



**ADMINISTRATIVE PROCEDURES FOR AFFORDABLE  
HOUSING PROGRAMS FOR THE TOWN OF TAOS**

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# 1. PURPOSE

The purpose of this administrative manual is to establish procedures for the Town of Taos, herein referred to as “the Town”, and its agent, to work with local governments, private development partners, homeowners, lenders, title companies, and all interested parties for the creation of affordable housing within the Town. Because the nature of affordable housing programs, as demonstrated in this manual, are complex and require some expertise, the Town will want to procure a third-party to administer all activities of this program manual on their behalf. This third-party will hereby be known throughout this document as “agent”.

# 2. AUTHORITY

The Town Council adopted these procedures on July 23, 2024. Because it is impossible to foresee the range of situations that may be encountered, any internal policy may be waived on a case-by-case basis and a process for waiving policies should be determined by the third-party administrator with approval from the Town Manager. Changes must be explained in writing and documented in the client file. The income limits for a specific program are dedicated by the funding source and/or the Affordable Housing Act and cannot be waived. The Town may manage this program directly or may choose to contract out program management to a third-party. In any situation, the following guidelines within this manual, which are approved by the Town Council, will be used to manage Town programs. It’s important to note that several data sources referenced throughout this document are captured at the County level and labeled Taos County not to indicate the Town’s service area.

# 3. DEFINITIONS

As used in this document, the following words shall have the meanings indicated, unless the context otherwise requires:

- **Affordable Housing Unit** - a unit provided at a price that is affordable to households in Taos County making less than 120% AMI. See Appendix A for this reference table.
- **Area Median Income (AMI)** - the median income for Taos County statistical area as adjusted for various household sizes and published and revised annually by the United States Department of Housing and Urban Development (HUD). The median divides the income distribution into two equal parts: one-half of the cases falling below the median income and one- half above the median. In the event of a discrepancy between the Area Median Income established by HUD and

HUD's Program Income Limits, the higher of the two shall be used to establish Area Median Income for the purpose of the Town programs.

- **Borrowers** - clients utilizing any of the Town's programs to qualify for a mortgage.
- **Co-Borrower** - any additional borrower whose name appears on loan documents and whose income and credit history are used to qualify for the loan.
- **Displaced Homemaker** - individuals who have worked in the home for a number of years and suddenly find that they are the primary source of household income. This situation may be a result of divorce, separation, death, or the disability of a spouse or partner.
- **Downpayment Assistance** - Town's residential subordinate second mortgage loans. May also be referred to as Mortgage Assistance.
- **Effective Sales Price** - the highest price at which a home may be sold. The price of a home cannot exceed the maximum established price, which is revisited annually when the HUD AMI's are released. This price includes the base price and any fees charged to the buyer by the seller or a related entity, minus any of the buyer's closing costs or financing costs paid by the seller, as indicated by the settlement statement for the sale.
- **FHA** - Federal Housing Administration.
- **First Mortgage** - a primary lien on a property. As the primary loan that pays for a property, it has priority over all other liens or claims on a property in the event of default.
- **Front-End Ratio** - the ratio of housing costs to income.
- **Gift Limit** - the maximum amount of money that can be given to a family member as part of the homebuyer program guidelines.
- **Housing Counseling** - A one-on-one review of a household's income, credit, finances, budget, and other aspects of eligibility for a mortgage loan.
- **Homebuyer Education** - HUD certified classes, either in-person or online, for providing information about the homebuying process.
- **Homebuyers** - clients utilizing the Mortgage Assistance Program.
- **Homebuyer Assistance Programs** - this is a suite of programs offered by the Town or its partners and includes mortgage assistance, counseling, education offerings and affordably priced homes when available.
- **HUD** - the United States Department of Housing and Urban Development.
- **Income Level for Assistance** - the income level of an applicant to be eligible for Town assistance.
- **Income Qualified** - a buyer or renter whose household income does not exceed the amount which establishes eligibility to buy or rent an affordable housing unit, within income ranges established for the program or under specific development agreements.
- **Income Tier** - The Town's agent will establish Income Tiers as a method to simplify affordable pricing models for third-party developers.
- **Interest List** - this list is where interested community members have had their income determined and want to be contacted when a product or home becomes available.
- **Lien** - a simple legal term that claims the ownership of the property as listed on the title of the home. It means that the home is being held as collateral until a certain debt is paid.
- **Liquid Asset** - an asset that can easily be converted to cash in a short amount of time.
- **Loan to Value Ratio** - a measure comparing the amount of your mortgage (loan amount) with the appraised value of the property.

- **Median Income** - Area Median Income as defined.
- **MFA** - the New Mexico Mortgage Finance Authority.
- **Mortgage Assistance Loans** - the Town's residential subordinate second mortgage loans. May also be referred to as downpayment assistance.
- **Mortgage Subordination** - the order in which the outstanding liens on a property are repaid if mortgage payments stop being made.
- **Procedures** - the document that goes over procedures for the Town's programs and approved by the Town Council.
- **Subsidy** - a housing policy tool or a sum of money granted by a government or public body to keep the cost of housing affordable.
- **Title** - a document that shows legal ownership to a property or asset.
- **Town Council** - a group of people who have been appointed or elected to govern a town.
- **Rate and Term Refinance** - a type of refinancing that allows the borrower to change the terms of their current loan and replace them with terms that are more favorable to them.
- **Right of First Refusal (ROFR)** - a legal clause that gives an interested party the right to be the first in line to make an offer when an owner decides to sell their property.
- **Second Mortgage** - a home-secured loan taken out while the original or first mortgage is still being repaid.
- **Silent Subordinate Loan (aka Silent Second Mortgage)** - payments on these loan types are deferred so the borrower does not have to make a payment on this assistance until their home is either sold, refinanced or paid in full.
- **Staff** - the Town's staff or their agent's staff.

## 4. HOMEBUYER ASSISTANCE PROGRAMS

The primary purpose of homebuyer assistance programs is to create opportunities for low and moderate-income residents in the Town Taos (up to 120% of AMI) to purchase moderately priced existing housing available in the open market or to qualify for a Town financial product, like a second mortgage, or to qualify for a discounted home provided through a Town housing project or Town sponsored project.

