

MEMORANDUM

To: Housing New Mexico Advisory Committee
From: Heidi Aggeler and Avilia Bueno
Re: **Notes from Meeting 3**
Date: January 11, 2022

Meeting Agenda

Welcome back and happy 2022!

Legislative and related Updates

Production and Preservation Brief—Top Takeaways

Strategy Discussion

Legislative and related Updates

Housing market conditions shared by AC members:

- Priscilla Lucero, Southwest New Mexico Council of Governments: We have been getting calls from residents with environmental concerns; there are more housing concerns about people with allergies, etc. In some communities we have had no new housing units built, we have no rental stock and that has been a challenge during the pandemic.
- Jeff Curry, JL Grey: Certain products are getting increasingly pushed back due to supply chain issues, especially windows, siding, cabinets. Things are not looking great in the production side.
- Linda Bridge, National Association of Housing Redevelopment Officials: Agree with Jeff on production side. Accommodating new refugees is becoming very challenging in Albuquerque; a recent newspaper article reported that the Albuquerque area needs to accommodate around 100 refugees per months. We have the resources but there is just no housing supply.
- Jack Milarch, New Mexico Homebuilders Association: We need to encourage more housing. We have introduced a bill to accomplish code compliance reform. Waiting on code compliance and inspections is adding at \$10,000 per house. This is a 30 day session so very limited. We will also run a memorial to see how the state and local jurisdictions can help with the code compliance process.

- Izzy Hernandez, MFA: We have been holding a series of meetings to introduce a bill for recurring funds for the Housing Trust Fund (HTF). We are still working on that. Homeowner Assistance Fund: \$55 million has been approved. Launch to accept applications in February for homeowner assistance; on the utilities side they may launch sooner.
- Hank Hughes, New Mexico Coalition to End Homelessness: During special session there was \$10 million for homeless and \$15 million in the HTF for energy efficiency affordable housing from ARPA funds.
- Donnie Quintana, DFA: \$12 million in CDBG funding is available throughout the state. Role of the \$10 million mentioned above is for local governments to produce more transitional housing. Repurposing hotel and such. Be on the lookout for new bill that focuses on renter and landlord relationships.
- Steve Grant, New Mexico Apartment Association: Update on process with the ERAP program. The program is approaching \$90 million in awards, with 30,000 households assisted, both for rental and owners. Goal is to ensure 100% expenditure by September 2022. ERAP 1 applicant has to illustrate COVID impact; ERAP 2 needs to demonstrate financial hardship during the pandemic. Funds include the ability of residents to seek assistance for hotels up to 90 days for residents who have been evicted or displaced and such. Also ability to fund deposits for renters. Partnering with public schools and McKinney Vento; they have been able to house 13 families in Albuquerque.
- Consultants: The resident survey to inform the Strategic Plan is open through February 28, available in both English and Spanish. Access the survey and tools to promote the survey here:

[*****housingnm.org/advisory-committee-housing-strategy/resident-survey](https://housingnm.org/advisory-committee-housing-strategy/resident-survey)

[*****.research.net/r/NMHousingNeeds](https://research.net/r/NMHousingNeeds)

Production and Preservation, Advisory Committee Members' Discussion and Questions

Cost of construction:

- The cost of construction (per sq ft) is changing on a weekly basis, sometimes daily. This is making it hard for us to close on projects and limits affordability for families at or below 80% AMI.
- It is really hard to close on a loan with changing construction costs. Developing 22 homes and are averaging between \$175 to \$200 sq/ft; used to be around \$140 per sq/ft on a basic HUD home.
- Do we have any data on homes with cesspools and unpermitted septic tanks? It would be nice to understand the costs associated with that type of infrastructure. Contact the homebuilders association for that data.

- We need more money because construction cost keeps rising.

