NEW MEXICO MORTGAGE FINANCE AUTHORITY
Board Meeting
344 4th St. SW, Albuquerque, NM
Wednesday, October 20, 2021 at 9:30 a.m.

Agenda

Chair Convenes Meeting

- Roll Call (Izzy Hernandez)
- Approval of Agenda – Board Action
- Approval of September 15, 2021 Board Meeting Minutes – Board Action
- Approval of September 15-16, 2021 Board Retreat Meeting Minutes – Board Action
- Executive Director Updates

Board Action Items — **Action Required?**

Consent Agenda

1 Northern Regional Housing Authority (NRHA) – Annual Updates to MFA Board (Theresa Laredo Garcia) – Contracted Services/Credit Committee — YES

Contracted Services/Credit Committee

2 Bi-annual Compliance Activity Report (Julie Halbig & Robyn Powell) — NO

Finance Committee

3 2022 Qualified Allocation Plan (Jeanne Redondo & Kathryn Turner) — YES

Allocation Review Committee

4 Request for additional Tax Credit allocation to offset Construction Cost Increases related to COVID-19 and related waivers to the 2021 QAP (Kathryn Turner) — YES

Other Board Items — **Information Only**

5 (Staff is available for questions)

- Staff Action Requiring Notice to Board
- COVID Staff Actions

Monthly Reports — **No Action Required**

6 (Staff is available for questions)

- 8/31/21 Financial Statements
- Northern Regional Housing (NRHA) Monthly Update Reports

Announcements and Adjournment — **Discussion Only**

Confirmation of Upcoming Board Meetings

- November 9, 2021 - Tuesday, Contracted Services 10:00 a.m. Finance Committee 1:30 p.m.
- November 17, 2021 – Wednesday – 9:30 a.m. (MFA Board of Directors Meeting)
- December 7, 2021 - Tuesday, Contracted Services 10:00 a.m. Finance Committee 1:30 p.m.
- December 15, 2021 – Wednesday – 9:30 a.m. (MFA Board of Directors Meeting)
- January 11, 2022 - Tuesday, Contracted Services 10:00 a.m. Finance Committee 1:30 p.m.
- January 19, 2022 – Wednesday – 9:30 a.m. (MFA Board of Directors Meeting, Santa Fe location TBD)

MFA
Housing New Mexico

NEW MEXICO MORTGAGE FINANCE AUTHORITY
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Summary Agenda

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- Executive Director Updates

Board Action Items **Action Required?**

Consent Agenda

1 **Northern Regional Housing Authority (NRHA) – Annual Updates to MFA Board** (Theresa Laredo Garcia) – Contracted Services/Credit Committee - Due to the improvements that NRHA has made over the past year, MFA staff is requesting approval to provide annual updates to the MFA Board for Northern Regional Housing Authority (NRHA) to be consistent with the other regional housing authorities. YES

Contracted Services/Credit Committee

2 **Bi-annual Compliance Activity Report** (Julie Halbig & 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. There were no significant compliance concerns identified during this reporting period. NO

Finance Committee

3 **2022 Qualified Allocation Plan** (Jeanne Redondo & Kathryn Turner) - The proposed changes to the 2022 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. YES

Allocation Review Committee

4 **Request for additional Tax Credit allocation to offset Construction Cost Increases related to COVID-19 and related waivers to the 2021 QAP** (Kathryn Turner) - Construction cost increases due to COVID-19 have affected all of the projects awarded credits in 2021. These projects are in need of additional equity in order to cover these extreme cost fluctuations. MFA staff requests authority to allocate up to $1,330,961 in additional 2022 credits, a waiver of Section IV.E.3 of the 2021 QAP, and a waiver of Section III.G. of the 2021 QAP. YES

Other Board Items **Information Only**

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

Monthly Reports **No Action Required**

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- 8/31/21 Financial Statements
- Northern Regional Housing (NRHA) Monthly Update Reports

Announcements and Adjournment **Discussion Only**

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Minutes

NEW MEXICO MORTGAGE FINANCE AUTHORITY
Board Meeting Minutes
344 4th St. SW, Albuquerque, NM
Wednesday, September 15, 2021 at 9:30 a.m.

Chair Reyes convened the meeting on September 15, 2021 at 9:38 a.m. Secretary Hernandez called the roll. Members present: Chair Angel Reyes, Vice Chair Derek Valdo (joined at 9:46 a.m. during Executive Director highlights), Sally Malavé (designee for Attorney General Hector Balderas - virtual attendee), Martina C'de Baca (designee for Lieutenant Governor Howie Morales – virtual attendee) Rebecca Wurzburger. Absent: Treasurer Tim Eichenberg and Rosalyn Nguyen Chafey. 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 September 15, 2021 Board agenda as recommended: Wurzburger. Second: Malavé Roll call vote: Chair Reyes-yes, C'de Baca–yes, Malavé-yes, Wurzburger–yes, Vote: 4-0.

Approval of August 18, 2021 Board Meeting Minutes – Board Action. Motion to approve the August 18, 2021 Board Meeting Minutes as presented: Wurzburger. Second: Malavé. Roll call vote: Chair Reyes-yes, C'de Baca–yes, Malavé-yes, Wurzburger–yes, Vote: 4-0.

Vice Chair Derek Valdo arrived at 9:46 a.m. (during the ED highlights)

Hernandez began his presentation by providing the Board with an update on the following topics: **Significant meetings/presentations:** 8/19: Best Places to Work (BPTW) – Large Company, 4th Place. 8/19: Presentation to Legislative Health and Human Services Comm. 8/24: LOC Meeting 8/26: Housing Matters (provide a list of members) 9/01: Qualified Action Plan/LIHTC QAP Public Hearing. 9/07: 1st Meeting with Root Policy – Statewide Housing Strategy. 9/14: Meeting with legislators Dixon and Egolf staff – Legislative Agenda. 9/14: Meeting with Dan Schlegel COS/Governor's office - Legislative Agenda. **Activities and Actions:** Homeless Served (Unduplicated): August '21: 252/ Feb '20: 474, Homeownership Assistance Fund (HAF- $55M) – Pilot $5M; Applications: (Submitted: 1711), Funded/Pending Funding: 865 ($4.6.4M). Delinquencies continue to y in July dropped to 13.98 from a peak of 18.70, trending down. COVID Forbearances are down to 952 (995 last month) from their peak of 1,773 in January 2021. **Mortgage Operations** – Mortgage Operations Continue to be slightly ahead head of last year's production '20 - $10.5m / '21 - $10.9m (as of 9/10). **Upcoming Actions/Activities:** 9/20: HAF – Delegates Meeting, 9/24: LFC @10:30 – State Capitol, 9/26-29: NCSHA Virtual Conf. 9/30: Housing Matters Strategic Planning, 10/6: Housing New Mexico – Kick Off Meeting, 10/7: Follow up Mtg. w/Legislators Dixon & Egolf staff – Legislative agenda.

<u>Contracted Services/Credit Committee</u>

1 **Regional Housing Authorities Annual Reports (Gina Bell/Theresa Laredo-Garcia).** Bell began by introducing Theresa Laredo-Garcia, informing the Board that Theresa will be taking over the RHA program and this would be Bell's final presentation on these matters. She further informed the Board that she would be providing a summary of the three Regional Housing Authorities, they are Western Regional Housing Authority (WRHA), Eastern Regional Housing Authority (ERHA), and Northern Regional Housing Authority (NRHA). She went over the seven items that MFA has oversight responsibilities for, Final operating budgets FY2019/2020, which covers the period of 7/1/19 thru 6/30/20, the overall status of the Regional Board commissioners, and the annual reports, which are listed in the memo located behind tab one and will become a part of the official board packet. She also gave a brief review of their external financial audits; ERHA received an unmodified opinion on the FYE 6/30/20 audit. There are 3 findings noted in the audit, which she reviewed as listed in the memo provided. WRHA received an unmodified opinion on their FYE 6/30/20 audit. There are no findings noted in the audit. NRHA received an unmodified opinion on the FYE 6/30/20 audit. There are 3 findings noted in the audit which she reviewed from the memo. It is important

to note that of the 11 findings in the 6/30/2019 audit, 10 of the findings have been resolved and 1 was repeated. Bell reviewed the Non-HUD Program and Consolidation efforts the Regionals were working on and further informed Board there have been no cases of fraud, waste or abuse and audits are available upon request. She reminded the Board that the legislature did not appropriate funding during the 2020 legislative session for the RHA oversight. The presentation was then handed over to Executive Directors Chris Herbert (ERHA), Cathy DeMarco (WRHA) was not available – (invitation sent to wrong email) and Terry Baca. Each of them provided an overview of activities that are taking place within their regions which included accomplishments, challenges, non-HUD Programs that they may administer and consolidation efforts. Chair Reyes thanked the Directors for their accomplishments and hard work. Staff recommended approval of the Regional Housing Authority 2020 Annual Report as mandated by the Regional Housing Act and removal of NHRA's monthly updates at MFA's board meetings. Discussion ensued regarding the second part of the motion not being listed on the agenda; general counsel concurred that the second part of the motion be removed from the recommendation and come back to next month's board meeting - "removal of NHRA's monthly updates at MFA's board meetings". Motion to approve the Regional Housing Authorities Annual Reports as presented: Malavé. Second: Wurzburger. Roll call vote: Chair Reyes-yes, Vice Chair Valdo – yes, C'de Baca–yes, Malavé-yes, Wurzburger–yes, Vote: 5-0.

2 **Recovery Housing Program (RHP) Draft Action Plan (Theresa Laredo-Garcia.** Laredo-Garcia informed the Board staff recommends approval of the FY2020/FY2021 Pilot Recovery Housing Program (RHP) Draft Action Plan. The Pilot RHP action plan is currently in the 30-day public comment period and the final Action Plan may be subject to changes or comments based on public responses. She then presented the background information as listed in the memo behind tab two, which will become a part of the official board packet. She reminded the Board that this program is for the support of Patients and Communities Act (SUPPORT Act), entitled Pilot Program to Help Individuals in Recovery from a Substance Use Disorder (SUD) become stably housed, herein referred to as the Recovery Housing Program (RHP). The pilot program authorizes assistance to grantees (states) to provide stable, temporary housing to individuals in recovery from a substance use disorder. She further stated that MFA coordinated working groups with recovery housing agencies to identify areas of immediate need. Based on these meetings, MFA has opted to use the full amount of the RHP FY2020 and FY2021 allocations for Acquisition of Real Property. MFA will submit the State of New Mexico's RHP Action Plan for HUD approval by December 30, 2021, which MFA anticipates will occur in September 2021. Discussion ensued regarding the 15 year sustainability period not being long enough and the need for additional leveraging funds. Hernandez stated that the Action Plan to HUD only includes the HUD funds. Malavé understood that a lot of these details will be further developed in the RFP. Chair Reyes recommended a modification to the motion, Approval of the Draft Action Plan with language to be modified to be more flexible to allow for more MFA and other leverage funds to improve this program. Member Wurzburger moved to entertain this motion as stated and in addition strike the language that states, "MFA will not provide additional funding resources". Second: Malavé. Roll Call Vote: Chair Reyes-yes, Vice Chair Valdo – yes, C'de Baca–yes, Malavé-yes, Wurzburger–yes, Vote: 5-0.

3 **Production Statistics (Donna Maestas DeVries, Stephanie Yara & Jeff Payne).** Payne informed the Board that this is an annual presentation which is provided in conjunction with the presentation of the annual budget. Payne, Yara 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.

4 **FY 2021-2022 General Fund Budget (Yvonne Segovia).** Segovia reviewed MFA's General Fund proposed budget for FY 2021-2022 being recommended for approval. Revenue is projected at $29,961,000, a decrease of ($699,000) or (2%) under prior year budget and a decrease of ($16,725,000) or (36%) under projected 9/30/21 actuals. The expense budget is projected at $24,864,000, an increase of $2,408,000 or 11% over prior year budget and an increase of $2,607,000 or 12% over 9/30/21 projected actuals. The FY 2021-2022 budgeted excess revenue over expenses is $5,097,000. The capital budget is $4,461,000, a decrease of ($314,000) or (7%) under prior year budget and a decrease of ($1,525,000) or (25%) under projected actual. Segovia further informed the Board the changes are primarily a result of the single family mortgage loan production and the addition of 14.5 full-time equivalent (FTE) staff positions.

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 which consist of himself (Chair), Member/proxy Malavé and Member/proxy C'de Baca met August 26, 2021 and reviewed the following: Benefits - Healthcare Update, Benefits Summary, Compensation Survey Update, 2021-2022 Budget Outlook and Incentive Compensation Plan. The Committee believes that MFA's compensation and benefit programs and the approach to the FY2022 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. Motion to approve the FY2021-2022 General Fund Budget as recommended: Valdo. Second: C'de Baca. Roll Call Vote: Chair Reyes-yes, Vice Chair Valdo – yes, C'de Baca–yes, Malavé-yes, Wurzburger–yes, Vote: 5-0.

5 **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 the following: Primero Investment Fund Program, Partners Loan Program, "First Down" Down Payment Assistance (DPA) 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 $97.7 million. The Primero loan program will exhaust all available appropriations due to increased demand in the Primero Loan Program resulting in a need for funds of $3.07mm through 9/30/22 to support anticipated demand. As of 7/31/2021, MFA has $58,437,000 in General Fund reserves which have been designated for use in the Single Family and Multifamily housing programs. In order to meet anticipated demand, Staff recommends $3,070,000 be appropriated to the Primero Loan Program, of which $721,000 will be transferred from the Partners Program, and $2,349,000 will be transferred from the First Down DPA Loan Program. Motion to approve the Housing Opportunity Fund Appropriations as recommended: Valdo. Second: C'de Baca. Roll call vote: Roll Call Vote: Chair Reyes-yes, Vice Chair Valdo – yes, C'de Baca–yes, Malavé-yes, Wurzburger–abstained, Vote: 4-0 (Wurzburger abstained).

New Mexico Affordable Housing Charitable Trust – Finance Committee

6 **FY 2021-2022 NM Affordable Housing Charitable Trust Budget (Yvonne Segovia).** Segovia reminded the Board the New Mexico Affordable Housing Charitable Trust is a legally separate trust for which the MFA Board provides oversight. She reviewed the FY 2021-2022 NM Affordable Housing Charitable Trust Budget being recommended for approval. Revenue is projected at $156,500, and the expense budget is projected at $35,900, resulting in a FY 2021-2022 budgeted excess revenue over expenses of $120,600. Motion to approve the FY2021-2022 NM Affordable Housing Charitable Trust Budget as presented: Wurzburger. Second: Malavé. Roll call vote: Roll Call Vote: Chair Reyes-yes, Vice Chair Valdo – yes, C'de Baca–yes, Malavé-yes, Wurzburger–yes, Vote: 5-0.

Other

7 **FY2022 Updates to the FY2021-2025 Strategic Plan (Rebecca Velarde).** Velarde reminded the Board that MFA adopted a 5 year plan for FY 2021-2025. MFA will complete the first year (FY 2021) of the plan on September 30, 2021 and will begin the second year (FY 2022) on October 1, 2021. The Strategic Management Committee is recommending changes to some strategic initiatives and benchmarks under each of the goals to reflect work planned for Year 2. Velarde reviewed the changes to the benchmarks and the initiatives in the Strategic Plan located behind the memo in tab seven, which will be made a part of the official board packet. Board approval is requested for changes to MFA's FY 2021-2025 Strategic Plan for Year 2 (FY 2022). Motion to approve the FY2022 Updates to the FY2021-2025 Strategic Plan as presented. Wurzburger. Second: Valdo. Roll call vote: Roll Call Vote: Chair Reyes-yes, Vice Chair Valdo – yes, C'de Baca–yes, Malavé-yes, Wurzburger–yes, Vote: 5-0.

Other Board Items - Information Only

8 **There were no questions asked of staff.**

- Staff Actions Requiring Notice to Board
- COVID Staff Actions Requiring Notice to Board
- Summary of 2021C Bond Issue

Monthly Reports - No Action Required

9 There were no questions asked of staff.

- July 31, 2021 Financial Statements

Announcements and Adjournment - Confirmation of Upcoming Board Meetings. Chair Reyes informed the Board we will take a brief break and resume in five minutes for the MFA Board of Directors Retreat meeting.

There being no further business the meeting was adjourned at 11:43 a.m.

Approved: October 20, 2021

Chair, Angel Reyes

Secretary, Isidoro Hernandez

NEW MEXICO MORTGAGE FINANCE AUTHORITY
MFA Board of Directors Retreat Meeting Minutes
Sandia Resort and Casino
30 Rainbow Road, Albuquerque, NM 87113
September 15-16, 2021

Chair Reyes convened the Retreat at 11:48 a.m. on September 15, 2021. Members present: Chair Angel Reyes, Vice Chair Derek Valdo, Sally Malavé (designee for Attorney General Hector Balderas – virtual attendance), Martina C' de Baca (designee for Lieutenant Governor Howie Morales – virtual attendance), Treasurer Tim Eichenberg (joined the meeting at 2:00 p.m. at Nuevo Atrisco/tour) and Rebecca Wurzburger.

Day 2 – Same members present. Member Eichenberg attending person.

MFA staff in attendance included: Izzy Hernandez, Donna Maestas De Vries, Stephanie Yara, Jeff Payne, Rebecca Velarde, Yvonne Segovia (virtual), George Maestas, Maggie Sisco, Joseph Navarrete, Gina Bell, René Acuña and Sandra Marez.

General Counsel – Eleanor Werenko.

Day 2 – Same staff and general counsel present.

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

On Tuesday, September 15, 2021, the Board of Directors of the New Mexico Mortgage Finance Authority (MFA) conducted its annual Board Retreat hybrid/virtual 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 welcoming everyone to the 2021 MFA Board retreat. He thanked staff and presenters as well as virtual participants for all their time, sharing information and collaboration. He noted that the Board meeting and retreat was the first in-person meeting since February 2020. He stated he is absolutely impressed, grateful and amazed by staff's perseverance and innovation during this time. He further stated that the outcomes and impacts are very significant. Reyes thanked staff for a dynamic schedule of presentations and information. He further stated he knows staff are working on many more initiatives than what is on the agenda. He acknowledged the time, thought and preparation that went into preparing for the Board retreat and expressed his gratitude. Reyes thanked the Board who has been very engaging and flexible. He also thanked Hernandez for his leadership in directing the MFA through this time; he has been a constant professional and has his faith and confidence.

Hernandez indicated that it has been a busy year since our last retreat. MFA has faced many challenges and opportunities throughout the COVID environment. He stated MFA has made a difference in the lives of thousands of families. In FY20 MFA assisted over 18,000 households, and this fiscal year we have assisted thousands of families with mortgage delinquencies, rental and homeless assistance. MFA's success is due to three factors: our partners; our Board; and our staff. All of MFA's accomplishments would be exceptional in a normal environment, so when you consider the COVID environment, they are significantly more impactful. Hernandez acknowledged MFA still has a lot of work to be done and stated the agenda is focused on a fraction of MFA's initiatives. He stated that of the 52 initiatives in MFA's strategic plan, MFA is actively working on 41. Some of these initiatives include homeless programs/solutions, rental development innovations, marketing solutions and the cash reserves strategy. Hernandez reviewed the Board retreat agenda and planned tours. He encouraged Board members to provide feedback, make comments and ask questions during the Board retreat.

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

Developing Solutions to Homelessness (Gina Bell, Director of Community Development, MFA George Maestas, Director of Housing Development, MFA & Nicole Martinez, Executive Director, Mesilla Valley Community of Hope). Bell, Maestas and Martinez presented on the challenges of homelessness, including lack of funding versus community need, lack of affordable housing to place individuals and lack of statewide resources. They also presented on statistics of homelessness in New Mexico, the process an individual must go through to receive services and what MFA is doing to help increase affordable housing units, assist our service providers and support the NM Coalition to End Homelessness manage the process of getting individuals into housing. Ms. Martinez discussed the sense of shared trauma clients and staff have experienced during COVID-19. She went over some of the successes and solutions that would be helpful in housing individuals experiencing homelessness and how we might encourage landlords to rent to this population.

Seeking Solutions to Affordable Rental Housing Development Challenges (George Maestas, Director of Housing Development, MFA & Michelle DenBleyker, Senior Vice President of Real Estate Development, YES Housing). Maestas and DenBleyker discussed common challenges in developing affordable housing, including financing challenges, construction cost increases, limited resources, unique infill development challenges, and weighing choices between increasing financial stability versus adding to the cost of projects. The presentation also considered opportunities to counter some of those challenges, such as, revised housing strategies, additional funding resources, possible updates to the Qualified Action Plan, conservative underwriting of new projects and enhanced financial monitoring of existing projects.

Nuevo Atrisco (Chris Baca, President/Chief Executive Officer, Rose Silva-Smith, Senior Vice President of Asset Management Michelle DenBleyker, Senior Vice President of Real Estate Development YES Housing, Inc.,). MFA Board and staff toured Nuevo Atrisco, which is located at 201 Unser Boulevard NW adjacent to an Albuquerque transit station, UNM hospital clinic and city library. The first-phase of this mixed-use, mixed-income development is comprised of 86 housing units, including three efficiency units, 18 one-bedroom units, 42 two-bedroom units, 17 three-bedroom units, as well as six live/work units. Currently, it is nearly 100% occupied.

Hope Village (Annam Manthiram, Chief Executive Officer, HopeWorks & Greg Morris Co-Chief Executive Officer). Board and staff toured Hope Village, which is located on 3rd Street and Mountain near downtown Albuquerque. It will be the first newly-constructed single site, permanent supportive housing project in New Mexico, with around-the-clock supportive services available to 42 of the most chronically homeless and vulnerable residents.

Thursday, September 16

Implementing Communications Solutions to Change Public Perception (Maggie Sisco, Director of Communications, MFA). Sisco provided a comprehensive presentation regarding MFA's communications solutions to change public perception. MFA marketing and communications activities help drive the narrative of an organization's mission, vision and values outward for public engagement. This presentation provided insights into public sentiment and stakeholder perspectives and provided strong recommendations to amplify and elevate awareness about the benefits of affordable housing while combatting stigma.

Developing Solutions to Address a Difficult Market for Homeownership Affordability (René Acuña, Director of Homeownership, MFA, Rebecca Velarde, Senior Director of Policy and Planning, MFA & Nikki Sandoval-Belt, Mortgage Loan Originator). Acuña, Velarde, Sandoval-Belt provided information on developing solutions to address a difficult market for homeownership affordability in their presentations. With rising homeownership prices and a diverse housing stock, New Mexico faces numerous homeownership challenges. This presentation discussed current homeownership trends, provided on-the-ground information on the homeownership market and offered potential solutions to ensure MFA will continue to offer top-notch homeownership programs to a wide variety of New Mexicans.

Developing MFA's Cash Reserve Policy Solutions (Stephanie Yara, Chief Financial Officer, MFA & David Jones, Principal CSG Advisors). Yara and Jones provided a very comprehensive presentation regarding MFA's cash reserve policy solutions. MFA faces the challenge of providing adequate cash levels to generate interest income, purchase

mortgage servicing rights and provide a mechanism for loan warehousing, while at the same time ensuring maintenance of healthy issuer credit ratings and compliance with investor capital and liquidity requirements. This presentation provided an assessment of current cash liquidity requirements and provided recommendations for future revisions to MFA's General Fund Cash Reserve Policy to ensure regulatory compliance while providing funding for future MFA housing programs.

New Mexico's Economics and Its Effect on Affordable Housing (Dr. Jim Peach, Regents Professor of Economics, Emeritus -New Mexico State University). Dr. Peach's presentation focused on New Mexico's economic recovery from the pandemic induced recession and included discussions of major industries, the relationship of the NM economy to the national economy, and issues that will affect housing markets and affordable housing.

Board Retreat Discussion and Wrap-Up (Chair Reyes and Izzy Hernandez). Chair Reyes requested feedback from the Board and staff. Valdo stated he is thoroughly impressed with the organization and there is a trust that has developed. He thanked staff. Eichenberg thanked staff for their hard work. Wurzburger stated the retreat left her enthused and inspired. Malave stated the Board retreat was informative and centering. C' de Baca stated she found the retreat helpful and expressed her appreciation for staff. Bell stated she was impressed with all the knowledge coming to the table. Maestas-De Vries stated it was wonderful to meet Board members in person. She thanked MFA staff for their preparation and passion, and she thanked the Board for being engaged, supported and committed. Yara stated MFA staff has been welcoming. She thanked staff for their support and training and thanked the Board for their questions. Payne echoed the previous comments and stated he appreciates the Board's support. Werenko stated she uses the MFA Board as a best-practice example. Hernandez gave his appreciation to staff for putting together the retreat, presentations and outside presenters together. He provided a brief overview of upcoming state and federal legislation. He expressed his appreciation for the Board and their questions. Chair Reyes stated he looked forward to not returning to normal but returning to better. He heard a lot of commonalities, including pride, attitude, honor, excellence, energy, and best practices. He stated there was a lot of reciprocal feedback amongst Board and staff. Further stating MFA will always run into challenges but knowing that the team is there to support each other and being aligned with the mission brings positive outcomes. Chair Reyes stated MFA is doing its best to make a difference. He stated he is proud of what we do as an organization, how staff approaches their jobs and how the organization makes people better. He stated he appreciated everyone's feedback, stating everyone was part of one team. Chair Reyes reviewed the Board retreat agenda and said it tells a very positive story about the opportunities and without a doubt the challenges. He stated that no matter the situation, MFA must be committed every day to doing our best to make our programs better and to create more awareness. He said with this commitment, MFA will continue to feel very proud about the difference we make in the state. He stated he was humbled by and proud of staff's work. He wished attendees the best and offered prayers that everyone continues to be safe during the pandemic. He stated we will continue to find good ways to interact whether it is a virtual model, hybrid model or in person again.

There being no further business the meeting was adjourned at 2:39 p.m.

Approved: October 20, 2021

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Chair, Angel Reyes Secretary, Isidoro Hernandez

Tab 1

MFA

NEW MEXICO MORTGAGE FINANCE AUTHORITY
Contracted Services/Credit Committee Meeting
Tuesday, October 12, 2021 @ 10:00 am
MFA – Albuquerque

WebEx join the meeting from the calendar or call 1-844-992-4726 (access code): 146 715 1755.

AGENDA ITEM	TIME ALLOTTED	COMMITTEE RECOMMENDED	BOARD ACTION REQUIRED
Recommended for Consent Agenda **1** Northern Regional Housing Authority (NRHA) – Annual Updates to MFA Board (Theresa Laredo Garcia)	10:00 – 10:15	2-Ø	YES
Agenda **2** Bi-annual Compliance Activity Report (Julie Halbig & Robyn Powell)	10:15 – 10:30	✓	NO
3 Discussion items - **4** Questions/Comments from Committee	10:30 – 11:00 11:00-11:30	✓	NO

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

B Hernandez

MFA | *Housing New Mexico*

MEMORANDUM

TO: MFA Board of Directors

Through: Policy Committee – October 5, 2021
Through: Contracted Services – October 12, 2021

FROM: Theresa Laredo-Garcia, Program Development Manager

DATE: October 20, 2021

SUBJECT: Northern Regional Housing Authority (NRHA) – Annual Updates to MFA Board

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Recommendation:
Staff is requesting approval to provide annual updates to the MFA Board for Northern Regional Housing Authority (NRHA) to be consistent with the other regional housing authorities.

Background:
In the 2009 Legislative Session, the New Mexico state legislature enacted Senate Bill 20 (Laws of New Mexico 2009, Chapter 28) amending the Regional Housing Law 11-3A-20 NMSA 1978, to re-define the activities of the Regional Housing Authorities and to mandate that MFA provide oversight of certain regional housing authority activities.

The Department of Housing and Urban Development (HUD) funds the Regional Housing Authorities and is the agency that approves their operational activities. In November 2018, NRHA was designated as a Troubled Performer by HUD. NRHA was required to take immediate action to correct performance deficiencies and develop and implement a plan to ensure long-term sustainability and achieve an acceptable level of performance.

Discussion:
NRHA immediately took action to resolve performance deficiencies related to their operational activities. MFA received notice of NRHA's troubled status and implemented additional oversight through monthly monitoring of NRHA activities. It was determined that this would be accomplished through a monthly review of NRHA's monthly board minutes which would be included in MFA's monthly board reporting.

NRHA has successfully performed measures to improve the status of the agency. The agency received an **unmodified** opinion for the FYE 6/30/20 audit which is a considerable improvement from the FY 6/30/19 audit.

Summary:
Due to the improvements that NRHA has made over the past year, MFA staff is requesting approval to provide annual updates to the MFA Board for Northern Regional Housing Authority (NRHA) to be consistent with the other regional housing authorities.

Tab 2

MFA Housing New Mexico

MEMO

TO: Board of Directors

Through: Policy Committee October 5, 2021

FROM: Julie Halbig, Compliance Manager

DATE: October 20, 2021

SUBJECT: Biannual Compliance Activity Report for April 2021- September 2021

Recommendation:

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 Homeownership 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 2021 through September 2021.

Vendor Management

Vendor management and oversight is an ongoing function within the compliance management system and is conducted according to the underlying vendor management policy. Staff identifies vendors who provide services to MFA which are subject to regulation and oversight by the Consumer Financial Protection Bureau (CFPB), or any entity contracted to provide services that would cause MFA to face risk if the vendor or service provider fails to meet contractual obligations, regulatory requirements, or engages in activities that could adversely impact MFA consumers.

Vendors are evaluated for inherent risk, compliance systems and controls, and business performance. This evaluation is completed by the compliance manager, in cooperation with appropriate department directors. The most recent vendor reviews did not identify any vendors with critical weaknesses which present a significant risk of violating the law or regulations that could cause consumer harm.

Risk ratings are assigned to vendors based on the below criteria and the Vendor Management Policy dictates the level and frequency of vendor reviews.
Risk Ratings:

- High – full operational reliance, access to MFA consumer NPPI (non-public personal information), access to MFA consumers, access to MFA systems.
- Medium – limited operational reliance, limited access to MFA consumer NPPI, no access to MFA consumers, no access to MFA systems.
- Low – no operational reliance, no access to MFA consumer NPPI, no access to MFA consumers, no access to MFA systems

Vendor Review:

Vendor Name	**Function**	**Risk Rating**
ACS Powerlender	Software (Home Ownership)	High
Metasource	Software (Loan Quality Control)	Medium
Mitas	Software (Hosting Services)	High
Reliance Field Services	Property Inspection	Medium
US Bank National Association	Document Custodian	Medium

Subservicing Oversight

Staff continues to monitor service level performance to ensure our contracted sub-servicer provider, Idaho Housing and Finance Association (IHFA), maintains regulatory compliance, that staffing levels support MFA needs and that controls over data integrity are in place. There are no significant compliance concerns.

