	1/31/2019	2/28/2019	3/31/2019	4/30/2019	5/31/2019	6/30/2019	7/31/2019	8/31/2019	9/30/2019	Total
FY18 - Amount	\$33,733,763.00	\$38,259,008.00	\$28,607,419.00	\$34,809,180.50	\$36,223,569.00	\$39,989,553.00	\$44,967,589.00	\$50,286,461.00	\$43,525,681.52	\$44,449,963.00	\$47,098,662.00	\$38,807,485.00	\$480,758,334.02
Number Loans	225	261	190	234	244	278	310	339	285	294	309	263	3232
FY19 - Amount	\$46,009,406.50	\$36,304,284.42	\$27,651,784.00	\$35,901,795.00	\$33,832,948.32	\$40,478,438.00	\$45,726,585.00	\$49,343,047.00	\$47,599,226.00	\$55,449,384.00	\$53,194,691.06	\$43,167,891.00	\$514,659,480.30
Number Loans	304	231	180	239	222	264	301	316	301	349	340	261	3308

Purchased Loans



	10/31/2018	11/30/2018	12/31/2018	1/31/2019	2/28/2019	3/31/2019	4/30/2019	5/31/2019	6/30/2019	7/31/2019	8/31/2019	9/30/2019	Total
FY18 - Amount	\$35,971,491.14	\$33,810,722.27	\$33,117,774.90	\$42,814,178.01	\$28,883,163.13	\$29,051,630.77	\$32,249,688.43	\$37,519,719.64	\$37,046,605.54	\$41,421,860.14	\$39,305,676.22	\$29,173,425.01	\$420,365,935.20
Number Loans	244	228	224	289	193	195	226	258	251	285	259	198	2850
FY19 - Amount	\$38,833,209.82	\$28,367,807.37	\$36,969,981.33	\$43,782,555.31	\$23,890,931.73	\$34,884,635.38	\$33,792,447.65	\$36,083,801.51	\$36,042,091.51	\$44,525,265.23	\$35,634,762.84	\$39,575,121.94	\$432,382,611.62
Number Loans	256	193	247	291	159	231	221	236	239	282	225	248	2828

Tab 11

**Staff Actions Requiring Notice to Board
During the Period of October 31, 2019**

Department and Program	Project	Action Taken	Comments
Servicing – REO	912 Railroad Avenue Las Vegas NM 87701	Final Disposition of a single family residence REO property: Loss of \$14,999.91	Sale Date 10/7/2019 Approved by PC 9/17/2019
Servicing	August 2019 Servicing Quality Control report	Approval of report issued by REDW – no findings	Approved by Policy Committee on October 7, 2019
Community Development	Homeless Shelter in Espanola	Approval to award \$219,375 from the 2019 NM state legislature, (HB2 Jr.) to the Espanola Pathways Shelter.	Approved by PC on 10/7/19
Policy and Planning	Affordable Housing Act State Legislative Funding	Approval of the Notice of Funding Availability (NOFA) for Developing, Updating and Implementing Affordable Housing Plans to deploy funds to local governments through grant awards.	Approved by Policy Committee on October 7, 2019
Community Development	Regional Housing Authority	Approved request for the proposed budget for the \$200,000 RHA legislative funding.	Approved by PC on 10/23/19

Tab 12



October 9 – November 12, 2019

ADVERTISING

Billboards September-October

Roswell/Artesia	US 70, inbound Roswell to Ruidoso
Gallup	I-40, between Gallup exits
Alamogordo	US 54, inbound to Alamogordo
Carlsbad	US 285, to Artesia/Lakes
Silver City	US 180 west
Clovis	US 70 north

MEDIA COVERAGE

10-10	Hobbs News-Sun	<i>City approves more subsidized housing</i>
10-25	Santa Fe New Mexican	<i>City's affordable rental hole</i>
11-1	Gallup Sun	<i>RMCHCS director receives "Housing for All" award</i>

