

Housing New Mexico | MFA

Housing Policy

Prepared for MFA
Legislative Oversight
Committee

May 18, 2026



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Changes to Federal Tax Credits for Rental Housing Development

- The “**One Big Beautiful Bill Act**” (**OBBBA**)—signed into law on July 4, 2025—represents the most significant expansion of the Low-Income Housing Tax Credit (LIHTC) program in decades. Key changes taking effect in 2026 include:
 - **Credit Expansion:** A **12.5% increase** in 9% credit allocations, allowing for more competitive project awards.
 - **Bond Threshold Reduction:** The "50% Test" for private-activity bond financing has been lowered to **25%**. This allows developments to access 4% tax credits using significantly less federal bond cap, essentially doubling the potential volume of bond-financed affordable housing.
 - **New Mexico Impact:** Because these tax credits typically cover only **40% to 70%** of total development costs, the surge in eligible projects has created a massive need for gap financing.
 - **The NMHTF Gap:** While Housing New Mexico (MFA) historically awarded **\$40 million** annually for gap financing, the 2026 demand has jumped to **\$70 million**. If this gap is filled by the New Mexico Housing Trust Fund (NMHTF), the state is on track to double its annual affordable unit production within the next 3 to 5 years.

Federal Funding Uncertainty (HUD & DOE)

- **HUD Appropriations**
 - The **2026 federal budget** process has seen renewed threats of deep cuts to HUD programs. New Mexico currently relies on approximately **\$31 million** in annual HUD funding (HOME, ESG, and CDBG) specifically for affordable housing. The expiration of the final tranches of coronavirus stimulus funding (ARPA) in 2026 has made state investment in the NMHTF critical to prevent a regression in housing stability.
- **Weatherization Assistance Program (WAP) and LIHEAP**
 - Congressional authorization for WAP is currently only secured through **2030**, and proposed LIHEAP funding for the upcoming cycle is significantly lower than previous years.
 - The DOE has been restricted from releasing more than **\$11 million** in Infrastructure Investment and Jobs Act (IIJA) funding, leading to staffing reductions and a slowdown in home weatherization. **New Mexico funding has been released.**
 - Currently, no proposed federal legislation includes funding for "**weatherization readiness**" (e.g., roof repairs necessary before energy upgrades can begin).

HUD Continuum of Care (CoC) and Homelessness Services

- **The 2025 NOFO:** On November 13, 2025, HUD abruptly rescinded a planned two-year funding cycle, triggering lawsuits from Attorneys General across the country.
- **Court Intervention:** In December 2025, a federal court issued a preliminary injunction forcing HUD to halt its new plan—which would have cut permanent supportive housing funding by two-thirds—and return to the "status quo" of the 2024–2025 rules.
- **Current Status (May 2026):** Under court order, HUD reissued the 2025 Notice of Funding Opportunity (NOFO) with a February 2026 deadline. As of May 4, 2026, HUD indicated it intends to issue the remaining awards for projects expiring in the latter half of the year by the end of this month.
- **New Mexico Risk:** New Mexico (which received \$17.1 million in 2024) is currently navigating these delays. The shift in federal priorities toward short-term interventions continues to threaten the long-term stability of New Mexico's permanent supportive housing providers.

New Mexico Housing Strategy

New Mexico Housing Strategy Recommendations to Effect Housing Policy and Regulations

- Incentivize and/or require that planning commissions consider housing needs documented in local or regional housing needs assessments when making zoning and land use decisions;
- Incentivize and/or require that economic development incentives, such as those offered through LEDA, include a workforce housing component for production and/or preservation;
- Incentivize by right or administrative approval for developments with a significant share of affordable units including casitas/ADUs and plexes;
- Allow density bonuses and/or fast track approval for homes that meet energy efficiency requirements (to offset higher costs of green building);
- Create a model development code that includes feasible land use incentives for affordable housing, mixed-income housing, and mixed-use development;
- Create an incentive program that provides funding to local governments that adopt policies that facilitate flexibility and efficiency in development approval, infill development, income-diverse development, and efficient zoning. Funding could be used for: community revitalization, economic development, or infrastructure expansion activities
- Create a program to mitigate resistance to affordable housing at the local level, including training to build community awareness and support of needs.

