IMPACT of AFFORDABLE HOUSING on FAMILIES and COMMUNITIES PART ONE

September 10, 2020

The development of affordable housing throughout Santa Fe County is critical to preserving economic competitiveness by offering housing for workers at all income levels, supporting housing stability and economic opportunities and furthering the County's commitment to healthy and inclusive growth. This assertion is supported by numerous local, regional and national studies which offer evidence-based data which demonstrates that the development of affordable housing has a positive impact on families and communities and acts as a stimulus to the local community, providing new jobs, tax revenues and local business income.

Improvement and expansion of affordable housing reduces both household and community housing insecurity and assists in the formation and expansion of thriving communities. Communities, in collaboration with their local and state governments, can, and should, support the development of housing for individuals and families. Increased production, at all income levels and with a variety of housing types, benefits everyone throughout the community. A focus on the expansion and development of affordable housing will produce multiple benefits for Santa Fe County such as:

- Increased Household Stability & Economic Security
- Improved outcomes in Education & Health
- Enhanced Neighborhood Quality
- Increase in Sustainable Communities & Positive Impact on Climate Change

Household Stability and Economic Security

According to the National Low Income Housing Coalition (NLIHC), for every 100 very low-income renter households in the United States there are only 58 rental units affordable and available to them. A snapshot of the State of New Mexico shows approximately 75,457, or 28 percent, of renter households are extremely low income (ELI) and 63 percent of these renters are severely cost burdened. Further, at the end of 2019 NLIHC determined that the state had a shortage of 41,113 rental homes affordable and available for households with extremely low income. With so few affordable housing options, millions of low-income renter households are spending large shares of their incomes on rent.

In September 2019 Harvard University's Joint Center for Housing Studies released a study that documented the long-run decline in low-cost rental units in the United States over the past three decades. This study found that "…between 1990 and 2017, the number of units renting for under $600 inflation-adjusted per month (affordable for households earning $24,000 per year) dropped by nearly 4.0 million. This drop brought down the share of low-cost units at this rent level from fully 46 percent of the rental stock in 1990 to just 25 percent by 2017." This decline was in sharp contrast with the 10.9 million-unit overall growth in the rental stock over the same period. The contrast indicates that all net growth in rental housing stock was at higher levels of the rent distribution. The number of units renting for more than $1,000 per month rose by 10.3 million over 1990-2017, driving approximately 95 percent of all rental stock growth. Over the same period, state after state saw the rise of housing cost burdened households. New Mexico is no exception to this trend.

Santa Fe County Rental Snapshot

In 2019, Santa Fe County reported a population of 151,515 with 65,005 households. Fifty-eight percent of these households (37,587) live in the City of Santa Fe and 29 percent (18, 851) are renters, of which 72 percent (13,531) live in the city.

According to a Coldwell Banker Richard Ellis (CBRE) September 2019 Market Survey, there were a total of twenty-three multi-family communities in Santa Fe County. Of these properties, eleven are market-rate and twelve are affordable. Combined they total 3,685 rental units of which 52 percent, or 1,916, are affordable. At 19.5 percent of total rentals, this report represents a small number of the overall rental pool in the County because it does not include multi-family properties that did not respond to the survey, nor other rental options such as casitas, condos, townhomes and single family homes, all of which are available as both short and long-term rentals.

In early 2019, combined rental occupancy rates for the property pool identified by CBRE averaged 97.7 percent. Market rental rates in the county are the highest in New Mexico with a weighted average of $952 for a one bedroom and $1,071 for a two bedroom. Per CBRE, combined market-rate and affordable year-over-year rent growth was 11.49 percent, with market-rate units averaging a 13.66 percent increase in rents and affordable units increasing rents by 7.58 percent, compared with a 3 percent in January 2018. Staff research shows that the high occupancy and rental rates in these units are reflective of all other housing options for renters. The significant rent increases have exacerbated the decline in affordable rentals in Santa Fe County. These property performance indicators confirm Santa Fe's supply/demand imbalance. Today, County rentals are in lock step with the findings identified by the Harvard researchers in late 2019.

Condominium Conversions

A market condition often overlooked are the number of rental properties that have been converted to condominium ownership over the last fifteen years. San Mateo de Santa Fe is an example of this significant market change, demonstrating an upward shift in the distribution of rental units. San Mateo de Santa Fe has a total of 203 units. It initiated conversion to condominiums in 2005 when several of the units were sold to investors. Prior to the conversion, the property was a B class market rate property with moderately priced, affordable rents. Today there are a handful at this property for rent or sale. While sales prices are relatively modest in comparison to the market overall (below $300K for a two-bedroom) rental rates are higher and more correlated in price to the newly constructed market-rate units in the city with one bedrooms renting for $1,500 and two bedrooms renting for over $1,650.

Condominium conversions also occurred at Zia Vista Condominium (199 units) and Tierra de Zia Condominium (149). Both properties, originally, were moderately priced rental communities. Today, rental prospects can also find units for rent at these condos, although availability is considerably less than San Mateo. Other smaller rental communities have also been converted throughout the city over the past decade. Most of these conversions displaced existing renters. Collectively the three largest conversions removed over 551 moderately priced rentals from the marketplace. These units have never been replaced.

Loss of LIHTC Units

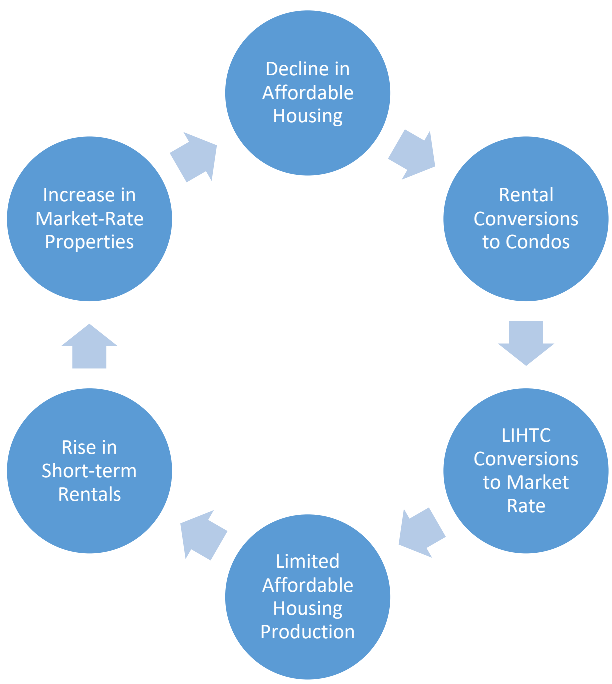
In 2018, the County lost 269 affordable rental units in two Low-Income Housing Tax Credit (LIHTC) projects; The Bluffs at Tierra Contenta and Vista Linda Apartments. Both properties had reached the end of their fifteen-year compliance period and were converted to market-rate properties. Today, rental rates at these properties are at least 50 percent greater than the average LIHTC rent. A recent visual inspection of these properties showed no signs of reinvestment in building and ground exteriors, although, by phone, staff indicated units were being renovated. These 269 affordable rental units have never been replaced.

