

# Town of Taos

## Affordable Housing Plan

June 2020



# Introduction

In the State of New Mexico, affordable housing plans are required for local governments that wish to make contributions for affordable housing. This affordable housing plan meets the standards of the state Affordable Housing Act and has been approved by the New Mexico Mortgage Finance Authority (MFA), as required by the Act. This plan covers the Town of Taos, which has adopted this plan by resolution and will subsequently adopt an Affordable Housing Ordinance approved by MFA to enable specific contributions for affordable housing.

As shown below in Figure 1, the Town of Taos Affordable Housing Plan comprehensively examines housing needs for all residents, including persons experiencing homelessness, special needs individuals who need supportive services, first-time homebuyers and renters and homeowners of all income levels. The plan will also examine the needs of seniors and the workforce who access housing at multiple points along the continuum.

Figure 1: Continuum of Housing



# Executive Summary

The Town of Taos is a beautiful place to live as is clearly recognized by the residents who make Taos their home and the tourists that flock to the area every year. Taos was once a collection of small Hispano villages, each built around its own plaza and chapel. These villages were interdependent with one another and Taos Pueblo for safety, food and trade. In the late 1800s, east coast artists “discovered” Taos and made the area their home. The Taos Artist Society popularized Taos and Taos Pueblo, bringing the first waves of visitors and tourists. Since then, Taos has been a popular tourist destination and many visitors have moved to the area permanently due to its physical beauty and sense of spiritual enlightenment.

But there has been a price to pay for Taos’ popularity. Tourism has generated many jobs; however, most of these jobs pay low wages and many are seasonal. At the same time, housing prices have increased significantly as out-of-state buyers and second homeowners have moved to Taos. These conditions create a mis-match between incomes and housing costs which is the most extreme in the state. In the last 10 years, this inequitable situation has been exacerbated by the advent of short-term rentals listed through online platforms such as VRBO and Airbnb. Short-term rental opportunities have enabled many property owners to earn additional revenue; however, this comes as yet another cost to local residents who now have a more limited supply of high-priced housing from which to choose.

In response to these challenging conditions, the Town of Taos and Taos County have taken many important steps to ensure that affordable housing is available to local residents:

- **Low-Income Housing Tax Credit (LIHTC) Projects:** The greatest affordable housing success in Taos has been several LIHTC projects which have been developed by a local resident who is an experienced developer. Collectively, these developments provide roughly 340 units of rental housing for households earning 60% Area Median Income (AMI) and below.

# Executive Summary

- **Viable Public Housing:** In 2014, the Taos County Housing Authority was faced with closure due to financial misfeasance. Rather than surrender its vouchers and public housing units, Taos County consolidated with the regional Northern Regional Housing Authority (NRHA) to preserve approximately 450 Section 8 vouchers for use county-wide and 169 low-rent units. These resources are essential, in that they are the only housing resources available for extremely low-income renters earning 30% AMI and below.
- **Affordable Housing Trust Fund:** The Town of Taos established an Affordable Housing Trust fund in 2005. Currently, fees from the Town's short-term rental ordinance are directed to this fund. While funding is limited, it represents an important step in the Town's efforts to contribute directly to affordable housing and/or create its own housing programs.
- **Land Donations:** In 2005, the Town of Taos authorized expenditures for an affordable housing subdivision called Chamisa Verde. While this project has had many challenges, it provided affordable homes at inception and will serve as a land resource for future Taos Habitat for Humanity homes. The final undeveloped parcel in the subdivision is slated for affordable housing development to potentially include LITHC apartments and other housing types.
- **Dedicated Homeless and Special Needs Service Providers:** In 2018, homeless service providers in Taos came together to assess the state of homelessness in Taos County. This one-time event has become a continued collaboration through which the providers have developed collective estimates for housing needs for those experiencing homelessness. Other dedicated services providers house and assist persons with disabilities and other special needs as well as seniors and veterans. In addition, an entity called the Rio Grande Recovery Center is in the process of opening a detox center in Taos. This facility is badly needed since the previous facility closed its doors in 2015.

# Executive Summary

Within these successes, some major gaps remain to fully address the affordable housing challenges in Taos. For example, while significant headway has been achieved in meeting the needs of the renters earning 60% AMI whom LIHTC projects serve, the fact that only 12% of renter households can qualify for their first home is creating a bottleneck throughout the entire housing pipeline. The full list of goals and objectives for this Town of Taos Affordable Housing Plan are provided below:

1. Continue to sponsor new Low-Income Housing Tax Credit projects and include 30% and 80% AMI units in these developments to the extent possible. (302 units)
2. Establish a land trust to develop new starter homes with long-term affordability, potentially using town-owned or privately-owned land that can receive the state tax credit. (164 units)
3. Develop moderately-priced and workforce rentals priced between 60% and 120% AMI using employer-assisted housing strategies and land trust development. (252 units)
4. Increase the impact of Northern Regional Housing Authority through active board participation and local government partnerships, additional rental vouchers, reevaluation of fair market rents to enable use of existing Section 8 vouchers and new mixed-income LIHTC projects that include additional 30% AMI units. (298 vouchers/units)
5. Place limits on the number of vacation rentals in the Town.
6. Implement a real estate transfer tax on high-price sales with proceeds directed to the Town of Taos Affordable Housing Trust Fund.
7. Consider adopting inclusionary zoning to require that affordable units be built with all new development.
8. Provide development incentives for private sector projects that commit to long-term affordability.
9. Consider increasing height limits to three stories and providing development standard flexibility for new rental development, especially for affordable housing.
10. Expand the use of current rehabilitation programs and pilot new funding opportunities. (65 units)
11. Support the efforts of the State of Homelessness in Taos Collaborative to provide shelter and permanent housing for people experiencing homelessness. (50 units of emergency shelter, 70 units of permanent affordable housing)

# I. Community and Housing Profile

## Summary

The Town of Taos has a tourism-based economy with a significant number of jobs in lower-wage service and hospitality sectors. Many jobs are seasonal and reportedly many residents work two or more jobs on a part-time basis. In addition to lower incomes, the tourism economy, which includes second homes and short-term rentals, pushes housing costs beyond the reach of most local residents. As a result, Taos County has the greatest disparity between incomes and housing costs in the entire state.

The Town of Taos is the center of commercial, economic and housing activity for Taos County and the Enchanted Circle, which reaches into neighboring Colfax County to the east. Its small population of just over 6,000 residents is misleading for several reasons. The Town of Taos boundaries are narrowly drawn so that they do not include substantial unincorporated areas which lie adjacent. Furthermore, the population supported by Taos grows exponentially during the summer tourism season (Memorial Day-Labor Day) and the ski season (Thanksgiving-mid-March), placing considerable demand on services, retail and hotels.

While the American Community Survey shows strong population growth in the Town of Taos during the last year (2017-2018), the years prior to that were flat. The population is generally aging and older than the state average. Taos has higher rates of disabled individuals and veterans, some of whom are also disabled. The Town and especially the County have majority-minority populations with high percentages of Hispanics and many Native Americans who live at Taos Pueblo as well as in the Town and County.

The Town of Taos has significantly more one-person households and fewer family households than is typical in New Mexico, and accordingly, a small household size. The Town of Taos has a very high rate of rentals and apartments and is the only community in the County and Enchanted Circle with a substantial number of apartments, most of which are income-restricted and affordable. This differs from Taos County which has an extremely high homeownership rate and a high percentage of mobile homes. Mobile homes and manufactured housing are widely relied on as an affordable housing alternative for locals who have family land resources.

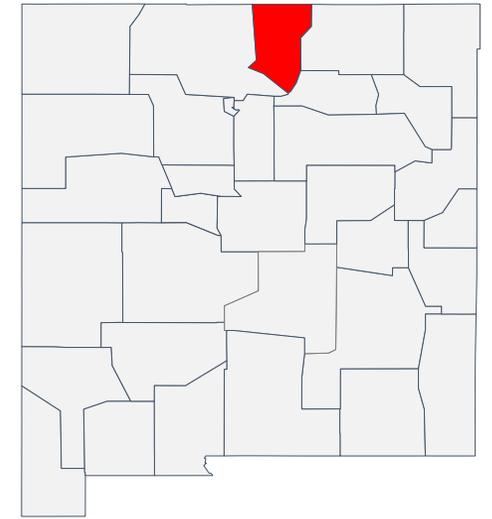


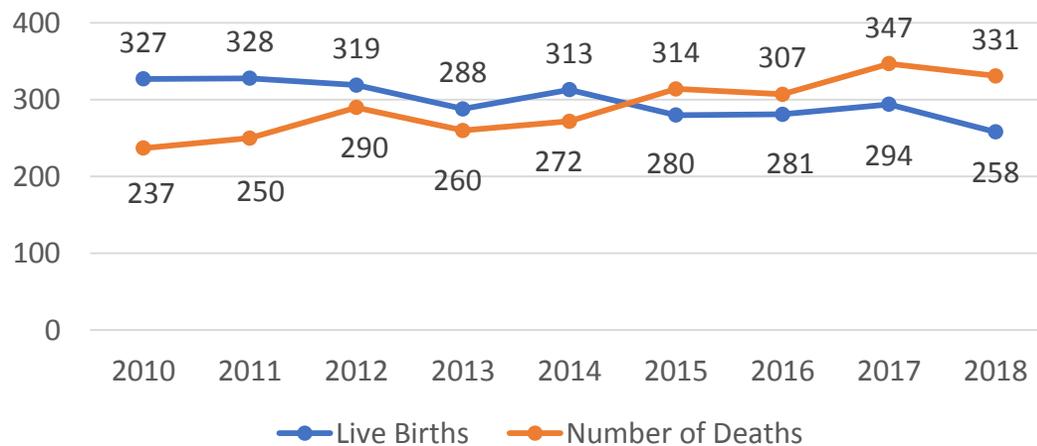
Figure 2: Location of Taos County in NM

# Population Trends

While Taos County has experienced a low population growth of one percent from 2010 to 2018, the Town of Taos has experienced a much larger increase of 7.6%, although most of this growth occurred in one year (2017-2018). The growth rate for the Town is also much higher than the four percent growth rate of the state during the same time period. The Town accounted for roughly 18% of the County's overall population in 2018.

In 2015, the number of deaths in Taos County began to eclipse the number of births. Higher deaths than births would result in a negative growth rate; therefore, some in-migration is occurring to keep the County's growth rate flat.

Figure 3: Taos County Births vs Deaths



Source: NM Department of Health, IBIS, Counts of Birth and Deaths 2010-2018

Figure 4: Town of Taos Population Trends

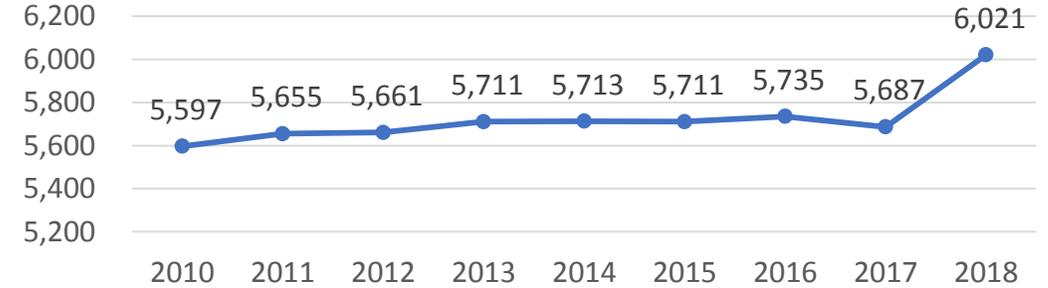


Figure 5: Taos County Population Trends

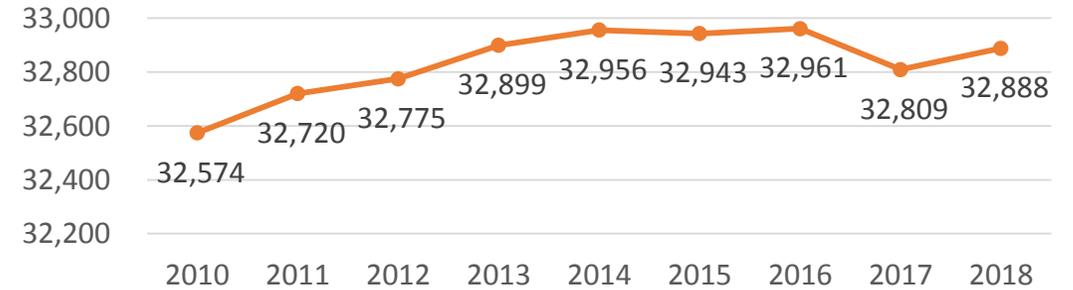
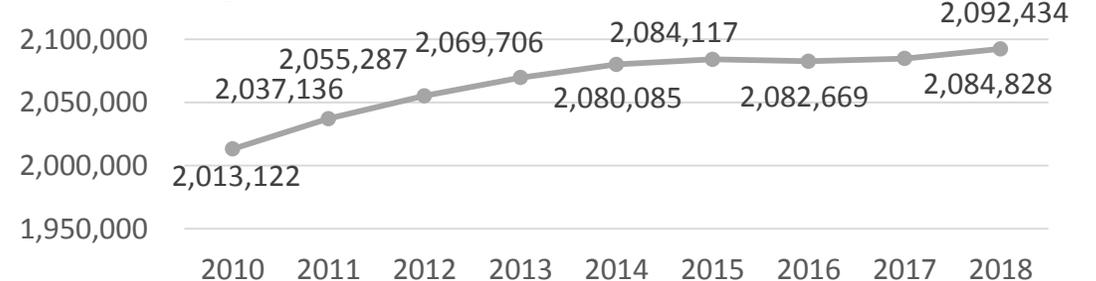


Figure 6: New Mexico Population Trends



Source: ACS 2018 5-Year Estimates

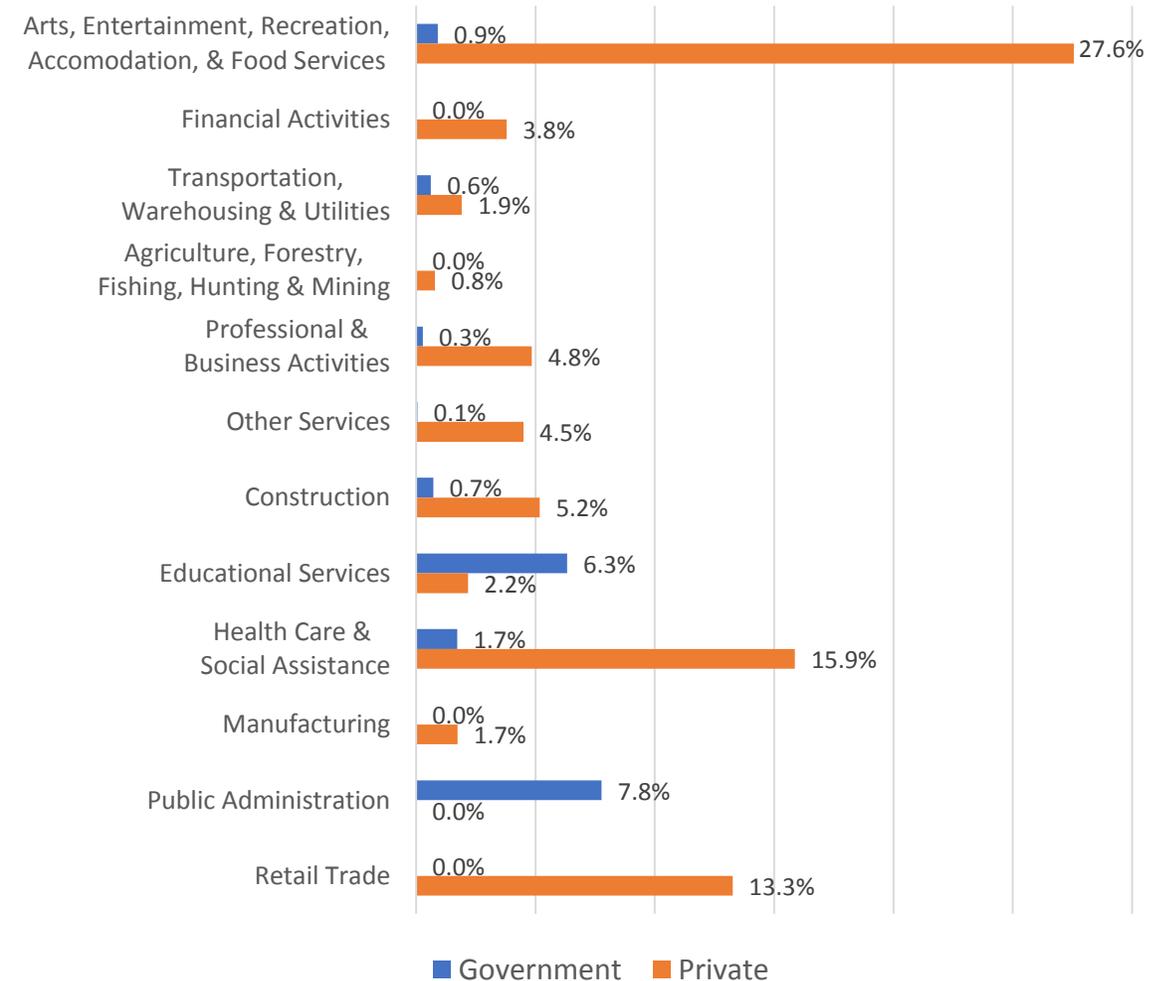
# Employment

As shown in Figure 7, employment in Taos County is concentrated in the Arts, Entertainment, Recreation and Food Services sector, with 28% of employment. Other large sectors include Health Care and Social Assistance at 18% of employment and Retail Trade at 13%. All other sectors make up 10% or less of employment, respectively. This profile differs from New Mexico, where the largest employment sectors are Health Care and Social Assistance at 17% of employment, Arts and Entertainment at 14%, Professional and Business Activities at 13% and Retail Trade at 11%.

Because wages in the Arts and Entertainment sector tend to be lower and wages in Professional Services tend to be higher, Taos County has a higher percentage of lower-paid jobs than the state. According to the Department of Workforce Solutions' Quarterly Census of Employment and Wages, the average wage in Taos County is \$15.60 per hour compared to the statewide average of \$21.73 per hour.

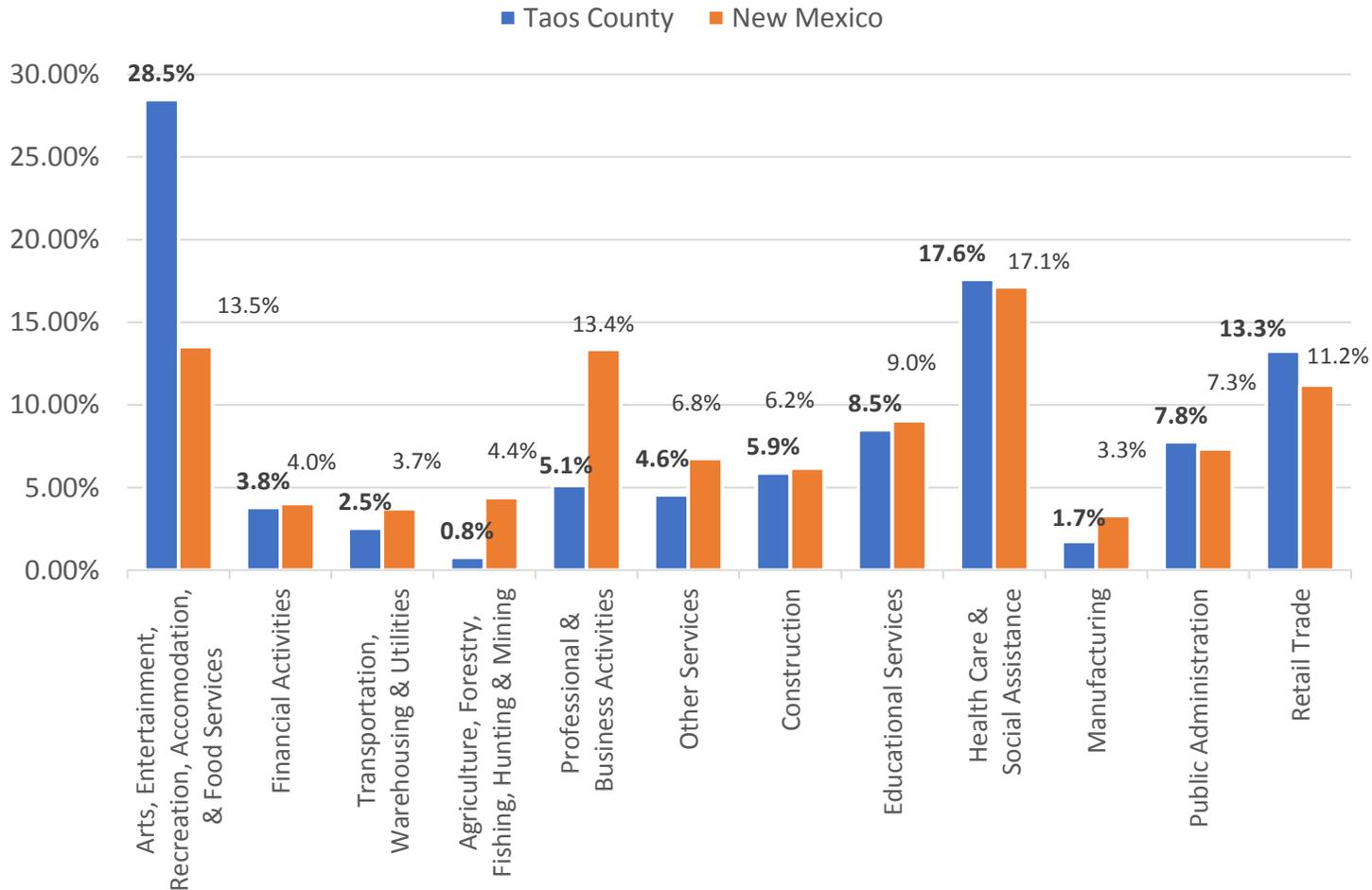
Government employment is also lower in Taos County at 18% compared to 22% in New Mexico and 14% in the U.S. While this lower rate of government employment is consistent with Taos County's tourism-based economy, it is also somewhat misleading in that much of Taos County's private sector employment is seasonal. As shown in Figure 9, many of Taos County's largest employers are government entities.