Taos County Area Median Incomes - 2024								
	Number of Persons in Household							
AMI	1	2	3	4	5	6	7	8+
30%	\$14,950	\$17,050	\$19,200	\$21,300	\$23,050	\$24,750	\$26,450	\$28,150
40%	\$19,880	\$22,720	\$25,560	\$28,400	\$30,680	\$32,960	\$35,240	\$37,520
50%	\$24,850	\$28,400	\$31,950	\$35,500	\$38,350	\$41,200	\$44,050	\$46,900
60%	\$29,820	\$34,080	\$38,340	\$42,600	\$46,020	\$49,440	\$52,860	\$56,280
65%	\$32,305	\$36,920	\$41,535	\$46,150	\$49,855	\$53,560	\$57,265	\$60,970
70%	\$34,790	\$39,760	\$44,730	\$49,700	\$53,690	\$57,680	\$61,670	\$65,660
80%	\$39,800	\$45,450	\$51,150	\$56,800	\$61,350	\$65,900	\$70,450	\$75,000
90%	\$44,730	\$51,120	\$57,510	\$63,900	\$69,030	\$74,160	\$79,290	\$84,420
95%	\$47,215	\$53,960	\$60,705	\$67,450	\$72,865	\$78,280	\$83,695	\$89,110
100%	\$49,700	\$56,800	\$63,900	\$71,000	\$76,700	\$82,400	\$88,100	\$93,800
110%	\$54,670	\$62,480	\$70,290	\$78,100	\$84,370	\$90,640	\$96,910	\$103,180
120%	\$59,640	\$68,160	\$76,680	\$85,200	\$92,040	\$98,880	\$105,720	\$112,560
125%	\$62,125	\$71,000	\$79,875	\$88,750	\$95,875	\$103,000	\$110,125	\$117,250
140%	\$69,580	\$79,520	\$89,460	\$99,400	\$107,380	\$115,360	\$123,340	\$131,320
150%	\$74,550	\$85,200	\$95,850	\$106,500	\$115,050	\$123,600	\$132,150	\$140,700
160%	\$79,520	\$90,880	\$102,240	\$113,600	\$122,720	\$131,840	\$140,960	\$150,080
180%	\$89,460	\$102,240	\$115,020	\$127,800	\$138,060	\$148,320	\$158,580	\$168,840
200%	\$99,400	\$113,600	\$127,800	\$142,000	\$153,400	\$164,800	\$176,200	\$187,600

**Table Description:** Area Median Income or AMI, is the midpoint of the income distribution in Taos County, meaning that half of the households earn more than the median and half earn less than the median. These AMI's are used to create the tables that list the "Affordable Mortgage Amounts" and the "Effective Sales Prices". AMI is a housing industry standard and will ensure that the Town and its partners can access public funds because they align with these major funding sources. **Note: Due to state statute, the Town is unable to give direct assistance for incomes above 120% AMI. Further, the town acknowledges that its local affordable housing ordinance needs to be updated to change target households served; and whenever the ordinance is updated, these changes will automatically be reflected in this manual.**

The Town understands that the incomes at 120% AMI have access to different resources to fill the affordability gap. Specifically, households under 80% AMI qualify for more public resources while incomes above 80% of AMI have fewer resources available. As such, the Town intends to look for creative solutions to provide the resources needed for all incomes identified as its target market. Also of note, the Town recognizes that households with incomes higher than 120% AMI are in need of resources

as well in its service area and will facilitate access to resources, when available, for those households. For instance; if MFA has a new initiative that provides resources for households above 120% AMI; the Town will work to promote access to those resources. Income tiers will be assessed and adjusted based on need and the availability of resources to serve them.

## 4.1 Homebuyer Assistance Program Example

For example; if the Town provided a donated site and requested public funds from a state agency they are able to confirm that these public resources will create affordable units by following the procedures laid out in this manual. For example, if the Town sponsors 20 affordable homes by partnering with a developer, the Town is able to negotiate effective sales prices for homes to be affordable to community members. Section 6.1 describes the process for creating “effective sales prices” and the methodology is also provided in Attachment A.

Here’s an example of how a household is matched with an effective sales price in order to purchase a home. If a household of 4 earns 95% of area median income (\$67,450) they fall within Tier 2 of the pricing table illustrated below. As such the price for Tier 2 is \$211,200. They would work with the Town or its agent to have their income determined, which means their income would have to fall within the 81-100% AMI range. They would then get qualified for a mortgage loan for the purchase price of \$211,200 and could then be placed on an interest list for the home.

Effective Sales Price by Income Tiers - 2024					
		Home Price by Bedroom Size			
Income Tiers	Max AMI	0-1 BR 1 Person Household	2 BR 3 Person Household	3 BR 4 Person Household	4 BR 6 Person Household
Tier 1	< 80% (Effective price: 70%)	\$114,700	\$142,500	\$151,000	\$179,000
Tier 2	81-100% (Effective price: 90%)	\$156,900	\$196,700	\$211,200	\$248,900
Tier 3	101-120% (Effective price: 110%)	\$199,000	\$250,800	\$271,400	\$318,800

**Table Description:** these are the maximum home prices that a household can afford within each of the 3 Income Tiers (i.e. using AMI’s of 70%, 90% and 110% to set the effective sales price for their respective tier). For more information about tiered pricing see section 6.3.

Note: see Appendix B for data sources

## 4.2 Client Underwriting Criteria

Underwriting criteria will always take into consideration requirements for a conventional mortgage as Town funded loans or homes for sale must pair with a first mortgage product. In light of this, the Town may have its own criteria as long as it does not preclude a client from qualifying for a conventional first

mortgage. From time to time the Town's agent may evaluate and update these criteria to accommodate for a changing regulatory environment and market conditions.

