

***NEW MEXICO
MORTGAGE FINANCE AUTHORITY***



Legislative Finance Committee

September 22, 2022



New Mexico Mortgage Finance Authority
Legislative Finance Committee
September 22, 2022

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Legislative Finance Committee

Presentation by the New Mexico Mortgage Finance Authority

September 22, 2022

Isidoro Hernandez, Executive Director/CEO, MFA
Donna Maestas-De Vries, Chief Housing Officer, MFA
Lizzy Ratnaraj, Chief Financial Officer, MFA
Jeff Payne, Chief Lending Officer, MFA

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MFA Board and Legislative Oversight

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President, Centinel Bank of Taos

Derek Valdo, Vice Chair

Chief Executive Officer, AMERIND Risk

Rebecca Wurzbarger, Treasurer

Strategic Planning Consultant

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Lieutenant Governor

Hector Balderas

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Patricia S. Sullivan, PhD

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College of Engineering

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About MFA



OUR VISION

All New Mexicans will have quality affordable housing opportunities.

OUR MISSION

MFA is New Mexico's leader in affordable housing. We provide innovative products, education and services to strengthen families and communities.

- We were created by the State Legislature in 1975. The MFA Act defines MFA as a “public body corporate, separate and apart from the state.” MFA is not a state agency and receives no operating funds from the state.
- MFA became the state government's designated housing agency in 1997. All of New Mexico's state and federal housing programs are now administered by MFA.
- MFA is a Housing Finance Agency (HFA). Each state in the U.S. has one or more.
- MFA provides **financing** for **affordable housing** for **persons of low and moderate income**.

Delivery System

MFA allocates resources and works with partners to serve all New Mexicans.



FUNDERS

MFA receives affordable housing resources from the federal government and the state. We also use bonding capacity, investments and our own revenue to support affordable housing programs.



MFA

MFA allocates resources to over 30 different affordable housing programs.



PARTNERS

MFA contracts with and monitors service providers throughout New Mexico. We also work with lenders, realtors, developers, property owners and tribal and local governments.



CONSTITUENTS

New Mexico residents have access to affordable housing and related services and resources statewide.

The Housing Continuum

MFA's programs support the entire housing continuum,
from Homelessness to Homeowners:

Homeless

**EHAP
RAP
CoC
YHDP**

Supportive programs prevent homelessness and help people access shelter.

Transitional

**Landlord
Collaboration
Linkages
RHP**

Transitional housing keeps people housed, off the street and safe.

Rental Development

**LIHTC 542(c) 811
HOME AHA 538
Primero TCAP RTC
Section 8 TCEP
RHA Oversight**

Affordable housing developments expand the availability of housing for residents.

Specialized

**Linkages
HOPWA**

Specialized housing helps support the housing needs of vulnerable residents.

Single-family Development

**Primero
NSP
ARRP
STC**

Single-family developments expand New Mexico's housing stock, helping more residents into homes.

Homeownership

**FirstHome/FirstDown
NextHome/NextDown
HomeNow
Partners**

Affordable mortgage programs allow more residents to fulfill the dream of homeownership.

Homeowners

**Rehab
Programs
WAP
HAF**

Programs for homeowners help support families and communities.

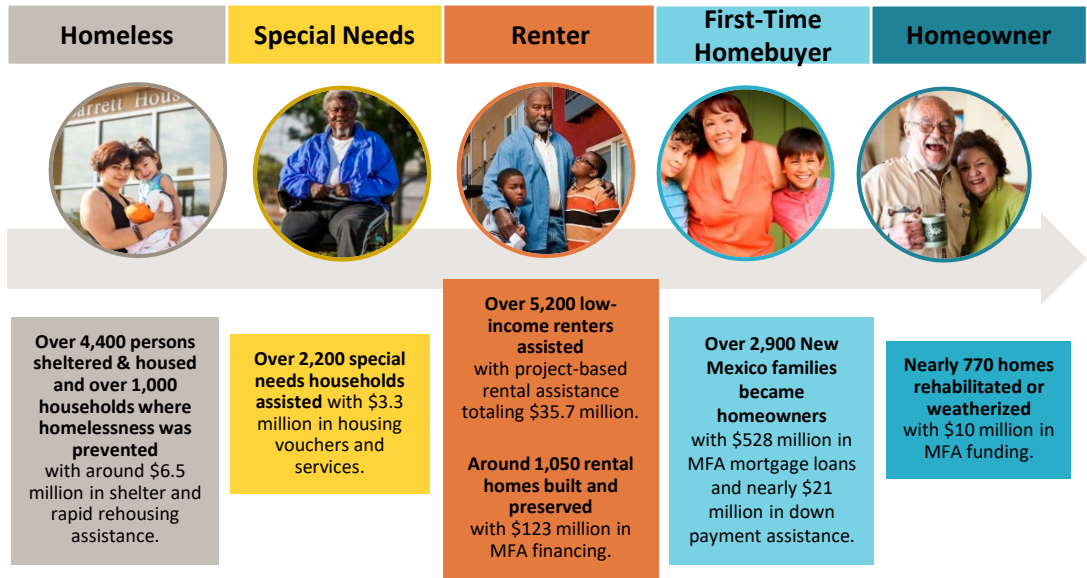
Other

**Emergency Housing
Needs
Housing Innovation
Program**

Innovating the future of affordable housing in New Mexico.

Our Results

In 2021, MFA provided more than **\$757** million in low-interest financing and grants for affordable housing and related services.



Over 7,400 additional households assisted with \$27.4 million in COVID-19 assistance

MFA Production Data

Multifamily, Single Family First Mortgage and Single Family Homeowner Rehab Units

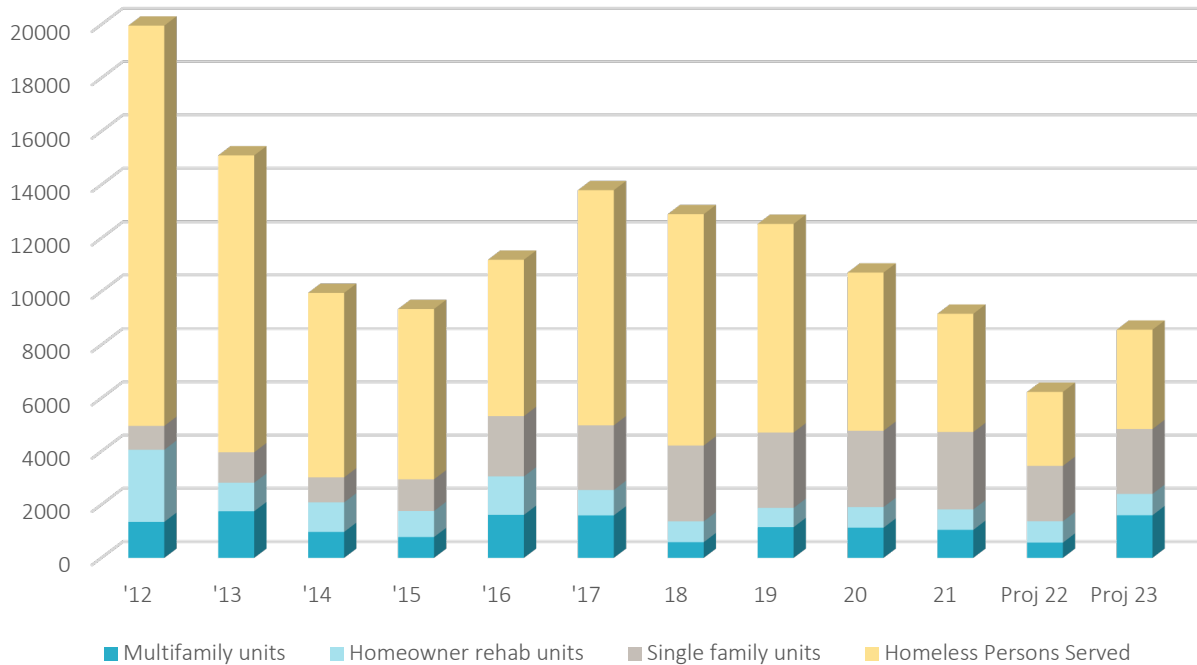


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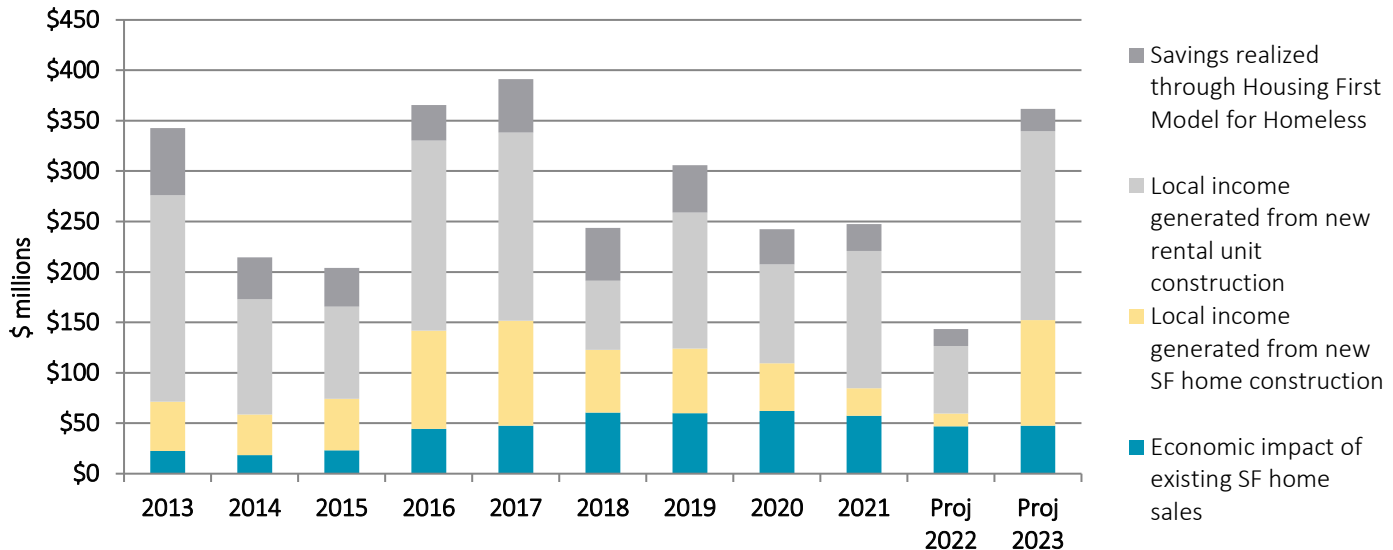
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Economic Impact of MFA Programs

Housing is economic development



Sources:

- Economic impact of single family home sales assumes \$23,000 per sale per the REALTORS Association of New Mexico
- Economic impact of construction calculated using the National Association of Home Builders, *Local Economic Impact of Home Building* models, 2015
- Savings realized through Housing First Model assumes savings of \$6,000 per person assisted, City of Albuquerque Heading Home Cost Study, May 2016

Social Impact of Housing



- Homelessness programs reduce reliance on costly de facto housing solutions like emergency rooms and jails. (United States Interagency Council on Homelessness, 2017, University of Pennsylvania, 2002, and Urban Institute, May 2017)
- Home rehabilitation alleviates the health risks of substandard housing, which include asthma, stunted growth, neurological damage, accidents, injury and disease. (Health Affairs, June 2018)
- Housing development addresses the deficit of affordable housing units that contributes to housing insecurity. (Urban Institute, July 2016)
- Homeownership for low- and moderate-income households is associated with increased ability to build wealth and greater social engagement and satisfaction. (HUD, February 2006)

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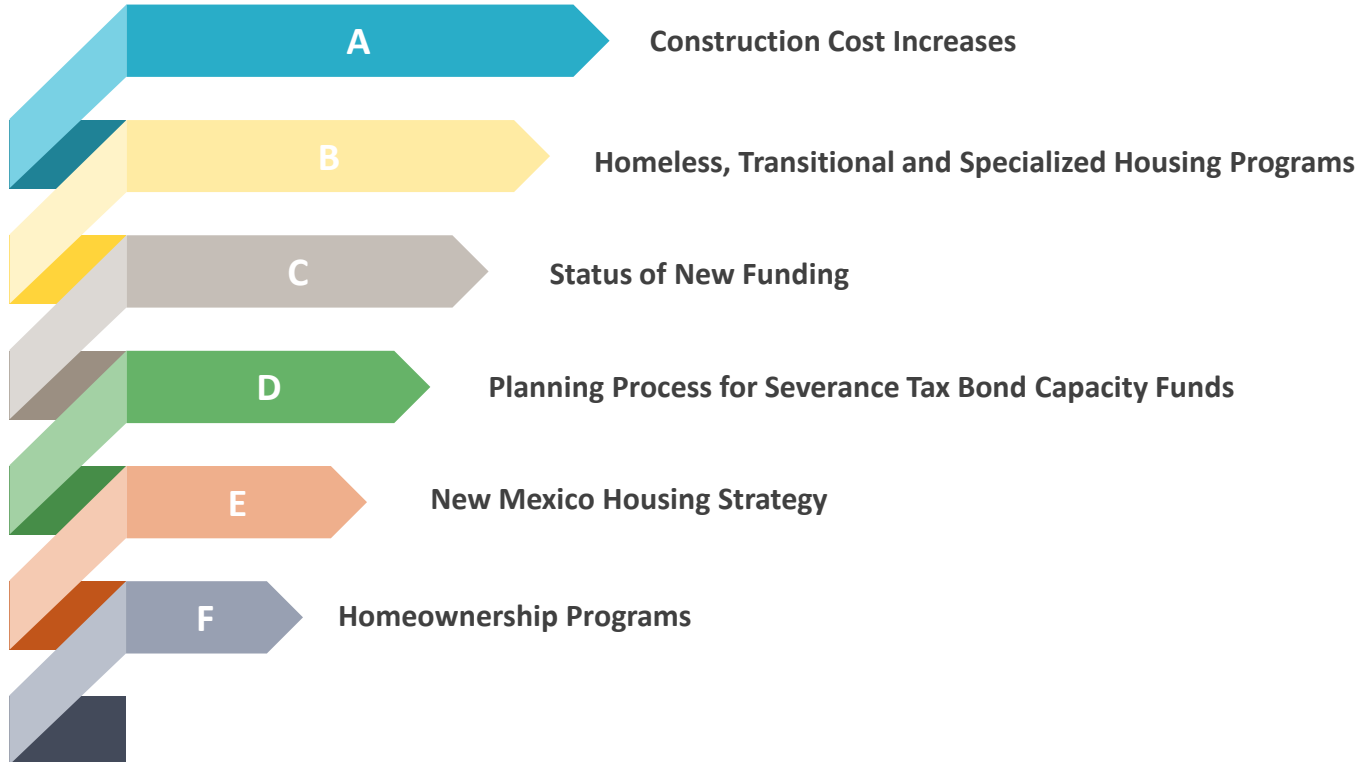
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Spotlight Topics



The Housing Continuum

Rental Development



Homeless

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811 538
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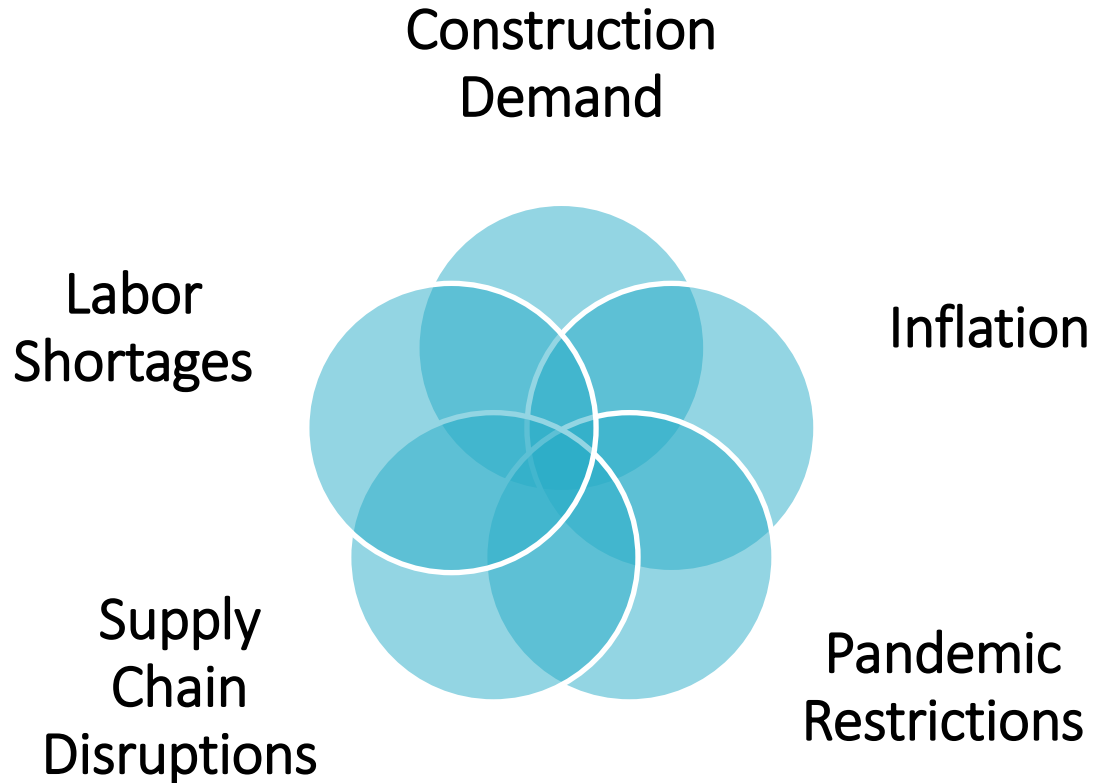
Programs for homeowners help support families and communities.

