



Affordable Housing for Rural New Mexico: Needs and Opportunities

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Rural Economic Opportunity Task Force Presentation

July 19, 2021

Mora, New Mexico

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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.

- MFA was 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 New Mexico's 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.

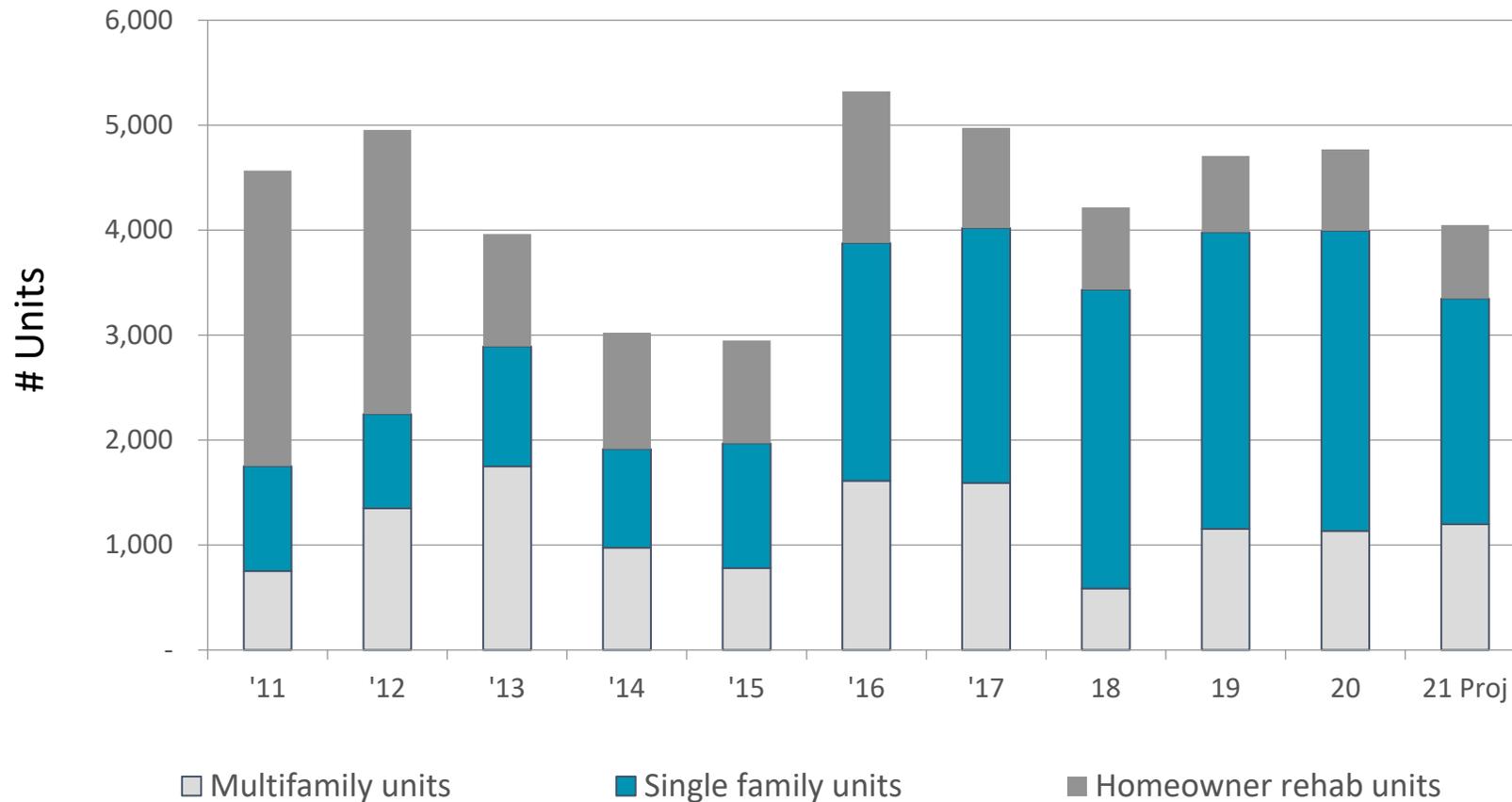
Our Programs

MFA operates around 30 programs that assist low- and moderate-income households, from people experiencing homelessness to homeowners.

