

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the Legislature. LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

FISCAL IMPACT REPORT

BILL NUMBER: CS/Senate Bill 283/STBTCS

SHORT TITLE: Metro Redevelopment Code Changes

SPONSOR: Tobiassen/Wirth

LAST ORIGINAL
UPDATE: _____ **DATE:** 02/16/26 **ANALYST:** Faubion

REVENUE*
(dollars in thousands)

Type	FY26	FY27	FY28	FY29	FY30	Recurring or Nonrecurring	Fund Affected
Property Tax	See Fiscal Implications					Recurring	Local Governments

Parentheses indicate revenue decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to Senate Bill 58; conflicts with House Bill 194.

Sources of Information

LFC Files

Agency or Agencies Providing Analysis
Housing NM/Mortgage Finance Authority

Agency or Agencies That Were Asked for Analysis but did not Respond
Taxation and Revenue Department
Department of Finance and Administration
NM Municipal League
NM Counties

SUMMARY

Synopsis of STBTC Committee Substitute for Senate Bill 283

The Senate Tax, Business, and Transportation Committee substitute of Senate Bill 283 (SB283) expands the Metropolitan Redevelopment Code by authorizing local governments to designate housing shortage areas, support qualifying multifamily redevelopment projects, extend property tax exemptions with payments in lieu of taxes for such projects for up to fourteen years, and adds enforcement and reporting requirements for MRAs. The bill adds housing shortage areas as a third category of eligible metropolitan redevelopment areas, alongside slum and blighted areas. The bill defines a housing shortage area based on factors such as insufficient affordable housing, rising housing costs relative to wages, low vacancy rates, excessive housing costs, or an inadequate supply of multifamily or workforce housing. It authorizes local governments to

designate housing shortage areas by resolution and to identify such areas by map, narrative description, zoning reference, or other reasonable method.

The bill expands the definition of a metropolitan redevelopment project to include the development, construction, rehabilitation, or designation of qualifying multifamily properties within housing shortage areas. A qualifying multifamily property is defined as a residential development with five or more dwelling units, at least 20 percent of which are qualifying multifamily units. Qualifying multifamily units are units leased or available for lease to households with incomes less than 80 percent of area median income, with rents based on applicable HUD income and rent limit tables, and with the average income of households occupying qualifying units not exceeding 80 percent of area median income for one and one-half persons.

The bill amends provisions governing redevelopment plans, findings of necessity, and local government powers to expressly include housing shortage areas and qualifying multifamily properties. It authorizes local governments to designate metropolitan redevelopment areas applicable only to qualifying multifamily properties.

The bill extends the property tax exemption available for qualifying multifamily properties acquired or held by a municipality or county under the Metropolitan Redevelopment Code. For projects acquired on or after May 20, 2026, the exemption period is extended to up to fourteen years, as specified in the applicable metropolitan redevelopment plan. During the exemption period, affected properties are subject to payments in lieu of property taxes as provided in existing law.

The bill creates new statutory duties for local governments and for lessees or owners of qualifying multifamily properties receiving the property tax exemption. It requires local governments to ensure that at least 20 percent of units in a qualifying multifamily property meet the statutory affordability definition for fourteen years and that qualifying units comply with HUD income and rent limits. Lessees or owners must accept housing choice vouchers, pay an annual administrative fee of at least \$100 per unit, and provide an independent compliance audit confirming affordability and rent limits. For properties that previously charged rents below 80 percent of area median income, the bill requires specified reinvestment in repairs or improvements within three years of becoming tax-exempt, adjusted annually for inflation. The section also requires local governments to report on the effectiveness of qualifying multifamily properties to the Legislative Finance Committee by July 1, 2033.

The bill establishes enforcement provisions for violations of the Metropolitan Redevelopment Code. A person who knowingly provides false or materially misleading information or materially fails to comply with an agreement may be deemed in default, allowing the public body to terminate the lease and property tax exemption. The attorney general is authorized to investigate alleged violations, bring civil actions, seek injunctive relief without posting bond, pursue criminal charges where applicable, and seek civil penalties of up to \$10,000 per violation for willful misconduct. A person found in violation is ineligible for property tax exemptions under the Code for five years.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, which is May 20, 2026.

