

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 Gonzales LAST UPDATED _____
ORIGINAL DATE 1/20/2024
BILL
SHORT TITLE MFA Affordable Housing Act Funds NUMBER Senate Bill 31
ANALYST Leger

APPROPRIATION* (dollars in thousands)

FY24	FY25	Recurring or Nonrecurring	Fund Affected
	\$500.0	Nonrecurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From

New Mexico Mortgage Finance Authority (MFA)

SUMMARY

Synopsis of Senate Bill 31

Senate Bill 31 appropriates \$500 thousand from the general fund to the Department of Finance and Administration for expenditure in fiscal year 2025 and subsequent fiscal years for the New Mexico Mortgage Finance Authority to carry out the purposes of the Affordable Housing Act.

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

The appropriation of \$500 thousand contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to the general fund.

SIGNIFICANT ISSUES

Enacted in 2004, the Affordable Housing Act (AHA) allows local governments to donate resources to create and maintain affordable housing in their communities. With an approved

affordable housing plan and a local or county ordinance in place, communities can donate or make contributions towards acquisition, development, financing, operating, and maintaining affordable housing, donations are exempt from the anti-donation clause of the New Mexico Constitution. Currently there are 37 local municipalities and/or county governments with an approved plan and ordinance.

The AHA was passed and ratified by New Mexico voters as an exception to the anti-donation clause of the New Mexico Constitution to allow local governments and other political subdivisions to put resources toward affordable housing acquisition, development, financing, maintenance, and operation, according to MFA. In the AHA, MFA is charged as the entity responsible for implementation and oversight.

MFA reports, local investment in affordable housing, as authorized in the AHA, is a key solution to addressing New Mexico's housing needs. There are currently 37 municipalities and counties that have satisfied the requirements of the AHA and have an MFA approved affordable housing plan and affordable housing ordinance. Since the passage of the AHA local governments have contributed \$98.7 million to affordable housing projects. Donations include (a) construction, financing, or operating cost, (b) infrastructure, (c) buildings, (d) land, and (e) tax or fee abatement. Entities that are eligible to receive donations include public entities, non-profit organizations, and private enterprises.

According to MFA, funding would be used to provide technical assistance to local governments, primarily small and rural local governments, this would help them achieve AHA compliance or implementation. Activities include but are not limited to supporting affordable housing plan development, development pro-forma, and other efforts that build capacity of local government to spur affordable housing. AHA plans and pro-forma typically cost between \$20 thousand and \$50 thousand, depending on complexity of the scope of work. Assuming an average cost of \$50 thousand for a plan or pro-forma, this appropriation could assist at least 10 communities.

MFA reports, local governments wanting to develop a housing plan and ordinance cite the lack of funding for technical assistance to create a plan as the primary barrier to compliance. AHA compliant governments have struggled to advance development goals and affordable housing initiatives due to the lack of funding.

ADMINISTRATIVE IMPLICATIONS

According to MFA, in 2019 they was appropriated \$250 thousand to support nine local governments achieve AHA compliance. MFA continues to employ a full-time staff person dedicated exclusively to AHA oversight, and if this bill were to pass, this staff person would be responsible for administering the funding to ensure maximum impact.

MFA is governed by a seven-member board including the lieutenant governor, state treasurer, and state attorney general. The MFA Legislative Oversight Committee is empowered to monitor and oversee the operations and rules and regulations formulated by the authority.