Short-Term Rentals

Of increasing concern to housing providers is the decline in privately owned long-term rental units. Conversion of privately owned casitas and single family homes or condos/townhomes to short-term housing rentals, via Airbnb and Home Away, has increased 32 percent from 910 units in 2016 to 2,132 units in 2019. This growth has shrunk the number of available rentals in Santa Fe, especially at the higher end of the market. Consequently, higher income renters have turned to more moderately priced properties to rent. This has allowed owners to increase their rental rates with modest increases in amenities and upgrades to the units.

Housing has its own ecosystem. Any change is one sector of the housing market will ripple through the other sectors in the same geographic area. Supply contraction in the Santa Fe marketplace has negatively impacted all rental groups. Collectively the events outlined above have created a cascading effect depressing the supply of affordable units accessible to households at a variety of area median incomes, especially the very lowest income renters; those desperately in need of affordable housing in the County.

Below we have illustrated these market changes in the County.



Major Factors Contributing to Increasing Housing Cost Burden

There are several trends that are increasing the number of cost-burdened households and contributing to the unmet need for affordable housing in the county.

- **Household incomes have not kept pace with escalating housing costs, especially for the lowest-income households.**
  The workforce in Santa Fe County is concentrated in low-wage jobs. A January 2019 Report from the U.S. Census Bureau reported a national median income of $63,688. In the same year, the area median income in Santa County was $57,498; almost 10 percent below the national average and with over 12 percent of the population living in poverty. Increases to annual incomes have remained negligible averaging $1,200 year over year from 2000 to 2019.

- **The County's economy has not rebounded from the 2010-2019 recession with annual average growth of only 0.2 percent per the U.S. Census Bureau.**
  This lack of growth has resulted in limited opportunities for households to secure new employment with increased wages.

- **Santa Fe County has lost both existing moderately priced rentals as well as publicly subsidized housing through conversion.**
  Over the past fifteen years over 800 affordable rental properties have been converted to homeownership and/or market rate rentals. These conversions include: San Mateo de Santa Fe, Zia Condominiums, Tierra de Zia, Bluffs at Tierra Contenta and Vista Linda Apartments.

- **Santa Fe County has experienced limited housing production over the past decade.**
  Limited new housing has been built, especially at affordable price points, to provide a home to renters or prospective homebuyers. Demand remains high but the development of new homes has remained low. Overall, households have become more unstable and insecure as existing property rents and home prices have risen

  Unmet Affordable Housing Need
- In 2019, Santa Fe County had an unmet affordable housing need of just under <u>8,300</u> rental units due, in large part, to the fact that 44 percent of low and moderate income renters are cost burdened, paying over 30 percent of their income for rent (See SF County Economic Development Plan draft report, May 2020).

Lack of Affordable Housing Production
Santa Fe County's growing affordable housing need and diminishing affordable housing supply is expected to cause the number of low-income households unable to find affordable housing to double over the next twenty years. Over the past ten years, there has been minimal production of affordable rental housing in the City of Santa Fe. A total of 497 units were produced, an average of 49 units per year. Of those 497, 191 units were new rentals with the remaining 306 units considered replacement housing. Specifically, 220 units were redeveloped by the City's Public Housing Authority and 86 units were rehabbed as part of a tax-credit re-syndication with a private developer. All of these aged units were clearly in need of renovation, yet they do not represent an *expansion* of affordable housing. They represent a *retention* of affordable housing.

The 191 new rental units were added through two Housing Trust developments; Stage Coach Apartments, opened in 2013, and Soleras Station, opened in 2019, and efforts of the City PHA, adding 16 new units at Villa Alegre and 28 units at Campo Apartments.

The proposed development of Camino de Jacobo will represent the first time the County has developed affordable rental housing in over three decades. Looking ahead, the County Public Housing Authority will also be required to undertake major rehabilitation of its existing and aged rental portfolio.

Local Housing Production
In June 2020, the City of Santa Fe reported fourteen projects in various stages of construction. These fourteen projects will create **1,128** new housing units. Six of the fourteen projects will provide affordable housing units, resulting in a total of **<u>77</u>** units of affordable housing being developed. These 77 units represent 6.8 percent of the total new housing units being built. Nine of the affordable units are condominiums and the remaining 68 are single-family homes. The overall construction development breakdown is as follows:

- 2 of the 14 projects, totaling 211 units, are independent living facilities designed for seniors - Las Soleras Senior Living and La Secoya de El Castillo. This project had no affordable housing requirement.
- 5 of the 14 projects, totaling 473 units, of which 383 are rental units, paid a fee-in-lieu or a small project fee to the City of Santa Fe to waive the city's affordability requirements.
- 6 of the 14 projects, comprised of a combination of single-family homes, condos and live-work homes and totaling 444 new housing units, will provide a total of 77 affordable units.
- The final project, the third phase of Estancias de Las Soleras, appears to have no requirement to include affordable units or pay the city's fee-in-lieu.

Twenty projects, proposing the development of **1,585** new housing units, have received approval from the City's Planning Commission. Eight of these projects will create and develop affordable housing units, totaling **163** new, affordable units. These 163 units represent 10.2 percent of the proposed 1,585 new housing units. The remaining 12 projects paid a fee-in-lieu or a small project fee to the City to waive the affordable housing requirements.

The Siler Yard Apartments development, with 65 projected affordable rental units, is part of this group of eight projects contributing to new affordable units. The project was awarded low income housing tax-credit (LIHTC) funding from NM Mortgage Finance Authority in February 2020. Additionally, a second multi-family project, 5750 Airport Road Multi-Family, will provide 35 affordable rentals. The remaining 63 affordable units are single-family homes.

The City also reported 709 units under permit review across four projects. Of this total, 660 units are rentals and will pay a fee-in-lieu instead of producing affordable units. One of the four projects is a small subdivision with 49 units. It has committed to providing 9 affordable single-family homes.

Collectively, across all of the approved or proposed 3,422 housing units to be developed in the City, **249** units (7.2%) will be set aside as affordable housing units.

