

LFC Requester:	Emily Hilla
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AGENCY BILL ANALYSIS - 2025 REGULAR SESSION

WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO

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(Analysis must be uploaded as a PDF)

SECTION I: GENERAL INFORMATION

{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}

Date Prepared: 1/31/25 *Check all that apply:*
Bill Number: SB205 Original Correction
 Amendment Substitute

SECTION II: FISCAL IMPACT

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
\$0	\$2m		

(Parenthesis () indicate expenditure decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
\$0	\$0	\$0		

(Parenthesis () indicate revenue decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	\$2m	\$2m	\$3m	\$7m		

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: none

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: Senate Bill 205 (“the Bill”) would establish statutory authority for a State Office of Housing Planning and Production (“the Office”) to address unmet systemic needs that address housing affordability and availability in New Mexico, and creates a coordinated state response to housing shortages and significantly reducing homelessness. The bill specifies duties which can be understood in four major areas.

Data Gathering, Reporting and Goal Setting for Housing and Homelessness

Housing data in New Mexico is typically derived from Census data which is not timely, often inaccurate in smaller communities, and cannot provide many key housing market indicators. The Office would establish a data working group to bring together key data stakeholders, develop data sharing agreements, aggregate existing data, and regularly collect new data that is either unavailable or updated irregularly. It would also establish frameworks for local goal setting around housing production. This would be aggregated in a public facing housing data dashboard that clearly demonstrates community-level housing needs from homelessness through homeownership, publishes housing production data, key housing market health indicators, and shows where affordable housing investments are making an impact around the state. This data would also be aggregated and presented to the Legislative Finance Council annually.

Coordination of State Agencies and Resources to address Housing and Homelessness

Addressing housing needs and homelessness is essential work occurring in some way across a majority of state agencies. However, that work is currently happening in silos and without strategic coordination. The Office intends to inventory and assess all elements of housing and homelessness work happening across State government and identify areas of overlap, duplication, and where State expertise and resources could be coordinated and leveraged to maximize to improve outcomes. This will lead to establishing regular cross agency housing meetings and data collaboration for key areas such as homelessness prevention and rehousing, and create a process for providing internal technical assistance to state agencies on program design, implementation and evaluation.

Support to Local Governments and Tribal Communities

Housing happens at the local level, whether its project and permit approvals or the direct housing service providers implementing programs. In the first year, the Office intends to pilot a range of technical assistance and program development tracks to serve communities and regions looking to update their land use and zoning, expand or start new housing programs, or try innovative new approaches to housing affordability. This work would then be used to identify future staffing and funding needs. In addition to these efforts, the Office will support housing stabilization programs that use a multifaceted approach to help individuals experiencing homelessness secure and maintain stable housing. By integrating rental assistance, case management, workforce development, and access to critical supportive services, these programs create pathways for long-term stability and self-sufficiency.

Work to Improve Housing Delivery Systems

Outdated regulatory frameworks and problems with our housing delivery systems are slowing down the production of new housing and dramatically increasing the cost to build.

The Office has convened a cross sector working group to identify strategies for lowering regulatory

barriers in land use and zoning, permit and inspection processes, building codes, utility and road interconnections. This group will provide recommendations to reduce regulatory barriers and eliminate unnecessary costs from construction, streamline development and eliminate unnecessary regulatory barriers. We will also coordinate with state agencies and educational institutions to grow our construction and trades workforce, and leverage economic development resources to grow construction industry sectors, and support new and innovative ways to build housing.

Office Structure

The structure of the Office is an Executive Office, with the Director appointed by the Governor. The Office would be administratively attached to the Department of Finance and Administration who would carry out administrative duties and provide physical space for the Office. Staff would receive direction from the Executive and appointed Director and carry out other duties assigned by the Legislature.

FISCAL IMPLICATIONS

The fiscal impacts of this bill are largely limited to the administrative expenses of the Office and its staff costs. There is some additional administrative burden on DFA to provide administrative services. If successful, the initiatives to reduce homelessness would create significant cost savings for public safety, public health, and other community impacts. The goal of increased production of housing would have broad positive financial impacts on State and Local governments through increased Gross Receipts Tax (\$20-30k per housing unit) and increase property tax basis. In addition, there are a number of Federal and private housing grants that the State is ineligible to pursue without a housing office. Active pursuit of new housing funding could greatly increase fiscal resources for housing at the state level.

