

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

**July 30, 2019
New Mexico Mortgage Finance Authority Office
344 Fourth St. SW
Albuquerque**

The second meeting of the Mortgage Finance Authority Act Oversight Committee was called to order by Representative Eliseo Lee Alcon, chair, on Tuesday, July 30, 2019, at 10:07 a.m. at the New Mexico Mortgage Finance Authority (MFA) office in Albuquerque.

Present

Rep. Eliseo Lee Alcon, Chair
Sen. Nancy Rodriguez, Vice Chair
Sen. Gregory A. Baca
Rep. Alonzo Baldonado
Sen. Stuart Ingle
Rep. Rod Montoya
Sen. Michael Padilla
Rep. Andrea Romero

Absent

Rep. Rachel A. Black
Rep. Kelly K. Fajardo
Rep. Georgene Louis
Rep. Javier Martínez
Sen. Richard C. Martinez
Sen. Gerald Ortiz y Pino
Sen. Sander Rue

Advisory Members

Rep. Roberto "Bobby" J. Gonzales
Rep. Sheryl Williams Stapleton

Guest Legislators

Rep. Phelps Anderson
Rep. Willie D. Madrid

Staff

Anthony Montoya, Staff Attorney, Legislative Council Service (LCS)
Diego Jimenez, Research Assistant, LCS
Tabitha Enriquez, Research Intern, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file.

Tuesday, July 30

Welcome and Introductions

Representative Alcon welcomed members of the committee, staff and guests. Committee members and staff introduced themselves.

Welcome and Update

The chair recognized Jay Czar, executive director, MFA, who welcomed the committee and provided an update of events since the last meeting.

Mr. Czar stated that Governor Michelle Lujan Grisham recently appointed four members to the MFA Board of Directors: Angel Reyes was reappointed as chair; Rebecca Wurzbarger and Derek Valdo will begin serving immediately; and Rosalyn Nguyen Chafey will begin serving once the Senate approves her nomination.

Mr. Czar reported that Isidoro "Izzy" Hernandez, deputy director of programs, MFA, presented a Permian Basin housing briefing at the Legislative Finance Committee's meeting in Cloudcroft on July 10, 2019.

Mr. Czar announced that the MFA's August board meeting and retreat will be held August 20-21, 2019 at the Sandia Resort and Casino in Albuquerque and that the MFA's 2019 open house will be held Thursday, September 12, from 4:00 p.m. to 6:00 p.m. A committee member reminded attendees to check their emails regarding the next committee meeting because the times may change. Additionally, Mr. Czar stated that in September, the MFA will host a roundtable with Congresswoman Debra A. Haaland and community housing leaders.

MFA 2020 Legislative Agenda

Rebecca Velarde, director of policy and planning, MFA, outlined the MFA's legislative requests for the 2020 legislative session. She said that the proposals included \$10 million for the New Mexico Housing Trust Fund (NMHTF); \$300,000 for regional housing authority oversight; \$250,000 for affordable housing oversight; \$2 million for low-income energy conservation; \$2 million for veteran home rehabilitation; \$2 million for low-income home emergency repairs; and \$500,000 for pre-purchase education for homebuyers.

Ms. Velarde stated that appropriations requested for the NMHTF would help build or rehabilitate approximately 1,000 quality affordable homes for low-income New Mexicans. Since its creation in 2005, she said, the fund has grown to \$27.9 million and has awarded more than \$49 million. Ms. Velarde explained that the NMHTF has leveraged funding at a 25-to-1 return on the state's investment.

Ms. Velarde noted that in 2009, the MFA was mandated by the state to restructure and oversee the regional housing authorities (RHAs). She discussed the need for recurring funds for the MFA's oversight function over the three RHAs, adding that 25 percent of the proposed appropriation would be used to cover the MFA's oversight costs, while the remaining 75 percent would be dedicated to specialized training, technical assistance and capacity building.

Ms. Velarde explained that the Affordable Housing Act (AHA) allows the state and local governments to donate public funds, land, buildings and other resources to affordable housing projects. She reported that to date, over \$56 million in land and resources have been donated through the AHA and that the requested appropriation will enable the MFA to oversee the implementation of the AHA, provide direct technical assistance to local governments and offer planning and implementation grants to local governments on an as-needed basis.

