New Mexico Legislature

MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE

2017 INTERIM FINAL REPORT

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INTERIM SUMMARY

Mortgage Finance Authority Act Oversight Committee
2017 Interim Summary

The Mortgage Finance Authority Act Oversight Committee held five meetings in Albuquerque and a joint meeting in the Sunland Park/Santa Teresa area with the Economic and Rural Development Committee during the 2017 interim. In addition to its statutory oversight duties, the committee had presentations on: the various sources of New Mexico Mortgage Finance Authority (MFA) program funding, including the New Mexico Housing Trust Fund; trends in federal housing budgets and policy; the Energy$mart program; the regional housing authorities (RHAs); the MFA's financing strategy and bonds issued; and the housing and basic infrastructure needs to service the growing workforce in southern Dona Ana County.

At the committee's first meeting, members requested a regular update on federal legislative proposals that would affect the MFA's programs. In November, the final report on this subject indicated that most of the federal housing programs would receive flat funding. However, an element of concern was whether the federal tax exemption for private activity bonds (PABs) would be continued. About one-half of the production of affordable housing rental units is supported by housing bonds, of which PABs are a significant component. The following summarizes particular presentations to the committee.

MFA's Overall Program — The MFA operates on the federal fiscal year that starts on November 1, and reporting reflects accounting for the previous year. In 2016, the MFA provided more than $450 million in low-interest financing and grants for affordable housing and related services in New Mexico — a 30 percent increase from 2015. The MFA's total budget was approximately $511 million: 71.8 percent, or $366.8 million, derives from the issuance of tax-exempt bonds; 20.9 percent, or $107.1 million, from federal housing programs; 3.4 percent, or $17.2 million, from the MFA general fund; 2.0 percent, or $10 million, from state tax credits and appropriations; and 1.9 percent, or $9.9 million, from private and other sources. Of the state-derived funding, the affordable housing tax credit provides incentives for up to $8.8 million in private donations. The MFA also funded $7.4 million to rehabilitate or weatherize 1,770 homes.

New Mexico Housing Trust Fund — Over the years, the state has invested $18.7 million in the New Mexico Housing Trust Fund. With that base funding and accrued interest, the MFA has been able to award more than $42 million and has leveraged $459 million from other funding sources to build or renovate 3,200 homes. The leveraged funds represent a 24-to-one return on the state's investment.

Regional and Local Housing Authorities — Funding for local public housing authorities (PHAs) has been decreasing, leading some to collapse. In these instances, one of the three RHAs must take over, or "consolidate", administration of various programs, or the community may lose federal housing assistance. Both the eastern and northern regions have consolidated with some of their local PHAs, but no consolidations have happened so far in the western region. Despite using consolidations to keep federal dollars flowing statewide, the number of households receiving federal Section 8 rental assistance vouchers is in decline due to decreasing funding since 2003.

Alternative for Affordable Housing in High Land Cost Areas — The committee held its third meeting at Sawmill Lofts on the Sawmill Community Land Trust (CLT) property. A CLT is a membership-based, nonprofit organization that owns and holds land in trust for the benefit of the community and preserves the affordability of housing on the land permanently. A CLT separates the ownership of buildings from the ownership of the land underneath. Homeowners lease the land from the CLT for a nominal monthly fee through a renewable 99-year ground lease. The redevelopment of a 27-acre brownfields site in Albuquerque into the Sawmill CLT provides an alternative method to provide affordable housing within an urban setting.

New Mexico Energy$mart — This program consists of three interconnected efforts: weatherization assistance; upgrading furnace and appliance efficiency; and the Energy$mart Academy. Weatherization assistance is a program funded by the U.S. Department of Energy combined with private sector funding sources. Typical regional weatherization programs show a three-to-one return between energy savings and investment. The Central New Mexico Housing Corporation runs a program to help low-income New Mexico families make their homes energy efficient through energy education, home weatherization and appliance upgrades. The Center of Excellence, NM Energy$mart Academy, was originally established with federal funds in 2009. The academy is now self-funded through the fees it charges for training employees from other states.

MFA Financing — There has been a general downward trend in mortgage rates since 2013. The cost difference between mortgage revenue bonds and 10-year U.S. treasury bonds translates into the MFA's borrowing cost and has been high ever since the Great Recession. However, loan origination for single-family homes by state housing finance authorities has increased 150 percent in the last five years. Despite the increase in home loan financing assistance, the percentage of homeownership had fallen from a high in the early 2000s of 69.2 percent to 63.6 percent in 2015. On a positive note, the MFA reported ending the last review cycle with an Aa3 rating from Moody's Investors Service.

Affordable Housing Act (AHA) — The AHA authorizes state agencies and local governments to make monetary and in-kind contributions for affordable housing and supporting infrastructure. The Village of Los Lunas provided a case example. The vacancy rate for housing in Los Lunas is very low. Out of 5,663 housing structures, only two percent are for sale, and less than one percent are in foreclosure. Additionally, very few rental units currently exist in the Los Lunas area. Los Lunas developed a plan in 2015 that identified a need to create affordable housing near the Rail Runner station. Since the plan was approved, Los Lunas has annexed 1,500 acres to create a BNSF Railway-certified rail center and has been designated as the site for a new Facebook data center. These two projects have the potential to create hundreds of new jobs in the local business market and further increase the demand for housing. The existing housing plan takes into consideration various sorts of assistance grants for housing projects, including a waiver of project application and impact fees, donations of land and the acquisition of foreclosed properties for conversion into affordable housing. Los Lunas is examining how the housing market changed in Prineville, Oregon, when the first Facebook data center was built, and how the local authorities handled those changes.

Affordable Housing Tax Credit (AHTC) — The AHTC works in tandem with the Affordable Housing Charitable Trust Fund (AHCTF) administered by the MFA. The program provides tax credits for donations to eligible affordable housing projects or to the AHCTF. To remain eligible, a project must remain qualified as "affordable housing" for a minimum of five years for single-family units and 10 years for multi-family units. Donations may be eligible for federal tax credits in addition to the state program. Since 2006, the program has generated donations worth $7.8 million for 44 projects, creating 633 affordable single-family housing units and 139 multi-family units. Providing an example of the program, Ted Swisher, executive director, Santa Fe Habitat for Humanity, said that land prices in Santa Fe can put a modestly sized home out of reach for many families. He said the AHTC program has enabled Habitat for Humanity to build at least two additional homes in Santa Fe each year. However, through the AHTC program, $20,000 in tax credits can leverage $92,000 in funding from federal and local governments and $48,000 worth of volunteer labor. Combining those resources will build a small home valued at $235,000 in the Santa Fe market, but it can be offered at a price that a family of four with an annual income of $37,320 can afford.

Dona Ana County-Mexico Border Area — By 2040, the population of Dona Ana County is anticipated to increase by 40 percent to 55 percent, with growth occurring in existing communities and also in the border area of Santa Teresa and Sunland Park. About one-half of the population lives in unincorporated areas, including colonias and surrounding rural communities. According to local officials, major development needs in the area include an upgrade to county and state roads to support heavy traffic; more affordable housing; colonias development, including infrastructure such as a potable water supply and wastewater systems; and repair and improvements to flood control infrastructure throughout the county. Six hundred million dollars in needed improvements have been identified for the colonias in Dona Ana County alone.

WORK PLAN AND MEETING SCHEDULE

2017 APPROVED
WORK PLAN AND MEETING SCHEDULE
for the
MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE

Members

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

Advisory Members

Rep. Alonzo Baldonado
Rep. George Dodge, Jr.
Rep. Bealquin Bill Gomez
Rep. Roberto "Bobby" J. Gonzales
Sen. Richard C. Martinez
Rep. Bill McCamley
Sen. Gerald Ortiz y Pino
Sen. Michael Padilla
Rep. Dennis J. Roch
Sen. Sander Rue
Rep. Nathan P. Small
Sen. Jeff Steinborn

Work Plan

The Mortgage Finance Authority (MFA) Act Oversight Committee was created pursuant to the provisions of Section 58-18-5 NMSA 1978, which provides in part that the MFA shall have the powers to "carry out and effectuate the purposes and provisions of the Mortgage Finance Authority Act". Subsection W of Section 58-18-5 NMSA 1978 creates the MFA Act Oversight Committee. Further, this subsection states that the MFA has the power, subject to approval by the MFA Act Oversight Committee and subject to any agreement with bondholders and noteholders, to make, alter or repeal "such rules and regulations with respect to its operations, properties and facilities as are necessary to carry out its functions and duties in the administration of the Mortgage Finance Authority Act".

Pursuant to the provisions of Section 2-12-5 NMSA 1978, the committee is further authorized to:

"A. determine and monitor the actual distribution of funds derived by the [New Mexico mortgage finance] authority from bond issues and other activities of the authority under the provisions of the Mortgage Finance Authority Act, both on a geographical basis and on the basis of the actual distribution to participants in its programs;

B. monitor the authority in its control of the issuance of mortgage commitments;

C. meet on a regular basis to receive and evaluate periodic reports from the authority as to its enforcement of the provisions of the Mortgage Finance Authority Act and the regulations adopted pursuant thereto; and

D. require the authority to document the need to the oversight committee regarding the issuance of any bonds.".

In addition to carrying out its statutory responsibilities, the committee proposes to review or receive updates on:

(1) regional housing;

(2) changes to existing and proposed rules promulgated by the MFA;

(3) the MFA's funding source and program overview, including the MFA's single-family mortgage products and the NM Energy$mart Program;

(4) the Affordable Housing Act and the affordable housing tax credit;

(5) federal housing policy and budget trends;

(6) the New Mexico Housing Trust Fund;

(7) the MFA budget and current strategic plan;

(8) reports on bonds issued, financing strategies and market updates;

(9) 2017 legislation and proposed legislation for the 2018 session; and

(10) the challenges in developing a housing infrastructure adequate to meet the needs of the growing workforce in southern Dona Ana County.

Mortgage Finance Authority Act Oversight Committee
2017 Approved Meeting Schedule

Date	Location
June 13	Albuquerque
July 14	Albuquerque
August 2	Albuquerque
September 14	Albuquerque
September 15	Santa Teresa (joint meeting with the Economic and Rural Development Committee)
November 6	Albuquerque

AGENDAS AND MINUTES

TENTATIVE AGENDA
for the
FIRST MEETING
of the
MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE

June 13, 2017
New Mexico Mortgage Finance Authority Office
344 Fourth St. SW
Albuquerque

Tuesday, June 13

2:30 p.m.		**Call to Order/Introductions** —Representative Eliseo Lee Alcon, Chair
2:35 p.m.	(1)	**Introductions of Lead Program Staff** —Jay Czar, Executive Director, New Mexico Mortgage Finance Authority (MFA)
2:45 p.m.	(2)	**2017 MFA Reference Guide: Overview of Programs and Funding** —Jay Czar, Executive Director, MFA —Gina Hickman, Deputy Director of Finance and Administration, MFA —Isidoro "Izzy" Hernandez, Deputy Director of Programs, MFA —Monica Abeita, Senior Policy and Program Advisor, MFA
3:45 p.m.	(3)	**2017 Interim Committee Procedures and Adoption of Proposed Work Plan** —Jay Czar, Executive Director, MFA —Mark Edwards, Legislative Council Service
4:30 p.m.		**Adjourn**

MINUTES
of the
FIRST MEETING OF THE 2017 INTERIM
of the
MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE

June 13, 2017
New Mexico Mortgage Finance Authority Office
344 Fourth St. SW
Albuquerque

The first meeting of the 2017 interim of the Mortgage Finance Authority Act Oversight Committee was called to order by Representative Eliseo Lee Alcon, chair, on June 13, 2017 at 2:37 p.m. in the New Mexico Mortgage Finance Authority (MFA) office in Albuquerque.

Present
Rep. Eliseo Lee Alcon, Chair
Sen. Nancy Rodriguez, Vice Chair
Sen. Gregory A. Baca
Rep. Kelly K. Fajardo
Sen. Cisco McSorley
Rep. Rod Montoya

Absent
Sen. Stuart Ingle
Rep. Sheryl Williams Stapleton

Advisory Members
Rep. Alonzo Baldonado
Rep. George Dodge, Jr.
Rep. Bealquin Bill Gomez
Rep. Roberto "Bobby" J. Gonzales
Sen. Richard C. Martinez
Sen. Gerald Ortiz y Pino
Sen. Michael Padilla
Rep. Dennis J. Roch
Rep. Bill McCamley
Sen. Sander Rue
Rep. Nathan P. Small
Sen. Jeff Steinborn

Staff
Mark Edwards, Drafter, Legislative Council Service (LCS)
Sharon Ball, Drafter/Senior Researcher, LCS

Guests
The guest list is in the meeting file.

Handouts
Handouts and other written testimony are in the meeting file.

Tuesday, June 13

Representative Alcon called the meeting to order and welcomed members, staff and guests and then asked committee members and staff to introduce themselves.

Introductions of Lead Program Staff

The chair recognized Jay Czar, executive director, MFA, to introduce lead program staff and provide the committee with information about MFA staff and programs. Mr. Czar advised members that the meeting was being webcast and noted that the microphones are extremely sensitive and suggested that members keep sidebar conversations to a minimum and avoid shuffling papers to avoid interference with the webcast. He also noted that the meeting room dais is a little more crowded this year than previously, with an increase in membership from 16 to 20.

Mr. Czar recognized the MFA deputy director of finance and administration, Gina Hickman, CPA, who has been with the MFA for eight years. He noted that prior to her service at the MFA, she had been chief financial officer at the Albuquerque Public School District. Next, Mr. Czar recognized Isidoro "Izzy" Hernandez, MFA deputy director of programs, who started his career nearly 26 years ago at the MFA as a management intern. Mr. Czar said he is proud of Mr. Hernandez's accomplishments and contributions to the agency. He told the committee that Mr. Hernandez recently retired from the New Mexico National Guard as a "full-bird" colonel and added that his retirement is the reason that Mr. Hernandez now sports a beard and long hair. On behalf of the committee, Representative Alcon thanked Mr. Hernandez for his service.

Mr. Czar then recognized Monica Abeita, MFA senior policy and program advisor, who, he said, has been with the MFA for four years. He noted that, in addition to working with the state legislators and other state and local elected officials, Ms. Abeita works closely with New Mexico's congressional delegation. He noted that in the past 10 years or so, with the downturn in the economy, federal funds have become increasingly important to accomplishing the agency's mission of "provid[ing] innovative products, education and services in collaboration with strategic partners to finance the purchase, construction and preservation of quality affordable housing to strengthen the social and economic development of New Mexico".

