

**MINUTES
of the
SECOND MEETING
of the
MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE**

**August 14, 2018
New Mexico Mortgage Finance Authority Office
344 Fourth St. SW
Albuquerque**

The second meeting of the 2018 interim of the Mortgage Finance Authority Act Oversight Committee was called to order by Senator Nancy Rodriguez, chair, on August 14, 2018 at 10:05 a.m. at the New Mexico Mortgage Finance Authority (MFA) office in Albuquerque.

Present

Sen. Nancy Rodriguez, Chair
Rep. Eliseo Lee Alcon, Vice Chair
Sen. Gregory A. Baca
Rep. Kelly K. Fajardo
Sen. Stuart Ingle
Sen. Cisco McSorley
Rep. Sheryl Williams Stapleton

Absent

Rep. Rod Montoya

Advisory Members

Rep. Alonzo Baldonado
Rep. Roberto "Bobby" J. Gonzales
Sen. Richard C. Martinez
Rep. Bill McCamley
Sen. Gerald Ortiz y Pino
Sen. Michael Padilla
Sen. Jeff Steinborn

Rep. George Dodge, Jr.
Rep. Bealquin Bill Gomez
Rep. Dennis J. Roch
Sen. Sander Rue
Rep. Nathan P. Small

Staff

Mark Edwards, Drafter, Legislative Council Service (LCS)
Anthony Montoya, Drafter, LCS
Nancy Martinez, Staff, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file.

Tuesday, August 14

Senator Rodriguez called the meeting to order and welcomed members, staff and guests.

Welcome and Update

Jay Czar, executive director, MFA, welcomed the committee and gave a brief summary of what the MFA has done since the last meeting in May. The MFA awarded a total of 446 units for new construction in mid-June, which represents \$5.6 million in tax credits and a value of \$50 million in terms of development. Mr. Czar mentioned that the MFA meets with developers that participate in the low-income tax credit process and with tribal housing agencies. Applications go through the MFA board of directors and must receive the governor's approval before they become official. Mr. Czar noted that the MFA has staff specifically dedicated to working with tribal agencies around the state.

On other topics, Mr. Czar said that the MFA has met with Habitat for Humanity regarding its modular system. The current plan is to establish three units in rural areas, and discussions are being held with the City of Albuquerque about establishing modular units in the city as well. Mr. Czar also said that cybersecurity is an ongoing priority for the MFA. Mr. Czar closed by noting that homeownership has increased in the state since last year.

Approval of Minutes

Upon a motion made and seconded, and without objection, the committee approved the minutes of the May 23, 2018 MFA Act Oversight Committee meeting.

Proposed MFA 2019 Legislative Agenda

Monica Abeita, policy director, MFA, discussed the MFA's legislative requests for the 2019 legislative session. (See meeting handouts.) Ms. Abeita highlighted a \$5 million request for additional funding for the New Mexico Housing Trust Fund (NMHTF). The NMHTF was created in 2005, and since then it has received \$18.7 million in appropriations. The fund has been operated as a revolving loan fund and has been able to lend out \$45 million since its creation. Ms. Abeita said that the requested additional funding would allow for the development of more housing projects throughout the state.

Ms. Abeita said that two other requests include \$300,000 in funding for oversight of the regional housing authorities (RHAs) and \$250,000 for oversight of the Affordable Housing Act (AHA). State funding for these oversight functions is sporadic, and the MFA would like the funding placed on a steady, recurring basis. She said that the state mandated the MFA to reconstruct and oversee the RHAs in 2009. When state funding is available, 25% of the appropriation is used to cover the MFA's oversight costs, while the remaining 75% is dedicated to specialized training, technical assistance and capacity-building for the three RHAs. She said that RHAs continue to consolidate with smaller public housing authorities (PHAs) and that audits have found no fraud, waste or abuse within the RHAs since the MFA began its oversight function.

Regarding AHA oversight, Ms. Abeita said that the AHA was signed into law in 2004, and, like the Local Economic Development Act, it is an exemption to the state's Anti-Donation Clause. Under the AHA, local governments may donate land and resources to affordable housing projects if they have an approved affordable housing plan and ordinance. State funding helps to pay for staff to work with local governments and review affordable housing plans and ordinances as required by the act. To date, the MFA has assisted 40 local governments in creating and implementing affordable housing plans, resulting in donations of \$50 million in land and resources.

Ms. Abeita said that additional funding requests are for three programs: 1) \$2 million for low-income residential energy conservation (LIREC); 2) \$2 million for veteran home rehabilitation (VHR); and 3) \$2 million for emergency home repair (EHR).