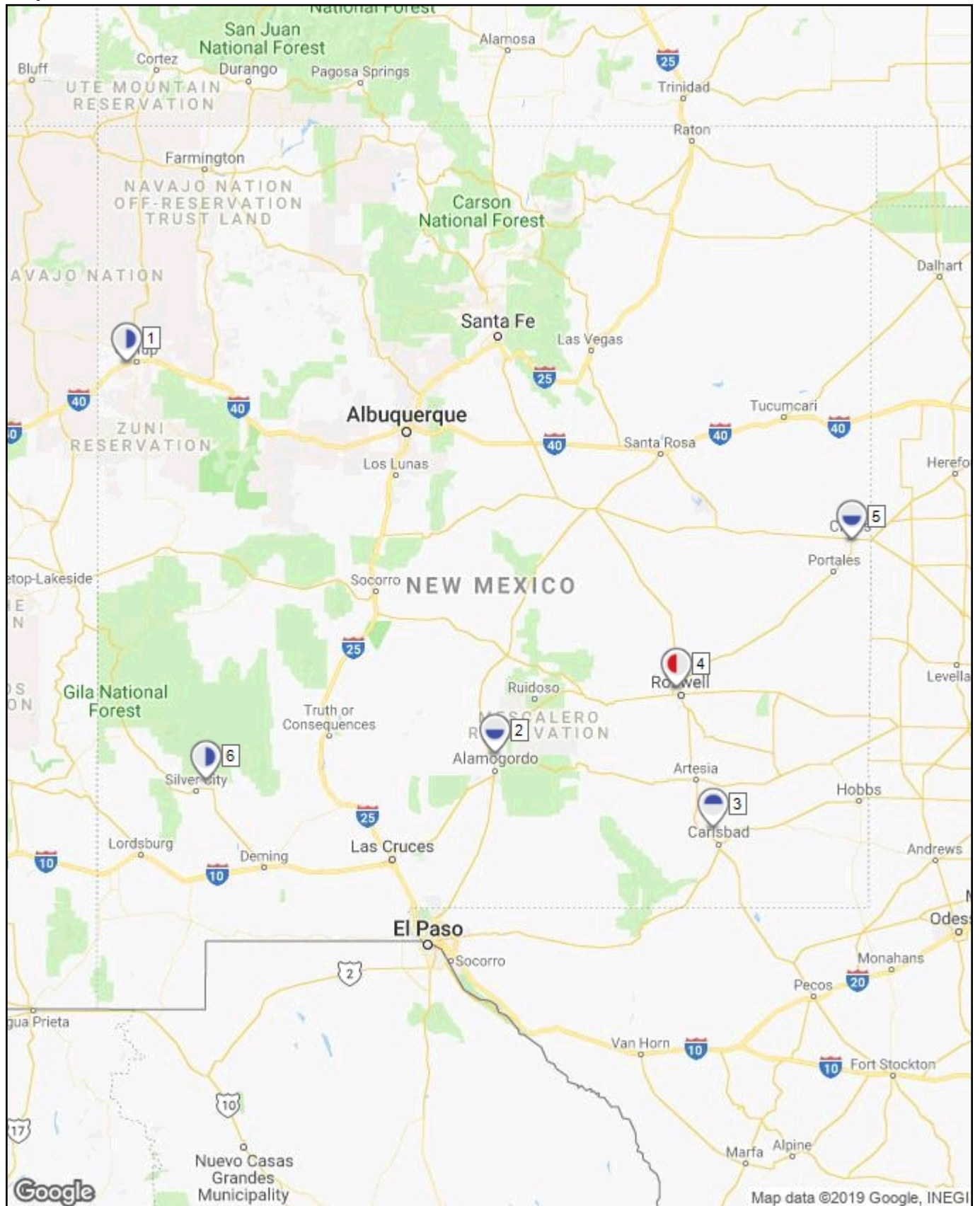
PRESS RELEASES, NEWSLETTERS and LENDER MEMOS

10-9	Lender Memo 19-25	<i>October single family webinar training schedule</i>
10-23	Tribal Homeownership Coalition	<i>Meeting and Thanksgiving lunch</i>
10-29	Memo to property managers	<i>Forward from Behavioral Health Services Updated special needs housing priority ops manual</i>
10-30	Website redesign survey	<i>Sent to 311 MFA partners</i>
11-8	LIHTC and QAP training	<i>Sent to developers</i>









POP NM Mortgage Finance Authority

Map #1





POP NM Mortgage Finance Authority

Map Icon	Label	Panel#	TAB ID	Media/Style	Facing	H x W	*Weekly Impressions	Illum.
	1	4011	139854	Permanent Bulletin / Regular	West	10' 0" x 40' 0"	64529	NO
Location: I 40 S/L.88EMP016 MP 016.88 Current Advertiser: NEW MEXICO MORTGAGE FINANCE AUTHORITY								
	2	8491	140504	Permanent Bulletin / Regular	North	10' 0" x 40' 0"	41647	NO
Location: US 54 W/L.91SMP071 MP70.09 Current Advertiser: NEW MEXICO MORTGAGE FINANCE AUTHORITY								
	3	10901	138473	Permanent Bulletin / Regular	South	10' 0" x 40' 0"	11798	NO
Location: US 285 E/L .38 NMP038 MP38.38 Current Advertiser: NEW MEXICO MORTGAGE FINANCE AUTHORITY								
	4	21032	7403939	Poster / Retro	East	10' 6" x 22' 9"	30220	YES
Location: US 70 2500 WEST SECOND MP329.95 Current Advertiser: NEW MEXICO MORTGAGE FINANCE AUTHORITY								
	5	10162	138411	Permanent Bulletin / Regular	North	10' 0" x 40' 0"	27972	NO
Location: US 70 S/L .50 E MP 439 MP 438.50 Current Advertiser: NEW MEXICO MORTGAGE FINANCE AUTHORITY								
	6	20881	138906	Permanent Bulletin / Regular	West	10' 0" x 40' 0"	59198	YES
Location: US 180 SILVER CITY S/L.25 EMP117 #117.25 Current Advertiser: NEW MEXICO MORTGAGE FINANCE AUTHORITY								
Total Weekly Impressions: 235364								



Location # 1



Advertising Strengths: Between Gallup exits

Market:	GALLUP
Panel:	4011
TAB Unique ID:	139854
Location:	I 40 S/L.88EMP016 MP 016.88
Lat/Long:	35.5108/-108.8245
Media/Style:	Permanent Bulletin/Regular
*Weekly Impressions:	64529
Panel Size:	10' 0" x 40' 0" Spec Sheet
Vinyl Size:	11' 0" x 41' 0"
Facing/Read:	West/Right
Illuminated:	NO
Current Advertiser:	NEW MEXICO MORTGAGE FINA ...

*Impression values based on: 18+ yrs





Location # 2



Advertising Strengths: Inbound Alamogordo

Market:	ALAMOGORDO
Panel:	8491
TAB Unique ID:	140504
Location:	US 54 W/L.91SMP071 MP70.09
Lat/Long:	32.9509/-105.9709
Media/Style:	Permanent Bulletin/Regular
*Weekly Impressions:	41647
Panel Size:	10' 0" x 40' 0" Spec Sheet
Vinyl Size:	11' 0" x 41' 0"
Facing/Read:	North/Right
Illuminated:	NO
Current Advertiser:	NEW MEXICO MORTGAGE FINA ...

