MFA
Housing New Mexico

NEW MEXICO MORTGAGE FINANCE AUTHORITY
Board Meeting
344 4th St. SW, Albuquerque, NM
Wednesday, October 21, 2020 at 9:30 a.m.

Agenda

Chair Convenes Meeting

- Roll Call (Izzy Hernandez)
- Approval of Agenda – Board Action
- Approval of September 16, 2020 Board Meeting Minutes – Board Action
- Approval of September 22-23, 2020 Board Retreat Meeting Minutes – Board Action
- Executive Director Updates
- Employee introductions:
  - Christopher James support technician (Joseph Navarreté)
  - Priscilla DePetris administrative assistant (Joseph Navarreté)
  - Jeanette Sanchez receptionist (Dolores Wood)
  - Rylee Giffin program manager (John Garcia)

Board Action Items	**Action Required?**
Consent Agenda	
1 Approval of Facsimile Signatures for Note Endorsements (Jeff Payne) – Finance Committee	YES
2 MFA Brokers/Dealers, Custodians and Depositories (Gina Hickman) – Finance Committee	YES
Other - Presentation	
3 Northern Regional Housing Authority Reports Update (Gina Bell, Terry Baca executive director NRHA and Julian Barela division director, HUD)	NO
Finance Committee	
4 National Housing Trust Fund Internal Audit (Claire Hilleary Audit & Consulting Sr. Manager, REDW)	YES
5 Low Income Housing Tax Credit (LIHTC) Project Audit (Claire Hilleary Audit & Consulting Sr. Manager, REDW)	YES
6 2021 Qualified Allocation Plan (Kathryn Turner)	YES
Contracted Services/Credit Committee	
7 Compliance Activities Report (Robyn Powell)	NO
Other	
8 Community Development Block Grant (CDBG) CARES Act Housing Cost Assistance Program (Donna Maestas-De Vries, Amanda Mottershead-Aragon and Leann Kemp)	NO

Other Board Items — **Information Only**

9 (Staff is available for questions)
- Staff Action Requiring Notice to Board
- COVID Staff Actions

Monthly Reports — **No Action Required**

10 (Staff is available for questions)
- 8/31/20 Financial Statements
- Communications Department Reports

Announcements and Adjournment — **Discussion Only**

Confirmation of Upcoming Board Meetings

- November 5, 2020 – Thursday, 3:00 p.m. (Finance/Investment Committee Mtg.)
- November 10, 2020 - Contracted Services 10:00 a.m. Finance Committee 1:30 p.m. (Virtual Meetings)
- November 18, 2020 - Wednesday - 9:30 a.m. (MFA Board of Directors Meeting) (Virtual Meetings)
- November 23, 2020 – Monday – 1:00 p.m. (External Audit Exit Conference Finance Committee & Auditors)
- December 8, 2020 - Contracted Services 10:00 a.m. Finance Committee 1:30 p.m. (Virtual Meetings)
- December 16, 2020 - Wednesday - 9:30 a.m. (MFA Board of Directors Meeting) (Virtual Meetings)
- January 12, 2021 - Contracted Services 10:00 a.m. Finance Committee 1:30 p.m. (Virtual Meetings)
- January 20, 2020 – Wednesday – 9:30 a.m. (Inn & Spa @ Loretto, Santa Fe, NM)

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  Rylee Giffin program manager (John Garcia)

Board Action Items — **Action Required?**

Consent Agenda

1 **Approval of Facsimile Signatures for Note Endorsements (Jeff Payne)** – Finance Committee - Staff recommends the approval and adoption of the attached board resolution allowing the use of facsimile signature stamps to endorse the mortgage loan notes at the time of purchase from participating lenders. This resolution and the legal opinion obtained are key to meeting the requirements for MFA's use of facsimile signatures. YES

2 **MFA Brokers/Dealers, Custodians and Depositories (Gina Hickman)** – Finance Committee - At least annually and as needed, MFA staff reviews and updates the Broker, Dealer, Custodian and Depository list. Staff recommends approval of the Broker, Dealer, Custodian and Depository List. All organizations meet established qualifications as stated in the MFA Investment Policy.

Other - Presentation

3 **Northern Regional Housing Authority Reports Update (Gina Bell, Terry Baca executive director NRHA and Julian Barela division director, HUD) -** For informational purposes, Julian Barela with HUD and Terry Baca with acting ED for Northern Regional Housing Authority will be present for questions regarding the update on Northern. Attached for your review are 1) HUD's Update on the occupancy Action Plan 2) Directors Monthly Report NO

Finance Committee

4 **National Housing Trust Fund Internal Audit (Claire Hilleary Audit & Consulting Sr. Manager, REDW) -** REDW will present the Executive Summary for the National Housing Trust Fund internal audit. YES

5 **Low Income Housing Tax Credit (LIHTC) Project Audit (Claire Hilleary Audit & Consulting Sr. Manager, REDW)** -REDW will be providing a report on the Low-Income Housing Tax Credit Project Audit conducted. YES

6 **2021 Qualified Allocation Plan (Kathryn Turner) -** The proposed changes to the 2021 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 2021 QAP was approved by the Policy Committee and the Finance Committee. Notice of the public hearing was published in newspapers of general circulation. A 21-day public comment period commenced on August 17, 2020 and closed on September 8, 2020. A public hearing was held on September 2, 2020 for the purpose of accepting oral comments. All comments have been reviewed and analyzed, some of these have resulted in changes to the current draft, and some will be revisited over the next year in preparation for the 2022 QAP. YES

Contracted Services/Credit Committee

7 **Compliance Activities Report (Robyn Powell) -** The activities described in this report are intended to provide the Board of Directors with assurance that MFA is effectively managing compliance with Federal and State consumer financial laws applicable to the products and services being provided by MFA and mitigating related risk. Compliance activities will be

reported to the Board through the Contracted Services/Credit Committee no less than twice per year, and as needed to fulfill the compliance department's responsibility to inform the Board of any critical compliance issues. There were no significant compliance concerns identified during this reporting period. NO

Other

8 Community Development Block Grant (CDBG) CARES Act Housing Cost Assistance Program (Donna Maestas-De Vries, Amanda Mottershead-Aragon and Leann Kemp) - For informational purposes, staff will provide an overview of the new rental and mortgage assistance program to assist households with housing cost assistance who have experienced financial hardship due to the COVID-19 health crisis. Program information and the marketing plan will be provided. NO

Other Board Items — Information Only

9 (Staff is available for questions)

- Staff Action Requiring Notice to Board
- COVID-19 Staff Actions

Monthly Reports — No Action Required

10 (Staff is available for questions)

- 8/31/20 Financial Statements
- Communications Department Reports

Announcements and Adjournment — Discussion Only

Confirmation of Upcoming Board Meetings

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Minutes

NEW MEXICO MORTGAGE FINANCE AUTHORITY

Board Meeting Minutes
344 4th St. SW, Albuquerque, NM
Wednesday, September 16, 2020 at 9:30 a.m.

Chair Reyes convened the meeting on September 16, 2020 at 9:31 a.m. Secretary Hernandez called the roll. Members present: Chair Angel Reyes, Vice Chair Derek Valdo (joined after agenda vote), Sally Malavé (designee for Attorney General Hector Balderas), Lieutenant Governor Howie Morales, Diana Rosales-Ortiz (designee for state Treasurer Tim Eichenberg), Rebecca Wurzburger, and Rosalyn Nguyen Chafey. Absent: none. Hernandez informed the Board that everyone had been informed about today's meeting in accordance with the New Mexico Open Meetings Act.

Chair Reyes welcomed Board members and staff. He began by stating that today's meeting is being webcast. He introduced everyone on the phone and reminded the members of the protocol for today's webcast meeting. All members must identify themselves before they speak; this includes asking questions or making a motion. If at any time anyone loses their connection, please text Izzy and we will stop the meeting to wait for you to reconnect. There will be a roll call vote for all approvals.

Approval of Agenda – Board Action. Motion to approve the August 19, 2020 Board agenda as recommended: Malavé. Second: Nguyen Chafey. Roll call vote: Chair Reyes-yes, Valdo–yes, Lt. Governor Morales–yes, Rosales-Ortiz-yes, Malavé-yes, Wurzburger–yes, Nguyen Chafey-yes. Vote: 7-0.

Approval of August 19, 2020 Board Meeting Minutes – Board Action. Motion to approve the September 16. 2020 Board Meeting Minutes as presented: Wurzburger. Second: Nguyen Chafey. Roll call vote: Chair Reyes-yes, Valdo–yes, Lt. Governor Morales–yes, Rosales-Ortiz-yes, Malavé-yes, Wurzburger–yes, Nguyen Chafey-yes. Vote: 7-0.

Hernandez provided the Board with an update on the following topics; NM Housing Trust Fund (NMHTF) – Rental Assistance Program (RAP), Homeless Served, delinquency trends, loans in forbearance, loans in forbearance and delinquent and Homeownership loan production. He provided a high level overview of the mortgage and rental assistance program that will be funded with $13.3mm in CDBG funds. The program will assist households that are below 80% AMI for 3 months (can go up to 6 months) with Rental, Mortgage and utility payments. One of the requirements is that $1mm be allocated to each of the seven Council of Government regions for a period of 120 days. After 120 days if it has not been used it will be consolidated into the main pot to make available statewide. We are working to procure a software system and potential partners, develop a marketing plan, staffing plan and application. One challenge is not knowing if the applications will come in all at once or if they will trickle in. 0 Staff plans on launching in mid/late-October time frame in order to make the November payments. He stated that typically we come to the Board with Strategic Plan benchmarks at the September Board meeting - however staff is preparing to meet with the Board at next week's retreat to continue drafting the Strategic Plan and plan to bring the Strategic Plan benchmarks to the Board in the January timeframe. MFA Act Oversight Committee (aka Legislative Oversight Committee LOC) met on September 11 (virtual) and he listed the agenda items for the meeting. Upcoming presentations/meetings include 9/25/2020 - Legislative Health and Human Services Committee presentation, 10/1/2020 - Legislative Finance Counsel Meeting @ 11:30 – 12:30 and invited the Board to attend. 10/8/20 10:00 a.m. – 12:00 p.m. final Legislative Oversight Committee (LOC) this year. He ended by stating staff will continue to work on Program Development. Lt. Governor asked if MFA had any discussions since the townhall with Secretary McCamley with Workforce Housing. Hernandez thanked the Lt. Governor for that suggestion and indicated he would call Secretary McCamley.

New Employee introductions: The following new employees were introduced by the following individuals; John Garcia assistant director of community development introduced the following two individuals; Elizabeth Ongstad, intern, and Rebekah Pieniadz, program manager. George Maestas assistant director of housing development introduced the following two individuals; Jacobo Martinez, development loan manager, and Timothy Martinez, development loan manager. Chair Reyes welcomed the new employees stating that he hoped they find their work rewarding, challenging and that we look forward to all their great contributions and successes.

Consent Agenda

Executive Director, Izzy Hernandez read a brief summary for each of the following items listed under the consent agenda (tabs 1-4).

1 **Request for Proposals for Trustee and Paying Agent (Standalone Indentures) (Cooper Hall) -** Staff recommends the approval of the Request for Proposal for Trustee and Paying Agent Services for single family and multifamily bonds issued under stand-alone indentures. Responses will be due to MFA by October 21, 2020. Awards will be made at the December Board meeting. RFP was reviewed by Contracted Services/Credit Committee.

2 **Approval of Linkages New Housing Administrators (Rylee Giffin & John Garcia) -** Staff recommends approval of three new Linkages service providers. Providers will be funded with $234k of new funds and a transfer of $97k of existing funds, they are; Alianza to serve Curry county, Supportive Housing Coalition to serve McKinley county, DreamTree to serve Taos county. He further informed the Board that MFA will provide services to two areas of state not currently being served by the program. The awards were reviewed by Contracted Services/Credit Committee.

3 **JLG North Bond Resolution for Refunding (Kathryn Turner) -** Staff requests approval of the attached Bond Resolution for JLG NM North Apartment Projects in order to pursue issuance of up to $9.65mm in tax exempt bonds that must close in October 2020 in order to maintain eligibility for tax credit allocation. Bond proceeds will fund the completion of the acquisition and rehabilitation of 217 units, including 212 rent restricted units, located on separate sites in the Cities of Gallup and Bloomfield and the Town of Bernalillo. Approval of this Bond Resolution will result in these properties remaining affordable for the next 30 years.

4 **JLG South Bond Resolution for Refunding (Kathryn Turner) -** Staff requests approval of the attached Bond Resolution for JLG NM South Apartment Projects in order to pursue issuance of up to $9mm in tax exempt bonds that must close in October 2020 in order to maintain eligibility for tax credit allocation. Bond proceeds will fund the completion of the acquisition and rehabilitation of 220 units, including 215 rent restricted units, located on separate sites in the Cities of Anthony and Deming and the Village of Columbus. Approval of this Bond Resolution will result in these properties remaining affordable for the next 30 years.

Member Wurzburger made the motion to approve the consent agenda as presented: Second: Valdo. Roll call vote: Chair Reyes-yes, Valdo–yes, Lt. Governor Morales–yes, Rosales-Ortiz-yes, Malavé-yes, Wurzburger–yes, Nguyen Chafey-yes. Vote: 7-0.

Contracted Services/Credit Committee

5 **New Mexico Housing Trust Fund (NMHTF) loan modification request- Generations at West Mesa (Sharlynn Rosales, George Maestas, and Zach Johnson of Gorman and Company).** Hernandez offered a few background comments prior to the presentation. He informed the Board that presenters will provide additional detail in their presentation. Rosales asked that the Board consider a loan increase from the New Mexico Housing Trust Fund (NMHTF) in the amount of $250,000 for the Generations at West Mesa Apartments, located in Albuquerque, NM. Generations at West Mesa was 2017 LIHTC award recipient as a new construction multifamily project with 54-units. The apartments are intended and operated for occupancy by persons 55 years of age or older. The target population is, but not restricted to, grandparents raising grandchildren. The original NMHTF loan was approved in 2017 for $500,000. Construction was complete in November 2019; she went over the overruns and timing of the request in detail. Wurzburger explained that the committee spent a lot of time discussing this proposal and one of the issues in funding loans past the deadline and the precedence that it sets. She recommended that the policy committee develop a policy that clearly states how this type of requests will be handled in the future. Nguyen Chafey supported member Wurzburgers idea on developing this policy. Chair Reyes stated that before we take any action, we will listen to Zach Johnson who has some remarks to share with the Board. Johnson provided a presentation to the Board explaining that they had turned every rock in looking for additional funding when they were 70% complete with construction facing a budget challenge; they not only approached the City of Albuquerque, but Bernalillo County as well. He explained that it was necessary to increase rents, which will only affect the Section 8 HAP contracts (tenant will continue to pay 30% of their income). He further provided the obstacles they faced, the additional expenses and what steps were taken to try to resolve this.

Malavé thanked Mr. Johnson for his presentation and explained her reasoning for voting against it in committee; she further explained that following Mr. Johnson's presentation she is comfortable with approving this request. Discussion ensued regarding the amount of increases for the section 8 HAP contracts (8-9%) and the overrun of expenses. Reyes asked if MFA has entertained similar loan amount requests and if this loan meets all the MFA underwriting guidelines required. Maestas responded "yes" to both questions. Generations at West Mesa was a 2017 LIHTC award recipient and is 100% occupied as of this date. Motion to approve the NMHTF loan modification request to Generations at West Mesa as presented: Nguyen Chafey. Second: Wurzburger. Roll call vote: Chair Reyes-yes, Valdo–yes, Lt. Governor Morales–yes, Rosales-Ortiz-yes, Malavé-yes, Wurzburger–yes (with understanding that the Policy Committee will develop policy), Nguyen Chafey-yes. Vote: 7-0.

Finance Committee

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

Member Valdo stepped out of the meeting 11:00 a.m.

7 **FY 2020-2021 General Fund Budget (Yvonne Segovia).** Segovia reviewed MFA's General Fund proposed budget for FY 2020-2021 being recommended for approval. Revenue is projected at $28,362,000, an increase of $4,218,000 or 17% over prior year budget and an increase of $2,612,000 or 10% over projected 9/30/20 actuals. The expense budget is projected at $19,795,000, an increase of $17,000 or 0% over prior year budget and an increase of $1,723,000 or 10% over 9/30/20 projected actuals. The FY 2020-2021 budgeted excess revenue over expenses is $8,567,000. The capital budget is $4,701,000, a decrease of ($1,382,000) or (23%) under prior year budget and a decrease of ($554,000) or (10%) under projected actuals. Motion to approve the FY2020-2021 General Fund Budget as recommended: Malavé. Second: Wurzburger. Roll call vote: Chair Reyes-yes, Lt. Governor Morales–yes, Rosales-Ortiz-yes, Malavé-yes, Wurzburger–yes, Nguyen Chafey-yes. Vote: 6-0.

Member Valdo returned 11:06.

Valdo explained that the Compensation Committee was established in October 2012; the purpose of the committee is to provide the appropriate oversight and transparency over MFA compensation and benefits. The Compensation Committee was asked to meet at least annually and to report the results of its assessment back to the full Board in conjunction with the annual General Fund budget approval. He informed the Board that the Compensation committee met August 4, 2020 and reviewed the following: Benefits - Healthcare Update, Benefits Summary, Compensation Survey Update, 2020-2021 Budget Outlook and Incentive Compensation Plan. The Committee believes that MFA's compensation and benefit programs and the approach to the FY2021 compensation and benefits budget are reasonable and fair. In addition, the committee believes that MFA has comprehensive policies and procedures related to the compensation and benefit processes.

8 **Housing Opportunity Fund Appropriations (Yvonne Segovia).** Segovia informed the Board that the Housing Opportunity Fund (HOF) was created in 1992 to support MFA's legislative responsibility to provide decent, safe, and affordable housing programs to benefit all New Mexicans. The HOF programs are funded by MFA's General Fund reserves through appropriations designated by the Board. The programs that comprise the General Fund HOF include: Primero Investment Fund Program, Partners Loan Program, "First Down" Down Payment Assistance Program, HERO First Mortgage Program, and Access Loan Program. The Board has appropriated General Fund reserves to various programs in the HOF throughout the years. Total appropriations to date are $96.6 million. In order to meet anticipated demand, Staff recommends $7,050,000 be appropriated to the First Down DPA Loan Program, of which $3,368,000 will be transferred from the Primero Program, $428,000 will be transferred from the Partners Program, $2,136,000 will be transferred from the Access Program, resulting in $1,118,000 of new funds being appropriated to the Housing Opportunity Fund. Motion to approve the Housing Opportunity Fund Appropriations as recommended: Wurzburger. Second: Malavé. Roll call vote: Chair Reyes-yes, Valdo-yes, Lt. Governor Morales–yes, Rosales-Ortiz-yes, Malavé-yes, Wurzburger–yes, Nguyen Chafey-yes. Vote: 7-0.

New Mexico Affordable Housing Charitable Trust – Finance Committee

Chair Reyes informed the Board that The NM Affordable Charitable Trust was established by the MFA Board of Directors in 2007 as a separate legal entity. Any actions taken by the Board of Directors will be taken by the Board as trustees of the NM Affordable Housing Trust.

9 **FY 2020-2021 NM Affordable Housing Charitable Trust Budget (Yvonne Segovia).** Segovia reviewed the FY 2020-2021 NM Affordable Housing Charitable Trust Budget being recommended for approval. Revenue is projected at $132,000, and the expense budget is projected at $138,000, resulting in a FY 2020-2021 budgeted excess revenue over expenses of ($6,000). Motion to approve the FY2020-2021 NM Affordable Housing Charitable Trust Budget as presented: Lt. Governor Morales. Second: Wurzburger. Vote: 7-0. Roll call vote: Chair Reyes-yes, Valdo-yes, Lt. Governor Morales–yes, Rosales-Ortiz-yes, Malavé-yes, Wurzburger–yes, Nguyen Chafey-yes. Vote: 7-0.

Other

10 **2021 Legislative Agenda (Rebecca Velarde).** Velarde began her presentation with a request for approval of MFA's legislative agenda for the 2021New Mexico Legislative Session. The 2021 legislative agenda includes three requests: 1. appropriation for $12.mm for the New Mexico Housing Trust Fund which was also included in the Infrastructure Capital Improvement Plan; 2. requesting a statutory change for the New Mexico Housing Trust Fund Act to allow MFA to utilize the funds for more types of housing activities to include but not limited to rental and mortgage assistance, Down Payment Assistance, Weatherization and Housing Program Services. Hernandez reviewed the third request, Regional Housing Authority (RHA) Act revisions. He began by providing background information that included consolidating the seven housing authorities to three and duplicative roles between MFA and HUD's oversight. He informed the Board the he believes that the oversight provided by HUD in addition to the previously enacted statutory changes which eliminated the regionals authority to issue bonds will ensure the success to the regional housing authorities in the future. The RHA Act revisions as proposed would remove the oversight role from MFA. We are currently evaluating support among the Legislators. If we believe we will not be successful or MFA would be negatively impacted, we will not introduce the bill. Velarde explained that Board approval of the legislative agenda will enable us to present to the Legislative Oversight Committee on October 8th, and they will determine who will carry the bills. Motion to approve the 2021 Legislative Agenda as presented. Malavé. Second: Wurzburger. Roll call vote: Chair Reyes-yes, Valdo-yes, Lt. Governor Morales–yes, Rosales-Ortiz-yes, Malavé-yes, Wurzburger–yes, Nguyen Chafey-yes. Vote: 7-0.

John Anderson provided some insight on the upcoming session with thoughts on a virtual session in 2021; which will make it very difficult. Our advantage is that we have worked closely with our Legislative Oversight Committee which has consisted of the same members for many years and is a great benefit to us.

11 **Multifamily Project Construction Pipeline Report (Kathryn Turner).** Turner provided an overview of the newly developed multifamily project pipeline completion report. This report was developed using a few different tracking sheets utilized by staff providing a broader picture to the Board and will be presented on a quarterly basis. The report is separated by the funding source; are listed by the project year and what design standards they must adhere to; each row list the project name, location, developer, date of loan approval, loan closing date and a bit about the project including the number of apartments, type of construction project, what priority population is being served and then it gets into the construction milestone dates. Overall, there are 30 projects comprising of 3,306 units in 14 different municipalities across the state. They represent over $24.5mm in annual tax credits, $40mm in Private Activity Bond and $27.6mm in other MFA financing. Over half are already in some form of construction 10 will be completed in the next year comprising about 2000 units; 500 of which are new to our portfolio. The report included information on upcoming loan closings which she also reviewed. She further explained that this report consists of funded or in construction projects, up to the point before they are placed in service. Chair Reyes asked that she include the key points she included in the highlights she spoke to in the report. Non Action Item

Other Board Items - Information Only

12 A question was asked with regards to the NRHA Reports.

- Staff Action Requiring Notice to Board
- Northern Regional Housing Authority (NRHA) Reports - mold issue with NRHA and if there had been resolution with that matter. Hernandez explained that they will provide an update to member Wurzburger. Chair Reyes commented on his appreciation of the Executive Director report. Further commenting on MFA's limited role in trying to affect change vs HUDS direct role and responsibility.

Monthly Reports - No Action Required

13 There were no questions asked of staff.

- July 31, 2020 Financial Statements
- Communications Department Reports

Announcements and Adjournment - Confirmation of Upcoming Board Meetings. Chair Reyes thanked Joseph Navarrete and the IS team for their hard work, stating that the Board has been able to conduct our meetings with limited distractions or issues. He informed the Board that next week is the MFA Board of Directors Board Retreat, Board Committee meetings are scheduled for 10/13 and the rest of the schedule can be viewed at the end of the agenda.

There being no further business the meeting was adjourned at 11:49 a.m.

Approved: October 21, 2020

Angel Reyes Digitally signed by Angel Reyes Date: 2020.10.21 12:07:44 -06'00'

Chair, Angel Reyes

Hernandez

Secretary, Isidoro Hernandez

NEW MEXICO MORTGAGE FINANCE AUTHORITY
MFA Board of Directors Retreat
September 22-23, 2020

Chair Reyes convened the Retreat at 8:00 a.m. on August 20, 2019. Members present: Chair Angel Reyes, Vice Chair Derek Valdo, Sally Malavé (designee for Attorney General Hector Balderas), Lieutenant Governor Howie Morales, Martina C' de Baca (designee for Lieutenant Governor Howie Morales), Treasurer Tim Eichenberg (joined the meeting at 11:00 a.m.), Diana Rosales-Ortiz (designee for Treasurer Tim Eichenberg), Rebecca Wurzburger and Rosalyn Nguyen Chafey.

Day 2 – Same members present.

MFA staff in attendance included: Izzy Hernandez, Gina Hickman, Donna Maestas De Vries, Rebecca Velarde, Dolores Wood, Yvonne Segovia, Shawn Colbert, Leann Kemp, Joseph Navarrete, Jeff Payne, Gina Bell, Robyn Powell, Patrick Ortiz, René Acuña, Teresa Lloyd, Olivia Martinez, Sonja Unrau and Sandra Marez.

General Counsel – Eleanor Werenko.

Day 2 – Same staff and general council present.

Guests – guests and staff included will be listed in the minutes with the topic they presented.

On Tuesday, August 20, 2019 the Board of Directors of the New Mexico Mortgage Finance Authority (MFA) conducted its annual Board Retreat virtually due to COVID-19 in order to discuss MFA's programs, housing needs and related topics. No action was taken by the Board on any items during the retreat.

Chair Reyes opened the retreat by reflecting on past MFA Board retreats as productive learning opportunities. The aim of today's discussions is to set the foundation of the strategic direction for the next three to five years. Tomorrow, Hernandez and Velarde will facilitate a Board conversation to give the members the opportunity to share insights, thoughts, visions and ideas for MFA for the next few years. The hope is that those ideas will begin to shape some of the priorities and direction for staff to begin to work on.

Hernandez thanked the Board for their participation and time. He informed the Board that we have just completed the third year of our 5-year strategic plan. He further explained that due to the changes with new Board members, new executive director, new deputy director of programs and other new staff as well as changes in the environment, market, economy and state leadership, we felt it was important to develop a new strategic plan. During the retreat our goal is to get direction and guidance from the Board on where we should be heading in the next several years. Hernandez commended the staff's dedication to our mission. The retreat is designed to give members an understanding of the housing needs from a data and stakeholder perspective. We would also like to provide an overview of the resources available for the housing needs. In addition, we would like to receive strategic direction from the Board that will guide us for the next three to five years. Though we are in the middle of the COVID-19 pandemic, our plan should not be COVID-centric. Hernandez then reviewed the agenda topics and asked that Board members ask questions as we go through the presentations. After the retreat, staff will be establishing the strategies, benchmarks and goals and come back to the Board in the January time frame for approval.

The following topics were presented on day one of the MFA Board of Directors Retreat and will be made a part of the official Board retreat packet.

MFA's Strategic Planning Process: Housing and Its Broad Implications (Rebecca Velarde, Director of Policy and Planning, MFA; Sonja Unrau, Community Relations Manager, MFA). Velarde explained that the strategic plan was multi-faceted process. MFA met with partners, staff and Board members and completed data analysis. She further informed the Board additional analysis has been added to the new housing needs assessment, which Sonja Unrau will go over. Unrau reviewed the housing needs assessment and went over the housing implications.

New Mexico Economic Trends (Jeffrey Mitchell, UNM BBER). Mitchell's presentation covered big picture economic indicators and trends affecting both the New Mexico and U.S. economy under COVID-19. University of New Mexico Bureau of Business and Economic Research (UNM BBER) is the #1 resource for New Mexico data.

Tribal Housing Needs in New Mexico (Floyd Tortalita, Executive Director, Pueblo of Acoma Housing Authority (PAHA)). Tortalita shared a heartfelt presentation explaining that a house is more than just a roof over your head or shelter; it is a place where families teach traditions and share history. He further explained the need for tribal housing is extensive, yet funding is limited. In addition, the single family home is not indicative of how American Indian and Alaska Native people live. The Pueblo of Acoma Housing Authority is addressing these needs through innovative community living approaches and focusing on the home as the center of cultural lessons, healthy lifestyles and sustainability.

Resource Allocation Study (Gina Hickman, Deputy Director of Finance and Administration, MFA David Jones, Principal, CSG Advisors). Hickman and Jones provided a very comprehensive presentation regarding MFA's Resource Allocation Study. They analyzed MFA's financial health and offered a comprehensive approach for making long-term decisions for the organization. The presentation touched on financial position and resources including balance sheet composition, pillars of net income, capital adequacy, liquidity, benchmarking, rating agency perspective as well as performance projections and impact.

Wednesday, August 23
Staff continued with day two of the presentations. The same members, staff and general council were present.

Enterprise Risk Management Update (Robyn Powell, Compliance Officer, MFA). Powell explained that each year, MFA evaluates the risks to our organization and its programs and initiatives and develops strategies to mitigate them. Powell presented the 2020 update.

MFA's Strategic Planning Process: SWOT Analysis and Draft Goals and Objectives (Rebecca Velarde). Velarde explained the strategic planning process thus far, including meetings with Board members, staff and partners and analysis of housing and homelessness data. This process enabled the Strategic Management Committee to complete a Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis and draft goals and objectives for the 2021-2025 Strategic Plan. She reviewed the basics of the current plan and the SWOT analysis as well as the new draft goals and objectives.

MFA's Strategic Planning Process: Board Discussion and Input (Isidoro Hernandez and Rebecca Velarde). Hernandez and Velarde facilitated a discussion of MFA's strategic planning process. MFA requested input on the SWOT analysis, the Board's priorities and the draft goals and objectives.

Board Retreat Discussion and Wrap-Up (Chair Reyes and Izzy Hernandez). Velarde stated that the framework has been set up and now we would like to hear from the Board. Hernandez stated that we would like to open this up for discussion to Board members. He asked if the Board felt the draft goals and objectives cover the Board's priorities. He also asked for input as to the overall vision for MFA and where MFA should focus our resources. Each Board member commented on potential initiatives, their vision and priorities for the next few years. Hernandez informed the Board that based on today's comments we may have slight changes to the initiatives; staff will summarize and send to the Board for any additional feedback. He stated that Board consideration of the strategic plan will come to the Board in the January time frame.

There being no further business the meeting was adjourned at 11:32 a.m.

Approved: **October 21, 2020**

Angel Reyes Digitally signed by Angel Reyes Date: 2020.10.21 12:06:32 -06'00'

Chair, Angel Reyes

Hernandez

Secretary, Isidoro Hernandez

Tab 1

MFA
Housing New Mexico

New Mexico Mortgage Finance Authority

Finance/Operations Committee Meeting

Tuesday, October 13, 2020 at 1:30 p.m.

Webex - call-in information is 1-844-992-4726 (access code): (access code): 962 100 589
or you can join the call from the calendar item.

Agenda Item	COMMITTEE RECOMMENDED	BOARD ACTION REQUIRED
Consent Agenda 1 Approval of Facsimile Signatures for Note Endorsements (Jeff Payne)	3-Ø	YES
2 MFA Brokers/Dealers, Custodians and Depositories (Gina Hickman)	3-Ø	YES
Agenda 3 National Housing Trust Fund Internal Audit (Claire Hilleary Audit & Consulting Sr. Manager, REDW)	3-Ø	YES
4 Low Income Housing Tax Credit Project Audit (Claire Hilleary Audit & Consulting Sr. Manager, REDW)	3-Ø	YES
5 2021 Qualified Allocation Plan (Kathryn Turner)	3-Ø	YES
Discussion 6 General Fund Investment Strategy Discussion (Gina Hickman)	✓	NO

Committee Members present:

Derek Valdo, Chair	☐ present	☐ absent	☑ conference call
State Treasurer Tim Eichenberg or Proxy Diana Rosales - Ortiz	☐ present	☐ absent	☑ conference call
Lt. Governor Howie Morales or Proxy Martina C'de Baca	☐ present	☐ absent	☑ conference call

Hernandez

MEMO

TO: MFA Board of Directors

Through: Finance Committee – October 13, 2020

Through: Policy Committee – October 6, 2020

FROM: Jeff Payne, Senior Director of Mortgage Operations

DATE: October 21, 2020

SUBJECT: Approval of Facsimile Signatures for Note Endorsements

Recommendation:
Staff recommends the approval and adoption of the attached board resolution to affirm the validity and acceptability of the use of facsimile signatures when endorsing mortgage loan notes at time of purchase from participating mortgage lenders.

Background:
Since June of 2016, Idaho Housing and Finance Association ("IHFA") has been purchasing mortgage loans from lenders participating in MFA's single family mortgage program. Lenders send the notes to IHFA after having endorsed the note to IHFA. IHFA endorses the notes in blank as required by investors and sends them to the document custodian as the "seller" of the loans. Ginnie Mae and the Government Sponsored Entities ("GSEs") require a chain of title established by the note endorsements and require the seller to endorse the notes in blank before delivery.

IHFA is currently the buyer of loans from MFA's participating lenders and subsequently the seller of loans to Ginnie Mae or the GSEs (specifically Fannie Mae). The servicing rights are transferred by IHFA to MFA as MFA reimburses IHFA for the purchase price. As MFA transitions to pooling loans and securitizing them in our own name, loans will be purchased in the name of MFA by IHFA and MFA will be the buyer and then the seller to Ginnie Mae or Fannie Mae. As a result, lenders will be instructed endorse notes to MFA. MFA's endorsement will be used on the notes prior to shipping to the document custodian.

Discussion:
The use of a facsimile signature on a rubber endorsement stamp requires that an issuer such as MFA be able to show:

- Facsimile signatures are not contrary to the policy or bylaws of MFA
- A legal opinion has been obtained affirming the legality and enforceability of facsimile signatures in New Mexico
- A resolution from the Board of Directors authorizes specific officers of MFA by name or title to use facsimile signatures and must state they are valid and binding on MFA.
- MFA's Secretary certifies the authenticity of signature specimen forms.

- A notarized certification of an original and facsimile signature is certified by each signer and the facsimile is a true and correct copy of their own signature.

The authorized signers must also be listed on the Ginnie Mae signature authorization form 11702. The board resolution and certifications must be available for review by the investors if requested. Copies will be on file with the document custodian who reviews the endorsements on notes in their custody prior to delivery into MBS pools. Note endorsements are required to be ink on paper, either a hand signature or a rubber stamp.

MFA staff obtained an opinion from legal counsel dated September 30, 2020. This opinion states that the use of facsimile signatures to endorse promissory notes in the state of New Mexico is legal and cites applicable portions of the Uniform Commercial Code. The opinion confirms MFA may use such signatures to endorse promissory notes. The opinion also assumes that MFA will obtain a resolution of the Board of Directors stating that facsimile signatures are valid and binding upon MFA.

A proposed resolution, prepared by legal counsel, for approval by the MFA Board of Directors (Exhibit A) is attached. Staff consulted with our document custodian and investors to obtain their requirements and subsequently provided that information to legal counsel for use in preparing the board resolution.

Summary:
Staff recommends the approval and adoption of the attached board resolution allowing the use of facsimile signature stamps to endorse the mortgage loan notes at the time of purchase from participating lenders. This resolution and the legal opinion obtained are key to meeting the requirements for MFA's use of facsimile signatures.

Exhibit A

NEW MEXICO MORTGAGE FINANCE AUTHORITY
FACSIMILE SIGNATURE RESOLUTION

October 21, 2020

Resolution of the New Mexico Mortgage Finance Authority (the "Authority") Authorizing the Use of Facsimile Signatures to Endorse Promissory Notes

WHEREAS, the Legislature of the State of New Mexico (the "State"), at its 1975 regular session, adopted Chapter 303, Laws of New Mexico, 1975, known and cited as the Mortgage Finance Authority Act, NMSA 1978 §§ 58-18-1 through 58-18-27 (the "Act");

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

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

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

WHEREAS, as a function of servicing its loans, the Authority wishes to authorize the use of facsimile signatures of its Senior Director of Mortgage Operations, Director of Secondary Market and Director of Servicing for the express purpose of endorsing promissory notes in its single-family mortgage program; and

WHEREAS, the Uniform Commercial Code – Negotiable Instruments, NMSA 1978 §§ 55-3-101 et seq. (the "Act") authorizes the use of facsimile signatures to endorse promissory notes (NMSA 1978 § 55-1-201 "'signed' includes using any symbol executed or adopted with present intention to adopt or accept a writing" and NMSA 1978 § 55-3-204).

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

Section 1. The Authority is authorized to use the facsimile signature of Senior Director of Mortgage Operations, Director of Secondary Market and Director of Servicing to endorse promissory notes in its single-family mortgage program and such signatures shall be valid and binding on the Authority.

Section 2. The Authority's corporate secretary is authorized to certify the validity of the resolution, the before stated titles of the officers authorized to execute documents by using facsimile signatures, and the authenticity of specimen forms of facsimile signatures.

Section. 3 The Authority shall retain in its permanent records, a legal opinion of counsel related to the legality and enforceability of facsimile signatures in New Mexico, this resolution, the corporate secretary's certification of the authenticity and validity of the board of director's resolution, and a notarized certification made by the corporate secretary of the facsimile signature, which includes both the facsimile and the original signatures of the signing officers and each officers' certification by affidavit that the facsimile is a true and correct copy of his or her original signature.

Section 4. The Authority shall not delegate to an attorney-in-fact its authority to execute an endorsement. The endorsement may not be executed by a party using a power of attorney.

The resolution shall become effective immediately upon its adoption.

ADOPTED: October 21, 2020 Motioned by Wurzburger. Second: Valdo. Vote 6-0.

Aye: 6

Nay: 0

Abstain: 0

Absent: 1 (Nguyen Chafey)

PASSED AND APPROVED BY THE NEW MEXICO MORTGAGE FINANCE AUTHORITY THIS _21st_ DAY OF _October_, 2020.

Angel Reyes Digitally signed by Angel Reyes Date: 2020.10.21 13:24:15 -06'00'

Angel Reyes, Chair

CERTIFICATION

I HEREBY CERTIFY, that I am the Secretary of the 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 the majority or more of the directors of the New Mexico Mortgage Finance Authority in accordance with the MFA bylaws in effect on April 15, 2002; that there is no provision in the articles of the MFA bylaws 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 21st day of October, 2020.

(SEAL)

I Hernandez

Isidoro Hernandez, Secretary

Tab 2

MEMO

TO: MFA Board of Directors

Through: Finance Committee – October 13, 2020

Through: Policy Committee – September 29, 2020

FROM: Gina Hickman

DATE: October 21, 2020

SUBJECT: Approval of MFA Broker/Dealers, Custodians and Depositories

Recommendation: Staff recommends approval of the MFA Broker/Dealer, Custodian and Depository List.

Background: At least annually and as needed, MFA staff reviews and updates the list of brokers, dealers, custodians and depositories. The Broker/Dealer, Custodian and Depository List includes firms that are part of our Underwriting Team, other underwriters who have expressed interest in working with MFA by responding to our most recent underwriting request for proposal (RFP) and who meet the required criteria in the Investment Policy. Depository and custodial relationships are established as part of either an RFP process or are institutions utilized by the State of New Mexico. The one exception is the Federal Home Loan Bank of Dallas, a government-sponsored enterprise, which provides financial services to member institutions including Housing Finance Agencies.

Discussion: A due diligence review was conducted, and organizations meet established qualifications as stated in the MFA Investment Policy. George K. Baum & Co. is no longer registered with FINRA or the national securities exchange, so they have been removed from the list. All MFA accounts at Washington Federal have been closed. No other changes are required.

Summary: At least annually and as needed, MFA staff reviews and updates the Broker, Dealer, Custodian and Depository list. Staff recommends approval of the Broker, Dealer, Custodian and Depository List. All organizations meet established qualifications as stated in the MFA Investment Policy.

NEW MEXICO MORTGAGE FINANCE AUTHORITY
APPROVED BROKER/DEALERS, CUSTODIANS AND DEPOSITORIES
2020-2021

Recommended Broker/Dealers:

Underwriting Team and underwriters with local offices who have expressed interest in working with MFA (by responding to our most recent RFPs and who meet the required criteria):

Raymond James & Associates
RBC Capital Markets, LLC
J.P. Morgan Securities, LLC
Merrill Lynch, Pierce, Fenner & Smith Inc.
~~George K. Baum & Co.~~
Fidelity Capital Markets
Jefferies, LLC
Stifel, Nicolaus & Company, Inc.

Bidding Agent:

CSG Advisors

TBA Administrator:

Hilltop Securities Inc.

Investment Departments of Banks and Other Registered Broker/Dealers Approved for Broker/Dealer Relationship:

Wells Fargo Securities, LLC
Federal Home Loan Bank of Dallas
BOK Financial Securities, Inc.
Moreton Capital Markets, LLC
Zions Bank Capital Markets/Zions Direct

Recommended Custodians:

Wells Fargo Bank New Mexico/Wells Fargo Securities, LLC
Federal Home Loan Bank of Dallas
Zions Bank

Recommended Depositories:

Wells Fargo Bank New Mexico
Bank of Albuquerque/BOKF, NA
~~Washington Federal~~
Bank of America
US Bank
Federal Home Loan Bank of Dallas
Bank of the West

Note: Additionally, for certificate of deposit investments, MFA has the authority to utilize approved depositories as per the Collateral Review Report prepared by the State Treasurer's Office as part of their risk assessment program.

Tab 3

September 25, 2020

To; Northern Regional Board of Commissioners

From: Executive Director Terry L. Baca

The Merger of Northern Regional Housing Authority with Raton and Las Vegas Housing Authorities is going well, with all information and documentation submitted to HUD at this time. If all goes well, we are looking at a January 1, 2021 transfer date. I did have to request a resolution from the City of Raton, for approval to operate within the City of Raton, and it was approved.

I will review attached occupancy plan to include 15 units testing positive for mold and asbestos, the units have been gutted to the bare studs and any contaminations have been encapsulated.

We have advertised for an architect to submit proposals to do all needed repairs and replacements to the units, all of this is paid for out of HUD Capital Fund Grants.

We are also advertising for a Payroll service provider; this is beginning to be burdensome for our staff.

We are working and meeting with the employees on a weekly basis to make them accountable. We are monitoring progress on unit turnaround time and quality, in addition when a unit is ready to rent that we have tenants vetted, and ready to move in.

We held a Mold, Asbestos, Methamphetamine and Covid19 training on September 14th and 15th of September in Las Vegas. This training was what dangers to look for and safety precautions to take. This was a two-day training so we could have all employees attend that needed to, and still have coverage at their prospective sites. Staff from Taos, Raton, Las Vegas, Cimarron, Grants and Maxwell were in attendance.

Our organization is currently reporting to four boards, The Northern Regional Board, MFA Board, Las Vegas City Council and Raton Housing Authority Board. This is burdensome, it will help come January when the Las Vegas and Raton Boards will be going away.

Occupancy Action Plan

(*Status on Vacant Units*)

This plan has been created by Mr. Terry Baca and Ms. Natasha Martinez to ensure that Northern Regional Housing Authority is able to serve the Northern Region with the highest level of quality for the people who need it the most, especially in such a trying time.

- 15 Units – 6 In Questa, 4 in Peñasco, and 5 in Taos are all currently being tested for mold and asbestos. These units were determined to be potentially hazardous for employees of NRHA to work in. On 07/21/2020 DC Environmental conducted their sample collections and on 07/22/2020 the samples were sent out to the lab. The survey was received on 08/14/2020, and was concluded that the units did indeed contain hazardous material. AGM Environmental is currently abating the units in Taos and will move on to Questa next. NRHA will be advertising in the month of September for A/E services for the rehabilitation of these 15 Units.
- Maintenance Staff is meeting weekly with Mr. Baca and Ms. Martinez to provide updates as to the status of the units they are currently working on.
- The employee who previously was the HQS inspector underwent training with Las Vegas UPCS certified staff to conduct move in and move out inspections as well as progress inspections. She is sending pictures and punch lists to Mr. Baca and Ms. Martinez to ensure they are kept informed and either one will correspond back with additional items or deletion of items for move in ready units. Due to extraordinary circumstances Amanda is also going to assist with End of Participation and Move outs.
- Mr. Baca and Ms. Martinez are working closely with the maintenance staff to ensure they have the tools and supplies to not just complete the unit turns but to do it in the most efficient and successful manner.
- Mr. Baca and Ms. Martinez have been working with the administrative staff to ensure when units are turned applicants are currently being notified to be ready to start the housing process, updates are also given at the weekly staff meeting by NRHA admin staff.

The units that are in a state where a normal turnaround is not as feasible are being rehabilitated, but with guidance and support we are confident that NRHA occupancy will vastly improve.

Updated 09/21/2020NMtz

We have purchased new laptop computers for the staff in the Taos office and will be upgrading the computers in the Grants and Las Vegas Office. This will be paid for out of Cares Act Funding.

We continuing to improve overall day to day operation with the Help of Deputy Director Natasha Martinez and Site Manager Coleen Sanchez-Garcia. We are getting many systems in place to help with communication and productivity.

Thank You
Terry L. Baca
Executive Director

525 Ranchitos Road, Unit 962, Taos, New Mexico 87571
Tel: (575) 758-2460 Fax: (575) 751-1175

Tab 4

New Mexico Mortgage Finance Authority

National Housing Trust Fund Internal Audit

Executive Summary

August 2020

New Mexico Mortgage Finance Authority
National Housing Trust Fund Internal Audit

Executive Summary

New Mexico Mortgage Finance Authority
Board of Directors

We performed the internal audit services described below solely to assist New Mexico Mortgage Finance Authority (MFA) in evaluating compliance with National Housing Trust Fund laws and regulations and internal policies and procedures.

PURPOSE AND OBJECTIVES

Our internal audit focused on evaluating MFA's operation of the National Housing Trust Fund (NHTF) to determine if the program was operated in accordance with the Notice of Funding Availability (NOFA) and controls related to eligibility, award funding amount calculations, reporting and use of design standard waivers were operating effectively.

SUMMARY OF PROCEDURES

REDW interviewed MFA employees, and reviewed the laws and regulations surrounding the NHTF program. We examined the NOFA to ensure all key elements aligned with the federal regulations, tested a sample of awards to determine if the application packets submitted were complete and adequately supported, scoring processes were consistently applied, application change fees were collected and notification of award selection was provided in the required timeframe. Additionally, we tested to determine if fee percentages for builders and developers were appropriately assessed, reporting requirements, including code of conduct assertions were met and design standard waivers were permissible under the Department of Housing and Urban Development (HUD) guidelines.

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SUMMARY OF RESULTS

Based on the testwork performed over the course of the audit, processes and related controls for requirements related to NHTF appeared to be functioning properly. All applications tested included language addressing required elements of the code of conduct as well as certifications from the awardees that there were no violations. Additionally, all design standard waivers tested were properly requested, approved and provided and required reporting for Low Income Housing Tax Credits (LIHTC) projects was completed in adherence to the applicable Qualified Allocation Plan (QAP).

REDW identified two low risk observations:

Applicant Eligibility Checklists

The Applicant Eligibility Checklist used by MFA to complete the application review did not have all required elements and/or supporting documentation present. Additionally, we identified an Application Change Fee of $250 was submitted and processed when the amount required was $500. Finally, we determined secondary reviews were not formally documented. REDW recommends MFA ensure completeness and accuracy of the Application Eligibility Checklist, an additional verification process for the collection of application change fees and documentation to evidence a secondary review took place.

Builder and Developer Fees

As part of MFA's underwriting process, builder and developer fees are assessed for compliance with LIHTC requirements; however, specific consideration of the percentage of these fees as a percentage of total builder and developer costs is not built into the NHTF underwriting checklist and, as such, it was not individually assessed for compliance. Additionally, when MFA elects to follow LIHTC requirements for developer fees as a percentage of developer costs, this decision was not documented. Both consideration of the builder fee and developer fee percentages allowed should be incorporated into the NHTF underwriting checklist. This will ensure that NHTF projects that utilize LIHTC funding and associated requirements are properly documented as required by the NOFA.

* * * * *

Further detail of our purpose, objectives, and procedures is included in the full internal audit report.

REDW LLC

Albuquerque, New Mexico
September 3, 2020

Tab 5

New Mexico Mortgage Finance Authority

Low Income Housing Tax Credits Project

September 2020

New Mexico Mortgage Finance Authority
Low Income Housing Tax Credits Project

Table of Contents

New Mexico Mortgage Finance Authority
Low Income Housing Tax Credits Project

Report

New Mexico Mortgage Finance Authority
Board of Directors

INTRODUCTION AND BACKGROUND

The New Mexico Mortgage Finance Authority (MFA) Board engaged REDW in 2018 to develop an audit program that could be used for current and future Low Income Housing Tax Credit (LIHTC) projects to assess for specific risks related to the appearance of collusion, inflated costs, or related party transactions between Developers, General Contractors and subcontractors. This request was triggered by the discovery of fraud in the Florida Housing LIHTC programs where millions of dollars in federal tax credit subsidies were stolen when a Developer inflated construction contracts. REDW met with MFA management to discuss the internal processes surrounding the LIHTC application and selection process, as well as to develop an understanding of the documentation requirements for the program. From this information, an audit program was developed and REDW attempted to execute this audit program on a small sample of past LIHTC projects that were either completed or in process as of 2018. In 2019 and 2020, this project generated an updated, reduced scope, audit program that was executed on an additional two projects for each year of testing as well as consultations with key stakeholders.

