LEGISLATIVE OVERSIGHT BRIEFING

New Mexico's Housing Supply Shortage

Structural Barriers & Solutions in the Single-Family and Multi-Family Residential Markets

PREPARED FOR THE MORTGAGE FINANCE AUTHORITY ACT OVERSIGHT COMMITTEE.

PRESENTED BY MACKENZIE BISHOP AND JOSH ROGERS

THE HOUSING ABUNDANCE COALITION

Current Housing Shortage: **34,000 units**

Average Cost/Unit: **$350,000**

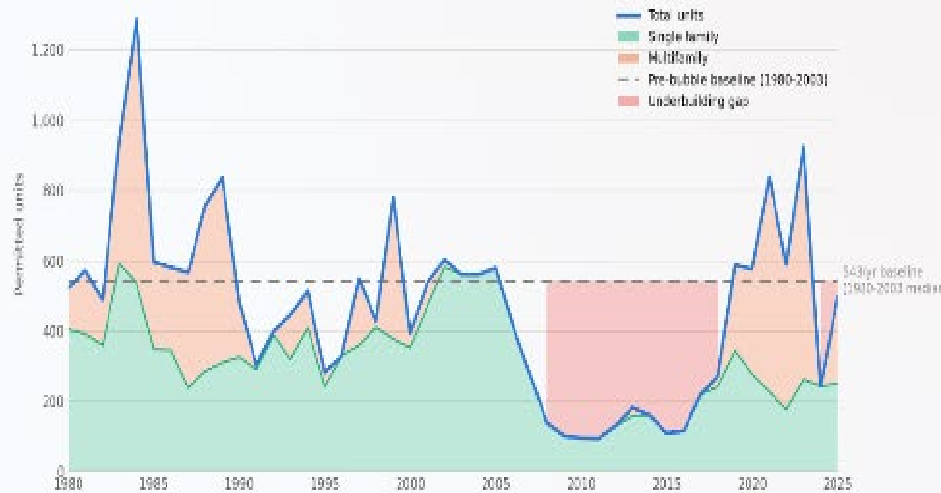
Enormity of the Challenge: **$11,900,000,00**

STRUCTURAL DEFICIT

ABQ & Santa Fe

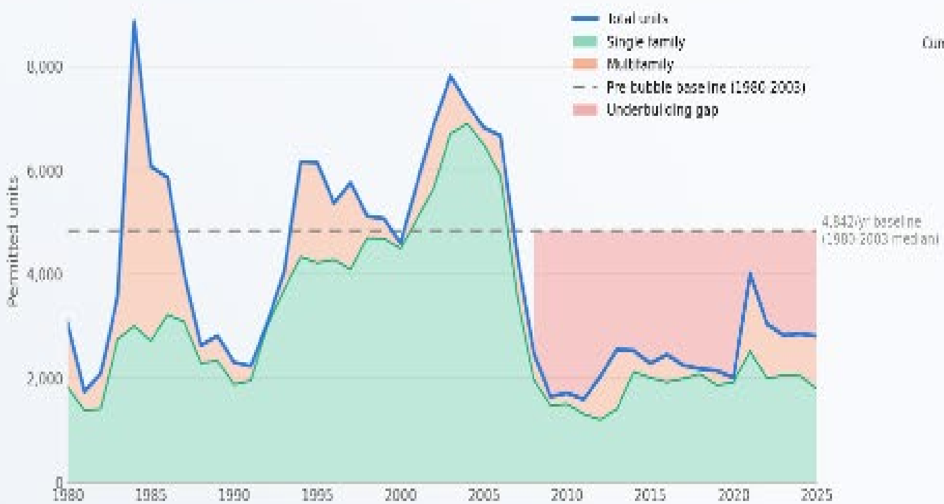
Since 1980

Santa Fe — permits vs. structural baseline (1980-2025)