*Impression values based on: 18+ yrs



New Mexico/El Paso

800-334-2236

Physical Address: 1600 Airtech Court SE, Albuquerque, NM 87106
Mailing Address: 1600 Airtech Court SE, Albuquerque, NM 87106



Location # 3



Advertising Strengths: To Artesia/Lakes

Market:	CARLSBAD
Panel:	10901
TAB Unique ID:	138473
Location:	US 285 E/L .38 NMP038 MP38.38
Lat/Long:	32.4678/-104.2758
Media/Style:	Permanent Bulletin/Regular
*Weekly Impressions:	11798
Panel Size:	10' 0" x 40' 0" Spec Sheet
Vinyl Size:	11' 0" x 41' 0"
Facing/Read:	South/Right
Illuminated:	NO
Current Advertiser:	NEW MEXICO MORTGAGE FINA ...

*Impression values based on: 18+ yrs





Location # 4



Advertising Strengths: Inbound Roswell to Ruidoso traffic

Market:	ROSWELL/ARTESIA
Panel:	21032
TAB Unique ID:	7403939
Location:	US 70 2500 WEST SECOND MP329.95
Lat/Long:	33.3939/-104.5579
Media/Style:	Poster/Retro
*Weekly Impressions:	30220
Panel Size:	10' 6" x 22' 9" Spec Sheet
Vinyl Size:	10' 6.5" x 22' 9.5"
Facing/Read:	East/Left
Illuminated:	YES
Current Advertiser:	NEW MEXICO MORTGAGE FINA ...

*Impression values based on: 18+ yrs





Location # 5



Advertising Strengths: Inbound Portales, between Clovis and Portales	
Market:	CLOVIS/PORTALES
Panel:	10162
TAB Unique ID:	138411
Location:	US 70 S/L .50 E MP 439 MP 438.50
Lat/Long:	34.3593/-103.1963
Media/Style:	Permanent Bulletin/Regular
*Weekly Impressions:	27972
Panel Size:	10' 0" x 40' 0" Spec Sheet
Vinyl Size:	11' 0" x 41' 0"
Facing/Read:	North/Left
Illuminated:	NO
Current Advertiser:	NEW MEXICO MORTGAGE FINA ...

*Impression values based on: 18+ yrs





Location # 6



Advertising Strengths: Outbound Silver City towards Deming

Market:	SILVER CITY
Panel:	20881
TAB Unique ID:	138906
Location:	US 180 SILVER CITY S/L.25 EMP117 #117.25
Lat/Long:	32.7830/-108.2087
Media/Style:	Permanent Bulletin/Regular
*Weekly Impressions:	59198
Panel Size:	10' 0" x 40' 0" Spec Sheet
Vinyl Size:	11' 0" x 41' 0"
Facing/Read:	West/Right
Illuminated:	YES
Current Advertiser:	NEW MEXICO MORTGAGE FINA ...

*Impression values based on: 18+ yrs



Title: **City approves more subsidized housing**
 Author: JEFF TUCKER NEWS-SUN
 Size: 49.6 column inches
 Hobbs, NM Circulation: 11074



City approves more subsidized housing

City inks \$1.57 million loan for apartment complex

JEFF TUCKER
 NEWS-SUN

More housing is coming to Hobbs.

The Hobbs City Commission gave its final approval Monday night for a \$1.57 million, zero-interest loan for a subsidized apartment complex to be built on the northwest side of Hobbs. Construction is scheduled to begin in January.

The Commission voted 4-1-1 in favor of the 35-year loan to Yes Housing Inc., to build the 72-unit complex that will be known as Skyview Terrace Apartments. City Commissioners Joseph Calderon, Don Gerth, Christopher Mills and Patricia Taylor voted for the loan. City Commissioner Dwayne Penick abstained from the vote. City Commissioner Marshall Newman, whose District 1 will contain the the mixed-income housing development, voted no.

Newman also voted against the loan in February, when it was initially approved the City Commission by a 5-1 vote.

Newman did not immediately respond to messages left by the Hobbs News-Sun on Wednesday night.

In July, the New Mexico Mortgage Finance Authority, which provides financing for housing developments for low- and moderate-income residents, approved financing the \$15,696,293 development near the intersection of North Dal Paso Street and East Navajo Drive.

In February, the Hobbs City Commission initially approved the \$1.57 million, zero-interest loan — its 10 percent portion — for the mixed-income housing complex, contingent on MFA approval. The city has approved similar loans for subsidized apartment housing at four other complexes — Parkside Terrace, Park Place Apartments, Playa Escondida and New Leaf Apartments.

The city's loan term is 35 years, during which time rental amounts at the new apartment complex will be restricted, based on residents' incomes. Eligible annual incomes for a three-person household in a two-bedroom apartment will range from about \$18,000 to \$48,000.

SEE HOUSING, Page 5

Housing

from PAGE 1

Apartment units may occupied as early as January 2021, said Michelle DenBleyker, vice president of Yes Housing Inc., the largest nonprofit affordable housing developer in New Mexico.

The development will consist of 12 one-bedroom units, 44 two-bedroom units, 16 three-bedroom units and a 2,000-square-foot community building, as well as two or three play areas for differently aged children. Social service programs will include the employment of a part-time, on-site service coordinator and a management and maintenance staff person.

