

State of New Mexico 2017 National Housing Trust Fund Allocation Plan

The National Housing Trust Fund (NHTF) was established under Title I of the Housing and Economic Recovery Act of 2008, Section 1131. In December 2014, the Federal Housing Finance Agency directed Fannie Mae and Freddie Mac to begin setting aside and allocating funds to the NHTF. On January 30, 2015, HUD published an interim rule (24 CFR Parts 91 and 93) providing guidelines for states to implement the NHTF. New Mexico's 2017 allocation is \$3 million. New Mexico Mortgage Finance Authority (MFA) will distribute these funds in accordance with 24 CFR Parts 91 and 93, as well as the following Allocation Plan.

For purposes of the Allocation Plan, MFA Mandatory Design Standards for Multifamily Housing (MFA Design Standards) will mean the MFA Design Standards in effect at the time application requesting NHTF funds is made.

1. Distribution of Funds

Up to 10 percent of MFA's allocation and of future program income will be used for eligible administrative and planning costs, in accordance with 24 CFR 93.202. MFA will distribute the remaining NHTF funds directly to recipients; no funds will be distributed to sub-grantees. Funds will be distributed in the form of loans and/or grants, in accordance with the guidelines set forth in this plan as well as any priority housing needs identified in the State's Consolidated Plan. The attached NHTF Notice of Funding Availability (NOFA) provides further detail on application requirements and selection criteria. Funds will be available statewide.

2. Eligibility Requirements

Eligible activities are the production, preservation and rehabilitation of rental housing projects containing units for households whose annual incomes do not exceed 30% of the Area Median Income (as determined by HUD) or the federal poverty line (hereinafter collectively defined as Extremely Low Income or "ELI" households). Projects may include permanent housing for the homeless, Single Room Occupancy (SRO) projects, senior projects and other special needs projects. Dormitories and transient housing (e.g. emergency shelters for homeless persons and families) are ineligible. NHTF funds may be used for new construction or rehabilitation of public housing units only as described in 24 CFR 93.203. Given the high need for rental housing among ELI families and individuals, MFA does not intend to fund any homebuyer activities at this time but will revisit the feasibility of funding homebuyer activities in the future.

Eligible costs are the following: development hard costs, refinancing costs, acquisition costs, related soft costs, operating cost assistance/reserves and relocation costs, as defined in 24 CFR 93.201.

Eligible recipients include nonprofit entities, for-profit entities, public housing agencies, and tribally designated housing entities. Participating recipients must be approved by MFA and have demonstrated experience and capacity to conduct eligible activities that meet the requirements of 24 CFR 93.2.

3. Application Requirements

Entities seeking NHTF dollars for eligible projects may submit applications for funding to MFA using the application posted on MFA's website.

Subject to fund availability, final funding decisions will be made by MFA's Board of Directors. MFA will hold an initial funding round for which applications must be received and date-stamped at MFA's office no later than 5 p.m. on October 16, 2017. All applications received by this deadline will be evaluated concurrently. If sufficient funds are not available to fund all applications that meet the requirements outlined in this NOFA, the application receiving the highest score will be recommended to the MFA Board of Directors for approval, followed by the next highest scoring application, etc., until the remaining funds are no longer sufficient to fulfill the next highest scoring application's requested loan amount.

If funds remain following the initial funding round, MFA will post an announcement on its website stating the amount of funds still available to be awarded. Thereafter, applications must be received no later than 60 days prior to a regularly scheduled meeting of the MFA Board of Directors in order to be considered at that meeting. Meetings of the MFA Board of Directors are generally held every third Wednesday of the month. All applications submitted by the deadline for a particular meeting of the MFA Board of Directors will be treated as one funding round and evaluated concurrently. If sufficient funds are not available to fund all projects in a funding round that meets the requirements outlined in this NOFA, the project receiving the highest score will be recommended to the Board for approval, followed by the next highest scoring project, etc. until the remaining funds are no longer sufficient to fulfill the next highest scoring project's requested loan amount.