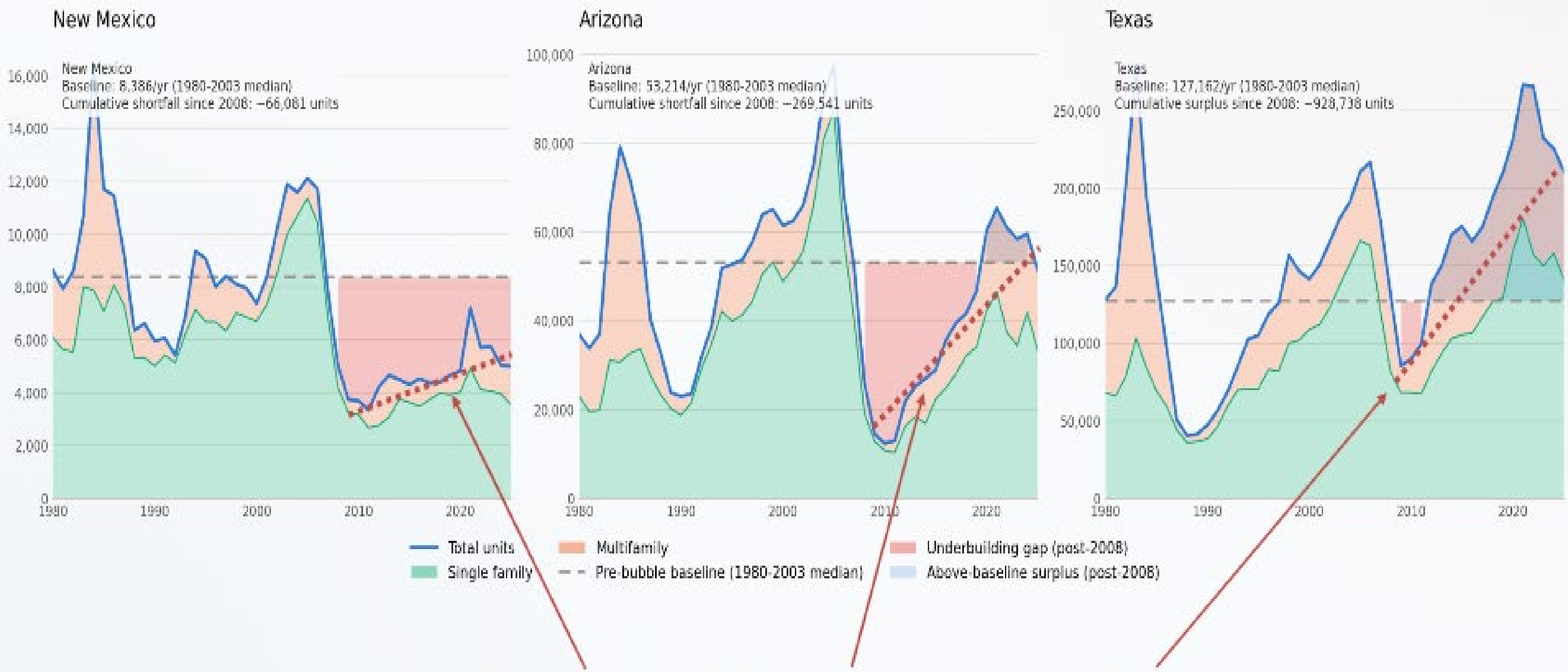
Cumulative underbuilding since 2008: ~3,900 units below the 1980-2003 baseline of 543 units/year.

Greater Albuquerque MSA — permits vs. structural baseline (1980–2025)



Cumulative underbuilding since 2008: ~43,600 units below the 1980-2003 baseline of 4,842 units/year.
Excludes Santa Fe. Includes Albuquerque, Rio Rancho, unincorporated Bernalillo County, Los Lunas, Town of Bernalillo, Corrales, and Los Ranchos de Albuquerque.

Regional comparison — permits vs. each state's own pre-bubble baseline (1980–2025)



Where's the recovery?

— The Core Thesis

"Government alone cannot fix the housing shortage. The real solution lies in reforming the regulatory and trade ecosystem to attract, leverage, and sustain private investment with absolute consistency."

EXECUTIVE SUMMARY

The Missing Ingredient: Attainable Market Rate Supply

Affordable Supply is Disappearing

Starter and workforce-priced homes are the hardest inventory to build profitably. Local developers are building fewer entry-level options every year.

Demand Outpaces Permits

New household formations and steady albeit modest in-migration continue to greatly exceed new attainable housing permits.

Widening Affordability Gap

As resale inventory tightens, home prices spike fastest at the entry level, pricing out the very workforce buyers who form the bedrock New Mexico's economy.

Phased Strategy in Progress

Subsidize to Attainability > Reform Structural Deficiencies > Accelerate Capital

BARRIER ONE

Trust & Certainty in the Entitlement Process

The Problem

- Approval timelines vary widely and unpredictably across jurisdictions (City of Santa Fe can be 3+ years).
- Every added month of uncertainty adds carrying cost and risk premium to a project's underwriting.
- Unexpected costs or regulatory changes cast doubt, raise risk premium, or dissuade capital investment altogether.
- Capital hesitates to commit when the rules of the process can shift mid-application. NM has to compete for capital.

