



Housing New Mexico MFA

Housing Development
Programs and Funding

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Rental Housing Development

Housing New Mexico is the state's "one-stop shop" for affordable housing development financing.

- Underwriting
- Loan Closing
- Construction Monitoring
- Long-Term Asset Management

Funding Programs

Low Income Housing Tax Credit

Gap Financing

- New Mexico Housing Trust Fund
- HOME Investment Partnerships
- National Housing Trust Fund

Preservation Loan Fund



Housing New Mexico staff and partners at the groundbreaking for Sandoval Flats, a 126-unit development in Rio Rancho. Housing New Mexico provided \$45.1 million in financing to the project.

Low Income Housing Tax Credit Program

What is “LIHTC”?

- The Tax Reform Act of 1986 created the LIHTC program to incentivize public-private partnerships for the development of affordable housing.
- The Treasury Department administers the program via a designated Housing Credit Agency. For New Mexico, this agency is Housing New Mexico | MFA.
- The credit is a dollar-for-dollar tax reduction for 10 years.
- Credit amount is based on the cost of acquiring, constructing or rehabilitating affordable housing developments.
- Investors purchase credits at slightly less than the dollar value to offset federal tax liability.
- Equity from the sale of credits reduces the need for debt, allowing developers to charge lower rents.

Low Income Housing Tax Credit Program

LIHTC developments must serve residents earning no more than 80% of area median income (AMI), with a focus on those earning no more than 60% of AMI.

LIHTC developments must continue to serve low-income residents for a minimum of 30 years.

Credits may be recaptured by the IRS if the project does not comply with the affordability restrictions.



East Paraje Apartments, a 20-unit development in Laguna Pueblo. Housing New Mexico provided \$7.8 million in financing to the project.



9% and 4% LIHTC

9%

- Credits are awarded through a competitive process.
- Credits are a finite allocation based on a state's population. New Mexico receive about \$6.1 million annually.
- Credits comprise about 70% of total development cost.

4%

- Credits are “as of right” with the award of tax exempt bonds by State Board of Finance.
- The amount of credits available for New Mexico is based on the amount of tax-exempt bonds dedicated to multifamily development.
- Credits comprise up to 30% of total development cost.