Challenge

Production

- The demand for housing exceeds available supply, leading to rents and ownership costs that are increasingly burdensome or out of reach for New Mexico's working class. This imbalance exists in the rental and ownership market and is particularly acute for low- and moderate-income households. Complex market and regulatory factors, including increased cost of building inputs – labor and materials, and restrictive land use that limits denser housing production, have driven the housing supply deficit.

Policy Response

- Produce housing across the income continuum
 - Increase housing production across the housing continuum.
 - Create flexibility within state and local programs and policies to respond to housing needs and market fluctuations.

Challenge

Preservation

- New Mexico’s housing stock is aging, which poses health and safety risks to occupants and threatens the loss of existing housing. Additionally, housing that is “naturally affordable” is more likely to be older and to be occupied by low-and-moderate income households.

Policy Response

- Preserve and improve existing affordable housing, both privately and publicly owned, and redevelop underutilized and vacant properties to increase supply and catalyze economic development.
 - Catalyze the potential of underutilized properties to be redeveloped into new housing.
 - Preserve existing naturally occurring affordable housing and publicly subsidized housing stock.
 - Build assurance among property owners and property managers of the economic feasibility of housing formerly homeless and special needs residents, thereby stabilizing housing for low-income renters.

Challenge

Homeownership

- Home prices have outpaced gains in earnings among low-and-moderate income households, threatening to weaken New Mexico's historically strong state of homeownership. The increase in home prices is largely driven by the challenge of production, in addition to a high-interest rate environment.
- Further, much of New Mexico's homeownership rate is attributable to manufactured housing. Ensuring protections for manufactured homeowners and the continued availability of manufactured housing for homebuyers is key to wealth building in New Mexico.

Policy Response

- Build homeownership opportunities to retain the state's high homeownership rate, especially among low and moderate income and racially and ethnically diverse households.
 - Create flexibility within state programs and policies to respond to housing needs and market fluctuations.
 - Ensure that manufactured homes continue to be a housing solution for homeowners and renters.

Challenge

Housing Stability

- Homelessness in New Mexico has steadily risen in recent years, due to the challenge of production as well as the need for supportive services, including those for mental and behavioral health and substance use disorder.

Policy Response

- Create housing stability for people vulnerable to and experiencing homelessness and residents with special housing needs.
 - Expand successful housing services (permanent supportive housing) models tailored to local needs.
 - Strengthen supportive service programs that foster housing stability.
 - Strengthen support for emergency homelessness interventions.

What has been accomplished

Since the New Mexico Housing Strategy was published, and despite ongoing challenges following the COVID-19 pandemic, the 2026 update shows meaningful progress in addressing housing needs. Most notably, the state made historic investments in housing, enabling affordable housing partners to mitigate worsening affordability.

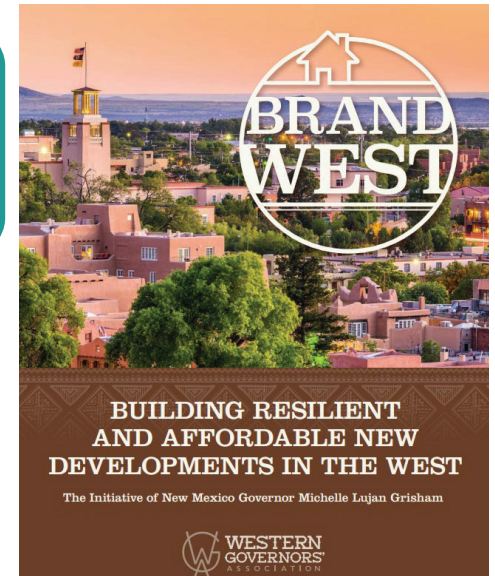
On average, **annually**, housing funding between 2022 and 2025 has:

- Supported the creation of 1,000 affordable housing units.
- Rehabilitated and made weatherization improvements to 800 homes in poor condition.
- Helped 2,400 qualified low to moderate income households achieve homeownership.
- Ensured that 3,200 households avoided homelessness, and 5,700 household avoid eviction.
- Assisted 3,700 homeless and at-risk individuals receive needed services.