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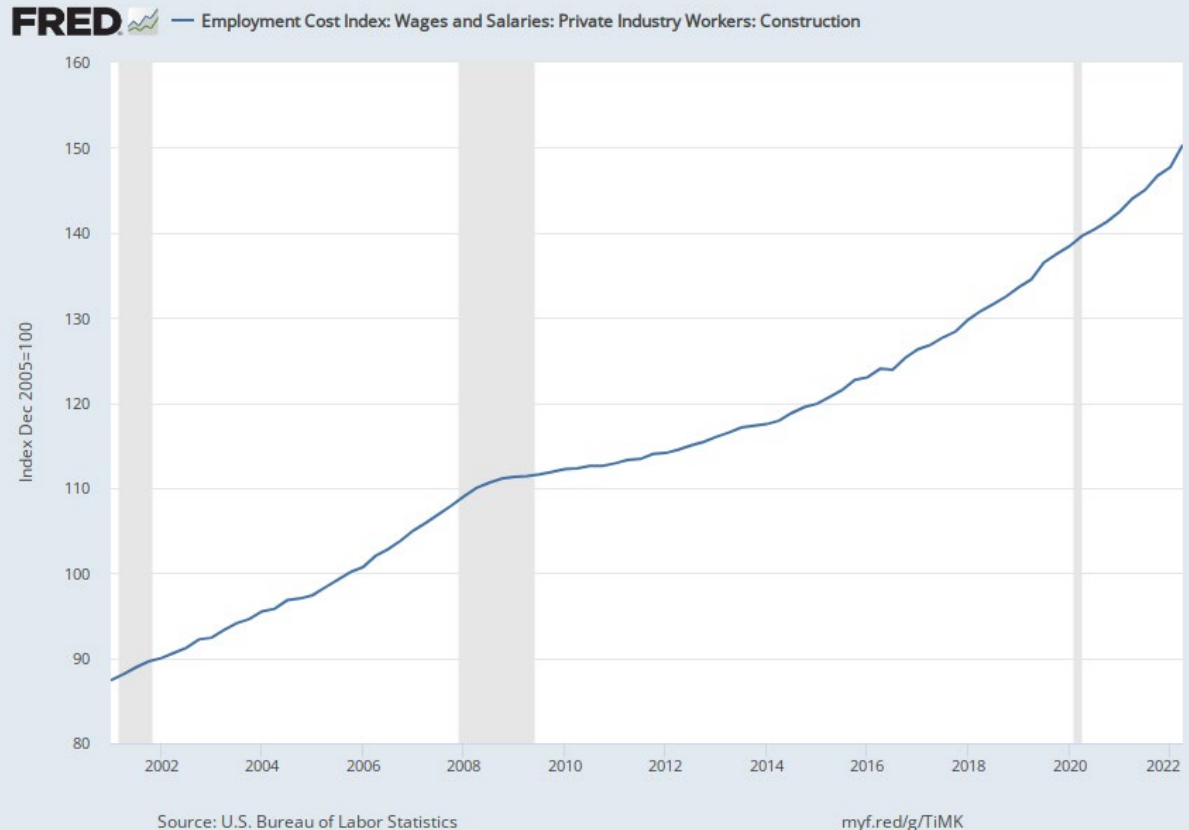
Innovating the future of affordable housing in New Mexico.

Rising Construction Costs



Construction Employment Cost Index

Employment Wages and Salaries Trend



Construction Employment

Job Openings Rate



Construction Cost Index

Lumber Cost Trend



Construction Cost Increases

2020 LIHTC Affordable Rental Communities:

Number of projects: 8

Number of units: 458

Average cost increases per project: \$1,796,014

Average cost increases per unit: \$3,921

2021 LIHTC Affordable Rental Communities:

Number of projects: 6

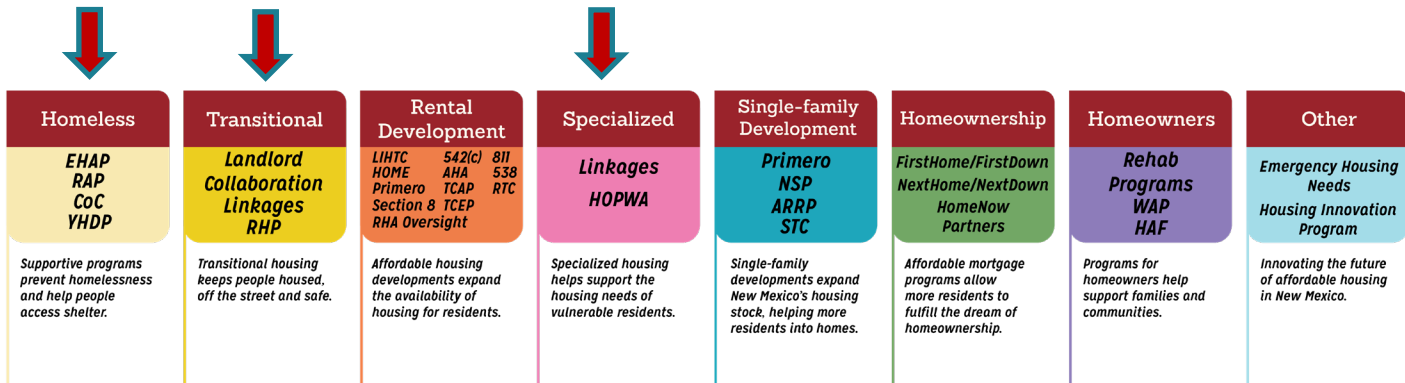
Number of units: 446

Average cost increases per project : \$3,696,922

Average cost increases per unit: \$8,289

The Housing Continuum

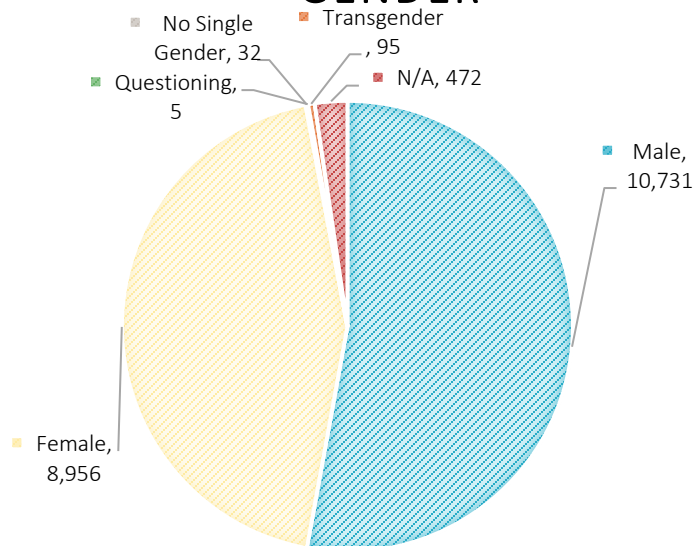
Homeless, Transitional and Specialized Housing Programs



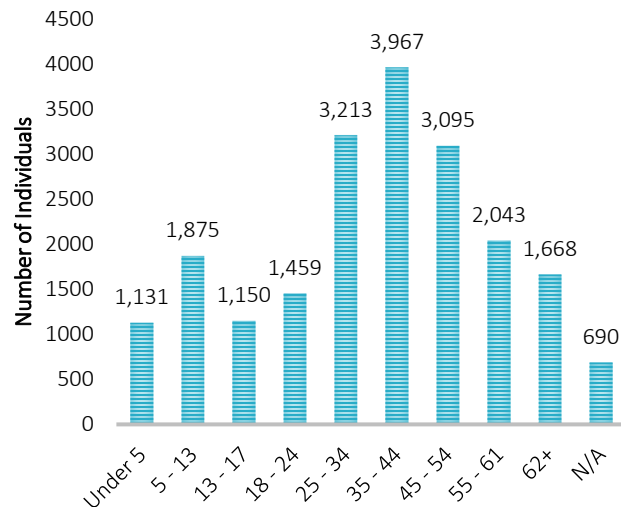
Sheltered Homelessness in New Mexico

January – May 2022

HOMELESSNESS BY GENDER



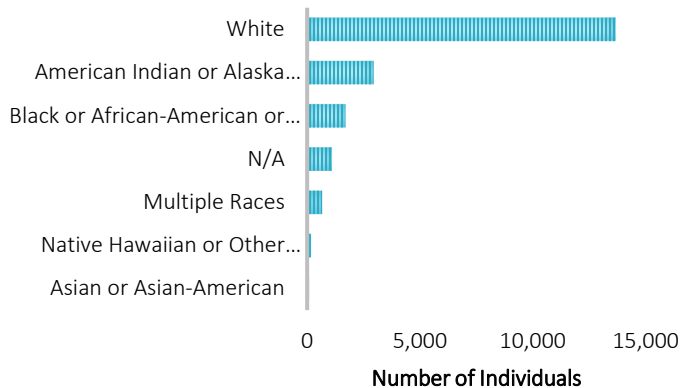
HOMELESSNESS BY AGE



Sheltered Homelessness in New Mexico

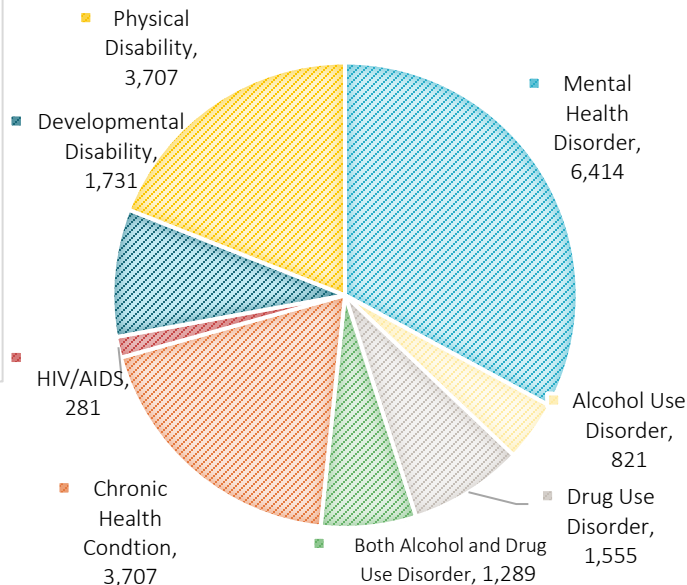
January – May 2022

HOMELESSNESS BY RACE

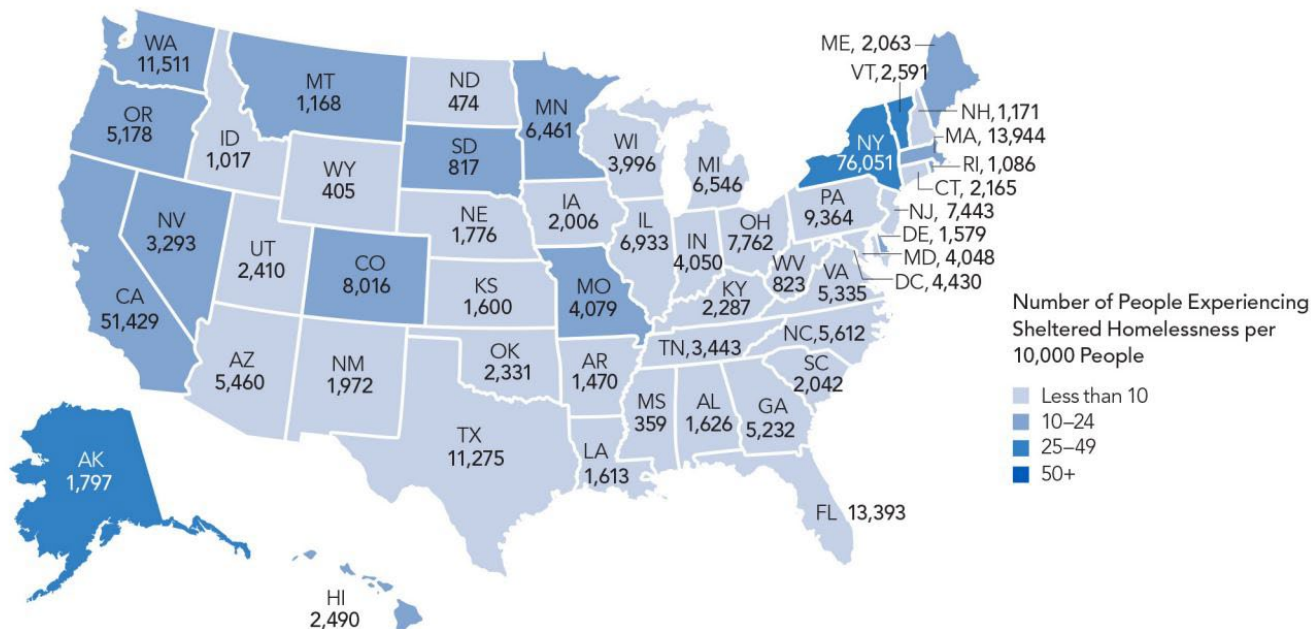


- Data retrieved from NM HMIS System from January 2022 to May 2022.
- Data includes CoC, ESG, RHY, select VA, COVID, PATH Outreach Funding, and COVID special funding is also excerpted.
- N/A data is unknown, client refused to answer, or missing.