PURPOSE AND OBJECTIVES

This engagement focused on evaluating whether the cost certification at the developer level was fully supported and all related parties were properly disclosed.

SCOPE AND PROCEDURES PERFORMED

In order to gain an understanding of the processes and operations, we read the applicable portions of the following:

- 2017 MFA Qualified Allocation Plan
- Internal Revenue Code Section 42, Low-Income Housing Credit

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We performed the following testwork:

REDW randomly selected two 9% LIHTC projects from 2017, as it was necessary to select projects that were fully completed and placed in service or close to being placed in service. As identified in the 2019 round of testing, REDW identified differences in record keeping practices between developers making a systematic approach to each project difficult. For each project selected REDW performed the following steps:

- For all parties listed in the application packets and/or in the details of the payments from the draws tested, we assessed if any undisclosed related party relationships existed.
- Interviewed the accountants that performed the certification of eligible costs and Form A to understand their audit processes.

  To test the information in the Form A, or the Contractor Sworn Statement detail used to create the Form A (for the project that was not fully complete), we performed the following steps:

  - For the first LIHTC project selected, without consultation with the independent auditors REDW was unable to tie out the GL detail to the Form A. This was a result of how some costs were allocated (i.e. legal fees) and excluded costs in eligible basis (i.e. allowable costs charged to the LIHTC project). To better understand how these costs were allocated REDW held a meeting with the independent auditors to understand their process and walk through the audited Form A amounts. Once comfortable in understanding this process and the total amounts listed in the Form A, REDW selected a sample of 15 expenditures from the General Ledger detail provided. Of the 15 expenditures selected, 11 were payments to the General Contractor. For these payments the supporting details provided were limited to a Continuation Sheet, Application and Certificate for Payment, Conditional Release of Lien Rights and Unconditional Receipt, Waiver and Release of Lien. The Continuation Sheet was certified by an independent party, and the lien waivers helped support that all liabilities had been paid; thus, while the draw package was not as detailed as seen in other LIHTC certifications, REDW believes the costs were properly supported. Additionally, the independent auditors indicated that as part of their process they examine between 90% and nearly 100% of the total project costs. This process includes reviewing subcontractor payments and other documents that result in the amounts indicated on the Continuation Sheet.
  - For the second LIHTC project selected, the independent audit firm had not completed its certification on the Form A. As an alternate procedure the auditors were able to provide a Contractor Sworn Statement which indicated the total amounts completed and paid by vendor. REDW selected a sample of eight vendors and requested all payment details. From these disbursement listings REDW sampled 1-2 payments from each vendor, for a total sample of 15 expenditures, and tested to ensure the invoiced amount, as indicated by the subcontractors invoice, was paid (i.e. evidence of cancelled check) and signed Lien Release Waiver was provided.

RESULTS AND RECOMMENDATIONS

REDW identified no undisclosed related party conflicts in the two projects selected. However, this testing was limited to the availability of information found on the Secretary of State website and other online searches. As such, there is a chance that additional undisclosed relationships may exist. Additionally, REDW found no discrepancies in the 30 disbursements tested and also agreed detailed schedules to the Form A or Contractors Sworn Statement.

Finally, all recommendations from previous years testing have been properly implemented. The 2018 and later QAP's contain the enhanced language relating to audit, RFP and proposal documentation requirements, as well as related party searches. REDW had also recommended that round table discussions be held with selected general contractors and developers for discussions regarding future QAP enhancements and other related project cost tracking conversations. This meeting was completed in April 2020 by MFA.

FUTURE AUDIT APPROACH

Below is a phased audit approach that could be completed for future years based on the updated requirements in the QAP.

	Year Testing to be Completed	
Description of Audit Steps	**2021**	**Thereafter**
Agree Developer costs to Independent Auditor Report and trace a sample of expenditures and/or draw packages to cancelled check and supporting documentation.	X	X
Assess for undisclosed related party relationships between any companies or individuals listed in the application and placed in service packets.	X	X
Determine if Developer/General Contractor (GC) have posted fraud hotline posters if construction site is currently in use.	X	X
Ensure Developers have communicated to their General Contractor explaining the need to complete an independent audit on the certification of costs as outlined in the QAP as well as retain documentation in the bidding process evidencing such communication.	X	X
Conduct round table discussions with selected Developers and GC's with MFA personnel to determine what new/updated controls, and selected language, could be used for future QAP's.	X	As Needed
Obtain the General Contractor Cost Certification and select a sample of expenditures to a cancelled check and supporting documentation. The General Contractor will be responsible for showing how the amount selected reconciles to the total line item on the Cost Certification.	X	X
Test all subcontractors selected in the General Contractor Cost Certification for related party relationships.	X	X

Description of Audit Steps	Year Testing to be Completed	
	2021	**Thereafter**
Test to determine if post-closing controls have been enhanced to ensure all elements of a project are present as outlined in the application and scoring worksheet.	X	X

* * * * *

This report is intended solely for the information and use of MFA management, the finance committee, members of the Board and others within the organization. If additional procedures had been performed, other matters might have come to our attention that would have been reported to you.

We sincerely appreciate the courtesy extended to our personnel.

REDW LLC

Albuquerque, New Mexico
September 29, 2020

Tab 6

MFA

Housing New Mexico

MEMORANDUM

TO: MFA Board of Directors (October 21, 2020)

Via: Finance Committee (October 13, 2020)

Policy Committee (September 29, 2020)

FROM: Kathryn Turner, Tax Credit Program Officer

DATE: September 23, 2020

SUBJECT: 2021 Qualified Allocation Plan

Recommendation:

Staff recommends approval of the attached 2021 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 was then composed and posted on MFA's website and published in newspapers of general circulation. This posting and publication marked the beginning of a 21-day public comment period during which a public hearing was held. After incorporating a number of suggestions from the public comment period, this 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 major changes are being considered for the Draft 2021 QAP. Policy and Planning researched needs of both indigenous populations and individuals that would benefit from Permanent Supportive Housing and found that both groups have high levels of housing need.

The unexpected rapid spread and devastating effects of COVID-19 expose the acute housing insecurities of indigenous communities and PSH populations. Certainly, the density of households has contributed to the devastating toll the Coronavirus has taken in tribal areas[1] [2]. For individuals experiencing homeless not only are "stay at home" orders absurd, the challenge of maintaining basic hygiene become especially precarious. While shelters are operating at half capacity to allow for social distancing, homeless families are reluctant to risk entering group quarters. Expanding the set-aside program will ensure investment in the housing opportunities needed for New Mexico's most underserved and vulnerable residents.

Additionally, staff held a Focus Group with Policy and Planning and outside partners to discuss the Areas of Statistically Demonstrated Need scoring category, and a major policy change has resulted from that effort. The strong need for affordable housing across the state as supported by research by Policy and Planning, led to a re-balancing of focus towards new construction in the competitive, 9% LIHTC program. These policy changes are outlined more fully below:

1. **Change to the Set-Aside**

The 2020 QAP has a single 10% set-aside for new construction projects receiving USDA-RD funding. This has been an underutilized set-aside for several years, due to lack of available new USDA-RD funding. While staff has worked hard to eliminate barriers for Tribal and PSH projects to compete in the LIHTC program, they remain underserved and extremely vulnerable populations. By creating a larger, single, set-aside, the USDA-RD eligible projects would still be able to be prioritized, but MFA could add Tribal and PSH projects to the set-aside.

As there is a federal requirement to set aside 10% of each allocation of tax credits to qualified non-profits, we will be structuring this Underserved Population set-aside to be filled only following the fulfillment of the non-profit set-aside.

Policy Recommendation:

Language in the QAP in section III.D., would be:

Underserved Populations set-aside. Twenty percent (20%) of the annual credit ceiling will be set aside for the highest scoring project(s) that falls in any of the following categories:

a. **USDA Rural Development** new construction Projects with direct USDA Rural Development (USDA-RD) financing (USDA-RD 514/515/516 and MPR programs) that meet the following requirements:

   i. The initial Application for **new construction** Projects must include either:
      - 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
      - A letter from an authorized officer of the New Mexico USDA-RD office stating that:
        a. The Project has been reviewed
        b. USDA-RD favorably considers the proposed transaction
        c. 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.

[1] National Public Radio, April 2020
[2] Vox, March 2020

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

b. **Permanent Supportive Housing (PSH)** projects that meet the following requirements:

i. The project must meet threshold requirements within the Households with Special Housing Needs Housing Priority and agree to provide voluntary Case Management Services to residents.*
ii. All service coordination and budget requirements must be sufficient to provide proposed services to all PSH residents,
iii. PSH units have no time limits on occupancy,
iv. PSH residents have the same rights and responsibilities as those occupying other low-income or market rate housing units**,
v. PSH residents must have individual leases with identical requirements and protections as other low-income or market rate residents,
vi. PSH units must cover 50% or more of the total unit count, and
vii. Vouchers must be in place or secured for 75% or more of the PSH units in the project.

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

**All projects will be required to submit a PSH Commitment to Quality checklist with the Application and annually following the award.

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

The application must indicate the desire for the Project to participate in the Underserved Populations Set-Aside, otherwise the Project will compete within the general round. The Project's score must be within 20% of the highest scoring Project to be awarded tax credits through the ranking process in the same funding round. The aggregate amount of tax credits allocated by MFA to projects meeting the above requirement may exceed this amount.

And:

Ranking to meet allocation set-asides. The highest scoring, qualified nonprofit organization eligible Project will be funded first. If there are insufficient qualified nonprofit organization eligible Projects to meet the nonprofit set-aside, the unallocated nonprofit set-aside tax credits cannot be allocated to other eligible Projects. A similar procedure will be used to meet the Underserved Populations set-aside, following the fulfillment of the nonprofit set-aside; however, if there are insufficient Underserved Populations eligible Projects to meet the Underserved Populations set-aside, any unallocated set-aside tax credits may be used for other eligible Projects.

2. **<u>Change to the Assessment of Need</u>**

The current QAP utilizes the Areas of Statistically Demonstrated Need (ASDN) scoring category to target certain areas of the state with credits. Developers have explained that projects without a Tier 1 or Tier 2 ranking are unlikely to be competitive, despite remaining community need. MFA engages market study analysts to develop market studies for the top scoring projects to confirm the presented need. While this process has been effective at ensuring projects are built across the state, it may not accurately target need. Through the petition process, smaller jurisdictions or counties outside of the Tiers can provide additional materials, some of which might be more up to date or targeted and will thus result in a recategorization. Almost all petitions are successful, forcing staff to wonder about the effectiveness of the ASDN methodology to gauge need. New Mexico has a great need for affordable housing in almost all of its communities, and by eliminating the ASDN category, and replacing it with a required market study at application, which must meet certain levels of proof of demand, MFA would be opening up areas of the state that may not have been eligible for the ASDN points, but still have a high need for affordable housing.

Policy Recommendation:

In order to avoid a swift change to the QAP and scoring criterion, staff is proposing to maintain the ASDN scoring criterion for 2021, but adding the option for a Market Study to show high need (e.g. capture rates must be lower than the threshold market study level) instead of falling within the identified Tier locations. The proposal would be to eliminate the ASDN scoring category entirely in the 2022 QAP and rely solely on the Market Study to prove need (other state agencies are now requiring current capture rate data in market studies to assess the existing, more accurate need for affordable housing in the primary market area).

Language in the QAP would be:

Tier 1
Eligible Projects are located in the counties of: Bernalillo****, Dona Ana, Eddy*, Lincoln, Los Alamos, Otero, Sandoval, Santa Fe, 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.

Successfully Petitioned Tier 1 Municipalities: Village of Ruidoso*

Projects not falling in the above mentioned locations, may qualify for Tier 1 Status if their application contains a Market Study that shows an overall capture rate, as defined in the Glossary, of 8% or less overall (this may be subsidized capture rate, if subsidies are secured), and

Tier 2
Eligible Projects are located in the counties of: Chaves*, Grant*, Lea, Luna, McKinley, Roosevelt, San Juan*, Rio Arriba***, San Miguel, Sierra*, Socorro#, Taos, and Torrance*.

These tier areas are subject to change based on any changes in the 2021 Action Plan.

*Indicates an area remains on the list for a second year even though it did not meet criteria in 2021.

** Vacancy rate for Sandoval County is a weighted average of Rio Rancho (1.9%) and Sandoval (4.0%) 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; and it will remain as a Tier 2 for 2021.
**** Following the submission of a petition on January 22, 2020 for Bernalillo County to move to Tier 1, MFA reviewed submitted measurable and verifiable data and determined that Bernalillo County would be classified as a Tier 1 in 2020; and it will remain as a Tier 1 for 2021.
[#] Following the submission of a petition on February 3, 2020 for Socorro County to become a Tier 2, MFA reviewed submitted measurable and verifiable data and determined that Socorro County would be classified as a Tier 2 in 2020; and it will remain as a Tier 2 for 2021.

The Market Study would be part of the threshold requirements and would have the following language in the QAP:

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

> Subject Capture Rate. The market study must provide a capture rate, as defined in the Glossary, for the proposed project overall, as well as capture rates for each targeted income level and bedroom count. The rent burden (rent plus utility allowance, if any) may not exceed 30% of gross income at each income strata proposed, and the overall capture rate for a project must not exceed 10%. This rate may be the subsidized rate if subsidies are secured at the time of application.

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

If the Market Study as submitted is not sufficient, there may be an additional Market Study ordered by MFA. The cost of this MFA-ordered Market Study will be covered by the applicant through the design deposit submitted at application. It is MFA's sole discretion whether or not the Market Study is sufficient.

The Glossary definition would be:

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

3. **Change to the balance of New Construction versus Rehabilitation Projects awarded**

In order to address the need for additional affordable housing across the state of New Mexico, staff is proposing to eventually move towards a 9% LIHTC program that focuses on new construction projects, and potentially move the rehabilitation projects to the 4% program. This 2021 QAP moves in that direction by proposing to change the way credits are allocated in the competitive 9% program:

> The two highest scoring new construction Projects will be awarded first, followed by the highest scoring rehabilitation Project. The target pattern of two new construction Projects followed by one rehabilitation Project will be followed until all credits are allocated, or until the last project in a track has been awarded. Projects awarded in the Nonprofit or Underserved Population set-asides will be considered in achieving this target. Forward allocations may be made following the same process, however any decision to forward allocate tax credits lies solely within MFA's inherent discretion and is not subject to further review.

Below is a summary of other notable proposed changes and attached is the redlined draft. Other changes found in the redlined 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. **Allocation to New Construction and Rehabilitation Projects – Section II.C.** (starts page 4)
As discussed above, new construction projects will be awarded in favor of rehabilitation projects to a ratio of 2:1.

B. **General Public Use – Section II.G.** (starts page 8)
Per Code, language was added to allow that projects "favor tenants… of indigenous populations for those Projects located on Tribal Lands."

C. **Combined Rehabilitation and New Construction Projects and General Guidelines Around Rehabilitation – Section II.J.** (starts page 10)
This section was clarified to explain how MFA would treat mixed new construction and rehabilitation projects in terms of cost limits, track for allocation purposes, and other requirements.

D. **Compliance Period and Extended Use Period – Section II.K.** (starts page 12)
This section was clarified to better reflect the language in the Code.

E. **Eligible Basis According to Type of Activity – Section II.M.** (starts page 14)
Language was clarified around the application of the 30% basis boost for QCTs (Qualified Census Tracts) and DDAs (Difficult to Develop Areas) versus the state-designated boost.

F. **Subsidy Layering Review – Section II.T.** (starts page 18)
This section was moved to the general program information section and was updated to reflect the current responsibility of MFA with regards to Subsidy Layering Reviews.

G. **Minimum Project Threshold Requirements – Section III.C.** (starts page 19)
- The requirement for proof of ownership of the land or depreciable real property must now by submitted at the 10% test deadline of August 31 of the year following the Reservation.

- A market study that sufficiently proves need and meets specific guidelines and parameters is now required as a minimum threshold requirement at application *(see above discussion for exact policy language.)*
- The requirement for a meeting with any 4% project application was adjusted and the Intent to Submit document was added as a requirement for 4% projects.

H. **Allocation Set-Asides – Section III.D.** (starts page 22)
The USDA Rural Development set-aside was expanded to become an Underserved Population set-aside and the treatment of both set-asides was detailed out *(see above discussion for exact policy language.)*

I. **Project Selection Criteria to Implement Housing Priorities – Section III.E.** (starts page 25)
The threshold score for 4% projects was lowered by 5 points to 58. Additional proposed scoring changes or clarifications include the following:

1. ***Scoring Criterion no. 2****- Locational Efficiency (starts page 26)*
   - The requirement of proximity was changed to be walking distance instead of perimeter ring distance to amenities and transportation.
   - Clarification of various categories, ensuring the definitions were consistent throughout QAP (i.e. Rural is defined as those sites not located within the boundaries of Urban areas defined in the Glossary).
   - One of the amenities within the "Proximity to Services" section must be a store with fresh produce.
   - A new option was added within the "Access to Public Transportation" section of the category. If a site is located within .25 mile walk of a frequent transportation site, four points are available.

2. ***Scoring Criterion no. 3*** *– Rehabilitation Projects (starts page 28)*
   No scoring change. The treatment of combined new construction and rehabilitation projects was taken out, as this has been clarified in Section II.J. (as discussed above.)

3. ***Scoring Criterion no. 4****- Sustaining Affordability (starts page 30)*
   No scoring change. Language was clarified to include projects that are converting existing federal rental assistance contracts and that any affordable project that is at imminent risk of changing to market rate would be eligible for points in this category.

4. ***Scoring Criterion nos. 8-10-*** *Housing Priorities (starts page 33)*
   No scoring change.
   - Language was added to ensure the property management staff was not the same as the service coordinator for Households with Special Housing Needs Housing Priority, and the requirement for a resume at application for that service coordinator was eliminated.
   - Requirements for compliance were made uniform across all three priorities.
   - Social distancing options for socializing were added to the service options.
   - The necessary bathroom configuration was clarified in the Households with Children Housing Priority.

5. ***Scoring Criterion no. 14*** *– QCT/Concerted Community Revitalization Plan (starts page 45)*
   No scoring change. Language from the glossary was moved up for clarity, and the timeline for the creation of the Concerted Community Revitalization Plan was amended.

6. ***Scoring Criterion no. 15*** *– Projects with Units Intended for Eventual Tenant Ownership (starts page 46)*
   No scoring change. Requirement details were added and pulled up from the glossary for clarity.

7. ***Scoring Criterion no. 18*** *– Projects Located in Areas of Statistically Demonstrated Need or Market Study Supported Area (starts page 48)*
   ASDN Designations were updated, and Market Studies meeting a deeper threshold for need were added as an option to meet the Tier 1 point status and the option for petitions was eliminated *(see above discussion for exact policy language.)*

8. ***Scoring Criterion no. 22*** *– Other Scoring Points Available (starts page 51)*
   If the project has a principal that is a woman or minority owned business, there is an option for three points in this section.

J. **Submission Date(s) and Place of Submission – Section IV.A.1-2.** (starts page 54)
The submission deadlines and locations of both the hard copy and electronic applications were clarified, and the hour was moved up to 4 p.m. for the submission deadline.

K. **Content and Format: Complete Applications - Section IV.A.4.** (starts page 55)
- The treatment of discrepancies between electronic and hard copies was described.
- Two application pieces were required to be submitted as both part of the PDF and as separate Excel files.
- Confidential information and record inspection procedures were outlined.

L. **MFA Fees and Direct Costs – Section IV.B.** (starts page 59)
The Market Study and Design Review Deposit was changed to cover just the design review, and was increased to $10,000, to more accurately reflect the cost of those reviews.

M. **Design Review and Construction Start – Section IV.C.7** (starts page 63)
The requirement for final MFA construction completion approval ahead of 8609 issuance was clarified.

N. **Feasibility Analysis and Financial Considerations – Section IV.D.** (starts page 64)
- Language around locking the maximum builder fees in at application was eliminated.
- Developer fees are locked at application for 9% projects and at 8609 issuance for 4% projects.
- Rehabilitation projects must supply both a current operating expense budget and a projected, post-rehabilitation budget.
- Language was clarified to refer to Underwriting Guidelines.

O. **Credit Calculation Method – Section IV.E.3.** (starts page 69)
Language was clarified and updated in the following sections:
- Amount of tax credits for reservation or Carryover Allocation
- Tax credit proceeds
- Increased basis for high cost areas

And a requirement for MFA approval of any ownership split beyond 99.99% (Limited Partner) and 0.01% (General Partner) was added.

P. **Final Processing and Awards - Board of Directors – Section IV.F.5.** (starts page 72)
A brief presentation to the board of directors was added as a requirement for each application up for an award.

Q. **Notification of Approval and Subsequent Project Requirements – Section IV.G.** (starts page 74)
- Requirements for quarterly reports were clarified.
- The requirement for site ownership was moved from being due at Carryover to being due at the 10% test deadline.
- Final construction completion inspection was added to the list of requirements ahead of 8609 issuance.

R. **Notification to MFA of Changes to the Project – Section IV.I.** (starts page 79)
Changes to 4% applications were included in this section.

S. **Attorney Fees – Section IV.L.** (page 81)
Activities requiring reimbursement were expanded and clarified.

T. **Ancillary Functions – Section V.** (starts page 82)
The Subsidy Layering information was moved up to the general information about the program, as it is not a function of MFA. This section only covers Tax Exempt Bond Processing, so the section header was changed to accurately reflect this.

U. **Processing of Tax-Exempt Bond Financed Project Applications – Section VI.B.** (starts page 83)
Language was clarified to reflect prior changes in the QAP.

V. **Inspections – Section X.B.** (starts page 86)
Per IRS regulations, the inspection frequency has changed. Additionally, language was added to reflect inspections to service plan delivery.

W. **Annual Certification Review – Section X.D.** (starts page 88)
Additional documentation is required annually.

X. **Glossary – Section XI.** (starts page 93)
The term "Capture Rate" was added.
The timeline for the creation of the Concerted Community Revitalization Plan was amended.
Set-aside units was modified.
Tenant Conversion Plan was modified.
Un-utilized or previously defined terms were eliminated from the glossary and capitalization was made consistent throughout.

Other updates
All dates have been pushed up by one month, to ensure New Mexico's credit pricing is as robust as possible.

Summary:

The proposed changes to the 2021 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 2021 QAP was approved by the Policy Committee and the Finance Committee. Notice of the public hearing was published in newspapers of general circulation. A 21-day public comment period commenced on August 17, 2020 and closed on September 8, 2020. A public hearing was held on September 2, 2020 for the purpose of accepting oral comments. All comments have been reviewed and analyzed, some of these have resulted in changes to the current draft, and some will be revisited over the next year in preparation for the 2022 QAP.

QAP Public Comment Responses

Table of Contents

Carryover Requirements

Comment: Having a deed or long-term lease for a property is a difficult requirement to meet carryover.

Response: This change has been made in the 2021 QAP. The requirement to submit a deed or long-term lease will now be required alongside those materials needed to pass the "10% test" on August 31st of the year following the reservation.

Concerted Revitalization Plan

Comment: Plans beyond NM MainStreets and Metropolitan Redevelopment Plans, such as state-designated Arts & Culture Districts, should be considered Concerted Community Revitalization Plans for prioritizing the distribution of tax credits.

Response: Further research is needed to effectuate a change. The definition of a Concerted Community Revitalization Plan will be reviewed and potentially expanded to incorporate more areas than those currently covered by Metropolitan Redevelopment Plans and NM MainStreets in the 2022 QAP.

Cost Containment

Comment: The QAP implies that Builder fees must be locked in at application for 4% Projects.

Response: Clarification regarding Builder fees for 4% projects provided in the 2021 QAP.

Comment: Allow more factors to be considered cost containment measures.

Response: This suggestion warrants further investigation; we will consider adding more factors as cost containment measures in the QAP for 2022.

Comment: Do not incentivize lower construction costs by eliminating “efficient use of tax credits” scoring criteria to encourage the building of higher quality units.

Response: The efficient use of tax credits scoring criteria does not put a limit on the total development cost but rather incentivizes leveraging other sources. The cost limits are based on the applications that come in during a round, and as such, the dollar amount of the cost containment cap increases with the market.

Design Competition

Comment: Reinstitute the Design Competition.

Response: Our development partners indicated that when the Design Competition was in place, it drove costs up significantly while providing relatively little in terms of tenant benefits.

For-Profit

Comment: Create a new scoring criterion for developers that are vertically integrated for-profit New Mexico companies.

Response: Vertical integration is a cost savings for the developer, not necessarily for tenants; it is not something that needs to be incentivized by the QAP. This suggestion would also primarily focus on the New Mexico development community, while MFA also wants to attract outside developers.

Comment: The QAP too heavily favors tribal entities and non-profits, both of whom already have access to a wide range of outside resources to cover development and building costs. For profit developers have little chance of securing tax credits.

Response: Tribal lands have a disproportionate need for quality affordable housing. There are many barriers to tribal projects that other projects do not have: developer capacity, lack of access to traditional financing sources, difficulty attracting investors and securing fair credit pricing, to name a few. Given these factors, we included tribal communities in the Underserved Populations Set-Aside in the 2021 QAP.

As for non-profits, the Code urges Housing Finance Agencies to support their participation. The current QAP does not exclude for-profits, but it does encourage them to enter into joint partnerships with non-profits.

However, this is an area we feel warrants additional consideration. It is not necessary to have a non-profit partner in order to produce a quality affordable housing development. There may be a way to lessen the scoring incentive and create a better balance, with the hope that for-profit partners do not feel like the *only* way they can participate is through a non-profit partnership, so will review this further for the 2022 QAP.

Comment: The financial capacity requirement for non-profits stifles participation.

Response: In order to score points in the non-profit Project Selection Criterion, qualified local non-profits must at a minimum have a $250,000 net worth, including net assets. We do not consider that a high bar for development and construction of projects that will require possessing hundreds of thousands, if not millions, of dollars worth of tools and/or capital.

Green Building

Comment: Provide additional points for exceptionally green building.

Response: This comment is taken under advisement but will require further study before it is implemented. Will be considered in the QAP for 2022.

Comment: Require building to the National Green Building Standard in the QAP.

Response: Implementing this standard would require adding yet another layer of bureaucracy due to third party inspection of units being required to abide by this standard. The energy efficiency and environmental standards in the 2021 QAP push developments to create energy efficient buildings without creating a high level of additional inspections.

Low Income Focus

Comment: Focus on the lowest income units, particularly by adding points for projects that include units reserved for those at 30% AMI.

Response: The QAP's "Other Scoring Points Available Section" allows for up to three additional points for projects in which at least 5% of units will be rent restricted at 30% of AMI without subsidy.

Comment: Income restrictions created by private property management firms disqualify many people from accessing set-aside units, even if they have a voucher.

Response: This is a matter that will be brought to MFA's Asset Management's attention. It is illegal to discriminate against voucher holding applicants to a tax credit property. The QAP reinforces that all projects must follow Fair Housing laws.

LURA and Limited Partner

Comment: The "Compliance Period and Extended Use Period" section does not differentiate between changes in Limited Partnerships and changes in General Partnerships. Changes in Limited Partnerships do not affect the General Partnership's ability to guarantee loans or compliance. This section should therefore explicitly exempt Limited Partnerships.

Response: This language is already contained in the current LIHTC LURA, and was added to the QAP for consistency. MFA is currently evaluating other states and their LURAs to make sure our requirements are in line with recommended practices.

Market Study

Comment: Requiring a market study for the initial LIHTC application duplicates costs. Now, potential developers have to pay for a market study for this application and for an additional market study for investors.

Response: We are interested in soliciting feedback to understand why the same market study can not be used for both the initial LIHTC application and for investors. MFA will accept the market study completed for investors as long as it includes MFA's market study requirements.

Market Study /Timeline

Comment: Market studies due with the initial application are an additional burden. The January 15th deadline is also to early in the year and inconvenient due to it being so close to the holidays.

Response: If a project requires a market study to be completed for investors; we are asking that the same market study be shared with us as well, assuming it includes MFA's market study requirements. Regarding the timing, we recommend that this study be completed before the holidays, and therefore well before the initial application deadline, if possible.

NC/Rehab

Comment: The allocation ratio of 2 new construction projects to 1 rehabilitation project will de-incentivize developers from applying for rehab projects. The commentator suggests that MFA not do this until a plan is in place to preserve existing smaller affordable rehabilitation projects with other funding sources that cannot be part on the 4% LIHTC track.

Response: MFA continues to evaluate the impact of this change on all projects.

Comment: There is an urgent need to focus on affordable housing to combat a continual rise in homelessness.

Response: We agree and will continue our work to incentivize the production of units for this vulnerable population. The 2021 QAP includes an Underserved Population Set-aside.

Rural Development

Comment: Points given for "Locational Efficiency" disadvantage rural areas. The way points are allocated in general should put rural areas on equal footing with urban areas.

Response: The purpose of this change in the "Locational Efficiency" criterion is to incentive site selection in close proximity to efficient public transportation for all projects, so that job and amenity access can be achieved without the use of a car. There is evidence of such transportation options in both rural and urban areas, and the QAP contains additional points in the Other category that are not available in urban areas.

Comment: Access to on call transportation should be considered equivalent to access to public transportation.

Response: On call transportation is not public transportation. An on call transportation option is not equally accessible to the tenants of the project compared to public transportation, nor is it equally accessible to the public to access the property. There is a caveat made for tribal projects utilizing "on call" transportation as their "public" transportation option.

Comment: The timeframe (from 6 AM to 6 PM) that public transportation must run at to receive points for "Locational Efficiency" should be changed.

Response: Agreed. The timeframe during which public transportation is offered will no longer be considered, but frequency must still be in place.

Comment: Rural markets do not have the same levels of access to development resources that urban markets do. Rural markets should be further subsidized.

Response: MFA looks for additional funding sources for rural projects in particular and will continue to do so.

Comment: Roswell should not be considered an urban area in the QAP.

Response: MFA uses an agency-wide definition of urban for consistency. We will review for the 2022 QAP.

Set-Aside

Comment: Add projects with 100% Project Based Vouchers to set-aside.

Response: The Permanent Housing Set-aside (PSH) incentivizes projects with at least 75% PBVs.

Comment: I am happy about the available set-aside options.

Response: Thank you.

Sustaining Affordability

Comment: Public housing projects converting to a project-based subsidy through RAD should be considered a new federal rental assistance contract and eligible for the full 15 points.

Response: This suggestion warrants further investigation in preparation for the 2022 QAP.

Timeline

Comment: Do not make significant changes to the QAP after the public comment period because further discussions cannot occur.

Response: The public comment period is meant to solicit ideas from fresh perspectives that result in changes to the QAP. However, having a second public comment period or another method of feedback is an idea we will consider.

Comment: Move the QAP's application date and award date.

Response: The QAP's application date is being moved up by a month, from February 14th to January 15th. The award date is also being moved up by a month, from June to May.

Comment: Should Zoning and Concerted Community Revitalization Plans require a six-month lead time to qualify as such in the QAP?

Response: A change has been made in the 2021 QAP. Concerted Community Revitalization Plans no longer require a six-month lead time. For Zoning, the requirement is to provide proof that the proposed project site does not prohibit multifamily housing and that proof needs to be less than six months old. This is a reasonable requirement because it is likely that a developer already has evidence of approved zoning; the QAP is only requiring that the approval be current.

~~2020~~ 2021 Areas of Statistically Demonstrated Need
Selection Methodology

Areas of Statistically Demonstrated Need

Tier 1

1) County or MSA with a population greater than 10,000; **and**
2) Growth rate greater than State for last five years (0.~~24~~36%); **and**
3) Vacancy rate below State average (4.~~10~~25%).

Tier 1 Counties: Bernalillo****, Doña Ana, Eddy*, Lincoln~~Lea*~~, Los Alamos, Otero, Sandoval**, Santa Fe, and Valencia.

Successfully Petitioned Tier 1 Municipalities: Village of Ruidoso*

Tier 2

1) County or MSA with a population greater than 10,000; **and**
2) Growth rate greater than State average for last five years (0.~~24~~36%); **or**
3) Vacancy rate below State average (4.~~10~~25%).

Tier 2 Counties: Chaves*, Grant*, Lea, ~~Lincoln~~, Luna, McKinley, Roosevelt, Rio Arriba***, San Juan*, San Miguel, Sierra*, Socorro#, Taos, and Torrance.

A county that loses its Tier 1 or Tier 2 status will retain their Tier status for a second year even though it did not meet the criteria in the current year. ~~Additionally, if a Tier 1 county would drop to Tier 2 based on current data, it will remain Tier 1 for an additional year.~~ Counties identified with an asterisk (*) in the table above will be removed from the list next year unless qualified by next year's data.

All Projects on Native American Trust Lands or Native American-owned lands within the tribe's jurisdictional boundaries are eligible for Tier 1 points.

Projects not falling in the above mentioned Tier 1 locations, may qualify for Tier 1 Status if their application contains a Market Study that shows an overall capture rate, as defined in the Glossary, of 8% or less overall (this may be subsidized capture rate, if subsidies are secured).

~~In addition to the above Tier 1 and Tier 2 counties, any project located within a Tier 2 or non-qualifying county may petition MFA, through a narrative discussion attached in their Application, 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 data should address data for the particular town or municipality. MFA will consider measurable and verifiable data evidencing vacancy rates, population growth, waiting lists, and other applicable data regarding the market (e.g. market studies, PHA waiting lists) when making the determination whether to classify a town or municipality as a tier area.~~

** Vacancy rate for Sandoval County is a weighted average of Rio Rancho (1~~2~~.9%) and Sandoval (4.0~~3.2~~%) data

*** Following the submission of a petition on October 3, 2019 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 and will remain on the list for 2021.

**** Following the submission of a petition on January 22, 2020 for Bernalillo County to move to Tier 1, MFA reviewed submitted measurable and verifiable data and determined that Bernalillo County would be classified as a Tier 1 in 2020 and will remain on the list for 2021.

Following the submission of a petition on February 3, 2020 for Socorro County to become a Tier 2, MFA reviewed submitted measurable and verifiable data and determined that Socorro County would be classified as a Tier 2 in 2020 and will remain on the list for 2021.

2021 Areas of Statistically Demonstrated Need
Selection Methodology

Areas of Statistically Demonstrated Need

Tier 1

1) County or MSA with a population greater than 10,000; **and**
2) Growth rate greater than State for last five years (0.36%); **and**
3) Vacancy rate below State average (4.25%).

Tier 1 Counties: Bernalillo****, Doña Ana, Eddy*, Lincoln, Los Alamos, Otero, Sandoval**, Santa Fe, and Valencia.

Successfully Petitioned Tier 1 Municipalities: Village of Ruidoso*

Tier 2

1) County or MSA with a population greater than 10,000; **and**
2) Growth rate greater than State average for last five years (0.36%); **or**
3) Vacancy rate below State average (4.25%).

Tier 2 Counties: Chaves*, Grant*, Lea, Luna, McKinley, Roosevelt, Rio Arriba***, San Juan*, San Miguel, Sierra*, Socorro[#], Taos, and Torrance.

A county that loses its Tier 1 or Tier 2 status will retain their Tier status for a second year even though it did not meet the criteria in the current year. Counties identified with an asterisk (*) in the table above will be removed from the list next year unless qualified by next year's data.

All Projects on Native American Trust Lands or Native American-owned lands within the tribe's jurisdictional boundaries are eligible for Tier 1 points.

Projects not falling in the above mentioned Tier 1 locations, may qualify for Tier 1 Status if their application contains a Market Study that shows an overall capture rate, as defined in the Glossary, of 8% or less overall (this may be subsidized capture rate, if subsidies are secured).

** Vacancy rate for Sandoval County is a weighted average of Rio Rancho (1.9%) and Sandoval (4.0%) data

*** Following the submission of a petition on October 3, 2019 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 and will remain on the list for 2021.

**** Following the submission of a petition on January 22, 2020 for Bernalillo County to move to Tier 1, MFA reviewed submitted measurable and verifiable data and determined that Bernalillo County would be classified as a Tier 1 in 2020 and will remain on the list for 2021.

[#] Following the submission of a petition on February 3, 2020 for Socorro County to become a Tier 2, MFA reviewed submitted measurable and verifiable data and determined that Socorro County would be classified as a Tier 2 in 2020 and will remain on the list for 2021.

2021 Areas of Statistically Demonstrated Need

County	**2015** Census Population [(a)]	**2019** Census Population [(a)]	Population growth [(a)]	5 Yr Population Growth > 0.36%	Part of MSA or County > 10 K	2019 % Rental Vacancy [(b)]	Rental Vacancy rate below 4.25%	2019 Determined Need (H = High, M = Medium)	2020 Determined Need (H = High, M = Medium)	2021 Determined Need (H = High, M = Medium)
Bernalillo	676,248	679,121	0.42%	Y	Y	4.69%	N	H*	H#	H#
Catron	3,476	3,527	1.47%	Y	N	N/A	N			
Chaves	65,825	64,615	-1.84%	N	Y	4.37%	N	M	M	M*
Cibola	27,044	26,675	-1.36%	N	Y	5.71%	N	H*		
Colfax	12,429	11,941	-3.93%	N	Y	N/A	N	M*		
Curry	50,290	48,954	-2.66%	N	Y	4.93%	N	M*		
De Baca	1,873	1,748	-6.67%	N	N	N/A	N			
Doña Ana	214,034	218,195	1.94%	Y	Y	3.48%	Y	H	H	H
Eddy	57,715	58,460	1.29%	Y	Y	4.55%	N	H	H	H*
Grant	28,364	26,998	-4.82%	N	Y	5.15%	N	M	M	M*
Guadalupe	4,350	4,300	-1.15%	N	N	4.51%	N			
Harding	719	625	-13.07%	N	N	N/A	N			
Hidalgo***	4,436	4,198	-5.37%	N	N	8.14%	N			
Lea	71,476	71,070	-0.57%	N	Y	2.41%	Y	H	H*	M
Lincoln	19,352	19,572	1.14%	Y	Y	3.35%	Y		M	H
Los Alamos	17,817	19,369	8.71%	Y	Y	3.62%	Y	H	H	H
Luna	24,367	23,709	-2.70%	N	Y	3.65%	Y	H*		M
McKinley	73,462	71,367	-2.85%	N	Y	2.88%	Y	H*	M	M
Mora	4,609	4,521	-1.91%	N	N	N/A	N			
Otero	64,768	67,490	4.20%	Y	Y	3.90%	Y	H	H*	H
Quay	8,445	8,253	-2.27%	N	N	9.16%	N			
Rio Arriba	39,370	38,921	-1.14%	N	Y	7.08%	N	H*	M****	M****
Roosevelt	19,137	18,500	-3.33%	N	Y	0.00%	Y	M*		M
Sandoval**	138,521	146,748	5.94%	Y	Y	2.27%	Y	H	H	H
San Juan	128,246	123,958	-3.34%	N	Y	5.17%	N		M	M*
San Miguel	28,215	27,277	-3.32%	N	Y	1.83%	Y	M*	M	M
Santa Fe	148,098	150,358	1.53%	Y	Y	1.85%	Y	H	H	H
Sierra	11,236	10,791	-3.96%	N	Y	11.39%	N	M	M	M*
Socorro	17,152	16,637	-3.00%	N	Y	5.17%	N	M*	M##	M##
Taos	32,797	32,723	-0.23%	N	Y	3.83%	Y	H*		M
Torrance***	15,596	15,461	-0.87%	N	Y	8.14%	N		M	M*
Union***	4,163	4,059	-2.50%	N	N	8.14%	N			
Valencia	75,661	76,688	1.36%	Y	Y	1.39%	Y	H*	H	H
	2,089,291	2,096,829	0.36%			4.25%				

Tier 1 - High

Tier 2 - Medium

*Remains on list for second year

**Vacancy rate for Sandoval County is a weighted average of Rio Rancho (1.9%) and Sandoval (4.0%) data

***Counties combined due to limited number of affordable housing developments

**** Following the submission of a petition on October 3, 2019 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 and will remain on the list for 2021.

Following the submission of a petition on January 22, 2020 for Bernalillo County to move to Tier 1, MFA reviewed submitted measurable and verifiable data and determined that Bernalillo County would be classified as a Tier 1 in 2020 and will remain on the list for 2021.

Following the submission of a petition on February 3, 2020 for Socorro County to become a Tier 2, MFA reviewed submitted measurable and verifiable data and determined that Socorro County would be classified as a Tier 2 in 2020 and will remain on the list for 2021.

N/A - Counties did not report data

Sources:

(a) U.S. Census Bureau, Annual Estimates of the Resident Population for New Mexico: **April 1, 2010 to July 1, 2019** (PEPANNRES)

(b) Vacancy Surveys: (1) Performed by BBER March, 2020, (2) Unpulblished data for the Apartment Market Survey Summary, January **2020**, provided by CB Richard Ellis Multi-Housing Group

	2015	2019	2019 Vacancy Rate
Bernalillo	676,248	679,121	5.5%
Dona Ana	214,034	218,195	3.5%
Santa Fe	148,098	150,358	2.3%
Sandoval	138,521	146,748	3.2%
San Juan	128,246	123,958	3.9%
Valencia	75,661	76,688	2.2%
McKinley	73,462	71,367	2.6%
Lea	71,476	71,070	2.6%
Otero	64,768	67,490	3.9%
Chaves	65,825	64,615	4.9%
Eddy	57,715	58,460	2.1%
Curry	50,290	48,954	3.5%
Rio Arriba	39,370	38,921	5.1%
Taos	32,797	32,723	5.4%
San Miguel	28,215	27,277	1.2%
Grant	28,364	26,998	0.7%
Cibola	27,044	26,675	8.4%
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Sierra	11,236	10,791	3.1%
Quay	8,445	8,253	6.2%
Mora	4,609	4,521	
Guadalupe	4,350	4,300	3.2%
Hidalgo	4,436	4,198	18.0%
Union	4,163	4,059	3.2%
Catron	3,476	3,527	
De Baca	1,873	1,748	
Harding	719	625	

STATE OF NEW MEXICO

HOUSING TAX CREDIT PROGRAM

QUALIFIED ALLOCATION PLAN

Effective as of ~~January~~ December 1, 2020

MFA

Housing New Mexico

NEW MEXICO MORTGAGE FINANCE AUTHORITY

Approved by Board of Directors on ~~11-20~~October, 21-~~2019~~2020
Approved by the Honorable Governor Michelle Lujan Grisham on November 25, 2019

Commented [KT1]: Update to Board approval date.

Commented [KT2]: Update to Governor approval date.

TABLE OF CONTENTS

I. Background and Purpose of the Qualified Allocation Plan

A. General

This “Allocation Plan” constitutes the “Qualified Allocation Plan” (QAP) for the state of New Mexico and is intended to comply with the requirements set forth in Section 42 of the Internal Revenue Code of 1986[1], as amended, including all applicable rules and regulations promulgated thereunder (collectively, the “Code”). This Allocation Plan applies to all allocations of Low Income Housing Tax Credits pursuant to ~~Section 42 of~~ the Code (hereinafter LIHTC, credits or tax credits) and multifamily private activity tax-exempt bonds made for QAP year ~~2020~~ 2021.

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

B. Role of MFA

New Mexico Mortgage Finance Authority (MFA) is the Housing Credit Agency (HCA) for the state of New Mexico, responsible for administering the T~~t~~ax C~~c~~redit P~~p~~rogram and allocating tax credits to eligible New Mexico Projects.~~[3]~~ Accordingly, MFA awards tax credits to Projects meeting its Project s~~S~~election c~~C~~riteria, 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, U.S. Department of Treasury (“Treasury”) regulations[4] 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 P~~p~~rojects and the effect of tax credits on their federal income taxes.

Administration of the T~~t~~ax C~~c~~redit P~~p~~rogram, 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

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

[2] Capitalized terms, when not defined in the text of this document, are defined in **Section XI** or in the Code.

~~[3] Additional capitalized terms are defined in **Section XI**, the Glossary.~~

[4] Treas. Reg. 26 CFR § 1.42.

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

The federal laws governing the T~~t~~ax C~~c~~redit P~~p~~rogram are subject to change. Final interpretations of certain rules and regulations governing the P~~p~~rogram 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 regulations promulgated thereunder, the federal regulation shall take precedence. If any portion of this QAP is invalid due to such conflict, the validity of the remaining portions will in no way be impacted, affected or prejudiced.

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

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

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

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

REGARDLESS OF ANY PROVISION OF THIS QAP OR ANY DOCUMENT REFERENCED BY OR INCORPORATED IN THIS QAP, IT IS EACH APPLICANT'S SOLE RESPONSIBILITY TO DEMONSTRATE IN ITS

APPLICATION THAT THE PROJECT PROPOSED ~~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~~ Special ~~housing~~ Housing ~~needs~~ 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 A~~a~~gency will use in monitoring for noncompliance.

This document is intended to fulfill requirements one and two above for MFA's tax credit allocation activity in the state, commencing on its effective date. The procedure required in item three above is summarized in **Section X** but published in full under a separate cover, titled Low-Income Housing Tax Credit Compliance Plan, and is available on our website: http://housingnm.org/asset_management/housing-tax-credit. ~~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~~ August 17, 2020~~19~~ and continuing through ~~October~~ September 8, 2020~~19~~), during which time a public hearing was held on ~~October~~ September 2, 2020~~19~~. 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 T~~t~~ax C~~c~~redit P~~p~~rogram to stimulate private sector investment in low income rental housing. In August of 1993, permanency was granted to the T~~t~~ax C~~c~~redit P~~p~~rogram 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 T~~t~~ax C~~c~~redit P~~p~~rogram. 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 **Competitive** Tax Credit Available Statewide

The state of New Mexico, for the calendar year ~~2020~~2021, will receive a population-based 9% ~~percent~~ tax credit allocation equal to $2.8125 per resident. The current year's population estimates, as provided by the Internal Revenue Service (IRS) and the estimated Annual c~~C~~redit c~~C~~eiling, including any carry-forward, returned or national pool credits received by the state, may be found on MFA's website: http://housingnm.org/developers/low-income-housing-tax-credits-lihtc.

Commented [KT3]: Update per Code.

C. ~~Equalization of~~**Allocation to** New Construction and Rehabilitation Projects

In order to serve both the ~~dual~~ purpose~~s~~ of building new affordable housing units and rehabilitating existing structures to create or preserve affordable housing units, MFA ~~desires to~~will ~~equalize~~ allocate the tax credits awarded in the 9% ~~percent~~ A~~a~~Application round based on project type. As such, new construction Applications, including A~~a~~daptive 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 P~~p~~rojects. An A~~a~~daptive reuse P~~p~~roject shall be categorized as a new construction Project for these purposes ~~of equalization~~. From those tracks, the ~~top~~ two highest scoring new construction Projects will be awarded first, followed by the highest~~top~~ scoring rehabilitation Project. The target pattern of two new construction Projects followed by one rehabilitation Project will be followed until all credits are allocated, or until the last P~~p~~roject in a track has been awarded. Projects awarded in the Nonprofit or Underserved Population set-asides will be considered in achieving this target. ~~in a track~~ Forward allocations may be made following the same process, however a~~A~~ny decision to forward allocate tax credits lies solely within MFA's inherent discretion and is not subject to further review. ~~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. In the alternative, MFA may determine, in its sole discretion, to not "pool" remaining tax credits and to not forward allocate the following year's tax credits, even if that means that MFA chooses to not fully allocate any year's Annual Credit Ceiling. Any decision to forward allocate tax credits lies solely within MFA's inherent discretion and is not subject to further review.~~

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~~of this example), then MFA may choose the next highest-scoring Project in the other track/category from the waiting list (e.g. new construction for purposes of this example.)

~~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-a~~A~~side

A minimum of 10%~~ percent~~ of the Annual c~~C~~redit c~~C~~eiling must be allocated each year to Projects involving Qualified Nonprofit Organizations. MFA's Allocation s~~S~~et-a~~A~~sides (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 A~~a~~llocation set-aside, several requirements must be met, as described in Code Section 42(h)(5). A ~~qualified~~ Qualified N~~n~~onprofit O~~o~~rganization 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 S~~s~~et-aside E~~e~~lection 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~~election: At least 20%~~ percent~~ of the U~~u~~nits 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~~election: At least 40%~~ percent~~ of the U~~u~~nits in the Project must be rent-restricted to and occupied by households whose income is at or below 60%~~ percent~~ of the AMI.
3. Average Income (AI) ~~Election~~election: This election under ~~Section 42 of~~ the ~~IRS~~ Code was authorized by the Consolidated Appropriations Act of 2018. This ~~set-aside~~election allows the Project to serve households up to 80%~~ percent~~ AMI~~ (80%)~~ as long as at least 40%~~ percent~~ of the total U~~u~~nits are rent and income restricted **and** the average income limit for all tax credit U~~u~~nits in the Project is at or below 60%~~- percent~~ AMI ~~(60%)~~.
    a. The following applies for this election:
        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 Land Use Restriction Agreement (LURA) on the property, both initial ~~set-aside~~ election (20/50 or 40/60) and AI ~~set-aside~~ election must be met.

b. The average of the imputed income limitations designated cannot exceed 60% AMI.

c. Those P~~p~~rojects electing ~~the~~ AI~~Average Income set aside~~ must include at least 5% of their U~~u~~nits above 60% ~~percent~~ AMI ~~(60%)~~.

d. All U~~u~~nits must be designated with a specific AMI percentage at the time of A~~a~~pplication.

