

# New Mexico Mortgage Finance Authority



**MFA**

*Housing New Mexico*

**Legislative Oversight Committee**

**July 29, 2022**



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## **Table of Contents**

- 1 Statewide Housing Needs
- 2 Federal Housing Policy Budget Trends
- 3 MFA 2023 Legislative Agenda: Introduction
- 4 Challenges in Constructing Housing

Tab 1

Legislative Oversight Committee

# Housing New Mexico Update

Sonja Unrau, Research and Development Manager



# Today's Agenda

Rental Housing Supply v. Needs Gaps

Seniors' Housing Needs

Homeownership Demand

Housing Type Diversity and Condition

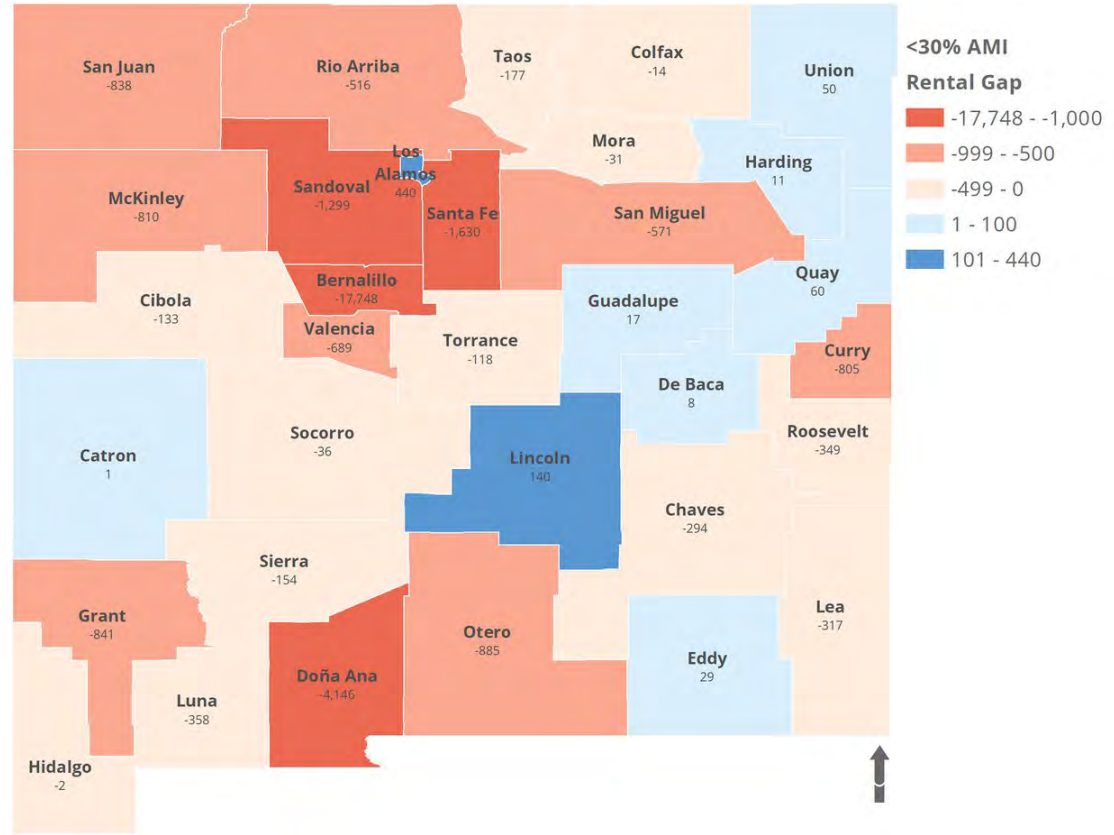
Housing Needs Forecast

Q&A

# Rental Gaps

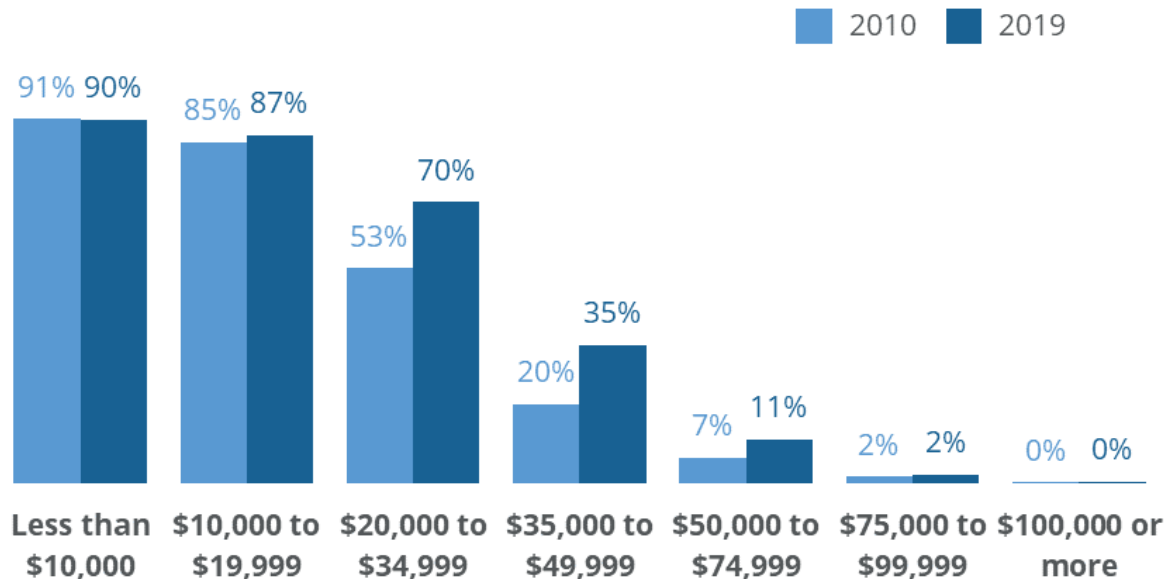
Current 0-30% AMI Rental “Gap” = 32,000 rental units, 2019

Gaps represent the difference between the state’s lowest income renters and the number of affordable units to house them. Negative numbers indicate a shortage of affordable units



Source: 2019 ACS 5-year, HUD, and Root Policy Research.

## Cost Burdened Renters by Income, 2010 and 2019



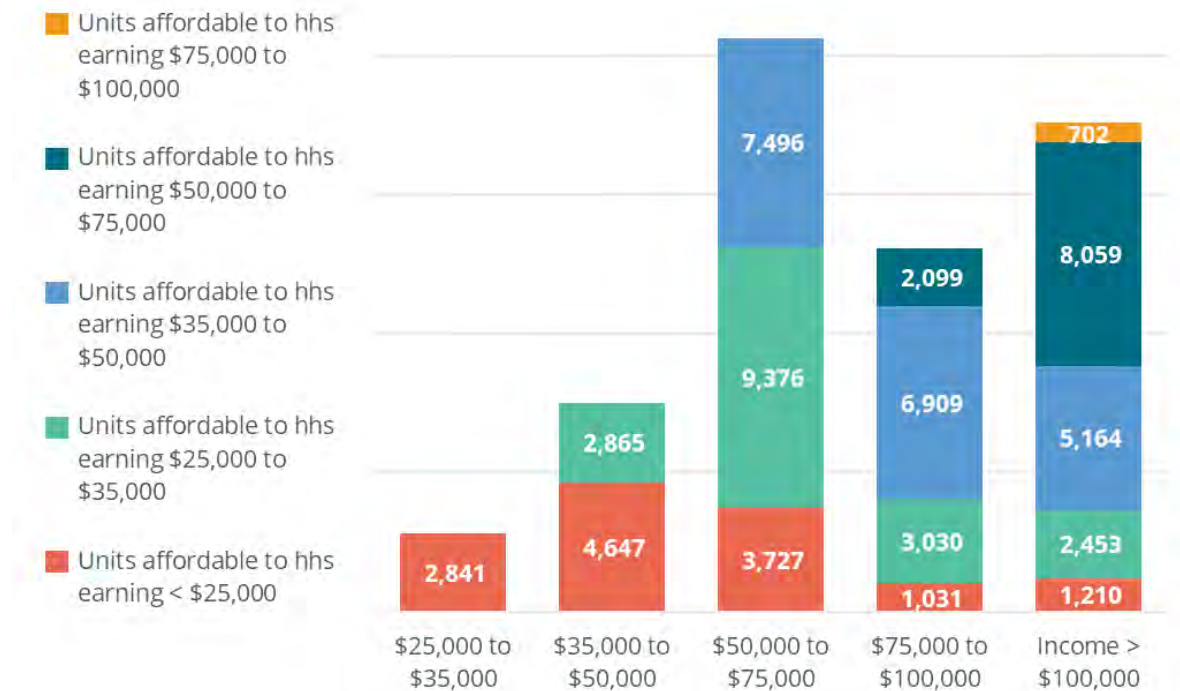
Source: 2019 ACS 5-year IPUMS and Root Policy Research.

While cost burden is much more common at very low income levels, the number of cost burdened renters in the middle of the income distribution has increased since 2010



# Many Renters “Rent Down”

Occurs when higher income households are occupying homes affordable to lower income households. 28% of renter households in New Mexico are spending less than 20% of their household income on housing costs. This equates to about 65,554 households



Source: 2019 ACS 5-year IPUMS and Root Policy Research.

# Seniors' Housing Needs

# Seniors' Housing Conditions

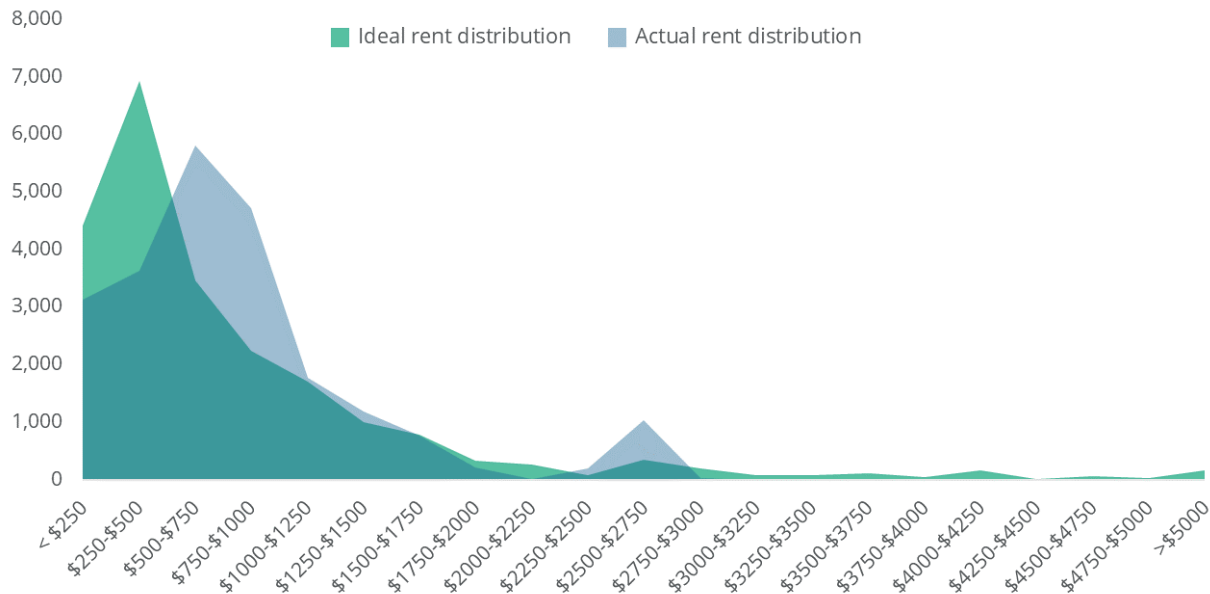
Seniors in New Mexico are:

- Predominantly owners—83% ownership rate;
- Low income;
- Will require additional services to remain in their homes or affordable rentals—both sparse, especially in rural areas.
- Senior renter households living in multifamily housing are more likely to be cost burdened than those living in single-family housing or mobile homes.