The City of Santa Fe's new market-rate communities, all of which bought out of their affordability requirements, are unreachable for approximately 45 percent of renters (8,500 households) in the County. Broadstone Apartments is illustrative of this lack of affordability. Broadstone Apartments is a newly constructed, 188-unit market-rate community of one, two and three bedrooms recently opened on Rodeo Road near St. Francis. The community's starting rents were $1,450 for a 1 bedroom/1 bath and $1,775 for a 2 bedroom, 2 bath. All rents are exclusive of utilities. At a minimum, the rents require an annual income of $58K for the one bedroom and $71K for the two bedroom to avoid being cost-burdened, (households spending more than 30 percent of their household income, excluding the cost of utilities, on rent or mortgage payments are considered cost-burdened). Furthermore, the one and two bedroom starting rents are 56 percent and 66 percent respectively above HUD's 2019 Fair Market Rents (FMR). These rents are out of reach for low-income wage earners and unaffordable for middle-income wage earners with children in the County.

Per the County's AS400 software system, from FY2015 - FY2019, the County issued one building permit for 5 rentals in 2015. Over the same five-year period, a total of **1,000** building permits were issued for single-family homes; an average of 200 annually. While the County's affordable housing programs have produced some affordability over the past six years, the volume has been dangerously low as evidenced in the chart below.

SANTA FE COUNTY	AFFORDABILITY PROGRAMS					PERFORMANCE RESULTS	
Affordable Program	***FY2015***	***FY2016***	***FY2017***	***FY2018***	***FY019***	***FY2020***	***TOTALS (6 YRS)***	***Average/YR Production (FY2015-FY2020)***
IZ PROGRAM	**5**	**2**	**2**	**2**	**1**	**4**	16	**2.7**
DP ASSISTANCE	**9**	**2**	**10**	**6**	**8**	**7**	42	**7**
HAPPY ROOFS	**4**	**1**	**1**	**2**	**5**	**3**	16	**2.7**
FORECLOSURE PREVENTION	**0**	**0**	**0**	**0**	**0**	**0****	0	**0**
DEVELOPER ASSISTANCE	**n/a**	**n/a**	**n/a**	**n/a**	**0**	**0**	0	**0**
TOTAL	**18**	**5**	**13**	**10**	**14**	**10**	**74**	**12.3**

In summary neither the City nor the County's existing housing programs appear to be meeting the goals of each governing bodies affordable housing plans.

A Functioning Housing Market

Up for Growth's April 2018 National Housing Report found that a functioning housing market needs to produce at least one new housing unit for every new household formed. In Santa Fe County, the strong real estate market has not resulted in increased residential construction. Over the last decade (2010-2019) the number of households in the County grew by 4.9 percent or 3,042 households. Over the same period, the County issued **1,549** building permits for new home production. Under this methodology, the lack of production has led to a current shortage of **1,493** homes and contributed to demand outpacing supply. The under production has put upward pressure on prices for homes and rentals. "These results are likely to get worse in the short run and will require substantive policy interventions to bring the ratio of units-to-households back into equilibrium" in accordance with the Report findings.

Limited Housing Choices

Low housing production, limited inventory and high housing costs lead to economic pain for thousands of households in the County. These households are faced with limited choices and difficult budget trade-offs with regard to other essential needs such as food, healthcare, transportation, day-care and emergencies. These trade-offs can lead to serious negative consequences. In these situations, children may experience poorer health outcomes, lower levels of engagement in school and emotional/mental health problems. Many Santa Feans are one emergency, such as an unexpected car repair or medical bill, away from eviction or job loss. This crisis can be seen in the uptick in episodic homelessness in HUD's Point-in-Time (PIT) and national PIT estimates (2007-2019), where individuals and families living close to the edge are tipped into living in shelters, motels, cars or the street.

Access to safe, affordable housing sets the foundation for opportunities for success. Once affordable housing is secured, budget trade-offs lessen and adults and children alike experience a greater life balance. By focusing on low-income households, Santa Fe County will ensure that a diverse cross-section of residents, including many individuals who perform essential community functions, such as teaching, healthcare and emergency response, have access to affordable housing options.

A LIHTC SUCCESS

Soleras Station is an example of a new, successful and affordable housing project with high demand in Santa Fe. The property was funded utilizing 9 percent Low Income Housing Tax Credits (LIHTC) and consists of 73 LIHTC and 14 market rate rentals. It provides deeply affordable housing to households with incomes ranging from a low of

$22.8K (family of 4 at 30 percent of area median income (AMI) to a high of $45,600 (family of 4 at 60 percent of AMI). Rents are capped at 30 percent, 50 percent and 60 percent of a household's AMI. All households were cost burdened before moving into the Soleras Station development. Several of the units are set-aside for residents with special needs, ranging from transitioning from homelessness to individuals with mental and physical disabilities. Unsurprisingly, management reported 100 percent occupancy for the affordable units and large waiting lists. At initial occupancy, the rental ranges for one bedrooms were $363 to $504; two bedrooms were $606 to $850 and three bedrooms were $727 to $1,008.00.

The property's 14 market units are also affordable when compared to the conventional marketplace. They are capped at HUD 2019 fair market rates (FMRs) with one bedroom/ one bath units renting for $928/month, two bedroom/one bath units renting for $1,069/month and three bedroom/two bath units renting for $1,406/month exclusive of utilities.

The Soleras Station affordable housing development has reduced housing costs and enabled individuals and families to acquire household essentials and create savings for the future such as saving for a child's education or purchasing a home. Studies have shown that households in affordable units will spend nearly five times as much on healthcare, a third more on food, and twice as much on retirement savings as compared to their cost-burdened peers. The benefits of housing affordability and security create a positive impact on the economics of the broader community.

For low-income families, access to a property, such as Soleras, assists them in creating a stable environment for their children by reducing frequent family moves and lowering the risk of experiencing homeless. Since the 1980's, affordable housing programs like Soleras have been utilized, and proven, to close the gap of economic inequality. In an era of increased housing unaffordability and growing income inequality, Santa Fe County must develop a robust affordable housing program designed to create an abundance of affordable housing units in the County.

Education and Health

A child's performance and success in school can be seriously jeopardized when housing is unstable. Poor housing conditions, including substandard or over-crowed units, have been shown to cause serious negative impacts on the education and health of children and adults. In unstable housing situations, household members are less likely to secure what they need to thrive; nutritious food, good mental and physical health and proper medical services. Individuals facing housing instability are more likely to experience higher developmental risks and life-long health problems, such as asthma and diabetes, at an early age. When low-income households are cost-burdened, being forced to choose where to spend their limited resources, adults in these households are more likely to reduce or forego their access to health care and needed medications before reducing access for their children. This can result in mental distress, difficulty sleeping, incidents of depression and advancing illness. In severe, chronic cases this can lead to an adult becoming unable to care for their children.

According to a U.S. News and World 2020 Report on high schools, 54 percent of Santa Fe High School's student body, totaling 1,430, are economically disadvantaged. Economic status may negatively impact student performance and success. This same report indicated 93 percent of the Santa Fe High School student body did not meet math proficiency (2017-18) and 66 percent did not meet reading proficiency (2016-2017).

