

**MINUTES
of the
FIRST MEETING
of the
MORTGAGE FINANCE AUTHORITY ACT
OVERSIGHT COMMITTEE**

**June 11, 2012
Mortgage Finance Authority Office
344 Fourth St. SW
Albuquerque, New Mexico**

The first meeting of the Mortgage Finance Authority (MFA) Act Oversight Committee was called to order by Senator Nancy Rodriguez, chair, at 10:10 a.m. on June 11, 2012 at the office of the MFA in Albuquerque, New Mexico.

Present

Sen. Nancy Rodriguez, Chair
Rep. Joni Marie Gutierrez, Vice Chair
Rep. Alonzo Baldonado
Sen. Mark Boitano
Rep. Ernest H. Chavez
Sen. Cisco McSorley
Sen. Gerald Ortiz y Pino

Absent

Rep. Nate Gentry

Advisory Members

Rep. Thomas A. Anderson
Rep. Roberto "Bobby" J. Gonzales
Rep. Sandra D. Jeff
Sen. Lynda M. Lovejoy
Rep. James Roger Madalena
Sen. Richard C. Martinez
Sen. Sander Rue
Sen. David Ulibarri

Sen. Rod Adair
Rep. Rick Little
Rep. Dennis J. Roch

Staff

Claudia Armijo, Staff Attorney, Legislative Council Service (LCS)
Sharon Ball, Senior Researcher, LCS

Guests

The guest list is in the meeting file.

Handouts

Copies of all handouts and written testimony are in the meeting file.

Monday, June 11

Call to Order

Senator Rodriguez welcomed members of the committee, staff and guests to the meeting. She advised members that the meeting would be video webcast and reminded them to keep sidebar conversations to a minimum to avoid noise interference with the webcast. She then thanked Representative Gutierrez for her service as chair during the 2011 interim. She also introduced Ms. Armijo, Ms. Ball and Greg Geisler, principal analyst, Legislative Finance Committee (LFC). The chair then recognized Jay Czar, executive director, MFA, to begin his presentations.

Welcome and Introduction of the MFA Staff

Mr. Czar also welcomed committee members, staff and guests. He introduced members of the MFA staff, including Joseph Montoya, deputy director of programs, and Erin Quinn, senior policy and program advisor.

By way of background, Mr. Czar reminded committee members that the MFA is a government instrumentality and that its staff members are not state employees. He noted that the MFA implements several state housing programs and deals with federal dollars through federal programs associated with the U.S. Department of Housing and Urban Development and the federal Department of Energy. Noting that the MFA board's composition is provided for in statute, he announced that Mr. Angel Reyes, president, Centinel Bank in Taos, is the governor's newest appointee. He indicated that the board currently has one vacancy and expressed his hope that the governor will submit her nomination for board membership to the senate for consideration in the 2013 legislative session.

Summarizing the MFA's 2011 work, Mr. Czar stated that last year, the MFA provided more than \$275 million in low-interest financing, grants and nonfinancial support for affordable housing and related services throughout the state. In terms of homeownership programs, Mr. Czar said that using tax-exempt single-family mortgage bonds, the MFA provided loans of more than \$120 million to 1,032 homebuyers to acquire their first homes. In addition, he discussed the following other homeownership programs and amounts:

- nearly \$4 million in down payment assistance loans and grants;
- \$8.2 million in loans for new construction and acquisition, rehabilitation and/or resale of 204 affordable for-sale homes, including 26 foreclosed properties and four Habitat for Humanity homes; and
- funding for the rehabilitation and energy efficiency improvement of roughly 3,750 owner-occupied homes.

In terms of rental housing programs, Mr. Czar noted that the MFA has provided approximately \$49 million in financing for the new construction, as well as acquisition and rehabilitation, of 849 affordable rental homes, has financed the preservation of 358 aging affordable rental homes and has processed \$25.8 million in project-based Section 8 rental assistance payments for 5,318 apartments occupied by persons in low-income households

throughout the state.

He reported that targeted initiatives included the provision of \$2.5 million for rehabilitation and energy efficiency improvement of 93 homes in tribal communities, the funding for housing activities targeted to persons with disabilities, the provision of \$1.3 million in shelter and operating costs for approximately 8,700 homeless individuals and the provision of \$2.9 million in homelessness prevention measures for more than 600 persons at risk of becoming homeless.

Mr. Czar reminded members that in 2009, the federal government awarded more than \$95 million in stimulus funds to the MFA, and he announced that the MFA has awarded 100 percent of these program dollars to developers and service providers. He said that, using every dollar effectively, the MFA-administered stimulus fund benefits the state in the following ways:

- approximately 4,000 homes will be weatherized, with 3,400 of those households already enjoying warmer, more energy-efficient homes;
- almost 2,000 households at risk of becoming homeless or already homeless have been assisted;
- more than 300 affordable rental homes have been preserved;
- almost 700 new affordable rental homes have been built;
- approximately 3,100 individuals have already been provided work through these programs;
- an estimated 126 full-time jobs have been created or retained; and
- 18 stalled affordable housing construction projects have been restarted.