At a minimum, applications will require information on the following:

- Applicant's development capacity and experience;
- Applicant's financial condition;
- Capacity and experience of all other members of the development team;
- Development cost budget;
- Proposed sources of financing;
- Unit mix and projected rents;
- Operating cost budget;
- Cash flow projection;
- Narrative description of the project;
- Architectural plans.

4. Selection Criteria

All projects must meet the following threshold criteria:

- NHTF-assisted units must provide permanent rental housing for ELI families;
- NHTF-assisted units must remain affordable to ELI families for at least 30 years;
- The applicant must certify that NHTF-assisted units will comply with all NHTF requirements;
- The project must be financially feasible;

- NHTF-assisted rehabilitation projects must comply with the rehabilitation standards found in Attachment A: National Housing Trust Fund Rehabilitation Standards; and
- The project must include at least four (4) rental units.

All projects that meet the threshold criteria will be evaluated according to the following criteria:

	Scoring Criteria	Points
	Geographic diversity <i>No other Low Income Housing Tax Credit, public housing, or federally-subsidized housing projects within:</i> <ul style="list-style-type: none"> • $\frac{1}{4}$ mile radius = 3 points • $\frac{1}{2}$ mile radius = 5 points 	3 or 5
	Duration of the affordability period beyond the required 30 years <i>Projects committed to an additional five or more years</i>	5
	Energy efficiency <i>Projects achieving a HERS rating lower than 75 for rehabilitation projects and 65 for new construction projects</i>	5
	Organization type <i>Developer/general partner is a New Mexico nonprofit organization, a Tribal Designated Housing Entity (TDHE), or a public housing authority</i>	5
	Absence of project-based rental assistance <i>Projects without project-based rental assistance or projects that have or will have project-based rental assistance covering less than or equal to 25% of the total units</i>	5
	Transit-oriented development <i>Projects within 1/2-mile radius of public transportation 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 submitted that establishes the alternative form of transportation is acceptable to MFA. A future promise to provide service does not satisfy this scoring criterion.</i>	10
	Rural location <i>Projects located in cities with populations of 50,000 or less (per latest U.S. Census)</i>	10
	Creation of new units serving ELI households, through new construction, adaptive reuse or conversion of market-rate units Examples: <ul style="list-style-type: none"> • New construction of 4 new units (minimum project size) consisting of 3 market rate units and 1 ELI unit = 1 point • Adaptive reuse of a hotel into 30 units consisting of 10 market rate units, 10 units at 50% AMI, and 10 ELI units = 10 points <i>Each new ELI unit = 1 points (Capped at 10 points)</i>	Up to 10
	Applicant's ability to obligate NHTF funds and undertake eligible activities in a timely manner <i>Projects that have</i> <ol style="list-style-type: none"> (1) evidence of site control = 5 points (2) evidence that the current zoning of the proposed site does not prohibit multifamily housing = 5 points 	Up to 20

	<p><i>(3) evidence of all other non-MFA funding sources</i></p> <p><i>a.) letters of interest from all other non-MFA funding = 5 points</i></p> <p><i>b.) commitment letters from all other non-MFA funding sources = 10 points</i></p>	
	<p>Use of state, local and private funding sources</p> <p><i>Projects that have funding sources outside of federal funding sources, low-income housing tax credits, bond financing, and MFA funding sources, as follows:</i></p> <p><i>10% of NHTF funds requested = 4 points</i></p> <p><i>20% of NHTF funds requested = 8 points</i></p> <p><i>30% of NHTF funds requested = 12 points</i></p> <p><i>40% of NHTF funds requested = 16 points</i></p> <p><i>50% of NHTF funds requested = 20 points</i></p>	Up to 20
	<p>Extent to which the project meets any of the following priority housing needs identified in the NM Consolidated Plan: housing for the elderly and frail elderly, housing for persons with severe mental illness, housing for persons with disabilities, housing for persons with alcohol or other addictions, housing for persons with HIV/AIDS, housing for victims of domestic violence, housing for individuals or households experiencing homelessness, as follows:</p> <p><i>10% of NHTF units targeted to any priority housing need = 4 points</i></p> <p><i>20% of NHTF units targeted to any priority housing need = 8 points</i></p> <p><i>30% of NHTF units targeted to any priority housing need = 12 points</i></p> <p><i>40% of NHTF units targeted to any priority housing need = 16 points</i></p> <p><i>50% of NHTF units targeted to any priority housing need = 20 points</i></p>	Up to 20
<p>Total Possible Points = 115</p> <p>Minimum Points Required = 40</p>		

