

# Growing Housing in Santa Fe

June 2021

**Santa Fe**



Association of REALTORS®

## Growing Housing in Santa Fe

The mission of the Santa Fe Association of REALTORS® (SFAR) is to enhance members' ability to conduct their individual business successfully and with professional competency. Established in 1948, SFAR is a not-for-profit trade association with a membership comprised of nearly 1000 Realtor® members representing a wide range of real estate professionals in the greater Santa Fe region including Los Alamos and Rio Arriba Counties.

As part of its guiding principles, SFAR works to support a thriving community for all by:

- *advocating for measures aimed at increasing the availability and affordability of housing to all residents of Santa Fe in the area where they work, play, and shop;*
- *pursuing reasonable, incentivized, market-driven growth strategies that meet the region's housing needs, expand homeownership opportunities, help revitalize Santa Fe, build attractive and livable neighborhoods, thus allowing for continued economic prosperity and acknowledging that housing is a key economic driver in our community; and*
- *recognizing Santa Fe as an international tourist destination committed to providing a unique and authentic visitor experience through a wide variety of housing and stay options while preserving Santa Fe's existing historical character, among other principles.*

With these principles in mind, the Santa Fe Association of REALTORS® offers the following information, data, background, resources, and recommendations to help grow housing in the Santa Fe community.

### ***A Quick Look at the Current Santa Fe Housing Market***

Housing prices continue to move upward in the backdrop of historically record low inventories in the Santa Fe housing market. Housing affordability remains a key market concern as both single-family home and condominiums/townhome prices have increased. In the backdrop of COVID-19 after spending extensive time at home, home-buyers' preferences for space and quiet have gained renewed focus along with large metro shoppers looking for housing outside of their current metro area. With the broad expansion of work from home options where buyers

can live anywhere in the country and keep their job, 60 percent of vacation homes on the market have sold in less than a month.

All of these housing concerns has led to a pressing desire by housing advocates and local governments to better collaborate in addressing the growing need for housing across the spectrum in the Santa Fe community.

### ***1<sup>st</sup> Quarter 2021 Santa Fe Housing Data***

First Quarter 2021 Santa Fe housing data found county median home prices increased by 13.5% from \$572,500 in 2020 to \$650,000 in 2021. During this same period, City of Santa Fe median home prices grew by 9.5% from \$391,000 in the 1<sup>st</sup> Quarter of 2020 to \$428,000 in 2021. The overall volume of home sales rose from \$230.2M in 2020 to \$289.4M in the 1<sup>st</sup> Quarter of 2021 or by nearly 26% even with home sales dropping in the city by 8.5% in the 1<sup>st</sup> Quarter of 2021.

The median price of condominiums and townhomes remained nearly the same or from \$300,000 in the 1<sup>st</sup> Quarter of 2020 to \$302,500 in 2021. Overall land sales rose 38% from 62 in the 1<sup>st</sup> Quarter of 2020 to 86 this year. County land prices rose by nearly 15% from \$104,500 in 1<sup>st</sup> Quarter of 2020 to \$120,000 this quarter while city land prices jumped by almost 39% from \$167,500 to \$232,000.

During the 1<sup>st</sup> Quarter of 2021, the association found that the inventory of single family homes for sale in the City and County of Santa Fe decreased about 62% from a total of 443 in the 1<sup>st</sup> Quarter of 2020 to 169 this quarter with only a 1.1 months' supply of inventory – a record low inventory looking back to 2005. Days on Market until Sale also dipped to 59 days for single family homes and 37 days for condos/townhomes this quarter. With strong buyer demand and historically low inventory, multiple offers have become a common occurrence during the 1<sup>st</sup> quarter as the weather warmed and COVID-19 restrictions began to ease. Land sales picked up along with prices while condominium/townhome pricing remained stable and a more affordable option.

## ***Realtor® Support for Local Government Housing Solutions***

Over the last 10-15 years, the Santa Fe Association of REALTORS® has endorsed, encouraged or supported a number of policy initiatives to increase housing growth in the Santa Fe area.

### ***Overlay Districts for Directed Growth***

The Santa Fe Association of REALTORS® monitored with great interest efforts by the City of Santa Fe to encourage and incentivize redevelopment along St. Michael's corridor. In support of the initiative, the association successfully attracted grant funding from the National Association of REALTORS® Smart Growth program to funding a housing study, corridor property owner education and advocacy, and a website to promote development opportunities.

In 2016, Santa Fe City adopted the Midtown LINC (***Local INnovation Corridor***) Overlay District that incentivizes redevelopment by minimizing development extractions in exchange for potential new tax revenues. Santa Fe City owns a property within the Midtown LINC Overlay District. The property known as the "Midtown Campus" has been identified by the city as a critical component of its directed growth by soliciting a master developer through a Request for Interest Proposal. An RFEI, or Request for Expressions of Interest, is a document that outlines an opportunity for which a group or entity seeks ideas and possibilities from interested parties to bring to life all or part of the opportunity. Unfortunately, the selected proposal with Cienda Partners/KDC was withdrawn in light of COVID-19 uncertainty and issues identified with existing property conditions, specifically: issues with risk sharing; vehicular access to the Midtown Campus area; building contamination; Brownfield designation timeline; and infrastructure replacement costs.

### ***Inclusionary Zoning Forbearance***

As a result of the housing crisis beginning in 2008, the Santa Fe area along with much of the nation has not built enough housing to meet growing population needs. Additionally, Santa Fe local governments in an effort to provide affordable housing developed a policy called inclusionary zoning which requires developers to build a certain percentage of affordable units in a project as part of the approval process. The cost to build the affordable units is subsidized by the market rate units in the project generally increasing the cost of market rate units.

In an effort to jumpstart housing starts coming out of the housing crisis, Santa Fe County proposed using available funds to offset inclusionary zoning costs for developers. A few years after this step, Santa Fe County amended its inclusionary zoning regulation by reducing the percentage and allowing credit for affordably priced market units. Santa Fe City creatively utilized Capital Improvement Project monies for down payment assistance and reduced its inclusionary zoning program percentage. The Santa Fe Association of REALTORS® readily supported these proposals to encourage housing starts.