Mr. Czar then explained that by next fiscal year, all of the stimulus money will be spent. He said that the MFA has successfully incorporated four programs into its program operations: Weatherization/ARRA, Homeless Prevention and Rapid Re-Housing, Tax Credit Assistance and Tax Credit Exchange. He pointed out, however, that New Mexico's need for quality affordable housing is greater than ever. In response to committee members' questions and comments, Mr. Czar explained that state funds are leveraged many times over to maximize the investment fully.

He continued by saying that since 2009, except for small appropriations, the MFA has not requested any legislative appropriations to fund the program.

MFA 2012 Reference Guide

Ms. Quinn directed committee members' attention to the MFA 2012 Reference Guide included in their meeting folders. Ms. Quinn gave members an overview of each section of the guide, highlighting specific sections and explaining where valuable information can be found in the guide, including descriptions of MFA programs and staff and board members' contact information and a section entitled "Top Ten MFA Myths . . . Debunked!". Committee members expressed their appreciation for the updated guide and indicated that they have found all of the previous versions to be extremely useful. Some committee members expressed particular appreciation for the "Glossary of Terms" and the "Commonly Used Housing and Finance

Acronyms" and had some clarification questions.

Mr. Czar then directed members' attention to an information packet provided with their meeting materials in an MFA-branded folder. He pointed out a "save-the-date" announcement for the "2012 NM Housing Summit: Dwelling in the Future" on August 22-24 at the Hyatt Regency in Albuquerque. He encouraged members to attend any of the 50-plus sessions covering every aspect of affordable housing and training sessions in new federal rules, regulations and guidelines. He also pointed out several news articles in the folder that recognize several MFA projects as well as the just-published summer 2012 MFA "News & Views" newsletter, which includes coverage of the completion of phase two of Silver Gardens, a low-income housing development in downtown Albuquerque and the winners of the 2012 MFA Tax Credit Design competition.

Review of 2012 Legislative Session

Mr. Montoya directed members' attention to the information behind Tab 2 of the reference guide, "2012 Passed Legislation Impacting MFA". To begin with, he noted three items in the General Appropriation Act of 2012 (HB 2, et al., Laws 2012, Chapter 19) that will have an effect on the MFA:

1. the governor's veto of language in the bill to require that "[n]o less than fifteen percent and no more than twenty-five percent of the federal funds for the low income home energy assistance program [LIHEAP] shall be used for weatherization programs" (Laws 2012, Chapter 19, p. 116, ll. 6-7);
2. a \$3 million appropriation to the Department of Finance and Administration (DFA) for the New Mexico Housing Trust Fund (Laws 2012, Chapter 19, p. 204, ll. 23-25); and
3. a \$250,000 appropriation to the DFA for regional housing authority oversight (Laws 2012, Chapter 19, p. 205, ll.1-4).

Ms. Quinn noted an additional appropriation in the General Appropriation Act of 2012 to the Office of the Attorney General for \$3.5 million "[t]o provide foreclosure prevention and mortgage counseling services to New Mexico residents" (Laws 2012, Chapter 19, p. 204, ll. 17-18). She explained that this appropriation is a budget authorization for \$3.5 million of the \$11.7 million in discretionary funds allocated to the state under the national mortgage settlement and that the MFA may be asked to administer some of this funding.

Mr. Montoya told committee members that House Taxation and Revenue Committee Substitute for House Bills 184 and 256 (Laws 2012, Chapter 5) clarifies a gross receipts deduction for construction-related expenditures and enacts a deduction from gross receipts for the lease of construction equipment. He explained that passage of this bill allows for reduction of construction costs, enabling limited affordable housing resources to stretch further.

Ms. Quinn noted that two items, the reauthorization bill and the capital outlay bill may have an effect on the MFA because of federal and state pass-through funding.

Mr. Czar and committee members expressed a number of concerns regarding the governor's veto of language in the General Appropriation Act of 2012 that would have required a minimum of 15 percent of LIHEAP funds to be used for weatherization programs. The committee members wanted to know if the governor had indicated in her veto message her reasons for vetoing the language. Ms. Quinn stated that, in general, the governor expressed a concern that sometimes the legislature tends to "intrude into the executive managerial function" regarding expenditure of federal funds. In response to committee questions and discussion, Mr. Montoya said that the MFA can receive a maximum of 15 percent of LIHEAP funds without getting a waiver. He said that while he feels confident that the MFA will receive a percentage of the LIHEAP funds, not knowing how much the agency will receive makes the execution of contracts for the coming year difficult. He also pointed out the difference between the state's fiscal year (July 1 through June 30) and the federal fiscal year (October 1 through September 30). In response to a committee member's question, Ms. Quinn said she expects the amount of available LIHEAP funds to be approximately \$10 million, whereas in the past, the MFA was generally guaranteed a share of those funds through legislative language.

