

Proposal Summary

The proposal enacts the Workforce Housing Creation Act, authorizing municipalities and counties to acquire and hold title to qualifying multifamily housing developments and lease the property back to developers. Under the proposal, the real property would be publicly owned and both the property and the lessee's beneficial interest would be exempt from property taxation for up to 20 years, replacing regular property taxes with annual payments in lieu of taxes (PILOTs). The new property-tax exemption applies beginning with property tax year 2028.

To qualify, a multifamily development must contain at least five rental units. For new developments—those receiving a final certificate of occupancy less than two years before conveyance—at least 20 percent of units must be reserved for households earning no more than 80 percent of area median income (AMI) at applicable affordable rental rates. For existing developments, at least 20 percent of units must be rented, or held for rent, at rates 20 percent below the current rents for comparable units within the development.

The PILOT in the first year would equal the general property taxes that would have applied based on the property's taxable value in the year immediately preceding local-government acquisition. Thereafter, the PILOT would increase by 3 percent annually, rather than changing with the property's actual valuation. County treasurers would distribute PILOT revenue in the same manner as property taxes and assessments on nonexempt property.

Local governments would be responsible for monitoring compliance with affordability and lease requirements and could charge an annual administrative fee of \$50 per unit, as well as recover reasonable third-party audit costs. Failure to maintain eligibility or another material lease violation could result in termination of the lease, return of the property to the developer, and restoration of normal property taxation. At the end of the lease period, the development would return to valuation at current and correct value under the Property Tax Code.

Issues

Affordability Requirements. The bill establishes different affordability requirements for new and existing multifamily developments. Both must contain at least five dwelling units leased for periods of 30 days or more. A new development, defined as one receiving its final certificate of occupancy less than two years before conveyance to the local government, must reserve at least 20 percent of its units exclusively for households with incomes at or below 80

Workforce Housing Creation Act

Sponsor(s):**202#: .234294.3****October 15, 2026****One-Year Cost
\$3.0 M****Five-Year Cost
\$45.0 to \$100.0 M****Impact by Fund**

Fund	1 Year	5 Year
GO Bonding Fund	(\$0.15)	(\$2.0) — (\$5.0)
Local Governments	(\$2.85)	(\$43.0) — (\$95.0)

percent of area median income (AMI), at applicable rental rates for the unit type and household AMI. For an existing development, defined as one receiving its final certificate of occupancy at least two years before conveyance, at least 20 percent of units must instead be leased or held for lease at rental rates 20 percent below the current rental rates for comparable units within the development. Unlike the requirements for new developments, this standard is not tied to tenant income or AMI.

The different standards could result in substantially different affordability outcomes. In particular, an existing development with relatively high market rents could qualify by discounting 20 percent of its units by 20 percent relative to comparable units in the same development, regardless of whether those rents are affordable to low- or moderate-income households. Additionally, because only 20 percent of units are subject to affordability requirements, up to 80 percent of units in a qualifying development may remain market-rate while the entire development receives the property tax treatment provided by the bill.

Standalone PILOT Authority Outside the Metropolitan Redevelopment Code. The bill establishes a standalone statutory mechanism for multifamily housing PILOT agreements. A development does not need to be located within a designated metropolitan redevelopment area, slum or blighted area, or housing shortage area, and the bill does not require adoption of a metropolitan redevelopment plan. Instead, a developer may convey property directly to a municipality or county, which may acquire the development or property on which a qualifying development will be constructed and lease it back to the developer through a long-term lease.

This structure substantially broadens the geographic availability of this form of property tax treatment. Any qualifying multifamily development could potentially participate regardless of its location within the jurisdiction, subject to the willingness of the local government to acquire the property and enter into the required lease. As a result, the bill could make PILOT financing available for multifamily developments statewide rather than limiting the mechanism to areas satisfying redevelopment criteria, as in a metropolitan redevelopment area.

Local Government Discretion and Administrative Oversight. Participation is voluntary for local governments. A municipality or county may acquire qualifying property and enter into a long-term lease with a developer but is not required to do so. Local governments may determine the form of the lease and related documents and may adopt rules necessary to administer the act. Once participating, the local government is responsible for monitoring compliance with the affordability requirements and lease terms. These provisions may offset some administrative expenses but could create new responsibilities for jurisdictions without existing housing compliance staff or systems.