Rental rates for the planned apartments will be based on the percent of a family's income to the area median income, ranging from \$295 a month for a one-bedroom apartment to \$1,255 a month for a three-bedroom apartment.

DenBleyker said the highest-priced rental units, going for \$1,255 a month, will be \$300 less than market rates.

A single person will need an annual income of less than \$37,520 to qualify, said DenBleyker, who says there's a demonstrable need for affordable housing in Hobbs.

Some city commissioners expressed concern about the

housing development in February, noting the development would be within a quarter-mile or two other low-income housing developments.

Eagle Ridge Apartments, at 3419 N. Dal Paso St., and Woodleaf Apartments, at 3320 N. Dal Paso, are the other two low-income housing complexes in the area. Skyview Terrace will be immediately north of Eagle Ridge Apartments.

City commissioners offered no comments before voting on the loan Monday night.

Jeff Tucker may be reached at managingeditor@hobbsnews.com.

Title: **City approves more subsidized housing**
 Author: JEFF TUCKER NEWS-SUN
 Size: 49.6 column inches
 Hobbs, NM Circulation: 11074



Newman

Title: **City's affordable rental hole**
 Author: ByTeyaVitu tvitu@sfnewmexican.com
 Size: 179.33 column inches
 Santa Fe, NM Circulation: 19157



City's affordable rental hole

While new report finds accessible housing more attainable in New Mexico than much of nation, lack of available, low-cost apartments plagues S.F.

By Teya Vitu

tvitu@sfnewmexican.com

Santa Fe is not alone in the struggle to provide median- or lower-income residents with rental apartments. though difficult-to-attain answer — a national report provides some surprising news: New Mexico is actually better off than much of the nation.

Nearly every region in the country, according to a national report, is unaffordable to those at lower-income levels — and even for people earning \$20 an hour or more. According to the annual Out of Reach report by the National Lower Income Housing Council, a nonprofit advocacy group dedicated to affordable housing for lower-income citizens, the state

As the city grapples with ways

to help create rental inventory — seen by many as the ultimate,

Please see story on Page A-4

City's affordable rental hole

Continued from Page A-1

ranks No. 36 in the income needed to rent a two-bedroom apartment.

That means 35 states require higher incomes. The housing council determined \$16.34 per hour averaged across New Mexico is adequate to rent a two-bedroom apartment, although the average renter's wage in New Mexico is \$13.41 per hour.

The title of the report refers to more than half of the population not being able to afford a two-bedroom apartment, defined by the U.S. Department of Housing and Urban Development as not paying more than 30 percent of gross income for rent.

Santa Fe, of course, has a higher "housing wage," as the housing council refers to the salary needed to afford a home — but not that much higher: \$20.56 per hour. That's actually lower than the national average of \$22.96 per hour, according to the report.

In 2018, it was estimated that about 37,300 people, or 60.7 percent of all workers in Santa Fe, earned less than \$20.56 an hour. The median hourly wage for all workers in Santa Fe in 2018 was \$17.64 an hour, according to statistics from the New Mexico Department of Workforce Solutions, the state's labor department.

For Santa Fe, an even more daunting number is this: The city's rental market had an

apartment occupancy rate of 97.69 percent in January, according to a survey produced by the Albuquerque office of the national commercial real estate firm CBRE.

"I think the argument is that Santa Fe is one of the tightest rental markets in the country, no matter big or small," said Erik Olson, first vice president at CBRE in Albuquerque. "In general, when you get to 97 to 98 percent, that's basically the highest occupancy achievable. So that 97 to 98 percent threshold is similar to having waiting lists of people wanting to move in with very little turnaround times in getting units ready."

The lack of units at all levels, experts say, has a trickle-down effect for those struggling to make ends meet.

The Santa Fe Civic Housing Authority oversees 900 Section 8 low-income housing vouchers and manages 500 units of affordable housing.

But Executive Director Ed Romero said income qualifications for his stock don't stop at the \$10,000 or \$20,000 level, or even the Santa Fe area median income for one person of \$51,250.

"We believe our market should go up to about \$60,000," Romero said. "If you make \$60,000 and work for the state, you take home \$36,000 to pay the rent. So what if you make \$60,000 in Santa Fe or \$100,000 in San Francisco? We're both on the verge of home-

lessness."

The new 87-unit Soleras Station affordable housing for those earning 60 percent or less of the area median income was filled in phases from May to September. It is the third affordable housing apartments for the Housing Trust, which also built the Stagecoach Apartments and Village Sage, both with 60 units each.

"We might have a 5-to-1 application rate for each apartment and we haven't even advertised," said Justin Robison, executive director at The Housing Trust. "We have a more bigger-city problem. Once we get rented out, it gets stagnant. People don't want to move out."

Overall, Santa Fe has a shortage of some 3,000 rental units, said Daniel Werwath, chief operating officer at New Mexico Inter-Faith Housing, a Santa Fe affordable housing developer and property manager.

Looking specifically at apartments with monthly rents at or below \$625 for people earning 30 percent or less of the area median income, the shortage is 2,600 rental units, said Alexandra Ladd, director of city Office of Affordable Housing.

The problem, of course, isn't merely statistical. The human quotient in Santa Fe's apartment crunch is real.

A woman named Jovana, who did not

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 Author: ByTeyaVitu tvitu@sfnewmexican.com
 Size: 179.33 column inches
 Santa Fe, NM Circulation: 19157

want to give a last name, lives in subsidized Section 8 housing with three children and pays "very little rent" as she works at Four Seasons Resort Rancho Encantado and Hilton Santa Fe Buffalo Thunder. She moved to Santa Fe when family members relocated here.