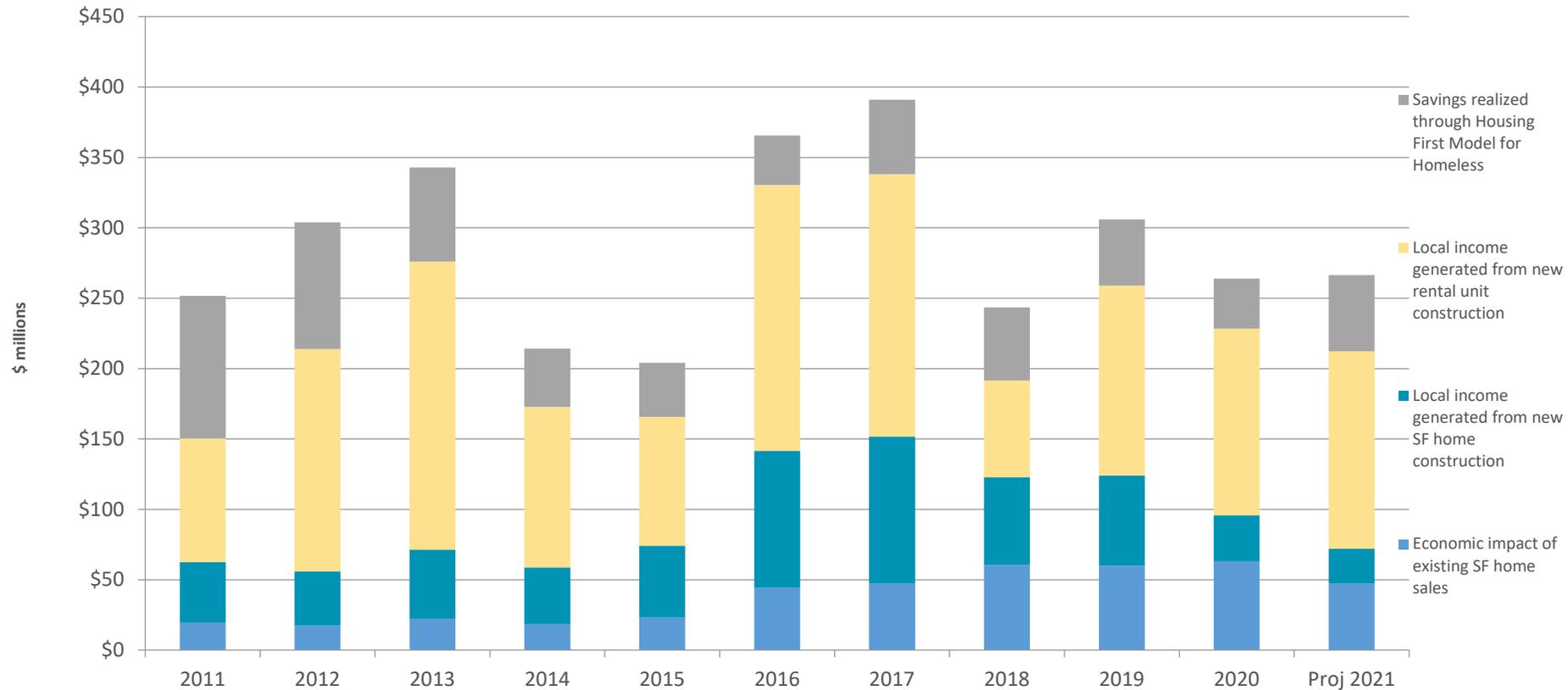


MFA Production Data

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



Economic Impact of Affordable Housing



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

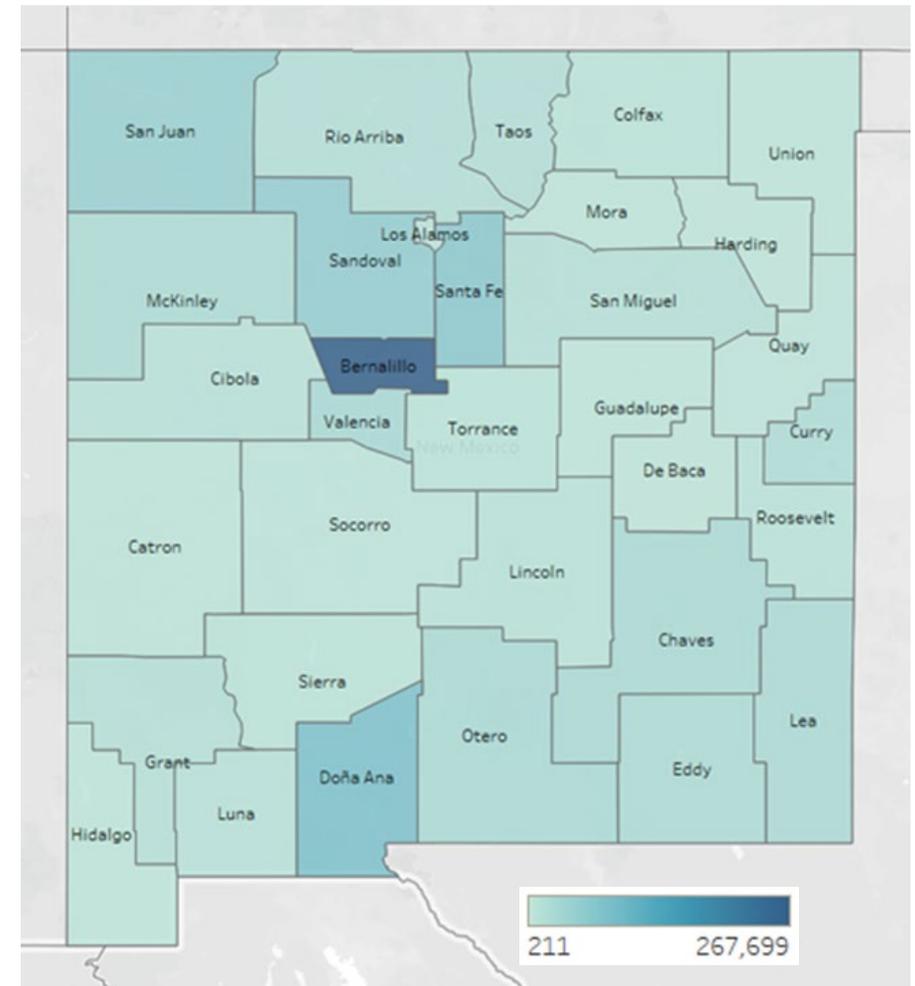
- Homelessness programs reduce reliance on costly de facto housing solutions like emergency rooms and jails. (United States Interagency Council on Homelessness, 2017, University of Pennsylvania, 2002, and Urban Institute, May 2017)
- Home rehabilitation alleviates the health risks of substandard housing, 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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Occupied Housing Units

- There are 780,249 occupied housing units in New Mexico.
- 245,778 are located outside of the state's metropolitan statistical areas (MSAs).
- 32.3% of housing units are renter occupied, and 67.7% are owner occupied.
- 29.4% of households include a senior member, and 11% of households are seniors living alone.