5. Per-Unit Subsidy Limits

To allow maximum flexibility in the first two years of the program while MFA and its partners gain experience using NHTF to finance rental housing affordable to ELI households, the maximum per-unit subsidy limits for NHTF will be set at HUD’s applicable limits for the HOME Program effective at the time of commitment of NHTF funds. Currently, these are as follows:

	Per-Unit Subsidy Limit
Bedrooms	as of May 2017
0	\$126,392
1	\$144,891
2	\$176,186
3	\$227,928
4+	\$250,193

MFA examined the development cost budgets of recent MFA-funded projects and determined that all were well within these subsidy limits, and that these limits would allow cost premiums that may

be necessary in developing housing for certain ELI populations. For example, projects that will include accommodations for individuals with disabilities are likely to have higher development costs. Projects will be evaluated separately for cost efficiency.

6. Performance Goals and Benchmarks

Based on New Mexico's 2017 allocation of \$3 million and the per-unit subsidy limits described in Section 4 above, it is estimated that 2017 NHTF dollars will assist a minimum of 10 units affordable to ELI households (in the unlikely event that the highest per-unit subsidy limits are used), with the possibility of assisting up to 43 units affordable to ELI households if costs are far lower than the subsidy limits.

7. Rehabilitation Standards

All NHTF-assisted rehabilitation projects must comply with the rehabilitation standards found in Attachment A: National Housing Trust Fund Rehabilitation Standards.

8. Limitation on Beneficiaries or Preferences

Preferences defined in the Allocation Plan or the NOFA may not violate nondiscrimination requirements in the NHTF interim rule at 24 CFR 93.350. Projects may not limit occupancy to or provide preference to students.

For the NHTF-funded, units, owners of NHTF-assisted projects are permitted to limit occupancy to or provide preference to the following populations:

- Households or individuals experiencing homelessness;
- Individuals with disabilities;
- Individuals with severe mental illnesses;
- Individuals with alcohol and other addictions;
- Individuals with HIV/AIDS;
- Victims of domestic violence;
- Seniors;
- Veterans;
- Individuals on public housing waiting lists;
- Youth transitioning out of foster care; and
- Ex-offenders.

While not required to limit occupancy or provide preferences to the populations described above, owners of NHTF-assisted projects who do must do so in accordance with 24 CFR 93.303(d). The intent is merely to allow owners of NHTF-assisted projects to limit occupancy to or provide preference to populations identified within this section as well as the priority housing needs identified in the NM Consolidated Plan. Any limitation or preference must not violate nondiscrimination requirements. Federal fair housing requirements, including the duty to affirmatively further fair housing, are applicable to the NHTF program. 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.

9. Refinancing Guidelines

MFA may, at its discretion, use NHTF funds for refinancing only when needed in order to permit or continue affordability of rental units when (1) rehabilitation is the primary activity, (2) the use of NHTF funds is proportional to the number of NHTF-assisted units in the project, and (3) the rehabilitation cost attributable to the NHTF units is greater than the amount of debt to be refinanced that is attributable to the NHTF units. MFA's minimum affordability period and underwriting standards for an initial investment of NHTF funds would apply, which include: adequacy of management and owner, feasibility of project to meet operational and debt service requirements, consistency with market, and review of total development costs and sources available to meet these needs.

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