Figure 7: Government and Private Employment in Taos County



# Employment

Figure 8: Employment by Industry



Source: NM Department of Workforce Solutions Quarterly Census of Wages 2018 Preliminary Totals

Figure 9: Largest Employers in Taos Co.	Employees
Taos Ski Valley (Seasonal)	750
Taos County	290
Walmart	275
Taos Schools	265
US Government	258
Holy Cross Hospital	100-249
Albertsons	100-249
Red River Ski Area	100-249
State of New Mexico	192
Town of Taos	172

Source: NM Partnership Estimates, Retrieved 2020

Figure 10: Largest Employers in NM	Employees
Federal Government	21,766
State Government	18,359
Walmart	14,022
Sandia National Laboratories	12,206
Presbyterian	11,178
Albuquerque Public Schools	10,297
Los Alamos National Laboratories	10,086
UNM Hospital	6,772
City of Albuquerque	5,800
University of New Mexico	4,210

Source: NM Partnership Estimates, Retrieved 2020

# Race and Ethnicity

The majority of Taos County's population is Hispanic at 57%, followed by White at 35%. This percentage of Hispanic residents is higher than in the state where Hispanics represent 48% of the population. Due to the presence of the Taos Pueblo, seven percent of Taos County's population is Native American; however, this is lower than nine percent statewide. Taos County has lower percentages of African Americans and Asians than New Mexico and much lower percentages than the U.S.

When compared to Taos County, the Town of Taos has a lower population of Hispanics at 45%, and a slightly higher White population at 46%. The percentage of the Native American population is lower than both the county and the state at five percent. Like Taos County, the Town of Taos has lower percentages of African Americans and Asians than New Mexico and much lower percentages than the U.S.

- Hispanic or Latino
- White
- Black or African American
- American Indian and Alaska Native
- Asian
- Native Hawaiian and Other Pacific Islander
- Other

Figure 11: Race and Ethnicity in the U.S.

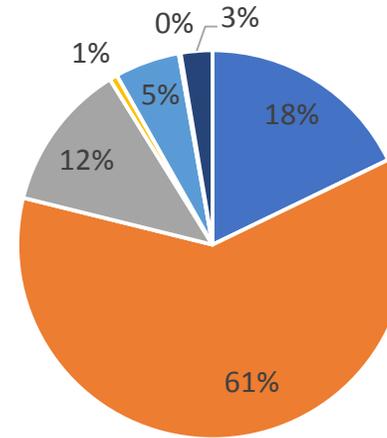


Figure 12: Race and Ethnicity in New Mexico

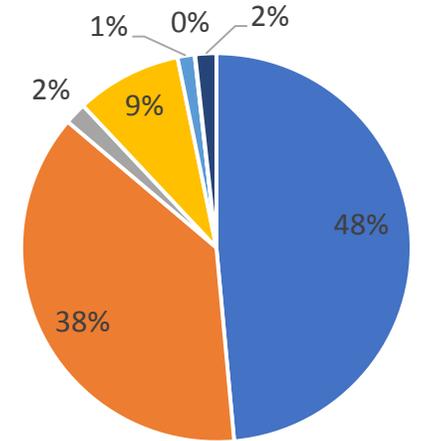


Figure 13: Race and Ethnicity in the Town of Taos

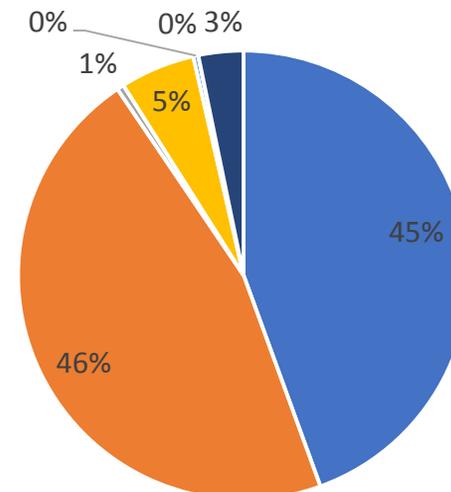
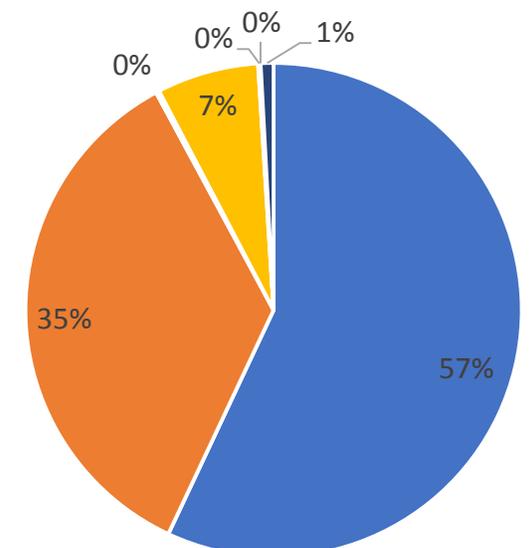


Figure 14: Race and Ethnicity in Taos County



Source: ACS 2018 5-Year Estimates

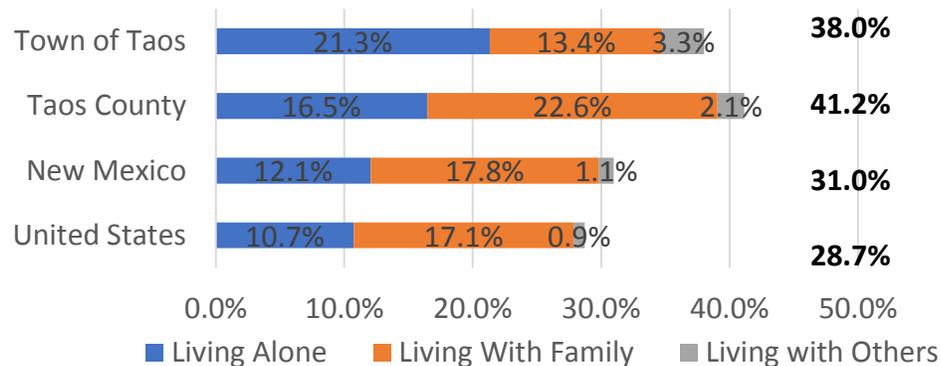
# Age

Taos County's population is one of the oldest in the state, with a median age of 48.2, more than 10 years older than the state median age. The Town also has a high median age, at 47.6 years.

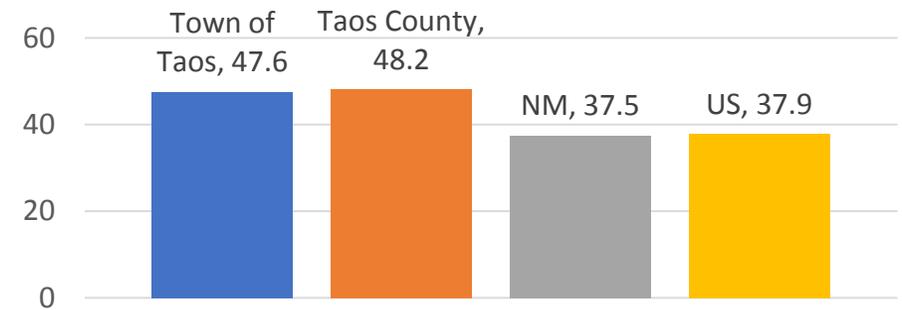
Compared to New Mexico, the Town of Taos has a smaller percentage of population younger than 40 years and a larger percentage of population older than 40 years. Sixteen percent of the population is over 70 years of age compared to 11% in New Mexico.

In Taos County, 41% or 4,991 of 12,127 occupied households are occupied by seniors. The Town of Taos follows a similar trend, with 38% or 980 out of the 2,577 of households being seniors. The Town of Taos's senior households differ from those in the County, New Mexico and the U.S. in that the largest percentage live alone rather than with family. A slightly higher percentage live with others in roommate, caretaker or group settings.

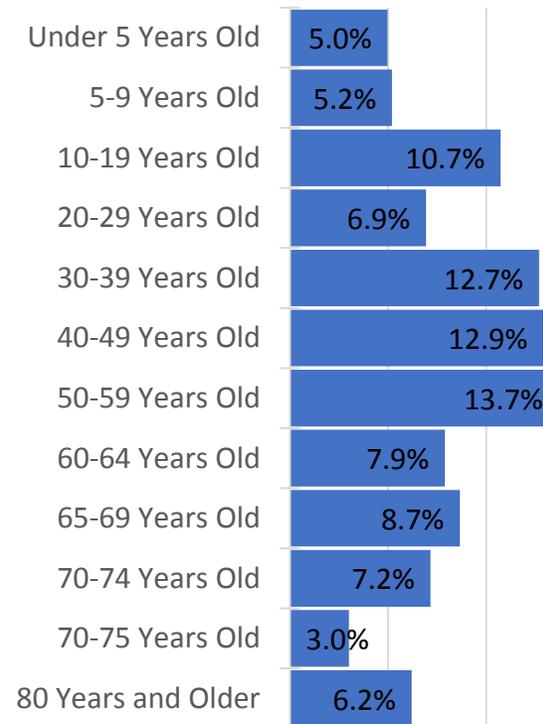
**Figure 15: Senior Households as a Percent of All Households**



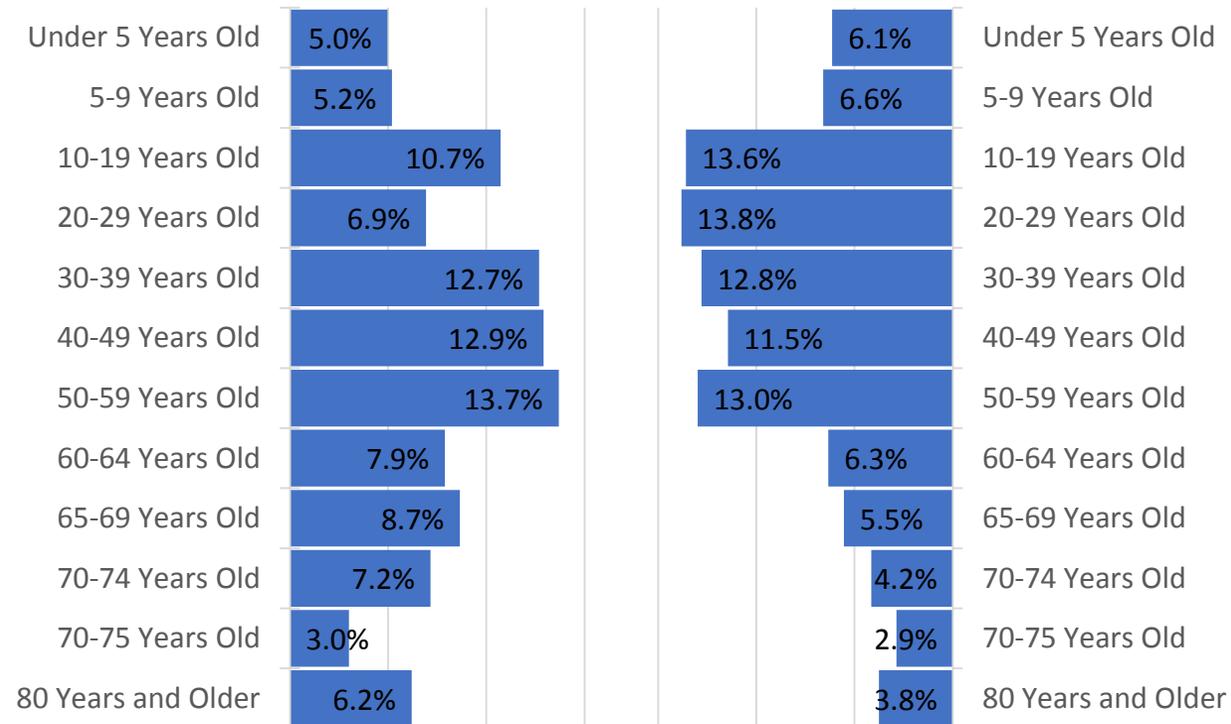
**Figure 16: Median Age**



**Figure 17: Town of Taos Age Distribution**



**Figure 18: New Mexico Age Distribution**



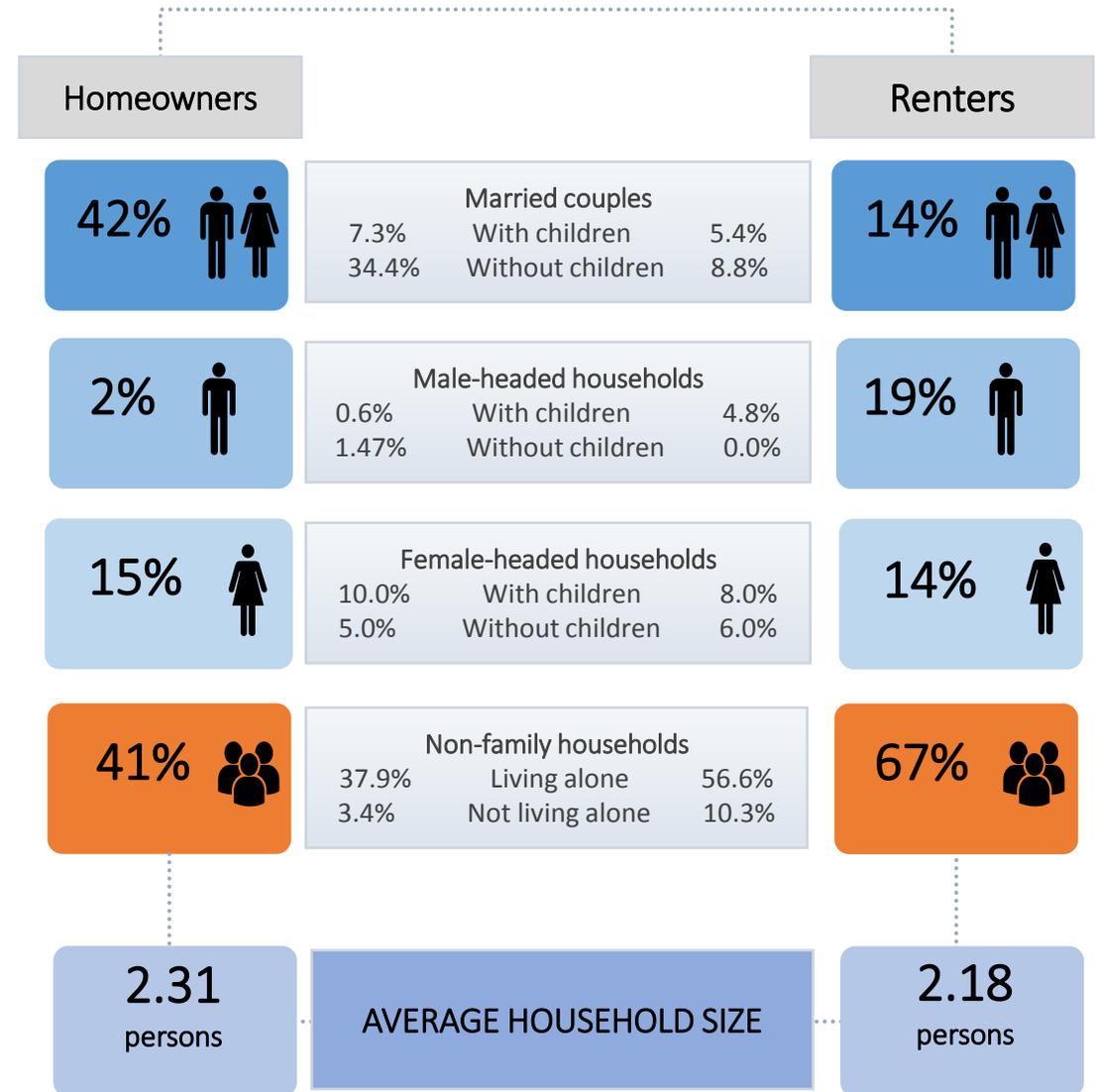
# Household Types

For both homeowner and renter households, the Town of Taos has a much higher percentage of non-family households (53%) than Taos County (42%) and New Mexico (36%). Within that category, persons living alone is also substantially higher in the Town (47%) than in the County (37%) and the state (30%).

Conversely, the Town has a lower percentage of married couple households (29%) and families with children (6%) than both the County and New Mexico. It stands to reason that the average household size in the Town of Taos is low at 2.3 persons compared 2.6 in the County, state and for the U.S.

The Town of Taos has a similar rate of female headed households compared to the County and New Mexico, at 15%.

Figure 19: Household Types in Town of Taos



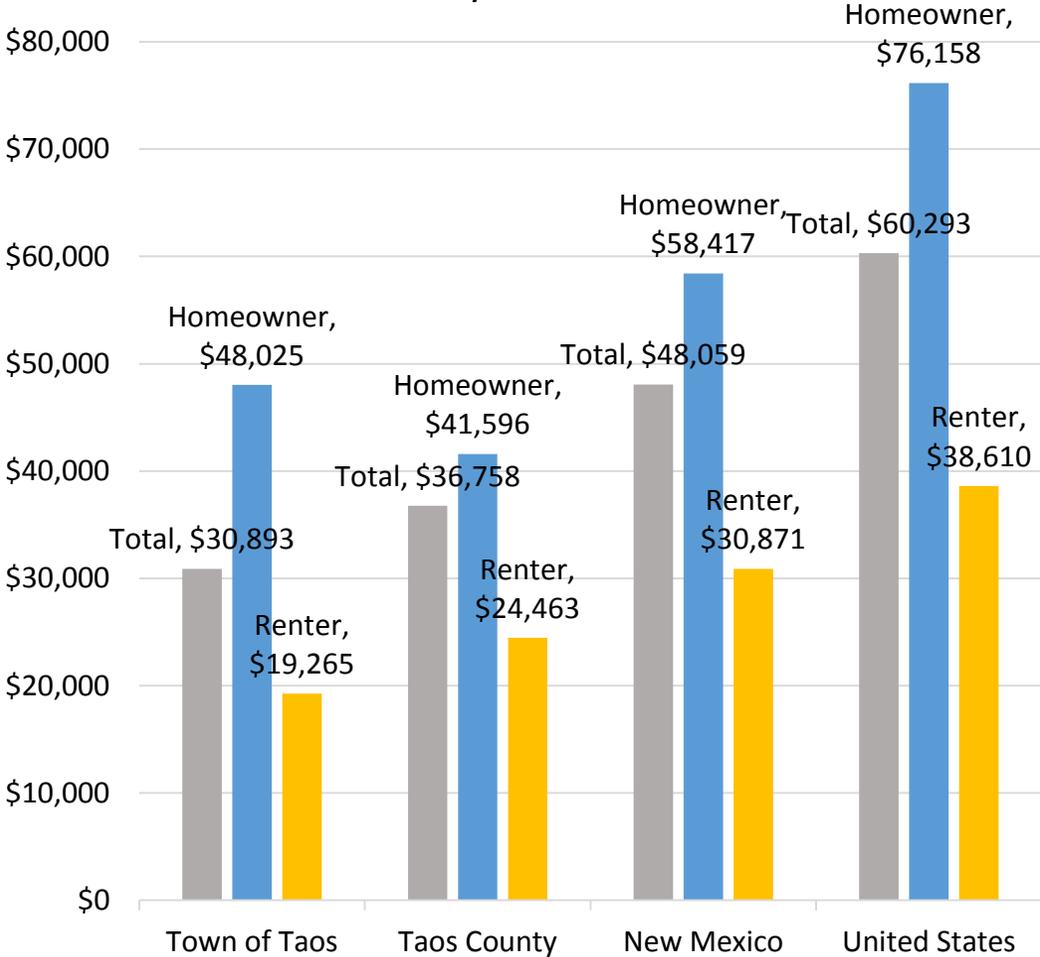
# Income Distribution

Taos County also has one of the lowest median household incomes in the state at \$36,758. This is \$11,000 less than the state median income and \$23,500 less than the U.S. median income. The Town of Taos has a lower total median income than the County at \$30,893.