SIGNIFICANT ISSUES

New Mexico is facing an unprecedented housing shortage and related affordability crisis. Since 2017 New Mexico has seen homelessness increase 87%. This is 47% faster than the national average. Median rents in New Mexico have increased 60% in that time, as compared to 27% nationally. The average cost of a home has increased 70%, far outpacing wage growth¹. Driving this is a 15-year underproduction of housing, a period where the state built, on average, around 50% of the homes constructed in the 15 years preceding the 2009 financial crisis². Furthermore, according to the National Association of Homebuilders 2024 “Priced Out” report, the median new home cost in New Mexico is now \$440,062, which is unaffordable to 81.6% of New Mexicans³. Despite high demand and low supply of available housing, as of October 2024, New Mexico was one of just one of five states nationally with a decline in single family permit issuance year-on-year. A recent article published by Pew Charitable Trusts identifies regulatory barriers to new housing as one of the primary drivers of our affordability constraints.

While New Mexico has very robust and competent affordable housing funding programs operated

¹ Pew Charitable Trust “Restrictive Regulation Fuel New Mexico’s Housing Shortage” Pew Trust (website), <https://www.pewtrusts.org/en/research-and-analysis/articles/2025/01/21/restrictive-regulations-fuel-new-mexicos-housing-shortage> (Accessed 1/31/25)

² Federal Reserve Bank of St. Louis, Federal Reserve Economic Data (website), <https://fred.stlouisfed.org/series/NMBPPRIVSA> (Accessed 1/31/25)

³ National Association of Homebuilders, “Priced Out 2024”, National Association of Homebuilders (website), <https://www.nahb.org/-/media/NAHB/news-and-economics/docs/housing-economics-plus/special-studies/2024/special-study-households-cannot-afford-a-median-priced-new-home-april-2024.pdf> (accessed 1/31/25)

by Housing New Mexico (MFA), as well as record investments in such programs, over \$200 million in 2024) affordability issues continue to grow. This is exacerbated by the rapidly escalating cost of construction and higher interest rates. This has resulted in affordable homes requiring significantly more subsidy than they did just a few years ago. For example, in 2019 a Federal program managed by Housing New Mexico that helps to increase affordable rental housing (9% Low Income Housing Tax Credit program) produced 462 units at an average unit cost at application of \$203,607. In 2024 that program will produce 201 units with an average cost at application of \$298,898, according to data provided publicly by Housing New Mexico.

This implies there are significant systemic issues driving housing cost. If successful in addressing these development costs and overall housing supply issues, the Office would produce results that would benefit all areas of housing and across all income levels by shrinking the pool of people who need financial assistance to access housing, and also by reducing the amount of financial assistance needed to achieve affordability. This would greatly extend the impact of public investments in affordable housing.

PERFORMANCE IMPLICATIONS

The Office of Housing was created informally in 2024 and currently has a staff of four including a Director, Director of Homelessness Initiatives and two additional staff working on homelessness programs and housing data. Statutory authority would allow the staff to grow their capacity and begin work on initiatives that would take place beyond the two years remaining in the current administration. Creating technical housing capacity would have significant performance benefits for other State agencies with housing or housing-adjacent programs by ensuring effective and efficient program design and ongoing technical support from the Office.

ADMINISTRATIVE IMPLICATIONS

The Office is proposed to be administratively attached to DFA. This function is currently in practice with an exempt employee structure. The additional administrative burden of an assumed initial staff of six would not place an undue burden on DFA. Additionally, Office of Housing staff have supported DFA in their work on housing appropriations and Federal housing funding, providing additional administrative efficiencies to the organization. Growth in housing funding programs and internal work could have staffing implications for DFA.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Because of concerns about duplication with existing programs operating by Housing New Mexico, Office staff consulted with Housing New Mexico staff and board at multiple points during the drafting of this legislation, among other key housing stakeholders. The Office does not intend to duplicate the project-based funding activities of Housing New Mexico, and instead will be focused on larger systems issues impacting housing affordability and the availability of housing at all income levels.

TECHNICAL ISSUES

There are no significant technical issues related to the establishment of this office.

OTHER SUBSTANTIVE ISSUES

None.

ALTERNATIVES

There are currently no known alternative proposals to address the complete housing system and related issues within State government. As a quasi-governmental agency, Housing New Mexico

would not be appropriate for coordinating or directing internal state affairs and does not have existing capacity to work on housing regulatory systems, workforce or other key areas identified.

SB190 Reducing Homelessness proposes to address homelessness by creating another division within the Health Care Authority, but this structure does not provide the executive office power needed to align across agencies, nor does it contemplate addressing the larger issues with the housing system that are ultimately driving growth in homelessness.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

New Mexico is one of just eight states without some form of housing office within state government. New Mexico is already several years behind in addressing its structural issues with housing, as evidenced by the statistics cited above. Without systems-level work the state will continue to experience escalating affordability problems and elevated levels of homelessness. With the potential for robust economic growth, housing prices in New Mexico will also slow our pace of such growth. Similarly, without dedicated internal technical capacity to address complex housing and homelessness issues within State government, the current fragmented approach to housing and homeless will continue and the State will undoubtedly miss opportunities for aligning resources across agencies and forgo the opportunity for beneficial program designs around housing and homelessness interventions.

AMENDMENTS