Finally, Mr. Czar recognized Sandra Marez, senior administrative assistant and the longest-serving employee in the agency, now in her thirty-first year. He also pointed out John Anderson and David Schmidt, MFA contract lobbyists. He said that other staff members would come before the committee during future meetings as they are needed to provide agency information.

2017 MFA Reference Guide: Overview of Programs and Funding

Providing some historical background, Mr. Czar said that back in the mid-1970s, many states, including New Mexico, were establishing housing finance authorities to take advantage of new federal tax-exempt bonding authority to support mortgage products for first-time homebuyers who met low-to-moderate income criteria. Then-Governor Jerry Apodaca worked with his fellow "Mama Lucy Gang", a left-leaning informal coalition of legislators that included Representative Eddie Lopez of Santa Fe and Representatives Adele Cinelli Hundley and Raymond Sanchez of Albuquerque, to introduce legislation to create a self-supporting "governmental instrumentality" to provide available, applicable resources for residents with low or moderate incomes to become homeowners. The governor also called upon a Grants lobbyist, Toby Michael, who would later become a state legislator, to assist in getting the bill passed. The bill passed in 1975 but had no funding. Mr. Michael was named the first chair of the MFA, and he, together with several of his fellow board members, took out personal loans to get the program started.

Mr. Czar explained that the first MFA legislative oversight committee convened on September 25, 1975. He said that the minutes of that meeting reflected that committee member Senator Joseph Fidel said that it was "urgent for the committee to work with the authority to make the Mortgage Finance Act work successfully". Mr. Czar told the committee that the MFA has, in fact, worked very successfully since that time. In 1977, Governor Apodaca transferred all state housing-related activities to the MFA, creating a "one-stop shop" for all affordable housing programs, including federal Department of Housing and Urban Development (HUD) funding, weatherization and low-income housing tax credit (LIHTC) programs.

"Fast forwarding" to the present time, Mr. Czar directed members' attention to the presentation of a short video illustrating the MFA's production highlights.

After the video, Mr. Czar walked committee members through the meeting materials. He noted that legislation establishing the MFA was behind Tab 2, and behind Tab 3 were the MFA's rules and regulations promulgated by the MFA board and approved by the committee on a regular basis. He indicated that Marjory Martin, MFA senior legal counsel, would present any board-approved proposed changes to the committee later in the interim.

Moving on to the material behind Tab 4, "2017 MFA Legislative Agenda", Mr. Czar explained that, usually, the MFA requests several direct appropriations from the legislature, but this year the agency requested funding for only two important programs.

The first request, he explained, involves the MFA's oversight of state regional housing authorities. He said that in 2009, after a scandal involving fraud and waste with the then-existing seven regional housing authorities, the legislature passed and the governor signed into law a measure that mandated the MFA to restructure and oversee all of the state's regional housing authorities. As part of its "housecleaning" and restructuring, the MFA consolidated those seven existing regional housing authorities into three and began providing training and technical assistance and ensuring annual audits. In recent years, the legislature has stopped providing the MFA with minimal funding, requiring the agency to use its earned income for the oversight. For the 2017 session, the MFA requested an appropriation of $300,000 in Senate Bill (SB) 92, which was carried by Senator Mary Kay Papen. In response to a committee question, Mr. Czar indicated that the bill did not pass and no appropriation was included in the General Appropriation Act of 2017. Committee members expressed concern that not providing the requested minimal funding takes away funding from other programs, "robbing Peter to pay Paul". Mr. Czar emphasized that since the MFA began its oversight, there have been no instances of fraud, waste or abuse within the consolidated three regional housing authorities.

Mr. Czar went on to explain that the second bill, SB 129, carried by Senator Ingle, requested a $250,000 appropriation to fund the MFA's duties required by provisions in the Affordable Housing Act, enacted in 2004. The act provides an exemption from the Constitution of New Mexico's Anti-Donation Clause and allows state and local governments to contribute public funds, land, buildings and other resources to create and preserve affordable housing. He said that to date, the MFA has assisted 40 local governments to create and implement affordable housing plans and ordinances that have resulted in nearly $43 million in donations for affordable housing. Mr. Czar concluded by saying that, as a self-supporting agency, the MFA receives no operating funds from the state, requiring the MFA again "to rob Peter to pay Paul".

Also behind Tab 4, Mr. Czar pointed out the 2015 MFA production highlights. He said that the 2016 production highlights can be found on the MFA web page. He pointed out that in 2016, the MFA provided more than $450 million in low-interest financing and grants for affordable housing and related services throughout New Mexico — a 30 percent increase from 2015.

Behind Tab 5, Mr. Czar pointed out the listing of the members of the MFA's Board of Directors. He noted that the MFA board consists of seven members, three of whom are members by virtue of their respective elected positions: Lieutenant Governor John Sanchez, Attorney General Hector Balderas and State Treasurer Tim Eichenberg. The other four members are governor appointees: Dennis R. Burt, chair, Burt & Company CPAs; Angel Reyes, vice chair, president of Centinel Bank in Taos; Randy McMillan, director, president of NAI, First Valley Realty, Inc.; and Steven J. Smith, treasurer, president of R.O.G. Enterprises.

Mr. Czar said that the MFA board is very active, and he told committee members they would be welcome to sit in on any of the board meetings or the board retreat.

Pointing out the organizational chart behind Tab 6 and the MFA strategic plan behind Tab 7, Mr. Czar said that during the 40 years the MFA has been in existence, it has built a solid foundation as a reputable organization recognized for its prudent fiscal management, strong regulatory compliance, professional staff and dedication to customer service, allowing it to administer successfully more than 30 affordable housing programs for the benefit of low-income residents of New Mexico. He said that the MFA focuses on the following priorities for strategic alignment of its work: 1) operational excellence; 2) cultivation of new resources; 3) effective partnerships; 4) expanding homeownership opportunities; and 5) expanding rental opportunities.

Referring to Tab 8, Mr. Czar briefly discussed "Top Ten Myths. . .Debunked", noting that the MFA is often confused with the New Mexico Finance Authority (NMFA). He explained that the MFA, unlike the NMFA, provides funding only for housing for qualifying low-income persons; it does not develop or build homes. Like a bank, the MFA provides financing to developers whose projects qualify for loans, tax credits or sometimes grants. He explained that the MFA actually has very little grant funding available because the MFA borrows most of its funding, requiring it to lend, rather than grant, funding. He reiterated that the MFA is not a state agency but an "instrumentality of the state". Also, he noted that people sometimes think the MFA is part of HUD, which is a federal agency that provides various financial resources for housing and community development. He said that while the MFA is not part of the federal agency, it does administer HUD funding and contracts on behalf of the state.

Ms. Hickman directed members' attention to the information behind Tabs 9, 10 and 11, all of which relate to MFA funding sources, federal program fund sources and nine percent LIHTC awards. She explained that the pie chart, "MFA Estimated Funding Sources — 2016", demonstrates that the MFA is self-funding. Of the estimated total of $508 million, she said that 72.2 percent, or $366.8 million, of estimated funding sources come from MFA issuance of tax-exempt bonds. Federal funding for housing programs makes up 21.1 percent, or $107.1 million, with 3.4 percent ($17.2 million) from the MFA general fund, 2.0 percent ($10 million) from state tax credits and appropriations and 1.9 percent ($9.9 million) from private and other sources. In response to a committee question, Ms. Hickman indicated that the State Board of Finance determines the MFA's bonding capacity, which is backed by revenues from mortgage loans. In response to additional questions and some discussion, Ms. Hickman said that New Mexico's affordable housing tax credit provides incentives for up to $8.8 million in private donations for affordable housing. In response to committee questions and discussion, Ms. Hickman noted that "private and other sources" include weatherization funds from the Low Income Housing Energy Assistance Program, usually called "LIHEAP". In response to committee discussion and questions about the effect of the federal budget development process, Mr. Czar indicated that if the U.S. Congress cannot agree on a budget, he is hoping for a "continuing resolution", which will allow HUD funds to continue to flow to the states.

Ms. Hickman told the committee that the MFA is subject to New Mexico state audit rules and probably is the "most audited" agency — or quasi agency — in state government. She said that the summary list of audits is behind Tab 10. In response to committee discussion and questions, she said that many of programs that the MFA oversees require these audits. She added that the MFA sees these audits as opportunities to research and implement best practices and improve the agency's financial procedure and practices. Mr. Czar told the committee that he is proud that the MFA has yet to receive a "qualified" audit, which would indicate a less-than-desirable result. He told committee members that they could drop by the MFA office and see some sort of audit in process year round.

Continuing to Tab 11, Ms. Hickman discussed the MFA's 2016 federal program fund summary, noting that HUD programs include the Home Investment Partnerships Program, which has been cut by 57 percent since fiscal year 2010; the Housing Opportunities for Persons with AIDS grants; and a HUD emergency solutions formula grant of just over $1.1 million to assist homeless individuals and families and others at risk of becoming homeless, as well as victims of domestic violence, youth, people with mental illness, families with children and veterans. She said that a U.S. Department of Energy (DOE) formula grant of over $1.6 million, also called the NM Energy$mart Program, provides weatherization assistance to households with incomes at or below 200 percent of the federal poverty level. She explained that this program gives priority to the elderly, as well as to households in which one or more members have a disability and households with young children.

Moving to the information behind Tab 12, Ms. Hickman discussed the spreadsheets showing the distribution of nine percent LIHTC awards by congressional district and county, from 2000 to 2016. In response to committee questions and discussion, Ms. Hickman agreed that Congressional District 1 (all of Bernalillo County and parts of Sandoval County) received less than its per capita share of awards. Specifically, Congressional District 1 residents received 25.7 percent of LIHTCs, while residents of Congressional District 2, including Chaves, Cibola, Dona Ana, Eddy, Grant, Lea, Lincoln, Luna, Otero and Valencia counties, received 37.7 percent of LIHTCs and residents of Congressional District 3, including Curry, Los Alamos, McKinley, Rio Arriba, San Juan, San Miguel, Santa Fe, Taos and Union counties and parts of Sandoval County received 36.5 percent. Looking from a different perspective, 44.7 percent of the awards were made in the metropolitan areas of Albuquerque, Farmington, Las Cruces and Santa Fe, while 55.3 percent of awards were made in rural areas. In terms of large and small cities, 63.9 percent of the awards were made in municipalities with populations greater than 25,000, while 36.1 percent of LIHTCs were made in municipalities with populations less than 25,000.

Ms. Hickman also discussed the estimated economic impact of LIHTC projects in New Mexico, including the number of jobs by congressional district, as well as the annual effect in generation of taxes, user fees and charges.

Mr. Czar ended the presentation by directing members' attention to the information behind Tab 13, which includes a comprehensive glossary of terms that includes acronyms, key words and phrases frequently used in connection with the financing of housing by state and local housing and finance agencies. Members thanked the MFA staff for such a helpful, comprehensive lexicon of bond and mortgage terms.

2017 Interim Committee Procedures and Adoption of Proposed Work Plan

Mr. Edwards directed members' attention to a memorandum from LCS Director Raúl E. Burciaga that was included in the meeting materials and provides a summary of interim committee reminders that are applicable to all New Mexico Legislative Council-approved committees, including information about the interim meeting calendar, rules relating to voting and committee action, the "blocking provision", meeting outside the State Capitol after the end of September and policies and procedures for attending other committee meetings.

Mr. Edwards then went on to discuss the proposed committee work plan. He explained that the committee's responsibilities are statutory, so the work plan includes items that generally do not vary much from year to year. He noted that with more than 20 different interim committees, meeting dates are set up by the New Mexico Legislative Council with the aim of avoiding conflicts among committee meeting dates for voting members of committees.

Mr. Edwards noted that in addition to carrying out its statutory responsibilities, the committee would review and receive presentations on the following:

(1) regional housing;

(2) changes to existing and proposed rules promulgated by the MFA;

(3) the MFA's funding source and program overview, including the MFA's single-family mortgage products and the NM Energy$mart Program;

(4) the Affordable Housing Act and the affordable housing tax credit;

(5) federal housing policy and budget trends;

(6) the New Mexico Housing Trust Fund;

(7) the MFA budget and current strategic plan;

(8) reports on bonds issued, financing strategies and market updates; and

(9) proposed legislation for the 2018 session.

After some discussion of several suggested topics and meeting locations, committee members agreed to include an additional topic and perhaps a joint meeting with another interim committee to address the challenges in developing housing infrastructure adequate to meet the needs of the growing workforce in southern Dona Ana County.

Upon a motion made by Senator McSorley and seconded by Representative Fajardo, the committee adopted the proposed work plan and meeting schedule, allowing for logistical changes to be made by staff in consultation with the chair and vice chair. The motion passed without objection.

Mr. Czar said that his staff and LCS staff would meet before the July 14 meeting to organize tentative agendas for the remainder of the interim.

Adjournment

There being no further business before the committee, the meeting adjourned at 4:20 p.m.

TENTATIVE AGENDA
for the
SECOND MEETING
of the
MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE

July 14, 2017
New Mexico Mortgage Finance Authority Office
344 Fourth St. SW
Albuquerque

Friday, July 14

10:00 a.m		**Call to Order and Introductions** —Representative Eliseo Lee Alcon, Chair
10:05 a.m.		**Approval of Minutes**
10:10 a.m.	(1)	**Welcome and Update** —Jay Czar, Executive Director, New Mexico Mortgage Finance Authority (MFA)
10:25 a.m.	(2)	**Federal Housing Policy and Budget Update** —Monica Abeita, Senior Policy and Program Advisor, MFA
10:45 a.m.	(3)	**Proposed MFA 2018 Legislative Agenda** —Monica Abeita, Senior Policy and Program Advisor, MFA
11:05 a.m.	(4)	**Regional Housing Authority Update** —Rose Baca-Quesada, Community Development Director, MFA —Chris Herbert, Executive Director, Eastern Regional Housing Authority —Richard Frey, Executive Director, Northern Regional Housing Authority
11:40 a.m.	(5)	**New Mexico Housing Trust Fund Update** —Sabrina Su, Program Manager, MFA
12:00 noon		**Adjourn**

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

July 14, 2017
New Mexico Mortgage Finance Authority Office
344 Fourth St. SW
Albuquerque

The second meeting of the Mortgage Finance Authority Act Oversight Committee was called to order by Representative Eliseo Lee Alcon, chair, on July 14, 2017 at 10:03 a.m. in the New Mexico Mortgage Finance Authority (MFA) office in Albuquerque.

