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.

Thursday, September 14

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.