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. Average Income applies to rent and income limits. If a U~~u~~nit has a designated limit of 80% AMI, the maximum rent that can be charged to a household for that U~~u~~nit is 30% of 80% of AMI. Similarly, if a U~~u~~nit has a limit of 40% AMI, the maximum rent that may be charged is 30% of 40% of AMI.

f. Skewing of U~~u~~nit 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.

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

h. Project Owners of P~~p~~rojects 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).

i. AI Projects may be subject to an increased C~~c~~ompliance M~~m~~onitoring fee.

j. MFA shall only accept an Application that chooses the AI election if all U~~u~~nits in the Project are rent-restricted to and occupied by households whose income is at or below 80% of AMI. In other words, MFA will not accept an Application that chooses the AI election if the Project includes unrestricted, M~~m~~arket R~~r~~ate U~~u~~nits.

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

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 (26 U.S.C. § 142). 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. Average Income unit designation is based solely on AMI. Projects that have layered NHTF with LIHTC should be mindful of this difference.

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

Only L~~l~~ow I~~i~~ncome U~~u~~nits as determined by the Project’s S~~s~~et-aside E~~e~~lection are eligible for tax credits. For example, if the 20/50 ~~Election~~ election is chosen, only U~~u~~nits that are rent restricted and set aside for tenants whose income does not exceed 50% ~~percent~~ of ~~Area Gross Median Income~~AMI are qualified as L~~l~~ow I~~i~~ncome U~~u~~nits. If the 20/50 ~~Election~~ election is chosen, U~~u~~nits with income and rent limits above 50% ~~percent~~ of ~~Area Gross Median Income~~AMI are not eligible for tax credits. Similarly, if the AI ~~Election~~ election is chosen, only U~~u~~nits that are rent restricted and set aside for tenants whose income does not exceed 80% ~~percent~~ of ~~Area Gross Median Income~~AMI are qualified as L~~l~~ow I~~i~~ncome U~~u~~nits. The minimum S~~s~~et-aside E~~e~~lection is irrevocable under the Code.

F. Rent and Income Restrictions

Set-aside U~~u~~nits must only be rented to households meeting certain income restrictions. Furthermore, rents charged for S~~s~~et-aside U~~u~~nits 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 U~~u~~nit or occupant thereof) from the gross rent calculation, only rents that do not exceed the ~~tax~~ Tax ~~credit~~ Credit Ceiling Rents (as defined in the Glossary) and are supported by the market study will be used for underwriting purposes. Exceptions may be made for Projects with project-based subsidies when the program governing the project-based subsidy allows higher rents. More detail regarding rental assistance payments and qualifying tenants can be found in the MFA Tax Credit Monitoring and Compliance Plan, which is issued under a separate cover and summarized in Section X.

G. General Public Use

Generally, all U~~u~~nits, including S~~s~~et-aside U~~u~~nits, must be made available to the general public under an initial lease term of at least six months. However, exceptions are made for ~~single~~ Single ~~room~~ Room ~~occupancy~~ Occupancy and transitional homeless facilities.

Under Treasury Regulation Section 1.42-9(b), if a residential U~~u~~nit is provided only for a member of a social organization or provided by an employer for its employees, the U~~u~~nit 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 S~~s~~pecial N~~n~~eeds, 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 or 4) of indigenous populations for those Projects located on Tribal Lands. Any U~~u~~nit 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 U~~u~~nits are not considered residential U~~u~~nits, even if rent is collected on the U~~u~~nit, but as facilities "reasonably required" for the P~~p~~roject, and should not be included in the A~~a~~pplicable F~~f~~raction as low-income residential space. These U~~u~~nits should be described in the narrative and indicated on all appropriate sections of the A~~a~~pplication 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 forces of the United States and MFA encourages all Projects to develop marketing plans that involve outreach and marketing of U~~u~~nits to veterans.

H. Eligible Projects

MFA's T~~t~~ax C~~c~~redit P~~p~~rogram 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~~households) are ineligible. Proposed Projects must be eligible for an allocation of credits under ~~Section 42 of~~ the Code.

I. Scattered-site Projects

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

1. Are located on the same tract of land, unless all the U~~u~~nits in all the "scattered site" buildings to be included in the P~~p~~roject are low-income U~~u~~nits;
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 U~~u~~nits.

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 **P~~p~~rojects in which U~~u~~nits are reserved for ~~households~~ Households with ~~special~~ Special ~~housing~~ Housing ~~needs~~Needs, ~~projects~~ Projects ~~reserved~~ Reserved for ~~senior~~ Senior ~~housing~~ Housing or**

~~projects~~ Projects in which 25% ~~percent~~ of all U~~u~~nits are reserved for ~~households~~ Households with ~~children~~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~~ compliant route, 2) the Application demonstrates, to the sole satisfaction of MFA, how the needs of persons with disabilities who do not have access to on-site services will be met and 3) sufficient community space for the provision of services is available for all residents of the P~~p~~roject.

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

In accordance with the provisions of this QAP, Projects may combine the rehabilitation of existing residential U~~u~~nits with the construction of new residential U~~u~~nits. 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~~construction if 51% ~~percent~~ or more of the total U~~u~~nits are newly constructed or constitute an adaptive reuse. Similarly, a Project will be classified as rehabilitation if 51% ~~percent~~ or more of the total U~~u~~nits 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/A~~a~~daptive reuse U~~u~~nits and an equal number of U~~u~~nits 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.

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

Applications for combined rehabilitation and new construction Projects must adhere to ~~, 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 regard to~~ the *MFA ~~2020~~ 2021 Mandatory Design Standards for Multifamily Rental Housing* (Design Standards) for both rehabilitated and newly constructed U~~u~~nits as they pertain to each

U~~u~~nit type. The cost limits will be applied based on the category chosen. For example, if the P~~p~~roject has 51% or more newly constructed U~~u~~nits, it will be held to the new Construction C~~c~~ost limits~~and cost limits~~ provided in Section IV.C.2. ~~Section II.C., above, is applicable to combined new construction and rehabilitation.~~

For all ~~Rehabilitation~~ rehabilitation Projects, A~~a~~pplicants 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~~ 2021 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 P~~p~~roject constitutes a M~~m~~oderate R~~r~~ehabilitation or ~~substantial~~ Substantial R~~r~~ehabilitation, 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 n~~N~~eeds a~~A~~ssessment ("CNA"). Please provide a copy of the CNA if available.

   b. Any capital expenditures made to the P~~p~~roject over the past two (2) years and the nature of these capital expenditures.

   c. Any past local, state or federal resources invested in the P~~p~~roject.

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

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

   f. Why the P~~p~~roject is appropriate for rehabilitation and not demolition;

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

   h. Any relocation issues;

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

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

2. Address the following:

    a. The anticipated date of site control and whether there is any identi~~f~~ty of interest between or among any ~~p~~Principal of the seller and buyer.

    b. The ~~10 year~~Ten-Year ~~r~~Rule.

    c. Current financing on the property or ~~p~~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 ~~p~~Projects previously subsidized with tax credits, proof that more than 20 years has passed since the ~~p~~Project was Placed ~~i~~In Service (Tax-exempt bond financed ~~p~~Projects are excluded from this requirement)

3. For ~~p~~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.

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

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

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

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

The initial Compliance Period for any Project is 15 years. An Extended Use Period also applies to any Project for a minimum of 15 additional years following the expiration of the Compliance Period, during which time transfers and tenant dislocation are limited as provided for in the ~~the~~ Project's Land Use Restriction Agreement (LURA). The Project Owner shall not sell, assign, convey, transfer or otherwise dispose of the Project or any building in the Project without prior written consent of MFA during the Compliance and Extended Use Periods. For the purposes of the tax credit ~~p~~Program, transfer of any of the ownership interests in Project Owner or Project Owner's partner(s) or member(s), as applicable, before the end of the Compliance Period shall be deemed a transfer of the Project. By agreeing to an Extended Use Period, the Project Owner and its successors and assigns agree to maintain the Project as a qualified low income housing project (as defined in Section 42(g) of the Code) through the expiration of the Extended Use Period. During the Compliance and Extended Use Periods the Project Owner is prohibited from evicting or terminating tenancy of an existing tenant of any low income U~~u~~nit other than for good cause and/or increasing the gross rent with respect to a low income U~~u~~nit 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), in which case existing L~~l~~ow-income T~~t~~enants will not be evicted or charged rents in excess of tax credit rents for a period of three years following the foreclosure or transfer by instrument in lieu of foreclosure in accordance with the Code.~~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 S~~s~~et-aside U~~u~~nits 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~~ HCA to write and implement a Monitoring and Compliance Plan (summarized in Section X.) MFA's plan includes a combination of Project Owner's certification of continued compliance and regular property visits for all complete LIHTC Projects. During the property visit, MFA will conduct a compliance audit and a physical inspection. The IRS has provided substantial penalties, including recapture of the tax credits plus interest, for non-compliance with the policies and procedures set forth in ~~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~~Final Allocation A~~a~~pplication. 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 "E~~e~~ligible B~~b~~asis" 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 E~~e~~ligible B~~b~~asis. 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-S~~s~~et-aside U~~u~~nits that are above the average quality of the S~~s~~et-aside U~~u~~nits in the Project are also ineligible. Additionally, F~~f~~ederal G~~g~~rants shall not be included in a Project's E~~e~~ligible B~~b~~asis in accordance with ~~Section 42 of~~ the Code.

~~1.~~ **1. 9% ~~Percent~~ Projects.** Projects located in a HUD-designated Qualified Census Tract or a HUD-designated Difficult Development Area (DDA) are eligible for a 30% basis increase (basis boost). Documentation of this status must be included in the Application. Because it is determined that Development C~~c~~osts may be higher in some other cases, MFA may designate other project types or geographical areas that are eligible for a state-designated basis boost up to 30%. ~~Tthe 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 .~~

2. **4 % ~~Percent~~/Tax-Exempt Bond Projects.** Projects located in a HUD-designated Qualified Census Tract (QCT) or a HUD-designated Difficult Development Area (DDA) may be eligible for a 30% basis increase (basis boost). Tax-exempt bond-financed projects are not eligible for any state-designated basis boost. ~~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~~ ~~**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 A~~a~~pplication ~~under tab 42~~. In no case will a Project's E~~e~~ligible B~~b~~asis attributable to the acquisition of an existing building be increased.

~~2.~~3. See Section IV.E.6. for further information and instruction on basis boosts for 9% and 4% projects.

N. Ten-Year Rule

In order for the acquisition of an existing building to qualify for tax credits, the 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 S~~s~~tate-assisted B~~b~~uildings. In addition, the Secretary of the Treasury can waive the 10-year “Placed I~~i~~n 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 E~~e~~ligible B~~b~~asis of any Project shall not include costs financed with a F~~f~~ederal G~~g~~rant. 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 A~~a~~pplicable credit percentage, F~~f~~ederal S~~s~~ubsidy 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 F~~f~~ederal S~~s~~ubsidy is tax-exempt bond financing. Tax-exempt bond financing does not require a reduction in E~~e~~ligible B~~b~~asis 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 E~~e~~ligible B~~b~~asis attributable to L~~l~~ow I~~i~~ncome U~~u~~nits. It is calculated as the smaller of the percentage of L~~l~~ow I~~i~~ncome U~~u~~nits in the building or the percentage of floor space devoted to L~~l~~ow I~~i~~ncome U~~u~~nits in a building.

Q. Placed I~~i~~n Service Requirement

The 10-year C~~c~~redit P~~p~~eriod, 15-year Compliance Period and minimum 15-year Extended Use Period begin with the taxable year in which the building is “Placed I~~i~~n 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~~ Carryover ~~allocation~~ 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~~ Carryover ~~allocation~~ Allocation

A~~a~~pplication by November 15th[5] 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 31st[6] of the following year. A C~~c~~ost C~~c~~ertification 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 c~~C~~ertification, 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 R~~r~~eservation may be canceled. Section 42(h)(1)(E) further allows for a qualified building to be Placed I~~i~~n 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 to tax-exempt bond financed Projects.

R. Building Classification and Tax Credit Applicable Percentages

The tax credit's A~~a~~pplicable C~~c~~redit P~~p~~ercentage (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 F~~f~~ederal S~~s~~ubsidy or F~~f~~ederal G~~g~~rants and the amount of credit necessary to reach feasibility and long-term viability. The rates of 4% ~~percent~~ credits fluctuate based on market conditions. The actual "A~~a~~pplicable credit percentages" are based on monthly prevailing interest rates that are calculated and published by the U.S. Department of Treasury ~~department~~ as the "applicable federal rate" or "AFR." The Protecting Americans from Tax Hikes (PATH) Act of 2015 permanently fixed the floor of the 9% ~~percent~~ credit at 9% ~~percent~~. 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 A~~a~~pplicable C~~c~~redit P~~p~~ercentage may be locked in at the Project Owner's option, at the sooner of 1) the month in which the building is Placed I~~i~~n Service or 2) the month in which a B~~b~~inding C~~c~~ommitment (~~carryover~~ Carryover ~~allocation~~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 A~~a~~pplicable C~~c~~redit P~~p~~ercentage 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 U~~u~~nit being

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

rehabilitated. For Projects Placed I~~i~~n Service after 2009, the $6,000 will be indexed for inflation. The minimum rehabilitation expenditures included in Qualified Basis for Projects Placed I~~i~~n Service in ~~2020~~ 2021 is $7,100 per U~~u~~nit. 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.

Commented [KT4]: Update per Code.

3. **Acquisition/rehabilitation of an existing building**. The maximum A~~a~~pplicable C~~c~~redit P~~p~~ercentage 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 U~~u~~nit being rehabilitated. For Projects Placed I~~i~~n Service after 2009, the $6,000 per low income U~~u~~nit figure will be indexed for inflation. The minimum rehabilitation expenditures included in Qualified Basis for Projects Placed I~~i~~n Service in ~~2020~~ 2021 is $7,100 per U~~u~~nit. 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.

Commented [KT5]: Update per Code.

4. **Federal G~~g~~rant financed Projects with reduction in E~~e~~ligible B~~b~~asis**. In the case of a Project financed with F~~f~~ederal G~~g~~rants, whether a newly-constructed or rehabilitated building, the Project Owner shall exclude the amount of the F~~f~~ederal G~~g~~rants from E~~e~~ligible B~~b~~asis.

S. Audit Requirements

Beginning with issuance of the Reservation C~~c~~ontract and Reservation L~~l~~etter 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 P~~p~~roject 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 P~~p~~rojects must maintain records of the process used to select general contractors (including any RFPs and Proposals). Written communication with selected general contractor regarding required C~~c~~ost C~~c~~ertification upon P~~p~~roject completion should be retained.

T. Subsidy Layering Review

Pursuant to Section 911 of the Housing and Community Development Act of 1992, HUD is required to determine that Projects receiving tax credits **and** federal, state or local assistance do not obtain subsidies in excess of that which is necessary to produce affordable housing. Requests for subsidy layering reviews may be made to the HUD Field Office with a copy of the review provided to MFA. An essential component of this review is an analysis of the reasonableness of fees paid to sponsors, Project Owners, Developers and builders. Consequently for purposes of Section 911 reviews, fees used to calculate tax credit amounts will not exceed the limits stated in **Section IV.D.2** Developer and Other Fees, above. Some of these maximum fees allowed by MFA may exceed the "safe harbor" fee amounts, which 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 L~~l~~ocal G~~g~~overnments to donate land and/or other services to worthy P~~p~~rojects due to the state's "anti-donation" clause. MFA will perform an internal Subsidy Layering Review only if required by an MFA funding source.

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

III. Housing Priorities and Project Selection Criteria

A. Needs Analysis

This ~~plan~~ Allocation Plan is consistent with the needs analysis of the state of New Mexico Consolidated Plan for Housing and Community Development and ~~2019~~ 2020 Action Plan. Housing priorities stated in the Consolidated P~~pP~~lan include increasing the supply of decent, affordable rental housing, expanding housing opportunities and access for individuals with S~~s~~pecial N~~n~~eeds, 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 A~~a~~llocation S~~s~~et-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 S~~s~~et-aside U~~u~~nits; 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~~Affordability Periods longer than the 30-year minimum.
2. Provision of affordable housing to households on public housing waiting lists;
3. Maximizing leverage by obtaining other public or private non-equity program resources;
4. An equitable distribution of tax credits throughout all parts of the state where affordable housing is needed;
5. Provision of housing to serve documented ~~senior~~ Senior ~~h~~Households and ~~households~~ Households with ~~special~~ Special ~~housing~~ Housing ~~needs~~Needs, tenant populations of ~~households~~ Households with ~~children~~Children, P~~p~~rojects 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 P~~p~~rojects that are located in QCTs and which P~~p~~rojects 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 D~~d~~evelopment C~~c~~osts 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 I~~i~~nitial 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 Q~~q~~ualified L~~l~~easehold I~~i~~nterest 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~~June 30 of the year in which the allocation is made ("initial term.") **This initial term must not be conditioned upon any extensions requiring seller consent, additional payments, financing approval, tax credit award or other such requirements**. Similarly, the transfer commitment must not require any additional actions on behalf of Applicant during the initial term which could allow the seller/lessor to terminate the transfer

commitment if the action is not fulfilled by Applicant. If the transfer commitment requires an escrow payment or other deposit due and payable after signing, evidence that payment was received must be included in the I~~i~~nitial Application; or

ii. A recorded deed or recorded lease demonstrating that Applicant possesses a Q~~q~~ualified L~~l~~easehold I~~i~~nterest.

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

c. For 9 percent projects, at ~~Carryover~~10% test submission (August 31 of the year following the Reservation), Project Owner must submit evidence that they have taken ownership of the land or depreciable real property or have~~s~~ executed a lease for the land (and buildings if applicable) with a term extending at least three years beyond that of any agreed upon Affordability Period. For tribal projects, this includes a fully executed Master lease and sublease with evidence of filing with the Bureau of Indian Affairs. For 4 percent projects, proof of the above level of site control must be provided upon 8609 request if it had not been provided previously.

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

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. **Applicant eligibility**. All members of the development team (i.e. Developer, Project Owner, G~~g~~eneral P~~p~~artner, 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 R~~r~~eservations, including timeliness in delivering required documents and fees and meeting all required deadlines. All members of the development team (i.e. Developer, Project Owner, G~~g~~eneral P~~p~~artner, contractor, management company, consultant(s), architect, attorney and accountant, etc.~~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.

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.4 and 5,** requirements pertaining to MFA's financial feasibility considerations.

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

   Subject Capture R~~r~~ate. The market study must provide a Capture R~~r~~ate, as defined in the Glossary, for the proposed P~~p~~roject overall, as well as Capture R~~r~~ates for each targeted income level and bedroom count. The rent burden (rent plus utility allowance, if any) may not exceed 30% of gross income at each income strata proposed, and the overall Capture R~~r~~ate for a P~~p~~roject must not exceed 10%. This rate may be the subsidized rate if subsidies are secured at the time of application.

   *Tribal projects are exempt from meeting the Capture R~~r~~ate level, but they must submit a Market Study meeting the requirements outlined in the Market Study Parameters document within the Application materials, and the Market Study must indicate a need for the type and quantity of housing proposed.

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

~~5.~~7. **Pre-Application Requirements**.

a. Intent to Submit-

   i. In advance of submitting the entire Application P~~p~~ackage on ~~February~~ January ~~14~~15, ~~2020~~2021, Applicants must submit an Intent to Submit a Tax Credit Application and Development Synopsis on or before ~~January~~ December ~~24~~21, ~~2020~~2021. (See Application Attachments Checklist for form.) This submission is a mandatory requirement for the ~~2020~~ 2021 competitive LIHTC Application round. Information contained within the Intent to Submit will be posted on the MFA website following submission.

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

b. ~~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 ~~2020~~ 2021 competitive LIHTC Application round to meet with MFA staff during the fourth quarter of ~~2019~~ 2020 to discuss their Project. All tax-exempt bond financed Projects are ~~required~~encouraged to meet with MFA staff at least 30 days prior to submission to review and discuss the proposed Project.

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

   Projects financed with t~~T~~ax-e~~E~~xempt b~~B~~onds 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 (10%) of the A~~a~~nnual C~~c~~redit C~~c~~eiling for each calendar year will be reserved for Projects sponsored by Q~~q~~ualified N~~n~~onprofit O~~o~~rganizations 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~~ Qualified N~~n~~onprofit O~~o~~rganizations may exceed this amount.

2. **Underserved Populations set-aside.** Twenty percent (20%) of the Annual C~~c~~redit C~~c~~eiling will be set aside for ~~th~~Underserved Populations as defined in this section. The Application must indicate the desire for the Project to participate in the Underserved Populations set-aside,

otherwise the Project will compete within the general round. The Project's score must be within 20% of the highest scoring Project to be awarded tax credits through the ranking process in the same funding round. The aggregate amount of tax credits allocated by MFA to P~~p~~rojects meeting the set-aside requirement may exceed this amount. Any decision to award tax credits within the Underserved Populations set-aside lies solely within MFA's inherent discretion and is not subject to further review. Awards under this set-aside may be made to the highest scoring P~~p~~roject(s) that falls in any of the following categories:
~~**USDA Rural Development set-aside**. Ten percent of the annual credit ceiling will be set aside~~

a. USDA Rural Development~~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:

i. The I~~i~~nitial Application for **new construction** Projects must include either:
   - A F~~f~~inancing C~~c~~ommitment for the direct USDA-RD financing. **Financing C~~c~~ommitments and evidence of USDA-RD debt restructuring must include loan interest rate, term and repayment requirements**, OR
   - A letter from an authorized officer of the New Mexico USDA-RD office stating that:
     a. The Project has been reviewed
     b. USDA-RD favorably considers the proposed transaction
     c. Upon approval of a complete a~~A~~pplication 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.

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

b. Permanent Supportive Housing (PSH) P~~p~~rojects that meet the following requirements:

i. The P~~p~~roject must meet threshold requirements within the Households with Special Housing Needs Housing Priority and agree to provide voluntary Case Management Services to residents.*
ii. All service coordination and budget requirements must be sufficient to provide proposed services to all PSH residents,
iii. PSH U~~u~~nits have no time limits on occupancy,
iv. PSH residents have the same rights and responsibilities as those occupying other low-income or market rate housing U~~u~~nits**,
v. PSH residents must have individual leases with identical requirements and protections as other low-income or market rate residents,
vi. PSH U~~u~~nits must cover 50% or more of the total U~~u~~nit count, and

vii. Vouchers must be in place or secured for 75% or more of the PSH U~~u~~nits in the P~~p~~roject.

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

**All P~~p~~rojects will be required to submit a PSH Commitment to Quality checklist with the Application and annually following the award.

c. Tribal Projects. Projects that are located within a Tribal Trust Lands boundary.

~~The Application must indicate the desire for the Project to participate in the Underserved Populations Set-Aside, otherwise the Project will compete within the general round. The Project's score must be within 20% percent of the highest scoring Project to be awarded tax credits through the ranking process in the same funding round. The aggregate amount of tax credits allocated by MFA to projects meeting the above requirement may exceed this amount.~~

~~Any decision to award tax credits within the Underserved Populations lies solely within MFA's inherent discretion and is not subject to further review.~~

~~2.~~3. **Ranking to meet A~~a~~llocation S~~s~~et-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.~~The highest scoring, Qualified N~~n~~onprofit O~~o~~rganization E~~e~~ligible Project will be funded first. If there are insufficient ~~qualified~~ Qualified N~~n~~onprofit O~~o~~rganization E~~e~~ligible Projects to meet the nonprofit set-aside, the unallocated nonprofit set-aside tax credits **cannot** be allocated to other E~~e~~ligible Projects. A similar procedure will be used to meet the ~~USDA-RD~~Underserved Populations set-aside, following the fulfillment of the nonprofit set-aside; however, if there are insufficient ~~USDA-RD~~Underserved Populations E~~e~~ligible Projects to meet th~~e USDA-RD~~e Underserved Populations set-aside, any unallocated ~~USDA-RD~~set-aside tax credits may be used for other E~~e~~ligible 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 A~~a~~llocation 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 R~~r~~eservations will not be awarded to 9% ~~percent~~ Projects achieving fewer than seventy-eight (78) points unless too few Projects score above this level and MFA, in its reasonable judgment, decides to reduce the minimum score. Projects scoring seventy-eight (78) or more points will be ranked according to their scores and in accordance with Section II.C. herein, subject to A~~a~~llocation 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~~ Total ~~development~~ Development ~~cost~~ Cost per U~~u~~nit 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 R~~r~~eservation 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 ~~sixty-three~~fifty-eight (~~63~~58) points in order to obtain a Letter of Determination. ~~Included within those minimum points must be points for~~ Tax-exempt bond financed Projects must serv~~e~~ ~~ing~~ a targeted population (~~households~~ Households with ~~special~~ Special ~~housing~~ Housing ~~needs~~Needs, Projects Reserved for ~~senior~~ Seniors ~~housing~~ or ~~households~~ Households with ~~children~~Children~~.~~) and meet the applicable threshold requirements OR meet the requirements ~~qualify~~ for the Underserved Populations set~~-~~-aside, as described in Section III. D.

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 G~~g~~eneral P~~p~~artners' 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~~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~~Project Selection Criterion, the qualified, nonprofit organization, NMHA, TDHE or THA must own at least 51% ~~percent~~ of the G~~g~~eneral P~~p~~artner 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 prior to submitting the Application.

Projects financed with t~~T~~ax-e~~-E~~xempt b~~B~~onds 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 G~~g~~eneral P~~p~~artner whose financials are being relied upon to meet the minimum net worth/net assets. A for-profit partner entity's reviewed financial statements may be used to achieve net worth/net assets thresholds.

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

2. Locational Efficiency **Up to ~~6~~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~~ Application P~~p~~ackage, at least 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.~~Maps must show, scale, cardinal direction, and actual walking distance from site to amenities with a dotted line.

~~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 P~~p~~roject within these set distances from the designated number of facilities in the table below:

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

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

Retail	Services	Civic and Community Facilities

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

Access to Public Transportation (2 or 4 Points)

General and Rural / Tribal (2 points) Locate Pproject 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, Pprojects on tribal land with established "on call" transportation programs that provide the users a choice of local destinations, regardless of their residency in the Pproject, shall be considered "public transportation." A future promise to provide service does not satisfy this ~~scoring criterion~~Project Selection Criterion.

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

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

The ~~scoring~~ Project Selection ~~criterion~~ Criterion applies to the rehabilitation of low-income apartment U~~u~~nits or the conversion of market rate apartment U~~u~~nits to low-income U~~u~~nits. 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 C~~c~~onstruction C~~c~~osts of $25,000 per U~~u~~nit or more for M~~m~~oderate R~~r~~ehabilitation or $45,000 per U~~u~~nit or more for ~~substantial~~ Substantial R~~r~~ehabilitation, and more than 20 years must have elapsed since issuance of certificates of occupancy or the~~-~~ U~~u~~nits were Placed I~~i~~n 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 U~~u~~nits were Placed I~~i~~n 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 C~~c~~apital N~~n~~eeds A~~a~~ssessment (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~~ Carryover for all other rehabilitation Projects. In all cases, the CNA will be reviewed and must support the ~~scope~~ Scope of ~~work~~ 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 years - 2 points
≥ 25 years - 3 points
≥ 27 years - 4 points
≥ 29 years - 5 points

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

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

MFA reserves the right to request additional information or documentation regarding the ~~scope~~ Scope of ~~work~~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~~ 2025or

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

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

~~3~~4. Projects that will have a new federal rental assistance contract covering at least 75% ~~percent~~ of all U~~u~~nits.

Projects that have an existing federal rental assistance contract covering at least 75% ~~percent~~ of all U~~u~~nits (or those P~~p~~rojects utilizing a conversion of existing federal rental assistance) are eligible for ten points.

Projects that have or will have a federal rental assistance contract covering at least 20% ~~percent~~ of all U~~u~~nits are eligible for five points.

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

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

1. A copy of the PHA administrative plan which describes the selection procedures for owner submission of PBV and for PHA selection of PBV proposals
2. A copy of the published public notice of the PBV proposal selected

3. If the proposal selected is for PHA-owned units, a copy of the HUD field office or HUD-approved independent entity's determination that the PHA-owned units were appropriately selected
(If the proposal is selected based on a previous competitive award, MFA would require documentation that the proposal meets the criteria for selection without additional competition.)

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

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

A. For any Project located within an Urban Area that proposes to use either the 20-50 or 40-60 election under §42(g)(1)(A) or §42(g)(1)(B) of the Code, respectively:
- At least 40% ~~percent~~ of all l~~L~~ow-i~~I~~ncome u~~U~~nits at 50% ~~percent~~ or less of Area ~~Gross~~ Median Income (16 points);
- At least 30% ~~percent~~ of all ~~Low-Income Units~~low-income units at 50% ~~percent~~ or less of Area ~~Gross~~ Median Income (14 points); or
- At least 25% ~~percent~~ of all ~~Low-Income Units~~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% ~~percent~~ of all ~~Low-Income Units~~low-income units at 50% ~~percent~~ or less of Area ~~Gross~~ Median Income (16 points);
- At least 15% ~~percent~~ of all ~~Low-Income Units~~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~~low-income units at 50% ~~percent~~ or less of Area ~~Gross~~ Median Income (12 points*).

[*Projects choosing the ~~electing the~~ 20-50 election ~~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~~ 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~~ 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 Applicants should not include Management Units~~-~~ in the calculation for percentage of U~~u~~nits at or below 50% of Area ~~Gross~~ Median Income (i.e. – manager and maintenance residential U~~u~~nits should not be included in the denominator of the calculation).

Those P~~p~~rojects electing the Average Income E~~e~~lection~~set aside~~ must include at least 5% of their U~~u~~nits above 60% ~~percent~~ of Area ~~Gross~~ Median Income.

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

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

6. Projects that Incorporate Market Rate Units	**4 Points**

Projects that incorporate M~~m~~arket R~~r~~ate U~~u~~nits equal to at least 15% ~~percent~~ of the total U~~u~~nits.

Projects that utilize the Average Income ~~set aside~~election 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~~ Project Selection Criterion and the Projects that Incorporate Market Rate Units ~~Scoring~~ Project Selection Criterion combined is 16.

For purposes of this ~~housing priority~~~~scoring~~Project Selection ~~c~~Criteria, total U~~u~~nits does not include Management Units.

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

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

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

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

Due to restrictions within the USDA program, this Project ~~s~~Selection C~~c~~riterion is not available to Projects involving USDA-RD rental assistance. Projects in which U~~u~~nits are reserved for ~~households~~ Households with ~~special~~ Special ~~housing~~ Housing ~~need~~Needs are eligible for points as follows:

Option A: 20% ~~percent~~ of total U~~u~~nits reserved for ~~households~~ Households with ~~special~~ Special ~~housing~~ Housing ~~needs~~ Needs (see definition in Glossary). To be eligible for points under this option, at least 10% ~~percent~~ of the total U~~u~~nits 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 U~~u~~nits reserved for ~~households~~ Households with ~~special~~ Special ~~housing~~ Housing ~~needs~~ Needs and 5% ~~percent~~ of the total U~~u~~nits 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~~~~scoring~~Project Selection C~~c~~riteria, total U~~u~~nits does not include Management Units.

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

~~Project~~ Applicants requesting consideration for points for a Project in which U~~u~~nits are reserved for Households with Special Housing Needs (~~Scoring Housing Priority~~Project Selection Criterion No. ~~no.~~ 8) are required to submit a Service Coordination Plan ~~("Plan")~~, which Plan demonstrates satisfaction of items A, B, C and E below. In addition to supplying the Plan, A~~a~~pplicant shall certify to MFA that it will meet the reporting requirements of Section D below ~~The Plan, along with required reporting described in Section D below, shall be satisfied in order to achieve threshold~~.

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 U~~u~~nits, with an additional one hour per week for every five U~~u~~nits over 20. Service coordinator must be in addition to the property manager and property management site staff. Duties of the service coordinator include, but are not limited to:

    a. Providing residents with information about available onsite and community services;

    b. Assisting residents in accessing available services through referral and advocacy;

    c. Arranging for access to transportation; and

    d. Organizing community-building and/or other enrichment events for residents (i.e. holiday events, resident counsel, etc.)

2. Adequate space to meet with residents that provides for confidential conversations and maintenance of secure records.

3. Access to telephone and internet services when meeting with residents for the purpose of coordinating services. Use of a smart phone and tablet is acceptable.

4. Meeting with residents requiring services within 60 days of move-in and semi-annually thereafter.

5. Provide follow up as needed to address resident's needs.

B. Coordinated Services-

1. Coordination of at least two services/programs to be offered on a monthly or quarterly basis, onsite, online, or in close proximity to the P~~p~~roject (within ~~½~~ 0.5 mile ~~accessible~~ ADA compliant walking distance or with free transportation provided.)

2. Services must be provided to residents at little or no cost. Services may not be provided by property management staff. ~~While i~~In limited circumstances some services may be provided by the service coordinator~~. An Applicant proposing that a service coordinator provide services must submit, the service coordinator's resume and a description of the experience the service coordinator has in providing the services must be provided with the~~ A~~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 wellbeing.

f. Improve educational success of children and youth.

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

b. Literacy/language training;

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

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

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

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

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

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

C. Marketing -

1. Applicants shall provide a narrative explaining how U~~u~~nits 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 A~~a~~pplication 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 U~~u~~nit.

   c. How the Project will liaise~~on~~ 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 U~~u~~nits shall not be rented to other non-Special Housing Needs households unless the U~~u~~nit has been marketed by the Project Owner and/or Management Company for 30 days from Placed I~~i~~n Service or Substantial Completion date, date notice to vacate is received for occupied U~~u~~nits, 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):

Applicants may choose from the following services to qualify for up to 8 points for providing services.	
Food pantry - onsite, or contiguous and accessible to the property and of adequate size with reasonably sufficient quantities of food, both perishable and non-perishable.	2
Free transportation services to support medical and social service needs – minimum 2 days per week. Bus passes are not sufficient to satisfy this scoring item.	5
Health p~~P~~romotion/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~~s~~ abuse counseling, crisis prevention and intervention, mental health counseling/therapy, etc.	3

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

For services provided by a qualified service provider, ~~application~~ 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~~ Special ~~housing~~ Housing ~~needs~~Needs.

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

Services must be optional for residents residing in reserved U~~u~~nits. Any cost for services must be accounted for separately from rent.

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

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

For purposes of this housing priority, total U~~u~~nits does not include Management Units.

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

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

The Applicant must indicate in the I~~i~~nitial 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 I~~i~~n 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 I~~i~~nitial Application. MFA, at its sole discretion, may allow substitution of enrichment services as deemed appropriate by MFA.

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

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

Additionally, there will be the following reporting requirements:

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

b. The number of residents served by each, and

c. The results of the annual survey.

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

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

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

Housing priority and design requirements met (must be met to be eligible for further points in this category)	Required
Community building and all U~~u~~nits incorporate ~~universal~~ Universal ~~design~~ Design (must be evidenced in plans and specifications)	3 points
Service enrichment scoring (requires service coordinator for point awards):	
Providing one prepared meal on a daily basis, available to all tenants at little or no cost to tenants	2 points (congregate meals) 1 point (meal service)
Bi-monthly health and nutrition education. Examples include, but are not limited to, fitness classes, walking programs, seminar instruction on cooking for one, information on the Supplemental Nutrition Assistance Program (SNAP.)	1 point
Quarterly blood pressure or other health screening	1 point
Quarterly computer training	1 point
Social events designated to provide engaging activities for residents “build community” such as holiday potlucks, arts and crafts events, book clubs, creative writing, bingo and other games, field trips to the movies or a museum or other place of interest, etc. Bi-monthly or six per year. This must include alternative methods for socializing incorporating social distancing. ~~-~~(qualified service provider not required)	1 point
Beyond Financial Literacy – financial counseling and tax preparation-educational programs to occur quarterly and focus on one or more of the following topics: budget counseling, financial planning assistance, credit score counseling, avoiding credit traps, income tax preparation in partnership with CPAs or a VITA program or local community college.	1 point
Gardening: delivery of at least four monthly gardening classes per year during the growing season by a qualified instructor plus provision of gardening space of at least three square feet per U~~u~~nit for at least 50% ~~percent~~ of the U~~u~~nits 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 8 Points**

Projects in which 25% ~~percent~~ of all U~~u~~nits are reserved for H~~h~~ouseholds with C~~c~~hildren are eligible for points as described below:

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

- ~~-~~10% ~~percent~~ of the total U~~u~~nits must have three or more bedrooms with at least ~~1.75 bathrooms~~ two bathrooms, one of which must contain four pieces (bathtub, shower (or bathtub/shower combo), sink, and toilet) and the other must contain at least three pieces (sink, toilet and bathtub or shower)
- and a further 15%~~-~~ ~~percent~~ of the total U~~u~~nits must have two bedrooms with at least two bathrooms, one of which must contain four pieces (bathtub, shower (or bathtub/shower combo), sink, and toilet) and the other must contain at least three pieces (sink, toilet and bathtub or shower)~~1.75 bathrooms~~.

For rehabilitation Projects, at least :~~,~~

- ~~-~~30%~~-~~ ~~percent~~ of the total U~~u~~nits must have at least two bedrooms.

For Projects that combine rehabilitation and new construction:~~, a~~

- All newly constructed two and three or more bedroom U~~u~~nits ~~added to existing properties~~ must have ~~two bedrooms with~~ two bathrooms, one of which must contain four pieces (bathtub, shower (or bathtub/shower combo), sink, and toilet) and the other must contain at least three pieces (sink, toilet and bathtub or shower)~~1.75 bathrooms~~
- ~~and T~~~~three bedrooms with 1.75 bathrooms~~ Two and three or more bedroom U~~u~~nits must be added until the percentages required for new construction Projects are met for the Project overall.

All Projects must include adequate common space for the provision of the proposed enrichment services. The Applicant must provide a description of the Project's specific design elements that serve the needs of H~~h~~ouseholds with C~~c~~hildren.

For purposes of this housing priority, total U~~u~~nits does not include Management Units.

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

The Applicant must indicate in the I~~i~~nitial 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 I~~i~~n 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 I~~i~~nitial Application. MFA, at its sole discretion, may allow substitution of enrichment services as deemed appropriate by MFA.

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

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

Additionally, there will be the following reporting requirements:

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

b. The number of residents served by each, and

c. The results of the annual survey.

All Projects shall comply with Federal Fair Housing requirements. Any limitation or preference must not violate nondiscrimination requirements. A limitation does not violate nondiscrimination requirements if the Project also receives funding from a federal program that limits eligibility to a particular segment of the population (e.g. Housing Opportunity for Persons Living with AIDS program, 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)	Required
Service enrichment scoring (requires service coordinator for point awards):	
Bi-monthly health and nutrition education, including but not limited to, fitness classes, walking programs, seminar instruction on meals in minutes.	1 point
Semi-annual CPR training	1 point
Quarterly blood pressure or other health screening	1 point
Quarterly computer training	1 point
Weekly tutoring during school year	1 point
Quarterly job training, search assistance and/or placement	1 point
Gardening: delivery of at least four monthly gardening classes per year during the growing season by a qualified instructor plus provision of gardening space of at least three square feet per U~~u~~nit for at least 50% ~~percent~~ of the U~~u~~nits 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~~ Total ~~development~~ Development ~~cost~~ Cost (TDC) is to be made permanently available to the P~~p~~roject through a grant or other contribution by a private third party entity or other federal funds or endowed by formal resolution of a state, L~~l~~ocal G~~g~~overnmental 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 A~~a~~pplicant provides evidence the grant/contribution is irrevocable, legally binding, evidenced by a formal resolution of the third party's b~~B~~oard of d~~D~~irectors or other controlling authority and the third party does not possess an ownership interest in the P~~p~~roject. Federal funds may count as a contribution provided A~~a~~pplicant 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 E~~e~~ligible B~~b~~asis.

Up to 10 points will be awarded corresponding to the percentage of TDC contributed as described in this ~~scoring~~ Project Selection C~~c~~riterion. Only whole points will be awarded with the point value rounded down to the nearest percentage point. For example, a P~~p~~roject that provides leverage of 2.3% ~~percent~~ of TDC, is eligible for two points, a P~~p~~roject 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, L~~l~~ocal G~~g~~overnmental 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 A~~a~~pplicant submits a signed letter from the L~~l~~ocal G~~g~~overnmental 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~~ Application date and completed by MAIs licensed in New Mexico must be submitted for all ~~applications~~ 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	**3 Points**

Points are awarded to I~~i~~nitial 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, with required signatures and the "other" categories; (ii) Applicant shall adhere to MFA's published Underwriting Supplement, unless a waiver has been granted by MFA, when completing 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 all hard copy documents must be legible; and (v) any narratives submitted must be accurate, complete and concise and contain the requested information .

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

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

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

Projects are eligible for 3 points if:

a) the Project is located in an area covered by a Concerted Community Revitalization Plan and the development of the proposed Project contributes to the Concerted Community Revitalization Plan by engaging in a housing activity promoted in the plan. A Concerted Community Revitalization Plan is defined as a metropolitan redevelopment plan as defined in

NMSA 1978 Section 3-60A-4 prepared and enacted by a local, county or tribal government ~~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 ~~or~~boundaries; or

b) the proposed Project is located within ~~½~~ 0.5 mile of a New Mexico designated MainStreet area.

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

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

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 all the U~~u~~nits are intended for eventual tenant ownership are eligible for points under this criterion, P~~p~~rojects are limited to single family, duplex, four-plex or townhome style projects, that may be easily separated from other U~~u~~nits.

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

- Intention to convert must be expressed in writing at the time of Application;
- Applicant must submit a comprehensive plan that includes, but is not limited to, provisions for repair or replacement of heating system, water heater, and roof prior to sale; limitation on equity upon subsequent sales; homeownership classes for potential homebuyers; and requirements for extent of stay in rental U~~u~~nit to be eligible for purchase;

- Purchaser must occupy U~~u~~nit as primary residence;
- Units must be initially marketed to existing rental residents, including residents in Market R~~r~~ate U~~u~~nits. Remaining U~~u~~nits not sold to existing renter households must be sold to households earning 80% or less of AMI; and

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

17. Blighted Buildings and Brownfield Site Reuse	**5 Points**

Projects that include the demolition of B~~b~~lighted 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 B~~b~~uilding's G~~g~~ross S~~s~~quare F~~f~~eet. For scattered site projects, the total square footage of the B~~b~~lighted B~~b~~uildings 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~~ 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 B~~b~~lighted Building, and the Applicant must provide documentary support such as notices of violation of: (1) Local Government's codes or regulations or, (2) the recorded covenants, conditions and restrictions for the property or, (3) a condemnation notice from public record. The ~~application~~ 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 or Market Study Supported Area

Tier 1: 10 points

Tier 2: 5 points

Tier 1

Eligible Projects are located in the counties of: Bernalillo****, Dona Ana, Eddy*, Lincoln ~~Lea*~~, Los Alamos, Otero, Sandoval**, Santa Fe, 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.

Successfully Petitioned Tier 1 Municipalities: Village of Ruidoso*

Projects not falling in the above mentioned locations, may qualify for Tier 1 Status if their A~~a~~pplication contains a Market Study that shows an overall Capture R~~r~~ate, as defined in the Glossary, of 8% or less overall (this may be subsidized Capture R~~r~~ate, if subsidies are secured).

Tier 2

Eligible Projects are located in the counties of: ~~Bernalillo~~, Chaves*, Grant*, Lea, Luna, ~~Lincoln~~, McKinley, Roosevelt, San Juan*, Rio Arriba***, San Miguel, Sierra*, Socorro#, Taos, and Torrance*.

These tier areas are subject to change based on any changes in the ~~2020~~ 2021Action Plan.

~~In addition to the above Tier 1 and Tier 2 counties described above, an Applicant may petition MFA, on or before January 24, 2020, 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 ~~2020~~2021.

** Vacancy rate for Sandoval County is a weighted average of Rio Rancho (1~~2~~.9%) and Sandoval (~~3.2~~4.0%) 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; and it will remain as a Tier 2 for 2021.

**** Following the submission of a petition on January 22, 2020 for Bernalillo County to move to Tier 1, MFA reviewed submitted measurable and verifiable data and determined that Bernalillo County would be classified as a Tier 1 in 2020; and it will remain as a Tier 1 for 2021.

[#] Following the submission of a petition on February 3, 2020 for Socorro County to become a Tier 2, MFA reviewed submitted measurable and verifiable data and determined that Socorro County would be classified as a Tier 2 in 2020; and it will remain as a Tier 2 for 2021.

19. Efficient Use of Tax Credits	**5, 10, or 15 Points**

For purposes of this ~~scoring~~ Project Selection C~~c~~riterion, new construction Projects include A~~a~~daptive R~~r~~euse Projects.

New construction Projects that request less than $16,074 tax credits per low income U~~u~~nit **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 U~~u~~nit **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 U~~u~~nit **or** less than $16.61 tax credits per low income square foot are eligible for 5 points.

Substantial R~~r~~ehabilitation Projects that request less than $14,065 tax credits per low income U~~u~~nit **and** less than $14.52 tax credits per low income square foot are eligible for 15 points. Substantial R~~r~~ehabilitation Projects that request less than $15,472 tax credits per low income U~~u~~nit **and** less than $15.95 tax credits per low income square foot are eligible for 10 points. Substantial R~~r~~ehabilitation Projects that request less than $14,065 tax credits per low income U~~u~~nit **or** less than $14.52 tax credits per low income square foot are eligible for 5 points.

Moderate R~~r~~ehabilitation Projects that request less than $12,055 tax credits per low income U~~u~~nit **and** less than $12.46 tax credits per low income square foot are eligible for 15 points. Moderate R~~r~~ehabilitation Projects that request less than $13,261 tax credits per low income U~~u~~nit **and** less than $13.66 tax credits per low income square foot are eligible for 10 points. Moderate R~~r~~ehabilitation Projects that request less than $12,055 tax credits per low income U~~u~~nit **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 G~~g~~ross S~~s~~quare F~~f~~eet multiplied by the Project's A~~a~~pplicable F~~f~~raction 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~~ Project Selection C~~c~~riterion, M~~m~~anagement U~~u~~nits should be included in the total U~~u~~nit 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~~ Selection ~~criteria~~ 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 I~~i~~nitial 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 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, A~~a~~pplicants 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~~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 A~~a~~daptive R~~r~~euse 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 A~~a~~daptive R~~r~~euse Projects and does not allow smoking or use of electronic cigarettes inside any of the U~~u~~nits 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 A~~a~~daptive reuse and not rehabilitation.

In combined new construction and A~~a~~daptive R~~r~~euse Projects, converted space must account for at least 20% ~~percent~~ of the sum of each B~~b~~uilding's G~~g~~ross S~~s~~quare F~~f~~eet. The separation of conversion costs and new C~~c~~onstruction C~~c~~osts 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 C~~c~~onstruction C~~c~~osts.) 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 U~~u~~nits in the Project to residents earning 30% ~~percent~~ or less of Area Median Income, for which no federal assistance is existing or anticipated. For P~~p~~rojects in the Special Housing Needs housing priority category, the Project restricts an additional 5% ~~percent~~ of the total

U~~u~~nits in the Project to residents earning 30% ~~percent~~ or less of Area Median Income, which U~~u~~nits 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 U~~u~~nits 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 U~~u~~nits if in the Special Housing Needs housing priority category). (3 points)

(ii) The Project involves newly constructed U~~u~~nits totaling 35 U~~u~~nits or less, and does not contain any rehabilitation or A~~a~~daptive reuse in Project scope and the ~~MFA-ordered~~ Market Study supports need for the P~~p~~roject (3 points); or

(iii) The Project is to be located in a town, municipality, or Census Designated Place (CDP) with a population less than 16,000 people pursuant to data published by the 2016 U.S. Census Bureau, and the ~~MFA-ordered~~ Market Study supports need for the P~~p~~roject (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 P~~p~~roject (3 points);

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

(vi) Women and/or minorities are encouraged to participate in the ownership, development, or management of the P~~p~~roject. The minority or female individual(s) must serve as either:

a. The G~~g~~eneral P~~p~~artner, manager or managing member of the Ownership Entity or Responsible Owner, must have at least a 50% ownership interest in the Ownership Entity or Responsible Owner or
b. Must have at least 50% ownership interest in the participating business to qualify for the points. These businesses include any members of the development team (i.e. contractor, management company, consultant(s), architect, attorney and accountant, etc.)