Present
Rep. Eliseo Lee Alcon, Chair
Sen. Nancy Rodriguez, Vice Chair
Sen. Gregory A. Baca
Rep. Kelly K. Fajardo
Sen. Stuart Ingle
Sen. Cisco McSorley
Rep. Rod Montoya

Absent
Rep. Sheryl Williams Stapleton

Advisory Members
Rep. Alonzo Baldonado
Rep. George Dodge, Jr.
Rep. Bealquin Bill Gomez
Rep. Roberto "Bobby" J. Gonzales
Sen. Richard C. Martinez
Sen. Michael Padilla
Rep. Dennis J. Roch
Rep. Nathan P. Small
Sen. Jeff Steinborn

Rep. Bill McCamley
Sen. Gerald Ortiz y Pino
Sen. Sander Rue

Guest Legislator
Sen. Carlos R. Cisneros

Staff
Mark Edwards, Drafter, Legislative Council Service (LCS)
Sharon Ball, Drafter/Senior Researcher, LCS

Guests

The guest list is in the meeting file.

Handouts

Copies of all handouts are in the meeting file.

<u>Friday, July 14</u>

Welcome and Update

Isidoro "Izzy" Hernandez, deputy director of programs, MFA, welcomed the committee and gave a brief introduction of the budget for a number of housing programs run through the U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture. He said that the HUD budget passed its first U.S. House committee at a $38 billion level, which is less than last year's budget but more than the president's proposed budget. He also projected that the U.S. Senate would be more favorable to funding federal housing programs than the U.S. House. Overall, he indicated that there appears to be continuing congressional support for housing assistance programs.

The committee then briefly discussed whether the meeting scheduled for September 15 in Santa Teresa should be moved to avoid potential scheduling conflicts with anticipated presenters who may be committed to a large local event that day. A committee member pointed out that the meeting is scheduled to be held jointly with the Economic and Rural Development Committee (ERDC) as the second day of the ERDC meeting in Dona Ana County. With the joint meeting in mind, the chair suggested that LCS staff try to work around the various scheduling conflicts before trying to change the date of the meeting.

Motion

Pursuant to a motion by Senator McSorley, seconded by Senator Rodriguez, the minutes of the committee's meeting on June 13, 2017 were approved without objection.

Federal Housing Policy and Budget Update

Monica Abeita, senior policy and program advisor, MFA, updated the committee on the federal budget process and trends. In fiscal year 2017, federal funding is providing $121.2 million to MFA programs and accounts for 20.7% of the MFA's budget. The 2018 federal fiscal year starts on October 1, and the budget picture may be changing quickly, so the MFA will update the committee at each meeting.

Ms. Abeita said the 2018 budget process started in March with President Trump's budget proposal. The president is proposing funding reductions of $6 billion for federal housing. These reductions would eliminate various HUD programs, including the Home Investment Partnerships Program (HOME); community development block grants; the Self-Help Homeownership Opportunity Program; the Choice Neighborhoods Initiative; the Capacity Building for Community Development and Affordable Housing Program, also called the "Section 4" program;

and community housing development organizations. The proposed budget also reduces funding for community development and planning grants and rental assistance vouchers for low-income people and veterans through the Section 8 and the HUD-Veterans Affairs Supportive Housing programs. The president's proposed budget also would eliminate the U.S. Department of Energy's Low Income Home Energy Assistance Program and the Weatherization Assistance Program, which are funding sources for the MFA's NM Energy$mart Program.

Ms. Abeita said that funding cuts for home rehabilitation have been a trend in recent years, and she outlined some factors that have been framing, and may accelerate, that trend. For several years, much of the federal budget has been authorized through short-term continuing resolutions instead of the traditional annual budget process, known as "regular order". The regular order process is perceived as more stable, as congressional committees work to align revenue with spending on an annual basis rather than a few months at a time. A second framing factor has been the federal Budget Control Act of 2011, which set annual caps on domestic and defense spending in a process known as sequestration. The federal Bipartisan Budget Act of 2015 lifted the spending caps for two years, but the caps will return on October 1 without further congressional action.

Ms. Abeita said there are two major potential congressional actions that are also shaping this year's budget debate. Congressional leaders have talked about tax reform measures, and the president proposed a $1 trillion infrastructure investment initiative during his campaign. Ms. Abeita indicated that federal policymakers may be shaping their current budget positions to accommodate the impacts of future action on those issues. She said that housing entities like the MFA are concerned about preserving two items in the federal tax code: the state's affordable housing tax credit (AHTC) and private activity bonds (PABs). She said there appears to be a lot of congressional support for the AHTC. However, no champion has emerged so far for the PABs, and that is raising concern within private industry and municipal governments.

Responding to questions from the committee:

- Mr. Hernandez said the 56% reduction in HOME since 2010 could represent 40 to 50 fewer rehabilitated homes per year, but some of that funding reduction actually represents a reduction in rental assistance;

- Gina Hickman, deputy director of finance and administration, MFA, said that about 5% of MFA bond sales are to New Mexico residents and that 100% of the money generated by those sales stays within the state;

- Mr. Hernandez said that the MFA currently has a contract with the HUD to administer the Section 8 housing program, but the HUD is looking at moving to a regional, instead of a state-by-state, contracting system. He said that the MFA is developing a partnership with neighboring states in case the HUD makes that change; and

- Ms. Abeita said that the federal cuts in weatherization assistance would create a 54% cut in New Mexico. She said that the legislature could expect requests to increase state funding for these programs if the proposed federal cuts materialize.

Proposed MFA 2018 Legislative Agenda

Ms. Abeita said that despite a challenging budget picture, the MFA proposed two funding bills in 2017. Those two bills, which called for oversight of regional housing authorities (RHAs) and the Affordable Housing Act, were partly proposed at the committee's request in order to keep the issues in front of the legislature. Neither request was funded.

Ms. Abeita highlighted two areas as key for funding assistance in 2018: 1) planning and technical assistance to RHAs and local public housing authorities (PHAs); and 2) weatherization funding. She said that RHAs fill an important role in merging PHAs when needed to avoid losing federal Section 8 voucher funding. On weatherization, she said the NM Energy$mart Program works on up to 1,000 homes a year, but the demand is always greater. Those projects may mean an extra $30.00 to $50.00 in a family's monthly budget that does not have to be dedicated to heating bills.

Responding to questions from the committee about affordable housing programs, MFA staff said that:

- the MFA has been very successful in funding mortgage loans through the secondary bond market. The MFA uses an outside consultant to sell these securities;

- applications for affordable housing projects receive extra points in the competitive process if there is a local government contribution. Local contributions may be in the form of funding, land or in-kind contributions. However, competitive scoring for housing assistance does not take into account the financial resources of the local governments. Local governments without large revenue sources typically make land or in-kind contributions;

- Albuquerque and Santa Fe do track their own housing vacancy rates, and the MFA conducts rural vacancy surveys. Typically, rural vacancy rates are very low, reflecting tight housing markets;

- the MFA is not aware of any housing projects that are currently in financial difficulty, but older (15- to 20-year-old) projects that are due for rehabilitation or renovation sometimes find themselves financially pinched when costs rise faster than allowable rent increases;

- some statistics developed by the National Association of Home Builders might clarify whether investment of the state's permanent funds in housing would create a better return than investment in stocks; that information will be provided to the committee at a later date; and

- the MFA requires pre-purchase counseling for homebuying assistance to limit foreclosures down the line, but that is the only foreclosure prevention program currently operating.

Concluding this part of the agenda, committee members suggested that:

- the MFA remind the committee at its November meeting that capital outlay requests can be put into the New Mexico Housing Trust Fund; and

- opportunities to expand natural gas pipelines to unserved communities be examined, as natural gas is much less expensive for a family budget than propane.

RHA Update

Rose Baca-Quesada, community development director, MFA; Gina Bell, senior lead, community development, MFA; Chris Herbert, executive director, Eastern RHA; and Richard Frey, executive director, Northern RHA, led the presentation. Ms. Bell provided a brief history of RHAs in New Mexico. In 1970, seven RHAs were created by the legislature. At the time, RHAs had bonding capacity and eminent domain authority. However, their internal capacity varied widely, and there was no direct oversight of RHAs at the state level. In 2006, one of the RHAs defaulted on a $5 million state bond. The default triggered allegations of misuse of RHA funds, and eventually, the RHA went into receivership. In 2007, the legislature removed the bonding and eminent domain authorities from RHAs and tasked the MFA, the Department of Finance and Administration and the Mortgage Finance Authority Act Oversight Committee to create a plan for reforming the RHAs. This process resulted in legislation in 2009 that consolidated the RHAs into three regions and tasked the MFA with oversight review and approval of a number of RHA functions, including annual audits and contracts over $100,000. The MFA was also tasked with providing training and technical assistance to the RHAs. These tasks are not funded within the state's budget but are resourced out of the MFA's internal budget.

Ms. Baca-Quesada said that funding for local PHAs has been decreasing, and some PHAs have run into difficulties or have faced collapse. In these cases, an RHA may take over the PHAs' functions. When a PHA is collapsing, that area might lose federal housing assistance unless the RHA can take over the administration of Section 8 vouchers and other programs. She said that both the eastern region and the northern region had consolidated with some of their local PHAs, but no consolidations have happened so far in the western region. She said that finding board members for the western region has been difficult and that it currently has three vacancies on its board.

Mr. Herbert provided some specifics on the activities of the Eastern RHA. He talked about a recently completed 16-unit housing project in Eunice that was funded with MFA assistance, and a similar project is pending approval in Jal. He stated that new funding for RHAs and affordable housing oversight funds is critical in helping local communities plan for and meet their housing needs. He said that the eastern region is currently looking at several small projects in the four- to eight-unit range. The eastern region is rated a "high performer" in the Section 8 Management Assessment Program (SEMAP).

Presenting an update on the western region, Ms. Baca-Quesada said the region had entered into a memorandum of understanding with El Camino Real Housing Authority to share skills. The western region manages the Linkages program in its area and is also rated a "high performer" in the SEMAP.

Mr. Frey said that the northern region is continuing its program of PHA stabilization. He noted that the northern region has responsibility at some project sites to meter natural gas or propane and that it does not have the staff expertise it needs. He said a goal is to get the region out of the gas business. He noted two regional challenges, the first being a relatively inexperienced regional staff. The MFA's training assistance is helping in this area, but the region needs to retain staff to gain on-the-ground experience. Second, the region is experiencing a high vacancy rate at several rental projects caused by late-rent evictions. He said that staff members are working with delinquent renters to get them on a payment schedule. He noted that many housing units in the Taos area are damaged, and the region has been able to let out some contracts for renovation.

Responding to questions from the committee, the panelists said that:

- all three RHAs either manage units or Section 8 vouchers, but none provides full-spectrum housing services, including renovation and weatherization. A foundational element for the RHAs would be stable annual funding to the MFA for RHA oversight and assistance;

- Silver City and Taos do not have local PHAs but are served by their respective RHAs;

- the Albuquerque, Santa Fe and Dona Ana County urban areas have their own housing authorities and are not within any of the regions;

- the Navajo Housing Authority is overseen by the HUD;

- the northern region has been in discussion with the Rio Arriba County Housing Authority (RACHA) on how to deal with issues that have been giving the RACHA a "troubled or substandard" rating. Sometimes those ratings reflect the condition of housing units, and sometimes ratings are based on the staffing available to a PHA;

- each RHA board sets the training requirements for its staff. For example, the eastern region requires its staff to have three different certifications. However, training depends upon available funds. The National Association of Housing and Redevelopment Officials sometimes provides scholarships for training; and

- the number of Section 8 vouchers is in decline because of a steady decline in funding since 2003 rather than a decline in demand.

In response to some questions about the New Mexico Housing Trust Fund, Jay Czar, executive director, MFA, said the fund's uses are limited by very specific statutory language. The legislature could broaden its uses to include energy conservation or other goals, but it might need to look at whether the MFA board would then be authorized to allocate base funding between the uses. He also said that the MFA currently issues loans, rather than grants, from the fund. Grants would draw down the fund if a recurring funding source from the state is not found.

New Mexico Housing Trust Fund Update

Sabrina Su, program manager, MFA, said that the state has invested $18.7 million in the New Mexico Housing Trust Fund. With that base funding and accrued interest, the MFA has been able to award more than $42 million, and has leveraged $459 million from other funding sources, to build or renovate 3,200 homes. The leveraged funds represent a 24-to-1 return on the state's investment.

Responding to questions from the committee, Ms. Su and Mr. Czar said the fund has been seeing a return of about $1 million a year. In total, the interest on state funding has been around 30%. A demand exists if additional funding for the New Mexico Housing Trust Fund becomes available.

Adjournment

There being no further business, the committee adjourned at 12:43 p.m.

TENTATIVE AGENDA
for the
THIRD MEETING
of the
MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE

August 2, 2017
Sawmill Lofts
1801 Bellamah Ave. NW
Albuquerque

Wednesday, August 2

10:00 a.m.		**Call to Order and Introductions** —Representative Eliseo Lee Alcon, Chair
10:05 a.m.		**Approval of Minutes**
10:10 a.m.	(1)	**Welcome and Update on Federal Policy** —Jay Czar, Executive Director, New Mexico Mortgage Finance Authority (MFA)
10:20 a.m.	(2)	**NM Energy$mart Update** **A. Program History and Overview** —Amy Gutierrez, Program Manager, NM Energy$mart, MFA —Troy Cucchiara, Green Initiatives Manager, MFA **B. NM Energy$mart Service Areas and Providers** —Joseph Stevens, Executive Director, Central New Mexico Housing Corporation —Veronika Molina, Executive Director, Southwestern Regional Housing and Community Development Corporation **C. NM Energy$mart Academy** —Amanda Hatherly, Director, Center of Excellence, NM Energy$mart Academy
11:30 a.m.	(3)	**MFA Single-Family Mortgage Products** —Jeff Payne, Senior Director of Homeownership, MFA
12:00 noon		**Adjourn**

MINUTES
of the
THIRD MEETING
of the
MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE

August 2, 2017
Community Room, Sawmill Lofts
1801 Bellemah Ave. NW
Albuquerque

The third meeting of the 2017 interim of the Mortgage Finance Authority Act Oversight Committee was called to order by Representative Eliseo Lee Alcon, chair, on August 2, 2017 at 10:07 a.m. in the Community Room, Sawmill Lofts, which is part of the Sawmill Community Land Trust (SCLT), in Albuquerque.