*Note: definitions of the terms within this table can be found in the Definitions section*

<b>Client Underwriting Criteria</b>	
Maximum Income Level for Assistance	120% AMI
Maximum Front-End Debt-To-Income Ratio	36%
Maximum Total Debt-To-Income Ratio	45%
Minimum Front-End Debt-To-Income Ratio	28%
Maximum Combined Loan to Value Ratio	100%
Maximum Assistance Amount	To be determined by funding source

### **4.3 Town Sponsored Mortgage Assistance Program**

The Town Mortgage Assistance Program will provide low and moderate-income homebuyers with a zero-interest loan, called a second mortgage, to help meet cash requirements for closing and to reduce the principal amount of the first mortgage loan to an affordable level. During homeownership, the buyer does not make payments towards this second mortgage, only payments to the first mortgage, and repayment of the second mortgage is due upon the home's sale, transfer or refinance. Given current high interest rates as of 2024, The Town's agent may have a policy that refinancing is allowable without full repayment to provide more affordability for the home buyer. Second mortgage programs have been around for over 30 years and are well-established and readily paired with a conventional first mortgage product. To learn more about how the Town's second mortgages work, see section 6.2. The loan amount will be based on need; and funders requirements, and will fall within the eligibility criteria in section 4.1. For example, for what the current gap is between current home prices and what is affordable to the Town's target population in 2024, please see the table titled "Gap Amount" in Appendix A.

## **5. HOUSING PROGRAM CLIENT ELIGIBILITY**

The purpose of this section is to establish broad client eligibility for assistance through the Town's programs. These eligibility guidelines were created using best practices from other successful New Mexico housing programs in order to ensure these guidelines would be accepted by the mortgage industry and funding partners such as the New Mexico Mortgage Finance Authority (MFA). These are the broadest set of qualification criteria; and if the Town receives new funds that have different criteria they would create a separate set of criteria in addition to this standard Town Program Client Eligibility Criteria.

## 5.1 General Eligibility Criteria

Eligibility criteria may change based on funding sources acquired to provide the program. These will be reviewed at least annually.

<b>General Eligibility Criteria</b>	
<i>Note: definitions of the terms within this table can be found in the Definitions section</i>	
<b>Residency Requirement</b>	<b>Preference for households with a minimum</b> of 1 year residency or 1 year employment in the Town of Taos. Secondary preference for households with a minimum of one year of residency or employment in Taos County.
<b>Income Limits</b>	120% AMI for direct financial assistance.
<b>Minimum Buyer Contribution</b>	Three percent of the first mortgage amount or \$3,000, whichever is less.
<b>Homebuyer Training/Counseling</b>	Completion of 8-hour HUD-certified homebuyer training class and one-on-one counseling session.
<b>First Mortgage Requirements</b>	An allowable first mortgage is one with a 30-year fixed rate within 1% of prevailing mortgage rates.
<b>First Time Homebuyer Requirement (FHA Definition)</b>	<ul style="list-style-type: none"> <li>• An individual who has had no ownership in a principal residence during the 3-year period ending on the date of purchase of the property. This includes a spouse (if either meets the above test, they are considered first-time homebuyers).</li> <li>• A single parent who has only owned with a former spouse while married.</li> <li>• An individual who is a displaced homemaker and has only owned with a spouse.</li> <li>• An individual who has only owned a principal residence not permanently affixed to a permanent foundation in accordance with applicable regulations.</li> <li>• An individual who has only owned a property that was not in compliance with state, local or model building codes and which cannot be brought into compliance for less than the cost of constructing a permanent structure.</li> </ul>
<b>Owner Occupancy</b>	Buyer must occupy the home during the period of subsidy. Hardship variance requests will be reviewed by the Town's agent on a case-by-case basis.

<b>Mortgage Subordination for Refinance</b>	Rate/Term mortgage refinance allowed, cash out mortgage refinance only for essential home repairs. Hardship requests may be reviewed on a case-by-case basis.
<b>Liquid Asset/Gift Limit</b>	The Town's agent allows up to \$50,000 cash to remain with the buyer prior to closing, \$10,000 after closing, non-liquid assets (retirement, 401k etc) no limitation, waiver for retired and disabled households.
<b>Required Reserves</b>	Buyer has to meet cash reserve requirements of the first mortgage lender.
<b>Co-Borrowers</b>	Non-occupant co-borrowers are allowed for the purposes of mortgage qualification, and their income will not be counted towards income qualification provided the non-occupant co-borrower completes an affidavit certifying that they will not reside in nor do they have any financial interest in the home.

## **5.2 General Program Design Preferences**

When possible, the Town's preferences, based on best practices and on potential challenges for these populations to otherwise access homeownership opportunities, are as follows:

- New Mexico veterans,
- Households with a member who is physically disabled for which more expensive construction, or retrofitting may be required, or
- Larger families (families of four, particularly those with three or more minor children because these households have fewer opportunities in rental marketplace), or
- Lower income (those earning less than 60% of the median income as adjusted for family size), or
- Displaced homemaker headed households.

## **5.3 Income Determination**

The Town's agent will use the HUD Part V method of income determination found at [24 CFR 5.609 Annual income](#). Once an income is formally verified, the income certification shall be valid for six months.

## **5.4 Required Documentation and Review**

Below is an outline of the process and documentation needed to apply for the Town's Program. The Town's agent will have an application available that will need to be filled out as part of the process for accessing resources.

The application anticipates that household will also submit the following:

- Valid State Driver's License or Identification Card(s).
- Most recent months' year-to-date paycheck stubs with legible company name.
- Evidence of any other income sources including award letters from social security, social security supplemental income (SSI), child support payments received, pension, military benefits, annuities, and royalties.
- The most recent three consecutive months of all bank statements for checking and savings accounts.
- Last two years income tax returns including W-2 forms.
- If self-employed, the most recent three years income tax returns including all schedules, W-2 and 1099 forms.

Upon receipt of an applicant's application documents, The Town's agent will create a file and perform an evaluation of the information to determine the prospective applicant's eligibility to participate in the Town's programs and to determine the minimum amount of financial assistance, or target home price required to facilitate the purchase of a home. Should the file be determined incomplete, the client will be notified of any deficiencies in writing and given the opportunity to provide the required information.