# Seniors' Housing Conditions

Seniors who rent are predominantly very low income and need rents of \$750/mo and less. But most rental units fall in the \$750/mo to \$1,250/ mo range

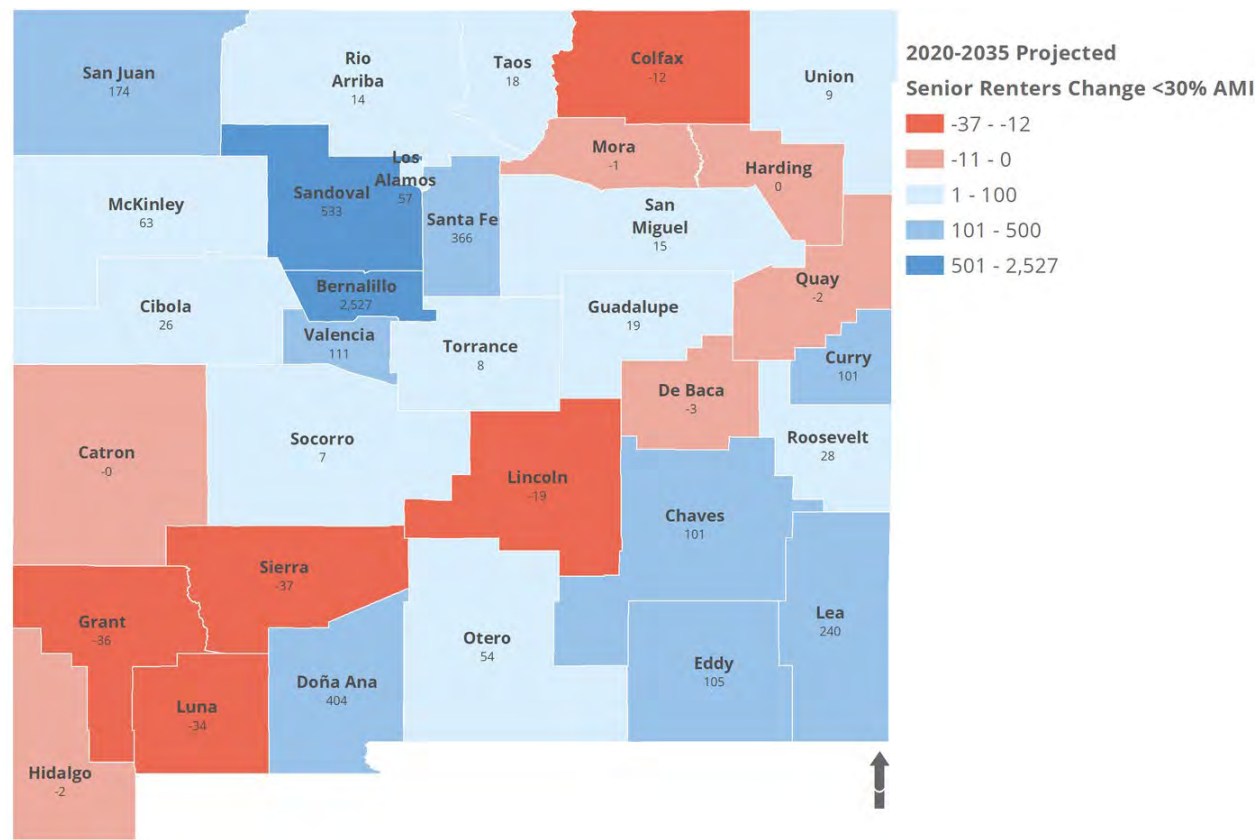
## Actual Rents v. Ideal Rents for Seniors Renting Multifamily Units, 2019



Source: 2019 ACS 5-year IPUMS and Root Policy Research.

# Projected Change in < 30% AMI Senior Renter Households by County, 2020-2035

Growth of very low income seniors will be strongest in the Albuquerque MSA followed by southeast New Mexico



Source: The University of New Mexico Geospatial and Population Studies, U.S. Census, HUD, and Root Policy Research.

# Homeownership Demand

# Homeownership in New Mexico

- 68% homeownership in the state overall
- Highest in rural counties
- 17% of state homeownership attributed to mobile homes
- 32% of owners are low income

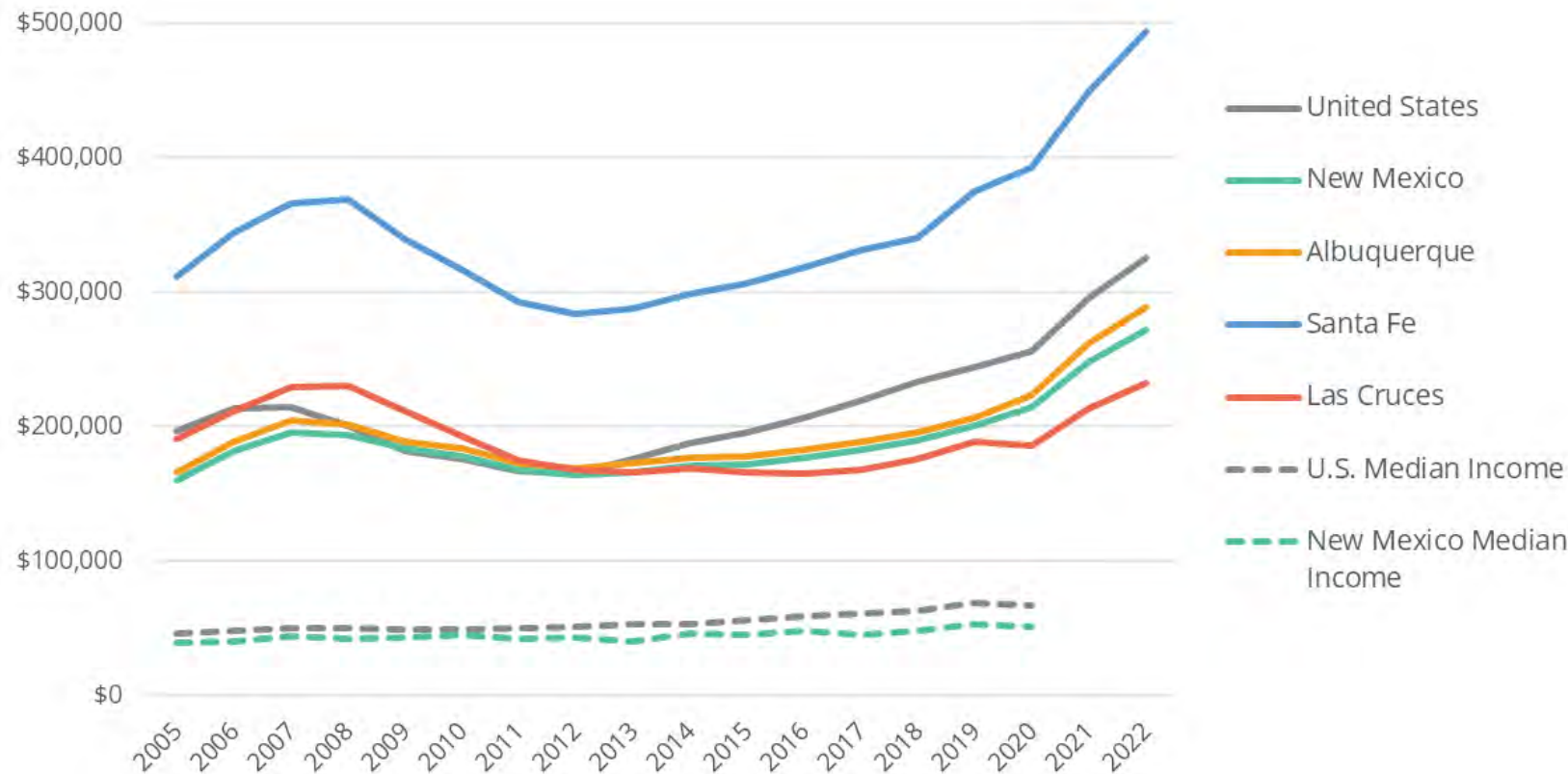
# Equity in Ownership, New Mexico v. U.S.

New Mexico does a better job than the U.S. overall in Native and Hispanic ownership—even given relatively lower incomes—but that could change with steep price increases (next slide)

Race/Ethnicity	Homeownership Rate		Median Income	
	New Mexico	United States	New Mexico	United States
<b>American Indian or Alaska Native</b>	62%	54%	\$35,349	\$43,825
<b>Asian</b>	55%	60%	\$65,144	\$88,204
<b>Black or African American</b>	40%	42%	\$40,528	\$41,935
<b>Hispanic/Latino</b>	66%	47%	\$42,421	\$51,811
<b>Native Hawaiian or Other Pacific Islander</b>	48%	41%	\$49,767	\$63,613
<b>Non-Hispanic White</b>	72%	72%	\$59,815	\$68,785
<b>Two or more Races</b>	58%	49%	\$50,133	\$59,184



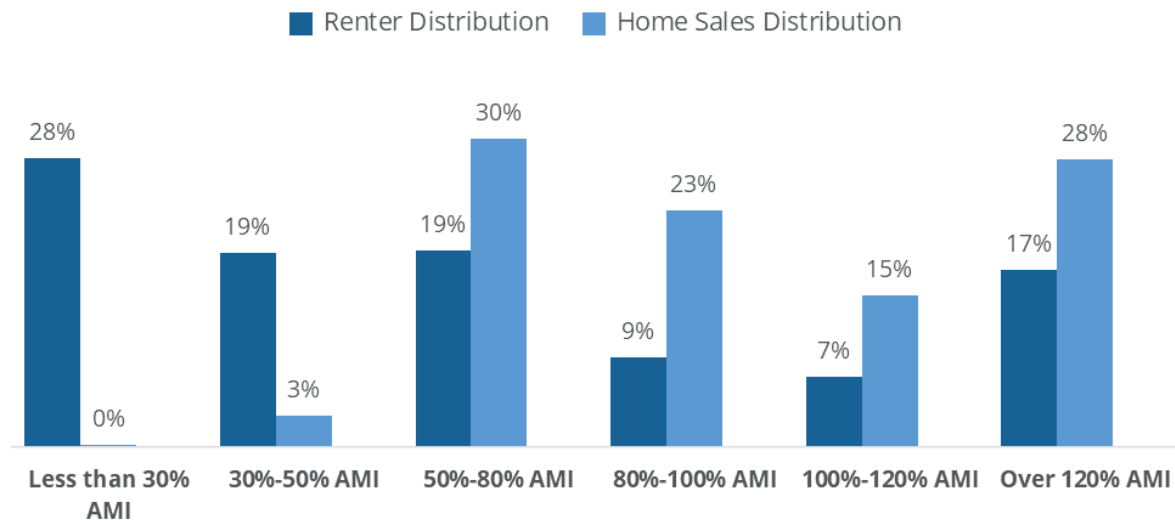
# Home Price Trends v. Income Trends



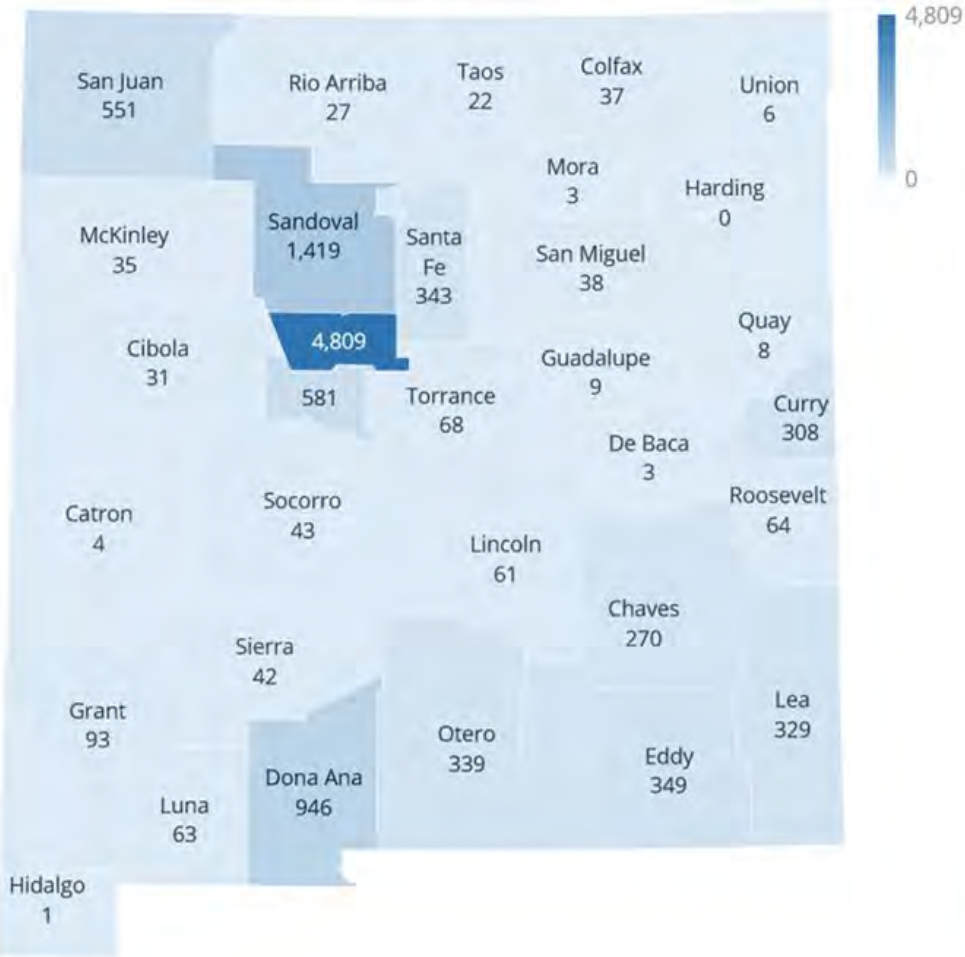
Source: Zillow Home Value Index, Federal Reserve Bank of St. Louis, and Root Policy Research.