Homeowner incomes are typically higher than renter incomes and the Town of Taos and Taos County are not exceptions. In Taos County, the median income of owner-occupied households is \$41,596 compared to \$24,463 for renters. The Town of Taos has a higher homeowner median income than the County at \$48,025 and a lower renter median income than the County at \$19,265. As shown in Figure 20, these incomes are lower than owner-occupied and renter household incomes in both New Mexico and the U.S.

Figure 21 shows the percentage of households at different incomes levels for the Town, County, New Mexico and the U.S., broken out by homeowners and renters.

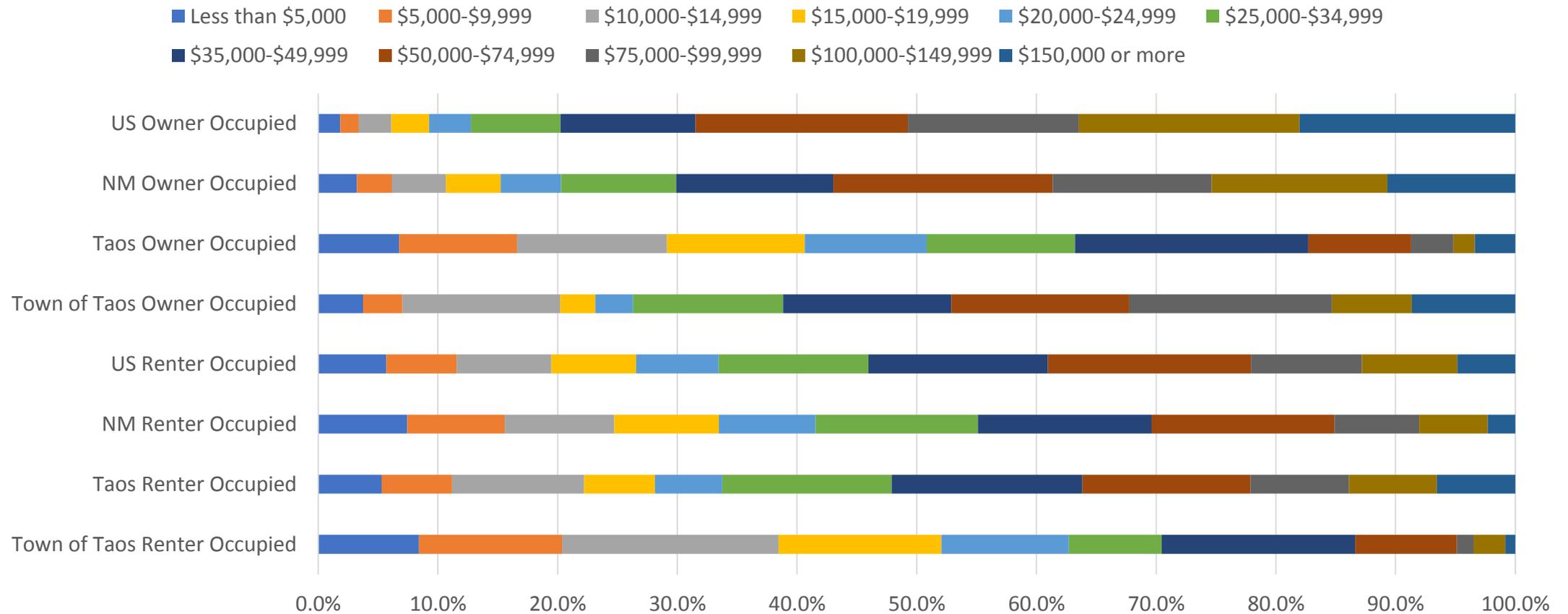
Figure 20: Median Household Income by Tenure



Source: ACS 2018 5-Year Estimates

# Income Distribution

Figure 21: Income Distribution by Tenure



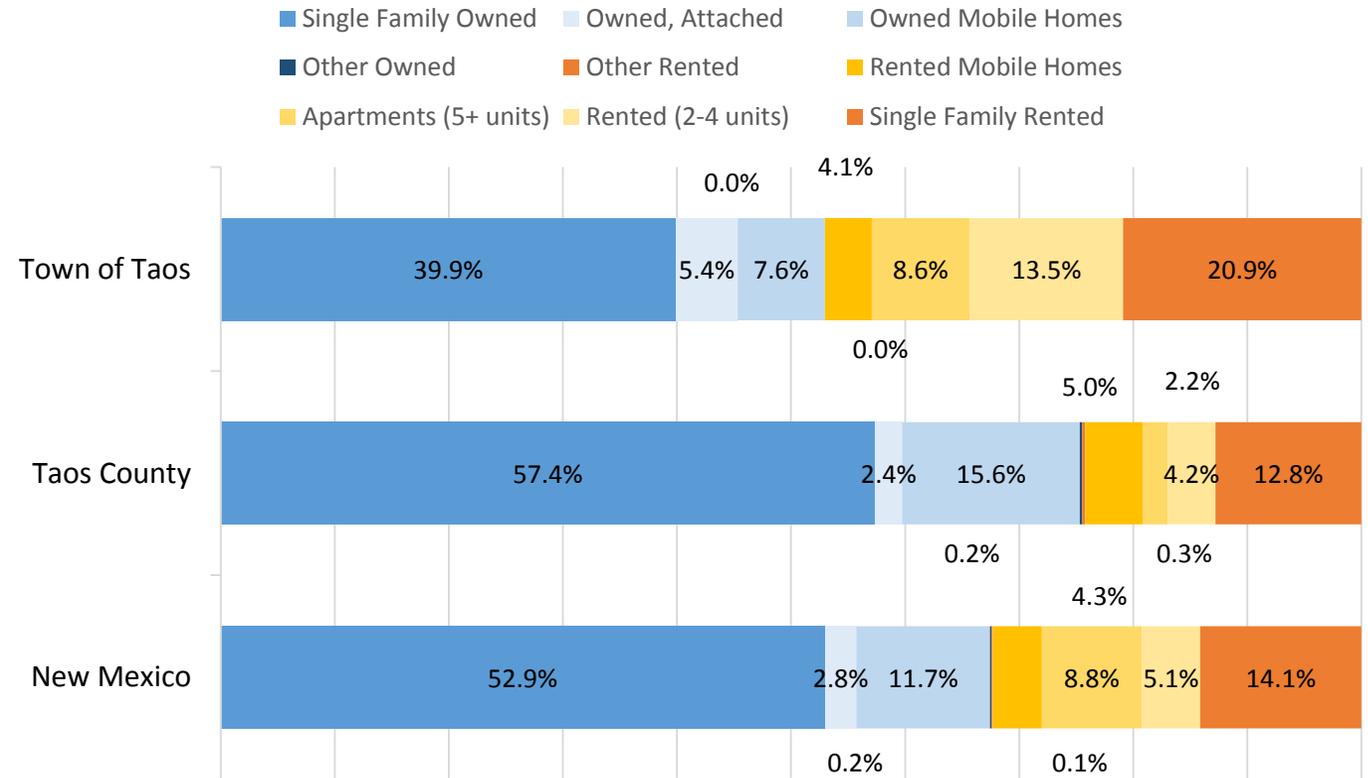
Source: ACS 2018 5-Year Estimates

# Housing Units by Tenure

The Town of Taos has a lower homeownership rate than New Mexico and Taos County. Of all occupied households, 53% are owned and 47% are rented. This is much lower than Taos County, where 75% of homes are owned, and 24% are rented and in New Mexico, where 67% of homes are owned and 32% are rented. This clearly shows the County's reliance on the Town of Taos for rental housing and apartments. For homeowners in the Town, 60% do not have a mortgage, which is much higher than the rate in New Mexico of 45%.

In terms of housing tenure and housing type, the Town of Taos differs significantly from Taos County and New Mexico. With many more rental units and apartments, the Town resembles an urban center. In terms of housing type. On the other hand, Taos County is similar to New Mexico except for minor differences which would be expected in a rural area. These include a higher percentage of owner-occupied mobile homes, 16% compared to 12%, and a lower percentage of apartments. Taos County has very few apartment units in apartment complexes, two percent compared to nine percent in New Mexico.

Figure 22: Occupied Housing Units by Tenure



Source: ACS 2018 5-Year Estimates

# Vacant Homes & Short-Term Rentals

According to the American Community Survey, 8,682 or 42% of Taos County’s 20,809 housing units are vacant, as are 1,102 or 30% of housing units in the Town. Vacant homes categorized as “other” are typically those that are not occupied because they need repair, rehabilitation or are uninhabitable. These units make up 14% of all homes in Taos County and seven percent in the Town.

The American Community Survey reports that vacation homes comprise 4,197 housing units in the County and 463 in the Town. If accurate, these numbers represent 20% of the total housing stock in the County and 13% in the Town.

It is difficult to pinpoint the exact number of short-term rentals in the County and Town because property management companies, homeowners and listing agents often list one property multiple times. Vacation Rental by Owner’s (VRBO) total number of listings for Taos is 1,167, which is about 6% of all homes (occupied and vacant) in Taos County. This number is broken down as 496 homes, 99 cabins, 99 cottages and 361 condos and/or apartments. This number is considerably smaller than that reported by the American Community Survey and is therefore believed to be conservative.

Figure 23: Town of Taos Housing Units by Tenure

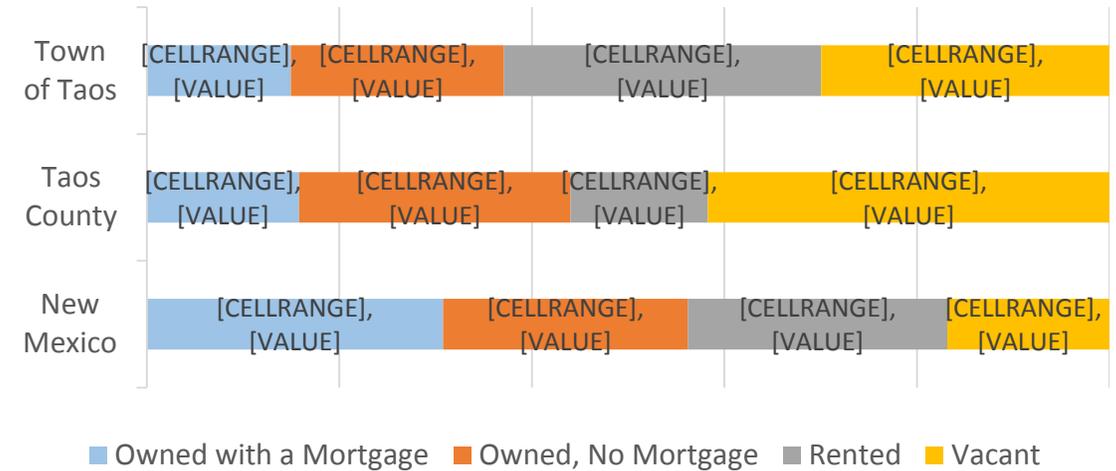
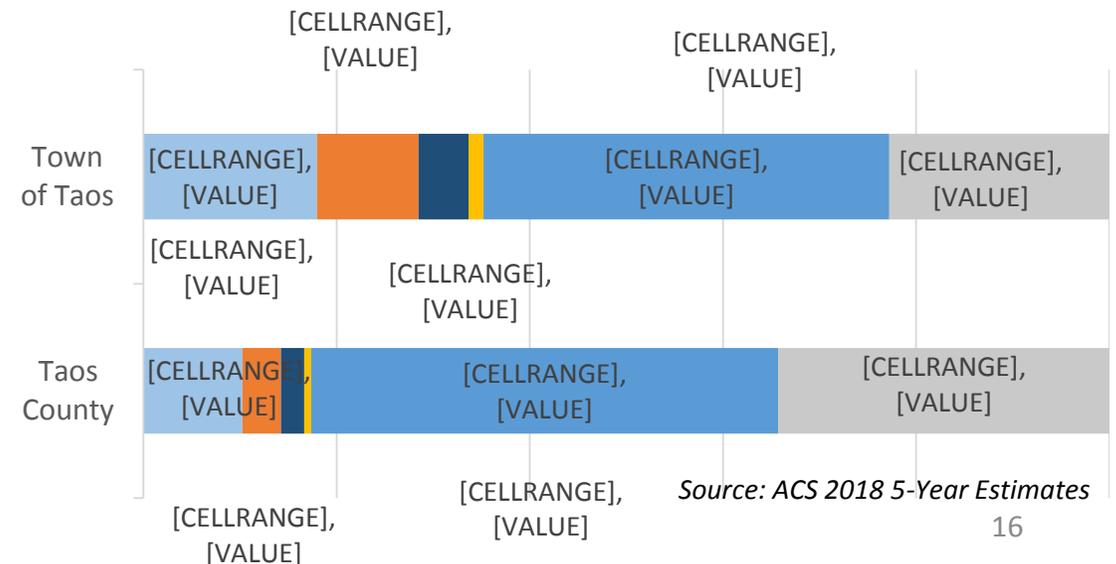


Figure 24: Taos County Use of Vacant Units

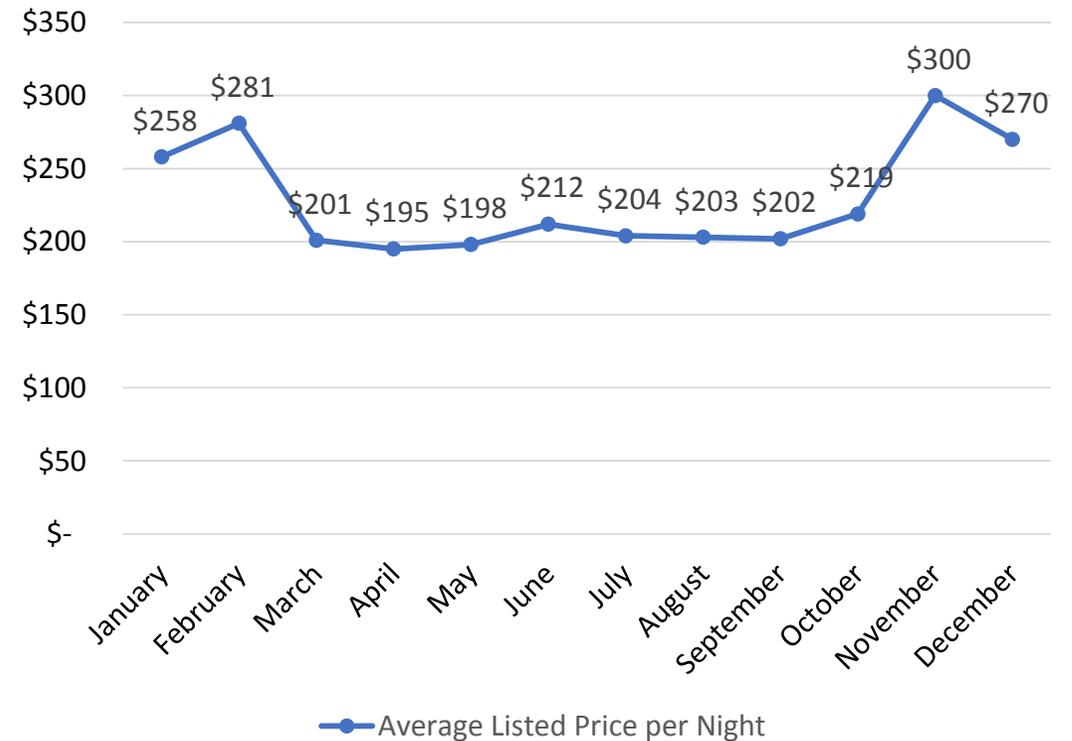


# Short-Term Rentals

The Taos Tourism Department has conducted an audit of short-term rentals in the Town. Unduplicated listings have fluctuated from a high of 450 in 2017 to a recent low of 320 in early 2020. The high of 450 is consistent with the American Community Survey number of 463. The Town has reported a high concentration of short-term rentals in its historic downtown.

There is clearly an impact when many units of Taos' housing stock are taken off the local market for use as vacation and second homes and short-term rentals. The impact is largely felt in the form of increasing rents, because with less supply, landlords can charge more. As depicted in Figure 25, short-term rentals are very lucrative and the high prices charged on a per-night basis have a significant impact on local housing prices in Taos.

Figure 25: Average Listed Price per Night for Town of Taos on VRBO



Source: ACS 2018 5-Year Estimates

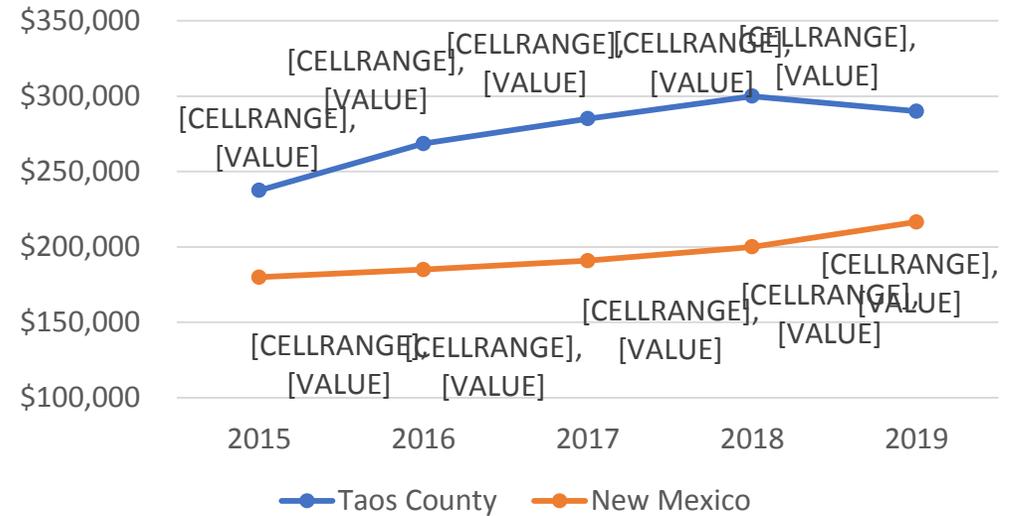
# Home Sales

During the past five years, the number of home sales in Taos County increased from 358 to 389, with a peak of 530 in 2018. During the same time period, median home prices rose from \$237,500 to \$290,000, an increase of 22%.

Home prices in Taos County are among the highest in the state. This creates great affordability challenges in Taos, where incomes are very low. Affordability of for-sale housing can be estimated by considering the percentage of households that can afford the median priced home based on standard terms for loan qualification.\* Using American Community Survey income data, it appears that for-sale housing is affordable for 35% of existing homeowner households and 12% of renter households in Taos County. Affordability is much lower in Taos County than in New Mexico overall, where the median priced home is affordable for 53% of homeowners and 27% of renter households. Taos County households require a household income of \$72,700 to qualify for a median-priced home, compared to \$55,000 for New Mexican households overall. Poor affordability in Taos County is due to a perfect storm of high home prices and very low incomes.

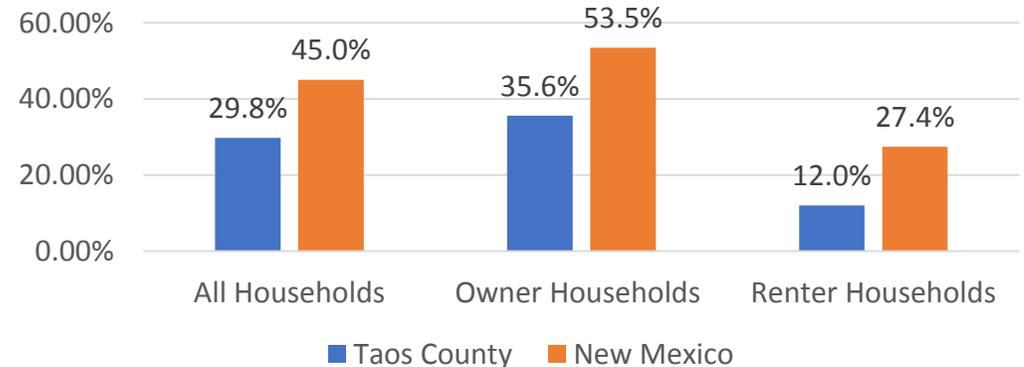
*\*Standard terms for loan qualification: 32% debt to income ratio, 30-year fixed rate mortgage at 4.75% with a five percent down payment, property taxes at one percent of purchase price, homeowners insurance of \$700 per year and property mortgage insurance at 0.9% of the loan amount. Because no assumptions were made about the credit-worthiness of the household, this analysis overestimates the percentage of households that qualify to purchase a home.*

Figure 26: Number of Home Sales & Median Home Sales Prices



Source: NM Association of Realtors, Housing Trends 2015-2019

Figure 27: Percent of Population that can Afford a Median Priced Home



# Home Sales

For-sale home listings were researched for this Plan in May 2020. While the research occurred during the Coronavirus pandemic, no downward effect on listing prices was noted. Data was compiled from Realtor.com, which listed 205 single family homes with an average price of \$350,000 or \$237 per square foot.