According to the U.S. Census Bureau, in 2019 14 percent of persons living in Santa Fe County, under the age of 65, did not have health insurance, making it less likely that they received proper health care when needed, including, preventative care.

In considering the compromised educational and health outcomes associated with cost-burdened households, the County PHA partnered with the Boys & Girls Club of Santa Fe to provide services to children at all three of its housing neighborhoods. The work of the Boys & Girls Club is essential, as it aims to provide health, educational and mentoring services with the intent to "inspire and enable all young people, especially those from disadvantaged circumstances, to realize their full potential as productive, responsible and caring citizens".

In 2019, the performance achievements of the Club and its' members were exemplary. Over 2,000 children received benefits from the organization's charitable efforts and activities including:

- 36,669 free meals were provided to youth and families;
- 90% of club members graduated from high school; and
- $25,000 in college scholarship money was provided to their members.

Out of continued recognition of the interconnection between education, health and affordable housing, the Santa Fe County leadership, in its 2017 Health Services Gap Analysis, provided a roadmap for the Community Services Department to improve the health and safety of all residents in the County. As noted in the analysis, *good health and safety begin with a great and affordable place to" live".*

The Health Services Gap analysis highlights the link between a stable home environment for children and improved educational outcomes. Studies undertaken by Enterprise Community have found that housing stability reduces the number of missed school days for children, decreases the likelihood of repeating a grade, reduces disengagement and behavioral problems in the classroom and increases the overall graduation rate.

Many affordable housing communities across the Country acknowledge the positive role they play in supporting student performance and success. Most affordable housing communities offer after-school programs to children in a variety of age groups and backgrounds. These communities serve as a platform for supplementary and enhanced educational programs which help vulnerable children access better educational resources and improve academic outcomes. These programs are also a critical component of community building at both the property and neighborhood level.

Neighborhood Quality

According to research conducted by RMC Architects in the State of Washington, "neighborhoods hold both spatial and social qualities. Their degree of social capital – network of relations that foster neighboring behavior – is what makes it relatively stronger or weaker. High social capital generates a sense of belonging and identity that in turn improves overall safety health and wellbeing for residents. People and communities thrive in strong neighborhoods." Affordable housing development can attract a wide, diverse range of residents and this diversity can be a much needed boon to local, neighborhood businesses, the built physical environment, and social capital.

Traditionally, Santa Fe has been an integrated community with a strong mix of different ethnicities and income levels. Numerous housing reports have shown a direct relationship between a variety of housing types and income levels. From its inception, affordable housing has demonstrated multiple benefits to homeowners, renters and communities in helping to close gaps in economic inequality and improve the surrounding neighborhood.

Today, neighborhoods in Santa Fe County, with higher than average poverty rates, have higher proportions of individuals who are Hispanic, immigrant, individuals not born in the United States and individuals not citizens. These areas also have the highest proportion of cost-burdened individuals with many paying 50 percent of their income, or more, for housing. Investment in affordable housing helps these high-risk households.

The National Association of Home Builders (NAHB) estimates that every 100 units produced, under a typical tax credit apartment project, generates approximately $7.9 million in local income, $827,000 in taxes and 122 local jobs within one year. On an annually recurring basis, the same development produces $2.4 million in local income, $441,000 in taxes and 30 local jobs. A study by the Local Initiatives Support Corporation (LISC) on the effects of LIHTC projects in New York City found that a cluster of developments boosted local purchasing power by one-third, contributing significantly to the retail vitality of the neighborhood. High quality, affordable housing generates economic opportunities for renters, neighbors, business owners, the community at-large and local government. This is the impact the governing body should expect from the County's planned development of Camino de Jacobo, in conjunction with the development planned by the surrounding landowners.

Sustainable Communities & Impact on Climate Change

Housing costs and commuting costs go hand in hand. Increasingly, households are willing to live further away from employment in order to secure the American dream of homeownership. Per a HUD 2017 American Housing Survey (AHS), 90 percent of commuters' report driving all the way to and from work.

Car pollution is a major cause of global warming with personal vehicle use a significant source of air pollution and greenhouse gases driving global warming. Investigations conducted by National Geographic and the Union of Concerned Scientists have shown that regular utilization of automobiles reduces a communities' overall health by generating chemicals that can have negative impacts on heart health, respiratory wellbeing and, in some cases, contributes to the development of cancer and certain birth defects. The climate is also adversely impacted at a time when climate change is front and center as one of the greatest threats to our planet.

According to U.S. Census data at the end of 2017, there were a total of 62,507 workers employed in Santa Fe County. Sixty-two percent (38,883 employees) of these workers lived in Santa Fe and 37.8 percent (23,624 employees) commuted into the County for employment. This represents a 14.3 percent decrease in the number of Santa Fe workers living in the County over the past 15 years and correlates to data on Santa Fe County's workforce, where approximately 30 percent of SF County's workforce do not live in the County.

This recent census data shows that an increasing number of workers commute into the County for work from Albuquerque, Rio Rancho, Espanola and surrounding communities. This can be attributed to minimal job and household income growth within Santa Fe County. A principal contributor to the increasing number of commuting workers is, the lack of affordable housing options in the County. As of 2020, Rio Rancho homes were priced at an average median price of $136/square foot. This number is slightly higher in Albuquerque at $152/square foot. These prices are fifty percent and forty-four percent lower, respectively, than Santa Fe County with a median square footage price of $270.

Thirty-four point eight percent of workers (20,717 employees) lived in Santa Fe County in 2017 but were employed outside the County. This is a 38.7 percent increase from 2002 (14,936 employees). For these workers, the highest percent of out-commuting was to Albuquerque and Los Alamos.

We know that workers in Los Alamos were forced to take up residency in Santa Fe due to the lack of housing options in Los Alamos. Pursuant to a press release from LANL in January, 2020, 56 percent of their workforce lives outside of Los Alamos County, with a significant number living in Santa Fe. These workers are paid substantially more than the average Santa Fean, with a median household income of $115,000, per the 2018 U.S. Census. These households have undoubtedly contributed to the growth in County home prices as they have greater spending power to meet their housing needs. Furthermore, there is an expectation that LANL and its affiliated subcontractors will grow by at least another 1,250 employees, and this comes after the additional 1,250 employees brought on in 2019. Ultimately this will lead to intense demand for more middle and upper middle income housing.