1. The Town's agent will use income documentation to provide a preliminary income determination.
2. Files are then scanned into a client database and a hard copy file is created.
3. When the Town's agent completes their initial review and determines there are missing and/or unacceptable documents in the applicant's file, the client will be provided a form listing any missing documentation.
4. Upon receipt of any missing and or unacceptable documents from the applicant, the file processor shall thoroughly review the document(s) and make any necessary updates to the preliminary income determination.
5. Once all documentation has been received by the applicant and the final review is complete, The Town's agent will reach out to the applicant to schedule a session and confirm the applicant's next steps in the homebuying process.

# 6. QUALIFYING AFFORDABLE HOUSING PROJECTS

The primary purpose of home pricing guidelines (see Appendix A for pricing table) is to establish a systematic process for determining what qualifies as an “affordable” housing project. This includes a process to ensure that homebuyers are neither oversubsidized nor put in financially unsustainable housing situations. Similarly, this framework creates a standardized pricing methodology for builders that allows them to receive grants and incentives for producing qualifying affordable housing. Finally, this manual will follow the New Mexico Affordable Housing Act Guidelines and local Affordable Housing Act Ordinances to ensure resources can be provided to qualifying projects to ensure feasibility of these developments.

External partners such as local governments and private developers, can seek support for their projects by requesting the Town’s agent assist them in developing an affordable housing proposal for their project which identifies which units would be provided as affordable and a process for pricing and committing units to the Town in exchange for public or private resources (draft project proposal form in Appendix C).

At times, the Town may sponsor a development project by acquiring land through purchase or donation. When the Town acts as the sponsor, it will have more flexibility in setting pricing and will strive to serve lower income households that may not be served through partnerships with third-party developers. This assumes that the Town, over time, will build up its funding sources to be able to provide robust subsidies for projects.

Whether the Town decides to partner with a third party to develop affordable home opportunities or directly sponsors a project; they will require homes meet, at a minimum, energy star guidelines and local and state building codes. Further, each project’s final rent or mortgage payment will take into consideration operational expenses like utilities, to ensure that households can afford the final rent or mortgage payment. Whenever the Town contemplates a partnership they should ensure they are following all state procurement rules in their selection and provision of resources for a partnership.

## **6.1 Internal Effective Pricing Models**

When a homeownership development project is being sponsored by Town, its agent shall ensure that the effective pricing of homes shall be matched as closely to the client’s income at the time of income certification. Specifically, to ensure homes negotiated by the Town’s programs are affordable, the effective home prices are calculated to ensure that the sum of principal and interest payments, taxes, property insurance and mortgage insurance does not exceed thirty-three percent (33%) of the assumed household’s monthly income.

See the annual maximum affordable home price table in Appendix A. The Town’s agent will also take into consideration unusually high or low utility costs. To generate these effective home prices, a calculator and detailed methodology was created and is attached as a reference in Attachment A.

## **6.2 Capturing Subsidies Through a Second Mortgage**

The Town staff or its agent will apply for public and private funding to make the effective sale prices feasible as they are far below the market prices and the cost to build entry level homes. As such, the Town as a good steward of these resources, will recapture these subsidies through the use of a second mortgage.

In order to understand how recapture works, there are two scenarios provided below. One is a simple example where one source of funding is provided to create the “effective sales price” and captured through a second mortgage. A simple example is if the Town received state funds to develop 10 homes and each home received \$30,000 in grants, the Town’s agent will capture that \$30,000 in assistance to each household through the use of a second mortgage. This ensures that when the home is sold, The Town will “recapture” this second mortgage amount of \$30,000 and the homeowner does not “pocket” and reap the benefits of this grant/subsidy.

A more complex example is when there may be multiple subsidies involved in a project. Oftentimes this provision of multiple subsidies happens through larger subdivision development where a percentage of homes are “set-aside” and sold at the effective sales prices for that year. In this more complex example, the Town may provide discounted lots, waive development fees and may provide direct subsidy for the development of the affordable homes in the subdivision. At minimum, the Town or its agent, may need to ensure that all public subsidies are recaptured in a second mortgage (this is a typical funding requirement) that is repaid to the Town.

Oftentimes larger housing projects, where affordable housing is a portion of the project, will use “cross market” subsidies as another source to provide affordable housing. For instance, in a 40 unit subdivision where 20 of the homes are affordable reflecting the effective sales prices of that year, and the other 20 homes are market rate and sold at market; there can be some subsidy provided by the market rate homes to the affordable homes. When these more complex mixed-income subdivision projects occur, it is a common practice to have the affordable homes appraised to ensure that the value of that appraisal minus the effective sales price, is captured and recorded as a second mortgage.

This process ensures that potential income qualified homebuyers are not able to flip homes and keep a profit that was provided by these subsidies. If the discount to market of the home's qualifying purchase price to appraised value is greater than 30% then the second mortgage loan could also have a Right of First Refusal (ROFR) resale option that allows the Town, or its agent, up to 90 days to offer the home to another qualified homebuyer for purchase.

### Town Home Buying Example with ROFR

*Appraised Value of Below Market Home: \$250,000*

*Town’s Effective Sales Price for Homebuyer: \$175,000*

*Second mortgage amount: \$75,000*

In this example the second mortgage reflects the difference between sales price and appraisal value which is equal to 30%. This second mortgage would capture this value and have a Right of First Refusal for up to 90 days for The Town's agent to line up a homebuyer to purchase the home from the current seller at the appraised value at time of sale. The seller would be paying back the second mortgage and this subsidy would be available to the next buyer of the home. Depending on the housing market and new homebuyer's income at time of sale, the Town or its agent may need to provide additional subsidies, beyond a second mortgage, to fill the financial gap for the next purchase. If a buyer is not found within 90 days, the home can be placed on the market and the Town will receive repayment of the original second mortgage at time of closing to recycle through their second mortgage fund.

