

**MINUTES
of the
FIRST MEETING OF THE 2017 INTERIM
of the
MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE**

**June 13, 2017
New Mexico Mortgage Finance Authority Office
344 Fourth St. SW
Albuquerque**

The first meeting of the 2017 interim of the Mortgage Finance Authority Act Oversight Committee was called to order by Representative Eliseo Lee Alcon, chair, on June 13, 2017 at 2:37 p.m. in 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. Kelly K. Fajardo
Sen. Cisco McSorley
Rep. Rod Montoya

Absent

Sen. Stuart Ingle
Rep. Sheryl Williams Stapleton

Advisory Members

Rep. Alonzo Baldonado
Rep. George Dodge, Jr.
Rep. Bealquin Bill Gomez
Rep. Roberto "Bobby" J. Gonzales
Sen. Richard C. Martinez
Sen. Gerald Ortiz y Pino
Sen. Michael Padilla
Rep. Dennis J. Roch

Rep. Bill McCamley
Sen. Sander Rue
Rep. Nathan P. Small
Sen. Jeff Steinborn

Staff

Mark Edwards, Drafter, Legislative Council Service (LCS)
Sharon Ball, Drafter/Senior Researcher, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts and other written testimony are in the meeting file.

Tuesday, June 13

Representative Alcon called the meeting to order and welcomed members, staff and guests and then asked committee members and staff to introduce themselves.

Introductions of Lead Program Staff

The chair recognized Jay Czar, executive director, MFA, to introduce lead program staff and provide the committee with information about MFA staff and programs. Mr. Czar advised members that the meeting was being webcast and noted that the microphones are extremely sensitive and suggested that members keep sidebar conversations to a minimum and avoid shuffling papers to avoid interference with the webcast. He also noted that the meeting room dais is a little more crowded this year than previously, with an increase in membership from 16 to 20.

Mr. Czar recognized the MFA deputy director of finance and administration, Gina Hickman, CPA, who has been with the MFA for eight years. He noted that prior to her service at the MFA, she had been chief financial officer at the Albuquerque Public School District. Next, Mr. Czar recognized Isidoro "Izzy" Hernandez, MFA deputy director of programs, who started his career nearly 26 years ago at the MFA as a management intern. Mr. Czar said he is proud of Mr. Hernandez's accomplishments and contributions to the agency. He told the committee that Mr. Hernandez recently retired from the New Mexico National Guard as a "full-bird" colonel and added that his retirement is the reason that Mr. Hernandez now sports a beard and long hair. On behalf of the committee, Representative Alcon thanked Mr. Hernandez for his service.

Mr. Czar then recognized Monica Abeita, MFA senior policy and program advisor, who, he said, has been with the MFA for four years. He noted that, in addition to working with the state legislators and other state and local elected officials, Ms. Abeita works closely with New Mexico's congressional delegation. He noted that in the past 10 years or so, with the downturn in the economy, federal funds have become increasingly important to accomplishing the agency's mission of "provid[ing] innovative products, education and services in collaboration with strategic partners to finance the purchase, construction and preservation of quality affordable housing to strengthen the social and economic development of New Mexico".

Finally, Mr. Czar recognized Sandra Marez, senior administrative assistant and the longest-serving employee in the agency, now in her thirty-first year. He also pointed out John Anderson and David Schmidt, MFA contract lobbyists. He said that other staff members would come before the committee during future meetings as they are needed to provide agency information.

2017 MFA Reference Guide: Overview of Programs and Funding

Providing some historical background, Mr. Czar said that back in the mid-1970s, many states, including New Mexico, were establishing housing finance authorities to take advantage of new federal tax-exempt bonding authority to support mortgage products for first-time

homebuyers who met low-to-moderate income criteria. Then-Governor Jerry Apodaca worked with his fellow "Mama Lucy Gang", a left-leaning informal coalition of legislators that included Representative Eddie Lopez of Santa Fe and Representatives Adele Cinelli Hundley and Raymond Sanchez of Albuquerque, to introduce legislation to create a self-supporting "governmental instrumentality" to provide available, applicable resources for residents with low or moderate incomes to become homeowners. The governor also called upon a Grants lobbyist, Toby Michael, who would later become a state legislator, to assist in getting the bill passed. The bill passed in 1975 but had no funding. Mr. Michael was named the first chair of the MFA, and he, together with several of his fellow board members, took out personal loans to get the program started.