Ms. Abeita said the funding request for LIREC will help to weatherize and provide energy efficiency upgrades for 300 low-income households statewide. Since 1997, the MFA has operated New Mexico's weatherization program, NM EnergySmart. NM EnergySmart weatherizes approximately 1,000 low-income family homes each year with the assistance of two federal sources, the Weatherization Assistance Program (WAP) and the Low Income Home Energy Assistance Program (LIHEAP). Based on income eligibility, more than 200,000 households across the state are eligible, and 1,800 households are on the waiting list. Low-income homeowners, many of whom are elderly and on fixed incomes, save hundreds of dollars in monthly utility costs through weatherization improvements.

Ms. Abeita said that the request for VHR funding would serve to rehabilitate an additional 190 homes for low-income, honorably discharged veterans. The request would be used to match funding from the Veterans Home Rehabilitation and Modification pilot program created by the U.S. Department of Housing and Urban Development (HUD). She stated that New Mexico is home to 170,321 veterans. There is a high demand for home rehabilitation, but current funding can only assist 100 veterans' households each year.

Ms. Abeita said that the EHR funding request would help to provide emergency home repairs to remove health and safety hazards. She said that a high percentage of low-income families own their homes but lack the resources to make the repairs. As homes age, the MFA receives requests to make these repairs, but the agency is limited due to the need for funds from the federal level.

The committee then engaged in a general discussion that included the accessibility of the housing market to first-time homebuyers and who would sponsor the various requested appropriations.

Federal Housing Policy and Budget

Ms. Abeita, and Laura Chavez, community liaison, MFA, gave an overview on federal

housing policy as well as a budget update. Ms. Chavez talked about grant allocations to the MFA. She mentioned that the MFA works with the National Housing Trust Fund, the federal low-income housing tax credit (LIHTC) and the federal HOME Investment Partnerships Program, known as "HOME". Referring to the tables in the handout at Item 3, she noted that in federal fiscal year (FY) 2018 there was an increase in funding for these programs. In particular, the HOME program received an increase of almost \$2 million. This is the most funding that the program has had since FY 2011.

Ms. Abeita then walked the committee through the budget and appropriations process. Historically, after the administration releases its proposed budget, Congress then develops and passes appropriation bills that may, or may not, reflect the administration proposals. However, in recent years, Congress has often passed continuing resolutions that essentially flat-fund programs at their previous levels or with small modifications. She pointed out that Congress passed the Bipartisan Budget Act of 2018, which enabled higher spending levels in FY 2018 and FY 2019. In August 1, 2018, the senate passed a "minibus" spending package for four agencies for FY 2019. She added that the recently enacted tax reform bill retained primary incentive tools for affordable housing, including the LIHTC program. However, one negative effect of the tax bill is that it reduced the corporate tax rate, which decreased the value of the LIHTC. Ms. Abeita said that it would be important to adjust tax credits to be a little larger to offset the impact of the corporate rate change. She said the federal Affordable Housing Credit Improvement Act, a bill currently being considered in Congress, would expand and improve the LIHTC program.

Ms. Chavez then highlighted the federal Investing in Opportunity Act (IOA). The IOA was signed into law as part of the Tax Cut and Jobs Act in 2017 and creates advantages for private investment located in designated "opportunity zones". Under the IOA, investors can defer taxes on gains if they invest those gains in an opportunity zone within six months of realizing the gains. The Economic Development Department (EDD) collaborates with local stakeholders to identify eligible locations. Initially, 249 tracks were identified. The EDD considered 128 of those, and Governor Martinez ultimately submitted 63 tracks to the U.S. Department of the Treasury for approval. Approved opportunity zones will retain their designation for 10 years.

The panelists then gave a brief overview of "Reducing Poverty in America by Promoting Opportunity and Economic Mobility", an executive order issued by President Trump in April. It calls on agencies to strengthen work requirements for assistance programs and orders federal agencies to review their policies and regulations. The HUD's response to the executive order proposes to: 1) eliminate deductions for child and medical care; 2) change the age for requirement for assistance to the elderly from 62 years old to 65 years old; 3) raise the minimum rent for elderly persons from \$25.00 to \$50.00; and 4) require disabled persons receiving housing assistance to pay a \$50.00 minimum rent. Currently, disabled persons have no minimum rent requirement.

The committee then entered into a general discussion about the need to create more housing in the Carlsbad area.

NM EnergySmart WAP Update

Amy Gutierrez, program manager, NM EnergySmart, MFA, and Troy Cucchiara, green initiative manager, MFA, gave an update on the New Mexico WAP. Weatherizing homes reduces utility costs, improves health and safety conditions and lowers total energy use. The weatherization program is a U.S. Department of Energy-funded program.

Mr. Cucchiara talked about furnace and heating replacement. He said that replacements are cost-effective. Older heating units can pose fire and carbon monoxide risks. Some households that cannot afford new units or repair of older units sometimes use their kitchen stoves and ovens to heat their homes as their heating furnaces become inoperable, and that sort of use creates risk. He said the program has installed more than 1,000 fans and radon detectors. Mr. Cucchiara said that water heater replacement can also create water savings, and he calculated that the program has saved over four million gallons of water.