Western Governors Association Brand West Report

- Four Key Pillars of Housing Access
 - Simplifying and streamlining housing development.
 - Reducing the cost of homebuilding.
 - Supporting families through initiatives that help renters and homebuyers.
 - Investing in strategic, innovative, and data-informed initiatives across the housing ecosystem.

https://westgov.org/images/files/Brand_West_Report_2025_1.pdf



Brand West Report

Simplifying and streamlining housing development.

Zoning and land use laws are too complex, blocking and slowing housing development.

Examples of Enacted Legislation in Other Western States

- Statewide Land Use Legislation that requires cities and counties to adopt comprehensive land use plans and zoning ordinances
- “Shot Clocks” for housing approvals and mandated expanded options for multi-family development
- Increased density requirements, along with planning and development funding
- Co-living and micro communities legalized for multi-family zones, adaptive reuse of commercial buildings
- Phase out short-term rentals, by right ADUs (accessory dwelling units) statewide

New Mexico 2026 Session Legislation Introduced

- HB 17 requiring home rule municipalities to allow accessory dwelling units (ADUs) and multifamily housing in designated areas.
- HB 138 amends state zoning regulations to prohibit county and municipality zoning authorities from imposing lot size requirements for residential properties.
- SB 131 amends state zoning regulations to remove height restrictions, allows for one ADU in SF zoning, shall not prohibit multifamily apartments in commercial areas, allow small scale commercial uses in residential zones.

New Mexico 2025 Session Legislation Introduced

- House Bill 571 directs the Department of Finance and Administration to create a program that awards certificates to municipalities that adopt or establish one or more department-approved strategies to increase housing affordability and accessibility.
- HB 554 requiring home rule municipalities to allow accessory dwelling units (ADUs) and multifamily housing in designated areas.
- SB 310 seeks to amend New Mexico Statute Section 3-21-1 by requiring municipalities and counties to remove building height restrictions, except in historical districts, and to permit duplexes and townhouses in residential zones.
- SB 312 seeks to amend New Mexico Statute Chapter 3, Article 19, Section 3-19-8 by restricting who can appeal zoning and planning decisions. Only the property owner directly affected, or owners of adjacent properties would have the right to appeal.

Brand West Report

Government permitting and approval systems are too slow and complicated.

- Western state and local governments have demonstrated the value of strategic reviews of permitting and approval systems, which weed out duplication and unnecessary administrative burdens.
- Although technology for manufactured and modular homes has advanced tremendously, the rules for these homes remain a barrier.

Examples of Enacted Legislation in Other Western States

- Hawai'i's Affordable Housing Proclamation provides a streamlined process for affordable housing projects on land owned by state and local governments to receive certain environmental review, zoning, parking requirement, fee, and density exemptions, and waivers of certain impact fees.
- California, Montana, and Hawai'i have adopted multifamily housing by right in commercial zones widely, while Arizona has adopted certain components, allowing projects to proceed without discretionary review.
- Streamlined public comment periods requiring early-stage public participation in the planning process for certain cities and counties, including permitting decisions.
- Washington allows cities and counties to hire or contract hearing examiners to approve preliminary plans and amendments to zoning ordinances and manage the community engagement process.
- Currently, Idaho, Washington, and Oregon have a reciprocity agreement that allows manufacturers located in these three states to receive shared plan review and inspection services.
- The DakotaPlex Program addresses the need for affordable multifamily housing in rural communities while imparting construction skills to prison inmates

New Mexico 2026 Session Legislation Introduced

- HB 110 proposes class A counties or municipalities, with a population greater than 30,000 people, will publish a quarterly report containing information on residential development and residential building permits. The county or municipality will provide the report to the economic development department and the legislative finance committee.
- HB 194 expands the state's Metropolitan Redevelopment Code to include "housing shortage areas" as eligible targets for redevelopment actions.