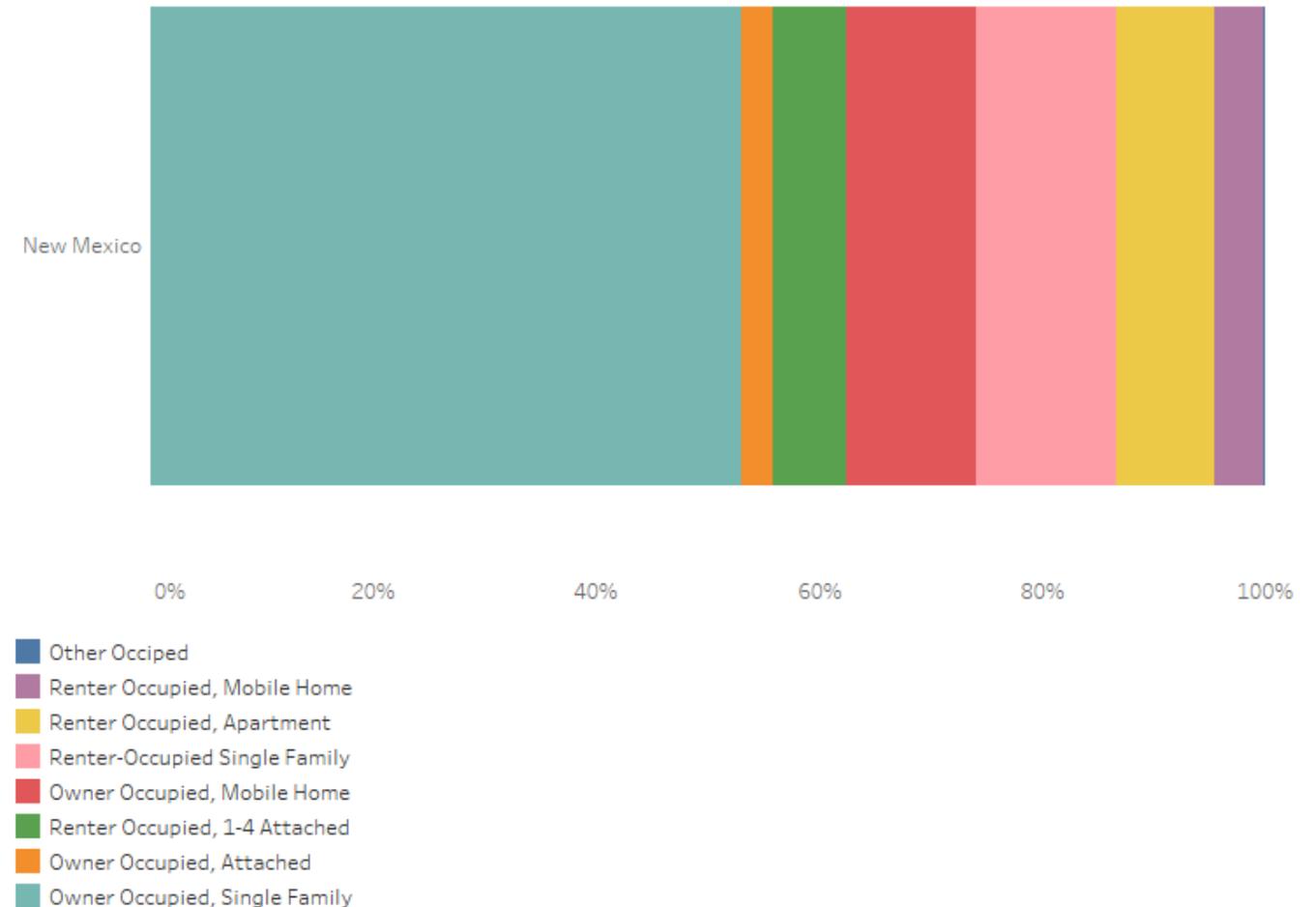


Source: American Community Survey 2015-2019 5 Year Estimates

Housing Stock

- New Mexico's housing stock is dominated by single-family homes (65.4%).
- Rural counties have a high rate of owner-occupied single-family homes and a low prevalence of multi-family units.
- Many rural communities have an acute need for rental and for sale development to support their local workforce.
- Many rural communities need rehabilitation and weatherization programs to address aging housing stock.

Occupied Housing Stock

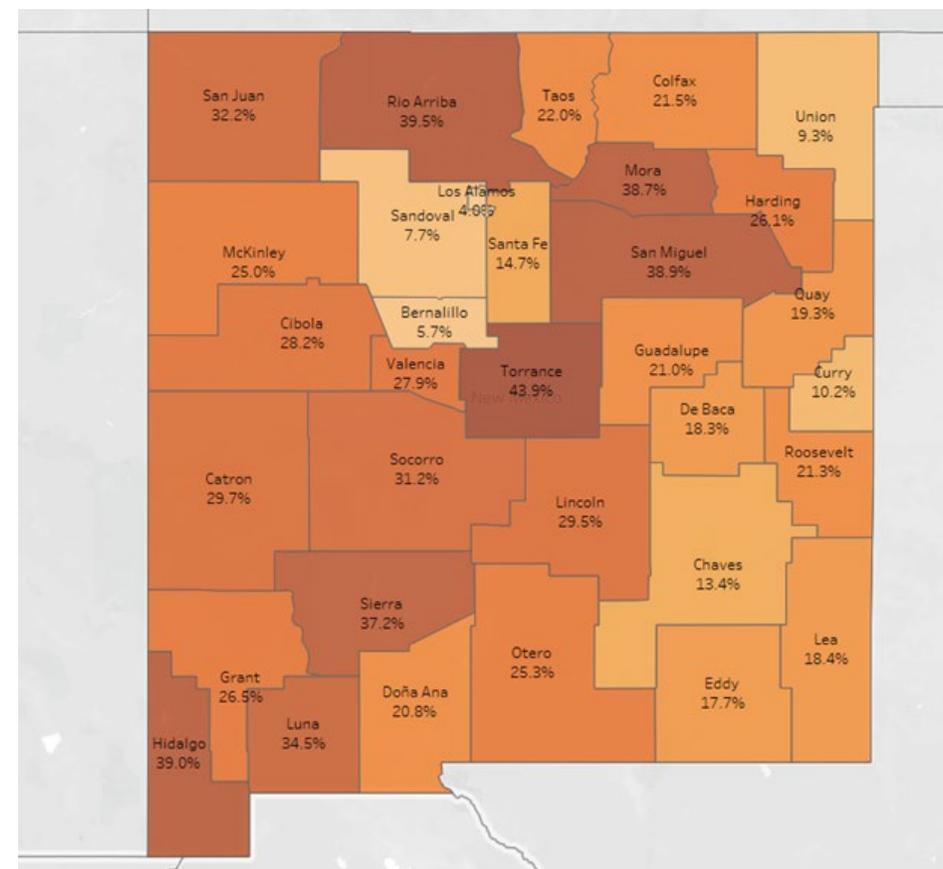


Source: American Community Survey 2015-2019 5 Year Estimates

Manufactured Homes

- Mobile and manufactured homes are a large source of non-subsidized low-income housing in New Mexico.
- Chattel loans are the primary means by which families purchase mobile homes.
- Despite lower origination cost, chattel loans can carry higher interest rates than a comparable mortgage.
- Approximately 40% of mobile homeowners lease the land on which their unit is located.

