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FISCAL IMPACT REPORT

SPONSOR <u>Dow/Romero, A./Henry</u>	LAST UPDATED _____
	ORIGINAL DATE <u>02/26/2025</u>
SHORT TITLE <u>Building Housing Communities</u>	BILL NUMBER <u>House Bill 571</u>
	ANALYST <u>Gygi</u>

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
DFA	No fiscal impact	No fiscal impact	No fiscal impact	See Fiscal Implications	Recurring	General Fund
Total	No fiscal impact	No fiscal impact	No fiscal impact	See Fiscal Implications	Recurring	General Fund

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

Relates to House Bill 135, House Bill 448, and Senate Bill 205

Sources of Information

LFC Files

Agency Analysis Received From

Department of Finance and Administration (DFA)
 Governor’s Office on Housing
 New Mexico Mortgage Finance Authority (MFA)

Agency Analysis was Solicited but Not Received From

New Mexico Municipal League (NMML)
 Regulation and Licensing Department (RLD)

SUMMARY

Synopsis of House Bill 571

House Bill 571 (HB571) creates the Building New Mexico program and certification within the Department of Finance and Administration (DFA). The certificates would be awarded to municipalities that have implemented land use and zoning strategies that increase housing affordability and accessibility.

The bill directs DFA to promulgate rules that (1) define best practice land use and zoning policies and (2) identify strategies that reduce the complexity of approval and review processes, promote mixes of housing types, and lower the cost of housing construction and development.

The effective date of this bill is July 1, 2027.

FISCAL IMPLICATIONS

HB571 does not appropriate any funds to implement the Building New Mexico program. DFA did not provide an estimate of increased operating costs associated with the new program. LFC estimates the department will require at least one program coordinator with an annual salary of \$109 thousand to administer the program and promulgate rules, beginning in FY28. This estimate might change if DFA provides additional information or if the effective date is changed to FY26 or FY27.

SIGNIFICANT ISSUES

A recent article published by Pew Charitable Trusts identifies regulatory barriers to new housing as one of the primary drivers of New Mexico's housing crisis.¹ HB571 would begin a statewide effort to address regulatory barriers impacting the availability and affordability of housing. According to the Governor's Office on Housing, the proposed program could follow the model of Colorado's Proposition 123 and use the agreed best-practices as an incentive framework for state funding in future.² Colorado's law established state-defined best practices around land use and zoning to support adoption in municipalities. It also established special pools of funding for municipalities that adopt these best practices.

According to Pew, in New Mexico between 2017 and 2024:

- Homelessness increased 87 percent, 47 percent faster than the national average.
- Median rents increased 60 percent compared to 27 percent nationally.
- The average cost of a home increased 70 percent, far outpacing wage growth.

According to the Governor's Office on Housing, a 15-year underproduction of housing is driving these increases. Despite high demand and low supply of available housing, as of October 2024, New Mexico was one of just five states with a decline in single-family permit issuance year-over-year.

The reason for HB571's delayed effective date of July 1, 2027, is unclear. Given that new housing production cycles can take several years, and that New Mexico needs at least 40 thousand affordable rental units now,³ it might be prudent to choose an earlier date.

New Mexico's Affordable Housing Act (AHA). The New Mexico Legislature created the Affordable Housing Act (Section 6-27-3 NMSA 1978) as an exception to the Anti-Donation Clause in the New Mexico Constitution. The act allows local governments and other political subdivisions to put resources toward affordable housing acquisition, development, financing, maintenance and operation.⁴ According to the Mortgage Finance Authority (MFA), which oversees compliance with the act, it essentially permits public-private partnerships for affordable housing activities. For local governments to make donations under the act, the municipality or county is required to have an MFA-approved affordable housing plan and ordinance.

¹ <https://www.pewtrusts.org/en/research-and-analysis/articles/2025/01/21/restrictive-regulations-fuel-new-mexicos-housing-shortage>

² <https://oedit.colorado.gov/proposition-123-colorado-affordable-housing-financing-fund>

³ https://nlihc.org/sites/default/files/SHP_NM.pdf

⁴ <https://housingnm.org/about-mfa/affordable-housing-act/overview>

Ideally, HB571's program complements the AHA's required planning activities so that local governments with approved housing plans and ordinances could use them to obtain a certificate. Currently, there are 39 local governments (municipalities and counties) that have compliant housing plans and ordinances on file with the NMMFA.

For example, an AHA plan must include:

Identification of constraints, such as land use controls, codes and enforcement, fees and exactions, processing and permit procedures, on/off site improvements, reasonable accommodation, availability of financing, land availability and prices, construction costs, local capacity to assist, finance and manage construction, provide housing support services and administer housing funds and programs; and

Plans to promote potential regulatory concessions and incentives for removing or mitigating government and non-government constraints to development, rehabilitation or conservation of affordable housing.

ADMINISTRATIVE IMPLICATIONS

The Governor's Office on Housing points out:

DFA does not have staff with technical expertise in housing and land use and would need to work with the Governor's Office of Housing Planning and Production (OHPP) to implement the program. If OHPP is successful in the passage of HB448 or SB205 to create statutory authority for the office, then this would be a natural place for the program to be administered because of the focus on improving housing regulatory frameworks in New Mexico.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

House Bill 571 relates to House Bill 448 and Senate Bill 205, which would establish the New Mexico Office of Housing Planning and Production.

It also relates to HB135, which would amend the Local Economic Development Act (LEDA) to require qualifying entities to conduct a housing study.

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