

State of New Mexico LIHTC

NH&RA Summer Institute

July 24, 2013



New Mexico Realities

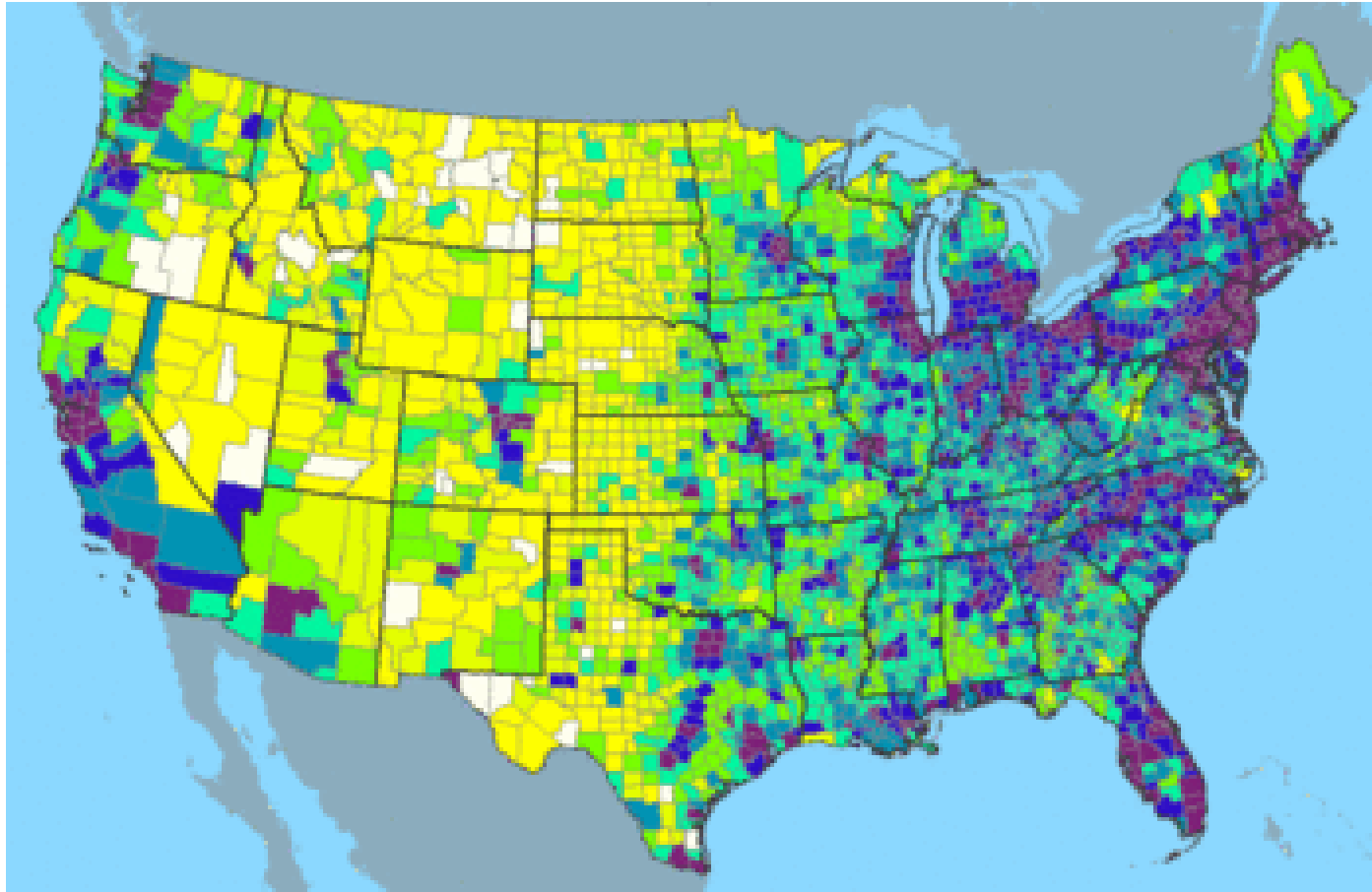


Tax Credit Issues in NM

- Fifth largest state in terms of geographic area, fifth lowest population density state with only 17.16 inhabitants per square mile
- LIHTC allocations based solely on population
- Small population census growth rate estimates
- Annie E. Casey Foundation Kids Count data places New Mexico as the worst place to be a child



Density Map of United States



New Mexico 2013 Housing Tax Credit Ceiling

Component	Population	Credit \$ Per Capita	Amount	Balance
Population Allocation	2,085,538	2.25	\$ 4,692,461	\$ 4,692,461
2012 Forward Allocations			\$ (791,909)	\$ 3,900,552
National Pool (2012)			\$ 20,136	\$ 3,920,688
Returned or Unused Credits from Prior Years			\$ -	\$ 3,920,688



Costs are Increasing...