In Santa Fe City, a flexible approach to its inclusionary zoning policy has more recently been adopted to grow housing developments. Lots are donated to the Santa Fe Habitat for Humanity for development. It is an innovative solution to defray the costs associated with meeting the city's inclusionary zoning policy.

#### ***Low-Income Housing Tax Credit Project Support***

Affordable housing development projects that can successfully attract Low-Income Housing Tax Credits (LIHTC) have been supported by local governments through a variety of ways. Public land can be donated for the project, fees may be waived, and infrastructure may be provided to the project at low to no cost. Accessing these tax credits is very competitive, local governments that provide key support demonstrate the communities' investment in affordable housing placing projects in a more advantageous position to be awarded tax credits. Santa Fe City has been successful through the years in identifying and supporting affordable housing projects. When requested, Santa Fe Association of REALTORS® has endorsed these projects.

#### ***Multi-Family Development Inclusionary Zoning Modifications***

For a number of years following the housing crisis, Santa Fe City's Affordable Housing Department found little to no multi-family housing projects were being constructed. In response, city staff and elected leaders amended the multi-family inclusionary zoning law to offer a fee-in-lieu-of option for these developments instead of constructing low-income rental units. In December 2019, Santa Fe City increased these fees for multi-family developments and added other flexible methods of meeting the intent of its multi-family inclusionary zoning program. In addition, the city removed multi-family projects with 10 or fewer units from the inclusionary

zoning regulation with only a fee-in-lieu-of payment required. Multi-family construction has jumped from 132 units in 2017 to 512 units in 2019, much of this growth can be attributed to the city's change in policy.

### ***Growing Need for Rent Subsidies***

According to the New Mexico Mortgage Finance Authority, in 2019 there was an estimated shortage of 7,343 rental units in the Santa Fe Metropolitan Statistical Area. Approximately 5,328 of 2019 renter households were eligible for down payment assistance used to buy a home. Both the Santa Fe Civic Housing Authority and Santa Fe County Housing Authority provide Section 8 vouchers that subsidize rent to private landlords for eligible participants. Demand for this type of rental assistance remains high in the area with applicants waitlisted.

Santa Fe City responded to this growing need by providing emergency rental assistance allowing renters to remain in their homes or helping them secure new housing. Since 2015, over 600 households have been assisted with payments for rent, utilities, deposits, and arrears. The Santa Fe Association of REALTORS® has supported the use of funds for rental assistance and has directly funded similar efforts by local charities.

### ***Growing Accessory Dwelling Units***

Santa Fe City allows Accessory Dwelling Units (ADUs) by right. Casitas, as ADUs are more commonly called in New Mexico, are a local tradition. These smaller units with many benefits for homeowners, communities, and housing supply are not nearly as common as they could be. In 2019, Santa Fe City modestly relaxed regulations to encourage the construction and use of ADUs for both long- and short-term rentals under certain conditions to diversify housing options for residents and visitors.

### ***Hotel Conversions***

During the COVID-19 pandemic, private and government entities have found real estate conversion opportunities. Investors for years looked to older hotels as a way to have a ready-built property suited for a multitude of needs: condos, affordable housing, student housing and assisted living. Some have found success in converting hotels to other real estate classes, but interest in redeveloping hotels to other uses has grown over the course

of the pandemic due to the financial strain it has caused hotel owners.<sup>1</sup> Extended-stay hotels can be converted into multifamily properties with the existing kitchenette with a lower redevelopment cost. Senior-living conversions benefit from full-service hotels because they have conference spaces that can be turned into general-purpose rooms and industrial kitchens allow for cooking meals.

In 2020, Santa Fe City agreed to access \$2 million in federal coronavirus relief funding to finance the purchase of a hotel (Santa Fe Suites) on St. Francis Drive to house people affected by the pandemic. The Santa Fe Suites 122-units will be converted into studio apartments for people housed in temporary shelter, as well as renters who have lost their jobs or whose incomes have been substantially reduced as a result of the economic downturn from the coronavirus pandemic. Similarly, Santa Fe County approved distributing \$500,000 in CARES Act funding to purchase a motel in Espanola for shelter to be managed by Espanola Pathways Shelter.

### ***Federal Pandemic Relief***

The coronavirus (COVID-19) pandemic has caused a severe public health crisis as well as substantial economic disruption for every American. So far, lawmakers have enacted six major bills, costing about \$5.3 trillion, to help manage the pandemic and mitigate the economic burden on families and business. Below is a recap of the various legislation, some of which has been utilized to support housing issues and concerns throughout the unprecedented COVID-19 pandemic.

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<sup>1</sup> **Interest Grows in Converting Hotels to Other Uses:** Multifamily, Senior Living, Student Housing Among More Popular Conversionsm Hotel News

Now, Bryan Wroten, March 24, 2021

## Coronavirus Preparedness and Response Supplemental Appropriations Act

As an initial response, policymakers enacted legislation in early March 2020 that provided \$8.3 billion in emergency funding for public health agencies and coronavirus vaccine research. That bill appropriated \$7.8 billion in discretionary funding to federal, state, and local health agencies and authorized \$500 million in mandatory spending through a change in Medicare.

