FISCAL IMPACT REPORT

		LAST UPDATED	3/6/2025
SPONSOR	Gonzales	**ORIGINAL DATE**	2/1/2025
SHORT TITLE	Housing Trust Fund & Affordable Housing	**BILL NUMBER**	Senate Bill 145/aSHPAC
		ANALYST	Leger

APPROPRIATION*
(dollars in thousands)

FY25	FY26	Recurring or Nonrecurring	Fund Affected
	$500,000.0	Nonrecurring	General Fund

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

Sources of Information

LFC Files

Agency Analysis Received From
Mortgage Finance Authority (MFA)

SUMMARY

Synopsis of SHPAC Amendment to Senate Bill 145

The Senate Health and Public Affairs Committee amendment to Senate Bill 145 (SB145) increases the local government set-aside from 10 percent of the appropriation to 15 percent of the appropriation. The language is expanded to include rural municipalities so that 15 percent of the appropriation is designated for rural municipalities or counties and 15 percent of the appropriation is designated for other municipalities or counties.

The amendment also removes the requirement that rural municipalities or counties provide no less than three times matching funds to access set-aside funding.

Lastly, the amendment requires that the rural municipality or county “have demonstrated the ability to expedite zoning processes that support affordable housing development projects” to be eligible for funding.

Synopsis of Senate Bill 145

Senate Bill 145 appropriates $500 million from the general fund to the New Mexico housing trust fund (HTF) for expenditure is fiscal year 2026 and subsequent years for the purposes of the New Mexico Housing Trust Fund Act.

The bill earmarks 10 percent of the appropriated amount for funding to a municipality or county for affordable housing projects, including new construction or rehabilitation of existing affordable housing. The municipality or county is to provide no less than three times matching funds from sources other than the state, have an adopted affordable housing plan and ordinance pursuant to the act, and shall administer the project pursuant to the act.

The bill instructs the Mortgage Finance Authority (MFA) to prioritize affordable housing projects in municipalities and counties that have expedited zoning processes that support affordable housing development projects. Any unexpended or unencumbered balances remaining at the completion of a project are to be returned to MFA to return to the housing trust fund. After one-year, earmarked funds not awarded may be released from the restrictions prioritizing municipalities and counties for funding.

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

The appropriation of $500 million contained in this bill is a nonrecurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert to any other fund.

The Legislature established the HTF in 2005 to fund the acquisition, building, rehabilitation, preservation, financing, weatherization, and home energy efficiency upgrades for low- to moderate-income New Mexicans. MFA, the trustee of the HTF, has established programs, partnerships, and administrative capacity to effectively utilize state funds for housing development, preservation of existing affordable housing, and homeownership programs statewide.

SIGNIFICANT ISSUES

According to MFA, a transformative investment to the HTF is required to address the housing crisis facing the state. Such an investment would mitigate the affordable housing crisis in the following ways:

- Build rental and homeownership housing;
- Supply downpayment assistance;
- Rehabilitate aging housing stock;
- Fund homelessness and homelessness prevention programs; and
- Invest in innovative affordable housing projects.

MFA provides the table below as an analysis of how a $500 million appropriation could improve housing opportunities based on the approximate cost of various program types. Currently, MFA maximizes its federal resources for affordable housing, meaning transforming the housing landscape requires significant state investment.

	Assumptions		2025		2026		2027	
	Investment Cost		Assitance Target	Investment Cost	Assitance Target	Investment Cost	Assitance Target	Investment Cost
Down Payment Assistance*	$10,000	per borrower	2,000	$ 20,000,000	2,040	$ 20,400,000	2,081	$ 20,808,000
Rental Housing Development*	$50,000	per unit	1,200	$ 60,000,000	1,224	$ 61,200,000	1,248	$ 62,424,000
Single Family Housing Development*	$250,000	per unit	500	$ 125,000,000	510	$ 127,500,000	520	$ 130,050,000
Single Family Housing Rehabilitation	$150,000	per unit	100	$ 15,000,000	102	$ 15,300,000	104	$ 15,606,000
Homeless and Homelessness Prevention – Permanent	$100,000	per unit	200	$ 20,000,000	204	$ 20,400,000	208	$ 20,808,000
Homeless and Homelessness Prevention –Homelessness	$6,000	per household	1,000	$ 6,000,000	1,020	$ 6,120,000	1,040	$ 6,242,400
Total			5,000	$ 246,000,000	5,100	$ 250,920,000	5,202	$ 255,938,400
Cumulative Total			5,000	$ 246,000,000	10,100	$ 496,920,000	15,302	$ 752,858,400