Figure 28: Realtor.com Home Sale Listings, May 2020

Area	Number of Listings	Median Listing Price	Median Price per SF	Lowest Listing Price	Highest Listing Price	Average Days On Market
Taos County	367	\$350,000	\$237	\$14,500	\$3,600,000	134
Town of Taos	320	\$375,000	\$245	\$25,000	\$3,600,000	113
Ranchos De Taos	117	\$332,000	\$210	\$18,900	\$2,600,000	176
El Prado	79	\$325,000	\$228	\$21,000	\$837,500	152
Arroyo Seco	43	\$624,000	\$201	\$59,900	\$2,000,000	N/A
Arroyo Hondo	26	\$422,000	\$197	\$49,900	\$880,000	N/A
Taos Ski Valley	37	\$397,000	\$411	\$125,000	\$2,500,000	183
Questa	55	\$225,000	\$159	\$12,000	\$2,900,000	N/A
Red River	56	\$220,000	\$162	\$14,500	\$1,200,000	221
Penasco	12	N/A	N/A	N/A	N/A	N/A

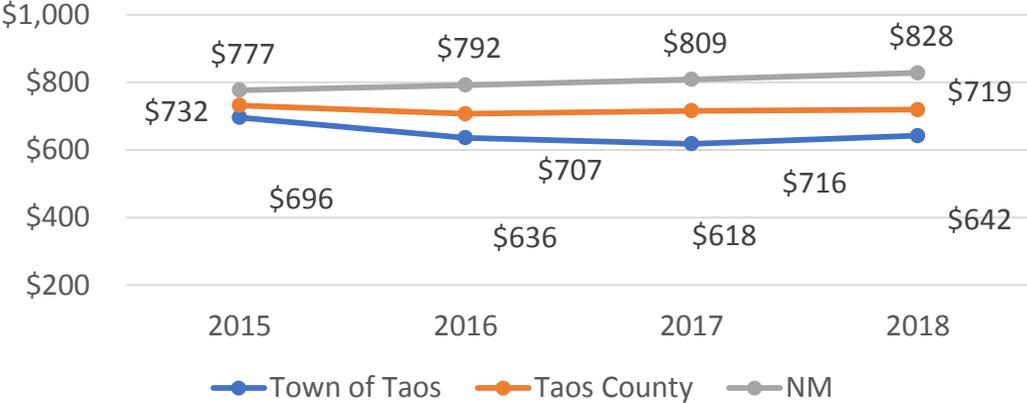
# Median Rents

2020 HUD Fair Market Rents (FMRs) for Taos County are \$722 and \$727 for efficiencies and one bedrooms and increase considerably to \$875 for two bedrooms and \$1,090 for three bedrooms. For the smaller units, these FMRs are line with the American Community Survey average rent of \$719 in Taos County.

According to MFA’s annual rental survey, rents for apartments of five units or more were in the \$500-\$600 range between 2015 and 2019 with the exception of an outlier year in 2017. These rents seem very low and are influenced by the fact that most apartments in Taos are Low-Income Housing Tax Credit (LIHTC) projects, USDA 515 properties or public housing, all of which have rent ceilings to accommodate low-income residents. LIHTC rents are \$618 for two-bedroom units; public housing rents can be substantially lower.

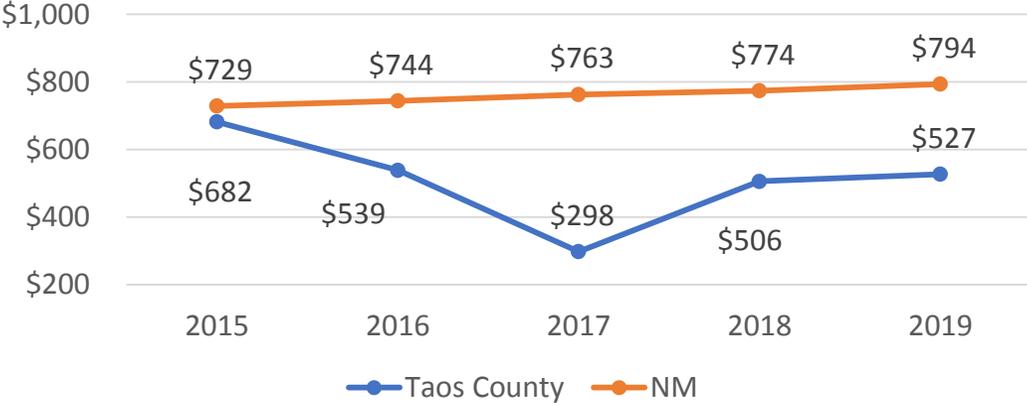
It should be noted that the majority of rentals in Taos County and the Town of Taos are single family homes and mobile homes which are typically larger than apartments. This is true for 73% (2,162 of 2,969) of rental units in the County and 53% (644 of 1,212) of rental units in the Town. Owners of these properties may charge whatever rent the market allows, which varies based on the size, location, age and condition of the property. Service providers in the Taos area report \$1,000 to \$1,200 as common rents when searching for housing options in the community. Taos County reports that rents in the Town are \$1,000 or more, while homes in rural areas like Questa and Peñasco can be rented for \$700 or \$800 per month. The fact that some potential Section 8 tenants have difficulty finding housing that meets the fair market rents indicates that many rental homes are priced above \$1,100 per month.

Figure 29: Median Gross Rents



Source: ACS 2018 5-Year Estimates

Figure 30: Average Rents



Source: MFA Rental Survey

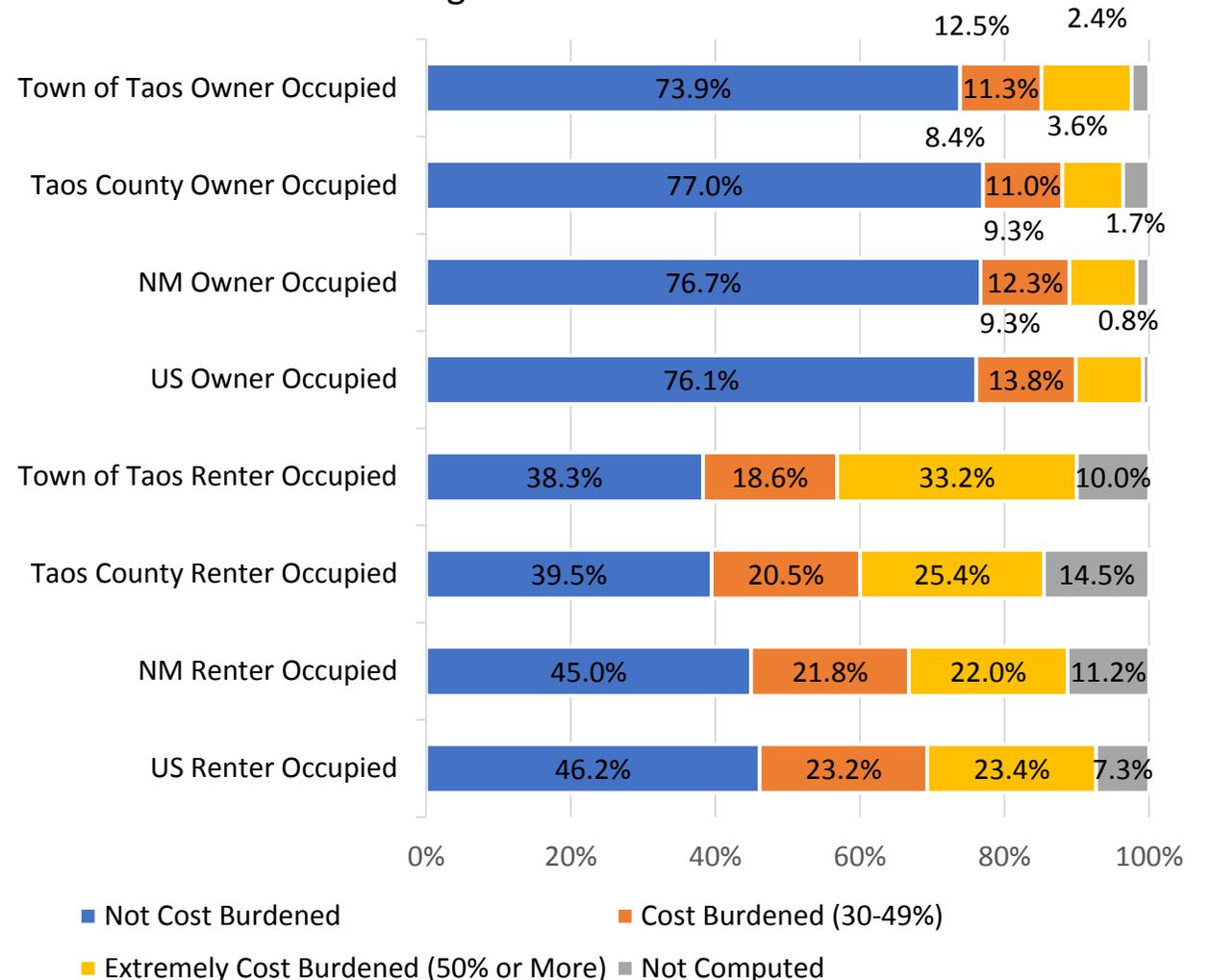
# Cost Burden

Cost burden describes households that pay more than 30% of income in housing costs. Households paying more than 50% of income in housing costs are considered extremely cost burdened.

Taos County has lower rates of cost burdened and extremely cost burdened homeowners than New Mexico. This is likely due to a high percentage of homeowners in Taos County without a mortgage, many of whom became homeowners through family inheritance. While the Town of Taos also has a high rate of homeowners without mortgages, it also has a higher rate of extremely cost-burdened homeowners, which pushes up the rate of cost burdened households overall. Twenty-four percent of Town homeowner households are cost burdened compared to 22% in New Mexico.

For renters, Taos County and the Town have higher rates of cost burden than New Mexico. For households paying between 30% and 49% of income on rent, the percentage is lower than the state. However, 33% of Town renters and are extremely cost-burdened, compared to 22% in New Mexico. This drives the total percentage of cost burdened renters to a high rate of 52% in the Town of Taos compared to 44% in New Mexico.

Figure 31: Cost Burden

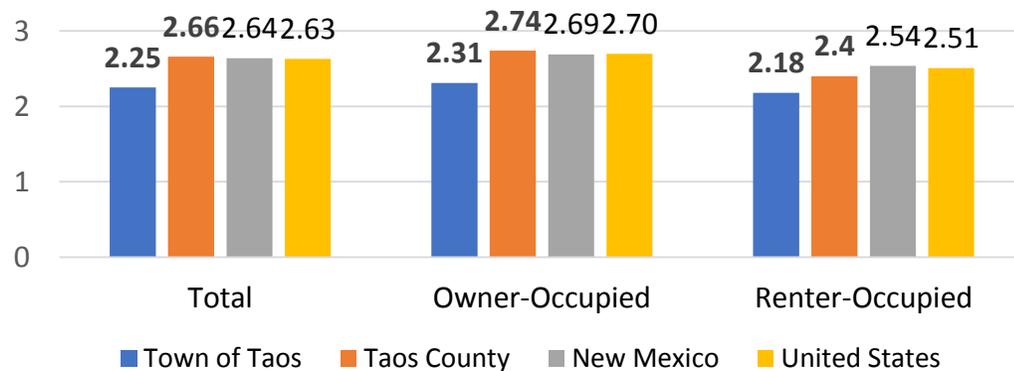


# Overcrowded Households

According to the HUD and American Community Survey definitions, overcrowded households are those occupied by more than one person per room and severely crowded households are occupied by more than 1.5 people per room. Overall and for homeowner and renter households alike, Taos County and Town of Taos households are less overcrowded than similar households in New Mexico and the U.S. For all geographies, renter households have a far greater propensity to be overcrowded than homeowner households.

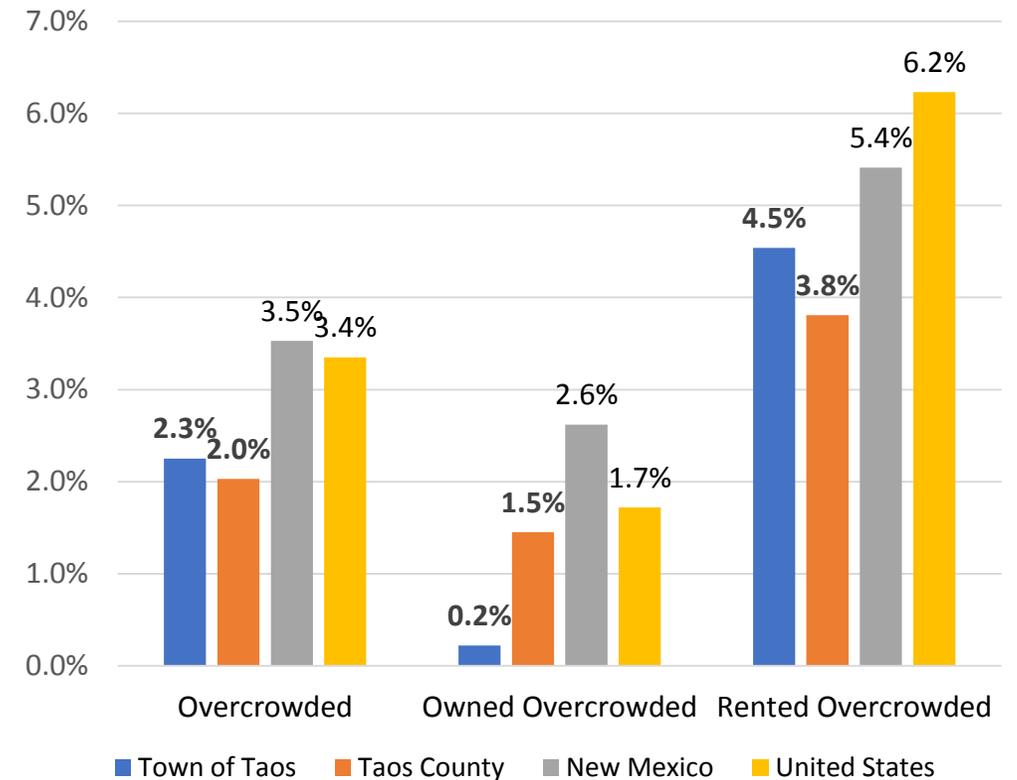
The Town of Taos' average household size is 2.25 people overall; 2.31 for owner-occupied households and 2.18 for renter households. This is slightly smaller than the average household size for Taos County, which is very similar to the state average of 2.64 people overall.

Figure 32: Average Household Size by Tenure



Source: ACS 2018 5-Year Estimates

Figure 33: Overcrowded Households by Tenure



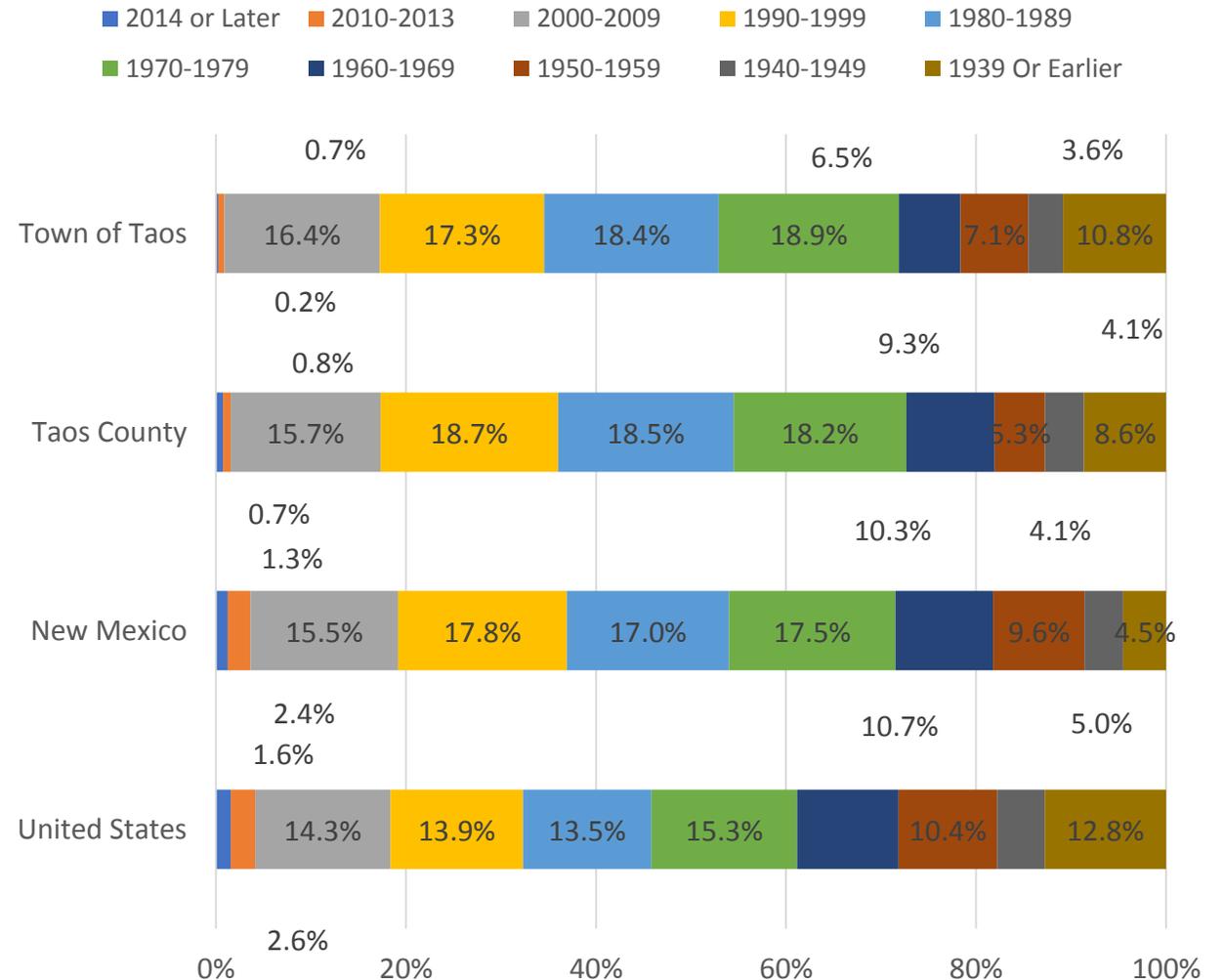
Source: ACS 2018 5-Year Estimates

# Age of Housing

Between 1960 and 2000, the percent of homes built each decade is very similar in Taos County and in New Mexico. However, Taos County has a higher percentage of homes built before 1940 (nine percent vs. five percent) and a lower percentage of homes built in 2010 or later (two percent vs. four percent). Therefore, the County has less recent development and more older homes than New Mexico overall. Also, the County also has a lower percentage of homes built in the 1950s than New Mexico (five percent vs. 10 percent).

The age of homes in Taos County and the Town of Taos are very similar, except that the Town has an even lower percentage (one percent) of homes built after 2010 and an even higher percentage (11%) built before 1940. Therefore, the Town has less recent development and more older homes than Taos County overall.

Figure 34: Age of Occupied Housing



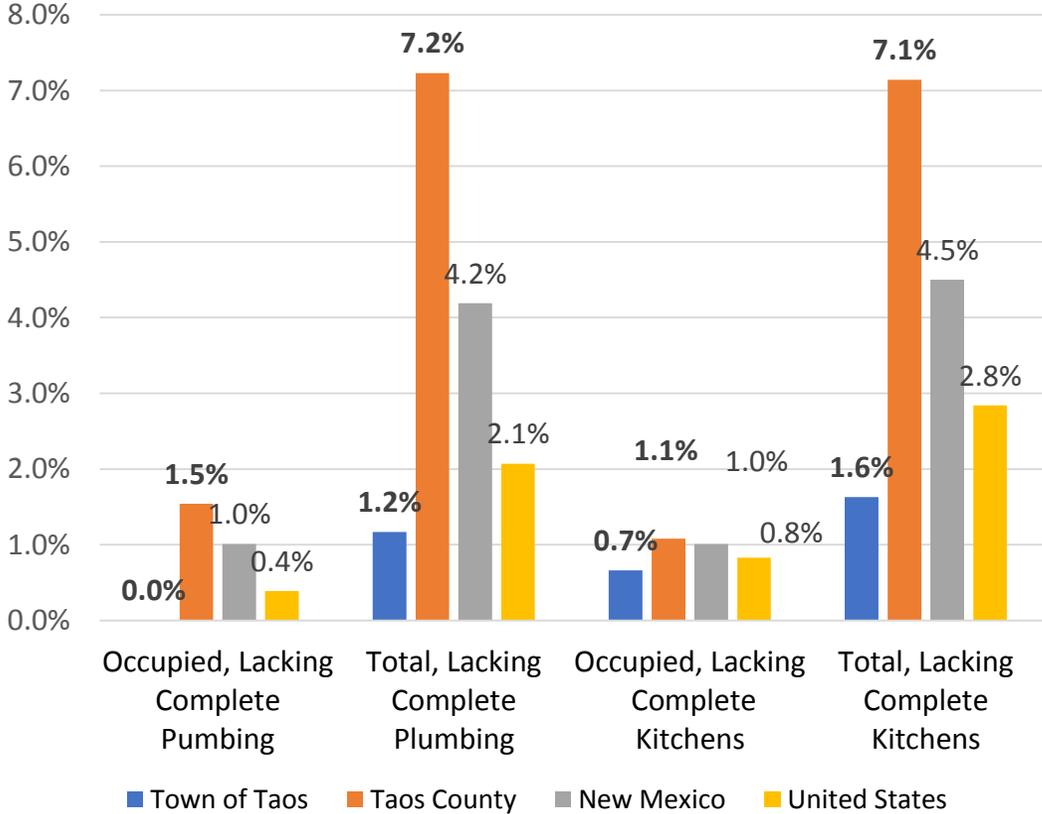
Source: ACS 2018 5-Year Estimates

# Housing Condition Issues

Historically, HUD has measured the percentage of housing units with condition issues by those that lack complete plumbing and/or kitchens. This percentage has steadily declined in the U.S. to become almost meaningless; however, in some areas of the country, there are still many housing units that fall into these categories.

