



# MISSION NEW MEXICO

## Financing Tools for Affordable Rental Development

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# MFA Vision, Mission and Core Values

## VISION

All New Mexicans will have quality affordable housing opportunities.



## MISSION

MFA is New Mexico's leader in affordable housing. We provide innovative products, education and services to strengthen families and communities.

## CORE VALUES

### **Responsive**

To meet New Mexico's needs, MFA optimizes resources, cultivates partnerships and makes our programs accessible.

### **Professional**

MFA upholds high personal and professional standards. We comply with regulations and ensure prudent financial stewardship.

### **Dynamic**

MFA is a dynamic place to work. Our employees are our strength. We embrace diversity and provide opportunities for personal and professional growth.

# About MFA

In 2016, MFA provided more than **\$450** million in low-interest financing and grants for affordable housing and related services.



## **2,300 new homeowners**

totaling \$316 million in MFA mortgage loans and \$12 million in down payment assistance.



## **550 rental homes built and 770 preserved**

totaling \$82 million in MFA financing.



## **1,770 homes rehabilitated or weatherized**

totaling \$7.4 million in MFA funding.



## **5,300 low-income renters assisted**

with project-based Section 8 rental assistance totaling \$29 million.



## **8,000 persons sheltered and housed and 600 for which homelessness was prevented**

totaling \$1.9 million in shelter support and rental assistance.

- MFA provides financing for affordable housing for persons of low and moderate income.
- We were created by the State Legislature in 1975. The MFA Act defines MFA as a “public body corporate, separate and apart from the state”—MFA is not a state agency and receives no operating funds from the state.
- MFA became the state government’s designated housing agency in 1997. All of New Mexico’s state and federal housing programs are now administered by MFA.
- MFA is a Housing Finance Agency (HFA). Each state in the U.S. has one or more.

# Delivery System

MFA allocates resources and works with partners to serve all New Mexicans.



## FUNDERS

MFA receives affordable housing resources from the federal government and the state. We also use bonding capacity, investments and our own revenue to support affordable housing programs.



## MFA

MFA allocates resources to more than 20 different affordable housing programs.



## PARTNERS

MFA contracts with and monitors service providers throughout New Mexico. We also work with lenders, realtors, developers, property owners and tribal and local governments.



## CONSTITUENTS

New Mexico residents have access to affordable housing and related services and resources statewide.

# The Housing Continuum

MFA operates more than 20 programs that assist low and moderate income households, from people experiencing homelessness to homeowners.

Homeless

Special Needs

Renter

First-Time Homebuyer

Homeowner



Emergency Shelter

**Development Financing**

Subsidized Rental

Transitional Shelter

Rental Assistance

Homeless Prevention

Down Payment Assistance

Low-Interest Mortgages

Rehabilitation

Weatherization

# Financing Affordable Rental Housing



Multiple funding sources are typically used to finance rental development, including tax credits, MFA gap financing, bank loans and other resources.



## **OTHER GAP FINANCING**

MFA has other products available, such as Risk Share 542(c) loan guarantees, USDA Preservation Revolving Loan Fund for rehabilitation of Rural Development rental housing, and Ventana Fund construction loans.



## **PRIMERO**

MFA funding source for construction phase that can be used for new construction, rehabilitation and acquisition/rehab projects.



## **HOME**

Federal funding source that can be used for construction or permanent financing for new construction, rehabilitation and acquisition/rehab projects.



## **NATIONAL HOUSING TRUST FUND**

New, federal funding source of \$3 million per year, for projects serving extremely-low income households.



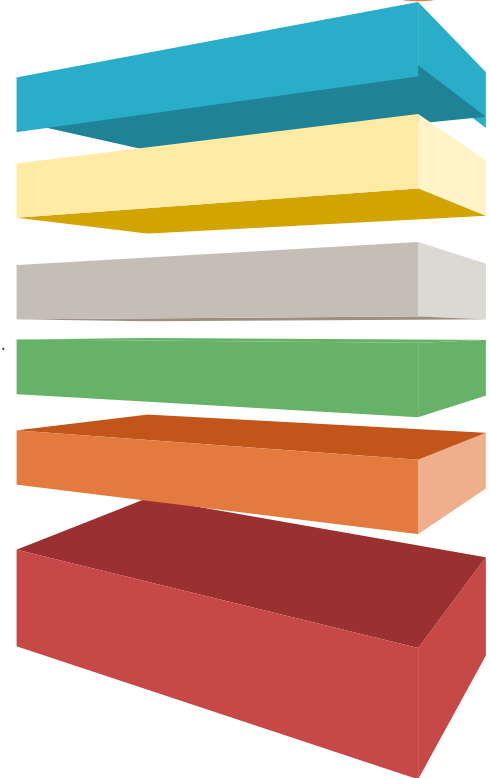
## **NEW MEXICO HOUSING TRUST FUND**

State funding source for construction and permanent financing for new construction, rehabilitation and acquisition/rehab projects.



