

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

**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO**  
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**SECTION I: GENERAL INFORMATION***{Indicate if analysis is on an original bill, amendment, substitute or a correction of a previous bill}*

**Date Prepared:** 2/11/25 *Check all that apply:*  
**Bill Number:** HB310 Original  Correction   
 Amendment  Substitute

**SECTION II: FISCAL IMPACT****APPROPRIATION (dollars in thousands)**

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

(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
<b>Total</b>						

(Parenthesis ( ) Indicate Expenditure Decreases)

**SECTION III: NARRATIVE****BILL SUMMARY**

Senate Bill 310 (the Bill) proposes amendments to Section 3-21 NMSA to promote housing development and mixed-use neighborhoods. The key provisions of the bill include:

**Elimination of Building Height Restrictions:** The bill mandates that zoning authorities remove building height limitations, except within designated historic districts.

**Permitting Duplexes and Townhouses:** The bill prohibits zoning authorities from restricting the development of duplexes and townhouses in residential zones, again with the exception of historic districts.

**Allowing Small-Scale Commercial Uses in Residential Zones:** The legislation requires zoning authorities to permit small-scale commercial activities in residential areas. These activities include neighborhood-scale convenience shopping, food and beverage services, indoor entertainment, and professional offices, provided they comply with local traffic and noise regulations.

The bill explicitly states that these provisions do not apply to traditional historic communities, which are defined and designated under existing laws.

### **FISCAL IMPLICATIONS**

Liberalization of land use and zoning will lead to increased housing production which has broad positive financial benefits for both state and local governments. Construction of a new home generates around \$18,000 in gross receipts tax revenue, along with increases to property tax base.

### **SIGNIFICANT ISSUES**

A recent article by Pew Charitable Trust identifies regulatory obstacles as a primary obstacle to new housing production and driver of affordability and homelessness challenges in New Mexico. Outdated zoning frameworks typically limit the types of housing that can be built to single-family detached housing, which is more expensive than smaller attached housing types like small scale multi-unit housing.

Housing affordability and housing density are closely related. For instance, within the City of Albuquerque, approximately 66% of residential land is zoned one house per acre, in Santa Fe it is over 50%. This type of low-density zoning means that a builder is incentivized to build the largest most expensive home possible to maximize profit. In contrast, higher density zoning creates an incentive to build the most units possible, leading to smaller, naturally affordable units and lower hard cost to develop by spreading fixed costs, like infrastructure, professional services, and land costs across more units. Strategies which allow higher density on existing land such as small multi-unit construction and higher building height promote affordability, compact development and support the state's goals around climate change by reducing sprawl and commuting times. The inclusion of small-scale commercial uses in existing residential neighborhoods similarly promote reduced car dependency, increased economic development activity, and improve the quality of neighborhood amenities.

Zoning reforms such as allowing increased height and density can have the effect of promoting middle housing- housing which is affordable to people who earn too much for affordable housing, but not enough to afford market rate housing. It can also make development sites which are not financially feasible as low-density developments feasible for new housing creation.

State level zoning reforms are a growing tool for addressing outdated regulatory frameworks and housing shortages in western states. Eight states have adopted state level zoning reforms including Arizona, California, Colorado, Hawaii, Montana, Oregon, Utah, and Washington.

State level zoning reforms can help reverse exclusionary zoning, or land use frameworks that

create systematic inequities in land use which have historically limited access to high opportunity areas for people of color and lower income households, limiting wealth building opportunities, access to higher paying jobs and educational opportunities.

## **PERFORMANCE IMPLICATIONS**

## **ADMINISTRATIVE IMPLICATIONS**

## **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

## **TECHNICAL ISSUES**

## **OTHER SUBSTANTIVE ISSUES**

New Mexico is facing a significant housing shortage. Underproduction of housing since the Great Recession is a critical driver of New Mexico's current housing affordability challenges. Estimates vary, but current housing needs to balance demand range between 30-40,000 additional units statewide. A 2024 Albuquerque Housing Needs Assessment estimates a need for an additional 55,100 to 59,850 housing units just in the Albuquerque metro area by 2045. But according to preliminary Census Building Permit Survey data, building permits in New Mexico are in decline, with 9% fewer units permitted in 2024 than in 2022.

## **ALTERNATIVES**

## **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

New Mexico's housing affordability challenges are acute and having widespread impacts in the state. According to a recent Pew Charitable Trust article, since 2017 New Mexico has experienced rent growth more than twice the national average, along with an 87% uptick in homelessness, 47% higher than the national average. Without adequately addressing regulatory barriers to new housing supply, affordability and homeless issues will continue to grow and the state risks constraining its overall economic growth and displacing multi-generational New Mexicans.

## **AMENDMENTS**

Completely unrestricted building height is likely to face strong opposition, the sponsor could consider an alternative approach to allow an average height of the surrounding buildings plus an additional 14 feet.