PHYSICAL/MENTAL HEALTH CONDITION



National Snapshot of Homelessness, CY 2021



* Data from 2021 Annual Homeless Assessment Report, HUD waived requirement to conduct the unsheltered count in 2021

Homeless Programs

ESG -Emergency Homeless Assistance Program (EHAP)	ESG -Rental Assistance Program (RAP)	Continuum of Care (COC)	Youth Homeless Demonstration Project
MFA is awarded state homeless and federal Emergency Solutions Grant (ESG) funds annually for the EHAP program. The funding supports shelter operations, essential services and data collection.	The program provides short and medium-term rental assistance, housing stability case management, and housing search and placement services for people experiencing homelessness and those most at-risk of homelessness.	Agencies receiving federal Continuum of Care (CoC) funding provide supportive services (assistance with medical, financial and educational programs) and housing assistance to individuals/ families experiencing homelessness	Designed by HUD in cooperation with youth who have experienced homelessness. Eligible activities: -Crisis residential/ transitional housing -Rapid re-housing -Host homes and shared housing -Permanent supportive housing -Assistance with family reunification -Case management -Rental assistance for homeless youth -Staff salaries -Transportation
18 shelters currently receive this funding: 3 Youth Shelters, 5 Adult/Family Shelters and 10 Domestic Violence Shelters	9 Service provider agencies statewide	25 Service provider agencies statewide	NM received \$3.37M from HUD to award 5 agencies located in Northern New Mexico
2021/2022 Program Year Award: \$941,749	2021/2022 Program Year Award: \$798,748	2021/2022 Program Year Award: \$461,966	2021/2022 Program Year Award: \$413,000 State Match Funds
Total number of individuals assisted last Program Year: 2,778	Total number of individuals assisted last Program Year: 349	Total number of individuals assisted last Program Year: 1920	Total number of individuals assisted last Program Year: 107

Transitional & Specialized Housing Programs

Landlord Collaboration Program (LCP)	Recovery Housing Program (RHP)	Linkages	Housing Opportunities for Persons with Aids (HOPWA)
<p>The Children Youth and Families Department (CYFD)/MFA Landlord Collaboration Services program increases access to safe, permanent and supportive housing for youth (ages 18- 24) who are experiencing homelessness or are at-risk of homelessness.</p> <p>Funds are distributed from MFA to New Mexican landlords to cover costs beyond the security deposit such as:</p> <ul style="list-style-type: none"> -Damages above security deposit -Lost rent up to 1 month for repair time -Repairs (up to \$1,000) to meet HUD requirements upon move in -Up to \$500 flexible funds for needs during tenancy 	<p>The Recovery Housing Program (RHP) provides stable transitional, temporary, and permanent supportive housing for individuals in recovery from a substance use disorder. RHP Eligible Activities include:</p> <ul style="list-style-type: none"> -Public Facilities and Improvements -Acquisition of Real Property -Lease, Rent, and Utilities -Rehabilitation and Reconstruction of Single-Unit and Multi-Unit Residential -Rehabilitation and Reconstruction of Public Housing -Disposition of Real Property -Clearance and Demolition -Relocation 	<p>Linkages is a State-funded permanent supportive housing program that provides long term rental subsidies, utility assistance and supportive services to vulnerable populations. The program prioritizes individuals with a serious mental illness (SMI) including Native Americans living off reservation.</p> <p>Behavioral Health Services Division (BHSD) and MFA collaboratively oversee the program and manage their respective service providers.</p>	<p>HOPWA is federal funding that supports residents with a documented HIV/AIDS diagnosis that are at or below 80% AMI.</p> <p>Provides tenant based rental assistance (TBRA), short term rental assistance, mortgage and utility assistance (STRMU), and permanent housing placement (PHP).</p> <p>Designed to prevent homelessness and increase housing stability.</p> <p>MFA partners with NM Department of Health, HIV Services.</p>
Funding for the program comes from the State of New Mexico's Children Youth and Families Department (CYFD)	MFA administers the HUD funding for the program on behalf of DFA.	9 Service provider agencies statewide	City of Albuquerque and 4 Balance of the State Service provider agencies statewide
2021/2022 Program Year Award: \$59,225	FY2020-FY2022 Award: \$2,856,539	2021/2022 Program Year Award: \$3,200,000	2021/2022 Program Year Award: \$984,677.33
Total number of landlords assisted last Program Year: 13	One recovery housing building/facility purchased. NOFA for remaining funds to be released in 10/2022	Total number of individuals assisted last Program Year: 338 (Housing Vouchers)	Total number of individuals assisted last Program Year: 263

Federal COVID-19 Programs

American Rescue Plan Homeowner Assistance Fund (HAF)

- \$49 million in homeownership assistance

Coronavirus Relief Funds (CRF)

- \$15 million in mortgage, rental and shelter funding

CARES Act Community Development Block Grant (CDBG-CV)

- \$12.9 million in homeownership and rental assistance

CARES Act Emergency Solutions Grant & HOPWA

- \$13 million in shelter, rental and rapid re-housing assistance

Federal and State COVID-19 Programs

American Rescue Plan Act- State and Local Government Fiscal Recovery Funds 1- (ARPA-FRF)

- 2021 special session allocated to MFA
- \$15 million for energy efficient affordable rental housing development, pre-weatherization, housing innovation

American Rescue Plan Act- State and Local Government Fiscal Recovery Funds 2- (ARPA-FRF)

- 2022 regular session allocated to MFA
- \$10 million for affordable rental housing development, down payment assistance

HOME- American Rescue Plan (HOME-ARP)

- \$19 million for affordable rental housing development, homeless prevention and rental assistance (ESG supportive services)

Recurring New Mexico Housing Trust Funds through 2.5% of Severance Tax Bonding Capacity

- MFA starts receiving funds in July 2024.
- MFA has started the planning process for these funds, including:
 - Evaluation of needs across the housing spectrum;
 - Determination of geographic needs;
 - Creation of a financial model;
 - Legal review of potential housing activities; and
 - Meetings with State Board of Finance on process.
- MFA will conduct procurement processes well before July 2024 in order to start work immediately following receiving its first allocation.



New Mexico Housing Strategy

- MFA has created a statewide housing strategy to address New Mexico's affordable housing challenges. The strategy:
 - Analyzes and projects the state's affordable housing needs;
 - Assesses barriers to affordable housing development;
 - Reviews all affordable housing resources; and
 - Makes recommendations to solve affordability issues.
- The development of the New Mexico Housing Strategy was overseen by the Housing New Mexico Advisory Committee, which is led by MFA and includes stakeholders from across the housing spectrum in both the public and private sectors.



New Mexico Housing Strategy: Our Housing Challenges

The current housing landscape:

- More than **15,000** New Mexicans are experiencing or at-risk of homelessness—9,000 are children and youth.
- **78,000 households with children** are cost burdened and face high rates of housing instability.
- **Issues with substandard housing:** 40,000 units in the state lack complete kitchens, and 40,000 lack complete plumbing.
- **5,100 units per year** must be developed to prevent housing challenges from getting worse.
- **Affordable housing gap of 32,000 units** for households at or below 30% of Area Median Income.
- **Housing costs have increased much faster than incomes**, making it harder for low and increasingly, moderate, income households to afford housing.

- Producing new housing
- Preserving existing housing and redeveloping underutilized properties
- Building homeownership opportunities
- Creating housing stability
- Advocating for effective federal housing policies and regulations.

Five Elements of the Housing Strategy

New Mexico Housing Strategy

- The New Mexico Housing Strategy has goals and strategies that range from policy changes to additional appropriations. Depending on the strategy, it could be addressed at the local, state or federal level.
- For more information, please visit:

nmhousingstrategy.org



Example Strategies

- Prioritize existing federal block grant, state, and local infrastructure resources to fund public improvements to support residential development.
- Advocate for increased local, state, and federal appropriations, revenue generating policy changes benefitting affordable housing, and tax exemptions for affordable housing development and operation.
- Advocate for concrete changes to state law to reduce regulatory barriers to housing development.
- Streamline the local and state residential inspection processes to make the system more efficient, practical, and timely—e.g., by allowing video inspections, allowing third party contractors—while preserving public health and safety objectives.
- Expand funding for the Linkages program.
- Increase service provision funding options for permanent supportive housing developments. Examine how Medicaid waivers could be used for supportive services, allowing supportive service providers to be reimbursed at a rate that can sustain programming and operations.
- Support actions to strengthen statewide behavioral health system including satellite care facilities.

New Mexico Housing Strategy Implementation Plan

- The Housing New Mexico Advisory Committee will now move to implement the New Mexico Housing Strategy by:
 - Informing the public and elected officials about the strategy;
 - Forming subcommittees based on area of experience;
 - Creating an implementation plan for each strategy; and
 - Forming partnerships to try to implement.



The Housing Continuum

Homeownership Programs



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Homeownership Single Family Overview

Loan Reservations:

- FY 2021: **3,149**
- FYTD 2022: **2,344** (as of 8/31/22)

Homes purchased:

- FY 2021: **2,906**
- FYTD 2022: **2,051** (as of 8/31/22)



Homeownership Single Family Programs

FirstHome

- Loan for first-time home buyers

NextHome

- Loan for either non-first-time home buyers or first-time homebuyers

Down Payment Assistance

First-time homebuyers

FirstDown

- 4% of purchase price.
- Second loan for homebuyers with income up to 115% of AMI.
- Monthly payments
- Must be combined with FirstHome
- Funded through MFA General Fund

HomeNow

- \$7,000 second loan for homebuyers with income up to 80% of AMI.
- 0% interest with \$0 monthly payments
- Must be combined with FirstHome.
- Funded through grant from US Treasury Department.

Down Payment Advantage (in development)

- \$25,000 grant for homebuyers with income up to 80% of AMI.
- Funded through ARPA FRF funds through the NMHTF.
- Will fund about 320 grants.

Above sources could be combined up to \$35,000 for an 80% AMI Borrower

First-time Homebuyer Requirements

2022 Income Limits D

FirstHome and FirstDown Income Limits

Current gross annual household income may not exceed limits listed below unless the homebuyer is planning to purchase a home in a targeted area.

Counties / by Family Size	1 to 2 Person Household	3 or More Person Household
Albuquerque MSA (Bernalillo, Sandoval, Tarrant, Valencia)	\$79,750	\$91,713
Farmington MSA (San Juan)	\$76,560	\$89,320
Santa Fe MSA	\$89,411	\$102,823
De Baca County	\$77,280	\$90,160
Eddy County	\$81,500	\$93,725
Grant County	\$73,920	\$86,240
Lea County	\$81,070	\$93,231
Lincoln County	\$79,560	\$92,820
Los Alamos County	\$142,900	\$164,335
Roosevelt County	\$74,280	\$86,660
Union County	\$74,160	\$86,520
All Other Areas and Counties of the State	\$73,200	\$85,400

First-time Homebuyer Requirements

Property Types and Purchase Price Limits

First~~Home~~ and First~~Down~~ Purchase Price Limits

Residences financed can include single-family detached homes, townhomes, condominiums, homes in planned unit developments, and permanently attached, multiwide manufactured homes that are assessed as real property. Total home purchase price may not exceed the limit listed below, unless the home is in a targeted area.

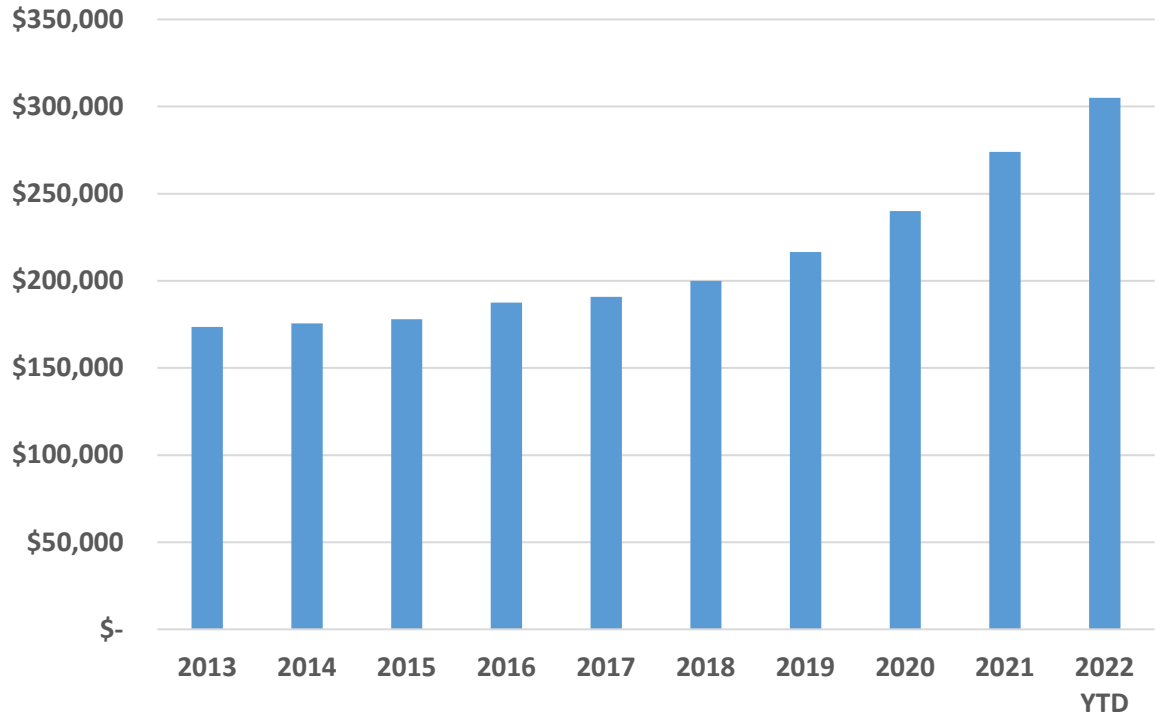
Area	Purchase Price Limits
Santa Fe County	\$388,884
Los Alamos County	\$440,480
Taos County	\$351,620
All Other Areas and Counties of the State	\$349,526

MFA's Single Family Loan Activity

Loan Reservations vs Loan Purchases by Fiscal Year (in units)



New Mexico Median Home Price Appreciation



MFA Borrower Demographics

	Fiscal Year 2019	Fiscal Year 2020	Fiscal Year 2021	Fiscal YTD 2022
Average Sales Price	\$156,787	\$165,631	\$186,874	\$199,082
Average Loan Amount	\$152,974	\$164,428	\$182,655	\$193,716
Average Down Payment Assistance	\$6,675	\$6,675	\$7,264	\$7,403
Average Household Income	\$51,655	\$52,284	\$56,769	\$53,042
Average Household Size	2.6 persons	2.6 persons	2.6 persons	2.5 persons
Percent Minority	47.52 %	43.53%	62.62%	59.19%
Average Borrower Age	36 years old	34 years old	34 years old	35 years old
Average Number of Dependents	1 dependent	1 dependent	1 dependent	1 dependent
Primary Borrower Gender	45% female /55% male	47% female/53% male	45% female/ 54% male	49% female/49% male
Average FICO score	678	679	683	689

Mortgage Interest Rate Trend

30 Year Fixed Rate



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MFA 2023 Legislative Requests

To Be Endorsed by the MFA Act Legislative Oversight Committee



New Mexico Housing Trust Fund Appropriation

\$10 million

To develop 235 quality affordable homes or weatherize and/or provide energy efficiency improvements for 1,000 homes for low-income New Mexicans.



Affordable Housing Act Oversight and Implementation

\$250,000

Enable MFA to: 1) oversee the Affordable Housing Act, including review and approval of plans and ordinances; 2) provide direct technical assistance to local governments; and 3) offer planning and implementation grants to local governments.