Share of Manufactured Homes Among Occupied Housing Stock

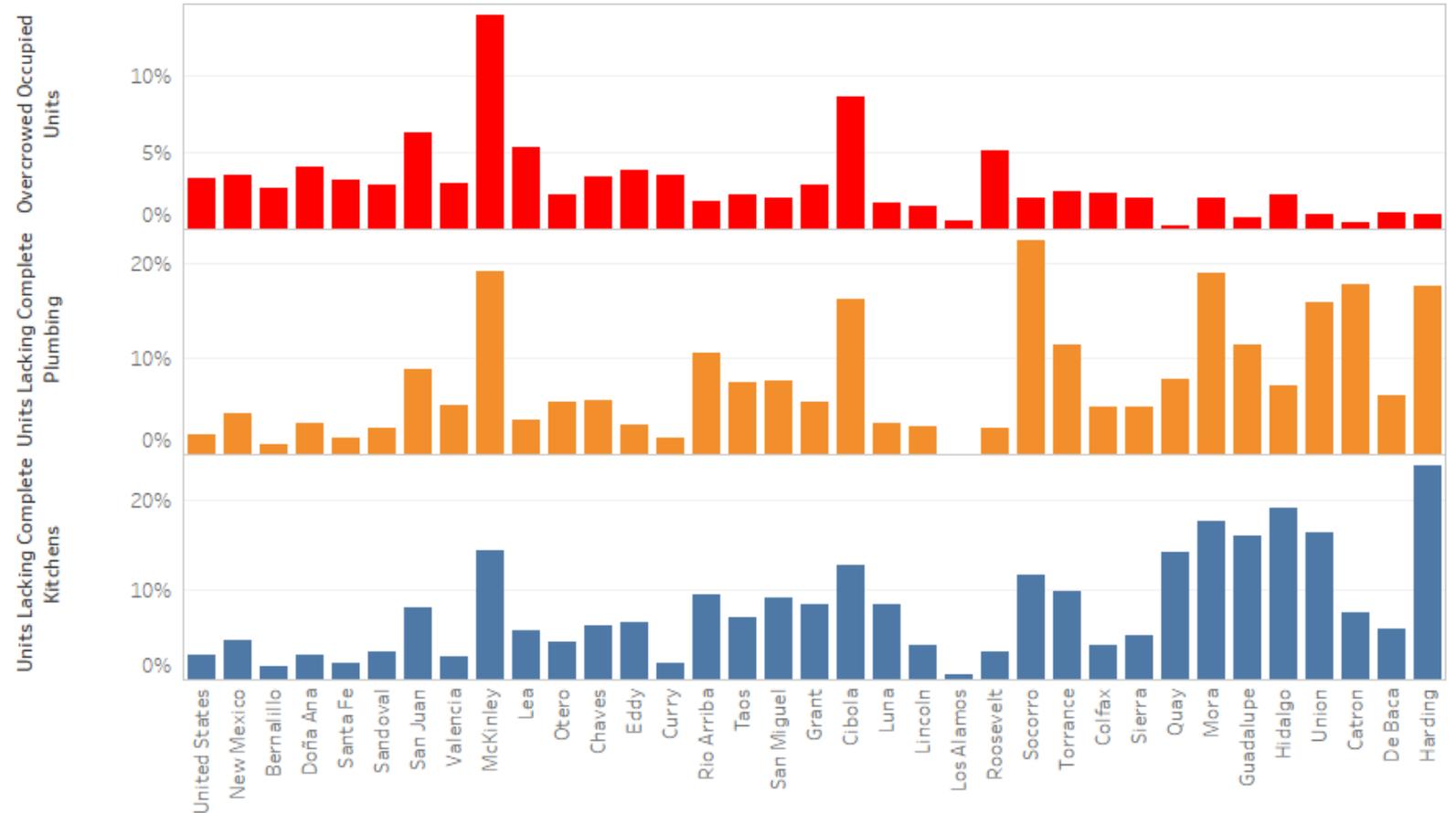


Source: American Community Survey 2015-2019 5 Year Estimates

Housing Condition Issues

- New Mexico's housing units are more likely to lack complete plumbing or complete kitchens compared to the rest of the country.
- Overcrowding, defined as a household that has more members than rooms in a home, is slightly more prevalent in New Mexico than in the rest of the nation.

Housing Condition Issues by County

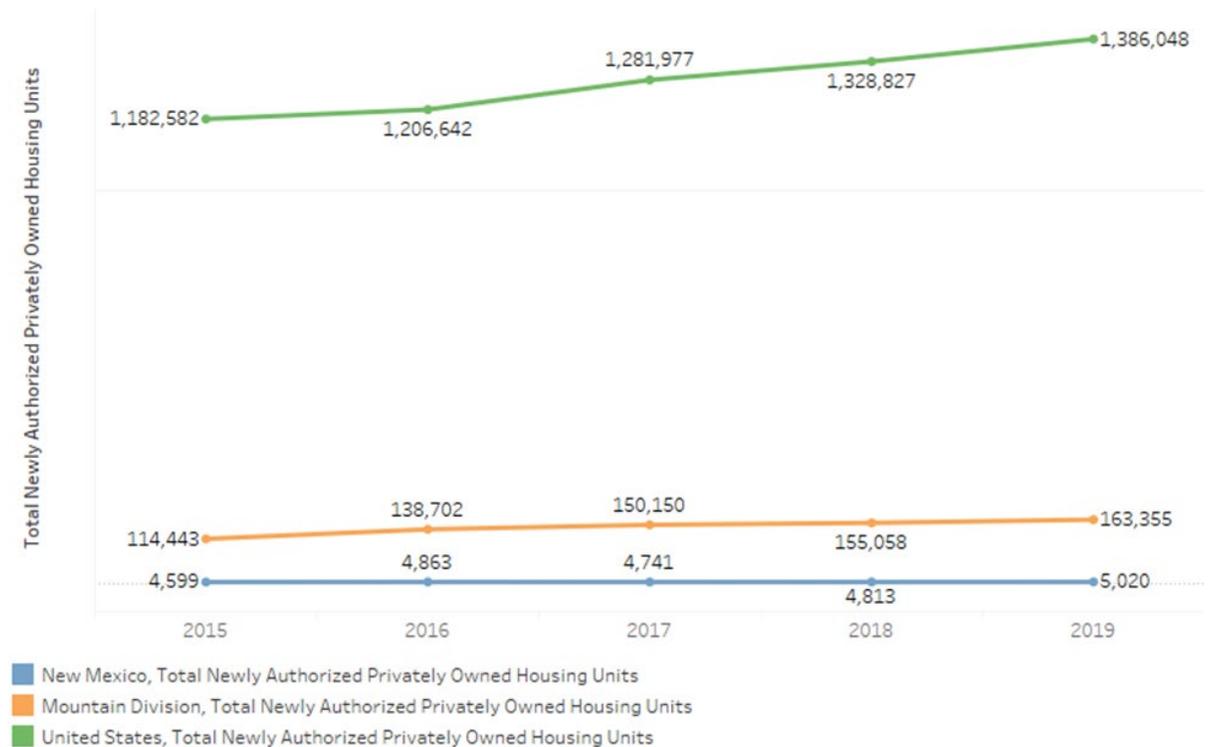


Source: American Community Survey 2015-2019 5 Year Estimates

Residential Development

- Since the Great Recession, new construction of residential dwellings has slowed.
- The lag in construction may be attributed to the reluctance of builders and lenders to repeat the mistakes that were made in the 2000s when the housing supply expanded too rapidly.
- Data from the Annual Building Permit Survey shows the increase in permits for residential housing units was 8.4% for New Mexico and 17.2% for the United States from 2015 to 2019.