## Families First Coronavirus Response Act

On March 18, 2020 the Families First Coronavirus Response Act was enacted to provide economic support to those in need. That legislation, totaling \$192 billion, included a number of key components, including:

- Enhancing unemployment insurance benefits
- Increasing federal Medicaid and food-security spending
- Requiring certain employers to provide paid sick leave as well as family and medical leave (and expanding tax credits for those employers to offset the cost of providing such leave)
- Providing free coverage for coronavirus testing under government health programs

## The Coronavirus Aid, Relief, and Economic Security (CARES) Act

As a follow-up, lawmakers enacted the CARES Act, a relief package of around \$2 trillion, on March 27 to address the near-term economic impact the virus is having on families and businesses. Some of the key items in the legislation include:

- **Financial Assistance to Large Companies and Governments (\$500 billion).** This funding will be used to assist companies that are critical to national security and distressed sectors of the economy. Of the total sum, about \$450 billion will support loans to businesses, states, and municipalities through a new Federal Reserve lending facility. That support is not expected to increase federal deficits.
- **Economic support for small businesses (\$380 billion).** That support was largely for the creation of the [Paycheck Protection Program \(PPP\)](#), which allocated \$349 billion in funding through the CARES Act to offer as loans to small businesses to help them avoid laying off their workers. Additionally, portions of the loans spent on payroll, rent, or utilities are eligible for forgiveness.

- **Direct payments to taxpayers (\$290 billion).** Taxpayers with annual incomes up to \$75,000 (or \$150,000 for married couples) received payments of \$1,200; that payment amount gradually phased out for higher income earners with a cap at an annual salary of \$99,000 (or \$198,000 for married couples). Families also received an additional \$500 per qualifying child.
- **Further expansion of unemployment benefits (\$270 billion).** Such benefits were significantly expanded under the legislation — extending unemployment insurance by 13 weeks, boosting benefits by up to \$600 per week for four months, and expanding eligibility requirements to include more categories of workers.
- **Federal aid to hospital and healthcare providers (\$150 billion).** To help hospitals, community health centers, and other healthcare providers prepare for and respond to the pandemic.
- **Various tax incentives.** Businesses were allowed to defer payroll taxes, which fund Social Security and Medicare. A number of other tax benefits were also be provided; the largest effect stemmed from the ability of individual taxpayers to use business losses in recent years to offset nonbusiness income.

### Paycheck Protection Program and Health Care Enhancement Act

On April 24, 2020 policymakers enacted the Paycheck Protection Program and Healthcare Enhancement Act. That bill, totaling \$483 billion, provided an additional \$383 billion in economic support for small businesses (\$321 billion to replenish the PPP, \$60 billion for emergency lending for small businesses, and \$2 billion for salaries and expenses to administer such programs), another \$75 billion in funding for hospitals, and about \$25 billion to fund more testing for the pandemic.

### Consolidated Appropriations Act, 2021

The Consolidated Appropriations Act, enacted on December 27, 2020, included \$868 billion of federal support to help mitigate the economic impact of the COVID-19 pandemic.

Here are the components of that relief package:

- **Aid to small businesses (\$302 billion).** The CARES Act created the Paycheck Protection Program, which provided loans to small businesses that were impacted by the broad economic shutdowns that were meant to mitigate the spread of the pandemic. This package allowed small businesses to receive a second round of PPP loans and ensured that

such assistance was not be taxed. This category also includes Economic Injury Disaster Loan advances and emergency grants to entertainment venues.

- **Direct payments to individuals (\$164 billion).** Individuals making up to \$75,000 per year received a payment of \$600, with an additional \$600 for each dependent child. All payments phase out at higher incomes.
- **Increased unemployment benefits (\$119 billion).** The earlier relief legislation provided several enhancements to unemployment insurance benefits that were ultimately allowed to expire. This package restored those enhancements, albeit at more modest levels. It added \$300 per week to unemployment benefits, continued “gig” worker eligibility for unemployment benefits, and lengthened the maximum period that a worker could collect unemployment to 50 weeks.
- **Aid for schools (\$82 billion).** About two-thirds of the total amount was for grants to public K-12 schools, and most of the remainder was for grants to higher education.
- **Health-specific measures (\$78 billion).** Included in this category is \$29 billion designated for the procurement and distribution of coronavirus vaccines and treatments and \$22 billion for testing, tracing, and mitigation of coronavirus. An additional \$14 billion supported healthcare providers and bolstered mental health services, and the National Institutes of Health received \$1 billion to engage in further coronavirus research.
- **Other measures (\$123 billion).** The legislation also included funding for transportation, increased food stamp benefits, additional childcare assistance, rental assistance, and other programs.

## THE LATEST ROUND OF LEGISLATION

The [American Rescue Plan](#), which was enacted on March 11, 2021, provides an additional \$1.9 trillion of federal relief in a variety of areas. Some of the key provisions in that bill include:

- **Direct payments to individuals (\$411 billion).** Payments of \$1,400 will be sent to individual taxpayers earning up to \$75,000 (\$2,800 for married couples earning up to \$150,000), plus an additional \$1,400 per qualified child. The payment will phase out for incomes up to \$80,000 (\$160,000 for married couples).
- **Direct aid to state, local, and tribal governments (\$362 billion).** The bill includes additional support to such governments to help them respond to the pandemic.

- **Extension of unemployment benefits (\$203 billion).** The unemployment programs currently in place, including the additional \$300 weekly unemployment benefit, will be extended through September 6, 2021.
- **Tax incentives (\$176 billion).** The legislation significantly enhances existing tax credits, mostly for one year. The Child Tax Credit will increase from \$2,000 per child to \$3,000 (\$3,600 for children under 6) and the maximum benefit for childless households under the Earned Income Tax Credit will grow from \$543 to \$1,502 and be extended so more individuals can claim the benefit. Other tax credits, such as the Employee Retention Credit, are also extended or enhanced.
- **Health-specific measures (\$174 billion).** The new bill provides funding for vaccine distribution, COVID-19 testing, contact tracing, and other public health measures. It also includes provisions to lower healthcare premiums and expand coverage for certain workers.
- **Educational support (\$170 billion).** The majority of such support is to help K-12 schools safely reopen; colleges and other higher-education institutions will also receive funding.
- **Other Programs (\$301 Billion).** The legislation also includes funding for small businesses, emergency rental assistance, mortgage assistance, and relief to prevent homelessness.<sup>2</sup>

The American Rescue Plan Act included \$9.9 billion in relief for homeowners to be administered through a new **Homeowner Assistance Fund (HAF)**. These funds, which will soon be made available to eligible homeowners through their states, may be used for assistance with mortgage payments, homeowner's insurance, utility payments, and other specified purposes under the law and guidance. A summary is available from the National Association of REALTORS® by clicking [here](#).

