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FISCAL IMPACT REPORT

SPONSOR Lujan, B. **DATE TYPED** 02/16/05 **HB** 409/aHBIC/aHTRC

SHORT TITLE New Mexico Housing Trust Fund Act **SB** _____

ANALYST Kehoe

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
NFI					(See Fiscal Impact Narrative)

(Parenthesis () Indicate Expenditure Decreases)

Duplicates Senate Bill 115.

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Mortgage Finance Authority (MFA)
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee amendments to House Bill 409, as amended, provide that members of the proposed New Mexico Housing Trust Fund Advisory Committee be appointed for two-year terms, may be eligible for reappointment and that vacancies may be filled by the appropriate appointing authority. The amendments further provide that the committee shall be advisory and is subject to oversight by the Legislative New Mexico Mortgage Authority Oversight Committee.

Synopsis of HBIC Amendment

The House Business & Industry Committee amendments to House Bill 409 specify nine members will serve on the New Mexico Housing Trust Fund Advisory Committee who shall represent geographically the state, affordable housing advocates and practitioners. The nine members will

consist of three public members appointed by the governor; three public members appointed by the President Pro Tempore of the Senate; and three public members appointed by the Speaker of the House of Representatives.

The amendment also allows money from the New Mexico Housing Trust Fund to be used to reimburse the New Mexico Mortgage Finance Authority for actual expenses incurred in administering the fund in an amount not to exceed five percent of total funds disbursed from the fund.

Synopsis of Original Bill

House Bill 409 proposes to enact the New Mexico Housing Trust Fund Act, creates a New Mexico housing trust fund, creates an advisory committee, and provides certain powers to the New Mexico Mortgage Finance Authority (MFA).

Significant Issues

House Bill 409 proposes creation of a New Mexico Housing Trust Fund to be managed by MFA in conjunction with a proposed New Mexico Housing Trust Fund Advisory Committee and provides for the State Investment Council to serve as the investment agent for the fund in order to realize the highest possible returns. According to MFA, affordable housing needs in New Mexico are estimated at over \$2 billion. The governor's *Invest New Mexico Plan* also supports the creation of a trust fund as a way to provide the necessary capital for housing initiatives in New Mexico. Although House Bill 409 does not contain an appropriation, the governor has expressed his support for a one-time appropriation of \$20 million to capitalize the housing trust fund.

The purpose of the trust fund is to provide flexible funding for housing initiatives that could leverage other funding sources for housing in the state to provide affordable housing for persons of low or moderate income. The bill defines "persons of low or moderate income" as "persons and households within the state who are determined by the authority to lack sufficient income to pay enough to cause private enterprise to build an adequate supply of decent, safe and sanitary residential housing in their locality or in an area reasonably accessible to their locality and whose incomes are below the income levels established by the authority to be in need of the assistance made available the by New Mexico Housing rust Fund Act".

The proposed advisory committee is to be appointed by MFA's governing board, subject to oversight by the MFA Legislative Oversight Committee, with membership consisting of seven to eleven members representative of the state both geographically and in affordable housing interests. The committee is charged with reviewing all project applications and making recommendations for funding to the authority and adopting rules and procedures for loan or grant projects. The bill requires trust funds be awarded on a competitive basis and requires MFA to develop an application and scoring mechanism that encourages applicants to develop solutions responsive to local needs consistent with sound housing policy.

House Bill 409 is also the result of an MFA study requested by the 2002 Legislature and the findings of a housing advisory task force created by the 2003 Legislature. The membership of the task force was comprised of a geographically diverse group of stakeholders consisting of housing suppliers, affordable housing advocates, financial institutions, legislators and policy makers, including the Lieutenant Governor and President Pro-Tempore. The mission of the task force was to find a way to provide venture capital for housing initiatives that could leverage ad-

ditional federal and private investment. The task force identified revenue sources and recommended enactment of a state housing trust fund during the 2004 Legislature, however, the legislation failed to pass the Senate.

FISCAL IMPLICATIONS

House Bill 409 does not contain an appropriation; however, the governor has expressed support for a one-time \$20 million appropriation to the fund in fiscal year 2005. Any unexpended or unencumbered balances in the trust fund would not revert to the general fund.

ADMINISTRATIVE IMPLICATIONS

House Bill 409 requires MFA to serve as trustee of the housing trust fund and provides that no more than five percent of the fund be expended for administrative purposes. MFA currently serves as the state's designated affordable housing financing provider and can undertake the additional responsibilities at minimal cost.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 409 duplicates Senate Bill 115 in its entirety.

OTHER SUBSTANTIVE ISSUES

Constitutional Amendment 6, ratified by the voters in November 2002, amended Article 9, Section 14 of the Constitution of New Mexico to allow the state, counties and municipalities to donate land owned by the state, county, or municipality for the construction on it of affordable housing. The provisions further allow the state, counties and municipalities to donate existing buildings owned by the state, county or municipality for conversion or renovation into affordable housing, and allow the governmental entities to provide or pay the cost of infrastructure necessary to support affordable housing projects.

LMK/sb:yr