	New Construction Avg. per Unit	New Construction with 130% Adjustment	Acquisition / Rehab Avg. per Unit	Ratio of Acq/Rehab Costs to NC
2008	\$ 154,909	\$ 201,382	\$ 79,034	39%
2009	\$ 154,951	\$ 201,437	\$ 102,930	51%
2010	\$ 142,172	\$ 184,823	\$ 78,280	42%
2011	\$ 171,174	\$ 222,526	\$ 107,181	48%
2012	\$ 186,169	\$ 242,020	\$ 116,236	48%
2013	\$ 191,034	\$ 248,344	\$ 125,450	51%



Qualified Allocation Plan

- Non-profit participation (TDHE & Housing Auth.)
- Green Building (LEED, Enterprise, National Green Building Standard)
- Income & Rent targeting (AGMI & AGMR 50%)
- Preservation of Rental Assistance
- Providing services to a target population (Seniors, Families w/ Children & Special Needs)
- Contribution from state, local or tribal government entity
- 60 or fewer set-aside units / 15% market rate
 - 45 year extended use period (LURA)



QAP Issues & Critiques

- Design competition – Site plan, building design, context, floor plan & construction characteristics
- Areas of Statistically Demonstrated Need
- Cost Containment
- Combination of Acquisition / Rehabilitation & Preservation worth 30 points

Typical NM Apartment

- Constructed 1960's
- Surface parking
1.5 spaces per unit
- 2 bedroom / 1 bath
- Lack of “visitability”
- Not energy efficient



Acquisition Rehab Case Study



Aspirations



NM Tax Credit Timeline

- Apply for credits (January 2014)
- Get a tax credit reservation (May 2014)
- Receive carryover allocation, indicate lock-in election (November 15, 2014)
- Incur 10% of costs by August 30th of the following year (August 30, 2015)
- Complete project and Place in Service within two years of allocation (PIS application due November 15, 2016)
- Record extended use agreement
- Apply for 8609's
- Rent tax credit units to qualified tenants
- Keep tax credit units in compliance



For more information:

Visit MFA's website at: www.housingnm.org/developers

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Tax Credit Basics

- Housing & Economic Recovery Act of 2008 sought to temporarily fix 9% credits at 9%
- 9% now fixed for 2013 credits. Future projects will have a variable rate
- 4% tied to market and variable over time
- Equity pricing negotiable – varies with project type, payment timing, guarantees & other factors
- Basis Boost – Increases tax credit basis 30% if project is in a Qualified Census Tract (QCT) or Difficult to Develop Area (DDA)



Tax Credit Calculation – 9%

• Total Development Cost	\$ 11,372,685
• Less Land Value and other Non-depreciable costs	<u>(\$ 1,123,000)</u>
• Eligible Basis	\$ 10,249,685
• Basis Boost (x 130%)	\$ 13,324,590
• Applicable Fraction/Set Aside	<u>83.33%</u>
• Qualified Basis	\$ 11,103,381
• Applicable Credit Percentage	<u>9%</u>
• Annual Tax Credit	\$ 999,304



Tax Credit Calculation – 9%

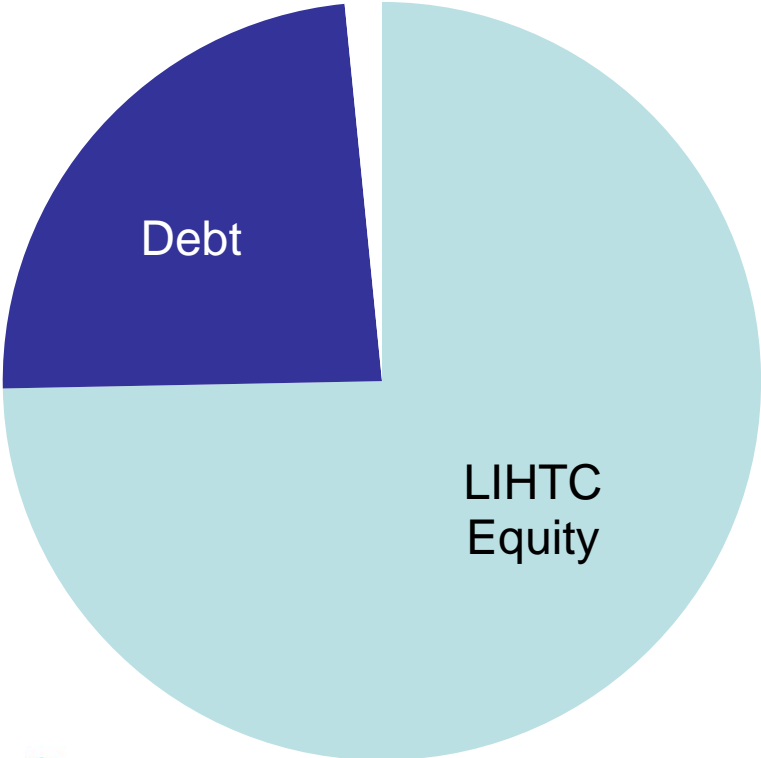
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• Annual Tax Credit	\$ 999,304
• Ten Year Tax Credit	\$ 9,993,040
• Equity Price	<u>\$ 0.87</u>
• Equity Available to Project	\$ 8,693,944



9% versus 4%

9%



4%