New Mexico 2025 Session Legislation Introduced

- HB 571 directs the Department of Finance and Administration to create a program that awards certificates to municipalities that adopt or establish one or more department-approved strategies to increase housing affordability and accessibility.
- SB 293 would require that an affordable housing study be conducted and provided with a petition to a governing body of an approved tax increment development.

Brand West Report

Reducing the Cost of Homebuilding.

- Financing tools that incentivize affordable housing development and preservation are effective, but we need more of them.
- The cost of building homes has skyrocketed, in part due to outdated policies and a lack of proactive strategies.

Examples of Enacted Legislation in Other Western States

- Eleven western states have established a state low-income housing tax credit to supplement federal tax credits, increasing investment and gap financing
- Low interest loans to developers who develop attainable starter homes (ZIHP and NMHTF loans are available at Housing New Mexico)
- Arizona offers state tax credits, subsidies, and low-interest loans to developers building affordable housing. Additional incentives are allotted to owners who participate in housing assistance programs and commit to serving certain at-risk populations.
- New Mexico has allocated record funding in recent years with over \$400 million in the 2024 and 2025 legislative sessions.
- New Mexico's Economic Development Site Readiness Act also expressly included housing availability in the site characterization studies that will occur across the state as a precursor to certifying properties as "strategic economic development sites." The Site Readiness Act was coupled with \$24 million over three years to fund these predevelopment activities
- Community land trusts use deed restrictions or renewable land leases to ensure that homes remain permanently affordable, meaning that the down payment assistance and funding invested in the first purchase are not lost, even when homes are sold.

New Mexico 2026 Session Legislation Introduced

- HB 139 appropriates \$135,000,000 from the general fund to the New Mexico Housing Trust Fund.
- HB 24 creates a housing loan program to be administered by the New Mexico Mortgage Finance Authority to qualified professionals for down payment assistance or closing costs associated with purchasing a home in New Mexico in exchange for the qualified professional practicing for ten years in the state.
- SB 114 prohibits hedge funds, private equity firms, corporations, or any other business entity from purchasing single-family residences with the exemption of limited liability companies.
- HB 176 proposed to create a zero interest down payment assistance loan fund by amending distributions to certain other funds.
- HI 251 would amend the Affordable Housing Act by adding new material that would create the "new homes development program." The "new homes development program" would be administered by the New Mexico Mortgage Finance Authority to provide grants to eligible homebuyers to purchase new homes.

New Mexico 2025 Session Legislation Introduced

- HB 325 introduces tax deductions for businesses on labor costs related to new residential construction in New Mexico, capping at \$125,000 for for-sale homes and \$75,000 for rentals, excluding renovations. It also includes a "hold harmless" provision to reimburse local governments for lost revenue.
- HB 472 is an amendment to the Corporate Income and Franchise Tax Act that adds new material that creates a tax credit for an individual who incurs expenses for rehabilitation of an abandoned building.

Supporting Families Through Initiatives That Help Renters And Homebuyers.

- Building new housing is critical to bringing down costs, but it is not always enough to make housing attainable.
- Homeownership remains a primary goal in affordable housing strategies, even as speculative ownership continues to drive housing prices above sustainable levels.

Examples of Enacted Legislation in Other Western States

- Eviction prevention and rental assistance programs

New Mexico 2026 Session Legislation Introduced

- HB 139 appropriates \$135,000,000 from the general fund to the New Mexico Housing Trust Fund.
 - The NMHTF funds downpayment assistance with below market interest rates
 - Housing New Mexico is currently developing an interest rate buy-down program and the New Homes for New Mexico program (HB 200)

New Mexico 2025 Legislation Introduced

- HB 215 amends the Uniform Owner-Resident Relations Act by incorporating a ban on the use of artificial intelligence (AI) to manipulate rent pricing.
- HB 442 limits rent increases in mobile home parks to once per year, capping increases at 3% in fiscal year 2026 and 5% thereafter.
- HB 418 provide certain rights to tenants for termination of leases for non-payment of rent and in cases of eviction due to zoning changes.