Present
Rep. Eliseo Lee Alcon, Chair
Sen. Nancy Rodriguez, Vice Chair
Sen. Gregory A. Baca
Rep. Kelly K. Fajardo
Sen. Stuart Ingle
Sen. Cisco McSorley
Rep. Rod Montoya

Absent
Rep. Sheryl Williams Stapleton

Advisory Members
Rep. Alonzo Baldonado
Rep. George Dodge, Jr.
Rep. Bealquin Bill Gomez
Rep. Roberto "Bobby" J. Gonzales
Sen. Richard C. Martinez
Rep. Bill McCamley
Sen. Gerald Ortiz y Pino
Sen. Michael Padilla
Rep. Nathan P. Small
Sen. Jeff Steinborn

Rep. Dennis J. Roch
Sen. Sander Rue

Staff
Mark Edwards, Drafter, Legislative Council Service (LCS)
Sharon Ball, Drafter/Senior Researcher, LCS

Guests
The guest list is in the meeting file.

Handouts
Handouts and other written testimony are in the meeting file.

<u>Wednesday, August 2</u>

Call to Order and Introductions

Representative Alcon called the meeting to order and welcomed members, staff and guests, and he asked committee members and staff to introduce themselves.

Welcome

The chair recognized Jay Czar, executive director, New Mexico Mortgage Finance Authority (MFA), who explained that the committee was meeting at this location because of construction in the MFA board room. He thanked the SCLT for hosting the meeting and introduced Mona Angel, executive director, SCLT, to talk about the land trust project.

Discussing the SCLT history, Ms. Angel explained that this area, just northwest of Old Town, which was the city's center from its founding in 1706 until establishment of the Albuquerque railroad depot in the 1880s, is made up of a patchwork of neighborhoods influenced by several hundred years of cultural, industrial and generational history. Native Americans and Spanish, Mexican and other immigrants established homes along the irrigation ditches and farmed the land. In 1903, when the American Lumber Company located its operations on a 110-acre parcel of land in this area, it became known as the "Sawmill" area.

Ms. Angel said that by the 1960s, the farming land around the sawmill was replaced with a mix of industrial, commercial (including wood processing facilities) and residential uses and consisted mainly of Hispanic working-class residents. In the 1980s, the residents became concerned about air quality problems, soil and ground water contamination, noise and odors from particle board production, and they formed the Sawmill Advisory Council, which successfully lobbied the city to address these concerns. By the 1990s, Sawmill residents had become so successful in improving the quality of life in the area that property values increased significantly, and working-class families were in danger of not being able to afford to live on land that had been in their families for generations.

Sawmill residents, realizing the need to gain control over real estate development in the area, formed the Sawmill Community Development Corporation in June 1994 to implement real estate development projects in line with the community's needs, and together with the city's Southwest Neighborhood Housing Services, began to develop affordable homes on scattered sites within the Sawmill area. These organized neighbors lobbied the Albuquerque City Council to purchase the 27-acre brownfield site that had been home to Duke City Lumber, which had been vacant since the late 1980s. With help from a professional design firm, community stakeholders exchanged ideas, evaluated possibilities and put together their vision in several planning sessions, establishing the Abolera de Vida, or "orchard of life". Abolera de Vida's development plan focused on permanently affordable housing and economic needs as well as environmental and cultural preservation and called for community ownership through a community land trust (CLT) model.

Ms. Angel explained that a CLT is a membership-based, nonprofit organization that owns and holds land in trust for the benefit of the community and preserves the affordability of housing on the land permanently. A CLT separates the ownership of buildings from the ownership of the land underneath. Homeowners lease the land from the CLT for a nominal monthly fee through a renewable 99-year ground lease.

In response to committee discussion and questions, Ms. Angel said that, by separating the ownership of the land from the buildings, CLT homes are significantly more affordable than comparable homes on the open market. She added that CLTs can secure additional funding or long-term preservation of subsidies that allow for even lower home prices. In response to committee comments and questions about resale of homes, Ms. Angel said that CLT homes have resale pricing limits and, together with long-term preservation of subsidies, create homeownership opportunities that are permanently affordable.

Additional committee discussion included risks in today's housing market for working-class families as well as the community at large. Some families may be forced to choose homes from older, deteriorating housing stock and may be forced to get mortgages that put them at greater risk of foreclosure or be forced to move away from the neighborhoods of their childhoods because of gentrification, private development or real estate speculation. In conclusion, Ms. Angel said that offering homes at prices within reach of working-class families and assisting them to qualify for healthy mortgages promote civic responsibility and local control of development and support stable, vibrant neighborhoods.

Approval of Minutes

On a motion duly made and seconded, without objection, the committee approved the minutes of the July 14 Mortgage Finance Authority Act Oversight Committee meeting.

NM Energy$mart Update

Mr. Czar explained that the NM Energy$mart update would be provided in three sections and would address the program's history.

Program History and Overview

Mr. Czar recognized Amy Gutierrez, program manager, MFA, and Troy Cucchiara, green initiatives manager, MFA, to provide an overview of the program and its history. Ms. Gutierrez explained that weatherization is a program funded by the U.S. Department of Energy (DOE) to reduce energy costs for low-income families and focuses on the elderly, people with disabilities and children by improving energy efficiency in their homes while continuing to ensure participants' health and safety. The program combines DOE funding with additional funding sources that include New Mexico Gas Company, Public Service Company of New Mexico, the Central Valley Electric Cooperative, Inc., the federal Low Income Home Energy Assistance Program (LIHEAP) and Xcel Energy.

In response to committee discussion and questions, Ms. Gutierrez explained that weatherization is beneficial because it reduces utility bills to households in need, helps to improve health and safety conditions, lowers total energy usage and promotes less reliance on foreign energy sources. For example, she said a cost-benefit analysis shows that in Bernalillo County, an approximately $120,000 investment has brought about savings of nearly $300,000. A Rio Arriba County investment of $50,000 allowed for savings of $150,000, while in Doña Ana County, an investment of approximately $48,000 resulted in savings of $147,000.

In addition, she said that the program improves health and safety by eliminating hazards, such as carbon monoxide and unvented space heaters, and addressing moisture issues. Mr. Cucchiara added that lowering energy usage decreases pollution.

He said that keeping appliances in good working condition increases durability by keeping moisture on the warm side of a surface and eliminating air and vapor travel through openings. He said that participants in the program have a sense of dignity about the homes in which they reside.

Ms. Gutierrez and Mr. Cucchiara agreed that a constant problem is a lack of adequate funding. Ms. Gutierrez said that 1,859 households are currently on a waiting list, while the number of households that can be served with available funding is 369. In response to committee discussions and questions, Ms. Gutierrez said that in determining program eligibility, federal regulations allow participation from households with persons with disabilities, children or elderly persons and that demonstrate high energy usage. Ms. Gutierrez said that besides the federal regulation requirements, allocation formulas take into consideration a number of factors, including levels of poverty, heating days and total population in the county.

In response to a committee question, Mr. Cucchiara said that, currently, the per-unit average that eligible households receive is $6,000. Available units may decrease if federal funding is not fully allocated to the program this year. The total number of units for July 2017 through June 2018 is estimated by using a percentage of last year's numbers and funding that has been released for the remainder of the fiscal year only.

In response to questions, Ms. Gutierrez explained that, for example, replacing a furnace or heating system depends on whether the replacement is cost-effective and whether the old unit is saveable or inoperable. She said that from July 2016 through June 2017, the NM Energy$mart Program replaced 455 furnace or heating systems. Mr. Cucchiara said he believes that the program continues to be successful in large part because of a high emphasis on energy education and multiple leveraging of funding sources.

NM Energy$mart Service Areas and Providers

Mr. Czar invited Joseph Stevens, executive director, Central New Mexico Housing Corporation (CNMHC), and Veronika Molina, executive director, Southwestern Regional Housing and Community Development Corporation (SWRHCDC), to continue the presentation on the NM Energy$mart Program by discussing service areas and providers.

Mr. Stevens said the CNMHC was established in January 2001 as a nonprofit organization and applied for and received its first weatherization grant in February 2004. He explained that the CNMHC's mission is to help low-income New Mexico families make their homes energy efficient by educating them about energy-saving measures and by performing all possible energy-saving measures in their homes to lower their monthly energy usage and, in turn, their energy bills.

Mr. Stevens said that part of the CNMHC philosophy is to work creatively and strategically, in a spirit of partnership, to provide quality service to clients and to ensure that all employees, clients and subcontractors are treated with the fairness and equality they deserve. He said that the CNMHC currently has a staff of 20, with several key staff members who have been with the organization since 2004. The CNMHC service area includes 18 counties and 20 pueblos. During fiscal year 2017, the CNMHC weatherized more than 1,000 multifamily and single-family units using funds from the DOE and LIHEAP and from local sources.

Ms. Molina said that the SWRHCDC began weatherizing units in July 2012 and has completed its fourth year of administering the program. The agency has 13 full-time staff members and works with more than 20 subcontractors and more than 30 vendors. Its service area includes counties in the southern part of the state. In the past fiscal year, SWRHCDC has weatherized 86 multifamily units and 89 single-family units with DOE and LIHEAP funding and 135 units with funds from local sources.

NM Energy$mart Academy

Amanda Hatherly, director, Center of Excellence, NM Energy$mart Academy, explained that the academy was originally funded with temporary federal American Recovery and Reinvestment Act of 2009 funds. She said that even though that funding is no longer available, the academy not only continues to exist but is actually thriving by training other states. She said the academy is asked to give presentations at many national and regional conferences focusing on energy savings.

MFA Single-Family Mortgage Products

The chair recognized Jeff Payne, senior director of homeownership, MFA, Rene Acuña, director of homeownership, MFA, and Theresa Laredo-Garcia, director of servicing, MFA, to provide the committee with information related to the MFA's single-family mortgage products.

Mr. Payne directed members' attention to the information behind Tab 2 in the meeting materials, addressing single-family homebuyer assistance. He explained that the "First Home" program is for people who have never bought a home before and who qualify with up to 115 percent of the area median income, depending upon family size. The home must be a single, owner-occupied unit, and eligible homebuyers must participate in pre-purchase homebuyer counseling.

The "First Down" program, used in conjunction with the "First Home" program, provides up to $8,000 in assistance with down payment and closing costs. It is a second mortgage with six percent interest and an amortization of 30 years to provide affordable payments.

The "Next Home" loan program targets non-first-time homebuyers with favorable household income limits who wish to buy a single-unit, owner-occupied property. It requires a three percent down payment. The "Next Home" grant program, used in conjunction with the "Next Home" loan program, provides three percent of the sale price for down payment assistance. With no repayment of the grant required, this program provides instant equity to the homebuyer.

Ms. Laredo-Garcia described demographic characteristics of the MFA homebuyer, including the following:

- more than one-half (57 percent) are single-parent households;
- more than one-third (36 percent) are minority households;
- the homebuyer average age is 36;
- the first mortgage loan amount is $144,608;
- the average purchase price is $147,713; and
- the average credit score of the homebuyer is 685.

Over the past 16 years, New Mexico has shown a greater homeownership rate than the U.S. average. Ms. Acuña explained that, according to the Realtors Association of New Mexico, "Rising prices and limited supply, while good for sellers, make it tough for everyone looking to purchase a home. Student debt and economic conditions in general continue to hinder many potential buyers.". She indicated that recent changes to Fannie Mae rules easing debt-to-income requirements should open lending to more potential buyers.

Ms. Laredo-Garcia noted that, according to the June 2017 first-time homebuyer market report, first-time homebuyers are leading the housing recovery. For example:

- between 1994 and 2016, first-time homebuyers accounted for 45 percent of the "purchase mortgages originated", while in the past two years, first-time homebuyers are contributing 85 percent of growth;
- the increase in first-time homebuyers is draining housing inventory and the supply of homes for sale much faster than a similar increase in repeat homebuyers; and
- first-time homebuyers who purchased in 2015 and later will be likely to accumulate sufficient home equity over the next five to 10 years to fuel the next wave of repeat homebuyers.

In terms of serving the needs of younger homebuyers, Mr. Payne said that, according to the National Association of Realtors, as of June 30, 2017, millennials account for 14.2 percent of the total New Mexico population. Of the first-time homebuyer loans made by the MFA during the same time period, 57 percent were made to borrowers 33 years of age or younger.

In terms of foreclosure rates and delinquency trends, New Mexico tends to have higher rates than much of the rest of the country. He directed members' attention to slides 16 through 19 in the meeting materials.

Committee members discussed data provided in the meeting materials relating to household payment affordability in four metro areas: Santa Fe, Albuquerque, Farmington and Las Cruces.

Adjournment

There being no further business before the committee, the meeting adjourned at 12:51 p.m.