What Needs to Change

- Report and codify predictable, published approval timelines that hold across administrations.
- Apply consistent standards so outcomes don't depend on which reviewer or jurisdiction a project lands in.
- Reform land use process to make zoning a real property right.
- Treat entitlement certainty as economic development driver, not just a regulatory gate.
- Land Use = zoning & standards > political whims & NIMBYism

BARRIER TWO

Capital and Market Inertia in the Trade Base

The Problem

- New Mexico's trade base is too thin to generate real price competition.
- Capital treats NM homebuilding as higher-risk and less reliable than comparable regional markets. Commands higher risk premium.
- Lumpy demand curve for skilled trade labor yields structural shortages of tradespeople who relocate to stable markets.
- Without sustained volume, costs stay structurally above regional norms.

What Needs to Change

- Create predictable conditions that reward sustained capital flows towards residential construction over time.
- Attract, train and retain skilled trades and suppliers at a scale that deepens competition. Foster growth and entrepreneurship with trade capitalization.
- Continue to invest in trade education programs. RioTech is a massive success, let's replicate it…but the jobs need to be there.
- Give capital the consistency it needs to enter the market and stay in it with duration.

BARRIER THREE

Government-Driven Construction Costs

The Problem

- GRT on materials AND labor double our sales tax burden with the rest of the country. Adds $15-20k per unit of cost to a new attainable dwelling
- Impact and utility fees have climbed steadily since 2000, often outpacing the cost of service and frequently being unspent or misappropriated.
- Exactions (major roads, new intersections, water mains, oversized lift stations, etc) push public-benefit costs onto individual new homes, thereby making new housing supply subsidize under-funded legacy infrastructure...ultimately curbing new supply.

What Needs to Change

- Extend the GRT exemption on labor for Affordable Housing, to Workforce Housing.
- Align impact and utility fees to the actual, proportional cost of service delivered, regulate and reform misuse.
- Place reasonable caps on offsite exactions or create low-cost revolving fund sources to lower the blended cost of capital on new construction projects which serve the public good and expand infrastructure

HOW THE THREE CONNECT

This is one ecosystem problem, not three separate ones.

Entitlement Uncertainty

Thin Capital & Trade Depth

Government-Driven Costs

A COMBINED RISK PREMIUM ON EVERY NEW HOME

Higher prices. Fewer entry-level homes. Slower supply growth.

STRATEGIC DIRECTION

The Path Forward

What it takes to attract and sustain private investment at scale.

Consistency over time

Durable rules and standards, not one-off incentives that expire with the next election cycle.

Shared, proportional risk

Public and private sectors each carry the cost of the risk they create, not just the developer or the buyer.

Aligned incentives

Permitting, finance, and construction policy pulling in the same direction instead of working against each other.

A stable pipeline

Predictable project volume that lets trades and capital scale up and stay in New Mexico. Jurisdictions should set housing goals including supply and price

Part II: Pre-Development De-Risking

Removing Early-Stage Approval Obstacles to Unfreeze the Multi-Family and Single-Family Supply Pipelines

Pre-Development: High Risk Phase

The Most Uncertain Stage of Project Delivery

Pre-development represents the highest risk tier for builders. At this stage, capital is spent on design, legal fees, and engineering before zoning or permit approvals are secured.

- **Unsecured Approvals:** Cash is deployed prior to receiving formal entitlements.
- **Primary Goal:** Streamline administrative processes to lower risk premiums and unlock investment.

ZONING REFORM

By-Right Approvals

Albuquerque IDO Example

Albuquerque's Integrated Development Ordinance (IDO) offers clear administrative approvals for Site Development Plans (SDPs).

This provides predictability, lowers overhead, and helps developers bypass lengthy discretionary board cycles.

Santa Fe Discretionary Challenges

Santa Fe requires extensive neighborhood meetings, public planning commission hearings, and faces frequent appeals.

Onerous requirements like traffic studies, water rights purchases, and full engineering details before approval inflate upfront costs.

STATEWIDE PLANNING

Democratization of Municipal Zoning

Comp Plan Incentives

Encourage cities and counties with State funding to integrate clear, high-density residential zones directly into their comprehensive plans.

Reduce Commercial Mandates

Remove outdated non-residential zoning requirements that stall residential development in underused zones.

State Override Powers

Introduce legal override options to bypass local zoning restrictions for housing projects.