IHFA provides several monthly loan portfolio reports, including servicing quality control, advances and reimbursements, loss mitigation and foreclosure activity reports. All reports are reviewed, reconciled, and analyzed for any negative trends or ongoing issues. Monthly calls are held with IHFA to discuss operational processes, reconcile reporting, and provide current updates.

During the reporting period, staff completed the Annual Subservicing Oversight review. The annual review entails a deep dive review of regulatory compliance, financial review, loan servicing and loan origination procedures, and a review of IHFA third party vendor assessments. Staff reviews regulatory compliance audits conducted by Ginnie Mae, Fannie Mae, and/or FHA. From these audit reports, staff can determine if there are any operational deficiencies that may impact the sub-servicer portfolio and how those issues are being addressed. Staff reviews the most recent audited financial statements and SOC (service organization controls) reports to determine if the sub-servicer is financially stable and if the operational controls described in the policies and procedures are functioning appropriately. There were no significant compliance concerns following the annual review.

As previously reported, MFA engaged our internal auditors, REDW, to complete additional quality control review of the sub-servicer portfolio. Staff is now working with IHFA to address loan level findings to ensure that there is no risk to MFA or it's consumers. Staff and management will determine if the

quality control audit will be a regular engagement and, if so, the results will be reported to Policy Committee and the Director of Servicing.

During the reporting period, staff completed a Mortgage Operations audit related to loss mitigation loan repurchase processes. As previously reported to the Board, based on the internal audit recommendations, staff is working with IHFA to establish best practices and implement procedures for standardized re-pooling timeframes related to delinquent loans. These new processes will improve MFA's portfolio management and reconciliation processes.

MFA continues to see delinquency rates decline in the subserviced portfolio, which reached the highest total delinquency in February 2021 of 18.70%. Rates have stabilized and leveled during the reporting period from April to September 2021, however, the numbers of seriously delinquent loans (loans over 90 days delinquent) remain high. The September 2021 delinquency rate is 13.35%, and the seriously delinquent rate is 7.95%. See below Chart 1 – Subserviced Portfolio Delinquency Trends.

The overall drop in delinquency is largely driven by the expiration of many COVID-19 forbearance and payment deferral programs. Borrowers exiting forbearance can take advantage of loan modifications and partial claim processes to bring their loan current, lower interest rates and monthly payments, and achieve affordability. Generally speaking, these options result in a recast of the loan terms and/or a soft second lien on the property that is due at the time of transfer of title or refinancing of the property. IHFA actively participated in the Homeowner Assistance Fund (HAF) Pilot Program and several other housing assistance programs that MFA administered over the last year to assist homeowners.

Per regulatory mandates in place from HUD, IHFA continues to evaluate owner-occupied borrowers for numerous Home Retention Options if the borrower is impacted by COVID-19. Some of those interventions include the following:

- **COVID-19 Advance Loan Modification (must have been reviewed no later than August 24, 2021)** A COVID-19 ALM is a permanent change in one or more terms of a Borrower's Mortgage that achieves a minimum 25 percent reduction to the Borrower's monthly Principal & Interest (P&I) payment that does not require Borrower contact.
- **COVID-19 Standalone Partial Claim** A Partial Claim is a no interest subordinate lien secured by the property which is used to pay the balance owed for the suspended mortgage payments. No payments are due on the COVID-19 Standalone Partial Claim until the payoff, maturity, or acceleration of the FHA-insured Mortgage, including the sale of the Property, a refinance, or the termination of FHA insurance on the Mortgage.
- **COVID-19 Owner-Occupant Loan Modification** A COVID-19 Owner-Occupant Loan Modification may be used to modify the rate and term of the Mortgage.
- **COVID-19 Combination Partial Claim and Loan Modification (Non-FHA-HAMP)** Mortgages that cannot be reinstated by a COVID-19 Standalone Partial Claim or COVID-19 Owner-Occupant Loan Modification may be able to be reinstated through the COVID-19 Combination Partial Claim and Loan Modification option.
- **COVID-19 FHA Home Affordable Modification Program (FHA-HAMP) Combination Loan Modification and Partial Claim with Reduced Documentation** Borrowers may provide income documentation to be reviewed for an affordable monthly payment under a

COVID-19 FHA-HAMP Combination Loan Modification and Partial Claim with Reduced Documentation, which may include a principal deferment.

These workout options do not require repurchase from the Ginnie Mae or Fannie Mae pools, which eliminates the need for out-of-pocket cash from MFA; nor do they require a lengthy trial period, but rather result in an immediate reinstatement of the loan and return to l monthly payments. Another benefit of these options is that loans can be recast to adjust interest rates and repayment terms so that affordability is achieved for those experiencing a permanent loss of income. As a result, borrowers are more likely to maintain homeownership.

Loan Quality Control

Loan quality control reports and portfolio management reports received from IHFA alert 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 to mitigate the risk of material findings or repurchase.

The below table represents 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 Fannie Mae sample. Staff did not identify any issues in loan quality reviews, gross and net defect rates remain below MFA's thresholds. Gross Defect Rate include all preliminary serious exceptions and Net Defect Rate represents only unresolved, serious exceptions.

MFA DEFECT TREND REPORT Random QC

CASES WITH SERIOUS EXCEPTION(S) - COMPLIANCE EXCLUDED

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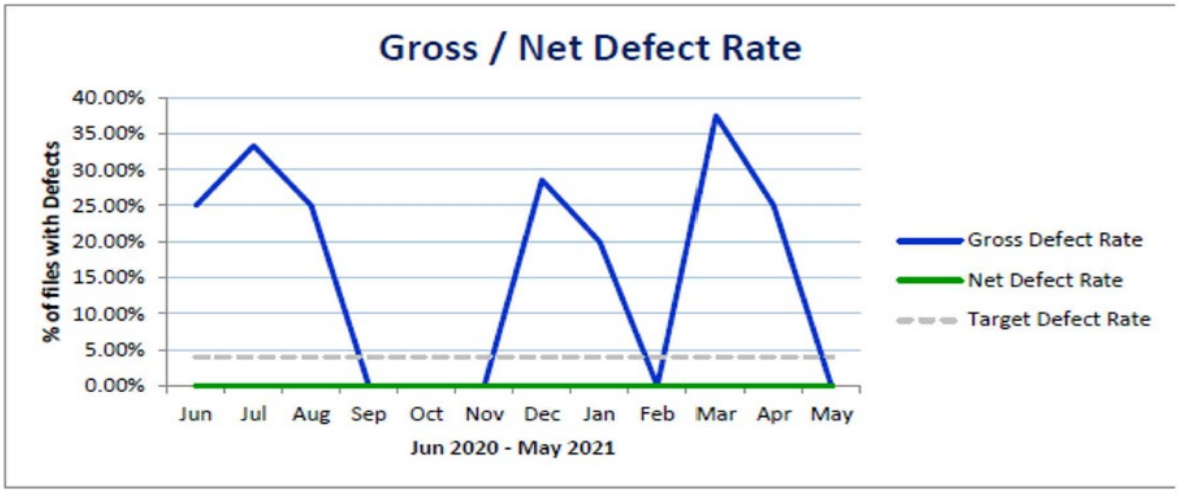
Year	Month	Target Defect Rate	Cases Audited	Defective Cases (Gross)	Defective Cases (Net)	Gross Defect Rate	Net Defect Rate
2020	Jun	4.0%	4	1	0	25.00%	0.00%
2020	Jul	4.0%	3	1	0	33.33%	0.00%
2020	Aug	4.0%	4	1	0	25.00%	0.00%
2020	Sep	4.0%	3	0	0	0.00%	0.00%
2020	Oct	4.0%	3	0	0	0.00%	0.00%
2020	Nov	4.0%	2	0	0	0.00%	0.00%
2020	Dec	4.0%	7	2	0	28.57%	0.00%
2021	Jan	4.0%	5	1	0	20.00%	0.00%
2021	Feb	4.0%	5	0	0	0.00%	0.00%
2021	Mar	4.0%	8	3	0	37.50%	0.00%
2021	Apr	4.0%	4	1	0	25.00%	0.00%
2021	May	4.0%	4	0	0	0.00%	0.00%
Sub-total			**52**	**10**	**0**	**19.23%**	**0.00%**



Regulatory Compliance

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.

The federally mandated foreclosure moratoriums expired at the end of July, however, the CFPB issued Protections for Borrowers Affected by the COVID-19 Emergency Under the Real Estate Settlement Procedures Act (RESPA), Regulation X on June 28, 2021. This rule amended Regulation X to assist mortgage borrowers affected by the COVID-19 emergency. The final rule established temporarily procedural safeguards to help ensure that borrowers have a meaningful opportunity to be reviewed for loss mitigation before the servicer can make the first notice or filing required for foreclosure on certain mortgages. In addition, the final rule temporarily permitted mortgage servicers to offer certain loan modifications made available to borrowers experiencing a COVID-19-related hardship based on the evaluation of an incomplete application. The Bureau also finalized certain temporary amendments to the early intervention and reasonable diligence obligations that Regulation X imposes on mortgage servicers.

On September 27, FHA issued Mortgage Letter (ML) 2021-24, which provides up to six months of COVID19 forbearance for borrowers who request their initial COVID-19 forbearance between October 1, 2021, and the end of the COVID-19 National Emergency, and an additional six months if the forbearance is exhausted or expires before the end of the COVID-19 National Emergency. This guidance applies to all Title II Single Family forward and Home Equity Conversion Mortgage (HECM) programs except for FHA-insured mortgages secured by vacant or abandoned properties.

Staff will continue to monitor regulatory directives related to impacts of COVID-19 to ensure that our single-family policies comply. Staff is also working closing with our lending and servicing partners to implement updated policies.

Training

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, mortgage operations received external training related to COVID-19 loss mitigation options and requirements, as well as training related to the MFA CDBG Housing Cost Assistance Program and impacts to the servicing portfolios.

REDW provided the annual fraud training for all MFA employees in September.

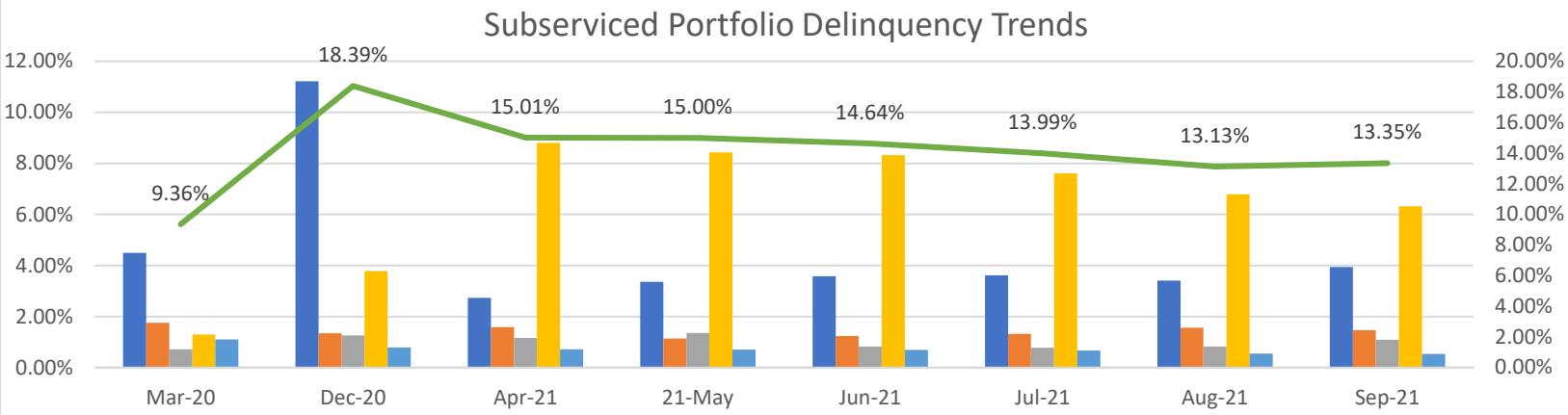
Consumer complaints

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.

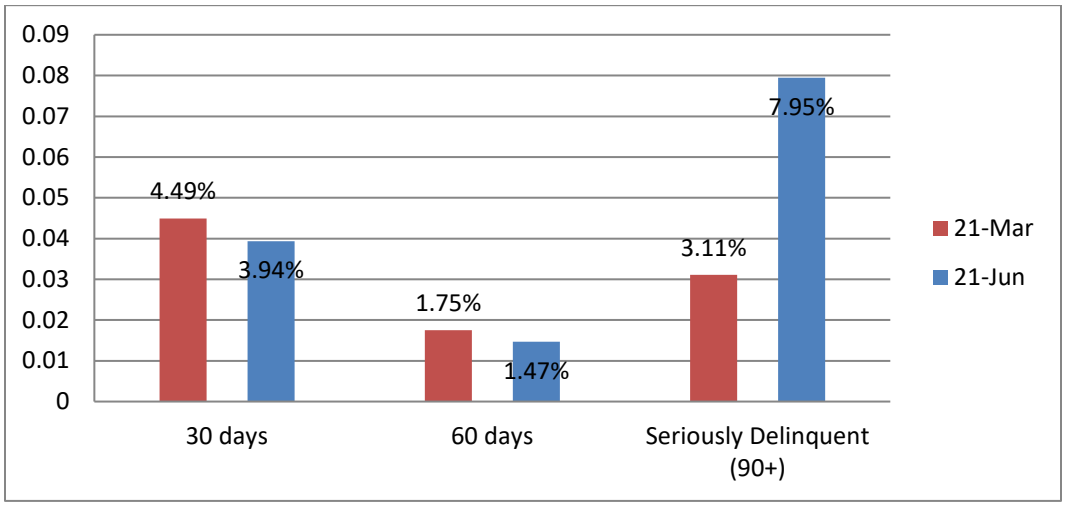
Compliance activities will be reported to the Board through the Contracted Services/Credit Committee no less than twice per year, and as needed to fulfill the compliance department's responsibility to inform the Board of any critical compliance issues. There were no significant compliance concerns identified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



	Mar-20	Dec-20	Apr-21	21-May	Jun-21	Jul-21	Aug-21	Sep-21
30 days	4.49%	11.22%	2.73%	3.36%	3.58%	3.62%	3.41%	3.94%
60 days	1.75%	1.34%	1.59%	1.14%	1.23%	1.32%	1.56%	1.47%
90 days	0.71%	1.26%	1.17%	1.36%	0.82%	0.77%	0.83%	1.09%
120+	1.30%	3.79%	8.80%	8.44%	8.32%	7.61%	6.79%	6.32%
PreForeclosure and Refer to Legal	1.10%	0.79%	0.72%	0.71%	0.69%	0.67%	0.55%	0.54%
Total Delinquency	9.36%	18.39%	15.01%	15.00%	14.64%	13.99%	13.13%	13.35%

Chart 1 - Subserviced Portfolio Delinquency Trends

MFA Single Family Loan Portfolio Subserviced IHFA September 30, 2021			
Subservicing Portfolio	**Count**	**Percentage by status**	**Total UPB**
Current	9995	86.65%	1,516,484,340.19
30 days	454	3.94%	66,905,056.94
60 days	169	1.47%	24,760,150.85
Seriously Delinquent (90+)	917	7.95%	$ 137,683,214.19
Foreclosed Loans (not included in total)	47		
Total Delinquent Loans	1540	13.35%	
Total First Liens	11535		$ 1,745,832,762.17



Tab 3

MFA
Housing New Mexico

NEW MEXICO MORTGAGE FINANCE AUTHORITY

Finance/Operations Committee Meeting

Tuesday, October 12, 2021 at 1:30 p.m.

Webex - call-in information is 1-844-992-4726 (access code): 146 652 1711
or you can join the call from the calendar item

Agenda Item	COMMITTEE RECOMMENDED	BOARD ACTION REQUIRED
1 2022 Qualified Allocation Plan (Jeanne Redondo & Kathryn Turner)	3-Ø	YES

Committee Members present:

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

Hernandez

MFA Housing New Mexico

MEMO

TO: MFA Board of Directors (October 20, 2021)

Via: Finance Committee (October 12, 2021)
Policy Committee (October 5, 2021)

FROM: Jeanne Redondo, Tax Credit Program Manager

DATE: September 30, 2021

SUBJECT: 2022 Qualified Allocation Plan

Recommendation:

Staff recommends approval of the attached 2022 State of New Mexico Housing Tax Credit Program Qualified Allocation Plan (QAP).

Background:

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

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

Discussion:

Several major changes are being considered for the Draft 2022 QAP. Staff has focused many aspects of the QAP to address the housing of indigenous populations, individuals that would benefit from Permanent Supportive Housing, and Senior Households, as all groups have high levels of affordable housing need. An additional proposed major change in the 2022 QAP is incentivizing developers of 9% projects to participate in the 811 voucher program by awarding an additional 5% developer fee above the capped developer fee.

1. **Refocus on priority populations**
   a. ***Underserved Populations set-aside***
      The 2021 QAP created the Underserved Populations set-aside which provided a 20% set-aside of the annual credit-ceiling for new USDA Rural Development projects, Permanent Supportive

Housing Projects, and Tribal projects. This year, we are proposing we focus this Underserved Populations set-aside on just Permanent Supportive Housing (PSH) and Tribal projects.
Rural populations have been served through the QAP without this set-aside, with over half of awards being made to Rural projects annually. By focusing this set-aside more clearly on PSH and Tribal projects, MFA may incentivize developers to serve these extremely vulnerable populations. Based upon public comments from PSH advocates, the QAP also changes the following qualifications for PSH projects to compete in the Underserved Populations set-aside: 1) the minimum percentage of the project dedicated to PSH units decreased from 50% to 25% and 2) Federal operating subsidies may be used to support the operations of PSH units in lieu of project-based vouchers.

b. ***Efficient Use of Tax Credits scoring category***
In addition to an increase in the Efficient Use of Tax Credit limits across the board to address the need for additional equity to cover increased construction costs and lower the reliance on gap financing such as HOME and NMHTF, staff is proposing further increasing the limits in this category for both PSH and Tribal projects, both to cover known additional costs to develop these types of projects and incentivize support of these populations.

c. ***Market Study threshold requirement***
Also, in the 2021 QAP, a new threshold requirement was added. Applications are now required to submit a Market Study that shows a capture rate of 10% or better. Through analysis of past market studies, it was clear that a capture rate at that level was unattainable by Tribal projects, however great the actual housing demand may be. In an effort to incentivize Senior developments and to recognize that that data point may not be reflective of the true need for these projects either, staff is recommending that both Tribal and Senior projects are exempt from meeting that capture rate limit.

d. ***Projects Reserved for Seniors Housing Priority scoring category***
In a further effort to incentivize developments that provide senior housing to the community, an additional two (2) points are available for projects choosing the Projects Reserved for Seniors Housing Priority.

e. ***Vacancy rates for underwriting purposes***
Staff is recommending that senior projects be able to utilize a lower vacancy rate of 5% when developing their proforma. This is more reflective of the market but must be supported with the required market study.

2. **<u>Incentivizing Utilization of 811 Vouchers.</u>**

In 2019, MFA applied for, and was awarded $3,648,204 in FY2019 Section 811 Funding. This amount could support approximately 58 units/households. Additionally, MFA worked with the State of New Mexico to ensure that service funding would be made available to Local Lead Agencies (LLAs). Staff does not want the effort to utilize 811 vouchers in the State to be wasted, and through conversations with developers, there is an understandable hesitation to utilize the resource (difficult population, limited service funding, LLA relationships). In order to cover potential costs to the developer and incentivize the use of the vouchers, staff proposes an allowance of an additional 5% developer fee above the capped developer fee for 9% projects, once HUD issues the Cooperative Agreement and MFA enters into the Cooperative Agreement for these funds.

Below is a summary of other notable proposed changes and attached is the redlined draft. Other changes found in the draft are clarifications of existing policies/terms in the QAP i.e., insertion of answers/clarifications generated during last year's FAQ period, which become a part of the QAP by reference.

- **General Public Use – Section II.G** (starts page 7)
  Clarifies that while Management Units should be described in the Project Narrative, they are not to be included in the Application, and that MFA's Asset Management Department approves Management Units for the exemption.

- **Building Classification and Tax Credit Applicable Percentages – Section II.R.** (page 14)
  - Updated the 4% floor to the permanently fixed floor of 4% per The Consolidated Appropriation Act of 2021.

- **Housing Priorities – Section III.B.** (starts page 17)
  - Priorities were focused to address Senior Households, Permanent Supportive units and Tribal communities.
  - Historic housing was removed as a priority.

- **Minimum Project Threshold Requirements – Section III.C.4 and III.C.7.** (starts page 19)
  - The Threshold Requirement of a Market Study was amended to allow an exemption for Senior projects as well as Tribal projects.
  - The Pre-Application section clarified that MFA would allow Applicants to meet with MFA staff to discuss underwriting issues and gap funding for the project, not scoring, prior to the end of FAQ close. (*See* page 21)

- **Allocation Set-asides – Section III.D.** (starts page 21)
  - Projects with new USDA Rural funding are no longer part of the Underserved Populations Set-aside. (*See* page 22)

- **Project Selection Criteria to Implement Housing Priorities – Section III.E.** (starts page 23)
  The minimum score for 4% projects was eliminated and a series of required project qualities was listed. (*See* page 24) The minimum score for 9% projects was lowered by 25 points to 53 to reflect the scoring shifts identified below. (*See* page 23) Additional proposed scoring changes or clarifications include the following:

  1. ***Scoring Criterion no. 1****- Nonprofit, New Mexico Housing Authority, Tribally Designated Housing Entity or Tribal Housing Authority Participation (starts page 24)*
     - Tier 1: Reduced to five points from 10 points
     - Tier 2: Reduced to three points from five points.

     These reductions of points are to allow "For Profit" Developers to be more competitive in the round without a non-profit partner.

  2. ***Scoring Criterion no. 2*** *– Locational Efficiency (starts page 25)*
     No scoring change. General and Rural/Tribal – The walk distance to commuter bus or commuter rail stop was increased from .25 miles to .50 miles.

  3. ***Scoring Criterion no. 4****- Sustaining Affordability (starts page 28)*
     Scoring was changed on each of three tiers and the maximum points available was reduced.
     - Subsidized existing Projects with restrictions expiring within five years, existing projects at imminent risk of conversion to market, or receiving new federal subsidy covering at least 75% of all units. *From 15 pts to 10 pts*.
     - Projects that have an existing rental assistance contract covering at least 75% of all units. *From 10 pts to 8 pts.*

- Project that have or will have a rental assistance contract covering at least 20% of all units. *From 5 pts to 6 pts.*

4. ***Scoring Criterion no. 6*** *– Projects that Incorporate Market Rate Units (starts page 30)*
   Scoring was changed from four points to two points and the maximum points possible with Income Level of Tenants was removed.

5. ***Scoring Criterion nos. 8-10-*** *Housing Priorities (starts page 31)*
   Scoring change for no. 9 only *– Reserved for Seniors Housing Priority.*
   - No. 8 – *Special Housing Needs Housing Priority* - Both "Options" were removed, and language clarified that 20% of more of the total units must be reserved for Households with Special Housing Needs to receive points. (*See* page 31)
   - No. 9 - Points were increased for *Projects Reserved for Seniors Housing Priority* from 8 pts to 10 pts to incentivize developers to build affordable housing for this priority population. (*See* page 36)
   - No. 10 – No changes to *Households with Children Housing Priority*.

6. ***Scoring Criterion no. 14 –*** *QCT/Concerted Community Revitalization Plan (starts page 43)*
   No scoring change. A State-Designated New Mexico Arts and Cultural District located within .5 miles of the project was added as an option. A link to boundary maps was added to the QAP for clarity.

7. ***Scoring Criterion no. 15 –*** *Projects with Units Intended for Eventual Tenant Ownership (starts page 44)*
   Score change from five points to two points. While we have to incentivize Eventual Tenant Ownership per Code, this is not very easy to achieve or manage, and staff recommends not incentivizing the option as much.

8. ***Scoring Criterion no. 16 –*** *Projects with Historic Significance (starts page 45)*
   Score was changed from five points to two points. Language was added for scattered site projects requiring the total square footage of the Historic Property to equal or exceed 10% of the total project square footage.

9. ***Scoring Criterion no. 18*** *– Projects Located in Areas of Statistically Demonstrated Need or Market Study Supported Area (starts on redline page 46)*
   This scoring category was eliminated in favor of utilizing a Market Study to assess area needs more accurately.

10. ***Scoring Criterion no. 18*** *– Efficient Use of Tax Credits (starts page 47)*
    - The limits on the Efficient Use of Tax Credits were increased by 10% to reflect higher construction costs and reduce the burden on limited gap financing resources.
    - Additionally, Tribal and PSH projects were offered an even higher limit in this category (5% beyond the overall increase), to cover costs and further incentivize those developments.
    - The relative weight of this scoring criterion was reduced by a reduction in points from 5, 10, and 15 points to 1, 3, and 5 points to reduce the pressure on applicants to meet the cost limits in a rapidly rising cost environment.
    - An exception to the re-scoring within this category with any requests of additional credits was made for projects incurring a Casualty.

11. ***Scoring Criterion no. 20*** *– Adaptive Reuse Projects* (starts page 50)
    - Scoring was reduced from five points to two points to reflect that this is a lower priority for MFA.

12. ***Scoring Criterion no. 22*** *– Other Scoring Points Available (starts page 50)*
    - Scoring change from a maximum of six points to a maximum of nine points, to allow for more choices within this category.
    - "Honorably discharged" was added to the preference for US Military Veterans.

- **Additional Supplemental Tax Credits for Cost Increases – Section III.G.** (starts page 52)
  An exception was added for projects undergoing unforeseen Casualty events.

- **Submission Date(s) and Place of Submission – Section IV.A.1-2.** (starts page 54)
  - The submission deadlines for electronic applications were clarified.
  - Place of submission was removed as the hard copy of the application is no longer required.

- **Form of Submission – Section IV.A.3** (starts page 55)
  Clarified that the electronic application includes the Universal rental Development Application Form and the Universal Rental Development Schedules A-I excel spreadsheet files in addition to pdf versions of these files that are inserted in the fully tabbed pdf file.

- **Content and Format: Complete Applications - Section IV.A.4.** (starts page 55)
  - Clarified acceptable manner for receipt of required signatures; must bear blue ink or third party verified digital signatures.
  - Confidential information and record inspection procedures were revised.

- **Communications and Quiet Period – Section IV.A.5.** (starts page 57)
  Clarifies and identifies that no member of the development team may contact MFA regarding the Application.

- **MFA Fees and Direct Costs – Section IV.B.** (starts page 59)
  - Wiring of Funds was added with contact information for wiring instructions
  - "Design Review Deposit" was changed to "Direct Cost Deposit" to cover the design review and any other fees incurred on behalf of the project.

- **Staff Analysis and Application Processing – Section IV.C.5** (starts page 61)
  Issues with the electronic application was added to the list of possible Deficiency correction items.

- **Feasibility Analysis and Financial Considerations – Section IV.D.** (starts page 64)
  - Language was added that MFA staff will conduct a financial feasibility analysis to determine if the Project is financially feasible as part of the threshold review, which is in keeping with the actual practice.
  - Underwriting guideline language allows when 90% of the units are covered by federal rental assistance or a Project Reserved for Seniors, MFA will use the market study vacancy factor but not less than 5%.
  - The developer Fees in the 2021 QAP have been in place since 2015 with no increases. The 2022 QAP increases the maximum allowable developer fee for 9% projects from $1.8M in 2021 to $2.0M in 2022. The 2022 QAP also removes the 2021 $1.5M cap for 100 units that was reached when a developer built 77 units.

- In addition, the 2022 QAP also changes the structure of the per unit developer fees to prevent projects that build just one more unit at transition points in the fee structure from earning a lower developer fee (e.g., a $70,500 lower developer fee to build 61 units than to build 60 units). The 2022 QAP fee structure leaves the developer fee of $22,500 per unit for the first 30 low-income units in place. Then adds $20,000 per unit for units 31 – 60, plus $17,500 per unit for units 61+ until the maximum of $2.0 million is reached at 102 units.
- Finally, the 2022 QAP clarifies MFA's existing practice to reduce developer fees for 9% projects where there are identities of interest between the developer/project owner and the builder or between the seller and the buyer.

- **Appraisals – Section IV.D.3 (on page 64)**
  Limitation on the acquisition cost is limited to the lowest of: 1) the sale price in the purchase contract, 2) the "as is" value in the appraisal submitted by the applicant, and 3) the "as is" value in the appraisal prepared by the construction lender.

- **Developer Fees – Section IV.D.2.** (starts page 65)
  As an incentive to utilize at least five 811 Vouchers or to cover up to 25% of the units, a 5% boost will be allowed over the capped developer fee. (Further explanation of 811 requirements is found beginning on page 66.)

- **Limitation on tax credit awards to a single Project or Principal – Section IV.E.3.** (starts page 70)
  Limitation on tax credit awards were increased by approximately 12% to $1,380,213 - similar to the Efficient Use of Tax Credit Scoring Criterion.

- **Final Processing and Awards – Section IV.F.4.** (starts page 73)
  Language was added to clarify the manner for the "Form of Submission" for the Appeal process.

- **Notification of Approval and Subsequent Project Requirements – Section IV.G** (starts page 74)
  Language was added to clarify the manner for the "Form of Submission" for subsequent submissions.

- **Cost Certification - Section IV.G.8.a** (starts page 77) **Applicability of Cost Certification – Section V.A.** (starts page 81) and **Requirements – Section V.B.** (starts page 81)
  - Language was added regarding general contractor-prepared Cost Certification to be held in escrow by the project or the general contractor until or unless required for audit purposes
  - The Cost Certification by the general contractor would be excused if the project were utilizing a stipulated sum contract.

- **Amendments to the Allocation Plan and Waivers of Plan Provisions – Section VII** (starts page 85)
  Language was clarified allowing MFA to waive plan provisions when required (e.g., to allow MFA to respond to government declared disasters and emergencies).

- **Compliance Review - Section X.E** (starts page 90)
  Clarified that January 31st is the due date for the monitoring/compliance fee when it is paid annually.

- **Glossary – Section XI.** (pages 94 and 99)
  The term "Casualty" was added, and Management Units was modified to include the Code definition of exempt LIHTC units.