Mr. Czar explained that the first MFA legislative oversight committee convened on September 25, 1975. He said that the minutes of that meeting reflected that committee member Senator Joseph Fidel said that it was "urgent for the committee to work with the authority to make the Mortgage Finance Act work successfully". Mr. Czar told the committee that the MFA has, in fact, worked very successfully since that time. In 1977, Governor Apodaca transferred all state housing-related activities to the MFA, creating a "one-stop shop" for all affordable housing programs, including federal Department of Housing and Urban Development (HUD) funding, weatherization and low-income housing tax credit (LIHTC) programs.

"Fast forwarding" to the present time, Mr. Czar directed members' attention to the presentation of a short video illustrating the MFA's production highlights.

After the video, Mr. Czar walked committee members through the meeting materials. He noted that legislation establishing the MFA was behind Tab 2, and behind Tab 3 were the MFA's rules and regulations promulgated by the MFA board and approved by the committee on a regular basis. He indicated that Marjory Martin, MFA senior legal counsel, would present any board-approved proposed changes to the committee later in the interim.

Moving on to the material behind Tab 4, "2017 MFA Legislative Agenda", Mr. Czar explained that, usually, the MFA requests several direct appropriations from the legislature, but this year the agency requested funding for only two important programs.

The first request, he explained, involves the MFA's oversight of state regional housing authorities. He said that in 2009, after a scandal involving fraud and waste with the then-existing seven regional housing authorities, the legislature passed and the governor signed into law a measure that mandated the MFA to restructure and oversee all of the state's regional housing authorities. As part of its "housecleaning" and restructuring, the MFA consolidated those seven existing regional housing authorities into three and began providing training and technical assistance and ensuring annual audits. In recent years, the legislature has stopped providing the MFA with minimal funding, requiring the agency to use its earned income for the oversight. For the 2017 session, the MFA requested an appropriation of \$300,000 in Senate Bill (SB) 92, which was carried by Senator Mary Kay Papen. In response to a committee question, Mr. Czar

indicated that the bill did not pass and no appropriation was included in the General Appropriation Act of 2017. Committee members expressed concern that not providing the requested minimal funding takes away funding from other programs, "robbing Peter to pay Paul". Mr. Czar emphasized that since the MFA began its oversight, there have been no instances of fraud, waste or abuse within the consolidated three regional housing authorities.

Mr. Czar went on to explain that the second bill, SB 129, carried by Senator Ingle, requested a \$250,000 appropriation to fund the MFA's duties required by provisions in the Affordable Housing Act, enacted in 2004. The act provides an exemption from the Constitution of New Mexico's Anti-Donation Clause and allows state and local governments to contribute public funds, land, buildings and other resources to create and preserve affordable housing. He said that to date, the MFA has assisted 40 local governments to create and implement affordable housing plans and ordinances that have resulted in nearly \$43 million in donations for affordable housing. Mr. Czar concluded by saying that, as a self-supporting agency, the MFA receives no operating funds from the state, requiring the MFA again "to rob Peter to pay Paul".

Also behind Tab 4, Mr. Czar pointed out the 2015 MFA production highlights. He said that the 2016 production highlights can be found on the MFA web page. He pointed out that in 2016, the MFA provided more than \$450 million in low-interest financing and grants for affordable housing and related services throughout New Mexico — a 30 percent increase from 2015.

Behind Tab 5, Mr. Czar pointed out the listing of the members of the MFA's Board of Directors. He noted that the MFA board consists of seven members, three of whom are members by virtue of their respective elected positions: Lieutenant Governor John Sanchez, Attorney General Hector Balderas and State Treasurer Tim Eichenberg. The other four members are governor appointees: Dennis R. Burt, chair, Burt & Company CPAs; Angel Reyes, vice chair, president of Centinel Bank in Taos; Randy McMillan, director, president of NAI, First Valley Realty, Inc.; and Steven J. Smith, treasurer, president of R.O.G. Enterprises.

