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FISCAL IMPACT REPORT

BILL NUMBER: House Bill 194

SHORT TITLE: Expand Metro Redevelopment Code & Projects

SPONSOR: Rep. Parajon/Sen. Tobiassen

LAST ORIGINAL
UPDATE: _____ **DATE:** 02/03/26 **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

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 House Bill 194

House Bill 194 (HB194) expands the Metropolitan Redevelopment Code by authorizing local governments to designate housing shortage areas, support qualifying multifamily redevelopment projects, and extend property tax exemptions with payments in lieu of taxes for such projects for up to twenty years. 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 15 percent of which are qualifying multifamily units. Qualifying multifamily units are units leased or available for lease to households with incomes between 70 percent and 95 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 85 percent of area median income.

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 must be at least seven years and may extend up to twenty 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.

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 twenty 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 15 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.

Income band and rent standard ambiguity. The bill defines qualifying multifamily units as those leased to households earning between 70 percent and 95 percent of AMI, with the additional requirement that the *average* AMI of households occupying qualifying units not exceed 85 percent. As written, this appears to exclude households below 70 percent of AMI from qualifying units, even though lower-income households are typically the primary target of housing assistance programs. Rents for qualifying units must align with HUD-published income and rent limit tables for the applicable area, but because HUD rent limits are generally designed around lower AMI thresholds (e.g., 50–80 percent), it is unclear how rents would be calculated or enforced for households at the upper end of the 70–95 percent AMI range. This structure may create implementation challenges and uncertainty for both local governments and developers.

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 at least seven years and up to twenty 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.

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.

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.

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