Gap Financing

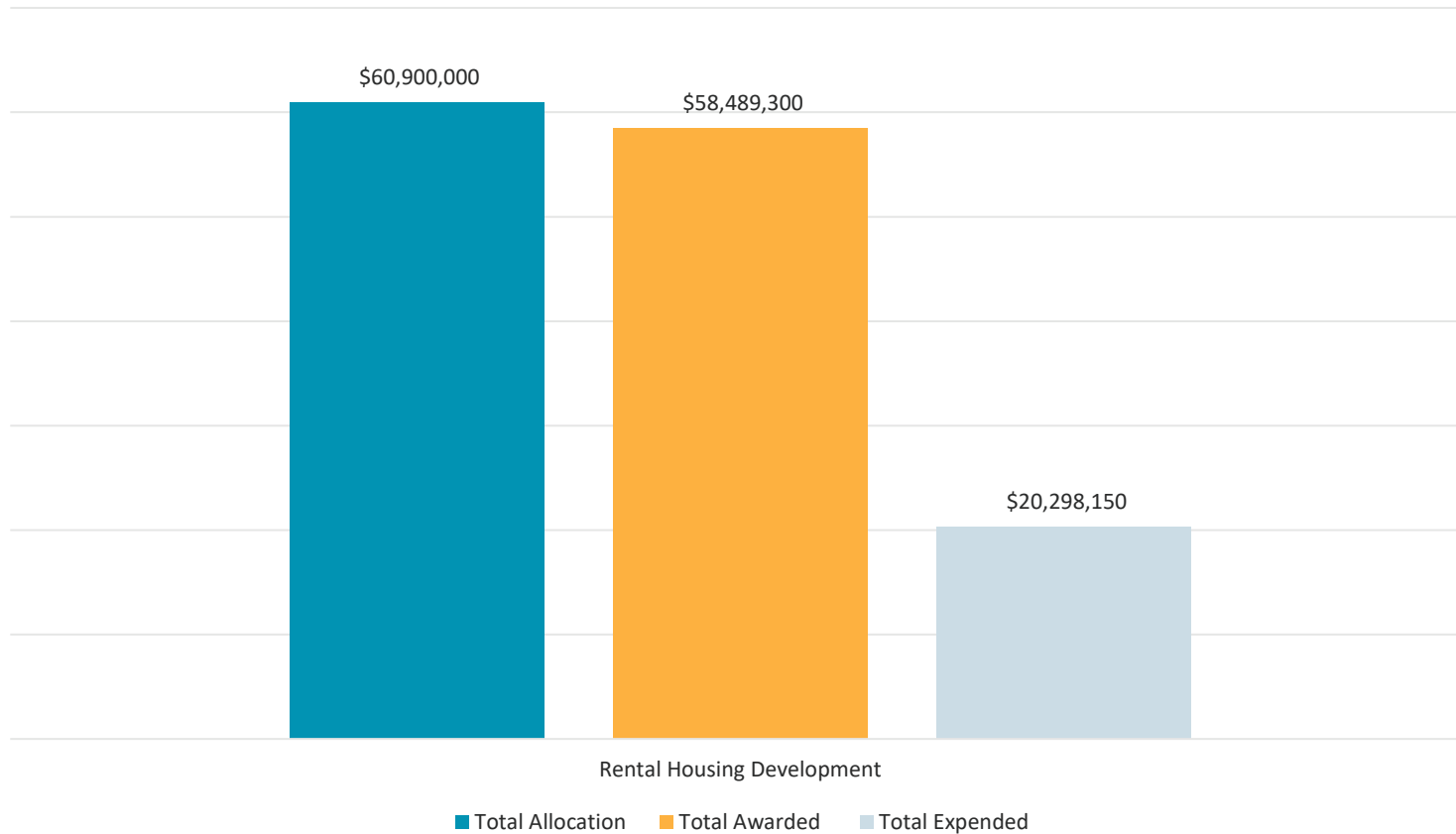
Program	Annual Funding Allocation	Terms
New Mexico Housing Trust Fund <i>State</i>	\$20 million Based on Severance Tax Bond Capacity and Special Appropriations	<ul style="list-style-type: none"> • 40-year permanent term • 40-year amortization • 1% to 5% interest rate • Fully amortized
HOME Investment Partnership <i>Federal</i>	\$5 million	<ul style="list-style-type: none"> • 40-year permanent term • 40–80-year amortization • 0% interest rate • Principal only repayment
National Housing Trust Fund <i>Federal</i>	\$3 million	<ul style="list-style-type: none"> • 30+ year permanent term • Non-amortizing • Cash flow or fixed annual payment of \$500 repayment



Housing New Mexico staff and partners at the groundbreaking for Elk Meadows, a 72-unit development in Ruidoso. Housing New Mexico provided \$18.6 million in financing to the project.

New Mexico Housing Trust Fund Gap Financing

All Allocations - SFY '24 STB Earmark, SFY '25 STB Earmark, '24 GF Appropriation
September 30, 2025



Of the \$166,913,000 in NMHTF Severance Tax Bond Earmark that has been available since July 2023, Housing New Mexico has allocated 36% to rental housing development. Of this allocation, 96% has been awarded to developments, supporting 2,928 units.

The NMHF STB Earmark has been critical to maintaining production in high cost and high interest rate environment. Further, the certainty of recurring funding is drawing developers to the New Mexico market.

Capital Stack Examples

9% LIHTC Example Capital Stack: Elk Meadows in Ruidoso	Share of Capital Stack
\$13 million LIHTC Equity	60% Equity
\$2 million HOME	30% Gap Financing
\$2.5 million NMHTF	
\$1 million in New Mexico Affordable Housing Tax Credit	
\$1 million Municipal Grant	
\$2 million Bank Financing	10% Private Bank Financing
\$21.5 million Total Cost	
Creating in 72 units	

4% LIHTC Example Capital Stack: Cresta Ranch in Santa Fe	Share of Capital Stack
\$6 million LIHTC Equity	7% Equity
\$4 million NMHTF	6% Gap Financing
\$1.5 million Santa Fe County Loan	
\$74 million Bank Financing	87% Private Bank Financing
\$85.5 million Total Cost	
Creating in 240 units	

