

Inducing More and Lower-Cost Housing: Tax Levers, Cost Drivers, and Fiscal Impacts

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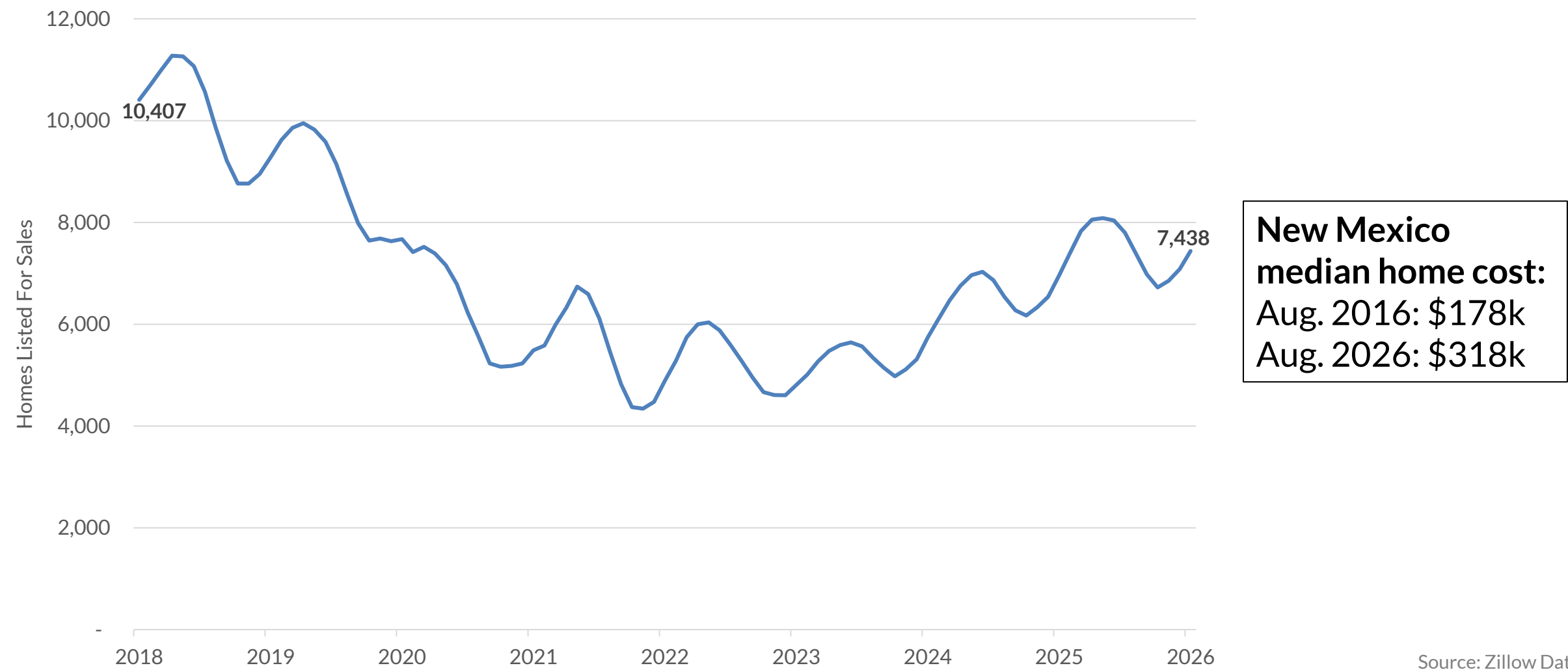
Director, Housing Policy Initiative

The Pew Charitable Trusts

October 14, 2026

Pew

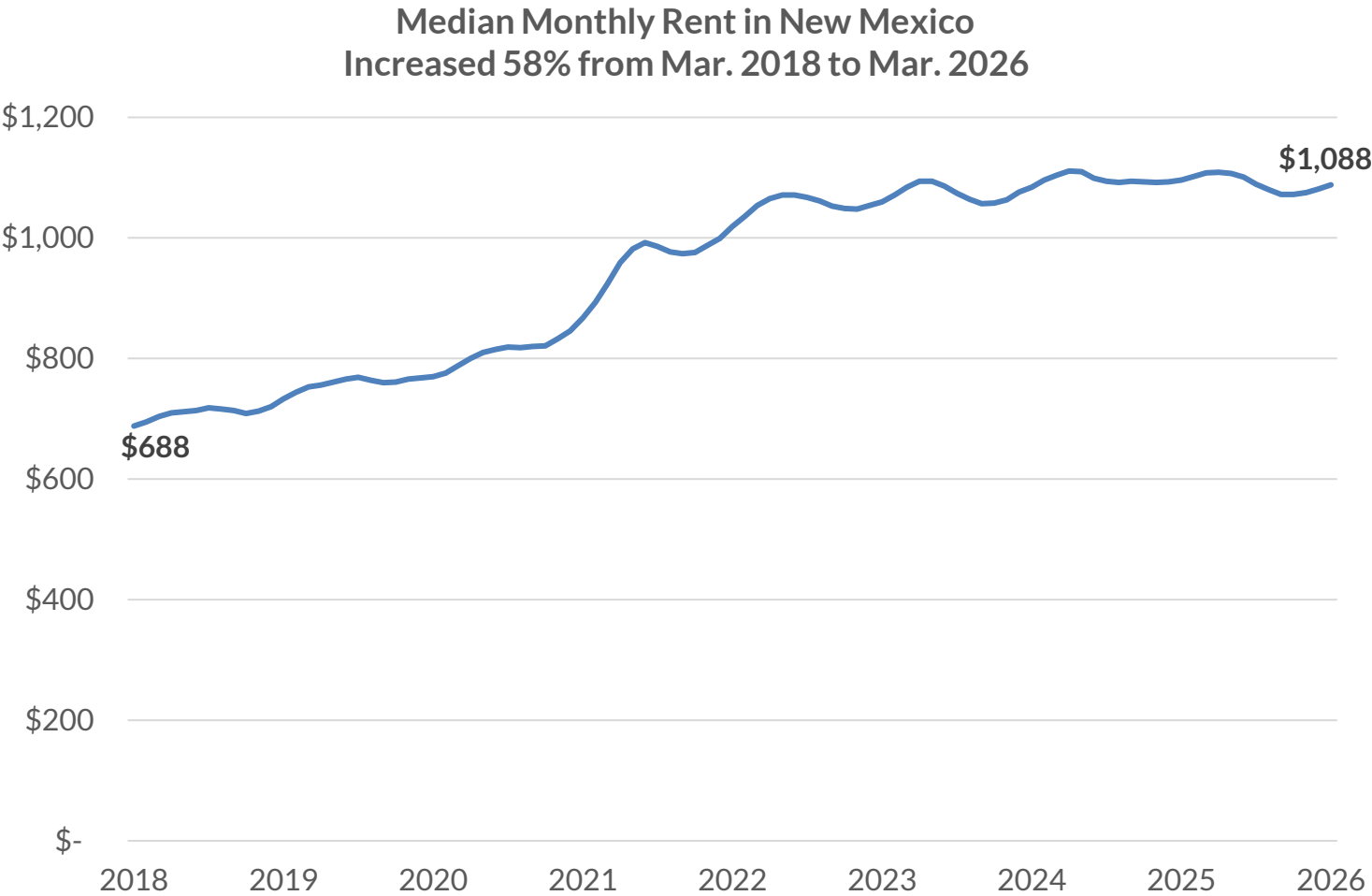
New Mexico's Housing Inventory Almost 30% Lower Than 2018 Level



Source: Zillow Data



New Mexico Rents Rise Amidst Shortage



U.S. = 23%
N.M.=58%
Albuquerque= 59%
Santa Fe= 49%

Source: Apartment List Rent Estimate data

New Mexico household size and housing stock

- 67% of households have 1 – 2 occupants
- 42% of renter households have 1 person
- Only 15% of New Mexico's housing stock is apartments
- Mismatch stems especially from restrictive zoning, outdated building codes, and difficult permitting

Sources: [B11016 - Census Bureau Tables](#)
[B25024: Units in Structure - Census Bureau Table](#)