Ms. Velarde explained that the New Mexico EnergySmart Program weatherizes approximately 1,000 low-income family homes each year using two federal sources, the Weatherization Assistance Program (WAP) and the Low Income Home Energy Assistance Program (LIHEAP). She said that the appropriation for low-income energy conservation will help to weatherize and provide energy efficiency upgrades for an additional 300 low-income households in the state, noting that more than 200,000 households are currently eligible for the program and over 2,300 households are on the waiting list.

Ms. Velarde said that due to high demand and limited funding, the MFA's existing rehabilitation and weatherization programs are only able to assist about 100 veteran households each year. She explained that the appropriation for veterans' housing rehabilitation will help rehabilitate an additional 120 homes for low-income, honorably discharged veterans.

Ms. Velarde stated that the appropriation for low-income home emergency repairs could help approximately 250 low-income households make emergency repairs and mitigate health and safety hazards, adding that a high percentage of low-income families own their homes but lack the resources to make repairs. Additionally, Ms. Velarde explained that the MFA is seeking funding to create and implement a statewide pre-purchase education program for first-time homebuyers.

The committee then discussed the various programs. In response to questions, Ms. Velarde explained that the NMHTF was created in 2005 with an initial appropriation of \$10 million and subsequent appropriations of \$10.85 million and that the NMHTF has helped construct or rehabilitate over 3,500 homes.

A committee member asked if the Veterans Housing Rehabilitation Program serves disabled veterans that cannot work full time. Ms. Velarde assured the committee that those veterans are the program's target audience. When asked if the program is matched dollar for dollar, Mr. Hernandez explained that it is matched \$0.50 per \$1.00. The committee then discussed the importance of the emergency repairs program and how it could help seniors with

housing renovations and weatherization. Ms. Velarde said that the emergency repairs program is open to anyone who is eligible, including seniors, for health and safety needs, such as air conditioning, roofing or widening doors for wheelchairs. A committee member asked about the potential sponsors for the pre-purchase homebuyer education program. Ms. Velarde informed the committee that lenders and realtors support and promote the program.

Federal Housing Policy and Budget Trends

Ms. Velarde gave an overview of federal housing policy as well as a budget update. She began by explaining that the MFA is a quasi-governmental agency that works in the public interest but generates its own revenue for operations.

Ms. Velarde stated that the MFA's estimated funding for fiscal year (FY) 2019 totals \$796.4 million and that funding is projected from the following sources: \$600.1 million from private activity bonds; \$141.6 million from federal housing programs; \$19.8 million from the MFA's general fund; \$15.2 million from private funding and other sources; and \$12.2 million from state funding and appropriations. Ms. Velarde then discussed the grant allocations to the MFA. While funding for the federal formula grants decreased from the previous fiscal year, Ms. Velarde highlighted the increase in federal competitive grants that were awarded to the MFA for FY 2019.

Ms. Velarde walked the committee through the budget and appropriations process. She noted that historically, after the president's administration releases its proposed budget, Congress develops and passes appropriation bills that may or may not reflect the administration's proposals. Ms. Velarde explained that in recent years, Congress has passed continuing resolutions that essentially flat-fund federal housing programs at their previous levels or with small modifications.

Ms. Velarde then discussed legislation proposed or recently enacted at the federal level, including the Affordable Housing Credit Improvement Act of 2019, the Housing Infrastructure Act of 2019 and the Investing in Opportunity Act.

In response to questions about opportunity zones under the federal Investing in Opportunity Act, Ms. Velarde explained that New Mexico had 249 census tracts that were eligible to be designated as opportunity zones. She noted that the governor submitted 128 tracts for consideration and 63 tracts were ultimately designated as opportunity zones. Ms. Velarde added that multiple projects are allowed in each tract and that the designated tracts will not change with the upcoming census because they were zoned for a 10-year period. Ms. Velarde explained that it is unknown if the program will continue past the 10-year period, but if it does, the designated opportunity zones may change. Ms. Velarde stated that under the federal Investing in Opportunity Act, certain percentages of capital gains are excluded from taxation if the initial investment in an opportunity zone is for a designated period of time. The committee requested updates, presentations and community outreach to explain the program to investors.

