

<b>LFC Requester:</b>	<b>Emily Hilla</b>
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**AGENCY BILL ANALYSIS - 2025 REGULAR SESSION**

**WITHIN 24 HOURS OF BILL POSTING, UPLOAD ANALYSIS TO**

**[AgencyAnalysis.nmlegis.gov](http://AgencyAnalysis.nmlegis.gov) and email to [billanalysis@dfa.nm.gov](mailto:billanalysis@dfa.nm.gov)**

*(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:** 2/24/2025 *Check all that apply:*  
**Bill Number:** HB 554 Original  Correction   
 Amendment  Substitute

**Sponsor:** Andrea Romero  
Cristina Parajon  
 RESIDENTIAL HOME BUILDING  
 AUTHORIZATION  
**Short Title:** \_\_\_\_\_

**Agency Name and Code:** 992 – New Mexico Mortgage Finance Authority  
**Number:** (Housing New Mexico | MFA)  
**Person Writing:** Robyn Powell  
**Phone:** 505-767-2271 **Email:** rpowell@housingnm.org

**SECTION II: FISCAL IMPACT**

**APPROPRIATION (dollars in thousands)**

Appropriation		Recurring or Nonrecurring	Fund Affected
FY25	FY26		
NA	NA	NA	NA

(Parenthesis ( ) indicate expenditure decreases)

**REVENUE (dollars in thousands)**

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY25	FY26	FY27		
NA	NA	NA	NA	NA

(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>	NA	NA	NA	NA	NA	NA

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to: N/A  
Duplicates/Relates to Appropriation in the General Appropriation Act: N/A

### **SECTION III: NARRATIVE**

#### **BILL SUMMARY**

HB 554 proposes to amend New Mexico Statute Section 3-21-1 - Zoning; Authority of County or Municipality in the following ways:

- Removes “morals” as a reason for local government to impose zoning regulation or restrictions.
- Removes the definition and reference to “multigenerational.”
- Requires that zoning authorities of home rule municipalities allow accessory dwelling units (ADU) as a permitted use in areas zoned residential.
  - Adds new material that:
    - defines ADUs,
    - stipulates the zoning authority must allow for the construction of at least one ADU for each lot,
    - regulates ADU permitting and construction,
    - requires approval from health officials for the installation of liquid waste systems associated with an ADU,
    - prohibits zoning authorities from imposing single-family or owner-occupancy requirements on ADUs, charging impact fees for ADUs, limiting the maximum ADU size to less than 1,000 feet, requiring more than one parking spot per ADU, requiring more restrictive review standards than required for other construction on the property, allowing for the imposition of long-term rental requirements.
    - Prohibits a local ordinance, policy, regulation or neighborhood or homeowner association restriction from causing ADU permitting delays.
    - Excludes ADUs from impacting maximum density requirements.
- Requires that zoning authorities of home rule municipalities allow multifamily residential housing as a permitted use in areas zoned commercial and areas near transit.
  - Adds new material that:
    - Defines "major public transit location" and “multifamily housing”
    - Allows multifamily construction based on a minimum density of ten units per acre, a minimum height of 36 feet, and at least one off-street parking space for each unit in addition to required accessible parking spaces.

#### **FISCAL IMPLICATIONS**

No fiscal impact.

#### **SIGNIFICANT ISSUES**

The amendments that HB 554 proposes aim to increase the supply of housing in New Mexico. While the bill does not address “affordable housing” directly, it would ease zoning restrictions that limit the development of naturally occurring affordable housing and missing middle housing.

Other states that have similar ADU by-right legislation include California, Oregon, Washington,

and Maine. State-level ADU legislation has impacted housing stock availability by increasing the number of small, affordable housing units in many regions with highly competitive housing markets. In California, ADU production jumped from 1,160 in 2016 to over 20,000 annually by 2022. Portland, Oregon saw a tripling of ADU construction since 2018, with ADUs now comprising about 10% of new housing in some areas of the state. The primary challenge to increasing ADU construction in states with by-right rules is access to financing. Currently, the City of Albuquerque allows ADU by right, but since the rule is only a few years old, its impact is yet to be assessed.

California, Oregon, Washington, and Maine have also enacted similar statewide legislation allowing multifamily development in commercial zoned areas and transit areas. As a result, these states have seen an increase in the development of “missing middle” housing, that is duplexes, triplexes, and fourplexes. This type of development increased housing stock without significant strain on local infrastructure. Despite the success of these reforms, challenges have included local resistance and slow implementation wherein some cities still try to delay multifamily projects with long approval processes.

## **PERFORMANCE IMPLICATIONS**

## **ADMINISTRATIVE IMPLICATIONS**

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

## **TECHNICAL ISSUES**

## **OTHER SUBSTANTIVE ISSUES**

## **ALTERNATIVES**

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

## **AMENDMENTS**