FISCAL IMPLICATIONS

The fiscal impact of this bill cannot be reliably estimated. New Mexico does not maintain a centralized inventory of metropolitan redevelopment areas (MRAs), active redevelopment projects, or properties currently receiving property tax exemptions and payments in lieu of taxes (PILOTs) under the Metropolitan Redevelopment Code or the future use of the proposed inclusion of multifamily properties. 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 expansion of the exemption. Because the bill applies prospectively, fiscal impacts will depend on the number, size, location, and timing of future eligible multiunit projects, which cannot be predicted.

The bill extends the allowable property tax exemption period for newly qualifying multifamily redevelopment projects from seven years to as much as fourteen years. This extension delays the point at which affected properties reenter the full local property tax base. During the extended exemption period, local governments would continue to receive PILOT payments based on the property's pre-redevelopment assessed value rather than property taxes based on post-redevelopment value. As a result, local taxing jurisdictions may experience foregone growth in property tax revenues relative to current law. While PILOT payments partially offset this effect, they are generally 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. Because GO bond levies are not subject to yield control, expanding and extending the 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, potentially resulting in delayed or foregone GO bond fund revenues compared with current law. The size of this impact is uncertain and depends on future utilization of the extended 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 extended exemptions would generally be offset by higher mill rates applied across the district, resulting in little to no net change in operating revenue. Section 7-37-7.1 NMSA 1978 requires operating tax rates to adjust to maintain reasonable revenue growth when aggregate property values change. However, non-yield-controlled levies—such as those for certain special districts or local bonding—could experience revenue losses. State GO bond levies are also not yield-controlled, so any reduction in taxable value directly affects GO bond revenues.

SIGNIFICANT ISSUES

Intent and Potential Benefits. The bill is intended to expand the use of metropolitan redevelopment tools to address housing shortages by allowing local governments to designate housing shortage areas and to incentivize the development of multifamily housing within those areas. By extending redevelopment authority beyond traditional slum or blighted areas and

permitting longer property tax exemption periods, the bill may encourage private investment in housing production, support the development of workforce housing, and facilitate redevelopment activity in areas experiencing affordability pressures. Proponents may view the bill as a flexible local option that can help increase housing supply, promote reinvestment, and align redevelopment policy with contemporary housing market conditions.

Existing authority for multifamily PILOT treatment. Under existing law, multifamily developments may already qualify for MRA treatment and associated property tax exemptions with PILOTs if they are located within a designated slum or blighted area and included in an approved redevelopment plan. Current statute does not limit redevelopment projects to commercial or industrial uses and does not impose any statutory affordability or income-targeting requirements on residential or multifamily projects receiving PILOT treatment. As a result, even market-rate multifamily developments are already eligible receive property tax benefits under the Metropolitan Redevelopment Code through local government ownership and leaseback arrangements. This bill does not authorize multifamily PILOT (payment in-lieu of taxes) eligibility, but instead expands the geographic and qualitative scope of redevelopment areas, extends the maximum exemption period for multiunit properties, and adds limited affordability criteria where none previously existed.

Breadth of the “housing shortage area” definition. The bill defines a “housing shortage area” using broad and largely qualitative criteria, including rising housing costs relative to wages, low vacancy rates, excessive housing costs, or an inadequate supply of multifamily or workforce housing. Because the statute does not establish numeric thresholds, geographic limits, or required findings tied to objective data, these criteria could plausibly be met in many—if not most—communities statewide. As a result, the definition may allow a local government to designate large portions of its jurisdiction, or potentially its entire jurisdiction, as a housing shortage area, significantly expanding eligibility for metropolitan redevelopment treatment beyond historically targeted slum or blighted areas.

Additionally, the bill authorizes a local government to designate a housing shortage area as a metropolitan redevelopment area that is “applicable only to qualifying multifamily properties,” and allows such areas to be identified by map, narrative description, zoning reference, or other reasonable method. This language appears to permit a local government to establish a metropolitan redevelopment area in which redevelopment powers, incentives, and tax benefits apply exclusively to qualifying multifamily properties, rather than to all property types within the designated area. While this provides flexibility, it also represents a departure from traditional area-based redevelopment models, which generally apply uniformly to properties within the redevelopment boundary.