Revised: September 13, 2017

TENTATIVE AGENDA
for the
FOURTH MEETING
of the
MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE

September 14, 2017
The Cathedral of St. John, Kaseman Hall
318 Silver Avenue SW
Albuquerque

September 15, 2017
Gadsden Administrative Complex
4950 McNutt Road
Santa Teresa/Sunland Park

Thursday, September 14 — The Cathedral of St. John, Albuquerque

2:00 p.m.		**Call to Order and Introductions** —Representative Eliseo Lee Alcon, Chair
2:05 p.m.		**Approval of Minutes**
2:10 p.m.	(1)	**Welcome and Update on Federal Policy** —Jay Czar, Executive Director, New Mexico Mortgage Finance Authority (MFA)
2:15 p.m.	(2)	**Report on Bonds Issued, Financing Strategies and Market Update** —Gina Hickman, Deputy Director of Finance and Administration, MFA —David Jones, Principal, CSG Advisors —Paul Cassidy, Managing Director, RBC Capital Markets
2:40 p.m.	(3)	**The Affordable Housing Act: An Important Tool for Community Development** —Laura Chavez, Program Manager, MFA —Erin Callahan, Special Projects Planner, Village of Los Lunas
3:05 p.m.	(4)	**The Affordable Housing Tax Credit** —Shawn Colbert, Director of Housing Development, MFA —Ted Swisher, Executive Director, Santa Fe Habitat for Humanity
3:45 p.m.	(5)	**Discussion of Potential MFA Legislation for 2018** —Jay Czar, Executive Director, MFA —Monica Abeita, Senior Policy and Program Advisor, MFA
4:00 p.m.		**Recess**

Friday, September 15 — **Joint Meeting with the Economic and Rural Development Committee, Gadsden Administrative Complex, Santa Teresa/Sunland Park**

10:00 a.m. **Reconvene — Introductions**
—Representative Eliseo Lee Alcon, Chair, Mortgage Finance Authority Act Oversight Committee
—Senator Benny Shendo, Jr., Chair, Economic and Rural Development Committee

10:10 a.m. (6) **Overview of the Dona Ana County-Mexico Border Area — Opportunities and Challenges for New Mexico**
—Billy G. Garrett, Commissioner, District 1, Dona Ana County; Chair, Camino Real Regional Utility Authority (CRRUA)

10:30 a.m. (7) **Dona Ana County Projected Population Growth and Plans to Meet Housing, Utility and Other Community Infrastructure Needs**
—Vincent Pokluda, Assistant County Manager for Administration, Dona Ana County
—Angela Roberson, Interim Community Development Director, Dona Ana County

11:15 a.m. (8) **Water, Sewer and Land Use Projections and Challenges for Southern Dona Ana County**
—Brent Westmorland, Executive Director, CRRUA

12:15 p.m. **Lunch**

1:15 p.m. (9) **Regional Future — Goals and Obstacles**
—Javier Perea, Mayor, Sunland Park
—Isabella Solis, Commission Chair, Dona Ana County
—Billy G. Garrett, Commissioner, District 1, Dona Ana County; Chair, CRRUA

2:00 p.m. (10) **Local Housing Availability and Demand**
—Juan Olvera, Executive Director, Mesilla Valley Public Housing

2:45 p.m. (11) **Mission New Mexico: Affordable Housing Opportunities from the MFA**
—Jay Czar, Executive Director, MFA
—Teri Baca, Homeownership Representative, MFA

3:30 p.m. **Adjourn**

MINUTES
of the
FOURTH MEETING
of the
MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE

September 14, 2017
The Cathedral of St. John, Kaseman Hall
Albuquerque

September 15, 2017
Gadsden Administrative Complex
Santa Teresa/Sunland Park

The fourth meeting of the Mortgage Finance Authority Act Oversight Committee was called to order by Representative Eliseo Lee Alcon, chair, on September 14, 2017 at 2:15 p.m. in Kaseman Hall of the Cathedral of St. John in Albuquerque.

Present
Rep. Eliseo Lee Alcon, Chair
Sen. Nancy Rodriguez, Vice Chair
Sen. Gregory A. Baca
Rep. Kelly K. Fajardo
Sen. Stuart Ingle (9/14)
Sen. Cisco McSorley
Rep. Sheryl Williams Stapleton (9/14)

Absent
Rep. Rod Montoya

Advisory Members
Rep. Alonzo Baldonado
Rep. George Dodge, Jr. (9/14)
Rep. Bealquin Bill Gomez
Rep. Roberto "Bobby" J. Gonzales
Sen. Richard C. Martinez (9/14)
Sen. Gerald Ortiz y Pino (9/14)
Sen. Michael Padilla (9/14)
Rep. Dennis J. Roch (9/15)
Rep. Nathan P. Small (9/15)
Sen. Jeff Steinborn (9/15)

Rep. Bill McCamley
Sen. Sander Rue

Guest Legislator
Sen. Carlos R. Cisneros

(Attendance dates are noted for members not present for the entire meeting.)

Staff
Mark Edwards, Drafter, Legislative Council Service (LCS)
Sharon Ball, Drafter/Senior Researcher, LCS
Randall Cherry, Staff Attorney, LCS
Sara Wiedmaier, Intern, LCS

Guests
The guest list is in the meeting file.

Handouts
Copies of all handouts are in the meeting file.

<u>Thursday, September 14</u>

Welcome and Update on Federal Policy
Jay Czar, executive director, New Mexico Mortgage Finance Authority (MFA), welcomed the committee. He said that the congressional bills to fund federal housing assistance programs look like they will keep the same funding levels as last year. He also said that the MFA will be scheduled for its annual presentation to the Legislative Finance Committee on November 14.

Report on Bonds Issued, Financing Strategies and Market Update
Gina Hickman, deputy director of finance and administration, MFA, David Jones, principal, CSG Advisors, and Paul Cassidy, managing director, RBC Capital Markets, presented a report on bond markets and financing mechanisms that the MFA uses. Mr. Jones said that there has been a general downward trend in mortgage rates since 2013. He said rates were bumped up after the 2016 presidential election but have resumed their downward trend. He said that the MFA constantly monitors the bond markets because the cost difference between mortgage revenue bonds and 10-year U.S. treasury bonds translates into the MFA's borrowing cost. He said that the spread from these two rates has been high ever since the Great Recession. Even though the borrowing cost has been high, loan origination for single-family homes by state housing finance authorities has increased 150 percent in the last five years. He noted that the MFA experienced a large jump in its use of the "to be announced" mortgage-backed security futures market in 2016 with the implementation of the "Next Home" program. He explained that the MFA refinances its debt when it is possible to lock in a lower borrowing rate. He indicated that the MFA has had success in balancing immediate revenue generation with longer-term funding through issuance of traditional bonds and that the MFA ended its last review cycle with an Aa3 rating from Moody's Investors Service (Moody's). (For further information, see pages 1 through 12 of item 2 of the handout materials on the committee web page for this meeting.)

Mr. Cassidy explained the role of the MFA board in setting policy for issuing bonds. He then reviewed the lists of bond issuers and bond holders in New Mexico for 2017. He noted that the largest holder of bonds currently is an insurance company but that fee-based professional investing firms are an up-and-coming segment of bond purchasers. However, he said that a drop in interest rates over the last 12 months has restricted retail bond sales.

The panelists then reviewed how the factors affecting bond pricing are grouped into five categories: 1) general supply of bonds on the market; 2) the timing of sales to federal reports and actions; 3) ratings from Moody's and other services; 4) the structure, or type, of bonds (e.g., housing versus non-housing bonds); and 5) "special considerations", including items such as state income tax rates that do not fall neatly within the other categories. The panelists reported that home prices have been climbing in recent years, while the percentage of homeownership has fallen from a high in the early 2000s of 69.2 percent to 63.6 percent in 2015. (For further information, see pages 13 through 23 of item 2 of the handout materials on the committee web page for this meeting.)

Responding to questions from the committee, the panelists explained that a jump in the revenue stream in the last quarters of 2015 was due to refinancing debt at a lower rate and a reduction in administrative fees. The panelists also explained that the abbreviations "NEGT" and "COMP" in the materials listing bond issuances refer to "negotiated" and "competitive" issuances.

Approval of Minutes

The minutes of the committee's August 2, 2017 meeting were approved without objection.

The Affordable Housing Act (AHA): An Important Tool for Community Development

Laura Chavez, program manager, MFA, and Erin Callahan, special projects planner, Village of Los Lunas, provided an overview of the AHA and gave an example of how it has been used by a local government. Ms. Chavez said the AHA was enacted in 2004 and that it authorizes state agencies and local governments to make monetary and in-kind contributions to build, renovate, maintain and operate affordable housing projects and supporting infrastructure. To become eligible for these types of assistance, the AHA requires a community to have an affordable housing ordinance to implement an affordable housing plan. A community's plan must contain a:

(1) <u>community and housing profile</u> that examines trends in the demographics of the community, the cost of housing, the relationship between income averages and housing costs;

(2) <u>housing needs assessment</u> that quantifies the types of housing units (single-family or multifamily rental), the demand for affordable housing for low- and moderate-income households and the needs for housing renovation within the community;

(3) <u>review of land use</u>, including the availability of water and infrastructure, the policy goals regarding land use and growth and an assessment of zoning; and

(4) delineation of goals, policies and objectives that spells out projected housing and financing needs and measurable objectives.

Ms. Chavez said that the MFA provides training and guidance to support the development of affordable housing plans and affordable housing ordinances. The MFA must also review and approve a plan and its implementing ordinance before they become effective. (For further information, see item 3 of the handout materials on the committee web page for this meeting.)

Ms. Callahan said that Valencia County and the Village of Los Lunas jointly developed an affordable housing plan that was approved in 2015. The village quickly passed an implementing ordinance once the plan was approved. She said that the plan takes into consideration various sorts of assistance grants for housing projects, including a waiver of project application and impact fees, donations of land and acquiring foreclosed properties for conversion into affordable housing. However, she said, no grants have been awarded to date. She said that the plan identifies a need to create affordable housing near the Rail Runner station. Originally, the plan contemplated converting an old mobile home park into an affordable housing project, but that land was purchased for another use. The village is looking at other potential sites near the station because of housing needs.

Ms. Callahan noted that two major developments have occurred since the affordable housing plan was approved: the designation of Los Lunas as the site for a new Facebook data center; and the annexation of 1,500 acres to create a BNSF Railway certified rail center. These two projects have the potential to create hundreds of new jobs in the local business market. However, the current housing vacancy rate is very low. Out of 5,663 housing structures, only two percent are for sale, and less than one percent are in foreclosure. She added that very few rental units currently exist in the Los Lunas area. She said that the Village of Los Lunas is examining how the housing market changed in Prineville, Oregon, when the first Facebook data center was built and how the local authorities handled those changes.

Upon questioning, the panelists explained that the AHA was enacted to ensure that governmental assistance would comply with the exceptions to the Anti-Donation Clause of the Constitution of New Mexico. An ordinance is required for a local community to provide either in-kind contributions or financing. The City of Clovis repealed its ordinance after a change in local housing goals. The panelists also said that affordable housing had not been included in the structure of industrial revenue bonds approved for the Facebook data center.

Affordable Housing Tax Credit

Shawn Colbert, director of housing development, MFA, and Ted Swisher, executive director, Santa Fe Habitat for Humanity, outlined how the affordable housing tax credit program works. The statute creating the tax credit program was enacted in 2005, and a companion fund administered by the MFA was created in 2007. The program provides tax credits for donations to eligible affordable housing projects or to the fund. Individual eligible donations can be monetary or in-kind, but they must have a minimum value of $200 and may not exceed a value of

$2 million. The credit is for 50 percent of the donation and can be used toward income taxes, gross receipts taxes and compensating taxes with some exclusions. The total amount of tax credits available is established each year by multiplying the state's population by $1.85. For example, $4,532,720 in tax credits are available for 2017.

Ms. Colbert said that eligible projects have been developed by nonprofit and for-profit private sector entities or by governmental, including tribal, instrumentalities. However, a project must remain qualified as "affordable housing" for a minimum of five years for single-family units and 10 years for multifamily units. To ensure that the tax credit is distributed to multiple projects, individual projects also are restricted by the MFA in the amount of eligible donations they may receive. A maximum amount that any one project may be awarded is 25 percent of the total amount of tax credits available statewide in a given calendar year. Donations may also be eligible for federal tax credits in addition to the state program, and donors may spread the credit out over a five-year period. Ms. Colbert said the program has generated donations valued at $7.8 million since 2006. The donations were given to 44 projects creating 633 affordable single-family housing units and 139 multifamily units. (For further information, see item 4A of the handout materials on the committee web page for this meeting.)

Mr. Swisher noted that property values in Santa Fe are so high that the availability of affordable housing is limited. He said that Habitat for Humanity uses volunteer labor and donations from various sources to provide mortgages substantially below market value, and with zero percent interest, to families that have income below 60 percent of the median income in an area. He said the affordable housing tax credit program has enabled Habitat for Humanity to build at least two additional homes in Santa Fe each year.

Mr. Swisher outlined an example of how $20,000 in tax credits can leverage $92,000 in funding from federal and local governments and $48,000 worth of volunteer labor to build a small home valued at $235,000 in the Santa Fe market at a price that a family of four with an annual income of $37,320 can afford. Responding to a question from a committee member, Mr. Swisher noted that $100,000 of the cost of such a house would be for .16 acres of land within the Santa Fe market. (For further information, see item 4B of the handout materials on the committee web page for this meeting.)

Discussion of Potential MFA Legislation for 2018

Monica Abeita, senior policy and program advisor, MFA, outlined four appropriation requests the MFA has made in past years that have typically received the committee's endorsement:

(1) regional housing authority oversight — $300,000;

(2) AHA oversight — $250,000;

(3) New Mexico Housing Trust Fund — $5 million; and

(4) low-income residential energy conservation (the MFA's NM Energy$mart program) — $1 million.

Ms. Abeita noted that in light of budget concerns, the committee decided only to endorse the requests for regional housing authority oversight and AHA oversight for the 2017 session, but neither request received funding. She also said the committee had endorsed four other appropriations requests in past years, enumerated as follows:

(5) homebuyer down payment assistance — $1.65 million;

(6) veteran housing rehabilitation — $2 million;

(7) pre-purchase homebuyer education — $500,000; and

(8) emergency home repair — $2 million.

Upon a motion and without objection, the committee requested that staff prepare draft legislation for committee consideration for items 1 through 4, 6 and 7.

Recess

The committee recessed for the day at 4:26 p.m.

<u>Friday, September 15</u> — Joint Meeting with the Economic and Rural Development Committee (ERDC), Gadsden Administrative Complex, Santa Teresa/Sunland Park

Reconvene/Introductions

Senator Benny Shendo, Jr., chair, ERDC, and Representative Alcon called the joint meeting of the committees to order at 10:14 a.m. and welcomed members of the committees and guests to the meeting. Committee members introduced themselves.

Overview of the Dona Ana County-Mexico Border Area — Opportunities and Challenges for New Mexico

Billy G. Garrett, commissioner, Dona Ana County, and chair of the Camino Real Regional Utility Authority (CRRUA), addressed the committees on "what's needed to support sustained economic activity along the New Mexico border with Mexico". Commissioner Garrett noted three major obstacles to development of the region: 1) lack of coordination between the various jurisdictions; 2) a failure to understand the urgency of action; and 3) insufficient funding. He also said that there is a need for clear policies to guide the region's relationship with El Paso and the state of Texas in constructive ways so as to maximize benefits for all of New Mexico.

Reviewing his handout, Commissioner Garrett discussed the regional planning initiative that has been ongoing since 2011, which includes the efforts of 12 local organizations and governmental entities. He stressed that development should be holistic and that the planning guides are strongly influenced by livability principles. A key part of the approach is to strengthen existing communities by building upon infrastructure, communities and identities that already exist in the region.

Commissioner Garrett discussed how border development has many scales of reference. The perspective taken in defining the border affects greatly how and what development is undertaken. For instance, the perspective from Mexico includes a major system of roads to support what is going on in San Jerónimo across the border from and adjacent to Santa Teresa. Looking at the region from a continental United States perspective, it is apparent that the border region ties into a system of international and national trade routes, in addition to the Interstate 10/Interstate 25 corridor and the Rio Grande.

