

<b>LFC Requester:</b>	<b>Jeannae Leger</b>
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**AGENCY BILL ANALYSIS  
2024 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, EMAIL ANALYSIS TO:**

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*{Include the bill no. in the email subject line, e.g., HB2, and only attach one bill analysis and related documentation per email message}*

**SECTION I: GENERAL INFORMATION**

*{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

*Check all that apply:*

**Original**     **Amendment**    \_\_\_\_\_  
**Correction**    \_\_\_\_\_ **Substitute**    \_\_\_\_\_

**Date** 1/18/2024

**Bill No:** SB 7

**Sponsor:** Nancy Rodriguez  
**Short Title:**    NM HOUSING TRUST FUND

**Agency Name and Code**    New Mexico Mortgage Finance Authority (MFA) 992  
**Number:** \_\_\_\_\_  
**Person Writing**    Robyn Powell  
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**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		
	\$500,000	Nonrecurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26		

(Parenthesis ( ) Indicate Expenditure Decreases)

## ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>						

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:  
Duplicates/Relates to Appropriation in the General Appropriation Act

### SECTION III: NARRATIVE

#### **BILL SUMMARY**

SB 7 makes a one-time, non-reverting, appropriation of \$500 million from the general fund to the New Mexico Housing Trust Fund (NMHTF) for expenditure beginning in fiscal year 2025.

The legislature established the NMHTF in 2005 to fund the acquisition, building, rehabilitation, preservation, financing, weatherization, and home energy efficiency upgrades for low to moderate income New Mexicans. The New Mexico Mortgage Finance Authority (MFA), as the Trustee of the NMHTF, has established programs, partnerships, and administrative capacity to effectively utilize state funds for housing development, preservation of existing affordable housing, and homeownership programs across the entire state.

#### **FISCAL IMPLICATIONS**

The passage of SB 7 would result in a one-time, non-reverting, appropriation of \$500 million from the general fund to the NMHTF. The appropriation does not impact the state operating budget because MFA, as a self-supporting quasi-governmental entity, does not rely on the state for any operational funding.

#### **SIGNIFICANT ISSUES**

**Housing Needs.** New Mexico is facing housing challenges that demand a transformational investment. There is a shortage of more than 32,000 rental homes and 24,000 ownership homes. To preserve aging housing stock, nearly 350,000 homes need repair or rehabilitation. More than 100,000 renter households could benefit from downpayment assistance to achieve homeownership. Over 17,000 households need homelessness prevention services. NMHTF funding is a key solution to addressing these needs. **Attached, Table 1 provides a conservative estimate of how \$500 million could impact the state.**

**Program Income.** MFA balances offering loans and grants through its programs. Loan funding is directed towards housing development projects and homeownership programs, where MFA underwrites to ensure feasibility. When MFA administers NMHTF awards as a loan, it is able to not only recycle the principle amount but grow the fund through principal and interest payments. Grant funding is typically reserved for programs that serve the lowest income households, who are unlikely to be able to support debt.

**Affordable Housing.** Through the enabling legislation of the Affordable Housing Act, the New Mexico state constitution permits donations (i.e. funding) for affordable housing initiatives. The

Affordable Housing Act defines affordable housing as housing for households at or below 150% area median income, which includes many workforce households. For example, in Bernalillo County a household earning \$129,750 or less annually would be eligible for a below market rate interest on a mortgage and downpayment assistance. **Attached, Table 2 shows the income limits for 150% area median income by county.**

## **PERFORMANCE IMPLICATIONS**

**Proven Performance Record.** From its establishment in 2005 through 2022, the legislature has appropriated \$61,050,000 to the NMHTF, of which \$25 million (42%) were state appropriations of federal stimulus dollars (Coronavirus State and Local Fiscal Recovery Funds) in 2021 and 2022. In 2022, Senate Bill 134 allocated 2.5% of severance tax bonding capacity to the NMHTF. In 2023, Senate Bill 381 moved forward the effective date of the earmark to July 1, 2023. MFA has consistently committed 100% of state appropriations to a program or project with proven results. To date, MFA has used the NMHTF to assist over 6,500 households.

**Leverage.** The NMHTF statute requires an overall three to one leverage ratio, which MFA exceeds through maximizing federal and private resources and interest and loan repayments. Currently, MFA is tracking approximately a 16:1 leverage ratio. The leverage ratio varies within activities primarily based on the amount of federal and private funding available. **Attached, Table 3 shows the leverage ratio for three NMHTF activities.**

**Pipeline.** MFA is prepared to expand its capacity and continue to strengthen its partner network to deploy a historic investment to the NMHTF to meet the continuum of housing needs.

MFA's pipeline includes 54 rental housing development projects planned to result in more than 4,000 units across 18 counties. These projects will be primarily funded with federal resources but cannot come to fruition without gap financing through the NMHTF. Once completed, these projects will have an estimated economic impact of more than \$500 million and 7,000 jobs, according to the National Association of Home Builders local economic impact calculator.

