

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the Legislature. LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

FISCAL IMPACT REPORT

SPONSOR <u>Rodriguez</u>	LAST UPDATED <u>2/7/24</u> ORIGINAL DATE <u>2/4/24</u>
SHORT TITLE <u>NMFA Affordable Housing Projects</u>	BILL NUMBER <u>Senate Bill 216/aSHPAC</u>
ANALYST <u>Torres, J.</u>	

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY24	FY25	FY26	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
NMFA	Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal		Recurring	Other state funds
MFA	Indeterminate but minimal	Indeterminate but minimal	Indeterminate but minimal		Recurring	

Parentheses () indicate expenditure decreases.
 *Amounts reflect most recent analysis of this legislation.

Relates to House Bills 28 and 29.

Sources of Information

LFC Files

Agency Analysis Received From
 New Mexico Finance Authority (NMFA)
 Mortgage Finance Authority (MFA)

SUMMARY

Synopsis of SHPAC Amendment to Senate Bill 216

The Senate Health and Public Affairs Committee amendment to Senate Bill 216 Amends the title to include: "TO PROVIDE FINANCING FOR THE PURPOSES OF DEVELOPING AFFORDABLE HOUSING PLANS AND FLOOD INUNDATION MAPS AND OBTAINING ARCHAEOLOGICAL CLEARANCES." Section 2(C) adds that this fund is also to be used for: "'flood inundation maps; to obtain archaeological clearances." These amendments clarify the bill's purpose and funding categories.

Synopsis of Original Senate Bill 216

Senate Bill 216 (SB216) amends the New Mexico Finance Authority (NMFA) Act by adding housing as a public project eligible for financing and adding nonprofit housing developers as qualified entities. The bill also adds affordable housing plans as a qualified use of the local government planning fund.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, or May 15, 2024, if enacted.

FISCAL IMPLICATIONS

While SB216 may create additional workload for NMFA, the agency indicated it could absorb any costs within existing resources.

SIGNIFICANT ISSUES

NMFA states:

SB216 provides the ability for NMFA to explicitly fund housing under the PPRF. Currently housing is being financed under the broad authority to finance “buildings,” which have historically included teacherages [teacher housing] and workforce housing for seasonal workers in remote ski towns. NMFA does not anticipate significant new demand initially as a result of SB216 but expects, over time, for finance plans to be modified to include the low-cost capital provided by the PPRF as capital outlay becomes less available for these projects.

MFA states:

Increasing resources available for affordable housing is a key solution to addressing the challenges of New Mexico’s housing opportunity landscape. The New Mexico Mortgage Finance Authority (MFA) administers housing programs to cover the full spectrum of housing. MFA’s income limits can go up to 240 percent of the area median income (AMI). It is important to ensure that housing funded by NMFA does not duplicate MFA’s programs. While not defined in the legislation, it is our understanding that the funds would be focused on infrastructure. The high cost of infrastructure is among the barriers to more housing development.

NMFA notes:

All loans made by the NMFA in excess of \$1 million require prior legislative authorization. This will be true for the non-profit housing developers as well. HB29 is NMFA’s annual PPRF appropriation bill that transfers up to 35 percent of governmental gross receipts tax to three of the seven legislatively identified programs. Currently the Mortgage Finance Authority is not able to fully meet demand of all affordable housing plans needing to be adopted and the expansion contained in SB216 allows these projects to move forward timely.

PERFORMANCE IMPLICATIONS

NMFA states:

NMFA is currently able to finance nonprofits affiliated with higher education institutions. The broadened authority contained in SB216 to include nonprofit housing developers does not represent a material shift in the entities meeting the statutory definition of a “qualified entity.” SB 216 expands the use of the Local Government Planning Fund (LGPF) to include affordable housing plans. NMFA does not anticipate significant new demand for this new project type.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB216 relates to HB28 and HB29, both authorizing NMFA to appropriate from the public project revolving fund.

TECHNICAL ISSUES

NMFA states:

In the fall of 2023, NMFA began work on an additional bond pool within the PPRF. The creation of a third lien (a “junior lien”) of the PPRF is expected to provide significant capacity for non-traditional credits without impacting the existing, highly rated senior or subordinate liens. NMFA anticipates that the new junior lien program could reasonably be expected to produce proceeds ranging from \$250 million to \$350 million, depending on the strength of the loans pledged to the junior lien and the interest rate environment. NMFA anticipates that the third lien bonding activity would follow the growth pattern of the other two liens, with the amount of bond issuance being dictated by program demand. The actual capacity of the third lien would likely grow over time in concert with historical growth rates of the GGRT, although program demand and other unknown factors may impact that projection.

OTHER SUBSTANTIVE ISSUES

NMFA states:

Broadening the PPRF to allow non-profit housing developers is not expected to have a negative impact on the PPRF. The newly created junior lien will house these new loans until NMFA can establish a payment history of these new PPRF borrower types. Broadening the LGPF to include affordable housing plans is expected to have positive impacts for local communities.

MFA states:

Through the enabling legislation of the Affordable Housing Act (AHA), the New Mexico state constitution permits donations (i.e., funding) for affordable housing initiatives. The AHA defines affordable housing as housing for households at or below 150 percent area median income (AMI)...[See NMMFA Table 1]. The AHA provides flexibility to increase the AMI to that required to afford a median priced home. That AMI is currently calculated at 240 percent for several areas around the state. The intention of the exception is to address affordable housing solutions for persons of low or moderate income, including those in the workforce that fall within these income limits.

JT/ss/hg/ss/rl/ne/al