# Mismatch between Renters and Home Prices

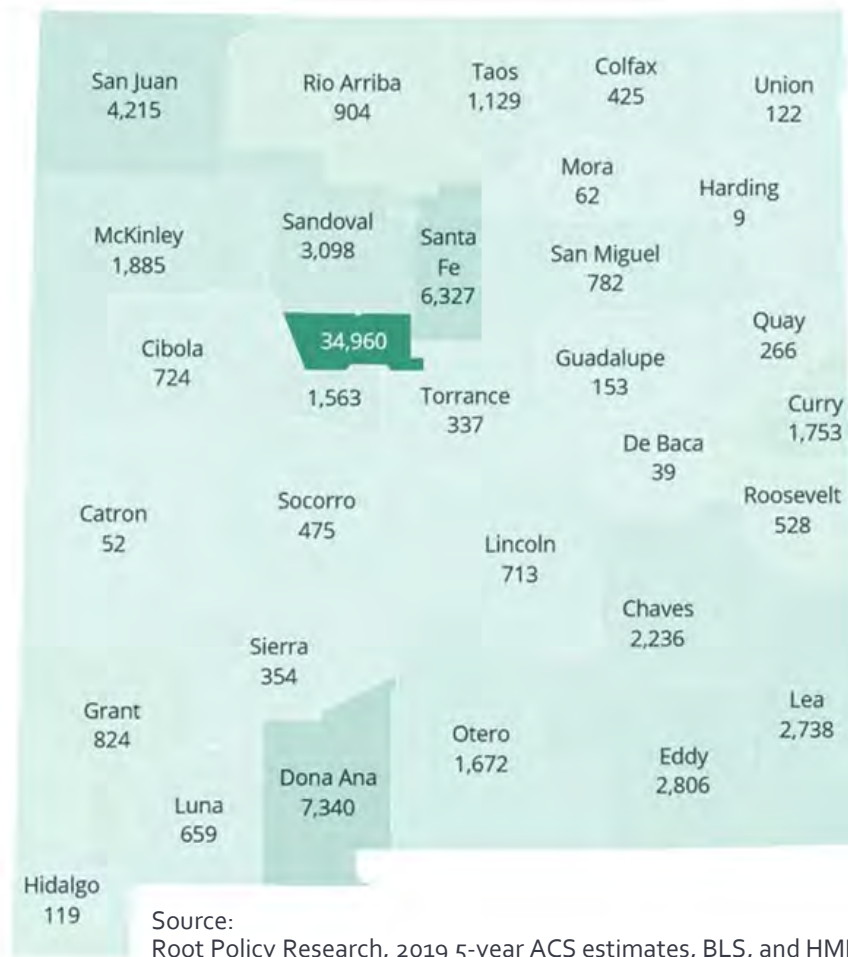
Nearly half of the state's renters have incomes too low for ownership without deep subsidies or innovative ownership models



**Number of Mortgages Affordable at  
50%-100% AMI, 2020**



**Number of Projected Jobs, 2020-2035**



Source:  
Root Policy Research, 2019 5-year ACS estimates, BLS, and HMDA

# Housing Type Diversity and Housing Condition

# Housing Type Diversity

Low income households are more likely than others to live in diverse housing types.

Households with incomes of 80% of AMI and less are:

- Twice as likely to occupy mobile or manufactured homes than 120% AMI households;
- Twice as likely to occupy attached housing (du/tri/fourplexes);
- For less than 30% AMI households, five times more likely to occupy multifamily (5+ units) housing.

# Housing Type Diversity

Racial and ethnic groups are also more likely than others to live in diverse housing types:

- Black and Asian New Mexicans are more likely to live in multifamily units (18%) compared to White, Non-Hispanic households and Hispanic households (8% and 9% live in multifamily housing);
- This is also true of attached homes (duplexes, small multifamily);
- Native American households (23%) and Hispanic households (21%) are more likely to live in mobile homes compared to White, non-Hispanic households (11%)

# Housing Condition

- 44% of New Mexico's housing stock was built before 1980.
- Multifamily units permitted during the 1980s make up nearly half of all multifamily permits issued between 1980 and 2020. These units are aging.
- 40,000 units in the state lack complete kitchens; 40,000 lack complete plumbing.
- Persons with disabilities, Native Americans, and renters are most likely to live in substandard housing units.

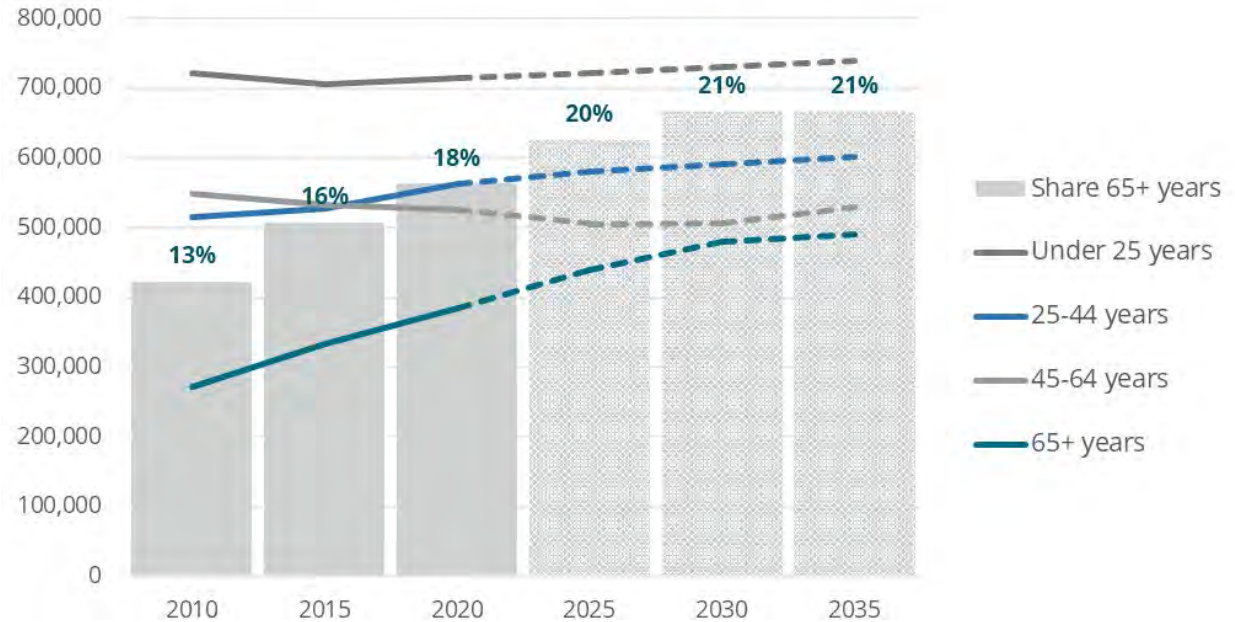
# Housing Needs Forecast



# Population Changes

- Seniors will grow to 21% of residents by 2030 and then stabilize
- Residents < 25 years will increase slowly but consistently and make up the largest share of residents at 31% by 2035
- Residents of core working ages will plateau

## Population Projections by Age, 2035

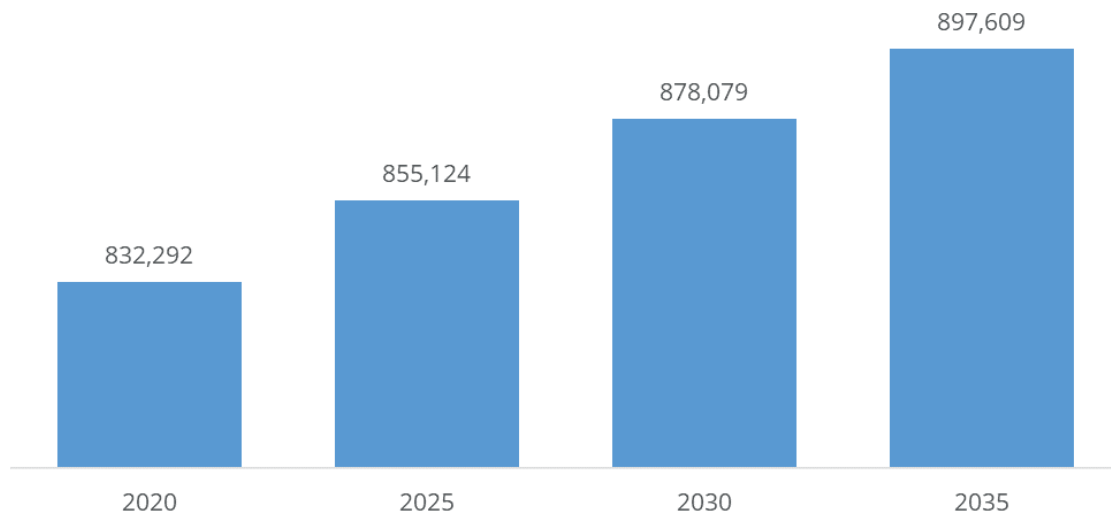


Source: The University of New Mexico Geospatial and Population Studies, and Root Policy Research.

# Household Growth

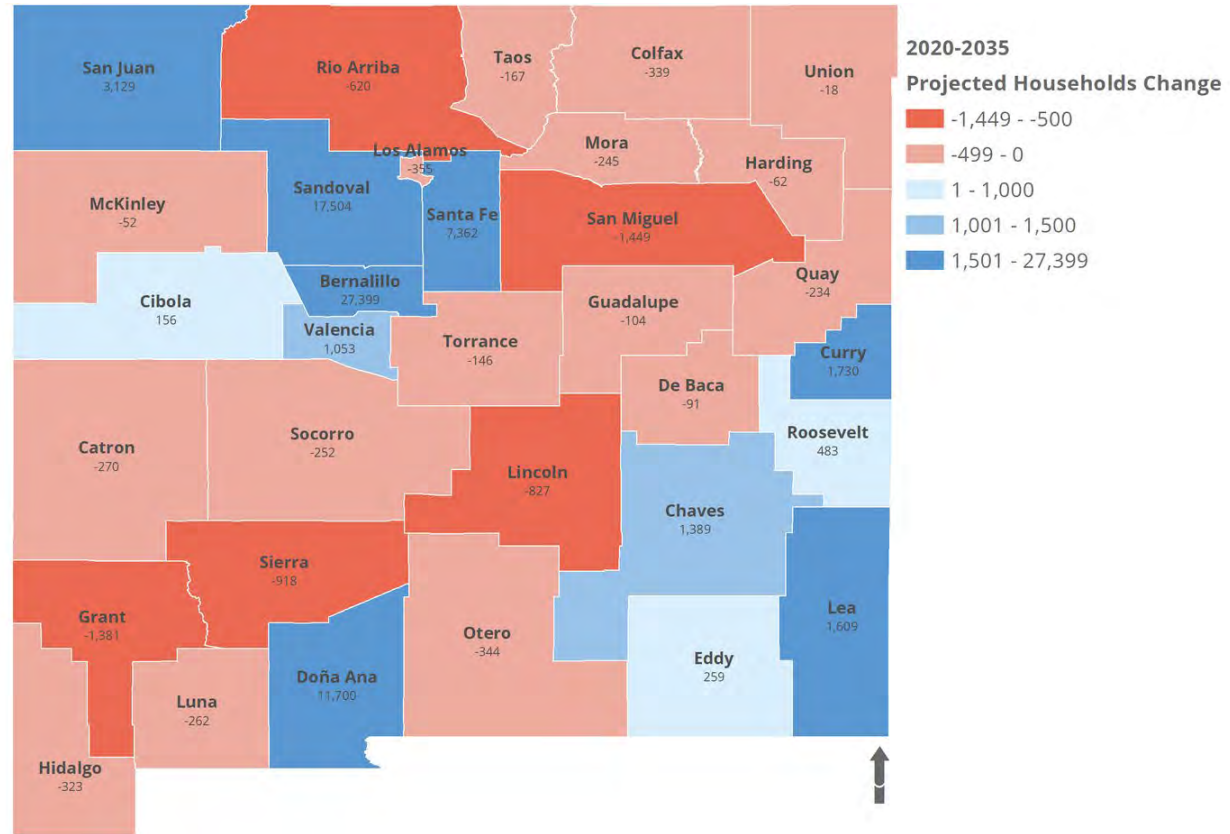
- New households between now and 2025 = 22,832
- New households between now and 2035 = 65,317

## Household Projections, 2035



Source: The University of New Mexico Geospatial and Population Studies, and Root Policy Research.