Most in- and out-commuters use personal vehicles in their commute as the Rail Runner has seen a steady decline in ridership since service was extended to Santa Fe in 2009. Automobile trips to Santa Fe from Albuquerque/Rio Rancho and Los Alamos average 130 and 66 miles' round trip respectively. Employing the standard Terrapass carbon footprint calculator yields the following statistics for car emissions for the 23,624 in-commuters:

- ✓ One 2020 Subaru Outback, traveling 130 miles daily, Monday – Friday, from ABQ/RR to SF 50 weeks per year. The carbon footprint is 20,124 pounds of CO2e per year per commuter.

A community will need to plant **234** urban trees annually to offset one automobile's harsh environmental impact. In the case of all in-commuters, Santa Fe County will need to plant over **5.5 million** trees annually to offset the carbon footprint.

Commuting is the antithesis of what Santa Feans believe their community to be; namely one that accentuates ecotourism, outdoor recreation and well-being. All three of these industries are target growth industries for the County and are likely to contribute to an expanding employment base and higher paying jobs. The overall increase in commuting augments the detrimental effects for commuters, the community and environment, and undermine existing County policy and goals.

When considering, building healthier communities and protecting the environment in Santa Fe County, increasing the supply of affordable places for employees and their families to live near jobs, stores, transit and other daily needs is essential. Without this opportunity, workers will be forced to access housing in communities further away and will be unable to fully participate in our community. This can be demonstrated by the reality that in-commuters do not vote in Santa Fe and typically don't spend their money in Santa Fe County, resulting in a significant reduction in GRT.

Providing affordable housing across a variety of housing types has the potential to:
1) reduce commuting, increase community participation and available family time;
2) reduce carbon emissions, improve air quality and climate conditions, and;
3) improve health outcomes by making it easier for residents to utilize alternative, and healthier, transportation modalities such as walking and biking.

Summary

More and more governments are investing in the development of affordable housing as an effective policy to help revitalize and integrate low-income areas. Many studies, across the country, have found that new properties in poorer neighborhoods increase surrounding home prices and reduce crime. Today's affordable housing communities attract a wide, diverse range of residents and this diversity has been a much needed boon to local, neighborhood businesses and larger companies alike.

Housing is the single biggest expense for most people and often the most worrisome. When families can afford their rent or mortgage payments each month, it frees up their ability to spend more on other essential items. Investment in the development of affordable housing in Santa Fe County must be considered an asset. It creates a win-win scenario because development and property operations contribute substantial fiscal and economic benefits in a variety of ways:

- One-time and ongoing job creation and spending, creating a competitive advantage for the community;
- Positive fiscal impacts for state and local governments;
- Improved worker and employer attraction and retention due to decreases in out-migration and improves environmental conditions; and;
- Increases the buying power of residents.

Attempting to meet current demand in Santa Fe County will take decades. Doing so will require a robust, concentrated menu of new rental units and programs to develop multiple housing type. This menu must include options for first-time buyers and "the missing middle", also known as housing for the workforce, such as teachers, janitors, police, etc. County government, like its peers across the County, can and must take an active role in creating new mixed income neighborhoods throughout the community. We have an obligation to our constituents to drastically improve the quality of life for our employees, our neighbors, our family and our workers by providing a place they can call “home.”

AFFORDABLE HOUSING NEEDS, COMMITMENT, PROGRAMS and FUTURE CONSIDERATIONS PART TWO

Housing Needs in Santa Fe County Today

The County needs a broad set of tools that address challenges around both the supply of, and demand for, housing. It also needs to acknowledge the importance of protecting residents from exploitation and instability. While mobile vouchers play a very important role in providing subsidy to individuals who reside within the private rental market, in and of themselves, they are not a panacea. Only when increased subsidies are implemented with policies that increase housing supply can all lower income households benefit.

A market survey is not needed to confirm what housing staff, educators, social services providers and medical teams already know about the issues facing individuals and families in need of adequate and affordable housing throughout the County. Metrics from sources such as the U.S. Census, CBRE, Bureau of Labor Statistics, MFA, national housing organizations and our local, non-profit partners all confirm Santa Fe County has a housing crisis. The housing needs of very low, low, and moderate-income households are diverse and rising. Highlights of the current situation as identified in SF County’s draft Economic Development Plan dated May 21, 2020 are outlined below:

- 77% of renters below 30% AMI and 76% of renters between 30-60% AMI are cost burdened.
- 64% of owners below 30% AMI and 56% of owners between 30-60% AMI are cost burdened.
- Wages are directly tied to employment sectors. In Santa Fe County, accommodations and food services represent the highest percentage of employment and the lowest paying jobs. At almost 18 percent of the workforce at the end of 2019, these employees were in significant economic strain even before COVID-19.
- Approximately 13% of the county population, 19,000 households, has a reported disability.
- The Population of residents 65 and older has increased from 15.2 percent of the total in 2010 to 21.1 percent in 2019.
- The county experienced a 64 percent decline in building permits from 2000 to 2018, averaging 154 permits per year between 2010 and 2018 as compared to 427 permits per year between 2000 and 2009.
- Growth in new affordable rental housing averaged 19 units annually over the past decade. Replacement affordable housing averaged another 30 units, annually, over the same period.
- In August 2020, the County PHA reported a total demand of 1,996 households awaiting a Section 8 mobile voucher and 1,131 households awaiting PHA housing.
- At the end of 2019, SF County had an unmet rental housing need of 8,300 units due in large part to the fact that individuals and families are largely unable to find affordable housing in the County.

Core Principles Guiding Existing County Housing Programs

The County has long expressed a commitment to provide increased housing opportunities within a broad range of incomes for current and future residents of the County. It enacted its first affordable housing programs in 2000 in collaboration with a task force that also participated in the development of the City’s Affordable Housing Program.

Changes have been made to the initial programs and with adoption of Chapter 13 of the County's Sustainable Growth Management Plan (SGMP) in 2010. The County recognized:

"…an aging population and changing economic conditions will play a significant role in the tactical development of policies and actions related to housing needs and demand." Furthermore, the SGMP acknowledged the current housing ordinance will need to be reviewed to establish geographic variation to applicability, to address unique local need, conditions, and development patterns, and provide for a variety of incentives including water availability, density bonuses, energy efficiency, development fee exemptions or credits, developer direct subsidy, reduced water utility connection charges or lot size reductions."

Historically the County's in-house affordable housing programs have been driven by the following stated core principles:

- Focus limited County resources on serving the populations in greatest need of affordable housing.
- Use land use policy to support housing production that includes a proportionate share of affordable housing.
- Prevent foreclosures of affordable homes through mediation and re-purchase.
- Ensure roof and home repairs/replacements to low-income homeowners in order to relieve health and safety issues.
- Provide homebuyers with down-payment assistance enabling the purchase of a first home.

