

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

**August 24, 2011
San Juan College
4601 College Blvd., Room 9008
Farmington, New Mexico**

The third meeting of the Mortgage Finance Authority (MFA) Act Oversight Committee was called to order by Senator Nancy Rodriguez, vice chair, at 10:10 a.m. on August 24, 2011 at San Juan College in Farmington, New Mexico.

Present

Sen. Nancy Rodriguez, Vice Chair
Rep. Alonzo Baldonado
Rep. Ernest H. Chavez
Sen. Cisco McSorley
Sen. Gerald Ortiz y Pino
Sen. Sander Rue

Absent

Rep. Joni Marie Gutierrez, Chair
Sen. Mark Boitano
Rep. Nate Gentry

Advisory Members

Rep. Thomas A. Anderson
Rep. Rick Little

Sen. Rod Adair
Rep. Roberto "Bobby" J. Gonzales
Rep. Sandra D. Jeff
Sen. Lynda M. Lovejoy
Rep. James Roger Madalena
Sen. Richard C. Martinez
Rep. Dennis J. Roch

Staff

Claudia Armijo, Legislative Council Service (LCS)
Kim Bannerman, LCS

Guests

The guest list is in the meeting file.

Handouts

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

Wednesday, August 24

Welcome

Senator Rodriguez welcomed the members and guests, and then asked Jay Czar, executive director for the MFA, to make his opening remarks. Mr. Czar greeted everyone and thanked them for traveling to Farmington.

Mr. Czar introduced several of the audience members, as well as Farmington's mayor, the Honorable Tommy Roberts. Mr. Czar asked the mayor to address the committee.

Mayor Roberts welcomed the committee members to Farmington, expressing his appreciation for the members' attendance and interest in the MFA projects and the surrounding communities. He apprised the members of the economic outlook for Farmington first by informing them that even though Farmington's population is only about 46,000 people, the city's retail businesses benefit from a retail sales population of approximately 250,000 people. This is because Farmington is centrally located close to Cortez and Durango in Colorado, as well as four Indian reservations. He explained that people from northern New Mexico and southern Colorado travel to Farmington to shop. As a consequence, Farmington businesses have not experienced the extreme economic downturn faced by many businesses located elsewhere in New Mexico and throughout the country. Mayor Roberts opined that the fact that Farmington businesses have been able to sustain their retail sales has substantially added to the stability of the Farmington economy. Additionally, although the area had seen a decline in gross receipts tax (GRT) payments during the past 11 to 15 months, the GRT has been steadily increasing.

Next, Mayor Roberts noted that 85% of the area's energy production comes from natural gas, with 11% coming from crude oil production. The low cost of natural gas, combined with burdensome regulatory measures, have impacted the area's energy production business. He noted that many businesses have relocated elsewhere, although he did not share specifics. He followed by telling members that Farmington is looking into the potential for diversification into other types of energy production and the health care and agriculture industries. Along with looking for diversification, Mayor Roberts said that the city is trying to recruit a variety of industries to the area. Mayor Roberts told members that Farmington had experienced significant growth in economic-based jobs before the national economic downturn. Now, he said, the area has lost 4,900 economic-based jobs. He noted that Farmington has a trainable work force, a city-owned utility and outstanding health care for its residents, all positive attributes emphasized in recruiting businesses. Before closing his remarks, Mayor Roberts expressed his appreciation for the MFA and its work in the Farmington area.

Members inquired about the housing market in Farmington. Mayor Roberts noted that, although slightly depressed like much of the country, the Farmington market is doing reasonably well. He added that the foreclosure rate is not as high as it is elsewhere, nor is unemployment, which is tied closely to foreclosure rates.

Prior to moving to the next agenda item, a motion to approve the minutes from the July

2011 meeting was made and seconded. The motion passed without objection.

Mr. Czar provided an update for the committee regarding the MFA's contract with the Project Based Section 8 Housing Assistance Program through the federal Department of Housing and Urban Development (HUD). He reminded members that the contract was not renewed and it was awarded to a Texas entity. The MFA filed a protest regarding the contract award decision. Mr. Czar said that since the protest was filed, the HUD has canceled the contract awarded to the Texas entity and extended the MFA's contract for six months, at which time the MFA will have the opportunity to re-bid for the contract. Mr. Czar seemed optimistic regarding the re-bid outcome and reminded members that the entity that administers the contract for the HUD is charged with oversight of 89 New Mexico projects. Consequently, he said, it should be a New Mexico entity.

