

Recurring Funding for a Recurring Need

New Mexico Mortgage Finance Authority

Legislative Advocacy: State Advocacy

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NCSHA 2022 Awards for Program Excellence

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Background

MFA was created in 1975 by the New Mexico State Legislature to provide quality affordable housing opportunities for all New Mexicans. As a self-supporting quasi-governmental entity, MFA uses housing bonds, tax credits and other federal and state resources to fund more than 30 housing programs and services available to low- and moderate-income New Mexicans.

With substantial, ongoing cost increases for renters and homeowners over the past several years, the need for affordable housing in New Mexico has never been greater. There is currently a statewide shortage of 32,000 units for renters making less than 30 percent of area median income, and 218,471 New Mexico households who are “cost burdened” – spending more than 30 percent of their income on housing costs. This includes 100,858 households who are “severely cost-burdened” – spending more than 50 percent of their income on housing.

This growing need is why MFA ultimately decided to pursue a stable state funding source that would start to address the problem without the uncertainty of guessing if state funding would be available every year. MFA looked to the New Mexico Housing Trust Fund (NMHTF), a fund managed by MFA and created in 2005, as a vehicle for stable funding. Historically, the State Legislature only appropriated funding to the NMHTF nine of its 17 years in existence with a total of \$27 million in appropriations.

In 2022, MFA successfully lobbied for a new recurring funding source for the NMHTF through Senate Bill 134 (S.B. 134). This legislation sets aside 2.5 percent of the annual severance tax bonding capacity for the NMHTF. Severance tax revenue is generated from the extraction of non-renewable natural resources (mainly oil and gas in New Mexico) and the state generally bonds against severance taxes to fund all of its capital outlay projects. S.B. 134 is expected to generate an estimated \$20 to \$30 million in dedicated funding starting in mid-2024, which will roughly match 17 years’ worth of state funding in just one year. This is a tremendous accomplishment only possible thanks to some strategic planning, key partnerships and a strong track record of success.

Building Strategic Partnerships

The single most important factor in ensuring the success of the legislation was selecting sponsors and advocates for the bill. In the Senate, Senator Nancy Rodriguez was selected to champion the bill since she has served in the State Senate for 26 years, is currently Vice Chair of the Senate Finance Committee (the committee that manages budgeting and financing for the Senate), serves on the Legislative Finance Committee, and carries the capital outlay bill that funds all yearly capital projects in the state. Rodriguez is also a member of MFA’s Legislative Oversight Committee, so she has a unique understanding of housing and has been a strong advocate for housing-related issues. In the House, Representative Nathan Small was selected since he serves as Vice Chair of the House Appropriations and Finance Committee, the committee that manages budgeting and financing on the House side, as well as originates the yearly operating bill.



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Building Strategic Partnerships (continued)

In addition to selecting strategic sponsors for the bill, MFA identified the need to create a unified housing coalition that would help with the development of a comprehensive statewide housing strategy. This step was critical to create a unified housing voice to convince legislators to shift capital outlay funds to a set aside. MFA created the 19-member Housing New Mexico Advisory Committee, a coalition of organizations from all different sectors of the housing industry.

The committee was designed to foster collaboration, break down the complexities of the housing market, identify housing priorities and determine practical, policy-driven solutions to address housing needs. This first-of-its kind effort to develop a cohesive and collaborative housing strategy improved coalition building among housing-related entities statewide by ensuring that a wide range of people, with varying ideologies and representing different aspects of the housing spectrum, all had one unified voice for advocacy. This coalition enabled MFA to form strong relationships across the housing spectrum and create buy-in for S.B. 134.

Partly due to the buy-in established with the Housing New Mexico Advisory Committee, MFA was able to lead a group of more than 20 advocates from agencies across the housing spectrum to advocate through phone calls, emails, and testimony. MFA and this network of advocates lobbied 32 of 42 Senators (76 percent), 49 of 70 Representatives (70 percent) and 32 of 34 legislators that were on the committees that heard the bills (94 percent).