### **6.3 External Effective Pricing Model**

For homeownership and rental development being undertaken by private development partners, a formula shall be applied to establish effective affordable home pricing which aligns with the Town's housing programs. Affordable rent levels will follow New Mexico Mortgage Finance Authority's (MFA) annual Low Income Housing Tax Credit program (LIHTC) published rents annually that are released by May of each year. As described above, to ensure homes negotiated by the Town's agent are affordable, the effective home prices are calculated to ensure that the sum of principal and interest payments, taxes, property insurance and mortgage insurance does not exceed thirty-three percent (33%) of the assumed household's monthly income.

### **6.4 Income Tiers**

An income tier is a method for establishing effective prices for a range of buyers within a range of incomes. This method is often used to simplify effective home pricing for third-party partners like local development partners. The effective price shall be determined through the Town's price and mortgage calculator which takes into consideration HUD's area median income (AMI) incomes for Taos County and prevailing mortgage rates. Annually beginning in 2024, The Town's agent shall review and adjust their pricing schedule once a year and publish effective sales prices and monthly rents by income range and household size. The price schedule will be adjusted within thirty (30) days of the release of the HUD AMI data. Homeownership pricing shall be divided into three tiers:

- Tier 1 <80% AMI (effective price will be set at 70% AMI)
- Tier 2 81-100% AMI (effective price will be set at 90% AMI)
- Tier 3 101-120% AMI (effective price will be set at 110% AMI)

Effective Sales Price by Income Tiers - 2024					
		Home Price by Bedroom Size			
Income Tiers	Max AMI	0-1 BR 1 Person Household	2 BR 3 Person Household	3 BR 4 Person Household	4 BR 6 Person Household
Tier 1	< 80% (Effective price: 70%)	\$114,700	\$142,500	\$151,000	\$179,000
Tier 2	81-100% (Effective price: 90%)	\$156,900	\$196,700	\$211,200	\$248,900
Tier 3	101-120% (Effective price: 110%)	\$199,000	\$250,800	\$271,400	\$318,800

**Table Description:** these are the maximum home prices that a household can afford within each of the 3 Income Tiers (i.e. using AMI's of 70%, 90% and 110%) to set the effective sales price for their respective tier). For more information about tiered pricing see section 6.3. To see these effective sales prices by the entire spread of AMI percentages (instead of by Income Tiers), see the table below titled "Effective Sales Price - Full Table".

Note: see Appendix B for data sources

Additional information on Income Tiers can be found within section 4.

## 6.5 Rental Affordability

Rental affordability levels are based on 30% of gross household income payment standard and based on two income tiers. Tier 1 for <60% AMI, and Tier 2 for 60-80% AMI. Tier 1 rental programs are aligned with the income standard used for the Low Income Housing Tax Credit program (LIHTC). Tier 2 is based on an 80% AMI payment standard. MFA publishes annual rental limits here: [2024 rental limits](#); see image below for rental limits table for Taos County:

2024 HOUSING CREDIT INCOME LIMITS AND MAXIMUM RENTS										
**Taos County**										
For all Placed in Service Properties										
Median Income \$74,300										
FY2024 Income Limits & Rents	# in Hshld	1	2	3	4	5	6	7	8	
	20%	9,940	11,360	12,780	14,200	15,340	16,480	17,620	18,760	
	30%	14,910	17,040	19,170	21,300	23,010	24,720	26,430	28,140	
	40%	19,880	22,720	25,560	28,400	30,680	32,960	35,240	37,520	
	50%	24,850	28,400	31,950	35,500	38,350	41,200	44,050	46,900	
	60%	29,820	34,080	38,340	42,600	46,020	49,440	52,860	56,280	
	70%	34,790	39,760	44,730	49,700	53,690	57,680	61,670	65,660	
	80%	39,760	45,440	51,120	56,800	61,360	65,920	70,480	75,040	
	Maximum Gross Rents by Bedroom Size									
		0	1	2	3	4	5			
	20%	248	266	319	369	412	454			
30%	372	399	479	553	618	682				
40%	497	532	639	738	824	909				
50%	621	665	798	923	1,030	1,136				
60%	745	798	958	1,107	1,236	1,364				
70%	869	931	1,118	1,292	1,442	1,591				
80%	994	1,065	1,278	1,477	1,648	1,819				

## 6.6 Interest Lists

The Town is committed to creating equitable and transparent processes for accessing discounted home and other program resources. To accomplish this, interest lists will be established for below market homes and homebuyer assistance resources. Prospective program participants will be required to complete classes and receive a pre-qualification letter from a local lender before they can be added to a project interest list. The interest list will contain information that includes the preliminary income level expressed in AMI, the household size, and the mortgage qualification amount. Clients with lower incomes are allowed to buy homes in a higher income category, provided they meet basic underwriting criteria and the Town’s homebuyer program guidelines. The interest lists and required processes will be managed by the Town’s agent.

# 7. LONG-TERM AFFORDABILITY MECHANISMS

Direct housing subsidies, created through larger mortgage assistance loans provided by cash or through significantly discounting a home from appraised value, are important community assets and should be secured through a common resale control mechanism such as a second mortgage lien in order to grow a long-term asset base for affordable housing, create resources to keep homes affordable long-term, to disincentivize “flipping” of affordable units and to prevent windfall profits for program participants.

## 7.1 Assistance Levels

Type	Amount	Mechanism
Small Assistance	0-\$10,000	zero interest forgivable loan after five years
Moderate Assistance	\$10,000-\$85,000	30 year loan with zero-interest
Large Assistance	\$85,000+	30 year share appreciation loan (zero interest)

**Small Assistance** are small subsidies which are too small to justify the long-term administrative overhead of maintaining them. To maintain compliance with the Affordable Housing Act, the buyer will be required to maintain the dwelling as a primary residence for 5-years, after which the requirements extinguish.

**Moderate Assistance** are subsidies that will primarily be downpayment assistance loans, small development loans or financing subsidies. These take the form of second mortgage loans offered at zero-interest, and are considered “silent” subordinate loans because they will not require payback until transfer or sale of the property with limited exceptions for rate-term refinance. The loans are structured this way to facilitate homeownership by decreasing the amount needed for the first-mortgage loan and to help homebuyers stretch their purchasing power.