Local programs

- AHA compliant jurisdictions can provide programs and funding for rental assistance and eviction prevention.
- GRO Fund \$150,000 for eviction prevention services and housing stability in Bernalillo county

Investing In Strategic, Innovative, And Data-informed Initiatives Across The Housing Ecosystem

- Housing development is also constrained by a significant shortage of construction workers and a lack of capacity, slowing the pace of new projects and increasing costs each year.
- Affordable housing development does not always reflect the challenges of sustainability and resilience.

Examples of Enacted Legislation in Other Western States

- In 2024, Governor Lujan Grisham issued Executive Order 2024-152 to address the urgent need for a skilled infrastructure and climate ready workforce in New Mexico. The Executive Order identifies the goal for Partnership Agencies to collectively facilitate and support the training of 2,000 workers in infrastructure and climate-ready professions by December 31, 2026.
- Oregon's General Housing Account Program provides grants, training, and technical assistance opportunities to help build capacity in individuals, organizations, geographic regions, and systems toward the development and sustainable operation of affordable multifamily rental housing.
- Designating high-risk areas like the wildland-urban interface and following associated codes in these areas
- To reduce barriers and promote resilience, the Northern Marianas Housing Corporation emphasizes operational efficiency and sustainable practices.
- Colorado is investing in proactive risk reduction measures that helps enhance community safety and resiliency from wildfires through the development and local adoption of model codes and standards tailored to Colorado.

Publicly owned parcels that may not have other strategic purposes or intrinsic values are not readily available for housing development.

- Congress and states may explore new tax incentives and credits for developers building on public land to ensure long-term affordability for the housing they build and maximize the public value of these projects
- States may finance regional housing needs assessments to support datadriven insights that inform planning and policy decisions related to current and future housing needs.

Summary

New Mexico has:

- Funding Structures and Programs
 - Affordable Housing Trust Fund
 - Subsidy and gap financing for development of affordable housing and shelter facilities
 - Loan programs (Housing New Mexico, New Mexico Finance Authority OE Fund)
 - Missing middle programs (Housing New Mexico, New Mexico Finance Authority OE Fund)
 - Grant programs for development (Office of Housing)
 - Funding for low or no interest loans for single family attainable housing development
 - Down payment assistance

New Mexico could benefit from:

- Traditional state tax credit
- Model zoning codes
- Modernization of the inspection process
- Statewide eviction prevention and rental assistance programs

Traditional State Tax Credit Program

Eleven western states have established a state Low-Income Housing Tax Credit (LIHTC) to generate more private investment and fill financing gaps in affordable housing.

The state could incentivize very low-income and low-income housing development with tax credits that offset the cost of construction or provide rental assistance and reserves for services.

Challenge	Gap	Needs
Availability of gap financing	Average \$40,000 per unit	<ul style="list-style-type: none"> Currently, 34,000 very low-income renters who cannot find rental units they can afford. <ul style="list-style-type: none"> 30% to 50% AMI To meet the needs of low- and moderate-income households from 2025 to 2045, the following units need to be affordable in the state <ul style="list-style-type: none"> For households with incomes below 30% of AMI: 4,281 rental units and 3,364 ownership units. For households with incomes between 30% and 50% of AMI: 2,941 rental units and 3,227 ownership units.
Very low-income rental assistance subsidy	\$6,180 annually at 30% AMI per unit	
Reserves for Services	Not available	

Traditional State Tax Credit

Scenario 1	Annual Credit Authority	Credit Period	Credit Pricing	Gross Credits	Net Equity Raised	Units Supported	Projects Supported	Private Capital Leveraged
Starter Pilot	\$750,000	5	\$0.50	\$3,750,000	\$1,875,000	47	1	\$7,500,000
Recommended Pilot	\$1,500,000	5	\$0.50	\$7,500,000	\$3,750,000	94	2	\$15,000,000
Expanded Pilot	\$3,000,000	5	\$0.50	\$15,000,000	\$7,500,000	188	3	\$30,000,000
Aspirational	\$5,000,000	5	\$0.50	\$25,000,000	\$12,500,000	313	6	\$50,000,000