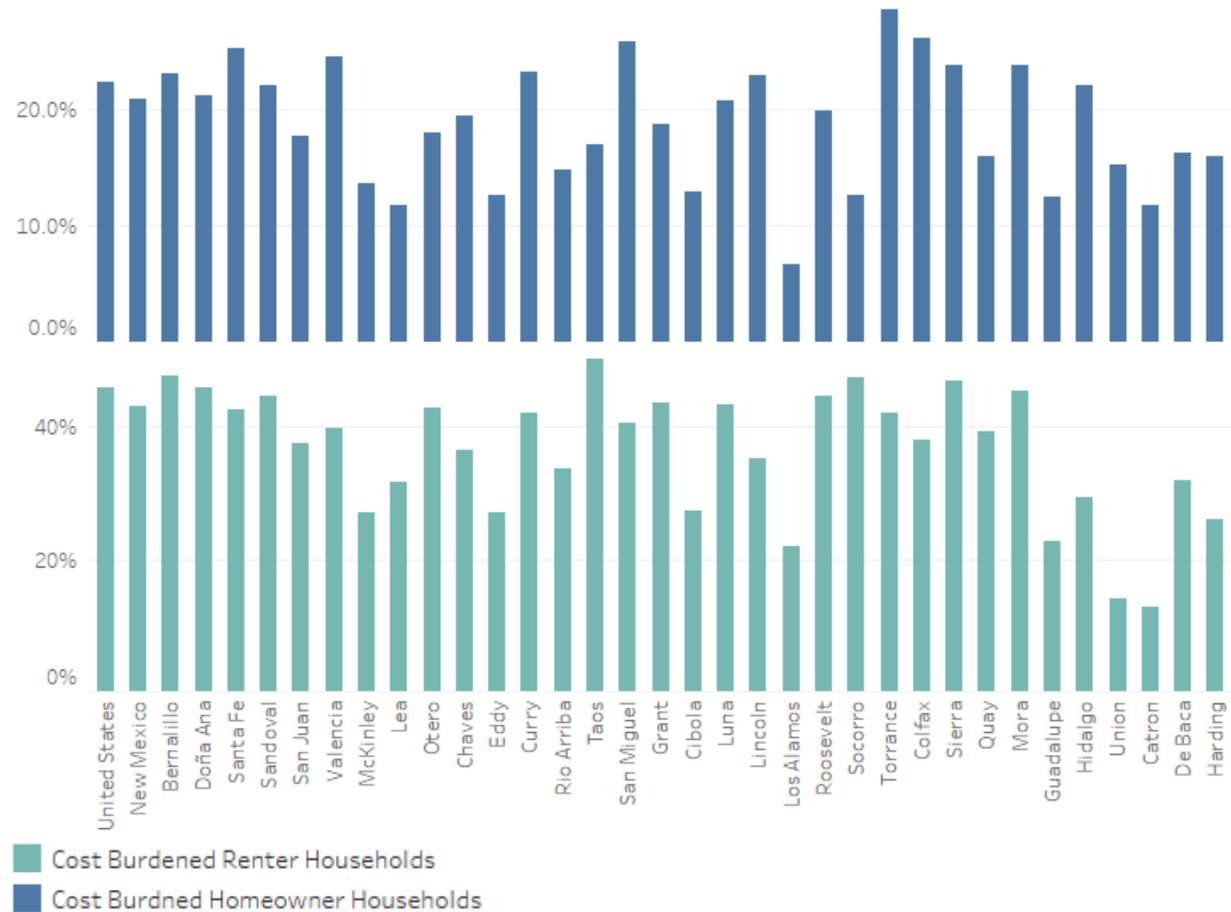
Residential Development Permitting



Source: US Census Bureau Building Permit Survey

Housing Cost Burden

- Cost burden is a measure of housing affordability. Cost burdened households pay more than 30% of their income in housing costs, and extremely cost-burdened households pay more than 50%.
- The difference between cost burdened renters and cost burdened homeowners is largely driven by difference in household income. In New Mexico, the median household income for renters is \$31,881 compared to \$60,492 for homeowners.

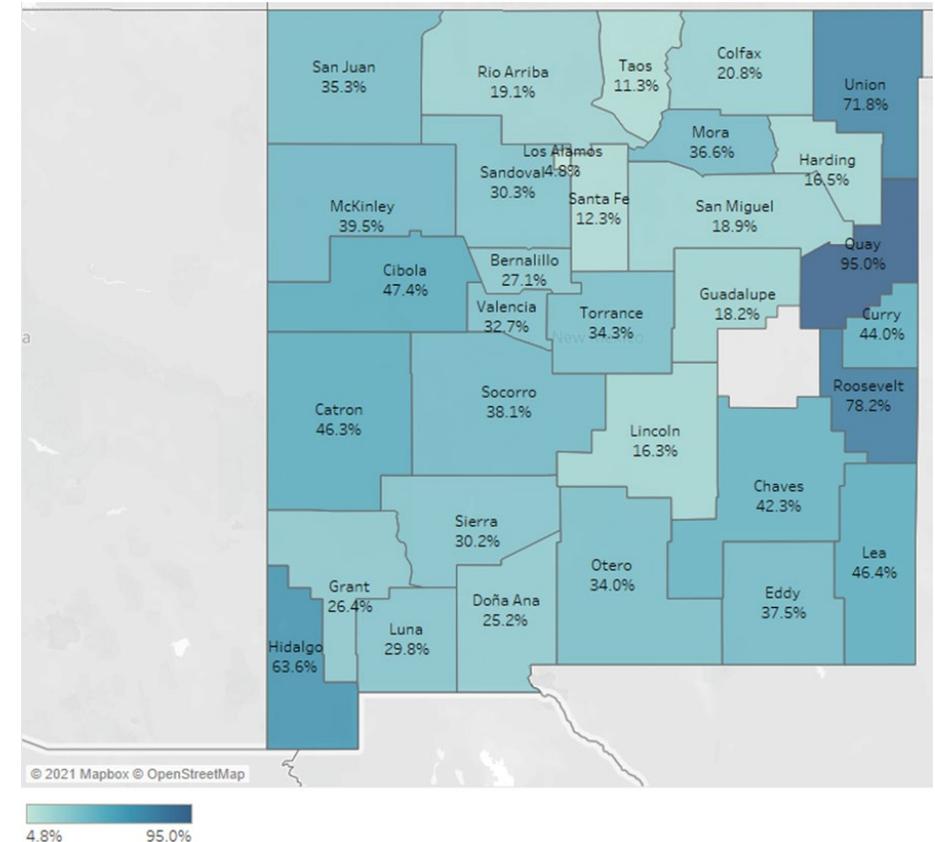


Source: American Community Survey 2015-2019 5 Year Estimates

First-Time Homebuyer Affordability

- The percentage of renters who can afford a median-priced home is a good measure of affordability, because most homes are purchased by people who are currently renting.
- Based on data from 2020, the median sale price in New Mexico was \$240,000. Counties with the highest median sale price include Santa Fe (\$435,000), Los Alamos (\$414,750) and Taos (\$337,000).
- Poor affordability is partly driven by a limited supply of single family homes. Homebuyers may have access to credit but struggle to find a home within their budget.

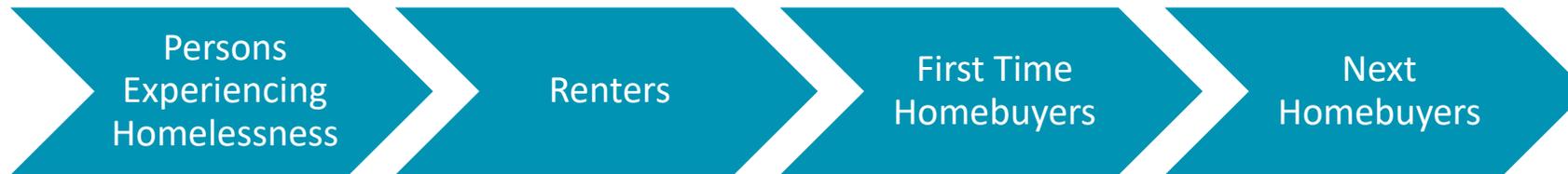
Percentage of Renters that Can Afford a Median Priced Home



Source: New Mexico Association of Realtors 2019 Market Report and MFA Calculation

Rural Housing Needs

Unique needs across the housing continuum and across geographic areas



Demand side solutions

- Homelessness prevention
- Rental and mortgage assistance programs
- Mortgage products for low- and moderate-income homebuyers

Supply side solutions

- Improvements to existing housing stock
- Development of new housing
- Invest in underserved areas and market segments

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The Affordable Housing Act

- The Affordable Housing Act (AHA) is an exception to the anti-donation clause in the New Mexico constitution.
- Allows governmental entities to contribute or donate affordable housing projects and programs.
- MFA works with local governments to ensure compliance with the Act.