Mr. Czar said that the MFA board is very active, and he told committee members they would be welcome to sit in on any of the board meetings or the board retreat.

Pointing out the organizational chart behind Tab 6 and the MFA strategic plan behind Tab 7, Mr. Czar said that during the 40 years the MFA has been in existence, it has built a solid foundation as a reputable organization recognized for its prudent fiscal management, strong regulatory compliance, professional staff and dedication to customer service, allowing it to administer successfully more than 30 affordable housing programs for the benefit of low-income residents of New Mexico. He said that the MFA focuses on the following priorities for strategic alignment of its work: 1) operational excellence; 2) cultivation of new resources; 3) effective partnerships; 4) expanding homeownership opportunities; and 5) expanding rental opportunities.

Referring to Tab 8, Mr. Czar briefly discussed "Top Ten Myths. . .Debunked", noting that the MFA is often confused with the New Mexico Finance Authority (NMFA). He explained that the MFA, unlike the NMFA, provides funding only for housing for qualifying low-income persons; it does not develop or build homes. Like a bank, the MFA provides financing to developers whose projects qualify for loans, tax credits or sometimes grants. He explained that the MFA actually has very little grant funding available because the MFA borrows most of its funding, requiring it to lend, rather than grant, funding. He reiterated that the MFA is not a state agency but an "instrumentality of the state". Also, he noted that people sometimes think the MFA is part of HUD, which is a federal agency that provides various financial resources for housing and community development. He said that while the MFA is not part of the federal agency, it does administer HUD funding and contracts on behalf of the state.

Ms. Hickman directed members' attention to the information behind Tabs 9, 10 and 11, all of which relate to MFA funding sources, federal program fund sources and nine percent LIHTC awards. She explained that the pie chart, "MFA Estimated Funding Sources — 2016", demonstrates that the MFA is self-funding. Of the estimated total of \$508 million, she said that 72.2 percent, or \$366.8 million, of estimated funding sources come from MFA issuance of tax-exempt bonds. Federal funding for housing programs makes up 21.1 percent, or \$107.1 million, with 3.4 percent (\$17.2 million) from the MFA general fund, 2.0 percent (\$10 million) from state tax credits and appropriations and 1.9 percent (\$9.9 million) from private and other sources. In response to a committee question, Ms. Hickman indicated that the State Board of Finance determines the MFA's bonding capacity, which is backed by revenues from mortgage loans. In response to additional questions and some discussion, Ms. Hickman said that New Mexico's affordable housing tax credit provides incentives for up to \$8.8 million in private donations for affordable housing. In response to committee questions and discussion, Ms. Hickman noted that "private and other sources" include weatherization funds from the Low Income Housing Energy Assistance Program, usually called "LIHEAP". In response to committee discussion and questions about the effect of the federal budget development process, Mr. Czar indicated that if the U.S. Congress cannot agree on a budget, he is hoping for a "continuing resolution", which will allow HUD funds to continue to flow to the states.

Ms. Hickman told the committee that the MFA is subject to New Mexico state audit rules and probably is the "most audited" agency — or quasi agency — in state government. She said that the summary list of audits is behind Tab 10. In response to committee discussion and questions, she said that many of programs that the MFA oversees require these audits. She added that the MFA sees these audits as opportunities to research and implement best practices and improve the agency's financial procedure and practices. Mr. Czar told the committee that he is proud that the MFA has yet to receive a "qualified" audit, which would indicate a less-than-desirable result. He told committee members that they could drop by the MFA office and see some sort of audit in process year round.

Continuing to Tab 11, Ms. Hickman discussed the MFA's 2016 federal program fund summary, noting that HUD programs include the Home Investment Partnerships Program, which

has been cut by 57 percent since fiscal year 2010; the Housing Opportunities for Persons with AIDS grants; and a HUD emergency solutions formula grant of just over \$1.1 million to assist homeless individuals and families and others at risk of becoming homeless, as well as victims of domestic violence, youth, people with mental illness, families with children and veterans. She said that a U.S. Department of Energy (DOE) formula grant of over \$1.6 million, also called the NM EnergySmart Program, provides weatherization assistance to households with incomes at or below 200 percent of the federal poverty level. She explained that this program gives priority to the elderly, as well as to households in which one or more members have a disability and households with young children.