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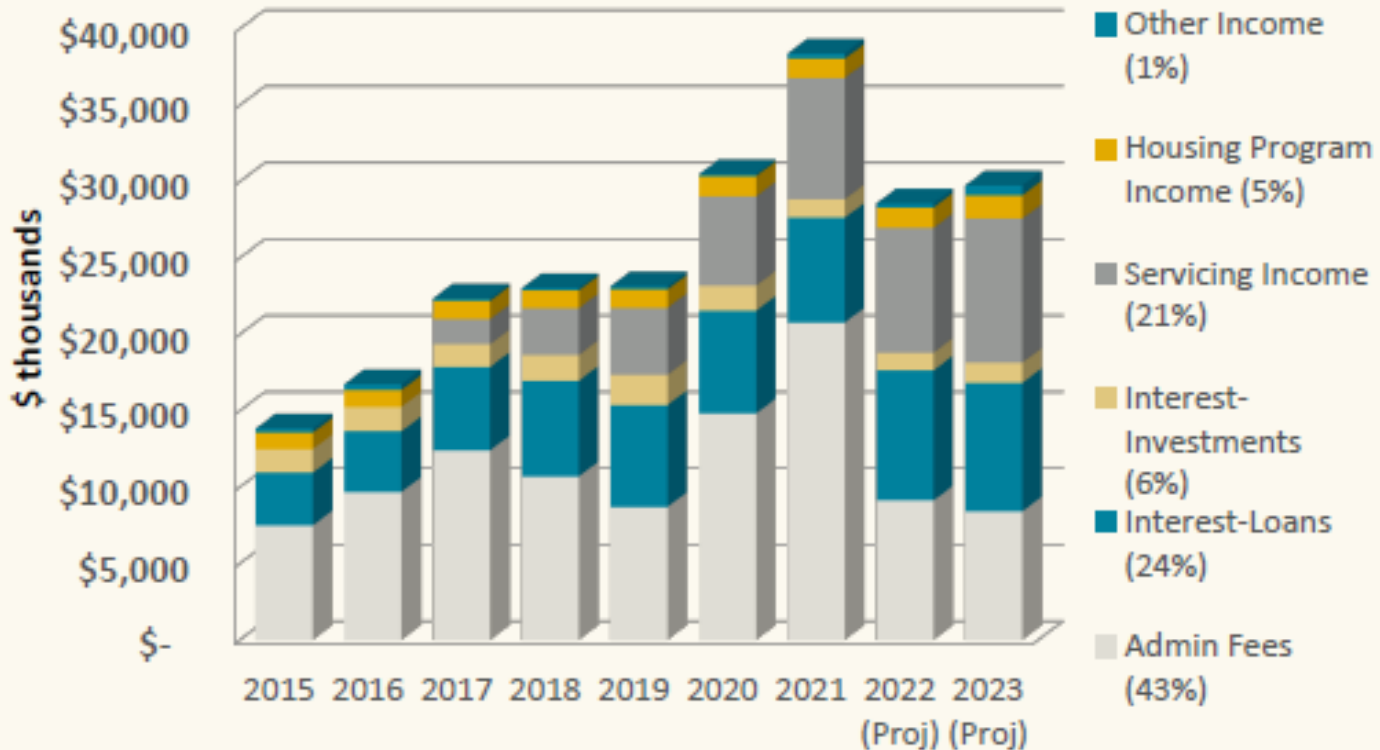
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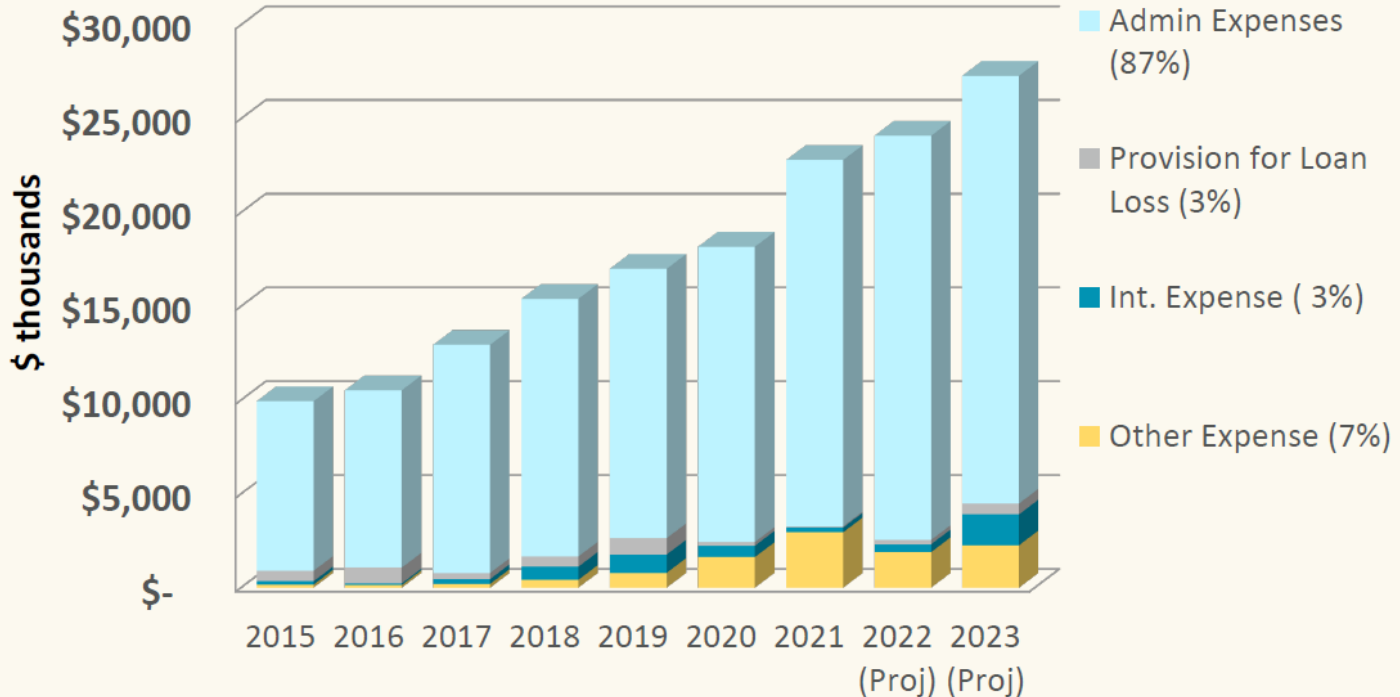
Operating Revenue Summary

2015-2023 (Projected)



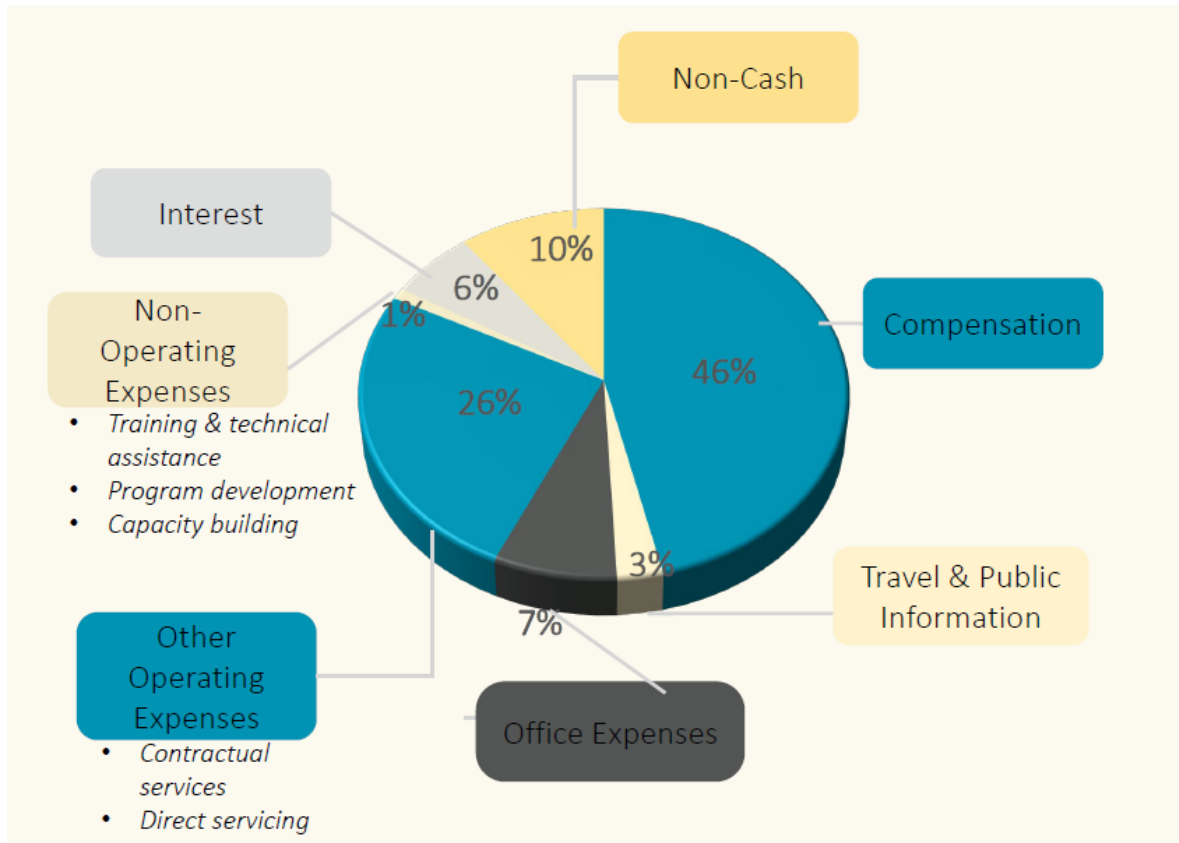
Operating Expenditure Summary

2015-2023 (Projected)



Administrative Expense Breakdown

MFA General Fund: FY 2023 Budget



MFA's Housing Opportunity Fund

Investing in New Mexico

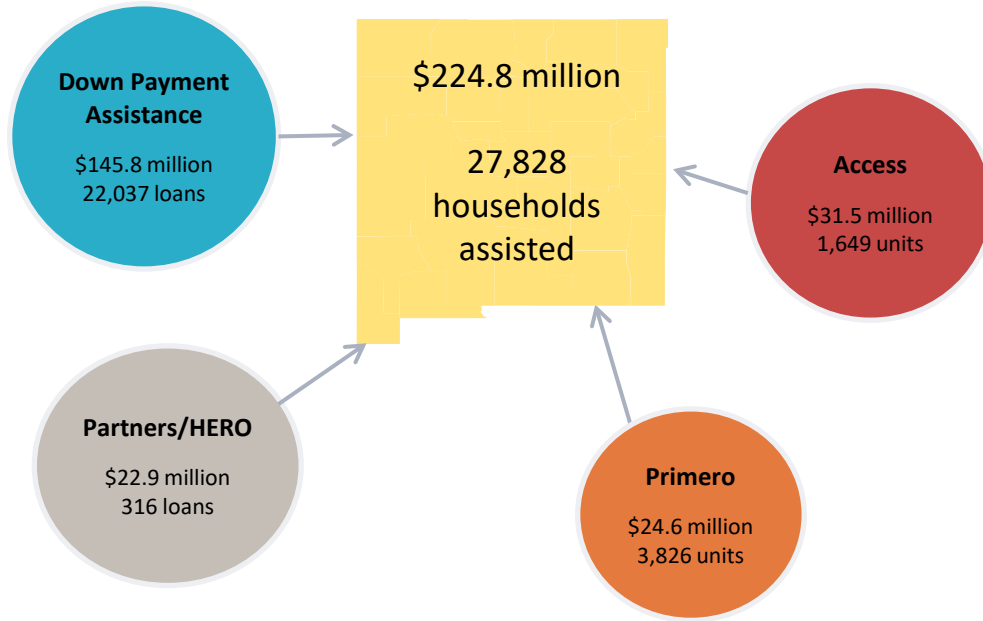


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Thank You

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Appendix

Multifamily Projects Under Construction

Current Pipeline (approved or under construction):

- Annual Tax Credits: **\$ 39.6 million**
- MFA Issued Bonds: **\$ 65.3 million**
- MFA Loans: **\$ 43.6 million**
- **Combined Funding: \$148,490,975**
- **4,022 apartment units in 26 municipalities**



Low Income Housing Tax Credit (LIHTC)

Rental Development

Program Awards in FY 2022:

- 9% Awards: **\$ 2,829,965**
- 4% Awards: **\$ 2,861,114**
 - **Total: \$ 5,691,079**
- **8 Projects :**
 - 5 New Construction (419 affordable units)
 - 3 Acquisition/Rehabilitation (167 affordable units)
 - Locations:
 - Bernalillo, Cibola, Doña Ana, Sandoval
 - 1 Rural project on the Laguna Pueblo
- Tax Credit Apartment Units: **586**

Program Funding (2000 – 2022):

- 9% Awards: **\$ 103,931,311**
- 4% Awards: **\$ 33,159,136**
 - **Total: \$ 137,090,447**
- **Projects by Congressional District:**
 - District 1: **65** (Bernalillo, Sandoval)
 - District 2: **86** (Chavez, Cibola, Dona Ana, Eddy, Grant, Lea, Lincoln, Luna, Otero, Socorro, Valencia)
 - District 3: **79** (Bernalillo, Curry, Los Alamos, McKinley, Rio Arriba, San Juan, San Miguel, Sandoval Santa Fe, Taos, Union)
 - **Total: 230**
- Tax Credit Proceeds: **\$1,250,591,176**
- Tax Credit Apartment Units: **17,998**

Tab 2

OPERATING BUDGET
FY22, FY23 and FY24 Projected

	FY22 2021-2022 Budget	FY22 2021-2022 Projected Actuals (Unaudited)	FY23 2022-2023 Budget (Board Approved September 14)	FY24 2023-2024 Projected Budget
SOURCES:				
Interest on Loans	\$ 7,444,257	\$ 6,862,713	\$ 8,405,392	\$ 8,346,000
Housing Program Income	1,332,863	1,935,764	1,530,014	\$ 1,530,000
Administrative Fee Income	10,480,358	10,657,815	8,408,864	\$ 9,393,000
Interest on Cash/Investments	1,184,614	1,213,008	1,318,256	\$ 1,431,000
Loan Servicing Income	8,329,639	8,215,946	9,434,743	\$ 10,301,000
Other Operating Income	265,744	643,481	639,074	\$ 728,000
TOTAL OPERATING REVENUE	29,037,475	29,528,727	29,736,343	\$ 31,729,000
 TOTAL NON-OPERATING REVENUE	 100	 (3,747,611)	 100	 \$ 100
TOTAL REVENUE	\$ 29,037,575	\$ 25,781,116	\$ 29,736,443	\$ 31,729,100
USES:				
Compensation (Salaries & Benefits)	\$ 11,421,237	\$ 9,990,007	\$ 12,651,323	13,062,000
Travel & Public Information	691,991	213,189	774,425	800,000
Office Expenses	1,715,542	1,922,710	2,089,634	2,158,000
Other Operating Expenses	7,781,903	7,969,513	6,944,233	7,170,000
Interest Expense	417,824	111,342	1,645,220	1,699,000
TOTAL OPERATING EXPENSES	22,028,497	20,206,761	24,104,835	24,889,000
 TOTAL NON-OPERATING EXPENSES	 369,402	 186,460	 263,825	 341,000
(T&TA, Program Development, Capacity Building)				
TOTAL NON-CASH EXPENSES	3,382,254	3,243,905	2,841,098	2,784,000
EXPENSED ASSETS	119,850	225,860	79,850	79,850
TOTAL EXPENSES	25,900,003	23,862,986	27,289,608	28,093,850
 EXCESS REVENUE OVER EXPENSES	 \$ 3,137,572	 \$ 1,918,130	 \$ 2,446,835	 \$ 3,635,250
 CAPITAL OUTLAY BUDGET				
	\$ 5,637,612	\$ 4,305,412	\$ 4,391,171	4,595,000
 TOTAL FTE POSITIONS	 119.75	 120.75	 126.25	 126.25

PERFORMANCE MEASURES

	FY19 Actual	FY20 Actual	FY21 Actual	FY22 Projected	FY 23 Budget
Average financial assets	\$1,235,608,000	\$1,399,793,000	\$ 1,474,669,000	\$ 1,648,421,000	\$ 1,896,554,000
Average assets under management	\$4,051,627,000	\$ 4,738,687,000	\$ 5,132,539,000	\$ 5,640,843,000	\$ 6,142,818,000
Funds disbursed through:					
Federal and state programs	\$48,481,000	\$50,593,000	\$ 88,264,000	\$ 63,005,000	\$ 118,005,000
MFA programs	\$15,779,000	\$20,410,000	\$ 20,607,000	\$ 19,463,000	\$ 12,717,000
General fund non-operating	\$179,000	\$567,000	\$ 462,000	\$ 186,000	\$ 264,000
Single-family first mortgage Loans:					
Number of units purchased	2,828	2,898	2,907	2,078	2,435
Dollar of loans purchased	\$432,383,000	\$ 425,000,000	\$ 548,000,000	\$ 470,000,000	\$ 470,000,000
Multi-family loans and bonds closed and tax credits allocated:					
Number of units	1,153	839	1164	573	16,000
Dollar of loans and subsidies	\$34,765,000	\$ 22,442,000	\$ 20,633,000	\$ 46,544,000	\$ 69,870,000
Housing programs:					
Homeless persons served	7,826	5,808	4,465	2,778	3,728
Single family homeowner rehab (units)	725	687	617	801	801

Tab 3

NEW MEXICO MORTGAGE FINANCE AUTHORITY
COMBINED STATEMENT OF NET POSITION
JULY 2022
(THOUSANDS OF DOLLARS)