## **FEDERAL LOW INCOME HOUSING TAX CREDITS (LIHTC)**

Most affordable rental projects in New Mexico rely on federal LIHTCs for financing. Nine percent competitive credits provide up to 70 percent equity for a project; four percent non-competitive credits provide roughly 30 percent equity. New Mexico receives \$5 million in credits each year which are sold to investors and are worth roughly \$50 million over the ten-year period in which the credit is taken.



# Low Income Housing Tax Credits (LIHTCs)

MFA allocates approximately \$4.9 million (\$2.35 x state population) in 9% federal tax credits each year through a competitive process. Non-competitive 4% credits are also available with tax-exempt bond financing.

## BACKGROUND

- Tax Reform Act of 1986 – IRS/Treasury administered
- Public-private partnership
- Credits allocated to Housing Credit Agencies
- Dollar for dollar tax reduction for 10 years
- Investors purchase tax credits to offset federal tax liability
- Tax credit equity reduces debt, resulting in lower rents

## REQUIREMENTS

- Low income tenants (20/50 or 40/60)
- Tenants pay 30% of qualifying income
- 30 year affordability (minimum)
- Qualified Allocation Plan (QAP)
  - ✓ Focus groups
  - ✓ Public hearing
  - ✓ MFA Board/Governor approval
- Financial feasibility/underwriting

## NEED FOR MORE LIHTCS

MFA can only award three to six 9% projects per year (1/3 of all applications) with its small allocation.

# Low Income Housing Tax Credits (LIHTCs)

Bipartisan legislation to improve and expand the LIHTC program

## Affordable Housing Credit Improvement Act (S. 548)

- Introduced by Senators Cantwell (D-WA) and Hatch (R-UT) in 2016 and 2017
- Expands the LIHTC program by 50% over five years and makes numerous fixes to the program

## Affordable Housing Credit Improvement Act (H.R. 1661)

- House companion bill introduced by Rep. Tiberi (R-OH)
- Contains only the fixes to the program with no expansion

## RELATIONSHIP TO COMPREHENSIVE TAX REFORM

- ✓ Affordable Housing Credit Improvement Act lays groundwork for LIHTCs to be retained in comprehensive tax reform
- ✓ Discussions underway on how to protect the value of investments made through LIHTCs if the effective tax rate is changed in comprehensive tax reform



# Key Dates for 2018 LIHTC Round

## COMMENT PERIOD

2018 Draft Qualified Allocation Plan (QAP)  
21-day Comment Period

9/16/17 through 10/6/17, 5:00 pm

QAP Public Hearing

10/2/17, 1:30 to 3:00 pm  
MFA Board Room, 344 4<sup>th</sup> Street SW, Albuquerque

## TRAINING

LIHTC Fundamentals Training  
*Putting the “Fun” in Fundamentals*

11/30/17, 8:15 to 11:45 am, Register online after 10/15/17  
CNM Workforce Training Center, Albuquerque

QAP and LIHTC Application Training

11/30/17, 1:00 to 5:00 pm, Register online after 10/15/17  
CNM Workforce Training Center, Albuquerque

## DEADLINES

Final Release of the 2018 QAP

12/2/17 (Expected)

2018 Applications Open for Acceptance

2/1/18

2018 Application Deadline

2/13/18, 5:00 pm  
MFA, 344 4<sup>th</sup> Street SW, Albuquerque  
*MFA “quiet period” begins upon application deadline and runs through final approval of awards in June.*

Information and registration available at:

[www.housing.nm.org/developers/low-income-housing-tax-credits-lihtc](http://www.housing.nm.org/developers/low-income-housing-tax-credits-lihtc)

# Important Leverage

## State of New Mexico Affordable Housing Tools

### **AFFORDABLE HOUSING ACT**

Like LEDA, the Affordable Housing Act allows local governments to donate resources for affordable housing. Local governments have donated approximately \$50 million in land, cash and other resources to date, mostly for LIHTC projects. MFA administers the AHA on behalf of the state and requires adoption of an affordable housing plan and ordinance.

### **NM AFFORDABLE HOUSING TAX CREDIT**

Private donations for affordable housing are eligible for a 50 percent credit on state tax liability, plus the federal charitable contribution deduction if the donation is made to a non-profit. Private donors and employers can receive up to 75 percent of their donation back in tax credits and deductions. MFA issues tax credit vouchers once it certifies that the project qualifies as affordable housing.

Donations from local governments, private individuals and employers can fill the gap or provide a needed component for many affordable housing projects. MFA helps communities use the Affordable Housing Act and the New Mexico Affordable Housing Tax Credit to leverage important resources for affordable housing.

# Thank You

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