Commissioner Garrett discussed the border area's three major development needs: 1) roads; 2) affordable housing; and 3) colonias development. As to roads, he said that funding is needed to upgrade the county and state roads to support heavy traffic. He also discussed plans to connect the region to points north and east in New Mexico and south to El Paso and Juarez. He noted that strategic thinking is needed to link the development of the border region to the rest of the state, in addition to ensuring that the transportation system has the capacity to handle higher volumes of freight rail, trucking and personal vehicle use. As to affordable housing, Commissioner Garrett discussed Dona Ana County's affordable housing plan and affordable housing ordinance and reviewed several programs that are in place to help meet affordable housing needs. As to the development of colonias, Commissioner Garrett said that investment is needed to make the rural areas more desirable. Improvements are needed to ensure adequate infrastructure and other basic services, such as a potable water supply, wastewater systems, safe and sanitary housing, paved roads with gutters, storm water drainage and protection and broadband capabilities. Approximately $600 million is needed for critical improvements to colonias in Dona Ana County alone.

As to next steps, Commissioner Garrett discussed the need to develop a comprehensive, long-term strategy that is equal to need. Additionally, he said, it is necessary to secure the buy-in, including a significant increase in financial support at all levels of government.

On questioning, the following topics were discussed.

New Mexico's relationship with Mexico. A member expressed concern that New Mexico does not adequately value its relationship with Mexico and urged New Mexico to make efforts to cultivate the relationship. It was noted that Arizona has invested a lot of money in its port of entry and not just for checkpoints. The member expressed surprise at how much less militarized the border is in Arizona as compared to New Mexico and that militarization of the border does a disservice to the border communities as people travel back and forth.

Living conditions for workers. A member expressed concern that while there is an emphasis on trade and creating jobs, living conditions for the workers who are the source of labor have not improved and many of these workers are being profiled and targeted by immigration authorities. Workers continue to be underpaid and are living in the same conditions they lived in before they got the jobs. It was suggested that a component of regional planning should focus on job creation with livable wages and structures that address particular needs of colonias, such as housing, infrastructure and medical support.

Public-private partnerships. A member expressed support for public-private partnerships, noting that public investment in Santa Teresa is driving private investment in all corners of the state. It was noted that Dona Ana County is working within the current public-private partnership framework to the extent that it is allowed by state statute.

Flood control. It was suggested that local legislative members pool their capital outlay funds to address flood-control issues. It was noted that Dona Ana County has worked with the USDA primarily on domestic water issues.

Funding sources. Sources of funding for county projects, including state and federal funds, were also discussed. It was mentioned that Dona Ana County has been unable to take advantage of many grant programs due to a lack of revenue to meet matching fund requirements.

Dona Ana County Projected Population Growth and Plans to Meet Housing, Utility and Other Community Infrastructure Needs

Vincent Pokluda, assistant county manager, Dona Ana County, and Angela Roberson, interim community development director, Dona Ana County, discussed with the committees the demographics of Dona Ana County, the challenges to development that exist, the approaches the county is using to respond to the challenges and ways for the legislature to support development.

The panelists shared with the committees that Dona Ana County encompasses a service area of approximately 3,800 square miles, with the vast majority of that area being unincorporated. About one-half of the population lives in the unincorporated areas, including colonias and surrounding rural communities. By 2040, the population of Dona Ana County is anticipated to increase by 40 percent to 55 percent, with growth occurring in the existing communities and also in the border area of Santa Teresa and Sunland Park. The infrastructure and public facilities that exist in the county were highlighted, including roadways, flood control infrastructure, wastewater infrastructure and public facilities, such as community centers and fire stations. The panelists mentioned that much of the existing infrastructure, for example, for flood control, has reached the end of its design life and is in need of repairs.

As to development challenges, the panelists explained that there are two areas of need: 1) in colonias, to enhance existing communities; and 2) in the border area, to prepare for new and future growth. They stated that the major ongoing challenge is that the current rate of funding for capital investments does not keep pace with new and future needs, nor does it significantly reduce the backlog of existing deficiencies. Specific to colonias, it was noted that there is a need to repair, upgrade or acquire new roadways, flood control and wastewater infrastructure, public facilities and professional services, such as fire, police and recreation opportunities. There are also deficiencies in the affordable housing stock, including the need for natural gas and wastewater utility connections and upgrades to approximately one-fourth of existing housing. As to the border area, mostly new construction is needed — specifically affordable housing. Because the border area is a multi-jurisdictional area, collaboration and coordinated efforts on a regional basis will be needed to meet the area's needs.

Responding to the challenges, "Plan 2040", a comprehensive policy guide, has been created. The plan prioritizes infrastructure improvements through an infrastructure capital improvement plan (ICIP) and encourages marketable and affordable housing. An affordable housing initiative has also been adopted that includes an affordable housing plan and an affordable housing ordinance. The components of the initiative will allow the county to access funding from the state's affordable housing loan funds. Regional partnerships and collaboration are also being pursued to maximize funding sources and align policies throughout the region. The panelists cited the Camino Real Consortium, a partnership of 12 organizations that modernized the regional plan and development code, as a precedent for the collaborations taking place in Dona Ana County.

In regard to needed state support, the panelists requested $375,000 in matching funds from the affordable housing loan funds in FY 2018 and FY 2019 to match the funds committed by Dona Ana County. Additionally, it was requested that funding support for infrastructure and planning and services of design professionals be provided through the state's 2019-2023 ICIP.

On questioning, the following topics were discussed.

Regional collaboration. The Camino Real Consortium is a model for regional collaboration that shows how to integrate and advance initiatives instead of competing for resources. Sometimes a regional approach excludes people, but the key is to acknowledge in advance that certain populations are not included and that their voices are not recognized and then to make the effort to include underserved populations in the process.

Housing. In the current plan, the county is able to provide some funding for affordable housing, and a nonprofit lender is available to execute funding for those in need. Dona Ana County has also created a model to predict future needs. The focus is on three main areas: 1) home improvement, including fixing roofs and installing energy efficiencies; 2) getting homeowners to take pride in their homes, which benefits microeconomics and creates pride in the community; and 3) large-scale development, such as grocery stores, that may be needed for a particular area.

Water, Sewer and Land Use Projections and Challenges for Southern Dona Ana County

Brent Westmorland, executive director, CRRUA, explained that the utility was formed with a joint powers agreement with the City of Sunland Park and Dona Ana County. The CRRUA has been in existence for five years and serves 5,000 customers, which amounts to more than 21,000 individuals. He said that the CRRUA is currently involved in lots of construction, including treatment plants and wells, and that this work could not have been done without the support of the state.

The CRRUA provides water and wastewater services to Sunland Park, Santa Teresa and the border crossing. Mr. Westmorland said that the largest needs are in rehabilitation of the water distribution and wastewater collection systems, noting that some of the infrastructure is more than 40 years old. The CRRUA is working toward improving lift stations and collection and distribution systems. These projects cost $22 million, $2 million of which was provided by a land developer in Santa Teresa Industrial Park.

Mr. Westmorland stated that growth in the CRRUA's service area is estimated at 2,000-plus homes in the next 10 to 15 years, with 300 homes under construction at any given time and the addition of approximately 30 new customers per month. Although the water consumption of the industrial park is relatively low by industrial park standards, its large workforce is expected to move into New Mexico. The future residents will need to be served by the CRRUA.

On questioning, the following topic was discussed.

Water. Mr. Westmorland said that there are adequate water rights available, but the infrastructure to get the water out of the ground, treated and delivered to customers is needed. The CRRUA provides 100 million gallons of water per month, and the need is increasing on average by five percent per month.

Regional Future — Goals and Obstacles

Javier Perea, mayor, Sunland Park, Isabella Solis, commission chair, Dona Ana County, and Commissioner Garrett addressed the committees on the goals for and obstacles to development in the region.

Mayor Perea opened by stating that much progress has been made in Sunland Park. In the last year, Sunland Park had zero audit finds, although five years ago there were 47. Today, Sunland Park is one of the fastest-growing cities in New Mexico, and because El Paso is landlocked, as West El Paso continues to expand, Sunland Park is in a prime location to take advantage of that growth. He said that the city needs to continue to grow by adding 200 to 300 new homes and commercial development. Five hundred thousand dollars has been authorized for a master plan and to develop Sunland Park's vision for the next 10 to 20 years.

As to challenges, Mayor Perea said that infrastructure is the major issue. The cost of new infrastructure is being pushed onto new homeowners as increased costs and older parts of town are dealing with upgrades to 30-year-old infrastructure. He also noted that if Sunland Park wants to development tourism, there are barriers throughout the permitting process and with the availability of liquor licenses. He noted that much more commercial development is happening across the state line in Texas.

Commissioner Solis advised the committees that she has been talking with the county manager about a resolution to increase funding to the Colonias Infrastructure Trust Fund, and on the county commission agenda for September 26 will be Resolution 0522 to address the needs of private roads. She said that there has been lots of flooding, and the county has been doing the best it can with the money it has. Flooding has been a problem for over a decade, and this issue has been discussed with the governor. Resolution 0522 will help to address public safety concerns on private roads throughout the county. For instance, in many cases ambulances are not able to use the roads and children are required to walk one-half mile to access the school bus. Commissioner Solis said that it is time to prioritize money in the county for roads because there cannot be economic development without roads. Commissioner Solis stated that the county needs to come back to the core functions of what counties do: to focus on public safety, fire protection, ambulances and infrastructure.

Commissioner Garrett, referring to a discussion earlier in the day, told the committees that the major obstacle to orderly, sustained economic development and support of community development is generally a lack of urgency in understanding what needs to be done. He said that planners often are not anticipating in the right way the support and services that need to be in place and the quality of development that is desired. Commissioner Garrett suggested that it would be great to have a map of New Mexico that shows how the entire state benefits from what happens in Dona Ana County, including the movement of goods and produce and the operations of trucking companies, for example. He also suggested that the region and state need to anticipate development of a rail system out of Mexico. Lastly, he stressed that there is a role for the state in helping to plan sustained, quality development and to bring stakeholders together for collaboration. Citing a federal grant program that aids in the planning of sustainable communities, Commissioner Garrett suggested that a similar program should be implemented at the state level.

On questioning, the following topics were discussed.

The Anti-Donation Clause. Commissioner Solis said the Governor's Office has expressed concerns about using public money to fund improvements on public roads; however, her understanding was that if public funds are being used to remedy public safety issues, there may not be a conflict with the Anti-Donation Clause of the Constitution of New Mexico.

Ground water. Mexico and New Mexico share the aquifer of the lower Rio Grande Basin. A cooperative relationship is needed to monitor how much water is being pumped and to ensure that the resource is being fairly shared. There are no intergovernmental agreements governing the pumping of the ground water. The aquifer is part of the state aquifer assessment. Bi-national planning for the use of the resource is critical because the success of Sunland Park, Santa Teresa and San Jerónimo is a regional concern.

Sunland Park's relationship with El Paso. Sunland Park sits on the border with Texas, and in some places, the state line runs through a building. Sunland Park does not have any official relationship with El Paso regarding law enforcement; each city only operates within its official jurisdiction.

Transportation from the port of entry. Sunland Park is hiring a consultant to explore transit options from the port of entry to Sunland Park. There may be an opportunity for charging tolls at the port of entry to help with funding. Juarez and Sunland Park have endorsed this plan. It is important to the entire state to develop transportation infrastructure to the border region to develop markets in Mexico for New Mexico goods.

Industrial park. The current industrial park benefits Sunland Park because growth of Sunland Park is created by people working in the industrial park. Sunland Park is primed to provide housing and commercial/shopping opportunities for those who work at the industrial park. Currently, many workers go home to El Paso, and New Mexico loses the economic benefit.

San Jerónimo. This community is being planned across the border and will receive the population expansion from Juarez. It is projected eventually to encompass 40,000 homes. It is adjacent to Foxconn, where Dell is building computers. Between 2,000 and 3,000 employees from Juarez work at the Foxconn plant each day.

Rio Grande Trail. Mount Cristo Rey could be a terminus for the long-distance Rio Grande Trail. The park needs development and infrastructure but could be a good connection.

Gambling tax. It was suggested that it could be beneficial to tie the gambling tax to economic development investment in the region.

Local Housing Availability and Demand

Juan Olvera, executive director, Mesilla Valley Public Housing Authority (MVPHA), Shelly Sanders, board chair, MVPHA, and Lorena Rivera, deputy director, MVPHA, reviewed their handout, providing an overview of the housing authority's history and work.

The panelists explained that the MVPHA provides housing for 6,000 New Mexicans through public housing units, multifamily units, low-income housing tax credit and non-subsidized units and the distribution of housing vouchers. The MVPHA manages four public housing locations with 248 low-rent public housing units throughout Las Cruces. Two of the locations are multifamily, and two of the locations serve elderly and disabled residents. The MVPHA has also been awarded 1,627 vouchers, including U.S. Housing and Urban Development (HUD) veterans affairs supportive housing program vouchers, Family Unification Program vouchers, non-elderly disabled vouchers, homeownership vouchers and regular Housing Choice Program vouchers. There has been $6.6 million in HUD funding provided to landlords in 2017.

As to low-income housing tax credit developments, the MVPHA is the general partner in eight developments: two in Anthony, one in Hatch and the rest in Las Cruces. The MVPHA owns three affordable housing properties with a total of 58 units, including housing for homeless veterans. It was highlighted that the MVPHA has a cooperative relationship with the Mesilla Valley Community of Hope organization. The MVPHA provides office space for the Mesilla Valley Community of Hope, and the organization provides services to veterans.

As to current housing needs, the biggest challenge is meeting demand with very few resources. The county's affordable housing plan estimates the need for 4,300 subsidized rental units, 360 subsidized senior housing units and 400 permanent supportive housing units. With the occupancy rate of the MVPHA's properties ranging between 95 percent and 100 percent, there are wait lists for public and multifamily housing. The same is true for vouchers.

The MVPHA's main funding stream is from tax credits, though it also receives some local support from Las Cruces and from Dona Ana County. The panelists described the low-income housing tax credit program as being very competitive, and in past years, Dona Ana County was disadvantaged compared to other counties because it was not considered an area of "statistically demonstrated need" and thus was considered "Tier 2". However, Dona Ana County is now ranked as "Tier 1" and is on par with other counties in its ability to fund the development and rehabilitation of affordable housing units through the tax credit.