Other updates
The final date of the 2022 application delivery to MFA has been advanced by two weeks and is now January 28, 2022.

Summary:

The proposed changes to the 2022 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.

STATE OF NEW MEXICO

LOW-INCOME HOUSING TAX CREDIT PROGRAM

QUALIFIED ALLOCATION PLAN

Effective as of December 1, ~~2020~~ 2021

NEW MEXICO MORTGAGE FINANCE AUTHORITY

Approved by Board of Directors on October ~~21~~20, ~~2020~~2021
Approved by the Honorable Governor Michelle Lujan Grisham on November 2, ~~2020~~2021

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I. Background and Purpose of the Qualified Allocation Plan

A. General

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

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~~16, ~~2020~~ 2021 and continuing through September ~~8~~7, ~~2020~~2021), during which time a public hearing was held on September ~~2~~1, ~~2020~~2021. 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 2022~~1~~, 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.

C. Allocation to New Construction and Rehabilitation Projects

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

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

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

D. Nonprofit Allocation Set-aside

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

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

E. Minimum Apartment Unit Set-Asides

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

1. 20/50 election: At least 20% of the Units in the Project must be rent-restricted to and occupied by households whose income is at or below 50% of the Area Median Income (AMI).
2. 40/60 election: At least 40% of the Units in the Project must be rent-restricted to and occupied by households whose income is at or below 60% of the AMI.
3. Average Income (AI) election: This election under the Code was authorized by the Consolidated Appropriations Act of 2018. This election allows the Project to serve households up to 80% AMI as long as at least 40% of the total Units are rent and income restricted **and** the average income limit for all tax credit Units in the Project is at or below 60% AMI.

a. The following applies for this election:

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~~i.~~a. Income and rent limits **must be in ten percent increments,** and may include 20% AMI, 30% AMI, 40% AMI, 50% AMI, 60% AMI, 70% AMI, or 80% AMI.

~~ii.~~b. If the Project has an existing LIHTC Land Use Restriction Agreement (LURA) on the property, both initial election (20/50 or 40/60) and AI election must be met.

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

~~c.~~d. Those Projects electing AI must include at least 5% of their Units above 60% AMI.

~~d.~~e. All Units must be designated with a specific AMI percentage at the time of Application.

~~e.~~f. Unit designations may float, but are subject to the Next Available Unit Rule and the original designations must be maintained throughout the Affordability Period. Average Income applies to rent and income limits. If a Unit has a designated limit of 80% AMI, the maximum rent that can be charged to a household for that Unit is 30% of 80% of AMI. Similarly, if a Unit has a limit of 40% AMI, the maximum rent that may be charged is 30% of 40% of AMI.

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

~~g.~~h. The market study must demonstrate sufficient need at each income level chosen.

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

~~i.~~j. AI Projects may be subject to an increased Compliance Monitoring fee.

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

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

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

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

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

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

F. Rent and Income Restrictions

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

G. General Public Use

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

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

sanitarium, life care facility, retirement home providing significant services other than housing is not for use by the general public.

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

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~~ 2022 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~~ 2022 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. ~~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%, similarly, The Consolidated Appropriations Act of 2021 permanently fixed the floor of the 4% credit at 4%. The amount of the annual tax credit is calculated to yield a present value of either 30% (in the case of 4% credits) or 70% (in the case of 9% credits) of Qualified Basis, as adjusted by MFA. ~~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

[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.

types of projects, which could be considered eligible for the tax credits and the Applicable Credit Percentage for each project type.

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

2. **Rehabilitation of an existing building**. To qualify for tax credits, rehabilitation expenditures includable in Qualified Basis must exceed the greater of 1) at least 20% of the Qualified Basis of the building being rehabilitated or 2) at least $6,000 per low income Unit being rehabilitated. For Projects Placed In Service after 2009, the $6,000 will be indexed for inflation. The minimum rehabilitation expenditures included in Qualified Basis for Projects Placed In Service in ~~2021~~ 2022 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~~ 2022 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.

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~~ 2021 Action Plan. Housing priorities stated in the Consolidated Plan include increasing the supply of decent, affordable rental housing, expanding housing opportunities and access for individuals with Special Needs, expanding the supply of housing and services to assist the homeless and preserving the state's existing affordable housing stock.

B. Housing Priorities

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

1. Levels of affordability in excess of the minimum requirements, through one or more of the following:
    a. Higher numbers of Set-aside Units; and/or
    b. Rents set to serve lower income tenants, for example, tenants earning no more than 40% or 30% of median income; and/or
    c. Affordability Periods longer than the 30-year minimum.
2. Provision of affordable housing to households on public housing waiting lists;
3. Maximizing leverage by obtaining other public or private non-equity program resources;
4. An equitable distribution of tax credits throughout all parts of the state where affordable housing is needed;
5. ~~5.~~ 5. Provision of housing to serve documented Senior Households; Permanent Supportive units; and Tribal communities; ~~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, and market studies (requirements 1-~~3~~ 4 below.) All other threshold requirements are not correctable and Initial Applications not meeting those requirements will be rejected. Applications not meeting site control, zoning and fee requirements 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 ha~~ve~~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 D~~d~~eadline. This requires that multifamily projects not be prohibited by the existing zoning of the proposed site and that there is no pending litigation, pending variance, or unexpired appeal process relating to the zoning of the proposed site. Projects sited on land which is not zoned or which is zoned agricultural, are exempt from this threshold test, but must obtain zoning approval and deliver evidence of it to MFA no later than November 15th of the year of the Reservation.

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

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

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

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

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

~~3.~~5. **Applicant eligibility**. All members of the development team (i.e. Developer, Project Owner, General Partner, contractor, management company, consultant(s), architect, attorney and accountant, etc.) of the proposed Project must be in good standing with MFA and all other state and federal affordable housing agencies. For example, debarment from HUD, MFA or other federal housing programs, bankruptcy, criminal indictments or convictions, poor performance on prior MFA or federally-financed Projects (for example, late payments within the 18-month period prior to the Application D~~d~~eadline, 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.

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

~~5. **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.~~

~~6.~~7. **Pre-Application Requirements**.

a. Intent to Submit-

i. The entire Application Package is due on January 28, 2022. ~~In advance of submitting the entire Application Package on January 15, 2021,~~ Before then, Applicants must submit an Intent to Submit a Tax Credit Application and Development Synopsis on or before December ~~21~~20, 2021. This submission is a mandatory requirement for the 2022~~1~~ 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~~allows all Applicants for the ~~2021~~ 2022 competitive LIHTC Application round to meet with MFA staff ~~during the fourth quarter of 2020~~ to discuss their Project (staff is not able to discuss scoring but is available to discuss underwriting issues and gap financing questions). Meetings must take place ahead of the FAQ closing date. All tax-exempt bond financed Projects are encouraged to meet with MFA staff at least 30 days prior to submission to review and discuss the proposed Project.

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

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~~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.~~

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

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

i. The Project must meet threshold requirements within the Households with Special Housing Needs Housing Priority and agree to provide voluntary Case Management Services to residents.*
ii. All service coordination and budget requirements must be sufficient to provide proposed services to all PSH residents,
iii. PSH Units have no time limits on occupancy,
iv. PSH residents have the same rights and responsibilities as those occupying other low-income or market rate housing Units**,
v. PSH residents must have individual leases with identical requirements and protections as other low-income or market rate residents,
vi. PSH Units must cover ~~50~~25% or more of the total Unit count, and
vii. Project-Based Vouchers or other Federal operating subsidy must be in place or secured for 75% or more of the PSH Units in the Project.

* 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.

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

3. **Ranking to meet Allocation Set-asides**. The highest scoring, Qualified Nonprofit Organization Eligible Project will be funded first. If there are insufficient Qualified Nonprofit Organization Eligible Projects to meet the nonprofit set-aside, the unallocated nonprofit set-aside tax credits **cannot** be allocated to other Eligible Projects. A similar procedure will be used to meet the Underserved Populations set-aside, following the fulfillment of the nonprofit set-aside; however, if there are insufficient Underserved Populations Eligible Projects to meet the Underserved Populations set-aside, any unallocated set-aside tax credits may be used for other Eligible Projects.

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

E. Project Selection Criteria to Implement Housing Priorities

The criteria shown below are the basis for the awarding of points to a particular proposed Project during the Application round(s) conducted by MFA. Applicants may not rely on prior submissions or prior scoring to support a re-submission of an Application. In addition to meeting the above mentioned threshold requirements, tax credit Reservations will not be awarded to 9% Projects achieving fewer than ~~seventy~~fifty ~~eight~~ three (~~78~~5~~8~~53) points unless too few Projects score above this level and MFA, in its reasonable judgment, decides to reduce the minimum score. Projects scoring ~~seventy~~fifty ~~eight~~ three (~~78~~5~~8~~53) or more points will be ranked according to their scores and in accordance with Section II.C. herein, subject to Allocation set-aside requirements. Reservations will be made to these Projects, unless they are eliminated under threshold review or subsequent processing, starting with the highest scoring Projects, all in accordance with Section II.C. herein, until all available tax credits are used. In order to avoid a concentration of tax credit awards in a particular year in any particular municipality, county or market area, MFA reserves the right, in its sole discretion and as a part of its subsequent processing, to eliminate a lower scoring Project which is located in the same municipality, county or market area as a higher scoring Project provided the lower scoring Project is "similar" in terms of construction type and/or resident population served.

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

Within each scoring track/category, if two or more Projects with equal scores (each a "tied Project") would require more than the available tax credits, the tied Project with the lower Total Development Cost per Unit will be selected first for an award of credits. If too few tax credits are available to make a full award of credits to any tied Project, MFA will determine in its discretion whether to award a partial

allocation, to commit future year's tax credits to the Project in accordance with **Section VIII**, to award no tax credits at all to any tied Project or to choose some combination of these options.

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

Tax-exempt bond financed Projects will ~~also be scored and must obtain the minimum score of at least fifty-eight (58) points~~ *no longer be required to meet a minimum score* in order to obtain a Letter of Determination. Tax-exempt bond financed Projects must meet and agree to all of the following mandatory criteria~~an~~ in order to be eligible for 4% non-competitive tax credits:

1. Serve a targeted population (Households with Special Housing Needs, Households with Children, or Projects Reserved for Seniors ~~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.
2. Achieve a Smoke-Free at Home Certification of Platinum or Gold;
3. Meet all of 2022 Design Requirements (including HERS ratings), unless granted a waiver;
4. Must be located within 2 miles of a facility in which fresh produce is available;
5. Market Study must indicate a vacancy rate in the Primary Market Area of less than 10%;
6. Must market to local Public Housing Authorities;
7. ~~1.~~ Include a preference for Veterans in the Tenant Selection Criteria.

Project Selection Criterion

1. Nonprofit, New Mexico Housing Authority (NMHA), local Tribally Designated Housing Entity (TDHE), or Tribal Housing Authority (THA) Participation	**Tier 1: ~~10~~ 5 points** **Tier 2: ~~5~~ 3 points**

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

Tier 2: Local nonprofits, NMHAs, TDHEs and THAs which have net worth/net assets of at least $250,000 will qualify for 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~~ three points.

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

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

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

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

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

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

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 mile~~s~~ 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

Access to Public Transportation (2 or 4 Points)

General and Rural / Tribal (2 points) Locate Project within a 0.~~2~~5-mile walk distance of commuter bus (i.e. not Greyhound) or commuter rail stop. Public transportation must be established and provided on a fixed route with scheduled service. Alternative forms of transportation may be acceptable provided sufficient documentation is provided that establishes the alternate form of transportation is acceptable to MFA. For example, Projects on tribal land with established "on call" transportation programs that provide the users a choice of local destinations, regardless of their residency in the Project, shall be considered "public transportation." A future promise to provide service does not satisfy this Project Selection Criterion.

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

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

The Project Selection Criterion applies to the rehabilitation of low-income apartment Units or the conversion of market rate apartment Units to low-income Units. These scoring points are not available in a combined new construction and rehabilitation Project wherein the Application is categorized as new construction as discussed in Section II.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 **Points**	~~5, 10, or 15~~6, 8, 10

A. Projects which meet one of the criteria listed below are eligible for ~~15~~ 10 points:

1. Previously subsidized existing Projects that are currently ~~restricted~~restricted, but for which use restrictions are to expire on or before December 31, ~~2025~~2026 or

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

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

4. Projects that will have a new federal rental assistance contract covering at least 75% of all Units.

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

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

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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.)

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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~~ 2 Points

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

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

~~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:~~ Projects are eligible for points if 20% or more of total Units are reserved for Households with Special Housing Needs (see definition in Glossary). To be eligible for points under this option, at least 10% of the total Units in the Project must be rent restricted at 30% of Area Median Income (AMI) or have secured (at time of application) permanent rental subsidy support with a project-based federal

rental assistance contract- that ensures residents do not pay rent in excess of 30% of their adjusted income.

~~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. Coordinated Services-

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

2. Services must be provided to residents at little or no cost. Services may not be provided by property management staff. In limited circumstances some services may be provided by the service coordinator. Appropriate services will do one or more of the following:

a. Increase resident knowledge of and access to available services.

b. Help residents maintain stability and avoid eviction.

c. Build life skills.

d. Increase household income and assets.

e. Increase health and wellbeing.

f. Improve educational success of children and youth.

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

b. Literacy/language training;

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

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

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

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

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

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

C. <u>Marketing -</u>

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

a. The manner in which all proposed marketing and outreach will be performed and encouraged in connection with locating and confirming Special Housing

Needs applicants, including any assistance to be provided in connection with the Application process, move-in process and resident's rights education.

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

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

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

D. Reporting Requirements-

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

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

   b. The number of residents served by each, and

   c. The results of the annual survey.

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

   a. Agreement for services on file, if any,

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

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

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

Part II: Scoring Points ~~for Projects~~Available ~~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 and will be posted on the FAQ section of the MFA website.	1-2 Points each as deemed appropriate

For services provided by a qualified service provider, Application must include an MOU between the Project Owner and the service provider(s) describing their expertise with providing services, the planned 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~~third-party qualified personnel, documentation of when and where services were ~~provided~~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~~ 10 Points**

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

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

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

~~**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

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Social events designated to provide engaging activities for residents "build community" such as holiday potlucks, arts and crafts events, book clubs, creative writing, bingo and other games, field trips to the movies or a museum or other place of interest, etc. Bi-monthly or six per year. This must include alternative methods for socializing incorporating social distancing. (qualified service provider not required)	1 point
Beyond Financial Literacy – financial counseling and tax preparation-educational programs to occur quarterly and focus on one or more of the following topics: budget counseling, financial planning assistance, credit score counseling, avoiding credit traps, income tax preparation in partnership with CPAs or a VITA program or local community college.	1 point
Gardening: delivery of at least four monthly gardening classes per year during the growing season by a qualified instructor plus provision of gardening space of at least three square feet per Unit for at least 50% of the Units in the Project.	1 point
Estate Planning and End of Life Planning – educational programs to occur quarterly and focus on one or more of the following topics: 1) estate planning 101 – what is and do you need the following: advance health care directive (living will;) durable power of attorney for healthcare and HIPAA release; durable power of attorney for finances; a will and revocable living trust; 2) What is hospice and does Medicare cover this?; 3) Probate: what is it and how to avoid it; and 4) funeral planning.	1 point
Other - MFA approved service. Must be approved by MFA in writing one month before Application due date and will be posted on the FAQ section of the MFA website.	1-2 Points each as deemed appropriate

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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~~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~~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~~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~~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	1 point

gardening space of at least three square feet per Unit for at least 50% of the Units in the Project.	
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 and will be posted on the FAQ section of the MFA website.	1-2 Points each as deemed appropriate

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

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

Up to 10 points will be awarded corresponding to the percentage of TDC contributed as described in this Project Selection Criterion. Only whole points will be awarded with the point value rounded down to

the nearest percentage point. For example, a Project that provides leverage of 2.3% of TDC, is eligible for two points, a Project that provides leverage of 5.7% of TDC is eligible for five points, etc., up to 10 points. The value of the contribution must be listed as a source on Schedule A-1 and, when not a cash contribution, as a cost on Schedule A.

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

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

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

12. Complete Applications	**3 Points**

Points are awarded to Initial Applications that meet all the standards described in Section IV.A.4 under "Content and Format" when initially submitted and that do not require any deficiency corrections. In addition, the following are necessary for a Complete Application: (i) ~~all MFA Schedules~~ The 2022 MFA Universal Rental Development Application 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~~the 2022 MFA Universal Rental Development Application; (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 2022 MFA Universal Rental Development ~~Project~~ Application and Architect's drawings and specifications; (iv) the electronic ~~and hard copy~~ Application~~s~~ ~~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 D~~d~~eadline. 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 D~~d~~eadline, which identifies barriers to

community vitality and promotes specific concerted revitalization activities within an area having distinct geographic boundaries; or

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

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

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

Lists~~A list~~ of New Mexico designated MainStreet areas and~~is located at http://www.nmmainstreet.org and a list of~~ State-Authorized New Mexico Arts and Culture Districts can be found at https://www.nmmainstreet.org/program-directory/~~https://www.nmmainstreet.org/nmms/programs/arts-cultural-districts/~~.

15. Projects with Units Intended for Eventual Tenant Ownership ~~5~~ 2 Points

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

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

- Intention to convert must be expressed in writing at the time of Application;
- Applicant must submit a comprehensive plan that includes, but is not limited to, provisions- for repair or replacement of heating system, water heater, -and roof

prior to sale; limitation -on equity upon subsequent sales; homeownership classes for potential homebuyers; and requirements for extent of stay in rental Unit to be eligible for purchase;

- Purchaser must occupy Unit as primary residence;
- Units must be initially marketed to existing rental residents, including residents in Market Rate Units. Remaining Units not sold to existing renter households must be sold to households earning 80% or less of AMI; and

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

16. Projects with Historic Significance **~~5~~ 2 Points**

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

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

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

Projects that include the demolition of Blighted building(s) or the remediation and reuse of a Brownfield site are eligible for points under this criterion. Blighted building(s) must account for at least 10% of the sum of each Building's Gross Square Feet. For scattered site projects, the total Gross S~~s~~quare ~~f~~Footage of the Blighted Buildings must equal or exceed 10% of the proposed total new construction Gross S~~s~~quare ~~f~~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.~~18. Efficient Use of Tax Credits ~~**5, 10, or 15**~~**1, 3, 5 Points**

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

Tribal and PSH projects:

- New construction Tribal or PSH Projects that request less than $~~16,074~~18,485 tax credits per low income Unit **and** less than $~~16.61~~19.10 tax credits per low income square foot are eligible for ~~15~~ 5 points.
- New construction Tribal or PSH Projects that request less than $~~17,681~~20,333 tax credits per low income Unit **and** less than $~~18.22~~20.95 tax credits per low income square foot are eligible for ~~10~~ 3 points.

- New construction Tribal or PSH Projects that request less than $18,485~~16,074~~ tax credits per low income Unit **or** less than $19.10~~16.61~~ tax credits per low income square foot are eligible for ~~5~~ 1 points.

- Substantial Rehabilitation Tribal or PSH Projects that request less than $~~14,065~~16,175 tax credits per low income Unit **and** less than $~~14.52~~16.70 tax credits per low income square foot are eligible for ~~15~~ 5 points.
- Substantial Rehabilitation Tribal or PSH Projects that request less than $~~15,472~~17,793 tax credits per low income Unit **and** less than $~~15.95~~18.34 tax credits per low income square foot are eligible for ~~10~~ 3 points.
- Substantial Rehabilitation Tribal or PSH Projects that request less than $16,175~~14,065~~ tax credits per low income Unit **or** less than $16.70~~14.52~~ tax credits per low income square foot are eligible for ~~5~~ 1 points.

- Moderate Rehabilitation Tribal or PSH Projects that request less than $~~12,055~~13,863 tax credits per low income Unit **and** less than $~~12.46~~14.33 tax credits per low income square foot are eligible for ~~15~~ 5 points.
- Moderate Rehabilitation Tribal or PSH Projects that request less than $~~13,261~~15,250 tax credits per low income Unit **and** less than $~~13.66~~15.71 tax credits per low income square foot are eligible for ~~10~~ 3 points.
- Moderate Rehabilitation Tribal or PSH Projects that request less than $13,863~~12,055~~ tax credits per low income Unit **or** less than $14.33~~12.46~~ tax credits per low income square foot are eligible for ~~5~~ 1 points.

All OTHER projects:

- New construction Projects that request less than $17,681 tax credits per low income Unit **and** less than $18.~~22~~27 tax credits per low income square foot are eligible for ~~15~~5 points.
- New construction Projects that request less than $19,449 tax credits per low income Unit **and** less than $20.04 tax credits per low income square foot are eligible for ~~10~~3 points.
- New construction Projects that request less than $17,681 tax credits per low income Unit **or** less than $18.~~22~~27 tax credits per low income square foot are eligible for ~~5~~1 points.

- Substantial Rehabilitation Projects that request less than $15,472 tax credits per low income Unit **and** less than $15.97 tax credits per low income square foot are eligible for ~~15~~5 points.

- Substantial Rehabilitation Projects that request less than $17,019 tax credits per low income Unit **and** less than $17.55 tax credits per low income square foot are eligible for ~~10~~3 points.
- Substantial Rehabilitation Projects that request less than $15,472 tax credits per low income Unit **or** less than $15.97 tax credits per low income square foot are eligible for ~~5~~1 points.

- Moderate Rehabilitation Projects that request less than $13,261 tax credits per low income Unit **and** less than $13.71 tax credits per low income square foot are eligible for ~~15~~5 points.
- Moderate Rehabilitation Projects that request less than $14,587 tax credits per low income Unit **and** less than $15.03 tax credits per low income square foot are eligible for ~~10~~3 points.
- Moderate Rehabilitation Projects that request less than $13,261 tax credits per low income Unit **or** less than $13.71 tax credits per low income square foot are eligible for ~~5~~1 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 the Gross Square Footage of common space allocated to low-income use. Square footage of commercial space, garages and structured parking are excluded for the purposes of this calculation. ~~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. An exception to this is in the event of a Casualty, in which case additional tax credits may be considered. See Section III.G. for additional requirements concerning supplemental tax credits and the definition of a Casualty.

~~20.~~19. ***Non-Smoking Properties***	**4 or 6 Points**

Both 9% LIHTC and 4% LIHTC Projects are required to participate in the New Mexico Smoke-Free at Home program. More information on the Certification programs may be found at ~~smokefreeathomenm.org/cost-savings/~~ ~~https://www.aanm.org/smoke-free-home-nm~~ https://www.smokefreeathomenm.org/get-certified-today/. In order to receive Certification, Applicants will be required to complete three steps as detailed on the Smoke-Free at Home website, including the

submission of a Letter of Intent, a Lease Addendum, and a Violation Policy. Projects are eligible for scoring points as follows provided the Certification described below is obtained and proof of certification is submitted with the Project's 8609 Application:

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

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

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

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

~~21.~~20. Adaptive Reuse Projects ~~5~~ 2 **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.~~21. ***Other Scoring Points Available*** **Up to ~~6~~ 9 Points**

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

(i) ~~(i)~~ Deep Affordability:

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

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

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

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

(iii) The Project is to be located in a town, municipality, or Census Designated Place (CDP) with a population less than 16,000 people pursuant to data published by the ~~2016~~ 2020 U.S. Census Bureau, and the Market Study supports need for the Project (3 points);

(iv) The Project is to be located in a town or municipality with no "active" LIHTC Projects. "Active" is defined as a town or municipality for which a LIHTC award was made in the last five (5) calendar years and the Market Study supports need for the Project (3 points);

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

(vi) Women and/or minorities 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. (3 points)

The Application is capped at ~~six~~ nine (9~~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.

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

H. New Allocations to Projects Previously Subsidized with Tax Credits

Existing Projects that previously received tax credit allocations and are now eligible under Code Section 42(d)(2) for new acquisition tax credits may apply for a current allocation. However, because of prior subsidy investment in the Project and the scarcity of the resource and to ensure that the subsidy is not being used primarily for ownership transfer, previously subsidized Projects must demonstrate: 1) a real risk of loss of affordable Units, 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 20221 competitive LIHTC Application round will be accepted anytime between the hours of 8 a.m. and 5 p.m. Mountain Standard Time on business days from January 414, 20221 through January 1528, 20221 at 4 p.m. Mountain Standard Time.. 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 iInitial Applications must be submitted ahead of 4 p.m. Mountain Standard Time on January 1528, 20221 (Application Ddeadline). 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 An electronic application color copyinclusive of theThe 2022 MFA Universal Rental Development Application form Form and Universal Rental Development Schedules A-I Excel spreadsheet files must be submittedin excel format , and spreadsheet pages must also be contained in thea fully tabbed PDF file that includes all other materials listed on the Attachments Checklist at Tab 1a, and must be uploaded to MFA's file sharing site: https://local.housingnm.org/FileTransferHD/ (described below in **Section IV.A.4.b**.) The required forms 2022 MFA Universal Rental Development Application will be provided electronically and may be downloaded from MFA's website at https://housingnm.org/developers/lihtc/current-and-prior-tax-credit-rounds 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 Deadlineis 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 scanned blue ink or third-party verified digital signaturesthe 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 2022 MFA Universal Rental Development Application form, the LIHTC Application, inclusive of the Universal Rental Development Application Form and Universal Rental Development Schedules A-I Excel spreadsheet files,including all attachments and exhibits that are applicable to the Project – both those listed in the attachments checklist found at Tab 1a of the Application form and any other materials requested in the 2022 QAP that apply to the Project. and attachments checklist found in the Application Package and all mandatory items listed in Section I of the LIHTC Application attachments checklist. The 2022 MFA Universal Rental Development Application Form must be submitted in excel format. All additional materials (those described in Tab 1a and others indicated in the 2022 QAP) must be contained in a fully tabbed PDF fileIn addition to the hard copy Application, a complete **color** copy of the LIHTC Application, including all attachments, in The LIHTC Application must be in PDF file format with protected personal information such as Social Security numbers and board member home addresses, redacted. The PDF file must be "bookmarked" with each applicable tab ("Tab") and named accordingly (e.g., Tab 1, Tab 1a, Tab 2, etc.). Each bookmark must include all of the documents required for the respective tab (except those in the 2022 MFA Universal Rental

Development Application), as identified in the Attachments Checklist and named accordingly (e.g., Tab 1f – Rehabilitation Scope of Work, Tab 1g – One-page summary of Developer affordable housing experience." All documents must be submitted in numerical order. Both documents (the 2022 MFA Universal Rental Development Application and the PDF file) 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~~ 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~~d) No additional materials may be submitted after the Initial Application ~~is date- and time-stamped by MFA~~deadline, unless requested by MFA in accordance with the provisions of this QAP.

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

~~g~~f) 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~~g) Forms must be completely filled out and executed as needed. Forms that require signatures must bear scanned blue ink or third-party verified digital signatures. ~~All required original signatures are to be made in **blue ink or signed through a third-party digital signature verification process**.~~

~~i~~h) 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.~~

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

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

~~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~~ December ~~24~~20, ~~2020~~2021. Answers will be posted to the website and once posted will be deemed a part of this QAP. It is the sole responsibility of Applicants to review the website for answers to questions.

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

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

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

~~Kathryn Turner~~Jeanne Redondo
Tax Credit Program ~~Officer~~Manager
(505)767-22~~83~~10
~~kturner@housingnm.org~~
jredondo@housingnm.org

6. Prohibited Activities

Applicants (including Applicants for tax-exempt bond financed Projects) or their representatives shall not communicate with or by any other means attempt to influence members of the Board of Directors and their proxies or members of the Allocation Review Committee (ARC) regarding any Application except when specifically permitted to present testimony at a tax credit related proceeding. **An Application shall be rejected if the Applicant or any person or entity acting on behalf of Applicant**

violates the prohibitions of this section. A list of the members of MFA's Board of Directors and their proxies and ARC members can be found at http://www.housingnm.org. A list of ARC members, MFA Board members, and MFA leadership, and LIHTC program management staff, which is current as of the date of this QAP, is attached hereto as Exhibit 1. It is the Applicant's responsibility to check MFA's website for a current list of Board members and ARC members.

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

B. MFA Fees and Direct Costs

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

Application Fee (for initial and supplemental requests)

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

~~Design Review~~Direct Cost 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 D~~d~~eadline, 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, or market study requirements, the Applicant will be given an opportunity to correct the deficiency in accordance with Section IV.C.5 and if not corrected in the time period allowed, the Application will be rejected. The Applicant eligibility and financial feasibility threshold

requirements are not correctable and Applications that fail to meet these requirements will be rejected.

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

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

    Recognizing that Tax Credit Projects require soft costs above and beyond traditional development, when determining the average per square foot cost for each Project, only hard costs as found on Schedule D and any architect and engineer fees will be used.
    See the Glossary Section XI for the definition of the terms "Unit," "Total Development Cost," and "Hard Construction Costs" as they apply to the cost limit calculations in this section. Costs that exceed these limits will be excluded when calculating the tax credit amount. These limits are binding through Final Allocations.

3. **Local Notice**. The Chief Executive Officer of the local jurisdiction where the Project is located will receive a "Local Notice" from MFA stating that an Application has been received and requesting a response. The local jurisdiction and the Chief Executive Officer are to be identified by the

Applicant in the Application form. The jurisdiction may be a municipality, town, county or tribal government. Such notification will be issued for all Applications not more than 10 business days after MFA's Application Deadline and the recipient will have 30 calendar days to respond.

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

5. **Deficiency correction period**. MFA may provide a deficiency correction period after the threshold review. This period is intended only to: 1) correct threshold items that are identified as correctable in Section III.C, 2) address Complete Application items, including any issues with the electronic application, 3) clarify ambiguous information, 4) complete forms or 5) make minor corrections to the Application. In no case shall the deficiency correction period be used by MFA to allow an Applicant to submit scoring items listed on Section II of the LIHTC Application Attachments Checklist. 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, in addition to the threshold review process, will undergo financial analysis by MFA staff to determine whether the Projects are financially feasible. ~~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~~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 D~~d~~eadline, the terms listed in any Financing Commitment or letter of interest; ~~or,~~or the Project's market study. Project 15-year pro forma cash flow projections must include an operating expense inflation factor of at least 3%~~.~~, a rental income inflation factor of no more than 2% and a vacancy factor of at least 7% for all occupancy-related income. However, for projects with at least 90% of all units covered by a federal rental assistance contract and any Project Reserved for Seniors, MFA will use the market study vacancy factor but not less than 5%.