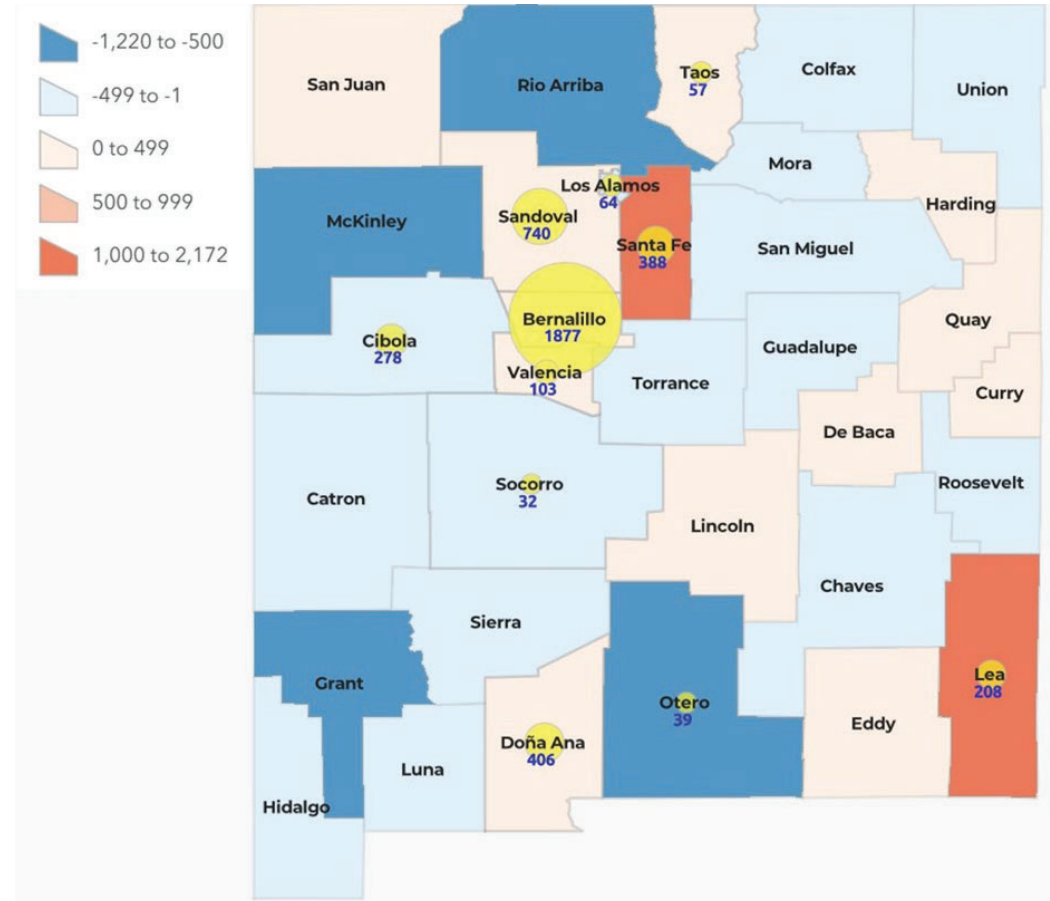
Traditional State Tax Credit

Scenario 2	Annual Credit Authority	Credit Period	Credit Pricing	Gross Credits	Net Equity Raised	Units Supported	Projects Supported	Private Capital Leveraged
Starter Pilot	\$750,000	5	\$0.70	\$3,750,000	\$2,625,000	66	1	\$7,500,000
Recommended Pilot	\$1,500,000	5	\$0.70	\$7,500,000	\$5,250,000	131	2	\$15,000,000
Expanded Pilot	\$3,000,000	5	\$0.70	\$15,000,000	\$10,500,000	263	5	\$30,000,000
Aspirational	\$5,000,000	5	\$0.70	\$25,000,000	\$17,500,000	438	8	\$50,000,000

Where can the legislature go from here?

Direct investments in affordable housing—like New Mexico and localities have recently achieved—have the most immediate and targeted impact on affordable housing shortages.

- The statewide rental gap for households below 30% AMI grew from approximately 32,000 units in 2019 to 34,000 in 2023.
- Given the significant increase in rents, a widening of the gap was expected.
- The growth of the rental gap is modest, which is reflective of the state’s efforts to add housing affordable to very low-income households.



Questions?

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