Nationally, Action on Housing Has Moved from Localities to States

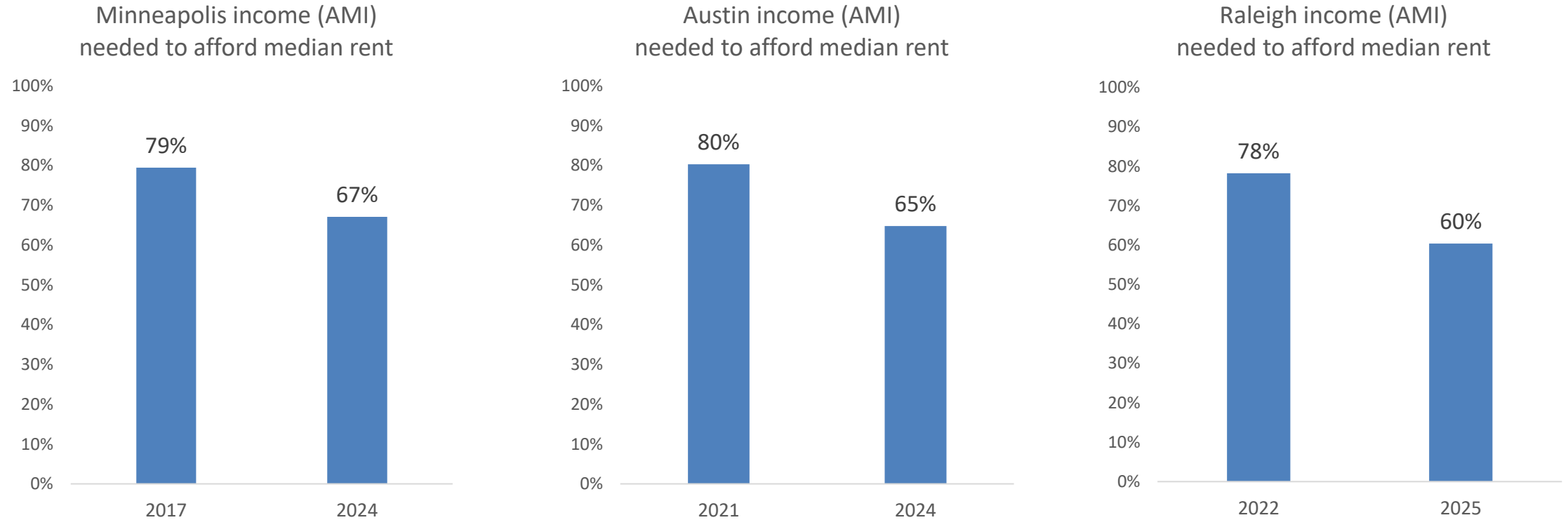
Avg. number of state laws passed annually to allow more homes, nationwide

- 2011-2016: 1
- 2017-2022: 18
- 2023-2024: 48
- 2025: 100+

Recent Progress on State Housing Policy

	AZ	CA	CO	MT	NM	NV	TX	UT
Casitas allowed on most lots	✓	✓	✓	✓		✓		✓
By-right apartments near commerce or transit	✓	✓	✓	✓		✓	✓	
Curbed parking mandates for some housing	✓	✓	✓	✓			✓	
Building code reforms			✓	✓			✓	✓
Permitting reforms	✓	✓		✓			✓	

After Major Reforms to Remove Regulatory Barriers to Housing, Cities Saw Housing Production Surge, Affordability Improve



Sources: Rental data from Apartment List [Apartment List Blog - Data & Rent Estimates](#)
Median income data from HUD [Income Limits Data for HUD Housing Assistance Programs | HUD USER](#)

Parking Mandates Drive Construction Costs

30% of Low-Income Households Do Not Own A Car

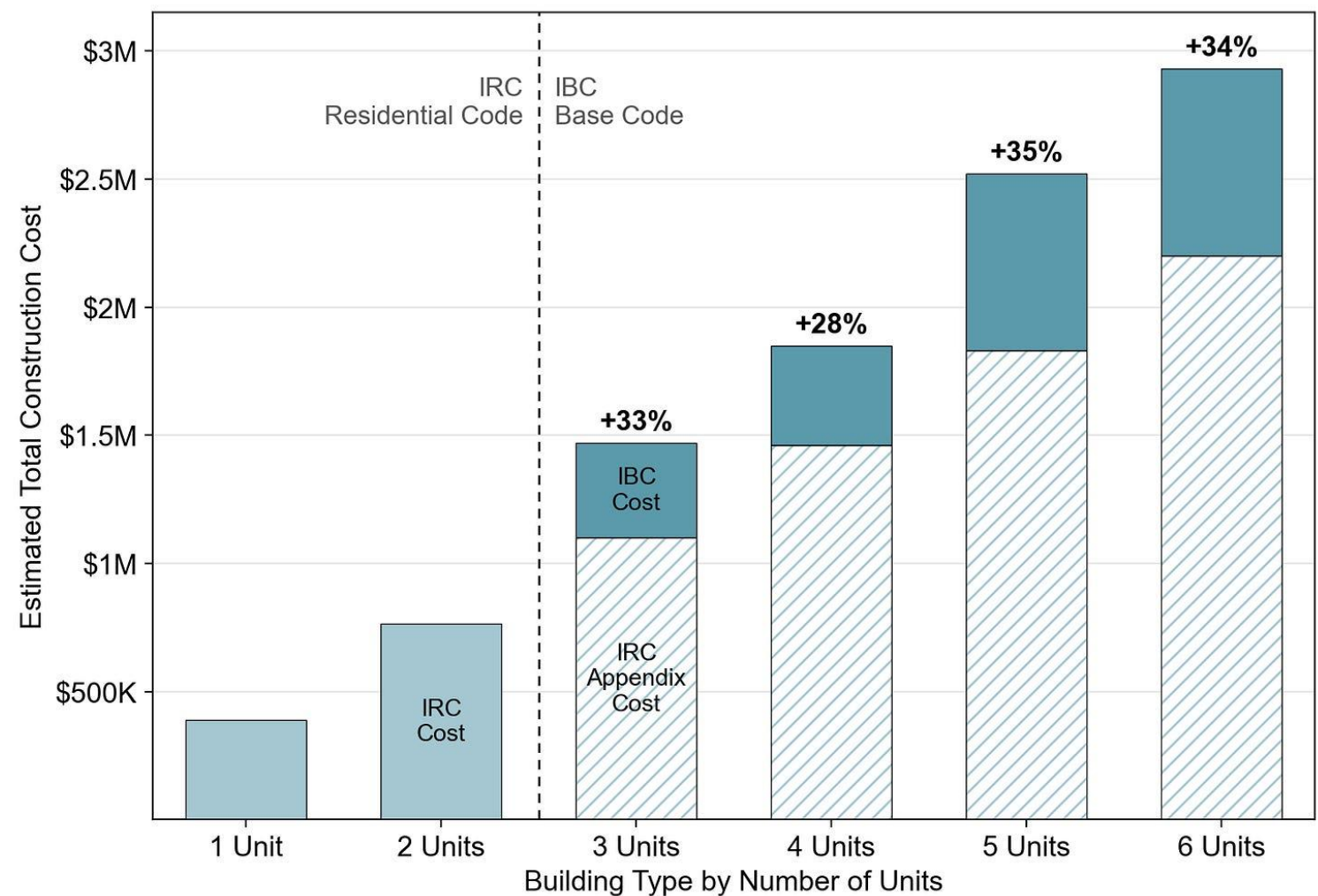


Local parking space mandates for a 2-bedroom apartment:

- Albuquerque – 1.6
- Santa Fe – 2.0
- Rio Rancho – 1.5
- Red River – 2.0
- Clovis Central Business District - none
- Las Cruces infill - none