The name and address of the company and the anticipated contract amount or ownership percentage must be listed at the time of Application on the form provided by MFA in the Application P~~p~~ackage in order to be eligible.

The Application is capped at six (6) points maximum for this ~~scoring~~ Project Selection C~~c~~riterion.

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~~ Selection ~~criteria~~ 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 I~~i~~nitial ~~application~~ 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 E~~e~~ligible B~~b~~asis as a result of increases in hard C~~c~~onstruction C~~c~~osts 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~~ Selection ~~criteria~~ 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 I~~i~~nitial 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 U~~u~~nits, 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 I~~i~~n 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 I~~i~~dentity of I~~i~~nterest in any Principal of the buyer and seller, the Project will be subject to reduced developer fees. When there is such an I~~i~~dentity of I~~i~~nterest, 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 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 5~~6~~5 or better and all rehabilitation Projects must obtain a HERS score of 6~~7~~5 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 P~~p~~ackage 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 hard copy A~~a~~pplications for the ~~2020~~ 2021 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~~ January ~~3~~4, ~~2020~~ 2021 through ~~February~~ January 15~~4~~, ~~2020~~2021. Initial electronic Applications may be submitted anytime between January 4, 2021 at 8 a.m. Mountain Standard Time and January 15, 2021 at 4 p.m. Mountain Standard Time. Both hard copy and electronic initial ~~a~~Applications must be submitted ahead of ~~5~~4 p.m. Mountain Standard Time on January 15, 2021 (Application d~~D~~eadline). Initial hard copy Applications must be received by MFA at the address identified in Section IV.A.2 of this QAP no later than the Application ~~deadline~~d~~D~~eadline. Initial electronic applications must be fully uploaded to the file sharing site identified in Section IV.A.2 of this QAP no later than the Application ~~d~~Deadline. ~~Both hard copy and electronic initial applications must be submitted ahead of 5 p.m. Mountain Standard Time on January 15, 2021.~~ 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 E~~e~~ligible Projects at MFA's sole discretion.

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

2. Place of Submission

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

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

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

Initial Electronic Applications must be uploaded to MFA's file sharing Site:
https://local.housingnm.org/FileTransferHD/ (described below in Section IV.A.4.b.)

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 I~~i~~nitial 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 G~~g~~eneral P~~p~~artners. MFA will require submission of an "omnibus" signature page wherein all G~~g~~eneral P~~p~~artners 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 I~~i~~nitial Applications must include the A~~a~~pplication form, the LIHTC A~~a~~pplication attachments checklist found in the A~~a~~pplication P~~p~~ackage and all mandatory items listed in Section I of the LIHTC A~~a~~pplication attachments checklist. In addition to the hard copy A~~a~~pplication, 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 b~~B~~oard member home addresses, redacted must be uploaded to MFA's file sharing site: https://local.housingnm.org/FileTransferHD/. 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. Additionally, the Universal Rental Development Application Form and Universal Rental Development Schedules A-I excel spreadsheet files ~~may~~ must be submitted, ~~but~~ and spreadsheet pages must also be contained in the fully tabbed PDF file, as described above.

c) Complete I~~i~~nitial Applications must include A~~a~~pplication fees as outlined in Section IV.B below.

d) Complete initial hard copy Applications must be submitted in 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.

e) No additional materials may be submitted after the I~~i~~nitial 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. If there is a discrepancy or illegibility, the hard copy will take precedence, with the exception of items submitted under Tab 16, for which the electronic version will take precedence. A discrepancy between the hard and electronic submissions will result in a loss of Complete Application points in Project Selection Criteria #XX.

h) Forms must be completely filled out and executed as needed. All required original 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.4~~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 I~~i~~nitial Application P~~p~~ackage, 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 ~~p~~Project ~~selection~~ Selection ~~criteria~~ Criteria are not provided in the I~~i~~nitial 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.

Applicants may request, in writing, at the time of Application, nondisclosure of confidential information. Such confidential information shall accompany the Application but shall be readily separable from the proposal so as to facilitate public inspection of the non-confidential portions of the proposal. After award, all Applications will be open to the public for inspection pursuant to MFA's Request to Inspect Documents policy. Confidential information shall only include such information as excepted under Section 14-2-1 NMSA 1978.

If MFA receives a request for inspection of its records which would require the disclosure of information identified by Applicant as confidential information, it will examine the Applicant's request for confidentiality and make a written determination that specifies which portions of the proposal, including any information identified by the Applicant as confidential information, shall be disclosed. MFA will provide the Applicant with a written notice of determination which details which information MFA intends to disclose and the date it shall disclose such information.

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, 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 I~~i~~nitial Application is submitted and end upon the ~~announcement~~ approval of ~~the~~ tax credit awards by MFA's Board of Directors. 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~~Projects, issues, or ~~applications~~Applications, including questions regarding MFA gap funding requested in conjunction with the Application.

The imposition of the Quiet Period does not relieve~~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~~ Officer in writing immediately of the material change, and MFA staff shall review the notification and determine, in its sole discretion, what action, if any, is to be taken with respect to the pending Application. After award, all Applications and documents pertaining to the Applications will be available to the public.

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

Kathryn Turner
Tax Credit Program Officer
(505)767-2283
kturner@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 B~~b~~oard 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 B~~b~~oard 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~~officer, whose contact information is provided in **Section IV.A.5**. Nothing in this section shall be construed to alter or affect the mandatory appeals processes and procedures that are prescribed elsewhere in this QAP. **An Applicant's failure to adhere to the prescribed ~~application~~ 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~~ Fees are due at the times and in the amounts shown below and they apply to both allocated and non-allocated tax credits. Fees may be delivered in the form of personal or business checks, money orders or cashier's checks. Any check returned for insufficient funds will result in rejection of the Application, cancellation of the ~~reservation~~ 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 I~~i~~nitial Application
- $750 for nonprofit or governmental entity Applicant; $1,500 for a for-profit Applicant

~~Market Study and~~ Design Review Deposit

- $~~8,5~~10,000 (deposit) due at submission of tax credit I~~i~~nitial 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 $~~8,5~~10,000 deposit is due within 20 calendar days of billing by MFA.

If a subsequent MFA-ordered Market Study is required, the cost will be covered by the Applicant through this deposit. Additional incurred design costs will be billed.

Processing Fee

- Due at execution of ~~reservation~~ Reservation C~~c~~ontract for 9% ~~percent~~ awards; due prior to delivery of L~~l~~etter of D~~d~~etermination or construction start, whichever occurs first for P~~p~~rojects financed with tax- exempt bonds.

- 7.75% ~~percent~~ of MFA-determined tax credit allocation amount rounded down to the nearest dollar.
- For P~~p~~rojects financed with tax~~-~~-exempt bonds, if the actual tax credit amount is greater at ~~final allocation~~Final Allocation than when the L~~l~~etter of D~~d~~etermination was delivered, the Applicant must pay an additional processing fee of 7.75% ~~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~~Final Allocation ~~a~~Application (number of U~~u~~nits x $50/S~~s~~et-aside U~~u~~nit/year x 15 years).
    - $50/set-aside U~~u~~nit/year (Average Income projects may be subject to an increased C~~c~~ompliance M~~m~~onitoring fee.)
    - $20/set-aside U~~u~~nit/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, r~~Request for increase in tax credits, request for changes to a Project, including changes in ownership, ~~-~~and/or requests for document corrections (when not a result of an administrative error by MFA, including when changes or alternate forms are proposed by an Applicant in lieu of MFA standard forms.)

- $500 due at submission of review/correction request

Extension Fee

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

C. Staff Analysis and Application Processing

1. **Threshold review**. Following the Application deadline, MFA will undertake a threshold review to determine whether the I~~i~~nitial Application meets the minimum Project threshold requirements shown in Section III.C.. If the I~~i~~nitial 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 D~~d~~evelopment C~~c~~osts for various types of Projects may not exceed the following:
   a. **New construction and A~~a~~daptive R~~r~~euse Projects**. The ~~total~~ Total ~~development~~ Development ~~cost~~ Cost per U~~u~~nit must not exceed 130% ~~percent~~ of the average ~~total~~ Total ~~development~~ Development ~~cost~~ Cost per U~~u~~nit for all new construction and A~~a~~daptive R~~r~~euse Projects submitted in the same round. Similarly, the hard C~~c~~onstruction C~~c~~ost plus architect and engineering fees per square foot must not exceed 130% of the average cost per square foot for all new construction and A~~a~~daptive R~~r~~euse Projects submitted in the same round.
   b. **Acquisition/rehabilitation Projects**. The ~~total~~ Total ~~development~~ Development ~~cost~~ Cost must not exceed 100% ~~percent~~ of the average ~~total~~ Total ~~development~~ Development ~~cost~~ Cost per U~~u~~nit for all new construction and A~~a~~daptive R~~r~~euse Projects submitted in the same round. Similarly, the hard C~~c~~onstruction C~~c~~ost plus architect and engineering fees per square foot must not exceed 100% of the average cost per square foot for all new construction and A~~a~~daptive ~~r~~Reuse Projects submitted in the same round.
   c. **Tax-exempt bond financed Projects**. Total ~~development~~ Development ~~cost~~ Cost must not exceed the limits established for new construction, A~~a~~daptive reuse or acquisition/rehabilitation Projects, as appropriate, submitted in the most recent allocation round.
   d. **Combined Rehabilitation and N~~, n~~ew construction ~~and adaptive reuse~~ Projects**. For Projects that involve rehabilitation of existing U~~u~~nits, the construction of new U~~u~~nits and/or the A~~a~~daptive reuse of an existing building, the costs ~~related to each will be evaluated separately for comparison~~ will be evaluated based on the track/category selected by the project as described in Section II.J. above to the limits established in Sections IV.C.2.a. and b. above.

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

Recognizing that Tax Credit P~~p~~rojects require soft costs above and beyond traditional development, when determining the average per square foot cost for each P~~p~~roject, 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 "U~~u~~nit," "~~total~~ Total ~~development~~ Development ~~cost~~Cost," and "H~~h~~ard C~~c~~onstruction C~~c~~osts" 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 allocation~~Final Allocations.

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

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

5. **Deficiency correction period**. MFA may provide a deficiency correction period after the threshold review. This period is intended only to: 1) correct threshold items that are identified as correctable in Section III.C, 2) address C~~c~~omplete 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 A~~a~~daptive R~~r~~euse Projects, a CNA will be required subsequent to the ~~i~~Initial Application (prior to the issuance of the L~~l~~etter of D~~d~~etermination for tax-exempt bond financed Projects and at ~~carryover~~ Carryover ~~application~~ Application for all other Projects) and this assessment will be reviewed by MFA for completeness, consistency with the Application and compliance with the Design Standards. All plans and related design materials submitted as part of an Application must provide enough detail for MFA to determine compliance with the Design Standards. Professionals performing the CNA must meet the minimum qualification/certification requirements set forth by MFA as defined in the Design Standards. **Applicants shall not commence construction on a Project prior to receipt of MFA's written approval of complete construction documents.** Applicants are required to post MFA-provided signs/banners in English and Spanish featuring MFA's fraud hotline at the Project work site(s) throughout the duration of construction. In the event there ~~areis~~ ~~Mmaterial~~are Material D~~d~~esign C~~c~~hanges/differences between those plans and specifications submitted with the~~an~~ Application and those contained in the final construction documents, MFA will require Applicant to submit a detailed narrative of M~~m~~aterial D~~d~~esign C~~c~~hanges made to final plans and specifications along with the Change Fee as described in Section IV.I. MFA staff will make a good faith effort to perform an initial review of construction documents within 10 business days of submission of complete construction documents. Final approval will occur upon receipt and acceptance of ~~a~~ the final construction completion report confirming that the Project was built as proposed and ~~n approval recommendation from MFA's architect~~ that all outstanding issues, if any, have been resolved. ~~-~~ MFA must give final approval ~~Final construction completion approval must be in place in order to be eligible for~~ prior to 8609 issuance.

~~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.~~8. **Other Project compliance**. All Principals (see Glossary) related entities and affiliates must be in compliance with respect to all other federally subsidized housing or LIHTC P~~p~~rojects that they own or operate throughout the country. Applicants shall submit a complete list of **all** P~~p~~rojects in which Applicant, or a Principal or affiliate of Applicant has an interest. Each Applicant shall also submit an affidavit certifying Applicant is not in default with respect to any material compliance matter for any such P~~p~~roject 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 P~~p~~roject in which Applicant, or any Principal or affiliate of Applicant has an interest is in default of any material compliance matter, MFA may reject the Application. See **Section IV.F.1** for additional discussion. This determination of default in regard~~s~~ to any Principal may concern, but is not limited to, progress made with previous tax credit ~~reservations~~Reservations, including timely delivery of required documents and meeting all required deadlines; development compliance; and payment of monitoring fees.

~~10.~~9. **Development team review**. Staff will review the qualifications of each development team member (Developer, Project Owner, G~~g~~eneral ~~p~~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, G~~g~~eneral P~~p~~artner, contractor, management company, consultant(s), architect, attorney and accountant, etc.~~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 A~~a~~nnual C~~c~~redit C~~c~~eiling 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 F~~f~~inancing

C~~c~~ommitments will not be required at I~~i~~nitial Application, all sources must be clearly identified and their terms specified. Financing C~~c~~ommitments will be required as a “subsequent requirement” after the initial ~~reservation~~ 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 F~~f~~inancing C~~c~~ommitment 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 C~~c~~osts**. Development C~~c~~osts will be evaluated against the average costs of competing P~~p~~rojects. In the case of rehabilitation Projects and A~~a~~daptive R~~r~~euse Projects an appraisal and CNA of the existing project will be required (prior to the issuance of the L~~l~~etter of D~~d~~etermination for tax-exempt bond financed Projects and at the time of the ~~carryover~~ Carryover ~~application~~ Application for all other Projects), and used by MFA to evaluate D~~d~~evelopment C~~c~~osts. 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 “identify of interest” (as defined in this section) is not present, builder profit may not exceed 6% ~~percent~~ of C~~c~~onstruction C~~c~~osts, builder overhead may not exceed 2% ~~percent~~ of C~~c~~onstruction C~~c~~osts and general requirements may not exceed 6% ~~percent~~ of C~~c~~onstruction C~~c~~osts. For purposes of these calculations, see definition of C~~c~~onstruction C~~c~~osts in the Glossary.

   Where an I~~i~~dentity of I~~i~~nterest 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 C~~c~~onstruction C~~c~~osts. An~~-~~ I~~i~~dentity of I~~i~~nterest 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 I~~i~~dentity of I~~i~~nterest 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 i~~I~~nitial 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 P~~p~~rojects shall not exceed: 1) $22,500 per low-income U~~u~~nit for Projects with 30 or fewer U~~u~~nits, 2) $21,000 per low-income U~~u~~nit for Projects with 31-60 U~~u~~nits, 3) $19,500 per low-income U~~u~~nit for Projects with 61-100 U~~u~~nits not to exceed $1.5 million and 4) $15,000 per low-income U~~u~~nit for Projects with more than 100 U~~u~~nits not to exceed $1.8 million. Additionally, in no case shall the developer's fee for a 9% ~~Percent~~ or 4% ~~Percent~~ LIHTC P~~p~~roject exceed 14% ~~percent~~ of ~~total~~ Total ~~development~~ Development ~~cost~~Cost.

Donations of land and waived fees are excluded from ~~total~~ Total ~~development~~ Development ~~cost~~ Cost when calculating maximum allowable developer fees. Developer fees include all consulting costs for services typically rendered by a Developer. Any reserve, excluding MFA-required P~~p~~roject 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 I~~i~~dentity of I~~i~~nterest 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 I~~i~~dentity of I~~i~~nterest in any Principal of the seller and buyer, the Project will be subject to reduced developer fees. Where there is such an I~~i~~dentity of I~~i~~nterest, the developer fee percentages will be calculated on Total Development Cost reduced by Acquisition Costs. Also, an "as-is" appraisal dated no earlier than six months prior to the Application date and completed by a MAI licensed in New Mexico must be submitted. This paragraph is only applicable to 9% ~~percent~~ LIHTC P~~p~~rojects.

The maximum developer fee is locked in at ~~Initial~~ I~~i~~nitial Application for 9% P~~p~~rojects and is locked in at 8609 issuance for 4% P~~p~~rojects. ~~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

A~~The a~~rchitects' 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.~~ This fee limit is a soft cap and any amounts in excess of this cap will not be included in E~~e~~ligible B~~b~~asis. Exceptions to the above rules governing architect and engineering fees may be granted based on site or P~~p~~roject specifics and in MFA's sole discretion. Supporting documentation shall be provided to justify any increase request. Although the same standards will apply for Projects subject to subsidy layering review, such Projects will require Board approval for subsidy layering purposes whenever they exceed the federally-defined ceiling standard limits and only five such excess fee amounts can be approved in any given year. See Section I~~I~~I.T. for information on subsidy layering reviews.

Increases in Project costs subsequent to the Application D~~d~~eadline 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 D~~d~~evelopment C~~c~~osts**. 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 U~~u~~nit, per year for S~~s~~enior ~~housing~~ Housing (new construction Projects only) and $300 per U~~u~~nit, per year for all other new construction and rehabilitation and A~~a~~daptive R~~r~~euse Projects. Project reserves of any kind in the development budget will not be included in MFA's calculation of Eligible Basis for tax credit purposes.

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

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

   Replacement reserves for the first 15 years may be capitalized in the development budget assuming there is a source of funds that can be used to establish the reserve account. Capitalized reserves are a non-E~~e~~ligible B~~b~~asis 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.~~requirements set forth in the MFA's Multifamily Underwriting Guidelines. 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 U~~u~~nit types must be distributed proportionately among each of the multiple tiers. That is, if 30% ~~percent~~ of the U~~u~~nits are to be set-aside for tenants earning no more than 50% ~~percent~~ of median income, then the U~~u~~nits used for this income group must include 30% ~~percent~~ of all one-bedroom U~~u~~nits, 30% ~~percent~~ of all two-bedroom U~~u~~nits, etc. This also applies to M~~m~~arket R~~r~~ate U~~u~~nits in the Project. This is intended to prevent allocation of all of the high rent U~~u~~nits 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 U~~u~~nit or occupant thereof) from the gross rent calculation, only rents that do not exceed the ~~tax~~ Tax ~~credit~~ 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 M~~m~~onitoring and C~~c~~ompliance P~~p~~lan, 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 C~~c~~osts
    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 U~~u~~nit and per square footage cost limits (section IV.C.2)

2. **Amount of tax credits for ~~reservation~~ Reservation or ~~carryover~~ Carryover ~~allocation~~Allocation**. To estimate the amount of ~~the~~ 9% tax credit allocation for a Project at I~~i~~nitial Application or at ~~carryover~~Carryover, MFA will use the ~~prior 12 months average~~ A~~a~~pplicable C~~c~~redit P~~p~~ercentage of the Qualified Basis, as adjusted by MFA, or the amount needed to fill the financing gap. For 4% and acquisition credits, MFA will use the prior 12 months average Applicable C~~c~~redit P~~p~~ercentage of the Qualified Basis, as adjusted by MFA, or the amount needed to fill the financing gap. The procedure to determine the amount to fill the financing gap is outlined in number three below.

Tax credit proceeds. ~~At the time of initial Application, MFA will~~ The MFA Multifamily Underwriting Guidelines describes the method ~~should be~~ to be used ~~when determining how~~ to determine the equity pricing factor that will be used to calculate~~determine~~ tax credit proceeds for underwriting purposes. ~~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 A~~a~~pplicable C~~c~~redit P~~p~~ercentage will be used along with the equity-pricing factor to estimate the tax credit proceeds. Any ownership split other than 99.99% (Limited Partner) and 0.01% (General Partner) requires written MFA approval ahead of application submission, which approval shall be given in MFA's sole discretion.

The Protecting Americans from Tax Hikes (PATH) Act of 2015 permanently fixed the floor of the 9% ~~percent~~ credit at 9% ~~percent.~~ For 9% ~~percent~~ credits, the A~~a~~pplicable C~~c~~redit P~~p~~ercentage will be 9 percent. At the time of the ~~carryover~~ Carryover ~~allocation~~ 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 A~~a~~pplicable C~~c~~redit P~~p~~ercentage will be used to estimate the tax credit proceeds for the ~~carryover~~ Carryover ~~allocation~~Allocation. The equity-pricing factor to be used at ~~final allocation~~Final Allocation will be the actual equity-pricing factor contained in the Project's syndication agreement and the A~~a~~pplicable C~~c~~redit P~~p~~ercentage as determined at either ~~c~~Carryover or Placed I~~i~~n Service date.

For 4% ~~percent~~ credits, the prior twelve months' average of A~~a~~pplicable C~~c~~redit P~~p~~ercentage will be used. The equity-pricing factor to be used at ~~final allocation~~Final Allocation will be the actual equity-pricing factor contained in the Project's syndication agreement and the A~~a~~pplicable credit percentages determined at either the month the tax-exempt obligations are issued or Placed I~~i~~n Service date.

~~3.~~ **Limitation on tax credit awards to a single Project or Principal.** Subject to the exceptions contained herein, no 9% ~~percent~~ LIHTC Project shall receive a tax credit ~~reservation~~ Reservation in excess of $1,232,333. No Applicant, any G~~g~~eneral P~~p~~artner 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~~ Reservations in any given competitive LIHTC Application round. Projects to be located on adjacent sites proposed by the same Applicant in the same ~~allocation~~ LIHTC Application round will be treated as a single Project. ~~This paragraph is only applicable to 9 percent LIHTC projects.~~

~~4.~~3.

~~5.~~4. **Other factors limiting the credit ~~reservation~~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 E~~e~~ligible B~~b~~asis approved by MFA and the A~~a~~pplicable C~~c~~redit P~~p~~ercentage as described in **Section IV.E.2** above or the A~~a~~pplicable C~~c~~redit P~~p~~ercentage that was locked-in at ~~carryover~~ Carryover (or in the case of tax-exempt bond financed Projects, the month the tax-exempt obligations are issued) or was in effect when the building was Placed I~~i~~n 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~~ Total ~~development~~ Development ~~cost~~ Cost (exclusive of syndication-related costs) and all available funding sources, including HOME funds awarded in conjunction with the tax credit allocations, excluding anticipated tax credit proceeds. The terms of all proposed sources must be within reasonable industry norms and financing for the Project has to be maximized when evaluating rate, term, debt service coverage, loan-to-value, etc. The maximum tax credit amount allowed based on the funding gap will be determined by MFA limits stated in **Section IV.E.3** above.

5. **Increased basis for high cost areas**. Additional E~~e~~ligible B~~b~~asis (~~up to~~ 30% ~~percent~~ of the initial calculation) will be ~~considered~~ applied for Projects located in HUD-designated D~~d~~ifficult D~~d~~evelopment A~~a~~reas (DDA) ~~and~~ or ~~QCT~~Qualified Census Tracts (QCT) ~~if deemed necessary for viability of the Project by MFA~~. Applicants requesting such increases must deliver evidence in the I~~i~~nitial Application P~~p~~ackage 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, regardless of whether they are located in a DDA or QCT, ~~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 state-designated basis boost ~~increase~~ (up to 30% ~~percent~~ of the initial calculation) if deemed necessary for P~~p~~roject 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.~~

The state-designated basis boost is available to the following 9% P~~p~~rojects:

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

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

6. **Adjustments to credit allocations**. When actual tax credit proceeds are confirmed and final financial ~~f~~Feasibility ~~a~~Analysis is performed during review of ~~final allocation~~Final Allocation packages, there may be adjustments to the tax credit allocation. Adjustments may also be made at ~~carryover~~ Carryover when the 12-month average ~~a~~Applicable ~~c~~Credit ~~p~~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 ~~p~~Project reserves to offset the deficit, if in MFA's reasonable judgment the Project has sufficient tax credit eligibility. The conditions for such reserve accounts will be determined by MFA on a case-by-case basis.

7. **Federally required subsequent financial analysis**. Federal regulations require that housing credit agencies conduct evaluations at three specific times to determine the amount of applicable tax credits.
   a. Upon receipt of an Application for LIHTC ~~reservation~~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 ~~f~~Feasibility ~~a~~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 ~~p~~Projects (for example, late payments within the 18-month period prior to the Application deadline, misuse of reserves and/or other ~~p~~Project funds, default, fair housing violations, non-compliance [e.g. with the terms of LURAs on other ~~p~~Projects] or failure to meet development deadlines or documentation requirements) on the part of any proposed development team member or Project Owner or other Principal or affiliate may result in rejection of an Application by MFA. In addition, MFA will consider a Principal's progress made with previous tax credit ~~reservations~~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 A~~a~~llocation S~~s~~et-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 of Directors. MFA will notify Applicants of the preliminary status of their Projects with the use of a preliminary ~~reservation~~ Reservation L~~l~~etter, preliminary waitlist letter or rejection letter, after ~~the committee's~~ARC's approval of the staff's proposed awards and before the appeal process begins. Such letters will be scheduled to be issued approximately 90 days after the Application deadline. Except for appeals as described in **Section IV.~~E~~F.4** below, the provisions of this section are not applicable to tax-exempt bond financed Projects.

4. **Appeal process**. Applicants wishing to appeal a determination made by MFA with respect to their Application may do so 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~~ Reservation L~~l~~etter, preliminary waitlist letter or rejection letter (or draft L~~l~~etter of D~~d~~etermination, in the case of tax-exempt bond financed Projects). Appeal requests may only be filed by the G~~g~~eneral P~~p~~artner or proposed G~~g~~eneral P~~p~~artner 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 I~~i~~nitial Application, why the decision should be changed. The ARC will review the appeal and take whatever action it deems appropriate. The decision by ARC or the Board, if the matter is referred to the Board, will be final,~~'~~ no further appeals will be entertained. Appeals may result in re-ranking of Projects, in rejection of previously approved Projects and/or in approval of previously rejected Projects. Once the appeals process is completed and the resulting recommendations are considered and approved by MFA's Board of Directors, final ~~reservation~~ Reservation L~~l~~etters (or draft L~~l~~etter of D~~d~~etermination 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~~ Reservation L~~l~~etters, preliminary waitlist letter and rejection letters ~~may~~ will be issued prior to the appeals process and the Board's final decisions).

Applicants are required to make a brief (approximately five ~~(5)~~ minute) presentation of the proposed Project to MFA's Board of Directors. Final ~~reservation~~ Reservation L~~l~~etters will be issued following the Board decision. The Board will approve Projects considered to be E~~e~~ligible Projects and these may include Projects for which tax credit allocations are not immediately available. If any Projects receiving a ~~reservation~~ Reservation fail to meet subsequent requirements, an allocation of tax credits may be revoked and then awarded by MFA to the next highest scoring E~~e~~ligible Project(s) on the waiting list. Any conflicts of interest of Board members are to be disclosed and Board members having such conflicts will abstain from votes approving or disapproving LIHTC Projects in accordance with MFA's policies, procedures, rules and regulations regarding conflicts of interest. The provisions of this section relating to Board actions following competitive allocation rounds are not applicable to tax-exempt bond financed Projects.

G. Notification of Approval and Subsequent Project Requirements

Note: Only Sub-sections 2, 7, 8 (at 8609 Application)~~.e~~, and 9-10 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~~ Reservation L~~l~~etter. MFA anticipates ~~reservation~~ Reservation L~~l~~etters will be delivered in ~~June~~ May ~~2020~~2021, shortly after approval of tax credit awards at the ~~June~~May, ~~2020~~ 2021 B~~b~~oard meeting.

Reservation L~~l~~etters and/or Carryover ~~allocations~~ Allocations are non-transferable either to another entity or within the same entity where there is a change in control or G~~g~~eneral ~~p~~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~~ Allocation in order to sell~~ee~~ 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~~ would result in a benefit to~~for~~ the Project.

Affirmative actions after ~~reservation~~Reservation. From the date of the ~~reservation~~Reservation, the Applicant must meet each of the deadlines specified below for follow up activity in order to maintain its ~~reservation~~ Reservation or ~~carryover~~ Carryover A~~a~~llocation. **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~~r~~ Reservation to be terminated or the ~~carryover~~ Carryover ~~allocation~~ Allocation to be**

cancelled. Applicants must further agree to voluntarily return their ~~reservations~~ Reservations or tax credit allocations for reallocation to other Projects by MFA if any of the deadlines below are not met.

1. **At ~~reservation~~Reservation**

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

2. **Quarterly Progress Reports**

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

3. **By November 15th** (see G~~g~~lossary 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 D~~d~~eadline 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 C~~c~~ommitment(s) (see definition) for construction and permanent financing and any other rental or other subsidy, as applicable. Financing C~~c~~ommitments 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~~ Allocation requirements**. If the Project will not be Placed I~~i~~n Service during the calendar year in which the ~~reservation~~ Reservation is made, the Applicant must request a ~~carryover~~ Carryover A~~a~~llocation, which allows for 24 additional

months to complete the Project. The complete ~~carryover~~ Carryover ~~allocation~~ Allocation package, including an electronic version, uploaded to MFA's file sharing site: https://local.housingnm.org/FileTransferHD/ and hard copies of these documents shall be delivered to MFA by November 15th of the year in which the ~~reservation~~ Reservation was made. It must contain all items on the ~~carryover~~ Carryover ~~allocation~~ 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~~including 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 I~~i~~nitial Application regarding design and building. The Project architect must further certify either there have been no M~~m~~aterial D~~d~~esign C~~c~~hanges in the final plans and specifications or, if there have been M~~m~~aterial D~~d~~esign C~~c~~hanges made, changes in the key development team members, or if the costs as identified on Schedule D of the original ~~application~~ 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~~ Carryover must be provided. If there is a change to a key member of the development team (Developer, Project Owner, G~~g~~eneral P~~p~~artner, contractor, management company, consultant(s), architect, attorney and accountant, etc~~general contractor, architect, etc~~.) following ~~carryover~~Carryover, the project must supply MFA with a written explanation of the reason behind the change, materials supporting the benefit to the P~~p~~roject in making the change (including resumes) in order to assess whether or not the P~~p~~roject is negatively impacted by the change.

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

4. **March 1**[7] of the year following ~~carryover~~Carryover
   If applicable, the MFA 542(c) Risk Sharing commitment is to be fully executed.

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

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

6. **August 31** (see footnote 5) of the year following ~~carryover~~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 C~~c~~ost C~~c~~ertification, 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: https://local.housingnm.org/FileTransferHD/, 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.
    ~~d.~~e. The Applicant must deliver evidence that the Project Owner has taken ownership of the land and, if applicable, depreciable real property, that is expected to be part of the Project. For tribal Projects, this would include fully executed master and sub-lease agreements with evidence of filing with the Bureau of Indian Affairs.

7. **At or around the 50% construction completion mark**
The Applicant must organize a meeting with MFA staff (both Asset Management and Housing Development departments). The D~~d~~eveloper, owner, nonprofit representative, management company staff, and any service providers involved in the P~~p~~roject must be in attendance. This meeting will be required ahead of lease-up.

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

Final ~~allocation~~ Allocation and P~~p~~laced in S~~s~~ervice requirements. On or before November 15th of the second year following the initial allocation, a Placed I~~i~~n Service ~~application~~ Application or a ~~final allocation~~Final Allocation ~~application~~ Application must be submitted, in electronic form, through MFA's file sharing site: https://local.housingnm.org/FileTransferHD/ 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 I~~i~~n Service but Applicant is not yet ready to request LIHTC allocation certification (IRS Form 8609), the Placed I~~i~~n Service portion of the ~~final allocation~~Final Allocation package must still be submitted on or before November 15th of the second year following the initial allocation. A complete ~~final allocation~~Final Allocation package shall be submitted no later than 120 days following the close of the Project's first taxable year of the C~~c~~redit P~~p~~eriod. Prior to the issuance of IRS Form 8609 certifications for the Project, the Project Owner must submit a complete ~~final allocation~~Final Allocation package, containing all items in the ~~final allocation~~Final Allocation checklist, which include, among other items, the following:

a. **Cost C~~c~~ertification**. Two C~~c~~ost C~~c~~ertifications are required to be submitted to MFA, as follows: (i) a Project C~~c~~ost C~~c~~ertification 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 C~~c~~ost C~~c~~ertification prepared and executed by the general contractor. Both of these C~~c~~ost C~~c~~ertifications must be delivered by the Project Owner prior to the issuance of IRS Form 8609 certifications.

b. **Architects certification**. A certification from the Project architect with required text as set forth in the ~~final allocation~~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 I~~i~~nitial Application regarding design and building, unless otherwise approved in writing by MFA.

c. **Project Owner's attorney's opinion**. A Project Owner's attorney opinion submitted on the firm's letterhead with required text as set forth in the ~~application~~ Application P~~p~~ackage.

d. **Final contractor's application and certificate for payment, AIA doc. G702 or equivalent**. A fully executed copy indicating all of the hard C~~c~~onstruction C~~c~~osts for the Project must be submitted with the ~~final allocation~~Final Allocation package.

e. **LURA**. Prior to December 31st of the year in which the buildings are Placed I~~i~~n Service, the Project Owner must submit an executed and recorded LURA, satisfactory to MFA in form and content.

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

~~9.~~10. **Other Project Owner responsibilities and elections**. The Project Owner has several options concerning the month in which the A~~a~~pplicable C~~c~~redit P~~p~~ercentage 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~~ officer 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.

~~10.~~11. **LURA or Extended Use Agreement**. Section 42(h)(6) of the Code requires imposition of "an extended low-income housing commitment." MFA complies with this requirement with a LURA filed at the time of placement in service or ~~final allocation~~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~~ Special ~~housing~~ Housing ~~needs~~ Needs to be served, if any, and any other such commitment made in the I~~i~~nitial Application or that may be imposed through this QAP and the 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 D~~d~~eadline may cause the Application to be rejected or the ~~reservation~~ 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~~ Reservation L~~l~~etter
4. Subsequent regulations issued by U.S. Department of Treasury or the IRS pertaining to ~~Section 42~~the Code
5. Failure to promptly notify MFA of any material or adverse changes in the facts of the original Application pursuant to **Section IV.I** below
6. Instances of non-compliance continuing beyond the specified cure period on Applicant's or Principal's other P~~p~~rojects
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 P~~p~~rojects (including but not limited to late payments within the 18 month period prior to the Application deadline, misuse of

reserves and/or other P~~p~~roject funds, default, fair housing violations, non-compliance [e.g. with the terms of LURAs on other P~~p~~rojects,] 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 S~~s~~et-aside E~~e~~lection or other set-aside proposed in the I~~i~~nitial 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~~ Reservation or tax credit allocation. Approval of such changes will be made in MFA's sole discretion and the change may result in a change in the tax credit amount or other action by MFA. A $500 fee payment is required at the time of the request for approval of any changes in accordance with Section IV.B. In addition to this fee Applicant agrees it shall pay MFA any legal fees it may incur in processing the request. Applicants/Project Owners will not be allowed to make changes to a Project that would result in a change to any of the specific items for which points were awarded, unless extraordinary and well-documented circumstances would warrant it, and changes must be approved by MFA. Any such change(s) to a Project that would require a re-scoring or re-evaluation which causes the Project's score~~rank~~ to fall below its original score~~rank~~ may cause the LIHTC allocation to be rescinded~~,~~ in the case of ~~for~~ 9% P~~p~~rojects or never issued in the case of 4% P~~p~~rojects.

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~~ Carryover ~~allocation~~ Allocation ~~application~~ Application P~~p~~ackage (for 9% P~~p~~rojects) or subsequent to I~~i~~nitial Application submission (for 4% P~~p~~rojects);

3. Applicant obtains additional subsidies or financing other than those disclosed in the ~~carryover~~ Carryover ~~allocation~~ Allocation ~~application~~ Application P~~p~~ackage; or loses subsidies or financing included in the ~~carryover~~ Carryover ~~application~~ Application P~~p~~ackage, 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~~ Carryover ~~allocation~~ Allocation ~~application~~ Application P~~p~~ackage (for 9% P~~p~~rojects) or subsequent to I~~i~~nitial Application submission (for 4% P~~p~~rojects);

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~~ Carryover ~~allocation~~ Allocation ~~application~~ Application P~~p~~ackage (for 9% P~~p~~rojects) or subsequent to I~~i~~nitial Application submission (for 4% P~~p~~rojects);

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

7. Changes to Project design, unit design, square footage, unit mix, number of U~~u~~nits, 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 C~~c~~ontact P~~p~~erson 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 C~~c~~ontact P~~p~~erson information, or other contact information i.e. address or phone number, that was not reported to MFA**.

K. Applications are Public Records

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

L. Attorney Fees

Any and all attorney fees incurred by MFA in the course of contract development, negotiations, project reviews, loan conditions, ownership changes or other project-specific legal expenses will be reimbursed by the P~~p~~roject or D~~d~~eveloper. 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 C~~c~~ost C~~c~~ertifications, one prepared by an independent CPA and executed by both the CPA and Project Owner, and a second C~~c~~ost C~~c~~ertification 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 C~~c~~ost C~~c~~ertification must meet the following requirements:

1. The CPA preparing the C~~c~~ost C~~c~~ertification 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 C~~c~~ost C~~c~~ertification. In addition, a C~~c~~ost C~~c~~ertification is required to be prepared and executed by the general contractor. Each C~~c~~ost C~~c~~ertification 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 I~~i~~dentity of I~~i~~nterest 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 C~~c~~ost C~~c~~ertification, impose the limitations set forth in this QAP and ~~at~~ in its sole discretion, determine the maximum Qualified Basis against which credit is allocated.

VI. Processing of Tax-Exempt Bond Financed Project Applications

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~~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~~ not ~~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~~

The 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~~ Application processing, F~~f~~easibility A~~a~~nalysis 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 A~~a~~nnual C~~c~~redit C~~c~~eiling and, consequently, are not required to compete in the competitive allocation process described in the QAP. MFA staff will undertake an analysis to determine the tax credit amount necessary for financial feasibility using the same underwriting criteria used in evaluating non-bond-financed projects.

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

Requests for these determinations (Applications) must be made by the Project's Developer/sponsor no more than 60 calendar days after an award of bond volume cap is made by the State Board of Finance and no less than 60 calendar days prior to the anticipated bond issuance date. Requests must include an ~~application~~ Application fee as listed in Section IV.B., a market study, a deposit toward the cost of ~~a market study to be ordered by MFA~~design reviews, 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~~The market study ~~meets~~ must meet all of the requirements ~~of~~ identified within the Market Study Parameters ~~MFA's studies,~~ in MFA's determination, and be~~is~~ dated no~~t~~ more than 180 calendar days prior to the date on which a C~~c~~omplete Application is received by MFA. (See S~~s~~ection III.C.6 for more information about Market Study requirements.) Prior to the release of the Letter of Determination by MFA staff, a processing fee in the amount of ~~3.5~~7.75% ~~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 C~~c~~omplete Application by MFA.

In addition to the full ~~application~~ Application requirements of 9% ~~percent~~ P~~p~~rojects, the required Project Narrative must also include~~a Tax-Exempt Bond Narrative will be required. This Tax-Exempt Bond Narrative provides an opportunity for the Applicant to describe~~ the description of the characteristics of the P~~p~~roject 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 P~~p~~roject A~~a~~pplication is incomplete. You may provide additional documentation that supports this narrative. Each supporting document should include a brief description of what is contained in the document and the purpose for which it is being submitted. This ~~Tax-Exempt Bond Narrative~~ expanded document shall also address the following:

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

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

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

d. Describe in detail the bond financing structure;

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

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

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

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

e. Evidence and support of adequate market for the U~~u~~nits and explanation of why the housing needs of households eligible to live in the proposed P~~p~~roject 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 P~~p~~roject to the P~~p~~roject's community and the State of New Mexico;

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

Tax-exempt bond financed Projects may receive tax credits on the full amount of their E~~e~~ligible B~~b~~asis only if at least 50% ~~percent~~ of the P~~p~~roject'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 P~~p~~rojects. MFA recommends that Project Owners undertaking these P~~p~~rojects 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 U~~u~~nits have been Placed I~~i~~n 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 U~~u~~nit of the Project was Placed I~~i~~n Service.

~~VI.~~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 A~~a~~gency.

~~VII.~~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 E~~e~~ligible 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 A~~a~~nnual C~~c~~redit C~~c~~eiling 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 B~~b~~inding C~~c~~ommitment, as drafted by MFA and agree to the dates and timeframes required in this QAP.

~~VIII.~~IX. Disaster Relief Allocations

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

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

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

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

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

~~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 Web Compliance Management System (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 U~~u~~nits in the building (including the number of bedrooms and size in square feet of each residential unit)

2. The percentage of residential U~~u~~nits in the building that are S~~s~~et-aside U~~u~~nits

3. The rent charged on each residential U~~u~~nit in the building (including utility allowances)

4. The number of occupants in each residential U~~u~~nit in the building

5. The low-income U~~u~~nit vacancies in the building and documentation of when and to whom the "next available U~~u~~nits" 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 E~~e~~ligible B~~b~~asis and Qualified Basis for each building

9. The character and use of any nonresidential portion of the building included in the building’s E~~e~~ligible BE~~b~~asis (this includes separate facilities such as clubhouses or swimming pools whose E~~e~~ligible B~~b~~asis 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 A~~a~~pplicable F~~f~~raction

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 U~~u~~nit is rent restricted under ~~Section 42 of~~ the Code

5. Subject to the income restrictions on the Project, all U~~u~~nits 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 E~~e~~ligible B~~b~~asis 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 E~~e~~ligible B~~b~~asis 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 U~~u~~nit in the Project becomes vacant during the year, reasonable attempts are made to rent the U~~u~~nit to tenants having a qualifying income and while the U~~u~~nit is vacant, no U~~u~~nits of comparable or smaller size are rented to tenants not having a qualifying income

11. If the income of L~~l~~ow-income T~~t~~enants of U~~u~~nits increases above 140% ~~percent~~ of the applicable income limit allowed in ~~Section 42 of~~ the Code, the next available U~~u~~nit of comparable or smaller size will be leased to tenants having qualifying income.

12. Project Owner has not refused to lease a U~~u~~nit to an A~~a~~pplicant 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 P~~p~~rojects involving "~~qualified~~ Qualified N~~n~~onprofit O~~o~~rganizations," 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 U~~u~~nit 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~~ the Code with respect to any low-income U~~u~~nit.

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

19. Changes in Ownership or Management, if any

20. The building identification number, first year of C~~c~~redit P~~p~~eriod and A~~a~~pplicable F~~f~~raction of each building.

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

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

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

24. There have not been any changes to the ownership entities (General Partner/Limited Partner) in the last year that were not approved by MFA.

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 U~~u~~nits 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 P~~p~~rojects) 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~~the Code are also being met. The Project Owner must inform MFA of any noncompliance or if Project Owner is unable to make one or more of the required certifications.

E. Compliance Review

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

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

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

If potential noncompliance is discovered during a C~~c~~ompliance M~~m~~onitoring review, the Project Owner will be required to have the Project's managing agent attend a compliance training session within two months following the C~~c~~ompliance M~~m~~onitoring review.

In order to offset the cost of monitoring procedures, an annual fee will be assessed for each year through the end of the Extended Use Period. For ~~2020~~2021, the monitoring/compliance fee is $50.00/set-aside U~~u~~nit/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~~Final Allocation. Payment of the lump sum amount will be required prior to issuance of Forms 8609 for each Project. For ~~2020~~2021, the amount of the C~~c~~ompliance M~~m~~onitoring fee for the remainder of the contractual Extended Use Period will be $20.00/set-aside U~~u~~nit/per year beginning in year 16. Annual certifications and reports are due in the MFA office by March 31st of each year (for the past reporting year.) Annual compliance reports are due by March 31st of each year, through MFA's WCMS online compliance system for the full term of the Extended Use Period. Annual audited property financial statements are due in the MFA office within 120 days of the property's fiscal year end. A notice will be mailed to each Project Owner or a designated representative to remind them that the certification, reports and fees are due.

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~~X.~~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 R~~r~~euse 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 (ARC) - a committee appointed by the Chairman of the MFA ~~board~~ Board of Directors to review Projects rating and ranking results, to determine if the proposed allocations have been made consistent with the Project ~~selection~~ Selection ~~criteria~~ Criteria and the QAP, and to hear appeals and decide their outcome.

Allocation S~~s~~et-asides - the federally mandated tax credit A~~a~~llocation set-aside requirement for P~~p~~rojects involving ~~qualified~~ Qualified N~~n~~onprofit O~~o~~rganizations, as well as other tax credit A~~a~~llocation S~~s~~et-asides designated by MFA from time-to-time and incorporated into the QAP.

Annual C~~c~~redit C~~c~~eiling - the total dollar volume of tax credits available for distribution by the A~~a~~gency 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 C~~c~~redit P~~p~~ercentage - the monthly interest rate issued by the ~~Treasury~~ U.S. Department of Treasury~~.~~ and used to discount the present value of the 70% ~~percent~~ tax credit (~~approximately~~ set at 9% ~~percent~~ by the PATH Act of 2015) and the 30% ~~percent~~ tax credit (approximately 4% ~~percent~~.)

Applicable F~~f~~raction - the fraction, the numerator of which is the number of low-income U~~u~~nits and the denominator of which is the total number of residential rental U~~u~~nits less any U~~u~~nit exempted by Revenue Ruling 92-61; or the fraction, the numerator of which is the floor space of the low-income U~~u~~nits and the denominator of which is the total floor space of the residential rental U~~u~~nits less any U~~u~~nit exempted by Revenue Ruling 92-61, whichever is less. The E~~e~~ligible B~~b~~asis of a building is multiplied by the A~~a~~pplicable F~~f~~raction to determine the Qualified Basis of a building for tax credit purposes.

Applicant - the G~~g~~eneral P~~p~~artner or the managing member(s) of the G~~g~~eneral P~~p~~artner.

Application - the completed forms, schedules, checklists, exhibits, electronic versions uploaded to MFA's file sharing site:

https://mfa.internal.housingnm.org/FileTransferHD/~~https://local.housingnm.org/FileTransferHD/~~ and in hard copy, and any additional documentation requested in the I~~i~~nitial Application P~~p~~ackage, ~~carryover~~ Carryover ~~allocation~~ Allocation package and ~~final~~ Final ~~allocation~~ 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 T~~t~~ax C~~c~~redit P~~p~~rogram.

Application D~~d~~eadline - ~~5~~ 4 p.m. Mountain Standard Time on the final day of the ~~application~~ Application P~~p~~eriod, except for tax-exempt bond financed Projects, for which the submission date is specified in Section VI.~~B.~~

Application P~~p~~ackage - the forms, schedules, checklists, exhibits, electronic versions uploaded to MFA's file sharing site: https://mfa.internal.housingnm.org/FileTransferHD/~~https://local.housingnm.org/FileTransferHD/~~ and in hard copy, and instructions thereto obtained from the A~~a~~gency, which shall be completed and submitted to the A~~a~~gency in accordance with all regulations in order to apply for the T~~t~~ax C~~c~~redit P~~p~~rogram.

Application P~~p~~eriod – the period during which Applications will be accepted by MFA as described in ~~the QAP~~Section IV.A.

~~Area gross median~~Area M~~m~~edian I~~i~~ncome (AMI)– the median income level, issued annually by HUD for each metropolitan area and for each county outside a metropolitan area, which is adjusted for ~~family~~ household size and used to calculate maximum income of eligible persons and rents for ~~rent~~ Rent R~~r~~estricted U~~u~~nits. 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) eE~~E~~lection – 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 U~~u~~nits are rent and income restricted and the average income limit for all tax credit U~~u~~nits in the Project is at or below 60% ~~percent~~ AMI ~~(60%)~~.

Binding C~~c~~ommitment – 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~~ Carryover ~~allocation~~ Allocation is its B~~b~~inding C~~c~~ommitment.

Blighted B~~b~~uildings – buildings that are in such severe disrepair ~~to the extent~~ that rehabilitation or A~~a~~daptive 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 G~~g~~ross S~~s~~quare F~~f~~eet – the sum of the G~~g~~ross S~~s~~quare F~~f~~eet on each floor of a building. Covered parking and structured parking should not be included in the B~~b~~uilding's G~~g~~ross S~~s~~quare F~~f~~eet.

Capital N~~n~~eeds A~~a~~ssessment (CNA) – a report prepared by a competent professional meeting the minimum qualification/certification requirements set forth by MFA, as defined in the Design Standards, that addresses the following:

1. Site visit and physical inspection of the interior and exterior of U~~u~~nits 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 U~~u~~nits with a projection of the remaining useful life of each, including certification of critical building systems or components that have reached or exceeded their expected useful lives
6. Description of all building envelope and structural systems deficiencies
7. Projection of recurring probable expenditures for significant systems and components over 15 years.
8. Determination of the appropriate upfront and ongoing replacement reserve deposits.