### ***Federal Help Is On The Way For Housing***

According to the [American Jobs Plan](#) introduced by President Biden, there is a severe shortage of affordable housing options in America, millions of families pay more than half their income on rent, and home energy costs are a significant concern for American renters as well. And, across the country, people are struggling to purchase their first home.

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<sup>2</sup> Peter G. Peterson Foundation, <https://www.pgpf.org/blog/2021/03/heres-everything-congress-has-done-to-respond-to-the-coronavirus-so-far>

President Biden believes we must invest in building and upgrading modern, resilient, and energy-efficient homes and buildings, including our nation's schools, early learning facilities, veterans' hospitals and other federal buildings, and in the process, employ American workers in jobs with good wages and benefits. According to President Biden, the plan will build, preserve, and retrofit more than two million homes and commercial buildings to address the affordable housing crisis. There is a severe shortage of affordable housing options in America.

The President's plan invests \$213 billion to produce, preserve, and retrofit more than two million affordable and sustainable places to live. It pairs this investment with an innovative new approach to eliminate state and local exclusionary zoning laws, which drive up the cost of construction and keep families from moving to neighborhoods with more opportunities for them and their kids. The President's plan will help address the growing cost of rent and create jobs that pay prevailing wages, including through project labor agreements with a free and fair choice to join a union and bargain collectively.

President Biden is calling on Congress to address housing infrastructure in the following ways:

***Produce, preserve, and retrofit more than a million affordable, resilient, accessible, energy efficient, and electrified housing units.*** Through targeted tax credits, formula funding, grants, and project-based rental assistance, President Biden's plan will extend affordable housing rental opportunities to underserved communities nationwide, including rural and tribal areas.

***Build and rehabilitate more than 500,000 homes for low- and middle-income homebuyers.*** President Biden is calling on Congress to take immediate steps to spur the construction and rehabilitation of homes for underserved communities. Specifically, he is calling on Congress to pass the innovative, bipartisan Neighborhood Homes Investment Act (NHIA). Offering \$20 billion worth of NHIA tax credits over the next five years will result in approximately 500,000 homes built or rehabilitated, creating a pathway for more families to buy a home and start building wealth.

***Eliminate exclusionary zoning and harmful land use policies.*** For decades, exclusionary zoning laws – like minimum lot sizes, mandatory

*parking requirements, and prohibitions on multifamily housing – have inflated housing and construction costs and locked families out of areas with more opportunities. President Biden is calling on Congress to enact an innovative, new competitive grant program that awards flexible and attractive funding to jurisdictions that take concrete steps to eliminate such needless barriers to producing affordable housing.*

***Address longstanding public housing capital needs.*** *Years of disinvestment have left our public housing in disrepair. President Biden is calling on Congress to invest \$40 billion to improve the infrastructure of the public housing system in America. This funding will address critical life-safety concerns, mitigate imminent hazards to residents, and undertake energy efficiency measures which will significantly reduce ongoing operating expenses. These improvements will disproportionately benefit women, people of color, and people with disabilities.*

***Put union building trade workers to work upgrading homes and businesses to save families money.*** *President Biden’s plan will upgrade homes through block grant programs, the Weatherization Assistance Program, and by extending and expanding home and commercial efficiency tax credits. President Biden’s plan also will establish a \$27 billion Clean Energy and Sustainability Accelerator to mobilize private investment into distributed energy resources; retrofits of residential, commercial and municipal buildings; and clean transportation. These investments have a particular focus on disadvantaged communities that have not yet benefited from clean energy investments.*

### ***Biden Administration FY 2022 Summary Budget Housing Proposals***

On April 9, 2022, the Biden Administration released its summary request for fiscal year (FY) 2022 discretionary funding. Some of the specific housing funding proposals include:

- **Housing Choice Vouchers:** Provides \$30.4 billion, an increase of \$5.4 billion over the 2021 enacted level, to maintain services for all currently assisted families and expand assistance to an additional 200,000 households, prioritizing those who are homeless or fleeing domestic violence.
- **Homelessness:** Provides \$3.5 billion, an increase of \$500 million over the 2021 enacted level, for Homeless Assistance Grants to support more than 100,000 additional households, including survivors of domestic violence and homeless youth.

- **Energy Efficiency, Resilience, and Safety in HUD-Assisted Housing:** Fully funds operating costs across this portfolio, but also provides \$800 million in new investments across HUD programs for modernization and rehabilitation aimed at energy efficiency and resilience to climate change impacts, such as increasingly frequent and severe floods. In addition, the request includes \$3.2 billion for Public Housing modernization grants, an increase of \$435 million above the 2021 enacted level.
- **Affordable Housing:** Provides a \$1.9 billion to the HOME Investment Partnerships Program, an increase of \$500 million, to construct and rehabilitate affordable rental housing, and to support other housing-related needs. The request provides \$180 million to support 2,000 units of new permanently affordable housing for the elderly and persons with disabilities, supporting independent living for seniors and people with disabilities.
- **Affordable Housing in Tribal Communities:** Provides \$900 million to fund tribal efforts to expand affordable housing, improve housing conditions and infrastructure, and increase economic opportunities for low-income families.
- **Infrastructure Modernization and Rehabilitation in Marginalized Communities:** Provides \$3.8 billion for the Community Development Block Grant program, which includes a targeted increase of \$295 million to incentivize communities to direct formula funds toward the modernization and rehabilitation of public infrastructure and facilities in historically underfunded and marginalized communities facing persistent poverty.
- **Lead and Other Home Health Hazards:** Provides \$400 million, an increase of \$40 million, for State and local governments and nonprofits to reduce lead-based paint and other health hazards in the homes of low-income families with young children.
- **Access to Homeownership and Pandemic Relief:** The discretionary request supports access to homeownership for underserved borrowers through the Federal Housing Administration's (FHA) mortgage insurance programs.
- **Prevent and Redress Housing Discrimination:** Provides \$85 million in grants to support State and local fair housing enforcement organizations and to further education, outreach, and training on rights and responsibilities under Federal fair housing laws.

