



NATIONAL LOW INCOME HOUSING COALITION

NLIHC's Summary of New Mexico's Draft HTF Allocation Plan Summary State Designated Entity: Mortgage Finance Authority (MFA) \$3,000,000 HTF Allocation for 2016

Quality of draft Allocation Plan

The brief draft available for public comment was relatively clear, but oriented to potential applicants for funds. There is no clear indication of the types of projects that are likely to have priority in receiving HTF funds. Neither the draft nor the Allocation Plan submitted to HUD were on the MFA website when this summary was prepared on August 23.

Affordability

The statute requires the HTF Allocation Plan to give priority in awarding funds to proposed projects based on six factors, one of which is “the extent to which rents are affordable, especially to extremely low income families”.

MFA does not address affordability.

New Mexico Coalition to End Homelessness (NMCEH) offered two recommendations:

We suggest that you add language specifying that rents will be no more than 30% of household income. That way, we know the units will be affordable even to those with very low incomes. This could be done in several ways such as setting rents at 15% of AMI for people who are homeless or disabled or by using vouchers that ensure rent is no more than 30% of a household's income.

In order to assist extremely low income households the plan point system should encourage projects to be affordable at 30% of the households income, since rents based on 30% of AMI or 30% of federal poverty level are still out of reach for many people with disabilities. Another way of getting at this is for the plan to give extra points to projects that target people at 15% of AMI.

MFA responded indicating that it would investigate the feasibility of including additional selection criteria in a NOFA.

NLIHC: Ideally Allocation Plans should set rents at no greater than 30% of household income for a mix of households at 30% AMI, 20% AMI, and 10% AMI.

Affordability, *continues next page*

Affordability, *continues next page*

The statute requires the HTF Allocation Plan to give priority in awarding funds to projects based on “the extent to which rents are affordable, especially to extremely low income families”. However, HUD’s regulations unduly narrow the statutory requirement by saying, “the extent to which the project has federal, state, or local project-based rental assistance”.

MFA gives medium priority to projects based on the extent to which the project has project-based rental assistance. (4. Selection Criteria, page 2)

NLIHC: By giving any priority to projects with project-based rental assistance, the state is not helping to create net new units affordable to ELI. Scarce project-based vouchers should be used instead at existing properties to make some units in them affordable to ELI households.

NMCEH suggested MFA not rely on project-based vouchers and instead give priority to projects that are able to leverage other resources. NMCEH also suggested encouraging the creation of new affordable housing by giving extra points to projects that do not use vouchers.

MFA replied that it would investigate the feasibility of including additional selection criteria in a NOFA.

Length of Affordability

The statute and regulations require the draft HTF Allocation Plan to give priority in awarding funds to projects based on six factors, one of which is “the extent of the duration for which rents will remain affordable”.

MFA will use the minimum required by the regulations – 30 years. (4. Selection Criteria, page 2)

MFA assigns a low priority to projects that remain affordable longer than 30 years. (page 2)

NMCEH wrote that the affordability period should be 45 to 50 years.

MFA did not accept this recommendation.

NLIHC: In order to ensure that this federal investment remains available to ELI households, longer affordability periods should be required – or at least priority or extra competitive points should be awarded to projects that exceed the regulatory minimum of 30 years.

Merit of Project

The statute and regulations require the draft HTF Allocation Plan give priority in awarding funds to projects based on six factors, one of which is “the merit of the project”. The regulation gives as examples of merit, housing serving special needs populations, housing accessible to transit or employment opportunities, and housing that has environmental features.

MFA does not explicitly address merit, but does indicate low, medium, and high priorities.
(4. Selection Criteria, page 2)

Low priority includes:

- Green building features.

Medium priority included:

- Extent to which the project meets one 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 and other addictions, housing for persons with HIV/AIDS, housing for victims of domestic violence and housing for homeless persons.

MFA’s response to comments from NMCEH suggest that this has been moved to the high priority category, but a revised HTF Allocation Plan is not available on August 23.

NMCEH made a recommendation related to this.
(See **Preference or Limits to Population Served** on the next page)

NMCEH offered other suggestions regarding priority:

- MFA should create a new "medium" priority for projects that **use innovative methods** to create new affordable housing units. That creates an incentive for projects to increase the overall supply of affordable units for very low income households.

MFA’s response did not pick up on the key words “use innovative methods”.
MFA replied the Allocation Plan already has creation of new units as a medium priority.

- MFA should create a new "high" priority for projects that have low barriers to entrance. Low barrier projects are those that do not bar people from entering who have criminal backgrounds, bad credit, low incomes, or people who do not want to participate in services.

MFA responded indicating that it would investigate the feasibility of including additional selection criteria in a NOFA.

There are six other criteria listed, each of which is discussed separately in this summary.

Preference or Limits to Population Served

NMCEH suggested the Allocation Plan point system **encourage** projects that serve people with special needs such as people with disabilities and people experiencing homelessness.