**For these programs, NMHTF awards are typically part of a larger capital stack, are among layered funding sources or administered as a revolving line of credit. The investment costs shown are an estimate of the portion NMHTF would cover.*

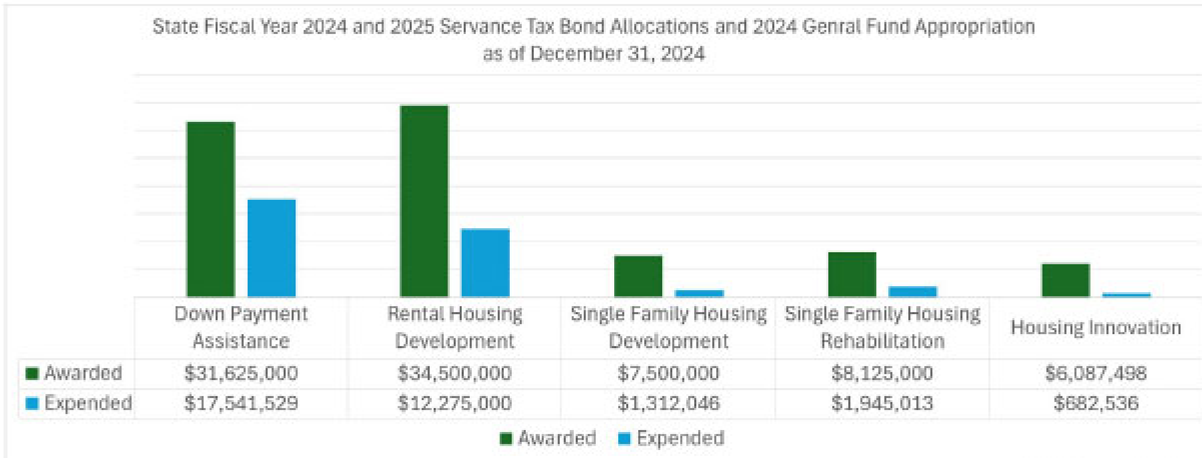
MFA balances HTF allocations to programs based on two primary criteria: meeting housing needs throughout the state and maintaining the sustainability of the funding source. Downpayment assistance and rental and single-family housing development are typically administered as loans, generating program income and significant leverage. MFA prioritizes grant funding for programs serving the most vulnerable populations, including those facing or experiencing homelessness as well as very low-income seniors and veterans.

MFA indicates local governments, urban and rural alike, are seeking to spur affordable housing initiatives. In providing additional funding to the HTF, 10 percent of the allocation would be set aside for local governments. While local governments are currently eligible to solicit HTF funding, the set-aside would ensure that municipalities and counties are guaranteed funding availability. As proposed, local governments would be required to leverage awards made through the set-aside at a rate of 3:1. Unawarded funds within the set-aside would be released from the set-aside restriction after one year.

During the 2024 legislative session, nearly $3 million was appropriated for various housing projects statewide, while the Legislature appropriated $50 million to the HTF.

PERFORMANCE IMPLICATIONS

MFA reports, of the $122.1 million the HTF received in FY 2024 and 2025 through the severance tax bond earmark and general fund transfer, 85 percent is allocated to various programs and activities, 73 percent is awarded to grantees, and 28 percent is expended. These performance metrics demonstrate MFA's capacity to urgently deploy funding and serve households in need.



Source: MFA

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