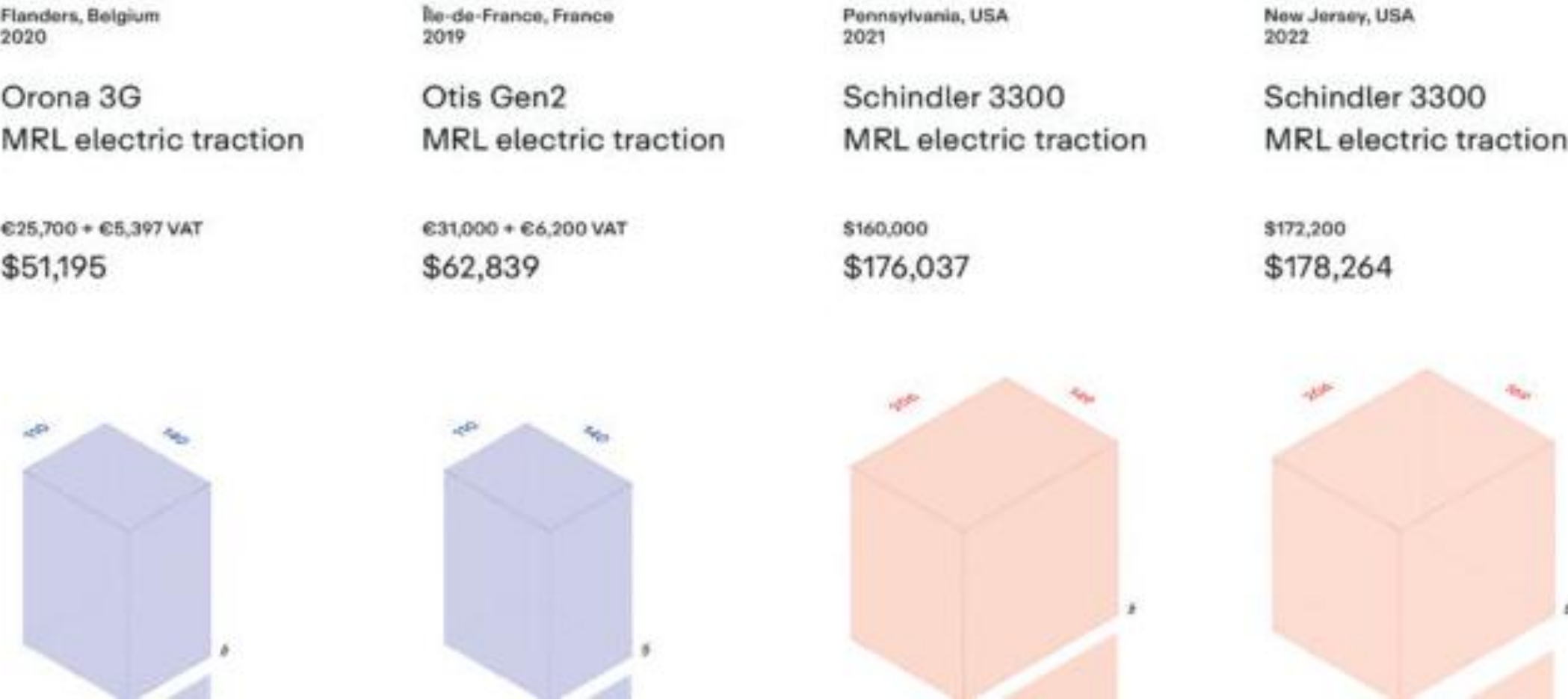
Source: Parking & Mobility [September/October 2026](#)
[| Efficiency at Work](#) | [The Rising Cost of Parking](#)

Current Building Codes Sharply Increase Costs for Small Multifamily



Source: Data and Analysis from Sam Naylor, graph from Shane Phillips,
<https://www.bostonindicators.org/reports/report-detail-pages/2026/july/building-codes>

Elevators Cost Roughly 3x As Much in U.S. As In Other Countries



Source: Center for Building in North America, <https://centerforbuilding.org/publication/elevators>

Mandates in State and Local Codes Inflate Cost to Build Housing

- Heavy parking mandates raise rents by approx. \$200 per month
- Requirement for second stairway in small apartment buildings raises total construction costs 6-13% and has been shown not to improve safety
- Large lot size minimums limit homes per acre and drive up cost per home
- Mandating commercial-grade sprinklers in small 2-3 story buildings instead of residential sprinklers sharply raises costs

Slow, Complex Permitting is a Substantial Housing Cost Driver

- 2026 research finds long permitting times increase total project costs
- New Mexico's state laws slow local permitting in four ways:
 - Prohibiting localities from using simple processes for subdivisions (§ 3-20-8)
 - Mandating extensive local notice requirements that create delays (§ 3-21-6)
 - Setting vague and subjective state-level zoning criteria for localities (§ 3-21-5)
 - Requiring the more restrictive provision to govern state/local conflicts (§ 3-21-11)

Source: Permitting timelines (D'Amico, Soltas, & Wang, https://evansoltas.com/papers/Durations_DSW2026.pdf
New Mexico state provisions, <https://www.mercatus.org/research/policy-briefs/how-streamline-housing-permitting-new-Mexico>)

Rents for Market-Rate Housing and 60% AMI Affordable Housing Converging in Cities That Have Removed Regulatory Barriers

AP

“Meanwhile, affordable housing rents for 60% AMI units are approaching those of market-rate apartments in U.S. cities like Austin, Denver and Portland, Oregon.”

Source: Associated Press, Sept. 7, 2026, <https://apnews.com/article/affordable-housing-shortage-poorest-us-80fab2a0fb645e4d629b0ef7e3c2b496>

New Manufactured Home Available in Deming Illustrates a Path to Market-Rate Affordability



4 bed / 2 bath

2,085 square feet

\$140k plus delivery, foundation, and land

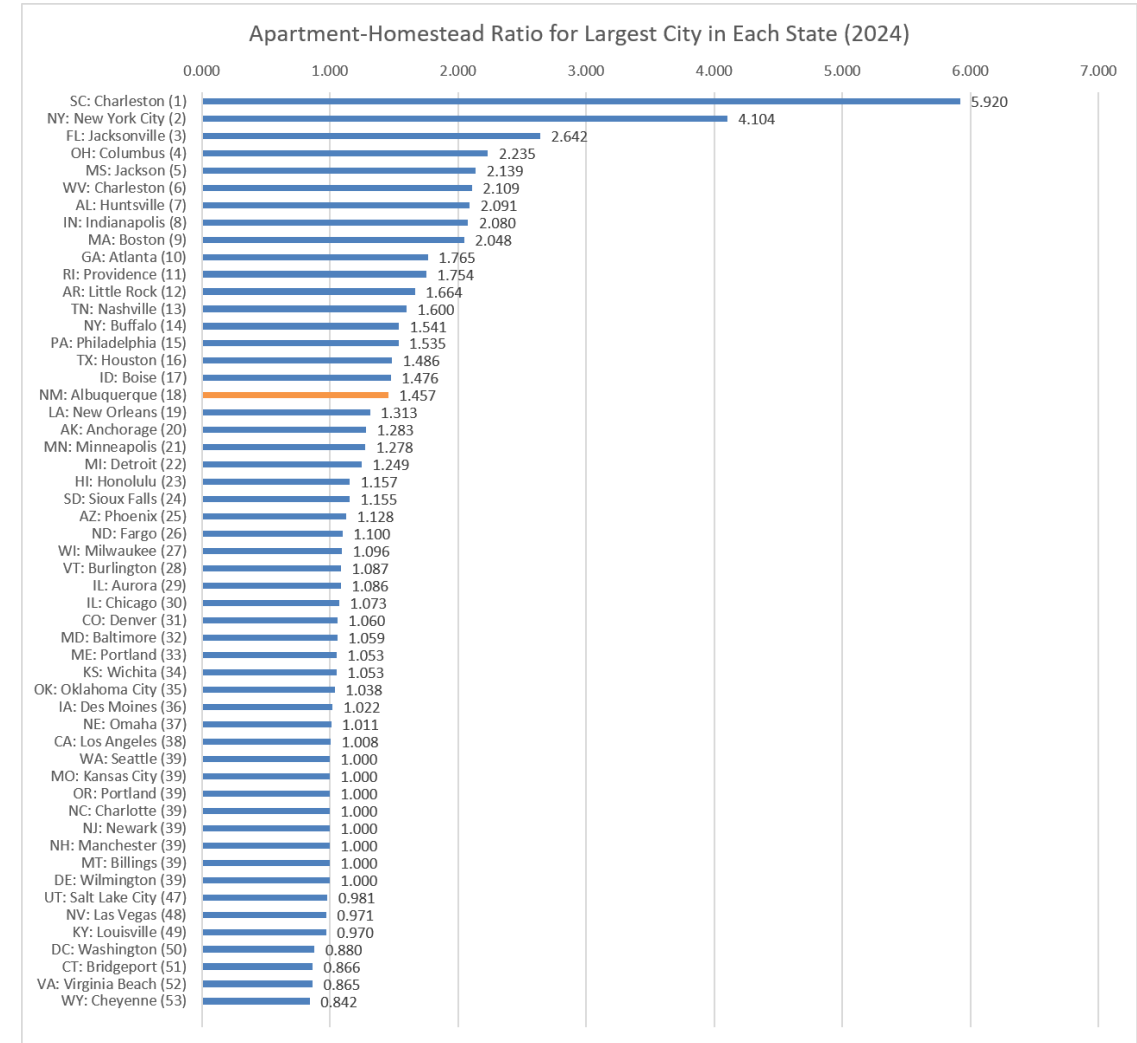
Source: Cavco homes <https://www.cavcohomes.com/our-homes/cavcodotcom/standard/us/537-valu-maxx-premier-32684e>