Regional Development Pipeline

LEASE UP

	MARKET RATE UNITS	PROPERTIES	AFFORDABLE UNITS	PROPERTIES
Albuquerque	1,328	6	100	1
Rio Rancho	150	2	216	1
Santa Fe	1,305	5	-	-
Los Alamos	149	1	-	-
	2,932	14	316	2

3,248
Total Lease-Up Units

16
Total Lease-Up Properties

UNDER CONSTRUCTION

	MARKET RATE UNITS	PROPERTIES	AFFORDABLE UNITS	PROPERTIES
Albuquerque	227	1	534	5
Los Lunas	-	-	57	1
Rio Rancho	128	1	-	-
Santa Fe	529	3	638	4
Los Alamos	114	1	-	-
	998	6	1,229	10

2,227
Total Under Construction Units

16
Total Under Construction Properties

PLANNED COMMUNITIES*

	MARKET RATE UNITS	PROPERTIES	AFFORDABLE UNITS	PROPERTIES
Albuquerque	144	1	743	7
Bernalillo	-	-	55	1
Rio Rancho	394	1	-	-
Santa Fe	552	3	159	1
Los Alamos	-	-	380	1
	1,090	5	1,337	10

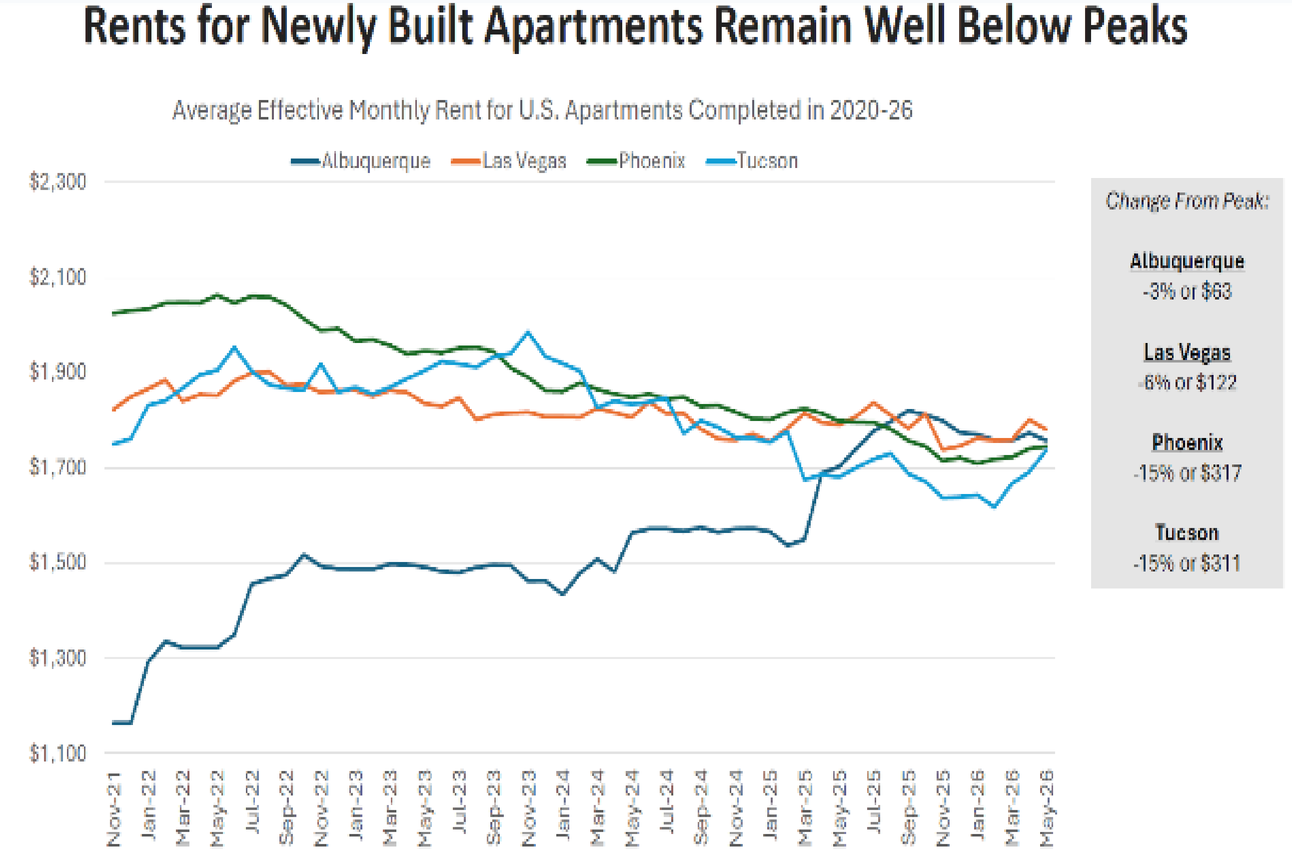
*Expecting to break ground by June 2027

2,427
Total Planned Units

15
Total Planned Properties

NORTHMARQ

Multi-Family Rent Trends



Source: Waymaker research, RealPage Market Analytics.

