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FISCAL IMPACT REPORT

SPONSOR <u>Ortez/Sedillo Lopez</u>	LAST UPDATED _____
	ORIGINAL DATE <u>1/27/2025</u>
SHORT TITLE <u>Housing Study Requirement for LEDA Funds</u>	BILL NUMBER <u>House Bill 135</u>
	ANALYST <u>Rodriguez</u>

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	No fiscal impact	No fiscal impact	No fiscal impact	\$0.0		

Parenttheses () indicate expenditure decreases.
 *Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency Analysis Received From

Economic Development Department (EDD)
 New Mexico Mortgage Finance Authority (MFA)

SUMMARY

Synopsis of House Bill 135

House Bill 135 (HB135) adds housing studies as a requirement to qualify for Local Economic Development Act (LEDA) funds. This bill amends the act to require eligible companies to conduct a housing study of the counties and municipalities that could be affected by a proposed economic development project prior to applying for LEDA funding through a local or regional government. The local or regional government shall consider the findings of the housing study when evaluating a company’s application for funding. The bill further stipulates that the housing study cannot solely rely on a cost burden analysis.

HB135 defines a housing study as a multivariable estimate of housing demand created by new employment expected to occur as a result of implementation of an economic development project.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

HB135 does not have a fiscal impact on the Economic Development Department (EDD), the

agency responsible for administering LEDA.

However, the requirement of a housing study could impact the number of awards distributed for LEDA. As noted in “Significant Issues,” the requirement of a housing study could be a hindrance for businesses seeking to relocate or expand to New Mexico. As such, fewer LEDA funds may be awarded to fewer companies.

SIGNIFICANT ISSUES

Costs and Duration of Housing Studies. EDD raises concerns about the costs and duration to complete housing studies—indicating the requirement may be detrimental to companies looking to expand or relocate to New Mexico. The agency writes:

Housing studies can take anywhere from two months to a year to be completed, and the cost may range between \$10 thousand and \$75 thousand depending on the type of special analysis or data collection required.

The purpose of LEDA funds is to help a company expanding or relocating to New Mexico offset the cost of necessary infrastructure for the company to get up and running. Generally, requiring a qualifying entity to conduct a housing study completely contradicts the idea of offsetting costs for a company to expand or locate in New Mexico. It is an additional financial burden, will delay a project’s ability to move forward, and a requirement that will surely be detrimental to creating successful projects. The cost of a housing study in many instances, in the most part for rural projects, would be more costly than the benefit of a LEDA award itself.

The bill does not specify the type of housing study that would be required to apply for LEDA funding. However, if the average housing study costs between \$10 thousand to \$75 thousand, the cost of the housing study could outweigh the total amount of LEDA awarded to a project. For example, in FY24, LEDA awards ranged from \$50 thousand to \$18 million. While housing studies may be affordable for larger companies, it may be a hindrance to smaller companies and those receiving smaller LEDA awards.

EDD also notes the agency already collects data on the number of workers expected to move to the state for jobs created through LEDA, which could be considered a reasonable estimate of housing demand. EDD writes:

In EDD’s economic impact analysis for LEDA projects, companies are asked to provide their expected percentage of workers who will move to the state, county, or city for a job. This helps EDD estimate the expected number of people relocating to the area who will need housing. In our model we also assume that 10 percent of the workers moving to the area will build a home. This can be considered a reasonable estimate of housing demand.

Best Practices for Housing Studies. EDD notes the importance of housing studies to inform community leaders about the need for infrastructure or to attract housing developers but argues that housing studies should be done at the community or regional level, as opposed to requiring local businesses to take the burden. The agency writes:

According to Golden Shovel (*Housing Studies: An Economic Development Best Practice That Leads to Growth*) using a housing study as an economic development best practice at the community level does inform community leaders and stakeholders in their decision-making for investment of taxpayer funds into economic development projects

and are valuable assets for any community. A housing study can be used to demonstrate the need for infrastructure or to attract housing developers to a community. Housing studies for a community or region should be revised every five years. For these reasons, it makes better sense to find ways to support New Mexico communities with resources so that they may conduct housing studies to support greater local economic development efforts, rather than requiring local businesses to conduct and pay for studies that may or may not be relevant to the entire community or to their own expansion or relocation plans.

EDD also notes the existence of local government planning grant funds through New Mexico Finance Authority and Department of Finance and Administration that communities could use for planning purposes.

ALTERNATIVES

The introduced version of Senate Bill 169 during the 2025 legislative session proposes the Economic Development Site Readiness Act and a site readiness fund which, if enacted, could fund site characteristic studies that assess the suitability of a proposed economic development site. While not specifically addressed in SB169, the costs for housing studies could be covered by the proposed act and site readiness fund.

JR/hg/sgs