	<u>YTD 7/31/22</u>	<u>YTD 07/30/21</u>
<u>ASSETS:</u>		
<u>CURRENT ASSETS:</u>		
CASH & CASH EQUIVALENTS	\$65,724	\$34,644
RESTRICTED CASH HELD IN ESCROW	9,546	9,101
SHORT-TERM INVESTMENTS	(100)	679
ACCRUED INTEREST RECEIVABLE	4,390	3,999
OTHER CURRENT ASSETS	5,785	5,928
ADMINISTRATIVE FEES RECEIVABLE (PAYABLE)	(0)	-
INTER-FUND RECEIVABLE (PAYABLE)	(0)	0
TOTAL CURRENT ASSETS	<u>85,344</u>	<u>54,352</u>
CASH - RESTRICTED	75,943	56,604
LONG-TERM & RESTRICTED INVESTMENTS	61,763	70,249
INVESTMENTS IN RESERVE FUNDS	11,001	-
FNMA, GNMA, & FHLMC SECURITIZED MTG. LOANS	1,195,529	1,011,383
MORTGAGE LOANS RECEIVABLE	209,942	207,858
ALLOWANCE FOR LOAN LOSSES	(10,044)	(7,819)
NOTES RECEIVABLE	-	-
FIXED ASSETS, NET OF ACCUM. DEPN	1,772	1,949
OTHER REAL ESTATE OWNED, NET	1,396	817
OTHER NON-CURRENT ASSETS	14	-
INTANGIBLE ASSETS	18,629	16,900
TOTAL ASSETS	<u>1,651,287</u>	<u>1,412,293</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
REFUNDINGS OF DEBT	192	215
TOTAL ASSETS & DEFERRED OUTFLOWS OF RESOURCES	<u>1,651,480</u>	<u>1,412,508</u>
<u>LIABILITIES AND NET POSITION:</u>		
<u>LIABILITIES:</u>		
<u>CURRENT LIABILITIES:</u>		
ACCRUED INTEREST PAYABLE	\$6,101	\$5,419
ACCOUNTS PAYABLE AND ACCRUED EXPENSES	26,855	12,608
ESCROW DEPOSITS & RESERVES	9,425	8,902
TOTAL CURRENT LIABILITIES	<u>42,381</u>	<u>26,930</u>
BONDS PAYABLE, NET OF UNAMORTIZED DISCOUNT	1,302,772	1,078,169
MORTGAGE & NOTES PAYABLE	23,159	22,441
ACCRUED ARBITRAGE REBATE	-	-
OTHER LIABILITIES	218	140
TOTAL LIABILITIES	<u>1,368,530</u>	<u>1,127,679</u>
DEFERRED INFLOWS	286	-
TOTAL LIAB/DEFERRED INFLOWS	<u>1,368,816</u>	<u>1,127,679</u>
<u>NET POSITION:</u>		
NET INVESTED IN CAPITAL ASSETS	1,772	1,949
UNAPPROPRIATED NET POSITION (NOTE 1)	61,126	68,455
APPROPRIATED NET POSITION (NOTE 1)	219,766	214,425
TOTAL NET POSITION	<u>282,664</u>	<u>284,829</u>
TOTAL LIABILITIES & NET POSITION	<u>1,651,480</u>	<u>1,412,508</u>

NEW MEXICO MORTGAGE FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE TEN MONTHS ENDED JULY 2022
(THOUSANDS OF DOLLARS)

	<u>YTD 7/31/22</u>	<u>YTD 07/30/21</u>
<u>OPERATING REVENUES:</u>		
INTEREST ON LOANS	\$36,434	\$36,955
INTEREST ON INVESTMENTS & SECURITIES	1,538	1,417
LOAN & COMMITMENT FEES	3,062	1,508
ADMINISTRATIVE FEE INCOME (EXP)	5,521	15,591
RTC, RISK SHARING & GUARANTY INCOME	396	106
HOUSING PROGRAM INCOME	1,610	1,227
LOAN SERVICING INCOME	6,848	6,545
OTHER OPERATING INCOME	-	-
SUBTOTAL OPERATING REVENUES	<u>55,408</u>	<u>63,349</u>
<u>NON-OPERATING REVENUES:</u>		
ARBITRAGE REBATE INCOME (EXPENSE)	-	-
GAIN(LOSS) ASSET SALES/DEBT EXTINGUISHMENT	(6,320)	4,504
OTHER NON-OPERATING INCOME	115	11
GRANT AWARD INCOME	51,098	78,198
SUBTOTAL NON-OPERATING REVENUES	<u>44,893</u>	<u>82,712</u>
TOTAL REVENUES	<u>100,302</u>	<u>146,062</u>
<u>OPERATING EXPENSES:</u>		
ADMINISTRATIVE EXPENSES	17,204	16,036
INTEREST EXPENSE	31,222	30,946
AMORTIZATION OF BOND/NOTE PREMIUM(DISCOUNT)	(2,737)	(2,524)
PROVISION FOR LOAN LOSSES	171	(136)
MORTGAGE LOAN & BOND INSURANCE	-	-
TRUSTEE FEES	128	113
AMORT. OF SERV. RIGHTS & DEPRECIATION	2,428	2,337
BOND COST OF ISSUANCE	2,907	1,334
SUBTOTAL OPERATING EXPENSES	<u>51,323</u>	<u>48,105</u>
<u>NON-OPERATING EXPENSES:</u>		
CAPACITY BUILDING COSTS	214	444
GRANT AWARD EXPENSE	52,002	75,729
OTHER NON-OPERATING EXPENSE	-	243
SUBTOTAL NON-OPERATING EXPENSES	<u>52,216</u>	<u>76,416</u>
TOTAL EXPENSES	<u>103,538</u>	<u>124,521</u>
NET REVENUES	(3,237)	21,541
OTHER FINANCING SOURCES (USES)	-	(0)
NET REVENUES AND OTHER FINANCING SOURCES(USES)	<u>(3,237)</u>	<u>21,541</u>
NET POSITION AT BEGINNING OF YEAR	<u>285,900</u>	<u>263,288</u>
NET POSITION AT 7/31/22	<u><u>282,664</u></u>	<u><u>284,829</u></u>

Tab 4

SUMMARY OF AUDITS

Updated as of 8/29/2022

Financial Statement and Single Audit

Conducted by CliftonLarsonAllen LLP in accordance with Government Auditing Standards, State Audit Act, and OMB 2 CFR Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

Annually

Audit of fiscal year-end financial statements, internal controls and compliance with federal programs

Internal Audit

Conducted by REDW at the request of MFA Board

Throughout the year

Audit of internal processes, functions, procedures, programs, departments, etc.

Quality Control Audit of Servicing

Conducted by REDW at the request of MFA Management

Monthly

Audit of Mortgage Loan Servicing functions

Quality Control Audit of Section 8 Administration

Conducted by REDW at the request of MFA Management

Annually

Audit of Section 8 Administration Work Plan

Section 8 Administration Audit

Conducted by Department of Housing & Urban Development in accordance with program regulations

Annually

Audit of Section 8 Administration Work Plan

HOME, ESG, and HOPWA Program Audits

Conducted by Department of Housing & Urban Development in accordance with program regulations

Annually

Audit of program administration and compliance



Weatherization Assistance Program Audit

Conducted by Department of Energy in accordance with program regulations
Annually
Audit of program administration and compliance

State of New Mexico

Conducted by Department of Finance and Human Services Department
Annually
Audit of program administration and compliance with Joint Powers Agreements, Memorandums of Understanding, or Grant Agreements

State of New Mexico

Conducted by State Auditor
Upon Discretion
Audit of financial statements or Joint Powers Agreements

Internal Revenue Service

Conducted by Internal Revenue Service, Department of Treasury
Upon Discretion
Audit of non-taxable bond issues, tax returns of bond arbitrage rebate calculation, Tax Credit allocations

Affordable Housing Disposition Program

Conducted by FDIC in accordance with contract
Upon Discretion
Audit of program compliance and monitoring of properties

Audit of Loan Servicing

Conducted by Department of Housing & Urban Development in accordance with Servicing qualification
Upon Discretion
Audit of Mortgage Loan Servicing functions, claims submitted and loss mitigation

Audit of Loan Servicing

Conducted by Fannie Mae, Freddie Mac, Ginnie Mae in accordance with Seller/Servicer qualification
Upon Discretion
Audit of Mortgage Loan Servicing functions

Tab 5



Programs & Services





At the New Mexico Mortgage Finance Authority, we are committed to providing all New Mexicans with the opportunity to live in a quality affordable home, whether they buy a house or rent an apartment. Through partnerships with almost 300 lenders, real estate agents, nonprofit service providers, developers and local and tribal governments, we help strengthen New Mexico's families and communities by financing, developing and preserving homes that people can afford.

Created by the New Mexico State Legislature in 1975, MFA is a self-supporting quasi-governmental agency that receives no operational money from the state. We use funding from housing bonds, tax credits and federal and state programs to provide **down payment assistance** for low- to moderate-income homebuyers, to finance **affordable housing construction** and to **rehabilitate homes** and make them more energy efficient.

MFA also operates programs that provide **emergency shelter** and services for domestic violence survivors and people experiencing homelessness. We monitor affordable apartment communities for quality and safety and provide **rental assistance** to households at risk of becoming homeless. Although each of our 30 programs are unique, they all have just one focus: to create a safe, stable place where families can grow and thrive. Our work is not complete until every New Mexican can say "I'm home."

We're MFA. And we are Housing New Mexico.

[*housingnm.org*](http://housingnm.org)

Providing quality
affordable housing
opportunities for
all New Mexicans.



*MFA provides
affordable housing
opportunities to more than
70,000 New Mexicans
every year.*



Home Ownership

MFA offers down payment and closing cost assistance to homebuyers with low to moderate incomes. Programs are available for first-time homebuyers and for current homeowners who are ready to purchase their next home.



Renting a Home

MFA monitors more than 28,000 affordable and subsidized apartments for quality and safety. Through our partners, we provide rental and utility assistance and help households who are at risk of becoming homeless find stable housing.



Preserving Affordable Housing

Weatherization services are available at no cost to qualified households to help make their homes safer and more energy efficient. Programs are also available to assist low-income homeowners with home repairs.

A Place to Call Home

MFA funds nonprofit organizations that provide emergency shelter, essential services and transitional housing for individuals experiencing homelessness. Specialized housing is available for seniors, people with physical or mental disabilities and individuals with HIV/AIDS.



*To learn more about
programs and services,
go to housingnm.org.*



Creating Affordable Housing

Low Income Housing Tax Credits are the deepest subsidy available for affordable and multifamily housing development. MFA awards these federal tax credits through a competitive process every year. MFA also offers other funding and loan options to affordable housing developers.



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Tab 6

2022 Federal Program Fund Summary

Federal Administering Agency	Program and Acronym	Funding Acquisition	Funding Amount/ Value	Beneficiaries	Eligible Activities
Department of Housing and Urban Development (HUD)	American Rescue Plan Act HOME Homelessness Assistance ("HOME-ARP")	Passed as part of the ARP Act and allocated to NM based on a formula grant	HOME-ARP allocation: \$19,577,257	Individuals who are homeless, at risk of homelessness, fleeing domestic violence, at the greatest risk of housing instability and veterans and their families who meet the preceding criteria	<ul style="list-style-type: none"> • Tenant based rental assistance • Development of housing currently permitted under the HOME program • Supportive services, including housing counseling and homeless prevention services • Acquisition or development of non-congregate shelters
	Coronavirus Aid, Relief, and Economic Security ("CARES") Act Community Development Block Grant ("CDBG-CV")	Passed as part of the CARES Act and allocated to NM based on a formula grant	CARES Act allocation granted to MFA = \$4,570,589	Households earning no more than 80% of area median income	<ul style="list-style-type: none"> • Development of rental homes and some related expenses

Federal Administering Agency	Program and Acronym	Funding Acquisition	Funding Amount/ Value	Beneficiaries	Eligible Activities
Department of Housing and Urban Development (HUD)	Emergency Solutions Grant ("ESG")	Formula grant	FY2022 allocation = \$1,226,151	Homeless individuals and families, victims of domestic violence, youth, people with mental illness, families with children and veterans. ESG funds may also be used to aid people who are at imminent risk of becoming homeless due to eviction, foreclosure, or utility shutoff	<ul style="list-style-type: none"> • Operations and maintenance of emergency shelter facilities • Essential supportive services (i.e., case management, physical and mental health treatment, substance abuse counseling, childcare, etc.) • Homelessness prevention • Data collection for homeless and domestic violence databases
	CARES Act Emergency Solutions Grant ("ESG-CV")	Passed as part of the CARES Act and allocated to NM based on a formula grant	CARES Act allocation = \$12,936,302		
	Community Development Block Grant Recovery Housing Program (CDBG-RHP)	Formula Grant	FY22 allocation = \$1,013,918	Low or moderate income individuals directly impacted by a substance use disorder can be served for up to two years through qualified recovery housing residents	<ul style="list-style-type: none"> • Public facilities and improvements • Acquisition and disposition of real property • Payment of lease, rent, and utilities • Rehabilitation, reconstruction, and construction of both single family, multifamily, and public housing • Clearance and demolition • Relocation • Administration and technical assistance
	Housing Opportunities for Persons with AIDS ("HOPWA")	Formula grant	FY22 allocation = \$631,533 Albuquerque FY22 which MFA administers = \$595,703	Households earning no more than 80% of area median income in which one or more members is medically diagnosed with HIV/AIDS	<ul style="list-style-type: none"> • Rental assistance • Short-term payments to prevent homelessness. • Permanent housing placement. • Supportive services (i.e., case management) • Acquisition, rehabilitation, repair, conversion, and lease of facilities.
	CARES Act Housing Opportunities for Persons with AIDS ("HOPWA-CV")	Passed as part of the CARES Act and allocated to NM based on a formula grant	CARES Act allocation = \$26,000		

Federal Administering Agency	Program and Acronym	Funding Acquisition	Funding Amount/ Value	Beneficiaries	Eligible Activities
Department of Housing and Urban Development (HUD)	HOME Investment Partnerships Program (“HOME”)	Formula grant	FY22 allocation = \$5,975,945	Households earning no more than 60% of area median income	<ul style="list-style-type: none">• Development of rental homes and some related expenses• Certified Community Housing Development Organization (CHDO) operating expenses• Owner-occupied housing rehab
	National Housing Trust Fund	Formula grant	FY22 allocation = \$3,521,165	Households earning no more than the greater of 30% of area median income or the federal poverty level, based on family size	<ul style="list-style-type: none">• New construction, acquisition/rehabilitation, and rehabilitation of permanent rental housing• Operating cost assistance and operating cost reserves under limited circumstances
Department of Health and Human Services	Low-Income Home Energy Assistance Program	A portion granted by the State to MFA	MFA received \$2,500,000	Households with incomes at or below 200% of the federal poverty level	Energy efficiency improvements including: <ul style="list-style-type: none">• Weather-stripping, caulking, and insulation• Window and door replacement• Tuning, repairing, or replacing furnaces or heating units• Replacing incandescent bulbs with CFLs• Refrigerator replacement• Training and technical assistance
Department of Energy (DOE)	Weatherization Assistance Program (“NM EnergySmart”)	Formula grant	FY22 allocation = \$2,529,186	Priority is given to the elderly, households in which one or more members has a disability, and families with young children	
	Bipartisan Infrastructure Law (BIL) for Weatherization Assistance Program (“NM EnergySmart”)	Formula grant	BIL allocation for 5 years= \$22,066,751		

Federal Administering Agency	Program and Acronym	Funding Acquisition	Funding Amount/ Value	Beneficiaries	Eligible Activities
Department of the Treasury	Low Income Housing Tax Credit Program ("LIHTC" or "Tax Credits")	Formula credit allocation	FY22 annual allocation for ten year credit period = \$55,000,000	Households earning no more than 60% of area median income on average for each property (could be more restrictive, depending on the project)	<ul style="list-style-type: none"> Rental housing development including new construction, rehabilitation, or acquisition/rehabilitation
	Homeowner Assistance Fund ("HAF")	A portion granted by the State to MFA	MFA received \$49,001,740 of the total allocation to the State of New Mexico of \$55,772,684	Households earning no more than 150% of area median income	<ul style="list-style-type: none"> Mortgage reinstatement, ongoing homeownership assistance, property taxes, homeowner's insurance, and utilities Housing counseling and legal services
	American Rescue Plan Act Coronavirus State and Local Fiscal Recovery Fund ("SLFRF")	A portion granted by the State to MFA	MFA received \$25,000,000	Low- or moderate-income households or communities (defined as: 1) income at or below 300% of the Federal Poverty Guidelines for the household size; or 2) income at or below 65% of area median income)	<ul style="list-style-type: none"> Down payment assistance Rental housing development, including permanent supportive housing Weatherization related activities Other housing programs

Tab 7



New Mexico Mortgage Finance Authority

Housing New Mexico: A Call to Action

PREPARED BY:
Root Policy Research

CREATED:
September 2022



September 14, 2022

Dear Readers,

In working in the housing industry throughout New Mexico, I have been continuously impressed by the commitment of housing professionals to advancing housing opportunities for our state's residents. From the non-profits that aid individuals experiencing homelessness to the lenders and realtors that help families achieve the dream of homeownership (and everyone in between), housing partners help New Mexicans find and maintain quality housing opportunities that provide stability to individuals, families and communities. Though our industry has high-quality professionals that conduct excellent work, we often operate in silos – focused on single issue areas. The need to coordinate efforts across the housing continuum has long been an ambition for MFA.