Permitting and processing:

- Expediting process internally with tribes should be a priority, within reservation. Financial education is also key, and helping people with good credit ratings, especially in this climate where people have lost their jobs.
- Most people don't understand that when homebuilders can't get an inspection, we have to stop, this really disrupts the construction process. In many places the code compliance is provided by the state, inspectors come to town once a week. Some states allow private inspectors, we need something similar.
- Would like to explore the idea of a State Ombudsman to oversee coordination with utilities department, code inspectors, etc.
- In rural areas, we are losing building inspectors in local governments and communities are relying on state inspectors. This poses a challenge. If we had an individual who addresses those inspection issues that would help move process faster. The other issues is when we are having to wait on PNM for a year on a construction project that is not viable for the contractor and increases mobilization costs. In my region we used to have a few code inspectors, we are down to one in the 4 county region. We have to get someone out of Las Cruces, and that adds cost. Rural communities are the most impacted.
- I think it would be helpful if the MFA could set up a resource for supporting regulatory review and reform (just like they do for the affordable housing act planning process) with a focus on supporting affordability and removing barriers to affordability.

New v. Redevelopment:

- In Albuquerque, homebuilders are lucky to still have many lots that were acquired at a lower cost but lot shortage is creeping up. In the past we tried to get MFA to help with lot and lot development costs; maybe MFA can reconsider.
- Santa Fe is looking at is all of the underdeveloped corridors and areas of town; these could be redeveloped. In Santa Fe. commercial zoning allows housing, and we need more resources on how to redevelop land that already has infrastructure and less neighborhood resistance. This would also be useful from a climate perspective—more infill rather than building out.
- Homebuilders agree: we do see that, in order to do redevelopment, you have to be able to get the right values, to make the numbers works those will turn into expensive housing, with a mix of retail and commercial.

There are a lot of rules to redevelop strip malls and such, and zoning is an issue. Cost is high and rents might not cover it.

- In rural areas, we have communities that are landlocked by mines, we need infill, and we have nobody to come and do infill. Homes are vandalized, home catch fire, typically single family. We need to incentivize local governments to take ownership of those units and redevelop.
- Any way to take existing structure and renovate them that makes more sense today than new build.
- New development is hard to accomplish in rural areas because most funding is volume based. Recently developed a project in Gallup NM of 30 units (2006 to 2008), and that was the right size. Funding helps with economies of scale, but hard to do in rural areas.

Land Use Changes and Development Incentives:

- Would be nice to look at ways to support that "missing middle" the plexes, which are difficult to finance and/or build given zoning and financing restrictions and efficiencies of scale realities.
- Santa Fe has incentives and IZ, which it is pretty effective in the homeownership side, not as good for rental. We are working to make it more flexible, to "get out of our own way." MFA could provide very clear information on incentives from the new Mexico Affordable Housing Act. We need active promotion on how that works; private developers are unclear on how it works. MFA could take a role in assembling an incentive package for affordable products.
- Santa Fe County has a program of transferable development rights. Idea is that we have part of our county we want to keep green and smaller areas near the city we want to develop, so we are letting greenfield owners they can sell their development rights to people close to the town to reap their benefits.

Preservation:

- There is a need for priority for preservation at the state and local levels. We are not going to make up the housing gap in 0-30% AMI needs if we do not fund preservation efforts. Example would be funding set asides.
- Change the QAP. Right now acquisition and rehab is doable at 9% and should get funding; this is more feasible than new construction. We need more gap funding.
- Capital improvement dollars for public housing has been under funded for a long time for a large deficit. RAD programs allows us to keep the properties unencumbered, but we need more funding then from other sources. RAD currently has no funding for conversions.
- Could MFA create a database that flags a jurisdiction that has units that will expire in the next few years? That way we can act more quickly on projects that are set to expire.
- One issue in Santa Fe is that very low income homeowners without mortgage often don't carry home insurance because they can't afford it which then means that a

provider can't repair their home. Is there a resource for low cost homeowner's insurance or short term to cover the duration of a rehab?

- Sustainable building tax program that NM has had for many years, we are trying to move funds from new homes to existing homes, for energy efficiency uses. We can do a better job if we change that law. For new home and new constructions we have squeezed all the benefits no sense in adding more. If the goal is to move the needle we need to spend the money in existing homes.