

**Bill Analysis and Fiscal Impact Report
Taxation and Revenue Department**

February 11, 2026

Bill:
HB-194

Sponsor:
Representative Christina Parajon and Senators Peter Wirth and Nicole Tobiassen

Short Title:
Expand Metro Redevelopment Code & Projects

Description:
This bill expands the Metropolitan Redevelopment Code to include housing shortage areas and expands the project. The bill exempts qualifying multifamily property located in a housing shortage area from property taxation for up to 20 years, if property interests in the multifamily property are acquired from a municipality or county on or after May 20, 2026. “Other” property in a metropolitan redevelopment area (MRA) remains exempt from property taxes for up to seven years. A housing shortage area means an area within the jurisdiction of a local government that has a shortage of affordable housing, rising costs, low vacancy rates, or inadequate supply of multifamily or workforce housing. Qualifying multifamily property means a residential multifamily development with five or more dwelling units for lease for a period of one month or more. At least 15% of the homes must be rented for not more than 85% of the area median income.

Effective Date, Applicability, and Contingency Language:
Not specified or 90 days following adjournment (May 20, 2026).

Taxation and Revenue Department Analyst:
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Estimated Revenue Impact*

FY26	FY27	FY28	FY29	FY30	Recurring or Non-Recurring	Fund(s) Affected
--	--	(Unknown)			R	General Fund – GRT
--	--	(Unknown)			R	Local Governments - GRT
--	(Negative but minimal, See Narrative)				R	Counties, Municipalities, Property Taxing Districts
--	(Negative but minimal, See Narrative)				R	State General Obligation Bond Fund

* In thousands of dollars. Parentheses () indicate a revenue loss. ** Recurring (R) or Non-Recurring (NR).

Methodology for Estimated Revenue Impact:

The Taxation and Revenue Department (Tax & Rev) is not aware of any “housing shortage areas” that may be included in an MRA. As of FY2025, Tax & Rev has not established revenue distributions for a MRA under the gross receipts tax (GRT) distribution Section 7-1-6.71 NMSA 1978 as MRAs are still in the process of establishing their base year. If a municipality develops an MRA for housing shortage areas, there could be an impact to property taxes and gross receipts taxes. Because of the diversion of state GRT and local government GRT for an MRA, the bill’s fiscal impact for GRT is uncertain and cannot be fully quantified. Tax & Rev is unable to provide an estimation because information is not available regarding:

(1) the number of MRA projects that would be created because of housing shortages that would seek dedication of local government and state GRT increment, (2) which projects would seek increments from both local governments (municipal and county) and the state, (3) the increment dedication approved by any local government's governing body or the State's Board of Finance, (4) the size of the project, and (5) whether the project will succeed in generating GRT revenue to distribute after the base year, prevent Tax & Rev from being able to provide an estimation of the revenue loss with precision. Based on the timeline on the procedures for GRT increments to fund the MRA projects, the earliest fiscal impact will be in FY2028.

For the same reasons, Tax & Rev cannot determine the impact of the 20-year exemption from local property tax. It is assumed that counties would plan their budgets to incorporate the establishment of these new expanded MRAs for housing shortages and the associated loss of property tax. If this bill results in tax abatement for some properties, it is likely that total revenue collected by a property taxing entity will be unchanged through yield control.

Policy Issues:

As MRAs are designated geographic areas to revitalize economic activity, the expansion to include housing shortage areas may be a reasonable expansion of the Metropolitan Redevelopment Code. A balanced approach to what is needed in an MRA appears warranted. The expansion, though, does increase the administrative burden for local governments and for Tax & Rev's Property Tax Division (PTD).

[Sections 7 & 9] The proposed changes would treat qualifying multifamily property (five or more dwelling units for lease) differently than other properties under a metropolitan redevelopment plan. Multifamily properties could receive up to 20 years of property tax abatement, while the "other" properties will remain under the seven-year exemption period. County assessors and treasurers will need to be aware of all MRA projects to correctly value and impose the tax (or non-tax) on each property. Software providers would have to adjust for different tax abatements within the same program.

While tax incentives can support specific industries or promote desired social and economic behaviors, the growing number of incentives complicate the tax code. Introducing additional tax incentives has two main consequences: (1) it creates special treatment and exceptions within the code, leading to increased tax expenditures and a narrower tax base, which negatively impacts local property taxing districts; and (2) it imposes a heavier compliance burden on both taxpayers and Tax & Rev. Increasing complexity and exceptions in the tax code does not align with sound tax policy.

Technical Issues:

None.

Other Issues:

None.

Administrative & Compliance Impact:

PTD will train county assessors that have MRAs in their county on the different tax-exempt periods for regular projects (seven years) and multifamily (20 years). PTD would incorporate the MRA property tax exemptions into the annual assessor evaluations.

Related Bills:

Conflicts with SB-58 and HB-290