



# ATTAINABLE HOUSING CREDIT

*via Residential Construction GRT Reduction*



# HOUSING IN AN AFFORDABILITY CRISIS

## Soaring Costs Since 2018

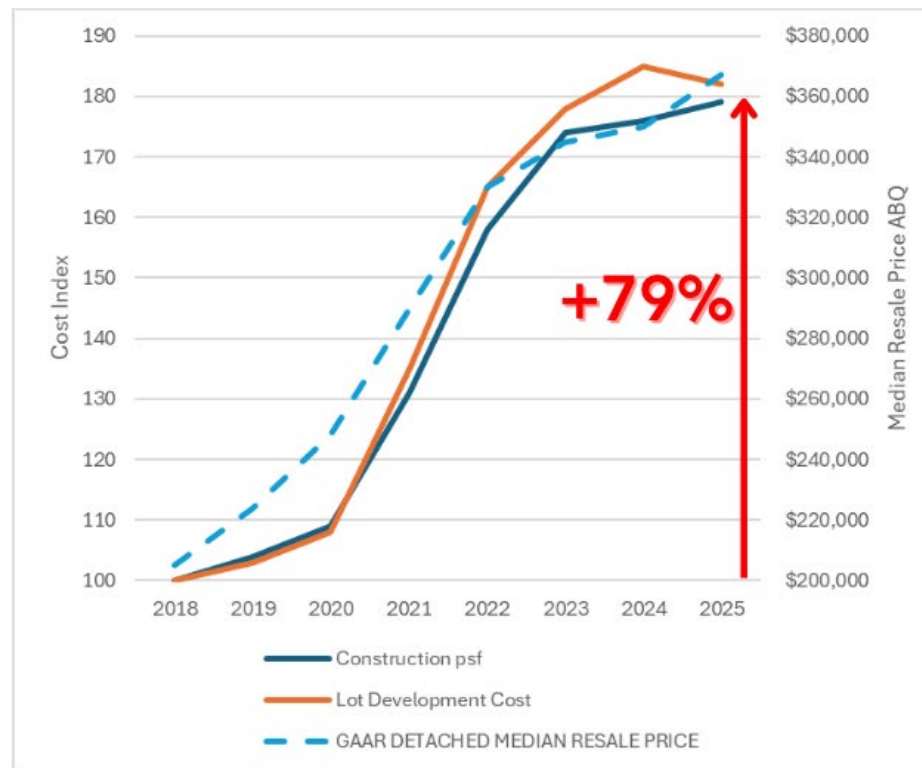
- Vertical Costs +78%
- Infrastructure Costs +82%
- ABQ Median +79%
- **"New Normal"**

## Housing Supply Gap

- Housing NM: 30k units est.
- Market & affordable

## New Supply is Cost Constrained

- Cost increases compounded by %-based markups
  - Supply Chain Margins
  - Commissions
  - Insurance
  - Borrowing Costs
  - NM Gross Receipts Tax



# TAX ON HOUSING

Comparison: NMGRT vs Colorado Sales Tax

SAMPLE HOME	\$425,000	IN NEW MEXICO	
COST CATEGORIES	HOUSE COST	GROSS RECEIPTS TAX COST	GROSS RECEIPTS TAX RATE
Raw Land/Permitting Fees	\$42,500	\$---	---%
Development Materials	\$38,000	\$2,893	7.610%
Development Labor	\$35,000	\$2,665	7.610%
Construction Materials	\$100,000	\$7,610	7.610%
Construction Labor	\$95,000	\$7,230	7.610%
GC Fees	\$17,500	\$1,332	7.610%
<b>HOUSE COST - NM</b>	<b>\$328,000</b> Before Tax	<b>\$21,730</b> 5.1% of Home Price	\$349,730 Total w/Tax

SAMPLE HOME	\$425,000	IN COLORADO	
COST CATEGORIES	HOUSE COST	SALES TAX COST	SALES TAX RATE
Raw Land/Permitting Fees	\$42,500	\$---	---%
Development Materials	\$38,000	\$2,970	7.810%
Development Labor	\$35,000	\$---	---%
Construction Materials	\$100,000	\$7,810	7.810%
Construction Labor	\$95,000	\$---	---%
GC Fees	\$17,500	\$---	---%
<b>HOUSE COST - CO</b>	<b>\$328,000</b> Before Tax	<b>\$10,780 per home</b> 2.5% of Home Price	\$338,780 Total w/Tax





# NEW ATTAINABLE HOUSING TAX CREDIT

## NEW 'FOR-SALE' HOUSING

- New Homebuyer Closing Credit
- \$9-10k per Buyer (varies by GRT rate)
- Accomplished via GRT reduction to the Builder
- Flexible funds based on buyer need
- Applicable statewide
- Price Cap of approx. >\$525k
  - SF and LA counties higher