"I'm very grateful [for Section 8 housing]," Jovana said. "I would maybe live with my mom and her cats [without the subsidized housing]."

There had been no apartment construction for 10 years until 2016, when the city added an in-lieu cash payment option to fulfill the city's requirement for 15 percent of new apartments to fall under affordable housing. That resulted in more than 1,000 apartments either built, under construction or planned, Ladd said.

But that has not made up for a decade of lost time. "What we have neglected is [building] rental housing," Werwath said.

Ladd is shepherding three new options to the city's 21-year-old inclusionary zoning regulations that are designed to bring affordable housing into housing development. These are designed "to inspire and incentivize the market to produce the part of the solution that is market driven."

She said adding rental housing during a housing shortage encourages some better-off people in existing older apartments to move into new units — creating openings for lesser-income people, ultimately leading to a rental reduction for older units as the

vacancy rate increases.

"In a perfect world, there would be more choice in the marketplace," Ladd said. "Rents would stabilize, there would be a little more vacancy. Old stuff is charging top rents because no new units are online."

The first option for the inclusionary zoning amendment would continue to allow developers to pay a fee in lieu of setting aside 15 percent of units as affordable housing — but the fee would increase 20 percent every year for five years to double the fee.

The second option would set fair market rents — \$1,021 for one bedroom, \$1,176 for two bedrooms — and income of renters can't exceed 120 percent of area median income. The city would reduce development fees by 15 percent.

The third option would have a developer partner with an affordable housing subsidy/services provider set aside 15 percent of units for households earning no more than 80 percent of the area median income — but the developer gets a 30 percent decrease in development fees.

Ladd said she is still tinkering with the options before presenting them Dec. 11 for a City Council public hearing.

Short-term rentals?

Fingers get pointed at the appearance of some 1,600 to 2,000 short-term rentals in Santa Fe, with that number increasing about 50 percent each year since 2014. But afford-

able housing advocates point out there are other factors at work.

"There are two views out there," Justin Robison, executive director at the Housing Trust, said in an email. "One: Short-term rentals deprive permanent/long term renters of housing stock. Two: Short-term rentals offer viable alternatives to hotels/motels and increase tourism dollars coming into Santa Fe. I happen to think both views are correct."

Werwath at New Mexico Inter-Faith Housing noted that the short-term rentals in Santa Fe make up about half of the acknowledged rental shortage.

"Compare that to the 3,000-plus rental units we need, you can see that while exacerbating the problem, it's not the core of the problem," Werwath said. "I tend to think of [short-term rentals] as overrated as the cause of our affordable housing issues."

"Put another way," he added, "it's the icing on the cake of the problem, with the meat of the cake being the supply demand imbalance from lack of development."

Homewise and the Thornburg Foundation issued a report in June that stated short-term rentals make up an estimated 20 percent of the increase in housing costs since 2014, but likely play a lesser role in housing supply, as many would be otherwise vacant.

"The immediate impact of STRs [short-term rentals] is concentrated in the areas of town most popular with tourists," the report said.

I think the argument is that Santa Fe is one of the tightest rental markets in the country, no matter big or small."

Erik Olson, first vice president at CBRE in Albuquerque

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 Santa Fe, NM Circulation: 19157



A crew with GMB Construction Inc. applies stucco to the Santa Fe Civic Housing Authority's Pacheco Street apartments Wednesday.

PHOTOS BY LUIS SÁNCHEZ SATURNO/THE NEW MEXICAN



Ed Romero, director of the Santa Fe Civic Housing Authority, speaks Wednesday to a resident of Hopewell Street about issues she is having with thieves and drug users.

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Living room work is underway in one of the Santa Fe Civic Housing Authority's new Pacheco Street apartments. The city's rental market had an apartment occupancy rate of 97.69 percent in January, according to a survey. LUIS SÁNCHEZ SATURNO/THE NEW MEXICAN

Title: **RMCHCS director receives 'Housing for All' award**
 Author: By William Madaras For the Sun
 Size: 117.33 column inches
 Gallup, NM Circulation: 0



RMCHCS director receives 'Housing for All' award

*By William Madaras
For the Sun*

William Camorata was named "Volunteer of the Year" by the New Mexican Coalition to End Homelessness in a ceremony Oct. 24 where he was presented with a "Housing For All" award at the organization's headquarters in Santa Fe. The award was bestowed upon Camorata by NMCEH Executive Director Hank Hughes.

"We are very pleased to nominate William Camorata for this distinction," Hughes said. "Many people in the Gallup area literally owe the roof over their head to his tireless efforts. Volunteers like William literally make the world a better place."

"I am honored and pleased to receive the recognition," Camorata said. "But it is not just about me. It is about the kind people of the community who donate food, clothing, household items, cash and much more. I am privileged to work with so many fantastic volunteers." Camorata and about 10 volunteers from Rehoboth McKinley Christian Health Care Services hold a breakfast outreach every Saturday morning at 8:45 am at the Nizonhi Laundromat parking lot located at 1733 S. Second St. in Gallup.

IMMEDIATE ACTION GROUP

Camorata is president of the

Immediate Action Group and Director of Behavioral Special Projects at RMCHCS. He also serves on the Board of Directors of Gallup's Community Food Pantry and is a core leader in pastoral mentoring at the Lighthouse International Ministries Church in Gallup and the DUI Planning Council for McKinley County. He is a thought leader on the topic of homelessness, having appeared in various New Mexico media outlets and healthcare publications.