The Town of Taos has a lower rate of homes lacking complete plumbing and complete kitchens than New Mexico and the U.S. This is in stark contrast to Taos County, which has much higher rates of both. Taos County's rate is only slightly higher than state and national averages for occupied housing, but is significantly higher for total housing units, including vacant units.

Figure 35: Special Housing Conditions



Source: ACS 2018 5-Year Estimates

# II. Land Use and Policy Review

## Introduction

This section analyzes land use regulations and makes recommendations to enable the Town of Taos to increase publicly-driven affordable housing efforts and encourage the private sector to produce more housing that is affordable to households of various income levels.

In many cities and towns across America, zoning and land-use regulations act as barriers to affordable housing creation. Single-use zoning, setback and residential density requirements, parking restrictions and height restrictions can make developing multi-family affordable housing a difficult task. Furthermore, non-conforming uses must often go through a lengthy and expensive special permitting process if the proposed development falls outside permitted uses and development restrictions. Many communities are working to ease existing land use regulations across the board or for targeted areas and sites, “up zoning” (lowering restrictions) or implementing measures to allow for gentle densification such as Accessory Dwelling Units (ADUs). While these are good strategies for the Town to consider, it should be noted that changes to zoning and development standards will not necessarily increase *affordable* housing development in Taos’ high-cost housing market. Permanent affordability protections are needed to ensure long-term affordability or new development will almost certainly be built for higher incomes or converted to short-term rentals.

### Figure 36: Town of Taos Zoning and Land Use Codes and Planning Documents

- *Town of Taos Land Use Development Code*
- *Town of Taos Master Plan- Affordable Housing Element*
- *Taos Strong at Heart Downtown Strategy Report*

# Land Use Regulations

Fortunately, the Town of Taos Land Use Development Code, which serves as its zoning ordinance, already contains many tools to enable and incentivize affordable housing development. The code has an ample number of zones for multi-family housing and permits affordable housing projects sponsored and approved by the Town in most zones. Unlike many rural communities in New Mexico, there are numerous options for building multi-family housing as-of-right, without a special permit.

Multi-family residential is a permitted use in the R-6, R-14 and the CBD or Central Business District zones and is a conditional use in the C-1 and C-2 commercial zones. Designated affordable housing projects that are both sponsored and approved by the town are allowed, as of right, to build to the development criteria of the R-14 zone in all zones except R-1 and areas zoned for agricultural use. All affordable housing projects must also meet the Town’s architectural design code which is based in Pueblo Revival and Territorial architectural design.

Figure 37: Land Uses by Zone

Description	Zone	Multi-Family	Single-Family	Attached Residence	Mfg. Home	Accessory Dwelling	Second SF Home	Guesthouse for Long-Term Rental
Residential Agricultural	R-A		PU		PU	AU		CU
Residential	R-1		PU		PU	AU		CU
Residential	R-2		PU		PU	AU	CU	CU
Residential	R-3		PU		PU	AU		CU
Residential	R-4		PU		PU	AU		CU
Residential	R-6	PU	PU		PU			CU
Multi-Family Residential	R-14	PU	PU	PU				
Residential Commercial	C-1	CU	CU	CU				
General Commercial	C-2	CU	CU	CU				
Central Bus. District	CBD	PU	PU	PU				

PU= Permitted Use    CU= Conditional Use    AU=Accessory Use

# Development Standards

Figure 38: Development Standards by Zone

Despite there being allowances for the creation of town-sponsored affordable housing, maximum densities and development standards such as building height, mass, setbacks and parking requirements limit the creation of denser housing by private developers. These standards drive up the cost of development even in districts that are intended for higher density such as R-14 and CBD. Small lot sizes in even the most up-zoned neighborhoods restrict most developments to a maximum of two units per lot, while setbacks and other development standards constrain the building envelope.

To address these issues, *Taos Strong at Heart* encourages the Town to adopt a form-based zoning code that removes residential density restrictions in favor regulating form and design. Many towns have moved to progressive form-based zoning codes that restrict development by form and design, as opposed to density and use restrictions. The Town of Taos developed a form-based code in 2008, but the code was not approved by the Town Council. As a result of this past experience, this Plan does not recommend a form-based code but recommends that the Town of Taos continue to use its Planned Unit Development (PUD) overlay zone, which can be applied to any development in any zone, for sites that require development standard flexibility. Such flexibility is expected to be needed for most affordable housing developments.

Description	Zone	Density (Units)	Min. Lot Size	Min. Lot Width	Front Setback	Side Setback	Rear Setback	Max. Lot Coverage
Residential Agricultural	R-A	1	3 acres	150 ft	30 ft	20 ft	30 ft	15%
Residential	R-1	1	1 acre	100 ft	20 ft	10 ft	20 ft	20%
Residential	R-2	2	0.5 acre	100 ft	20 ft	10 ft	20 ft	20%
Residential	R-4	4	.25 acre	80 ft	20 ft	10 ft	20 ft	40%
Residential	R-6	6	6,000 sf	50 ft	20 ft	7 ft	10 ft	50%
Multi-Family Residential	R-14	14	7,000 sf	50 ft	20 ft	7 ft	10 ft	50%
Residential Commercial	C-1	14	7,000 sf	70 ft	10 ft	0 ft	0 ft	50%
General Commercial	C-2	14	7,000 sf	70 ft	10 ft	0 ft	0 ft	60%
Central Bus. District	CBD	29	1,500 sf	20 ft	10 ft	7 ft	10 ft	Up to 100%

# Zoning Districts

The following paragraphs evaluate the Town of Taos zones that allow multi-family residential along with the recommendations outlined in the *Taos Strong at Heart* strategy.

## **CBD Zone**

The Central Business District zone is Taos's historic core. This area is defined by historic buildings, narrow streets and alleys, joined buildings that form street walls, and a high commercial density, all of which encourages walkability and downtown vitality. In this zone, multi-family developments are a permitted use but the maximum allowed height is only 27 feet. While the residential density in the CBD zone is 29 dwelling units per acre, the highest allowed density in Taos, *Taos Strong at Heart* points out that only two residential units can be built on an average lot size in the district (4,500 square feet). This can result in either the development of two large luxury apartments, or two small affordable apartments in a scaled down building, out of context with the surrounding area. Both options would not likely be affordable and the maximum height of two stories prevents a mixed-use building from being a feasible option.

*Taos Strong at Heart* recommends increasing the allowed residential density to 60 units per acre, and the allowed height to 36 feet (three stories). Under these conditions, future infill developments in the CBD can support up to six residential units as well as ground floor commercial. Units built to these standards are estimated to be 20% more affordable than what can currently be built. These development standards would guarantee a larger return on investment for developers thereby incentivizing infill development and housing creation. Three-story buildings can be built less expensively by using wood frame and the resulting mixed-use buildings would be more characteristic of the downtown environment and would contribute to increased walkability, employment and business opportunities.

Figure 39: Town of Taos Zoning Map

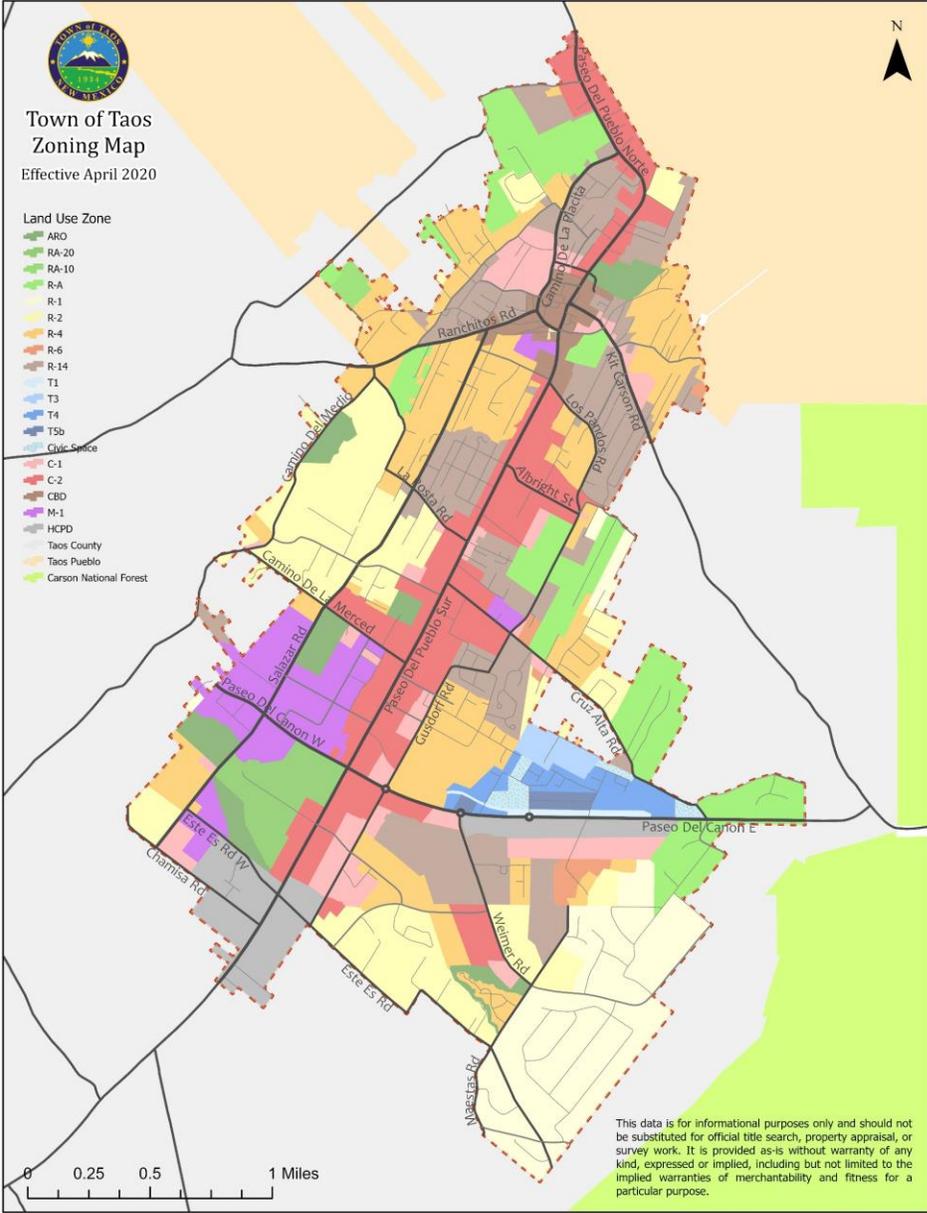
# Zoning Districts

## R-14 Zone

Similar to the CBD zone, small lot sizes and height restrictions are limiting the ability of the R-14 multi-family residential district to adequately provide affordable housing. Assuming a minimum lot size of 7,000 square feet and a building maximum of two stories, this zone can only accommodate two units per lot. *Taos Strong at Heart* recommends increasing the residential density to 49 dwelling units per acre, which would allow for eight units on a typical R-14 lot size and decreasing the setback requirements that take away from developable land. Allowing for more units on a single lot should bolster affordability by enabling units to be built more economically and increasing the general supply of housing across the board.

## C-2 Zone

The C-2 zone is the prevailing commercial zone on Taos’s main business corridor, Paseo Del Pueblo Sur, as well as the surrounding area. Despite a broad range of permitted uses, development standards in this zone result in low rise, auto-oriented suburban growth. Building height and residential density requirements prevent the development of mixed-use buildings that both serve local business growth and housing creation. If a developer wishes to build a mixed-use (commercial and residential) development, parking and setback requirements would leave only 16% of the lot for a building and room for one dwelling unit.



# Zoning Districts

For the C-2 zone, *Taos Strong at Heart* recommends increasing the maximum height to accommodate three stories, allowing for 54 dwelling units per acre (eight units per building on a typical C-2 lot), reducing front set back requirements to form a street wall, and reducing parking restrictions. Developments built to these standards are estimated to increase the footprint of a building on a lot by 27%, and the resulting mixed-use, higher density building would increase walkability and “eyes on the street” which contribute to community safety and connectivity. *Taos Strong at Heart* also recommends allowing light manufacturing and live/work space as a permitted use to encourage the formation of a “maker district” in the C-2 zone. These zoning recommendations would result in an urban form that falls more in line with community preferences that were expressed during *Taos Strong at Heart* public input meetings and engagement events.

## **C-1 Zone**

This zone is intended to be a neighborhood scaled commercial zone that provides services to the surrounding residential communities. However, the zoning development restrictions result in the same suburban, auto-oriented built form that is seen in C-2. The maximum density, height, and lot size are all the same as C-2 with similar parking and lot coverage restrictions.

*Taos Strong at Heart* recommends increasing residential density from 14 units per acre to 45 per acre, reducing the front setback from 10 feet to zero feet, allowing residential uses to be as-of-right and giving more flexibility to light manufacturing and live-work uses either as a permitted use or conditional use. If these changes were implemented, similar benefits are expected as outlined for the C-2 zone. Also, allowing residential to be a permitted use would remove barriers to development.

# Middle Housing

Middle refers to duplexes, attached townhomes, accessory dwelling units, triplexes, and live-work units. These housing options add a gentle density to residential areas, increase housing diversity, remove barriers for development, and prevent sprawl that threatens the integrity of surrounding natural environments.

Given the historic nature and Pueblo architecture in the Town of Taos, middle housing fits well with the built environment. As shown in Figure 22, the Town of Taos has a higher percentage of attached units such as duplexes, townhomes and condos for both renters and homeowners than New Mexico overall. The American Community Survey estimates that 139 of these units are owned and 347 are rented. While middle housing is a common way for the private sector to develop affordable housing, this has not been the case in Taos. Unfortunately, much of Taos' middle housing stock is used as second homes or short-term rentals.

Middle housing could provide an opportunity for new affordable development if properly regulated and monitored. The Town of Taos could allow middle housing in additional zones other than R-14 and CBD (permissive use) and C-1 and C-2 (conditional use) and/or increase densities in exchange for commitments of permanent affordability.

This Plan strongly recommends that deed restrictions be placed on these units to ensure long-term affordability. It is also recommended that the Town contract with a qualified entity to provide annual income and rent monitoring for these properties.

# Density Requirements

As discussed in this section, the Town of Taos has a number of zones that allow sufficient multi-family densities to produce affordable housing. However, when development standards are applied to small lots in these zones, the number of housing units that can be built decreases significantly. *Taos Strong at Heart* makes many positive recommendations for increasing density in various zones (see pages 29-31). However, without permanent affordability protections provided through LIHTCs, a land trust, inclusionary zoning or other tools, higher densities will only produce more high-cost housing that is easily converted into second homes, vacation homes and short-term rentals. In this current climate, increased densities should only be allowed through the provision in the *Land Use Development Code* specific to town-sponsored and town-approved affordable housing projects. Increased densities and development standard flexibility for such affordable housing projects can be realized by using the current PUD overlay zone. In the long term, the Town of Taos may want to entertain density bonuses in its *Land Use Development Code* after adopting an inclusionary zoning ordinance and/or a mechanism to monitor and enforce long-term affordability.

Of the three sites that the Town of Taos has designated for future affordable housing development, two are not zoned for multi-family development. The Mary Medina property is zoned M-1 and the site for Ochenta II is zoned C-2. Therefore, when development is planned on these sites, the developer partnering with the Town has the following options: 1) apply for a zone change, 2) use R-14 development standards for a town-sponsored affordable housing project or 3) apply for a PUD overlay zone to enable the densities and development standards needed to make the affordable housing project feasible. These three options provide a range of possibilities to develop quality, affordable multi-family housing in the Town of Taos. The Chamisa Verde site is zoned T-2, a form-based zone that will allow the densities required to develop an additional LIHTC project or similar multi-family development.

# III. Housing Needs Assessment

The Housing Needs Assessment analyzes Community and Housing Profile and additional data to recommend specific targets for new affordable housing construction and rehabilitation. Targets are estimated for each component of the housing continuum.

For segments of the continuum where complete or near complete data exists, estimates are based on the number of households in that segment minus the amount of housing available and affordable for that segment. Growth and overcrowding are also taken into account. This Plan conservatively estimates growth at 3.5%, which is roughly half of the Town's five-year growth rate. For some segments of the continuum, complete data is not available. In these cases, estimates are made based on available information. A narrative explanation of the methodology for each segment is provided in this section.

Please note that the housing targets in Figure 41 are based on need throughout Taos County. It is assumed that most multi-family rental and small-lot starter home development would occur within the Town of Taos due to the need for infrastructure. Sites adjacent to town boundaries that could be annexed and served by Town infrastructure are also options for this type of development. In areas where water and wastewater is not available, lower density options are recommended.

While this Plan takes the primary approach of locating higher-intensity housing uses within the Town, it is important to have different types of housing available at different price points throughout the County, as well. For this reason, this Plan distributes housing targets, where appropriate, on a proportional basis. For example, for most categories of rental housing, this Plan uses 70% for the Town of Taos; 18% for northern Taos County including Questa and 12% for the rest of the county, which reflects the distribution of population shown in Figure 40. By allocating housing targets by these percentages, housing needs in the rural areas can be addressed.

Figure 40: Population by Zip Code in Taos County

<b>Northern Taos County</b>		
87512 - Amalia	63	0.19%
87519 - Cerro	482	1.43%
87524 - Costilla	92	0.27%
87556 - Questa	2,378	7.06%
87558 - Red River	439	1.30%
87564 - San Cristobal	284	0.84%
87513 - Arroyo Hondo	801	2.38%
87514 - Arroyo Seco	866	2.57%
87525 - Taos Ski Valley	95	0.28%
87580 - Valdez	466	1.38%
	<b>5,966</b>	<b>17.72%</b>

Figure 40 shows Taos County’s population broken down by zip code. Zip codes are used as the most complete data source because American Community Survey does not recognize many communities as census designated places. However, due to the use of zip codes, the total population is slightly different from the American Community Survey 2018 population of 32,888.

<b>Town of Taos and Adjacent Zip Codes</b>		
87571 - Taos	12,132	36.04%
87529 - El Prado	4,637	13.78%
87557 - Ranchos de Taos	6,399	19.01%
	<b>23,168</b>	<b>68.83%</b>
<b>Southern Taos County—Peñasco Area</b>		
87553 - Peñasco	1,469	4.36%
87521 - Chamisal	835	2.48%
87579 - Vadito	888	2.64%
87543 - Llano	85	0.25%
	<b>3,277</b>	<b>10.87%</b>
<b>Western Taos County</b>		
87577 - Tres Piedras	385	1.14%
87517 - Carson	346	1.03%
87549 - Ojo Caliente	518	1.54%
	<b>1,249</b>	<b>3.71%</b>
<b>Total Population</b>	<b>33,660</b>	<b>100.00%</b>

# III. Housing Needs Assessment

Figure 41: Taos County Housing Needs (in units)	Current HH	Plus Growth	Plus Overcrowding*	Total Need	Minus Supply	Total Unmet Need	Town of Taos	Taos County	Northern County	Southern County
<b>Homeless &amp; Special Needs</b>										
Emergency Shelter						50	50			
Affordable Housing						70	70			
<b>Renters—30% AMI &amp; below</b>	865	30	74	<b>969</b>	544	<b>425</b>	298	127	77	50
<b>Renters—30%-60% AMI</b>	828	29	65	<b>922</b>	414	<b>508</b>	356	152	91	61
<b>Renters—60%-80% AMI</b>	377	13	-	<b>390</b>	Unknown	<b>195</b>	137	58	35	23
<b>Renters—80%-120% AMI</b>	386	14	-	<b>400</b>	Unknown	<b>200</b>	140	60	36	24
<b>First Time Homebuyers</b>	128	5	46	<b>179</b>	15	<b>164</b>	164			
<b>Home Rehabilitation</b>						<b>500</b>	65	435		

**\*Overcrowded Households:** This Plan uses the number of overcrowded households as a proxy measure for young people who are living with families because they cannot afford to live on their own. Because some households are overcrowded by choice or because they are caring for dependents, this plan assumes that demand for new housing should address only 75% of the overcrowded households. The total number of overcrowded households in Taos County is 246 (113 are renters and 133 are homeowners), and 75% of these households is 185.