1. **Development Costs**. Development Costs will be evaluated against the average costs of competing Projects. In the case of rehabilitation Projects and Adaptive Reuse Projects an appraisal and CNA of the existing project will be required (prior to the issuance of the Letter of

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

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

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

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

   b. **Developer fees**
   Developer fees for 9% LIHTC Projects shall not exceed: 1) $22,500 per low-income Unit for the first 30 Units, plus 2) $20,000 per low-income Unit for Units 31 – 60, plus 3)

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

Donations of land and waived fees are excluded from Total Development Cost when calculating maximum allowable developer fees. Developer fees include all consulting costs for services typically rendered by a Developer. Any reserve, excluding MFA-required Project reserve (see below), may be considered as part of the developer fee, if it is not held for the benefit of the Project for a minimum of 15 years. For purposes of these calculations, Total Development Cost is adjusted to exclude developer fees, consultant fees and all reserves. Notwithstanding the Developer Fee amounts described in the preceding paragraph, ~~W~~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.

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

In 2020 MFA applied for ~~, MFA received~~ a $3.6 million award to participate in HUD's Section 811 Project Rental Assistance (PRA) program, which provides project-based rental assistance for extremely low- income persons with disabilities, 18-61 years of age who are linked with long-term services. An award of Section 811 funds is contingent upon MFA entering into a Cooperative Agreement with HUD. In order to utilize these

funds,- projects must be in a location served by an active Local Lead Agency (LLA), through which the services will be provided. The Section 811 program will be implemented over a five-year period and will serve an estimated 58 households.

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

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

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

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

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

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

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

c. Architect and Engineering Fees

Architects' fees, including design and supervision fees, and engineering fees, must be capped at 3.3 percent of Total Development Cost. This fee limit is a soft cap and any amounts in excess of this cap will not be included in Eligible Basis. Exceptions to the above rules governing architect and engineering fees may be granted based on site or Project specifics and in MFA's sole discretion. Supporting documentation shall be

provided to justify any increase request. Although the same standards will apply for Projects subject to subsidy layering review, such Projects will require Board approval for subsidy layering purposes whenever they exceed the federally-defined ceiling standard limits and only five such excess fee amounts can be approved in any given year. See Section II.T. for information on subsidy layering reviews.

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

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

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

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

   Replacement reserves for the first 15 years may be capitalized in the development budget assuming there is a source of funds that can be used to establish the reserve account. Capitalized reserves are a non-Eligible Basis project cost and establishing reserve accounts may

not be an eligible expense for some MFA funding sources. If the capitalization results in projected excess cash flow, MFA may reduce the subsidy for the Project. A qualified CPA or tax attorney should be used to determine the appropriate accounting treatment of capitalized reserves.

5. **Debt service coverage and subordinate debt**. Applicants who are proposing subordinate debt must include the terms of the loan and pro formas must reflect the requirements set forth in the MFA's Multifamily Underwriting Guidelines. 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%. Similarly, the Consolidated Appropriations Act, passed by Congress on December 21, 2020, permanently fixed the floor of the 4% credit at 4%.~~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.~~ ~~T~~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~~380,213. 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.

~~3.~~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.

~~4.~~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.

~~5.~~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~~ adjust the final tax credit allocation or the Project Owner may establish Project reserves to offset the deficit, if in MFA's reasonable judgment the Project has sufficient tax credit eligibility. The conditions for such reserve accounts will be determined by MFA on a case-by-case basis.

~~6.~~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 D~~d~~eadline, 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 D~~d~~eadline. 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~~ by way of the "Form of Submission" (Section IV.A.3) no later than 5 p.m. Mountain Standard Time on the 10th calendar day after the date of the preliminary Reservation Letter, preliminary waitlist letter or rejection letter (or draft Letter of Determination, in the case of tax-exempt bond financed Projects). Appeal requests may only be filed by the General Partner or proposed General Partner and only one appeal may be filed with regard to an Application. MFA's initial determination with respect to the Application will stand unless the Applicant can prove or justify, solely on the basis of materials submitted in the Initial Application, why the decision should be changed. The ARC will review the appeal and take whatever action it deems appropriate. The decision by ARC or the Board, if the matter is referred to the Board, will be final, no further appeals will be entertained. Appeals may result in re-ranking of Projects, in rejection of previously approved Projects and/or in approval of previously rejected Projects. Once the appeals process is completed and the

resulting recommendations are considered and approved by MFA's Board of Directors, final Reservation Letters (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 2022~~1~~, shortly after approval of tax credit awards at the May 2022~~1~~ Board meeting.

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

Affirmative actions after Reservation. From the date of the Reservation, the Applicant must meet each of the deadlines specified below for follow up activity in order to maintain its Reservation or Carryover

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

1. **At Reservation**

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

2. **Quarterly Progress Reports**

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

3. **By November 15th** (see Glossary for the definition of this date) 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

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

construction documents. Final approval will occur upon receipt of an approval recommendation from MFA's architect that all outstanding issues, if any, have been resolved.

6. **August 31** (see footnote 5) of the year following Carryover
    a. The Applicant must submit evidence that the basis in the Project exceeds 10% of the reasonable expected total basis in the Project, an independent auditor's report and Cost Certification, a Project Owner's attorney's opinion, in the form required by MFA, and any other documentation required by MFA ("10% test.") ~~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~~ prepared~~,~~ as follows: (i) a Project Cost Certification prepared by a CPA and executed by both the Project Owner and CPA preparing the report, with a minimum of 20% of costs tested, and (ii) a Project Cost Certification prepared and executed by the general contractor if the project is not utilizing a stipulated sum contract. ~~Both of these~~The CPA-prepared Cost Certification~~s~~ must be delivered by the Project Owner prior to the issuance of IRS Form 8609 certifications; the general contractor-prepared Cost Certification (if applicable) may be held in escrow by the project or general contractor, but would be required for audit purposes, as outlined in Section II.S.
b. **Architect's certification**. A certification from the Project architect with required text as set forth in the Final Allocation package, certified by the Project Owner, that the Project has been built in conformance with the Design Standards, all applicable codes and commitments made in the Initial Application regarding design and building, unless otherwise approved in writing by MFA.
c. **Project Owner's attorney's opinion**. A Project Owner's attorney opinion submitted on the firm's letterhead with required text as set forth in the Application Package.
d. **Final contractor's application and certificate for payment, AIA doc. G702 or equivalent**. A fully executed copy indicating all of the hard Construction Costs for the Project must be submitted with the Final Allocation package.
e. **LURA**. Prior to December 31st of the year in which the buildings are Placed In Service, the Project Owner must submit an executed and recorded LURA, satisfactory to MFA in form and content.

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

10. **Other Project Owner responsibilities and elections**. ~~The Project Owner 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, t~~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~~ manager within 30 days of issuance, to ensure that all necessary administrative actions are taken in a timely manner. ~~Otherwise~~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 D~~d~~eadline, 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 D~~d~~eadline

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(s) shown in the Application form. MFA will not be responsible for any consequences that may result from the Applicant's inability to receive notice from MFA due to a change in Contact Person information, or other contact information i.e. address or phone number, that was not reported to MFA**.

K. Applications are Public Records

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

L. Attorney Fees

Any and all attorney fees incurred by MFA in the course of contract development, negotiations, project reviews, loan conditions, ownership changes or other project-specific legal expenses will be reimbursed by the Project or Developer. In any litigation, arbitration or other proceeding arising from, as a result of

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

V. Cost Certification

A. Applicability of Cost Certification

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

B. Requirements

The Form 8609 Cost Certification must meet the following requirements:

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

2. All fees, including the developer fee, paid to the Project Owner or Developer or to an entity with an Identity of Interest with the Project Owner or Developer, must be clearly identified. If all or a

portion of the developer fee is deferred, copies of the promissory note or other substantiation of the validity of the fee must be reviewed.

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

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

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

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

C. Authority to Determine Maximum Qualified Basis

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

VI. Processing of Tax-Exempt Bond Financed Project Applications

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

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

Requests for these determinations (Applications) must be made by the Project's Developer/sponsor no more than 60 calendar days after an award of bond volume cap is made by the State Board of Finance and no less than 60 calendar days prior to the anticipated bond issuance date. 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~~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~~ 4 for more information about Market Study requirements.) Prior to the release of the Letter of Determination by MFA staff, a processing fee in the amount of 7.75% of the approved annual credit amount will be due. MFA's initial response to the Application for 4% tax credits will be provided no later than 60 business days subsequent to receipt of the Complete Application by MFA.

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

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

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

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

d. Describe in detail the bond financing structure;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VIII. Future Year's Binding Commitments

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

IX. Disaster Relief Allocations

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

X. MFA Tax Credit Monitoring and Compliance Plan Summary

A. General Requirements

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

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

B. Inspections

MFA will conduct on-site inspections of all buildings in the low-income housing Project and will review low-income certifications by the end of the second calendar year following the year the last building in the low-income housing Project is Placed In Service; and at least once every 3 years thereafter. The

minimum number of low-income Units that must be included in the random samples on which MFA will conduct physical inspections or low-income certification review is the lesser of the applicable REAC number or 20 percent of the low-income Units in the Project, rounded up to the next whole number.

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

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

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

C. Recordkeeping and Record Retention

Under the provisions of the tax credits, the Project Owner will be required to keep records as defined below for each building within a particular Project. These records must be retained by the Project Owner for a minimum of six years beyond the Project Owner's income tax filing date for that year. However, first-year Project records must be maintained for six years beyond the tax filing date of the final year of the Project's eligibility for tax credits. The Project Owner must report to MFA, through MFA's Web Compliance Management System (WCMS~~),~~), annual audited property financial statements within 120 days of the close of the Project's fiscal year, as well as annual operating budgets. On a monthly basis, the Project Owner must provide tenant income certifications and property vacancy data using the WCMS online system. In addition, the Project Owner must maintain records for each qualified low-income building in the Project showing:

1. The total number of residential Units in the building (including the number of bedrooms and size in square feet of each residential unit)

2. The percentage of residential Units in the building that are Set-aside Units

3. The rent charged on each residential Unit in the building (including utility allowances)

4. The number of occupants in each residential Unit in the building

5. The low-income Unit vacancies in the building and documentation of when and to whom the "next available Units" were rented

6. The income certification of each low-income tenant

7. The documentation to support each low-income tenant's income certification

8. The Eligible Basis and Qualified Basis for each building

9. The character and use of any nonresidential portion of the building included in the building's Eligible Basis (this includes separate facilities such as clubhouses or swimming pools whose Eligible Basis is allocated to each building)

10. Additional documentation and reporting as required by federal regulation

11. Additional documentation and reporting as required by MFA

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

D. Annual Certification Review

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

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

2. There has been no change in the Applicable Fraction

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19. Changes in Ownership or Management, if any

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

21. 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~~2022, the monitoring/compliance fee is $50.00/set-aside Unit/per year. The monitoring/compliance fee can be paid annually, on or before January 31, ~~-~~or in a lump sum to cover the initial 15 years of the Compliance Period. If paid in a lump sum, the amount will be determined in the year the development receives a Final Allocation. Payment of the lump sum amount will be required prior to issuance of Forms 8609 for each Project. For ~~2021~~2022, 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~~exhibits 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.

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

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

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

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

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

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

Concerted Community Revitalization Plan – a metropolitan redevelopment plan as defined in NMSA 1978 Section 3-60A-4 prepared and enacted by a local, county or tribal government prior to the Application Dd~~d~~eadline. 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 Dd~~d~~eadline, 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~~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.~~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~~ developmental disability that substantially limits one or more major life activities. Major life activities include walking, talking, hearing, seeing, breathing, learning, performing manual tasks, and caring for oneself.
2. Households or individuals experiencing homelessness (see definition above).

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

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

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

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

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

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

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

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

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

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

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

Management Units -

Employee/Exempt Unit

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

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

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

Additionally, the Internal Revenue Service (IRS) -released a program manager technical assistance (PMTA) memo dated June 2, 2014 (PMTA 2014-22), which clarified the IRS position regarding charging for exempt units. In- the memo, the IRS states, "Charging resident managers or maintenance personnel rents, utilities, or both for units in a qualified low-income building does not make the units residential rental units and not facilities reasonably required for the project under §1.103-8(b)(4)(iii)."~~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~~20, ~~2020~~ 2021 and made effective as of November 2, ~~2020~~2021, which was approved by the Governor of the state of New Mexico pursuant to Section 42(m)(1)(B) of the Code and sets forth the Project Selection Criteria and the preferences for Projects which will receive tax credits.

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

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

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

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

Rent Restricted Unit – with respect to a LIHTC Project, a Unit for which the gross rent does not exceed 30% of the imputed Area Median Income limitation applicable to such Unit as chosen by the Applicant in the Application and in accordance with the Code. Gross rent must be determined from the rent charts included in the Application Package and must correspond to the percentage of Area Median Income

selected by the Applicant in the Application. It includes the cost of utilities and must be reduced by the amount of tenant-paid utilities. Gross rent includes all income for the Unit, including tenant and any subsidy payments. See also "Unit."

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

Reservation Letter– a document issued by MFA which describes the amount of credits provisionally awarded to a Project and the conditions which the Project Owner must meet in order to obtain a Binding Commitment for tax credits.

Rural Development or RD or USDA (previously called "Farmer's Home Administration" or "FMHA" of the U.S. Department of Agriculture) means Rural Development or other Agency or Instrumentality created or chartered by the U.S. to which the powers of RD have been transferred.

Section 811 Project-based Rental Assistance Demonstration Program (Section 811 PRA) – The purpose of the Section 811 PRA is to expand the supply of supportive housing that promotes and facilitates community integration for people with significant and long-term disabilities. Section 811 PRA provides a project-based rent assistance subsidy that covers the difference between the tenant payment and the approved contract rent. Tenants pay 30 percent of their adjusted gross income for rent and utilities. Tenant referrals and service providers are coordinated by the Department of Human Services (DHS) and Local Lead Agencies (LLAs). For more information go to: https://housingnm.org/property-owners-agents-and-managers/section-811-project-rental-assistance

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

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

Set-aside Units those Units eligible for low income housing tax credits.

Single Room ~~**Occupancy –**~~**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 and Chief Executive Officer
Donna Maestas-De Vries, Chief Housing Officer
Jeff Payne, Chief Lending Officer
Stephanie Yara, Chief Financial Officer
George Maestas~~Shawn Colbert~~, Director of Housing Development
Kathryn Turner ~~George Maestas~~, Assistant Director of Housing Development
Jeanne Redondo~~Kathryn Turner~~, Tax Credit Program ~~Officer~~Manager
Christi Wheelock, Tax Credit Analyst

STATE OF NEW MEXICO

LOW-INCOME HOUSING TAX CREDIT PROGRAM

QUALIFIED ALLOCATION PLAN

Effective as of December 1, 2021

NEW MEXICO MORTGAGE FINANCE AUTHORITY

Approved by Board of Directors on October 20, 2021
Approved by the Honorable Governor Michelle Lujan Grisham on November 2, 2021

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I. Background and Purpose of the Qualified Allocation Plan

A. General

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

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

B. Role of MFA

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

C. Public Hearings

Following public notice, a draft QAP was made available to the public for comment for a period of 21 days (beginning August 16, 2021 and continuing through September 7, 2021), during which time a public hearing was held on September 1, 2021. 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 2022, 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.

C. Allocation to New Construction and Rehabilitation Projects

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

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

D. Nonprofit Allocation Set-aside

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

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

E. Minimum Apartment Unit Set-Asides

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

1. 20/50 election: At least 20% of the Units in the Project must be rent-restricted to and occupied by households whose income is at or below 50% of the Area Median Income (AMI).
2. 40/60 election: At least 40% of the Units in the Project must be rent-restricted to and occupied by households whose income is at or below 60% of the AMI.

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

a. Income and rent limits **must be in ten percent increments,** and may include 20% AMI, 30% AMI, 40% AMI, 50% AMI, 60% AMI, 70% AMI, or 80% AMI.
b. If the Project has an existing LIHTC Land Use Restriction Agreement (LURA) on the property, both initial election (20/50 or 40/60) and AI election must be met.
c. The average of the imputed income limitations designated cannot exceed 60% AMI.
d. Those Projects electing AI must include at least 5% of their Units above 60% AMI.
e. All Units must be designated with a specific AMI percentage at the time of Application.
f. Unit designations may float, but are subject to the Next Available Unit Rule and the original designations must be maintained throughout the Affordability Period.

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

g. Skewing of Unit designations is not permitted. Project Owners must disperse unit types across chosen rent/income limits in a way that does not violate Fair Housing. MFA will require reasonable parity between different bedrooms sizes at each income band utilized on the Project.
h. The market study must demonstrate sufficient need at each income level chosen.
i. Project Owners of Projects with more than one building must elect to treat all of them as part of a multiple building project (checking "Yes" on line 8b of the 8609 form).
j. AI Projects may be subject to an increased Compliance Monitoring fee.
k. MFA shall only accept an Application that chooses the AI election if all Units in the Project are rent-restricted to and occupied by households whose income is at or below 80% of AMI. In other words, MFA will not accept an Application that chooses the AI election if the Project includes unrestricted, Market Rate Units.
l. An Application for an AI Project must include within its equity and debt commitment letters confirmation of the utilization and approval of the AI election.

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

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

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

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

does not exceed 80% of AMI are qualified as Low Income Units. The minimum Set-aside Election is irrevocable under the Code.

F. Rent and Income Restrictions

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

G. General Public Use

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

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

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

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

H. Eligible Projects

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

I. Scattered-site Projects

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

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

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

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

In accordance with the provisions of this QAP, Projects may combine the rehabilitation of existing residential Units with the construction of new residential Units. Should an Application consist of both new construction and rehabilitation, the Project will be classified as new construction if 51% or more of

the total Units are newly constructed or constitute an adaptive reuse. Similarly, a Project will be classified as rehabilitation if 51% or more of the total Units are proposed for rehabilitation.

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

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

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

For all rehabilitation Projects, Applicants must also submit an accurate, detailed and concise description of the work to be performed by the contractor, the Applicant and any third parties relating to the rehabilitation of the Project. Referred to as the Scope of Work, this submission must identify the work to be performed including any demolition. See MFA 2022 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

[4] November 15th is defined in the Glossary.

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%, similarly, The Consolidated Appropriations Act of 2021 permanently fixed the floor of the 4% credit at 4%.The amount of the annual tax credit is calculated to yield a present value of either 30% (in the case of 4% credits) or 70% (in the case of 9% credits) of Qualified Basis, as adjusted by MFA. Listed below are types of projects, which could be considered eligible for the tax credits and the Applicable Credit Percentage for each project type.

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

2. **Rehabilitation of an existing building**. To qualify for tax credits, rehabilitation expenditures includable in Qualified Basis must exceed the greater of 1) at least 20% of the Qualified Basis of the building being rehabilitated or 2) at least $6,000 per low income Unit being rehabilitated. For Projects Placed In Service after 2009, the $6,000 will be indexed for inflation. The minimum rehabilitation expenditures included in Qualified Basis for Projects Placed In Service in 2022 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

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

tax credits for the acquisition, rehabilitation expenditures includable in the Qualified Basis must exceed the greater of 1) at least 20% of the Qualified Basis of the building being rehabilitated or 2) at least $6,000 per low income Unit being rehabilitated. For Projects Placed In Service after 2009, the $6,000 per low income Unit figure will be indexed for inflation. The minimum rehabilitation expenditures included in Qualified Basis for Projects Placed In Service in 2022 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.

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 2021 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;
6. 5. Provision of housing to serve documented Senior Households; Permanent Supportive units; and Tribal communities; Nonprofit development;
7. Production of housing with high quality design and construction;

8. Production of Projects that are located in QCTs and which Projects contribute to the development of a Concerted Community Revitalization Plan;
9. Provision of housing that is energy efficient and
10. Efficient use of scarce resources including tax credits, measured through lower Development Costs or other means.

C. Minimum Project Threshold Requirements

All tax credit Applications must meet each of the following requirements, in addition to the eligibility requirements of the Code. MFA will use the deficiency correction process as described in **Section IV.C.5** to allow Applicants to correct deficiencies related to site control, zoning, fees, and market studies (requirements 1-4 below.) All other threshold requirements are not correctable and Initial Applications not meeting those requirements will be rejected. Applications not meeting site control, zoning 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 has executed a lease for the land (and buildings if applicable) with a term extending at least three years beyond that of any agreed upon

Affordability Period. For tribal projects, this includes a fully executed Master lease and sublease with evidence of filing with the Bureau of Indian Affairs.

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

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

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

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

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

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

   If the Market Study as submitted is not sufficient, there may be an additional Market Study ordered by MFA. The cost of this MFA-ordered Market Study will be covered by the Applicant

through the design deposit submitted at Application, with any overage billed to owner. It is MFA's sole discretion whether or not the Market Study is sufficient.

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

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

7. **Pre-Application Requirements**.
    a. Intent to Submit-
        i. The entire Application Package is due on January 28, 2022. Before then, Applicants must submit an Intent to Submit a Tax Credit Application and Development Synopsis on or before December 20, 2021. This submission is a mandatory requirement for the 2022 competitive LIHTC Application round. Information contained within the Intent to Submit will be posted on the MFA website following submission.
        ii. All tax-exempt bond financed Projects are required to submit an Intent to Submit a Tax Credit Application and Development Synopsis at least 30 days prior to submitting their Application in order to insure timely processing to meet other bond issuance deadlines.
    b. MFA allows all Applicants for the 2022 competitive LIHTC Application round to meet with MFA staff to discuss their Project (staff is not able to discuss scoring but is available

to discuss underwriting issues and gap financing questions). Meetings must take place ahead of the FAQ closing date. All tax-exempt bond financed Projects are encouraged to meet with MFA staff at least 30 days prior to submission to review and discuss the proposed Project.

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

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

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

D. Allocation Set-asides

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

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

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

      i. The Project must meet threshold requirements within the Households with Special Housing Needs Housing Priority and agree to provide voluntary Case Management Services to residents.*
      ii. All service coordination and budget requirements must be sufficient to provide proposed services to all PSH residents,

iii. PSH Units have no time limits on occupancy,
iv. PSH residents have the same rights and responsibilities as those occupying other low-income or market rate housing Units**,
v. PSH residents must have individual leases with identical requirements and protections as other low-income or market rate residents,
vi. PSH Units must cover 25% or more of the total Unit count, and
vii. Project-Based Vouchers or other Federal operating subsidy must be in place or secured for 75% or more of the PSH Units in the Project.

* 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.

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

3. **Ranking to meet Allocation Set-asides**. The highest scoring, Qualified Nonprofit Organization Eligible Project will be funded first. If there are insufficient Qualified Nonprofit Organization Eligible Projects to meet the nonprofit set-aside, the unallocated nonprofit set-aside tax credits **cannot** be allocated to other Eligible Projects. A similar procedure will be used to meet the Underserved Populations set-aside, following the fulfillment of the nonprofit set-aside; however, if there are insufficient Underserved Populations Eligible Projects to meet the Underserved Populations set-aside, any unallocated set-aside tax credits may be used for other Eligible Projects.

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

E. Project Selection Criteria to Implement Housing Priorities

The criteria shown below are the basis for the awarding of points to a particular proposed Project during the Application round(s) conducted by MFA. Applicants may not rely on prior submissions or prior scoring to support a re-submission of an Application. In addition to meeting the above mentioned threshold requirements, tax credit Reservations will not be awarded to 9% Projects achieving fewer than fifty-three (53) points unless too few Projects score above this level and MFA, in its reasonable judgment, decides to reduce the minimum score. Projects scoring fifty-three (53) or more points will be ranked according to their scores and in accordance with Section II.C. herein, subject to Allocation set-

aside requirements. Reservations will be made to these Projects, unless they are eliminated under threshold review or subsequent processing, starting with the highest scoring Projects, all in accordance with Section II.C. herein, until all available tax credits are used. In order to avoid a concentration of tax credit awards in a particular year in any particular municipality, county or market area, MFA reserves the right, in its sole discretion and as a part of its subsequent processing, to eliminate a lower scoring Project which is located in the same municipality, county or market area as a higher scoring Project provided the lower scoring Project is "similar" in terms of construction type and/or resident population served.

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

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

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

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

1. Serve a targeted population (Households with Special Housing Needs, Households with Children, or Projects Reserved for Seniors) and meet the applicable threshold requirements OR meet the requirements for the Underserved Populations set-aside, as described in Section III. D.
2. Achieve a Smoke-Free at Home Certification of Platinum or Gold;
3. Meet all of 2022 Design Requirements (including HERS ratings), unless granted a waiver;
4. Must be located within 2 miles of a facility in which fresh produce is available;
5. Market Study must indicate a vacancy rate in the Primary Market Area of less than 10%;
6. Must market to local Public Housing Authorities;
7. Include a preference for Veterans in the Tenant Selection Criteria.

Project Selection Criterion

1. Nonprofit, New Mexico Housing Authority (NMHA),	**Tier 1: 5 points**

local Tribally Designated Housing Entity (TDHE), or Tribal Housing Authority (THA) Participation **Tier 2: 3 points**

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

Tier 2: Local nonprofits, NMHAs, TDHEs and THAs which have net worth/net assets of at least $250,000 will qualify for 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 three points.

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

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

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

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

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

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

In addition to completing the *Locational Efficiency Scoring Worksheet* included in the Application Package, at least two 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 mile 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	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,

Hardware store Pharmacy Other retail		vocational school, community college) Entertainment venue (theater, sports) Government office that serves public on-site Place of worship Medical clinic or office that treats patients Police or fire station Post office Public library Public park

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

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

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

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

The Project Selection Criterion applies to the rehabilitation of low-income apartment Units or the conversion of market rate apartment Units to low-income Units. These scoring points are not available in a combined new construction and rehabilitation Project wherein the Application is categorized as new construction as discussed in Section II.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 **6, 8, 10 Points**

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

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

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

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

4. Projects that will have a new federal rental assistance contract covering at least 75% of all Units.

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

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

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

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

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

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

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

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

- At least 30% of all low-income units at 50% or less of Area Median Income (14 points); or
- At least 25% of all low-income units at 50% or less of Area Median Income (12 points).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Part I: Threshold Requirements

Applicants requesting consideration for points for a Project in which Units are reserved for Households with Special Housing Needs (Project Selection Criterion No. 8) are required to submit a Service Coordination Plan, which Plan demonstrates satisfaction of items A, B, C and E below. In addition to supplying the Plan, Applicant shall certify to MFA that it will meet the reporting requirements of Section D below.

A. Service Coordination-

1. A minimum of four hours per week of onsite Service Coordination provided by the service coordinator for properties up to 20 Units, with an additional one hour per week for every five Units over 20. Service coordinator must be in addition to the property manager and property management site staff. Duties of the service coordinator include, but are not limited to:

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

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

c. Arranging for access to transportation; and

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

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

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

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

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

B. <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 Available (up to 8 points):

Applicants may choose from the following services to qualify for up to 8 points for providing services.	
Food pantry - onsite, or contiguous and accessible to the property and of adequate size with reasonably sufficient quantities of food, both perishable and non-perishable.	2
Free transportation services to support medical and social service needs – minimum 2 days per week. Bus passes are not sufficient to satisfy this scoring item.	5
Health promotion/disease prevention/wellness classes or blood pressure or other health screening- provided at least every two months onsite and provided by a qualified service provider. Any health services must be provided by a licensed individual or organization. Examples include substance abuse counseling, crisis prevention and intervention, mental health counseling/therapy, etc.	3
Case management services – provided onsite by a qualified service provider to a majority of the Special Housing Needs residents on a voluntary and as-needed basis but at least quarterly.	5
Other - MFA approved service. Must be approved by MFA in writing one month before Application due date and will be posted on the FAQ section of the MFA website.	1-2 Points each as deemed appropriate

For services provided by a qualified service provider, Application must include an MOU between the Project Owner and the service provider(s) describing their expertise with providing services, the planned 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.

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 10 Points**

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

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

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

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

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

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

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

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

Additionally, there will be the following reporting requirements:

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

b. The number of residents served by each, and

c. The results of the annual survey.

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

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

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

Housing priority and design requirements met (must be met to be eligible for further points in this category)	Required
Community building and all Units incorporate Universal Design (must be evidenced in plans and specifications)	3 points
Service enrichment scoring (requires service coordinator for point awards):	
Providing one prepared meal on a daily basis, available to all tenants at little or no cost to tenants	2 points (congregate meals) 1 point (meal service)
Bi-monthly health and nutrition education. Examples include, but are not limited to, fitness classes, walking programs, seminar instruction on cooking for one, information on the Supplemental Nutrition Assistance Program (SNAP.)	1 point
Quarterly blood pressure or other health screening	1 point
Quarterly computer training	1 point
Social events designated to provide engaging activities for residents "build community" such as holiday potlucks, arts and crafts events, book clubs, creative writing, bingo and other games, field trips to the movies or a museum or other place of interest, etc. Bi-monthly or six per year. This must include alternative methods for socializing incorporating social distancing. (qualified service provider not required)	1 point
Beyond Financial Literacy – financial counseling and tax preparation-educational programs to occur quarterly and focus on one or more of the following topics: budget counseling, financial planning assistance, credit score counseling, avoiding credit traps, income tax preparation in partnership with CPAs or a VITA program or local community college.	1 point
Gardening: delivery of at least four monthly gardening classes per year during the growing season by a qualified instructor plus provision of gardening space of at least three square feet per Unit for at least 50% of the Units in the Project.	1 point
Estate Planning and End of Life Planning – educational programs to occur quarterly and focus on one or more of the following topics: 1) estate planning 101 – what is and do you need the following: advance health care directive (living will;) durable power of attorney for healthcare and HIPAA release; durable power of attorney for finances; a will and revocable living trust; 2) What is hospice and does Medicare cover this?; 3) Probate: what is it and how to avoid it; and 4) funeral planning.	1 point
Other - MFA approved service. Must be approved by MFA in writing one month before Application due date and will be posted on the FAQ section of the MFA website.	1-2 Points each as deemed appropriate

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

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

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

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

For rehabilitation Projects, at least:

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

For Projects that combine rehabilitation and new construction:

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

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

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

The Applicant must indicate in the Initial Application which enrichment services will be provided including a list of any proposed fees for services. Fees must be reasonable in MFA's sole determination. Where necessary, Project Owners must provide executed contracts with qualified service providers with the Placed In Service Application. Contracts with service providers must include: 1) a description of the

service(s) to be provided including frequency, 2) indicate that service(s) will be provided on-site and 3) specify any fee for service(s) provided. MFA will not issue IRS Form(s) 8609 unless the Project Owner demonstrates, to MFA's sole satisfaction, that enrichment services are being delivered as committed to in the Initial Application. MFA, at its sole discretion, may allow substitution of enrichment services as deemed appropriate by MFA.