We would recommend the existing principles be expanded to include:

- Maximize efficient use of public subsidy and resources, including County owned physical assets, especially land and the ability to bond.
- Incorporate Smart Growth patterns in order to build to higher density inside transit corridors near employment centers and high-opportunity neighborhoods that leverage existing infrastructure and reduce vehicle miles travelled (VMT) and the number of cars on the road.
- Advocate, promote and provide for long-term supply of desirable and affordable workforce housing to strengthen the community and local economy and mitigate the increase in workforce commuting.

Existing County Affordable Housing Programs, Issues for Consideration and Recommended Changes in Program Perimeters

Inclusionary Zoning Program – New Construction Only

Ordinances: 1996-10, 1997-02, 1997-03, 1997-10, 1997-03, 2000-11, 2000-12, 2002-13, 2001-7, 2002-1, 2006-02, 2012-1, Resolution 2010-189 and SLDC Chapter 13.

The program currently requires developers of property within Central and Northern Santa Fe County to include 8 percent or 15 percent of total units as affordable ownership or rental housing, according to an Affordable Housing Plan and Agreement that must be approved by the County prior to the recordation of the final plat. The affordability percentages are dependent on the overall number of plats of the proposed subdivision.

The affordable housing must equally serve households in four income ranges: Income Range 1: (0-65% AMI); Income Range 2: (65-80% AMI); Income Range 3: (80-100% AMI); and Income Range 4 (100-120% AMI).

Santa Fe County establishes new maximum target home pricing for each housing type and income range annually in accordance with the publication of new federal area median incomes. New maximum prices, after subsidy, were issued by Santa Fe County on June 11, 2020. A copy of the new pricing is attached as Exhibit A.

Developers are required to sell affordable homes at, or under, these maximum target home prices which, if under appraisal, would then require a subsidy loan which is non-amortizing, zero percent interest and subordinate to the first mortgage loan. The County, or a designated non-profit, would hold a lien which secures this subsidy loan.

Homeownership opportunities are available for households that meet income qualifications and other program requirements at subdivisions throughout the County. In the past, these have included La Entrada, Turquoise Trail, Oshara Village, Rancho Viejo and La Pradera. More recently, opportunities for purchase are available at Tessera, a new Homewise subdivision.

Developers also have the option of providing an alternative means of compliance. These options include creating affordable units in other areas outside of the proposed development or making land donations or cash contributions, commonly referred to as a payment-in-lieu, according to formulas included in the Affordable Housing Ordinance and Regulations. Contributed land or cash is then deposited into the Affordable Housing Trust Fund and used for other affordable housing projects or programs administered by the County.

Under this program, the County provides an Affordability Mortgage and Note to first-time affordable buyers as part of a developer's Affordable Housing Plan. No County funds are expended in approval of these mortgages/liens although over time the soft second loans have come to represent a significant value to the County.

This program is tied to housing production. If there is limited production, then there are limited homes for affordable buyers. Overall, the contraction in the market supply contributes to the increasing housing costs in the County. As mentioned earlier in this report, the building permit production decline from 2010 through 2019 (average of 154 per year versus 427 per year from 2000-2009) has drastically reduced the number of affordable units created under this program. Assuming all permits yielded the 15 percent affordable build-out, affordable housing production declined 63 percent from 2010-2018 when compared to 2000-2009. A rough estimate projects a maximum of 23 affordable homes annually from 2010-2018 versus 63 affordable homes from 2000-2009. Of course such calculations do not take into account a lower required percentage nor a developer' ability to elect an alternative means of compliance. Reported program results provide evidence of an election for an alternative means of compliance.

From 2015 to 2019, there were a total of **12** first-time homebuyers reported under the IZ program. This is an average of 2.4 affordable homes per year. While some of the permit decline is due to the 2008 recession, there are other factors negatively impacting production levels as they have never returned to the highs seen from 2001 to 2005 when building permits averaged 569 annually.

Recommended Actions/Changes in Program Perimeters

- Identify the cause(s) in the decline in development and develop ways to remedy the impediments. Our research has shown that one of the major causes is the delay in previously planned infrastructure in the SDA-1 areas. These delays have stalled several developers in advancing their planned subdivisions due to the lack of sufficient infrastructure.
- Housing sales prices have significantly escalated since this program was put in place. In the first decade of the program, County soft loans ranged from $75K-$85K. Today they are well over $200K. The County must address this significant change as it presents a significant financial issue in the event of foreclosure.
- The County should expand its regulatory and financial incentives to developers to increase affordable housing per the guidance outlined in Chapter 13 of the SGMP.

- The County should study a developer's ability to provide an alternative means of compliance in order to increase the supply of affordable homes.
- Due to the increasing level of unaffordability in the County, the number of required affordable units should be standardized regardless of whether a subdivision is considered a Major or Minor Project.
- Require a developer to commit to a larger affordable housing percentage when they select an alternative means of compliance.
- Revise the fractional calculation so that any level of a fractional remainder automatically requires an additional unit.
- Revise calculation for increasing the maximum target pricing annually to better reflect underwriting criteria in the marketplace.
- Examine the area median income caps/ranges for each County program for consistency.
- Review all loan and financial requirements of borrower(s) for soft second loans.
- The County should share in any appreciation of home value.
- The County should compare the cost of new development infrastructure to the associated fee revenues that development produces.
- Increase cap on HOA fees to better reflect the marketplace (Since 2010 the cap is $100/month).

Down-payment Assistance – New Construction or Existing Affordable Home

Enabled by Ordinance 2006-02 and 2009-14. Resolution 2010-190 and SLDC Chapter 13.

"Down-payment (DP) assistance fills a void in community development when the cost of homeownership outpaces the wage appreciation in the area." Santa Fe County down payment assistance is provided to first-time affordable buyer(s) only. The purchase can be for a newly constructed home or an existing home. County funds of up to $20K are expended per transaction. The financial assistance is conditioned on a borrower's income and credit history. The borrower can have an income range at, or below, 65 percent of area median income (AMI) and up to 100 percent of AMI. The lowest income range borrower receives the largest amount of DP assistance. Increments are paid at $10K, $15K and $20K.

When the purchase is for an existing affordable home, the County also offers an Assumption Agreement. The Agreement allows for the purchase of the home and assumption of the current affordable homeowner's existing soft second loan with the County. No County funds are required in approval of these agreements.

Recommended Actions/ Changes in Program Perimeters

This program is tied to an affordable buyer's ability to locate an affordable home, which has become a significant challenge over the past decade in light of production and supply decline. Typically, the only affordable homes are ones that were previously purchased under a County program resulting in little to no expansion of affordable homes in the County, just a recycling of the same inventory. This issue has been detailed in program reports. From 2015 through 2019, a total of 35 borrowers received DP assistance. This is an average of 7 purchases per year. FY2020 saw the same number of purchases; 7 borrowers received a combined $120K.