Limited affordability requirement relative to redevelopment benefit. To qualify, a multifamily development must reserve only 20 percent of units as “qualifying multifamily units.” This threshold is substantially lower than the affordability set-asides typically required under federal programs such as the Low-Income Housing Tax Credit (LIHTC), which generally require either 20 percent of units affordable at or below 50 percent of area median income (AMI) or 40 percent of units affordable at or below 60 percent of AMI. Given the relatively modest affordability requirement in this bill, the bill may primarily incentivize market-rate or higher-end multifamily development while providing long-term tax benefits typically associated with redevelopment or affordable housing projects.

Limiting benefits to multifamily development. By limiting eligibility for redevelopment incentives to multifamily properties, the bill excludes single-family housing, even though single-family development may represent a significant source of affordable housing in many New Mexico communities, particularly in areas without land constraints. This distinction may result in unequal treatment across housing types and may disproportionately benefit larger-scale developments that meet relatively weak affordability thresholds. Over time, this structure could shift redevelopment resources toward higher-value projects without ensuring meaningful affordability outcomes.

Property tax exemption, PILT structure, and ownership requirements. The bill extends the property tax exemption for qualifying multifamily properties acquired by a municipality or county for a period of up to fourteen years. During this exemption period, the statute continues to require PILOTs, calculated based on the property's pre-acquisition taxable value and distributed to taxing entities in the same manner as property taxes. The exemption applies when the property is acquired and held by a local government; however, the beneficial interest may be held by a private lessee or entity through a lease or similar arrangement within a metropolitan redevelopment project. As a result, privately operated multifamily developments within a redevelopment area may receive long-term property tax relief while remaining functionally private, subject to PILT obligations rather than full taxation.

Affordability Compliance, Reinvestment, and Administrative Oversight. The bill imposes ongoing compliance obligations on local governments and property owners receiving the extended property tax exemption. Local governments must ensure that qualifying multifamily units meet affordability requirements for fourteen years, require acceptance of housing choice vouchers, collect annual administrative fees, and oversee independent compliance audits. The bill also requires certain properties that were already renting below 80 percent of area median income prior to exemption to make specified capital reinvestments within three years, calculated at \$10,000 per qualifying unit and adjusted annually for inflation. These provisions increase administrative complexity and oversight responsibilities for local governments, particularly smaller jurisdictions that may lack housing compliance infrastructure. The reinvestment requirement may help ensure that public tax benefits result in tangible property improvements, but it may also increase development costs or affect project feasibility, particularly for properties with thin operating margins.

Enforcement Authority and Legal Exposure

Section 11 creates new enforcement mechanisms, including authority for the attorney general to investigate alleged violations, bring civil actions, seek injunctive relief, pursue criminal charges under applicable law, and obtain civil penalties of up to \$10,000 per violation for willful misconduct. A finding of noncompliance may result in immediate termination of a lease and property tax exemption, and a violator becomes ineligible for exemptions under the Code for five years. These enforcement provisions may strengthen accountability and deter misuse of the tax exemption; however, they also introduce potential legal exposure and uncertainty for participating developers and lenders. The risk of exemption termination or penalties could affect financing structures, underwriting assumptions, and investor participation in qualifying projects, particularly given the long compliance period and documentation requirements.

Local discretion to apply property tax exemption. Use of the Metropolitan Redevelopment Code to provide tax incentives to multiunit developers is voluntary at the local level and requires

multiple affirmative actions by a local government, including designation of a metropolitan redevelopment area, adoption of a redevelopment plan, acquisition of property, and approval of a lease or other development arrangement with the multiunit developer. Through these steps, local governments retain discretion over whether to use MRA authority at all and which specific projects or parcels are included. However, once a local government elects to use MRA authority for a project and acquires property for redevelopment, it cannot opt out of the statutory PILOT framework or substitute an alternative form of property taxation. The exemption and PILOT provisions are established in state law and apply automatically to qualifying redevelopment projects, and local governments may not waive PILOT payments, impose full property taxation in lieu of PILOTs, or otherwise supersede the tax treatment prescribed by statute. However, the new language of “up to fourteen years” allows greater discretion within leases to lower the PILOT period, even below seven years.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to Senate Bill 58 which extends the period during which any project property in a metropolitan redevelopment area is exempt from property taxation. Conflicts with House Bill 194 which is substantially similar to this bill but has different income thresholds and PILOT terms.

JF/ct/cf/sgs/dw