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

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

Additionally, there will be the following reporting requirements:

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

b. The number of residents served by each, and

c. The results of the annual survey.

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

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

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

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

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

Applicants should not plan on using solely LIHTC equity financing. Projects in which at least 1% of the Total Development Cost (TDC) is to be made permanently available to the Project through a grant or other contribution by an unrelated private third-party entity or other federal funds or endowed by formal resolution of a state, Local Governmental entity or local tribal governmental entity or tribal

council are eligible for points. A grant or other contribution awarded by a private third party may count as a contribution provided Applicant provides evidence the grant/contribution is irrevocable, legally binding, evidenced by a formal resolution of the third party's board of directors or other controlling authority and the third party does not possess an ownership interest in the Project. Federal funds may count as a contribution provided Applicant provides a binding federal award letter. General Partner contributions may count as a contribution provided there is no hard debt repayment requirement. In addition, deferred developer fee may count as a contribution provided the pro forma, which pro forma shall be confirmed by MFA, supports repayment of deferred fee by year 15. Any deferred fee that cannot be repaid in 15 years will not be considered a contribution and will not count in Eligible Basis.

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

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

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

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

12. Complete Applications **3 Points**

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

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

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

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

Projects are eligible for 3 points if:

a) the Project is located in an area covered by a Concerted Community Revitalization Plan and the development of the proposed Project contributes to the Concerted Community Revitalization Plan by engaging in a housing activity promoted in the plan. A Concerted Community Revitalization Plan is defined as a metropolitan redevelopment plan as defined in NMSA 1978 Section 3-60A-4 prepared and enacted by a local, county or tribal government prior to the Application Deadline. For Projects located on sovereign tribal lands, "Concerted Community Revitalization Plan" means a written plan similar in content and affect to a

metropolitan redevelopment plan as defined in NMSA 1978 Section 3-60A-4, prepared and enacted by a tribal government prior to the Application Deadline, which identifies barriers to community vitality and promotes specific concerted revitalization activities within an area having distinct geographic boundaries; or

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

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

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

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

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

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

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

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

- Purchaser must occupy Unit as primary residence;

- Units must be initially marketed to existing rental residents, including residents in Market Rate Units. Remaining Units not sold to existing renter households must be sold to households earning 80% or less of AMI; and

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

16. Projects with Historic Significance **2 Points**

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

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

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

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

In order to receive points in this criterion, the Application must include a letter from the Local Government Building Division stating the proposed site meets the requirements of the QAP for blight. In the event that the Local Government will not issue a determination of blight, the Applicant must provide

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

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

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

Tribal and PSH projects:

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

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

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

All OTHER projects:

- New construction Projects that request less than $17,681 tax credits per low income Unit **and** less than $18.27 tax credits per low income square foot are eligible for 5 points.
- New construction Projects that request less than $19,449 tax credits per low income Unit **and** less than $20.04 tax credits per low income square foot are eligible for 3 points.
- New construction Projects that request less than $17,681 tax credits per low income Unit **or** less than $18.27 tax credits per low income square foot are eligible for 1 points.

- Substantial Rehabilitation Projects that request less than $15,472 tax credits per low income Unit **and** less than $15.97 tax credits per low income square foot are eligible for 5 points.
- Substantial Rehabilitation Projects that request less than $17,019 tax credits per low income Unit **and** less than $17.55 tax credits per low income square foot are eligible for 3 points.
- Substantial Rehabilitation Projects that request less than $15,472 tax credits per low income Unit **or** less than $15.97 tax credits per low income square foot are eligible for 1 points.

- Moderate Rehabilitation Projects that request less than $13,261 tax credits per low income Unit **and** less than $13.71 tax credits per low income square foot are eligible for 5 points.
- Moderate Rehabilitation Projects that request less than $14,587 tax credits per low income Unit **and** less than $15.03 tax credits per low income square foot are eligible for 3 points.
- Moderate Rehabilitation Projects that request less than $13,261 tax credits per low income Unit **or** less than $13.71 tax credits per low income square foot are eligible for 1 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 the Gross Square Footage of

common space allocated to low-income use. Square footage of commercial space, garages and structured parking are excluded for the purposes of this calculation.

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

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

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

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

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

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

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

20. Adaptive Reuse Projects **2 Points**

Projects which will involve the conversion of an existing building that was not initially constructed for residential use to multifamily residential use 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.

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

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

(i) Deep Affordability:

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

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

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

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

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

(iv) The Project is to be located in a town or municipality with no "active" LIHTC Projects. "Active" is defined as a town or municipality for which a LIHTC award was made in the last five (5) calendar years and the Market Study supports need for the Project (3 points);

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

(vi) Women and/or minorities 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. (3 points)

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

F. Additional Credits for Projects with Partial Allocations

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

G. Additional Supplemental Tax Credits for Cost Increases

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

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

H. New Allocations to Projects Previously Subsidized with Tax Credits

Existing Projects that previously received tax credit allocations and are now eligible under Code Section 42(d)(2) for new acquisition tax credits may apply for a current allocation. However, because of prior subsidy investment in the Project and the scarcity of the resource and to ensure that the subsidy is not being used primarily for ownership transfer, previously subsidized Projects must demonstrate: 1) a real risk of loss of affordable Units, 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 Applications for the 2022 competitive LIHTC Application round will be accepted anytime between January 14, 2022 through January 28, 2022 at 4 p.m. Mountain Standard Time.. Initial Applications must be submitted ahead of 4 p.m. Mountain Standard Time on January 28, 2022 (Application Deadline). Initial applications must be fully uploaded to the file sharing site identified in Section IV.A.2 of this QAP no later than the Application Deadline. Late Applications will not be accepted**. If the Projects submitted do not use all of the available tax credits or if additional tax credits become available later in the year, MFA will consider a second round or make allocations to lower-scored Eligible Projects at MFA's sole discretion.

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

2. Place of Submission

Initial Applications must be uploaded to MFA's 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. The 2022 MFA Universal Rental Development Application form in excel format and a fully tabbed PDF file that includes all other materials listed on the Attachments Checklist at Tab 1a must be uploaded to MFA's file sharing site: https://local.housingnm.org/FileTransferHD/ (described below in **Section IV.A.4.b**.) The required 2022 MFA Universal Rental Development Application will be provided electronically and may be downloaded from MFA's website at https://housingnm.org/developers/lihtc/current-and-prior-tax-credit-rounds. No additional materials may be submitted after the Initial Application Deadline, unless requested by MFA in accordance with the provisions of this QAP.

4. Content and Format: Complete Applications

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

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

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

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

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

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

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

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

h) Except as MFA may determine is necessary to evaluate the "Applicant eligibility" threshold requirement in **Section III.C.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.

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

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

5. Communications and Quiet Period

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

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

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

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

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

6. Prohibited Activities

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

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

B. MFA Fees and Direct Costs

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

Application Fee (for initial and supplemental requests)

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

Direct Cost Deposit

- $10,000 (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, fee, or market study requirements, the Applicant will be given an opportunity to correct the deficiency in accordance with Section IV.C.5 and if not corrected in the time period allowed, the Application will be rejected. The Applicant eligibility and financial feasibility threshold requirements are not correctable and Applications that fail to meet these requirements will be rejected.

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

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

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

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

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

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

5. **Deficiency correction period**. MFA may provide a deficiency correction period after the threshold review. This period is intended only to: 1) correct threshold items that are identified as correctable in Section III.C, 2) address Complete Application items, including any issues with the electronic application, 3) clarify ambiguous information, 4) complete forms or 5) make minor corrections to the Application. In no case shall the deficiency correction period be used by MFA to allow an Applicant to submit scoring items listed on Section II of the LIHTC Application Attachments Checklist. 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, in addition to the threshold review process, will undergo financial analysis by MFA staff to determine whether the Projects are financially feasible. Such determinations will rely on both the financial data submitted by the Applicant and on staff judgments with respect to feasibility matters. Projects that do not appear financially feasible in MFA's judgment may be rejected without further processing. Although Financing Commitments will not be required at Initial Application, all sources must be clearly identified, and their terms specified. Financing Commitments will be required as a "subsequent requirement" after the initial Reservation is made.

Initial Applications for any tax credits (4 or 9%) must include a letter of interest from a tax credit syndicator or direct investor stating the terms and pricing for the purchase of tax credits allocated to the Project. In addition, all Projects will be underwritten using the more conservative of the standards indicated in this QAP, those in an underwriting supplement to be published by MFA at least one month prior to the Application Deadline, the terms listed in any Financing Commitment or letter of interest; or the Project's market study. Project 15-year pro forma cash flow projections must include an operating expense inflation factor of at least 3%, a rental income inflation factor of no more than 2% and a vacancy factor of at least 7% for all occupancy-related income. However, for projects with at least 90%

of all units covered by a federal rental assistance contract and any Project Reserved for Seniors, MFA will use the market study vacancy factor but not less than 5%.

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

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

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

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

b. **Developer fees**

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

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

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

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

In 2020 MFA applied for a $3.6 million award to participate in HUD's Section 811 Project Rental Assistance (PRA) program, which provides project-based rental assistance for extremely low- income persons with disabilities, 18-61 years of age who are linked with long-term services. An award of Section 811 funds is contingent upon MFA entering into a Cooperative Agreement with HUD. In order to utilize these funds,

projects must be in a location served by an active Local Lead Agency (LLA), through which the services will be provided. The Section 811 program will be implemented over a five-year period and will serve an estimated 58 households.

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

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

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

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

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

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

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

c. Architect and Engineering Fees

Architects' fees, including design and supervision fees, and engineering fees, must be capped at 3.3 percent of Total Development Cost. This fee limit is a soft cap and any amounts in excess of this cap will not be included in Eligible Basis. Exceptions to the above rules governing architect and engineering fees may be granted based on site or Project specifics and in MFA's sole discretion. Supporting documentation shall be

provided to justify any increase request. Although the same standards will apply for Projects subject to subsidy layering review, such Projects will require Board approval for subsidy layering purposes whenever they exceed the federally-defined ceiling standard limits and only five such excess fee amounts can be approved in any given year. See Section II.T. for information on subsidy layering reviews.

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

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

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

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

   Replacement reserves for the first 15 years may be capitalized in the development budget assuming there is a source of funds that can be used to establish the reserve account. Capitalized reserves are a non-Eligible Basis project cost and establishing reserve accounts may

not be an eligible expense for some MFA funding sources. If the capitalization results in projected excess cash flow, MFA may reduce the subsidy for the Project. A qualified CPA or tax attorney should be used to determine the appropriate accounting treatment of capitalized reserves.

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

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

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

E. Credit Calculation Method

1. **Tax credit calculations**. During each evaluation, MFA will determine the amount of tax credits to be reserved, committed or allocated by considering factors specific to each Project including, but not limited to, the following:
    a. Development Costs
    b. Funding sources available to the Project for construction and permanent financing:
        i. First mortgage loans
        ii. Grants
        iii. Tax credit proceeds

iv. Project Owner equity
v. Subordinate debt

c. Projected operating income and expenses, cash flow and tax benefits
d. Maximum tax credit eligibility
e. Debt service coverage ratio compared to lender requirements or commercial lending practices, as applicable
f. Project reserves
g. Developer fees and builder overhead and profit
h. Per Unit and per square footage cost limits (section IV.C.2)

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

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

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

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

3. **Limitation on tax credit awards to a single Project or Principal.** Subject to the exceptions contained herein, no 9% LIHTC Project shall receive a tax credit Reservation in excess of $1,380,213. 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 for rehabilitation Projects when the CNA and appraisal are provided. Professionals performing the CNA must meet the minimum qualification/certification requirements set forth by MFA as defined in the Design Standards. If actual Project costs or funding sources differ substantially from the projections submitted in the Application, MFA may adjust the final tax credit allocation or the Project Owner may establish Project reserves to offset the deficit, if in MFA's reasonable judgment the Project has sufficient tax credit eligibility. The conditions for such reserve accounts will be determined by MFA on a case-by-case basis.

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

F. Final Processing and Awards

1. **Additional considerations**. Applications meeting the requirements of the threshold review and Feasibility Analysis described above will be further evaluated and processed by MFA. In this step all remaining determinations will be made with respect to development team capability, design, readiness to proceed and other factors in MFA's reasonable judgment to evaluate the Project's Application. Projects must meet the Design Standards available from MFA on the website. Debarment from HUD, MFA or other federal housing programs, bankruptcy, criminal indictments or convictions, poor performance on prior MFA or federally-financed Projects (for example, late payments within the 18-month period prior to the Application Deadline, misuse of reserves and/or other Project funds, default, fair housing violations, non-compliance [e.g. with the terms of LURAs on other Projects] or failure to meet development deadlines or documentation requirements) on the part of any proposed development team member or Project Owner or other Principal or affiliate may result in rejection of an Application by MFA. In addition, MFA will consider a Principal's progress made with previous tax credit Reservations, including timeliness in delivering required documents and fees and meeting all required deadlines. When scoring and ranking generates multiple Projects that would draw tenants from a single market area (as determined by MFA market studies for the Projects in question), MFA may choose to eliminate the lower scoring or higher cost Project to avoid overbuilding and distribute credits more evenly throughout the state. In addition, MFA reserves the right to reject any Project, which MFA in its reasonable judgment determines is inconsistent with prudent business practices or with the intent and purpose of the QAP. MFA may also make awards

conditional on specific modifications to the Project that MFA in its sound judgment considers necessary to enhance the feasibility or safety of the Project.

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

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

4. **Appeal process**. Applicants wishing to appeal a determination made by MFA with respect to their Application may do so by way of the "Form of Submission" (Section IV.A.3) no later than 5 p.m. Mountain Standard Time on the 10th calendar day after the date of the preliminary Reservation Letter, preliminary waitlist letter or rejection letter (or draft Letter of Determination, in the case of tax-exempt bond financed Projects). Appeal requests may only be filed by the General Partner or proposed General Partner and only one appeal may be filed with regard to an Application. MFA's initial determination with respect to the Application will stand unless the Applicant can prove or justify, solely on the basis of materials submitted in the Initial Application, why the decision should be changed. The ARC will review the appeal and take whatever action it deems appropriate. The decision by ARC or the Board, if the matter is referred to the Board, will be final, no further appeals will be entertained. Appeals may result in re-ranking of Projects, in rejection of previously approved Projects and/or in approval of previously rejected Projects. Once the appeals process is completed and the resulting recommendations are considered and approved by MFA's Board of Directors, final Reservation Letters (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 2022, shortly after approval of tax credit awards at the May 2022 Board meeting.

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

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

1. **At Reservation**

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

2. **Quarterly Progress Reports**

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

3. **By November 15th** (see Glossary for the definition of this date) 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 must contain all items on the Carryover Allocation requirements checklist, including a tax opinion addressing satisfaction of the 50% rule where there are related parties. Professionals performing the CNA must meet the minimum qualification/certification requirements set forth by MFA as defined in the

Design Standards. All tax credit fees must be paid to date. In addition, the Project architect must certify that the Project's final plans and specifications meet the Design Standards and contain all commitments made in the Initial Application regarding design and building. The Project architect must further certify either there have been no Material Design Changes in the final plans and specifications or, if there have been Material Design Changes made, changes in the key development team members, or if the costs as identified on Schedule D of the original Application have changed more than 5%, then a detailed narrative description of the changes made in the construction drawings and/or Schedule D between Application and Carryover must be provided. If there is a change to a key member of the development team (Developer, Project Owner, General Partner, contractor, management company, consultant(s), architect, attorney and accountant, etc.) following Carryover, the project must supply MFA with a written explanation of the reason behind the change, materials supporting the benefit to the Project in making the change (including resumes) in order to assess whether or not the Project is negatively impacted by the change.

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

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

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

6. **August 31** (see footnote 5) of the year following Carryover
   a. The Applicant must submit evidence that the basis in the Project exceeds 10% of the reasonable expected total basis in the Project, an independent auditor's report and Cost Certification, a Project Owner's attorney's opinion, in the form required by MFA, and any other documentation required by MFA ("10% test.")
   b. The Applicant must deliver evidence acceptable to MFA that construction of the Project has begun. This will include, at a minimum, building permits and site photographs.

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

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

a. **Cost Certification**. Two Cost Certifications are required to be prepared as follows: (i) a Project Cost Certification prepared by a CPA and executed by both the Project Owner and CPA preparing the report, with a minimum of 20% of costs tested, and (ii) a Project Cost Certification prepared and executed by the general contractor if the project is not utilizing a stipulated sum contract. The CPA-prepared Cost Certification must be delivered by the Project Owner prior to the issuance of IRS Form 8609 certifications; the general contractor-prepared Cost Certification (if applicable) may be held in escrow by the project or general contractor, but would be required for audit purposes, as outlined in Section II.S.
b. **Architect's certification**. A certification from the Project architect with required text as set forth in the Final Allocation package, certified by the Project Owner, that the Project has been built in conformance with the Design Standards, all applicable codes and

commitments made in the Initial Application regarding design and building, unless otherwise approved in writing by MFA.

c. **Project Owner's attorney's opinion**. A Project Owner's attorney opinion submitted on the firm's letterhead with required text as set forth in the Application Package.

d. **Final contractor's application and certificate for payment, AIA doc. G702 or equivalent**. A fully executed copy indicating all of the hard Construction Costs for the Project must be submitted with the Final Allocation package.

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

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

10. **Other Project Owner responsibilities and elections**. The Project Owner must place the buildings in service and claim tax credits within certain time periods. Project Owner must forward written notice and copies of all Certificates of Occupancy (for new construction) or Certificates of Substantial Completion (for rehabilitation) to the tax credit program manager within 30 days of issuance, to ensure that all necessary administrative actions are taken in a timely manner. Otherwise, tax credits may not be able to be claimed as desired.

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

H. Termination of Reservations or Rejection of Applications

Any of the following events or actions on the part of the Applicant at any time subsequent to the 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 Contact Person(s) shown in the Application form. MFA will not be responsible for any consequences that may result from the Applicant's inability to receive notice from MFA due to a change in Contact Person information, or other contact information i.e. address or phone number, that was not reported to MFA**.

K. Applications are Public Records

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

L. Attorney Fees

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

V. Cost Certification

A. Applicability of Cost Certification

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

costs should be reflected in the CPA-prepared document, regardless of the general contractor costs. The general contractor Cost Certification may not meet MFA cost requirements if a Maximum Guaranteed Price or Stipulated Sum Contract was utilized. Therefore, if the project entered into a Stipulated Sum Contract or a Maximum Guaranteed Price, a Cost Certification does not need to be prepared by the general contractor.

B. Requirements

The Form 8609 Cost Certification must meet the following requirements:

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

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

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

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

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

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

C. Authority to Determine Maximum Qualified Basis

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

VI. Processing of Tax-Exempt Bond Financed Project Applications

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

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

Requests for these determinations (Applications) must be made by the Project's Developer/sponsor no more than 60 calendar days after an award of bond volume cap is made by the State Board of Finance and no less than 60 calendar days prior to the anticipated bond issuance date. 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.4 for more information about Market Study requirements.) Prior to the release of the Letter of Determination by MFA staff, a processing fee in the amount of 7.75% of the approved annual credit amount will be due. MFA's initial response to the Application for 4% tax credits will be provided no later than 60 business days subsequent to receipt of the Complete Application by MFA.

In addition to the full Application requirements of 9% Projects, the required Project Narrative must also include the description of the characteristics of the Project in terms of the tax-exempt bond issuance. A

failure to provide any of the information required herein will result in a determination, in MFA's sole discretion, that the Project Application is incomplete. You may provide additional documentation that supports this narrative. Each supporting document should include a brief description of what is contained in the document and the purpose for which it is being submitted. This expanded document shall also address the following:

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

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

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

d. Describe in detail the bond financing structure;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

VIII. Future Year's Binding Commitments

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

IX. Disaster Relief Allocations

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

X. MFA Tax Credit Monitoring and Compliance Plan Summary

A. General Requirements

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

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

B. Inspections

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

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

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

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

C. Recordkeeping and Record Retention

Under the provisions of the tax credits, the Project Owner will be required to keep records as defined below for each building within a particular Project. These records must be retained by the Project Owner for a minimum of six years beyond the Project Owner's income tax filing date for that year. However, first-year Project records must be maintained for six years beyond the tax filing date of the final year of the Project's eligibility for tax credits. The Project Owner must report to MFA, through MFA's Web Compliance Management System (WCMS), annual audited property financial statements within 120 days of the close of the Project's fiscal year, as well as annual operating budgets. On a monthly basis, the Project Owner must provide tenant income certifications and property vacancy data using the WCMS online system. In addition, the Project Owner must maintain records for each qualified low-income building in the Project showing:

1. The total number of residential Units in the building (including the number of bedrooms and size in square feet of each residential unit)

2. The percentage of residential Units in the building that are Set-aside Units

3. The rent charged on each residential Unit in the building (including utility allowances)

4. The number of occupants in each residential Unit in the building

5. The low-income Unit vacancies in the building and documentation of when and to whom the "next available Units" were rented

6. The income certification of each low-income tenant

7. The documentation to support each low-income tenant's income certification

8. The Eligible Basis and Qualified Basis for each building

9. The character and use of any nonresidential portion of the building included in the building's Eligible Basis (this includes separate facilities such as clubhouses or swimming pools whose Eligible Basis is allocated to each building)

10. Additional documentation and reporting as required by federal regulation

11. Additional documentation and reporting as required by MFA

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

D. Annual Certification Review

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

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

2. There has been no change in the Applicable Fraction

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

19. Changes in Ownership or Management, if any

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

21. 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 2022, the monitoring/compliance fee is $50.00/set-aside Unit/per year. The monitoring/compliance fee can be paid annually, on or before January 31,or in a lump sum to cover the initial 15 years of the Compliance Period. If paid in a lump sum, the amount will be determined in the year the development receives a Final Allocation. Payment of the lump sum amount will be required prior to issuance of Forms 8609 for each Project. For 2022, 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 uploaded to MFA's file sharing site: https://mfa.internal.housingnm.org/FileTransferHD/ any additional documentation requested in the Initial Application Package, Carryover Allocation package and Final Allocation package, as well as any

supplemental materials requested by MFA. They must be submitted to MFA in accordance with the QAP in order to apply for the Tax Credit Program.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. The cost of acquiring real property and any building thereon, including payment for options, deposits or contracts to purchase properties.
2. The cost of site preparation and development.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. lack a fixed, regular, and adequate nighttime residence, which includes a primary nighttime residence of places not designed for or ordinarily used as a regular sleeping accommodation (including cars, parks, abandoned buildings, etc.) or publicly or privately operated shelters or transitional housing, including a hotel or motel paid for by government or charitable organizations; or

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

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

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

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

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

Identity of Interest – occurs when any officer, director, board member or authorized agent of any development team member (consultant, general contractor, attorney, management agent, seller of the land, etc.): 1) is also an officer, director, board member or authorized agent of any other development team member; 2) has any financial interest in any other development team member's firm or

corporation; 3) is a business partner of an officer, director, board member or authorized agent of any other development team member; 4) has a family relationship through blood, marriage or adoption with an officer, director, board member or authorized agent of any other development team member or 5) advances any funds or items of value to the sponsor/borrower.

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

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

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

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

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

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

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

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

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

Management Units -

Employee/Exempt Unit

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

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

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

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

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

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

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

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

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

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

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

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

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

Qualified Allocation Plan or **QAP** – this Qualified Allocation Plan, which was adopted by Board action on October 20, 2021 and made effective as of November 2, 2021, which was approved by the Governor of the state of New Mexico pursuant to Section 42(m)(1)(B) of the Code and sets forth the Project Selection Criteria and the preferences for Projects which will receive tax credits.

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

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

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

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

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

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

Reservation Letter– a document issued by MFA which describes the amount of credits provisionally awarded to a Project and the conditions which the Project Owner must meet in order to obtain a Binding Commitment for tax credits.

Rural Development or RD or USDA (previously called "Farmer's Home Administration" or "FMHA" of the U.S. Department of Agriculture) means Rural Development or other Agency or Instrumentality created or chartered by the U.S. to which the powers of RD have been transferred.

Section 811 Project-based Rental Assistance Demonstration Program (Section 811 PRA) – The purpose of the Section 811 PRA is to expand the supply of supportive housing that promotes and facilitates community integration for people with significant and long-term disabilities. Section 811 PRA provides a project-based rent assistance subsidy that covers the difference between the tenant payment and the approved contract rent. Tenants pay 30 percent of their adjusted gross income for rent and utilities. Tenant referrals and service providers are coordinated by the Department of Human Services (DHS) and Local Lead Agencies (LLAs). For more information go to: https://housingnm.org/property-owners-agents-and-managers/section-811-project-rental-assistance

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

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

Set-aside Units those Units eligible for low income housing tax credits.

Single Room Occupancy – housing consisting of single room dwelling Units. The Unit must contain either food preparation and/or sanitary facilities.

Special Needs – see definition above under Households with Special Housing Needs.

State-assisted Building – any building which is substantially assisted, financed or operated under any state law similar in purposes to Section 8 of the United States Housing Act of 1937, Section 221(d)(3), Section 221(d)(4) or 236 of the United States Housing Act, Section 515 of the Housing Act of 1949 or any other program administered by HUD or by the USDA Rural Housing Service.

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

Tax Credit Ceiling Rents – the maximum rent that may be charged for a Rent Restricted Unit.

Tenant Conversion Plan – a written plan acceptable to MFA, describing the method to be used to enable tenants to acquire ownership of their Units at such time as conversion to owner occupancy is allowed under the Code. The Project Owner must provide and describe the type of homeownership, financial and maintenance counseling to be offered. The Project Owner must describe in detail how the Unit will be converted from a rental Unit to homeownership. Please refer to Section III.E.15 for more information on Eventual Tenant Ownership.