The creation of the New Mexico Housing Strategy is the first step in bringing together leaders from across the housing continuum to look at challenges that bedevil our industry and propose actionable strategies. These leaders, who comprise the Housing New Mexico Advisory Committee, have authored the New Mexico Housing Strategy and will help lead its implementation. I am deeply grateful for the participation and dedication of the Advisory Committee; they have created a path to a more prosperous New Mexico through housing policy and program solutions.

Though we have completed this in-depth analysis and have put pen to paper, our work is just getting started. We now enter the most challenging phase – implementation of the strategies to solve our housing challenges. It is incumbent on each one of us to participate in carrying out the New Mexico Housing Strategy.

Doing so may begin with a conversation with peers, housing industry partners or other stakeholders on why the strategy matters and sharing what strategies you are particularly excited about. It might continue with advocacy or direct implementation of a particular strategy that involves you or your organization. No matter how you choose to help us implement this strategy, we are relying on you for help. Our efforts will take time to yield results, but through unceasing dedication, we will achieve stronger communities through collaboration and creating quality housing opportunities for all New Mexicans.

Very respectfully,

A handwritten signature in black ink, reading 'Isidoro Hernandez'.

Isidoro Hernandez

Executive Director/CEO

New Mexico Mortgage Finance Authority

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Prepared for the New Mexico Mortgage Finance Authority by Root Policy Research, Inc.

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EXECUTIVE SUMMARY

In October 2021, the New Mexico Mortgage Finance Authority (MFA) convened an Advisory Committee (AC) of experts to provide leadership over the development of a statewide strategic plan to expand housing opportunities for all New Mexicans. This is the **New Mexico Housing Strategy**.

The Housing Strategy serves as:

1. A **roadmap** for partners to address the continuum of housing needs;
2. A **common source of communication** to housing partners and residents about the state's goals and intentions;
3. **Practical solutions** for streamlining barriers to addressing housing needs and reforming existing systems and programs; and
4. **Big ideas** to change and improve the housing landscape.

The backdrop of the Housing Strategy is a housing market that has become increasingly difficult for all but the highest income New Mexicans to afford.

Lack of affordable housing not only impedes the ability of households to be self-sufficient and invest in economic growth for their families—it also has negative consequences for state and local economic development and growth. The latter can be

easy to overlook as it is often hidden, but the impacts are significant.

Without adequate affordable housing:

- New Mexico's urban areas cannot continue to attract new businesses,
- Existing businesses, particularly small businesses, cannot keep standard operating hours and cannot grow;
- Low income renters are forced to move more frequently, disrupting community ties, stable employment, and educational consistency for their children;
- Moderate income renters cannot achieve ownership and pass on wealth to their families; and
- Persons with special needs—including seniors, New Mexicans with disabilities, and residents vulnerable to and experiencing homelessness—are caught in a perpetual and costly cycle of housing instability.

This **call to action** enlists the State of New Mexico, local governments, nonprofit organizations, foundations, lawmakers, and private entities to join together and address the state's housing challenges. It provides the **strategic direction to collectively move forward**.

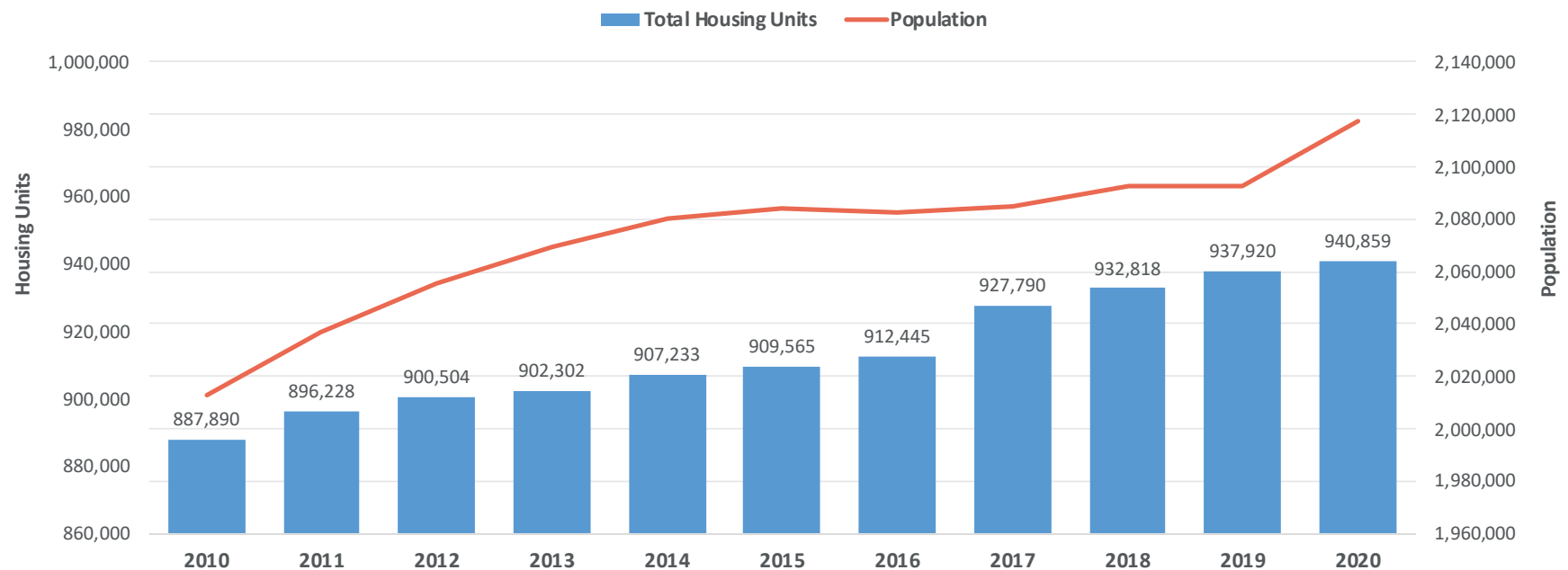
EXECUTIVE SUMMARY

HOUSING COMPOSITION

Between 2000 and 2019, housing production adequately accommodated population and household growth; housing units increased by 20% while population rose by 15%. The 2020 Census shows a shift in the balance between housing production and population growth, with production falling behind growth.

More than 50,000 housing units in the state are vacant for seasonal and recreational use, mostly in Lincoln, Santa Fe, Taos, Otero, and Colfax Counties. Future housing planning should account for the growing number of units that have become intended for seasonal and recreational use.

Housing Units and Population, 2010-2020



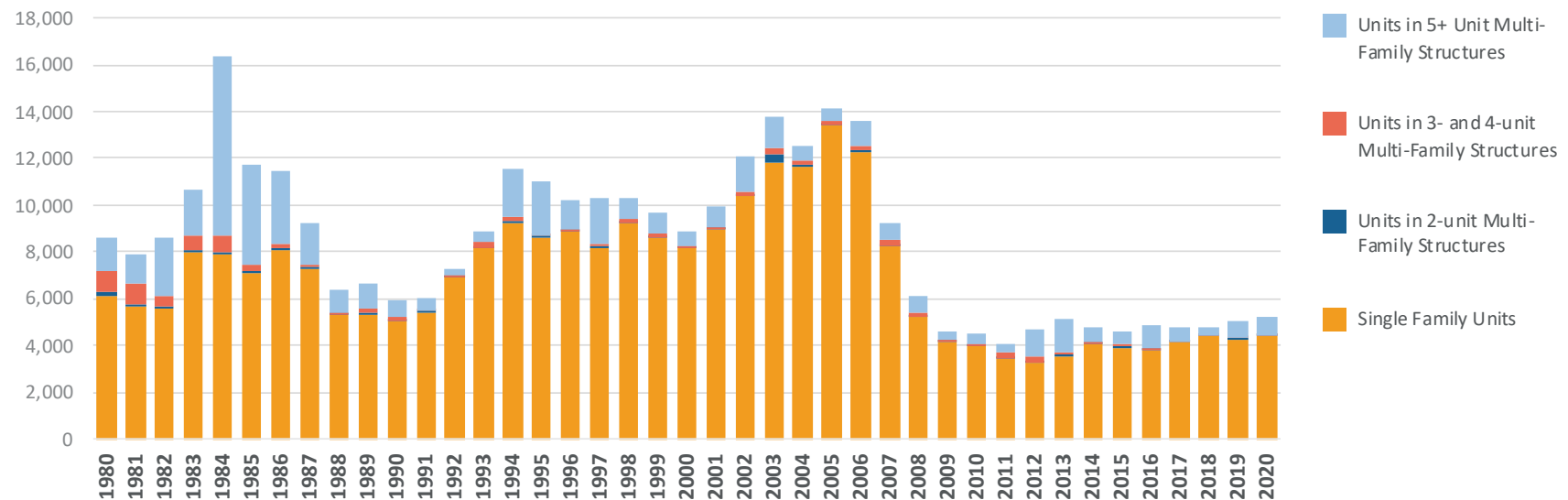
Source: 2020 Decennial Census, ACS 5-year estimates (various years), and Root Policy Research.

EXECUTIVE SUMMARY

Beginning in 1990, New Mexico's housing production shifted heavily towards single family detached homes. Single family detached homes have remained the dominant housing type built—making up 82% of residential permits issued between 2010 and 2020—despite changing needs. Multifamily units made up 15%, and attached units—townhomes, duplexes, small multifamily structures which typically offer better affordability—made up just 2% of units permitted.

Excluding diverse housing types from a community's housing stock has the effect of excluding diverse residents. As shown in the figure on the following page, about half of low income households—those with incomes of less than 80% of the state's median income—live in units other than single family detached homes.

Building Permits, 1980-2020



Source: 2020 Decennial Census, ACS 5-year estimates (various years), and Root Policy Research.

EXECUTIVE SUMMARY

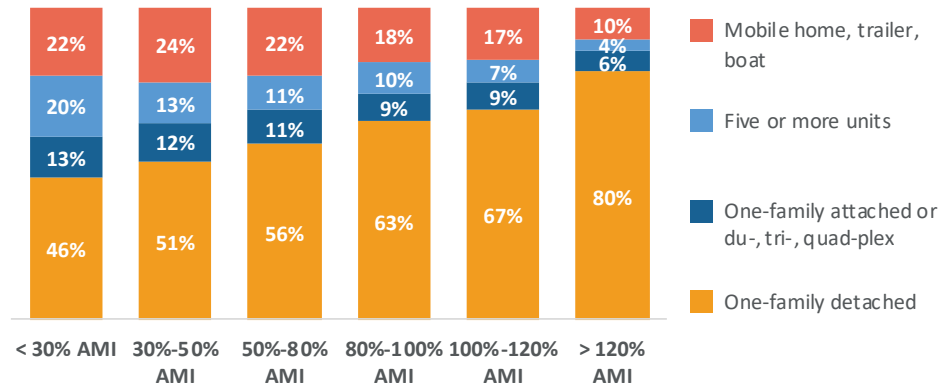
Housing Type Occupied by Income, 2019

Note:

AMIs are calculated by applying a population-weighted average of each county's 50% AMI by household size within PUMA.

Source:

2019 ACS 5-year IPUMS, HUD AMI and Root Policy Research.

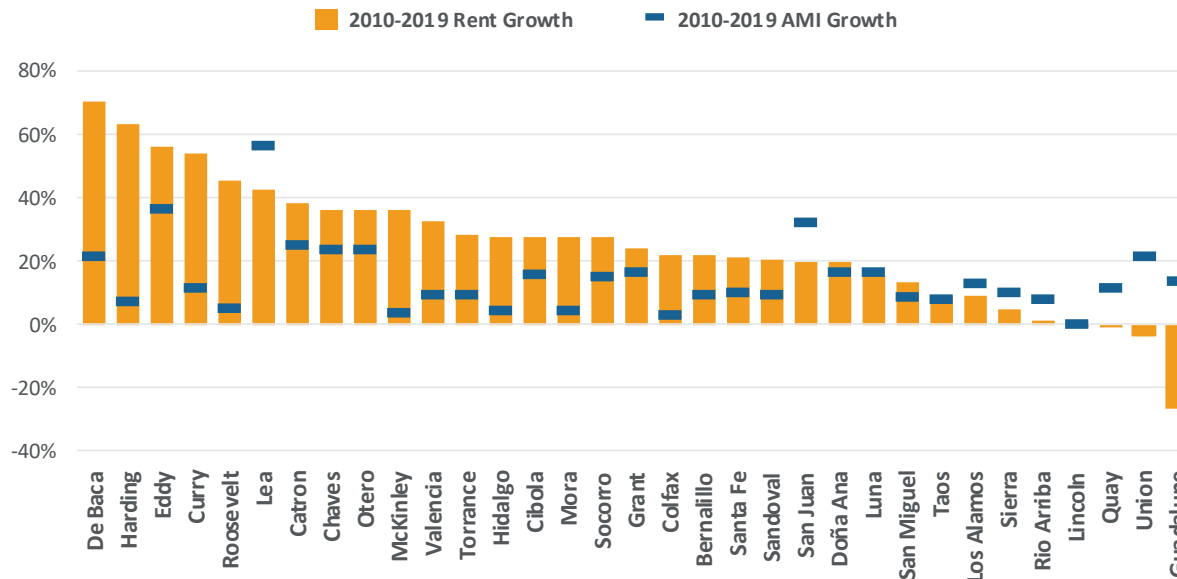


HOUSING COST

In the majority of New Mexico's counties, income growth fell well short of what was needed to keep up with rising rents. As demonstrated in the figure on the bottom left, except for Lea and San Juan Counties, incomes kept up with or outpaced rent increases only in counties where rent growth was modest or declining.

The upward shift in prices disproportionately hurts lower income households. Between 2010 and 2019, the supply of rental units affordable to households with incomes of less than \$25,000 a year decreased by over 50%—compared to a 9% decrease in the number of renters with incomes of less than \$25,000.

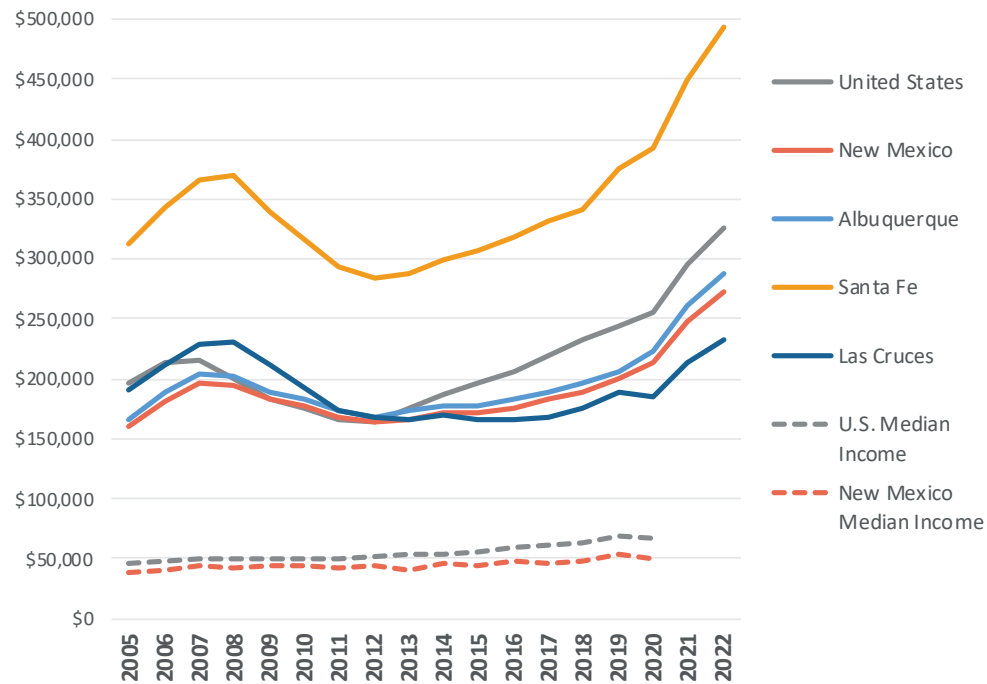
Rent and AMI Growth by County, 2010-2019



Source: 2010 and 2019 ACS, HUD, and Root Policy Research.