Capture R~~r~~ate – Ratio of the total U~~u~~nits proposed to the number of income qualified households in the Primary Market Area (PMA). This ratio is calculated by dividing the total number of proposed U~~u~~nits by the total number of age, size and income qualified renter households in the PMA.

Carryover ~~allocation~~ 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 P~~p~~laced in S~~s~~ervice within a period of two calendar years after the calendar year in which Applicant qualifies for a ~~carryover~~ Carryover ~~allocation~~Allocation. The ~~carryover~~ Carryover ~~allocation~~ Allocation is MFA's B~~b~~inding C~~c~~ommitment for tax credits.

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

Complete Application – an I~~i~~nitial Application meeting all of the requirements in Section IV.A.4, Content and Format.

Compliance M~~m~~onitoring – the A~~a~~gency'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 C~~c~~redit P~~p~~eriod with respect thereto in which a LIHTC Project shall continue to maintain the low-income U~~u~~nits as low-income U~~u~~nits pursuant to Applicant's S~~s~~et-aside E~~e~~lection 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 redevelopment 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, "C~~c~~oncerted C~~c~~ommunity R~~r~~evitalization P~~p~~lan" 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 and must contain more components than the LIHTC P~~p~~roject itself.

Consolidated P~~p~~lan – 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 C~~c~~osts – for purposes of calculating builder profit, overhead and general requirements and per U~~u~~nit rehabilitation ~~Cc~~construction C~~c~~ost, the on-site and ~~Cc~~construction C~~c~~osts in the construction contract, before gross receipts tax, profit, overhead and general requirements. At I~~i~~nitial Application and ~~carryover~~Carryover, C~~c~~onstruction C~~c~~ost should include a reasonable construction contingency.

Contact P~~p~~erson – a person identified in the I~~i~~nitial 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 C~~c~~ost C~~c~~ertification – a certification prepared and executed by the general contractor, indicating all identities of interest and certifying that all C~~c~~onstruction C~~c~~osts included are related to the Project.

Cost C~~c~~ertification – 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 P~~p~~eriod – 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 I~~i~~n 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 C~~c~~osts – 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 A~~a~~gency, 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 A~~a~~gency.
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 A~~a~~gency 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 D~~d~~evelopment A~~a~~rea or DDA – 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 **E~~e~~ligible Project** – an Application or Project which has met all minimum Project threshold requirements.

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

Eligible P~~p~~artners or **E~~e~~ligible H~~h~~ouseholds** – one or more natural persons or a ~~family~~household, irrespective of race, creed, national origin or sex, determined by the A~~a~~gency to be of low- or very low-income. In determining the income standards of eligible persons for its various programs, the A~~a~~gency 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~~ household 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 P~~p~~roject 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 A~~a~~nalysis – a financial analysis based on rules established by the IRS~~A~~ and MFA to determine a Project's financial feasibility, which is completed to ascertain a tax credit amount, the adequacy of financing sources, and the income required to support operation of the Project.

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

Federal S~~s~~ubsidy – 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 B~~b~~uilding – 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~~ Allocation – a determination by MFA that a Project is complete and that a certain amount of tax credits is warranted. The ~~final allocation~~Final Allocation must be requested by the Project Owner and culminates in delivery of IRS Form 8609 by MFA.

Financing C~~c~~ommitment – 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 P~~p~~artner – that partner or collective of partners identified as the G~~g~~eneral P~~p~~artner 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 G~~g~~eneral P~~p~~artner shall mean the managing member or members with management responsibility for the limited liability company.

Government E~~e~~ntity or **I~~i~~nstrumentality** – any ~~a~~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 S~~sS~~quare F~~fF~~eet – 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 G~~g~~ross S~~s~~quare F~~f~~eet.

Hard C~~cC~~onstruction C~~cC~~osts - ~~-~~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~~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~~ Children – households that include one or more persons under the age of 18 years.

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

Initial Application – the Application first provided to MFA on or before an Application D~~d~~eadline to request an allocation of tax credits.

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

Letter of D~~d~~etermination – 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 P~~p~~roject – the proposed or existing rental housing development(s) for which tax credits have been applied for or received.

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

Local N~~n~~otice – 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 I~~i~~ncome H~~h~~ousing T~~t~~ax C~~c~~redit (LIHTC) P~~p~~rogram or **T~~t~~ax C~~c~~redit P~~p~~rogram** – 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 T~~t~~enants – households that occupy S~~s~~et-aside U~~u~~nits.

Low I~~i~~ncome U~~u~~nits or **S~~s~~et-aside U~~u~~nits** – U~~u~~nits 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 U~~u~~nits are not considered residential U~~u~~nits, but as facilities "reasonably required" for the P~~p~~roject, should not be included in the A~~a~~pplicable F~~f~~raction as low-income residential space. Management Units must be approved by MFA to be considered exempt.

Market R~~r~~ate U~~u~~nits – residential rental U~~u~~nits that are not low-income U~~u~~nits.

Material D~~d~~esign C~~c~~hanges – 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 R~~r~~ehabilitation – repairs, replacements and improvements that do not fall into ~~substantial~~ Substantial R~~r~~ehabilitation 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 form~~from~~ the interior of the walls and includes all air conditioned space.~~

New Mexico H~~h~~ousing A~~a~~uthority (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 I~~i~~n Service – the date on which the first U~~u~~nit 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 ~~P~~projects, it is the date of purchase by a new Project Owner.

Principal – an Applicant, any G~~g~~eneral P~~p~~artner of an Applicant, and any officer, director, board member or any shareholder, G~~g~~eneral P~~p~~artner, 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~~8**), Principal would include shareholders with interests of 25% ~~percent~~ or more, all officers o~~f~~ a corporation (whether board members or employees), all G~~g~~eneral P~~p~~artners 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 non-operating expenses.~~

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

Project ~~selection~~ Selection ~~criteria~~ 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~~ October 21~~0~~, ~~2019~~ 2020 and made effective as of January 1, 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 S~~s~~election ~~criteria~~ Criteria and the preferences for Projects which will receive tax credits.

Qualified B~~b~~asis – the portion or percentage of the E~~e~~ligible B~~b~~asis that qualifies for the tax credit. It is calculated by multiplying the E~~e~~ligible B~~b~~asis by the A~~a~~pplicable F~~f~~raction.

Qualified C~~c~~ensus T~~t~~ract or QCT – 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 L~~l~~easehold I~~i~~nterest – a leasehold interest running at least as long as the Extended Use Period.

Qualified N~~n~~onprofit O~~o~~rganization – 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

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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 R~~r~~estricted U~~u~~nit – with respect to a LIHTC Project, a U~~u~~nit for which the gross rent does not exceed 30% ~~percent~~ of the imputed Area ~~Gross~~ Median Income limitation applicable to such U~~u~~nit 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 P~~p~~ackage and must correspond to the percentage of Area ~~Gross~~ Median Income selected by the A~~a~~pplicant 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 U~~u~~nit, including tenant and any subsidy payments. See also "U~~u~~nit."

Reservation or ~~reservation~~ Reservation C~~c~~ontract – 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~~ Carryover ~~allocation~~Allocation.

Reservation L~~l~~etter ~~or reservation 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 B~~b~~inding C~~c~~ommitment 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~~ Development or RD or USDA (previously called "Farmer's Home Administration" or "FMHA" of the U.S. Department of Agriculture) means ~~rural~~ Rural ~~development~~ Development or other A~~a~~gency or I~~i~~nstrumentality created or chartered by the U.S. to which the powers of RD have been transferred.

~~**Scope of work Work** – as described in MFA's 2020 2021 submission instructions for preliminary architectural documentation under the caption "rehabilitation scope Scope of work 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 E~~e~~lection – the federally imposed minimum proportion of total Project U~~u~~nits set-aside as low-income U~~u~~nits 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 U~~u~~nits are generally set-aside by the Applicant and restricted in the LURA.

Set-aside U~~u~~nits ~~–~~ –those U~~u~~nits eligible for low income housing tax credits. ~~low-income units.~~

Single ~~room~~ Room ~~occupancy~~ Occupancy ~~(SRO)~~ – housing consisting of single room dwelling U~~u~~nits. The U~~u~~nit must contain either food preparation and/or sanitary facilities.

Special N~~n~~eeds – see definition above under Households with S~~s~~pecial H~~h~~ousing N~~n~~eeds.

State-assisted B~~b~~uilding – 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 R~~r~~ehabilitation – 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~~ Substantial R~~r~~ehabilitation also includes a Project where the work area exceeds 50% ~~percent~~ of the aggregate area of the building (an ICC level 3 alteration ~~scope~~ Scope of ~~work~~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~~ Credit ~~ceiling~~ Ceiling ~~rents~~ Rents – the maximum rent that may be charged for a ~~rent~~ Rent R~~r~~estricted U~~u~~nit.

~~**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~~ Conversion ~~plan~~ Plan – a written plan acceptable to MFA, describing the method to be used to enable tenants to acquire ownership of their U~~u~~nits at such time as conversion to owner occupancy is allowed under the 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 U~~u~~nit will be converted from a rental U~~u~~nit to homeownership. Please refer to Section III.E.15 for more information on Eventual Tenant Ownership.~~Other financial and programmatic structure items the plan must contain include:~~

~~Timing of ownership~~

~~All lienholder interests~~

~~Eligibility and selection process for potential owners~~

~~How the value and sales price of the home will be determined at the time of purchase.~~

~~Any favorable financing or down payment assistance~~

~~Formation of any neighborhood associations and if so, the benefits and responsibilities outlined within the proposal.~~

~~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~~ Total ~~development~~ Development ~~cost~~ Cost will be adjusted to exclude developer fees, consultant fees, commercial space C~~c~~onstruction C~~c~~osts 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 U~~u~~nit in a Project including manager and employee U~~u~~nits.

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
Vice Chair – Derek Valdo – Chief Executive Officer, AMERIND Risk
Treasurer – Rebecca Wurzburger – Strategic Planning Consultant
Member - Howie Morales - Lieutenant Governor, state of New Mexico
Member - Hector Balderas – Attorney General, state of New Mexico
Member -Tim Eichenberg – Treasurer, state of New Mexico
Member – ~~Randy McMillan~~Rosalyn Nguyen Chafey ~~-~~– ~~President, NAI First Valley Realty, Inc.~~Attorney, Presbyterian Healthcare Services

Allocation Review Committee
Chair, ~~To be appointed by MFA Board Chair~~Rosalyn Nguyen Chafey
Member, Michael A. D'Antonio
Member, Lyle Greenberg
Member, Patricia A. Sullivan
Member, Robert White

Management
Isidoro "Izzy" Hernandez,~~Jay Czar,~~ Executive Director
Donna Maestas DeVries~~Isidoro "Izzy" Hernandez~~, Deputy Director of Programs
Gina Hickman, Deputy Director of Finance and Administration
Shawn Colbert, Director of Housing Development
George Maestas, Assistant Director of Housing Development
Kathryn Turner, Tax Credit Program Officer
Christi Wheelock, Tax Credit Analyst

STATE OF NEW MEXICO

HOUSING TAX CREDIT PROGRAM

QUALIFIED ALLOCATION PLAN

Effective as of December 1, 2020

NEW MEXICO MORTGAGE FINANCE AUTHORITY

Approved by Board of Directors on October, 21-2020
Approved by the Honorable Governor Michelle Lujan Grisham on November 25, 2019

Commented [KT1]: Update to Governor approval date.

TABLE OF CONTENTS

I. Background and Purpose of the Qualified Allocation Plan

A. General

This “Allocation Plan” constitutes the “Qualified Allocation Plan” (QAP) for the state of New Mexico and is intended to comply with the requirements set forth in Section 42 of the Internal Revenue Code of 1986[1], as amended, including all applicable rules and regulations promulgated thereunder (collectively, the “Code”). This Allocation Plan applies to all allocations of Low Income Housing Tax Credits pursuant to the Code (hereinafter LIHTC, credits or tax credits) and multifamily private activity tax-exempt bonds made for QAP year 2021.

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

B. Role of MFA

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

C. Public Hearings

Following public notice, a draft QAP was made available to the public for comment for a period of 21 days (beginning August 17, 2020 and continuing through September 8, 2020), during which time a public hearing was held on September 2, 2020. 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 the Code and regulations and the Tax Credit Program. Applicants are advised to review the Code directly for further detail.

B. Amount of Competitive Tax Credit Available Statewide

The state of New Mexico, for the calendar year 2021, will receive a population-based 9% tax credit allocation equal to $2.8125 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: http://housingnm.org/developers/low-income-housing-tax-credits-lihtc.

Commented [KT2]: Update per Code.

C. Allocation to New Construction and Rehabilitation Projects

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

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

D. Nonprofit Allocation Set-aside

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

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

E. Minimum Apartment Unit Set-Asides

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

1. 20/50 election: At least 20% of the Units in the Project must be rent-restricted to and occupied by households whose income is at or below 50% of the Area Median Income (AMI).
2. 40/60 election: At least 40% of the Units in the Project must be rent-restricted to and occupied by households whose income is at or below 60% of the AMI.
3. Average Income (AI) election: This election under the Code was authorized by the Consolidated Appropriations Act of 2018. This election allows the Project to serve households up to 80% AMI as long as at least 40%of the total Units are rent and income restricted **and** the average income limit for all tax credit Units in the Project is at or below 60% AMI .
    a. The following applies for this election:
        i. Income and rent limits **must be in ten percent increments,** and may include 20% AMI, 30% AMI, 40% AMI, 50% AMI, 60% AMI, 70% AMI, or 80% AMI.
        ii. If the Project has an existing LIHTC Land Use Restriction Agreement (LURA) on the property, both initial election (20/50 or 40/60) and AI election must be met.
    b. The average of the imputed income limitations designated cannot exceed 60% AMI.
    c. Those Projects electing AI must include at least 5% of their Units above 60% AMI.

d. All Units must be designated with a specific AMI percentage at the time of Application.
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. 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.
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.
g. The market study must demonstrate sufficient need at each income level chosen.
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).
i. AI Projects may be subject to an increased Compliance Monitoring fee.
j. MFA shall only accept an Application that chooses the AI election if all Units in the Project are rent-restricted to and occupied by households whose income is at or below 80% of AMI. In other words, MFA will not accept an Application that chooses the AI election if the Project includes unrestricted, Market Rate Units.
k. An Application for an AI Project must include within its equity and debt commitment letters confirmation of the utilization and approval of the AI election.

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

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

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

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

F. Rent and Income Restrictions

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

G. General Public Use

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

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

Units set-aside for Project employees i.e. property managers, maintenance staff, etc. Management Units are not considered residential Units, even if rent is collected on the Unit, but as facilities "reasonably required" for the Project, and should not be included in the Applicable Fraction as low-income residential space. These 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 forces of the United States and MFA encourages all Projects to develop marketing plans that involve outreach and marketing of Units to veterans.

H. Eligible Projects

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

I. Scattered-site Projects

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

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

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

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

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

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

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

Applications for combined rehabilitation and new construction Projects must adhere to the *MFA 2021 Mandatory Design Standards for Multifamily Rental Housing* (Design Standards) for both rehabilitated and newly constructed Units as they pertain to each Unit type. The cost limits will be applied based on the category chosen. For example, if the Project has 51% or more newly constructed Units, it will be held to the new Construction Cost limits provided in Section IV.C.2.

For all rehabilitation Projects, Applicants must also submit an accurate, detailed and concise description of the work to be performed by the contractor, the Applicant and any third parties relating to the rehabilitation of the Project. Referred to as the Scope of Work, this submission must identify the work to be performed including any demolition. See MFA 2021 Mandatory Design Standards for Multifamily Housing for more detailed discussion of Scope of Work requirements.

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

1. Describe the following:

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

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

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

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

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

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

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

h. Any relocation issues;

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

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

2. Address the following:

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

   b. The Ten-Year Rule.

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

   d. For 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.

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

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

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

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

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

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

L. Compliance Monitoring

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

M. Eligible Basis According to Type of Activity

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

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

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

N. Ten-Year Rule

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

O. Federal Grants and Federal Subsidy

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

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

P. Qualified Basis According to Type of Project

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

Q. Placed In Service Requirement

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

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

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

R. Building Classification and Tax Credit Applicable Percentages

The tax credit's Applicable Credit Percentage (i.e., the "4%" or "9%" credits for which a Project is eligible) is determined by the type of project proposed, its use of Federal Subsidy or Federal Grants and the amount of credit necessary to reach feasibility and long-term viability. The rates of 4% credits fluctuate based on market conditions. The actual "Applicable credit percentages" are based on monthly prevailing interest rates that are calculated and published by the U.S. Department of Treasury as the "applicable federal rate" or "AFR." The Protecting Americans from Tax Hikes (PATH) Act of 2015 permanently fixed the floor of the 9% credit at 9%. The amount of the annual tax credit is calculated to yield a present value of either 30% (in the case of 4% credits) or 70% (in the case of 9% credits) of Qualified Basis, as adjusted by MFA. 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% credits. Projects financed with tax-exempt bonds are eligible for 4% credits only.

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

2. **Rehabilitation of an existing building**. To qualify for tax credits, rehabilitation expenditures includable in Qualified Basis must exceed the greater of 1) at least 20% of the Qualified Basis of the building being rehabilitated or 2) at least $6,000 per low income Unit being rehabilitated. For Projects Placed In Service after 2009, the $6,000 will be indexed for inflation. The minimum rehabilitation expenditures included in Qualified Basis for Projects Placed In Service in 2021 is $7,100 per Unit. Rehabilitation Projects that are not financed by tax-exempt bonds are eligible for 9% credits. Projects financed with tax-exempt bonds are eligible for 4% credits only.

3. **Acquisition/rehabilitation of an existing building**. The maximum Applicable Credit Percentage for acquisition of an existing building that will be subsequently rehabilitated is 4% . To qualify for tax credits for the acquisition, rehabilitation expenditures includable in the Qualified Basis must exceed the greater of 1) at least 20% of the Qualified Basis of the building being rehabilitated or 2) at least $6,000 per low income Unit being rehabilitated. For Projects Placed In Service after 2009, the $6,000 per low income Unit figure will be indexed for inflation. The minimum rehabilitation expenditures included in Qualified Basis for Projects Placed In Service in 2021 is $7,100 per Unit. Rehabilitation expenditures associated with acquisition of an existing building can qualify for the 9% tax credits as long as the rehabilitation expenditures are not funded with tax-exempt bonds. Projects financed with tax-exempt bonds are eligible for 4% credits only.

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

Commented [KT3]: Update per Code.

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S. Audit Requirements

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

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

T. Subsidy Layering Review

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

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

III. Housing Priorities and Project Selection Criteria

A. Needs Analysis

This Allocation Plan is consistent with the needs analysis of the state of New Mexico Consolidated Plan for Housing and Community Development and 2020 Action Plan. Housing priorities stated in the Consolidated Plan include increasing the supply of decent, affordable rental housing, expanding housing opportunities and access for individuals with Special Needs, expanding the supply of housing and services to assist the homeless and preserving the state’s existing affordable housing stock.

B. Housing Priorities

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

1. Levels of affordability in excess of the minimum requirements, through one or more of the following:
    a. Higher numbers of Set-aside Units; and/or

    b. Rents set to serve lower income tenants, for example, tenants earning no more than 40% or 30% of median income; and/or
    c. Affordability Periods longer than the 30-year minimum.
2. Provision of affordable housing to households on public housing waiting lists;
3. Maximizing leverage by obtaining other public or private non-equity program resources;
4. An equitable distribution of tax credits throughout all parts of the state where affordable housing is needed;
5. Provision of housing to serve documented Senior Households 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 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 June 30 of the year in which the allocation is made ("initial term.") **This initial term must not be conditioned upon any extensions requiring seller consent, additional payments, financing approval, tax credit award or other such requirements**. Similarly, the transfer commitment must not require any additional actions on behalf of Applicant during the initial term which could allow the seller/lessor to terminate the transfer commitment if the action is not fulfilled by Applicant. If the transfer commitment requires an escrow payment or other

deposit due and payable after signing, evidence that payment was received must be included in the Initial Application; or

ii. A recorded deed or recorded lease demonstrating that Applicant possesses a Qualified Leasehold Interest.

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

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

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

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

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

4. **Applicant eligibility**. All members of the development team (i.e. Developer, Project Owner, General Partner, contractor, management company, consultant(s), architect, attorney and accountant, etc.) of the proposed Project must be in good standing with MFA and all other state and federal affordable housing agencies. For example, debarment from HUD, MFA or other federal housing programs, bankruptcy, criminal indictments or convictions, poor performance on prior MFA or federally-financed Projects (for example, late payments within the 18-month period prior to the Application deadline, misuse of reserves and/or other Project funds, default, fair housing violations, noncompliance (e.g. with the terms of LURAs on other Projects), or failure to meet development deadlines or documentation requirements), on the part of any proposed development team member or Project Owner or other Principal may result in rejection of an Application by MFA. In addition, MFA will consider a Principal's progress made

with previous tax credit Reservations, including timeliness in delivering required documents and fees and meeting all required deadlines. All members of the development team (i.e. Developer, Project Owner, General Partner, contractor, management company, consultant(s), architect, attorney and accountant, etc.) are required to sign an affidavit affirming they have no related party relationships; or, that all related party relationships have been properly disclosed. The form of this affidavit can be found on MFA's website. Additionally, a visual diagram of the relationship of the related parties must be submitted, if applicable.

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.4 and 5,** requirements pertaining to MFA's financial feasibility considerations.

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

    Subject Capture Rate. The market study must provide a Capture Rate, as defined in the Glossary, for the proposed Project overall, as well as Capture Rates for each targeted income level and bedroom count. The rent burden (rent plus utility allowance, if any) may not exceed 30% of gross income at each income strata proposed, and the overall Capture Rate for a Project must not exceed 10%. This rate may be the subsidized rate if subsidies are secured at the time of application.

    *Tribal projects are exempt from meeting the Capture Rate level, but they must submit a Market Study meeting the requirements outlined in the Market Study Parameters document within the Application materials, and the Market Study must indicate a need for the type and quantity of housing proposed.
    If the Market Study as submitted is not sufficient, there may be an additional Market Study ordered by MFA. The cost of this MFA-ordered Market Study will be covered by the Applicant through the design deposit submitted at Application, with any overage billed to owner. It is MFA's sole discretion whether or not the Market Study is sufficient.
7. **Pre-Application Requirements**.
    a. Intent to Submit-
        i. In advance of submitting the entire Application Package on January 15, 2021, Applicants must submit an Intent to Submit a Tax Credit Application and Development Synopsis on or before December 21, 2021. (See Application Attachments Checklist for form.) This submission is a mandatory requirement

for the 2021 competitive LIHTC Application round. Information contained within the Intent to Submit will be posted on the MFA website following submission.

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

b. MFA desires and encourages all Applicants for the 2021 competitive LIHTC Application round to meet with MFA staff during the fourth quarter of 2020 to discuss their Project. All tax-exempt bond financed Projects are encouraged to meet with MFA staff at least 30 days prior to submission to review and discuss the proposed Project.

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

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

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

D. Allocation Set-asides

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

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

a. USDA Rural Development new construction Projects with direct USDA Rural Development (USDA-RD) financing (USDA-RD 514/515/516 and MPR programs) that meet the following requirements:

i. The Initial Application for **new construction** Projects must include either:
   - ♦ 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
   - ♦ A letter from an authorized officer of the New Mexico USDA-RD office stating that:
     a. The Project has been reviewed
     b. USDA-RD favorably considers the proposed transaction
     c. 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. Please note that USDA will not approve an application for a Section 514 farm labor housing loan unless the Applicant is a non-profit. **Permanent Supportive Housing (PSH)** Projects that meet the following requirements:

i. The Project must meet threshold requirements within the Households with Special Housing Needs Housing Priority and agree to provide voluntary Case Management Services to residents.*
ii. All service coordination and budget requirements must be sufficient to provide proposed services to all PSH residents,
iii. PSH Units have no time limits on occupancy,
iv. PSH residents have the same rights and responsibilities as those occupying other low-income or market rate housing Units**,
v. PSH residents must have individual leases with identical requirements and protections as other low-income or market rate residents,
vi. PSH Units must cover 50% or more of the total Unit count, and
vii. Vouchers must be in place or secured for 75% or more of the PSH Units in the Project.

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

**All Projects will be required to submit a PSH Commitment to Quality checklist with the Application and annually following the award.

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

3. **Ranking to meet Allocation Set-asides**. The highest scoring, Qualified Nonprofit Organization Eligible Project will be funded first. If there are insufficient Qualified Nonprofit Organization Eligible Projects to meet the nonprofit set-aside, the unallocated nonprofit set-aside tax credits **cannot** be allocated to other Eligible Projects. A similar procedure will be used to meet the Underserved Populations set-aside, following the fulfillment of the nonprofit set-aside; however, if there are insufficient Underserved Populations Eligible Projects to meet the Underserved Populations set-aside, any unallocated set-aside tax credits may be used for other Eligible Projects.

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

E. Project Selection Criteria to Implement Housing Priorities

The criteria shown below are the basis for the awarding of points to a particular proposed Project during the Application round(s) conducted by MFA. Applicants may not rely on prior submissions or prior scoring to support a re-submission of an Application. In addition to meeting the above mentioned threshold requirements, tax credit Reservations will not be awarded to 9% Projects achieving fewer than seventy-eight (78) points unless too few Projects score above this level and MFA, in its reasonable judgment, decides to reduce the minimum score. Projects scoring seventy-eight (78) 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 fifty-eight (58) points in order to obtain a Letter of Determination. Tax-exempt bond financed Projects must serve a targeted population (Households with Special Housing Needs, Projects Reserved for Seniors or Households with Children) and meet the applicable threshold requirements OR meet the requirements for the Underserved Populations set-aside, as described in Section III. D.

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

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

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

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

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

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

In addition to completing the *Locational Efficiency Scoring Worksheet* included in the Application Package, at least two maps must be submitted. Each of the maps shall be used to illustrate the Project compliance with the Locational Efficiency criteria. Maps must show, scale, cardinal direction, and actual walking distance from site to amenities with a dotted line.

Proximity to Services (2 Points)

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

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

Projects seeking to use **Rural / Tribal** Locational Efficiency criteria must provide a map indicating the location of the proposed Project. Rural Projects are defined as any Project outside of the defined Urban

Areas as defined in the Glossary, Section XI. Initial Applications that do not include a map demonstrating eligibility for **Rural / Tribal** classification will be scored using the **General** Locational Efficiency criteria.

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

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

General and Rural / Tribal (2 points) Locate Project within a 0.25-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, regardless of their residency in the Project, shall be considered "public transportation." A future promise to provide service does not satisfy this Project Selection Criterion.

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

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

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

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

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

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

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

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

4. Sustaining Affordability	**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, 2025or

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

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

4. Projects that will have a new federal rental assistance contract covering at least 75% of all Units.

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

Projects that have or will have a federal rental assistance contract covering at least 20% 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.

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

1. A copy of the PHA administrative plan which describes the selection procedures for owner submission of PBV and for PHA selection of PBV proposals
2. A copy of the published public notice of the PBV proposal selected
3. If the proposal selected is for PHA-owned units, a copy of the HUD field office or HUD-approved independent entity's determination that the PHA-owned units were appropriately selected

(If the proposal is selected based on a previous competitive award, MFA would require documentation that the proposal meets the criteria for selection without additional competition.)

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

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

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

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

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

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

For Projects applying to receive points under Income Levels of Tenants Applicants should not include Management Units in the calculation for percentage of Units at or below 50% of Area 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 Election must include at least 5% of their Units above 60% of Area Median Income.

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

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

6. Projects that Incorporate Market Rate Units **4 Points**

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

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

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

For purposes of this Project Selection Criteria, total Units does not include Management Units.

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

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

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

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

Due to restrictions within the USDA program, this Project Selection Criterion is not available to Projects involving USDA-RD rental assistance. Projects in which Units are reserved for Households with Special Housing Needs are eligible for points as follows:

Option A: 20% 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% of the total Units in the Project must be rent restricted at 30% 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% of their adjusted income.

Option B: 5% of total Units reserved for Households with Special Housing Needs and 5% of the total Units rent restricted at 30% of AMI. (This option will not receive points for additional services from the chart below.)

For purposes of this Project Selection Criteria, total Units does not include Management Units.

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

Applicants requesting consideration for points for a Project in which Units are reserved for Households with Special Housing Needs (Project Selection Criterion No. 8) are required to submit a Service Coordination Plan, which Plan demonstrates satisfaction of items A, B, C and E below. In addition to supplying the Plan, Applicant shall certify to MFA that it will meet the reporting requirements of Section D below.

A. Service Coordination-

1. A minimum of four hours per week of onsite Service Coordination provided by the service coordinator for properties up to 20 Units, with an additional one hour per week for every five Units over 20. Service coordinator must be in addition to the property manager and property management site staff. Duties of the service coordinator include, but are not limited to:

a. Providing residents with information about available onsite and community services;

b. Assisting residents in accessing available services through referral and advocacy;

c. Arranging for access to transportation; and

d. Organizing community-building and/or other enrichment events for residents (i.e. holiday events, resident counsel, etc.)

2. Adequate space to meet with residents that provides for confidential conversations and maintenance of secure records.

3. Access to telephone and internet services when meeting with residents for the purpose of coordinating services. Use of a smart phone and tablet is acceptable.

4. Meeting with residents requiring services within 60 days of move-in and semi-annually thereafter.

5. Provide follow up as needed to address resident's needs.

B. <u>Coordinated Services</u>-

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

2. Services must be provided to residents at little or no cost. Services may not be provided by property management staff. In limited circumstances some services may be provided by the service coordinator. Appropriate services will do one or more of the following:

a. Increase resident knowledge of and access to available services.

b. Help residents maintain stability and avoid eviction.

c. Build life skills.

d. Increase household income and assets.

e. Increase health and wellbeing.

f. Improve educational success of children and youth.

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

b. Literacy/language training;

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

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

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

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

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

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

C. <u>Marketing -</u>

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

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

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

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

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

D. <u>Reporting Requirements-</u>

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

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

    b. The number of residents served by each, and

c. The results of the annual survey.

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

   a. Agreement for services on file, if any,

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

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

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

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

Applicants may choose from the following services to qualify for up to 8 points for providing services.	
Food pantry - onsite, or contiguous and accessible to the property and of adequate size with reasonably sufficient quantities of food, both perishable and non-perishable.	2
Free transportation services to support medical and social service needs – minimum 2 days per week. Bus passes are not sufficient to satisfy this scoring item.	5
Health promotion/disease prevention/wellness classes or blood pressure or other health screening- provided at least every two months onsite and provided by a qualified service provider. Any health services must be provided by a licensed individual or organization. Examples include substance abuse counseling, crisis prevention and intervention, mental health counseling/therapy, etc.	3
Case management services – provided onsite by a qualified service provider to a majority of the Special Housing Needs residents on a voluntary and as-needed basis but at least quarterly.	5
Other - MFA approved service. Must be approved by MFA in writing one month before Application due date.	1-2 Points each as deemed appropriate

For services provided by a qualified service provider, Application must include an MOU between the Project Owner and the service provider(s) describing their expertise with providing services, the planned 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.

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

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

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

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

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

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

Recognizing that circumstances change over time, the services provided may evolve as needs of residents and market conditions change. Project Owner must obtain MFA approval prior to instituting

changes to the services delivered, and the new services must provide a similar level of service to the residents.

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

Additionally, there will be the following reporting requirements:

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

b. The number of residents served by each, and

c. The results of the annual survey.

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

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

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

Housing priority and design requirements met (must be met to be eligible for further points in this category)	Required
Community building and all Units incorporate Universal Design (must be evidenced in plans and specifications)	3 points

Service enrichment scoring (requires service coordinator for point awards):	
Providing one prepared meal on a daily basis, available to all tenants at little or no cost to tenants	2 points (congregate meals) 1 point (meal service)
Bi-monthly health and nutrition education. Examples include, but are not limited to, fitness classes, walking programs, seminar instruction on cooking for one, information on the Supplemental Nutrition Assistance Program (SNAP.)	1 point
Quarterly blood pressure or other health screening	1 point
Quarterly computer training	1 point
Social events designated to provide engaging activities for residents "build community" such as holiday potlucks, arts and crafts events, book clubs, creative writing, bingo and other games, field trips to the movies or a museum or other place of interest, etc. Bi-monthly or six per year. This must include alternative methods for socializing incorporating social distancing. (qualified service provider not required)	1 point
Beyond Financial Literacy – financial counseling and tax preparation- educational programs to occur quarterly and focus on one or more of the following topics: budget counseling, financial planning assistance, credit score counseling, avoiding credit traps, income tax preparation in partnership with CPAs or a VITA program or local community college.	1 point
Gardening: delivery of at least four monthly gardening classes per year during the growing season by a qualified instructor plus provision of gardening space of at least three square feet per Unit for at least 50% of the Units in the Project.	1 point
Estate Planning and End of Life Planning – educational programs to occur quarterly and focus on one or more of the following topics: 1) estate planning 101 – what is and do you need the following: advance health care directive (living will;) durable power of attorney for healthcare and HIPAA release; durable power of attorney for finances; a will and revocable living trust; 2) What is hospice and does Medicare cover this?; 3) Probate: what is it and how to avoid it; and 4) funeral planning.	1 point
Other - MFA approved service. Must be approved by MFA in writing one month before Application due date.	1-2 Points each as deemed appropriate

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

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

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

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

For rehabilitation Projects, at least :

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

For Projects that combine rehabilitation and new construction:

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

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

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

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

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

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

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

Additionally, there will be the following reporting requirements:

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

b. The number of residents served by each, and

c. The results of the annual survey.

All Projects shall comply with Federal Fair Housing requirements. Any limitation or preference must not violate nondiscrimination requirements. A limitation does not violate nondiscrimination requirements if the Project also receives funding from a federal program that limits eligibility to a particular segment of the population (e.g. Housing Opportunity for Persons Living with AIDS program, 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)	Required
Service enrichment scoring (requires service coordinator for point awards):	
Bi-monthly health and nutrition education, including but not limited to, fitness classes, walking programs, seminar instruction on meals in minutes.	1 point
Semi-annual CPR training	1 point

Quarterly blood pressure or other health screening	1 point
Quarterly computer training	1 point
Weekly tutoring during school year	1 point
Quarterly job training, search assistance and/or placement	1 point
Gardening: delivery of at least four monthly gardening classes per year during the growing season by a qualified instructor plus provision of gardening space of at least three square feet per Unit for at least 50% of the Units in the Project.	1 point
Food resources program: a monthly program offering two of the following: 1) assistance and referral with applications for SNAP, (USDA), 2) youth summer lunch program (USDA) (daily when school is not in session) or 3) after-school snack program twice a week.	1 point
Youth character building: a program occurring at least quarterly that will provide teens with group education covering a range of topics including drug prevention, self-defense, safe internet behavior, non-violence and teen dating, teambuilding, goal setting, basic teen financial literacy and referral to job training and alternative education resources.	1 point
Beyond financial literacy: financial counseling and tax preparation; educational programs to occur quarterly and focus on one or more of the following topics: budget counseling, financial planning assistance, credit score counseling (restoring credit and avoiding credit traps), homebuyer 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 Project Selection Criterion. Only whole points will be awarded with the point value rounded down to the nearest percentage point. For example, a Project that provides leverage of 2.3% of TDC, is eligible for two points, a Project that provides leverage of 5.7% of TDC is eligible for five points, etc., up to 10 points. The value of the contribution must be listed as a source on Schedule A-1 and, when not a cash contribution, as a cost on Schedule A.

The commitment from 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 **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, with required signatures and the "other" categories; (ii) Applicant shall adhere to MFA's published Underwriting Supplement, unless a waiver has been granted by MFA, when completing 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 all hard copy documents must be legible; and (v) any narratives submitted must be accurate, complete and concise and contain the requested information .

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

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

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

Projects are eligible for 3 points if:

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

b) the proposed Project is located within 0.5 mile of a New Mexico designated MainStreet area.

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

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

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

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

- Intention to convert must be expressed in writing at the time of Application;
- Applicant must submit a comprehensive plan that includes, but is not limited to, provisions for repair or replacement of heating system, water heater, and roof prior to sale; limitation on equity upon subsequent sales; homeownership classes for potential homebuyers; and requirements for extent of stay in rental Unit to be eligible for purchase;

- Purchaser must occupy Unit as primary residence;

- Units must be initially marketed to existing rental residents, including residents in Market Rate Units. Remaining Units not sold to existing renter households must be sold to households earning 80% or less of AMI; and

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

16. Projects with Historic Significance	**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 Application.

17. Blighted Buildings and Brownfield Site Reuse	**5 Points**

Projects that include the demolition of Blighted building(s) or the remediation and reuse of a Brownfield site are eligible for points under this criterion. Blighted building(s) must account for at least 10% of the sum of each Building's Gross Square Feet. For scattered site projects, the total square footage of the Blighted Buildings must equal or exceed 10% 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 Blighted Building, and the Applicant must provide documentary support such as notices of violation of: (1) Local Government's codes or regulations or, (2) the recorded covenants, conditions and restrictions for the property or, (3) a condemnation notice from public record. The Application must also include photos of the blighted structure, neighborhood, or area. MFA reserves the right to determine whether or not the site meets these requirements.

18. Projects Located in Areas of Statistically Demonstrated Need or Market Study Supported Area

Tier 1: 10 points Tier 2: 5 points

Tier 1

Eligible Projects are located in the counties of: Bernalillo****, Dona Ana, Eddy*, Lincoln, Los Alamos, Otero, Sandoval, Santa Fe, 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.

Successfully Petitioned Tier 1 Municipalities: Village of Ruidoso*

Projects not falling in the above mentioned locations, may qualify for Tier 1 Status if their Application contains a Market Study that shows an overall Capture Rate, as defined in the Glossary, of 8% or less overall (this may be subsidized Capture Rate, if subsidies are secured).

Tier 2

Eligible Projects are located in the counties of:, Chaves*, Grant*, Lea, Luna, , McKinley, Roosevelt, San Juan*, Rio Arriba***, San Miguel, Sierra*, Socorro#, Taos, and Torrance*.

These tier areas are subject to change based on any changes in the 2021 Action Plan.

*Indicates an area remains on the list for a second year even though it did not meet criteria in 2021.

** Vacancy rate for Sandoval County is a weighted average of Rio Rancho (1.9%) and Sandoval (4.0%) 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; and it will remain as a Tier 2 for 2021.

**** Following the submission of a petition on January 22, 2020 for Bernalillo County to move to Tier 1, MFA reviewed submitted measurable and verifiable data and determined that Bernalillo County would be classified as a Tier 1 in 2020; and it will remain as a Tier 1 for 2021.

[#] Following the submission of a petition on February 3, 2020 for Socorro County to become a Tier 2, MFA reviewed submitted measurable and verifiable data and determined that Socorro County would be classified as a Tier 2 in 2020; and it will remain as a Tier 2 for 2021.

19. Efficient Use of Tax Credits — **5, 10, or 15 Points**

For purposes of this Project Selection 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 Project Selection 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% LIHTC and 4% LIHTC Projects are required to participate in the New Mexico Smoke-Free at Home program. More information on the Certification programs may be found at 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% 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% of total Units in the Project to residents earning 30% or less of Area Median Income, for which no federal assistance is existing or anticipated. For Projects in the Special Housing Needs housing priority category, the Project restricts an additional 5% of the total Units in the Project to residents earning 30% or less of Area Median Income, which Units may have permanent rental subsidy support with a project-based federal rental assistance contract that ensures residents do not pay rent in excess of 30% of their adjusted income. In either case, Applicants must indicate on the Application form and Schedule B, Unit Type and Rent Summary, the applicable Units will be rent restricted at 30% of AMI (or include a copy of the federal rental assistance contract that covers at least the minimum percentage of the total Units if in the Special Housing Needs housing priority category). (3 points)

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

(iii) The Project is to be located in a town, municipality, or Census Designated Place (CDP) with a population less than 16,000 people pursuant to data published by the 2016 U.S. Census Bureau, and the Market Study supports need for the Project (3 points);

(iv) The Project is to be located in a town or municipality with no “active” LIHTC Projects. “Active” is defined as a town or municipality for which a LIHTC award was made in the last five (5) calendar years and the Market Study supports need for the Project (3 points);

(v) Project’s resident selection criteria contain a preference for active duty or retired US military Veterans. (3 points)

(vi) Women and/or minorities are encouraged to participate in the ownership, development, or management of the Project. The minority or female individual(s) must serve as either:

a. The General Partner, manager or managing member of the Ownership Entity or Responsible Owner, must have at least a 50% ownership interest in the Ownership Entity or Responsible Owner or
b. Must have at least 50% ownership interest in the participating business to qualify for the points. These businesses include any members of the development team (i.e. contractor, management company, consultant(s), architect, attorney and accountant, etc.)

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

The Application is capped at six (6) points maximum for this Project Selection Criterion.

F. Additional Credits for Projects with Partial Allocations

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

G. Additional Supplemental Tax Credits for Cost Increases

Projects with increased Eligible Basis as a result of increases in hard Construction Costs may apply for additional tax credits in subsequent allocation rounds prior to issuance of an IRS Form 8609. Full Applications will be required for competition within an allocation round and the Project will compete on the same basis as that of the subsequent round Projects. However, Projects for which increased tax credits have been requested cannot exceed MFA's cost limits or limitation on an award to a single Project for the year of the initial award or subsequent round. In addition, Projects which were awarded points for the *Efficient Use of Credits* Project Selection Criteria may not apply for additional tax credits unless the subsequent Application results in the same scoring range under *Efficient Use of Credits* when combined with the scoring range in the Initial Application. In other words, a subsequent request for additional tax credits shall not be granted if Applicant received points for the *Efficient Use of Credits* in a prior round and now exceeds the efficient use of credits scoring ranges when evaluating both Applications as one single Application. Applications that are submitted for additional tax credits will be subject to MFA's evaluation process and the availability of credits, as well as limitations on the time period for allocation of additional credits under the Code. 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.

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 Projects are excluded from the above requirements.

I. Property Standards

All newly constructed and/or rehabilitated properties must meet applicable state and local building codes, including but not limited to: the New Mexico Commercial Building Code, the New Mexico Residential Building Code, the New Mexico Energy Conservation Code, the New Mexico Existing Building Code, the New Mexico Plumbing Code, the New Mexico Mechanical Code the New Mexico Solar Energy Code, the New Mexico Electrical Code, the New Mexico Electrical Safety Code, and all international and uniform building codes as referenced and adopted by the aforementioned codes. In addition, all newly constructed Projects must obtain a Home Energy Rating System (HERS) score of 55 or better and all rehabilitation Projects must obtain a HERS score of 65 or better. All Projects must meet the provisions and requirements of the Americans with Disabilities Act (ADA) as applicable. Public and common use areas within Projects are subject to these requirements. Projects combining housing tax credits with another federal source of funding must comply with HUD Section 504 requirements as required in the 2010 ADA Standards. Projects must also adhere to the Federal Fair Housing Act and shall adhere to the federal fair housing accessibility and adaptability requirements promulgated through the Fair Housing Accessibility Guidelines {56 FR 9472, 3/6/91}. Finally, conformance to Design Standards in the Application Package is mandatory for all Projects, including tax-exempt bond financed Projects.

IV. Allocation Procedure and Application Requirements

A. Allocation Rounds

1. Submission Date(s)

MFA intends to conduct one competitive LIHTC Application round each calendar year. However, MFA reserves the right to conduct additional LIHTC rounds or to award tax credits outside of the rounds. **Initial hard copy Applications for the 2021 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 January 4, 2021 through January 15, 2021**. **Initial electronic Applications may be submitted anytime between January 4, 2021 at 8 a.m. Mountain Standard Time and January 15, 2021 at 4 p.m. Mountain Standard Time. Both hard copy and electronic initial Applications must be submitted ahead of 4 p.m. Mountain Standard Time on January 15, 2021 (Application deadline). Initial hard copy Applications must be received by MFA at the address identified in Section IV.A.2 of this QAP no later than the Application deadline. Initial electronic applications must be fully uploaded to the file sharing site identified in Section IV.A.2 of this QAP no later than the Application Deadline. Late Applications will not be accepted**. If the Projects submitted do not use all of the available tax credits or if additional tax credits become available later in the year, MFA will consider a second round or make allocations to lower-scored Eligible Projects at MFA's sole discretion.

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

2. Place of Submission

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

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

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

Initial Electronic Applications must be uploaded to MFA's file sharing Site: https://local.housingnm.org/FileTransferHD/ (described below in Section IV.A.4.b.)

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, 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/. 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. Additionally, the Universal Rental Development Application Form and Universal Rental Development Schedules A-I excel spreadsheet files must be submitted, and 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 hard copy Applications must be submitted in 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.

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. If there is a discrepancy or illegibility, the hard copy will take precedence, with the exception of items submitted under Tab 16, for which the electronic version will take precedence. A discrepancy between the hard and electronic submissions will result in a loss of Complete Application points in Project Selection Criteria #XX.

h) Forms must be completely filled out and executed as needed. All required original 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.4** all Applications must be self-contained: MFA will not rely on any previously submitted information, written or verbal, to evaluate the Applications in a given round.

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

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

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

Applicants may request, in writing, at the time of Application, nondisclosure of confidential information. Such confidential information shall accompany the Application but shall be readily separable from the proposal so as to facilitate public inspection of the non-confidential portions of the proposal. After award, all Applications will be open to the public for inspection pursuant to MFA's Request to Inspect Documents policy. Confidential information shall only include such information as excepted under Section 14-2-1 NMSA 1978.

If MFA receives a request for inspection of its records which would require the disclosure of information identified by Applicant as confidential information, it will examine the Applicant's request for confidentiality and make a written determination that specifies which portions of the proposal, including any information identified by the Applicant as confidential information, shall be disclosed. MFA will provide the Applicant with a written notice of determination which details which information MFA intends to disclose and the date it shall disclose such information.

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, 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 approval of tax credit awards by MFA's Board of Directors. 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 relieve any Applicant of its obligations to notify MFA of changes to the Project as provided for in Sections IV.H. and IV.I. herein. In addition to the provisions of Sections IV.H. and IV.I., Applicants are required to notify MFA of any material change in circumstances concerning the Application, development team, threshold requirements and/or scoring changes. Applicant shall notify the Housing Tax Credit Program Officer in writing immediately of the material change, and MFA staff shall review the notification and determine, in its sole discretion, what action, if any, is to be taken with respect to the pending Application. After award, all Applications and documents pertaining to the Applications will be available to the public.

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

Kathryn Turner
Tax Credit Program Officer
(505)767-2283
kturner@housingnm.org

6. Prohibited Activities

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

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

B. MFA Fees and Direct Costs

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

Application Fee (for initial and supplemental requests)

- Due at submission of tax credit Initial Application

- $750 for nonprofit or governmental entity Applicant; $1,500 for a for-profit Applicant

Design Review Deposit

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

This deposit is intended to cover the cost of 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 design review costs more than the deposit, the difference will be billed. If the cost is less, the difference will be refunded. Any amount in excess of the $10,000 deposit is due within 20 calendar days of billing by MFA.

If a subsequent MFA-ordered Market Study is required, the cost will be covered by the Applicant through this deposit. Additional incurred design costs will be billed.

Processing Fee

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

Monitoring and Compliance Fees

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

    - $50/set-aside Unit/year (Average Income projects may be subject to an increased Compliance Monitoring fee.)
    - $20/set-aside Unit/year during the Extended Use Period

Appeal Fee

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

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

- $500 due at submission of review/correction request

Extension Fee

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

C. Staff Analysis and Application Processing

1. **Threshold review**. Following the Application deadline, MFA will undertake a threshold review to determine whether the Initial Application meets the minimum Project threshold requirements shown in Section III.C.. If the Initial Application fails to meet site control, zoning 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% of the average Total Development Cost per Unit for all new construction and Adaptive Reuse Projects submitted in the same round. Similarly, the hard Construction Cost plus architect and engineering fees per square foot must not exceed 130% of the average cost per square foot for all new construction and Adaptive Reuse Projects submitted in the same round.
    b. **Acquisition/rehabilitation Projects**. The Total Development Cost must not exceed 100% of the average Total Development Cost per Unit for all new construction and Adaptive Reuse Projects submitted in the same round. Similarly, the hard Construction Cost plus architect and engineering fees per square foot must not exceed 100% of the average cost per square foot for all new construction and Adaptive Reuse Projects submitted in the same round.
    c. **Tax-exempt bond financed Projects**. Total Development Cost must not exceed the limits established for new construction, Adaptive reuse or acquisition/rehabilitation Projects, as appropriate, submitted in the most recent allocation round.
    d. **Combined Rehabilitation and New construction Projects**. For Projects that involve rehabilitation of existing Units, the construction of new Units and/or the Adaptive reuse of an existing building, the costs will be evaluated based on the track/category selected by the project as described in Section II.J. above to the limits established in Sections IV.C.2.a. and b. above.