Total Development Cost – the total of all costs incurred or to be incurred by the Project in acquiring, constructing, rehabilitating and financing the Project. For purposes of calculating developer fees, Total Development Cost will be adjusted to exclude developer fees, 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 and Chief Executive Officer
Donna Maestas-De Vries, Chief Housing Officer
Jeff Payne, Chief Lending Officer
Stephanie Yara, Chief Financial Officer
George Maestas, Director of Housing Development
Kathryn Turner , Assistant Director of Housing Development
Jeanne Redondo, Tax Credit Program Manager
Christi Wheelock, Tax Credit Analyst

2022 Draft QAP
Public Comments Received

	Topic	Comment Summary	Commentor(s)	Action	Response
p. 5	II.E Average Income	Many investors not willing to use this minimum set aside under Section 42(g)(1)(C)	Andrea Frymire (Midwest Eq)	No Change	Section 42(g) permits the election of average income as a minimum set-aside, so it is included as an option in the QAP. Investors who are unwilling to elect this option are not required to.
p. 8	II.I Scattered Sites	Suggest require they all be located within same city	Andrea Frymire (Midwest Eq)	No Change	The QAP effects projects state-wide. Scattered site projects in multiple cities have been an effective means to bring much needed rehabilitation to small properties in rural areas, where there may not be multiple affordable housing options.
p 17	III.B Priorities	Add "rural areas" back to item 5 as a priority	Project Moxie/BeauxSimone Consulting/Mesilla Valley Community of Hope	No Change	Priority 4 in Section III.B.4 of the 2022 QAP prioritizes an equitable distribution of tax credits throughout all parts of the state where affordable housing is needed. Therefore, "underserved urban and rural areas" in the 2021 QAP's priority 5 at Section III.B.5 was redundant.
p. 19	III.C.4 Market Study	Add Bowen National Research to list of approved Market Analysts	Trent Rogers (Travois)	No Change	MFA does not currently have a list of "approved" market analysts. An RFQ may be issued at a future date to create such a list. At this time applicants are free to contract with any market analyst that meets the Market Study Professional Certification on MFA's website.
p. 20	III.C.7.i Application Due Date	Appreciates adjustment of deadline to January 28th	Miriam Hicks (GAHP); A. Chris Baca (YES)	No Change	
p. 21	III.C.7.ii.b Ability to Discuss Scoring	Feels staff should be able to discuss scoring with individual applicants	Jeff Curry (JL Gray)	No Change	MFA does not pre-score applications, nor can staff definitively promise a certain score based upon specific documentation, as applications are scored by a committee who then present recommendations to the Allocation Review Committee and the MFA Board of Directors. All Applicants have opportunity to pose questions in writing through the FAQs which ensure that all applicants have access to the same information.
p. 21	III.D.2 Underserved Populations Set Aside	Applauds keeping tribal projects in the set aside	Trent Rogers (Travois)	No Change	
p. 22	III.D.2 Underserved Populations Set Aside PSH - Services Funding	Suggests up to 5% additional developer fee to be available to use for 15 year services reserve based upon percentage of PSH units in project	Project Moxie/BeauxSimone Consulting/Mesilla Valley Community of Hope	Consider for 2023	The 2022 QAP includes an additional 5% to the amount that is awarded to HUD Section 811 projects, which are supportive housing for people with disabilities. MFA may revisit this suggestion when drafting the 2023 QAP.

p. 22	III.D.2 Underserved Populations Set Aside PSH - Services Funding	Fund PSH services with HOME or BHSD partnership	Project Moxie/BeauxSimone Consulting/Mesilla Valley Community of Hope	Consider for 2023	MFA will consider how it can partner with BHSD in the future and what resources are available to assist in making the Section 811 program and permanent supportive housing in general more workable. HOME does not pay for services, but HOME ARP may be able to be used for this purpose.
p. 22	ARPA HOME	Prioritize PSH set-aside units in "both 4 and 9 percent tax rounds" while pairing this priority with "significant HOME resources to write down the unit costs for these projects"	Project Moxie/BeauxSimone Consulting/Mesilla Valley Community of Hope	No Change	The 2022 QAP's Underserved Populations set-aside includes permanent supportive housing. If HOME ARP is combined with LIHTC, that use would be included in the Substantial Amendment to HUD.
p. 22	III.D.2 Underserved Populations Set Aside PSH	Reduce minimum number of PSH units in PSH project from 50% to 25%.	Project Moxie/BeauxSimone Consulting/Mesilla Valley Community of Hope	Changed	The minimum number of PSH units was reduced from 50% to 25%.
p 22	III.D.2 Underserved Populations Set Aside PSH Vouchers	Require all PSH Units have PBV or operating subsidy rather than "Vouchers must be in place or secured for 75% or more of the PSH Units in the Project"	Project Moxie/BeauxSimone Consulting/Mesilla Valley Community of Hope	Changed	The rental assistance requirement to qualify under the set-aside was expanded to include federal operating subsidies as an option.
p. 22	III.D.2 Underserved Populations Set Aside PSH Gap Financing	Increase amount of gap financing available for PSH projects.	Project Moxie/BeauxSimone Consulting/Mesilla Valley Community of Hope	Not in QAP	Applicants can apply for additional MFA resources along with their tax credit application, but the funding levels available are not a part of the QAP.
p. 24	III.E Project Selection Criteria 4% Projects - Location	Applauds removal of scoring, but wants requirement to be near fresh produce removed saying it limits where they can build. They like to anticipate the market to avoid NIMBY.	Sarah Shambrook (Dominium) Ron Mehl (Dominium)	No Change	While MFA understands that anticipating the market can be helpful in avoiding NIMBY, that has to be balanced against the needs of residents to have the ability to purchase nutritious food without traveling an unreasonable distance.
p. 24	III.E Project Selection Criteria 4% Projects - Vacancy Factor	Allow market study to determine the vacancy factor for underwriting (for all projects) rather than 7%. Average vacancy at their properties is 2 - 3%.	Ron Mehl (Dominium)	No Change	Real estate markets are cyclical and a 2-3% vacancy factor may not be realistic in the future. A 7% vacancy factor is an industry underwriting standard.
p. 24	4% Projects - Clarify requirements	Use sub-headers or separate sections to clarify what is applicable to 4% projects vs 9% projects	Ron Mehl (Dominium)	Consider for 2023	The entire 2022 QAP is applicable to 4% projects, except for scoring, and where specifically stated elsewhere. MFA will consider where further clarifications can be made in future QAPs.

p. 24	Scoring Criterion 1 - Non-Profit/TDHE	Reduction in points to Tiers should be reinstated; Local participation = better interaction with neighborhood, knowledge of local requirements, quality of long-term asset management Feels that the 10% of credits reserved for Non-Profit implies that it should be a preference in scoring. Proposed 10 points for NP/etc with $50M in assets; Reduced scoring in this category greatly impacts tribal project competitiveness	A. Chris Baca (YES); Felipe Rael (GAHP) Trent Rogers (Travois)	No Change	MFA appreciates the benefits that local developers can bring to the community. Section 42(h)(5)(a) provides 10% of a state's housing tax credits for projects involving qualifying nonprofit organizations, but it is not a "preference". Section 42 (m)(B)(ii) requires that a state's qualified allocation plan include preference in allocating housing credit dollar amounts among selected projects to (I) projects serving the lowest income tenants, (II) projects obligated to serve qualifed tenants for the longest periods, and (III) projects which are located in qualified census tracts... and the development of which contributes to a concerted community revitalization plan. All of these preferences and the required nonprofit set-aside are in New Mexico's 2022 QAP. In addition, MFA has included tribal projects in the underserved populations set-aside within the 2022 QAP. This set-aside provides an opportunity for tribal projects to be competitive under the 2022 QAP.
p 28	Scoring Criterion 4 - Sustaining Affordability	Instead of awarding 6 points for 20% of the units make it 25% so it is consistent with PSH best practices even if some projects will receive points simply for having operating subsidies.	Project Moxie/BeauxSimone Consulting/Mesilla Valley Community of Hope	No Change	Points under this scoring criterion are not solely solely for PSH projects. Some PBV programs limit the rental assistance to no more than 25% of the units on a property. The 20% threshold for scoring allows MFA to prioritize sustaining the affordability of these units as well.
p. 28	Scoring Criterion 4 - Sustaining Affordability	Allow points for resyndications after 15 years rather than 20	A. Chris Baca (YES)	No Change	While MFA appreciates that projects that are ready for resyndication after 15 years are worthwhile, projects that were placed in service 15 years ago are eligible to be funded with tax-exempt bonds and 4% tax credits. MFA has elected to prioritize projects that were placed in service 20 or more years ago in the competitive 9% round, as the rehabilitation required to revitalize them is often more costly. In addition, waiting until year 20 allows MFA to be more flexible in providing gap financing to properties that were newly constructed when they were placed in service, since HUD does not allow additional HUD funds to be committed to projects that are still in the period of affordability.

p. 36	Scoring Criterion 9 - Seniors Housing Priority	Supports increase in points for Project Reserved for Seniors HP; Opposes increase in points for Project Reserved for Seniors over Special Needs or HH with Children	Felipe Rael (GAHP); A. Chris Baca (YES)	No Change	New Mexico's demographics support the priority in the QAP. By 2030 New Mexico will move from 39th to 4th in the nation in the percentage of people older than 65. This increase will require an expansion of services (including housing) to meet the needs of this growing population. Over 50% of renters who are 62 and older are cost burdened, while the statewide cost burden rate is 15.08%.
p. 41	Scoring Criterion 11 - Leveraging Resources	Opposes revision to unrelated third parties only - Should allow TDHE to provide the resources to allow tribal projects to be competitive. Allow land and cash to qualify for points	Trent Rogers (Travois)	Clarify language	MFA has modified the language to clarify the QAP. It now reads "unrelated private third party" to clarify that entities that are both private and unrelated are not eligible sources of leverage funding for points in this scoring criterion.
p. 43	Scoring Criterion 14 QCT/Concerted Community Revitalization Plan	Remove points for CCRP in favor of QCT only because rural projects may not have a CCRP.	Project Moxie/BeauxSimone Consulting/Mesilla Valley Community of Hope	No Change	Concerted Community Revitalization Plans, as defined in NMSA 1978 Section 3-60A-4 can be enacted by any local, county or tribal government. In addition, New Mexico MainStreet and Arts and Cultural Districts are found in many areas of the state. Unfortunately, the Internal Revenue Code that governs the tax credit program limits the statutory preference for QCTs to projects which are located in a QCT *and* the development of which contributes to a concerted community revitalization plan. Furthermore, the IRS has issued guidance discouraging states from awarding incentives to projects that are in QCTs but that do not contribute to a concerted community revitalization plan.
p. 44	Scoring Criterion 14 - QCT/CCRP	p 44 Mainstreet link - no map /please make easily accessible; p 44 link Arts & Cultural District - fix link / provide map;	Felipe Rael (GAHP)	Changed	MFA contacted New Mexico MainStreet to request a link to maps. MainStreet created a public page on its website in response and a link has been added to the QAP and the Tools and Resources on MFA's Housing Development webpage.
p. 46	Scoring Criterion 17 - Blighted Buildings/Brownfield Site	Suggest reconsideration of category and points due to increase in costs for construction, environmental remediation and demolition.; Remove this scoring criterion - counter to stated goal to reduce costs	Andrea Frymire (Midwest Eq) A. Chris Baca (YES)	No Change	MFA reduced the points in this scoring criterion prior to the public hearing to reflect the lower priority of this scoring criterion. However, the removal of blighted buildings and brownfield sites have a positive impact on neighborhoods and communities, therefore some points remain available in the QAP.

p. 46	Old Scoring Criterion 18 - ASDN	Bernalillo County, and Albuquerque in particular, will be at a disadvantage with the removal of ASDN; Tribal projects will be at a disadvantage with removal of ASDN	Felipe Rael (GAHP) Rick Giron, City of Albuquerque Trent Rogers (Travois)	No change	The ASDN scoring criteria was eliminated in favor of utilizing a Market Study to assess area needs more accurately. All projects need to demonstrate market need. MFA disagrees that the removal of ASDN will disadvantage proposed projects in Bernalillo County and on tribal lands. In previous 9% rounds every application received these points, so they were not providing an advantage to any application.
p. 46	Old Scoring Criterion 18 - ASDN proposed Albuquerque Metro Set Aside	Suggests an Albuquerque Metro Set Aside in QAP: 4 Bernalillo County (BC) new construction (NC) projects in 3 year cycle and 2 in Rio Rancho (RR) and/or 1 in RR or Los Lunas NC in 3 year cycle; OR Year 1: BC NC set aside equivalent to per capital population (currently $2,096,021), plus Year 2: 1 BC and 1 highest scoring RR NC set aside equivalent to per capita population, plus Year 3: 1 BC and one either highest scoring LL or RR NC set aside equivalent to per capita population	Felipe Rael (GAHP)	No Change	There is no need to establish a set-aside for Albuquerque. Projects located in Albuquerque are not at a disadvantage compared to other projects in the 2022 QAP.
p. 47	Scoring Criterion 18 - Efficient Use of Tax Credits	Increases should be higher to account for increases in costs; Should match current construction costs; Adopt specific language for yearly inflationary increases to caps	Felipe Rael (Hearing) Jeff Curry (JL Gray) Andrea Frymire (Midwest Eq) A. Chris Baca (YES) Trent Rogers (Travois)	Changed	MFA reviewed increases in costs based upon specific construction commodities and labor and has adjusted the caps in the Efficient Use of Tax Credits based upon that Department of Labor data. However, MFA understands that costs continue to rise in this environment. Therefore the priority of this scoring criterion has been reduced in the 2022 QAP by reducing the overall points associated with it.
		Bid for similar project was 40% higher in June 2021 than in Dec 2020.	Krishna Reddy (Jaynes - GC)		
		Reduce the priority of this scoring criterion by reducing the overall points associated with it. Also because it is calculated only on LI Units it disincentives mixed income projects	A. Chris Baca (YES)		
		Even with increase to PSH costs for points, it does not meet the "explosion" of costs they experienced. Rural projects experience increased costs due to subcontractors not wanting to travel, fewer employees per hotel room, lower LIHTC pricing, locations with "flat or shrinking populations" are not CRA priorities for banks	Project Moxie/BeauxSimone Consulting/Mesilla Valley Community of Hope		
p. 47	Scoring Criterion 18 - Efficient Use of Tax Credits	Continues to oppose this scoring criterion. Higher costs of Rural/Tribal projects not in developer's control and this forces tribal projects to cut credit request by as much as 25% to score minimum points	Trent Rogers (Travois)		The draft 2022 QAP includes cost limits that are 5% higher for tribal projects than for most projects in order to account for the higher cost to develop on tribal land.
p. 49	Scoring Criterion 19 - Non-Smoking Properties	p. 49 Smoke Free URL is incorrect	Felipe Rael (GAHP)	Changed	The correct link has been added to the QAP.
p. 55	IV.A.3 Form of Submission	Applaud Electronic Application, but JLG wants it to be available ASAP to beta test.	Jeff Curry (JL Gray) A. Chris Baca (YES)	Yes	MFA will make a copy of the electronic application available as soon as it is ready.
p. 56	IV.A.4.g Content and Format - Complete Applications	p 56 "g" is confusing b/c only scans or electronic signatures - copy earlier language	Felipe Rael (GAHP)	Changed	Changed language at this section to match. "All application documents that require signatures must be included and bear scanned blue ink or third-party verified digital signature"

p. 62	IV.C.7 Staff Analysis and Application Processing Design Review	Feels it is unnecessary because local government reviews plans	Ron Mehl (Dominium)	No Change	MFA's design standards, which in some areas exceed local code, are not reviewed by local government officials. Therefore, MFA reviews construction documents and inspects construction to ensure that MFA's standards are met.
p. 65	IV.D.2.a Feasibility Analysis & Financial Considerations Builder Profit	Clarify that this is determined at 8609 for 4% projects (For LIHTC purposes, any amount of fee that exceeds the percentage limitations will be excluded from the Project's Eligible Basis when calculating the tax credit allocation)	Ron Mehl (Dominium)	No Change	The 2022 QAP does not prohibit an increase in Builder Profit to coincide with increase in construction costs.
p. 65	IV.D.2.b Feasibility Analysis & Financial Considerations 9% Developer Fees	Current structure disincentives building more units; Midwest and YES want percentage based; CS suggests $22,500 per units for all units (incl mkt rate) and NTE the lower of $2.5M or 14% TDC	Andrea Frymire (Midwest Eq) A. Chris Baca (YES) Carol Sugarman (Consultant)	Changed	MFA agrees with the NCSHA recommended practice of earning developer fees based upon the units produced. However, it recognizes the concern that the structure in the 2022 draft disincentives building more units at certain thresholds. MFA changed the structure of the per unit developer fee to prevent the reduction of fees for building more units and increased the maximum allowable developer fee in the 9% round to $2,000,000. Units 1-30 remain at $22,500 per unit; a $20,000 per unit fee for Units 31-60 will be *added* to the fees earned for units 1-30; a $17,500 per unit fee for Units 61+ will be added to the fees earned for units 1-60 until the lesser of $2,000,000 or 14% of TDC is earned.
p. 65	IV.D.2.b 4% Developer Fees	Increase Developer Fee to 25% and limit fee paid up front to 15% to provide more equity.	Ron Mehl (Dominium)	No Change	While MFA recognizes that an increased developer fee that is largely deferred can provide additional equity, the levels suggested are not in line with recommended practices or most states. It also needs to able to be paid over a 15 year period in order to be included in eligible basis, so it is misleading to dismiss concerns about exorbitant developer fees.
p. 67	III.D.2.c Architect and Engineering Fees	3.3% of TDC is insufficient to cover design team cost	Bob Hall (Integrated Design)	No Change	The 3.3% is a percentage of Total Development Costs - not the construction costportion of the development budget that is the basis of most architectural fees. In addition, it is a limit on eligible basis only. Architects are free to charge any amount that they negotiate with the developer.

p. 67	III.D.3 Reserves	Reduce to 3 months - reasoning that it is a national standard	Ron Mehl (Dominium)	No Change	MFA is not familiar with any national standards that only require three months of reserves. NCSHA's recommended practices that were vetted by numerous stakeholders in the affordable housing industry recommend 4 - 6 months.
p. 84	VI.1 Processing of Tax-Exempt Bond Financed Project Applications Percent of total sources limit	Consider changing "must not exceed 75% of Projects Total Development Cost" to "must not exceed 15% more than the federal requirement of bond financing".	Ron Mehl (Dominium)	No Change	If 50% test is reduced to 25% as proposed in some legislation, current language will not be impaired. This suggestion limits the amount of volume cap so there is enough for all projects. However New Mexico's bond volume cap is not currently constrained.
	Best Practices	Use AHIC Underwriting Guidelines, NCSHA Best Practices, and comments when preparing 2022 QAP	Andrea Frymire (Midwest Eq)	No Change	MFA has adopted many NCSHA Best Practices and considers all comments when drafting the QAP.

Tab 4

MFA Housing New Mexico

MEMO

TO: MFA Board of Directors (October 20, 2021)

Through the Allocation Review Committee (October 7, 2021)

Through Policy Committee (October 5, 2021)

FROM: Kathryn Turner, Assistant Director of Housing Development

DATE: October 5, 2021

SUBJECT: Request for an additional Tax Credit allocation to offset Construction Cost Increases related to COVID-19 and related waivers to the 2021 Qualified Allocation Plan

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Recommendation:

MFA requests authority to allocate up to $1,330,961 in additional 2022 9% Low-Income Housing Tax Credits. This action will also require two waivers within the 2021 QAP.

Background:

Cost Increases Due to COVID-19

Following the approval of six Low-Income Housing Tax Credit (LIHTC) awards in May, MFA staff was approached by two third-party general contractors and the six project developers about significant cost increases in the construction industry that were creating gaps in their capital budget. Through subsequent discussions, MFA acknowledges that this is due to a number of issues: the pandemic disrupted manufacturing inventories resulting in supply chains that are both clogged and struggling for resources; commodity and material costs, after being flat for over a decade, have risen significantly; and, like many industries, the construction industry is struggling to fill its labor needs.

Disappointingly, this trend is continuing. Estimates put lumber on the rise again, although potentially not as high as we saw at the peak. The labor shortage is expected to put pressure on wages and could mean a decade of re-balancing. Steel and plastics are both in various phases of stress, and costs are still in flux. While New Mexico is expecting a huge infusion of investment, this may just add to the labor stress in the market.

In MFA's own data analysis, average multifamily construction costs are currently anywhere from 30% to 40% higher than they were a year ago. This is causing projects that were considered ready to move forward in May to experience significant gaps that would need to be filled in order to continue. Every indicator and expert in the field we have spoken with suggests that this is not a permanent situation, but it may be months before prices level out, although they are not expected to return to pre-pandemic levels. Unfortunately, the LIHTC program has a required IRS timeline and projects will either have to determine how to add additional sources quickly to cover costs or risk returning their awarded credits and having the project not proceed.

As a reminder, if 2021 credits are returned, and there is not another project ready to utilize them, the State would lose the allocation. In this case, we had a small round of applications, and there is no project on the waiting list to potentially utilize the credits. The loss of the equity to the State of New Mexico would be devastating.

All of our gap resources (New Mexico Housing Trust Fund, National Housing Trust Fund, HOME) are structured as loan products, which, if utilized to try to fill this need, would put additional debt service onto the project. Most of the projects have already taken on as much debt as their operations could support, and additional debt would not be feasible. Additionally, those resources are quite limited, and although MFA looked at restructuring the loan products, there would not be enough available to fill the need.

The need for affordable housing in New Mexico is so great that the potential loss of these projects from the pipeline would be quite distressing. Since June, MFA has worked to find solutions to the gaps created by increased construction costs, from discussions with State agencies to looking at the flexibility of existing programs. Unfortunately, while one project might be able to receive a small amount of grant funds from the State in the form of CDBG-CV funds, overall, our search was unfruitful.

Section IX of the 2021 QAP outlines Disaster Relief Allocations as follows, “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.” The COVID-19 pandemic has impacted every community over the last two years, especially those in dire need of improved housing conditions. It also has disrupted supply chains, increased labor shortages, and affected the housing market. In the wake of this national (and global) disaster, the forward allocation of additional credits is both within the Board’s authority and warranted.

Discussion:

Forward Allocation of 2022 Low-Income Housing Tax Credits

As you know, Low-Income Housing Tax Credits are not only valuable, but they are the most coveted award program we administer at MFA for the production of multifamily housing. The decision to request to forward allocate additional credits to these projects was not made lightly. Forward allocation, while solving the immediate problem of moving these projects forward in the pipeline, means that we will begin the 2022 round of applications with fewer 2022 credits.

However, in this case, the time constraint around project completion, coupled with the inability for the affordable housing projects to take on additional debt and the lack of available other sources, led MFA to determine that the best way to move ahead quickly was to forward allocate additional credits to projects on a case-by-case basis. Currently, MFA staff is reviewing requests for additional credits by the six projects awarded credits in May of 2021. Following the review of efforts made by developers to offset project cost increases so far, and how much need is left, staff will determine the minimum credit allocation needed to cover gaps.

Following initial discussions, we have observed (as with most allocation rounds) some projects are further along in their determination of need than others. Some are still waiting on final numbers from their contractors, and some are in negotiations with investors, lenders, or other agencies for additional equity or funding. In order to allow MFA to move forward and award additional credits to those projects that are fully underwritten and ready to close, staff is asking that the Allocation Review Committee approve and MFA Board grant authority to forward allocate up to an additional $1,330,961 in 2022 Low-Income Housing Tax Credits, with the express understanding that each project will only be granted enough credits to cover the gap.

To complete a robust analysis of need, MFA is requiring Letters of Interest from investors to indicate their investment appetite and pricing expectations. Staff are now re-underwriting the projects, utilizing the newly value-engineered development cost figures, along with the Letters of Interest, as provided.

Staff is also continuing to monitor construction pricing, and if there is enough indication of costs decreasing, staff may require the project to rebid, in order to obtain the lowest possible pricing. Once all

the projects have been fully underwritten, Staff feels confident that the tax credit allocation is fully warranted, and the project has received their final reservation letters, Staff will present a report of final award amounts to the Board.

Areas of the 2021 Qualified Allocation Plan Requiring Waivers

In order to allocate additional credits to projects already awarded, there are certain areas of the 2021 QAP that MFA will need to waive.

> **Section IV.E.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.

As the additional requests for credits will put projects "in excess of $1,232,333" MFA staff asks that this section of the 2021 QAP be waived.

> **Section III.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.

This section references the availability of Additional Supplemental Tax Credits for Cost Increases, but in this case, the increases to construction costs has occurred prior to closing, so the allocation will not be delayed until the request for 8609 issuance. This section also references the Efficient Use of Credits section, and states that any subsequent allocation may not be made if it effects the score in that category. The additional allocations requested in this memo will certainly affect scores in the category. However, given the fact that there is no project on the waitlist, MFA recommends that this section be waived as well.

Summary:

Construction cost increases due to COVID-19 have affected all of the projects awarded credits in 2021. These projects are in need of additional equity in order to cover these extreme cost fluctuations. MFA staff requests authority to allocate up to $1,330,961 in additional 2022 credits, a waiver of Section IV.E.3 of the 2021 QAP, and a waiver of Section III.G. of the 2021 QAP.

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NEW MEXICO MORTGAGE FINANCE AUTHORITY (MFA)
HOUSING TAX CREDIT ALLOCATON REVIEW COMMITTEE RESOLUTION

Resolution:
Be it resolved, the Allocation Review Committee recommends to the MFA Board of Directors the following:

1. Approval to forward allocate up to $1,330,961 in additional 2022 credits to the six (6) 2021 9% Low Income Housing Tax Credit (LIHTC) Projects which received awards in the 2021 LIHTC round, in the minimum amount, as determined by MFA staff, necessary to cover a Project's capital budget gaps resulting from increases in the costs of labor and materials due to effects of the global pandemic, COVID-19; and
2. Waiver of Sections IV.E.3 and III.G of the 2021 QAP.

Approved this 7th day of October, 2021 by a vote of __6__ in favor and __0__ opposed:

DocuSigned by:
By: Michael D'Antonio
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Michael D'Antonio, Acting Allocation Review Committee Chair

Tab 5

Staff Actions Requiring Notice to Board
During the Period of September 2021

<table>
<tr><th>Department and Program</th><th>Project</th><th>Action Taken</th><th>Comments / Date Approved</th></tr>
<tr><td>Community Development - Rental Assistance Program (RAP)</td><td>2021-2022 Rental Assistance Program Award Adjustments</td><td>Approval was made to adjust the State Homeless budget and reduce the award to Catholic Charities as they have a significant amount of RAP-CV funding available. The award adjustment of $60,785 will enable MFA to keep the maximum allowable administrative fee of 10% for this program.</td><td>Approved by Policy Committee on September 8, 2021</td></tr>
<tr><td>Housing Development – Low Income Housing Tax Credit Program - LIHTC</td><td>South Shiprock/ Nick Tinnin Debarment</td><td>Debarment period of Nick Tinnin clarified as 5 years.</td><td>Approved by Policy Committee on September 8, 2021</td></tr>
<tr><td>Servicing Department</td><td>Quality Control Review for Loan Servicing May, June and July 2021 QC</td><td>Approval of report issued by REDW – No findings</td><td>Approved by Policy Committee on September 14, 2021</td></tr>
<tr><td>Programs Division</td><td>Regional Housing Authority Oversight</td><td><table>
<tr><th>Agency</th><th>Program Funding</th><th>Approval Date</th></tr>
<tr><td>Eastern Regional Housing Authority</td><td>Low Rent Public Housing Subsidy: $1,166,154
Section 8/Voucher: $9,143,700
Total: $10,309,854</td><td>5/27/21</td></tr>
<tr><td>Western Regional Housing Authority</td><td>Low Rent Public Housing Subsidy: $954,657
Section 8/Voucher: $4,792,916
Total: $5,747,573</td><td>3/30/21</td></tr>
<tr><td>Northern Regional Housing Authority</td><td>Low Rent Public Housing Subsidy: $299,350
Section 8/Voucher: $2,076,345
Total: $2,375,695</td><td>6/29/21</td></tr>
</table></td><td>The Regional Housing Authority 2020 Annual Report was presented to the Board in September 2021. MFA Board was not presented with the current Program Funding. Staff advised that it would be provided to the Board as a follow up item.</td></tr>
</table>

Department and Program	Project	Action Taken	Comments / Date Approved
Programs Division	Northern Regional Housing Authority (NRHA)	**Board Confirmations** Ms. Jolene Slowen thru 7/1/23 Mr. Steven Brugger thru 7/1/23 Ms. Nichole Sandoval-Belt thru 7/1/24 Ms. Donna Vigil thru 7/1/24 Rev. Garland McCoy Moore thru 7/1/25 Ms. Lauren Reichelt thru 7/1/25 Ms. Rayetta Trutillo thru 7/1/25	Approved by State Boards and Commissions September 21, 2021
Programs Division	Western Regional Housing Authority (WRHA)	**Board Confirmations** Irene Galvan thru 7/1/22 Ms. Lynne Featheringill thru 7/1/24 G Vincent Barret, Ph. D thru 7/1/23 Ms. Jacqueline Muncy thru 7/1/25 Ms. Carol Ann Anaya thru 7/1/25 Ms. Martha Ann Peru Salas thru 7/1/25	Approved by State Boards and Commissions September 23, 2021

COVID-19
Staff Actions Requiring Notice to Board
During the Period of September 8, 2021 - present

Department and Program	Project	Action Taken	Comments / Date Approved
Asset Management – Homeowner Assistance Fund	Homeowner Assistance – Pilot Program	Approval to fund the remaining Homeowner Assistance Fund (HAF) program with up to $1,536,559.25 of New Mexico Housing Trust Funds	Approved by: Policy Committee – 9/30/21 Recommended by: HTF Advisory Committee – 9/20/21 Approved by: Board Delegates – 9/20/21
Asset Management – Homeowner Assistance Fund	Homeowner Assistance – Interim Program	Approval to open an interim program for at risk homeowners not eligible for forbearance assistance with $500,000.00 of New Mexico Housing Trust Funds	Approved by: Policy Committee – 9/30/21 Recommended by: HTF Advisory Committee – 9/20/21 Approved by: Board Delegates – 9/20/21
Policy and Planning – Homeowner Assistance Fund	Homeowner Assistance Fund	Approval of the Homeowner Assistance Fund Plan and acceptance of federal Homeowner Assistance Fund funding from the State of New Mexico Department of Finance and Administration up to the amount of $49,826,740.00.	Approved by Policy Committee on September 8, 2021. Approved by: Board Delegates – 9/20/21
Policy and Planning – Homeowner Assistance Fund	Homeowner Assistance Fund	Request for Approval to Release the Homeowner Assistance Fund Program Request for Proposals for Technology System and Services.	Approved by Policy Committee on October 5, 2021 Approved by: Board Delegates – 10/7/21

Tab 6

New Mexico Mortgage Finance Authority

Combined Financial Statements

and Schedules

August 31, 2021

NEW MEXICO MORTGAGE FINANCE AUTHORITY
FINANCIAL REVIEW
For the eleven-months period ended August 31, 2021

	COMPARATIVE YEAR-TO-DATE FIGURES (Dollars in millions):	11 months 8/31/2021	11 months 8/31/2020	% Change Year / Year	Forecast 8/31/2021	Actual to Forecast	Forecast/Target 9/30/21
	PRODUCTION						
1	Single family issues (new money):	$233.0	$190.0	22.6%	$233.0	0.0%	$235.0
2	Single family loans sold (TBA):	$317.0	$202.6	56.4%	$317.0	0.0%	$235.0
3	Total Single Family Production	$550.0	$392.6	40.1%	$550.0	0.0%	$470.0
4	Multifamily issues (new money):	$0.0	$0.0	0.0%	$0.0	0.0%	$20.0
5	Single Family Bond MBS Payoffs:	$150.4	$80.9	85.9%	$143.8	4.6%	$156.9
	STATEMENT OF NET POSITION						
6	Avg. earning assets:	$1,433.7	$1,381.0	3.8%	$1,424.3	0.7%	$1,464.6
7	General Fund Cash and Securities:	$79.9	$82.3	-2.9%	$72.9	9.6%	$70.0
8	General Fund SIC FMV Adj.:	$4.0	$1.5	165.3%	$0.0	N/A	$0.0
9	Total bonds outstanding:	$1,179.4	$1,143.4	3.1%	$1,131.5	4.2%	$1,195.4
	STATEMENT OF REVENUES, EXPENSES AND NET POSITION						
10	General Fund expenses (excluding capitalized assets):	$20.5	$16.6	23.5%	$18.8	9.0%	$22.5
11	General Fund revenues:	$40.7	$28.2	44.3%	$25.7	58.4%	$30.7
12	Combined net revenues (all funds):	$21.7	$15.7	38.2%	$7.7	181.7%	$8.4
13	Combined net revenues excluding SIC FMV Adj. (all funds):	$17.7	$13.6	30.1%	$7.7	129.9%	$8.4
14	Combined net position:	$285.0	$261.2	9.1%	$271.0	5.2%	$271.7
15	Combined return on avg. earning assets:	1.65%	1.24%	33.1%	0.57%	189.5%	0.57%
16	Combined return on avg. earning assets exluding SIC FMV Adj. (all funds):	1.35%	1.08%	24.7%	0.57%	136.3%	0.57%
17	Net TBA profitability:	2.10%	1.75%	20.0%	1.75%	20.0%	1.75%
18	Combined interest margin:	0.61%	0.88%	-30.4%	0.43%	42.5%	0.43%
	MOODY'S BENCHMARKS						
19	Net Asset to debt ratio (5-yr avg):	28.27%	28.75%	-1.7%	28.42%	-0.5%	28.42%
20	Net rev as a % of total rev (5-yr avg):	13.24%	12.39%	6.9%	10.70%	23.7%	10.70%
	SERVICING						
21	Subserviced portfolio	$1,690.4	$1,434.4	17.8%	$1,648.3	2.6%	$1,797.9
22	Servicing Yield (subserviced portfolio)	0.41%	0.40%	2.7%	0.40%	2.7%	0.40%
23	Combined average delinquency rate (MFA serviced)	7.20%	8.95%	-19.6%	10.00%	-28.0%	10.00%
24	DPA loan delinquency rate (all)	7.09%	8.23%	-13.9%	N/A	N/A	N/A
25	Default rate (MFA serviced-annualized)	0.69%	1.08%	-36.1%	1.30%	-46.9%	1.30%
26	Subserviced portfolio delinquency rate (first mortgages)	12.58%	15.53%	-19.0%	N/A	N/A	N/A
27	Purchased Servicing Rights Valuation Change (as of 6/30)	$3.5	($0.7)	600.0%	N/A	N/A	N/A

Legend:	Positive Trend	Caution	Negative Trend	Known Trend/Immaterial

NEW MEXICO MORTGAGE FINANCE AUTHORITY
FINANCIAL REVIEW
For the eleven-months period ended August 31, 2021

SUMMARY OF BOND ISSUES:

Single Family Issues:

$55.0 mm 2020 Series B Bonds-New Money (October)
$78.0 mm 2021 Series A Bonds- New Money (May)
$100.0 mm 2021 Series C Bonds- New Money (August)

Multi-family Issues:

CURRENT YEAR FINANCIAL TRENDS & VARIANCES:

● Due to decreases in mortgage rates, prepayments are trending at 85.9% higher than last year as borrowers take advantage of refinancing opportunities. New loan production has also increased by 40.1% compared to the prior year due to favorable rates, for a total of over half a billion dollars of new loan production for FY2021. Current year bond fundings to-date are 22.6% higher than in the prior year, and TBA fundings increased 56.4% over prior year. MFA will continue to reserve loans for an anticipated Series 2021D Bonds targeted for issue in December, which has been approved for up to $150 million. MFA continues to make funding decisions on a case by case basis, given current market conditions (Bonds vs. TBA). The combined cost of issuance for the 2020B, 2021A and 2021C Series (new money), and 2021B Series (refunding), was approximately $2.1 million and was funded by bond proceeds.