## ***Land Use Strategies to Grow Housing***

Santa Fe City staff in the last year due to the growing need for housing has considered and promoted to the community potential changes to its land use code, policies or administrative practices to increase housing opportunities for area residents and property owners.

Highlights of these recommendations include the following:

### ***Santa Fe City Land Use Policy Recommendations***

To increase efficiencies in the Santa Fe City land use department, the staff recommends:

- requiring an administrative development plan for projects at 5 units or more instead of the current requirement at 3 units;
- creating an administrative development plan process for projects up to a maximum of 60,000 square feet with an Early Neighborhood Notification process; and
- permitting affordable housing and residential projects up to 30,000 square feet to skip the required preliminary subdivision step.

To incentivize projects that provide sustainable building practices, long-term housing affordability, and highly desirable walkability, the staff recommends:

- increasing the density building bonus by an additional 20% for developments that provide 15% of the units as “rent-restricted” (affordable to renters earning no more than 80% Average Median Income or AMI) or 100% of the units as “rent-restricted” or affordable to renters earning less than 120% AMI;
- increasing the density bonus by an additional 10% for developments that meet LEED, Build Green NM or Enterprise Green Communities requirements with a Walkscore of 50 plus and permit these green projects to exceed the height of the underlying zoning and historic overlay height restrictions by a maximum of 12 feet recognizing that other restrictions and design review limitations may remain applicable.
- permitting a maximum gross density of 12 units per acre in an R-12 district, 21 units per acre in an R-21, RAC or C-3 district, 29 units per acre in an R-29 district and up to 36’ feet in height without need a Special Use Permit or Development Plan for developments that provide 15% of the units as “rent-restricted” (affordable to renters earning no

more than 80% AMI) or 100% of the units as “rent-restricted” or affordable to renters earning less than 120% AMI;

- allowing inclusionary developments in BCD-districts to be restricted through height rather than through Baseline Floor Area Ratios and Land Use Intensity Credits;
- increasing fee waivers in developments where residential units for rent that provide 15% of the units as “rent-restricted” (affordable to renters earning no more than 80% AMI) receive twice the percentage of waived development, permit, impact fee, and utility expansion fees (i.e., a project providing 15% set-aside would receive a 30% waiver of fees);
- increasing fee waivers in developments with low-priced dwelling units (100 % of units as “rent-restricted” or affordable to renters or homeowners earning less than 120% AMI receive a 50% waiver for development, permit, impact fee, and utility expansion fees (i.e., a project providing 100% LPDUs would receive a 50% waiver of fees);
- allowing an inclusionary development with a Walkscore of at least 50 that is within a quarter mile from an active busy stop to exchange required vehicular parking spaces in an equal number to long term bicycle parking spaces (such as bike lockers/cages); a Walkscore of 50-69 a 10% reduction in residential parking space requirements; a Walkscore of 70 a 15% reduction in residential parking space requirements; and BCD Zoning District & Midtown LINC inclusionary zoning developments have no parking required.

Lastly, Mixed Use developments could be eligible for inclusionary development incentives provided that at least 20% of the Gross Foot Area (GFA) is devoted to the exclusive use of units for renters or homeowners earning no more than 80% AMI or that at least 80% of the GFA is devoted to the exclusive use of renters or homeowners earning less than 120% AMI.<sup>3</sup>

Santa Fe City land use staff presented these recommendations to the association and in response, the Santa Fe Association of REALTORS® forwarded a letter stating its collective support for the proposed recommendations.

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<sup>3</sup> Summary of Early Thoughts for Amending Chapter 14, the City’s Land Use Code, June 23, 2020

## ***Santa Fe City Land Use Interviews***

In response to feedback from the regulated community regarding the need for more housing, the Santa Fe Association of REALTORS® reached out to interview individuals and developers. City land use projects ranged from complex developments to home renovations.

Most interviewees started their projects with positive expectations recognizing that the Land Use Department has gone through several leadership changes over the last 5-6 years. There remains no staffing for long range planning. Out of date planning is driving today's development, some of which contradicts and overlaps, making stakeholder engagement unproductive. Both developers and property owners raised concerns regarding retaliatory actions by staff and inspectors throughout the project's life. This concern is great enough that criticisms go unstated, and as a result, unaddressed. It was observed that the Land Use Department's electronic applications are more often than not incomplete leading to wait times and action voids.

The association focused on those who had interacted with Santa Fe City's Land Use Department on projects in the last few years to garner their feedback on ways to improve the process and grow housing. Interview feedback included the following land use issues: project and staff expectations; customer service; code interpretation; meeting project deadlines, approvals, building permits and inspections; value of land use fees to services provided; Early Neighborhood Notification (ENN) process; public review process; and suggested code or policy recommendations. Based on these issue areas, please find a synopsis below of interviewees feedback:

***Project & Staff Expectations*** ranged from not high based on past experience to professional, competent, responsive and helpful with coordination to advance the project or renovation. In general, those with hired consultants who have developed relationships with city staff expressed the highest level of positive expectations. Interviewees found the city land use staff and processes systematically to be more predictable, consistent and marginally more efficient.

***Customer Service*** feedback generated a variety of comments with a general observation that the division does not operate with a "customer service orientation". Many of those interviewed raised concerns about the

lack of urgency regarding inquiries or requests; non-responsiveness pre-COVID and more problematic after COVID; a project can languish for weeks without any communication from staff; the inability to access the staff except digitally during COVID-19 as sometimes visiting the office could help resolve issues; lost applications or files; invention of restrictions when none existed pushing the need for legal review or action; and strong recognition by many that the department is understaffed. In contrast, other interviewees found that staff can be very knowledgeable, demonstrate a high level of technical expertise, and be extremely helpful during the life of a project. Others noted that there remain some disparities among staff level of technical proficiency. Higher level staff appear more likely to work to resolve problems while rank and file don't seem as invested in resolving issues. Lastly, several respondents observed that the city's current legal staff for the department demonstrate a high level of knowledge and professionalism.