## NEW 'FOR-RENT' HOUSING

- \$5-6k per unit GRT reduction (varies by GRT rate)
- Benefits market rate and affordable projects
- Competitive Taxation = Increased Private Investment
- Applicable statewide without restriction



# KEY BILL COMPONENTS

## SUNSET

Includes a 5 year sunset to demonstrate impact & effectiveness

## HOLD HARMELSS

Includes Hold Harmless provisions to mitigate GRT reduction impacts to local govt budgets

## PRICE CAP

Purchase prices tied to FHA Mortgage limits ensure the impact is concentrated for affordable and workforce housing

## BUYER BENEFIT REQUIREMENT

Builder MUST submit closing statement showing a credit of equal or greater value to the end buyer, ensuring *buyer benefit*.

See sample [Closing Statement](#) 

# A NEW PARADIGM

Revised: NM vs Colorado

SAMPLE HOME	\$425,000	IN NEW MEXICO	
COST CATEGORIES		GROSS RECEIPTS TAX COST	GROSS RECEIPTS TAX RATE
Raw Land/Permitting Fees	\$42,500	\$---	---%
Development Materials	\$38,000	\$2,893	7.610%
Development Labor	\$35,000	\$2,665	7.610%
Construction Materials	\$100,000	\$7,610	7.610%
Construction Labor	\$95,000	\$7,230	7.610%
GC Fees	\$17,500	\$1,332	7.610%
<b>NEW GRT DEDUCTION</b>	<b>&lt;\$125,000&gt;</b>	<b>(\$9,513)</b>	<b>&lt;7.610%&gt;</b>
<b>HOUSE COST - NM</b>	<b>\$328,000</b> Before Tax	<b>\$12,215 per home</b> 2.9% of Home Price	<b>\$340,215</b> Total w/Tax

SAMPLE HOME	\$425,000	IN COLORADO	
COST CATEGORIES		SALES TAX COST	SALES TAX RATE
Raw Land/Permitting Fees	\$42,500	\$---	---%
Development Materials	\$38,000	\$2,970	7.810%
Development Labor	\$35,000	\$---	---%
Construction Materials	\$100,000	\$7,810	7.810%
Construction Labor	\$95,000	\$---	---%
GC Fees	\$17,500	\$---	---%
<b>HOUSE COST - CO</b>	<b>\$328,000</b> Before Tax	<b>\$10,780 per home</b> 2.5% of Home Price	<b>\$338,780</b> Total w/Tax





# THE INVESTMENT



Housing Types	2024 NM Permits Source US Census	Est Per Unit Credit Amt	Estimated State Portion	Estimated Local Hold Harmless Portion
Single Family (75% eligible)	4,878	\$9,513	\$29.8M	\$16.7M
Single Family (25% ineligible)	1,626	\$---	\$---	\$---
Townhomes (100% eligible)	314	\$9,513	\$1.9M	\$1.0M
Multi-Family (For Rent)	770	\$5,707	\$2.8M	\$1.6M
<u>TOTALS</u>	<u>7,588</u>		<u>\$34.5M</u>	<u>\$19.3</u>
<b>ESTIMATED ANNUAL FISCAL IMPACT</b>			<b>\$53.8M</b>	

NOTE: \$53.8M of direct investment in new affordable housing (@ \$350k/unit cost) would build just 153 new units despite an estimated 30k unit shortage.

## Potential Uses of Buyer Credit Funds

- Typical Closing Costs
- Prepaid Costs of Ownership (i.e. PID levies, HOA/Condo Dues)
- Debt Reduction (i.e. payoff student loans or credit cards)
- Mortgage Rate Reduction!



	Scenario 1 FHA Loan Current Rate	Scenario 2 FHA Loan w/Credit <u>Price Reduction</u>	Scenario 3 FHA Loan w/Credit <u>Rate Buydown</u>
Purchase Price	\$425,000	\$425,000 <b>\$415,487</b>	\$425,000
Down Payment (3.5%)	\$14,875	\$14,542	\$14,875
Interest Rate	6.25%	6.25%	<del>6.25%</del> <b>5.5%</b>
Principal + Interest	\$2,525	\$2,468	\$2,329
Taxes, Insurance, PMI	\$690	\$677	\$690
<u>TOTALS</u>	\$3,215	<u>\$3,145</u>	<u>\$3,019</u>
<b>MONTHLY MORTGAGE SAVINGS</b>		<b><u>-\$70</u></b>	<b><u>-\$196</u></b>

NOTE: \$196 per month savings equates to \$26,500 = price reduction OR increased purchasing power





# THANK YOU

Want to take a deeper dive?

[Video Overview](#)

[mac@abrazohomes.com](mailto:mac@abrazohomes.com)

[nmhba.org/homebuyercreditbill](http://nmhba.org/homebuyercreditbill)

