



October 3, 2026

Representative Derrick Lente, Chair
Senator Carrie Hamblen, Vice Chair
Members of the Revenue Stabilization and Tax Policy Committee
New Mexico Legislature
Santa Fe, New Mexico

Re: Workforce Housing Creation Act (234294.2)

Dear Chair Lente, Vice Chair Hamblen, and Members of the Committee:

We want to express our appreciation for the process the Revenue Stabilization and Tax Policy (RSTP) Committee has established to review proposed tax legislation ahead of the session. This is a welcome approach. Tax legislation is complicated, and examining proposals during the interim creates an opportunity to identify fiscal, legal, and implementation issues before the pressures of a legislative session. **We welcome the opportunity to work on this legislation with the Committee ahead of session to refine it and gain support.**

We are writing in support of the discussion draft of the **Workforce Housing Creation Act** and to ask for the Committee's consideration of the proposal as it prepares for the 2027 legislative session.

The Workforce Housing Creation Act creates a unique opportunity to leverage property taxes into the creation of workforce housing. The Act creates a voluntary tool for local governments to solve this problem. A participating local government can acquire a multifamily property – removing it from the tax rolls – and lease it back, allowing the property to make predictable Payments in Lieu of Taxes, or PILOT payments, for 20 years.

In exchange, new developments would dedicate at least 20 percent of their homes to households at or below 80 percent of Area Median Income. Existing apartment communities could participate by reducing rents on at least 20 percent of their units by 20 percent compared with comparable units in the property.

Importantly, this is an **incentive, not a mandate**. Local governments decide whether to participate, and property owners choose whether the economics make sense for their projects. The legislation also provides predictable revenue: after the initial PILOT payment is established, that payment increases by 3 percent annually.

We believe the return to taxpayers can be substantial. As the attached analysis demonstrates, a representative 100-unit project would create **80 market-rate homes and 20 workforce homes without an appropriation**. Construction of that project would generate approximately **\$1.6 million in Gross Receipts Tax revenue before the first resident moves in**. That upfront GRT alone represents roughly 42 percent of the estimated 20-year property-tax incentive.

Most importantly, the proposal uses the tax code to encourage private investment. Instead of government paying to construct and operate all of the affordable units, the public provides predictable tax treatment and receives additional housing supply, long-term workforce affordability, construction activity and tax revenue in return.

New Mexico needs more housing at every level of the market. We believe the Workforce Housing Creation Act can become an important additional tool for communities seeking to produce that housing while protecting local control and maintaining predictable public revenue. Thank you for considering this proposal. We look forward to working with the Committee, its staff, local governments, and other stakeholders to improve the legislation ahead of the 2027 session.



Roger Valdez
Director
Center for Housing Economics



Josh Rogers
Member
Housing Abundance Coalition

The Workforce Housing Creation Act Is a Great Deal for Taxpayers: A 100-Unit Case Study

The Workforce Housing Creation Act (the Act) uses a property tax incentive—not public spending—to leverage private investment. For every 100 new multifamily homes created under the Act, 20 will be affordable workforce homes. A typical 100-unit project will also generate about **\$1.6 million in Gross Receipts Tax (GRT) during construction**, before a single resident moves in. The program provides the public with a strong return on its investment. The Workforce Housing Create Act creates a new tool local governments can choose to collaborate with housing developers to create new housing. Together with subsidy programs, the Act will increase housing across the housing continuum, freeing up public dollars for deeper subsidies.

- **100 new homes, with no public construction funding.** The project is privately financed and creates 80 market-rate homes and 20 workforce homes affordable at 80% AMI—housing that otherwise may not be built because of high development costs, including “tax lightning.”
- **The public puts up no cash.** There is no appropriation, grant, or public construction subsidy. The incentive is a reduction in future property taxes over 20 years. Creating 20 LIHTC units would cost between \$7,000,000 to \$9,000,000 in upfront public capital.
- **The project generates \$1.6 million in GRT during construction.** That is new tax revenue generated before the project even opens, providing immediate revenue for public services and infrastructure.
- **Construction GRT offsets about 42% of the entire 20-year property tax incentive.** The project generates approximately \$1.6 million upfront compared with approximately \$3.8 million in property tax revenue forgone over 20 years. Put another way, the construction GRT alone is equal to more than eight years of the annual property tax incentive.
- **We get roughly twice as much affordable housing for the same public value.** The \$3.8 million in forgone property taxes produces 20 workforce homes—a public cost of about \$190,000 per affordable unit, about half of what publicly funded housing units cost.
- **No ongoing operating costs.** Operating affordable housing is expensive. Over 20 years, publicly funded projects would cost about \$5,000 per unit or \$2,000,000 for 20 units.
- **Workers save about \$2.76 million in rent over 20 years.** The lower rents on the 20 workforce units equal approximately **\$575 per month per household, or \$6,900 per year**. Over 20 years, that means about \$2.76 million stays in the pockets of New Mexico households while the community gains 100 new homes.
- **The Workforce Housing Creation Act is an Incentive, Not a Mandate.** Unlike some programs, this program allows local government and people who build housing to collaborate to create more housing supply and long-term affordability for households that are struggling today to find an affordable place to rent housing.
- **Existing Multi-Family Communities.** Existing communities would set aside 20% of their units at 20% below current rates at the community. In exchange, the property taxes would be stabilized for 20 years, growing at 3% annually.