- Increase the cap on borrower's income to match other programs for consistency and expansion of applicant pool.
- Size DP assistance to borrower need.
- Define income/debt ratio for all borrowers.
- Require borrower to have lived in the County for five (5) years prior to purchase date.
- Confirm interest rate is current and best rate at the time of purchase.
- Confirm bedroom size relative to family size.
- Develop guidelines for lending criteria and closing costs.
- Issue proposal for contractual services. Outsource assistance to a third-party provider.

- Consider undertaking a marketing campaign that specifically targets first responders, public employees, military personnel and teachers for homeownership in the County. Give the program a new name, such as Community Boost or County Kick.

Pre-Foreclosure Assistance

Santa Fe County provides free counseling and mediation services to homeowners in times of financial difficulty. Minimal assistance may include a lender forbearance agreement. Maximum assistance may include County purchase of the homeowner's residence before foreclosure. In the latter scenario, County funds are required and will vary depending on the primary loan balance and all associated costs to make-ready the home for sale to a new affordable buyer.

- Issue proposal for contractual services. Outsource assistance to a third-party provider.

Happy Roof's Program

Enabled by Ordinances 2011-3 and 2014-9; Resolutions 2011-82 and 2014-142, Affordable Housing Roof Repair or Replacement and Renovation Regulations (pursuant to Ordinance 2011-3), the Santa Fe County Affordable Housing Plan 2009 and the Santa Fe County Sustainable Growth Management Plan (SGMP).

County provides eligible homeowners with financial assistance to undertake roof repairs, complete re-roofing and renovations to an existing building or infrastructure up to a maximum of $14,999 per transaction.

Recommended Actions/ Changes in Program Perimeters

- Consider increasing the $14,999 cap on the maximum amount of the loan/grant. This would eliminate the need for homeowners to provide out-of-pocket for their roof replacement/repair.
- Consider increasing the existing cap on borrowers' income, now at 80 percent of AMI, to match other programs for consistency and expansion of applicant pool.
- Consider lifting the current restriction on the borrower which prohibits receiving assistance if he/she already received DP assistance (Ord 2009-14). This would allow the borrower to maintain their home in good condition, which is a requirement of their County loan documents.
- Consider changing the terms of payment to a contractor to provide 10-20% down-payment funding on the total contract amount upon receipt of a purchase order. This would allow a contractor to purchase the needed roofing materials and expand the pool of contractors interested in providing these services.
- Expand this program's caps and ensure eligible repair/replacement work includes all home repair and weatherization, especially for items that would improve energy efficiency thereby reducing a homeowner's utility costs and safety, such as grab bars and other ADA adaptations. Consider a joint-venture with the SF Community College/ICAST or SF Habitat for Humanity to expand these services.
- Outsource the entire program to a non-profit third-party per Clause 2.1.5 in the Affordable Housing Roof Repair or Replacement and Renovation Regulations.
- With program expansion, seek additional federal and state funding.

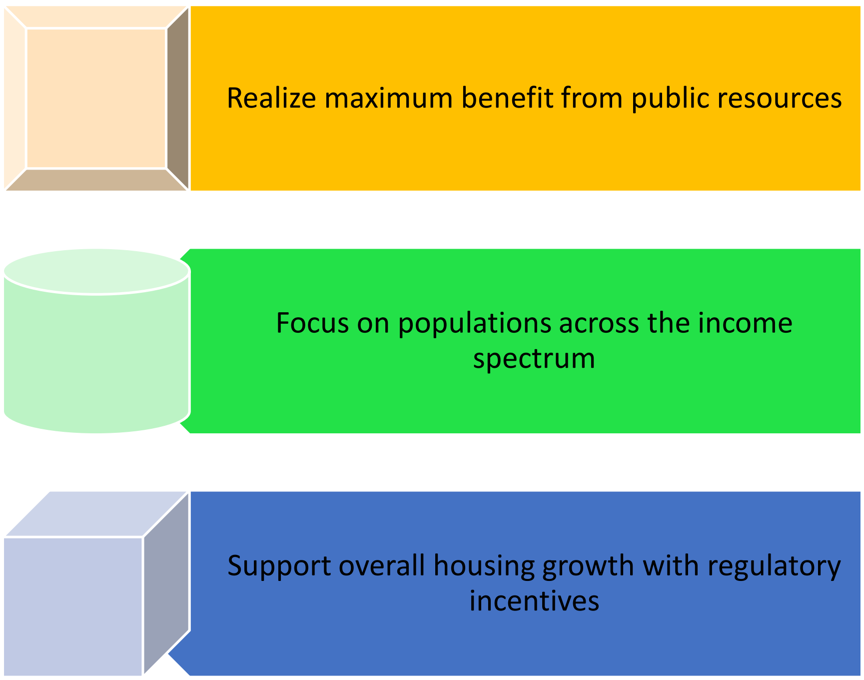
New Programs for Consideration

These programs are based on the premise that we will create more recurring streams of revenue for the Affordable Housing Trust Fund (AHTF). Below is a listing of the potential new sources under consideration:

- Document Recording Fees and General Obligation (GO) Bond Proceeds
- Targeted Property Tax Increase and Excise Tax on Second Homes
- Real Estate Transfer Tax and Tax on Short-term Rentals

Attached is a copy of our review of Affordable Housing Trust Funds throughout the Country and how local communities commit recurring streams of revenue to these funds in order to develop a range of affordable housing. Some of these initiatives could potentially require legislative action.

Additional financial resources will allow the County to concentrate on providing a variety of housing for very low, low, and moderate-income households. This will ensure that a diverse cross-section of households have access to affordable housing options throughout the County. Below are some examples of new programs for consideration. They are guided by three major principals:



REALIZE MAXIMUM BENEFIT FROM PUBLIC RESOURCES

- ***The County will create policies to assess all owned assets, especially land, in order to develop new affordable housing opportunities for internal PHA use or external use in public/private partnerships to create new affordable housing options.***

Rapidly rising rents across the county are spurring mayors, councils, commissioners and their respective local governments to examine various policies and strategies to improve housing affordability in high cost areas.

Santa Fe County currently owns 12 parcels of vacant land spanning the county, including the recent purchase of Camino de Jacobo. There may also be existing occupied buildings that could be reprogrammed to maximize their value and/or expand the footprint of the site for other uses.

All of these assets should be evaluated and potentially prioritized for affordable housing development. Once they are sorted, each parcel should be evaluated by deploying an affordable housing and economic development analysis so that parcels and existing buildings may be prioritized in the creation of a new 10 to 15-year County-wide development plan for affordable housing and economic development.

Establish a homeownership resale pool for repurchase of existing affordable homes.