● Due to an increase in loan production, large bond spreads, high TBA profitabiltiy, and additional Administrative Fee revenue from increased Federal and other one-time funds (mostly pandemic relief); the Return on Average earnings assets has increased from prior year, from 1.24% to 1.65% as of August.

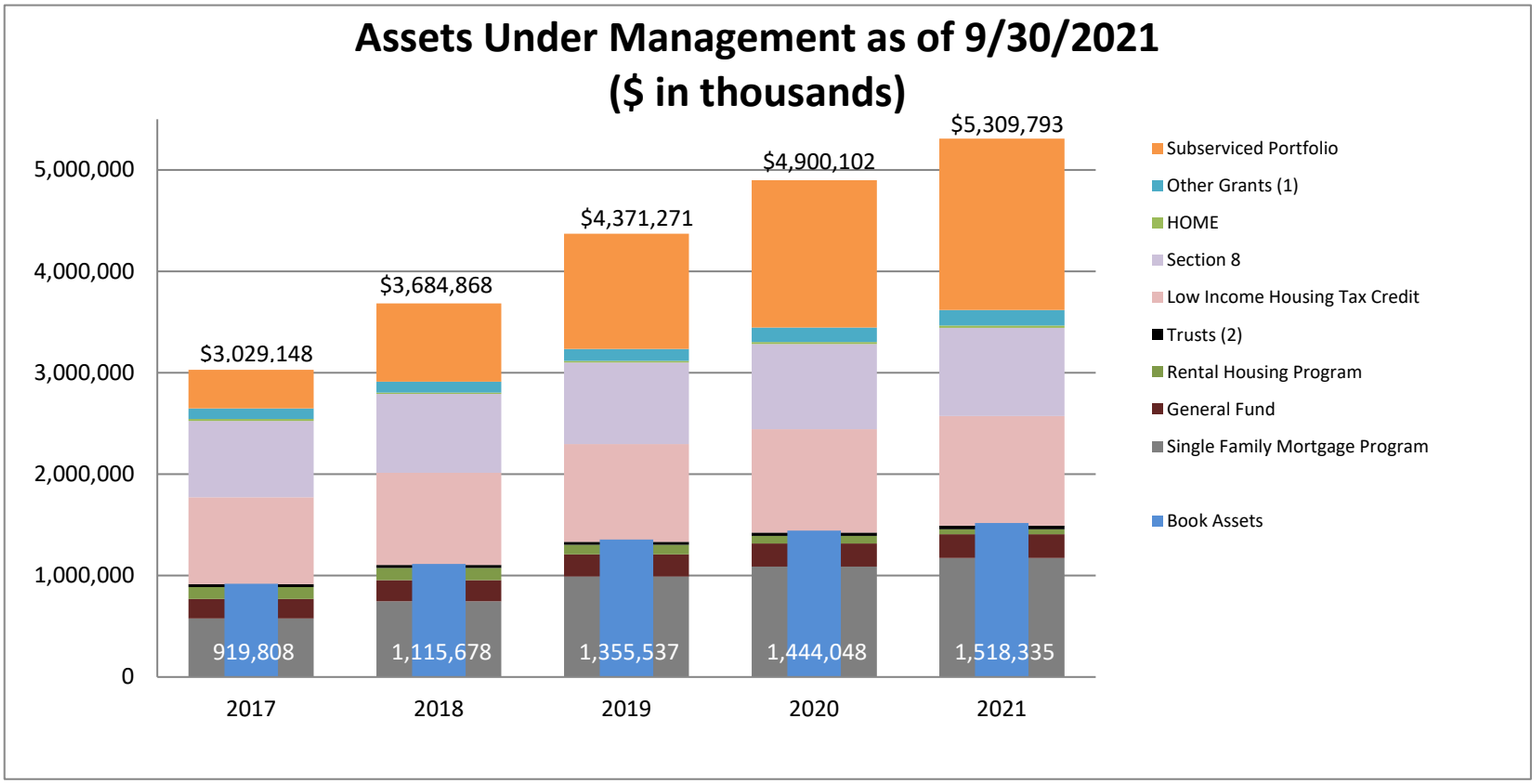
● The Federal interest rate policy as a result of the health crisis has driven investment interest margins down in comparison to last year at this same time; but volatility in market conditions continues to subside during 2021. The State Investment Council (SIC) General Fund portfolio valuation increased $128K in July. While these movements are non-operating, they do impact General Fund revenues, combined net revenues and Return on Average Earning Assets. Please note that the SIC reporting is one month in arrears due to the reporting time frames.

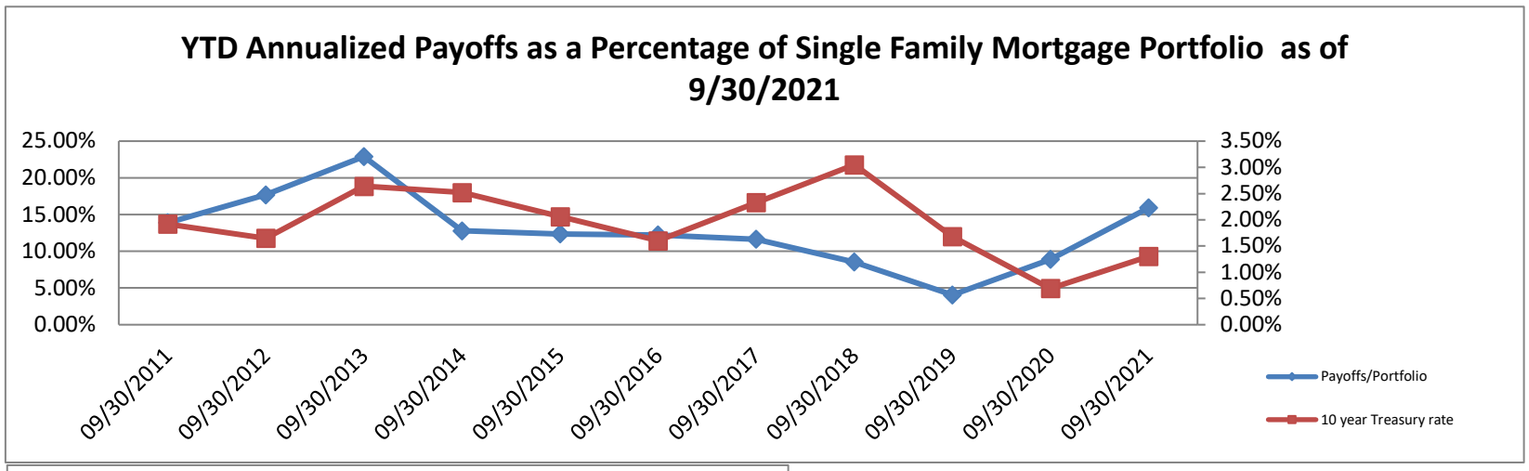
● MFA's Director of Servicing and Staff continue to provide full-time monitoring of the sub-serviced loan portfolio activity through comprehensive reporting and analysis. Throughout the recent pandemic, staff has been actively engaged with the subservicer to identify additional delinquency reduction strategies. Of the 12.58% Sub-serviced Portfolio delinquency rate, 8.28% represents loans in forbearance. As of August 31, 13.6% of MFA loans on forbearance plans are current. The subserviced portfolio is approximately 85% FHA insured loans. The Mortgage Bankers Association quarterly survey as of June 30, 2021 indicates that the delinquency rate for FHA loans nationally is 12.77% and for New Mexico 10.57%. FHA Single Family Loan Performance Trends for July 2021 show 15.37% delinquency (for purchase loans only) down from 18.66% in July 2020; reflecting a slowing of the impact of pandemic related forebearance agreements, which are now set to end in September 1, 2021.

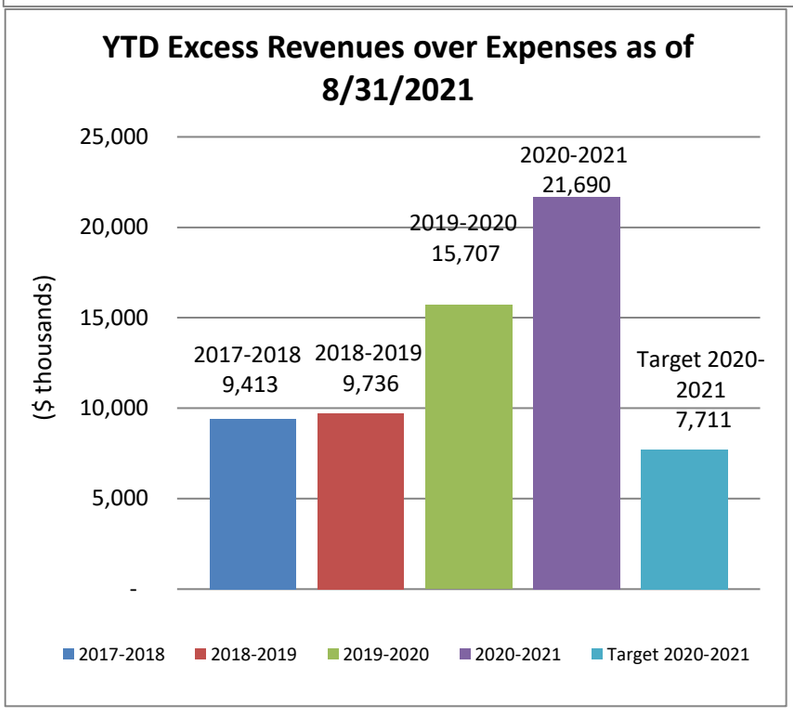
● The fair market value for purchased servicing rights as of June 2021 is $20.1 million, an increase of about $3.5 million over cost. GASB requires MFA to record the value of servicing rights at the 'lower of cost or market'. Decreases in FMV related to the pandemic have been recovered. Current recorded cost of the asset is $16.6 million. Valuations are obtained on a quarterly basis.

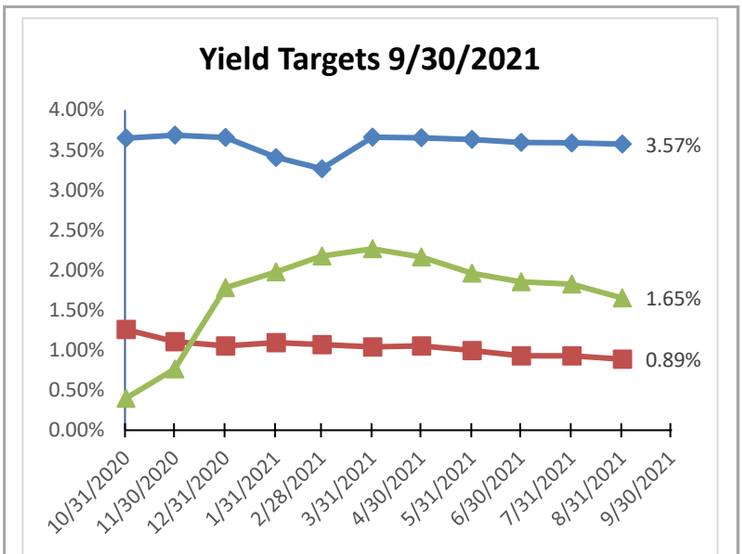
● Based on Moody's issuer credit rating scorecard, MFA's 28.27% net asset to debt ratio (5-year average), which measures balance sheet strength, indicates a strong and growing level of resources for maintaining HFA's creditworthiness under stressful circumstances (> 20 percent). The net revenue as a percent of total revenue measures performance and profitability; MFA's 13.24% ratio (5-year average) points to high profitability with favorable trends (10-15 percent range).

● Moody's Investor Services completed an updated credit opinion on MFA's Issuer Rating in June 2020. They reaffirmed the Aa3/stable rating. Comments included high asset to debt ratio, good profitability and low risk profile due to mortgage-backed security structure, multifamily Risk Sharing Program and no exposure to variable rate debt. Additionally, Moody's reaffirmed the Aaa/stable rating on the single family indenture in April 2021, noting a growing asset to debt ratio and stablizing profitability.









	2020	Target 2021
Loans Effective yield	3.96%	3.50%
Cash & Investments Effective yield	2.03%	2.00%
Rate of Return on Average Earning Assets	1.30%	0.57%

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

NEW MEXICO MORTGAGE FINANCE AUTHORITY
COMBINED STATEMENT OF NET POSITION
AUGUST 2021
(THOUSANDS OF DOLLARS)

	YTD 08/31/21	YTD 8/31/20
ASSETS:		
CURRENT ASSETS:		
CASH & CASH EQUIVALENTS	$29,255	$27,553
RESTRICTED CASH HELD IN ESCROW	9,190	9,361
SHORT-TERM INVESTMENTS	(25)	3,026
ACCRUED INTEREST RECEIVABLE	4,032	4,535
OTHER CURRENT ASSETS	6,880	3,437
ADMINISTRATIVE FEES RECEIVABLE (PAYABLE)	-	-
INTER-FUND RECEIVABLE (PAYABLE)	0	-
TOTAL CURRENT ASSETS	49,332	47,911
CASH - RESTRICTED	146,173	61,941
LONG-TERM & RESTRICTED INVESTMENTS	70,582	71,534
INVESTMENTS IN RESERVE FUNDS	-	-
FNMA, GNMA, & FHLMC SECURITIZED MTG. LOANS	1,025,950	1,048,453
MORTGAGE LOANS RECEIVABLE	214,244	224,148
ALLOWANCE FOR LOAN LOSSES	(8,136)	(5,807)
NOTES RECEIVABLE	-	-
FIXED ASSETS, NET OF ACCUM. DEPN	1,931	1,184
OTHER REAL ESTATE OWNED, NET	942	1,235
OTHER NON-CURRENT ASSETS	-	-
INTANGIBLE ASSETS	17,105	13,883
TOTAL ASSETS	1,518,123	1,464,482
DEFERRED OUTFLOWS OF RESOURCES		
REFUNDINGS OF DEBT	212	295
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	1,518,335	1,464,777
LIABILITIES AND NET POSITION:		
LIABILITIES:		
CURRENT LIABILITIES:		
ACCRUED INTEREST PAYABLE	$8,018	$9,477
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	14,337	8,857
ESCROW DEPOSITS & RESERVES	9,002	9,207
TOTAL CURRENT LIABILITIES	31,357	27,541
BONDS PAYABLE, NET OF UNAMORTIZED DISCOUNT	1,179,422	1,143,412
MORTGAGE & NOTES PAYABLE	22,441	32,509
ACCRUED ARBITRAGE REBATE	-	-
OTHER LIABILITIES	138	153
TOTAL LIABILITIES	1,233,358	1,203,616
NET POSITION:		
NET INVESTED IN CAPITAL ASSETS	1,931	1,184
UNAPPROPRIATED NET POSITION (NOTE 1)	68,739	67,241
APPROPRIATED NET POSITION (NOTE 1)	214,307	192,736
TOTAL NET POSITION	284,977	261,161
TOTAL LIABILITIES & NET POSITION	1,518,335	1,464,777

NEW MEXICO MORTGAGE FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE ELEVEN MONTHS ENDED AUGUST 2021
(THOUSANDS OF DOLLARS)

	YTD 08/31/21	YTD 8/31/20
OPERATING REVENUES:		
INTEREST ON LOANS	$40,488	$45,070
INTEREST ON INVESTMENTS & SECURITIES	1,536	2,994
LOAN & COMMITMENT FEES	1,853	2,299
ADMINISTRATIVE FEE INCOME (EXP)	16,286	9,351
RTC, RISK SHARING & GUARANTY INCOME	107	63
HOUSING PROGRAM INCOME	1,243	1,286
LOAN SERVICING INCOME	7,234	5,385
OTHER OPERATING INCOME	-	-
SUBTOTAL OPERATING REVENUES	68,747	66,448
NON-OPERATING REVENUES:		
ARBITRAGE REBATE INCOME (EXPENSE)	-	-
GAIN(LOSS) ASSET SALES/DEBT EXTINGUISHMENT	4,817	1,320
OTHER NON-OPERATING INCOME	11	(447)
GRANT AWARD INCOME	84,104	45,054
SUBTOTAL NON-OPERATING REVENUES	88,932	45,928
TOTAL REVENUES	157,679	112,376
OPERATING EXPENSES:		
ADMINISTRATIVE EXPENSES	17,562	13,895
INTEREST EXPENSE	33,971	36,927
AMORTIZATION OF BOND/NOTE PREMIUM(DISCOUNT)	(2,698)	(2,371)
PROVISION FOR LOAN LOSSES	(90)	314
MORTGAGE LOAN & BOND INSURANCE	-	-
TRUSTEE FEES	124	132
AMORT. OF SERV. RIGHTS & DEPRECIATION	2,639	1,453
BOND COST OF ISSUANCE	2,139	1,625
SUBTOTAL OPERATING EXPENSES	53,647	51,974
NON-OPERATING EXPENSES:		
CAPACITY BUILDING COSTS	445	552
GRANT AWARD EXPENSE	81,655	43,971
OTHER NON-OPERATING EXPENSE	243	171
SUBTOTAL NON-OPERATING EXPENSES	82,342	44,694
TOTAL EXPENSES	135,989	96,669
NET REVENUES	21,690	15,707
OTHER FINANCING SOURCES (USES)	0	0
NET REVENUES AND OTHER FINANCING SOURCES(USES)	21,690	15,707
NET POSITION AT BEGINNING OF YEAR	263,288	245,454
NET POSITION AT 08/31/21	284,977	261,161

NOTES TO FINANCIAL STATEMENTS
(For Informational Purposes Only)
(in Thousands of Dollars)

(Note 1) MFA Net Position as of August 31, 2021:

UNAPPROPRIATED NET POSITION:

$	32,332	is held by Bond Program Trustees and is pledged to secure repayment of the Bonds.
$	35,542	is held in Trust for the NM Housing Trust Fund and the NM Land Title Trust Fund.
$	865	is held for New Mexico Affordable Housing Charitable Trust.
$	**68,739**	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:

$	116,629	for use in the Housing Opportunity Fund ($107,464 in loans plus $9,165 unfunded, of which $5,178 is committed).
$	60,917	for future use in Single Family & Multi-Family housing programs.
$	1,193	for loss exposure on Risk Sharing loans.
$	1,931	invested in capital assets, net of related debt.
$	17,084	invested in mortgage servicing rights.
$	1,211	for the future General Fund Budget year ending 9/30/21 ($27,232 total budget less $26,021 expended budget through 08/31/21.)
$	198,965	Subtotal - General Fund

APPROPRIATED NET POSITION: HOUSING

$	17,273	for use in the federal and state housing programs administered by MFA.
$	17,273	Subtotal - Housing Program
$	**216,238**	Total Appropriated Net Position
$	**284,977**	Total Combined Net Position at August 31, 2021

Total combined Net Position, or reserves, at August 31, 2021 was $285.0 million, of which $68.8 million was pledged to the bond programs, Affordable Housing Charitable Trust and fiduciary trusts. $216.2 million of available reserves, with $79.9 million primarily liquid in the General Fund and in the federal and state Housing programs and $136.3 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 2020-2021 Budget
For the eleven months ended 8/31/2021

	One Month Actual	Year to Date Actuals	Year to Date ProRata Budget	Annual Budget	YTD Budget Under/(Over)	Annual Budget Under/(Over)	Expended Annual Budget %
Revenue							
Interest Income	586,265	6,254,371	6,957,654	7,590,168	703,283	1,335,797	82.40%
Interest on Investments & Securities	84,815	1,124,310	1,356,775	1,480,118	232,465	355,808	75.96%
Loan & Commitment Fees	23,679	189,114	9,167	10,000	(179,947)	(179,114)	1891.14%
Administrative Fee Income (Exp)	1,018,592	19,841,765	12,660,199	13,805,002	(7,181,567)	(6,036,763)	143.73%
Risk Sharing/Guaranty/RTC fees	614	100,416	78,062	85,158	(22,354)	(15,257)	117.92%
Housing Program Income	16,135	1,243,450	1,100,180	1,104,920	(143,270)	(138,530)	112.54%
Loan Servicing Income	688,926	7,233,632	6,457,879	7,044,959	(775,752)	(188,672)	102.68%
Other Operating Income		-	250	500	250	500	0.00%
Operating Revenues	2,419,026	35,987,059	28,620,166	31,120,826	(7,366,893)	(4,866,232)	115.64%
Gain (Loss) Asset Sale/Debt Ex	170,588	4,715,564	(422,125)	(460,500)	(5,137,689)	(5,176,064)	-1024.01%
Other Non-operating Income	10	50	147	160	97	110	31.25%
Non-Operating Revenues	170,598	4,715,614	(421,978)	(460,340)	(5,137,592)	(5,175,954)	-1024.38%
Revenue	2,589,623	40,702,672	28,198,187	30,660,486	(12,504,485)	(10,042,186)	132.75%
Salaries	485,438	5,368,786	5,914,745	6,436,024	545,959	1,067,238	83.42%
Overtime	2,788	31,261	36,089	39,048	4,828	7,786	80.06%
Incentives	3,072	429,598	499,732	543,798	70,134	114,201	79.00%
Payroll taxes, Employee Benefits	215,297	2,420,534	2,913,526	3,182,619	492,992	762,085	76.05%
Compensation	706,595	8,250,180	9,364,092	10,201,489	1,113,912	1,951,310	80.87%
Business Meals Expense	(86)	420	4,913	5,360	4,493	4,940	7.84%
Public Information	4,683	276,343	340,331	362,906	63,988	86,563	76.15%
In-State Travel	2,090	5,036	112,647	122,888	107,611	117,852	4.10%
Out-of-State Travel	3,831	4,878	180,306	196,698	175,429	191,820	2.48%
Travel & Public Information	10,517	286,677	638,199	687,852	351,521	401,175	41.68%
Utilities/Property Taxes	8,169	72,232	67,997	74,178	(4,235)	1,946	97.38%
Leasehold Expense		-			-	-	
Insurance, Property & Liability	60,657	200,312	160,150	174,709	(40,162)	(25,603)	114.65%
Repairs, Maintenance & Leases	99,464	1,084,425	933,695	1,013,348	(150,729)	(71,076)	107.01%
Supplies	4,345	23,568	30,793	33,592	7,225	10,024	70.16%
Postage/Express mail	3,183	51,460	33,755	36,823	(17,705)	(14,636)	139.75%
Telephone	568	5,828	18,976	20,701	13,149	14,874	28.15%
Janitorial	2,745	39,920	36,933	40,291	(2,987)	371	99.08%
Office Expenses	179,131	1,477,744	1,282,299	1,393,643	(195,445)	(84,101)	106.03%
Dues & Periodicals	1,060	37,254	54,016	58,926	16,762	21,672	63.22%
Education & Training	14,935	63,293	120,432	131,380	57,139	68,087	48.18%
Contractual Services	78,981	889,042	1,445,495	1,575,332	556,453	686,290	56.44%
Professional Services-Program	500	64,648	104,815	114,344	40,168	49,696	56.54%
Direct Servicing Expenses	512,388	5,908,842	4,496,163	4,904,905	(1,412,679)	(1,003,937)	120.47%
Program Expense-Other	-	23,426	21,409	23,355	(2,017)	(71)	100.30%
Rebate Analysis Fees			-	-	-	-	

GENERAL FUND
Fiscal Year 2020-2021 Budget
For the eleven months ended 8/31/2021

	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 %
Other Operating Expense	607,863	6,986,504	6,242,329	6,808,242	(744,175)	(178,262)	102.62%
Interest Expense	7,394	243,021	324,325	353,809	81,304	110,788	68.69%
Non-Cash Expenses	347,734	2,545,275	1,950,333	2,127,636	(594,942)	(417,639)	119.63%
Expensed Assets	16,062	266,710	246,271	262,187	(20,439)	(4,523)	101.73%
Operating Expenses	1,875,298	20,056,112	20,047,848	21,834,859	(8,264)	1,778,747	91.85%
Program Training & Tech Asst	-	15,447	137,408	149,900	121,961	134,453	10.31%
Program Development	714	429,080	432,101	471,383	3,021	42,303	91.03%
Capacity Building Costs	714	444,527	569,509	621,283	124,982	176,756	71.55%
Non-Operating Expenses	714	444,527	569,509	621,283	124,982	176,756	71.55%
Expenses	1,876,012	20,500,639	20,617,357	22,456,142	116,718	1,955,503	91.29%
Excess Revenue over Expenses	713,611	20,202,033	7,580,830	8,204,345	(12,621,203)	(11,997,688)	246.24%

GENERAL FUND CAPITAL BUDGET
Fiscal Year 2020-2021 Budget
For the eleven months ended 8/31/2021

	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	488,676	4,676,021	3,524,354	3,844,750	(1,151,667)	(831,271)	121.62%
2950 COMPUTER HARDWARE	-	52,932	110,917	121,000	57,985	68,068	43.75%
2960 SOFTWARE LICENSES	-	-	-	-	-	-	
2920 FURNITURE & EQUIPMENT-10 YR	-	-	161,714	161,714	161,714	161,714	0.00%
2930 FURNITURE & EQUIP, 5 YR.	-	-	-	-	-	-	
2860 BUILDING	-	790,773	648,077	648,077	(142,696)	(142,696)	122.02%
Capital Budget	488,676	5,519,727	4,445,062	4,775,541	(1,074,665)	(744,186)	115.58%

MINUTES OF THE REGULAR MEETING OF THE BOARD OF COMMISSIONERS OF THE NORTHERN REGIONAL HOUSING AUTHORITY
HELD: July 30, 2021
10:00 AM

The Regular Meeting of the Board of Commissioners of the Northern Regional Housing Authority was held on July 30, 2021, via telephone and Zoom due to the COVID-19 stay at home order.

The Meeting was called to order at 10:19am by Vice-Chairman Steven Brugger

Members Present were:

Chairwoman	Rayetta Trujillo-Having Internet trouble asked Vice Chair to Run Meeting
Commissioner	Rev. Garland Moore Arrived Late
Secretary	Donna Vigil
Commissioner	Lauren Reichelt
Vice-Chairman	Steven Brugger
Executive Director	Terry Baca

Absent members were:

Treasurer	Nichole R. Sandoval-Belt
Commissioner	Joleen Slowen

Also present in the meeting were:

Deputy Director – Natasha Martinez
Las Vegas Site Manager – Barbara Padilla
Raton Site Manager/Taos Site Manager – Coleen Sanchez-Garcia
HUD Portfolio Management Specialist - Adrian Lopez
Mary Ann Chavez, El Camino Real

Approval of the Agenda

The agenda for today's meeting was given to the Board for review and approval. Chairwoman Trujillo made a motion to approve the agenda as presented. Commissioner Reichelt and Secretary Vigil seconded the motion. Vice-Chairman Brugger asked for all in favor. All replied "Aye".

Vice-Chairman Brugger advised motion carried.

Approval of Minutes

a. **June 29, 2021 Regular Meeting**

The Minutes of the Regular Board Meeting held on June 29, 2021, were given to the Board for review and approval. Chairwoman Trujillo made a motion to approve the minutes of the Regular Board Meeting held June 29, 2021. Commissioner Vigil seconded the motion. Roll call was taken and reflected the following:

Chairwoman Trujillo	Yes
Commissioner Reichelt	Yes
Secretary Vigil	Yes
Vice-Chairman Brugger	Yes
Treasurer Sandoval-Belt	Absent
Commissioner Slowen	Absent
Commissioner Moore	Not Yet Present

Vice-Chairman Brugger advised motion carried.

b. July 14, 2021 Special Meeting

The Minutes of the Special Board Meeting held July 14, 2021, were given to the Board for review and approval. Chairwoman Trujillo made a motion to approve the minutes of the Special Board meeting held on July 14, 2021. Vice-Chairman Brugger seconded the motion. Roll call was taken and reflected the following:

Chairwoman Trujillo	Yes
Commissioner Reichelt	Yes
Secretary Vigil	Yes
Vice-Chairman Brugger	Yes
Commissioner Slowen	Absent
Commissioner Moore	Not Yet Present
Treasurer Sandoval-Belt	Absent

Vice-Chairman Brugger advised motion carried

Report of Executive Director, Terry Baca

- ED Baca informed the commission that the audit did get submitted to REAC last week. It is under review on the HUD website.
- ED Baca and DD Martinez met with the architect last Friday in Las Vegas for the 10-unit remodel project. The architect is about 95% done with the drawings for the project.
- They sent staff from Las Vegas and Raton to Taos to work on the storage garage in Taos. He stated they disposed of 3 or 4 trailer loads of trash from the shop. The staff organized the shop very nicely. It was a good team building experience.
- ED Baca stated Wagon Mounds audit was also submitted to REAC.
- ED Baca stated they are dealing with the day-to-day operations, and he fills everything is going well and very positive.

Report of the Deputy Director, Natasha Martinez

a. **NRHA Finance Report**

DD Martinez went over the financial reports for all sites with the Board.

