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FISCAL IMPACT REPORT

SPONSOR Gonzales/Alcon **ORIGINAL DATE** 2/11/19
/Sanchez **LAST UPDATED** _____ **HB** 505

SHORT TITLE Regional Housing Authority Changes **SB** _____

ANALYST Leger

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		Indeterminate but may be lower	Indeterminate but may be lower	Indeterminate but may be lower	Recurring	Regional Housing Authority Operating Fund

(Parenthesis () Indicate Expenditure Decreases)

Relates to Senate Bill 40

Relates to \$200.0 appropriation in the General Appropriation Act for regional housing oversight and training

SOURCES OF INFORMATION

LFC Files

Responses Received From

New Mexico Mortgage Finance Authority (MFA)

SUMMARY

Synopsis of House Bill 505

The bill amends the Regional Housing Law: 1) to facilitate the appointment of qualified commissioners by reducing the number of required commissioners, 2) to remove the requirement that the state board of finance approve non-profit organizations created by regional housing authorities and 3) to clarify that property owned by regional housing authorities that existed prior to 2009 are now owned by successor regional housing authorities operating in the counties where the properties are located.

FISCAL IMPLICATIONS

According to MFA, regional housing authorities may realize cost savings associated with title searches and related costs because the bill clarifies that property owned by regional housing authorities that existed prior to 2009 is owned by the successor regional housing authorities.

SIGNIFICANT ISSUES

In 2009, the Legislature enacted legislation requiring MFA to provide oversight of New Mexico's regional housing authorities (RHAs). New Mexico's three RHAs (Northern Regional Housing Authority in Taos, Eastern Regional Housing Authority in Roswell and Western Regional Housing Authority in Silver City and Deming) are responsible for providing housing services in rural areas.

The bill addresses difficulties encountered by the RHAs since the law changed in 2009. As a result MFA supports the proposed amendments as follows:



1. **Appointment of qualified commissioners by reducing the number of commissioners.** MFA has observed that it is difficult for one qualified commissioner to represent each county in the authority's designated area, especially in extremely rural counties. Threshold requirements for regional housing authority commissioners include expertise in housing construction, real estate, architecture, law, banking, housing finance, business, property management, accounting, residential development, public housing programs, community development, social services or health care. The bill proposes a change that regional housing authority boards of commissioners have no less than seven commissioners, and that no more than two commissioners reside in the same county. This change makes it easier for the regional housing authorities, with help from MFA, to identify qualified commissioners while still preserving representation from most of the counties in the authority's designated area.
2. **Remove the requirement that the state board of finance approve non-profit organizations created by regional housing authorities.** Subsection 11-3A-9 of the Law enables regional housing authorities to create nonprofit corporations, provided that the state board of finance approves the corporations and that non-profit organizational documents are approved by the state board of finance and MFA. The bill eliminates approvals from the state board of finance, leaving MFA to approve organizational documents for the nonprofits. MFA supports this change and can provide adequate oversight for the approval of nonprofits due to its broader oversight role.
3. **Clarify that property owned by regional housing authorities that existed prior to 2009 are now owned by successor regional housing authorities operating in the counties where the properties are located.** Subsections 11-3A-29 and 11-3A-31 contain provisions for the transition of pre-2009 regional housing authorities to the current housing authorities. At the time the Law was amended, no specific provision was included for transfer of assets or real estate. The bill adds a provision to clarify that property owned by regional housing authorities that existed prior to 2009 are now owned by successor regional housing authorities. MFA supports this change to facilitate the transfer of properties and to preserve time and costs associated with these transactions.

PERFORMANCE IMPLICATIONS

Regional Housing Authority	# of Public Housing Authorities	Low-Rent Units	Section 8 Vouchers	Overall Rating
Eastern	6	155	1,892	High Performer
Northern	12	184	488	Troubled
Western	5	54	911	High Performer

ADMINISTRATIVE IMPLICATIONS

Currently, MFA is seeking funding for Regional Housing Authority Oversight, in order to implement the actions of enforcing Regional Housing Law. As part of the regional housing authority reform process in 2007-2009, the state legislature designated MFA as the oversight agency for New Mexico’s three regional housing authorities. However, because MFA is an instrumentality of the state of New Mexico, it does not receive recurring operating funds from the state. Therefore, MFA has relied primarily on special appropriations to fund the oversight of the regional housing authorities. In some years, the legislature has not approved an appropriation for regional housing authority oversight, forcing MFA to support an unfunded mandate with its own resources.

MFA retains approximately 25 percent of the state’s appropriation to support its oversight costs, while utilizing the remaining 75 percent for training and technical assistance and capacity building among the three regional housing authorities. When MFA receives no funding or inadequate funding, it is forced to scale back these important functions which directly support regional housing authority operations.

While MFA is equipped to oversee these regional housing authorities, these changes are needed going forward for the application and continuing success of MFA’s oversight of these regional housing authorities.

JL/gb