Limitation to Multifamily Rental Housing. Eligibility is limited to residential rental developments containing five or more dwelling units and leased under written agreements for periods of at least 30 days. The bill therefore does not provide comparable incentives for owner-occupied single-family housing, smaller rental developments, or other housing types.

Focusing the incentive on multifamily rental development may help direct the tax benefit toward higher-density housing production, but its effectiveness may vary across New Mexico. Multifamily development is more prevalent and economically feasible in larger or higher-cost housing markets, while smaller communities may rely more heavily on single-family homes, manufactured housing, and small rental properties. Consequently, the geographic distribution of benefits under the act may differ substantially across the state.

Comparison to Approved Guidelines

While no purpose statement or supporting analysis accompanied the draft, it can be inferred the proposal is intended to encourage the development and preservation of attainable multifamily housing by reducing the growth of property tax costs in exchange for affordability requirements. By providing developers with greater certainty regarding property-

related payments over a 20-year period, the bill could reduce development costs and improve the financial feasibility of some multifamily developments.

This proposal does not meet the committee guidelines for submission criteria on many categories. As a primarily local property tax abatement tool, this kind of incentive is especially hard to track utilization, fiscal impacts, and effectiveness after implementation without reporting requirements. Furthermore, it is not clear whether this proposal would actually influence behavior, in this case the development of affordable housing, or if it provides tax benefits to developments that would have happened otherwise.

Fiscal Impacts

Methodology. The bill could reduce property tax revenues by approximately \$3 million in the first year, with an aggregate low-end five-year impact of approximately \$45 million, based on current multifamily construction activity. Approximately 1,300 housing units in structures containing five or more units are currently permitted in New Mexico each year. Assuming an average completed value of \$200 thousand per unit, this represents approximately \$260 million of new residential property value annually, or \$86.7 million in net taxable value. At an illustrative average statewide residential property tax rate of approximately 31 mills, this development would generate about \$3 million annually in property taxes if fully taxable.

Under the bill, participating developments would instead make PILOTs based initially on the property's value in the year preceding conveyance to the local government, with payments increasing 3 percent annually. Because the bill permits property to be conveyed before an eligible development is constructed, the initial PILOT for a new development could be based largely on the value of unimproved or underdeveloped land rather than the completed development. Cost estimates assume approximately \$3 million in foregone property tax revenue in the first year, reflecting the current rate of new multifamily construction and some additional impact from existing developments entering the program.

1	Clearly Stated Purpose	Does the proposal identify the problem to be solved? Does it explain why a tax policy change is the right solution? If an economic development incentive, is the purpose included in the language of the proposal itself?	  
2	Theory of Change or Logic Model	Does the proposal explain how the tax change will achieve the intended outcome? Does it identify the taxpayer behavior it is intended to influence?	 
3	Measurable Goals and Targets	Does the proposal identify expected outcomes? Does it identify affected populations or activities? Does it explain how success will be measured?	  
4	Fiscal Impact Analysis	Does the proposal estimate the impact on the general fund? Does it estimate the impact on the local government and other funds? Does it identify the impacts as recurring or nonrecurring?	  
5	Expiration Date (Sunset)	Does the proposal include a delayed repeal?	
6	Expenditure Cap	If feasible, does the proposal include an annual or aggregate cap on total cost?	
7	Effective Targeting	Does the proposal clearly identify eligible taxpayers or activities? Does it limit benefits to those populations or activities necessary to achieve the state purpose?	 
8	Reporting Requirements	Does the proposal require sufficient reporting on utilization, cost, and outcomes? Does it provide for data collection, sharing, and analysis? Does it identify performance measures and targets?	  

The fiscal impact would grow as successive cohorts of properties enter the program while earlier cohorts remain eligible for PILOT treatment for up to 20 years. Assuming approximately \$3 million of new fiscal impact is added each year and the impact associated with prior cohorts grows by 3 percent annually, the estimated annual impact would increase from approximately \$3 million in the first year to \$6 million in the second year, \$9 million in the third year, \$12 million in the fourth year, and \$15 million in the fifth year. The resulting five-year aggregate impact is approximately \$45 million for existing growth in these units. At this rate, in the 20th year before any properties “graduate” off of the credit, the annual fiscal impact would be \$630 million across all taxing entities. The higher end 5-year estimate assumes some additional development as a result of the property tax abatement as well as the inclusion of existing, older developments into the program. This estimate is illustrative and subject to significant uncertainty (see “Limitations of Fiscal Impact below”).