**Code Interpretation** solicited comments with interviewees observing that staff-driven code interpretations are generally more restrictive if there is any level of ambiguity. Others shared that staff has become more open to applicants making their case for certain code interpretations to allow a project to move forward as desired.

**Meeting Project Deadlines, Approvals, Building Permits and Inspections** garnered the most feedback from interviewees. Concerns were raised about delays and especially placing an applicant in contractual default with significant project delays. Project delay costs were noted for an owner at up to \$20,000 a month and for a developer at \$40,000 a month. Interviewees shared that approvals or permits can take months and a lot split up to 10 months. It was stated that a transparent process of tracking approvals and building permits is no longer available. Many found that the building permit process is antiquated along with the cashier system with several interviewees constantly contacting the land use department – sometimes just to ensure an email has been forwarded. Respondents shared that inspectors can act capriciously, seeming to nitpick a project, and may demand opportunistic improvements or changes on site that were not required for approval. Others found that inspectors have generally improved in the last few years.

**Value of Land Use Fees for Services Provided** feedback noted that large projects seem to be priced fairly; however, smaller projects can be

extremely expensive with one respondent speculating that the land use department has become a profit center.

**Early Neighborhood Notification** responses generally noted that the step as currently constructed creates an unnecessary adversarial process. Others shared that the step attracts more residents with time on their hands who can be engaged in the process while those with growing housing needs who are working or struggling to meet basic needs are unable to advocate for a new development. Some found that while outreach is valuable, especially if the neighborhood has accessed experts and comes with well-informed improvements, other efforts result in burdensome, additional conditions that are imposed simply to placate neighborhood opposition. It was noted that staff, at times, as a result of this outreach has been the target of slurs and insults, along with the homeowner, developer or consultant.

**Public Review Process** feedback focused on the lack of support from City Council for housing that meets project approval conditions which is frustrating and counterproductive. Most shared that planning commission and other development reviews seem to track well, are generally fair, and meet deadlines. Of note, several respondents stated that the Historic Design Review Board makes arbitrary decisions and that the regulations need to be overhauled to more precise, consistent, and fair to applicants. Several interviewees observed that the current public review process with the facilitation of digital meetings has improved the acrimonious room atmospherics and has allowed the public to better view presentations along with project details that are normally focused on decision-makers.

## ***Santa Fe Association of REALTORS® Recommendations to Grow Housing in the Santa Fe Community***

The Santa Fe Association of REALTORS® appreciates and supports many of the past efforts by Santa Fe City and County to grow housing. Santa Fe City and County staff's recommendations to further address the region's housing crisis demands our consideration and support. In light of these important efforts, the association offers the following recommendations for consideration by city and county leaders, housing stakeholders, and the greater Santa Fe community:

### ***Strategically Access Federal Funding for Housing***

If the American Jobs Act is enacted, a top priority for city and county leaders should be taking concrete steps to eliminate any needless barriers to producing affordable housing. These steps will make Santa Fe City and County eligible for any flexible and attractive funding that may be provided through innovative, new competitive grants proposed in the American Jobs Act. For decades, exclusionary zoning laws – like minimum lot sizes, mandatory parking requirements, and prohibitions on multifamily housing – have inflated housing and construction costs and locked families out of areas with more opportunities.

Created by a diverse base of American Planning Association (APA) members, the [APA's Planning for Equity Policy Guide](#) identifies policy recommendations for planners that support equity in all aspects of planning at local, state, and federal levels. The Planning for Equity Policy Guide provides specific, actionable policy guidance through an equity lens on cross-cutting topics and areas of planning. The American Planning Association's (APA) Planning for Equity Policy Guide was approved by its board and published in April 2019. The guide provides policy recommendations in the areas of Climate Change and resilience, community engagement and empowerment, education, energy and resource consumption, environmental justice, gentrification, health equity, heritage preservation, housing, mobility and transportation, and public space.

### ***Effectively Utilize Santa Fe City and County-Owned Land for Housing***

Santa Fe City should continue its efforts to manage property assets through its Asset Development Director.

Santa Fe City or County-owned land that can be developed for affordable housing should be strategically managed, developed or donated to local housing authorities or nonprofits to better attract:

- low-income housing tax credits;
- local, federal or state funding;
- and/or private funding.

If developable city or county-owned property is sold, any request for proposal or private sale, should factor in the key benefit of using *local* labor, materials, and businesses in the construction of any residential or commercial project. City or county-owned assets are community assets and any distribution of said property should be for the benefit of the community to the extent possible.

According to Santa Fe County's Affordable Housing Needs, Commitment, Programs and Future Considerations Part Two Report, it is recommended that Santa Fe County work to *realize the maximum benefits from its public resources*.

In concurrence with the recommendation, Santa Fe County should create policies to assess all owned assets, especially land, in order to develop new affordable housing opportunities. Santa Fe County currently owns 12 parcels of vacant land, including the recent purchase of Camino de Jacobo. County-owned existing occupied buildings could also be reprogrammed to maximize their value or expand their footprint for other uses. As stated above, all of these assets should be evaluated and potentially prioritized for affordable housing.

Similar to recently passed ordinance in Santa Fe City, Santa Fe County should consider utilizing any proceeds from the sale of owned assets for affordable housing.