The Affordable Housing Act

Entities eligible to donate

- State of New Mexico
- Counties
- Municipalities
- School districts

Entities permitted to receive donations (qualified grantees)

- Public entities
- Non-profit organizations
- Private enterprises
- *Qualified grantees must be organizations whose mission is to provide affordable housing*

Allowable donations

- Land for affordable housing construction
- An existing building or conversion or renovation into affordable housing
- Costs of infrastructure necessary to support affordable housing projects
- Cost of acquisition, development, construction, financing, operating or owning affordable housing

Affordable Housing Act Donations

- 37 local governments have AHA compliant plans and ordinances
 - This past year MFA approved AHA plans for 10 local governments
- \$72,637,009 worth of donations have been made to affordable housing projects
 - \$12,740,655 worth of donations were made in 2020

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Community Development Programs

Homeless Programs

- Emergency Homeless Assistance Program (EHAP)
- Rental Assistance Program (RAP) Rapid Re-housing & Homeless Prevention
- Continuum of Care (CoC)
- Youth Homelessness Demonstration Project (YHDP)

Supportive Housing Programs

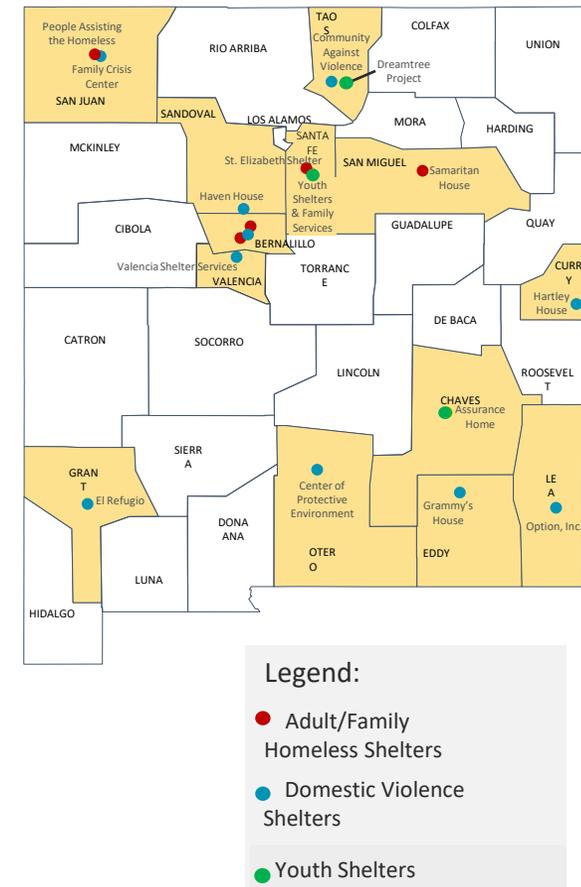
- Linkages
- Housing Opportunities for People with AIDS (HOPWA)

Rehabilitation and Weatherization Programs

- Homeowner Rehabilitation Program
- Veteran's Housing Rehabilitation and Modification Program (VHRMP)
- NM EnergySmart Weatherization Program

Emergency Homeless Assistance Program (EHAP)

- The EHAP program funds homeless shelters and domestic violence shelters to provide emergency shelter and support services for individuals experiencing homelessness.
- The program helps these individuals find safe, permanent housing, reducing the incidence of homelessness in New Mexico.
- The funding is distributed between three types of shelters:
 - 3 Youth Shelters
 - 5 Adult/Family Shelters
 - 10 Domestic Violence Shelters

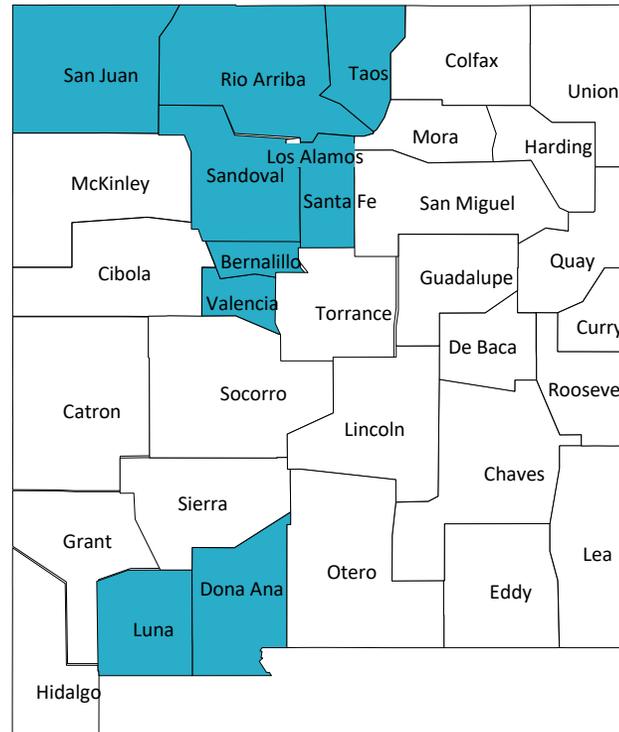


Rental Assistance Program (RAP)

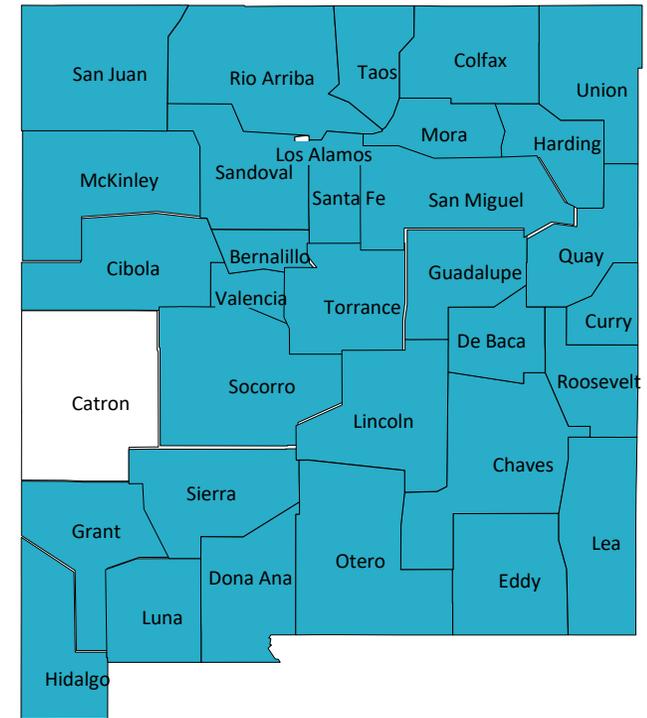
RAP combines federal and state funding to provide:

- Homeless Prevention – assistance with rental payments, rental arrears and utility payments for households who would otherwise be homeless but for this assistance
- Rapid Re-Housing – assistance with application fees, security deposits, rental assistance, utility deposits and other costs associated with securing safe, decent housing for those experiencing homelessness