# Projected Household Change by County, 2020-2035



Source: The University of New Mexico Geospatial and Population Studies, and Root Policy Research.

# What Projected Growth Means for Housing Needs

An average of **5,100 housing units per year statewide** are needed to accommodate growth to 2025

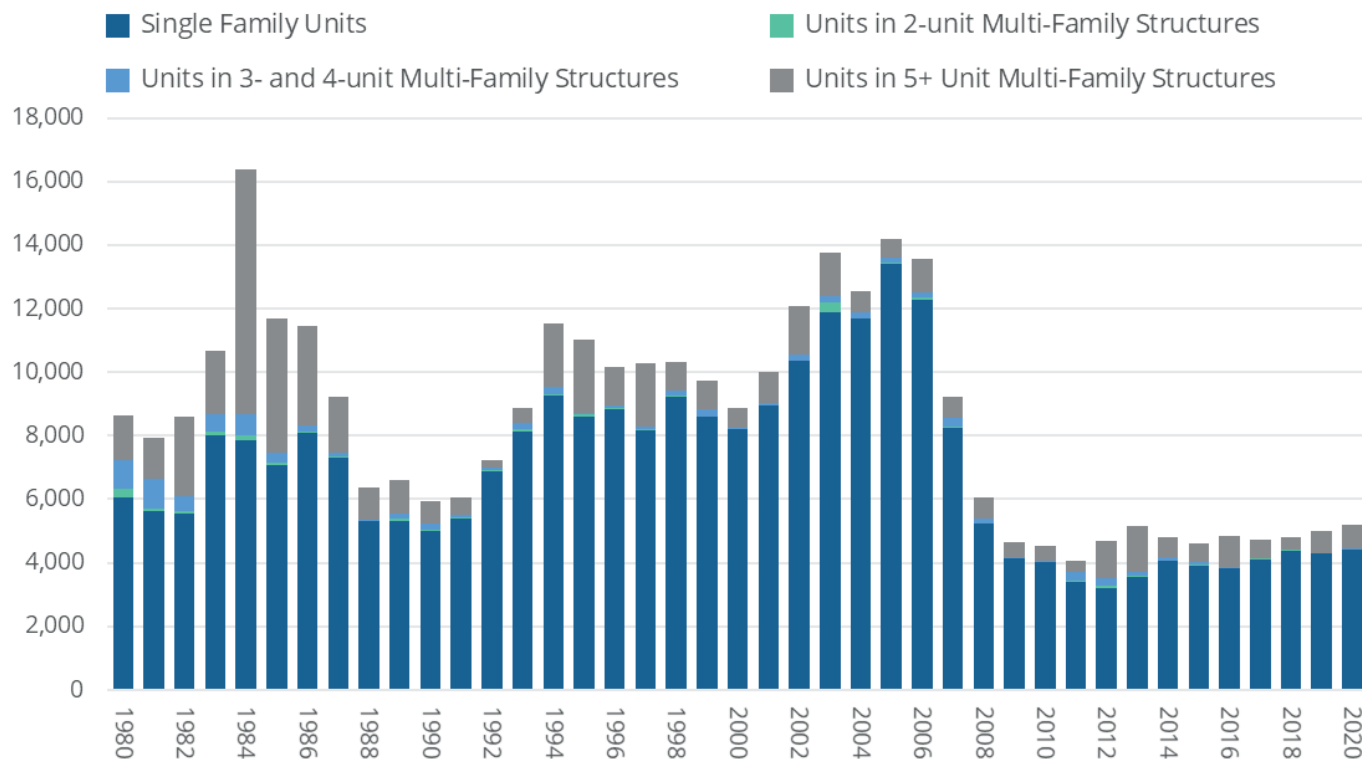
An average of **5,140 housing units per year statewide** are needed to accommodate growth between 2025 and 2030

This compares to past 10 year average annual permits of:

- **3,291 housing units in growth counties**
- **4,771 housing units statewide**

# The volume of new housing should slightly accelerate in the next decade to meet demand...

## Historical Building Permit Volume by Unit Type, 1980-2020



Source: U.S. Census, 2019 Building Permit Survey, and Root Policy Research.

# Resident Reported Needs

# Resident Survey Respondents

## RESIDENT SURVEY BY THE NUMBERS

**1,398** resident survey participants



**490** households with children under 18



**172** large households



**231** single parents

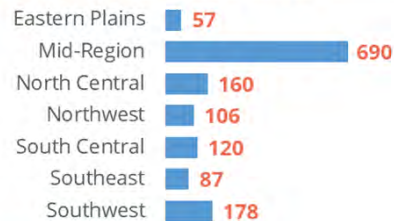


**537** households with a member with a disability

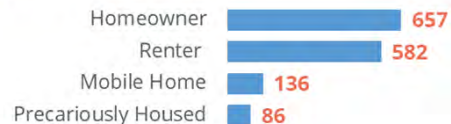


**223** households with a member over 65

## WHERE RESPONDENTS LIVE



## HOUSING STATUS



## HOUSEHOLD INCOME



## IDENTIFIED AS



# Resident Survey Respondents

	State	Eastern Plains	Mid- Region	North Central	Northwest	South Central	Southeast	Southwest
<b>Total Responses</b>	<b>1,398</b>	<b>57</b>	<b>690</b>	<b>160</b>	<b>106</b>	<b>120</b>	<b>87</b>	<b>178</b>
<b>Race/Ethnicity</b>								
<b>Native American</b>	131	2	47	16	53	7	1	5
<b>Black/African American</b>	57	4	28	11	2	2	7	2
<b>Hispanic</b>	427	21	225	44	7	53	25	55
<b>Non-Hispanic White</b>	384	13	187	44	11	30	26	73
<b>Tenure</b>								
<b>Homeowner</b>	657	28	306	68	38	62	48	107
<b>Renter</b>	582	21	315	71	50	50	29	46
<b>Mobile Home</b>	136	7	32	23	15	21	7	31
<b>Precariously Housed</b>	86	1	36	12	10	4	3	20
<b>Income</b>								
<b>Less than \$30,000</b>	418	14	217	45	30	39	27	46
<b>\$30,000-\$49,999</b>	228	7	94	31	23	23	15	35
<b>\$50,000-\$99,999</b>	255	18	121	27	14	19	11	45
<b>Above \$100,000</b>	119	5	68	12	3	10	6	15
<b>Household Characteristics</b>								
<b>Children under 18</b>	490	26	227	48	49	42	36	62
<b>Large households</b>	172	6	77	13	28	15	13	20
<b>Single Parent</b>	231	11	112	23	25	22	17	21
<b>Disability</b>	537	19	264	63	40	43	36	72
<b>Older Adults (age 65+)</b>	223	16	89	21	13	21	17	46



# Resident Survey Findings

## Housing stability

- 20% of respondents lived with friends or family members because of lack of housing that meets their needs
- Black/African American households are twice as likely as all households to be "doubled up"
- 27% of respondents had skipped payments on bills to pay for housing costs during the pandemic
- 79% of Section 8 voucher holders say trying to find a property owner who accepts vouchers is somewhat difficult (48%) or very difficult (31%), mostly because the voucher doesn't adequately cover rents asked

# Resident Survey Findings

## Housing condition

- 22% said their home was in fair or poor condition. Highest rates were for mobile home occupants (40%) and Northwest region (30%)
- 25% of households with a member with a disability said their home does not meet their accessibility needs. Most needed help is access to supportive services

## Displacement

- 27% of respondents were displaced in the last 5 years, mostly because they were behind on rent. 60% of Black/African Americans were displaced. 57% of children changed schools as a result of displacement

# Resident Survey Findings

## Future Housing Preferences

78% of renters aspire to be homeowners within 5 years. Top barriers to ownership are:

- 32% do not have an adequate downpayment;
- 27% have low/poor credit;
- 25% have too much debt.

Q&A

thank you

# Tab 2



# Federal Housing Policy and Budget Update

Rebecca Velarde  
Senior Director of Policy and Planning

Mortgage Finance Authority Act Oversight Committee  
July 29, 2022

# Why Care about Policy?

MFA would not have been created and would not exist today without federal and state policy. Policy allows MFA to exist as a unique, quasi-governmental agency that works in the public interest (like a nonprofit) but generates its own revenue for operations (like a business).

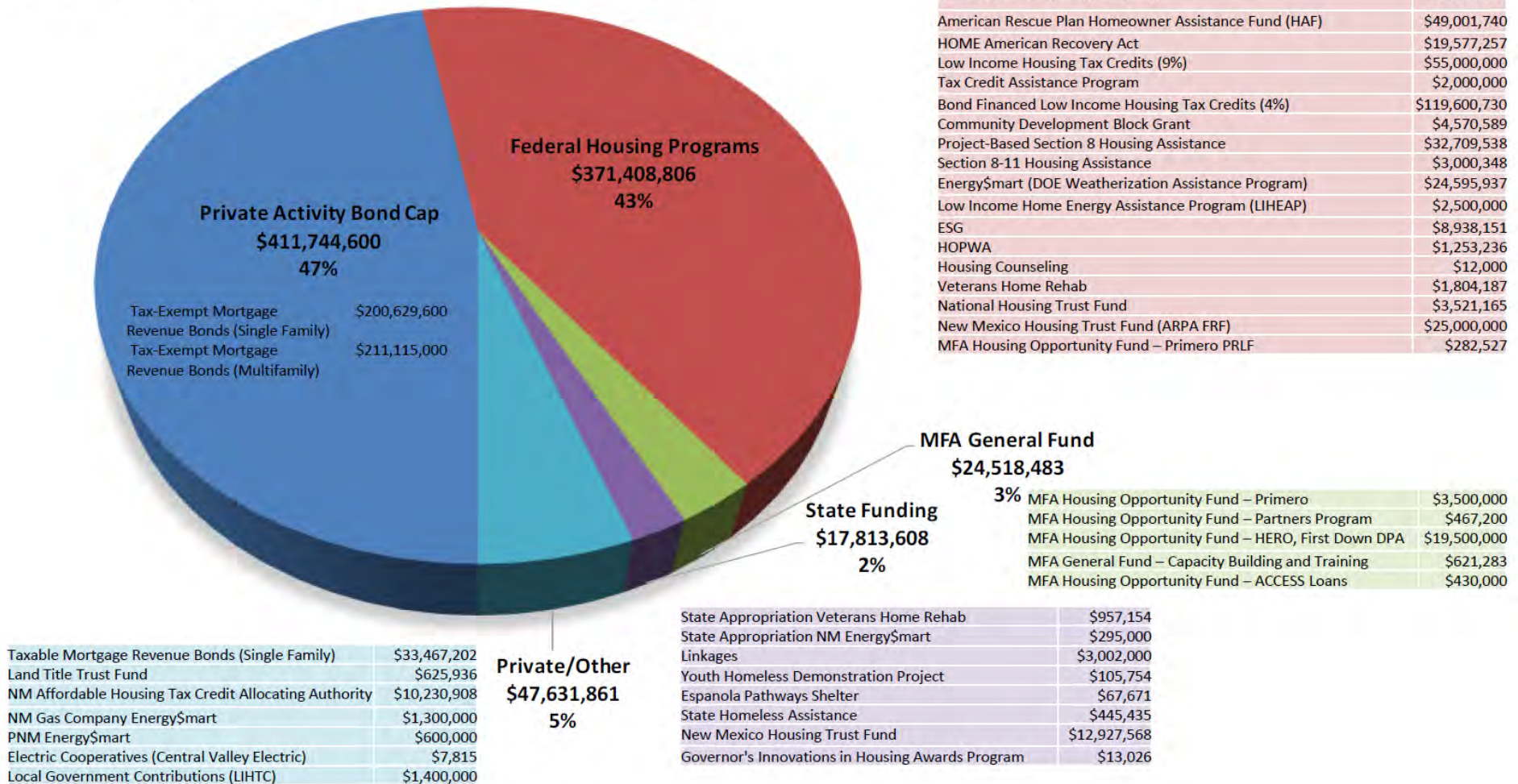
## Federal

- Housing Bonds (PAB)
- Low Income Housing Tax Credits (LIHTC)
- Federal Affordable Housing Programs & Funding