RMCHCS' "Healing Hands" Art Studio Director Katie Schultz nominated Camorata several weeks ago. "Bill Camarota is the perfect candidate for Volunteer of the Year, helping to end homelessness in the Gallup, New Mexico area," Schultz said.

She described how she began working with Camarota as a volunteer when they formed the IAG more than five years ago. After months of public providers meetings which she described as "achieving little" and winter approaching, they decided the people on the street needed something to help immediately. Camarota was elected president because of his sincere, unmovable dedication, conviction, and ability to always find a solution to help the homeless.

"He was known as the guy who can get stuff done," Schultz said. "Camarota has kept this commitment long after any of the other founders. He still coor-

dinates donations and stores supplies in his house, managing or trucking all transports himself."

"Bill is a shining example of the type of community support you can find in Gallup," RMCHCS CEO David Conejo said. "The hospital is proud to have an employee like Bill who began IAG on a shoe-string budget, but wealthy in his determination."

The NMCEH assists communities in creating solutions to homelessness from prevention through permanent housing by using action, advocacy and awareness. It was founded in 2000 by a group of nonprofit agencies and the New Mexico Mortgage Finance Authority. It was born out of the need for a statewide coalition to coordinate the efforts of the member agencies to end homelessness.

IAG AND RMCHCS UNITE

Last year IAG partnered with RMCHCS to aid the homeless in Gallup. The agreement formalized an ongoing affiliation between the groups to best serve the homeless. The effort is also designed to help those in need of recovery and rehabilitation from drug and alcohol abuse. Both are 501c3 non-profit organizations.

The IAG and RMCHCS integrate their services to aid a variety of Gallup residents and others from nearby communities

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needing food, clothing, and other forms of assistance. RMCHCS provides medical services and aids those in need by checking for symptoms of diabetes and offering similar triage services. The hospital also offers enrollment in its WellSpring Recovery Center for those willing to give up their addiction.

The homeless people obtaining assistance are veterans suffering from post-traumatic stress disorder, members of the Navajo Nation, migrants, students, and people from all walks of life. Many are families that have split up for economic reasons whose children are staying with relatives, parents suffering from illness and elderly unable to provide for themselves. Some are even struggling to hang onto their pets.

Residents and others provide most of the donations which are distributed by the coalition. Donations from various organizations across the U.S. are delivered quarterly on a semi-trailer truck. Contributions include discontinued products and items from educational institutions, government offices, abandoned storage units, civic and religious organizations, philanthropic organizations and others.

IAG was born a few years
CAMORATA
| FROM PAGE 20

rmchcs.org or (505) 726-6944.

"I've been in their place, throughout my lifetime. I've found myself homeless more

ago as an informal outreach program begun by its founder and president Camorata, working with the Lighthouse Church in Gallup. The outreach attracted more constituents and Camorata took over a warehouse donation distribution center operating out of a nearby airport hangar. The organization stores donations in a 3,000-foot warehouse leased from the City of Gallup.

KEEPING WARM UNDER OUTDOOR VENTS

IAG transports the donated goods from the warehouse in Gallup to the laundromat where they are distributed to the homeless and those in need of food, clothing and household goods. The organizations serve anywhere from several dozen to over a hundred every Saturday in rain and snow. The location for the distribution was founded by Camorata, who noticed homeless people huddling for warmth under the laundry building's heat vents.

FROM MAKE-UP TO DOG FOOD

"We never know what we are

going to be able to provide to people," Camorata said. "We've had donations of cases of toothpaste, coffee, coats, jackets, socks, hand lotions, produce, used shoes, dog food, beddings and all types of things. We had make-up which we donated to a cheer-leading squad." He also mentioned donations of food and clothing from Clayton Homes, items from Goodwill and even housing vouchers from veteran's organizations.

He cites the organization's need for outdoor heaters and tarps for triage treatment. For people willing to volunteer or make donations he urges them to contact him at bcamarota@

CAMORATA
| SEE PAGE 27

times than I care to count, I with a conversation and encouragement. We're not out here lecturing these guys, that's not reformed addict, said. "It starts

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what this is about. These people know that that's not what we are doing. We let them know that we are here to help and to keep them alive, until they make that decision to change their lives by entering treatment. I'm out here because I'm not OK with people dying, and I want these guys out here to know that we care, and we want them to live."

"They are tired of being sick and tired, and that's when we begin encouraging, and it snowballs after that. We help them get to that next step. It's an opportunity for them and for us to help them turn their life around," Camorata said.

FROM HOMELESS TO HOME DWELLERS

What differentiates this rehab program from many others is that those who enter for treatment are given jobs by RMCHCS. During their treatment they are employed as cooks, groundskeepers, and maintenance people. Additionally, they hold other positions. The hospital's 90-day rehab program was so successful it launched the Community Work Service Program which helps Gallup maintain public

buildings and even partners with the police department to prevent crime, by doing things such as participating in the recent clearing of debris in the Mossman area to help prevent break-ins.

The program is comprised of former addicts who serve on their way to landing new jobs and returning to Gallup as model citizens who have kicked the habit. Some of them have even won awards in community competitions. In one case one of these new model citizens was selected for a top 20 art award.



Gallup's William Camorata poses in Santa Fe with his "Housing for All" award Oct. 24 after he was named "Volunteer of the Year" by the New Mexican Coalition to End Homelessness. The coalition headquarters is in Santa Fe. **Photo Credit:** Courtesy of RMCHCS

New Mexico Mortgage Finance Authority 344 4th Street SW, Albuquerque, NM 87102
tel. 505.843.6880 toll free 800.444.6880 housingnm.org



MEMORANDUM

TO: Participating Lenders
FROM: MFA Homeownership Department
DATE: October 9, 2019
RE: Memo No. 19-25

- **October 2019 MFA Single Family Webinar Training Schedule**
- **Office Closure, Monday, October 14, 2019 (Indigenous Peoples' Day)**

Single Family and DPA Programs Webinar Training:

MFA is hosting webinar training for the MFA single family and down payment assistance (DPA) programs. We are offering two additional sessions to cover the HFA Preferred conventional changes.