Given that these individuals are assumed to be living at home because they cannot afford their own homes, it is more likely that they would rent rather than buy, although some may qualify for homeownership. Therefore, the number of 185 overcrowded households is distributed 75% to new rental households (139) and 25% to new homeowner households (46). The 139 renter households are divided proportionally between 30% AMI and 60% AMI households and between the Town of Taos (70%) and Taos County (30%). The 46 homeowner households are also divided between proportionally between the Town of Taos and Taos County.

# Homelessness

The New Mexico Coalition to End Homelessness conducts an annual Point in Time (PIT) Count in January and on odd numbered years they physically count the number of sheltered and unsheltered homeless people in each county of New Mexico. Local point in time counts feed into a national baseline.

It is commonly understood that point in time counts are underestimates, as they only count the number of people in shelters and on the streets. PIT counts do not include individuals who are house surfing or those that would otherwise be included in HUD's broader definition of homelessness, which includes those that are housed unstably, are doubling-up or staying in motels/hotels.

While it is true that the majority of New Mexico's homeless population is clustered in metropolitan areas like Bernalillo County, many smaller communities are experiencing increases in their homeless populations. According to the PIT count, Taos County had a small homeless population through 2015. However, these numbers doubled in January 2017 and doubled again in January 2019, reaching 100.

It should be emphasized that the need for homeless services is sometimes invisible in smaller communities like Taos. While there are fewer homeless individuals on the street like in larger cities, many are living in unsafe situations and conditions because they have nowhere else to go. In Taos, this situation is exacerbated by the high cost of housing. In addition, domestic violence, child abuse, alcohol and drug addiction contribute to the problem and services in those areas are also needed to ensure a comprehensive approach.

Figure 42: Homelessness in Taos County

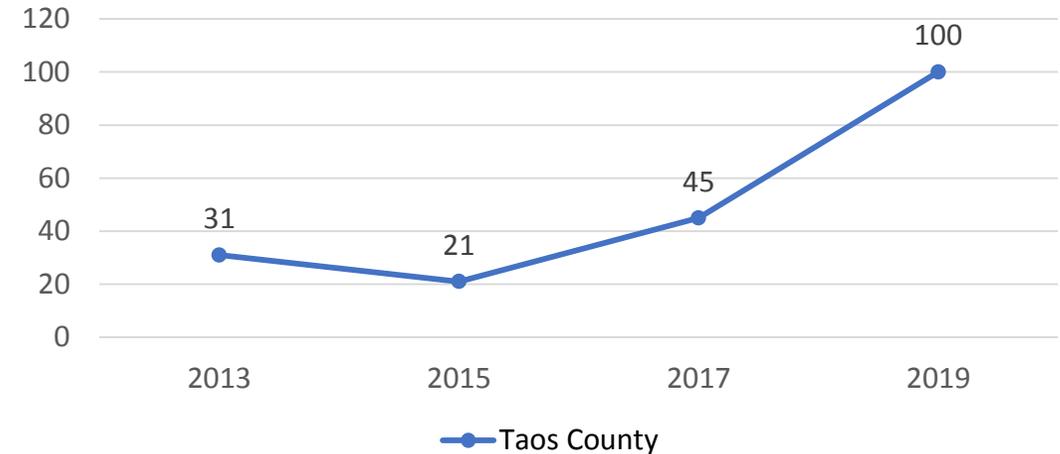
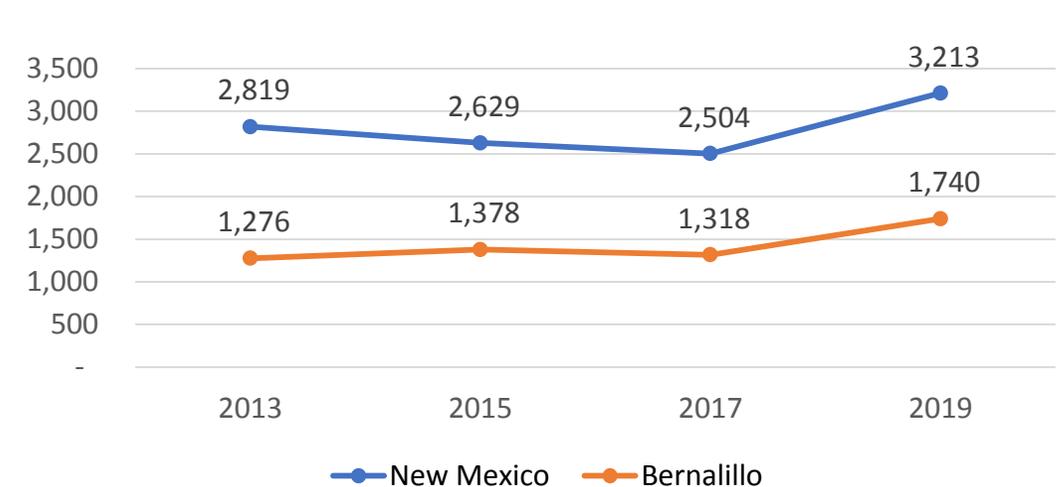


Figure 43: Homelessness in New Mexico



# Homeless Services

Taos is served by dedicated providers working to address the needs of persons experiencing homelessness. Needs are unique for various groups, including homeless men, veterans and women and children, many of whom are fleeing domestic violence. These providers formed a State of Homelessness in Taos Collaborative coalition in 2018 which continues to collaborate and share referrals to best serve individuals experiencing homelessness.

The following is a list of providers and services in Taos County and the Town of Taos:

- **Taos Men's Shelter** is an emergency homeless shelter with 18 beds for men. The shelter is owned and operated by the Taos Coalition to End Homelessness. In addition to the emergency shelter, they offer food, laundry, showers, peer support and case management services for homeless men year-round. The shelter is always at capacity and roughly twice the number of beds are needed to address current needs.
- **Community Against Violence** is a domestic violence shelter for women and children. It has five beds on site, as well as an additional 26 beds within 11 homes in the community. Additionally, they offer legal and medical advocacy services, counseling, support groups, children's programs, and community prevention and outreach programs for survivors of domestic and sexual violence.
- **Heart House** provides emergency and transitional housing and case management services for up to 15 women and children. Recently opened in 2019, the house is typically at capacity and aims to support women and children facing homelessness with housing stabilization.
- **DreamTree Project** offers emergency teen shelter and transitional housing and resources for youth ages 12-17 in Taos, Rio Arriba, Mora, Colfax and Union counties. The shelter has eight beds and is expanding to 12. For transitional housing, DreamTree has eight beds onsite, as well as 24 beds for nine households offsite. In addition, DreamTree uses Rapid Rehousing vouchers to house an additional 10 households in the private market.

# Demand for Homeless Housing and Services

There is a consensus among the State of Homelessness in Taos Collaborative that an additional 50 beds are needed for emergency shelter. This is a combined estimate based upon consistent overflow at the Taos Men's, Community Against Violence and Heart House shelters. It also includes homeless veterans who are discussed on page 40. Because the capacity for new emergency shelter beds is limited, this Plan recommends using affordable housing donations of private homes or apartments to create beds and housing units in the community.

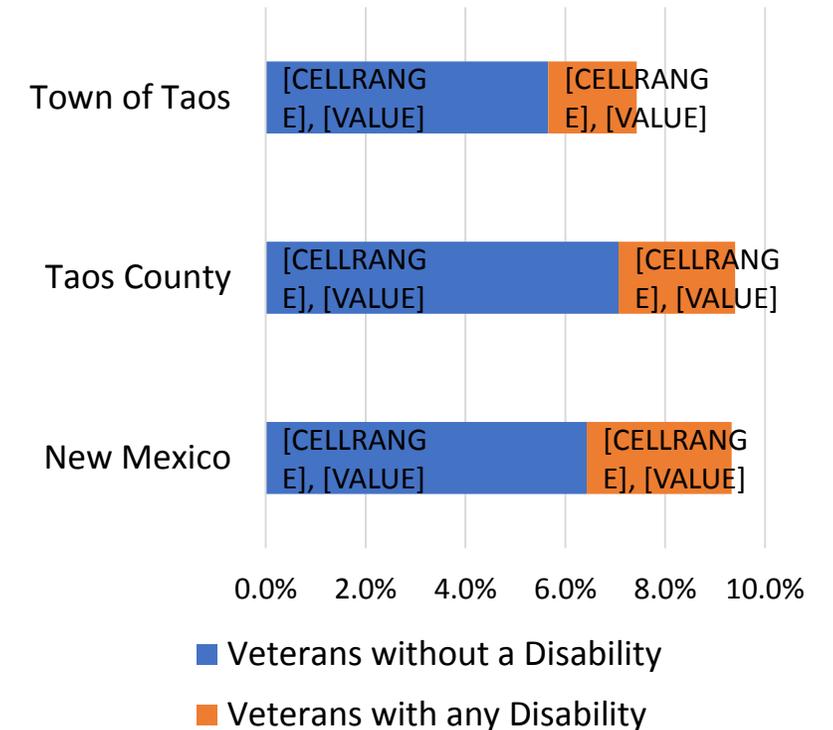
There is a great need for affordable rental housing which individuals exiting homelessness can move into permanently. Without this option, individuals may become stuck in the cycle of homelessness even though they are ready and able to be housed. The State of Homelessness in Taos Collaborative estimates the need for this type of housing to be 70 units. The Collaborative is actively working on a LIHTC application to build 40 of those units in the immediate future. Creating a housing pipeline by which individuals can exit homelessness will likely decrease the need for transitional housing and emergency shelter. As a result, the goal of permanent affordable housing for people experiencing homelessness is the top priority for homeless service providers.

# Veterans Services

The Town of Taos and Taos County have similar rates of veterans and veterans with disabilities as New Mexico. Currently, there are at least three organizations and programs that work with veterans in Taos:

- Not Forgotten Outreach** provides military, veterans and their families the opportunity to participate in recreational, therapeutic and/or farming activities to inspire the healing process. They operate farming and sports programs as well as a respite center. Not Forgotten Outreach hopes to build and provide housing to veterans in the form of tiny homes. There is no timetable for these homes to be built but the group is targeting three to four units. Not Forgotten Outreach reports that there is a population of homeless veterans in Taos who are looking for housing.
- Veterans Off Grid:** Founded in 2017, this non-profit organization program provides housing for homeless, struggling and low-income veterans on 50 acres in Carson. The initial purpose was to give veterans the opportunity to live sustainably off the land, create a community and help others. The program hopes to house 50 veterans in duplexes and triplexes, with veterans working to build the housing in exchange for rent. Veterans are currently living off-grid with two yurts, outdoor kitchens and bathrooms. One home and one Earthship are under construction. Because the program is using Earthships, it is having difficulty with building standards and inspections, as well as with approval of Section 8 vouchers.
- Veterans Upward Bound:** UNM Taos offers the Veterans Upward Bound program to help expand access to higher education for veterans. The program provides assistance for GED completion and college admission, short-term refresher courses in core areas, special services in math and science, support services from veterans' agencies and activities to enhance learning outcomes and college success. The program is limited to low-income, honorably discharged veterans who are first-generation college students.

Figure 44: Veterans as a Percent of the Population Older than 18



# Special Needs Services in Taos

Special needs populations include those with physical disabilities, mental illness, substance abuse and addictions, as well as the elderly, all of whom may need supportive services to succeed. The definition of special needs also includes persons experiencing homelessness. Special needs providers play an important role in serving the Taos community where the percentage of individuals with disabilities is higher than the state average, as shown in Figure 45. The following is a list of special needs providers and services in Taos County and the Town of Taos:

- **EnSueños Y Los Angelitos Development Center** provides services to children with special needs, adults with intellectual and/or developmental disabilities and their families. Their services include supported living programs, respite services, community support programs and integrated employment programs.
- **Las Cumbres Community Services** provides services, public awareness and integrated community supports for children, adults, and families facing social, emotional and/or developmental challenges. In Taos they provide infant and early childhood programs, as well as youth and caregiver programs, including a grandparents raising grandchildren program.
- **Rio Grande Recovery Center – Taos Detox** The Rio Grande Alcoholism Treatment Program is seeking funding to develop a 16-bed residential (nonhospital) detoxification and stabilization site to provide a safe, secure, and supportive environment for those withdrawing from drugs and alcohol. There was previously a detox center in the Town, but it closed in 2015.
- **Taos Retirement Village** offer independent living for seniors, as well as private duty care for different levels of need and an assisted living program. All services are provided in a community-based setting.
- **Taos Living Center** offers skilled nursing care for seniors and rehabilitation services for outpatients and residents. It is located across from the Holy Cross Hospital and has a total of 102 beds, an outpatient rehabilitation clinic and a specialized Alzheimer's program.

# Persons with Disabilities

Both the Town of Taos and Taos County have higher percentages of persons with disabilities than the state. For individual types of disabilities shown in Figure 46, the rate for the County is always greater than state's rate, but this varies by disability type for the Town of Taos. The Town of Taos has a high concentration of individuals with self-care and ambulatory disabilities, in particular.

Figure 45: Percentage of the Noninstitutionalized Population with Any Disability

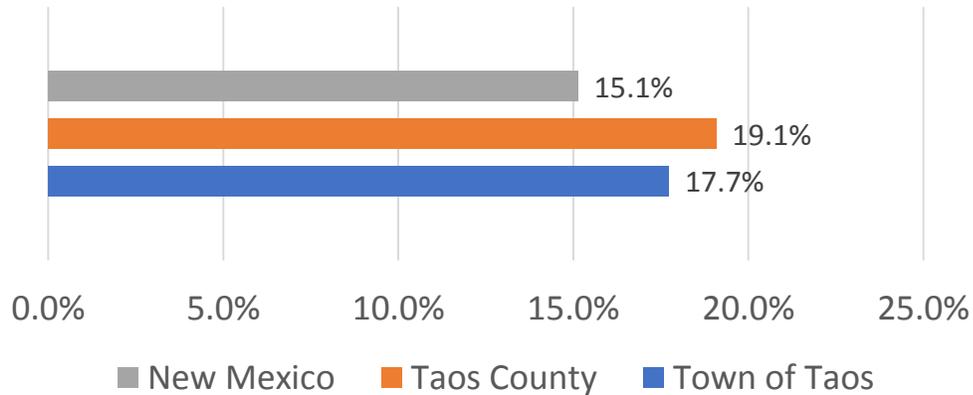
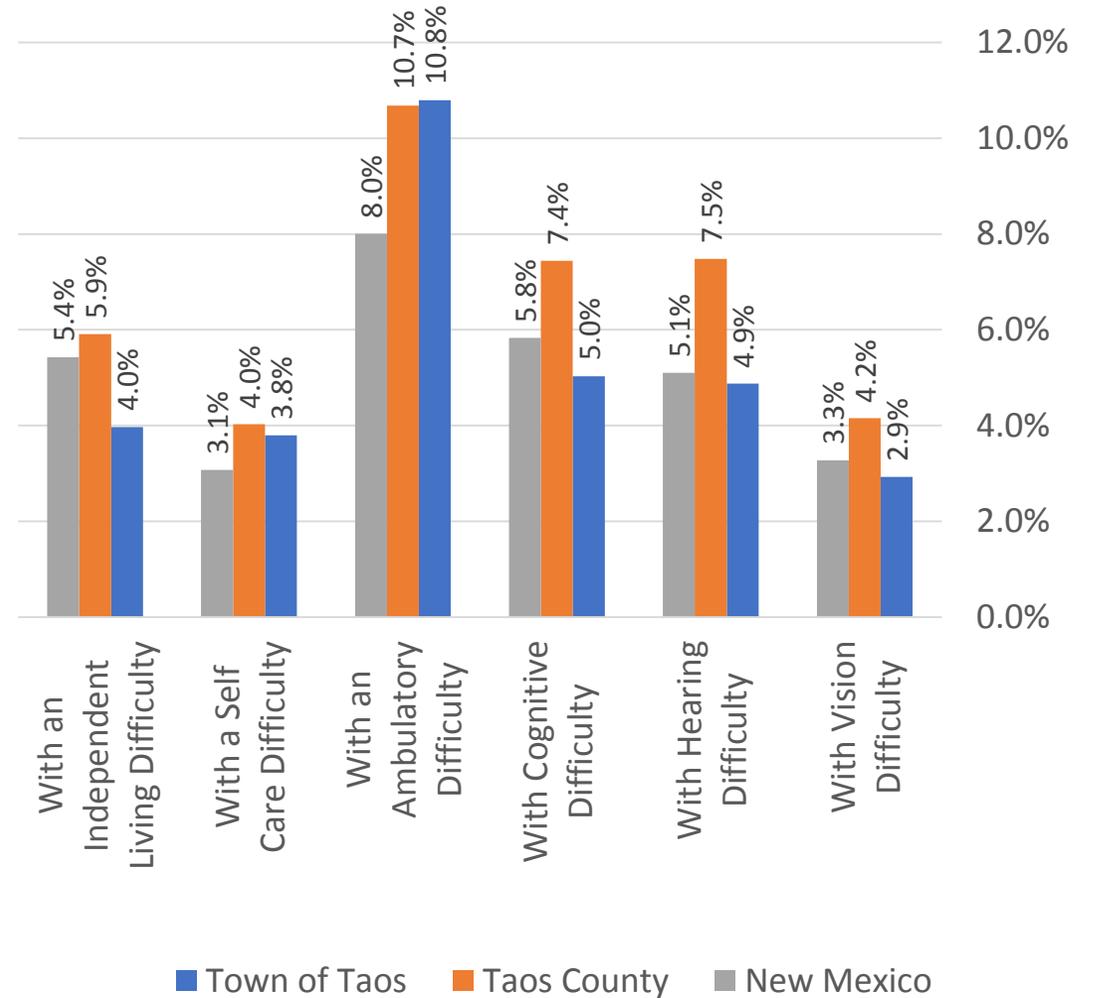


Figure 46: Percent of the Noninstitutionalized Population with Specific Disabilities



# Low-Income Eligibility

The U.S. Department of Housing and Urban Development (HUD) uses a standard of Area Median Income or AMI to determine which households qualify for HUD funding and programs. These limits are estimated by county and are updated each year. The limits sometimes differ among HUD programs, such as HOME and Section 8, and with other federal affordable housing programs, such as the Low-Income Housing Tax Credit (LIHTC) program which is administered by the U.S. Treasury Department. When HUD uses AMI to set income, rent and purchase price limits, the basic principle of households paying 30% of their income for housing costs is applied.

In Figure 47, we have estimated the income ranges for 30%, 60%, 80% and 120% AMI for Taos County by cross-referencing 2020 limits for HUD programs and the LIHTC program. Because AMI corresponds to household size, we used AMI for two and three-person households to match the average household size for the Town of Taos of 2.25 persons.

Figure 47: Income Ranges by AMI

AMI	Description	Income Range
120% AMI	Moderate Income	\$40,000 to \$53,000
80% AMI	Low Income	\$30,000 to \$39,999
60% AMI	LIHTC Income Average	\$15,000 to \$29,999
30% AMI	Extremely Low Income	\$0 to \$14,999

# Renters

Figure 48: Town of Taos and Taos County

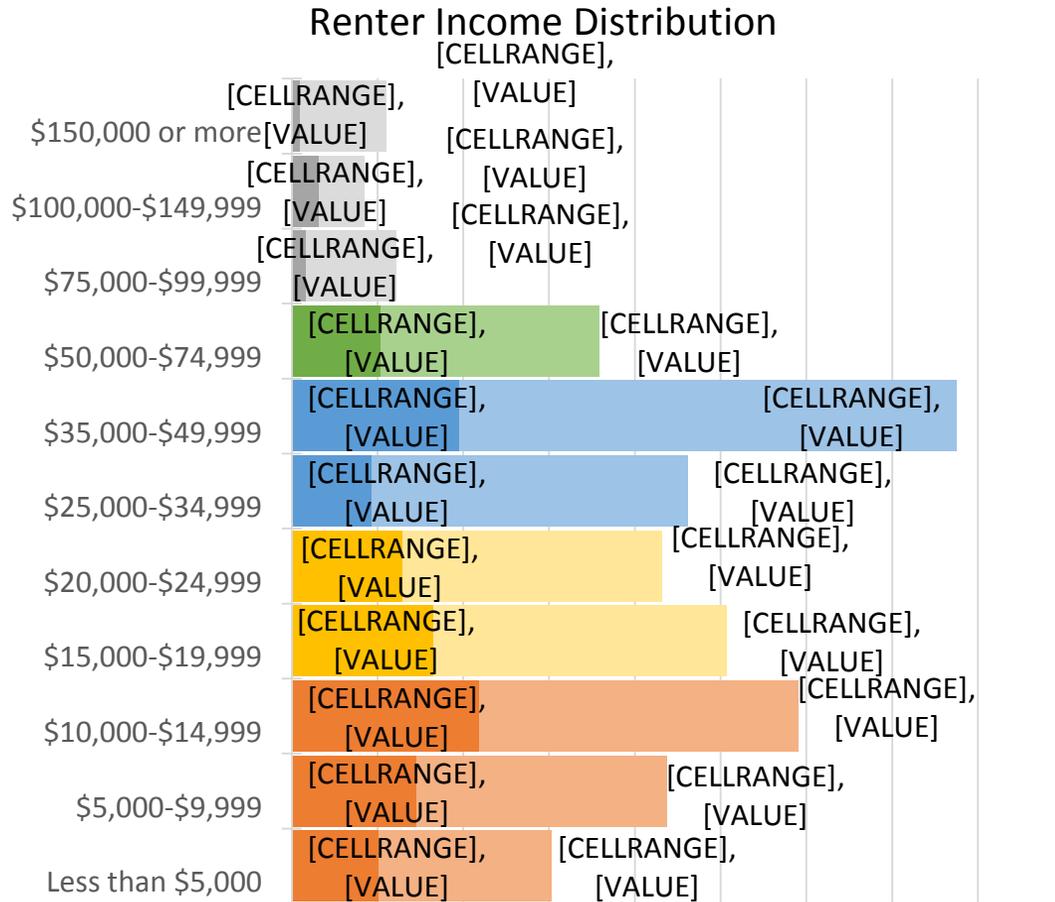


Figure 49: No. of Renter Households by AMI

AMI	Income Range	Estimated No. of Renter HHs Taos County	Estimated No. of Renter HHs Town of Taos
120%	\$40,000 to \$53,000	417	143
80%	\$30,000 to \$39,999	377	112
60%	\$15,000 to \$29,999	828	341
30%	\$0 to \$14,999	865	466

Because the American Community Survey household income ranges do not match precisely to the AMI ranges established by HUD, we have estimated the number of households in each AMI range in Figure 49.