## State

- MFA Act (enabling legislation)
- New Mexico Housing Trust Fund (NMHTF) Act
- Affordable Housing Act
- Affordable Housing Tax Credit Act
- Regional Housing Law
- Recurring NMHTFs

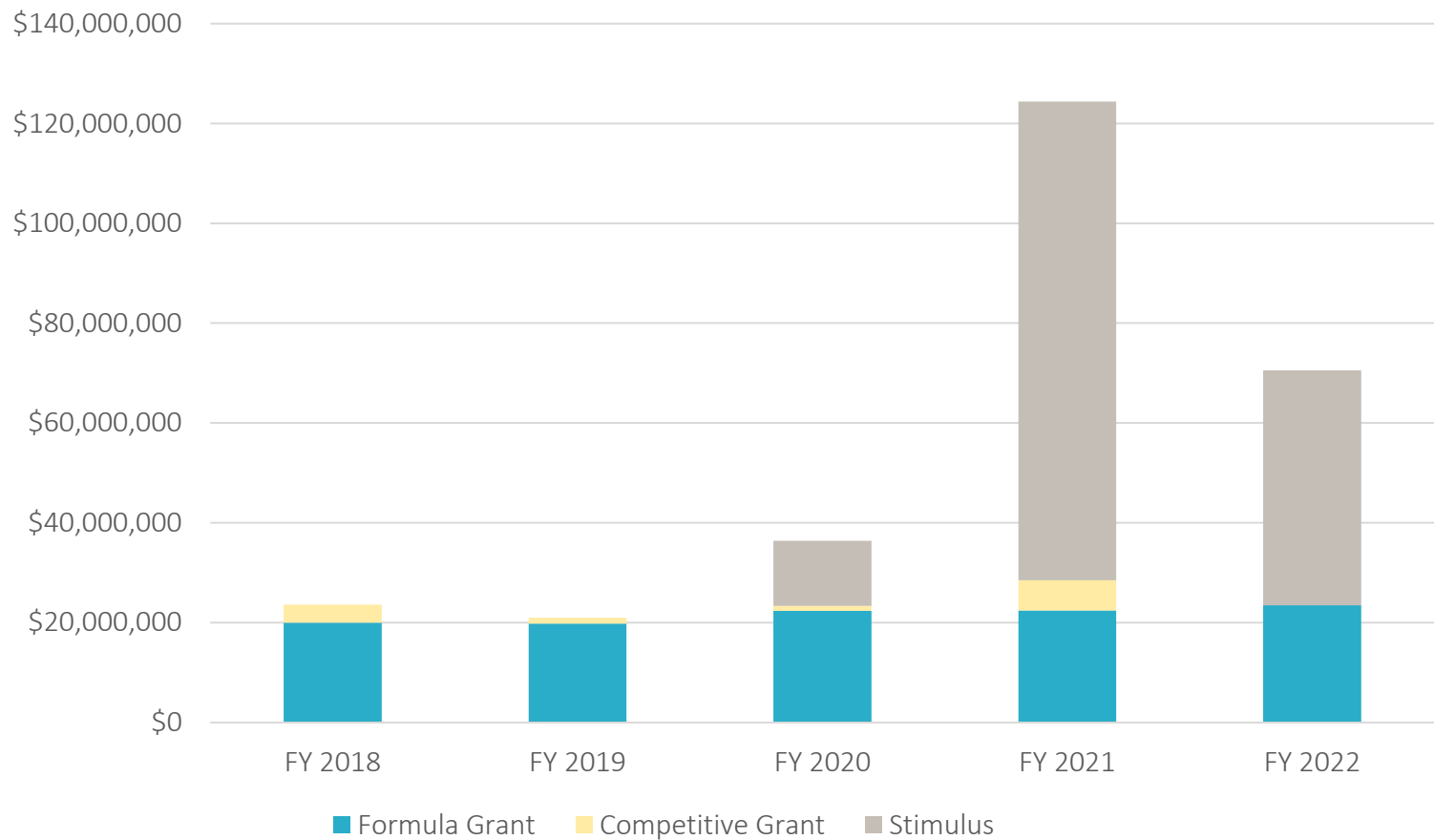
2022 Estimated Funding Resources- \$873 million



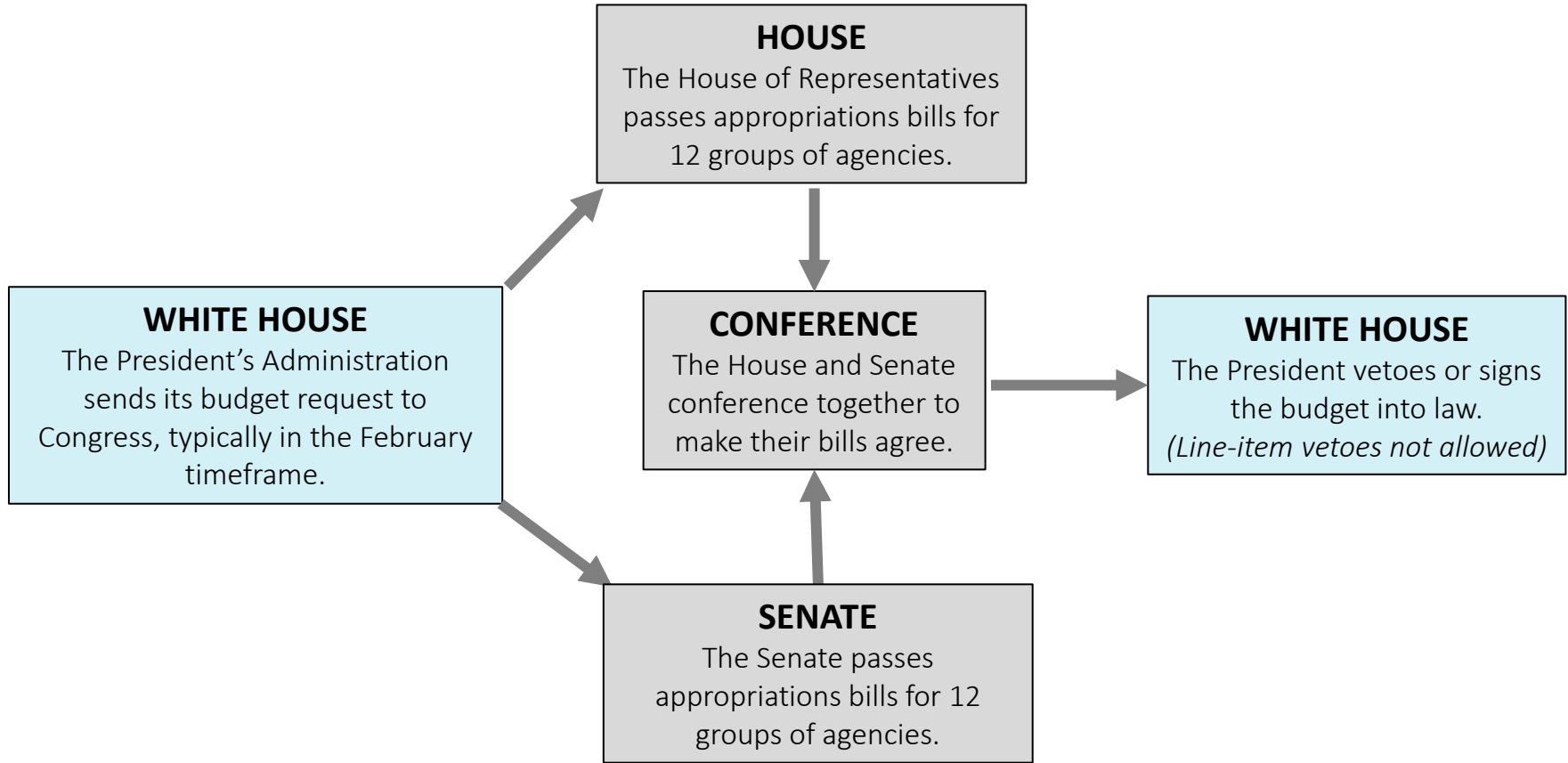


Federal Grant Allocations to MFA

Federal Formula Grant	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
National Housing Trust Fund (NHTF)	3,000,000	3,000,000	3,000,000	3,186,129	3,521,165
Low-Income Housing Tax Credits (LIHTC)	5,618,741	5,775,523	5,918,959	5,924,328	5,501,280
HOME Investment Partnerships (HOME)	5,241,485	4,685,234	5,245,062	5,279,570	5,975,945
Low Income Home Energy Assistance Program (LIHEAP)	2,500,000	2,534,591	3,080,900	2,500,000	2,500,000
Weatherization Assistance Program (WAP)	2,125,643	2,232,675	2,508,160	2,380,135	2,529,186
Emergency Solutions Grant (ESG)	1,122,034	1,149,002	1,200,740	1,204,224	1,226,151
Housing Opportunities for Persons w/AIDS (HOPWA)	374,630	423,224	476,714	1,091,539	1,227,236
Community Development Block Grant Recovery Housing Program (CDBG-RHP)			940,000	902,621	1,013,918
Federal Competitive Grant	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Capital Magnet Fund	3,600,000			2,500,000	
Veteran’s Home Rehab and Modification Program		1,177,500	1,000,000		
Section 811				3,567,029	
Federal Stimulus Funds	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
American Rescue Plan HOME (HOME-ARP)				19,577,257	
CARES Act CDBG, ESG and HOPWA			13,005,677	12,330,657	
Weatherization Assistance Program through Bipartisan Infrastructure Law					22,066,751
American Rescue Plan Coronavirus State and Local Fiscal Recovery Funds					25,000,000
American Rescue Plan Homeowner Assistance Fund (HAF)				49,001,740	
CARES Act Coronavirus Relief Funds (CRF)				15,000,000	



# Regular Order



In recent years, Congress has sometimes not followed “regular order.” Instead, it has passed “continuing resolutions” or “CRs” that essentially flat-fund programs at their previous level or with small modifications.

# FY 2023 Appropriations

- The President released the FY 2023 budget request on March 28, 2022.
- The Administration's FY 2023 budget total is \$5.8 trillion for fiscal 2023, including \$1.6 trillion in discretionary spending. The budget includes funding boosts for nearly every agency, and tax hikes for corporations and wealthy households.
- The Administration seeks \$71.9 billion for HUD programs, an increase of \$12.3 billion over the FY 2022 enacted level.
- Funding highlights include:
  - \$1.9 billion for the HOME program;
  - \$15 billion for Project-Based Rental Assistance (PBRA);
  - \$32.1 billion for Housing Choice Vouchers (Section 8);
  - \$3.8 billion for the Community Development Block Grant (CDBG) program; and
  - \$50 billion to increase affordable housing supply.
- MFA will be watching to see future actions on appropriations bills.