Office Closure – Monday, October 14, 2019

MFA's office will be closed in observance of Indigenous Peoples' Day. Lenders **will not** be able to reserve funds on Monday; however, compliance files and suspense conditions may be uploaded through the portal. Monday, October 14, 2019 does not count as a business day for turn times because of the holiday closure.

Date of webinar trainings:

- Regular monthly program training
 - *Wednesday, October 16, 2019 – 10:30 a.m.-12:00 p.m. MDT*
- HFA Preferred conventional training
 - *Monday, October 21, 2019 – 10:00 a.m.-10:30 a.m. MDT*
- HFA Preferred conventional training
 - *Monday, October 28, 2019 – 1:30 p.m.- 2:00 p.m. MDT*

To Participate:

Register via the MFA lender training link <http://www.housingnm.org/lender-training>.

In order for MFA to e-mail registered individuals the training materials and to track attendance, please register **no later than 5 p.m. MDT** on the business day prior to the training.

Below is the call-in number, access code and link for the webinar. **Please sign in at least five minutes before the scheduled webinar time to accommodate any software requirements.**

Conference Dial-in Number: (415) 655-0002

Participant Access Code: 806 656 355

<https://housingnm.webex.com/join/aracicot>

Thank you for participating in MFA's program. Should you have any questions, please contact a MFA homeownership representative.



Join us for a

NMTHC Meeting and Thanksgiving Lunch

On

Friday November 22nd, 2019

From 12 p.m. to 2 p.m.

At the Isleta Casino and Resort

Agenda will be forthcoming

Sponsored by Native Community Capital, Tiwa
Lending, and NM Mortgage Finance Authority

Please RSVP to Sharlynn Rosales, srosales@housingnm.org





MEMO

TO: LIHTC projects serving households with Special Needs

FROM: Behavioral Health Services Division

DATE: October 29, 2019

RE: Special Needs Housing Priority

Updated Special Needs Housing Priority Operations Manual

The Asset Management Section has been updated to include the latest versions of the Special Needs Housing Priority Operations Manual and Appendices: [Program Operations Manual for New Mexico's Special Needs Housing Priority](#) [Program Operations Manual for New Mexico's Special Needs Housing Priority Appendices](#)

New Mexico Mortgage Finance Authority
344 Fourth St. SW Albuquerque, NM 87102 505.843.6880 800.444.6880 housingnm.org

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MFA Website Redesign Survey



Hello,

MFA is about to begin the redesign of its website. As an MFA partner or homeowner, you are among a select group that has been chosen to tell us how we can make the new website more accessible and helpful.

Please take five minutes to take the short survey below. If you complete the survey by November 22 and include your name and email address at the end of the survey, you will be entered into a drawing to receive **one of three Lowe's gift cards worth \$50 each.** Because there are so few people taking this survey, you have a good chance of winning! If you don't leave your name, your survey will be anonymous.

Your input is very valuable and crucial to this redesign. Please let us hear from you!

[Take The Survey Now](#)

MFA LIHTC Fundamentals and QAP Training

SAVE THE DATE

Registration is now open!

Interested Parties for the LIHTC Fundamentals Training:

The Mortgage Finance Authority (MFA) is pleased to announce that registration is now open for a special workshop covering the fundamentals of low-income housing tax credits. This workshop will be held on Tuesday, December 3, 2019 from 8:15 to 11:45 a.m. at the **CNM Workforce Training Center located at 5600 Eagle Rock Ave, NE, Albuquerque, New Mexico**. This workshop is essential to those developers and interested parties with very limited experience with tax credits who desire to learn the fundamentals. The training will be limited to no more than 20 individuals, and registration preference will be given to New Mexico developers and residents who have submitted no more than one tax credit application to MFA and any other housing finance agency.

Topics covered will include a brief history of the tax credits, basic mechanics of the program, tax credit calculation, typical partnership structure, financing the development and much more.

[Click here to register for LIHTC Fundamentals Training](#)

EVENT BLOCK

LIHTC Fundamental Training

Date: 12/3/19

Time: 8:15 a.m. - 11:45 a.m.

[Click here to register](#)

QAP Training

Date: 12/3/19

Time: 1:15 p.m. - 5:00 p.m.

[Click here to register](#)

Interested Parties for the QAP Training:

MFA is pleased to announce that registration is now open for the 2020 state of New Mexico Qualified Allocation Plan (QAP) training to be held on Tuesday, December 3, 2019 from 1:15 to 5 p.m. at the **CNM Workforce Training Center, 5600 Eagle Rock Ave., NE, Albuquerque, NM.**

This workshop is a requirement for the submission of a Low Income Housing Tax Credit application. A representative of the development team (board member, officer, director, commissioner or staff) must have attended the most recent MFA QAP training prior to submitting an application. If the development team includes a qualified, nonprofit organization, NMHA, TDHE or THA, (board member, officer, director, commissioner or staff) a member of that organization must have attended in order to claim points under Scoring Criteria 1.

Topics covered will include application standards and scoring, common application errors and changes to the QAP.

[Click here to register for QAP Training](#)

Attendees must register for each individual training by November 26th.