Property Tax Rates for Apartments Often Higher Than for Houses

Albuquerque's effective property tax rate is 46% higher for apartments than for owner-occupied single-family houses

Similar to the U.S. overall: average apartment property tax rates are 44% higher than for owner-occupied single-family homes

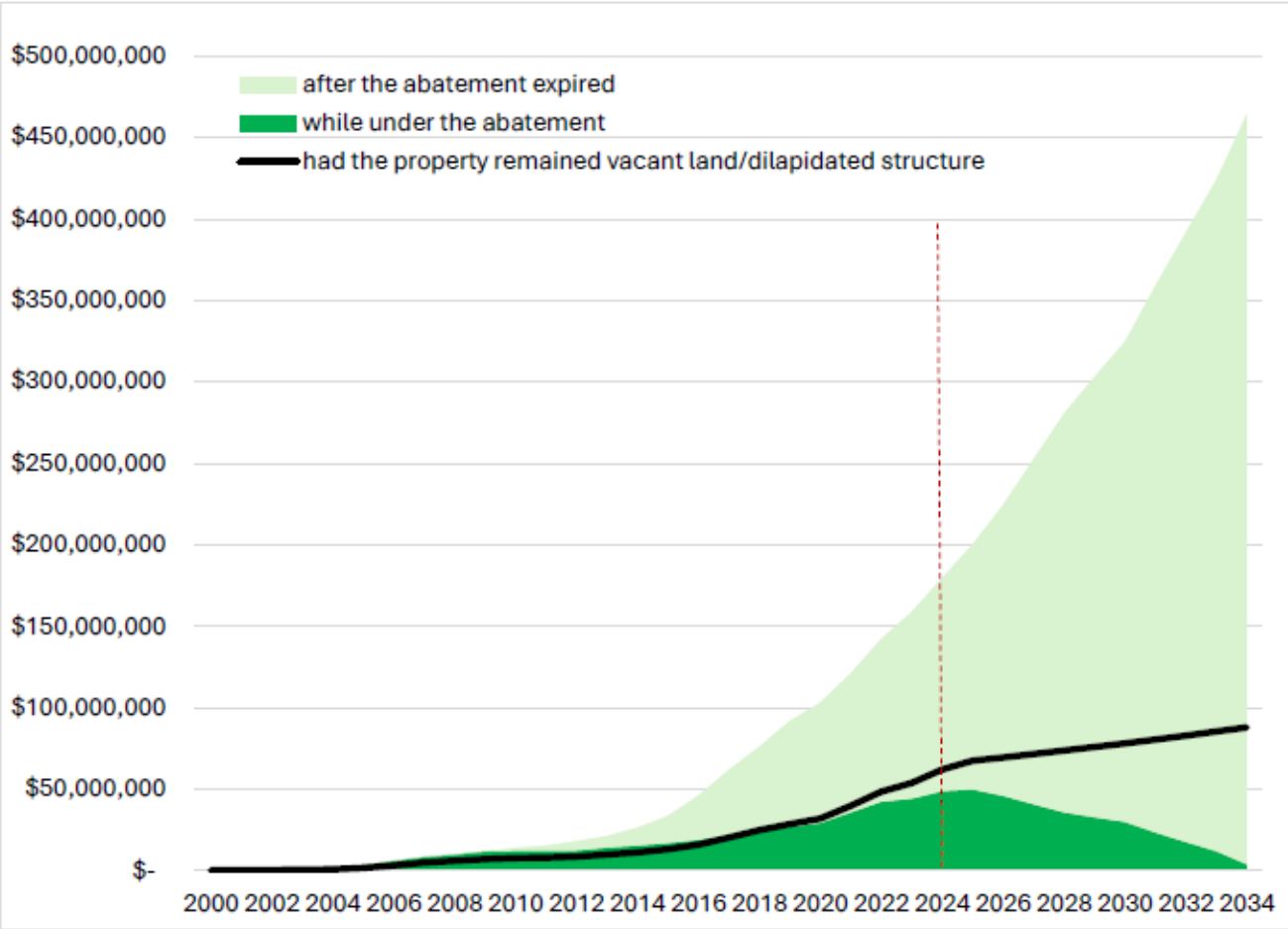
This policy is regressive because apartment dwellers have less income & wealth but pay an outsized share of municipal costs



* "effective" meaning the tax as a percentage of the property's market value
Source: Lincoln Institute [50-State Property Tax Comparison Study - Lincoln Institute of Land Policy](#)

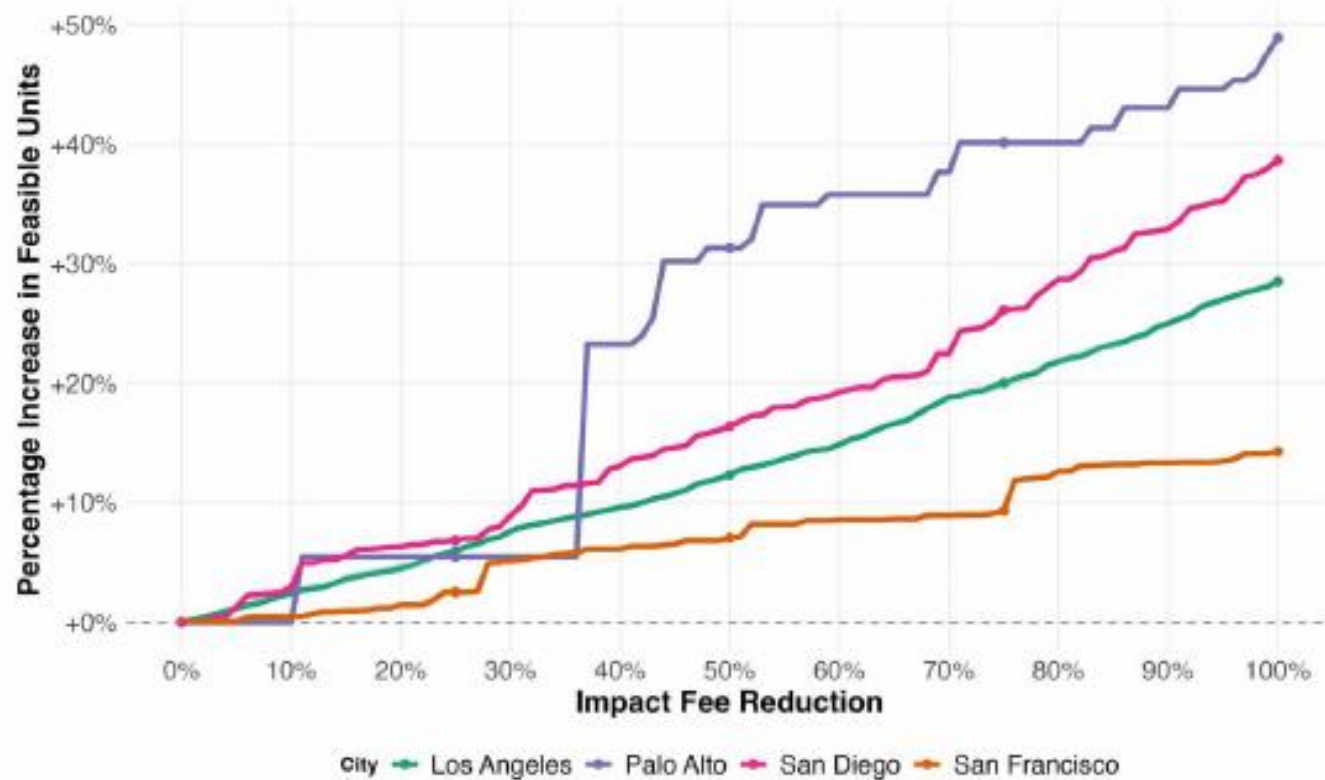
Impact of Tax Abatement Program in Philadelphia