MFA refers to the draft Allocation Plan's section regarding Limitations on Beneficiaries or Preferences indicating that owners "may" limit occupancy to or give preference to: homeless families and individuals, individuals with disabilities, individuals with severe mental illnesses, individuals with alcohol and other addictions, individual with HIV/AIDS, victims of domestic violence, seniors, veterans, individuals on public housing waiting lists, youth transitioning out of foster care, and ex-offenders. (8. Limitation on Beneficiaries or Preferences page 4)

NLIHC: The word "may" does not "encourage".

Renter/Homeowner

"Given the high need for rental housing among ELI families and individuals, MFA **does not intend to fund any homebuyer** activities in the first year of the program but will revisit the feasibility of funding homebuyer activities in the future." (2. Eligibility Requirements, page 1)

"NHTF-assisted units must provide permanent **rental** housing for ELI families" (4. Selection Criteria, page 2)

New Construction/Rehabilitation/Preservation

Medium priority: "Creation of new units serving ELI families, either through **new construction** or through **conversion of market-rate** units." (4. Selection Criteria, page 2)

NLIHC: Why is this in the criteria discussion? Creation of ELI homes is the purpose of the HTF.

Plan to Use HTF for Operating Cost Assistance

MFA does not indicate intent to use HFT for operating cost assistance; MFA only lists operating cost assistance as an eligible use. (2. Eligibility Requirements, page 1)

Grant or Loan

"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 a Notice of Funding Availability (NOFA) to be published by MFA that will provide further detail on application requirements and selection criteria." (1. Distribution of Funds, page 1)

NLIHC: In order to maximize affordability, projects with no debt service or as little debt service as possible are preferred. Therefore, the preferred forms of assistance are grants or no-interest loans. MFA's Allocation Plan is not specific; the public has to wait until a NOFA is published to know whether MFA will be providing HTF in a form that helps create HTF-assisted units deeply affordable to ELI households.

Geographic Distribution

“Funds will be available statewide.” (1. Distribution of Funds, page 1)

“Low Priority: Geographic diversity.” (4. Selection Criteria, page 2)

NLIHC: Geographic diversity is not important for 2016 because there is only \$3 million available for the state. In the future when there is far more available through the HTF, NMCEH and advocates will want to pay close attention to a fair distribution throughout the state based on the relative shortage of rental units available and affordable to ELI households.

Affirmatively Furthering Fair Housing

MFA does not address.

Eligible Recipients

“Medium priority: Developer/general partner that is a New Mexico nonprofit organization, a tribally designated housing entity, or a public housing authority.” (4. Selection Criteria, page 2)

NMCEH recommended encouraging nonprofit developers.

MFA’s response did not pick up on the key word “encourage”. MFA simply restates the regulations’ list of potential eligible recipients.

NLIHC: Probably good that Allocation Plan does not include for-profits.

Maximum Per-Unit Subsidy

MFA intends to use HOME maximum per-unit subsidy limits, adding:

“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.”

(5. Per-Unit Subsidy Limits, page 3)

NLIHC: Advocates should assess whether the HOME per-unit maximums are reasonable. Because HTF must target ELI households, HTF-assisted units might warrant more HTF capital investment than HOME or LIHTC units. HUD published an HTF-specific FAQ addressing maximum per-unit subsidies. The FAQ is very flexible and much less restrictive than the HOME maximum per-unit subsidy figures, <https://www.hudexchange.info/faqs/2766/how-should-states-establish-maximum-per-unit-development-subsidy-amounts>.

Maximum Per-Unit Subsidy, *continues next page*

Maximum Per-Unit Subsidy, *continued*

Also, MFA assigns a high priority to “cost efficiency with respect to total development costs.” (4. Selection Criteria, page 2)

NLIHC: It is not clear what is meant. Because cost efficiency is repeated in the discussion about maximum per-unit subsidy, MFA probably means as little HTF as possible in relation to total development cost. In order to make HTF-assisted homes affordable (that is, without cost burden) for ELI households, it is likely that a substantial amount of HTF per unit will be necessary. Basic cost efficiency (regardless of source of funds) should be a threshold criteria, not a high priority.

Leveraging

MFA assigns a high priority to the use of non-federal funding sources. (4. Selection Criteria, page 2)

NLIHC: In order to make HTF-assisted homes affordable (that is, without cost burden) for ELI households, it will be very helpful, perhaps necessary, to secure additional non-federal funding sources. However, leveraging non-federal funding sources should not be a high priority compared to affordability, duration of affordability, and project merits.

Mixed Income/Close Ties to LIHTC Program

MFA makes no direct references.

NMCEH suggested that the Allocation Plan allow for a variety of types of development, including projects that use the Low Income Housing Tax Credit program (LIHTC) and very small projects that might be useful in smaller communities.

MFA’s response merely refers to the draft Allocation Plan which only mentions Single Room Occupancy projects, senior projects, and other special needs projects.

Applicant Capacity

MFA assigns a high priority to an applicant’s ability to obligate HTF funds and undertake eligible activities in a timely fashion. (4. Selection Criteria, page 2)

NLIHC: This should be a threshold criteria, not a high priority. If an applicant does not have the capacity it should not be considered for HTF funding.

Other

MFA anticipates a minimum of 10 units produced (if maximum per-unit subsidy required) or up to 38 units if less HTF per unit is needed. (6. Performance Goals and Benchmarks, page 3)