Due to room capacity limits, MFA requests that no more than two people from any one organization attend this training.

If you plan to attend the training and require special needs facilities or assistance relating to a disability, please make a note on your registration form. You may also contact MFA at 505-767-2283 before November 26 to make special arrangements.

WHO: Developers and interested parties

WHEN: December 3, 2019

WHERE: CNM Workforce Training Center

5600 Eagle Rock Ave, NE, Albuquerque, New Mexico

For additional information contact:

Kathryn Turner

kturner@housingnm.org

505.767.2283



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Quarterly Report to the MFA Board of Directors

Q4 FY2019

Production Statistics	Current Quarter	Same Quarter Last Year	Fiscal Year to Date
Homeownership			
Number of loans reserved	950	866	3,308
Amount of loans reserved	\$151,811,966	\$130,356,110	\$514,659,480
Number of loans purchased	755	742	2,828
Amount of loans purchased	\$119,735,150	\$109,900,961	\$432,382,612
Number of homebuyers counseled	928	894	3,399
Number of lenders/REALTORS contacted	2,150	2,027	7,754
Housing Development			
Amount of MF loans/grants/bonds	\$21,070,000	\$500,000	\$28,120,000
Amount of SF loans/grants	\$0	\$0	\$0
Amount of TC: LIHTC (MF) & State (MF & SF)	\$1,314,491	\$0	\$7,445,257
Number of MF units	532	54	978
Number of SF units	0	0	5
Housing Rehab & Weatherization			
Amount of rehab expenditures	\$184,422	\$578,345	\$263,354
Number of units rehabilitated	0	11	9
Amount of NM EnergySmart expenditures	\$1,521,094	\$1,418,769	\$5,483,020
Number of units weatherized	190	142	715
Shelter & Supportive Housing Programs			
Amount of shelter supportive service	\$349,039	\$430,782	\$1,260,851
Number of persons served ¹	3,173	3,675	7,720
Amount of rental assistance ²	\$771,149	\$699,668	\$2,855,450
Number of persons assisted	715	859	2,193

1 - EHAP & CoC

2 - Linkages, HHRHI, RAP & HOPWA



The need for housing rehabilitation and weatherization:

New Mexico has aging housing stock. 47 percent of its homes were built before 1980; only 18.4 percent were built after 2000.

Many low-income homeowners are at risk because of health and safety hazards in their homes and pay high utility bills because they cannot afford to make energy-efficiency improvements.



The Need for Assistance Programs:

The New Mexico Coalition to End Homelessness estimates that 17,000 New Mexicans experience homelessness in a year. In 2017, approximately 14,000 homeless New Mexicans sought assistance at HUD-funded agencies.

Emergency assistance with rent and utilities can help people at risk of homelessness stay in their homes.



The need for MFA mortgage products:

MFA borrowers have an average annual income of \$51,257 and purchase homes with an average price of \$154,255. 25 percent are single-parent households; 48 percent are minorities.

MFA targets below market mortgage rates, and all first-time homebuyers receive pre-purchase counseling. MFA provides down payment assistance to 99 percent of its borrowers. Without these programs, many borrowers could not buy a home.



The need for housing development:

Only 4 percent of New Mexico's housing units are located in apartment complexes of 20 units or more. Many of these are old and in poor condition.

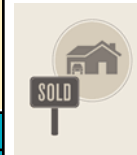
50 percent of renters are cost-burdened, about half pay between 30 percent and 49 percent of their income on rent; the other half pay more than 50 percent.



Quarterly Report to the MFA Board of Directors

Q4 FY2019

Servicing	Current Quarter	Same Quarter Last Year	Target Rate
First Mortgage delinquency rate	5.36	3.68	
Partners Program delinquency rate	11.98	13.14	
DPA loan delinquency rate	9.94	9.73	
Multifamily loan delinquency rate	2.33	1.16	
Combined delinquency rate - Current Month	9.86	9.60	
Combined average delinquency rate-FY	9.84	11.65	12.00
Default rate (writeoffs/foreclosure losses)	1.25	1.52	2.75
Master Servicing MBS delinquency rate	7.37	6.96	
REO Inventory - # of loans	1	20	
REO Inventory - Exposure	\$25,695	\$352,769	



MFA's Servicing Department:

Provides servicing for over 14,000 loans with a principal balance over \$366 million.

Many of the loans MFA services are for internal programs that target higher risk borrowers. MFA's Mortgage-Backed Securities (MBS) portfolio is serviced by master servicers and our sub-servicer. Delinquency rates in this portfolio can be benchmarked to Mortgage Banker Association averages - 4.50 percent for all loans in New Mexico and 7.33 percent for FHA in New Mexico for Quarter 2 2019.

Monitoring	Current Quarter	Year to Date	Fiscal Year Monitoring Required
Asset Management			
Number of properties monitored	46	178	150
Number of units inspected	539	2191	N/A
Number of PBCA activities	316	1194	N/A
Community Development			
Number of required monitorings ³	3	50	47

³ - based on program year, 7/1 - 6/30



MFA's Asset Management Department:

Monitors 274 properties and 18,036 units of housing financed by MFA, providing unit inspections and review of records and finances on a regular basis. Asset Management also supports 87 properties and 5,230 units under MFA's HUD Project Based Contract Administrator (PBCA) contract.



MFA's Community Development Department:

Manages nine programs with 12 different funding sources and approximately 70 partners across the state. Our partners deliver housing to more than 11,000 individuals and receive approximately \$10 million in funding. Monitoring is performed on a regular basis to ensure program compliance.