**Large Assistance** will typically be a deep discount created through Town development subsidies. These discounts will be secured through a perpetual shared appreciation silent subordinate mortgage (i.e. second mortgage). The Town's share of the homes' appreciation will be equal to the proportion of Town's original assistance amount (i.e. second mortgage) relative to the home's purchase price (i.e. effective sales price).

Below is an example that demonstrates this large assistance shared appreciation model:

**Large Assistance Example:**

Appraised home value: \$300,000

Effective sale price: \$200,000 (*sale price of the home*)

Second mortgage amount (created by the difference between value and sales price): \$100,000  
(*Town assistance*)

Buyer's mortgage amount: \$200,000 ( $\$300K - \$100K = \$200K$ )

Home value after five years: \$350,000

In this example, the home has a market value of \$300,000 (i.e. "appraised home value") and it is functionally discounted \$100,000 to enable an "effective sale price" of \$200,000. This \$100,000 discount or assistance would become the second mortgage. The Town's shared appreciation portion is the percentage of the second mortgage (\$100,000) relative to the effective sale price (\$200,000) which equals 33%. In other words, The Town is entitled to 33% of the home's appreciation (increase in value) over the period of homeownership.

If the home is later sold or refinanced for \$350,000, the Town would receive their second mortgage back (\$100,000) plus a pro rata share of the appreciation. The total appreciation of the home is \$50,000 ( $\$350,000 - \$300,000 = \$50,000$ ) and Town is entitled to 33% (their pro rata share) of this total appreciation which would equal \$16,500 ( $\$50,000 * 0.33 = \$16,500$ ).

Therefore, the total repayment due to the Town would be \$116,500 which again is the second mortgage (\$100,000) plus their pro rata share of the total appreciation (\$16,500).

This shared appreciation model allows for more feasible re-subsidizing of affordable units to keep them accessible for future low and moderate-income buyers. With large assistance loans, they will also be structured with a Right of First Refusal (ROFR), which gives the Town, through its agent, the right to place another affordable buyer in an affordable housing unit within a specified period of time.

## **7.2 Pass-Through Public Development Subsidies**

When public entities provide development assistance to third parties, such as infrastructure funding, fee waivers or direct development subsidies, to the extent possible, these subsidies will be passed through to the income qualified buyer and converted to second mortgage loans. An initial funding agreement or legal tool would be created for the subsidy to the developer that then would be extinguished when the home is occupied by the income qualified buyer and the original subsidy is converted to a new second mortgage

loan. This loan, like all second mortgages, can be recaptured at sale or refinance and paid back to the Town or its funding partner, depending on who provides the subsidy. This ensures that the developer is legally bound to provide the affordable homes which are defined by the effective sales prices at time of an agreement. Again, this ensures that the homeowner cannot receive a windfall if they sell the home at any time while also ensuring that the Town or its partner can meet the requirements of government funded programs.

**Example:**

The Town provides one million to a 40 unit development where 50% of the units will be offered at 120% AMI or less. This subsidy equates to \$50,000 a unit for the 20 below market units. Once the below market units are being sold, the subsidy will flow through to the below market buyers of the 20 homes through a lower purchase price than the other 20 homes.

Market homes: \$300,000

Below market home price: \$250,000 (subsidy passed through to buyer via discounted home price).

As above, the \$50,000 subsidy is captured as a second mortgage to be paid back.

## **8. PROGRAM ADMINISTRATION AND AGREEMENTS**

Developers who want to voluntarily commit to incorporating affordable housing components into their projects will need to work with the Town's agent to create a Town affordable housing proposal (Taos Housing Proposal) which details their commitments and establishes a process for providing these units. The proposal outlines the number and types of units, timelines for delivery, anticipated public or private subsidies required to deliver units and roles for each entity. For example, if a developer wants to provide a percentage of their subdivision as affordable housing, using the Town's effective sales prices, they will meet with the Town's agent, check effective pricing for each income tier and analyze funds needed to make their project feasible, confirm support needed from the Town or its agent including potential funding, and provision of homebuyer preparation or access to the Town's mortgage assistance program.

The Taos housing proposal memorializes the details of incentives being provided, developer commitments about the number of units and level of affordability being created (i.e. effective sales prices). These housing proposals will guide what legal documents may be needed to formalize these partnerships. Agreements may take the form of a development agreement; a loan or other legal document formalizing these commitments. The agreement form may be dictated by the funding source or by local land use regulations and all will be drafted with consideration to the Affordable Housing Act.

# **9. ADMINISTRATIVE PROCEDURE AMENDMENTS**

The Town's agent will manage changes to this manual, develop new programs to be presented to the Town Council and provide guidance for implementation of all Town's programs. Any changes to this manual should be developed by the Town's agent and then reviewed by staff before the Town Council approves. Changes should be infrequent (i.e. annually) to provide continuity for program partners and the community.

# APPENDIX A

## HOME AFFORDABILITY REFERENCE TABLES Taos County, New Mexico

*Note: all reference tables were created in April 2024 with the most current data available. The data sources and methodology for pricing of these reference tables is provided in APPENDIX B.*