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

Recognizing that Tax Credit Projects require soft costs above and beyond traditional development, when determining the average per square foot cost for each Project, only hard costs as found on Schedule D and any architect and engineer fees will be used.
See the Glossary Section XI for the definition of the terms "Unit," "Total Development Cost," and "Hard Construction Costs" as they apply to the cost limit calculations in this section. Costs that exceed these limits will be excluded when calculating the tax credit amount. These limits are binding through Final Allocations.

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

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

5. **Deficiency correction period**. MFA may provide a deficiency correction period after the threshold review. This period is intended only to: 1) correct threshold items that are identified as correctable in Section III.C, 2) address Complete Application items, 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 financed Projects and at Carryover Application for all other Projects) and this assessment will be reviewed by MFA for completeness, consistency with the Application and compliance with the Design Standards. All plans and related design materials submitted as part of an Application must provide enough detail for MFA to determine compliance with the Design Standards. Professionals performing the CNA must meet the minimum qualification/certification requirements set forth by MFA as defined in the Design Standards. **Applicants shall not commence construction on a Project prior to receipt of MFA's written approval of complete construction documents.** Applicants are required to post MFA-provided signs/banners in English and Spanish featuring MFA's fraud hotline at the Project work site(s) throughout the duration of construction. In the event there are Material Design Changes/differences between those plans and specifications submitted with the Application and those contained in the final construction documents, MFA will require Applicant to submit a detailed narrative of Material Design Changes made to final plans and specifications along with the Change Fee as described in Section IV.I. MFA staff will make a good faith effort to perform an initial review of construction documents within 10 business days of submission of complete construction documents. Final approval will occur upon receipt and acceptance of the final construction completion report confirming that the Project was built as proposed and that all outstanding issues, if any, have been resolved. MFA must give final approval prior to 8609 issuance.

8. **Other Project compliance**. All Principals (see Glossary) related entities and affiliates must be in compliance with respect to all other federally subsidized housing or LIHTC Projects that they

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

9. **Development team review**. Staff will review the qualifications of each development team member (Developer, Project Owner, General Partner, contractor, management company, consultant(s), architect, attorney and accountant, etc.) to determine capacity to perform in the role proposed. Considerations may include related experience, financial capacity, performance history, references, management and staff, among others. All members of the development team (i.e. Developer, Project Owner, General Partner, contractor, management company, consultant(s), architect, attorney and accountant, etc.) are required to sign an affidavit affirming they have no related party relationships; or, that all related party relationships have been properly disclosed. The form of this affidavit can be found on MFA's website. 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%) must include a letter of interest from a tax credit syndicator or direct investor stating the terms and pricing for the purchase of tax credits allocated to the

Project. In addition, all Projects will be underwritten using the more conservative of the standards indicated in this QAP, those in an underwriting supplement to be published by MFA at least one month prior to the Application deadline, the terms listed in any Financing Commitment or letter of interest; or, the Project's market study. Project 15-year pro forma cash flow projections must include an operating expense inflation factor of at least 3% , a rental income inflation factor of no more than 2% and a vacancy factor of at least 7% for all occupancy-related income.

1. **Development Costs**. Development Costs will be evaluated against the average costs of competing Projects. In the case of rehabilitation Projects and Adaptive Reuse Projects an appraisal and CNA of the existing project will be required (prior to the issuance of the Letter of Determination for tax-exempt bond financed Projects and at the time of the Carryover Application for all other Projects), and used by MFA to evaluate Development Costs. Professionals performing the CNA must meet the minimum qualification/certification requirements set forth by MFA as defined in the Design Standards. For rehabilitation Projects, the acquisition cost on which tax credits are calculated will be held to the lesser of sale price or appraised value. 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 "identify of interest" (as defined in this section) is not present, builder profit may not exceed 6% of Construction Costs, builder overhead may not exceed 2% of Construction Costs and general requirements may not exceed 6% of Construction Costs. For purposes of these calculations, see definition of Construction Costs in the Glossary.

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

For LIHTC purposes, any amount of fee that exceeds the 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% 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% or 4% LIHTC Project exceed 14% 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 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 a MAI licensed in New Mexico must be submitted. This paragraph is only applicable to 9% LIHTC Projects.

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

c. Architect and Engineering Fees

Architects' fees, including design and supervision fees, and engineering fees, must be capped at 3.3 percent of Total Development Cost. This fee limit is a soft cap and any amounts in excess of this cap will not be included in Eligible Basis. Exceptions to the above rules governing architect and engineering fees may be granted based on site or Project specifics and in MFA's sole discretion. Supporting documentation shall be provided to justify any increase request. Although the same standards will apply for

Projects subject to subsidy layering review, such Projects will require Board approval for subsidy layering purposes whenever they exceed the federally-defined ceiling standard limits and only five such excess fee amounts can be approved in any given year. See Section II.T. for information on subsidy layering reviews.

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

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

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

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

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

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

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

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

E. Credit Calculation Method

1. **Tax credit calculations**. During each evaluation, MFA will determine the amount of tax credits to be reserved, committed or allocated by considering factors specific to each Project including, but not limited to, the following:
    a. Development Costs
    b. Funding sources available to the Project for construction and permanent financing:
        i. First mortgage loans
        ii. Grants
        iii. Tax credit proceeds
        iv. Project Owner equity

        v. Subordinate debt

   c. Projected operating income and expenses, cash flow and tax benefits
   d. Maximum tax credit eligibility
   e. Debt service coverage ratio compared to lender requirements or commercial lending practices, as applicable
   f. Project reserves
   g. Developer fees and builder overhead and profit
   h. Per Unit and per square footage cost limits (section IV.C.2)

2. **Amount of tax credits for Reservation or Carryover Allocation**. To estimate the amount of 9% tax credit allocation for a Project at Initial Application or at Carryover, MFA will use the Applicable Credit Percentage of the Qualified Basis, as adjusted by MFA, or the amount needed to fill the financing gap. For 4% and acquisition credits, 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.

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

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

   For 4% credits, the 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 percentages determined at either the month the tax-exempt obligations are issued or Placed In Service date.

3. **Limitation on tax credit awards to a single Project or Principal.** Subject to the exceptions contained herein, no 9% LIHTC Project shall receive a tax credit Reservation in excess of $1,232,333. 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 LIHTC Application round will be treated as a single Project.

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

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

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

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

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

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

6. **Adjustments to credit allocations**. When actual tax credit proceeds are confirmed and final financial Feasibility Analysis is performed during review of Final Allocation packages, there may be adjustments to the tax credit allocation. Adjustments may also be made at Carryover 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. **Federally required subsequent financial analysis**. Federal regulations require that housing credit agencies conduct evaluations at three specific times to determine the amount of applicable tax credits.
    a. Upon receipt of an Application for LIHTC Reservation; and
    b. Prior to granting a tax credit allocation; and
    c. No earlier than 30 days prior to awarding the tax credit certification, IRS Form 8609.

F. Final Processing and Awards

1. **Additional considerations**. Applications meeting the requirements of the threshold review and Feasibility Analysis described above will be further evaluated and processed by MFA. In this step all remaining determinations will be made with respect to development team capability, design, readiness to proceed and other factors in MFA's reasonable judgment to evaluate the Project's Application. Projects must meet the Design Standards available from MFA on the website. Debarment from HUD, MFA or other federal housing programs, bankruptcy, criminal indictments or convictions, poor performance on prior MFA or federally-financed Projects (for example, late payments within the 18-month period prior to the Application deadline, misuse of reserves and/or other Project funds, default, fair housing violations, non-compliance [e.g. with the terms of LURAs on other Projects] or failure to meet development deadlines or documentation requirements) on the part of any proposed development team member or Project Owner or other Principal or affiliate may result in rejection of an Application by MFA. In addition, MFA will consider a Principal's progress made with previous tax credit Reservations, including timeliness in delivering required documents and fees and meeting all required deadlines. When scoring and ranking generates multiple Projects that would draw tenants from a single market area (as determined by MFA market studies for the Projects in question), MFA may choose to eliminate the lower scoring or higher cost Project to avoid overbuilding and distribute credits more evenly throughout the state. In addition, MFA reserves the right to reject any Project, which MFA in its reasonable judgment determines is inconsistent with prudent business practices or with the intent and purpose of the QAP. MFA may also make awards

conditional on specific modifications to the Project that MFA in its sound judgment considers necessary to enhance the feasibility or safety of the Project.

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

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

4. **Appeal process**. Applicants wishing to appeal a determination made by MFA with respect to their Application may do so 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 considered and 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% tax credit allocation round (for logistical reasons the preliminary Reservation Letters, preliminary waitlist

letter and rejection letters will be issued prior to the appeals process and the Board's final decisions).

Applicants are required to make a brief (approximately five minute) presentation of the proposed Project to MFA's Board of Directors. 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 2, 7, 8 (at 8609 Application), and 9-10 of this section (IV.G) apply to tax-exempt bond financed Projects.

Successful Applicants will be notified of MFA's allocation decision in the form of a Reservation Letter. MFA anticipates Reservation Letters will be delivered in May 2021, shortly after approval of tax credit awards at the May 2021 Board meeting.

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

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

1. **At Reservation**

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

2. **Quarterly Progress Reports**

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

3. **By November 15th** (see Glossary for the definition of this date) 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/ 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, including a tax opinion addressing satisfaction of the 50% rule where there are related parties. Professionals performing the CNA must meet the minimum qualification/certification requirements set forth by MFA as defined in the Design Standards. All tax credit fees must be paid to date. In addition, the Project architect must certify that the Project's final plans and specifications meet the Design Standards and contain all commitments made in the Initial Application regarding design and building. The Project architect must further certify either there have been no Material Design Changes in the final plans and specifications or, if there have been Material Design Changes made, changes in the key development team members, or if the costs as identified on Schedule D of the original Application have changed more than 5% , then a detailed narrative description of the changes made in the construction drawings and/or Schedule D between Application and Carryover must be provided. If there is a change to a key member of the development team (Developer, Project Owner, General Partner, contractor, management company, consultant(s), architect, attorney and accountant, etc.) following Carryover, the project must supply MFA with a written explanation of the reason behind the change, materials supporting the benefit to the Project in making the change (including resumes) in order to assess whether or not the Project is negatively impacted by the change.

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

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

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

6. **August 31** (see footnote 5) of the year following Carryover
   a. The Applicant must submit evidence that the basis in the Project exceeds 10% of the reasonable expected total basis in the Project, an independent auditor's report and Cost Certification, a Project Owner's attorney's opinion, in the form required by MFA, and

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

any other documentation required by MFA ("10% test.") The submission must include an electronic version, uploaded to MFA's file sharing site: https://local.housingnm.org/FileTransferHD/, 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.
e. The Applicant must deliver evidence that the Project Owner has taken ownership of the land and, if applicable, depreciable real property, that is expected to be part of the Project. For tribal Projects, this would include fully executed master and sub-lease agreements with evidence of filing with the Bureau of Indian Affairs.

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

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/ 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% 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.

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 the firm's letterhead with required text as set forth in the Application Package.
d. **Final contractor's application and certificate for payment, AIA doc. G702 or equivalent**. A fully executed copy indicating all of the hard Construction Costs for the Project must be submitted with the Final Allocation package.
e. **LURA**. Prior to December 31st of the year in which the buildings are Placed In Service, the Project Owner must submit an executed and recorded LURA, satisfactory to MFA in form and content.

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

10. **Other Project Owner responsibilities and elections**. The Project Owner 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 officer within 30 days of issuance, to ensure that all necessary administrative actions are taken in a timely manner. Otherwise tax credits may not be able to be claimed as desired.

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

H. Termination of Reservations or Rejection of Applications

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

1. Loss of site control or site change

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

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

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

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

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

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

8. Debarment from HUD, MFA or other federal programs, bankruptcy, criminal indictments or convictions, poor performance on prior MFA or HUD-financed Projects (including but not limited to late payments within the 18 month period prior to the Application deadline, misuse of reserves and/or other Project funds, default, fair housing violations, non-compliance [e.g. with the terms of LURAs on other Projects,] failure to meet development deadlines or documentation requirements) on the part of any development team member or Project Owner or Principal

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

I. Notification to MFA of Changes to the Project

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

Examples of changes of which MFA must be notified:

1. Site control or rights of way are lost;

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

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

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

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

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

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

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

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

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

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

J. Notice Provisions

MFA will typically provide notice to Applicants through certified mail, courier service, facsimile or e-mail transmission. Consequently, correct street addresses, e-mail addresses and fax 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, or other contact information i.e. address or phone number, that was not reported to MFA**.

K. Applications are Public Records

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

L. Attorney Fees

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

V. Cost Certification

A. Applicability of Cost Certification

Certification by a CPA is required to certify compliance with the 10% test as defined in **Section IV.G.6.a**. Prior to the issuance of a LIHTC certification (IRS Form 8609), MFA will require two Cost Certifications, 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% 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 in its sole discretion, determine the maximum Qualified Basis against which credit is allocated.

VI. Processing of Tax-Exempt Bond Financed Project Applications

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

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

Requests for these determinations (Applications) must be made by the Project's Developer/sponsor no more than 60 calendar days after an award of bond volume cap is made by the State Board of Finance and no less than 60 calendar days prior to the anticipated bond issuance date. Requests must include an Application fee as listed in Section IV.B., a market study, a deposit toward the cost of design reviews, the development Project Application form with needed schedules, the Attachments Checklist and any other material specified by MFA. The market study must meet all of the requirements identified within the Market Study Parameters in MFA's determination, and be dated no more than 180 calendar days prior to the date on which a Complete Application is received by MFA. (See Section III.C.6 for more information about Market Study requirements.) Prior to the release of the Letter of Determination by MFA staff, a processing fee in the amount of 7.75% of the approved annual credit amount will be due. MFA's initial response to the Application for 4% tax credits will be provided no later than 60 business days subsequent to receipt of the Complete Application by MFA.

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

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

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

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

d. Describe in detail the bond financing structure;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MFA reserves the right to modify this QAP, including its compliance and monitoring provisions, as required by the promulgation or amendment 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% funded by the current year's Annual Credit Ceiling without MFA Board approval. Future year commitments in excess of $300,000 in any given year must also be approved by the Board. Any advance allocation will require the Applicant to execute a Binding Commitment, as drafted by MFA and agree to the dates and timeframes required in this QAP.

IX. Disaster Relief Allocations

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

X. MFA Tax Credit Monitoring and Compliance Plan Summary

A. General Requirements

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

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

B. Inspections

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

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

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

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

C. Recordkeeping and Record Retention

Under the provisions of the tax credits, the Project Owner will be required to keep records as defined below for each building within a particular Project. These records must be retained by the Project Owner for a minimum of six years beyond the Project Owner's income tax filing date for that year. However, first-year Project records must be maintained for six years beyond the tax filing date of the final year of the Project's eligibility for tax credits. The Project Owner must report to MFA, through MFA's Web Compliance Management System (WCMS) , annual audited property financial statements within 120 days of the close of the Project's fiscal year, as well as annual operating budgets. On a monthly basis, the Project Owner must provide tenant income certifications and property vacancy data using the WCMS online system. In addition, the Project Owner must maintain records for each qualified low-income building in the Project showing:

1. The total number of residential Units in the building (including the number of bedrooms and size in square feet of each residential unit)

2. The percentage of residential Units in the building that are Set-aside Units

3. The rent charged on each residential Unit in the building (including utility allowances)

4. The number of occupants in each residential Unit in the building

5. The low-income Unit vacancies in the building and documentation of when and to whom the "next available Units" were rented

6. The income certification of each low-income tenant

7. The documentation to support each low-income tenant's income certification

8. The Eligible Basis and Qualified Basis for each building

9. The character and use of any nonresidential portion of the building included in the building's Eligible Basis (this includes separate facilities such as clubhouses or swimming pools whose Eligible Basis is allocated to each building)

10. Additional documentation and reporting as required by federal regulation

11. Additional documentation and reporting as required by MFA

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

D. Annual Certification Review

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

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

2. There has been no change in the Applicable Fraction

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

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

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

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

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

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

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

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

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

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

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

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

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

16. For the preceding 12 months the Project Owner has complied with Section 42(h)(6)(E)(ii)(l) 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)(ll) of the Code and not increased the gross rent above the maximum allowed under the Code with respect to any low-income Unit.

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

19. Changes in Ownership or Management, if any

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

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

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

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

24. There have not been any changes to the ownership entities (General Partner/Limited Partner) in the last year that were not approved by MFA.

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

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

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

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

E. Compliance Review

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

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

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

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

In order to offset the cost of monitoring procedures, an annual fee will be assessed for each year through the end of the Extended Use Period. For 2021, the monitoring/compliance fee is $50.00/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. For 2021, the amount of the Compliance Monitoring fee for the remainder of the contractual Extended Use Period will be $20.00/set-aside Unit/per year beginning in year 16. Annual certifications and reports are due in the MFA office by March 31st of each year (for the past reporting year.) Annual compliance reports are due by March 31st of each year, through MFA's WCMS online compliance system for the full term of the Extended Use Period. Annual audited property financial statements are due in the MFA office within 120 days of the property's fiscal year end. A notice will be mailed to each Project Owner or a designated representative to remind them that the certification, reports and fees are due.

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XI. GLOSSARY

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

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

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

Agency - New Mexico Mortgage Finance Authority (MFA).

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

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

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

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

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

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

Application - the completed forms, schedules, checklists, exhibits, electronic versions uploaded to MFA's file sharing site: https://mfa.internal.housingnm.org/FileTransferHD/ and in hard copy, 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 - 4 p.m. Mountain Standard Time on the final day of the Application Period, except for tax-exempt bond financed Projects, for which the submission date is specified in Section VI.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. The cost of acquiring real property and any building thereon, including payment for options, deposits or contracts to purchase properties.
2. The cost of site preparation and development.
3. Any expenses relating to the issuance of tax-exempt bonds or taxable bonds by the Agency, if any, related to the Project.
4. Fees in connection with the planning, execution and financing of the Project, such as those of architects, engineers, attorneys, accountants and the Agency.

5. The cost of studies, surveys, plans, permits, insurance, interest, financing, tax and assessment costs and other operating and carrying costs incurred during construction, rehabilitation or reconstruction of the Project.
6. The cost of the construction, rehabilitation and equipping of the Project.
7. The cost of land improvements, such as landscaping and off-site improvements related to the Project, whether such costs are paid in cash, property or services.
8. Expenses in connection with initial occupancy of the Project.
9. Allowances established by the Agency for working capital, contingency reserves and reserves for any anticipated operating deficits during the first two years after completion of the Project.
10. The cost of such other items, including relocation cost, indemnity and surety bonds, premium on insurance and fee and expenses of trustees, depositories and paying agents for bonds.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

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

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

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

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

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

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

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

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

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

Management Units - 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.

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.

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

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

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

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

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

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

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

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

Qualified Allocation Plan or **QAP** – this Qualified Allocation Plan, which was adopted by Board action on October 21, 2020 and made effective as of November 1, 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.

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

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

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

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

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

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

Reservation Letter– a document issued by MFA which describes the amount of credits provisionally awarded to a Project and the conditions which the Project Owner must meet in order to obtain a Binding Commitment for tax credits.

Rural Development or RD or USDA (previously called "Farmer's Home Administration" or "FMHA" of the U.S. Department of Agriculture) means Rural Development or other Agency or Instrumentality created or chartered by the U.S. to which the powers of RD have been transferred.

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

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

Set-aside Units those Units eligible for low income housing tax credits.

Single Room Occupancy – housing consisting of single room dwelling Units. The Unit must contain either food preparation and/or sanitary facilities.

Special Needs – see definition above under Households with Special Housing Needs.

State-assisted Building – any building which is substantially assisted, financed or operated under any state law similar in purposes to Section 8 of the United States Housing Act of 1937, Section 221(d)(3), Section 221(d)(4) or 236 of the United States Housing Act, Section 515 of the Housing Act of 1949 or any other program administered by HUD or by the USDA Rural Housing Service.

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

Tax Credit Ceiling Rents – the maximum rent that may be charged for a Rent Restricted Unit.

Tenant Conversion Plan – a written plan acceptable to MFA, describing the method to be used to enable tenants to acquire ownership of their Units at such time as conversion to owner occupancy is allowed under the Code. The Project Owner must provide and describe the type of homeownership, financial and maintenance counseling to be offered. The Project Owner must describe in detail how the Unit will be converted from a rental Unit to homeownership. Please refer to Section III.E.15 for more information on Eventual Tenant Ownership.

Total Development Cost – the total of all costs incurred or to be incurred by the Project in acquiring, constructing, rehabilitating and financing the Project. For purposes of calculating developer fees, Total Development Cost will be adjusted to exclude developer fees, 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.

Exhibit 1

Board Members

Chair – Angel Reyes – Centinel Bank in Taos
Vice Chair – Derek Valdo – Chief Executive Officer, AMERIND Risk
Treasurer – Rebecca Wurzburger – Strategic Planning Consultant
Member - Howie Morales - Lieutenant Governor, state of New Mexico
Member - Hector Balderas – Attorney General, state of New Mexico
Member -Tim Eichenberg – Treasurer, state of New Mexico
Member – Rosalyn Nguyen Chafey – Attorney, Presbyterian Healthcare Services

Allocation Review Committee

Chair, Rosalyn Nguyen Chafey
Member, Michael A. D'Antonio
Member, Lyle Greenberg
Member, Patricia A. Sullivan
Member, Robert White

Management

Isidoro "Izzy" Hernandez,Executive Director
Donna Maestas DeVries, Deputy Director of Programs
Gina Hickman, Deputy Director of Finance and Administration
Shawn Colbert, Director of Housing Development
George Maestas, Assistant Director of Housing Development
Kathryn Turner, Tax Credit Program Officer
Christi Wheelock, Tax Credit Analyst

Tab 7

NEW MEXICO MORTGAGE FINANCE AUTHORITY

Contracted Services/Credit Committee Meeting

Tuesday, October 13, 2020 @ 9:30 am

MFA – Albuquerque

Webex join the meeting from the calendar or call
1-844-992-4726 (access code) 146 249 0378

AGENDA ITEM		Time Allotted	COMMITTEE RECOMMENDED	BOARD ACTION REQUIRED
1	Compliance Activities Report (Robyn Powell)	10:00 – 10:15	2-0	NO
2	Allowance for Loan Loss Methodology (Yvonne Segovia)	10:15 – 10:30	2-0	NO
3	Questions/Comments from Committee	10:30 - 10:45	✓	

Committee Members present:

Rebecca Wurzburger, Chair	☐ present	☐ absent	☑ conference call
Attorney General Hector Balderas or Sally Malavé	☐ present	☐ absent	☑ conference call
Rosalyn Nguyen Chafey	☐ present	☑ absent	☐ conference call

DHernandez

MFA Housing New Mexico

MEMO

TO: MFA Board of Directors

Through: Contracted Services Committee – October 13, 2020

Through: Policy Committee – October 6, 2020

FROM: Robyn Powell, Compliance Officer

DATE: October 21, 2020

SUBJECT: Compliance Activities Report for the period April 2020 to September 2020

Recommendation:
The compliance officer is responsible for communicating with the Board of Directors regarding compliance matters. The compliance activities report is intended to provide information to the Board regarding compliance management activities and the results of related oversight of MFA's single-family mortgage lending and servicing departments, including subservicing oversight. During this reporting period, no significant compliance concerns were identified.

Background:
The compliance officer is responsible for maintaining a comprehensive compliance program to address legal, regulatory and internal requirements for MFA's single family mortgage lending and servicing functions, ensure MFA is meeting regulatory compliance requirements related to mortgage operations, and maintain oversight of MFA's contracted subservicer performance.

Discussion:
The following is a summary of compliance activities related to vendor management, subservicing oversight, loan quality control, and tracking of regulatory compliance and consumer complaints from April 2020 through September 2020.

<u>Vendor Management</u>
Vendor management and oversight is an ongoing function within the compliance management system and is conducted according to the underlying vendor management policy. Staff identifies vendors who provide services to MFA which are subject to regulation and oversight by the Consumer Financial Protection Bureau (CFPB), or any entity contracted to provide services that would cause MFA to face risk if the vendor or service provider fails to meet contractual obligations, regulatory requirements, or engages in activities that could adversely impact MFA consumers.

Vendors are evaluated for inherent risk, compliance systems and controls, and business performance. This evaluation is completed by the compliance officer, in cooperation with appropriate department directors. The most recent vendor reviews did not identify any vendors with critical weaknesses which present a significant risk of violating the law and causing consumer harm.

Vendor reviews:

Vendor name	Function	Rating
Idaho Housing and Finance Association	Contracted subservicer and loan quality control vendor	High risk vendor due to operational reliance. No compliance concerns.
ACS PowerLender	Operations Software Provider	High risk vendor due to operational reliance. No compliance concerns.
Metasource	Operations Software Provider	Low

The most recent vendor reviews did not identify any vendors with critical weaknesses which present a significant risk of violating the law and causing consumer harm.

Subservicing Oversight

Staff continues to monitor service level performance to ensure our contracted serviced provider, Idaho Housing and Finance Association (IHFA), maintains regulatory compliance, that staffing levels support MFA needs and that controls over data integrity are in place. There are no significant compliance concerns.

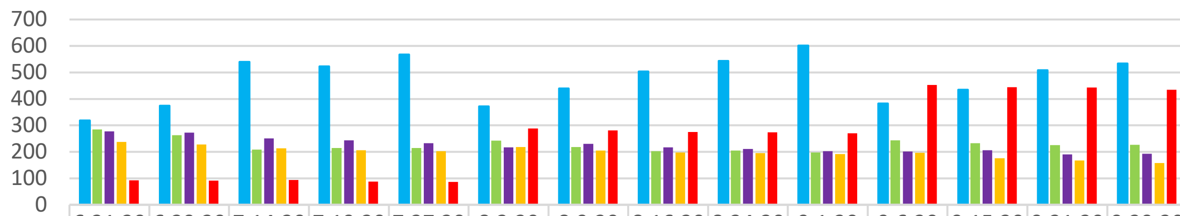
During the reporting period, staff completed the annual subservicing oversight review which is a comprehensive review of IFHA's regulatory compliance, financial position, and operational performance. There are no significant compliance concerns related to the annual review.

IHFA provides several loan portfolio reports monthly, including servicing quality control, advances and reimbursements, loss mitigation and foreclosure activity reports. All reports are reviewed, reconciled, and analyzed for any negative trends or ongoing issues. Staff continues to have monthly calls with IHFA to address exceptions and process improvement opportunities.

While there are no significant compliance concerns, staff are currently working with IHFA to implement an additional servicing quality control review, focused on delinquencies, foreclosures, and post foreclosure real estate owned (REO) claims processing. MFA's internal auditor, REDW, will conduct quality control review of loss mitigation and foreclosure requirements to ensure that processing is compliant with regulatory requirements. This additional review will increase the sample review of loans where MFA holds the servicing rights.
Since April 2020, staff has been receiving a weekly report related to COVID-19 forbearance activity, including payment information for each loan where a COVID-19 forbearance has been requested by a borrower. While many borrowers continue to make monthly payments, we are seeing an increase of seriously delinquent loans.

Due to the financial impact of delinquencies, staff developed a management tool to calculate MBS loan repurchases, track loans until they are repooled back into MBS pools, and track monthly P&I advances and other disbursements made by IHFA to cover the costs of pool repurchases. As a result, staff has implemented process improvements with accounting to better track loan activity and with IHFA to shorten the time it takes to repool loans.

Weekly Monitoring of COVID Forbearances



	6.21.20	6.29.20	7.14.20	7.19.20	7.27.20	8.2.20	8.9.20	8.16.20	8.24.20	9.1.20	9.6.20	9.15.20	9.21.20	9.29.20
CURRENT	318	374	540	523	567	372	440	504	543	602	383	435	508	534
30+	285	263	209	214	215	242	218	202	205	198	243	233	225	227
60+	277	273	251	244	233	217	230	217	211	202	201	206	190	193
90+	237	228	213	206	202	218	205	198	195	192	196	176	167	158
120+	92	91	94	88	87	288	281	275	274	270	453	444	443	435

In cases where borrowers are current and/or have not been in contact with IHFA about their forbearance plan, IHFA is removing the forbearance indicator on the loan. Borrowers are currently eligible for up to twelve (12) months of forbearance. There are three general repayment options for borrowers who can resume their monthly payment:

1. Repayment amount included with regular monthly payments to bring the loan current over several months;
2. Partial claim – results in a 2^{nd} lien held by FHA with no interest and no payments; or
3. Loan modification - lower 1^{st} mortgage and payment; 2^{nd} lien, no payments (larger amount of payments deferred to end of loan, borrower unable to continue existing payments).

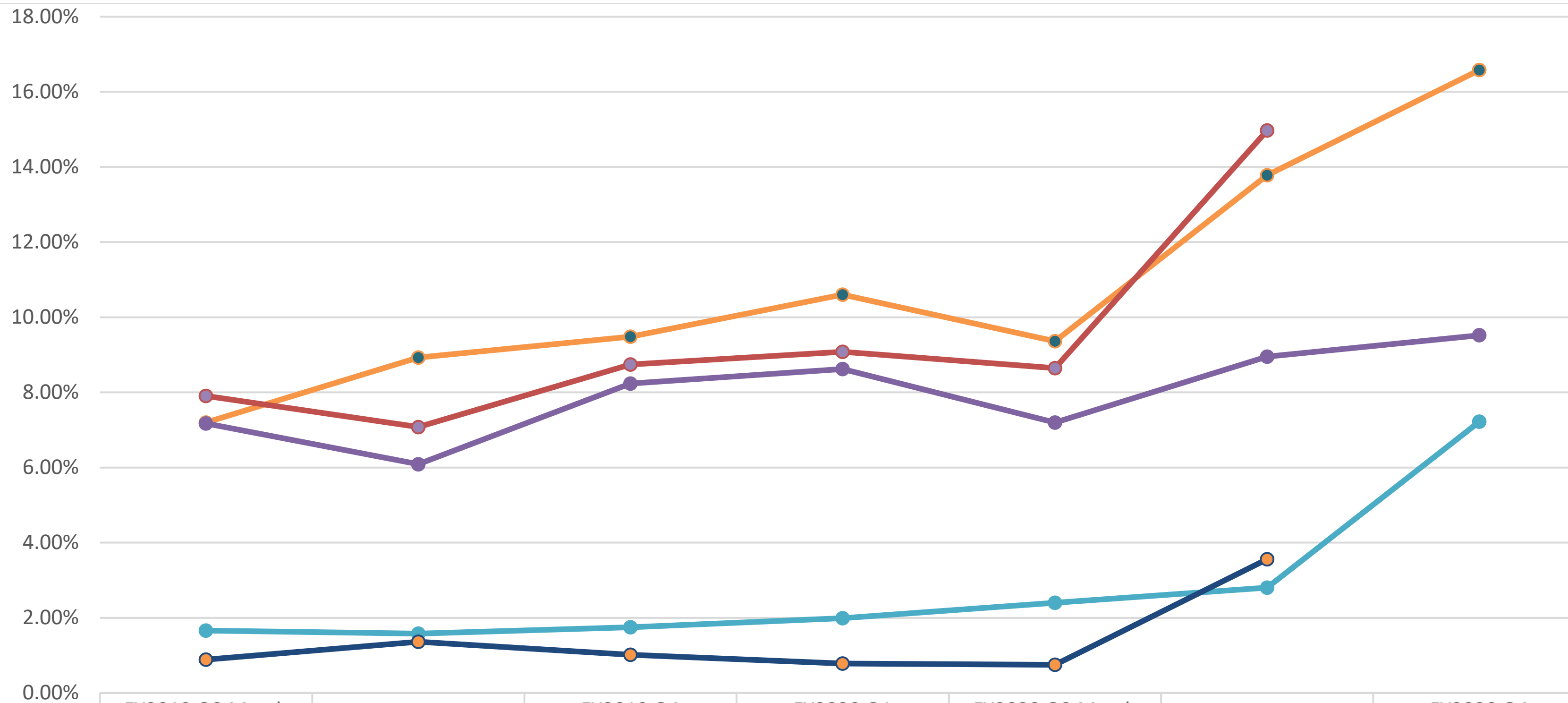
Borrowers who are unable to resume monthly payments are currently protected from the foreclosure and eviction process. As of August 27, 2020, the Federal Housing Finance Agency (FHFA) announced that Fannie Mae and Freddie Mac will extend the moratoriums on single-family foreclosures and real estate owned (REO) evictions until at least December 31,

2020. On the same day, the US Department of Housing and Urban Development (HUD) further extended the foreclosure and eviction mortarium through December 31, 2020.

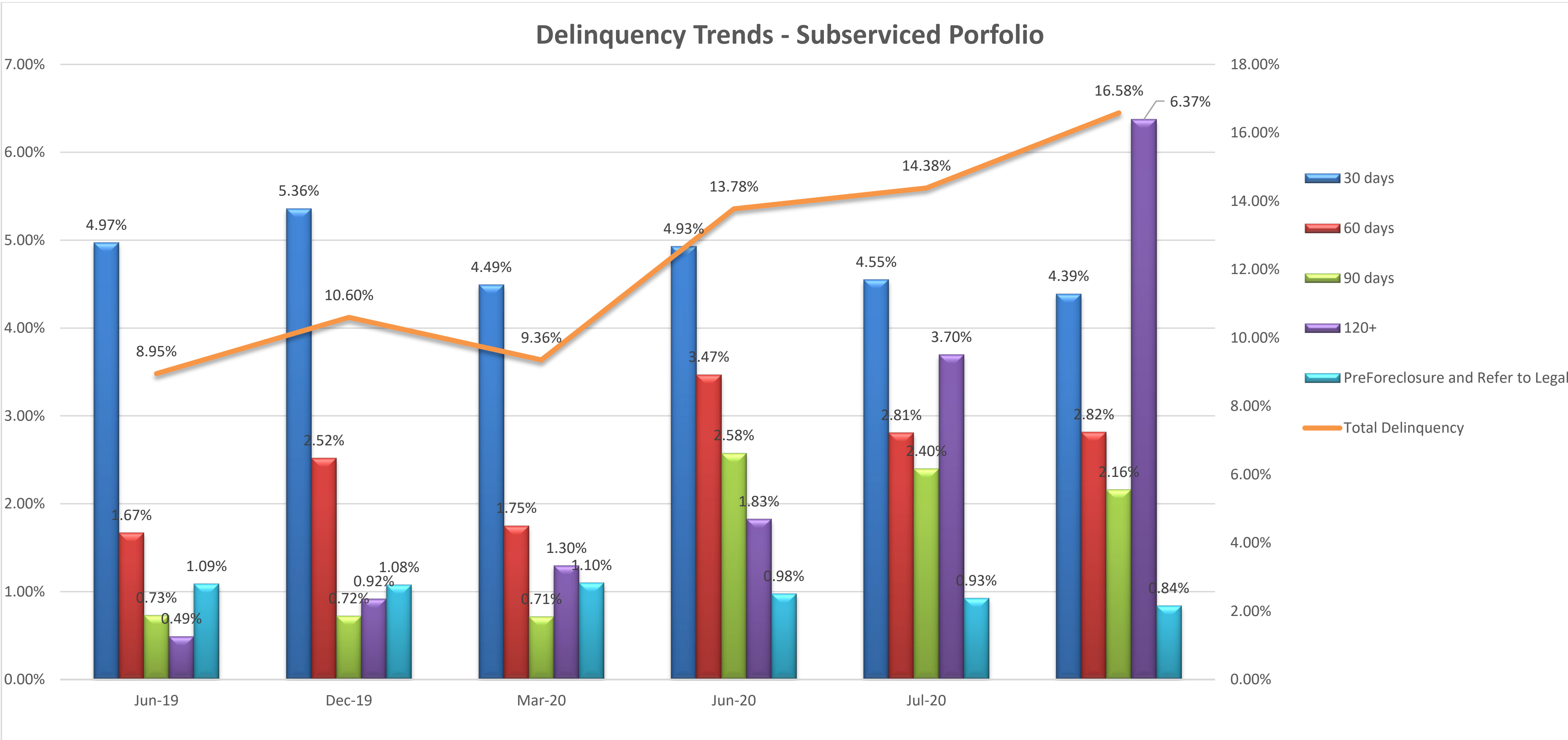
Seriously delinquent loans have the most financial impact to MFA due to the pass through of principle and interest payments and repurchase of loans out of MBS pools. The most common delinquency reasons reported have shifted from curtailment of income and excessive obligations-same income, to COVID-19; however, reporting shows that more borrowers are now engaging in loss mitigation than prior to the COVID-19 forbearance options.

The subserviced portfolio loan performance is provided below, first in comparison to the Mortgage Bankers Association (MBA) national delinquency reporting and then as a 12-month snapshot.

Delinquency Trends



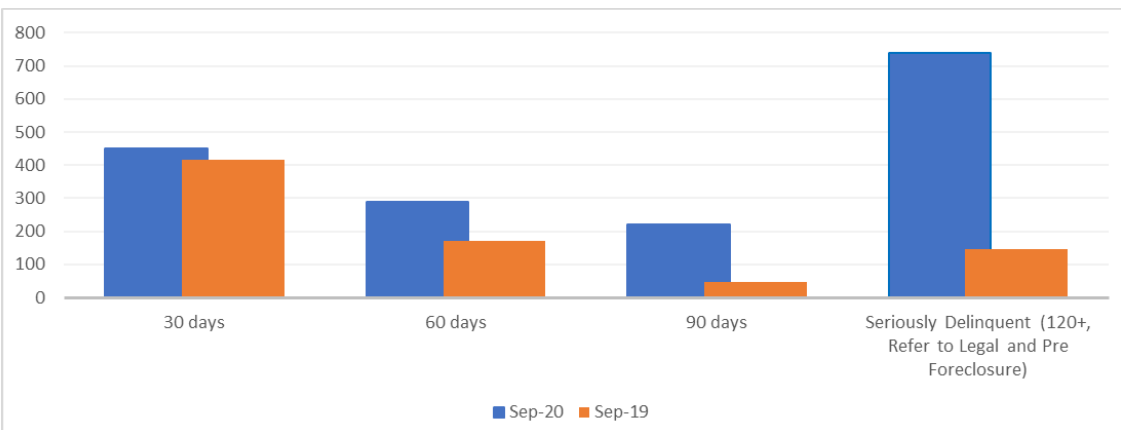
	FY2019 Q2 March 2019	FY2019 Q3 June 2019	FY2019 Q4 September 2019	FY2020 Q1 December 2019	FY2020 Q2 March 2020	FY2020 Q3 June 2020	FY2020 Q4 September 2020
Subserviced Porfolio Loans Past Due (All Loans)	7.20%	8.93%	9.48%	10.60%	9.36%	13.78%	16.58%
Subserviced Portfolio same time last year (quarter end)	7.17%	6.09%	8.24%	8.62%	7.20%	8.95%	9.52%
MBA National Loans Past Due (FHA)	7.91%	7.08%	8.74%	9.08%	8.65%	14.97%	
Subserviced Porfolio Seriously Delinquent (All Loans 120+)	1.66%	1.58%	1.75%	1.99%	2.40%	2.80%	7.22%
MBA New Mexico Seriously Delinquent Rate FHA Fixed	0.89%	1.36%	1.02%	0.78%	0.75%	3.56%	


Delinquency Trends - Subserviced Porfolio
7.00%
6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
0.00%
18.00%
16.00%
14.00%
12.00%
10.00%
8.00%
6.00%
4.00%
2.00%
0.00%
4.97%
1.67%
0.73%
0.49%
1.09%
8.95%
5.36%
2.52%
0.72%
0.92%
1.08%
10.60%
4.49%
1.75%
0.71%
1.30%
1.10%
9.36%
4.93%
3.47%
2.58%
1.83%
0.98%
13.78%
4.55%
2.81%
2.40%
3.70%
0.93%
14.38%
4.39%
2.82%
2.16%
6.37%
0.84%
16.58%
Jun-19
Dec-19
Mar-20
Jun-20
Jul-20
30 days
60 days
90 days
120+
PreForeclosure and Refer to Legal
Total Delinquency

Breakdown of Subserviced Portfolio as of September 30, 2020:

MFA Single Family Loan Portfolio Subserviced IHFA September 30, 2020			
Subservicing Portfolio	**Count**	**Percentage by status**	**Total UPB**
Current	8532	83.42%	$1,242,292,642.00
30 days	449	4.39%	$64,399,544.22
60 days	288	2.82%	$41,977,597.76
90 days	221	2.16%	$32,060,512.69
Seriously Delinquent (120+, Legal)	738	7.22%	$111,671,710.55
Foreclosed Loans (not included in total)	36		
Total Delinquent Loans	1696		$250,109,365.22
Total First Liens	10228		**$1,492,402,007.22**
Total Delinquency Percentage	16.58%		

Breakdown of Delinquency (year over year):



Definitions:

120+ days	Loans not referred to foreclosure due to loss mitigation plan
Pre-Foreclosure	First legal has been filed
Refer to Legal	No first legal has occurred, but the loan has been referred to attorney
Foreclosed	Failed loan (in foreclosure or claim status)

Loan Quality Control

Loan quality control reports and portfolio management reports received from IHFA alert staff to loan level issues and provide insight regarding trends and performance of specific lenders and loan officers. MFA staff takes a proactive approach in communicating with our partner lenders in order to mitigate the risk of material findings or repurchase.

During the review period, staff completed the annual lender recertification process, while also streamlining the process for lenders and staff. Additionally, staff implemented an additional financial review process to monitor the top 5 producing lenders to mitigate risk related to lender concentration. Staff is also reviewing any loans where mortgage insurance has not been received within 90 days of origination to prevent delays in obtaining the insurance certificate.

The below table is the MFA loan origination defect trend data of cases with serious exceptions. These loans are reviewed by MFA's contracted quality control vendor, IHFA. MFA staff then completes a 10% oversight review of the sample. Staff did not identify any issues in loan quality reviews, gross and net defect rates remain below MFA's thresholds.

DEFECT TREND REPORT Random QC

CASES WITH SERIOUS EXCEPTION(S) - COMPLIANCE EXCLUDED

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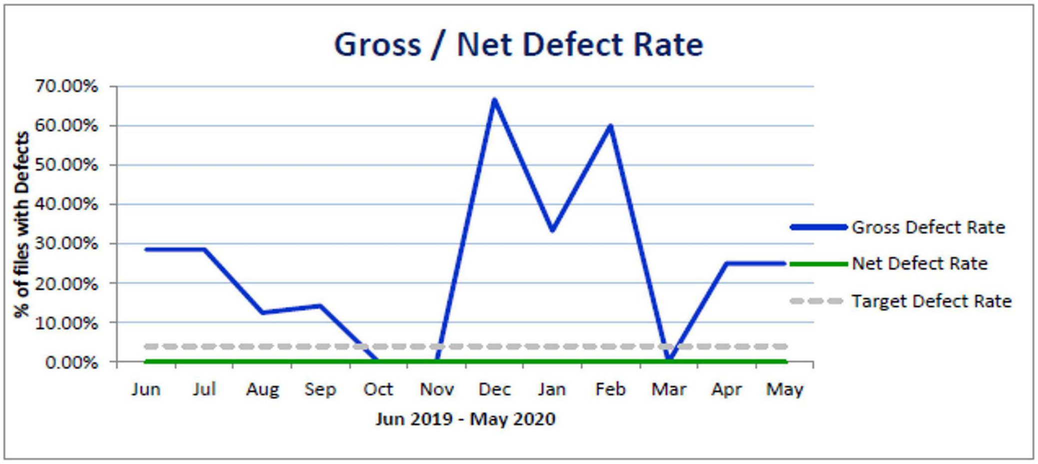
Year	Month	Target Defect Rate	Cases Audited	Defective Cases (Gross)	Defective Cases (Net)	Gross Defect Rate	Net Defect Rate
2019	Jun	4.0%	7	2	0	28.57%	0.00%
2019	Jul	4.0%	7	2	0	28.57%	0.00%
2019	Aug	4.0%	8	1	0	12.50%	0.00%
2019	Sep	4.0%	7	1	0	14.29%	0.00%
2019	Oct	4.0%	7	0	0	0.00%	0.00%
2019	Nov	4.0%	3	0	0	0.00%	0.00%
2019	Dec	4.0%	3	2	0	66.67%	0.00%
2020	Jan	4.0%	3	1	0	33.33%	0.00%
2020	Feb	4.0%	5	3	0	60.00%	0.00%
2020	Mar	4.0%	2	0	0	0.00%	0.00%
2020	Apr	4.0%	4	1	0	25.00%	0.00%
2020	May	4.0%	4	1	0	25.00%	0.00%
Sub-total			**60**	**14**	**0**	**23.33%**	**0.00%**



<u>Regulatory Compliance</u>
Tracking regulatory information related to federal consumer financial law, and implementation of new processes resulting from changing requirements is completed by the compliance officer and mortgage operations staff and management.

As a result of the COVID-19 national emergency declaration on March 13, 2020, the Federal Housing Finance Agency (FHFA) and Department of Housing and Urban Development (HUD) enacted borrower protections against foreclosure and eviction, expanded loss mitigation options, and certain underwriting flexibilities and exceptions related to verifications and appraisals. These guidelines are still in place and the agencies continue to extend these provisions.

In order to maintain stability in the market, the FHFA and Ginnie Mae also continue to extend certain flexibilities in delivering, pooling and loss mitigation options for eligible loans with COVID-19 impacts.

Staff will continue to monitor regulatory directives related to impacts of COVID-19 to ensure that our single family policies are in compliance. Staff is also working closing with our lending and servicing partners to implement updated policies.

<u>Training</u>
The Consumer Financial Protection Bureau requires that supervised entities have a training program in place. MFA is currently providing compliance related training to mortgage operations staff on a regular basis.

In this reporting period, staff completed the following mortgage operations training:

- Annual fraud training

Consumer complaints
Tracking, investigating and responding to consumer complaints is a function of the Compliance Management System. No consumer complaints were received in the current reporting cycle.

Summary:
The activities described in this report are intended to provide the Board of Directors with assurance that MFA is effectively managing compliance with Federal and State consumer financial laws applicable to the products and services being provided by MFA and mitigating related risk.

Compliance activities will be reported to the Board through the Contracted Services/Credit Committee no less than twice per year, and as needed to fulfill the compliance department's responsibility to inform the Board of any critical compliance issues. There were no significant compliance concerns identified during this reporting period.

Tab 8

CDBG CARES Act Funding

Housing Cost Assistance Program

Donna Maestas-De Vries, MFA Deputy Director of Programs
Leann Kemp, MFA Director of Communications and Marketing
Amanda Mottershead-Aragon, MFA Assistant Director of Asset Management

October 21, 2020

Housing Cost Assistance Program

- $12.3 million allocated by the New Mexico Department of Finance and Administration.
- Provides emergency housing grants to income-eligible households and residents of tribal lands experiencing financial hardship due to the COVID-19 health crisis.
- Provides up to $1,500 per month for a period of up to three (3) consecutive months, to maintain housing and/or to reduce housing cost delinquency due to the COVID-19 health crisis.
- Eligible payments may be made for rental, mortgage, real estate contract or mobile/manufactured home payments.
- Payments will be sent directly to the housing providers, e.g. landlords, servicers, escrow companies, etc.

Program Eligibility

Eligible applicants must:

1. Have a current annual gross household income that does not exceed the HUD established “Moderate-Income” limits, defined as 80% of the area median income adjusted for family size, or reside on tribal lands.
2. Have experienced financial hardship due to the COVID-19 health crisis, such as job loss/furlough closure of place of employment, reduction of income greater than 10% or other pertinent circumstances.
3. Have a current primary residence in a housing unit in New Mexico.
4. Have documentation to demonstrate delinquency on housing costs.

MFA

Application Acceptance Period and Methods

- The first application round begins Monday, November 2, 2020 and ends 5:00 p.m. on Friday, November 13, 2020.
- If there are remaining funds after the first application window, a second application round will be announced.
- Applications will be accepted through an online system and via paper application received either in the mail or designated locations.

Application

- To ensure equity throughout the state, $1 million of assistance will be set aside for residents of each COG region for the first 120 days of program availability.

- All applications submitted within the application window will be ranked according to the criteria listed below. Applications will then be reviewed and funded according to their ranking. If sufficient funds are available, all eligible applications will be funded, regardless of ranking.
    1. Income level/residents of tribal land
    2. Application date/time

CDBG National Objectives

- At least 70 percent of the CDBG-CV funds for the COVID-19 Housing Cost Assistance Program will be used to provide housing cost assistance under the Low- and Moderate-Income Persons or Households (LMI) national objective as defined in 24 CFR 570.208, Limited Clientele (LMC) category.
- No more than 30 percent of the CDBG-CV funds for this program will be used to provide housing cost assistance under the Urgent Need national objective defined in 24 CFR 570.208. This activity will serve:

  1. Applicants whose principal residence is in a tribal land in New Mexico, as tribal lands have been disproportionately impacted by the COVID-19 pandemic.
  2. Applicants whose circumstances are such that full verification of income is determined by MFA to be infeasible. Given the nature of the COVID-19 pandemic and its impacts on the economy, there may be circumstances in which an applicant's need is evident, but income documentation is very difficult to obtain.

