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FISCAL IMPACT REPORT

BILL NUMBER: House Bill 17

SHORT TITLE: Accessory Dwelling Units in Certain Areas

SPONSOR: Romero, A

LAST ORIGINAL
UPDATE: _____ **DATE:** 1/27/2026 **ANALYST:** Montano

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
	No fiscal impact	No fiscal impact	No fiscal impact			

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to Senate Bill 131

Sources of Information

LFC Files

Agency or Agencies That Were Asked for Analysis but did not Respond

Regulation and Licensing Department
New Mexico Attorney General
Administrative Office of the Courts
New Mexico Mortgage Finance Authority
New Mexico Counties
Office of Housing

Because of the short timeframe between the introduction of this bill and its first hearing, LFC has yet to receive analysis from state, education, or judicial agencies. This analysis could be updated if that analysis is received.

SUMMARY

Synopsis of House Bill 17

House Bill 17 (HB17) alters material in Section 3-21-1 NMSA 1978 (Zoning-Authority of County or Municipality) and creates two new sections of law, 3-22-2 and 3-22-3. The bill would broaden the requirement that zoning authorities allow multifamily housing within a single-family zoning district under certain conditions by removing a condition that linked the use to multigenerational housing.

In the sections creating new law, the bill would mandate that zoning authorities allow the construction of at least one accessory dwelling unit for each lot that is within residential zoning, regardless of the size of the lot. The accessory dwelling units can be either attached or unattached to the original residential property and must be built further than five feet from the property line and 10 feet away from any other structure on the property if not attached. The bill would establish that a zoning authority, in setting conditions on accessory dwellings, could not impose single-family or owner occupancy requirements on an accessory dwelling unit, charge additional impact fees if the existing utility infrastructure is sufficient to accommodate the accessory dwelling unit, limit the maximum size of an accessory dwelling unit, or require more than one parking space per accessory dwelling unit.

HB17 would require zoning authorities to allow for the construction of multifamily housing in all residential and commercial zoning districts and areas within one-fourth mile of major public transit. HB17 includes building requirements for these multifamily homes that revolve around a minimum density of 10 units per acre, a minimum build height of 36 feet, and at least one parking spot per unit.

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

This bill does not have a direct fiscal impact on the state.

SIGNIFICANT ISSUES

In analysis of identical legislation from 2025 (House Bill 554), the Governor's Office of Housing noted that the state's median rent has increased 60 percent since 2017, with the average cost of homes outpacing wage growth. The office adds that accessory dwelling units can boost affordable housing due to their smaller sizes and utilization of existing infrastructure, which can lower development costs. The office states there was a decline in multifamily rental permits in the third quarter of FY24, which dropped 24 percent due to high commercial construction costs and high interest rates. The office states that HB554's provisions of adding multifamily units in commercial areas can utilize existing infrastructure and parking and allow access to jobs, services, and transit options.

Additionally, the office noted:

One obstacle to the creation of new accessory dwelling units is that their construction forces a current and correct property tax valuation. Residential properties in New Mexico are subject to a 3 percent annual cap in property tax increase, so if an owner with significant tenure builds an accessory dwelling unit, they can see a shock increase in property tax often doubling or tripling their current property tax rate. One way to help make sure that regulatory changes lead to actual new home construction would be to provide a temporary abatement, or have taxes ramp up over a set period of time to current and correct value. Allowing taxes to increase 20 percent towards current and correct per year for five years would give time for existing owners to adjust to increased property taxes.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to Senate Bill 131

Duplicate of HGEIC amendment to House Bill 554 from 2025 regular legislative session.

NM/ct/hg/sgs