Lastly, the panelists described the proposed "Desert Hope" apartments project. This is a cooperative endeavor among the MVPHA, the Mesilla Valley Community of Hope and the City of Las Cruces to rehabilitate an existing MVPHA property to provide 36 units of permanent supportive housing for individuals experiencing homelessness. The estimated total development cost is $3 million, nine percent of which will be funded by the low-income housing tax credit.

On questioning, the following topics were discussed.

Low-income housing tax credit. It was explained that the "statistically demonstrated need" for the low-income housing tax credit is determined by the county's population growth and housing stock vacancy rate.

Federal funding. Federal funding opportunities exist for new construction. However, a developer cannot obtain mortgages on public housing units built with federal money as the units are owned by the federal government.

Affordable housing needs. The county's affordable housing plan identifies a need for 4,300 units of subsidized housing. A consultant was hired and performed a year-long study on the issue. Affordable housing needs were determined by surveying property owners, looking at population growth and assessing the current state of housing availability. A member remarked that the affordable housing needs may be a conservative estimate because several families might be living together in one unit. Additionally, figuring out affordable housing needs may have problems similar to taking the census. Surveys are taken in the moment, but because conditions continue to compound, it is challenging to get a clear picture of what the conditions are, and surveys tend to underestimate the magnitude of the problem.

Wait lists for housing and vouchers. It was explained that people are put on the wait list for housing and vouchers, and when openings occur, it is determined if the person is eligible. Currently, there are 1,100 people on the wait list for vouchers, but it is uncertain whether all are qualified.

The committees additionally discussed what can be done at the state level to assist with meeting the housing demand and how housing has a beneficial impact on Medicaid and Medicare costs, crime and behavioral health.

Mission New Mexico: Affordable Housing Opportunities from the MFA

Mr. Czar and Teri Baca, homeownership representative, MFA, discussed with the committees the low-interest financing and grants that the MFA provides for affordable housing and related services.

Mr. Czar started the discussion by stating that homebuyer counseling is key as it contributes to low delinquency and foreclosure rates. He also said that there is high "millennial" homeownership in New Mexico, which is not seen in other states. He opined that marketing could contribute to that trend but also that millennials are realizing that it makes more sense to buy than to pay rent, and there is a tradition in New Mexico of valuing homeownership.

Referring to a handout, Mr. Czar discussed the funding services that the MFA provides. In 2016, the MFA provided more than $450 million in low-interest financing and grants for affordable housing and related services. The MFA provided $316 million in mortgage loans and $12 million in down-payment assistance. The down-payment assistance is very important because some homebuyers have adequate credit scores and income to purchase a home but do not have the funds for a down payment. The MFA also used $7.4 million to rehabilitate or weatherize 1,770 homes, which represent a small percentage of the homes in the state that need weatherization.

Mr. Czar discussed how the MFA is funded and said that the MFA has $586.1 million in estimated resources for 2017. Although state funding and appropriations comprise a small percentage of the MFA's overall funding, for every $1.00 provided by the state, the MFA brings in $24.00 from other sources. Private funding is obtained mostly from utility companies that support the weatherization programs. The major sources of funding are federal housing programs and private activity bond caps. It was emphasized that the MFA is not just about housing but also a driver of economic development through the labor, materials and supplies used in developing housing.

Mr. Czar next discussed the competitive and noncompetitive tax credits that the MFA administers. The MFA allocates approximately $4.9 million in federal tax credits of nine percent each year through a competitive process. Through the noncompetitive process, four percent in credits is also available with tax-exempt bond financing. Mr. Czar said that the nine percent tax credit covers approximately 70 percent of the cost of a housing complex. Private investors, many of which are big companies, buy the credits to apply to projects. In the 2000 to 2016 period, \$9.9 million in low-income housing tax credit awards and 1,547 housing units were made in Dona Ana County, which comes out to approximately \$99 million invested in the county.

Noting that the Constitution of New Mexico allows for public support of private projects in the areas of economic development and affordable housing, Mr. Czar discussed the affordable housing tools available at the state level. First, the Affordable Housing Act allows local governments to donate resources, such as land, water, sewer, streets or financing, to affordable housing projects. To date, \$43 million has been donated, mostly to low-income housing tax credit projects. Second, New Mexico's affordable housing tax credit provides a 50 percent credit on state tax liability for private donations for affordable housing. Private donors and employers can receive up to 75 percent of their donations back in tax credits and deductions. Mr. Czar said that Habitat for Humanity is the biggest user of this tax credit.

Ms. Baca discussed opportunities for home-purchase financing with the MFA, noting that lack of a down payment is one of the major barriers to people purchasing a first home. The First Home Program requires that a homebuyer have at least \$500 to invest and a minimum of six to eight hours of pre-purchase homebuyer counseling before getting a loan. The First Down Program, often used in conjunction with the First Home Program, offers up to \$8,000 in assistance for a down payment, closing costs, prepaid taxes and hazard insurance. Two other programs assist non-first-time homebuyers and work with the Federal Housing Administration, the U.S. Department of Veterans Affairs, the U.S. Department of Agriculture and housing finance agencies preferred conventional programs. Through the "Next Home" grant, a grant of three percent of the total loan amount is provided for closing costs or down payment, and no repayment of the grant is required. Additionally, none of the MFA's programs have a pre-payment penalty.

In closing, Ms. Baca discussed the market trends in New Mexico, stating that the MFA's loan activity has been steadily increasing over the past years. New Mexico's homeownership rate continues to be above the United States average, and home sales in New Mexico are trending up. She said that first-time homebuyers accounted for 45 percent of the purchase mortgages originated between 1994 and 2016, contributed 85 percent of the growth in the housing market in the past two years and are instrumental in the housing recovery. Fifty-seven percent of MFA loans were given to millennial homebuyers.

On questioning, the following topics were addressed.

Low-income housing tax credit. Questions were raised as to how these tax credits are administered. The panelists explained that private investors buy the nine percent credits, which will then cover 70 percent of the project over 10 years based on Internal Revenue Service calculations. The four percent credit is noncompetitive, and there is lots of funding available. With the four percent credit, usually about 35 percent of the project cost is paid. The nine percent credit is for construction and not for a rental subsidy. There are other tax credits for acquisition and rehabilitation as well. The nine percent tax credit program is highly competitive and is usually oversubscribed by two to three times the funding that is available. However, there is movement at the federal level to increase the available tax credits by 50 percent, which is supported by the New Mexico congressional delegation. It can cost between $25,000 and $50,000 to put together a comprehensive plan to apply for a tax credit. Often, a project has to be evaluated two to three times before an award is made. Additionally, the public or private entity using the tax credit has to make the numbers work. Costs have to be met on a monthly basis, but rents cannot be increased and the properties cannot just be sold to recoup investment costs.

In regard to tribal communities applying for the low-income housing tax credit, the panelists said that they have been incredibly competitive the last few years. The Pueblo of Zuni, the Pueblo of Laguna and the Mescalero Apache Tribe have all received tax credits. The MFA also created the Native American Housing Coalition, whereby all the Native American entities in the state that want to participate can provide training and capacity-building. The Native American housing authorities are gaining stature in terms of experience. Two people on the MFA staff are dedicated to working with these authorities, and there are special mortgage products on tribal land.

Local government contributions to affordable housing. A member asked how successful communities contribute to affordable housing development. The panelists remarked that, generally, communities donate land. For instance, in Albuquerque, cash and land were donated for a downtown parking structure. Communities also donate water, sewer, gutters, curbs and some equipment. Some donate entire facilities dedicated to affordable housing. The panelists suggested that the state create a fund similar to the fund for the Local Economic Development Act for affordable housing. Communities donate their own resources to these projects, which necessarily diverts funds from other needs. A fund would help ensure that money is properly spent on the needs of these important housing developments.

Section 8. A committee member asked about the MFA tracking the move of people from federal Section 8 housing into homebuyer programs. The panelists explained that many participate in homebuyer counseling and education programs, but it sometimes takes years for someone to become eligible to buy a home. The MFA provides information about its programs through managers and its community partners. Some of these partners, such as the MVPHA, provide workshops with expert speakers.

Adjournment

There being no further business before the committees, the fourth meeting of the ERDC and the fourth meeting of the Mortgage Finance Authority Act Oversight Committee for the 2017 interim adjourned at 3:38 p.m.

TENTATIVE AGENDA
for the
FIFTH MEETING
of the
MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE

November 6, 2017
New Mexico Mortgage Finance Authority Office
344 Fourth St. SW
Albuquerque

<u>Monday, November 6</u>

10:00 a.m.		**Call to Order/Introductions** —Representative Eliseo Lee Alcon, Chair
10:05 a.m.		**Approval of Minutes**
10:10 a.m.	(1)	**Welcome and Update on Federal Housing Policy and Budget** —Jay Czar, Executive Director, New Mexico Mortgage Finance Authority (MFA)
10:25 a.m.	(2)	**MFA Fiscal Year (FY) 2018 Budget** —Gina Hickman, Deputy Director of Finance and Administration, MFA
10:55 a.m.	(3)	**MFA Strategic Plans** **A. FY 2017 Strategic Plan Benchmarks** —Gina Hickman, Deputy Director of Finance and Administration, MFA —Isidoro "Izzy" Hernandez, Deputy Director of Programs, MFA **B. FY 2018-FY 2022 New Strategic Plan** —Monica Abeita, Senior Policy and Program Advisor, MFA
11:25 a.m.	(4)	**Proposed MFA 2018 Legislative Agenda** —Jay Czar, Executive Director, MFA —Mark Edwards, Staff, Legislative Council Service
12:00 noon		**Adjourn**

MINUTES
of the
FIFTH MEETING OF THE 2017 INTERIM
of the
MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE

November 6, 2017
New Mexico Mortgage Finance Authority Office
344 Fourth St. SW
Albuquerque

The fifth and final meeting of the 2017 interim of the Mortgage Finance Authority Act Oversight Committee was called to order by Representative Eliseo Lee Alcon, chair, on November 6, 2017 at 10:04 a.m. in the New Mexico Mortgage Finance Authority (MFA) board room in Albuquerque.

Present	**Absent**
Rep. Eliseo Lee Alcon, Chair	
Sen. Nancy Rodriguez, Vice Chair	
Sen. Gregory A. Baca	
Rep. Kelly K. Fajardo	
Sen. Stuart Ingle	
Sen. Cisco McSorley	
Rep. Rod Montoya	
Rep. Sheryl Williams Stapleton	
Advisory Members	
Rep. Alonzo Baldonado	Sen. Gerald Ortiz y Pino
Rep. George Dodge, Jr.	Sen. Sander Rue
Rep. Bealquin Bill Gomez	Rep. Nathan P. Small
Rep. Roberto "Bobby" J. Gonzales	Sen. Jeff Steinborn
Sen. Richard C. Martinez	
Rep. Bill McCamley	
Sen. Michael Padilla	
Rep. Dennis J. Roch	

Minutes Approval

Because the committee will not meet again this year, the minutes for this meeting have not been officially approved by the committee.

Staff

Mark Edwards, Drafter, Legislative Council Service (LCS)
Randall Cherry, Drafter, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file.

Monday, November 6

Call to Order and Introductions

Representative Alcon called the meeting to order, welcomed members, staff and guests and asked committee members and staff to introduce themselves.

Approval of Minutes

On a motion made and duly seconded, the committee approved the minutes from its September 14-15 meeting.

Welcome and Update on Federal Housing Policy and Budget

The chair recognized Jay Czar, executive director, MFA, who reminded committee members that because the meeting is being streamed, members should be aware that microphones are very sensitive.

Mr. Czar reminded committee members that the federal government is in fiscal year (FY) 2018 as of October 1, but because Congress has yet to agree on a budget for FY 2018, the government is operating under a congressional continuing resolution until December 8, when Congress must agree upon an FY 2018 budget or face a government shutdown. He said the continuing resolution maintains flat funding levels for most of the MFA's affordable housing programs. He said that the MFA does not anticipate any cuts to its programs and that he and his colleagues are monitoring the situation closely.

Continuing, Mr. Czar explained that on November 2, the U.S. House Committee on Ways and Means announced that it plans to eliminate the tax exception for private activities bonds (including housing bonds) in the U.S. House Republican version of the tax reform bill. He said that while municipal bonds will be spared, the change would be a loss to affordable housing. Housing bonds support about one-half of the production of affordable housing rental units through the federal low-income housing tax credit and finance affordable mortgages for first-time homeowners. The MFA relies heavily on this important tax provision to accomplish its mission.

In their discussion, committee members expressed concern about the loss of these federal funds.

Mr. Czar reminded members about the 2017 Weatherization Day. He said that this annual affair will take place this year in Las Vegas, New Mexico, from 1:00 p.m. to 2:00 p.m.

He said that Congressman Ben Ray Lujan has agreed to attend as a special guest. He directed members' attention to the individual invitations in their meeting materials.

MFA FY 2018 Budget

Gina Hickman, deputy director of finance and administration, MFA, directed members' attention to materials behind Tab 1 in their meeting materials booklet. Focusing on production and financial highlights, she said that since the country's financial collapse in 2008, various positive and negative factors have had and continue to have an impact in terms of MFA funding sources. The positive and negative impacts include the following:

- 2009 — The federal American Recovery and Reinvestment Act of 2009 provided funding to the MFA with funding for the Weatherization Assistance Program, tax credit assistance program, tax credit exchange program and the Homelessness Prevention and Rapid Re-Housing Program. The MFA also provided production and assets management for the re-housing program and the New Issue Bond Program;
- 2010 saw the historically lowest mortgage rates, which allowed certain single-family housing programs to include more families;
- 2011 — Wells Fargo and the U.S. Department of Agriculture provided loan funding for a housing opportunity fund;
- 2012 saw the lowest federal budget reductions of the economic downturn as well as reductions in the U.S. Department of Energy weatherization program;
- 2014 saw a decrease in single-family prepayment activity but also saw Small Business Investment Council loan funding for a state housing opportunity fund;
- 2015 saw a stabilized housing market and economy and an increase in single-family mortgage production in the MFA;
- 2016 saw the U.S. Department of Housing and Urban Development (HUD) Section 8 management occupancy reviews reinstated and an increase in qualified contracts; and
- 2017 saw a record year in single-family housing mortgage production. The MFA was selected as the southwest regional lead in specialized HUD procurement.