Fiscal Mechanisms. During the exemption period of 20 years, local governments would continue to receive PILOT payments based on the property’s assessed value the year prior to conveyance to the local entity rather than property taxes based on post-redevelopment or current value. As a result, local taxing jurisdictions will experience foregone growth in property tax revenues relative to current law. While PILOT payments partially offset this effect, they are much lower than full property tax liability once redevelopment is complete. The magnitude of this impact will vary by jurisdiction and depend on the scale of multiunit development activity and the degree of post-redevelopment valuation growth.

The state general obligation (GO) bond fund is supported in part by a statewide 1.36-mill property tax levy on all properties in the state. Because GO bond levies are not subject to yield control, this proposed exemption limits those multiunit properties’ inclusion of full assessed values in the statewide taxable property base. During the exemption period, the GO bond levy would continue to be applied to PILOT valuations based on pre-redevelopment assessed values rather than post-redevelopment values, resulting in foregone GO bond fund revenues compared with current law. The size of this impact is uncertain and depends on future utilization of the exemption. For local operating revenues, the bill is likely to affect a relatively small number of parcels statewide. In tax districts subject to yield control, reductions or slower growth in aggregate taxable value attributable to exemptions would generally be offset by higher mill rates applied across the district, resulting in little to no net change in operating revenue, but higher property tax rates for other homeowners. However, non-yield-controlled levies—such as those for certain special districts or local bonding—would experience revenue losses.

Limitations of Fiscal Impact. New Mexico does not maintain a centralized inventory of active redevelopment projects or properties currently receiving property tax exemptions and payments in lieu of taxes (PILOTs) under the Metropolitan Redevelopment Code, which offers a similar property tax abatement. In addition, data is not available on the pre-acquisition assessed values used to calculate PILOT payments or on the post-redevelopment market values that would otherwise enter the tax base except for the exemption. Because the proposal applies to both new and existing multiunit housing projects, fiscal impacts will depend on the number, size, location, and timing of eligible multiunit projects.

Other Considerations

Impact on Other Taxing Entities. The bill allows a single local government to approve a property tax exemption that affects revenues of other taxing entities without requiring their consent. A municipality could acquire a property and thereby reduce property tax revenues attributable to county, state, school district, and applicable special district levies, while a county could similarly affect state, school district, and special district revenues. Because these entities do not participate in approving the exemption or PILOT agreement, the bill effectively allows the acquiring local government to determine the tax treatment of revenues levied by other governmental entities for up to 20 years.

Potential Questions

- If a municipality approves an exemption under the bill, county, school district, special district, and state property tax revenues could also be affected. Should one local government have authority to abate taxes levied by other taxing entities without their approval? Was consideration given to requiring consent from affected taxing entities?
- Because existing multifamily developments can qualify, what public benefit is achieved by providing a 20-year property tax benefit to housing that has already been built? How much of the anticipated fiscal benefit is expected to support new housing production versus existing properties?
- Why does this proposal create a statewide property tax exemption for all units rather than target the incentive to areas designated for redevelopment under the Metropolitan Redevelopment Code or new construction in those areas, as proposed in SB283 (2026)? What problem with the existing MRA framework is this bill intended to address?
- What happens to a property's taxable value when the 20-year exemption ends? Is the intent for the development to return immediately to current-and-correct value, potentially creating a substantial increase in property taxes, or for the residential valuation limitation to apply to appreciation occurring during the exemption period?
- If property taxes increase substantially when the exemption expires, are there any protections or continuing affordability requirements to prevent those costs from being passed through to renters? Does the affordability requirement continue after the tax benefit ends?
- When a development returns to the tax base after 20 years, how will its value be treated for yield-control purposes? In particular, if the development was newly constructed while exempt, will its value be treated like new construction and added to the revenue base without a corresponding yield-control adjustment, or will reentry of the property be treated differently?