Joseph Montoya, deputy director of programs, MFA, updated the members regarding the weatherization program, explaining that all of the federal American Recovery and Reinvestment Act of 2009 (ARRA) funds will be spent for weatherization projects before the funds expire. The program serves low-income New Mexicans and has helped create jobs throughout the state in the weatherizing and construction industries.

The committee next toured two MFA-administered projects in Farmington. The first was a home in the process of being weatherized. For the last 12 years, the MFA has administered about \$5 million a year for New Mexico EnergySmart, New Mexico's weatherization program. Under the ARRA, the MFA received an additional \$26.8 million for weatherization services throughout the state.

The federal dollars allow the MFA's subgrantees to perform up to \$6,500 in weatherization services in each home, up from the previous \$3,000 limit. In addition, families at or below 200% of the federal poverty level will be eligible to apply for assistance, up from 150%.

Whether a person owns or rents or lives in a single-family home or a mobile home, that person can apply for assistance. Preference is given to persons over 60 years of age, persons with disabilities and, in some cases, families with children. If a person in the household receives supplemental security income or Temporary Assistance for Needy Families Program benefits, the person is automatically eligible.

After performing an energy audit, a trained inspector will determine the best energy conservation measures for the home. The inspector will also make sure that the home meets safety codes. The inspector will then meet with the homeowner to explain how the weatherization crew will conduct the work. Throughout the weatherization process, the health and safety of the household members remain a priority. After the weatherization work is completed, an inspector will return to the home to ensure that everything is working properly.

Some typical weatherization work that may be done to a home includes:

- 1) weather-stripping and caulking around doors and windows;
- 2) replacing broken glass panes or windows;
- 3) installing insulation, including on water heaters and in attics;
- 4) tuning up, repairing or replacing the furnace or heating unit;
- 5) installing carbon monoxide detectors;
- 6) replacing incandescent bulbs with compact fluorescent light bulbs; and
- 7) replacing a high-energy consuming refrigerator with an energy-efficient one.

Committee members met the homeowner of the house being weatherized in Farmington, as well as some of the weatherization workers. The workers explained the weatherization process that had taken place for the property so far, including the initial diagnostics, and a determination of how much and where the air was escaping from the home. So far, the property had received insulation, new energy-saving windows and weather stripping. The diagnostics determined the need for a new roof. However, roofing work is not included in the weatherization program.

Next, the members were provided a tour of La Terraza Apartments in Farmington, a low-income, new construction apartment complex developed using the federal Tax Credit Assistance Program (TCAP) administered through the MFA. The ARRA provides \$2.25 billion of grant funding to cover gaps in financing for low-income housing construction. The financing gaps these funds will cover came about because of difficulties in finding investors for credits, receiving lower than anticipated prices for credits and resulting delays in beginning construction. New Mexico will receive \$13,876,558 in TCAP money, which will be administered by the MFA.

The MFA uses the TCAP funds for tax credit properties that received credit awards in 2007, 2008 and 2009. The MFA intends to get the TCAP funds to eligible properties quickly through the systems that are already in place and anticipates that, when the funding is fully implemented, up to 12 affordable housing projects may be restarted. The construction of these projects could provide between 550 and 825 new rental homes for low-income households throughout New Mexico, create an estimated 600 full-time jobs and add an estimated \$46 million to local and state economies.

During the visit, a ribbon-cutting ceremony took place honoring the opening of the development. Members toured a one-bedroom unit and a three-bedroom unit. The apartments are centrally located near the hospital and public transportation. The development has common areas for residents, as well as playground areas for children. Members were advised that the development has a waiting list for low-income units. The committee was addressed by two current residents of the apartments, both of whom relayed their appreciation for their respective low-income units.

After completing the tour of La Terraza and with no further committee business, the meeting adjourned at 1:00 p.m.