Chart: Actual Property Taxes Paid through 2034 on Properties Built 2000-2024



Source: AEI Economic Working Paper "The Philadelphia Story: The Impact of the 2000 Tax Abatement Program on Philadelphia's Revival" <https://www.aei.org/wp-content/uploads/2026/03/The-Philadelphia-Story-1.pdf?x92559>

Recent Research Shows How Lowering Builders' Costs Boosts Production

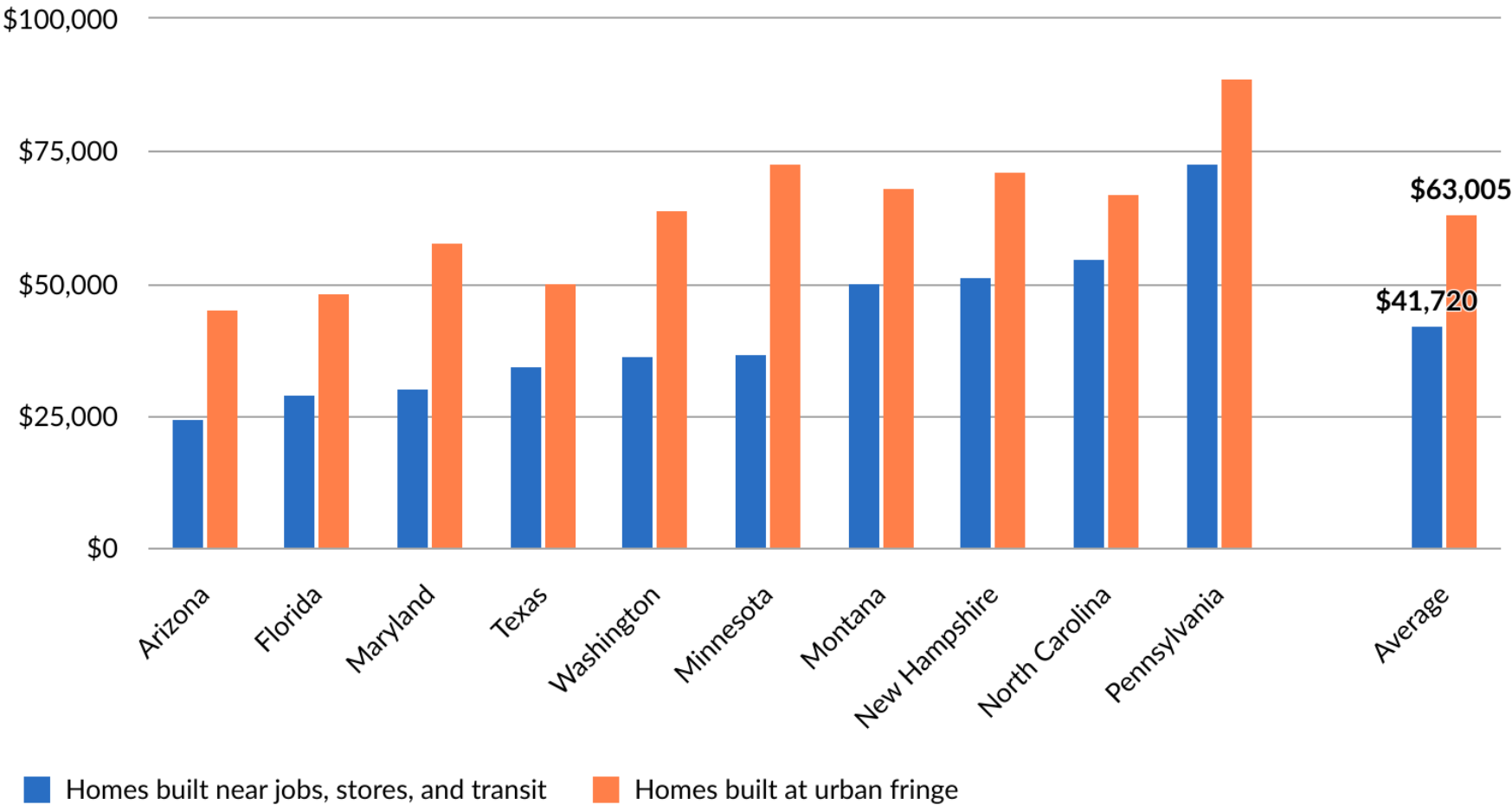


NOTE: This figure shows the cumulative percentage increase in feasible units relative to the baseline scenario for each level of impact fee reduction in the four study cities.

Source: RAND [Understanding How Impact Fees Shape Housing Development Feasibility and Local Fiscal Revenue](#) | RAND