Development Timeline - 1. Due Diligence

Establish
population
served

Build a basic
site criteria

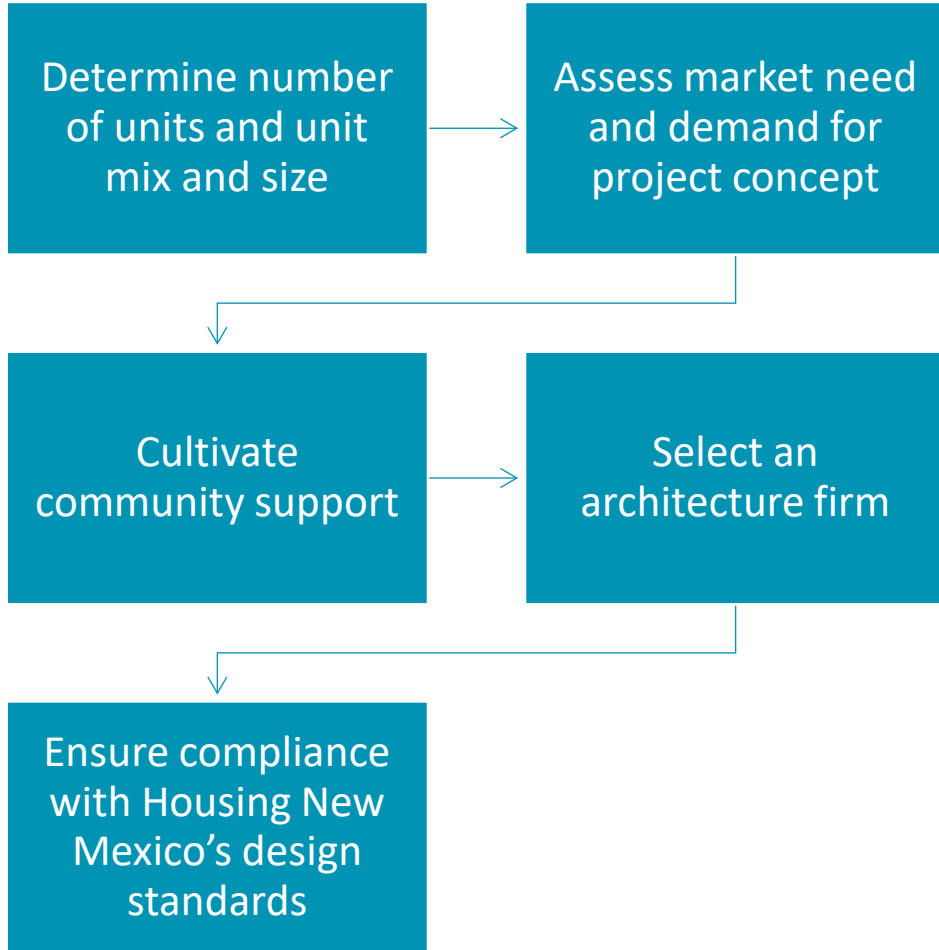
Identify a site

Secure
entitlements
and access

Consider land
use & zoning
issues

Conduct
Environmental
Review

Development Timeline – 2. Design & Feasibility



A mural adorns Three Sister Apartment, a 70-unit development in Las Cruces. Housing New Mexico provided \$16.8 million in financing to the project.

Development Timeline – 3. Financing

Develop Total Development Cost Budget

- Establish relationship with general contractor for a preliminary cost estimate.
- Utilize historical data from previous projects.
- Calculate annual rents, vacancy, and operating budget to determine Net Operating Income (NOI).