Regarding sources of income projections, Ms. Hickman said that the MFA is expecting the following sources to provide the designated share of budgeted funds in the immediate future: 41 percent from administrative fees, 29 percent from interest on loans, eight percent from interest investments, 12 percent from servicing income, seven percent from housing program income and three percent from other sources of income. In terms of MFA funding sources, she pointed out the bar chart showing MFA revenue from FY 2011 to FY 2019 (projected FY 2017, 2018, 2019).

Regarding projected expenditures, Ms. Hickman reported 41 percent for compensation, 17 percent for capital servicing expenses, four percent for non-cash expenditures, a total of 33 percent for other operating contractual and direct service expenditures and five percent for other operating expenses, such as training and technical assistance, development and capacity-building.

Taking a look at significant budget variances from FY 2017 to FY 2018, Ms. Hickman mentioned a projected decrease in production trends in the Single-Family Mortgage Program, including reductions in administrative fees, program and direct servicing expenditures and investment in purchased servicing rights; an increase in income on loans and expenses; increases as the result of salary and benefit expenses related to the establishment of four full-time equivalents (FTEs), including a homeownership manager, two homeownership lending specialists for one quarter of the year, a housing development assistant director, a database programmer and a .5 FTE intern; a three percent increase for merit pay increases; a 15 percent increase in taxes, benefit and incentive compensation; and funding for space assessment and building updates and technology upgrades.

In response to discussion about budgeted reserves, Ms. Hickman reminded members that the MFA does not receive any state funding for operations and is therefore a self-supporting entity. She said that the MFA must manage resources and anticipate financial needs appropriately in both the short term and long term to maintain financial strength and protect the organization so it can carry out its mission. She explained that the MFA complies with current cash reserve policy and that fund balance levels are not excessive. Members complimented the MFA staff on its strong fiscal management and business planning practices.

MFA Strategic Plans

A. FY 2017 Strategic Plan Benchmarks

Ms. Hickman and Isodoro "Izzy" Hernandez, deputy director of programs, MFA, directed committee members' attention to the information behind Tab 2 in their meeting notebooks, which provides a "dashboard" of the MFA's strategic plan accomplishments in the fourth quarter of FY 2017. Because of time pressures, Mr. Czar told the committee that the strategic plan includes five general priorities with four to six benchmarks:

1. maintenance of the agency's established operational excellence, including creation of a fulfilling work environment to attract and retain quality employees and identification and implementation of technology solutions that improve operational efficiency, data security and customer service;
2. acquiring new resources, such as developing funding streams for NM Energy$mart and other traditional grant-funded programs as well as generation of new resources for affordable housing through state programs, grants and private funding;
3. establishment and implementation of effective partnerships; for example, developing the expertise and capacity of regional housing authorities to provide a range of affordable housing services statewide and providing quality training and technical assistance to the MFA's partners;
4. expansion of homeownership opportunities, including such benchmarks as utilization of best financing executions for the MFA's homeownership program and expansion of the MFA's presence in housing and credit counseling. Mr. Czar noted that as of September 30, 2017, the MFA has provided homebuyer counseling to 3,000 homebuyers; and

5. expansion of rental opportunities with benchmarks, such as evaluation and utilization of new resources, to address increased demand for rental housing.

During committee discussion of some specifics related to the first-quarter results, Mr. Hernandez told committee members that, as they can see on the "dashboard", the MFA has met all benchmarks of the 2015-2017 MFA strategic plan. Because of time pressures, he urged members to look through the second section of the information behind Tab 2 for more detail about the MFA's priorities and benchmarks.

B. FY 2018-FY 2022 New Strategic Plan

Monica Abeita, senior policy and program advisor, MFA, directed members' attention to the information behind Tab 3, entitled "A Bold Path Forward: MFA FY 18-2022 Strategic Plan", which describes the MFA's mission of leading the way in addressing New Mexico's unique affordable housing needs and improving internal systems to support the agency's work in these potentially challenging times. She said that this strategic plan provides a more robust and successful method to meet the needs of all New Mexicans.

She noted that the MFA's strategic planning process identifies several themes that drive the strategic initiatives, including the following:

1. responding to New Mexico's affordable housing needs. Affordable housing funding is under threat and diminishing. The MFA plans to continue to be proactive in developing new resources, efficiencies, business opportunities and financial innovations, as well as fostering creative partnerships;
2. ensuring prudent stewardship of affordable housing resources by, for example, expanding agency business models, diversifying financial tools and evaluating new funding and business opportunities;
3. strengthening affordable housing partners by expanding access to MFA products and services in underserved and high-need areas. Because New Mexico's rural areas are struggling, they require unique approaches. The MFA plans to evaluate ways to serve more rural residents with mortgage products and nimble development and by financing and strengthening MFA partners throughout the state;
4. providing robust technology solutions to protect the MFA's data and systems and maintaining system reliability, including implementation of redundancy improvements, as well as building and maintaining a technology platform that supports the agency's long-term plans for innovation, functionality and growth; and
5. fostering a dynamic work environment to support the many generations in its changing workforce because skilled, professional and engaged employees are at the core of the MFA's unique business model and specialized programs.

Ms. Abeita said that the plan will be updated every three years. The planning process is led by the agency's strategic management committee.

Mr. Czar added that in the current climate of uncertainty about affordable housing funding, the MFA will continue its affordable housing mission to make it more robust and successful in meeting the needs of all New Mexicans. Along with the rest of the country, New Mexico is at risk of losing many affordable rental homes. The state's high poverty rate and low incomes indicate a great need for financial education.

Committee members complimented MFA staff on its continued support for an important part of the state's population, which often has few options or choices for finding a range of affordable housing services statewide.

Proposed MFA 2018 Legislative Agenda

Mr. Czar and Mr. Edwards presented the MFA's proposed bills for consideration by the 2018 legislature. Mr. Czar once again explained that by statute, the MFA receives no operating funds from the state. However, each year the MFA requests certain appropriations to cover costs associated with funding for two state mandates: oversight of the regional housing authorities and oversight of the Affordable Housing Act. Without state funding support, the MFA cannot provide the high level of technical assistance needed to support these important missions. He explained that the first two proposed measures request funding for state-mandated programs:

- .208923.1SA — $300,000 appropriation to the Department of Finance and Administration (DFA) for expenditure in FY 2019 and subsequent fiscal years to fund MFA oversight of the regional housing authorities. Committee members agreed by consensus that Senate President Pro Tempore Mary Kay Papen will carry the bill; and
- .208925.1SA — $250,000 appropriation to the DFA for expenditure in FY 2019 and subsequent fiscal years to fund MFA oversight of implementation of the Affordable Housing Act. Committee members agreed by consensus that Senator Ingle will carry the bill.

The following bills provide state support for the MFA's core programs:

- .208927.1SA — $2 million appropriation to the DFA for expenditure in FY 2019 to fund rehabilitation of homes that are occupied by low-income, honorably discharged veterans in New Mexico whose incomes do not exceed 60 percent of the area median income. Committee members agreed by consensus that Senator Martinez will carry the bill;
- .208928.1SA — $5 million appropriation to the New Mexico Housing Trust Fund for expenditure in FY 2019 and subsequent fiscal years to provide funding for the MFA to carry out the provisions of the New Mexico Housing Trust Fund. Mr. Czar reminded committee members that the legislature created this fund in 2005 with an initial appropriation of $10 million and subsequent appropriations of $8.7 million. He said that the MFA has been able to grow the fund to more than $26 million by recycling interest and principal payments. This fund has helped to construct or rehabilitate nearly 3,200 homes and has leveraged an addition $49 million in other

funding — a 24-to-1 return on the state's investment. A $5 million appropriation will help build more than 500 quality, affordable homes for low-income New Mexicans. Committee members agreed by consensus that Senator Rodriguez will carry the bill;

- .208930.1SA — $1 million appropriation to the DFA for expenditure in FY 2019 and FY 2020 to provide for a residential energy conservation program to increase energy efficiency and to reduce energy expenditures for homes occupied by low-income New Mexicans. Committee members agreed by consensus that Senator Martinez will carry the bill; and
- .208931.1SA — $500,000 to the DFA to fund an MFA pre-purchase homebuyer education program. Committee members agreed by consensus that Senator Padilla will carry the bill.

On a motion made and duly seconded, members voted to approve the committee's endorsement for all six bills presented.

Adjournment

There being no further business to come before the committee, the meeting adjourned at 12:15 p.m.

ENDORSED LEGISLATION

SENATE BILL

53RD LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2018

INTRODUCED BY

ENDORSED BY THE MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE

AN ACT

MAKING AN APPROPRIATION TO FUND THE OVERSIGHT OF THE REGIONAL HOUSING AUTHORITIES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. APPROPRIATION.--Three hundred thousand dollars ($300,000) is appropriated from the general fund to the department of finance and administration for expenditure in fiscal year 2019 and subsequent fiscal years for the purpose of funding the oversight of the regional housing authorities by the New Mexico mortgage finance authority. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund.

.208923.2SA

NOTE: As reflected in the minutes of the committee's November 6, 2017 meeting, the committee endorsed the 208923.1SA version of this bill. The version included in this report is designated 208923.2SA to reflect its change from a discussion draft to a prepped bill with committee endorsement. No substantive changes were made to the bill in the change from the .1 version to the .2 version.

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SENATE BILL

53RD LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2018

INTRODUCED BY

ENDORSED BY THE MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE

AN ACT

MAKING AN APPROPRIATION TO FUND THE OVERSIGHT DUTIES RELATED TO THE AFFORDABLE HOUSING ACT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. APPROPRIATION.--Two hundred fifty thousand dollars ($250,000) is appropriated from the general fund to the department of finance and administration for expenditure by the New Mexico mortgage finance authority in fiscal year 2019 and subsequent fiscal years for the purpose of funding the oversight of the Affordable Housing Act. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund.

.208925.2SA

NOTE: As reflected in the minutes of the committee's November 6, 2017 meeting, the committee endorsed the 208925.1SA version of this bill. The version included in this report is designated 208925.2SA to reflect its change from a discussion draft to a prepped bill with committee endorsement. No substantive changes were made to the bill in the change from the .1 version to the .2 version.

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SENATE BILL

53RD LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2018

INTRODUCED BY

ENDORSED BY THE MORTGAGE FINANCE AUTHORITY ACT
OVERSIGHT COMMITTEE

AN ACT

MAKING AN APPROPRIATION TO THE DEPARTMENT OF FINANCE AND ADMINISTRATION FOR THE NEW MEXICO MORTGAGE FINANCE AUTHORITY TO REHABILITATE HOMES OCCUPIED BY LOW-INCOME HONORABLY DISCHARGED VETERANS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. APPROPRIATION.--Two million dollars ($2,000,000) is appropriated from the general fund to the department of finance and administration for expenditure in fiscal year 2019 for the New Mexico mortgage finance authority to provide necessary rehabilitation for homes occupied by low-income honorably discharged veterans in New Mexico whose income does not exceed sixty percent of the area median income. All expenditures shall be made in accordance with the Affordable Housing Act. Rehabilitation includes repairs necessitated by

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.208927.2SA NOTE: As reflected in the minutes of the committee's November 6, 2017 meeting, the committee endorsed the 208927.1SA version of this bill. The version included in this report is designated 208927.2SA to reflect its change from a discussion draft to a prepped bill with committee endorsement. No substantive changes were made to the bill in the change from the .1 version to the .2 version.

structural damage due to natural decay or disasters, replacement of utility appliances and repairs necessary to comply with housing health and safety code requirements and accessibility modifications for physically impaired veterans. No more than ten percent of this appropriation shall be used for administrative expenses. Any unexpended or unencumbered balance remaining at the end of fiscal year 2019 shall revert to the general fund.

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.208927.2SA

SENATE BILL

53RD LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2018

INTRODUCED BY

ENDORSED BY THE MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE

AN ACT

MAKING AN APPROPRIATION TO THE NEW MEXICO HOUSING TRUST FUND.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. APPROPRIATION.--Five million dollars ($5,000,000) is appropriated from the general fund to the New Mexico housing trust fund for expenditure in fiscal year 2019 and subsequent fiscal years by the New Mexico mortgage finance authority for the purposes of carrying out the provisions of the New Mexico Housing Trust Fund Act. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund.

.208928.2SA

NOTE: As reflected in the minutes of the committee's November 6, 2017 meeting, the committee endorsed the 208928.1SA version of this bill. The version included in this report is designated 208928.2SA to reflect its change from a discussion draft to a prepped bill with committee endorsement. No substantive changes were made to the bill in the change from the .1 version to the .2 version.

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SENATE BILL

53RD LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2018

INTRODUCED BY

ENDORSED BY THE MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE

AN ACT

MAKING AN APPROPRIATION FOR A STATEWIDE PRE-PURCHASE HOMEBUYER EDUCATION PROGRAM.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. APPROPRIATION.--Five hundred thousand dollars ($500,000) is appropriated from the general fund to the department of finance and administration for expenditure in fiscal year 2019 for the New Mexico mortgage finance authority to create and implement a pre-purchase homebuyer education program. Up to ten percent of the appropriation may be used by the New Mexico mortgage finance authority for administrative purposes. Any unexpended or unencumbered balance remaining at the end of fiscal year 2019 shall revert to the general fund.

.208931.2SA NOTE: As reflected in the minutes of the committee's November 6, 2017 meeting, the committee endorsed the 208931.1SA version of this bill. The version included in this report is designated 208931.2SA to reflect its change from a discussion draft to a prepped bill with committee endorsement. No substantive changes were made to the bill in the change from the .1 version to the .2 version.

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SENATE BILL

53RD LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2018

INTRODUCED BY

ENDORSED BY THE MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE

AN ACT

MAKING AN APPROPRIATION TO EXPAND A RESIDENTIAL ENERGY CONSERVATION PROGRAM FOR LOW-INCOME PERSONS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. APPROPRIATION.--One million dollars ($1,000,000) is appropriated from the general fund to the department of finance and administration for expenditure in fiscal years 2019 and 2020 for the New Mexico mortgage finance authority to provide for a residential energy conservation program to increase the energy efficiency and reduce energy expenditures of homes occupied by low-income persons in New Mexico. No more than ten percent of this appropriation shall be used for administrative expenses. Any unexpended or unencumbered balance remaining at the end of fiscal year 2020 shall revert to the general fund.

.209645.1SA NOTE: As reflected in the minutes of the committee's November 6, 2017 meeting, the committee endorsed the 208930.1SA version of this bill. The version included in this report - 209645.1SA - is a substantive duplicate of 208930.1SA with the addition of the committee endorsement.

Legislative Council Service
Santa Fe, New Mexico