<b>Federal Housing Programs</b> * In Millions	<b>FY 2021 Enacted</b>	<b>FY 2022 Enacted</b>	<b>President's FY 2023 Budget Request</b>	<b>\$ Difference between FY 2022 Enacted &amp; FY 2023 Request</b>	<b>% Difference between FY 2022 Enacted &amp; FY 2023 Request</b>	<b>Program Impact</b>
Community Development Block Grant (CDBG)	3,505	3,300	3,770	470	14%	Community development through DFA
HOME	1,350	1,500	1,950	450	30%	MFA rehab, gap financing
Project-Based Section 8	13,405	13,940	15,054	1,114	8%	MFA administration
Homeless Assistance Grants	3,000	3,213	3,576	363	11%	MFA/partner Homeless Assistance Programs
Housing Opportunities for Persons with AIDS (HOPWA)	430	450	455	5	1%	MFA HOPWA program
Weatherization Assistance Program (WAP)	310	313	362	49	16%	MFA: NM Energy\$mart
Low-Income Home Energy Assistance Program (LIHEAP)	3,750	3,750	3,975	225	6%	MFA: NM Energy\$mart

# Beyond the Budget: Neighborhood Homes Investment Credit

- The Neighborhood Homes Investment Act (S. 98/H.R. 2143) promotes new construction or substantial rehabilitation of affordable, owner-occupied housing located in distressed neighborhoods.
- Project sponsors could claim the credit to cover the difference between the cost to build/rehabilitate a home and the price for which the home is sold.
- The bill would support 500,000 homes in 10 years.

# Beyond the Budget: Affordable Housing Credit Improvement Act

- Bipartisan legislation sponsored by Senators Cantwell (D-WA), Young (R-IN), Wyden (D-OR) and Portman (R-OH) and Representatives DelBene(D-WA), Walorski (R-IN), Beyer (D-VA) and Wenstrup (R-OH).
- Increases allocating authority of LIHTC program by 50% over two years.
- Enables the LIHTC to better serve rural, Native American, high-poverty and high-cost communities.



# Federal Housing Policy and Budget Update

Rebecca Velarde  
Senior Director of Policy and Planning

Mortgage Finance Authority Act Oversight Committee  
July 29, 2022



# Tab 3

## MFA 2023 Legislative Agenda

### New Mexico Housing Trust Fund (NMHTF)

**\$10 million**

*This appropriation could help acquire, build, rehabilitate and/or preserve approximately 235 quality affordable homes or it could weatherize and/or provide energy efficiency upgrades for 1,000 homes for low-income New Mexicans.*

**Background:** The New Mexico Housing Trust Fund was created by the New Mexico Legislature in 2005 with an initial appropriation of \$10 million and subsequent appropriations of \$51.05 million. MFA can utilize New Mexico Housing Trust Funds to both build or rehabilitate affordable housing in addition to weatherizing and providing energy efficiency improvements to the homes of low-income New Mexicans. The funding can also be used for other types of housing-related services and assistance. **Results:** The New Mexico Housing Trust Fund has grown from approximately \$27 million in appropriations through FY2022 to over \$45.7 million as a result of interest earned over the years. Through a competitive application process, MFA has awarded over \$62.9 million, including the state's investment, interest income and loan repayments, to 66 housing projects totaling 1,286 housing units. Further, over \$1.5 million in COVID-19 assistance has been provided to 351 households. Based on appropriations through FY2022, the New Mexico Housing Trust Fund has leveraged approximately \$754 million in other funding sources: that's a 28-to-1 return on the state's initial investment!

### Affordable Housing Act Oversight & Implementation

**\$250,000**

*This appropriation will enable MFA to 1) oversee the Affordable Housing Act, including review and approval of plans and ordinances, 2) provide direct technical assistance to local governments, and 3) offer planning and implementation grants to local governments on an as-needed basis.*

**Background:** The Affordable Housing Act was signed into law in 2004. Like the Local Economic Development Act (LEDA), it is an exemption to the state's anti-donation clause. It permits state and local governments to contribute public funds, land, buildings and other resources to create and preserve affordable housing. MFA is charged with rulemaking authority and oversight of the Act but receives no funds for these purposes. **Results:** To date, MFA has assisted 37 local governments in adopting an affordable housing ordinance and 37 local governments in creating affordable housing plans. These local governments have donated land and resources totaling more than \$73 million for affordable housing through 2021.



## Discussion Items

### Manufactured Housing Conversion to Real Property

*This bill would provide consistency across counties and ease the process in converting manufactured housing units from chattel to real property, which would allow more manufactured homeowners to access traditional homeownership financing at lower interest rates. Specifically, the bill would allow for: 1) A licensed engineer or a state inspector to conduct an inspection to ensure the physical conversion requirements have been met; 2) Require a manufactured home affidavit of affixture is recorded with the County Clerk; 3) Create uniform requirements across counties on how property taxes are paid during conversion; and 4) Amend statutory definitions to explicitly address manufactured homes.*

**Background:** Manufactured homes are an important source of affordable housing in New Mexico, but the process of becoming a manufactured homeowner with traditional homeownership financing can be onerous and varies by county. A manufactured home is considered chattel property unless it is converted to real property. In order to be converted to real property in the State of New Mexico, a manufactured home must be placed on land owned by the manufactured homeowner, affixed to a permanent foundation, have the tongue and axle removed and have its title deactivated. Chattel property depreciates over time, and a homeowner must take out a chattel loan in order to purchase the property. Chattel loans carry significantly higher interest rates and offer fewer protections than FHA and conventional mortgages. Ensuring consistent conversion processes across counties will lead to more manufactured homeowners being able to secure FHA and conventional mortgages.

### Regional Housing Law Statutory Changes

*This proposed bill would amend the Regional Housing Law (11-3A-1) to acknowledge the oversight role played by the U.S. Department of Housing and Urban Development (HUD) and to eliminate duplicative oversight efforts by MFA and HUD. These statutory changes have been coordinated with HUD.*

**Background:** In 2009, MFA was mandated by the state to restructure and oversee the regional housing authorities (RHAs), which exclusively serve New Mexico's rural counties. MFA consolidated the seven RHAs into three (Northern RHA in Taos, Eastern RHA in Roswell, and Western RHA in Silver City and Deming) and began providing training and technical assistance and ensuring annual audits. Since that time, it has become clear that MFA's efforts are duplicative with the authority of HUD, which is the true oversight and funding agency of the RHAs. As such, HUD approached MFA about transitioning out of an oversight role. MFA and HUD believe the oversight provided by HUD in addition to

previously enacted statutory changes to the Regional Housing Law will ensure the success of the RHAs in the future.

### **Affordable Housing Property Tax Abatement**

*This proposed bill would offer property tax abatement for income- and rent-restricted affordable housing.*

**Background:** New Mexico has a shortage of 32,000 units of affordable rental housing for extremely low-income households. Many other states and municipalities offer property tax abatement to directly reduce the amount of taxes owed to encourage the construction or rehabilitation of buildings that include a share of or all affordable units.

### **Encourage Housing Development through Planning and Zoning**

*The proposed bill would encourage local governments to consider regional housing needs in comprehensive plans and zoning codes. It would also encourage local governments to review housing development applications in the context of regional housing needs.*

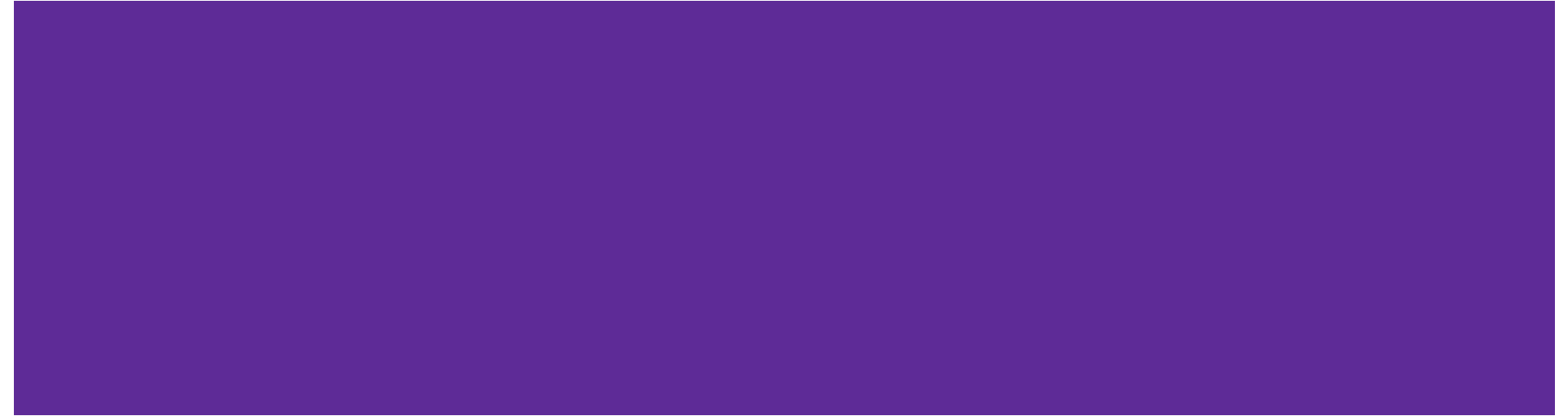
**Background:** New Mexico's housing development has not kept pace with household formation, and we are facing a supply shortage. Other states have taken innovative approaches to encourage housing development, including requiring local governments to consider regional housing needs in their planning and development review processes (New Hampshire), requiring local governments of a certain population size to allow duplexes or middle housing in single family zones (Oregon), or providing funding for housing needs assessments and land use strategies to facilitate housing growth (Colorado).

Tab 4

# Address to the Legislature

*Challenges in the Construction Industry*

July 29, 2022



# Hello !

## Who am I?

- I am proud Latina, daughter of immigrant, raised in the Rio Grande Valley.
- I have a dual masters in English and Cultural Studies from New Mexico State University
- I have been in the construction industry now for about 15 years. As an owner I have seen and experienced all different aspects of this industry and seen all the economic ups and downs it has brought
- I also work as a liaison within our state to improve our industry.

## Who is Hakes Brothers Construction?

- New Mexico's Largest Locally Owned Home Builder
- New Mexico's Largest Home Builder
- Employ over 100 Full Time Employees in New Mexico
- We work with over 300 Local Trades represented throughout New Mexico which trickles down to over 4,000 employees throughout the state
- We strongly believe in building not just our company but our communities

# Today's Issues

New home construction represents 15% of the total labor force in New Mexico. With rising interest rates and other challenges facing the building industry currently working with the legislature has never been more important. These three issues are priority challenges to address:

1. Increase access to inspections so that construction of new homes can remain on schedule and both builders and/or consumers are not burden with unfair costs with unfair delays.
2. Reduce zoning red tape and encourage infill projects so that developers can build more affordable lots and encourage less sprawl.
3. Work towards long-term solutions in creating skilled labor through our youth, when addressing the labor shortage the construction industry is currently facing.



