

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

SECTION III: NARRATIVE

BILL SUMMARY

Synopsis: SB112 proposes an amendment to Section 7-36-4(A)(4) NMSA 1973 to add a new subsection (d), exempting residential housing facilities for undergraduate, graduate, professional school students, and medical residents located on land owned by a public institution of higher learning in New Mexico from property taxation. The bill aims to preserve affordability of on-campus student housing and encourage future public-private partnerships (P3s) to address critical student housing needs on campus.

FISCAL IMPLICATIONS

If enacted, SB112 would eliminate property tax liabilities for leasehold interests held by private entities in P3 arrangements for student housing. Without this exemption, UNM and similar institutions will face challenges in securing future P3 arrangements, limiting the development of affordable on-campus housing.

Without this exemption, the anticipated tax burden would lead to increased rents for students, which will be passed through the private entities as costs. The estimated annual property taxes for UNM P3 facilities will be:

| | |
|---------------|-----------|
| Lobo Village | \$350,000 |
| Casas del Rio | \$350,000 |

The anticipated tax burden would lead to increased rents for students, raising average monthly rents by approximately \$33.91 for Lobo Village and \$38.18 for Casas del Rio. For context, current average monthly rents at Lobo Village are \$768.11 and at Casas del Rio \$687.99. The tax pass-through increases will reduce the affordability and attractiveness of on-campus housing.

At present, 43% of all UNM on-campus student residents are housed in either Lobo Village or Casas del Rio, so rent increases on these students will have a substantial negative impact on housing affordability. Availability and accessibility of housing is a major public policy issue at the local, state and national level.

The SB112 exemption would ensure that on-campus housing costs remain stable, promoting student retention and academic success while fostering private investment in future housing projects. This will benefit UNM students as well as students in other institutions of higher education in New Mexico.

SIGNIFICANT ISSUES

1. UNM's reliance on P3 arrangements has modernized campus housing, enhancing student outcomes. Taxation of leasehold interests undermines these benefits.
2. Taxing P3 projects for educational purposes on public lands will discourage private investment in essential university infrastructure projects.

3. By removing this tax, higher education institutions like UNM can continue leveraging P3s to modernize their student housing stock.

PERFORMANCE IMPLICATIONS

1. This exemption aligns with institutional goals of improving student outcomes through better living environments.
2. Studies indicate that students in on-campus housing perform better academically and exhibit higher retention and graduation rates.
3. On-campus housing provides enhanced accessibility to university resources, such as counseling and academic support.

ADMINISTRATIVE IMPLICATIONS

Minimal administrative burden is expected for public institutions and county assessors to implement this exemption. Compliance can be managed through existing oversight mechanisms within P3 agreements. The amendment would clarify and equalize tax treatment for student housing on university-owned land.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

This bill relates to provisions within the General Appropriation Act concerning university funding and also to the existing Property Tax Code.

TECHNICAL ISSUES

No technical issues have been identified.

OTHER SUBSTANTIVE ISSUES

1. Exempting these properties from taxation acknowledges their educational purpose and reinforces the public mission of universities to provide affordable housing.
2. The proposed exemption aligns with public policy objectives of promoting education and student welfare.
3. The bill also reinforces the viability of P3 structures for public universities.

ALTERNATIVES

1. Maintain the current property tax structure, which will lead to higher student rents and reduced P3 investment.
2. Establish a state-level fund to offset property tax costs for P3 projects, though this would require additional appropriations.
3. Provide partial tax relief instead of a full exemption.
4. Explore alternative financing mechanisms to offset operational costs without increasing rents.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

1. Increased housing costs for students living in P3 residential facilities.
2. Reduced attractiveness of P3 models, limiting future on-campus housing development.

3. Reduced availability and affordability of on-campus housing.
4. Potential negative impact on student academic success and retention.

AMENDMENTS

Consider specifying oversight mechanisms to ensure continued affordability and quality of housing under P3 arrangements.