New Mexico EnergySmart Update

Amy Gutierrez, program manager, New Mexico EnergySmart, MFA, and Troy Cucchiara, green initiative manager, MFA, gave an update on the WAP. Ms. Gutierrez stated that weatherizing homes reduces energy consumption, lowers utility bills and improves health and safety conditions. She added that to be eligible for the program, applicants must own or rent a home and their household income must be below 200 percent of the federal poverty level. She stated that federal regulations then rank households based on need, giving priority to families with disabilities, children, elderly and high energy usage.

Mr. Cucchiara explained that after an initial energy efficiency assessment, recommendations are made and a variety of measures are implemented to weatherize a home at little or no cost to the homeowner or renter. Ms. Gutierrez outlined how the WAP receives funding from the United States Department of Energy, the LIHEAP, the federal Community Development Block Grant Program, the State of New Mexico and local utility companies. Ms. Gutierrez stated that the need for the WAP exceeds the available funding, noting that there are currently 2,412 households on the WAP waiting list and that only 487 households can be served with the available funding. She said that the number of available units may decrease if federal funding is not fully allocated to the program this year.

Mr. Cucchiara explained that the MFA administers the WAP through three community-based nonprofit organizations: the Central New Mexico Housing Corporation, the Southwestern Regional Housing and Community Development Corporation and the International Center for Appropriate and Sustainable Technology. Mr. Cucchiara stated that New Mexico's WAP has been nationally recognized as a success.

Mr. Cucchiara responded to questions about the WAP waiting list. He explained that due to federal ranking requirements, the MFA is unable to fulfill all requests. He said that waiting list numbers do fluctuate and that demand for the program is expected to increase slowly over time. Mr. Cucchiara pointed out that this increase in demand will require a future increase in funding.

RHA Update

Gina Bell, assistant director of community development, MFA, and Mr. Hernandez presented an overview of the three RHAs.

Ms. Bell reported that in 2009, Senate Bill 20 mandated that the MFA provide oversight over the RHAs. She added that the MFA must submit an annual report to the Department of Finance and Administration, the Mortgage Finance Authority Act Oversight Committee and the Legislative Finance Committee and that the report is released in the spring of each year. Ms. Bell explained that in 2019, House Bill 505 reduced RHA board member requirements from one commissioner for each county to no fewer than seven members with no more than two members from one county. She stated that the measure also clarified the ownership of property by the RHAs and simplified property transfers for the RHAs.

Ms. Bell stated that the RHAs have a total of 433 low-rent units and 3,420 Housing Choice Voucher Program (HCV) units and that funding, totaling over \$13 million, comes from the following federal sources and from other sources: the Low Rent Operating Subsidy Program, the Capital Fund, HCV funding, the Family Self-Sufficiency Program (FSS). She reported that the Eastern RHA has consolidated with the City of Eunice, the Town of Vaughn and the City of Lovington and is currently consolidating with the City of Artesia and that the Western RHA is currently consolidating with the City of Lordsburg. The Northern RHA manages the Linkages program for the MFA, she said.

Mr. Hernandez stated that the housing authorities were regionalized to minimize the financial burden of the United States Department of Housing and Urban Development's (HUD's) operational oversight; ensure more direct oversight; maximize the return on training and operational dollars; and preserve housing and subsidies. He explained that the MFA collaborates with the RHAs by providing training and technical assistance, peer exchange meetings, on-site monitoring visits and annual reports. He stated that the MFA also assists with transfers, other MFA programs, the New Mexico Housing Summit and the National Association of Housing and Redevelopment Officials Annual Conference.

Ms. Bell explained how the federal Section Eight Management Assessment Program (SEMAP) measures the performance of the public housing authorities (PHAs) that administer the HCV. She stated that the SEMAP score is based on factors such as: proper selection of applicants from the waiting list; accurate verification of family income; reasonable rent for each unit leased; payment standards within the required range of the HUD fair market rent; quality control inspections to ensure housing quality; enrollment of families in the FSS; and assistance to FSS families to achieve increases in employment income. She said that the Eastern and Western RHAs received standard and high performer scores from the SEMAP, while the Northern RHA was given a "troubled" designation by the SEMAP.