# Part One: Inspections

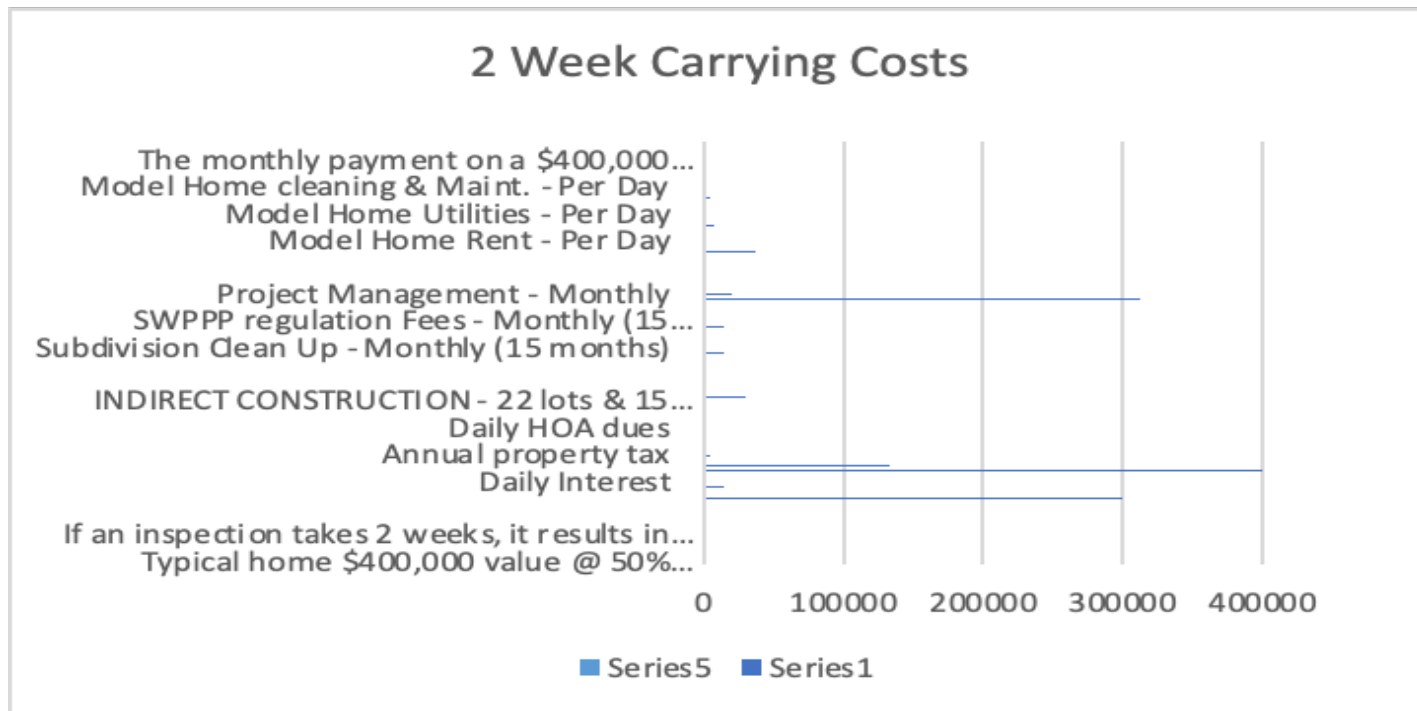


# Inspections

- Currently inspections are overseen by Construction Industry Division (CID) with the four largest cities overseeing their inspections. This includes Albuquerque, Rio Rancho, Farmington and Las Cruces.
- The rest of the state is currently using the state system of inspections. This means we have a finite amount of inspectors overseeing a state that spans from Taos to Carlsbad to Los Lunas to Lordsburg.
- Furthermore inspections are divided into 4 different specialties.
  - Plumbing
  - HVAC
  - Electrical
  - Building
- This means that a builder needs to call different inspectors for various inspections sometimes in the same week or even day.
- The result is that they are often waiting for an entire week or two weeks for one inspector to appear and then can still need to wait for another inspector on the same house for another aspect to be called in.
- If there is a problem that needs to be fixed, then house might sit for another week or two for the inspector to be called back.

# Delays in inspections

Lead to carrying costs to the consumers or for the builders to have to absorb...



# \$16,374.69

Is the result of every two week delay for the average home that costs \$400,000 at 50% completion as of today. With the Federal Reserve expected to raise rates at  $\frac{3}{4}$  of a percentage point this month, this number will only rise for the consumer.

# Finding Solutions

There are many ways the legislature can work with CID and the union to find solutions to this problem to help homeowners and builders right away!

1. Cross train inspectors so that they are able to inspect called inspections (thus a plumbing inspection and a frame inspection can be done simultaneously).
2. Allow for ZOOM inspections when an inspector is unable to be there in person. This is incredibly helpful for a recalled inspection (when an inspection was not passed on the first time).
3. Allow for a third party inspector to inspect houses overseen by CID. Third party inspectors will be paid out of pocket by builders, lessening the demand placed on state inspectors which right now is too much.

## Part Two: Not in my Backyard



# The Problem

Throughout New Mexico developers are struggling with a problem we refer to as “not in my back yard”.

- Basically this means that local municipalities are stifled by local citizens who do not want change.
- Worried about reelection and wanting to represent their constituents in the best way possible, city counselors, mayors, etc. will often be reluctant to back growth and stop both infill projects or create new developments in outlying communities.
- When new neighborhoods are not allowed to be created, this stifles both job growth, but also increases homelessness, home prices, and curtails new tax dollars.
- This is happening across the state from Taos, Farmington, Los Alamos, Mesilla, etc.

# How has this led to Affordability Issues?

The result has led to unaffordable housing and a housing shortage in different areas of the state. For example, let's focus on three areas:

- Currently the average new home in the Santa Fe Metroplex costs \$650,000 to build, but it must cost \$300,000 to be in reach of the average Santa Fe single family household. Furthermore, for-sale inventory in Santa Fe dropped 50% last year alone, which will only push prices up in the future.
- In the Albuquerque/Rio Rancho Metroplex (including communities such as Los Lunas and other outlying areas), we currently have a lack of for-sale home inventory. We currently have 1,444 properties on the market, but to have a healthy and affordable market, we need 7,074 single family homes to be on the market today. By 2025 we will need 10,791 new homeownership units built and by 2030 we will need 20,269 to accommodate growth in households.
- In Carlsbad, NM there is currently 1 available single family home on the market for every 2 available buyers. While inventory rose during the COVID-19 pandemic, demand is expected to rise as oil demand has increased in the state. Inventory needs by 2025 is expected to rise to 1 for-sale home to every 4 buyers.



# Finding Solutions

We need to work together, and it must come from the top. The homebuilder industry recommends:

- There must be laws in place that every community in New Mexico has “smart growth” rules in place. This means that a certain number of both multi-family and single family units are *mandated by the state* based on the needs of the community each year for the betterment of each community.
- Smart growth means that local governments and state governments work with developers to create both infill projects (new communities within the heart of a community to redevelop a city) and new communities on the outskirts of city that allow for both affordable housing and simply new housing.
- While resident input is vital and valued, it cannot be the end of the discussion. Everyone has to understand that growth is a part of living within a shared community.
- Housing, job development, and smart growth can help increase opportunities and quality of life for all residents in New Mexico and that is something we must communicate to all citizens. It will lead to an increase in better education, health care, and stronger community ties. Rising tides raise all boats.

# The Labor Shortage



# The Problem With the Labor Shortage

As we talked already in this presentation, the demand for housing is only growing. Yet the labor shortage is slowing the pace of construction and raising the cost of a new home.

- Part of the problem is that our labor force is aging out in skilled labor. According to the Bureau of Labor and Statistics, 20% of the labor force are ages 55 or older. 61 is the current average age, meaning that in the next 5 years we are at risk of a 5th of our industry retiring out.
- Current restrictions on immigration have also limited the number of non-skilled labor on job sites. Frankly spoken, we don't have people working jobs that are simply not as appealing to the average person. This includes stucco work, job site clean up, rock walls, framing, etc.
- Younger generations of students are not interested in construction or encouraged to go into our industry.

# Short-term to Long -Term Solution # 1

We need to have a partnership with public education and the construction industry to encourage construction education as the next step for our students.

- We need to work together so that community colleges in each county have funding for technical programs such as: plumbing, refrigeration and air conditioning, electrician, etc. Not every student needs a 2 year degree or a 4 year degree to make a good living in this country.
- We need to work together with high schools to encourage students and make sure they have the money they need to get these certifications, especially those most at risk or not identified as college bound. Working with Americorp, we already have trades who would love to have high school students intern, but we need help.
- Eventually, we need to integrate these certification programs into our school districts themselves so that students are graduating with trade diplomas ready to work in the industries right out of high school. Already other states are doing this with great success. It doesn't have to be the end of a student's career. It can be the beginning of a person's life. They can go on to run their own business or further their education. When we empower young people, they choose to fly.

## Short-term to Long -term Solution # 2

I'm not going to stand here and pretend I know how to solve illegal immigration, but I will not lie and tell you it does not affect our industry. The fact is having grown up in a migrant community it will always be there whether we talk about it or not, and so I choose to be honest and talk about it.

- One solution I do have for us is to encourage our national state representatives and governor to encourage temporary visas for lower skilled workers to come here legally and work for us. We need them. The industry needs them now. Back in the day, we called it the “Bracero” program, and we need one for today.
- We also need a national road map for legal immigration for both those here and those who want to come here. This way the industry has a clear pipeline for our trades of those who want to work for us. No one wants to hire under the table. No one should live illegally. Our industry needs workers, but we want to do it correctly.

That's all Folks! Any Questions?







# PAVILION

## CONSTRUCTION



PAUL LAMB

VP OF ESTIMATING / PURCHASING



KARL SMITH

VP OF NEW CONSTRUCTION



# CONSTRUCTION COSTS

2019

Lumber Costs

\$120k / Unit

2022

Lumber Costs

\$180k - 240k / Unit

SINCE THE BEGINNING OF THE PANDEMIC:



MATERIAL

▲ 35.6%



LABOR

▲ 6.7%



EQUIPMENT

▲ 14.8%

Sources:

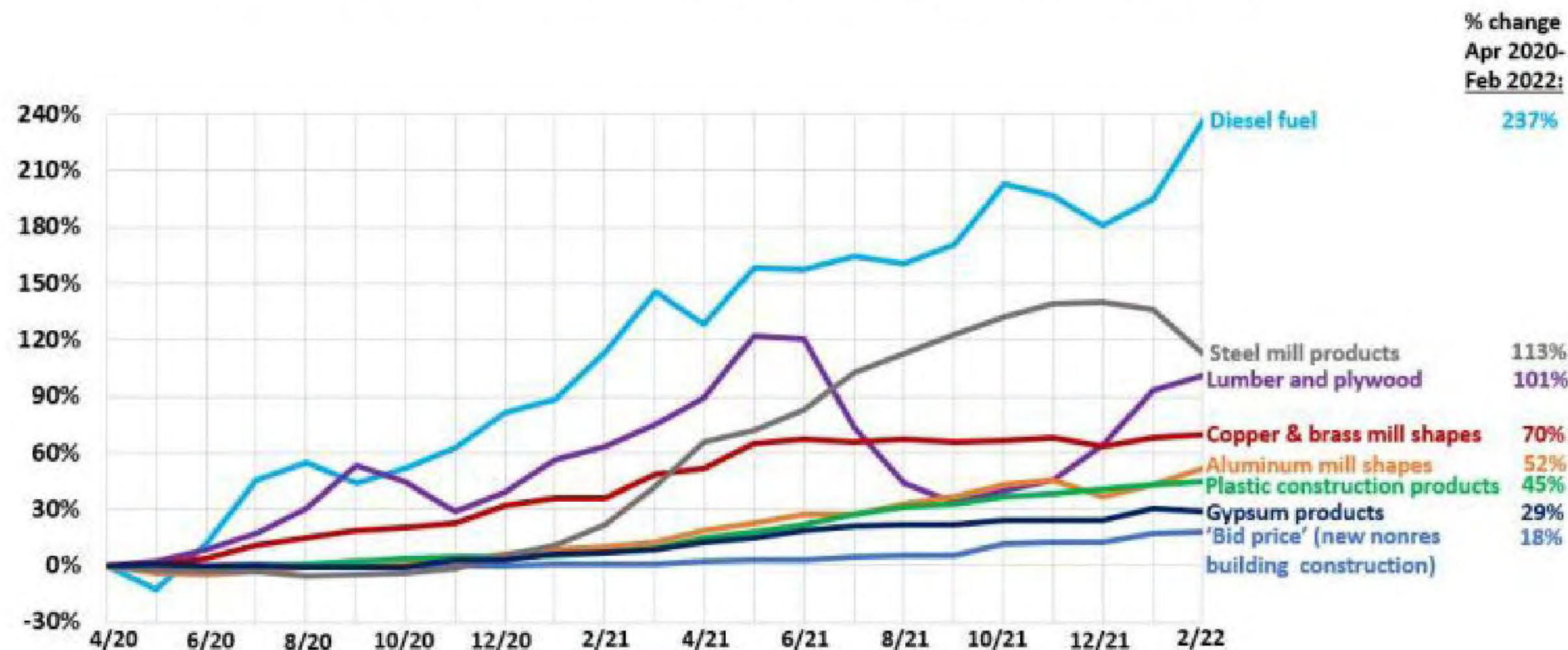
- [National Association of Home Builders](#)
- [Federal Reserve Economic Data](#)
- [Trading Economics](#)