EXECUTIVE SUMMARY

Typical Home Value and Median Income



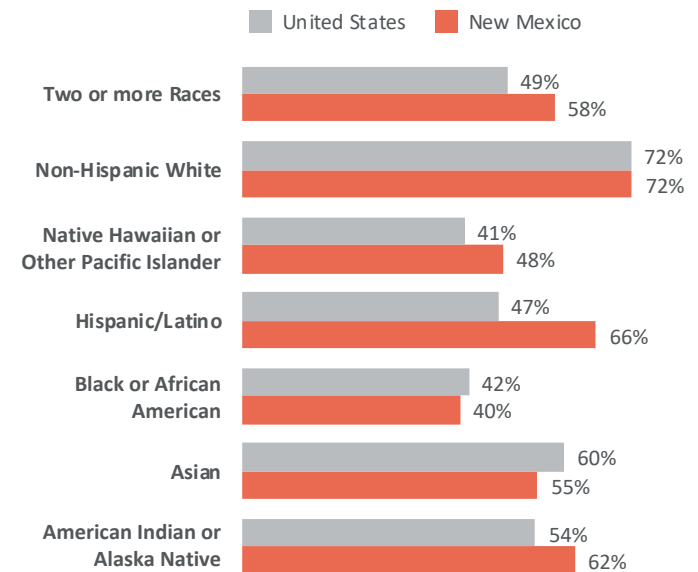
Note: Data for 2022 represents the typical home value for the month of January only.

Source: Zillow Home Value Index, Federal Reserve Bank of St. Louis, and Root Policy Research.

As shown above, trends in home values and incomes in New Mexico have closely followed trends in the U.S. overall, with income growth failing to keep up with value growth. Home values increased significantly beginning in 2020, coinciding with historically low interest rates and supply constraints.

Existing homeowners benefit from these value increases; however, rising prices make it difficult for renters to attain homeownership. Half of low income households in New Mexico are owners, and New Mexico does a better job than the U.S. overall in Native and Hispanic ownership. The state's relatively high homeownership rate will be challenging to sustain with continued increases in home values that outpace income increases.

Homeownership Rate by Race/Ethnicity, New Mexico and U.S., 2019



Source: 2019 ACS 5-year estimates, and Root Policy Research.

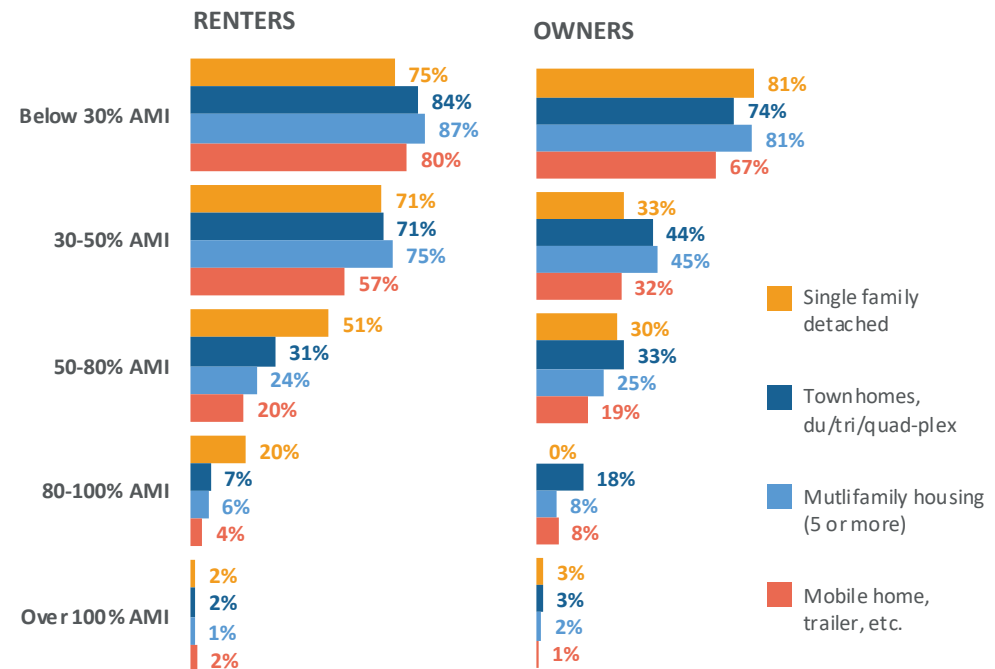
EXECUTIVE SUMMARY

CURRENT HOUSING NEEDS

Housing cost burden—when households pay more than 30% of their gross income in housing costs—is highest among the state’s lowest income households. Low income renters are more likely to be burdened than owners even as their incomes rise and if they live in single family detached homes. Owners and renters occupying mobile homes have lower rates of cost burden.

The state’s rental units are concentrated in the \$625 to \$1,250 range, forcing low income renters to occupy units they cannot afford. These units are also occupied by high income renters who “rent down” because of lack of supply, and who may be more competitive in the very tight rental market, further limiting low income renters’ options. The graphic below shows the number of appropriately priced units to renters by income range, revealing deficiencies for both low and high income renters.

Cost Burden by Unit Type and AMI, 2019



Source: 2019 5-year ACS, and Root Policy Research.

APPROPRIATELY PRICED UNITS BY RENTER INCOME, 2019



= one appropriately priced unit



= one renter

INCOME LESS THAN \$25,000



1 to 2

1 appropriately priced unit for every 2 renters

INCOME \$25,000 TO \$50,000



1.8 to 1

1.8 appropriately priced units for every renter

INCOME \$50,000 TO \$75,000



1 to 1

An equal match of appropriately priced units

INCOME MORE THAN \$75,000



1 to 10

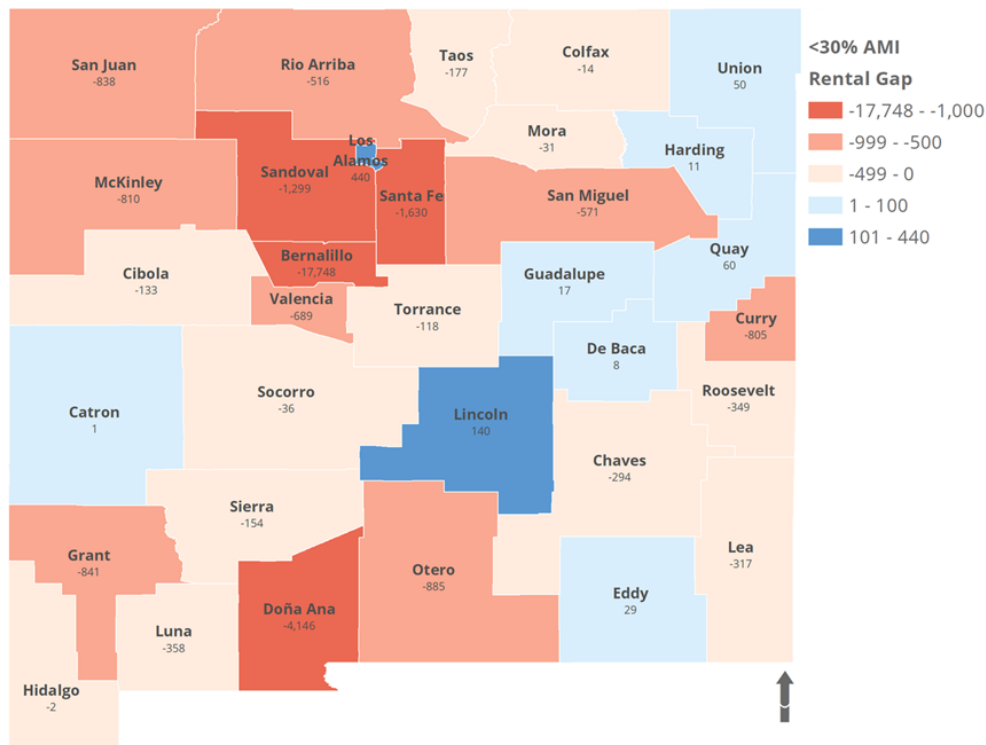
1 appropriately priced unit for every 10 renters

Note: Appropriately priced units have rents and utilities that are 30% and less of renter income.

EXECUTIVE SUMMARY

Overall in the state, there are 32,000 too few affordable rental units to meet the needs of renters with incomes of 30% of AMI and less. The shortage is most pronounced in Bernalillo, Dona Ana, Santa Fe, and Sandoval Counties. A combination of new affordable rental units, rental assistance, and market rate production is needed to address this gap.

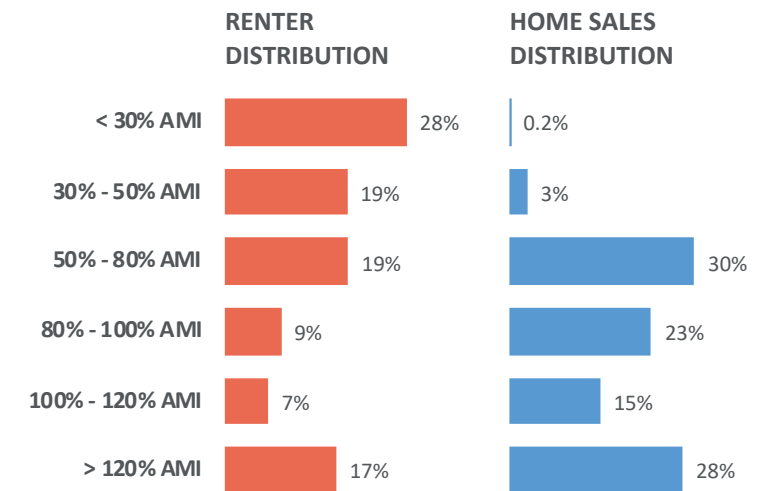
Rental Gap for Households Below 30% AMI by County, 2019



Source: 2019 5-year ACS, and Root Policy Research.

The state will be challenged to maintain its high and equitable ownership rate if production does not keep up with demand. Mortgage loan data suggest many counties do not have the supply to allow renters to transition into homeownership: The majority of renters have incomes of less than 80% of AMI, while the supply of homes affordable is concentrated at higher incomes.

Renter and Affordable Home Sales Distribution, by AMI



Note: Assumes a 30-year mortgage at a rate of 3.25% with a 5% down payment, 35% of monthly payment is used for property taxes, utilities, and insurance.

Source: Root Policy Research, 2019 ACS 5 year estimates, and HMDA.

EXECUTIVE SUMMARY

For many New Mexicans, their housing needs are intensified by periods of housing instability, health care challenges, poor housing condition, geographic isolation, and wages paid by the industries in which they work.

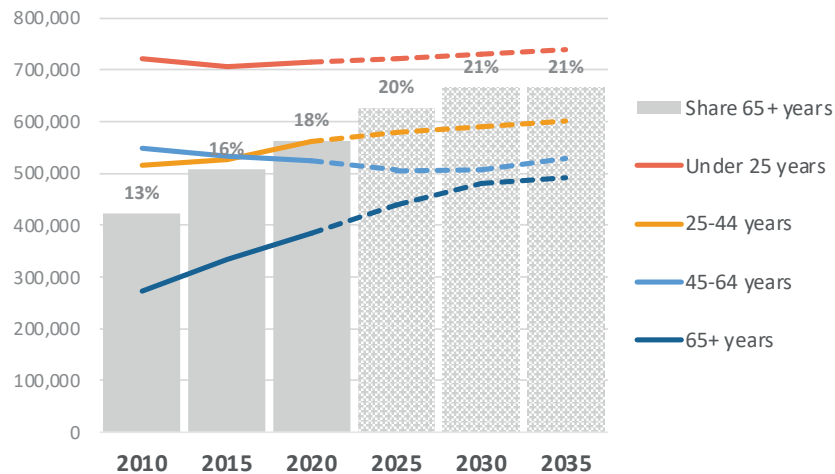
- The New Mexico Coalition to End Homelessness (NMCEH) estimates the number of New Mexicans experiencing homelessness at between 15,000 and 20,000—with **9,000 children and youth experiencing homelessness**. This number is much larger than that reported in annual “point in time” counts, which identify between 2,500 and 3,500 homeless individuals. The larger estimate captures the hidden homeless—residents who are living with others temporarily, living in unsafe housing conditions, sleeping in cars, living in motels—in addition to those staying in shelters. **Native American and Black/African American residents are overrepresented among homeless individuals**, while Hispanic residents are underrepresented, based on their share of individuals living in poverty. NMCEH estimates that more than 6,500 people who experience homelessness annually do not receive adequate services or housing to help them exit homelessness.
- According to the resident survey conducted for the Housing Strategy, 25% of residents live in housing that does not meet the needs of their household member with a disability—equivalent to **43,000 New Mexico households with accessibility needs**.
- **Residents living on Tribal lands and in colonias** are more likely than other New Mexicans to be **living in housing in poor condition**.
- There is a **shortage of 4,590 rental units priced below \$500 for senior renter households**. According to the resident survey, 28% of households with an older adult share housing with friends or family members due to lack of housing that meets their needs.
- According to Census data, **around 28% of households with children—an estimated 78,000 households—are cost burdened**. According to the resident survey, families with children experience high rates of housing instability. The survey found that 32% of households with children experienced displacement in the past five years.
- New Mexico has nearly **12,000 jobs** in the agriculture, forestry, fishing, and hunting industries, where the average wage of workers—\$35,000 per year—is **30% lower than average annual wages in the state**. Workers in these industries would need rentals that cost no more than \$875 per month, including utilities.
- New Mexico is home to over **12,000 active duty military members**. A comparison of the Basic Allowance for Housing (BAH) provided by the federal government and gross rents by county found that BAH rates are reasonable when compared to rents in each area. A larger barrier for military personal is the **lack of available housing, given the historically low vacancy rates in the state**.
- The Comprehensive Needs Assessment of Young People Experiencing Housing Instability and Homelessness in Bernalillo County identified foster care as a contributor to unstable housing: **34% of youth surveyed who were classified as unstably housed or homeless had been in foster care** at some point in their lives.

EXECUTIVE SUMMARY

FUTURE HOUSING NEEDS

By 2035, New Mexico's senior residents will comprise 21% of all residents, up from 16% in 2010. Growth projections estimate that the state will retain a large share of younger residents, accounting for around 30% of the total population—which bodes well for economic growth.

Population Projections by Age, 2010 to 2035



Source: The University of New Mexico Geospatial and Population Studies, and Root Policy Research.

Ensuring that the state's housing production adequately supports the formation of new households, addresses the needs of aging residents, and supports the needs of housing unstable households will be imperative for sustained economic growth.

By 2035, the state is projected to reach nearly 900,000 households—65,000 more than in 2020.

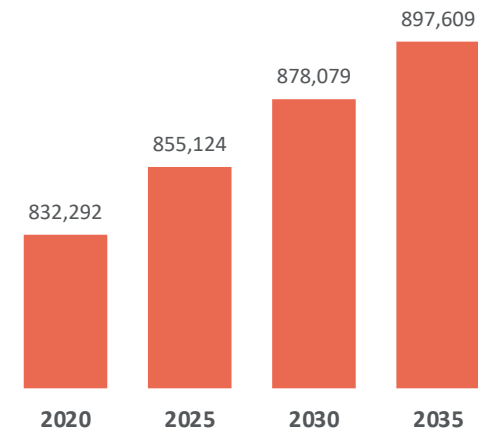
Household Projections, 2020 to 2035

Note:

Holding 2019 average household size for each county constant.

Source:

The University of New Mexico Geospatial and Population Studies, and Root Policy Research.



Based on the above projections,

- Between now and 2025, an **average of 5,100 housing units per year** are needed to accommodate growth; and
- Between 2025 and 2030, an **average of 5,140 housing units per year** are needed to accommodate growth.