Ms. Bell explained that the MFA has made efforts to help the Northern RHA improve its troubled status with the SEMAP, such as hosting the Northern RHA board meetings at the MFA, providing training and technical assistance through the Gallup Housing Authority, providing financial assistance and recruiting four new board members. She stated that the MFA is also conducting a full agency assessment to be completed in August 2019 that will help the MFA determine if it can provide any additional assistance to the Northern RHA.

The committee then discussed the problems facing the Northern RHA. Michael Cabral, acting executive director, Northern RHA, explained that deferred maintenance has left properties in poor condition and that the region's aging infrastructure has also caused difficulties. Mr. Cabral stated that he plans on suspending the public housing and HCV waiting lists until the number of people waiting is reduced. To combat the Northern RHA's troubled status, Mr. Cabral said that he had to streamline its budget and staff, adding that he currently has one part-time office employee and one part-time maintenance employee. Mr. Cabral said that he plans on hiring and training new staff this fiscal year.

The committee also discussed the need for additional public housing incentives in Taos, noting that many of the homes that qualify for the public housing program are being used for short-term housing or vacation rentals instead of long-term needs such as Section 8 rental assistance housing. A member suggested using town bonds to make low-interest loans to homeowners to upgrade their properties and make them available to the public housing program for a period of time, adding that these improvements could increase the value of the home for its future use as short- or long-term housing.

Approval of Minutes

Upon a motion made and seconded, and without any objections, the committee approved the minutes of the June 18, 2019 meeting.

Public and Indian Housing Authority Update

Mr. Hernandez and Ms. Bell provided an update on PHAs. Mr. Hernandez stated that New Mexico has 28 PHAs statewide, including two in Santa Fe County and two in Bernalillo County, and that the PHAs have 3,597 low-rent units, 11,869 HCV units, 21 project-based voucher units and 81 non-annual contributions contract units, for a total of 15,568 units. He explained that the PHAs received \$70,641,186 in funding from the Low Rent Operating Subsidy Program, the 2019 federal Capital Fund, the 2018 federal FSS, the 2019 federal HCV, the 2018 federal Moderate Rehabilitation Program and the 2018 federal Single Room Occupancy program.

Mr. Hernandez explained that HUD evaluated the 28 PHAs, noting that three received a high designation; three received a standard designation; eight received a substandard designation; 10 were deregulated, which means that their agency's score does not go against them in a given year; three were not applicable; and one of the PHAs in Bernalillo County was designated as a Rental Assistance Demonstration (RAD) project. Mr. Hernandez stated that the RAD program is a voluntary HUD program. The RAD program seeks to preserve public housing by providing the PHAs with access to more stable funding to make improvements to properties, he said, and three of New Mexico's PHAs are participating in HUD's RAD program.

Mr. Hernandez stated that the Veterans Affairs Supportive Housing (VASH) program is a collaborative program between HUD and the United States Department of Veterans Affairs (VA) that combines HUD housing vouchers with VA supportive services to help homeless veterans and their families find and sustain permanent housing. Currently, there are nine VASH sites and 710 vouchers in New Mexico, he said.

Mr. Hernandez stated that tribal housing authorities are located in Otero, Valencia, Cibola, McKinley, Bernalillo, Santa Fe, Sandoval, Taos and Rio Arriba counties. Funding for tribal housing authorities comes from the federal Indian Housing Block Grant program, the federal Indian Community Development Block Grant program, the Tribal VASH program and the Resident Opportunities and Self-Sufficiency Grant program, for a total of \$29,473,723.

Mr. Hernandez explained that, overall, the RHAs have 3,420 units and over \$13 million in funding; the PHAs have 15,568 units and over \$70 million in funding; and the tribal housing authorities have 1,074 units and over \$29 million in funding. In total, New Mexico's housing authorities have 20,062 units or vouchers and \$113,182,942 of funding, he said.

The committee discussed the imbalance of funding for major housing projects that are concentrated in urban areas versus rural areas. The committee also discussed the mandate the MFA was given for oversight of the RHAs, the need for funding and how the funding will be used by the MFA.

Adjournment

There being no further business before the committee, the meeting adjourned at 1:04 p.m.