ESG Annual Allocation

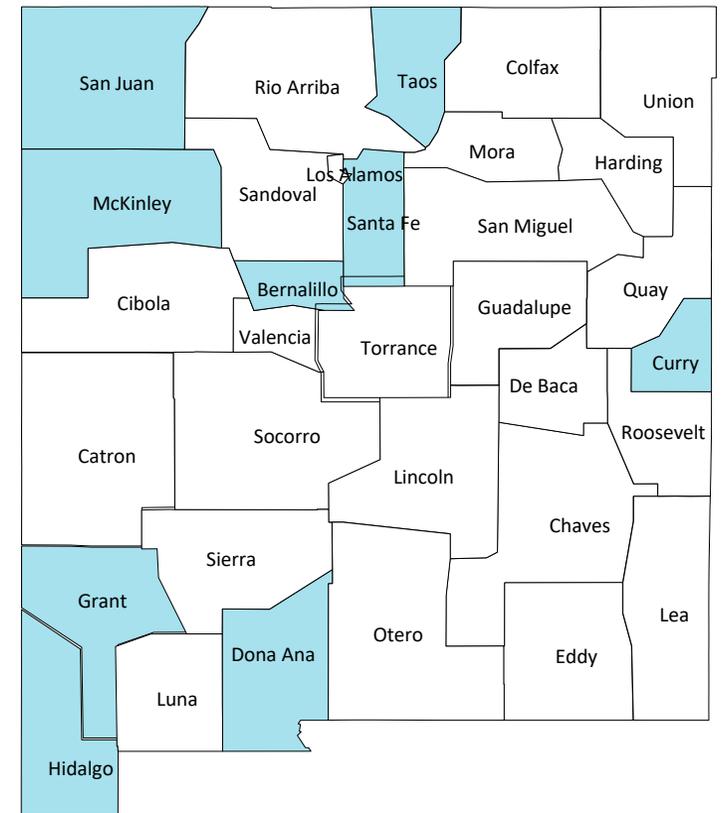


ESG-CV



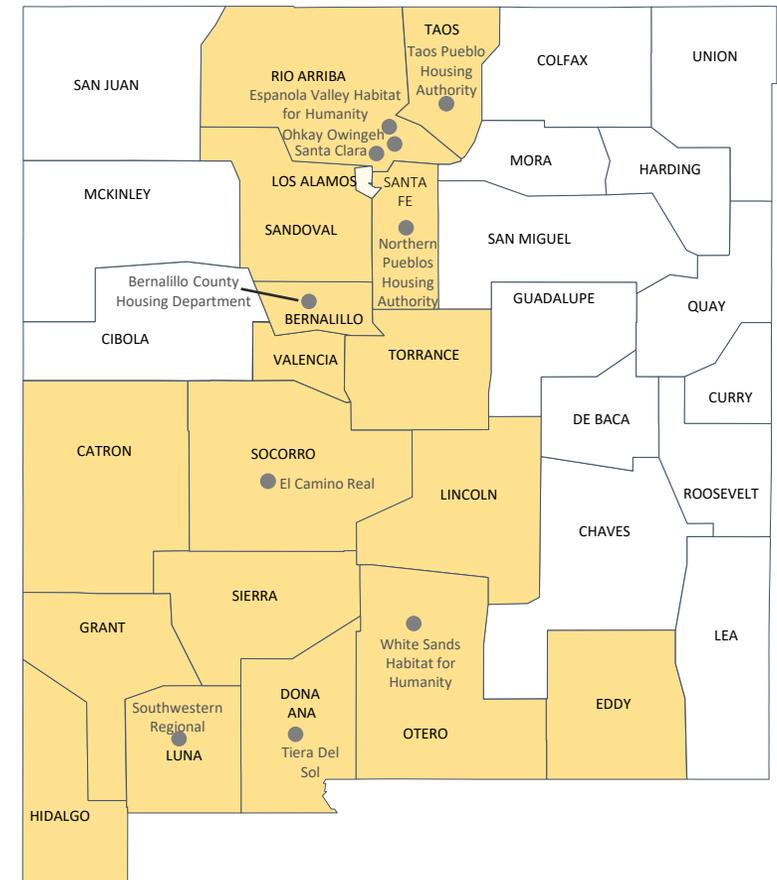
Linkages

- Linkages is a state-funded permanent supportive housing program designed to provide rental subsidies, utility assistance and supportive services to homeless and at-risk of homelessness populations who have a qualifying serious mental illness diagnosis.
- The program is jointly administered by MFA and the State Human Services Department, Behavioral Health Services Division.



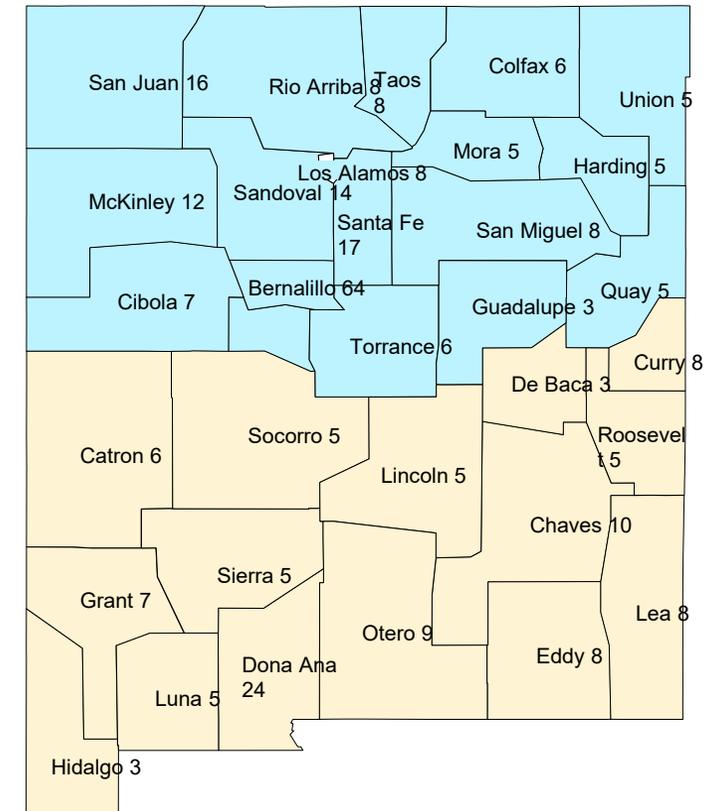
HOME Rehabilitation Program

- MFA's Rehab program is funded with HOME Investment Partnership Federal Funds and provides assistance to low-income homeowners who lack the resources to make necessary repairs to their homes.
- Assistance can be used for applicable codes, standards or ordinance compliance, essential improvements, energy-related improvements, lead-based paint hazard reduction, accessibility for disabled persons, repair or replacement of major housing systems, preventive repairs and general property improvements of a non-luxury nature, site improvements and utility connections.



NM Energy\$mart Weatherization Assistance Program

- The NM Energy\$mart Weatherization Assistance Program helps low-income New Mexicans save money on utility bills.
- Homeowners and renters who qualify for the program receive an average of \$6,500 in weatherization measures.
- The program aims to reduce utility usage and bills of households in need and improve health and safety conditions of those households.