**Figure 1**

**PPIs for construction bid prices and selected inputs**

cumulative change in PPIs, April 2020–February 2022, not seasonally adjusted

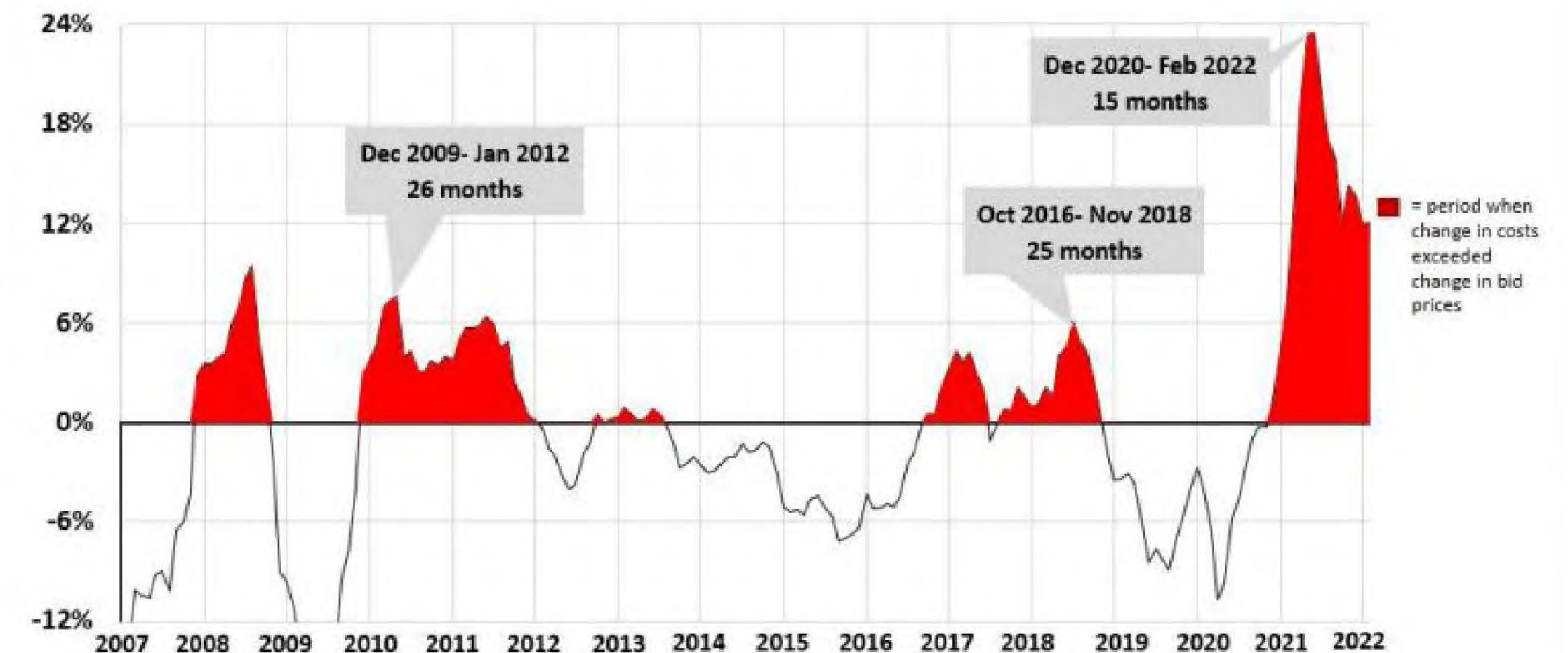


Source: Bureau of Labor Statistics, producer price indexes, [www.bls.gov/ppi](http://www.bls.gov/ppi)

**Figure 6**

**Cost squeeze on contractors can last two years or more**

Difference between year-over-year change in materials costs vs. bid prices, Jan 2006–Feb 2022



Source: Source: Bureau of Labor Statistics, [www.bls.gov/ppi](http://www.bls.gov/ppi), producer price indexes for goods inputs to nonresidential construction (material costs) and new school building construction (bid prices)

- Extreme runup in input costs caused financial hardship for many contractors and subcontractors

Sources:

• [Associated General Contractors of America](#)



# INFLATION AND LABOR



## Inflation Impact

- The construction industry is in the midst of a period of exceptionally steep and fast-rising costs for materials, including supply-chain disruptions, and increasing inflation



## Labor Demand is Extreme Everywhere

- The construction industry lost 1.1 million employees from Feb-April 2020, a 15% decline in just 2 months
- Construction industry in NM grew by 5,100 jobs or 10.8% over the past year.
- In NM, 4 out of the 5 most numerous construction occupations had higher median pay than the median for all employees in the state in 2021.

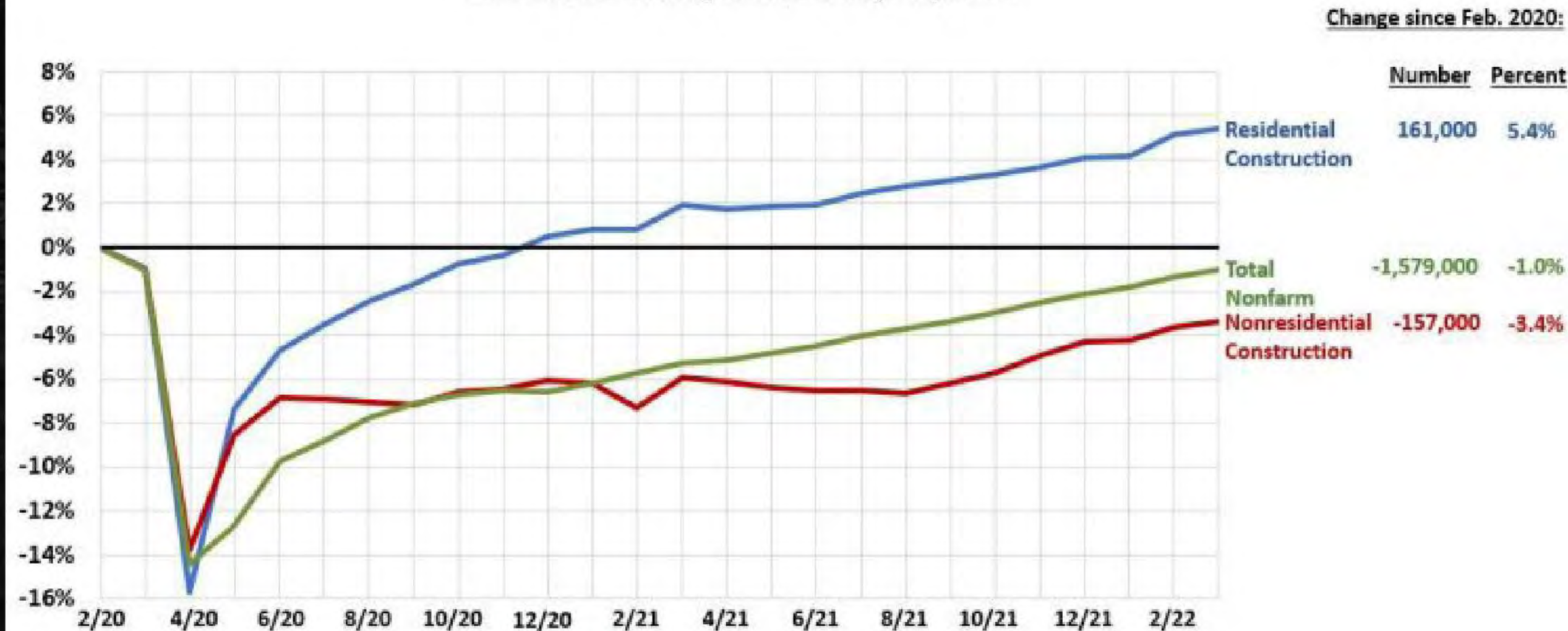
Sources:

- [New Mexico Dept of Workforce Solutions](#)
- [Associated General Contractors of America](#)



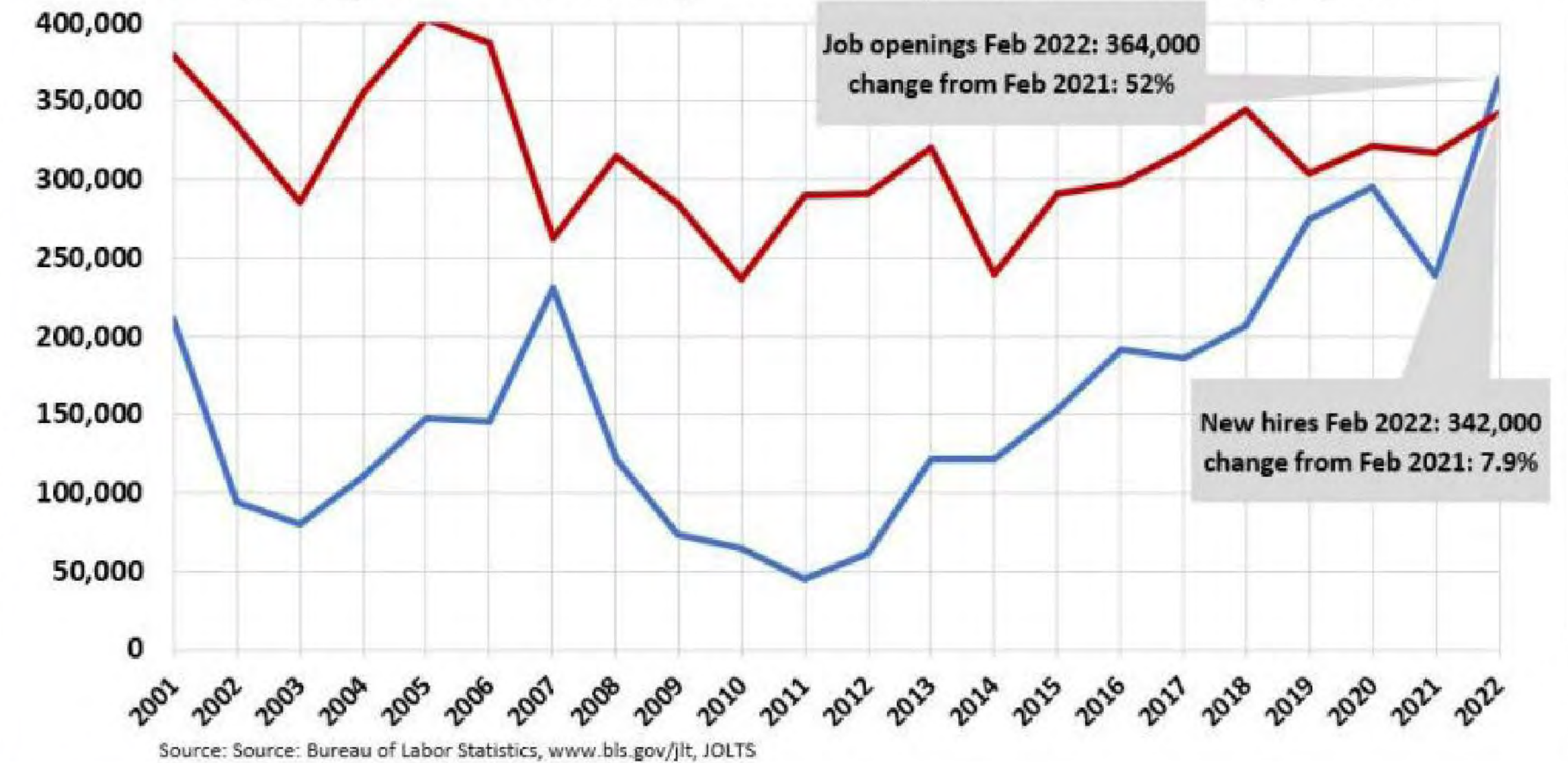
**Figure 2**

**Total Nonfarm & Construction Employment, Feb. 2020–March 2022**  
cumulative change, seasonally adjusted



**Figure 3**

**Construction job openings exceed hires, set record high for February**  
Job openings and hires, February 2001–February 2022, not seasonally adjusted



Sources:

• Associated General Contractors of America





## Developers Stuck

- Adjustments to design, completion, and payments to work around cost impacts
- Set realistic expectations about current costs/likelihood of increases
- Consider price adjustment clauses to protect from unanticipated price swings



## Returning Tax Credits

- In 2021, due to rising costs, some developers realized projects were no longer feasible and returned their awarded tax credits for re-allocation or later distribution

Sources:

• [Associated General Contractors of America](#)





Preservation  
(Renovation)

vs.



New Supply  
(New Construction)





**PAVILION**  
CONSTRUCTION

# Tab 6

# Tab 7



# Tab 8

# Tab 9

# Tab 10

Tab 11

# Tab 12

# Tab 13

# Tab 14

# Tab 15



# Tab 16

# Tab 17