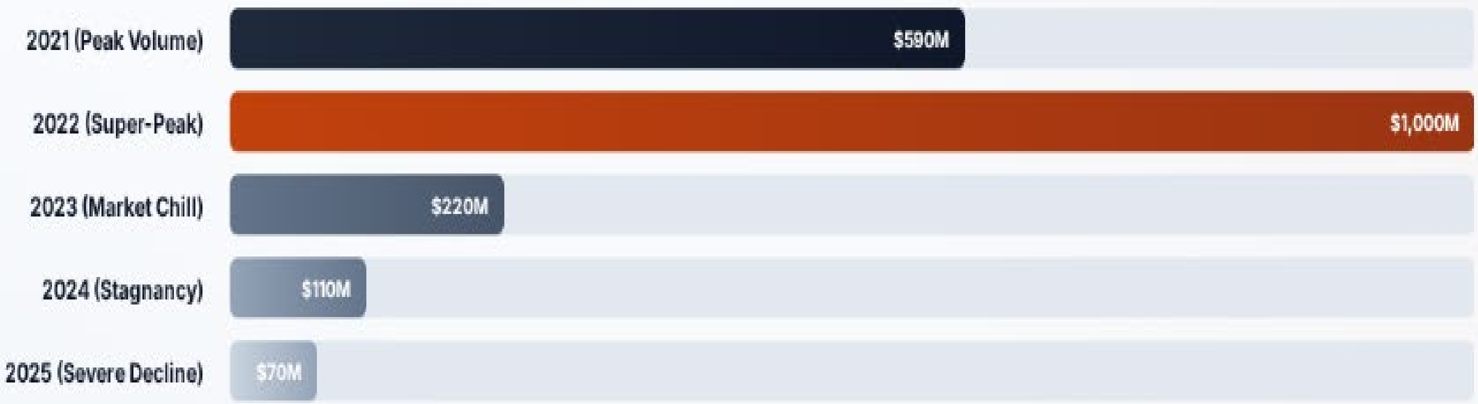
Multi-Family Property Tax Risks

⚠ Critical Threat: Tax Lightning

Multi-family assets are often structurally undervalued because of the 3% residential tax cap, outdated cost tables, inflation and non-disclosure of real sales prices for 25 years.

- **Reassessment Spikes:** Bringing properties to correct market valuations upon sale triggers severe tax increases.
- **Rent Pressure:** Owners are forced to increase rents to cover these large property tax jumps.
- **Frozen Market:** Because existing assets cannot trade predictably, developers' capital remains locked up, halting new construction.

Albuquerque Multi-Family Sales Drop



Annual Sales Volume in Millions (Data: Yardi Matrix). Valuations and high interest rates have frozen transactions, preventing capital recycling into new housing starts.

LEGISLATIVE FIXES

Stabilization & Property Tax Reform

HB 194 & SB 283 (2026 Session)

Inspired by Washington's MFTE and Texas's HFC/PFC models to provide long-term property tax predictability.

By offering tax certainty for a set period, this approach encourages developers to build and trade without the threat of sudden tax increases.

"Missing Middle" Housing

Ties property tax predictability directly to community benefits by requiring a portion of units to remain affordable.

2027 Outlook: An updated version of this bill is scheduled for introduction in the 2027 Legislative Session.

Gross Receipts Tax (GRT) Impediments

7-9%

DIRECT COST ADDED TO BUILDS

Equates to roughly $21,000 – $27,000 on a standard $300,000 construction unit budget.

SB 151: A Strong Foundation for Reform

SB 151 was incorporated into the main tax package to eliminate GRT on affordable housing projects. This was a critical step forward.

- **Successful Precedent:** Shows how targeted tax policy can lower delivery costs.
- **Expansion Opportunity:** We should now evaluate expanding this GRT exemption to all housing tiers to lower rents and house prices statewide.

CONCLUSION

Let's reshape New Mexico's housing ecosystem together.

Change the ecosystem • Attract private capital • Build long-term momentum

More homes built every year
Greater housing choice
Lower upward pressure on prices
Stronger workforce recruitment
More stable tax base
More predictable local planning
Better return on public infrastructure investments