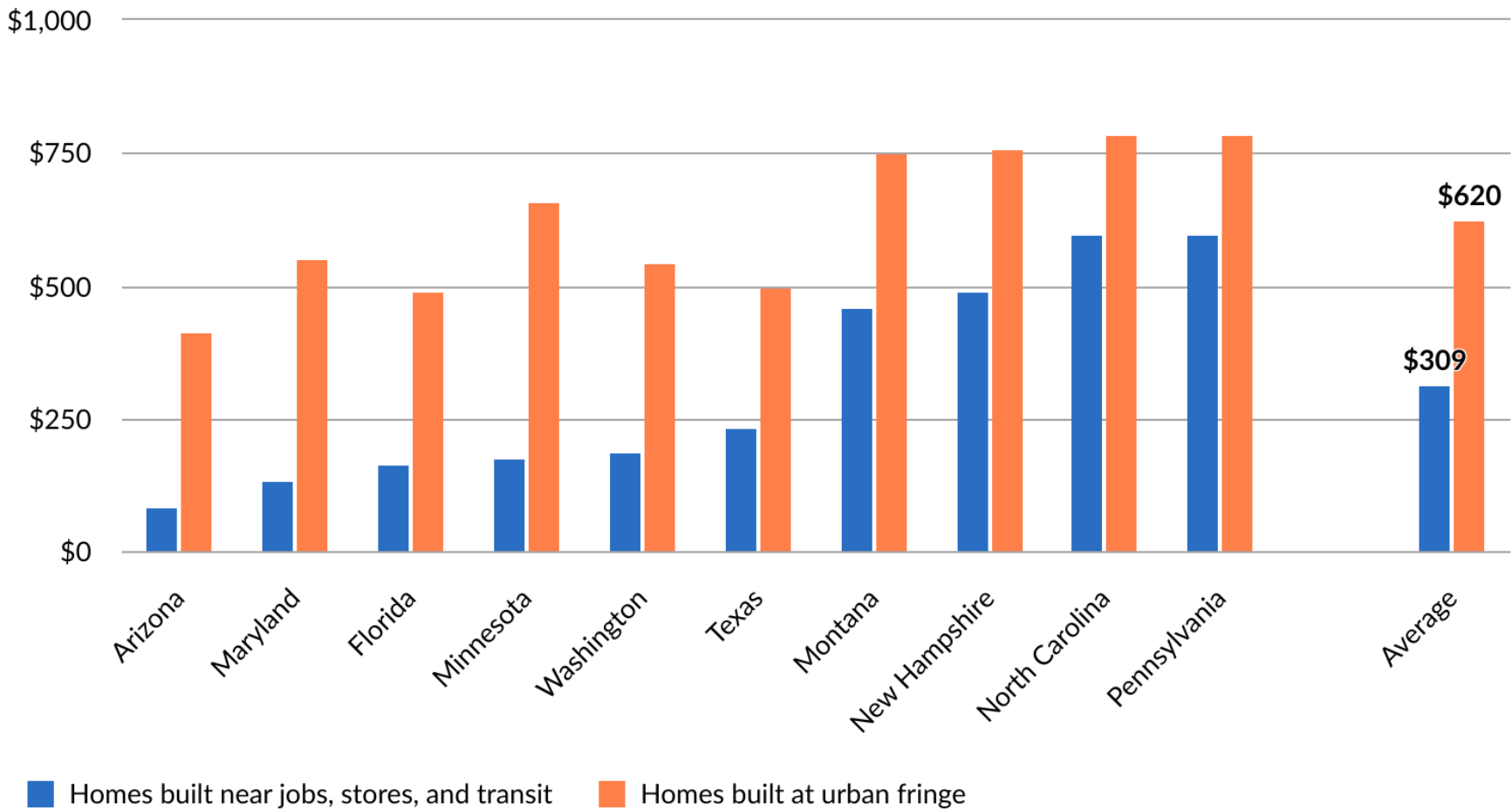


Up-Front Infrastructure Costs Per Home Are One-Third Lower When New Homes Are Built Near Jobs, Stores, and Transit

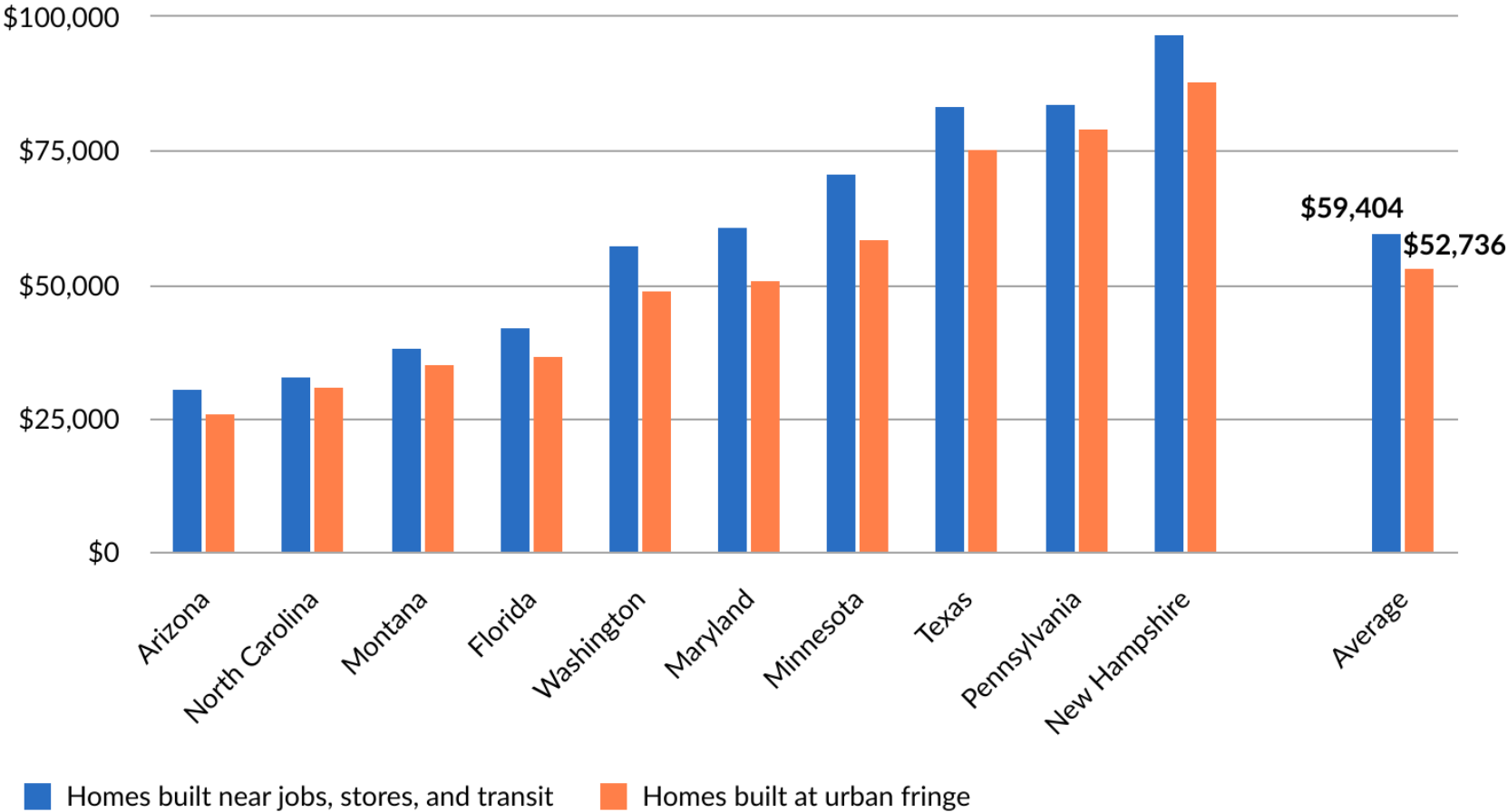




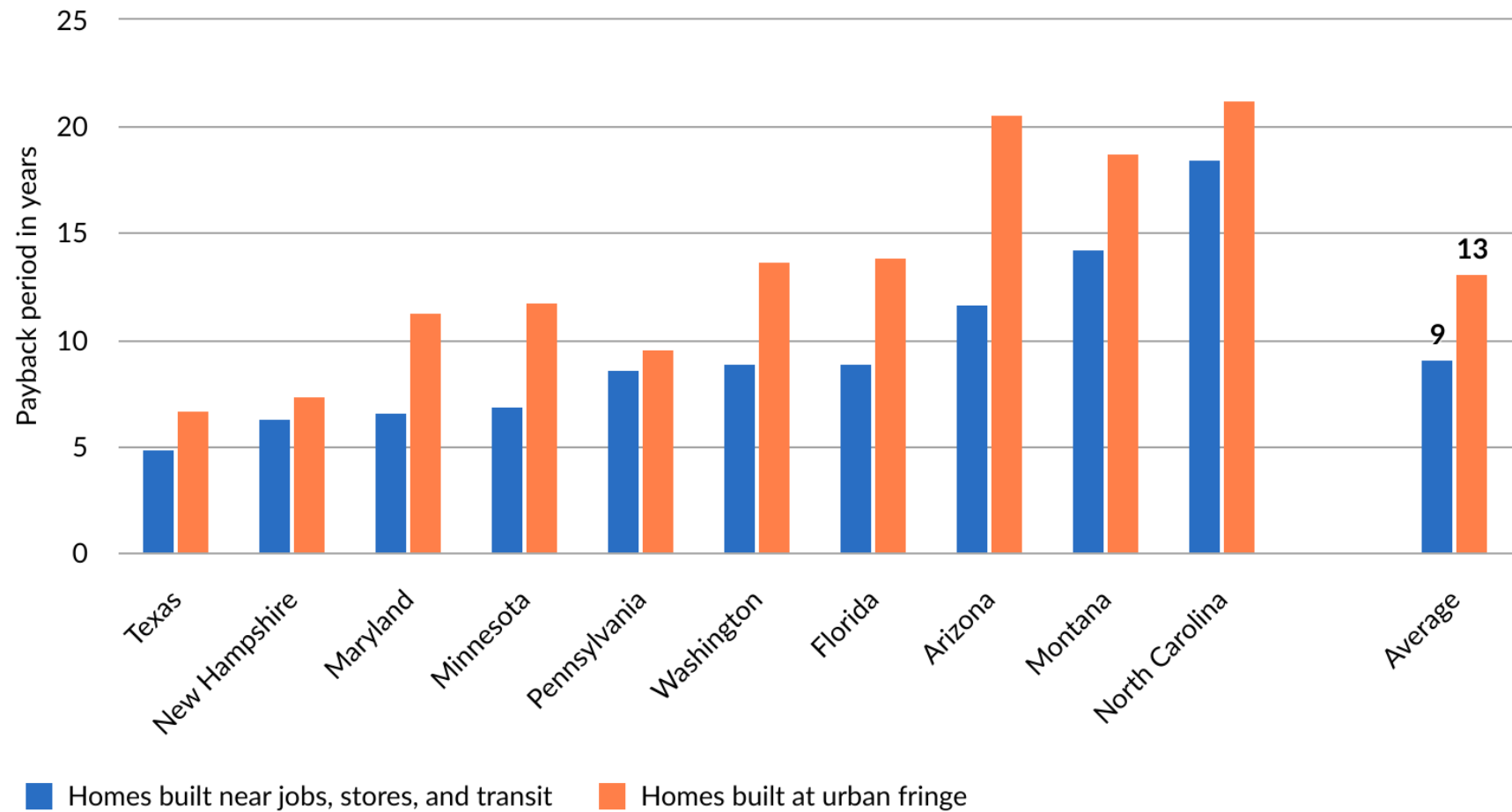
Infrastructure Maintenance Costs Double When New Homes Are Built Far From Jobs, Stores, and Transit