Program Logistics and Staffing

- Up to 20 temporary staff will be hired to review applications. Temporary staff will be trained on income eligibility, program eligibility, fair housing and the use of the software system. Temporary staff will be reduced as funding is expended and need is reduced.
- Santa Fe Civic Housing Authority (SFCHA) will be a subrecipient charged with receiving and entering paper applications and assisting with application follow up.
- A telephone tree and a dedicated phone line will receive calls to assist applicants. In anticipation of a large volume individuals and households needing assistance, calls will be routed to SFCHA staff, temporary staff and MFA permanent staff.
- Disbursements will occur daily and will primarily be processed by one temporary accounting staff member dedicated to the program.

MFA

Program Monitoring

- Senior MFA permanent staff will QC a percentage of files approved by temporary staff.
- SFCHA timesheets, reports and other required documentation will be reviewed monthly.
- SFCHA activities will be monitored twice a year for the duration of the program.
- Awardees will be reviewed prior to distribution and then monthly for the duration of the program to monitor for potential duplication of benefits made by other partnering agencies agreeing to share data.

MFA

Outreach

Let all New Mexicans know that housing cost assistance is available

- Rural areas
- Areas with little internet access
- Spanish and Navajo speakers

Call-to-action

- Go to MFA's website for more information and to apply
- Call to have a paper application mailed

Outreach

One week before the application window opens, October 26

- Program and qualifying information and application forms on MFA's website
- Informational flyer emailed to MFA partners, COGs and other civic groups for distribution to their mailing lists
- "Coming soon" radio ads
- Digital ads
- Two social media posts

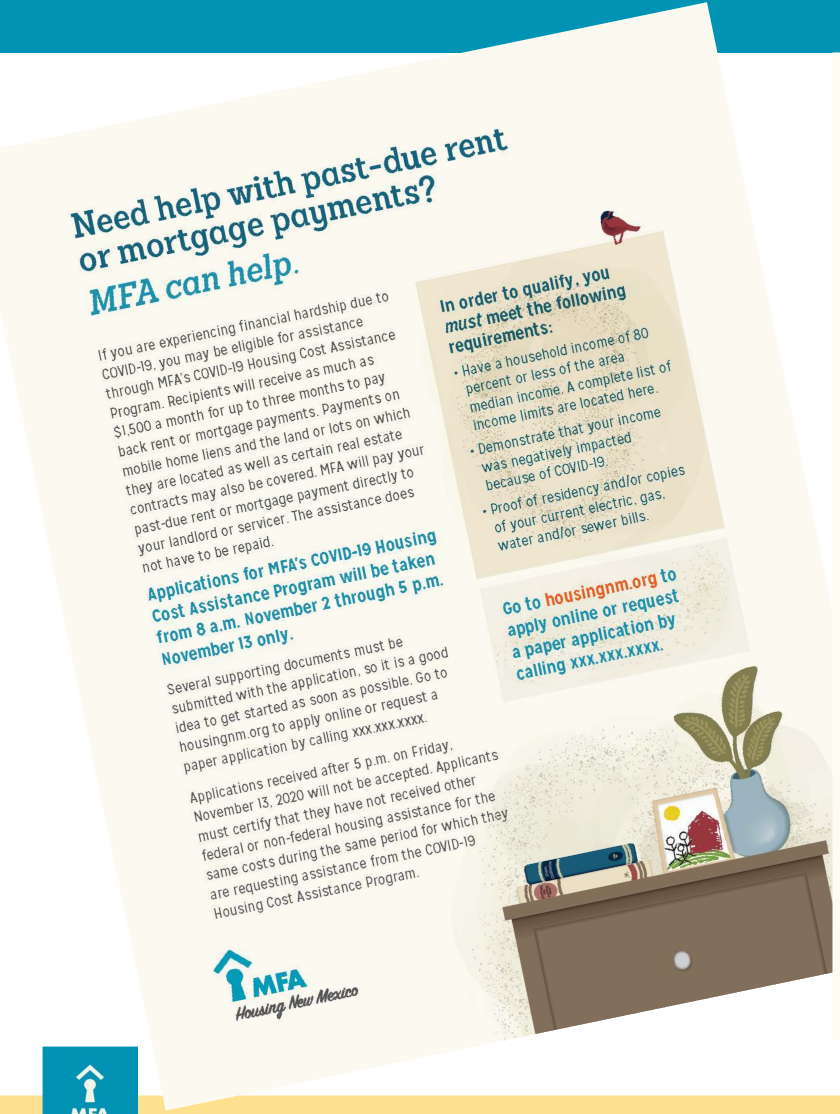
Outreach

When the application window opens, November 2

- Press release
- Link to application website on MFA's website
- Second e-blast with flyer to MFA partners
- "Apply now" radio ads
- Digital ads
- Two social media posts per week

MFA

E-Blasts and Informational Flyer



Need help with past-due rent or mortgage payments?

MFA can help.

If you are experiencing financial hardship due to COVID-19, you may be eligible for assistance through MFA's COVID-19 Housing Cost Assistance Program. Recipients will receive as much as $1,500 a month for up to three months to pay back rent or mortgage payments. Payments on mobile home liens and the land or lots on which they are located as well as certain real estate contracts may also be covered. MFA will pay your past-due rent or mortgage payment directly to your landlord or servicer. The assistance does not have to be repaid.

Applications for MFA's COVID-19 Housing Cost Assistance Program will be taken from 8 a.m. November 2 through 5 p.m. November 13 only.

Several supporting documents must be submitted with the application, so it is a good idea to get started as soon as possible. Go to housingnm.org to apply online or request a paper application by calling xxx.xxx.xxxx.

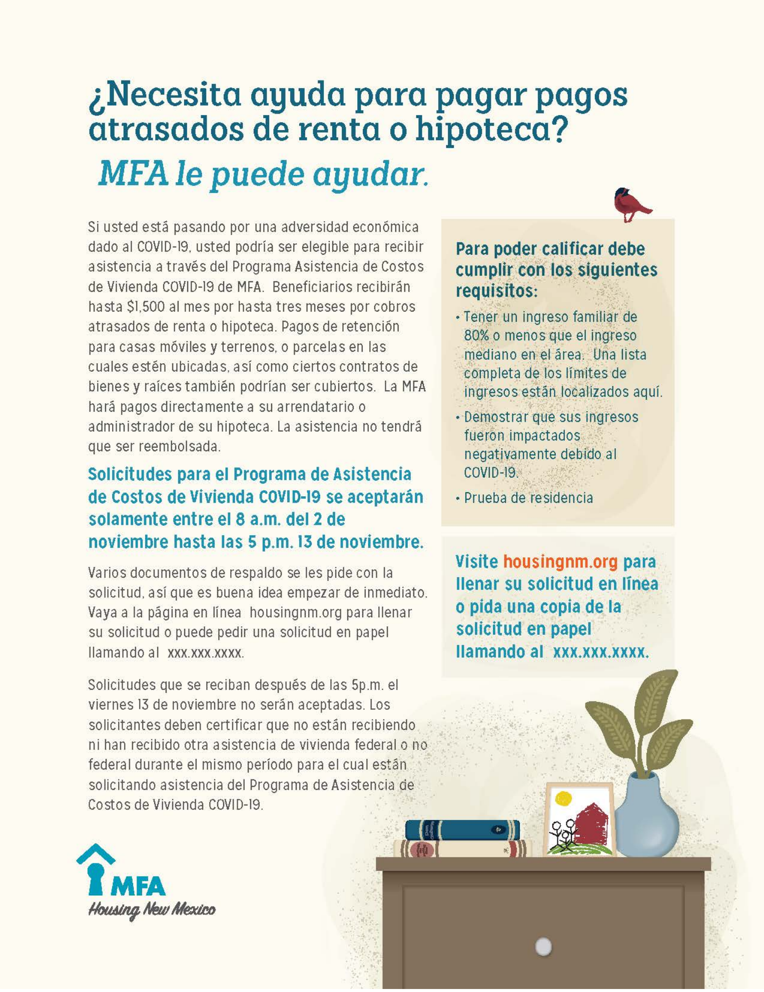
Applications received after 5 p.m. on Friday, November 13, 2020 will not be accepted. Applicants must certify that they have not received other federal or non-federal housing assistance for the same costs during the same period for which they are requesting assistance from the COVID-19 Housing Cost Assistance Program.

In order to qualify, you *must* meet the following requirements:

- Have a household income of 80 percent or less of the area median income. A complete list of income limits are located here.
- Demonstrate that your income was negatively impacted because of COVID-19.
- Proof of residency and/or copies of your current electric, gas, water and/or sewer bills.

Go to housingnm.org to apply online or request a paper application by calling xxx.xxx.xxxx.

MFA Housing New Mexico



¿Necesita ayuda para pagar pagos atrasados de renta o hipoteca?

MFA le puede ayudar.

Si usted está pasando por una adversidad económica dado al COVID-19, usted podría ser elegible para recibir asistencia a través del Programa Asistencia de Costos de Vivienda COVID-19 de MFA. Beneficiarios recibirán hasta $1,500 al mes por hasta tres meses por cobros atrasados de renta o hipoteca. Pagos de retención para casas móviles y terrenos, o parcelas en las cuales estén ubicadas, así como ciertos contratos de bienes y raíces también podrían ser cubiertos. La MFA hará pagos directamente a su arrendatario o administrador de su hipoteca. La asistencia no tendrá que ser reembolsada.

Solicitudes para el Programa de Asistencia de Costos de Vivienda COVID-19 se aceptarán solamente entre el 8 a.m. del 2 de noviembre hasta las 5 p.m. 13 de noviembre.

Varios documentos de respaldo se les pide con la solicitud, así que es buena idea empezar de inmediato. Vaya a la página en línea housingnm.org para llenar su solicitud o puede pedir una solicitud en papel llamando al xxx.xxx.xxxx.

Solicitudes que se reciban después de las 5p.m. el viernes 13 de noviembre no serán aceptadas. Los solicitantes deben certificar que no están recibiendo ni han recibido otra asistencia de vivienda federal o no federal durante el mismo período para el cual están solicitando asistencia del Programa de Asistencia de Costos de Vivienda COVID-19.

Para poder calificar debe cumplir con los siguientes requisitos:

- Tener un ingreso familiar de 80% o menos que el ingreso mediano en el área. Una lista completa de los límites de ingresos están localizados aquí.
- Demostrar que sus ingresos fueron impactados negativamente debido al COVID-19.
- Prueba de residencia

Visite housingnm.org para llenar su solicitud en línea o pida una copia de la solicitud en papel llamando al xxx.xxx.xxxx.

MFA Housing New Mexico

More than 3,000 MFA contacts that include:

- Property owners and agents
- Property managers
- Mortgage lenders
- Nonprofit organizations

Seven Regional Councils of Government

Tribal and city housing authorities

State and local officials

Radio

57 radio stations with rural reach

- 9 Spanish stations
- 2 Navajo stations
- 20 spots per week
- 1 week pre-window; 2 weeks during
- 3,420 total ads

Alamogordo
Artesia
Carlsbad
Clovis
Espanola
Farmington
Gallup
Hobbs
Las Cruces
Las Vegas
Lovington
Portales
Raton
Roswell
Ruidoso
Santa Fe
Silver City
Taos

"Need help with your rent or mortgage payment? MFA can help."

Digital Ads

Website ads targeting households with incomes under $90k

- Hyperlinks to MFA's website
- 3 weeks
- English – estimated 2,564,000 impressions
- Spanish – estimated 555,000 impressions

Online newspaper ads

- 53 newspapers
- 3 weeks

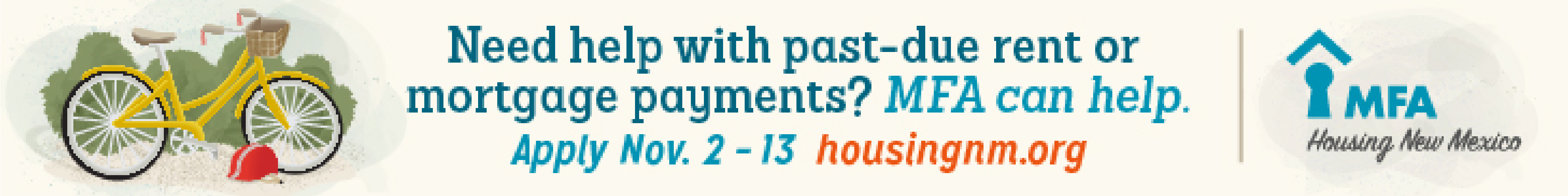
Alamogordo
Albuquerque
  Journal
  Journal North
  Casino Entertainer
  Health City Sun
  El Hispano News
  Business First
  Jewish Link
Artesia
Carlsbad
Catron Courier
Cibola County Beacon
Cloudcroft
Clovis
Deming
Espanola
Edgewood

Farmington
  Times
  San Juan Sun
Four Corners Biz Journal
Gallup
  Herald
  Independent
Guadalupe Cty
Hobbs
Las Cruces
  Sun News
  Bulletin
Las Vegas
Lea County Tribune
Los Alamos
Lovington
Northern NM Tribune
Portales
Quay County

Raton
Rio Rancho
Roswell
Ruidoso
Santa Fe
  New Mexican
  Reporter
  Green Fire Times
Sierra County Sentinel
Silver City
  Daily Press
  Sun News
Socorro
  El Defensor
  Mountain Mail
Timbero
Taos
T or C
Union County Leader
Valencia County News

MFA

Digital Ads


Need help with past-due rent or
mortgage payments? MFA can help.
Apply Nov. 2 - 13 housingnm.org
MFA
Housing New Mexico


Need help with
past-due rent or
mortgage payments?
MFA can help.
Applications accepted
Nov. 2 - 13 only.
housingnm.org
MILK
MFA
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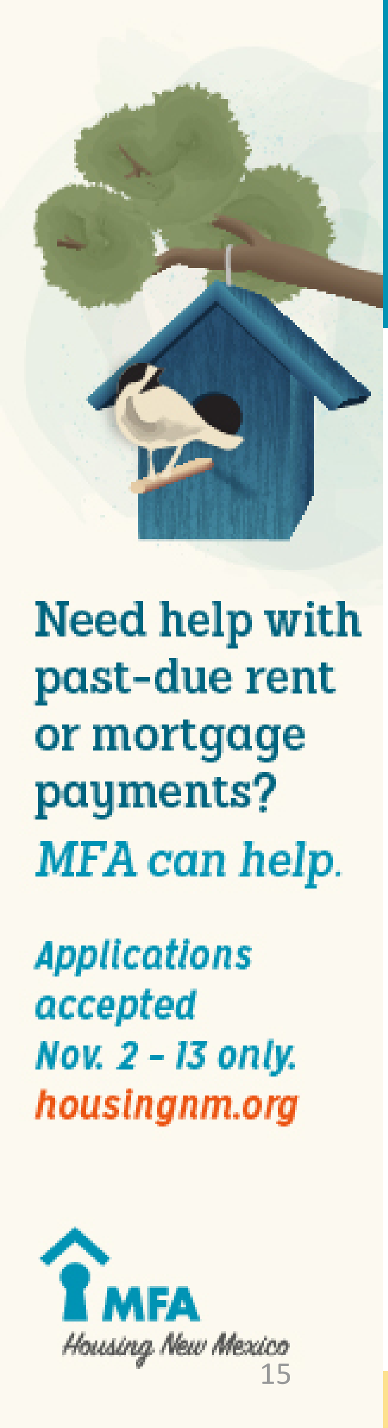
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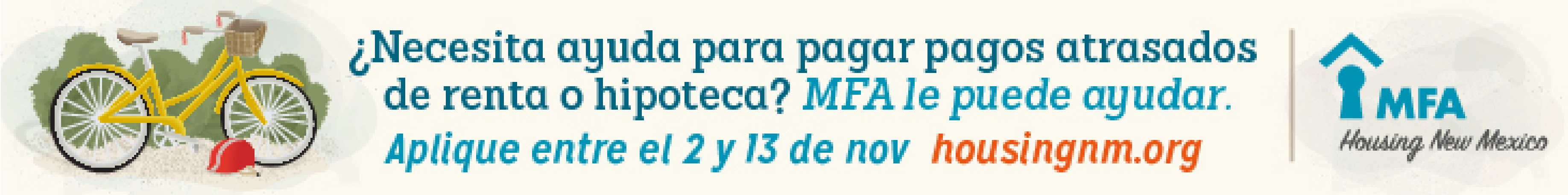
Digital Ads


¿Necesita ayuda para pagar pagos atrasados
de renta o hipoteca? MFA le puede ayudar.
Aplique entre el 2 y 13 de nov housingnm.org
MFA
Housing New Mexico


¿Necesita ayuda para pagar pagos atrasados de renta o hipoteca?
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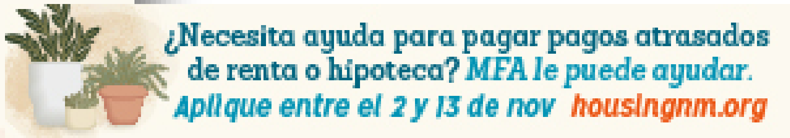
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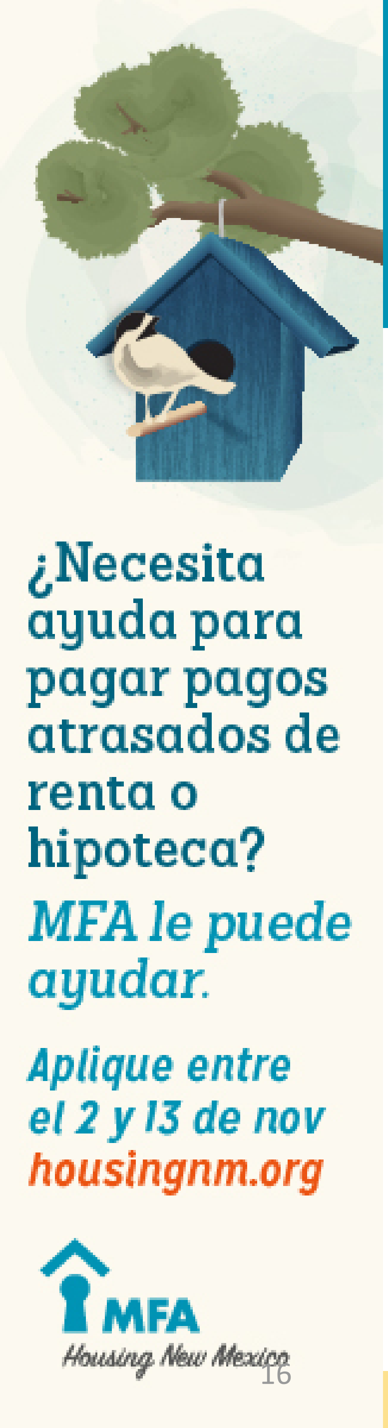
Aplique entre el 2 y 13 de nov housingnm.org


¿Necesita ayuda para pagar pagos atrasados de renta o hipoteca?
MFA le puede ayudar.
Aplique entre el 2 y 13 de nov
housingnm.org
MFA
Housing New Mexico

Social Media

Three weeks of posts on all MFA platforms

- One boosted post per week
- One regular post per week

Platforms as of September 30:

- Facebook – 835 follows; 765 likes
- Instagram – 237 followers
- LinkedIn -- 167 followers
- Twitter -- 67 followers

Last boosted post reached 5,973 people

Social Media

MFA

Social Media

Social Media

MFA

Comments or Questions?

MFA
Housing New Mexico

Tab 9

Staff Actions Requiring Notice to Board
During the Period of September 30, 2020

Department and Program	Project	Action Taken	Comments / Date Approved
Servicing	July 2020 Monthly Loan Servicing Quality Control Report	Approval of report issued by REDW – no findings	Approved by Policy Committee on September 9, 2020
Community Development CARES Act	Reclassification of ESG CARES Act Administrative Funds	Approved the reclassification of $38,320.16 in administrative funds to program funds.	Approved by Donna Maestas-De Vries on September 23, 2020
Community Development HOME Program	Reallocations of the 2018 HOME Program Funds	Approved the reallocation of $47,609 of the 2018 HOME program funds to four Rehab service providers – San Felipe Pueblo, Ohkay Owingeh Pueblo HA, Southwestern Regional Housing and El Camino Real HA.	Approved by Donna Maestas-De Vries on September 24, 2020
Housing Development HOME	Andalusia Apartments, a 60-unit multifamily residential project in Clovis, NM.	Modified HOME loan HM148 to convert to a newly restated 40-year term with monthly payments based on an 80-year amortization of the current principal balance. Modifying HOME LURA to extend the HOME unit affordability period to match the restated 40 year term.	Approved by Donna Maestas-De Vries on September 28, 2020
Servicing	August 2020 Monthly Loan Servicing Quality Control Report	Approval of report issued by REDW – no findings.	Approved by Policy Committee on September 29, 2020
Community Development HOME Rehab	Allocate uncommitted 2019/2020 HOME Rehab funds to White Sands Habitat for Humanity	Approved the amount of $32,750.66 from the 2019/2020 HOME awards to be allocated to White Sands Habitat for Humanity for the Homeowner Rehabilitation Program.	Approved by Donna Maestas-De Vries on September 30, 2020
Community Development Energy$mart	Funding from the 89200 Capital Appropriation Project going to New Mexico Energy $mart service providers	Approved the disbursement of $1,000,000. in funds granted by the State of New Mexico Department of Finance to our 3 New Mexico Energy$mart Service Providers. This funding will be used for weatherization applicants that need emergency measures that the current Federal and State funding does not allow for.	Approved by Donna Maestas-De Vries on September 30, 2020

COVID-19
Staff Actions Requiring Notice to Board
During the Period of September 15- October 6, 2020

Department and Program	Project	Action Taken	Comments / Date Approved
Policy and Planning & Asset Management; COVID-19 Housing Cost Assistance Program		Approval of (1) acceptance of $1,030,625 in 2019 Community Development Block Grant (CDBG) funds and $12,330,657 in Coronavirus Aid, Relief, and Economic Security (CARES) Act CDBG funds to fund a housing assistance program for households earning no more than 80% of the area median income (AMI) who are experiencing financial hardship due to the COVID-19 pandemic; (2) adoption of a framework for implementation of this housing assistance program; and (3) emergency procurement of (a) a technology vendor to build and support an online application and reporting system and (b) subrecipients or contractors to assist with aspects of application review if needed.	Approved by: PC – 9/15/20
Policy and Planning & Asset Management; COVID-19 Housing Cost Assistance Program		Approval of (1) acceptance of $1,030,625 in 2019 Community Development Block Grant (CDBG) funds and $12,330,657 in Coronavirus Aid, Relief, and Economic Security (CARES) Act CDBG funds to fund a housing assistance program for households earning no more than 80% of the area median income (AMI) who are experiencing financial hardship due to the COVID-19 pandemic; and (2) adoption of a framework for implementation of this housing assistance program.	Approved by: Delegates – 9/22/20
Asset Management; New Mexico Housing Trust Fund (NMHTF) Rental Assistance Program	NMHTF Rental Assistance Round 5 Awards	Approval of awards from the fifth round of the NMHTF Rental Assistance program, totaling $15,723 to five properties, assisting seven households	Approved by: Policy Committee – 9/22/20 Recommended by: HTF Advisory Committee – 9/24/20
Asset Management; New Mexico Housing Trust Fund (NMHTF) Rental Assistance Program	NMHTF Rental Assistance Notice of Funding Availability (NOFA)	Approval of Addendum #3 to the NMHTF Rental Assistance NOFA to require a minimum threshold of ten percent when reporting income losses, to amend the NOFA contacts, to require awardees to return unused rental assistance with resident move-outs prior to use of all funds and to provide clarifications of application requirements	Approved by: Policy Committee – 9/15/20 Recommended by: HTF Advisory Committee – 9/24/20 Approved by: Delegates – 10/6/20
Community Development Cares Act 2	ESG CARES ACT 2 funding allocations	Approval of the ESG CARES ACT 2 funding allocations to our existing RAP and EHAP Service Providers and approval of the submission of a NOFA to potential providers in the underserved areas of the State pending HUD approval of our revised action plan and a fully executed funding agreement between HUD and the State of New Mexico. Approval consisted of: 1) Phased in approach plan, 2) Awards to current EHAP and RAP Service Providers, 3) Award to NM Coalition to End Homelessness for HMIS activities and staffing and 4) NOFA language .	Approved by: Policy Committee – 10/1/20 Approved by: Delegates – 10/6/20

Tab 10

New Mexico Mortgage Finance Authority

Combined Financial Statements

And Schedules

AUGUST 31, 2020

NEW MEXICO MORTGAGE FINANCE AUTHORITY
FINANCIAL REVIEW
For the eleven-month period ended August 31, 2020

COMPARATIVE YEAR-TO-DATE FIGURES (Dollars in millions):	11 months 8/31/2020	11 months 8/31/2019	% Change Year / Year	Forecast 8/31/2020	Actual to Forecast	Forecast/Target 9/30/20
PRODUCTION						
1 Single family issues (new money):	$190.0	$299.9	-36.6%	$190.0	0.0%	$190.0
2 Single family loans sold (TBA):	$202.6	$100.1	102.4%	$192.5	5.2%	$210.0
3 Total Single Family Production	$392.6	$400.0	-1.8%	$382.5	2.6%	$400.0
4 Multifamily issues:	$0.0	$18.7	0.0%	$20.0	0.0%	$20.0
5 Single Family Bond MBS Payoffs:	$80.9	$37.6	115.2%	$73.1	10.7%	$79.7
STATEMENT OF NET POSITION						
6 Avg. earning assets:	$1,381.0	$1,187.2	16.3%	$1,406.9	-1.8%	$1,373.9
7 General Fund Cash and Securities:	$82.3	$94.4	-12.8%	$80.5	2.2%	$89.6
8 General Fund SIC FMV Adj.:	$1.5	$0.3	400.0%	$0.0	N/A	$0.0
9 Total bonds outstanding:	$1,143.4	$1,083.7	5.5%	$1,256.1	-9.0%	$1,155.2
STATEMENT OF REVENUES, EXPENSES AND NET POSITION						
10 General Fund expenses (excluding capitalized assets):	$16.6	$15.0	10.7%	$18.1	-8.3%	$19.3
11 General Fund revenues:	$28.2	$21.2	33.0%	$22.1	27.6%	$23.5
12 Combined net revenues (all funds):	$15.7	$9.7	61.9%	$8.3	90.3%	$9.0
13 Combined net revenues excluding SIC FMV Adj. (all funds):	$13.6	$8.9	52.8%	$8.3	64.8%	$9.0
14 Combined net position:	$261.2	$244.6	6.8%	$253.8	2.9%	$254.4
15 Combined return on avg. earning assets:	1.24%	0.89%	39.3%	0.65%	90.8%	0.65%
16 Combined return on avg. earning assets exluding SIC FMV Adj. (all funds):	1.08%	0.82%	31.7%	0.65%	66.2%	0.65%
17 Net TBA profitability:	1.75%	0.77%	127.3%	1.25%	40.0%	1.25%
18 Combined interest margin:	0.88%	1.03%	-14.6%	0.52%	69.2%	0.52%
MOODY'S BENCHMARKS						
19 Net Asset to debt ratio (5-yr avg):	28.75%	29.25%	-1.7%	28.79%	-0.1%	28.55%
20 Net rev as a % of total rev (5-yr avg):	12.39%	10.96%	13.0%	10.40%	19.1%	10.40%
SERVICING						
21 Subserviced portfolio	$1,434.4	$1,114.5	28.7%	$1,459.6	-1.7%	$1,447.9
22 Servicing Yield (subserviced portfolio)	0.40%	0.38%	4.3%	0.41%	-2.4%	0.41%
23 Combined average delinquency rate (MFA serviced)	8.95%	9.84%	-9.0%	14.00%	-36.1%	14.00%
24 DPA loan delinquency rate (all)	8.23%	9.35%	-12.0%	N/A	N/A	N/A
25 Default rate (MFA serviced-annualized)	1.08%	1.28%	-15.6%	1.50%	-28.0%	1.50%
26 Subserviced portfolio delinquency rate (first mortgages)	15.53%	8.92%	74.1%	N/A	N/A	N/A
27 Purchased Servicing Rights Valuation Change (as of 6/30)	($0.7)	$1.4	-150.0%	N/A	N/A	N/A

Note: Forecast updated as of March 30, 2020

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

NEW MEXICO MORTGAGE FINANCE AUTHORITY
FINANCIAL REVIEW
For the eleven-month period ended August 31, 2020

SUMMARY OF NEW BOND ISSUES:

Single Family Issues:	Multi-family Issues:
$120.0 mm 2019 Series F Bonds-New Money (November)	
$70.0 mm 2020 Series A Bonds-New Money (February)	None

SIGNIFICANT MONTHLY FINANCIAL VARIANCES:

►Due to decreases in mortgage rates, prepayments are trending higher than last year.

►Due to market conditions related to the health crisis, the State Investment Council (SIC) General Fund portfolio had been experiencing significant fair market value losses. However, in the fourth quarter the market continued to rebound and since April the General Fund portfolio has experienced fair market value increases of $4.4 million offsetting those losses with YTD appreciation of $1.5 million as of August financials. While these market movements are non-operating in nature, they impact General Fund revenues, combined net revenues and return on average earning assets. Just a reminder that the accounting records are one month in arrears due to SIC timeframes.

CURRENT YEAR FINANCIAL TRENDS & VARIANCES:

►Servicing expansion continues to provide additional revenues as the subserviced portfolio and purchased servicing rights asset bases increase.

►Best execution for the Single Family Mortgage first-time homebuyer loans was moved to TBA loan sales on March 17th due to a dysfunctional bond market. In the bond execution the majority of the revenue is earned over time and with TBA loan sales all revenue is received upfront. This strategic change will increase upfront administrative fees. MFA will not issue single family bonds for the remainder of the fiscal year.

►Incurred approximatley $1.6 million in cost of issuance for Single Family Mortgage program bond issuance ($190 million); majority of the expense was paid for through bond premium.

►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 As risk has increased significantly since the pandemic the management of this portfolio has become even more of a priority. MFA staff is now receiving weekly forbearance information to analyze trends at the portfolio level. MFA's subservicing oversight team is receiving regular and improved reporting to better monitor and reconcile portfolio activities. Additionally, MFA's subservicer has increased staff and implemented improved technology to support forbearance and delinquency trends as well as loss mitigation activity. Communication and reporting have improved significantly over the last five months. The foreclosure moratorium is having an impact on delinquencies as we are unable to move these seriously delinquent loans through the judicial and claims process. Of the 15.53 percent portfolio delinquency rate, 8.68 percent represents delinquent loans in forbearance. As of August 31st, 40 percent of MFA loans on forbearance plans are actually current. The subserviced portfolio is approx. 85 percent FHA insured loans. The Mortgage Bankers Association quarterly survey as of June 30, 2020 indicates that the delinquency rate for FHA loans nationally is 15.65 percent and for New Mexico 11.74 percent. However, these are early pandemic numbers. FHA Single Family Loan Performance Trends for July 2020 show 18.66 percent delinquency (for purchase loans only) up from 11.98 percent in February 2020 reflecting the impact of COVID-19 forbearance agreements.

►Fair market value for purchased servicing rights as of June 30, 2020 was $13.1 million, a decrease of approximately ($.7) million under cost. GASB requires MFA to utilize "lower of cost or market" accounting for this asset. Due to significant market flucations associated with the health crisis, MFA recorded this decline in fair value for this asset in July 2020. Current purchased servicing rights are recorded at a cost of $13.8 million. Valuations are obtained on a quarterly basis.

►Based on Moody's issuer credit rating scorecard, MFA's 28.75 percent net asset ratio (5-year average), which measures balance sheet strength, indicates a strong and growing level of resources for maintaining HFA's creditworthiness under stressful circumstances (> 20 percent). The net revenue as a percent of total revenue measures performance and profitability and MFA's 12.39 percent ratio (5-year average) points to high profitability with favorable trends (10-15 percent range). While ratios currently fall within expected thresholds, there are some trends that are affecting these ratios. In future years MFA will see the net asset ratio decline as net revenues will not be increasing at the same rate as bonds outstanding.

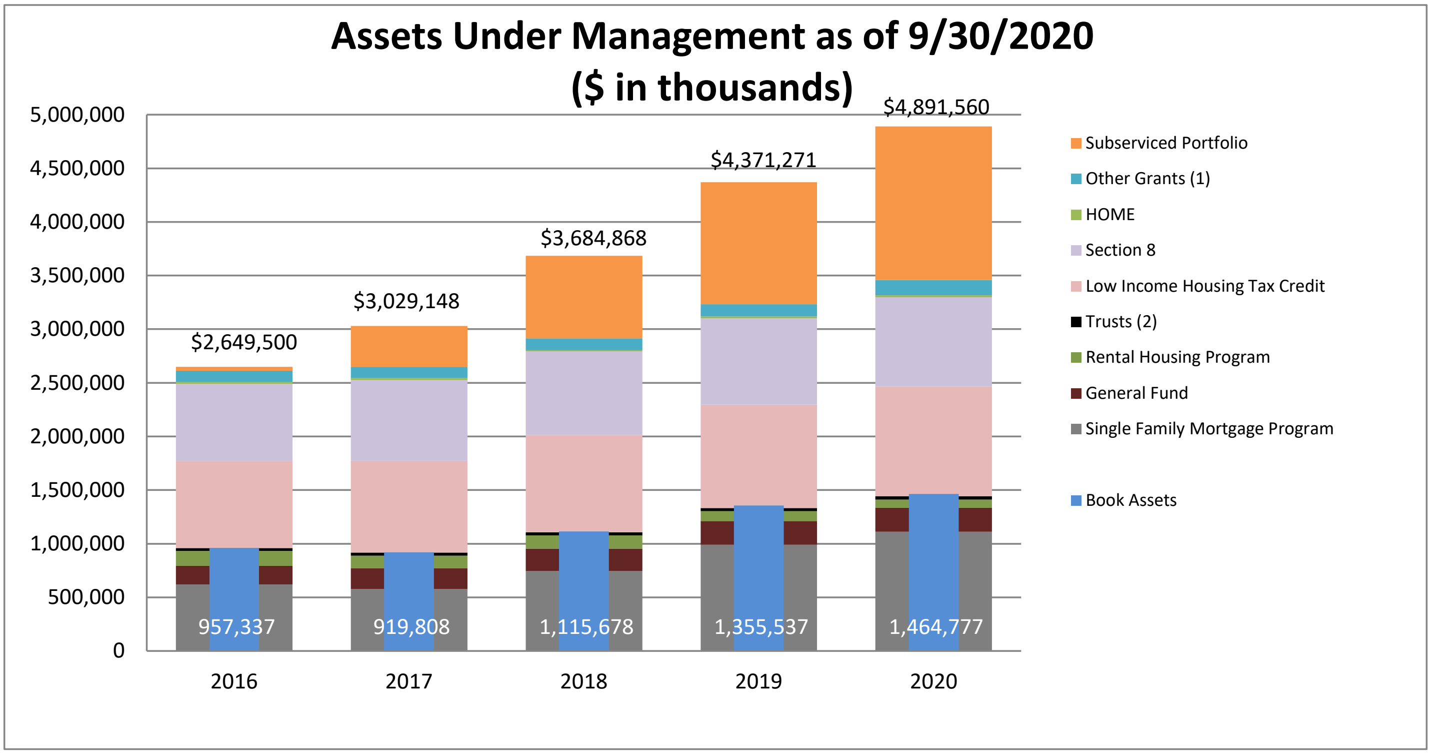
►Moody's Investor Services completed an updated credit opinion on MFA in June 2020. They reaffirmed the Aa3/stable rating. Comments included high asset to debt ratio, good profitability and low risk profile due to mortgage-backed security structure, multifamily Risk Sharing Program and no exposure to variable rate debt. Additionally, Moody's reaffirmed the Aaa/stable rating on the single family indenture in the spring of 2019.

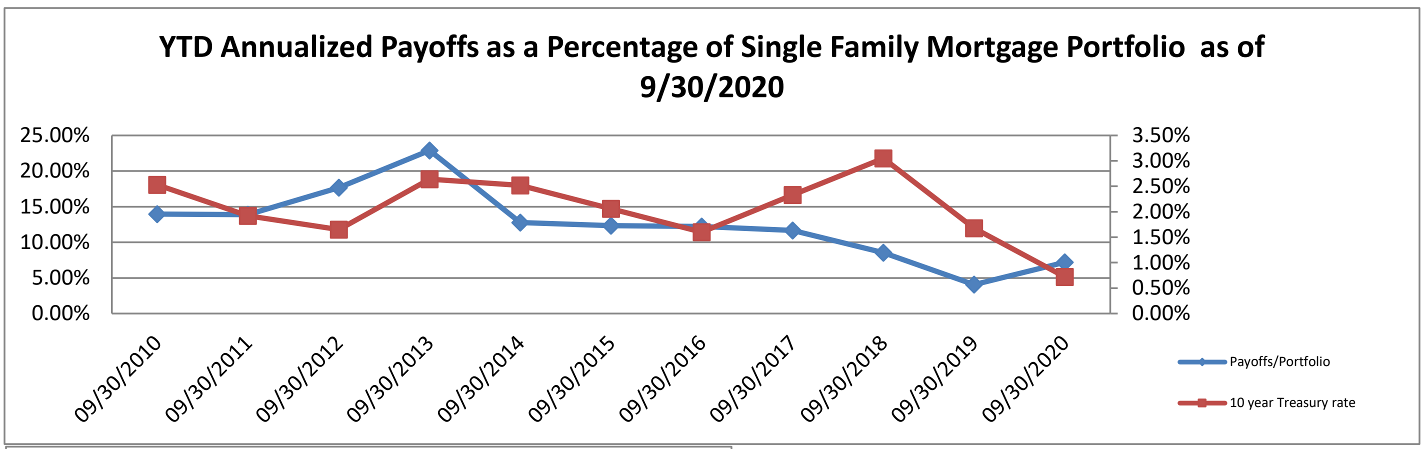
NEW MEXICO MORTGAGE FINANCE AUTHORITY
COMBINED STATEMENT OF NET POSITION
AUGUST 2020
(THOUSANDS OF DOLLARS)

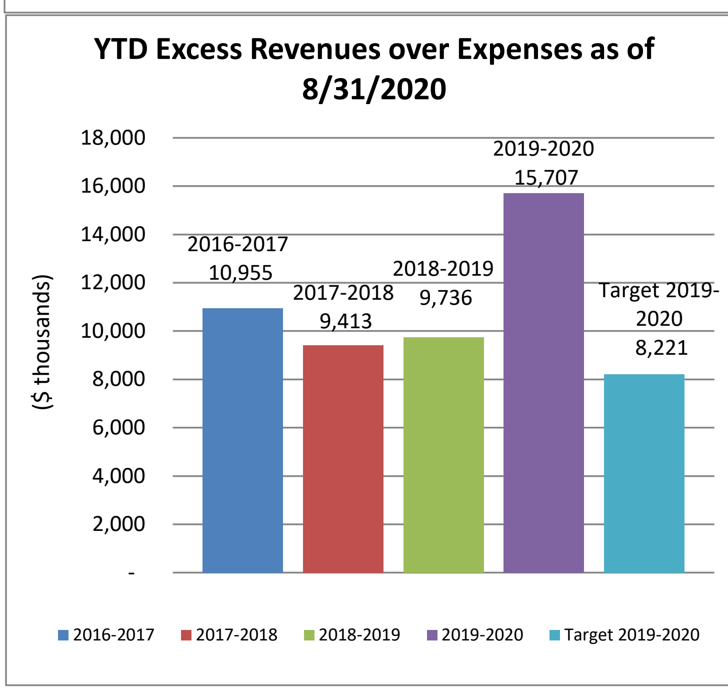
	YTD 8/31/20	YTD 8/31/19
ASSETS:		
CURRENT ASSETS:		
CASH & CASH EQUIVALENTS	$27,553	$39,306
RESTRICTED CASH HELD IN ESCROW	9,361	10,669
SHORT-TERM INVESTMENTS	3,026	-
ACCRUED INTEREST RECEIVABLE	4,535	4,041
OTHER CURRENT ASSETS	3,437	2,133
ADMINISTRATIVE FEES RECEIVABLE (PAYABLE)	-	-
INTER-FUND RECEIVABLE (PAYABLE)	-	-
TOTAL CURRENT ASSETS	47,911	56,149
CASH - RESTRICTED	61,941	129,841
LONG-TERM & RESTRICTED INVESTMENTS	71,534	70,528
INVESTMENTS IN RESERVE FUNDS	-	323
FNMA, GNMA, & FHLMC SECURITIZED MTG. LOANS	1,048,453	905,043
MORTGAGE LOANS RECEIVABLE	224,148	225,295
ALLOWANCE FOR LOAN LOSSES	(5,807)	(2,867)
NOTES RECEIVABLE	-	-
FIXED ASSETS, NET OF ACCUM. DEPN	1,184	1,178
OTHER REAL ESTATE OWNED, NET	1,235	25
OTHER NON-CURRENT ASSETS	-	-
INTANGIBLE ASSETS	13,883	10,735
TOTAL ASSETS	1,464,482	1,396,249
DEFERRED OUTFLOWS OF RESOURCES		
REFUNDINGS OF DEBT	295	389
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	1,464,777	1,396,638
LIABILITIES AND NET POSITION:		
LIABILITIES:		
CURRENT LIABILITIES:		
ACCRUED INTEREST PAYABLE	$9,477	$10,048
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	8,857	9,265
ESCROW DEPOSITS & RESERVES	9,207	10,537
TOTAL CURRENT LIABILITIES	27,541	29,850
BONDS PAYABLE, NET OF UNAMORTIZED DISCOUNT	1,143,412	1,083,701
MORTGAGE & NOTES PAYABLE	32,509	38,276
ACCRUED ARBITRAGE REBATE	-	-
OTHER LIABILITIES	153	166
TOTAL LIABILITIES	1,203,616	1,151,993
NET POSITION:		
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	1,184	1,178
UNAPPROPRIATED NET POSITION (NOTE 1)	67,241	62,792
APPROPRIATED NET POSITION (NOTE 1)	192,736	180,675
TOTAL NET POSITION	261,161	244,645
TOTAL LIABILITIES & NET POSITION	1,464,777	1,396,638

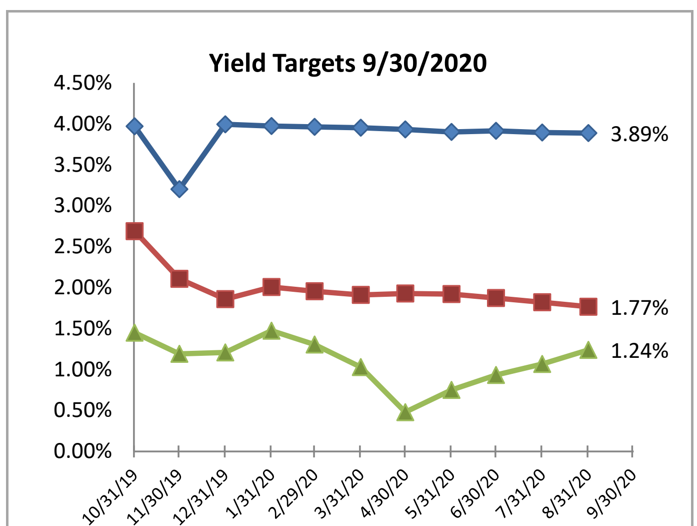
NEW MEXICO MORTGAGE FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE ELEVEN MONTHS ENDED AUGUST 2020
(THOUSANDS OF DOLLARS)

	YTD 8/31/20	YTD 8/31/2019
OPERATING REVENUES:		
INTEREST ON LOANS	$45,070	$38,558
INTEREST ON INVESTMENTS & SECURITIES	2,994	3,619
LOAN & COMMITMENT FEES	2,299	3,023
ADMINISTRATIVE FEE INCOME (EXP)	9,351	4,664
RTC, RISK SHARING & GUARANTY INCOME	63	115
HOUSING PROGRAM INCOME	1,286	1,177
LOAN SERVICING INCOME	5,385	3,887
OTHER OPERATING INCOME	-	1
SUBTOTAL OPERATING REVENUES	66,448	55,043
NON-OPERATING REVENUES:		
ARBITRAGE REBATE INCOME (EXPENSE)	-	-
GAIN(LOSS) ASSET SALES/DEBT EXTINGUISHMENT	1,320	949
OTHER NON-OPERATING INCOME	(447)	15
GRANT AWARD INCOME	45,054	42,861
SUBTOTAL NON-OPERATING REVENUES	45,928	43,825
TOTAL REVENUES	112,376	98,869
OPERATING EXPENSES:		
ADMINISTRATIVE EXPENSES	13,895	12,751
INTEREST EXPENSE	36,927	30,920
AMORTIZATION OF BOND/NOTE PREMIUM(DISCOUNT)	(2,371)	(1,801)
PROVISION FOR LOAN LOSSES	314	565
MORTGAGE LOAN & BOND INSURANCE	-	-
TRUSTEE FEES	132	102
AMORT. OF SERV. RIGHTS & DEPRECIATION	1,453	690
BOND COST OF ISSUANCE	1,625	2,955
SUBTOTAL OPERATING EXPENSES	51,974	46,183
NON-OPERATING EXPENSES:		
CAPACITY BUILDING COSTS	552	157
GRANT AWARD EXPENSE	43,971	42,792
OTHER NON-OPERATING EXPENSE	171	-
SUBTOTAL NON-OPERATING EXPENSES	44,694	42,949
TOTAL EXPENSES	96,669	89,132
NET REVENUES	15,707	9,736
OTHER FINANCING SOURCES (USES)	0	-
NET REVENUES AND OTHER FINANCING SOURCES(USES)	15,707	9,736
NET POSITION AT BEGINNING OF YEAR	245,454	234,909
NET POSITION AT TD 8/31/20	261,161	244,645









	2019	Target 2020
Loans Effective yield	4.01%	4.11%
Cash & Investments Effective yield	2.19%	2.20%
Rate of Return on Average Earning Assets	0.90%	0.46%

(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

NOTES TO FINANCIAL STATEMENTS

(For Informational Purposes Only)
(Thousands of Dollars)

(Note 1) MFA Net Position as of August 31, 2020:

UNAPPROPRIATED NET POSITION:

$	33,961	is held by Bond Program Trustees and is pledged to secure repayment of the Bonds.
$	32,849	is held in Trust for the NM Housing Trust Fund and the NM Land Title Trust Fund.
$	431	held for New Mexico Affordable Housing Charitable Trust .
$	**67,241**	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:

$	115,511	for use in the Housing Opportunity Fund ($103,023 in loans plus $12,488 unfunded, of which $4,947 is committed).
$	41,329	for future use in Single Family & Multi-Family housing programs.
$	1,627	for loss exposure on Risk Sharing loans.
$	1,184	invested in capital assets, net of related debt.
$	14,558	invested in mortgage servicing rights.
$	4,161	for the future General Fund Budget year ending 9/30/20 ($25,861 total budget less $21,700 expended budget through 08/31/20.)
$	178,370	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:

$	15,550	for use in the federal and state housing programs administered by MFA.
$	15,550	Subtotal - Housing Program
$	**193,920**	Total appropriated Net Position
$	**261,161**	Total combined Net Position at August 31, 2020

Total combined Net Position, or reserves, at August 31, 2020 was $261.2 million, of which $67.2 million was pledged to the bond programs, Affordable Housing Charitable Trust and fiduciary trusts. $194.0 million of available reserves, with $82.3 million primarily liquid in the General Fund and in the federal and state Housing programs and $111.7 million illiquid in the programs of the General Fund, have been:

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

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

GENERAL FUND
Fiscal Year 2019-2020 Budget
For the eleven months ended 8/31/2020

	One Month Actual	Year to Date Actuals	Year to Date ProRata Budget	Annual Budget	YTD Budget Under/(Over)	Annual Budget Under/(Over)	Expended Annual Budget %
Interest Income	610,497	6,144,441	6,234,661	6,777,286	90,220	632,844	90.66%
Interest on Investments & Securities	103,354	1,516,845	1,725,366	1,882,217	208,520	365,372	80.59%
Loan & Commitment Fees	1,404	57,136	9,167	10,000	(47,969)	(47,136)	571.36%
Administrative Fee Income (Exp)	2,269,767	13,053,991	7,995,721	8,784,423	(5,058,270)	(4,269,568)	148.60%
Risk Sharing/Guaranty/RTC fees	(383)	62,188	63,645	69,431	1,457	7,243	89.57%
Housing Program Income	40,899	1,285,893	1,077,937	1,084,053	(207,956)	(201,840)	118.62%
Loan Servicing Income	639,818	5,385,397	5,333,831	5,913,525	(51,566)	528,128	91.07%
Other Operating Income			750	1,500	750	1,500	
Operating Revenues	3,665,356	27,505,891	22,441,078	24,522,435	(5,064,813)	(2,983,457)	112.17%
Gain (Loss) Asset Sale/Debt Ex	1,359,714	738,320	(328,688)	(378,750)	(1,067,007)	(1,117,070)	-194.94%
Other Non-operating Income	10	783	147	160	(637)	(623)	489.53%
Non-Operating Revenues	1,359,724	739,103	(328,541)	(378,590)	(1,067,644)	(1,117,693)	-195.23%
Revenue	5,025,080	28,244,994	22,112,537	24,143,845	(6,132,457)	(4,101,150)	116.99%
Salaries	408,680	4,533,475	4,982,293	5,396,868	448,818	863,393	84.00%
Overtime	3,180	19,342	22,852	24,756	3,510	5,414	78.13%
Incentives	4,659	364,511	432,398	468,417	67,887	103,907	77.82%
Payroll taxes, Employee Benefits	174,176	2,066,317	2,363,529	2,567,648	297,212	501,331	80.48%
Compensation	590,695	6,983,645	7,801,072	8,457,690	817,427	1,474,045	82.57%
Business Meals Expense	-	749	4,638	5,060	3,889	4,311	14.81%
Public Information	5,085	128,373	255,663	278,905	127,290	150,532	46.03%
In-State Travel	274	37,100	89,045	97,140	51,945	60,040	38.19%
Out-of-State Travel	233	84,265	193,782	211,399	109,518	127,134	39.86%
Travel & Public Information	5,592	250,487	543,129	592,504	292,641	342,017	42.28%
Utilities/Property Taxes	7,679	68,166	67,515	73,652	(651)	5,487	92.55%
Insurance, Property & Liability	1,596	100,015	116,092	126,646	16,077	26,631	78.97%
Repairs, Maintenance & Leases	64,210	853,764	862,053	940,422	8,289	86,658	90.79%
Supplies	1,489	34,869	47,819	52,166	12,950	17,297	66.84%
Postage/Express mail	3,462	34,849	33,726	36,792	(1,123)	1,943	94.72%
Telephone	1,157	9,266	19,106	20,843	9,841	11,577	44.45%
Janitorial	3,027	29,676	22,990	25,080	(6,686)	(4,596)	118.33%
Office Expenses	82,619	1,130,604	1,169,301	1,275,601	38,697	144,997	88.63%
Dues & Periodicals	3,336	44,152	47,529	51,850	3,377	7,698	85.15%
Education & Training	4,242	55,222	112,485	122,711	57,263	67,489	45.00%
Contractual Services	62,507	874,466	1,038,834	1,136,001	164,368	261,534	76.98%
Professional Services-Program	495	91,733	53,383	58,236	(38,350)	(33,497)	157.52%
Direct Servicing Expenses	570,599	4,086,971	3,370,259	3,767,072	(716,712)	(319,899)	108.49%
Program Expense-Other	812	27,988	13,292	14,500	(14,697)	(13,488)	193.02%
Other Operating Expense	641,991	5,180,533	4,635,782	5,150,370	(544,750)	(30,162)	100.59%
Interest Expense	35,981	568,281	958,506	1,045,643	390,226	477,362	54.35%
Non-Cash Expenses	165,715	1,764,627	2,184,721	2,384,900	420,094	620,273	73.99%

GENERAL FUND
Fiscal Year 2019-2020 Budget
For the eleven months ended 8/31/2020

	One Month Actual	Year to Date Actuals	Year to Date ProRata Budget	Annual Budget	YTD Budget Under/(Over)	Annual Budget Under/(Over)	Expended Annual Budget %
Expensed Assets	11,023	201,764	162,864	177,670	(38,900)	(24,094)	113.56%
Operating Expenses	1,533,617	16,079,941	17,455,375	19,084,378	1,375,435	3,004,437	84.26%
Program Training & Tech Asst	15,995	408,639	505,739	551,715	97,100	143,076	74.07%
Program Development	27,455	143,101	129,983	141,800	(13,118)	(1,301)	100.92%
Capacity Building Costs	43,450	551,740	635,722	693,515	83,982	141,775	79.56%
Non-Operating Expenses	43,450	551,740	635,722	693,515	83,982	141,775	79.56%
Expenses	1,577,067	16,631,681	18,091,098	19,777,893	1,459,417	3,146,212	84.09%
Excess Revenue over Expenses	3,448,014	11,613,314	4,021,440	4,365,952	(7,591,874)	(7,247,362)	266.00%

GENERAL FUND CAPITAL BUDGET
Fiscal Year 2019-2020 Budget
For the eleven months ended 8/31/2020

	One Month Actual	Year to Date Actuals	Year to Date ProRata Budget	Annual Budget	YTD Budget Under/(Over)	Annual Budget Under/(Over)	Expended Annual Budget %
2690 PURCHASED SERVICING RIGHTS	504,968	4,891,084	4,407,837	5,035,560	(483,247)	144,476	97.13%
2950 COMPUTER HARDWARE	9,887	95,608	168,964	184,324	73,356	88,716	51.87%
2960 SOFTWARE LICENSES	-	17,648			(17,648)	(17,648)	
2920 FURNITURE & EQUIPMENT-10 YR	-	-			22,849	22,849	
2930 FURNITURE & EQUIP, 5 YR.	-	-			-	-	
2860 BUILDING	53,742	64,406	863,035	863,035	798,629	798,629	7.46%
Capital Budget	568,597	5,068,746	5,439,835	6,082,919	393,938	1,037,021	83.33%

MFA

Housing New Mexico

September 5 – October 13, 2020

SOCIAL MEDIA POSTS

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

9-9	September is National Mortgage Professional Month
9-11	You can own a home – MFA can help
9-16	Let your dream of homeownership become a reality
9-21	Best place to work nomination
9-22	Be sure you're included in the 2020 census count
9-28	How far will your dream take you?
9-29	Home is where you can enjoy a cup of hot coffee
10-7	Thank you to our dedicated Realtor and lending partners in Northwest NM
10-9	MFA's office closed Monday, October 12

MEDIA COVERAGE

9-5	Albuquerque Journal	*Confusion reigns over eviction order*
9-18	ABQ Business First	*Ad*
9-21	Las Cruces Sun News	*MFA offers lucrative financing in targeted areas*
9-25	Gallup Sun	*Gallup to get $1 million*

MFA
Housing New Mexico

9-28	Rio Rancho Observer	*City OKs zone change letting Inn at RR become apartments*
10-8	Rep. Deb Haaland	*Haaland Holds Panel on Access to Education and Affordable Housing*

MFA PRESS RELEASES and PARTNER COMMUNICATION

9-11	Lender Memo 2020-20	*Grace period ending for transition to PowerLender and VirPack*
9-11	Lender memo 2020-21	*Final reminder of deadline*
9-22	Database mailing	*Everyone Counts*
9-22	Housing development	*RFP-General Counsel Legal Services*
9-22	Housing Development	*2021 QAP training*
9-24	Asset Management	*Updated mortgager's guide*
9-28	New Homebuyers	*Homebuyer survey*

MFA Housing New Mexico
September 9 ·

MFA wants to thank all of our partners who help New Mexicans make their dreams of homeownership a reality!