Source: ACS 2018 5-Year Estimates, 2018 HUD Median Family Income and Income Limits

# Renters—30% AMI

## Extremely Low-Income Renters

According to the American Community Survey, there are 865 renter households in Taos County who earn less than \$15,000 per year. More than half or 466 of these households are in the Town of Taos. Incomes of \$15,000 or less align with HUD’s definition of 30% Area Median Income (AMI), which is considered extremely low income. In all markets, but especially within high-cost Taos County, renters at this income typically cannot find market-rate housing and must rely on subsidies.

The only entities that provide the level of subsidy needed for extremely low-income renters are public housing authorities. In 2014, Taos County transferred its public housing authority to a regional entity known as the Northern Regional Housing Authority (NRHA). Within NRHA, there are five low-rent properties in the Town of Taos, with a total of 118 units and a wait list of 146. Sites in Peñasco and Questa only have 24 and 27 units respectively and each has a waiting list higher than the total number of units available. For all wait lists, efficiencies and one-bedroom units are in high demand.

NRHA also administers approximately 448 vouchers for Section 8 tenants who then use the vouchers to rent in the private market throughout the County. However, NRHA reports that only 375 of those vouchers are currently used. Many renters need one-bedroom units which are in short supply, and when those units are found, they often exceed HUD rent limits. NRHA reports that it is not possible to apply for additional Section 8 vouchers.

The wait list for Section 8 vouchers is 361, 262 for one-bedroom units, 68 for two-bedrooms, 26 for three-bedrooms, four for four-bedrooms and one for five-bedroom units.

Figure 50: Public Housing Sites

Address/Site	Yr. Built	0	1	2	3	4	5	Total
<b>Town of Taos</b>								
134 Cervantes Dr.	1972	-	-	11	8			<b>19</b>
106 Gusdorf Rd.	1972	-	-	2	20	1	-	<b>23</b>
301 Linda Vista	1964	5	10	6	10	-	-	<b>31</b>
525 Ranchitos Rd.	1978	-	11	5	15	3	1	<b>35</b>
Zia Circle Dr.	1972	-	10	-	-	-	-	<b>10</b>
<b>Totals</b>		<b>5</b>	<b>31</b>	<b>24</b>	<b>53</b>	<b>4</b>	<b>1</b>	<b>146</b>
Wait List		117		23	5	1	0	<b>146</b>
<b>Peñasco</b>								
		-	9	5	7	2	1	<b>24</b>
Wait List		19		6	2			<b>27</b>
<b>Questa</b>								
		1	11	3	10	1	1	<b>27</b>
Wait List		25		8	2			<b>35</b>

# Renters-60% AMI

## Very Low-Income Renters

According to the American Community Survey, approximately 828 renter households in Taos County earn between \$15,000 and \$30,000 per year. Roughly 341 of these households are in the Town of Taos. This income range aligns with HUD’s definition of 60% AMI, which is the typical income limit for Low-Income Housing Tax Credit (LIHTC) properties. Fifty percent AMI is considered very low income by HUD.

As shown in Figure 51, there are 414 units priced at 60% AMI currently, and 80 of these (Ochenta) are in the construction phase. Most of these units are in newer properties and all are professionally managed.

The Town of Taos has identified the following sites for additional low-income apartments. In aggregate, projects at these sites would go a long way to addressing the full need for 60% AMI units in Taos.

- Mary Medina Building site on Cruz Alta Road
- Ochenta II site near County complex and Taos High School
- Second half of Chamisa Verde subdivision

Figure 51: Low-Income Apartments

LIHTC* or Low-Income Property	Year Built	Address	Units
Ochenta*	2018	120 Herdner, 812 Gusdorf	80
Tierra Montosa I and II*	1999, 2016	750 Gusdorf, 745 Gusdorf	70
Taos Haus*	2012	918 Gusdorf, 631 Paseo del Pueblo Sur	30
El Cerrito*	2005	250 Paseo del Canon East	61
Loma Parda*	2001	1200 Camino de la Cruz	60
Bella Vista Apartments*	2000	110 Otono Rd.	40
Cielo Azul (USDA 515)	1996	400 Weimer Rd.	22
Mariposa Apts. (USDA 515)	1980	201 Mariposa Place	51

# Demand for Low Income Rentals

## 30% Area Median Income

**Existing Households and Growth:** Based on American Community Survey data, there are 865 renter households in Taos County earning 30% AMI and below. Using a growth rate of 3.5% for the next five years (30 households) and adjusting for 74 overcrowded households, the five-year need is estimated at 969.

**Supply:** Currently, there are 169 low-rent public housing units in the Town of Taos, Peñasco and Questa reserved for this population. In addition, the Northern Regional Housing Authority (NRHA) is utilizing 375 of Section 8 vouchers throughout Taos County, enabling households in this income range to rent on the private market. NRHA estimates that it has 448 vouchers available but cannot use some of them due to the lack of smaller units and rents that do not meet fair market rent limits.

**Need:** It can therefore be estimated that the housing needs of 544 households are being met, leaving an **unmet need 425**. This unmet need is distributed 70% to the Town (298), 18% to northern Taos County (77) and 12% (50) to the rest of Taos County.

## 60% Area Median Income

**Existing Households and Growth:** Based on American Community Survey data, there are an estimated 828 renter households in Taos County earning between 30% and 60% AMI. Using a growth rate of 3.5% for the next five years (29 households) and adjusting for 65 overcrowded households, the five-year need is estimated at 922.

**Supply:** Currently, there 334 apartments with fixed rents priced for this income range, as well as 80 units in the pipeline, for a total of 414 units.

**Need:** It can therefore be estimated that the housing needs of 414 households are being met, leaving an **unmet need of 508**. This need is distributed 70% to the Town of Taos for roughly 356 units. Ninety-one units are distributed to northern Taos County and 61 units are distributed to southern Taos County.

# Renters-80% and 120% AMI

As depicted in Figure 48, roughly half of all renter households fall in the middle-income ranges between 60% and 120% AMI. Many are members of the critical workforce, including hotel and restaurant workers, teachers, doctors, nurses and public safety workers, whose average annual salaries are shown in Figure 52.

Federal affordable housing rental programs have not historically assisted renters earning more than 60% AMI, although the federal Low-Income Housing Tax Credit program recently began to allow mixed incomes up to 80% AMI provided that the average AMI for the property remain at 60%. Nevertheless, most renters earning 60% AMI or above typically rely on the private market for their housing.

Unlike in other communities, it is quite challenging for these households to find housing that is affordable in Taos County. The reasons for this include the mis-match between local incomes and rents and the low availability of rental housing for permanent residents due to competition with short-term rentals. Also, while many of these households earn enough to buy a starter home in most locales, they are priced out of the Taos sales market. Given these conditions, it is highly recommended that the Town of Taos seek housing solutions to assist renters earning between 60% and 80% AMI, as well as moderate-income renters earning up to \$50,000.

Households earning below 80% AMI are considered low income by HUD. In Taos County, approximately 377 renter households are between 60% and 80% AMI and fall into the income range of \$30,000 to \$39,999. One hundred and twelve of these households are in the Town of Taos. Assuming no more than 30% of income is used for housing costs, renters in this income range could afford rent between \$750 to \$1,000 without utilities factored into the equation.

Figure 52: Average Wage by Industry

Industry	Average Annual Wage Taos County
Accommodations	\$21,476
Food Service	\$17,004
Education	\$34,216
Health Care	\$40,040
Public Admin.	\$46,332

Source: NM Department of Workforce Solutions Quarterly Census of Wages 2018 Preliminary Totals

Households earning between 80% and 120% AMI are considered moderate income by HUD. In Taos County, approximately 417 renter households are between 80% and 120% AMI and fall into the income range of \$40,000 to \$53,000. One hundred and forty-three of these households are in the Town of Taos. Assuming no more than 30% of income is used for housing costs, renters in this income range could afford rent between \$1,00 to \$1,325 without utilities factored into the equation.

# Demand for Moderately-Priced & Workforce Rentals

## 80% Area Median Income

**Existing Households and Growth:** Based on American Community Survey data, there are an estimated 377 renter households in Taos County earning between 60% and 80% AMI. Using a growth rate of 3.5% for the next five years, the five-year need is estimated at 390.

**Supply:** Very few market-rate apartments were identified for this Plan. The Town of Taos Planning Department identified Cruz Alta Condos (12 units at 913 Gusdorf Road) as a probable market development because it is owned by a single individual rather than individual condo owners. However, all other apartments appear to be LIHTC or USDA Section 515 properties. Because renters earning more than 60% AMI rent in the private market, it is impossible to tell if enough units affordable for them exist. There are nearly 3,000 rental units in Taos County, but 73% of these rentals are single family and mobile homes where it would be difficult to obtain rent data.

**Need:** While it is difficult to estimate unmet need in this area, this Plan suggests that Taos focus on meeting 50% of the estimated need for 60-80% AMI renters (195 new units). These units are distributed 70% to the Town of Taos (137), 18% to northern Taos County (35) and 12% to southern Taos County (23). This can be accomplished through a combination of higher income units within LIHTC projects and private sector development.

## 120% Area Median Income

**Existing Households and Growth:** Based on American Community Survey data, there are an estimated 417 renter households earning between 80% and 120% AMI. If this number is limited to households earning less than \$50,000 per year, the number of households is 386. Using a growth rate of 3.5% for the next five years, the five-year need is estimated at 400.

**Need:** While it is difficult to estimate unmet need in this area, this Plan suggests that Taos focus on meeting 50% of the estimated need for renters earning up to \$50,000 per year in the moderate-income category (200 new units). These units are distributed 70% to the Town of Taos (140), 18% to northern Taos County (36) and 12% to southern Taos County (24). This will be accomplished largely through private sector development.

For both 80% and 120% AMI residents, it is important that Taos has quality, affordable rentals for this segment of the population, which makes up much of the current and future workforce for the area.

# Homeowners

Figure 53: Town of Taos and Taos County Homeowner Income Distribution

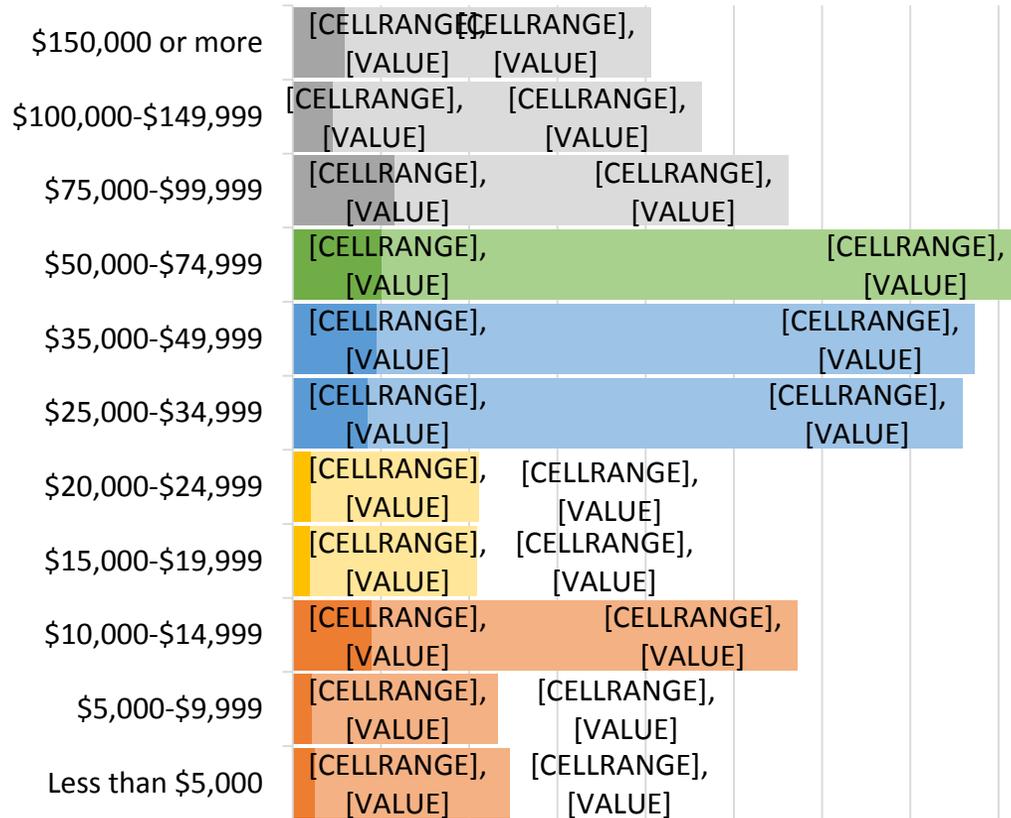


Figure 54: No. of Homeowners Households by AMI

AMI	Income Range	Estimated No. of Homeowner HHs Taos County	Estimated No. of Homeowner HHs Town of Taos
120%	\$40,000 to \$53,000	1,077	152
80%	\$30,000 to \$39,999	1,125	150
60%	\$15,000 to \$29,999	1,430	169
30%	\$0 to \$14,999	1,828	276

Because the American Community Survey household income ranges do not match precisely to the AMI ranges established by HUD, we have estimated the number of households in Figure 54.

Source: ACS 2018 5-Year Estimates, 2018 HUD Median Family Income and Income Limits

# Low and Moderate-Income Homeowners

There are more than 4,300 homeowner households in Taos County and nearly 600 in the Town of Taos who are low-income and earn less than \$40,000 per year. More than 40% of these households are extremely low-income, earning less than \$15,000 per year. None of these households would qualify to purchase a home in today's for-sale market. These lower-income homeowners likely inherited or purchased a home or land from family, have owned their homes for a long time or own manufactured homes.

The needs of low and moderate-income homeowners include rehabilitation and energy efficiency improvements, especially for older homes. While it is truly impossible to estimate the unmet need for rehab and home improvements, there are 1,799 homes in Taos County, including 399 in the Town, that were built before 1940. In addition, there are 318 occupied homes in the County, including 17 in the Town, with condition issues, such as the lack of complete plumbing and/or kitchens. From this data, it appears that the County has a much greater need for rehabilitation than the Town; however, ramped up services in this area could benefit both jurisdictions.

Despite the lower number of older homes and homes with condition issues in the Town, the Town of Taos is home to a large senior population for which home rehab is an especially important service. Senior households are overwhelmingly homeowners and most have low or fixed incomes. For example, 89% of 60+ households in Taos County are homeowners compared to 75% for the overall population. Thirty-four percent of senior homeowner households and 71% of senior renter households earn less than \$25,000 per year, compared to 28% of homeowner households and 51% of renter households overall. This makes it difficult for most senior households to finance small home improvements, much less major upgrades. Based on the numbers for pre-1940 homes and low-income senior homeowner households, this Plan conservatively estimates the unmet need for home rehabilitation at 500 units county-wide. If this number is distributed proportionally by the number of single-family occupied homes that are owned, 87% or 435 rehabbed units would be needed in the County and 13% or 65 rehabbed units would be needed in the Town.

# Low and Moderate-Income Homeowners

The American Community Survey reports that 1,887 or 16% of all housing units in Taos County, including 197 or 8% of all housing units in the Town, are mobile or manufactured homes that are owned. This number represents 21% of all homes that are owned in Taos County and 14% of all homes that are owned in the Town. For decades, native Taoseños have utilized family land and manufactured housing as a successful affordable housing strategy. However, as land has been divided successively over generations, lot sizes have decreased to the point that they no longer meet minimum lot requirements. Clearly, new strategies are needed to provide affordable homeownership opportunities for Taos' current residents, young families and members of the workforce.

The current median price of a home in Taos County is \$290,000 and a household income of \$72,700 is required for a house at this price. Only about 258 renter households in Taos County, including 59 households in the Town of Taos, are in this income range. It is plausible that some households earning roughly \$60,000 could qualify to purchase a home depending on the number of listings below the median price. This Plan recommends that the Town target new starter home development for households earning \$50,000 and above. While this would be a big improvement from current conditions, it is simply the norm in most of New Mexico where an income of \$55,000 is sufficient to qualify for a median priced home.

There are currently 255 rental households in Taos County earning between \$50,000 and \$75,000 per year; 103 of these are in the Town of Taos. Ideally, young people or families currently living with family members may also qualify for homeownership at this lower income. This income range is targeted because it is assumed that renters earning more than \$75,000 can qualify for a median-priced home in the current sales market.

# Entry-Level Homeownership

**Existing Households and Growth:** Based on American Community Survey data, there are 255 renter households in Taos County that earn between \$50,000 and \$75,000 per year and would be good candidates for entry-level homeownership. Because many of these households may intend to continue renting or may not qualify for homeownership for reasons such as poor credit, this Plan estimates the demand for single-family starter homes at 50% of eligible renter households or 128. With a five-year growth rate of 3.5% (five households) and adjusting for 46 overcrowded households, the demand is estimated at 179.

**Supply:** The Town of Taos has donated 22 lots in Chamisa Verde, an affordable housing subdivision owned by the Town, to Taos Habitat for Humanity for entry level homeownership. The Town reports that Habitat intends to develop two to three lots per year, which would result in a maximum supply of 15 units in five years. This number does not make a substantial dent on the total lack of entry level for-sale housing in Taos.

The Town of Taos has approved two subdivisions at Weimer Road and Paseo del Canyon East that could contribute significantly to the supply of moderately-priced housing. The site plans for the two projects identify workforce housing, senior housing, duplexes and single-family lots. However, other than the single-family lots, it is not clear if units will be sold or rented.

Figure 55: Types of Units in Proposed New Developments

Housing in Weimer/ Paseo del Canon Projects	Units in Project 1	Units in Project 2
Workforce Housing	38	56
Senior Housing	96	-
Live/Work	-	28-40
Duplexes	48	44
Single Family Lots	28	-

There is also no guarantee that the units will be priced moderately or affordably, although the developer has stated this intention. Due to these uncertainties and the fact that subdivision approval is still needed, these projects are not counted toward the pipeline in either rental or entry-level homeownership. However, units should be counted as supply as they come online.

# IV. Goals & Objectives

This section provides a realistic list of obtainable goals and objectives for the Town of Taos. Goals and objectives aligned with the housing unit production targets from Section III: Housing Needs Assessment are presented in Figure 57. Descriptions of tools associated with the goals and objectives are described in this section. At right is a list of goals in priority order, with goals that are most attainable or most impactful listed first.

A primary consideration for the Town of Taos in implementing this Affordable Housing Plan is capacity for new housing and/or program development. The Town is fortunate to have several entities actively working on affordable housing for the populations they serve. These include homeless and special needs providers, Taos Habitat for Humanity and Northern Regional Housing Authority. In addition, an experienced LIHTC developer lives in Taos and has built all recent LIHTC projects. However, for some of the newer initiatives, such as development of starter homes with permanent affordability, Taos needs to identify or establish an entity to undertake this work.

Also, the Town and the County both lack an entity or mechanism to coordinate affordable housing activities. Such an entity is especially important now that both local governments have interrelated Affordable Housing Plans. The Town of Taos has appointed an Affordable Housing Task Force which can serve in this capacity and may consider expanding the task force in membership and its area of emphasis to include the County. This would provide a coordinated means to implement goals and objectives from this and the County's Affordable Housing Plans.