### ***Spur Development in the Midtown LINC & Midtown Campus***

The gem in the geographic center of Santa Fe, known as the Midtown LINC, ripe for redevelopment offers big benefits for multifamily and retail developers with substantial savings in fees, water and permitting, as well as liberal density and height allowances. Creative concepts for retail on ground level and apartments atop, multifamily and offices sitting along a landscaped boulevard where massive parking lots sit mostly empty are encouraged. The idea is to energize these large parking lots with

restaurants, shops, coffee houses and pubs and generally great gathering places for the community.

Barely had the planning early on the LINC concept, when Santa Fe City was presented with another jewel, the [Midtown Campus](#), previously under lease, now mostly vacated. Some 64 acres to add to the creative development of the midtown area.

Santa Fe City is encouraged to effectively and efficiently address the property deficiencies identified by the Midtown Campus Master Developer. Santa Fe City's Finance Committee recently endorsed an agreement that will allow the city to assume responsibility for four stretches of roads previously owned and maintained by the New Mexico Department of Transportation, including 2-1/2 miles of St. Michael's Drive. If the agreement is supported by Santa Fe City Council, it would go into effect August 1, 2021. This action may help address the vehicular access concerns raised by the Midtown Campus Master Developer.

The association encourages Santa Fe City to spur redevelopment within the Midtown LINC through economic development outreach especially to those entities who expressed interest and offered proposals as part of the RFEI process. The association urges Santa Fe City to consider creating other similar Midtown LINC type districts in other keys areas of the city to better direct development or redevelopment. These overlay districts should include similar incentives including the removal of regulatory burdens, faster approvals that meet criteria and reduced fees. Even with these attractive incentives, the **Midtown LINC Fiscal Impact** report demonstrated that projects have the potential to generate net tax revenues to Santa Fe City.

### ***Engage the Community as Opportunity Zone Projects Emerge***

The National Association of REALTORS® is working with federal agencies, Congress, and community development groups to ensure that the Qualified Opportunity Zone (QOZ) program brings business opportunities for Realtors®, as well as opportunities for them to be involved in the planning of new developments and businesses within zones. For this program to be a success, new developments funded by Opportunity Funds within the zones must be chosen thoughtfully, and provide benefits not just to investors but to the community as well. Santa Fe Realtors® are uniquely suited to bring local expertise and insights into the real estate market as

well as knowledge about what a community lacks and should play a role in any community coordination of QOZ developments.

### ***Adopt Santa Fe City Land Use Policies to Grow Housing***

Santa Fe City's Land Use Department has recognized the need for additional staff and other supportive activities to enhance its work. The Santa Fe City Budget for FY2021 to FY2022 will increase staff by adding four new positions: construction inspector; plans examiner; permit technician; and planner. Additional funding will be utilized as follows: \$200,000 for growth management planning; \$150,000 for land use code update; and \$64,000 to support a Historic Preservation Project.

Building on these new positions, activities and the Santa Fe City Land Use Code proposed changes described, if adopted or advanced, Santa Fe City should consider any or all of the following recommendations to grow housing:

#### ***General Recommendations***

- Ensure city and land use staff leaders are committed to implementing goals, strategies and objectives to enhance the departments' expertise, improve customer service, and the efficiency of approvals, permits and inspections.
- Update the general plan with zoning and prioritized goals (i.e., infill, climate change, affordable housing).
- Explore the benefits of performance and forms-based zoning and consider adopting as part of the general plan review and update.  
*According to the National Association of REALTORS® Growth Management Fact Book 2017 Edition, in contrast to conventional land development regulations, form-based development regulations – known as “form-based codes” – are designed to place the ultimate physical form of the development in a superior position to the uses to which individual property can be put. Form-based codes are a method of regulating development to achieve a specific urban form. Form-based codes create a predictable public realm by controlling physical form primarily, with a lesser focus on land use, through city or county regulations. The process of adopting a form-based code consists of three major steps: documenting; visioning; and assembling the code. The American Planning Association report “The Rules That Shape Urban Form” points out three ways in which form-based codes can be a good tool for addressing housing affordability:*
  - *By requiring that buildings of a certain size and shape be built in specific transect zones, form-based controls can make it more likely that attached or*

*multifamily homes are built in zones where they are permitted;*

- *The form-based principles of focusing less on permitted use controls should allow building use to change from nonresidential to residential over time—for example, from office building or warehouse to lofts, condos, or apartments—which could help meet the nation’s shortage of multifamily units; and*
  - *Form-based tools could allow more units to be built within a specific building form. More units in a given envelope mean smaller units and more units to bear the land costs, which may make them more affordable.*
- Implement a professional code review to eliminate inconsistencies and reduce confusion in the Santa Fe City Code.
  - Regularly schedule and invest in affordable housing projects that can attract competitive low-income housing tax credits.
  - Where possible and feasible, provide infrastructure funds to advance affordable housing projects.
  - Eliminate single family zoning and consider allowing up to a fourplex on a legal lot of record in most districts.
  - Create improved transparency and clarity in regards to how the department determines the amount of water required for a project or business entity.
  - Reduce the specificity required in development plans. Currently, a great deal of upfront work and expense is required to generate review. Many developers have spent nearly all of their design and engineering funds before a determination is made about the project from staff. Construction level drawing detail is generally required to get a development approved. It would be more helpful to backload these costs to allow for more flexibility and help reduce costs as the project advances.

### ***Customer Service Recommendations***

- Institute a customer-focused orientation in the Land Use Department seeking feedback at the close of projects to help improve customer service over time.
- Evaluate the cost and effectiveness of creating a Case Management system for smaller, homeowner projects to expedite reviews, approvals, building permits and inspections.

- Create an Ombudsman position to facilitate problem-solving and provide superior customer support.
- Establish an electronic paying system to support the Land Use Department fee payments.
- Implement a 24-hour return contact policy, ensuring staff will be responsive to customer inquiries.