Taos County Area Median Incomes - 2024								
	Number of Persons in Household							
AMI	1	2	3	4	5	6	7	8+
30%	\$14,950	\$17,050	\$19,200	\$21,300	\$23,050	\$24,750	\$26,450	\$28,150
40%	\$19,880	\$22,720	\$25,560	\$28,400	\$30,680	\$32,960	\$35,240	\$37,520
50%	\$24,850	\$28,400	\$31,950	\$35,500	\$38,350	\$41,200	\$44,050	\$46,900
60%	\$29,820	\$34,080	\$38,340	\$42,600	\$46,020	\$49,440	\$52,860	\$56,280
65%	\$32,305	\$36,920	\$41,535	\$46,150	\$49,855	\$53,560	\$57,265	\$60,970
70%	\$34,790	\$39,760	\$44,730	\$49,700	\$53,690	\$57,680	\$61,670	\$65,660
80%	\$39,800	\$45,450	\$51,150	\$56,800	\$61,350	\$65,900	\$70,450	\$75,000
90%	\$44,730	\$51,120	\$57,510	\$63,900	\$69,030	\$74,160	\$79,290	\$84,420
95%	\$47,215	\$53,960	\$60,705	\$67,450	\$72,865	\$78,280	\$83,695	\$89,110
100%	\$49,700	\$56,800	\$63,900	\$71,000	\$76,700	\$82,400	\$88,100	\$93,800
110%	\$54,670	\$62,480	\$70,290	\$78,100	\$84,370	\$90,640	\$96,910	\$103,180
120%	\$59,640	\$68,160	\$76,680	\$85,200	\$92,040	\$98,880	\$105,720	\$112,560
125%	\$62,125	\$71,000	\$79,875	\$88,750	\$95,875	\$103,000	\$110,125	\$117,250
140%	\$69,580	\$79,520	\$89,460	\$99,400	\$107,380	\$115,360	\$123,340	\$131,320
150%	\$74,550	\$85,200	\$95,850	\$106,500	\$115,050	\$123,600	\$132,150	\$140,700
160%	\$79,520	\$90,880	\$102,240	\$113,600	\$122,720	\$131,840	\$140,960	\$150,080
180%	\$89,460	\$102,240	\$115,020	\$127,800	\$138,060	\$148,320	\$158,580	\$168,840
200%	\$99,400	\$113,600	\$127,800	\$142,000	\$153,400	\$164,800	\$176,200	\$187,600

**Table Description:** Area Median Income or AMI, is the midpoint of the income distribution in Taos County, meaning that half of the households earn more than the median and half earn less than the median. These AMI's are used to create the tables that list the "Affordable Mortgage Amounts" and the "Effective Sales Prices". AMI as a measurement is a housing industry standard and will ensure that the

Town can access public funds because they align with these major funding sources. **Note: Due to state statute, the Town is unable to give direct assistance for incomes above 120% AMI.**

Maximum Incomes of Buyers by Income Tier and Household Size - 2024									
		Number of Persons in Household							
Income Tiers	Max AMI	1	2	3	4	5	6	7	8+
Tier 1	up to 80%	\$39,800	\$45,450	\$51,150	\$56,800	\$61,350	\$65,900	\$70,450	\$75,000
Tier 2	up to 100%	\$49,700	\$56,800	\$63,900	\$71,000	\$76,700	\$82,400	\$88,100	\$93,800
Tier 3	up to 120%	\$59,640	\$68,160	\$76,680	\$85,200	\$92,040	\$98,880	\$105,720	\$112,560

**Table Description:** this table illustrates the maximum household income for each Income Tier.

Effective Sales Price by Income Tiers - 2024					
		Home Price by Bedroom Size			
Income Tiers	Max AMI	0-1 BR	2 BR	3 BR	4 BR
		1 Person Household	3 Person Household	4 Person Household	6 Person Household
Tier 1	< 80% (Effective price: 70%)	\$114,700	\$142,500	\$151,000	\$179,000
Tier 2	81-100% (Effective price: 90%)	\$156,900	\$196,700	\$211,200	\$248,900
Tier 3	101-120% (Effective price: 110%)	\$199,000	\$250,800	\$271,400	\$318,800

**Table Description:** these are the maximum home prices that a household can afford within each of the 3 Income Tiers (i.e. using AMI's of 70%, 90% and 110%) to set the effective sales price for their respective tier). For more information about tiered pricing see section 6.3. To see these effective sales prices by the entire spread of AMI percentages (instead of by Income Tiers), see the table below titled "Effective Sales Price - Full Table".

Affordability Gap Amount - 2024					
		Mortgage Amount by Bedroom Size			
Income Tiers	Max AMI	0-1 BR 1 Person Household	2 BR 3 Person Household	3 BR 4 Person Household	4 BR 6 Person Household
Tier 1	< 80% (Effective price: 70%)	\$135,300	\$217,500	\$305,000	\$321,000
Tier 2	81-100% (Effective price: 90%)	\$93,100	\$163,300	\$244,800	\$251,100
Tier 3	101-120% (Effective price: 110%)	\$51,000	\$109,200	\$184,600	\$181,200
Average		\$93,100	\$163,300	\$244,800	\$251,100

**Table Description:** this is the financial gap between what a current market-rate lower-end home costs and what a homebuyer can actually afford and qualify for (i.e. effective home price) as of April 2024. This gap amount can be subsidized by the Town or others by providing second mortgages to fill this gap or combining a second mortgage with a discounted home. In essence, this chart simply illustrates the significant gap between household incomes and market rate home prices in 2024 and the need to both provide second mortgages and encourage new developments that are more affordable through partnerships, subsidies, and changes in land use and density.

Effective Sales Price - Full Table - 2024								
		Number of Persons in Household						
AMI	1	2	3	4	5	6	7	8+
50%	\$72,598	\$73,234	\$88,286	\$90,756	\$102,840	\$109,158	\$121,241	\$133,325
60%	\$93,670	\$97,317	\$115,379	\$120,860	\$135,360	\$144,094	\$158,594	\$173,095
65%	\$104,207	\$109,358	\$128,925	\$135,911	\$151,620	\$161,562	\$177,271	\$192,980
70%	\$114,743	\$121,399	\$142,471	\$150,963	\$167,880	\$179,031	\$195,948	\$212,865
80%	\$135,984	\$145,524	\$169,691	\$181,066	\$200,357	\$213,882	\$233,174	\$252,465
90%	\$156,887	\$169,564	\$196,657	\$211,169	\$232,919	\$248,904	\$270,654	\$292,405
95%	\$167,423	\$181,605	\$210,203	\$226,220	\$249,179	\$266,372	\$289,331	\$312,290
100%	\$177,959	\$193,647	\$223,750	\$241,272	\$265,439	\$283,840	\$308,008	\$332,175
110%	\$199,031	\$217,729	\$250,843	\$271,375	\$297,959	\$318,777	\$345,361	\$371,945
120%	\$220,104	\$241,812	\$277,935	\$301,478	\$330,479	\$353,714	\$382,714	\$411,715