*Numbers reference the DEO weatherization unit allocations for each county

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Development Considerations

- Size and type of project
 - Cost of land
 - Infrastructure costs
 - Financing costs
 - Fees and assessments
 - Cost per unit
 - Financial feasibility
- Construction Methods (Green)
 - Increase costs?
 - Affect on affordability?
 - May reduce long-term utility costs
- Type of Financing
 - Loans
 - Construction
 - Permanent financing
 - Equity
 - Grants/Donations



Low Income Housing Tax Credit (LIHTC)

- Created by Tax Reform Act of 1986 to provide alternative funding for low- to moderate-income households.
- IRS Section 42 sets the requirements and processes for the program (the Code).
- Each state has at least one Housing Finance Agency that administers the credits; MFA is New Mexico's HFA.
- Creates public-private partnership
- 2021 allocation = ~\$5.9 million (9% allocation)
 - Provides approximately 70% of total development cost
- Federal set-asides – 20% at 50% Area Median Income (AMI), 40% at 60% AMI, Average Income up to 80% AMI

Low Income Housing Tax Credit (LIHTC)

*Investor equity = less financing = less debt =
below market rents*



New Mexico Housing Trust Fund

- New construction, acquisition and rehabilitation
- Construction – \$2 million, up to three years
- Permanent – \$1 million, up to 30 years
- Affordability period – greater of 20 years or loan term
- Serves households up to 120% AMI



Chuska Apartments
Gallup, McKinley County

Other Housing Development Programs

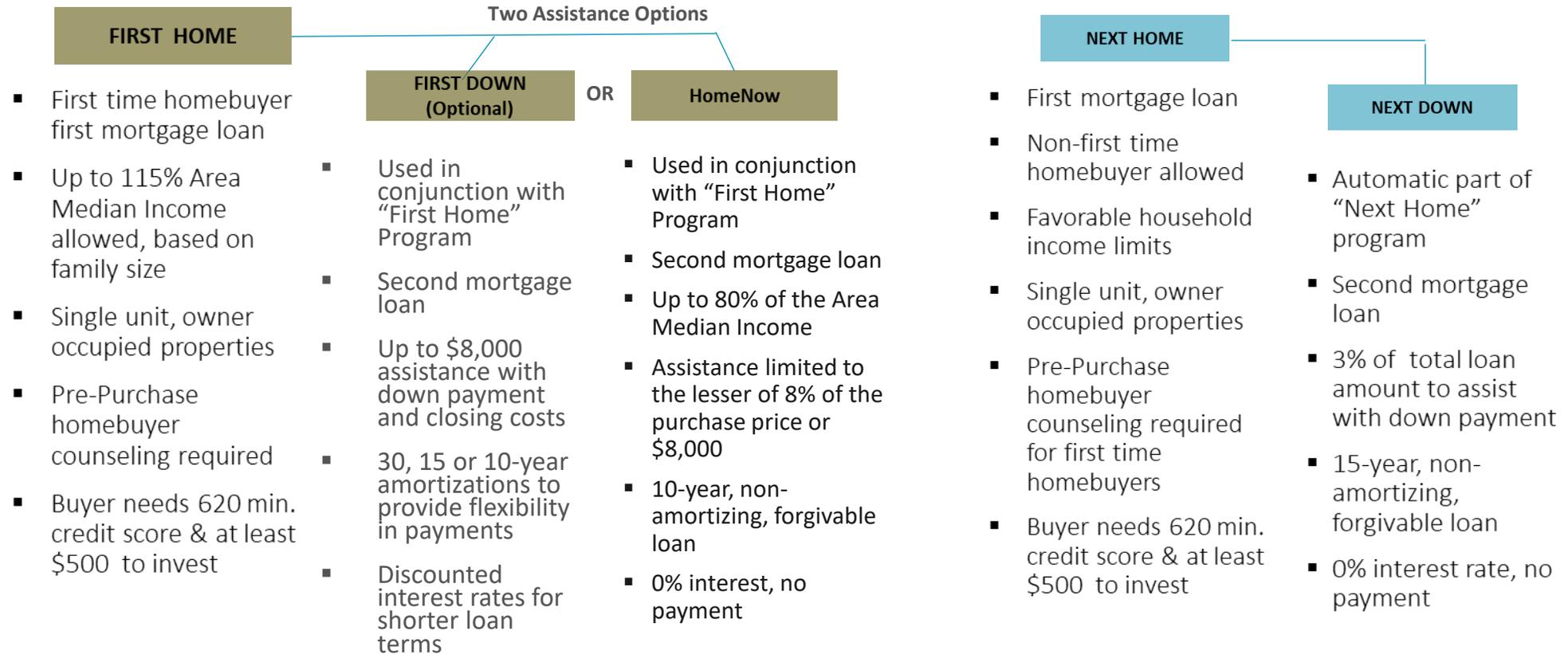
- New Mexico Affordable Housing Tax Credit
- HUD HOME Rental Development Program
- HUD HOME Single Family Development Program
- HUD National Housing Trust Fund
- HUD Risk Share 542(c) Loan Guarantee Program
- USDA Section 538 Loan Guarantee Program
- Primero



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Homeownership Programs



First Time Homebuyer Requirements

Basic Borrower Requirements

- Minimum credit score of 620
- Must invest a minimum of \$500 upfront cash toward home purchase
- Successfully complete an MFA-approved homebuyer education course
- Have a debt-to-income ratio no higher than 50 percent
- Household Income limits:
 - First time homebuyers \$65,520 (2 person)/\$76,440 (3+ person)
 - Non-first time homebuyers \$95,000



First Time Homebuyer Requirements

Property Types

- Owner-occupied, single family units
- Detached homes
- Townhomes
- Approved condominiums
- Planned unit developments
- Manufactured homes on a permanent foundation and assessed as real property
- Purchase price limits:
 - First time homebuyers \$311,980
 - Non-first time homebuyers \$346,600



Homeownership Programs

Borrower Demographics	Fiscal Year 2021 (10/01/2020 - 3/31/2021)
Average Sales Price	\$183,272
Average Loan Amount	\$179,416
Average Down Payment Assistance Amount	\$7,242
Average Household Income	\$60,024
Average Family Size	2.6-person household
Ethnicity	63.20% Minority
Average Borrower Age	35 years old
Average Number of Dependents	1 dependent
Primary Borrower Gender	46.53% female/ 51.90% male
Average FICO score	686

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New Mexico Housing Trust Fund

- Created by the New Mexico Legislature in 2005 with an initial appropriation of \$10 million and subsequent appropriations of \$17.05 million.
- MFA can utilize New Mexico Housing Trust Funds to both build or rehabilitate affordable housing in addition to providing other types of housing assistance for low-income New Mexicans.
- MFA has grown the New Mexico Housing Trust Fund to \$33 million through loan and investment interest and has awarded more than \$59 million by recycling interest and principal payments.
- The fund has helped to construct or rehabilitate 4,292 homes in 62 housing developments and has leveraged approximately \$653 million in other funding—a 29-to-1 return on the state’s investment.

2022 Legislative Session Request

For the upcoming 2022 Legislative Session MFA is requesting **\$12 million to be appropriated to the New Mexico Housing Trust Fund** to help build, rehabilitate, preserve, weatherize and/or provide energy efficiency upgrades for approximately 1,300 quality affordable homes for low-income New Mexicans.



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