Individual advocates were also selected to lobby legislators based on their area of interest (i.e. developer partners spoke to business friendly and economic development focused legislators and non-profit partners that serve individuals experiencing homelessness spoke to legislators with a focus on the needs of low-income and working class families, etc.). This large-scale advocacy effort took a tremendous amount of coordination and relationship-building to ensure one cohesive message about the legislation resonated with the legislators voting on it.

Curating Compelling Data

As part of the statewide housing strategy development, MFA also commissioned a housing research brief that helped identify data points that legislators could use to justify and support new funding. These points were:

- \$902 million is needed annually to reduce the cost burden of renters and homeowners with incomes below \$35,000;
- \$136 million is needed to improve 2.5 percent of homes built before 1980 and 2.5 percent of substandard homes in the next five years;
- \$1.6 billion is needed to weatherize all eligible homes;
- \$1.07 billion is needed to create new affordable units to accommodate growth in the next five years; and
- To date, the New Mexico Housing Trust fund has leveraged 26-to-1 the approximately \$27 million dollars the state has invested in the fund. This funding generated 4,532 affordable housing units with an economic impact of \$580 million.



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Curating Compelling Data (continued)

Combined, these statistics were touted consistently throughout the testimony for the bill, and legislators reacted extremely favorably due to the demonstrated need and MFA's past success.

Addressing Concerns & Creating Safeguards

Another key component of the legislation getting passed was meeting with legislators and government officials, proactively addressing concerns, and building in safeguards that would further ensure the funds are used quickly and effectively. Crafting and refining these safeguards required a keen understanding of legislators' concerns, especially as they relate to other entities that receive set asides from severance tax bond capacity.

Some past set asides, including those for the colonias and tribal needs, receive large amounts of funding but do not always expend it in a timely manner. Though the funds may eventually revert, not spending the set asides temporarily takes away resources from other capital needs. MFA worked with the bill's sponsors to craft safeguards to ensure a large balance would not accumulate in the NMHTF. Safeguards for the funding included:

- If the funding is not encumbered within three years of allocation, then it would revert back to the state;
- If funding remains following one year after project completion, then it would revert back to the state;
- MFA must prioritize encumbering or expending principal and interest revenue received from previous NMHTF allocations prior to expending or encumbering new allocations.

Creating these safeguards not only helped build trust with legislators, but it also signaled that MFA understood the significance of deploying this funding quickly, equitably, and efficiently.

Ensuring the Right Timing

The timing for this legislation had to be perfect since past investments in the fund were inconsistent. 2022 was selected because it is an election year for all representatives and many senators, the media environment had a strong focus on affordable housing, the state had a highly favorable budget situation, and the legislative session was only 30 days. All of these factors combined meant that there was a consistent focus on affordable housing, the state had the funding to invest without significantly impacting other priorities, and the legislation had fewer committees to clear in order to get passed.

Building a Brighter Future

All of these factors led the legislation to pass the Senate with 37 Yea, 3 Nay and 2 Other, and the House with 50 Yea, 15 Nay and 5 Other. Shortly after passing the Senate and House, S.B. 134 was signed into law by the Governor on March 3, 2022.

Based on the results of past funding, MFA is confident this new recurring funding source will help create the transformational change our organization was established to create— helping countless generations of New Mexicans find a safe, quality, affordable place to call home.



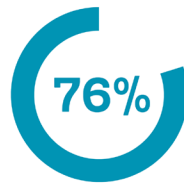
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Visual Aids

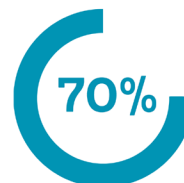


Rep. Nathan Small (left) and Sen. Nancy Rodriguez (right) on the floor of the House after S.B. 134 was passed.

MFA and a network of advocates successfully lobbied:



32 of 42 Senators



49 of 70 Representatives



32 of 34 legislators on committees

To date, the New Mexico Housing Trust fund has leveraged 26-to-1 the approximately \$27 million dollars the state has invested in the fund. This funding generated 4,532 affordable housing units with an economic impact of \$580 million.

26-to-1

Return on investment for funding

4,532

Affordable housing units

\$580 million

In economic impact