

MEMORANDUM

To: Housing New Mexico Advisory Committee
From: Heidi Aggeler and Avilia Bueno
Re: **Notes from Meeting 2:** November 16, 2021
Date: November 16, 2021

Meeting Agenda

Welcome back and October 6 meeting recap

Legislative Update and Priorities

Housing Needs—needs forecasts, rental gaps, senior needs, ownership gaps

Strategy Framework and next steps

Welcome back Advisory Committee members!

Housing New Mexico Advisory Committee Members

Hank Hughes	New Mexico Coalition to End Homelessness
Nicole Martinez	Mesilla Valley Community of Hope
Linda Bridge	National Association of Housing Redevelopment Officials
Steve Grant	New Mexico Apartment Association
Isaac Perez	San Felipe Pueblo
Chris Baca	Yes Housing
Jeff Curry	JL Grey
Jack Milarch	New Mexico Home Builders Association
Alan Fowler	New Mexico Mortgage Bankers Association
Steve Anaya	New Mexico Association of Realtors
Mike Loftin	Homewise
Mark Duran	New Mexico Manufactured Housing Association
Greta Armijo	Jemez Pueblo
Lisa Huval	City of Albuquerque
Natalie Green	City of Las Cruces
Alexandra Ladd	City of Santa Fe
Priscilla Lucero	Southwest New Mexico Council of Governments
Dr. Bowen	New Mexico Human Services Department
Donnie Quintana	New Mexico Department of Finance and Administration

Legislative update and priorities.

2022 MFA Legislative Agenda

- \$70 million New Mexico Housing Trust Fund (NMHTF) appropriation
- NMHTF Recurring Funding- 3.5% of Severance Tax Bond Capacity

- Expansion of Linkages Program
- \$500,000 for Regional Housing Authority Oversight
- \$250,000 for Affordable Housing Act Oversight.

Advisory Committee members' identified challenges

- Inefficiencies and insufficient local capacity in the development approval process in localities is a major barrier to new housing production. Time spent waiting for field inspectors and for plan checks raises costs and significantly slows down the ability of builders to get units on the ground. These are mostly pedestrian problems that can be fixed.
 - Advisory Committee should evaluate: *What types of incentives or models could the state offer to local governments to improve these processes?*
- Supply chain challenges are also slowing down production and raising costs—and also affect the ability to make home improvements and raise energy efficiency in housing. The supply chain challenge is hard to address, given that much of the cause is due to global factors.
- These challenges affect all types of housing—market rate, affordable, manufactured homes.
- The state housing trust fund needs a reliable, stable source of recurring funding. This adds predictability to the development of affordable housing by providing reliable capital.
- Would like the AC to examine bonding capacity, take this on now when funding is available. LIHTC developments are more commonly exceeding budgets due to the challenges mentioned above. The process of finding funding sources to plug the holes in need is laborious and involves a legislative process, DFA, and local communities. This slows down delivery of much needed affordable housing significantly.
- In rural areas, the time to connect utilities and the high costs of those connections is a major barrier.
- Many communities are land locked due to ownership of surrounding land. They need solutions to make infill more feasible—incentives, funding, help with infill development.
- Utilities costs are a big challenge for affordable housing providers.
- Eviction prevention and rental assistance programs should be bolstered. We can build upon the rental assistance processes that were established during the pandemic.
- Energy efficient audits would be useful
- Tax policies in New Mexico discourage existing homeowners from selling, and from smaller households who no longer need a lot of space from downsizing.

Housing needs and forecasts. Root Policy presented preliminary findings of research on housing projections and current housing needs in New Mexico.

Population trends indicate seniors will grow to 21% of residents by 2030 and then stabilize. Residents under 25 years will increase slowly but consistently and make up the largest share of residents at 31% by 2035. Residents of core working ages are expected to plateau. Population trends project New Mexico:

- Will add around 22,800 new households between now and 2025; and
- Will add around 65,000 new households between now and 2035.

This growth is projected to be concentrated in urban areas, a phenomenon that is also true at the national level.

What projected growth means for housing needs. An average of 5,100 housing units per year are needed to accommodate growth to 2025 and an average of 5,140 housing units per year are needed to accommodate growth between 2025 and 2030.

This compares to past 10 year average annual permits of 3,291 housing units in growth counties and 4,771 housing units for New Mexico overall. Increased production is needed—but must be paired with programs and policies to ensure a portion of new units meet affordability needs.

Strong preservation efforts and strategic development to support economic growth should be considered for rural areas, which are projected to keep growing in employment terms and might be experiencing a change in population trends due to the readjustment of the labor market and location preferences caused by the pandemic.

Rental gaps analysis shows:

- A shortage of around 32,000 units affordable for households with income below 30% AMI.
- The largest share of the gap (around 19,800) is concentrated in the Albuquerque MSA.

While the gap is concentrated at lower income levels, the number of cost burdened renters in the middle of the income distribution has increased since 2010.

Senior households who are predominantly owners are also more likely to be low income and will require additional services to remain in their homes or affordable rentals—both sparse, especially in rural areas.

Senior renter households living in multifamily housing are more likely to be cost burdened than those living in single-family housing or mobile homes.

Homeownership. The supply of homes is concentrated at affordability ranges for incomes above 50% AMI, while renters are clustered at lower income brackets. The supply of homes affordable to each income bracket varies county. Renters in the 80% to 100% of AMI income

bracket in Taos, Otero, Santa Fe, Grant, Torrance, Catron, Lincoln, Sierra, San Miguel, Cibola, and Valencia are facing a tight housing market.

Strategy Framework and Next Steps

Strategy framework. Future meetings will be dedicated to the following framework for strategy development.

Define Problem Statement

Break down processes and identify:

- Inefficiencies
- Barriers

Develop recommendations for ACTIONS:

- Policies
- Programs
- Resources
- Priorities
- Metrics to evaluate progress

Focus of next meeting:

- Policies and programs that can address the current and future housing production needs
 - Shortage of contractors for both new development and home improvements
 - Zoning, land use, and development process barriers
 - Innovative housing types; development incentives
- Policies and programs that can address the current and future housing preservation needs
 - Holding property owners accountable for rentals in poor condition
 - Set-aside funding to repair aging public housing
- Set unit production targets and preservation targets