

State of New Mexico National Housing Trust Fund Allocation Plan (DRAFT)

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. Each state's allocation was published on May 4, 2016, and New Mexico received an allocation of \$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.

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 a Notice of Funding Availability (NOFA) to be published by MFA that will provide 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 affordable rental housing units for extremely low-income (ELI) families, which are defined as those whose annual incomes do not exceed 30% of the Area Median Income as determined by HUD. Projects may include transitional 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. 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.

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 that have demonstrated experience and capacity to conduct eligible activities and that meet the requirements of 24 CFR 93.2.

3. Application Requirements

The NOFA will provide details on the application requirements for NHTF funding. At a minimum, information on the following will be required:

- 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.

All projects that meet the threshold criteria will be evaluated according to the following criteria, grouped by relative importance as follows:

Low priority:

- Geographic diversity;
- Duration of the affordability period beyond the required 30 years;
- Green building features;

Medium priority:

- Developer/general partner that is a New Mexico nonprofit organization, a tribally designated housing entity, or a public housing authority;
- Extent to which the project has project-based rental assistance;
- 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;
- Creation of new units serving ELI families, either through new construction or through conversion of market-rate units;

High priority:

- Applicant's ability to obligate NHTF funds and undertake eligible activities in a timely manner;
- Use of non-Federal funding sources;
- Cost efficiency with respect to total development costs.

These criteria will be discussed in greater detail in the NOFA.

5. Per-Unit Subsidy Limits

The number of units designated as NHTF-assisted units and subject to NHTF restrictions will be determined based on the pro-rata share of the project's total funding that is represented by the NHTF funds. For example, if NHTF funds are 30% of a project's total sources of funds, 30% of the project units will be subject to NHTF restrictions.

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, i.e. the Section 234 Condominium Housing Elevator Limits by bedroom size, multiplied by 240% for Albuquerque and 217% for areas outside of Albuquerque. Currently, these are as follows:

Bedrooms	Per-Unit Subsidy Limit as of Nov. 2015	
	Albuquerque	Outside Albuquerque
0	\$140,107	\$126,680
1	\$160,615	\$145,223
2	\$195,305	\$176,588
3	\$252,662	\$228,449
4+	\$277,344	\$250,765

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. As mentioned above in Section 4, projects will be evaluated separately for cost efficiency.

6. Performance Goals and Benchmarks

Based on New Mexico’s allocation of \$3 million and the per-unit subsidy limits described in Section 4 above, it is estimated that 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 38 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 following rehabilitation standards:

- All health and safety standards in applicable state and local building codes and in HUD’s Uniform Physical Condition Standards (UPCS);
- All major systems requirements detailed in 24 CFR 93.301(b)(1)(ii);
- All lead-based paint requirements detailed in 24 CFR part 35;
- All accessibility requirements detailed in 24 CFR part 8 and, if applicable, 24 CFR 100.205;
- All disaster mitigation requirements in applicable state and local building codes;
- All other applicable state and local code, ordinance and zoning requirements;
- All other UPCS requirements;
- All rehabilitation standards detailed in MFA’s Multifamily Design Standards in effect at the time of application (see <http://www.housingnm.org/assets/content/Developer/LIHTC/> for current standards).

In addition, in accordance with 24 CFR 93.301(b)(1)(ix), a capital needs assessment must be conducted for all NHTF-assisted multifamily rental projects with 26 or more units.

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. No preferences or limitations may be given to students.

Owners of NHTF-assisted projects may (but are not required to) limit occupancy to, or provide preference to, the following populations:

- Homeless families or individuals;
- 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;
- Ex-offenders.

Owners of NHTF-assisted projects who limit occupancy or provide preferences to the populations described above must do so in accordance with 24 CFR 93.303(d)(3).

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.