259
People Reached

23
Engagements

Boost Post

9

4 Shares

MFA Housing New Mexico is with Ripe Inc.
September 11 ·

Find an MFA preferred lender in your area who can help you get started.

https://bit.ly/2XOJM0x

480
People Reached

50
Engagements

Boost Post

6

7 Shares

MFA Housing New Mexico
September 16 at 2:10 PM ·

There has never been a better time to buy a home. Get started today by finding an MFA preferred lender near you.

https://bit.ly/2XOJM0x

300
People Reached

25
Engagements

Boost Post

7

4 Shares

MFA Housing New Mexico is with **Albuquerque Business First**.

September 21 at 3:15 PM ·

MFA is pleased to have been nominated by the Albuquerque Business First as a best place to work. Some of our staff were on hand today to receive the award package, which included cornhole boards!

404
People Reached

85
Engagements

Boost Post

14

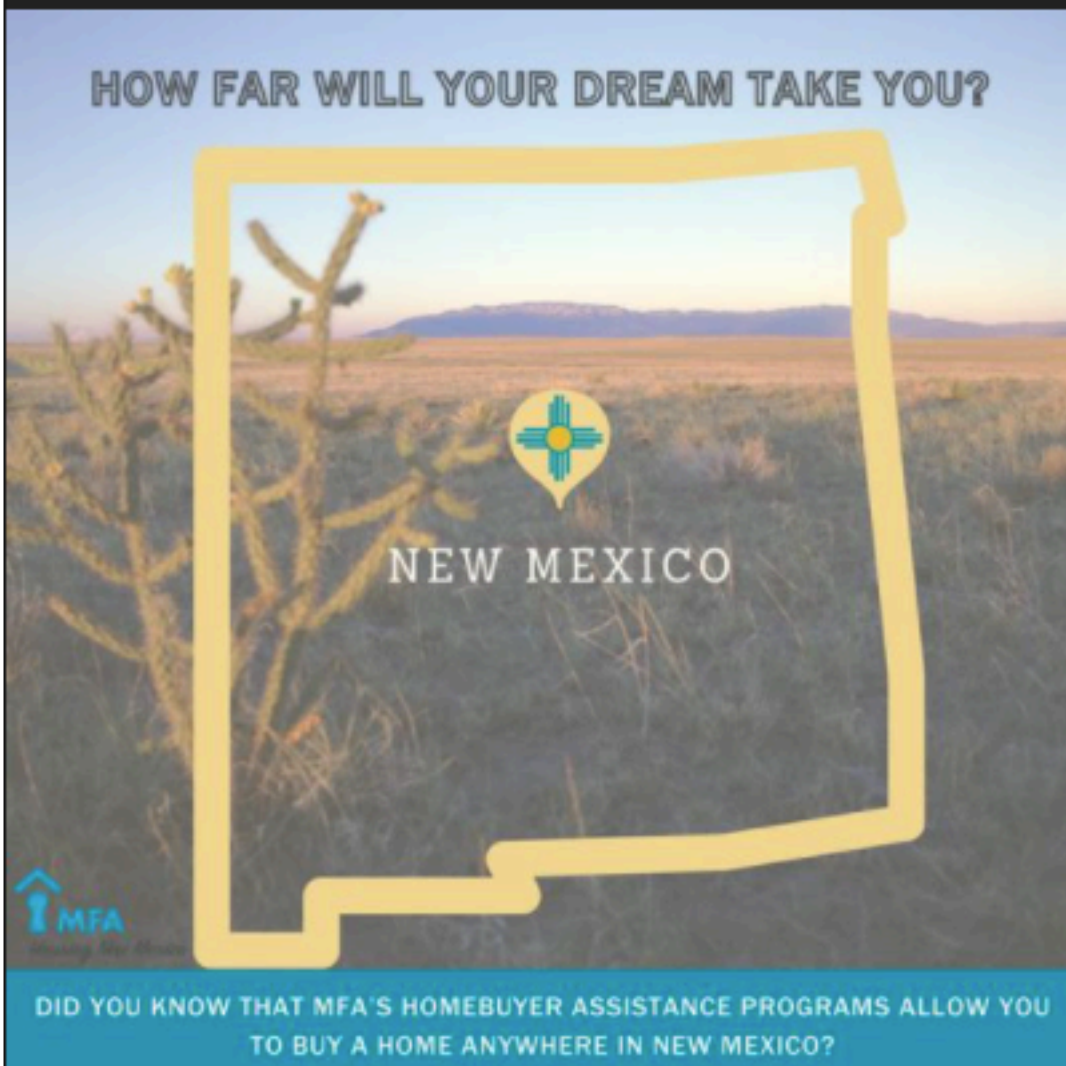
1 Comment 2 Shares

MFA Housing New Mexico
September 22 at 12:24 PM ·
Be sure you're included in the 2020 Census count!
Be sure you're included in the 2020 Census count!
MFA
Census data helps MFA create affordable housing opportunities for New Mexicans.
74
People Reached
7
Engagements
Boost Post
5

MFA Housing New Mexico
September 28 at 12:52 PM ·

From Alcalde to Yatahey, MFA can help you buy a home anywhere in New Mexico. We finance single-family homes including condos, townhomes, manufactured homes on permanent foundations and even homes that are constructed on leased land. Find a participating lender and make your dream of homeownership come true – wherever that may be!

https://bit.ly/2XOJM0x



395
People Reached

24
Engagements

Boost Post

7

3 Shares

MFA Housing New Mexico
September 29 at 2:27 PM ·

Happy National Coffee Day!

Contact an MFA participating lender to learn how MFA can help you become a homeowner.

https://bit.ly/2XOJM0x

69
People Reached

5
Engagements

Boost Post

5

MFA Housing New Mexico is with **Mortgage Solutions Financial (Albuquerque, NM)** and **6 others**

October 7 at 9:49 AM ·

MFA's Realtor and lending partners in communities like Fruitland, La Plata, Bloomfield, Blanco and Farmington originated more than $17.75 million in loans this year! A heartfelt "thank you" to our partners, and congratulations, new home owners!

126
People Reached

16
Engagements

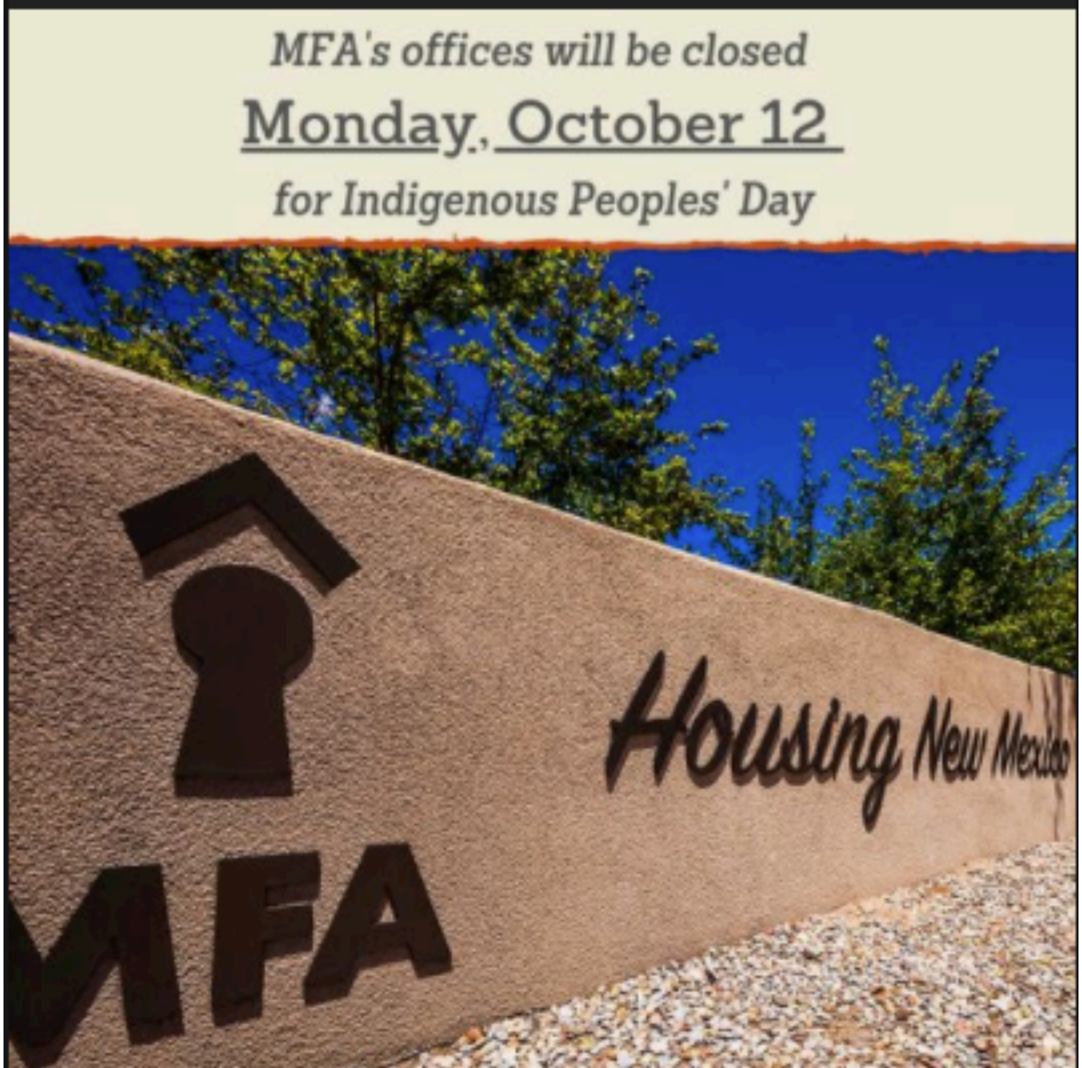
Boost Post

10

1 Share

MFA Housing New Mexico
October 9 at 11:47 AM ·

Happy Indigenous Peoples' Day!



292
People Reached

28
Engagements

Boost Post

7

3 Shares

Albuquerque Journal

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Title: Confusion reigns over eviction order Copyright © 2020 Albuquerque Journal BY ELISE KAPLAN

Author:

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Confusion reigns over eviction order

Family evicted from Raton home, despite moratorium

BY ELISE KAPLAN
JOURNAL STAFF WRITER

In June, a couple of months into the COVID-19 pandemic, Mirisa Lucero, her husband and their three elementary-age children moved into a small two-bedroom house in northern New Mexico.

Matthew Lucero had just gotten a job at a behavioral health agency, moving their family from Springer to Raton — a town of about 6,000 residents less than 10 miles from the Colorado border.

Then, just as quickly as her husband had gotten the position, he was told they no longer had the budget to keep him, Lucero said. This left the family unable to pay off the remainder of their deposit and the $600-a-month rent, and sent them spiraling quickly into the court system, eviction and living out of a cramped room at the Rodeway Inn & Suites. Mirisa Lucero said her husband applied for unemployment benefits — and were approved — but have not yet received anything.

All this occurred despite the New Mexico Supreme Court's suspension of evictions due to non-payment of rent, issued in late March, in order to minimize the risks of spreading the illness caused by the novel coronavirus. And the situation is tough not only for the

See **CONFUSION** >> **A2**

Confusion reigns over eviction order

From **PAGE A1**

Lucero family — an attorney for their landlords said his elderly clients depend on rental income to survive and are in dire straits without it.

Thomas Prettyman, managing attorney for NM Legal Aid, said he doesn't believe his clients should have been brought before the court for this matter, but in any case they certainly shouldn't have been removed from their home.

"If the case had gone as it should have, they should be in their home ... ," Prettyman said. "What should have happened according to the Supreme Court rules, the magistrate judge would have said 'yes, you owe rent' — if the landlord was right, the magistrate judge would have entered a judgment for the money and said no eviction."

Instead, court filings show that the landlords, Charles and Lucia Hyde, gave the Luceros three days' notice that they owed $267 and legal action would be brought against them if they didn't pay. Five days later, the Hydes filed a petition in Raton Magistrate Court stating the couple misrepresented their rental history since their previous landlord had filed a suit against them for non-payment. Prettyman said this is not grounds for eviction.

Both parties attended a telephonic court hearing on the matter on July 17. That same day, Judge Warren Walton issued a writ of restitution ordering the sheriff's office to remove the family from their home.

By the following week, they were living out of a motel room. Lucero says most of their belongings were left at the house.

Ray Allen Floersheim, an attorney based in Raton who is representing their landlords, said his clients are 84 and 87 years old, and depend on the money they would have gotten from rent to pay their own bills, and for food and utilities. He pointed out that, at some point, the eviction suspension will be lifted and the Hydes will not have made their income.

"When (the pandemic) ends, whatever happens, who's going to pay what's owed to the Hydes?" Floersheim asked. "Is Legal Aid? Are the Luceros? Who? In the interim, my clients need the money to survive ... See the dilemma? I sure wish I knew the answer. We feel for the Luceros, absolutely, but does anyone care about the Hydes?"

In late-July, Prettyman filed a 22-page petition with the New Mexico Supreme Court over the matter. In the petition, he asked the judges to order the Colfax County Sheriff's Office and Magistrate Court to let the Luceros return to their home, in part because their circumstances should have been covered under the state Supreme Court's order suspending evictions throughout the pandemic. The Supreme Court hasn't acted yet in the case. A clerk from the Raton Magistrate Court did not return calls from the Journal asking about the order to remove the Luceros from the home.

As for the family of five, an anonymous donor provided enough money for them to stay in the motel room through next week, easing their money woes for the time being. They have already been there for six weeks.

Matthew Lucero, Mirisa's husband, just got a job as an assistant manager at Family Dollar and they're hoping their luck will turn around.

"It's a scary thing to go through," Mirisa said. "Not knowing what's going to happen day to day."

'Already in a crisis'

It's hard to say how many people have been brought to court for eviction proceedings since the COVID-19 pandemic entered New Mexico in mid-March. It's even harder to quantify how many of those households, such as the Luceros, were evicted for non-payment despite the Supreme Court's prohibition, although attorneys say they have heard about it anecdotally.

A spokesman from the New Mexico Administrative Office of the Courts provided data on the number of landlord/tenant cases throughout the state. He said that, while the numbers may include more than just evictions, most will likely be eviction proceedings.

The data shows that, throughout the state, there were about 4,300 fewer landlord/tenant cases filed between April and August of 2020 than in the same time period the previous year.

Maria Griego, an attorney and director of economic equity for the New Mexico Center on Law and Poverty, said that, particularly in the beginning of the health crisis, some judges were saying only people who lost their jobs due to the pandemic and resulting public health orders could qualify for an eviction stay. This isn't true — the Supreme Court order says anyone who cannot pay is eligible for a stay, not just those who can't pay due to COVID-19 and the ensuing lockdown.

"We were already in a crisis before the pandemic started," Griego said, referencing reports of a 27% increase in homelessness statewide between 2018 and 2019. "New Mexicans have been really left in a pinch right now in regards to the right to housing. There are so many families across the state who just don't know how they're going to make their rent each month."

National data from the Eviction Lab shows that in 2016 — the most recent year available — New Mexico had 16.41 evictions per day and a rate of 3.18% per 100 rental households. The rate is 0.84 percentage points above the national average. In Albuquerque the eviction rate was even higher, at 4.72%.

'Kicking the can'

This week, following the direction of President Donald Trump, the Centers for Disease Control and Prevention released an order halting evictions nationwide through the end of the year for people who prove they have exhausted all efforts to pay rent — including looking into government assistance — earn less than $99,000 as individuals and are likely to become homeless if removed from their house.

However, there is a possibility that tenants will owe the full amount when the moratorium ends in January, and landlords are not prohibited from charging or collecting fees, penalties or interest due to non-payment in the meantime.

Griego said this is a promising step, but she worries the problems will be even greater for everyone once the pandemic is over and the moratorium is lifted. Many landlords, like the Hydes, are small-business owners themselves and cannot afford to indefinitely forgo rent.

"Without a solution by way of rental assistance, we're only kicking the can down the road, growing the debt that the renters will owe and putting landlords in a bind because they are not able to make their mortgage payments," Griego said.

Both Albuquerque and the New Mexico government have set up programs for rental assistance.

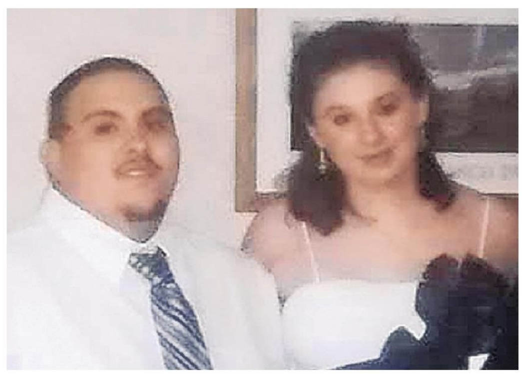
Last month, the City Council allocated $300,000 — on top of existing federal funds and private donations — to help households pay for rent and utilities. And the state government has allocated $13.3 million from the federal CARES Act funds to go toward emergency housing assistance. The latter program has not yet launched, but a governor's spokeswoman said the Mortgage Finance Authority hopes to do so in the "near future."

Griego said these programs are the most effective way to combat the looming housing crisis, but the funds are already insufficient.

"It's definitely fallen short of early estimates of what is needed," she said. "But the longer we are in the pandemic, the more money we will need."

Floersheim, the Hydes' attorney, said he was unaware of the governor's statewide initiative until told of it by the Journal, but he was eager to find out if it would help his clients.

"That would truly solve the problem," he said. "Someone comes in, pays the rent, the Hydes can live, the Luceros can live, and life is good."



COURTESY OF MIRISA LUCERO

Mirisa Lucero and her husband, Matthew Lucero, were evicted from their Raton home along with their three young children over the summer.

COURTESY OF MIRISA LUCERO

The Luceros' three children, from left, Bianca, 10, Aria, 4, and Giovanni, 6, have been living in a motel room with their parents since the family was evicted from its Raton home in July.

HONOREES SMALL CATEGORY

HINKLE + LANDERS PC

Hinkle + Landers PC is an accounting firm that offers services for not-for-profit agencies, state and local government entities, as well as business owners and individuals. The firm has been operating since 1972, with locations in both Albuquerque and Santa Fe. While it may not be used as much currently due to the pandemic, one of the firm's most interesting perks for employees includes a community outdoor space, complete with a basketball setup and a garden with fresh vegetables they can take home.

bptw SCORE **94.27**

Top local executive: Farley Vener, president and managing shareholder
Employee count: 13
Company address: 2500 9th St. NW, Albuquerque, 87102
Phone: 505-883-8788
Website: hl-cpas.com

How is your company assisting employees and customers during the Covid-19 pandemic? We are using every incentive to support our employees who are directly affected by Covid-19. Early in the pandemic, we gave all of our employees a "Covid bonus" just to help them and their families. We have flexible work hours for those who need, and we have made sure through the available Covid incentives that no one has experienced a cut in pay due to a need to be home with their children. We ordered masks for employees and clients, both disposable and reusable. We are disinfecting and cleaning our office space frequently, with a professional crew coming in every other day.

THE HARTMAN + MAJEWSKI DESIGN GROUP

The Hartman + Majewski Design Group is a full service architecture, planning and interior design company who's mission is to design places that inspire others. In order to align themselves with their mission, the company provides various benefits for employees to have flexibility in their schedules and maintain a healthy work/life balance as needed.

bptw SCORE **93.76**

Top local executive: Doug Majewski, CEO
Employee count: 22
Company address: 120 Vassar Dr. SE, #100, Albuquerque, 87106
Phone: 505 242-6880
Website: designgroupnm.com

How is your company assisting employees and customers during the Covid-19 pandemic? During these challenging times, our leadership team has donated personal leave time to employees who are in need of extra time to address the disruptions to their life and to allow them to take a break when needed. We also provided all employees with an extra day of annual leave. ... We hold weekly Monday morning virtual huddles led by different team members and then Friday design presentation virtual huddles also led by different team members, as well as virtual happy hours. ... We have given all our employees the indefinite opportunity to continue to work at home if they are more comfortable doing so. ... We are offering innovative solutions to our clients to new design challenges created by the pandemic, both temporary and permanent. We have become a resource for our clients for issues related to design in the current and future built environment.

UNITE PRIVATE NETWORKS

Unite Private Networks is a communication technology-based company that offers a variety of network-based services to clients in over 21 different states. The company is rooted in having employees take ownership in the services they provide, while including an employee stock program in which employees can own a part of the company itself.

bptw SCORE **93.72**

Top local executive: Josanne Cossio, regional sales director
Employee count: 11
Company address: 3830 Singer Blvd. NE, #2000, Albuquerque, 87109
Phone: 505-510-4955
Website: uniteprivatenetworks.com

How is your company assisting employees and customers during the Covid-19 pandemic? Nothing is more important to us than the health and safety of our employees and customers, as well as the reliability and performance of the network and services we provide. We're proud to say we've been able to maintain 100% employment throughout the pandemic, as well as maintain our fiber infrastructure across all of our markets. ... For our frontline staff unable to work remotely, we continue to provide support and necessary supplies to ensure their health and safety.

We've signed the FCC's Keep America Connected pledge and continue to work hand in hand with our customers. UPN is following the guidance of our local, state and federal health agencies to keep our employees informed and healthy. As always, we remain committed to maintaining the same best-in-class service our customers count on.

WINNER MEDIUM CATEGORY

Abrazo Homes builds a solid foundation for employees with unlimited PTO perks

Abrazo Homes is a residential home building company. Connections with clients, and potential buyers, is crucial to the company and goes beyond a simple transaction. For the company, customer service is not just a skill to improve or a standard to meet, but rather the main idea behind creating a community-like culture that involves all employees and clients.

As Abrazo Homes is founded on sales transactions, the presence of Covid-19 in New Mexico required a complete shift to virtual platforms. Like most businesses, Abrazo Homes was faced with a quick and direct challenge brought on by the pandemic, but was able to adapt to a remote and safe work practice. A challenge such as this has required each employee to step up and work together as a team without losing sight of what means the most to them, connecting and continuing relationships with clients, as said by marketing specialist Renee Garcia. Abrazo Homes has adapted to the use of virtual home tours and resources through its website.

What's your most popular perk? What inspired your company to create it? Our most popular perk is by far our unlimited PTO. This perk was created to encourage Abrazo employees to have a work-life balance, not holding them to only a certain amount of paid time off. Life happens, and the owners at Abrazo want each employee to know they are here to support them. We work on an honor system, and even with 36 employees, this system hasn't been abused. An employee shouldn't need to decide between a family member's doctor's appointment or skipping it because they don't have enough PTO available, for example. This is only one of the many perks offered by the company, which makes it the Best Place to Work.

How is your company assisting employees and customers during the Covid-19 pandemic? Abrazo Homes has been fortunate to continue business through Covid-19, allowing all employees to remain employed. We have also been understanding to our employees' situations when it comes to child care. Many employees became full-time teachers and child care providers during this time. Abrazo is understanding of these situations and has been very gracious in allowing employees to shift working hours, or even work abbreviated schedules to meet the demands of both home and work.

We shifted to a virtual platform to meet customers needs, we offered unattended access to move-in ready homes for customers to tour safely, we have also offered assistance for those in the build process who were furloughed or lost their job completely due to shutdowns. Each situation is unique and Abrazo has taken that approach for each customer, both existing and new. We are all in this together.

ABRAZO HOMES

▲ *Various staff members of Abrazo Homes continuing to work safely during the pandemic.*

bptw SCORE **96.37**

Top local executive: Brian McCarthy and Mackenzie Bishop, co-owners and founders
Employee count: 36
Company address: 798 Coors Blvd. NW, Bldg. C #400, Albuquerque, 87121
Phone: 505-798-6119
Website: abrazohomes.com

— Megan Martin | Albuquerque Business First

NM0082
newz group
Las Cruces Sun-News
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Author:
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Las Cruces, NM Circulation: 28086

MFA offers lucrative financing in targeted areas

The New Mexico Mortgage Finance Authority is best known for providing mortgages and down payment assistance to first-time homebuyers. They do much more than that, however. In addition to also providing tax credits and financing for the development of affordable rental housing, they likewise offer special financing for buyers who purchase homes in economically distressed neighborhoods. Those neighborhoods are formally known as Targeted Area Census Tracts.

“Targeted areas are those in which at least 70 percent of households earn no more than 80 percent of the area median income,” according to Teri Baca, homeownership representative for MFA. In New Mexico, the U.S Census Bureau has identified 25 such tracts in eleven counties. Doña Ana County leads the pack with seven.

The program is designed to incentivize first-time and repeat buyers to purchase homes located in economically challenged areas, which is known to increase pride of ownership and help stabilize and raise home values. These special benefits are available to buyers who utilize MFA’s FirstHome program.

So, what sort of incentives does MFA offer to entice buyers to purchase in these areas? First and foremost, buyers don’t have to be first-timers. Current and past homeowners are both eligible as long as they meet the basic MFA qualifications and occupy the home as their primary residence. Loan types include conventional, FHA, VA and USDA, all of which are offered at the lowest rate MFA charged during the preceding twelve months.

Borrowers using FirstHome may also be eligible to receive down payment and closing cost assistance in the form of an affordable second mortgage. In addition, higher-than-normal household income limits range from $74,280 annually for a one- or two-person household to $86,660 for families of three or more. Homes valued at $360,067 and below are eligible for financing.

The seven areas targeted for incentives in Doña Ana County include tracts in Las Cruces, Anthony and Sunland Park. The targeted areas in Las Cruces are generally bounded by Mesilla Street on the west, Solano Drive on the east, N. Main Street on the north and Idaho Avenue on the south.

This terrific program provides homebuyers with the opportunity to purchase a home in an up-and-coming area while utilizing affordable, fixed-rate financing and down payment assistance in the process. Sounds like a win-win to me.

For more information, visit http://www. housingnm.org/homebuyers/targeted-area-census-tracts or contact your favorite lender or Realtor.

See you at closing.

Gary Sandler is a full-time Realtor and owner of Gary Sandler Inc., Realtors in Las Cruces. He loves to answer questions and can be reached at 575-642-2292 or Gary@GarySandler.com.

Real Estate Connection
Gary Sandler
Guest columnist

NM0082
newz group

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Gallup to get $1 million

Infrastructure improvements coming to West Logan Avenue

By Beth Blakeman
Associate Editor

Gallup is about to receive a million dollars for a street and drainage improvement project on West Logan Avenue between Ninth Street and Seventh Street.

The application, which identifies the project as *West Logan Avenue (6th to 9th St.) Street & Drainage Project*, will not include improvements to Sixth Street at this time. Funding is currently available to complete two of the three blocks, starting from Ninth Street and moving east to Seventh Street at a cost of just over $1.27 million.

The infrastructure funding is part of the state's investment in Community Development Block Grants in municipal and county governments.

New Mexico Lt. Gov. Howie Morales told the *Gallup Sun* Sept. 23 that the award was made by the Community Development Council through the Dept. of Finance and Administration using state taxes and federal dollars.

These funds have been made available for years for a variety of infrastructure projects. This year, however, is different.

"They're for essential projects that will help during the COVID pandemic to revitalize communities," Morales stated.

He explained that while many presentations are given, not every project gets funded through CDBG. Many that got awarded this year may not have been recipients in 2019.

One of the things that helps tip the scales toward an application win, is when the presentation demonstrates how the dollars received can be leveraged into added dollars for the community in question.

"Can other dollars be accessed to double or triple those funds?" Morales asked.

The West Logan Avenue Street and Drainage Project applied for $1 million with matching funds of $100,000, plus over $170,000 in leveraging and construction management.

How will Gallup be helped by these funds?

According to the presentation, 27 households are located in the project area in the historic Chihuahuita Neighborhood near downtown Gallup.

"This project can be the catalyst for community revitalization, redevelopment through blight elimination and reinvestment, as prioritized in the City's Growth Management Plan. This project has critical priority for the health, safety, and welfare of the community," the application stated.

In particular it will:

· Improve walkability and accessibility by increasing mobility and creating safe routes

· Improve utilities and infrastructure for safe access to water, wastewater, and fire suppression

· Improve stormwater drainage systems to prevent flooding or the formation of standing water that has potential health risks, diseases, and infestations

· Improve and uplift bicycle and pedestrian safety

· Proactively replace waterlines to prevent future line failures and breaks

· Increase sense of place, pride, and property values

· Catalyze local investment and efforts to improve neighborhoods and reduce blight

· Increase economic vitality through property improvement projects

$1 MILLION | SEE PAGE 20

$1 MILLION | FROM PAGE 1

Locations around the state like Anthony, Clovis, Silver City and Socorro, as well as counties including Luna, Mora, and San Miguel are eligible for these funds, where cities such as Albuquerque, Farmington and Santa Fe are considered "entitlement" cities

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which get funding from the U.S. Dept. of Housing and Urban Development.

Tribes and pueblos also receive funds directly from HUD.

The timeline for completion of the West Logan Avenue project is 24 months.

A LITTLE SOMETHING MORE

More funds are on the way, this time from the CARES Act to help with rental assistance and housing.

Morales said nearly $13 million went to the Mortgage Finance Authority.

He described how it will work.

"MFA will work with the Council of Governments and other local partners to identify the need for rental assistance in local communities," he said. "MFA will reach out through regional partners [and] COGs to make communities aware of the dollars."

This information will appear in print, social media and on radio in cooperation with lenders.

Morales expects the money to become available by the end of October.

The intersection of Seventh Street and Logan Avenue in Gallup marks one end of the start of planned drainage improvements. **Photo Credit:** Cable Hoover

The intersection of Ninth Street and Logan Avenue in Gallup marks one end of the next phase of planned drainage improvements. **Photo Credit:** Cable Hoover

City OKs zone change letting Inn at RR become apartments

BY ARGEN DUNCAN / RIO RANCHO OBSERVER EDITOR
Friday, September 25th, 2020 at 6:42pm

The Inn at Rio Rancho, circa 2020. Photo by Gary Herron.

RIO RANCHO, N.M. — The Rio Rancho Governing Body has allowed a partnership to move forward with turning the dilapidated Inn at Rio Rancho into unique apartments.

At their meeting Thursday night at City Hall, governing body members voted unanimously to approve a change in land-use zoning from special use for hotel/motel operations to special use for multi-family residential and retail commercial operations.

Councilors Bob Tyler and Paul Wymer complained that developers Tyler Gerard of Albuquerque and Lon Freeman of Corrales hadn't provided enough written assurance that they'd follow through with their plans, but supported the zone change with an amendment attaching a detailed slide show to the site plan and specifying the partners couldn't provide extended-stay motel services and must fence the property.

Gerard and Freeman are members of 528 Development, a group with real estate development and business experience now investing in the renovation of the Inn at Rio Rancho.

"All of our partners are local," Freeman said. "This is our home. We love this area, this community."

He quoted a New Mexico Mortgage Finance Authority report that indicated New Mexico lacks diversity in multi-family housing, which is part of the reason working young adults leave the state.

“Obviously, that’s a very complicated issue. We’re not saying this (project) solves that by any means, but it’s a piece of the puzzle,” Freeman said.

He said the remodeled inn would offer leases of at least a year. Using the property as a hotel and short-term rental facility failed as a business model, he said.

Gerard said the old inn is within a few miles, sometimes even walking distance, of medical care, entertainment, shopping and grocery stores. He said the remodeled facility would have 102 units of varying sizes, with rent starting at $700 a month.

“The feel that we really have and the benefit of this property is we’re going to have a casita feel —very, very unique,” he said.

Gerard said every unit would have a kitchen and wireless internet access. A few will even have Jacuzzis and gas fire places, he said.

The remodeled facility will have a pool, gym, movie theater, recreation room, co-working space and updated landscaping. The to-be-repaved parking lot must have 198 spaces.

The renovations would cost $3 million, and the partners have access to more money if something unexpected arose, Freeman said. He expects it to take 24 months to finish the work and have leases signed.

Freeman said the prior owner stopped doing basic maintenance as the business failed, and the facility attracted drug use and other bad behavior.

“When we took the property over, we found thousands of needles, just out in the parking lot area,” he said.

Now, Gerard said, a 6-foot fence with gates accessed via key fobs and codes would enclose the property.

Also, he said 15 security cameras now provide a 360-degree view of the property. Freeman said they’ve had 24-hour security since they took over the facility, and the city and police have helped clean up the place.

Wymer said the presentation answered a lot of questions, but the renovation details weren’t tied to the zoning and site plan.

“We want some assurance built into the project that what you’ve just said will actually occur,” he said.

Councilor Jeremy Lenentine said he knew young working people and married couples without kids who couldn’t find housing in Rio Rancho and so lived in Albuquerque, where their cars were broken into and they ended up hating the state. He said the redevelopment of the inn was needed.

Taking another perspective, Councilor Jim Owen said he'd like to see the redevelopment happen, but he wasn't opposed to bulldozing the facility.

"And the reason I'm saying that is that's a prime corner," he said. "And from an economic development perspective, I'm not sure the best use is having apartments for young people."

City planning manager Amy Rincon said the new zoning would allow owners to convert the entire property to commercial use in the future if desired.

Advocating for approving the zone change and participating remotely, Councilor Jennifer Flor said she found the project exciting.

"Personally, I'm very grateful and glad that we have people willing to invest in our community with the amount of effort and money it's going to take to make this property economically viable," she said. "…I have enough information to move forward on this."

In other business, governing body members:

• Approved a zone change from R-1, the lowest-density single-family housing, to R-2, one step more dense than R-1, for several lots in Unit 10, south of Joe Harris Elementary;

• Approved refinancing of the bonds that paid to build the Rio Rancho Events Center, for an estimated savings of $870,000; and

• Approved a second reading of an ordinance allowing money from what had been the municipal environmental gross receipts tax to be used for general purposes.

FOR IMMEDIATE RELEASE
October 8, 2020
Contact: Felicia Salazar, 202.981.1594

Haaland Holds Panel on Access to Education and Affordable Housing

Albuquerque, NM – Wednesday evening, **Congresswoman Deb Haaland (NM-01)**, held a Facebook Live discussion on access to education and affordable housing. During her address, Congresswoman Haaland discussed the importance of accessible education during this pandemic. Haaland also mentioned the role evictions and financial stress play in education. COVID-19 risks have moved schools to virtual learning from home beginning in the Spring of 2020. Provisions in the CARES Act that protected families from falling behind financially including a $1200 stimulus payment, $600 additional weekly unemployment benefits, and eviction protections expired at the end of July, raising concerns about an increase in evictions and foreclosures.

Recently, Congresswoman Haaland introduced the Broadband for All Resolution to increase access to broadband internet. Last week, Haaland voted to pass a revised version of the Heroes Act to provide crucial relief to our families including a second round of economic impact payments of $1,200 per taxpayer and $500 per dependent, additional $600 weekly federal unemployment payments, and new supports to assist renters and homeowners make monthly rent, mortgage and utility payments and other housing-related costs.

During the event, Haaland said, “Our homes have become our children's learning centers during this crisis, and our parents have become interim school officials. For this reason, it is crucial, more than ever, to make sure our kids live in a stable living environment. Just like we ensure the stability of school facilities', we should ensure that families and students are on equal footing. That is why I continue to pound the table and fight for more funding for our public schools and affordable housing.”

Experts with the City of Albuquerque, Bernalillo County, New Mexico Attorney General’s Office, UNM Law, United South Broadway Housing Counseling and Community Outreach, and Mortgage Finance Authority provided an update on housing and education resources available for New Mexico families struggling with the economic impacts of the COVID-19 pandemic. The help ranged from mortgage assistance, rent and utility resources, and information about housing rights.

[VIDEO: Haaland Holds Panel on Access to Education and Affordable Housing]

“I would like to thank Congresswoman Deb Haaland for providing the opportunity to discuss and share information concerning these critical issues in our community. One agency can’t do it alone and it is imperative that we work together to provide the resources and support our community deserves,” **said Julie Morgas Baca Bernalillo County Manager.**

"Housing is not just about housing--there's a straight line from housing stability to educational achievement and other issues including public health, physical and mental health and community development," **said Professor Serge Martinez, UNM Law School.**

The Office of the New Mexico Attorney General provide information for constituents to raise concerns through **www.nmag.gov** and filing a complaint by clicking on the "Submit a Complaint" tab on their website’s home page.

“During these difficult times, the City of Albuquerque is proud to be a partner working to make sure families are housing secure and have the necessary resources to ensure child wellbeing,” **said Gilbert Ramirez, Deputy Director for the City of Albuquerque Health Programs & Response and Recovery Teams Member.**

###

MEMO

TO: Participating Lenders
FROM: MFA Homeownership Department
DATE: September 9, 2020
RE: Memo No. 2020-20

Grace period ending for transition to PowerLender and VirPack: Firm and final deadline approaching

As was previously announced, MFA's new loan reservation and document management systems - PowerLender and VirPack - went live as of August 28, 2020. Lenders were instructed to begin reserving loans in PowerLender as of that date.

Although most lenders were able to transition smoothly to PowerLender and VirPack, some had difficulty, which is to be expected with any major system implementation. In order to not interrupt the flow of business, MFA continued to accept new loan reservations in Mitas while those lenders worked to resolve their technology issues.

The grace period will end at 5 p.m. MDT on September 15.

After September 15, **ALL** new loans must be reserved in PowerLender and the associated file documents uploaded to VirPack. **No exceptions will be made.**

Loans reserved in Mitas are to be completed in that system. Loans will not transfer from Mitas to PowerLender.

Should you have questions, please contact a homeownership representative at 505-843-6881.

Thank you for your participation in MFA programs.

MFA Housing New Mexico | MEMO

TO: Participating Lenders
FROM: MFA Homeownership Department
DATE: September 11, 2020
RE: Memo No. 2020-21

Final reminder of the <u>deadline</u> for lender transition to PowerLender and VirPack

MFA's new loan reservation and document management systems - PowerLender and VirPack – have been fully operational since August 28.

Some lenders did not have a smooth transition to the new systems; therefore, a grace period was granted to allow reservations to be made via the Mitas system until their technology issues were resolved.

<u>**This grace period will end at 5 p.m. MDT on Tuesday, September 15.**</u>

After September 15, **ALL** new loans must be reserved in PowerLender and the associated file documents uploaded to VirPack. **No exceptions will be made.**

Loans reserved in Mitas are to be completed in that system. Loans will not transfer from Mitas to PowerLender.

Should you have questions, please contact a homeownership representative at 505-843-6881.

Thank you for participating in MFA programs.

Everyone Counts!

Dear MFA partner,

We are asking for your help to ensure that every New Mexican is counted in the 2020 Census. Please reach out to your residents, staff and clients and encourage them to respond, if they haven't already. New Mexico's representation in the Census data helps create homes, neighborhoods and communities.

Thank you in advance for your help,
Izzy Hernandez, MFA executive director and MFA staff

MFA
Housing New Mexico

New Mexico Mortgage Finance Authority
tel. 505.843.6882 | **housingnm.org**

Request for Proposal- General Counsel Legal Services

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

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

RFP responses are due by June 30, 2020.

MFA

Housing New Mexico

Notification of Open Registration for the 2021 QAP Training

MFA is pleased to announce that registration is now open for the 2021 state of New Mexico Qualified Allocation Plan (QAP) training to be held on Monday, October 26, 2020 from 1:15 to 5 p.m. via WebEx.

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 Project Selection Criteria 1.

Topics covered during the QAP training will include application standards and scoring, common application errors and changes to the QAP.

Attendees must register by Monday, October 19, 2020. Please click **here** to register. Attendance will be recorded, so attendees must plan on attending the entirety of the training. To ensure an accurate reflection of attendance, please register and log in with your full name.

For additional information, contact Kathryn Turner by phone at 505-767-2283 or by e-mail at **kturner@housingnm.org**.

MFA
Housing New Mexico

Updated Mortgager’s Guide for Multifamily Reserve for Replacement

September 24, 2020

Dear owners and agents of Risk Share, Section 538 and NSP properties:

This week MFA hosted a webinar on submissions for reimbursement requests from reserve accounts. Thank you to all who attended. The PowerPoint from the training has been saved on the asset management Training page on the MFA website.

In conjunction with the training, the Mortgagor’s Guide for Multifamily Reserve for Replacement Fund was revised. The update is available on asset management’s Mortgagor’s Guide page. Other guide resources are also available on that page including a new processing checklist. The checklist is a resource for owners/agents to prepare their requests and ensure that requirements are being met.

The updated guidelines are in effect with its release. The major changes include the addition of guidance from HB-1-3565 for the Section 538 Guaranteed Rural Rental Housing Program and updates to the Timing section relating to submission deadlines.

Please contact your property’s Housing Programs Analyst with questions regarding reserve reimbursement requests.

New Homebuyer Survey

and

A Chance to Win a $250 Visa Gift Card

Dear homeowner –

Congratulations on the purchase of your new home! Because you used an MFA program for down payment assistance, we are pleased to offer you the opportunity to win a $250 Visa gift card by participating in our **Home Is Where** promotion. All you need to do is take a short survey to let us know about your homebuying experience and to tell us what your new home means to you.

Your survey responses will help us improve the MFA homebuying process. And -- with your permission -- you, your loan officer and your real estate agent could be featured in an MFA **Home Is Where** story. Stories like yours let other people know that they, too, can own a home!

Homebuyers who purchase their homes using an MFA program and who close between April 1, 2020 and March 30, 2021 are eligible to participate in the **Home Is Where** promotion. Every quarter, we will randomly draw the name of three lucky MFA homebuyers who will each receive a $250 Visa gift card. Your survey will be part of the drawing that will be done the second week of October 2020.

Complete the online survey here. If you haven't already received a survey by mail, you will be getting one soon. You may participate either through the online survey or mailed survey, but not both. Only one survey per household will be entered into the drawing.

While participation in the **Home is Where** promotion is completely optional, we hope you will choose to share your homebuying experience with us. Your input is valuable. *Please note that incomplete surveys will not be entered into the drawing.*

Enjoy your new home!

MFA's Homeownership Team

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