### ***ENN & Public Review Recommendations***

- Host Early Neighborhood Notification (ENN) meetings after staff can demonstrate that the project meets code and zoning requirements. Currently, ENN meetings take place before an application is officially before the city; therefore, staff cannot offer any factual details about the project.
- Host ENN meetings with an experienced facilitator to maintain decorum and who can describe the purpose of the meeting as well as the roles of all stakeholders in the process.
- Develop expert criteria, credentials or guidelines for individuals providing testimony (neighborhood groups, home ownership associations, engineers, architects, and other land use experts).
- Institute a Walk-in/Walk-out building permit counter for designated projects.
- Continue to provide meetings to the public through digital methods to increase outreach and participation. Consider changing the structure of any future in-person meetings to encourage a more collaborative and engaging public exchange of views and actions. (i.e., lower seating for decision-makers so that they are at the same eye-level as applicants and those providing testimony.)

### ***Project Approval, Deadlines, Building Permits, and Inspections Recommendations***

- Create and maintain a consistent electronic code interpretation manual for use by staff and the regulated community.
- Develop a clear, concise, and reasonable definition of a legal lot of record for the regulated community to expedite development.
- Develop protocol to improve the coordination between Historic Review Board decisions and the Land Use Department actions.
- Permit administrative approval on designated developments or projects when documents or drawings are provided and endorsed by a licensed architect or engineer.

- Establish accurate timelines for project approvals, permits and inspections, then establish objectives to increase efficiencies. *For example, hold pre-application meetings within 10-20 days of request or reduce staff design reviews by 5 working days.*
- With large developments, eliminate the restriction to pour concrete slabs until Phase 1 of the project is completed or create a slab only permit. Delays between Phase 1 and Phase 2 of a large project can take the project offline for weeks.
- Simplify, clarify or develop criteria for the “sign off” from the City’s Water Department on the completion of infrastructure.

### ***Seek Alternative Ways to Utilize Vacant Hotels/Motels and Other Existing Properties for Housing***

Building on the hotel and motel conversions by Santa Fe City and County during the pandemic, both jurisdictions should continue to explore and act when opportunities arise to convert existing properties for the purpose of providing affordable or housing to those in need.

Recognizing that the conversion of vacant hotels/motels is a win-win solution to address the underutilization of hotels/motels and help alleviate the housing shortage, the National Association of REALTORS® Commercial Real Estate Research Advisory Board recommended that research be undertaken on the conversion of vacant hotels/motels into multifamily housing to draw some insights and best practices. NAR Research undertook the research using a two-pronged methodology 1) conduct a survey of NAR commercial members about their transactions that involved hotels/motels that were planned to be converted into multifamily housing, and 2) conduct secondary research of hotel/motel conversions from company websites, SEC filings, and county records. The result was a new report [“2021 Case Studies on Repurposing Hotels/Motels into Multifamily Housing.”](#) The report has been shared with Santa Fe City and County housing staff for their review and use.

### ***Create a Housing Incubator to Spur Innovation***

To spur innovation and flexibility, Santa Fe City and County should individually or collaboratively consider creating a Housing Incubator to offer grants and funding in support of housing solutions to address the region’s growing housing needs.

Some suggested projects could include:

- *Home Ownership Entry Level Capped Equity Project*
- *Inclusionary Zoning Regulation Track for Small-to-Midsized For-Profit Developers.*
- *New Urbanism Projects Featuring Density, Height & Walkability*
- *Build to Rent (BTR) National Model for Santa Fe Community – A community of high-quality detached single-family rental properties with shared amenities, professionally managed without burdensome HOA costs*
- *Fee Forbearance for Ultra-High Level Sustainably Built Affordable and Market Rate Housing to Address Climate Change*

### *Adopt Santa Fe County Land Use and Affordable Housing Proposed Policies to Grow Housing*

According to Santa Fe County's Affordable Housing Needs, Commitment, Programs and Future Considerations Part Two Report, a number of recommendations in the following areas are being considered and advanced by key housing staff. Proposed recommendations included suggested modifications to the Santa Fe County's inclusionary zoning program. Based on these proposed recommendations, Santa Fe County should:

- Advance planned infrastructure in the SDA (Sustainable Development Area)-1 Areas;
- Expand regulatory and financial incentives to developers to increase affordable housing; and
- Identify alternative compliance methods and consider requiring a developer to commit to a higher percentage of affordable housing units when using an alternative compliance method.

The report further recommends the following new program areas to encourage affordable housing. Santa Fe County should consider advancing the following new programs:

- Develop a loan product to fund accessory dwelling units, rental units, and homeownership rehabilitation in order to expand this housing resource;
- Create an affordable housing preservation warning system to help retain existing affordable units;
- Establish an Acquisition & Preservation Fund to acquire existing housing that can easily be converted into affordable housing;
- Provide rental assistance for very low and low-income households to support initial occupancy and move-outs;

- Provide rental assistance for very low and low-income households to support retention and to reduce displacement in emergencies;
- Support Rapid Re-Housing programs as community-based rapid re-housing continues to be the lowest cost intervention;
- Support the development of small to medium-sized projects that are compatible with neighborhood context and that include high proportions of affordable housing (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; and
- Adopt an affordable housing program that leverages existing infrastructures by building housing at higher densities around high-capacity transit and in high-opportunity neighborhoods.

*Adopt Land Use Working Group Suggested Changes to Enhance Resident and Business Support through the Santa Fe County's Growth Management Department*

The Santa Fe Association of REALTORS® is a member of the Land Use Working Group established by the Santa Fe Area Home Builders Association to identify ways to enhance support for area residents and construction businesses. Land Use Working Group members surveyed their members to help identify customer service issues and enhancements. Based on this engagement; it is recommended that Santa Fe County Growth Management Department:

- Continue to provide free in-office pre-application meetings to better address complex permit issues and ensure the permit is a legal activity;
- Create and promote a working definition of “Legal Lot of Record”;
- Continue to ensure that staff members return calls within 24 hours;
- Address staff absences that can delay or postpone permit action;
- Advance a new, digital permitting process;
- Set up “easy-to-find” weblinks to Santa Fe County land use checklists; and
- Develop “How To” videos to better instruct residents and construction businesses on key land use development steps.