In response to a committee member's question about the \$3 million appropriation for the New Mexico Housing Trust Fund, Ms. Quinn said that these funds are "highly leveraged", generating at least 10 times the original appropriation.

Mr. Montoya also noted that cutbacks in federal funds have severely impacted the availability of weatherization funds. He said that in addition, the New Mexico Gas Company is now issuing a request for proposals (RFP) for its weatherization funds, and the MFA will have to apply just as any other vendor would. In response to committee discussion and questions about this change, Mr. Montoya said that he appreciates the gas company's efforts to hold vendors more accountable for funding and is certain that the MFA will continue to receive gas company grants and will be accountable to any performance measures associated with gas company funding.

Committee members had an extensive discussion and a number of questions about a northern New Mexico weatherization vendor, Los Amigos, that did not receive a contract for the coming fiscal year to serve weatherization needs in 17 northern New Mexico counties. Mr. Montoya assured members that the amount of funding that would go to these 17 counties would not be reduced; it would simply be administered by different organizations. Committee members expressed concern about the potential number of jobs that might be lost by Los Amigos employees and about whether the fact that Los Amigos representatives had gone directly to legislators with their concerns about the contract had negatively affected the evaluation process. Mr. Czar assured the committee that requests for information from legislators on behalf of Los Amigos had, in fact, had the opposite effect. He then detailed the timetable and the steps that the MFA had taken to try to help Los Amigos meet the minimum requirements of the RFP. Mr. Montoya explained that MFA staff had worked diligently with Los Amigos staff and provided them an unprecedented level of help to provide what was lacking in the response to the RFP.

Committee members expressed concern that an entity that had served 17 counties so well

over the past few years could not meet minimum requirements of the MFA's RFP. Mr. Czar explained that the MFA would be closely reviewing the performance of the current contractor. He said that even though the contract is for three years, the MFA has the opportunity to review the contractor's performance each year in order for the contract to be renewed for a subsequent year. Some committee members expressed concern about discrepancies between what they had heard from Los Amigos staff and MFA staff and noted that the issue would be discussed in depth at a future LFC meeting. Mr. Czar also noted that the process allows for appeal of the MFA board's decision but that Los Amigos chose not to appeal, and he expressed his regret about the way things had turned out.

2012 Interim Work Plan and Meeting Schedule Development

MFA staff directed committee members' attention to copies of the 2012 Proposed Work Plan and Meeting Schedule in their committee folders. MFA staff noted the following statutory provisions that authorize the committee to create rules regarding its operations, properties and facilities that are necessary to carry out the functions and duties involved with administration of the MFA Act (Section 58-18-5 NMSA 1978) and, further, to:

- determine and monitor the distribution of funds from bond issues and other activities of the authority under provisions of the act, both on a geographical basis and on the basis of actual distribution to participants in its programs;
- monitor the authority in its control of issuance of mortgage commitments;
- meet on a regular basis to hear and evaluate periodic reports from the authority regarding enforcement of the provisions of the act and any rules promulgated to implement the act; and
- require the authority to document the need for the issuance of any bonds (Section 2-12-5 NMSA 1978).

In addition to explaining the MFA's statutory responsibilities, MFA staff also proposed that the committee focus on the following areas of legislative concern during the 2012 interim:

1. regional housing policy and budget trends;
2. changes to existing and proposed rules promulgated by the MFA;
3. updates on the neighborhood stabilization program;
4. a 2012 state-of-housing report overview;
5. an MFA funding source and program overview;
6. impacts of federal budget and housing finance reform for the MFA and affordable housing;
7. a tour of downtown Albuquerque projects, including 700 Second Street and Silver Gardens;
8. a funding update of federal American Recovery and Reinvestment Act of 2009 (ARRA) funding and post-ARRA projections;
9. federal housing policy and budget trends;
10. a review of the MFA budget and 2012-2013 strategic plan;
11. federal Affordable Housing Act rule changes; and

12. proposed legislation for the 2013 session.

Committee members and staff discussed the proposed work plan subjects. In response to committee discussion and a request, Ms. Quinn indicated that staff would prepare an accounting of all MFA-related legislation introduced during the 2012 session for the July meeting. Committee members also suggested that the work plan include a presentation on the New Mexico Housing Trust Fund report and funding source overview and an update on New Mexico foreclosures.

Regarding the proposed schedule, some committee members indicated a meeting date conflict on August 29 with the Military and Veterans' Affairs Committee and asked that the MFA meeting be changed to August 10, a date that has no other committee meeting scheduled. In response, Ms. Armijo explained that establishing meeting dates for the more than 20 interim committees without creating conflicts among voting members is quite complicated and is now done, in part, using a computer program developed especially for this task. She indicated that she would check with Doris Faust, assistant director for drafting services, LCS, who oversees the task, and Raúl E. Burciaga, director, LCS, and if the change does not create any additional conflicts, it may be made.

Without objection, committee members approved the proposed work plan and meeting dates with the suggested additions and changes.

With no further business to come before the committee, the meeting adjourned at 12:25 p.m.