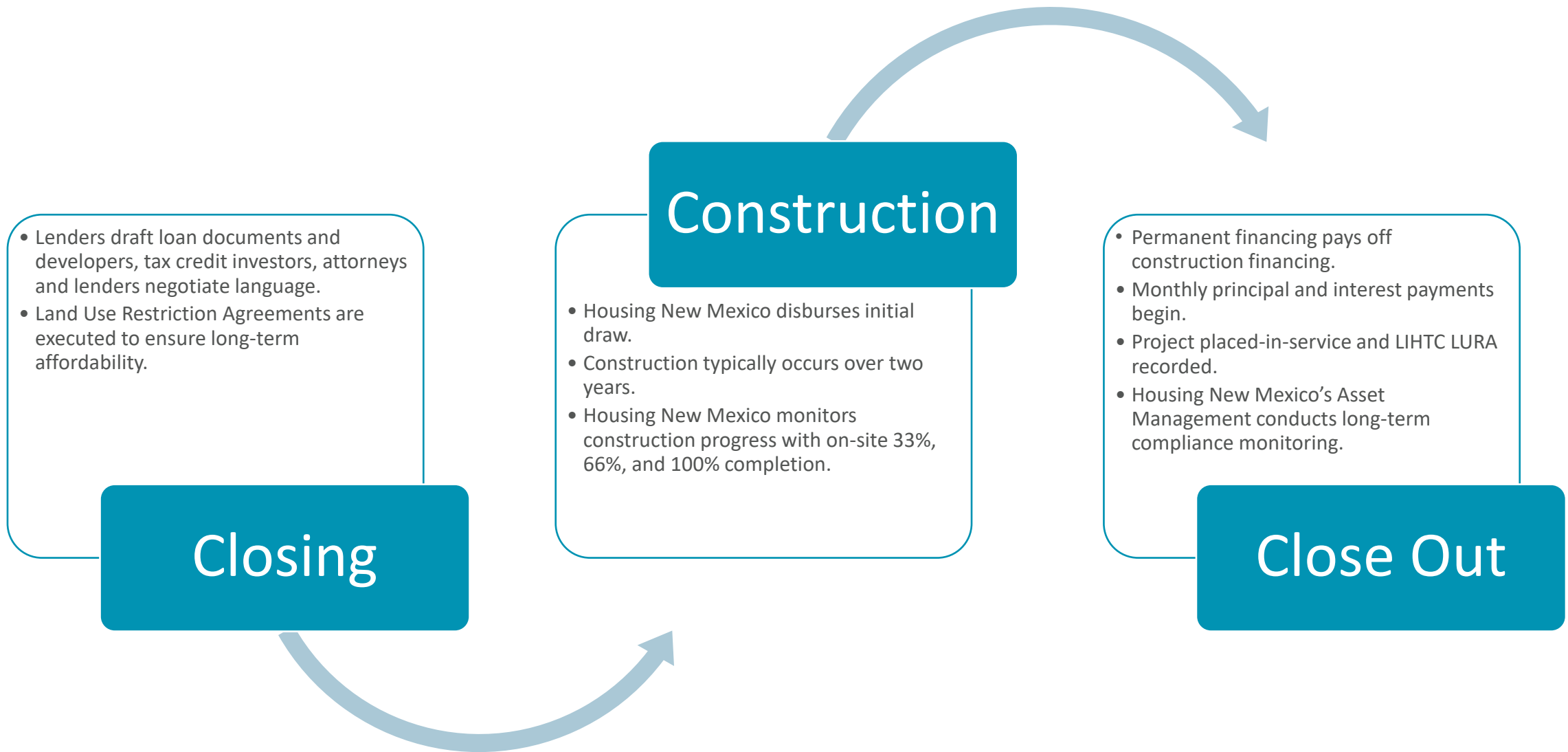
Secure First Mortgage

- Work with a first mortgage lender to obtain conventional first mortgage.
- Consider options for construction versus permanent financing.
- Lenders require project's NOI to cover annual debt service with cushion of income left over.

Apply for LIHTC and Gap Financing

- Seek 9% LIHTC allocation through the Qualified Allocation Plan process.
- Or submit a request for 4% tax credits.
- Complete and submit Housing New Mexico's Universal Rental Application for gap financing.
- Seek other gap financing options such as a local government contributions.

Development Timeline – 4. Closing and Construction



Changes to LIHTC Impact on NMHTF Demand

The One Big Beautiful Bill Act (OBBBA) includes changes to expand the LIHTC program that will become effective January 2026.

Each state's annual allocation of 9% LIHTC credits will be permanently boosted by 12%, possibly resulting in an additional project. Resultingly, the demand for NMHTF gap financing.

The 4% LIHTC will now be more accessible for developers, particularly for mixed income properties. This change will likely increase the total number of projects, resulting in a significant increase in the demand for gap financing.

Annual Demand for
NMHTF Gap Financing

9% = \$15
million

4% = \$24
million

Anticipated Demand for
NMHTF Gap Financing
based on OBBBA changes

9% = \$18
million

4% = \$68
million

To maximize the impact of the changes to the LIHTC, an **additional \$47 million** will be required for NMHTF gap financing.

Single Family Housing Development

New Mexico Housing Trust Fund Single Family Development Program

- Low interest single family lot development loan
- Single family construction lines of credit
- Zero Interest Homebuilder Program (ZIHP) Loans



El Toro single-family residential community in Roswell

Single Family Development Challenges & Solutions

Challenges

- High cost of construction financing
- Rising Construction Costs
 - Materials (including inflation, tariffs)
 - Labor costs
 - Mortgage Interest Rates
 - Rising Insurance Rates
- Local zoning and permitting delays
- Focus on less affordable price ranges

Housing New Mexico Solutions

- Created the Zero Interest Home Builder program.
- Offers low interest development loans to create affordable building lots.
- Combines low-cost construction financing for builders with mortgage programs and downpayment assistance for homebuyers.
- Engages with builders, developers, and lenders.



Questions?

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We Are Housing New Mexico