- DD Martinez discussed the moratorium on evictions for non-payment, which expires soon. She stated they will be reaching out to tenants advising them there are programs that assist with rents.
- DD Martinez discussed the bathroom projects in Grants that are currently underway.
- She discussed a plan to have maintenance from Las Vegas go to Grants to assist on a unit turnaround, since there is currently not a maintenance person on staff.
- DD Martinez stated they have advertised for a maintenance person in Las Vegas and in Grants.
- DD Martinez stated there is a project in Penasco that she will be doing a walk through for.
- She stated that she will be advertising for an intern in Las Vegas to help with accounting and a landscaper.

b. **NRHA Occupancy Report**

DD Martinez stated that the Site Managers will be presenting the Occupancy Report

Report of the Taos/Raton Site Manager, Coleen Sanchez-Garcia

- Site Manager Sanchez-Garcia reported on the vacancies, stating today in Taos they have 2 (1) bedrooms, one will be rented today. They have 4 (3) bedrooms, one of which will be rented next week.
- In Questa they have 2 (3) bedrooms, and 1 (1) bedroom.
- In Penasco, there is 1 (3) bedroom.
- In Cimarron they have 1 (1) bedroom that should be an easy turn.
- In Raton they have 1 (1) bedroom, 1 (3) bedroom and 1 (2) bedroom that will be rented today.
- In Maxwell they have one vacant unit and have not had any applications for that unit.
- SM Sanchez-Garcia stated in Raton, they have completed 134 annual inspections. They are working on the inspections in Taos.
- They have 5 maintenance crew in Taos, one of which is working on grounds, which is helping a lot.
- All re-exams are caught up in all areas.

Report of the Las Vegas Site Manager, Barbara Padilla

- Site Manager Barbara Padilla stated that DD Martinez covered a lot of what she was going to discuss.
- In Las Vegas, for the month of July, there were 4 families that moved out and 2 families moved in.
- There are currently 2 vacant units in Las Vegas that maintenance is working on and will have ready for occupancy today.
- Maintenance is working on yard maintenance as well as work orders.
- The Housing Managers completed 19 recertifications in the month of July. They did 17 annual inspections in July.
- SM Padilla state that the waiting list in Las Vegas is starting to go up a little bit. They now have 41 families on the waiting list. They are as follows:

0-1bdr – 31 applicants
2 bdr– 4 applicants

3 bdr – 2 applicants
4 bdr – 3 applicants
5 bdr – 1 applicant

- Site Manager Padilla stated as DD Martinez stated, they have advertised for a maintenance position in Las Vegas and in Grants.
- SM Padilla stated that the family in Grants which had been displaced due to possible mold issues in their unit, had returned to their home.
- They will be sending maintenance staff to Grants to turn around a unit. There is already a family approved and ready to move-into this unit.
- SM Padilla reported that Ashley from Grants has been without a maintenance person, so she has been contacting Frank Lucero, Maintenance Supervisor, from Las Vegas, to assist her in troubleshooting some issues that have arisen.
- For Wagon Mound, there is a family that will be moving into a unit there. Rita Sanchez, Housing Manager Specialist from Las Vegas, will be doing this move-in.
- SM Padilla stated they will be working with tenants on any delinquent accounts, and they have been advising them to seek assistance with different programs offering financial assistance.

Report Section 8 Contractor: Mary Ann Chavez, El Camino Real Housing Authority

- Mary Ann Chavez reported for Section 8, they had 48 re-examinations, which were all completed, as well as 48 annual inspections.
- On 50058 submissions, they have 375 VMS units, 7 port outs.
- Their reporting rate was 97.1.
- The waiting list in Cibola County for the month of June was 25. The waiting list in Taos for June was 37.
- They have 15 slots of VASH vouchers with 7 families housed, and 8 vouchers available.
- Mary Ann Chavez reported the delinquency report is 97.91.
- They have new emergency housing vouchers which were giving to them as part of the American Rescue Plan. They target homeless, at risk of homelessness, fleeing or attempting to flee domestic violence, dating violence, sexual assault, stalking, or human trafficking. These emergency vouchers do require partnerships and they are going to be partnering with the Continuum of Care through the New Mexico Homeless Coalition. The El Camino Real Housing Authority has 3 programs of Continuum of Care. Mary Ann Chavez created a memorandum of Understanding, which is included in the Commissioners packets.
- Mary Ann Chavez gave a report on the voucher management system. It supports management needs of the Housing Choice Voucher, management functions performed by the financial management Center, the FMC and the financial management division of the office of Public and Indian Housing.

Ms. Chavez is asking the Commission for approval of the Memorandum of Understanding.

Discussion, Consideration, and Action Memorandum of Understanding Between Northern Regional Housing Authority and New Mexico Coalition to End Homelessness.

Vice-Chairman Brugger asked how long the emergency vouchers last. Ms. Chavez stated they last for 3 years. He also asked what NRHA would get from this. Ms. Chavez stated she does not have the figures, but they did get 41 vouchers. She stated she did not have the numbers because they do not

yet have the memorandum of understanding in place. ED Baca stated the Management fees come to the HA through the vouchers.

Commissioner Reichelt made a motion to approve the Memorandum of Understanding Between Northern Regional Housing Authority and New Mexico Coalition to End Homelessness. Secretary Vigil seconded the motion. Roll call was taken and reflected the following:

Chairwoman Trujillo	Yes
Commissioner Moore	Yes
Secretary Vigil	Yes
Commissioner Reichelt	Yes
Vice-Chairman Brugger	Yes
Commissioner Slowen	Absent
Treasurer Sandoval-Belt	Absent

Vice-Chairman Brugger advised motion carried.

Report of the Executive Committees
None

Reports of Committees
None

Unfinished Business
None

Old Business
None

New Business

a. **Resolution 2021-122 Discussion, Consideration, and Action** Northern Regional Housing Authority 2020-2021 Operating Budget Revision.

Deputy Director, Natasha Martinez shared her screen and discussed the 2020-2021 Operating Budget. She explained they did not have AMP 1 and AMP 2 in Northern's budget initially. She stated the budget that was initially put for AMP 3 was completely overstated on the Revenue's and Expenditures, so they had to amend those. These had to be revised by July.

Chairwoman Trujillo made a motion to approve Northern Regional Housing Authority 2020-2021 Operating Budget Revision. Vice-Chairman Brugger seconded the motion. Roll call was taken and reflected the following:

Chairwoman Trujillo	Yes
Commissioner Moore	Yes
Secretary Vigil	Yes
Commissioner Reichelt	Yes
Vice-Chairman Brugger	Yes
Commissioner Slowen	Absent

Treasurer Sandoval-Belt	Absent

Vice-Chairman Brugger advised motion carried

b. Discussion, Consideration Transfer of Columbian School Building to Northern Regional Housing Authority from Raton Public Schools.

ED Baca stated he was contacted by the Raton Public Schools. They have been trying to get rid of the school for years now. ED Baca and DD Martinez did a walk through of this property. The property is very old but has been abated. ED Baca stated the reason this came up is that they are willing to give NRHA the building, and they hope in the future they will be able to do something with it.

DD Martinez stated they are following all state statutes and regulatory confinements they are having to do. Currently, it is not an action item, but a discussion item. She stated the school building would be added to the ACC as a community center, not residential. There would be room for development and different avenues they can take.

Discussion ensued about possible uses for the building.

ED Baca stated he will bring this item back to the commission for approval at a later date,

c. Discussion, Consideration and Action Northern Regional Housing Authority Contract revision with Urlaub Accounting.

ED Baca stated they currently have a contract with Urlaub Accounting. They are NRHA's fee accountant. He stated they are continuing to use them through June 2021. In order for them to finish up some work, they need to do a contract revision with them because they are doing additional work to include the additional Housing Authorities.

Chairwoman Trujillo made a motion to approve Northern Regional Housing Authority Contract revision with Urlaub Accounting. Secretary Vigil seconded the motion. Roll call was taken and reflected the following:

Commissioner Moore	Yes
Commissioner Reichelt	Yes
Secretary Vigil	Yes
Chairwoman Trujillo	Yes
Vice-Chairman Brugger	Yes
Treasurer Sandoval-Belt	Absent
Commissioner Slowen	Absent

Vice-Chairman Brugger advised motion carried.

d. Resolution 2021-123 Discussion, Consideration, and Action Northern Regional Housing Authority Procedure for inspection of Public Records and Fees.

ED Baca stated he received an email from a group out of Santa Fe that is requesting some outrageous requests for tenants going back to 2015. Along with NRHA, other HA's in the state have received the

same request. With the request, it is major undertaking. They currently have no policy in place for charging fees, so they could have $10,000 in expense and not have a way to recoup it. The policy they are looking at follows the state statutes on inspection of records.

DD Martinez stated both the attorneys are responding to the request with the response of what it would cost to do this. They are also requesting an extension, due to public records requests being due within 3 days. The request is very extensive. Record keeping for the state of New Mexico is 5 years, and the things they were asking for goes back 6 years. The cost for someone to compile and redact information is excessive.

Discussion ensued regarding possible costs associated with this request.

DD Martinez stated the attorneys are going to let them know the expected costs and if they choose to proceed with the request, we will go from there. DD Martinez stated any, and all correspondence on this request will be through NRHA's attorney.

The Commission asked who it is that is requesting the information. PMS Adrian Lopez from HUD stated the name of the organization is called "Searchlight of Santa Fe".

Vice-Chairman Brugger disclosed he serves as the Chair for Searchlight of Santa Fe.

Chairwoman Trujillo made a motion to approve Resolution 2021-123 Northern Regional Housing Authority Procedure for inspection of Public Records and Fees. Commissioner Moore seconded the motion. Roll call was taken and reflected the following:

Secretary Vigil	Yes
Commissioner Reichelt	Yes
Commissioner Moore	Yes
Chairwoman Trujillo	Yes
Vice-Chairman Brugger	Yes
Treasurer Sandoval-Belt	Absent
Commissioner Slowen	Absent

Vice-Chairman Brugger advised motion carried.

Executive Session

Commissioner Trujillo made a motion to enter into Executive Section pursuant to Article 15-Open Meetings Law Section 10-15-1 (H) to discuss personnel matters. Commissioner Reichelt seconded the motion. Vice-Chairman Brugger asked for all in favor, all replied "Aye".

Vice-Chairman Brugger advised motion carried.

Return to Open Session

Chairwoman Trujillo made a motion to return to Open Session stating only matters pertaining to Article 15-Open Meetings Law Section 10-15-1 (H), to discuss personnel matters, were discussed and no decisions were made. Secretary Vigil seconded the motion. Vice-Chairman Brugger asked for all in favor, all replied "Aye".

Vice-Chairman Brugger advised motion carried.

Adjournment

Chairwoman Trujillo made a motion to adjourn the meeting. Commissioner Moore seconded the motion. Vice-Chairman Brugger asked for all in favor. All replied "Aye".

Vice-Chairman Brugger advised the motion carried. Meeting was adjourned at 11:51pm.

Chairman

Secretary

MINUTES OF THE REGULAR MEETING OF THE BOARD OF COMMISSIONERS OF THE NORTHERN REGIONAL HOUSING AUTHORITY
HELD: August 26, 2021
9:00 AM

The Regular Meeting of the Board of Commissioners of the Northern Regional Housing Authority was held on August 26, 2021, via telephone and Zoom due to the COVID-19 stay at home order.

The Meeting was called to order at 9:03 am by Chairwoman Rayetta Trujillo

Members Present were:

Treasurer	Nichole R. Sandoval-Belt
Commissioner	Joleen Slowen
Commissioner	Rev. Garland Moore
Commissioner	Lauren Reichelt – Arrived at 9:27am
Chairwoman	Rayetta Trujillo
Executive Director	Terry Baca

Absent members were:

Vice-Chairman	Steven Brugger
Secretary	Donna Vigil

Also present in the meeting were:

Deputy Director – Natasha Martinez
Las Vegas Site Manager – Barbara Padilla
Raton Site Manager/Taos Site Manager – Coleen Sanchez-Garcia
HUD Portfolio Management Specialist - Adrian Lopez
Catherine Hummel, Executive Director Dreamtree Project
Jeff Curry, JL Gray Company
Jenn Lopez

Approval of the Agenda

The Agenda for today's meeting was given to the Board for review and approval. Commissioner Moore made a motion to approve the Agenda as presented. Treasure Sandoval-Belt seconded the motion. Chairwoman Trujillo asked for all in favor. All replied "Aye".

Chairwoman Trujillo advised motion carried.

Approval of Minutes

a. July 30, 2021 Regular Meeting

The Minutes of the Regular Board Meeting held on July 30, 2021, were given to the Board for review and approval. Treasure Sandoval-Belt made a motion to approve the minutes of the Regular Board Meeting held July 30, 2021. Commissioner Moore seconded the motion. Roll call was taken and reflected the following:

Treasurer Sandoval-Belt	Yes
Commissioner Slowen	Yes
Commissioner Moore	Yes
Chairwoman Trujillo	Yes
Commissioner Reichelt	**Not yet present
Secretary Vigil	Absent
Vice-Chairman Brugger	Absent

Chairwoman Trujillo advised motion carried.

Report of Executive Director, Terry Baca

- ED Baca stated there has been a big improvement on the grounds in Taos.
- ED Baca has ordered signage for Raton, Cimmaron, Maxwell and Las Vegas.
- ED Baca stated there will be Board appointments coming up.
- All the Property and Auto Insurance have been renewed and are now up to date.
- ED Baca discussed the roofing project, stating the progress is not well. He is in contact with the contractors.
- ED Baca stated he has received a lot of complaints about the weeds in Las Vegas. He stated that Las Vegas has had a lot of moisture lately, and they have also been sending the maintenance staff from Las Vegas to Grants to work on unit turnaround. He stated Las Vegas has hired a seasonal/part-time employee to concentrate on the weeds.
- ED Baca stated some of the Board members in Wagon Mound have not been reappointed for several years. They are having a hard time getting a quorum for the meetings. He will be speaking to the Mayor in Wagon Mound.

Chairwoman Trujillo asked if ED Baca can get them a list of the Commissioners. He stated he will.

- ED Baca stated he has not received too many complaints and that things are going rather smoothly.
- They have some good employees in Taos, but still need to find more.
- In Raton they have a maintenance person who is getting ready to retire, and they have had a few applicants for that position.

Chairwoman Trujillo commented that she saw one of the tenants out there cutting weeds and she was very happy to see him out there taking care of the property. ED Baca stated they have hired this person through section 3 to pick up trash and cut grass and weeds. Chairwoman Trujillo stated it looks very nice.

Report of the Deputy Director, Natasha Martinez

DD Martinez stated that they found out, with the post transfer requirements, that they are not going to be able to change the AMP's the way they wanted to, until one year, post transfers. In January 2022, everything will change how they wanted it.

a. **NRHA Finance Report**

- DD Martinez stated they are going to have to go back to the budget and separate it out by 7 AMP instead of 3 AMPS's they initially put.

- DD Martinez presented and discussed with the Board the Finance Report for all sites.

- DD Martinez discussed some post transfer requirements, which is a cooperation agreement that needs to be signed, regarding the transfer of the buildings and the land. She also discussed the assignment of the ACC

b. **NRHA Occupancy Report**
DD Martinez stated that the Site Managers will be presenting the Occupancy Report. She stated she has had Coleen and Barbara working hard on several things and she wanted to commend them and thank them for their hard work.

Treasurer Sandoval-Belt asked about title insurance on the properties. Discussion ensued and the Commission agreed that title insurance is needed. Chairwoman Trujillo asked ED Baca to get this on the agenda for the next meeting so they can approve it.

Report of the Taos/Raton Site Manager, Coleen Sanchez-Garcia

- Site Manager Sanchez-Garcia reported on the occupancies.
- In Taos, they have 2 (3) Bedrooms vacant, which should be ready by next month.
- In Raton they have a (4) bedroom, and 2 (2) bedroom, which are all ready.
- In Maxwell, they have 2 (1) bedrooms and a 4 bedroom, which will be moving in on the 30th.
- There was a move-out in Cimmaron, which was in bad shape. It is being worked on now.
- In Penasco they have contractors working on a (1) bedroom unit, which they have someone ready to move-in on the 30th.
- SM Sanchez-Garcia stated in everyone is doing really well and she's very happy with what everyone is doing.
- In Raton and Maxwell, since April of this year, they have completed 118 inspections.
- SM Sanchez-Garcia gave the Commission the numbers of all inspections done for all sites. She stated that all inspections will be completed by December 2021. She stated she and Irene are going in and doing those inspections together. They then create work orders to have the work completed.
- The maintenance staff is working very well. She stated they are getting a lot of positive feedback, the yards are looking good and tenants are very happy seeing all the progress.
- She has the staff in Taos and Raton working together, stating everything they do matches, so she can walk into either office and know exactly where to find everything. The staff are all helping each other out.
- SM Sanchez-Garcia stated she has also been working with Barbara in Las Vegas and they work well together to figure anything out that they need to.

Chairwoman Trujillo stated it is nice to know they are all working so well together.

Chairwoman Trujillo requested to move Catherine Hummel up on the Agenda, because Commissioner Reichelt will be leaving the meeting soon.

Catherine Hummel, Executive Director of Dreamtree Project, located in Taos, New Mexico, introduced herself to the Committee. She stated she wanted to introduce the concept of a partnership with NRHA and to discuss some of the partnerships that are already happening with NRHA, which she thinks are going very well so far.

Ms. Hummel stated Dreamtree Project has expanded out from some of its core youth housing and are basically a Special Needs Housing Lead Agency in the region. They currently have some housing units in Raton, Taos and Espanola. They have been able to partner with some other service providers. She explained that Dreamtree does all the vouchers and the service providers do other services. Ms. Hummel discussed other partnership where they have been able to provide move-in assistance through the CARES act.

Ms. Hummel stated to the commission that they want to lead a tax credit development, modeled on a successful project such as one that was done in Socorro, with help from Mary Ann Chavez and the El Camino Real Housing Authority, and Jeff Curry from JL Grey, whom she stated will discuss some development details. Dreamtree is the lead Non-Profit for this project. They would love to partner with NRHA to have some project-based vouchers attached. If they are doing supportive housing and coordinating services, they are going to need that operating support. She discussed having units in Taos, where people are having trouble utilizing those vouchers due to substandard housing.

Jeff Curry from JL Grey Company address the Commission stating they are a development and management company based in New Mexico. They manage about 150 properties around New Mexico, Texas, and Arizona. They specialize in affordable housing. Mr. Curry discussed other projects and developments they have been involved in.

Ms. Jenn Lopez thanked the Commission for allowing them to have this discussion on the meeting. She stated her job is to form the partnerships for the projects and spend time with the partners making sure they feel comfortable moving forward. Ms. Lopez briefly explained some of the steps that would take place in the event of a partnership. She stated there is so much federal funding available right now and she would love to see Taos take advantage of these funding opportunities.

Discussion ensued regarding a possible partnership with Dreamtree and NRHA. Mr. Curry stated they are ready and willing to answer any, and all questions from the Commission.

ED Baca stated he sat on the Finance Authority Board for MFA, and he did not vote on the project for Socorro, but it did sound like a good thing for the area. He also reiterated the fact that people cannot utilize some vouchers due to lack of housing. He stated he thinks it is a positive thing and hasn't heard anything negative about it.

Commissioner Reichelt stated she has worked very closely with Catherine and Dreamtree on what must be the most complicated and difficult grant to get off the ground. She stated they were such

great partners. She said Catherine has always been there to answer any question and deal with any crisis. She wishes they were doing this in Espanola, where they really need the housing.

Commissioner Slowen stated she appreciates the presentation and the potential collaboration. She asked what the potential negative impacts are that this could cause.

Jeff Curry stated he can respond from a development perspective. He stated there is always some risk being involved in a project, taking on more housing where you have to remain a client for a very long period of time. In essence this is a marriage of several parties that have to work together for a number of years. He discussed some funding sources and some compliances associated. He stated they are the management company, who has a very long history. He stated they have no black marks against them with HUD. They remain very involved with the units and management.

Ms. Jenn Lopez stated it is a little bit of time that it takes to run this process. She stated they are trying to help this by offering a consultant to help them expedite and understand the process.

ED Baca stated from a Housing Authority perspective, one of the negative things he can see it that it does tie up the vouchers.

Commissioner Reichelt stated she has to get off the meeting, but if there is a vote, they all know what her opinion is. ED Baca stated at this time it is a discussion or presentation item, not an action item.

DD Martinez and ED Baca discussed possibly having a special meeting for the Commission for a presentation to the Board.

Commissioner Slowen stated she looks forward to the presentation and thinks it is critical that they have all the information including the risks and benefits associated.

Chairwoman Trujillo thanked them all for their presentation.

Report of the Las Vegas Site Manager, Barbara Padilla

- Site Manager Barbara Padilla stated for Las Vegas in the month of August, they had 3 families move-out and two move-in. There are two units that will be ready for move-ins next week.
- Maintenance in Las Vegas has been working on 3 vacant units, with 5 projected move-outs that will be done next month. They have been working on the weeds and as ED Baca mentioned, they did hire an individual to focus on the weeds and yards.
- The Housing Managers completed 19 recertifications in the month of August, and by this afternoon will have completed 21 annual inspections for this month.
- SM Padilla stated in Las Vegas they have 47 families currently on the waiting list. They are as follows:

0-1bdr – 29 applicants
2 bdr– 6 applicants
3 bdr – 4 applicants
4 bdr – 6 applicants
5 bdr – 2 applicants

- Site Manager Padilla stated in Grants, they had a family move into a unit that had been vacant for some time. Staff from Las Vegas traveled to Grants to work on the unit. She stated they had 2 maintenance staff go up for three days and the following week another 2 Maintenance staff go for three days, and they were able to complete the unit in a total of 6 working days.
- SM Padilla stated they will be offering the maintenance position to an individual in Grants who interviewed very well and seems to have experience needed for the job.
- SM Padilla reported that she and Ashley, along with the new Maintenance personnel, will be doing annual inspections in Grants the second week of September.
- For Wagon Mound, they have received some applications and they have moved one family into a unit there.

Chairwoman Trujillo asked if they have families that are delinquent on the rent, who are getting any type of assistance to help them pay the rent.

SM Barbara Padilla stated they have offered the information to the families, letting them know there is assistance available. She stated they have had at least 3 families in Las Vegas that have received assistance.

Report Section 8 Contractor: Mary Ann Chavez, El Camino Real Housing Authority
Mary Ann Chavez was not present for the meeting. No report was given.

Report of the Executive Committees
None

Reports of Committees
None

Unfinished Business
None

Old Business
None

Executive Session
None

Adjournment

Commissioner Moore made a motion to adjourn the meeting. Treasurer Sandoval-Belt seconded the motion. Chairwoman Trujillo asked for all in favor. All replied "Aye".

Chairwoman Trujillo advised the motion carried. Meeting was adjourned.

_____ _____

Chairman Secretary

MINUTES OF THE SPECIAL MEETING OF THE BOARD OF COMMISSIONERS OF THE NORTHERN REGIONAL HOUSING AUTHORITY
HELD: September 17, 2021
11:00 AM

The Special Meeting of the Board of Commissioners of the Northern Regional Housing Authority was held on September 17, 2021 via telephone and Zoom due to the COVID-19 stay at home order.

The Meeting was called to order by Vice-Chairman Steven Brugger

Members Present were:

Treasurer	Nichole R. Sandoval-Belt
Secretary	Donna Vigil
Commissioner	Jolene Slowen
Commissioner	Rev. Garland Moore
Vice-Chairman	Steven Brugger
Chairwoman	Rayetta Trujillo arrived at 11:07am
Executive Director	Terry Baca

Absent members were:

Commissioner	Lauren Reichelt

Also present in the meeting were:

Deputy Director – Natasha Martinez
Las Vegas Site Manager – Barbara Padilla
Raton Site Manager/Taos Site Manager – Coleen Sanchez-Garcia
HUD Portfolio Management Specialist - Adrian Lopez
Mary Ann Chavez, El Camino Real Housing Authority
Jenn Lopez
Jeff Curry, JL Grey Company
Cathleen Van Vorhees

Commissioner Slowen made a motion to correct the Agenda, which was incorrectly dated September 27, 2021, instead of September 17, 2021 ED Baca stated he would correct the date. Commissioner Slowen made a motion to approve the agenda with said corrections, Commissioner Moore seconded the motion. Vice Chairman Brugger asked for all in favor, all stated "Aye".

Vice Chairman Brugger advised motion carried.

Old Business
None

New Business

a. **Catherine Hummel, Executive Director Dreamtree Project/Jennifer Lopez** Discussion Regarding Partnering with Northern Regional Housing Authority.

Ms. Jennifer Lopez introduced herself, stating she is a housing consultant based out of Colorado, but she does work in New Mexico. Her partner for this project is Jeff Curry from the JL Grey Company, who also introduced himself. He stated they are a development/management company.

Ms. Lopez stated they have been working with Dreamtree Project, but it is really being driven by the JL Grey Company. Ms. Lopez had a power point presentation, which she shared on screen with the Commission.

Ms. Lopez stated at the Board meeting last week, they did discuss a lot of what will be discussed today. She thanked the Commission for having a special meeting and stated they are on a very fine timeline, which is the end of January, that they hope to meet.

In the presentation, the needs for housing in Taos was discussed, as well as rules for the project and next steps. Ms. Lopez presented a slide on a needs assessment study which was done in 2020. The assessment explains what kinds of housing they need and for what income. It was determined the needs were greatest at 60% of the median family income in the community.

Ms. Lopez discussed the issues with finding affordable housing in Taos, as well as housing that passes Housing Quality Standards. She stated that the project they are pitching today, will meet some of those needs. She discussed the number of housing units needed according to the assessment needs report, which is about 700 units. With building new tax credit units, they would be able to attach some of the vouchers in Taos. Ms. Lopez went through slides explaining the challenges families face when searching for affordable housing.

Jeff Curry from JL Grey Company gave history of work his company has done and stated they have identified several properties in Taos where they can put approximately 50 units of affordable housing. Mr. Curry discussed tax credits and that communities are currently competing for developers to do tax credit projects. He stated these projects generate jobs and tax revenue. One of the reasons they are working with Dreamtree is because they were looking for a provider that would provide services. With the properties they manage they have found that when they have tenants who have services tied to their tenancy, they are the most stable, easiest to work with and happiest tenants that benefit most from housing.

Ms. Lopez stated the units they develop turn out to be nice properties because it is a private partnership with JL Grey on the ground is developing the ground and property managing, a third-party investor, who invests in the property and keeping a close eye on making sure it's a high-quality property that is very well managed. There are some tax credit properties already in Taos, but they have room for more and they would love to help get the next one off the ground.

Ms. Lopez stated that in New Mexico one of the things they do to help with the competition is have the projects have an operating subsidy attached. Ms. Lopez discussed the point system that makes you more likely to be funded.

Ms. Lopez stated they have worked with Mary Ann Chavez, who came to them in development support. She had vouchers she couldn't deploy and people in here community she couldn't serve because there was no match of high-quality units and operating subsidy. Ms. Lopez stated on of the things MFA will look at is if they have a competent development team. Speaking for JL Grey, she said they have a great track record with MFA.

Ms. Lopez stated they are working on getting a meeting with the town of Taos to see how long it would take to get the parcel of land they are considering entitled. Lots of pieces of a puzzle are coming together for them to be able to apply.

Chairwoman Trujillo stated a commissioner in Angel Fire has been talking about affordable housing in that community. She asked if they are looking at competing with them. Ms. Lopez stated she has not heard anything about Angel Fire, so she doesn't know if they are going in for tax credits or not.

Ms. Lopez discussed some processes that need to be done and said they have a consultant to help run the process for NRHA if they are interested in pursuing this opportunity.

Mary Ann Chavez spoke to the Commission about the struggles with having vouchers, and not having units to put the families in. Ms. Chavez stated this is the situation in Taos. They give them a voucher and it expires because there are just not enough quality units.

Vice-Chairman Brugger asked ED Baca if we need a consultant for the process. ED Baca said he would say yes. Ms. Chavez stated the team they have in Socorro, which is Jenn and Jeff, is a great team and they help them do everything. Vice-Chairman Brugger asked who the consultant is that they have in mind is. Ms. Lopez stated it is the same partner they used in Socorro, which is Katie Simon and Deb Grey, from Denver. She stated this is all they do, run these kinds of competitions. She stated if NRHA says yes today, they would call the coalition to end homelessness, and start connecting those dots and they would step back and wait for the RFP to hit and respond to it.

Vice-Chairman Brugger asked if there is a percentage of units that would be for homeless. Ms. Lopez said they are talking about 20%. Discussion ensued regarding developer fees and other logistics.

Ms. Lopez discussed risk rewards saying they risk minimal staff and Board time, because they are hoping to be able to provide consultants for the RFP process. There is reputational risk if they say they are going to do this project without being funded. She stated there is zero financial risk. They are not asking for guarantees or anything else, just the commitment of vouches and a community resource. The reward is to be able to help create the first tax credit with vouchers in Taos and being able to serve people in the community that are getting hit the hardest because of COVID in these economic times. ED Baca said they spoke to the collation about providing funding for the consultant.

Ms. Lopez discussed the 10-step process with the board in some detail.

It is a 20-year commitment, the property will stay affordable for 35 years. The HAP contract is only 20 years but can be renewed.

The first thing they would do is notify HUD that they have an intention of project basing. HUD would then then send a notice that they have the budget and authority to do so. They follow the admin plan, put together an RFP for vouchers saying they want to do a project in Taos County, providing the number of vouchers. It is a competitive process, they have to put it in the newspaper, notify it. They may have another project that responds or two, but the responses come in and the consultant reviews and scores the responses. Once a selection for an award is made, they have to publish it again. She stated this is primarily what the consultant does, is manage the notices and make sure they happen in the right sequence and places.

DD Martinez asked who the contact is for procuring the actual project. Ms. Lopez stated it is Katie Simon. She stated they are on standby, so she will let them know NRHA will be in contact with them. DD Martinez said it would be better if NRHA made contact rather than them because of outside influence.

Jeff Curry stated tax credit housing in high-cost areas is amazing because it provides stability to families. It is not typical affordable housing. People live there and they are proud to live there because they are designed to be class A properties. Mr. Curry discussed that their website (jlgrey.com) shows their other properties that the Commission can look at and see what they have done.

Vice-Chairman Brugger asked what the next step is. Ms. Lopez stated she will connect ED Baca with the consultant in Denver and if the Commission can discuss this potential decision and the next Commission meeting.

DD Martinez asked Ms. Lopez to send her the information on the type of consulting they do in case there are others. She wants to make sure they are not violating state statue when procuring services.

The presentation concluded with no further questions from the Board.

Vice-Chairman Brugger thanked the presenter for their presentation.

Adjournment

Treasurer Sandoval-Belt made a motion to adjourn the meeting. Commissioner Slowen seconded the motion. Chairwoman Trujillo asked for all in favor. All replied "Aye".

Chairwoman Trujillo advised the motion carried. Meeting was adjourned.

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Chairman Secretary