**Table Description:** these are the maximum home prices that households can afford by AMI.

# APPENDIX B

## DATA SOURCES FOR REFERENCE TABLES IN APPENDIX A

### **Data Sources:**

Table: “Area Median Income for Taos County, New Mexico”:

- U.S. Department of Housing and Urban Development (HUD).
- Based on latest HUD data Effective June 1, 2024 for Taos County.
- Data source website: [https://www.huduser.gov/portal/datasets/home-datasets/files/HOME\\_IncomeLmts\\_State\\_NM\\_2024.pdf](https://www.huduser.gov/portal/datasets/home-datasets/files/HOME_IncomeLmts_State_NM_2024.pdf)

All other tables in Appendix A use a combination of the following data:

- Mortgage Interest Rate:
  - [BankRate.com](https://www.bankrate.com). As of April 2024, Bank Rate reported the national average 30-year fixed rate was 7.05%.
- Additional Housing Costs: Property Insurance, Property Taxes, and Mortgage Insurance:
  - Based on national averages which Daniel Werwath, a housing consultant that has 15 years of experience identified in 2023.
  - We were unable to use Taos-specific rates as they were too complex to be able to derive easy assumptions for the model that produces these reference tables.
- Current market-rate “low-end” housing prices:
  - This data was required to derive the values within the tables titled “Gap Amount”, “Affordable Mortgage Amount”, and “Maximum Affordable Home Prices”.
  - This data was pulled from the Multiple Listing Service (MLS) for comparable “low-end” sales data for the last 6 months within Taos County (10/1/2023-4/1/2024).

# APPENDIX C

## The Town of Taos Affordable Housing Proposal Form

### 1. Applicant Information

Name of property owner (person or legal entity): \_\_\_\_\_

Name of designated contact person: \_\_\_\_\_

Mailing address: \_\_\_\_\_

\_\_\_\_\_

Phone number: \_\_\_\_\_ Email address: \_\_\_\_\_

Submission date of this proposal to Town's agent: \_\_\_\_\_

### 2. Property Information

Address of property (or adjacent streets): \_\_\_\_\_

\_\_\_\_\_

Tax map number(s): \_\_\_\_\_

Number of acres: \_\_\_\_\_

### 3. Status of This Housing Proposal (check all that apply)

Draft submitted to Town's agent and Taos Planning Department

Recommended to the Town of Taos by Town's agent and Taos Planning Department as  
acknowledged by signature on last page

### 4. Development Approval(s) Being Sought (check all that apply)

Application for annexation unless the site was previously subdivided into residential lots and  
not being re-plated.

\_\_\_ Application for rezoning.

\_\_\_ Application for a subdivision plat, including a plat for residential condominiums consisting of existing or new dwelling units.

\_\_\_ Application for an increase in density for a property subject to an approved master plan or development plan.

\_\_\_ A site-specific development plan including, but not limited to, special use permit, and conditional use permit application.

\_\_\_ Application requesting the extension of or connection to town utilities submitted to the Town for residential development located outside the city limit.

\_\_\_ Application does not seek land use approval but financial resources to offset costs for affordable units.

\_\_\_ Other; Please describe.

**5. Number of Residential Units Proposed and Recently Approved**

a. Number of residential units proposed: \_\_\_\_\_

**6. Pre-Submission Conference with the Town’s Agent**

a. We have participated in a pre-submission conference with the Town’s Agent: \_\_\_Yes  
\_\_\_No

b. Date(s) of pre-submission conference(s) with the Town’s Agent:  
\_\_\_\_\_

c. If no pre-submission conference has been conducted, the property owner may not submit a housing proposal to the Town.

**7. Affordable Housing Proposed Development**

Types of Units	Unit Count
a. Number of affordable homes Tier 1	
b. Number of affordable homes Tier 2	
c. Number of affordable homes Tier 3	
d. Number of market rate units	
TOTAL number of residential units	

**8. Bedroom Mix of Project**

	Studio	1-BD	2-BD	3-BD	4-BD	Total Number
Number of market rate units						
Number of affordable units						
Tier Prices						

**9. Pricing Schedule for Affordable Homes To Be Built and Sold**

**When feasible, affordable homes should be scattered throughout a development.**

	Price Tier 1	Price Tier 2	Price Tier 3	Total Number of Units
Studio				
1-Bedroom				
2-Bedroom				
3-Bedroom				
4-Bedroom				
Total Number of Affordable Homes				

**10. Subsidy Request**

Provide detailed information about what you are requesting in order to deliver these units. For example: tap fee waivers; infrastructure grant funds, density bonus etc, or confirm the amount of subsidy expected to provide affordable units at price points above.

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**11. Certifications and Signature**

I hereby certify and attest to the following:

I am an authorized representative of the property owner.

I understand that this Affordable Housing Proposal, when approved, will become part of a recorded agreement.

Submitted this \_\_\_\_\_ day \_\_\_\_\_ 2024

\_\_\_\_\_  
Signature of Owner or Representative

\_\_\_\_\_  
Printed or typed name

**12. Town’s Agent’s Recommendation for Approval**

I hereby recommend this Affordable Housing Proposal for approval by the Town of Taos.

\_\_\_\_\_  
Signature of Town’s Agent

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed or typed name

**13. Taos Planning Department Recommendation for Approval**

I hereby recommend this Affordable Housing Proposal for approval by the Town of Taos

\_\_\_\_\_  
Signature of Department Director

\_\_\_\_\_  
Date

\_\_\_\_\_  
Printed or typed name

# ATTACHMENT A

## INSTRUCTION MANUAL FOR TAOS COUNTY HOME AFFORDABILITY CALCULATOR

This is a separate document titled “Instruction Manual for Taos County Home Affordability Calculator” that is delivered with this Program Manual.

The Homeownership Reference Tables (such as Area Median Income (AMI) or Affordable Home Prices etc) are generated using a spreadsheet called the Taos County Home Affordability Calculator. The purpose of this document is to explain the methodology and the inner-workings of this “calculator” and how to update it to generate current reference tables.