Accept applications on a rolling basis. Offer a preference for SF County residents and households with children. All interested applicants submit an offer and move through a typical home purchase process. This would eliminate the challenge of finding a specific qualified buyer in under 75 days, a provision of most existing affordable mortgages, and reduce the risk of losing an affordable home to the market.

- ***Consider financially supporting and utilizing County owned Community Centers for an OWL (Overnight Warming Location) Program during fall/winter seasons in collaboration with the Community Services Department.***
  County contracts with a homeless services provider to operate a small overnight shelter in County owned properties. Space is available evenings from 9PM-8AM for adults of 18+ years of age. Stay is by referral only and sexes are separated by site.

- ***Develop a loan product to fund accessible dwelling units, rental and homeownership rehab in order to expand this housing resource.***

- ***Create an Affordable Housing Preservation Warning System.***
  Develop and maintain an affordable housing preservation warning system that tracks existing affordable units to prevent units from being converted to market-rate.

- ***Establish an Acquisition & Preservation Fund.***
  Establishing this fund would allow the County to partner with local housing providers, other regulatory agencies and mission-driven investors to acquire existing housing that can easily be converted to affordable housing.

- ***New Local Funding Sources for Affordable Housing.***
  Include utilization of increment financing (PID -Public Improvement District; TID -Tax Incremental District and TIF – Tax Incremental Financing) and special assessments in any new affordable housing financial models.

- ***Conduct an affordable housing public education campaign***
  Design a campaign that explains what the current Santa Fe County affordable housing crisis is and how the new programs will help meet existing needs. Utilizing the Santa Fe Housing Coalition, encourage members to engage all employers in collaborating to find positive solutions.

FOCUS ON POPULATIONS ACROSS THE INCOME SPECTRUM

- ***Provide rental assistance for very low and low-income households to support initial occupancy and move-outs.***
  Establish a rental assistance fund to assist very-low and low-income households with security deposits and first month's rent at initial occupancy and/or last month's rent and rehab funds at move-out in any given 12-month period.

- ***Provide rental assistance for very low and low income households to support retention and reduce displacement in emergency situations.***
  Establish a rental assistance fund to assist very-low and low-income households with emergency funding, in any given 12-month period, in order to stay an eviction and mitigate homelessness due solely to a household's financial hardship; such as a job loss or hospitalization resulting in non-payment of rent.

- ***Rapid Re-Housing in Santa Fe County.***

HUD's recently released 'Family Options Study' confirms the power of long-term housing subsidy to convey significantly improved housing outcomes to formerly homeless families. The study also provides clear evidence that the high cost of emergency shelter and transitional housing programs **do not** yield improved outcomes for families when compared to the outcomes of families offered rapid re-housing. Furthermore, community-based rapid re-housing continues to be the lowest cost intervention. An example of where such housing has been utilized with success is the County PHA's support of shared housing approaches for its voucher holders.

The County, in partnership with local non-profit programs, can expand a rapid re-housing program under the traditional three phases approach: 1) housing identification; 2) move-in and short-term rental assistance, and 3) rapid re-housing case management and services.

- ***Support the expansion of housing programs spanning median income ranges as reflected across employment sectors and market the program as a public/private workforce recruitment tool.***

SUPPORT OVERALL HOUSING GROWTH WITH REGULATORY INCENTIVES

- ***Support the development of small to medium-scale projects that are compatible with neighborhood context and that include high proportions of affordable units (resulting in a reduction of infill development costs).***

- ***Support the development of mixed-use, high-density housing as a way to encourage more urban style housing options (cottages, co-ops) at a lower cost per unit.***

- ***Adopt an affordable housing program that leverages existing infrastructure by building housing at higher densities around high-capacity transit and in high-opportunity neighborhoods.***

An existing property tax base consisting of primarily single-family homes cannot support the installation of new infrastructure as well as the deferred maintenance costs of all the roads, sewers and other infrastructure necessary for this type of housing.

The County has the ability to create a new paradigm that supports a variety of new housing types in a more environmentally conscious and sustainable way. "At its most basic level, SMART GROWTH development achieves higher density than current housing development patterns and therefore requires less land to accommodate the same number of units. This type of development approach also provides more tax revenue-generating units to the County while requiring less infrastructure. SMART GROWTH generates greater economic benefits compared to the "More of the Same" development scenario because leveraging existing infrastructure is a more efficient use of scarce resources, and rather than generating debt to finance infrastructure costs, SMART GROWTH focuses on generating consumer spending to benefit the regional economy."

Summary

Now is the time to think of major paradigm shifts in areas of the local economy, climate, wealth distribution, health, jobs and social justice. In 2004, the New Mexico State Legislature had the foresight to create the Affordable Housing Act. This Act encouraged communities to donate or make contributions toward acquisition, development, financing, operating and managing of affordable housing because there was a strongly held belief in the power of providing and preserving affordable housing for those most in need in every community.

The primary objectives of any affordable housing initiatives are two-fold. First to maintain existing affordable housing and second to work toward the creation of an ever increasing number and variety of housing choices for all members of the community. This allows local governments to essentially marrying constituent needs to housing production with guidance and administration from community developers.

This paper has attempted to provide information on the current affordable housing crisis raging both across the landscape of our country and in our immediate community. It provides detailed demographic information about SF County and the needs of its constituents. It provides a short analysis of what the existing affordable housing programs have achieved and their shortcomings. It suggests improvements to existing programs and outlines a number of new programs for consideration by the Board.

No new initiatives are possible without additional resources, especially financial ones, and most communities have no silver bullets; they must be created. To that end, we have investigated how other communities derive recurring streams of income for their Affordable Housing Trust Funds. The results of our investigation have identified six areas with the potential to provide significant recurring income. In recognition of the ever increasing affordable housing need, a recurring stream of income of $5M per year is attainable with the support of the governing body.

On August 18, 2020 the County entered into a Professional Services Agreement with the University of New Mexico's Bureau of Business & Economic Research (UNM/BBER). UNM/BBER is tasked with providing detailed information ranging from a community snapshot of housing stock and a population profile to real estate sales and production levels. They will provide a review of both land use/land development and existing policies as well as develop projections and a trends analysis for future housing demand. All of this information is required as we begin development of the County's new Affordable Housing Plan.

Affordable housing development impacts economic development, community services, planning and public works. We would like to establish an in-house task force with individuals representing these disciplines. Such a core group would enable the County to respond proactively, in a coordinated way, to the difficult choices concerning trade-offs between these important public goods. Such a group can better understand the interrelatedness of each department and serve as a way to prioritize resources and spearhead and coordinate goals that are both achievable and measurable.

The first step is understanding the current landscape, especially the unmet need for affordable housing. The second step is a commitment to supporting and developing a broad spectrum of housing throughout the County that expands affordability to a level where anyone who wants to live in the County can do so.