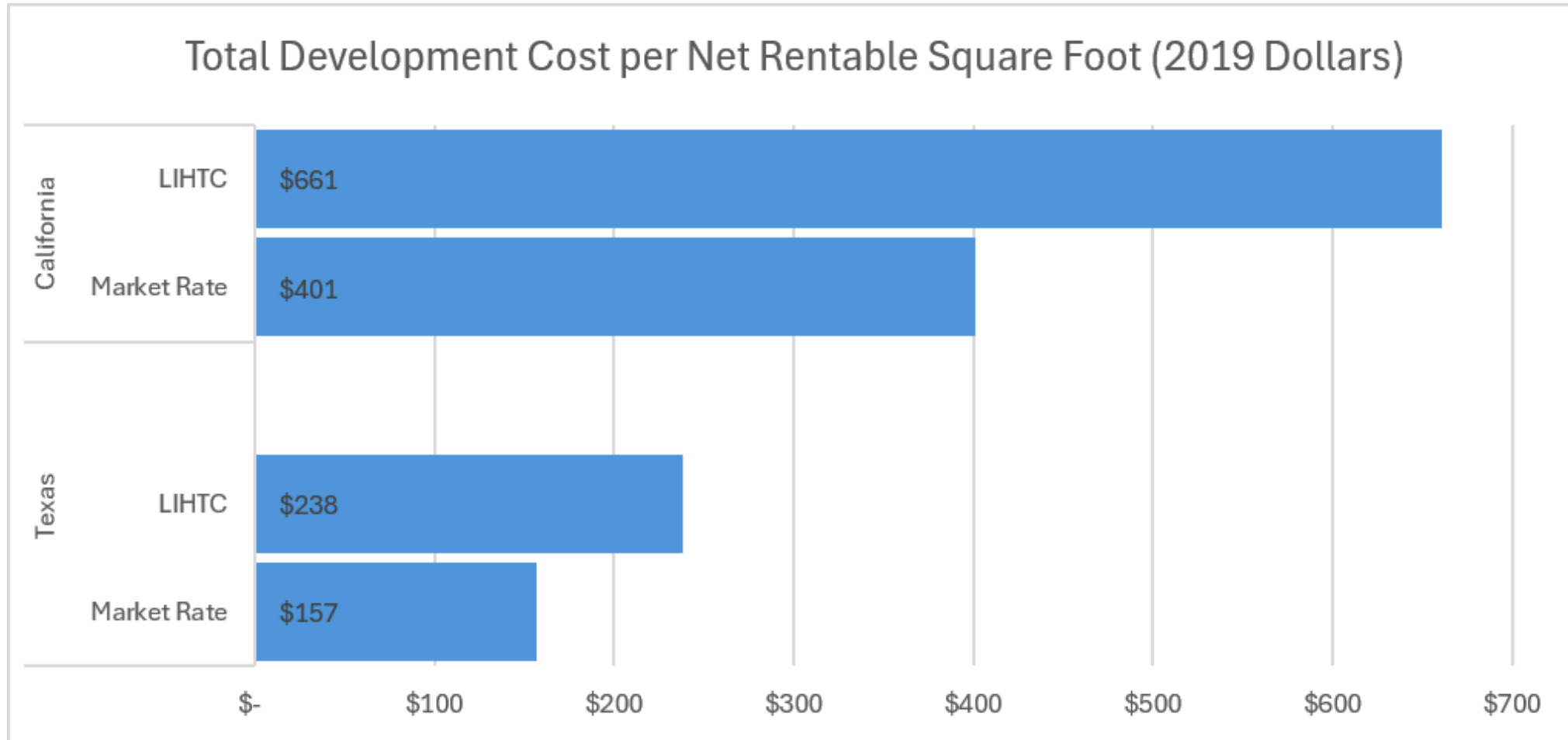
Property Taxes Generated per Acre are Higher when New Homes are Built Near Jobs, Stores, and Transit



Payback Period for Infrastructure Is 50% Longer When New Homes Are Built Far From Jobs, Stores, and Transit



Development Costs for Market-Rate and LIHTC Apartments



Source: RAND [The High Cost of Producing Multifamily Housing in California: Evidence and Policy Recommendations](#) | RAND

Common State Fiscal Levers to Spur New Housing

- Revolving loan fund for mixed-income housing
- State low-income housing tax credit
- Local property tax abatement authorization
- Sales/GRT tax exemption for housing production costs
- Home repair fund grant
- Per-unit production credit
- Credit for partial cost of rehabilitating historic or vacant buildings or lots
- Support infrastructure funds for municipalities to add housing

Each Additional Component of Capital Stack Raises Cost & Adds Time

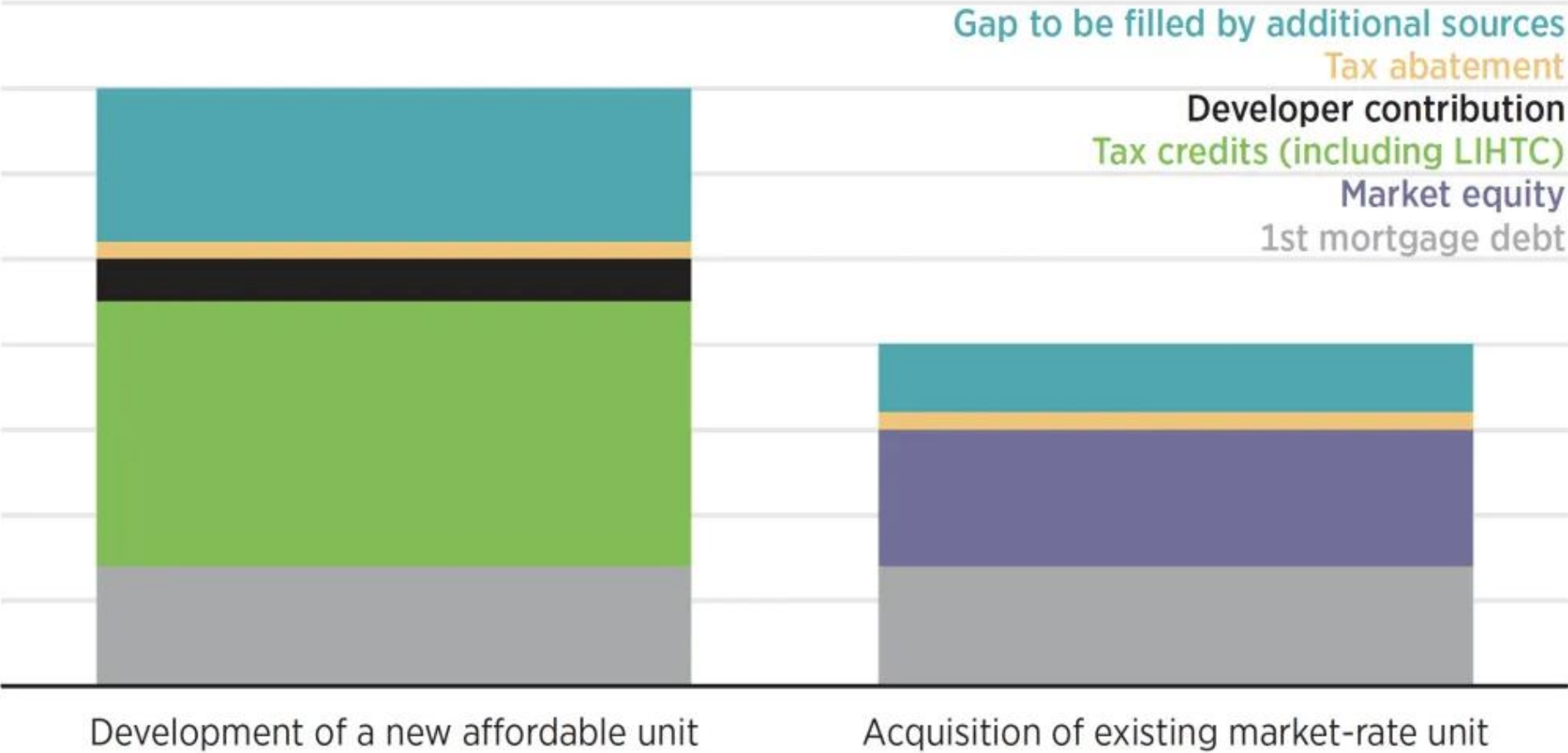
- To address this, states are responding with one-stop shops for federal & state subsidy requests:
 - Massachusetts Housing OneStop Hub
 - Connecticut CHFA/DOH federal/state combined subsidy application
 - Maryland DHCD one-stop application
 - Unified Qualified Application Plans (QAP) growing (CA, CO, PA) that use the state's LIHTC application for multiple subsidy sources

