

**LFC Requester:****C. Carswell**

**AGENCY BILL ANALYSIS  
2024 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO:**

**Analysis.nmlegis.gov**

*{Analysis must be uploaded as a PDF}*

**SECTION I: GENERAL INFORMATION**

*{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

*Check all that apply:*

**Original**     **Amendment**      
**Correction**     **Substitute**   

**Date** 1/23/2024

**Bill No:** HB 195

**Sponsor:** Linda Serrato and  
Meredith A.Dixon

**Agency Name  
and Code**    NMFA (385)  
**Number:** \_\_\_\_\_

**Short  
Title:**    Housing Fund & Changes

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**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY24	FY25		
-0-	-0-	n/a	n/a

(Parenthesis ( ) Indicate Expenditure Decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY24	FY25	FY26		
-0-	-0-	n/a	n/a	n/a

(Parenthesis ( ) Indicate Expenditure Decreases)

**ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)**

	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>3 Year Total Cost</b>	<b>Recurring or Nonrecurring</b>	<b>Fund Affected</b>
<b>Total</b>	50	100	unknown	>150	Recurring	Housing development revolving fund

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to:  
Duplicates/Relates to Appropriation in the General Appropriation Act:

**SECTION III: NARRATIVE**

**BILL SUMMARY**

HB 195 amends various sections of the Opportunity Enterprise Act (“Act”) by, among other things: (i) changing the name of the Act, (ii) changing the composition of the Opportunity Enterprise Review Board (“Board”) membership to increase the Board from 12 to 14 members, (iii) expanding the Act to permit housing development projects for affordable housing infrastructure projects or workforce development housing projects, (iv) expanding the duties of the New Mexico Finance Authority (“NMFA”) by allowing loans to housing development partners, (v) clarifying the duties of the Board, (vi) creating the housing development revolving fund at the NMFA for housing projects, and (vii) making other appropriate and conforming changes consistent with the above.

**FISCAL IMPLICATIONS**

HB 195 does not contain an appropriation. NMFA estimates the first year of the program implementation to cost \$150,000 which would cover staffing for board administration, application system development, and rule and policy development. Operating costs will be based upon the amount of the appropriation, if any, and the size, type and terms of loans to be recommended by the Board for the NMFA to underwrite, originate and service.

**PERFORMANCE IMPLICATIONS**

At its January 2024 meeting, the Board endorsed several statutory amendments to improve the ability of the Board to meet the Act’s objectives, including the inclusion of two new project types to address a lack of financing available for private developers of affordable housing infrastructure projects and workforce development housing projects that fall outside the scope of programs administered by the Mortgage Finance Authority (MFA). HB 195 requires the Board to promulgate rules for the housing development fund. Such rules would include clarifying definitions of “middle income”, “below market”, and “employment centers” as well as other definitional changes included in the bill to distinguish (i) projects eligible for assistance from the housing development revolving fund from (ii) projects eligible for financing from existing MFA programs.

Section 3 authorizes NMFA to make loans to housing development partners to provide a mechanism whereby private developers of eligible affordable housing infrastructure or workforce

development housing projects may have access to financing on terms more favorable than those available on private markets. This may incentivize private developers to increase their investment in housing projects benefiting low- and moderate-income residents and middle-income workers throughout the state. NMFA administers the state's largest and most affordable source of public infrastructure financing, the Public Project Revolving Fund ("PPRF"). NMFA cannot offer PPRF's favorable terms to private entities or to residential development projects, as neither are currently eligible under PPRF.

Section 6(E) requires the Board to prioritize housing development projects in political subdivisions implementing zoning reforms. This may incentivize private developers and municipalities to collaborate on improving zoning practices impeding the creation of additional housing supply. The Board would seek input from relevant experts to determine how to prioritize projects located in these areas.

The Board supports further amendments to promote consistency with other statewide economic development programs and to allow better structuring flexibility, such as changing the population from less than forty thousand to less than sixty thousand when defining the term "nonurban community."

Section 13(C) allows housing development loans for periods up to forty years. This structuring flexibility is consistent with federal housing funding programs.

## **ADMINISTRATIVE IMPLICATIONS**

In the first round of applications, the Board saw significant demand from owner-occupied projects; for example, renovation or expansion of facilities owned and occupied by existing local businesses. The proposed revisions in Section 2(G), as recommended by the Board, clarify the original intent of the legislation to support development of new commercial space available for lease to third-parties, requiring that only projects occupied by businesses unrelated to the opportunity enterprise partner are eligible, and further clarifying eligibility for opportunity enterprise assistance clearer for potential applicants.

The State Auditor has been unable to actively participate on the Board due to potential conflicts of interest. Replacing this seat with the Executive Director of MFA, as recommended by the Board, removes the potential conflict while at the same time adding a member that can help guide housing assistance provided under the act to complement MFA programs. The Board also recommended adding housing expertise to its membership. The two new members proposed under Section 4(B)(6) would add such expertise.

Changes proposed under Section 5(A) were recommended by the Board to clarify its duties. Under Section 5(B), the Board and the New Mexico Economic Development Department shall coordinate on the evaluation of eligible housing development projects for suitability in the same way as for opportunity enterprise assistance.

Wording clarifications in Section 6(B) and 6(D) were recommended by the Board.

The requirements under newly proposed Section 12 are similar to the application requirements for enterprise assistance under Section 8. NMFA can build on the application process developed for opportunity enterprise assistance to develop the application system for housing development assistance.

Section 14 creates the housing development revolving fund in the NMFA and provides parameters that are consistent with standard NMFA program operating funds.

Section 15 changes the annual reporting date to December 1 from October 1, to provide consistency with NMFA's reporting cycles, to allow an additional quarter for program activity following legislative sessions and includes metrics relevant for housing development assistance that NMFA will be required, at a minimum, to collect on program impact.

#### **OTHER SUBSTANTIVE ISSUES**

MFA currently administers significant funding supporting affordable housing and workforce development projects. The amendments to Opportunity Enterprise Act support and augment funding provided by MFA, but does not duplicate MFA's funding.

#### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

Affordable housing infrastructure and workforce development housing projects may otherwise be unable to proceed due to prohibitive financing costs.