This compares to a 10-year average of annual permits issued of 4,107 housing units in growth counties and 4,771 housing units statewide.

EXECUTIVE SUMMARY

Housing production must be paired with programs and policies to ensure a portion of new units meet affordability needs.¹

- By 2025 the state will need around 25,400 units; around 4,200 of them should be affordable to households with income below 30% AMI and 7,600 below 50% AMI.

- By 2025 the state will need around 73,700 units; around 12,000 of them should be affordable to households with income below 30% AMI and 22,000 below 50% AMI.
- Market production will be concentrated at 120%+ AMI; therefore, incentives for production below that price point should be pursued.

Projected Total Units Needed by 2035, by County, AMI

Note:

Holding 2019 AMI and tenure distributions constant.

Source:

The University of New Mexico Geospatial and Population Studies, and Root Policy Research.

	Total	PERCENT OF AMI					
		0-30%	30-50%	50-80%	80-100%	100-120%	Over 120%
Total	73,774	12,078	9,861	12,661	7,132	6,156	25,886
Bernalillo	27,399	4,890	3,854	4,663	2,529	2,297	9,165
Sandoval	17,504	2,245	1,799	3,093	1,803	1,699	6,866
Doña Ana	11,700	2,092	1,825	1,858	1,034	774	4,116
Santa Fe	7,362	1,156	1,031	1,315	781	547	2,533
San Juan	3,129	611	473	562	310	273	901
Curry	1,730	253	215	330	173	135	624
Lea	1,609	266	173	262	179	161	568
Chaves	1,389	222	214	232	137	104	480
Valencia	1,053	197	167	199	105	94	290
Roosevelt	483	75	54	80	42	38	194
Eddy	259	41	36	41	25	22	93
Cibola	156	30	19	26	13	11	57

	Total	PERCENT OF AMI					
		0-30%	30-50%	50-80%	80-100%	100-120%	Over 120%
Rental Units	25,637	6,530	5,548	4,489	3,749	3,409	1,912
Bernalillo	11,692	3,048	2,566	2,073	1,660	1,537	807
Sandoval	3,384	878	765	663	440	416	220
Doña Ana	4,991	1,234	1,135	786	766	681	389
Santa Fe	2,206	564	474	357	345	294	173
San Juan	1,105	251	239	202	179	148	87
Curry	693	162	116	115	113	106	81
Lea	549	151	74	101	79	83	62
Chaves	443	96	80	83	77	63	44
Valencia	227	61	38	42	36	33	16
Roosevelt	209	54	35	41	31	30	18
Eddy	81	18	16	15	13	11	8
Cibola	59	13	10	11	10	9	7
Ownership Units	48,137	5,548	4,313	8,172	3,383	2,747	23,974
Bernalillo	15,707	1,841	1,288	2,590	869	760	8,358
Sandoval	14,121	1,367	1,033	2,429	1,363	1,283	6,646
Doña Ana	6,710	858	690	1,073	269	93	3,727
Santa Fe	5,156	592	557	958	436	253	2,360
San Juan	2,023	360	234	361	130	125	814
Curry	1,037	91	99	215	60	30	542
Lea	1,061	115	100	161	101	78	506
Chaves	946	126	135	149	60	41	436
Valencia	827	136	130	157	69	61	273
Roosevelt	275	22	19	39	10	8	176
Eddy	178	23	20	26	13	11	85
Cibola	97	17	8	16	3	2	51

¹ Assumes 2019 household size, AMI distribution, and tenures remain constant.

EXECUTIVE SUMMARY

A CALL TO ACTION

This Housing Strategy leads the state, New Mexico local governments, and private and nonprofit partners toward the **highest impact actions** to address challenges in:

- **Producing housing** across the income continuum;
- **Preserving and Improving** existing affordable housing, both privately and publicly owned, and **Redeveloping** underutilized and vacant properties to increase supply and catalyze economic development;

- **Building Homeownership** opportunities to retain the state's high homeownership rate, especially among low and moderate income, and racially and ethnically diverse, households;
- **Creating Housing Stability** for people vulnerable to and experiencing homelessness and residents with special housing needs; and
- **Advocating** for effective federal housing policies and regulations.

The Housing New Mexico Strategic Plan at Work



EXECUTIVE SUMMARY

A CALL TO ACTION TO CREATE MORE HOUSING

These actions will address the housing challenges of:

- If current development patterns continue, housing unit production in growth counties will lag demand. Accelerated job growth could further exacerbate production gaps.
- Public infrastructure—water and wastewater systems, public utilities—is expensive to extend and can prevent needed housing from being developed.
- High costs of development—due to materials costs, land costs, and labor shortages—complicate the ability to build new housing to meet needs. The more remote the location, the higher the costs.
- Contractors and laborers are nearly impossible to find in the state's non-urban areas. Very few contractors operate in the market overall and they often need to import labor from other states.
- Local zoning, land use regulations, and building codes present a variety of challenges to getting units built.
- Community resistance to all types of new construction—affordable and market rate—prevents needed units from being built or adds significant delays.

Goal: Increase housing production across the housing continuum.

- 1) Prioritize existing federal block grant, state, and local infrastructure resources to fund public improvements to support residential development with the most favorable programs for developments that incorporate affordable housing. This includes infrastructure extensions for new (and improvements for existing) manufactured home communities/parks with affordability and lot lease requirements.
- 2) Take state policy action to boost residential construction workforce, such as partnerships with technical education and training providers, streamlined licensing, and opportunities for re-entry workforce and persons formerly homeless.
- 3) Advocate for increased local, state, and federal appropriations, revenue generating policy changes benefiting affordable housing, and tax exemptions for affordable housing development and operation.

EXECUTIVE SUMMARY

Goal: Create flexibility within state and local programs and policies to respond to housing needs and market fluctuations.

- 1) Advocate for concrete changes to state law to reduce regulatory barriers to housing development. Examples of changes considered or adopted in other states and localities that could be studied include:
 - Incentivize and/or require that planning commissions consider housing needs documented in local or regional housing needs assessments when making zoning and land use decisions;
 - Incentivize and/or require that economic development incentives, such as those offered through LEDA, include a workforce housing component for production and/or preservation;
 - Incentivize by right or administrative approval for developments with a significant share of affordable units including casitas/ADUs and plexes;
 - Allow density bonuses and/or fast track approval for homes that meet energy efficiency requirements (to offset higher costs of green building);
 - Create a model development code that includes feasible land use incentives for affordable housing, mixed-income housing, and mixed-use development;
 - Create an incentive program that provides funding to local governments that adopt policies that facilitate flexibility and efficiency in development approval, infill development, income-diverse development, and efficient zoning. Funding could be used for: community revitalization, economic development, or infrastructure expansion activities;
 - Create a program to mitigate resistance to affordable housing at the local level, including training to build community awareness and support of needs.

EXECUTIVE SUMMARY

A CALL TO ACTION TO PRESERVE AND IMPROVE EXISTING AFFORDABLE HOUSING AND CATALYZE REDEVELOPMENT

These actions will address the housing challenges of:

- New Mexico communities have many underutilized and vacant properties that could be redeveloped into housing but lack the knowledge, staff capacity, and financial resources to facilitate redevelopment.
- Counties where growth is modest or stagnant have trouble attracting capital; investors migrate to higher-return urban areas.
- It is often less expensive to rehabilitate homes to keep them affordable versus build new—but funding (such as 9% tax credits) is harder to secure.
- Public housing is aging and has not had resources to keep up with maintenance.
- Naturally occurring affordable housing (NOAH) provided by the private market is being lost due to rent increases at a much faster pace than new affordable housing is being developed.
- Private property owners are incentivized to raise their rents to keep up with the market, resulting in a loss of NOAH.

- Low income homeowners can be at-risk of losing housing due to rising costs of taxes, maintenance, and economic shocks.

Goal: Catalyze the potential of underutilized properties to be redeveloped into new housing.

- 1) Create a comprehensive technical assistance (TA) fund, a resource catalogue, and access to TA providers to assist with redevelopment of underutilized and vacant parcels and address staff capacity gaps.

Goal: Preserve existing naturally occurring affordable housing and publicly subsidized housing stock.

- 1) Support preservation and provide funding to improve the condition of existing affordable housing; and consider prioritizing projects owned and/or managed by public, regional and tribal housing authorities.
- 2) Reconsider how new funding sources for weatherization and rehabilitation funds could be allocated to ensure that the funding distribution aligns with needs (v. population based distribution).
- 3) Monitor the Qualified Allocation Plan (QAP) to ensure that 9% credits adequately support multifamily acquisition/rehabilitation.

EXECUTIVE SUMMARY

Goal: Build assurance among property owners and property managers of the economic feasibility of housing formerly homeless and special needs residents, thereby stabilizing housing for low income renters.

- 1) Incentivize landlords—through a “signing bonus,” “holding fees” while they wait for a voucher approval, enhanced loss mitigation, and subsidies to pay rents above fair market rent standards—to provide units to vulnerable renters.
- 2) Create a permanent housing stability fund serving renters who need help paying rental costs (including application fees and security deposits), households who do not qualify for housing through the Coordinated Entry System (CES), homeowners vulnerable to foreclosure, and manufactured home park owners who face personal situations (job losses, injuries) that create challenges in paying lot leases.
- 3) Create a case management program to assist vulnerable housing voucher holders apply for housing and maintain housing stability.

EXECUTIVE SUMMARY

A CALL TO ACTION TO BUILD HOMEOWNERSHIP AND WEALTH

These actions will address the housing challenges of:

- Down payment/closing cost assistance has not kept up with what is needed to attain homeownership in many parts of the state.
- The state residential inspection process delays completion of new homes and adds to building costs; this is exacerbated by rapidly rising construction costs.
- Local zoning, land use regulations, and building codes present a variety of challenges to getting units built.
- Community resistance to all types of new construction—affordable and market rate—prevents needed units from being built or adds significant delays.
- Manufactured homes are a relatively affordable option for ownership in New Mexico and contribute to the state's high ownership rate, yet financing, production, and infrastructure challenges create barriers to continued affordability.

Goal: Create flexibility within state programs and policies to respond to housing needs and market fluctuations.

- 1) Streamline the local and state residential inspection processes to make the system more efficient, practical, and timely—e.g., by allowing video inspections, allowing third party contractors—while preserving public health and safety objectives.
- 2) Seek funding sources that allow for down payment assistance programs to adequately meet the needs of consumers and explore programs to support their success as homeowners.
- 3) Explore and advocate for innovative homeownership programs to expand wealth building opportunities, including extended mortgage terms, accelerated mortgage terms, and land trust models.
- 4) Explore and advocate for programs aimed at maintaining homeownership.
- 5) Explore financial capability programs to expand access to homeownership and wealth building.

EXECUTIVE SUMMARY

Goal: Ensure that manufactured homes continue to be a housing solution for homeowners and renters.

- 1) Make changes to the process of converting chattel property to real property consistent across New Mexico's counties.
- 2) Explore and pilot a MFA manufactured home purchase program to assist in the conversion to real property loans and facilitate manufactured homeownership.
- 3) Fund infrastructure extensions for new (and improvements for existing) manufactured home communities/parks with affordability and lot lease requirements.

EXECUTIVE SUMMARY

A CALL TO ACTION TO CREATE STABLE HOUSING ENVIRONMENTS FOR PERSONS EXPERIENCING HOMELESSNESS AND WITH SPECIAL NEEDS

These actions will address the housing challenges of:

- New Mexico needs to expand its range of evidence-proven and housing+services models, tailored to local needs, to address homelessness
- Urban areas need both site-based and scattered site models. Predevelopment funding, developer capacity, deeper subsidies, and adequate and consistent supportive services are needed to create successful exits from homelessness
- Small (< 30 unit) housing+services developments or scattered site developments are often the best solution in rural counties, yet funding favors larger developments. Rural areas need adequate and consistent supportive services for small and scattered site single family homes
- Federal requirements and guidance for defining chronic homelessness and assessing needs through the Coordinated Entry System (CES) can be misaligned with local needs
- Lack of a comprehensive behavioral health care system makes it difficult for housing providers, including private

sector property managers, to address the complex needs of tenants. Providers may not recognize the behavioral health needs of residents and be unsure of how to properly address challenges, perpetuating the cycle of housing instability.

Goal: Expand successful housing+services models tailored to local needs.

- 1) Provide annual funding for predevelopment grants to cultivate Permanent Supportive Housing (PSH) development partners and build local developer and supportive service provider capacity. Funding would support capacity building/local support, needs assessments, zoning and planning review, architecture and engineering, and development applications.
- 2) Increase collaboration between service providers and property managers through training and technical assistance that results in successful housing of PSH clients.
- 3) Expand funding for the Linkages program to ensure that New Mexicans with mental health challenges, are experiencing or at-risk of homelessness, and are extremely low income have the resources needed to remain in stable housing environments.
- 4) Address the operating subsidy deficits common in PSH projects through encouraging PHA's to project-base vouchers and by exploring options to project-base the Linkages program.

EXECUTIVE SUMMARY

- 5) Evaluate how the Coordinated Entry System (CES) could be tailored through state and local programs so that vulnerable households are prioritized in an equitable manner. Advocate for state and local solutions to ensure that the most vulnerable households are able to fill gaps in emergency housing. This would include households in first-time homelessness and/or who are housed but in unsafe situations.

Goal: Strengthen supportive service programs that foster housing stability.

- 1) Increase service provision funding options for PSH developments. Examine how Medicaid waivers could be used for supportive services, allowing supportive service providers to be reimbursed at a rate that can sustain programming and operations.
- 2) Support actions to strengthen statewide behavioral health system including satellite care facilities.

Goal: Strengthen support for emergency homelessness interventions.

- 1) Advocate for increased state and local appropriations to support emergency homeless shelters and other immediate interventions, including funding to improve the conditions of shelters.

EXECUTIVE SUMMARY

A CALL TO ACTION FOR FEDERAL ADVOCACY

Federal grant funds, federal tax credits, and the federal authority to issue tax-free bonds to finance housing development collectively make up the vast majority of resources available to address housing needs in the U.S.—and in New Mexico.

Current initiatives that would significantly boost the ability of New Mexico and its local governments address housing needs include:

Broaden the Low Income Housing Tax Credit (LIHTC) program.

Because these credits are allocated based on population—not on need—New Mexico receives a disproportionately lower share of credits relative to its need. MFA receives twice as many applications for LIHTC developments annually than it has credits to allocate.

An amendment to LIHTC legislation to increase the amount of credits would help the state meet affordable rental production needs and alleviate renter cost burden. Revisions that would prioritize credits in “hard to reach communities” would benefit New Mexico communities by making capital, which is challenging to raise locally, more readily available for affordable rental housing development.

Create equitable opportunities to attain homeownership and build wealth.

Other than federal block grant funding, there is no significant federal funding source that facilitates the development of affordable ownership products. Federal support of homeownership has historically been in financing and mortgage insurance. New Mexico would benefit from new federal initiatives to develop affordable homeownership products.

Maximize federal appropriations for affordable housing programs.

HUD, U.S. Department of Agriculture (USDA), and Department of Energy housing programs are classified as discretionary programs, meaning that Congress must set annual funding levels through the budget and appropriations process.

Maximizing the annual appropriations for affordable housing programs, including the HOME Investment Partnerships Program (HOME), Emergency Solutions Grant (ESG), Housing Opportunities for Persons with AIDS (HOPWA), Section 811 Project Rental Assistance, Weatherization Assistance Program, and rural housing programs within the USDA, would benefit both urban and rural New Mexico communities. Advocating for HUD training and technical assistance for Tribal governments who are new to housing developments would build capacity to address housing needs that maximize federal and state funding.

EXECUTIVE SUMMARY

Streamline federal regulations related to affordable housing policies and programs.

Supporting the efforts of trade associations, such as the National Council of State Housing Agencies (NCSHA), to reduce regulatory barriers would help reduce administrative burden in the delivery of federal housing and community development block grant programs.

Advocating for changes in tenant based rental assistance programs, including Fair Market Rent and income limits, would expand the number of available rental units and not penalize tenants when they acquire employment.

Support federal initiatives to lower housing development costs including tariff reductions on building materials and programs that would add flexibility to non-domestic workers.