LFC Requester:	Cally Carswell

AGENCY BILL ANALYSIS
2024 REGULAR SESSION

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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 X **Amendment** ____
Correction ____ **Substitute** ____

Date 1/26/2024
Bill No: SB 216

Sponsor: Nancy Rodriguez
Short Title: NMFA Affordable Housing

Agency Name and Code Number: NMFA (385)
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SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		
-0-	-0-	N/A	N/A

(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
Total						

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to: HB 28, HB 29

SECTION III: NARRATIVE

BILL SUMMARY

HB 216 amends Sections 6-21-3(E) an (F), respectively, of the New Mexico Finance Authority ("NMFA") Act by adding housing as a public project eligible for financing, and nonprofit housing developers as qualified entities, and further amends Section 6-21-6.4 to add affordable housing plans as a qualified use of money in the local government planning fund.

FISCAL IMPLICATIONS

NMFA anticipates modest, if any, new fiscal implications as a result of the enactment of SB 216.

SIGNIFICANT ISSUES

SB 216 provides the ability for NMFA to explicitly fund housing under the PPRF. Currently housing is being financed under the broad authority to finance "buildings" which have historically included teacherages and workforce housing for seasonal workers in remote ski towns. NMFA does not anticipate significant new demand initially as a result of SB 216 but expects, over time, for finance plans to be modified to include the low-cost capital provided by the PPRF as capital outlay becomes less available for these projects.

Additionally, adding housing to the list of projects that qualified entities allows projects that currently fall outside the scope of the Mortgage Finance Authority undertaken by local government units and nonprofit housing developers.

PERFORMANCE IMPLICATIONS

NMFA is currently able to finance non-profits affiliated with higher education institutions. The broadened authority contained in SB 216 to include non-profit housing developers does not represent a material shift in the entities meeting the statutory definition of a "qualified entity."

SB 216 expands the use of the Local Government Planning Fund ("LGPF") to include affordable housing plans. NMFA does not anticipate significant new demand for this new project type.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB 28 is the annual authorization bill for PPRF loans. All loans made by the NMFA in excess of $1 million requires prior legislative authorization. This will be true for the non-profit housing developers as well.

HB 29 is NMFA's annual PPRF appropriation bill that transfers up to 35% of governmental gross receipts tax to three of the seven legislatively identified programs. Currently the Mortgage Finance

Authority is not able to fully meet demand of all affordable housing plans needing to be adopted and the expansion contained in SB 216 allows these projects to move forward timely.

TECHNICAL ISSUES

The PPRF is a bond-funded program that relies on periodic bond issuances to fund new loans and uses the payments on these loans to retire the bonds. The PPRF has established two bond pools, each governed by a master bond indenture and represented by a senior lien and a subordinate lien, that back bonds issued by NMFA. The senior bond indenture, which was established 30 years ago, uses loan repayments pledged to the senior indenture and has first claim to the governmental gross receipts" tax ("GGRT) should an interruption of payments from the borrowers impede NMFA's ability to meet its bond debt service obligations. The current subordinate lien indenture, in place since 2005, was created to broaden the spectrum of NMFA borrowers that can borrow from the PPRF, while maintaining the integrity of the senior lien PPRF program. Over time, the subordinate lien program has evolved to be essentially an extension of the senior lien and a means of managing PPRF debt service coverage and capacity. Consequently, both liens now carry the same ratings (Aa1/AAA, Moody's and Standard & Poor's, respectively).

In the fall of 2023, NMFA began work on an additional bond pool within the PPRF. The creation of a third lien (a "junior lien") of the PPRF is expected to provide significant capacity for non-traditional credits without impacting the existing, highly rated senior or subordinate liens.

NMFA anticipates that the new junior lien program could reasonably be expected to produce proceeds ranging from $250 million to $350 million, depending on the strength of the loans pledged to the junior lien and the interest rate environment. NMFA anticipates that the third lien bonding activity would follow the growth pattern of the other two liens, with the amount of bond issuance being dictated by program demand. The actual capacity of the third lien would likely grow over time in concert with historical growth rates of the GGRT, although program demand and other unknown factors may impact that projection.

OTHER SUBSTANTIVE ISSUES

Broadening the PPRF to allow non-profit housing developers is not expected to have a negative impact on the PPRF. The newly created junior lien will house these new loans until NMFA can establish a payment history of these new PPRF borrower types.

Broadening the LGPF to include affordable housing plans is expected to have positive impacts to local communities.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Non-profit housing developers would continue to access capital though their traditional channels: capital outlay obtained by their local governments for infrastructure development and bank financing.

Local governments will not have access to the Local Government Planning Fund to pay for the costs of developing an Affordable Housing Plan thereby limiting their ability to fully support the creation of affordable housing in their communities.