Ms. Gutierrez then gave an overview of the WAP. She said that available units for counties are dependent on funding levels and federal allocation formulas. The order for service depends on the client ranking as determined by federal criteria and that the average cost is \$6,000 per unit. NM EnergySmart has multiple funding sources, including federal programs and private-sector contributors. There are currently 2,172 households on a waiting list for the WAP, and 604 can be served with the available funding. The NM EnergySmart WAP is nationally recognized and program managers have been asked to provide presentations at national conferences.

The committee then entered into a general discussion. In response to member comments, the panelists noted that:

- there is limited data on water savings regarding dishwashers and water heaters as those items are not considered in federal funding programs;
- there is also limited data regarding water or electricity savings from replacing swamp coolers with refrigerated air systems; and
- the programs do create jobs, but currently, most contractors are in the Albuquerque and Las Cruces areas.

A member noted that some smaller communities that have been able to switch from propane to natural gas have created savings for individual households and that more attention should be given to creating a collaboration with energy providers to extend gas lines to more locations.

RHA Update

Rose Baca-Quesada, director, Community Development, MFA, introduced Gina Bell, RHA Liaison, MFA, Chris Herbert, executive director, Eastern RHA, and Michael Cabral,

interim executive director, Northern RHA, to provide an update on the RHAs. Ms. Baca-Quesada gave an overview of the MFA's responsibilities. These responsibilities include a review of the annual audits; a review of the HUD annual reports; approval of contracts that are greater than \$100,000; approval of all transfer, sales and liquidation of assets greater than \$100,000; approval of the board of commissioners executive directors and bylaws; and provision of training and technical assistance and capacity-building as needed. She said that some of the training and technical assistance is provided through peer exchange meetings and on-site monitoring visits. Other MFA programs that include a rental assistance program have been very successful.

Ms. Baca-Quesada then explained how PHA performance is measured. She said that the HUD uses a centralized system to collect individual subsystem scores by using various sub-indicators, and then the HUD produces a composite of local PHA scores that represent performance management. The total is based on a 100-point scoring system composed of the following: Physical Assessment Subsystem = 40 points; Financial Assessment Subsystem = 25 points; and Management Assessment Subsystem = 25 points. An additional 10 points is derived from scoring a capital fund program that is generated for each development or assessment management project. If an agency has a score of 90-plus, it is considered a high performer.

Ms. Bell said that the Eastern RHA has consolidated with the City of Eunice, the Town of Vaughn and the City of Lovington and is considered a high performer, whereas the Northern RHA has consolidated with the Village of Cimarron and the City of Grants but is ranked as having a troubled status. The Northern RHA is working through its issues with the HUD. In total, the regions provide assistance to 3,684 households. There are several factors as to why regionalizing has been pursued.

Mr. Herbert said that it has become increasingly difficult for small PHAs to operate due to administrative costs, the wait and the more frequent pursuit of consolidation. Another issue is the rental assistance administrator (RAD) program in which public housing converts to private-based units. He indicated that the RAD program will become an increasingly prominent program, as there has been a large and continuing funding deficit for maintenance and repair of public housing nationwide.

Mr. Cabral mentioned the troubled status of the Taos County PHA. It has taken some time to develop a good plan for resolution of the issue, but the proper support and structure are now in place to move forward. He said that a challenge for rural housing assistance programs is a federal misconception of some of the logistics involved. The HUD guidelines state that one maintenance person is needed for every 50 public housing units. Mr. Cabral cited a rural area with 169 units. The guidelines approve four maintenance workers, and he noted that during the winter, those maintenance personnel have weather-related challenges in getting from one location to another. He said that currently, there is no maintenance technician in Gallup, so Gallup has to call for a maintenance technician to come from Taos.

In response to questions from the committee, the panel discussed the following.

- The challenges with the Taos County PHA occurred over a period of seven years. It will take at least three years to recover.
- The Village of Questa and the Town of Taos are not on the PHA performance list because they are under a county housing authority.
- The HUD is allowing the Northern RHA to grow at a rate that allows it to consolidate with troubled PHAs at a reasonable rate. If the Northern RHA consolidates with too many troubled RHAs too rapidly, staff will be overwhelmed.
- The Santa Fe Civic Housing Authority RAD has taken applications, and public housing will be converted into a private-based operations over the next 10 years.

NMHTF Update

Sabrina Su, program manager, MFA, gave the committee an update on the NMHTF. The NMHTF has grown from \$18.7 million in appropriations to \$26.6 million as a result of interest accumulated over the years. Project applications to the fund are awarded through a competitive process. Because the MFA operates the fund as a revolving loan fund, it has been able to award more than \$45 million to projects since its creation. There is close to \$5 million available in the upcoming fiscal year because of loan payments that have come into the fund.

Adjournment

There being no further business before the committee, the meeting adjourned at 12:35 p.m.