Moving to the information behind Tab 12, Ms. Hickman discussed the spreadsheets showing the distribution of nine percent LIHTC awards by congressional district and county, from 2000 to 2016. In response to committee questions and discussion, Ms. Hickman agreed that Congressional District 1 (all of Bernalillo County and parts of Sandoval County) received less than its per capita share of awards. Specifically, Congressional District 1 residents received 25.7 percent of LIHTCs, while residents of Congressional District 2, including Chaves, Cibola, Dona Ana, Eddy, Grant, Lea, Lincoln, Luna, Otero and Valencia counties, received 37.7 percent of LIHTCs and residents of Congressional District 3, including Curry, Los Alamos, McKinley, Rio Arriba, San Juan, San Miguel, Santa Fe, Taos and Union counties and parts of Sandoval County received 36.5 percent. Looking from a different perspective, 44.7 percent of the awards were made in the metropolitan areas of Albuquerque, Farmington, Las Cruces and Santa Fe, while 55.3 percent of awards were made in rural areas. In terms of large and small cities, 63.9 percent of the awards were made in municipalities with populations greater than 25,000, while 36.1 percent of LIHTCs were made in municipalities with populations less than 25,000.

Ms. Hickman also discussed the estimated economic impact of LIHTC projects in New Mexico, including the number of jobs by congressional district, as well as the annual effect in generation of taxes, user fees and charges.

Mr. Czar ended the presentation by directing members' attention to the information behind Tab 13, which includes a comprehensive glossary of terms that includes acronyms, key words and phrases frequently used in connection with the financing of housing by state and local housing and finance agencies. Members thanked the MFA staff for such a helpful, comprehensive lexicon of bond and mortgage terms.

2017 Interim Committee Procedures and Adoption of Proposed Work Plan

Mr. Edwards directed members' attention to a memorandum from LCS Director Raúl E. Burciaga that was included in the meeting materials and provides a summary of interim committee reminders that are applicable to all New Mexico Legislative Council-approved committees, including information about the interim meeting calendar, rules relating to voting and committee action, the "blocking provision", meeting outside the State Capitol after the end of September and policies and procedures for attending other committee meetings.

Mr. Edwards then went on to discuss the proposed committee work plan. He explained that the committee's responsibilities are statutory, so the work plan includes items that generally do not vary much from year to year. He noted that with more than 20 different interim committees, meeting dates are set up by the New Mexico Legislative Council with the aim of avoiding conflicts among committee meeting dates for voting members of committees.

Mr. Edwards noted that in addition to carrying out its statutory responsibilities, the committee would review and receive presentations on the following:

- (1) regional housing;
- (2) changes to existing and proposed rules promulgated by the MFA;
- (3) the MFA's funding source and program overview, including the MFA's single-family mortgage products and the NM EnergySmart Program;
- (4) the Affordable Housing Act and the affordable housing tax credit;
- (5) federal housing policy and budget trends;
- (6) the New Mexico Housing Trust Fund;
- (7) the MFA budget and current strategic plan;
- (8) reports on bonds issued, financing strategies and market updates; and
- (9) proposed legislation for the 2018 session.

After some discussion of several suggested topics and meeting locations, committee members agreed to include an additional topic and perhaps a joint meeting with another interim committee to address the challenges in developing housing infrastructure adequate to meet the needs of the growing workforce in southern Dona Ana County.

Upon a motion made by Senator McSorley and seconded by Representative Fajardo, the committee adopted the proposed work plan and meeting schedule, allowing for logistical changes to be made by staff in consultation with the chair and vice chair. The motion passed without objection.

Mr. Czar said that his staff and LCS staff would meet before the July 14 meeting to organize tentative agendas for the remainder of the interim.

Adjournment

There being no further business before the committee, the meeting adjourned at 4:20 p.m.