Figure 56: Prioritized Goals and Objectives

1. Continue to sponsor new Low-Income Housing Tax Credit projects.
2. Establish a land trust to develop new starter homes with long-term affordability.
3. Develop moderately-priced and workforce rentals from 60% to 120% AMI.
4. Increase the impact of Northern Regional Housing Authority.
5. Place limits on vacation rentals in the Town.
6. Implement a real estate transfer tax on high-price sales with proceeds directed to affordable housing.
7. Consider adopting inclusionary zoning to require that affordable units be built with all new development.
8. Provide development incentives for private sector projects that commit to long-term affordability.
9. Consider increasing height limits to three stories and providing development standard flexibility for new rental development, especially affordable housing.
10. Expand the use of current rehabilitation programs and pilot new funding opportunities.
11. Support the efforts of the State of Homelessness in Taos Collaborative to provide shelter and permanent housing for people experiencing homelessness.

Housing Need	Target Units	Figure 57: Goals and Objectives Summary Table
<b>Homeless</b> Emergency Shelter Affordable Housing	50 70	<ul style="list-style-type: none"> <li>➤ <b>Support the efforts of the State of Homelessness in Taos Collaborative to provide shelter and permanent housing for people experiencing homelessness.</b> <ul style="list-style-type: none"> <li>• Encourage donations of homes or apartments to add beds and housing units in the community</li> <li>• Support potential LIHTC project for permanent affordable housing</li> </ul> </li> </ul>
<b>Low-Income Rentals</b> 30% AMI and below 60% AMI and below	298 302	<ul style="list-style-type: none"> <li>➤ <b>Increase the impact of Northern Regional Housing Authority.</b> <ul style="list-style-type: none"> <li>• Participate in and partner with NRHA</li> <li>• <u>Support NRHA efforts to</u> apply for additional rental assistance vouchers</li> <li>• <u>Support NRHA efforts to</u> request a reevaluation of fair market rents from HUD to enable use of all Section 8 vouchers</li> <li>• <u>Partner with NRHA on mixed-income LIHTC projects that produce additional 30% AMI units</u></li> </ul> </li> <li>➤ <b>Continue to sponsor new Low-Income Housing Tax Credit projects.</b> <ul style="list-style-type: none"> <li>• Program 30% AMI units into new LIHTC projects</li> </ul> </li> </ul>
<b>Moderately Priced/ Workforce Rentals</b> 60%-80% AMI 80% - 120% AMI	162 90	<ul style="list-style-type: none"> <li>➤ <b>Develop moderately-priced and workforce rentals from 60% and 120% AMI.</b> <ul style="list-style-type: none"> <li>• Program 80% AMI units into new LIHTC projects</li> <li>• Utilize employer-assisted housing strategies to provide workforce rentals within the Town</li> <li>• Program workforce rental housing into land trust development (see Goal 8)</li> </ul> </li> <li>➤ <b>Provide development incentives for private sector projects that commit to long-term affordability.</b> <ul style="list-style-type: none"> <li>• Allow density bonuses consistent with Taos Strong at Heart recommendations (CBD= 60 DU/Acre, R-14=49 DU/Acre, C-2=54 DU/Acre, C-1=45 DU/Acre)</li> <li>• Allow middle housing as permitted uses in C-1, C-2, R-4 and R-6 zones</li> </ul> </li> <li>➤ <b>Consider adopting inclusionary zoning to require that affordable units be built with all new development.</b></li> <li>➤ <b>Consider increasing height limits to three stories and providing development standard flexibility for new rental development, especially affordable housing.</b></li> </ul>
<b>First-Time Homebuyers</b>	164	<ul style="list-style-type: none"> <li>➤ <b>Establish a land trust to develop new starter homes with long-term affordability.</b> <ul style="list-style-type: none"> <li>• Establish or identify an entity to form a Community Land Trust</li> <li>• Consider donation of town-owned or privately-owned land that can receive the state tax credit</li> </ul> </li> </ul>
<b>Housing Rehabilitation</b>	65	<ul style="list-style-type: none"> <li>➤ <b>Expand the use of current rehabilitation programs and pilot new funding opportunities.</b> <ul style="list-style-type: none"> <li>• Increase outreach and awareness of existing rehabilitation programs</li> <li>• Design a pilot program with MFA to provide state tax credit vouchers to individuals who donate to home rehab</li> </ul> </li> </ul>
<b>Public Policy &amp; Financing</b>		<ul style="list-style-type: none"> <li>➤ <b>Place limits on vacation rentals in the Town.</b></li> <li>➤ <b>Implement a real estate transfer tax on high-price sales with proceeds directed to affordable housing.</b></li> </ul>

# Low Income Renters

## 30% AMI and Below

As mentioned earlier in this Plan, extremely low-income renters require significant subsidies that are typically only provided by public housing authorities. In Taos, it is extremely fortunate that Northern Regional Housing Authority (NRHA) remains viable and it is a high priority that it remain so given the high percentage of renters in the 30% AMI category. NRHA is the only entity that provides housing specifically for this group of renters and its impact is large, given its 169 low-income units and 448 Section 8 vouchers. Consider that without NRHA resources, more than 600 households in the County would lack housing.

NHRA is undergoing many positive changes. The organization is realizing its intended regional focus through the consolidation of several public housing authorities including Raton, Maxwell, Las Vegas and Grants. NRHA is now led by the experienced director of the Raton and Maxwell authorities, both of which are high performers. The new management is working to stabilize and improve the public housing and voucher programs in Taos and plans to work on new development projects, such as mixed-income LIHTC developments that would produce additional 30% AMI units.

This Plan strongly recommends that the County and the Town of Taos take a direct interest in NRHA operations. This includes participating on the board of directors, helping to recruit/refer qualified candidates for open positions and partnering with NRHA on affordable housing projects and initiatives.

While the Town of Taos has mentioned infill development at the public housing sites as a potential strategy, this would be difficult to achieve because there are no new federal resources being provided to public housing authorities for new development. This Plan concurs that new development would be best realized through an additional mixed-income LIHTC project sponsored by NRHA.

This Plan also recommends that NHRA address the need for additional rental units through vouchers. This would include full utilization of existing Section 8 vouchers and applying for additional vouchers through other rental assistance program/s because additional Section 8 vouchers are not a possibility. MFA has reported that it may receive additional rental assistance from both state and federal funds as a result of the Coronavirus pandemic. Also, the Town of Taos could consider funding a limited number of vouchers through its Affordable Housing Trust Fund.

If vouchers are funded through state or local funds, the Town of Taos should work to ensure that rent limits are high enough to allow their usage within the Taos rental market. For existing Section 8 vouchers, it is recommended that NRHA request a reevaluation of fair market rents for Taos County. Currently, 73 of NRHA's approximately 448 Section 8 vouchers are not utilized in part because renters have difficulty finding properties that rent within the amounts allowed by HUD. A reevaluation may increase rent limits so that the full number of vouchers can be utilized.

# Low Income Renters

## **30%-60% AMI**

Taos has a high rate of success with Low-Income Housing Tax Credit (LIHTC) projects. The most recent project, Ochenta, involved a land trade between the County and the Town and subsequent donation of that land to the project. Support like this has allowed the Town to house roughly half of the renter households at this income level, although an unmet need of 300 units still exists in the Town. The Town has already designated several sites for continued LIHTC development and should apply for LIHTC allocations as often as possible, given the pressing affordable housing need in Taos.

The federal Consolidated Appropriations Act of 2018 created a new election for new LIHTC projects that allows owners to serve households with incomes up to 80% AMI, so long as the average income/rent limit in the project remains at 60% AMI or less. This change opens the possibility of addressing the need for 80% AMI renter households in future LIHTC developments. This is an especially important development in a place like Taos, where renters earning more than 60% AMI genuinely struggle to find affordable housing in the private market. Further, by using income averaging, a LIHTC development would need to offset the higher 80% AMI units with lower 30% AMI units, therefore addressing a broad range of need for all low-income renters in Taos.

Outside of the Town of Taos, Taos County could consider sponsoring a scattered-site LIHTC project. However, due to infrastructure constraints, the County is likely better served by partnering with employers and the private sector on developments that allow more flexibility for workforce renters, as many of these renters do not qualify for housing in LIHTC projects due to their higher incomes.

# Tool: Developer Partnerships

New Mexico does not have a public private partnership (P3) law or enabling legislation; however P3s for affordable housing are commonly accomplished through the state's Affordable Housing Act, which allows local governments to contribute to affordable housing.

After adoption of an affordable housing plan and ordinance, local governments may release a Request for Proposals or a similar procurement instrument to select a development partner for a Low-Income Housing Tax Credit (LIHTC) or other affordable housing project. The development partner can be a non-profit or for-profit entity. By entering into an agreement with the local government, the developer may receive donations of public land or infrastructure, public dollars, or fee waivers toward the affordable housing project.

This plan makes several recommendations which may require a local government to enter into partnerships with a developer. These recommendations include LIHTC projects and land trust developments for which an entity outside of the local government would receive public donations or support to fulfill their mission.

# Tool: Low-Income Housing Tax Credits

The Low-Income Housing Tax Credit (LIHTC) is a federal tax credit created in the Tax Reform Act of 1986 and designed to encourage private sector investment in the new construction, acquisition, and rehabilitation of rental housing affordable to low-income households. Over the last three decades, LIHTCs are responsible for more than two million affordable housing units and represent the most successful affordable rental housing production program in U.S. history.

LIHTCs provide a dollar-for-dollar reduction in a taxpayer's income tax liability in return for making a long-term investment in affordable rental housing. State agencies competitively award tax credits to housing developers, who then sell the credits to private investors in exchange for funding the construction and/or rehabilitation of affordable housing. These funds allow developers to borrow less money and pass through the savings in lower rents for low-income tenants. Investors, in turn, receive a 10-year tax credit based on the cost of constructing or rehabilitating apartments.

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*Source: National Council of State Housing Finance Agencies*

# Tool: Employer Assisted Housing

Local employers can be important partners in providing housing that is affordable their employees. At the most basic level, employers can refer employees to property owners or realtors so that they may find housing in the community. At the other end of the spectrum, an employer can develop housing for its own workforce, typically on the company campus or other land owned by the employer.

Employers may also have land or buildings that can be donated for more general affordable housing purposes. In New Mexico, private employers that make such a donation or contribute cash to an affordable housing project are eligible for tax breaks through the New Mexico Affordable Tax Credit Act, so long as the individuals who benefit from the housing are low to moderate-income. Also, employers can guarantee rents in new development projects. Such rent guarantees reduce the risk of the project and provide for better financing terms. These employer-assisted housing strategies can be used separately or in combination in the Town of Taos.

# Renters—80% to 120% AMI

In Taos, even moderate-income renters earning at or near \$50,000 per year are challenged to find rental housing they can afford. Strategies for this segment of renters focus on regulations and incentives for private sector developers to create additional affordable housing.

Described further on page 59, Inclusionary Zoning is a regulatory strategy that requires new developments to include a percentage of affordable housing units. The Town could consider adopting an Inclusionary Zoning ordinance, using the City of Santa Fe's ordinance as an example.

The Town can also consider some of the incentives typically associated with Inclusionary Zoning, such as density bonuses or more intensive land uses in exchange for a developer committing to affordability for some or all of the units proposed. If this approach is contemplated, the Town should ensure that it has the ability to monitor and enforce long-term affordability requirements. Otherwise, units permitted in this manner will likely convert to market rate. The Town has suggested partnering with the MFA to provide an annual monitoring service to meet this need.

Finally, new rental developments in the Town could all benefit from higher building limits of three stories and some relaxed development standards, including setbacks and parking requirements. Even if these changes are not directly related to affordable housing, they will decrease construction costs and contribute to a built environment that better reflects historic Taos. If difficult to have approved, relaxed standards may be realized by using the Planned Unit Development (PUD) overlay zone.

# Tool: Inclusionary Zoning

Cities use inclusionary zoning to require developers to provide affordable housing units within a proposed development. These affordable housing mandates are usually incentivized with density bonuses, tax abatements, and/or parking reductions. Density bonuses are the most common of these incentives and allow a developer to build at a higher density, floor area, or building height in exchange for affordable units. It is assumed that market rate housing in the development will many times finance the affordable units. More affordability (lower AMI) per unit usually results in a requirement for fewer affordable units whereas less affordability (higher AMI) per unit will usually result in a requirement for more affordable units.

Santa Fe the only city in New Mexico and one of the few in the nation to implement Inclusionary Zoning. Developed in the late 1990s, Santa Fe's Mandatory Inclusionary Housing (MIH) ordinance requires that all new development provide 11% to 16% affordable units at 65% to 80% AMI. In the 2000s, Santa Fe updated this requirement to require 30% affordability for any application including annexation, rezoning, subdivision and increase in density. The three income tiers served by the ordinance are 50%-65% AMI, 65%-80% AMI and 80%-100% AMI. While incomes in Santa Fe are higher than in Taos, Santa Fe's ordinance is a good example to consider because renters at higher income levels, such as 80%-100% AMI, need assistance due to high housing prices in both markets.

# First-Time Homebuyers

Other than one to three Habitat for Humanity homes projected to be constructed each year, there is literally no for-sale housing in Taos County that is affordable to entry level and moderate-income homebuyers. A household income of \$72,000 is needed to qualify for the median home price of \$290,000. This means that only a paltry 12% of renter households—the lowest rate in the state--qualify for homeownership at the median price.

The Town of Taos attempted to address this issue in 2005, when it developed the Chamisa Verde subdivision. However, the lots and homes in the project did not carry long-term affordability restrictions and many have since been sold at market rate prices. This Plan recommends that a Community Land Trust (CLT) be established to develop approximately 160 starter homes. The CLT model would ensure long-term affordability and create a stable supply of entry-level homeownership units in Taos.

The actual development could be a combination of single-family residences on small lots, townhomes and attached units. Additional phases can be added to meet demand. Moderately-priced workforce rentals can be included alongside the homeownership units. The Sawmill Community Land Trust in Albuquerque is a good example of this type of development. While Sawmill has also struggled with ensuring long-term affordability, the physical development is very attractive and includes a mix of homeownership and rental units to meet a broad range of community needs.

Properly executed and with affordability ensured, a land trust development could be a catalyst for change in Taos. Currently, there is a bottleneck in the housing market because otherwise eligible homebuyers cannot purchase a home. This keeps prices high due to lack of competition and places additional pressure on rental units, both affordable and market rate. A land trust development could act as a “pressure release valve” for the Taos housing market. The Town could consider some of its potential sites for this purpose or could work with a developer or landowner. A private entity could take advantage of the New Mexico Affordable Housing Tax Credit if he or she donated or wrote down the cost of the land for the project.

Please refer to pages 63 and 64 for a description of Community Land Trusts and the New Mexico Affordable Housing Tax Credit.

# Tool: Community Land Trusts

Land trusts are usually non-profit organizations that jointly own land for environmental conservation or affordable housing purposes. Conservation land trusts are already a strong force in northern New Mexico. Community Land Trusts (CLTs) are less common but are an increasingly used model in developing affordable housing in areas battling gentrification, rising cost of living and displacement. The typical model is that the CLT maintains ownership of the land while the buildings are owned or leased by the residents. This approach prevents the market from driving up the price of housing. When the homeowner sells, the majority of the increased property value goes back to the land trust which assists in maintaining the affordability of the property for future residents.

Communitywealth.org provides four reasons why CLTs are pivotal in building community wealth:

- They provide low and moderate-income people with the opportunity to build equity through homeownership and ensure these residents are not displaced due to land speculation and gentrification.
- Land trust housing also protects owners from downturns because people are not over extended; as a result, foreclosure rates for land trusts have been as much as 90% less than conventional home mortgages.
- Most commonly, at least one-third of a land trust's board is composed of community residents, allowing for the possibility of direct, grassroots participation in decision-making and community control of local assets.
- In addition to the development of affordable housing, many land trusts are involved in a range of community-focused initiatives including home ownership education programs, commercial development projects, and community greening efforts.

Currently there are many land trusts operating in New Mexico, most in the conservation arena. In addition to Sawmill Community Land Trust, Mil Abrazos and La Mesa CLT also operate in the Albuquerque area.

# Tool: NM Affordable Housing Tax Credits

The New Mexico Affordable Housing Tax Credit Act enables qualifying entities including individuals, businesses and tribes to receive a state tax credit valued at 50% of their contribution to affordable housing. Land is the most common contribution, but cash, buildings and even services are eligible.

The New Mexico Mortgage Finance Authority (MFA) issues the tax credit vouchers. Cash contributions can be made directly to MFA, or a donor can apply to have the project for which the contribution is made certified by MFA as affordable housing. Tax credits may be used to offset New Mexico income, gross receipts, compensating and/or withholding taxes. Tax credits may be taken over a period of five years and may be transferred or sold. If the contribution is made to a non-profit entity, the donor may also claim the federal and state tax deduction for charitable contributions. For high-worth donors, the Affordable Housing Tax Credit plus the deductions are estimated to be worth 90% of the initial contribution.

The New Mexico Affordable Housing Tax Credit is currently underutilized. The tax credit is not widely understood and many find the value of the credit hard to believe. The tax credit can be a very useful tool especially in communities with wealthy land or property owners who would like to liquidate their assets, communities with vacant or foreclosed homes or buildings that can be repurposed as affordable housing and places where employers would like to contribute to affordable housing.

# Tool: Short-Term Rental Regulation

The Town of Taos has short-term rental regulations and is in the process of amending them. Under current regulations, short-term rentals are allowed in all zones except M-1 and ARO (Agricultural Reserve). The owner must obtain a short-term rental permit and business license from the Town, both of which must be renewed annually. The owner must also pay lodgers tax in accordance with the Town of Taos Lodgers' Tax ordinance. The Town is considering placing a cap on or limiting the number of short-term rentals and/or disallowing them in zones such as the Central Business District (CBD) where they are concentrated.

This Plan concurs with the Town's plans to limit short-term rentals as a strategy to mitigate the negative impact they continue to have on housing prices and housing availability in the Town. However, it is important that the regulations also be implemented at the county level, particularly because the Town of Taos boundaries are very narrowly drawn. Many unincorporated areas of the county, such as El Prado, Ranchos de Taos and even parts of the Weimer foothills, are immediately adjacent to the Town and short-term rentals could easily shift to these locations. While limiting short-term rentals will relieve pressure on the CBD in particular, without involvement from the County, such limitations will not alter the impact of short-term rentals on the Taos housing market overall.

In the 2019 Legislative Session, Senator Peter Wirth sponsored Senate Bill 7 which would allow local governments to utilize 50% of the revenue captured by the lodger's tax on short-term rentals to defray the cost of affordable housing. Currently, the use of lodgers' tax is restricted to advertising, promotion and furtherance of tourism activities. The bill died in committee but could be revived in future legislative sessions if the Town of Taos and other communities with short-term rentals, such as Santa Fe and Ruidoso, chose to support such legislation.

The Town of Taos may also consider raising its lodgers' tax rate; however, this would have no immediate impact on affordable housing since the uses of lodgers' tax in New Mexico are limited. Taos County and the Town of Taos collect a five percent lodgers' tax on all vacation and short-term rentals. This is average for the state with Santa Fe having the highest rate at seven percent. Compared to highs in the rest of the county, these rates are relatively low. Anaheim, CA and Houston, TX both have highest lodging tax in the country at 17% and Chicago, Atlanta and Seattle all tax overnight visitors at 16%.

# Tool: Real Estate Transfer Tax

New Mexico is one of the few states in the country to not impose a real estate transfer tax. A transfer tax may be imposed on the buyer, seller, or both when a property changes in ownership. New Mexico has been ranked first in the country by [taxfoundation.org](http://taxfoundation.org) in tax advantages and the absence of a transfer tax means lower barriers for home ownership.

While there are certainly tax advantages associated with this lack of a transfer tax, a transfer tax limited to high-priced home sales could have significant benefits for tourist communities like Taos because proceeds could be used to develop affordable housing. The City of Santa Fe attempted to pass a transfer tax in 2009 but the measure narrowly failed in the public vote after considerable lobbying by the real estate industry. The Town of Taos and other tourism communities should remain vigilant that the state does not pass legislation that limits local options for real estate transfer tax.

This Plan strongly recommends that the Town consider implementing a transfer tax on high-priced home sales. The tax could be imposed on sellers rather than buyers and limits could be set very high, even as high as \$500,000. This would ensure that there is no impact on first-time or moderate-income homeowners and would limit the impact to wealthy individuals. If this is considered, the Town should reach out to the real estate community to garner its support. If support is not forthcoming, the Town would need to be prepared to invest in a public relations campaign so the public is educated about the benefits of such a tax.

# Tool: Affordable Housing Trust Fund

The Town of Taos had the foresight to establish an Affordable Housing Trust Fund in 2005. While its proceeds are currently moderate, if a real estate transfer tax or other recurring significant funding source were dedicated, the Fund could grow substantially. This funding could be used as seed or matching funds for new projects, such as the land trust development.

Other local governments such as Bernalillo County have used local option taxes for tenant-based rental vouchers and the Town of Taos could also consider using Affordable Housing Trust Fund proceeds for this purpose. Locally-funded rental assistance vouchers could be structured to assist renters at a variety of income levels, thereby addressing a variety of housing needs through one tool.