State-funded LIHTC Program Examples

- **Virginia:** \$6.4 million annual allocation for state credits that are paired with federal 4% and 9% LIHTC allocations
- **Michigan:** \$42 million annual allocation (50% for qualified 4% federal LIHTC projects; 30% of credits reserved for rural areas)
- **Oklahoma:** \$4 million annual allocation, for new construction only, split between 4% LIHTC projects & 9% LIHTC projects
- **Utah:** \$10 million annual allocation, with all credits paired with federal 4% LIHTC projects & 9% LIHTC projects
- **Texas:** \$25 million annual allocation, divided evenly between federal 4% LIHTC projects and 9% LIHTC projects
 - A benefit of state and federal LIHTC is their low sensitivity to interest rates, so they help housing production continue even when interest rates are high

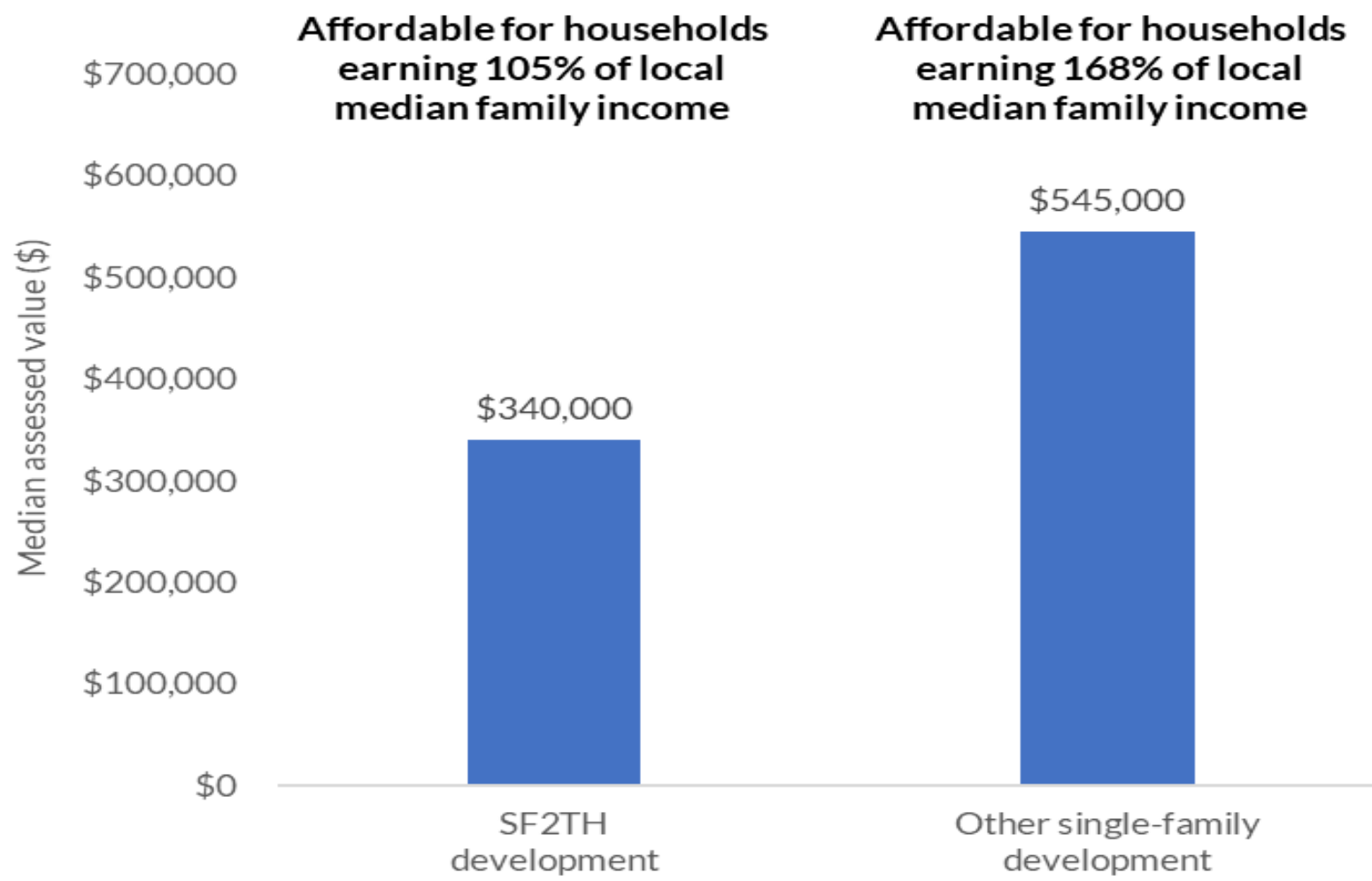
Source: Novogradac

In High-Supply Markets, Acquisition Is An Effective Subsidized Housing Strategy



Source: David Roodberg,
[https://www.mercatus.org/
research/policy-
briefs/converting-existing-
housing-affordable-rentals-
scalable-housing-solution](https://www.mercatus.org/research/policy-briefs/converting-existing-housing-affordable-rentals-scalable-housing-solution)

Houston: Small-Lot Homes Cost Less Than Other New Single-family Homes



Source: “Here Come The Tall, Skinny Houses” by Jake Wegmann, Aabiya Noman Baqai, and Josh Conrad

Room Rentals in Shared Housing Offer Lowest Rents

- U.S. Monthly Median Cost of Homeownership: \$3k+
- U.S. Median Monthly Rent: \$1,400
- Room Rental: \$700-\$900

Source: Zillow (price); Apartment List (rent); PadSplit (room rental)

New Mexico Housing Choice Voucher Would Be Highly Cost-Effective

Offering Voucher for Room Rentals Could Yield Rapid Results

- Would leverage existing empty bedrooms & spur new homes
- Cost per resident example:
 - Resident earns \$18,000 annually; room is \$775/month
 - \$1,500/month income enables payment of \$450 (30% income); voucher would pay remaining \$325/month
 - This model “pencils” with no further subsidy in most areas, offers deep affordability with modest subsidy
 - In example, \$20 million annually would fund more than 5,000 vouchers

Summary

- New Mexico has a severe housing shortage that has driven up rents & prices
- Regulatory barriers are the primary cause (zoning, building codes, permitting)
- Insufficient financing also impedes housing; fiscal levers can spur more homes
- New production tax credits leverage federal backing
- Abatements often cost-effective to induce more homes & below-market units
- Prioritizing apartments, manufactured homes & starter homes boosts subsidies' efficacy
- State housing choice voucher for room rental/efficiency highly efficient, leverages existing housing stock & would spur new homes

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