MFA has established downpayment assistance programs that will deploy \$8.5 million to serve more than 700 households, likely before July 1, 2024. Ensuring that these programs continue beyond the start of the state fiscal year will require additional state resources.

Similarly, MFA weatherization and rehabilitation programs have evolved to maximize household impact, efficiency, and geographic reach. Without a funding increase the more than 4,000 households on the weatherization program waitlist will wait years for critical energy efficiency and cost saving upgrades.

## **ADMINISTRATIVE IMPLICATIONS**

**Program Infrastructure.** MFA employs over 120 staff to administer over 40 programs, which comprehensively serve the continuum of housing needs in New Mexico. With the passage of SB 7, MFA would prioritize braiding the appropriation into existing programs. Doing so will most urgently support those in need and ensure leverage of federal and private resources. Additionally, MFA will continue to assess the needs and has the capacity and expertise to rapidly develop programs that meet the needs not currently being met by our existing programs.

**Capacity.** With the increase in coronavirus related stimulus, MFA expanded its capacity through hiring more staff, increasing its network of service providers, and investing in technical

assistance for its partners. In 2023, MFA administered more than \$585 million in funding. This momentum will continue with the passage of SB 7.

MFA estimates that it could deploy \$50 million to \$80 million a year in additional NMHTF funding, meaning MFA could administer the appropriation over a 6-year to 10-year period. The advantage of a non-reverting appropriation is it allows developers and partners to continue to ramp up operations and increase their impact.

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

**TECHNICAL ISSUES**

**OTHER SUBSTANTIVE ISSUES**

**ALTERNATIVES**

**WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

New Mexico has maximized its available affordable housing resources, and without doing so, communities would be less prosperous. However, transformational change to the current housing landscape is only possible with transformational state investment.

**AMENDMENTS**

**Table 1: Estimated NMHTF Appropriation Impact**

	<b>Rental Development</b>	<b>Ownership Development</b>	<b>Preservation &amp; Redevelopment</b>	<b>Homeownership</b>	<b>Homelessness Prevention</b>
Need	32,761 homes	24,163 homes	348,094 homes	103,715 households	17,500 households
Impact of \$500 million to the NMHTF	1,531 homes	1,333 homes	9,091 homes	22,457 households	142,857 households
Impact Assumption	Per home cost of \$326,589, which is based on the Low Income Housing Tax Credit program average unit cost.	Per home cost of \$375,000, which is the cost of a starter home according to New Mexico home builders.	Per home cost of \$55,000, which is the average amount of home improvement loans originated in New Mexico	Per household cost of \$22,265, which is the weighted average of 10% of the median home sale price.	Per household cost of \$3,500, which is based on a New Mexico Coalition to End Homelessness estimate.

**Table 2: New Mexico Housing Trust Fund Income Limits**

<b>County</b>	<b>2023 Median Income</b>	<b>150% AMI Income</b>
Bernalillo	\$ 86,500.00	\$129,750
Catron	\$ 58,100.00	\$87,150
Chaves	\$ 64,600.00	\$96,900
Cibola	\$ 65,100.00	\$97,650
Colfax	\$ 60,500.00	\$90,750
Curry	\$ 66,000.00	\$99,000
DeBaca	\$ 74,900.00	\$112,350
Dona Ana	\$ 59,600.00	\$89,400
Eddy	\$ 92,000.00	\$138,000
Grant	\$ 66,700.00	\$100,050
Guadalupe	\$ 49,800.00	\$74,700
Harding	\$ 61,700.00	\$92,550

Hidalgo	\$ 66,300.00	\$99,450
Lea	\$ 65,200.00	\$97,800
Lincoln	\$ 68,100.00	\$102,150
Los Alamos	\$ 168,500.00	\$252,750
Luna	\$ 52,900.00	\$79,350
McKinley	\$ 55,800.00	\$83,700
Mora	\$ 50,000.00	\$75,000
Otero	\$ 69,300.00	\$103,950
Quay	\$ 46,100.00	\$69,150
Rio Arriba	\$ 70,700.00	\$106,050
Roosevelt	\$ 69,000.00	\$103,500
Sandoval	\$ 86,500.00	\$129,750
San Juan	\$ 61,100.00	\$91,650
San Miguel	\$ 52,800.00	\$79,200
Santa Fe	\$ 95,600.00	\$143,400
Sierra	\$ 62,200.00	\$93,300
Socorro	\$ 56,600.00	\$84,900
Taos	\$ 71,900.00	\$107,850
Torrance	\$ 86,500.00	\$129,750
Union	\$ 54,500.00	\$81,750
Valencia	\$ 86,500.00	\$129,750

**Table 3: NMHTF Activity Leverage**

<b>Activity</b>	<b>Housing Development</b>	<b>Homeownership</b>	<b>Weatherization and Rehabilitation</b>
NMHTF	\$51.8 million	\$8.0 million	\$1.3 million
Leverage	\$879 million	\$63 million	\$14 million
Return on Investment	17:1	8:1	11:1
Impact	5,366 homes	372 households	833 homes

Total - \$956 million other funding leveraged with \$61 million of state funding = 16/1