

TAOS COUNTY, NM

3-YEAR RECOMMENDED HOUSING ROADMAP

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PREPARED BY

PROJECT MOXIE

SPONSORED BY

TAOS HOUSING PARTNERSHIP



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BACKGROUND & APPROACH

OUR HISTORY

Phase 1: Identifying Strategies (November 2021—April 2022)

In the fall of 2021, Project Moxie, an affordable housing consulting firm, was approached by the LOR Foundation, Taos Community Foundation, and Taos County to help the local community explore affordable and workforce housing strategies. The community completed a housing needs assessment in 2020, and although COVID-19 exacerbated local housing needs, the assessment established an important baseline for understanding existing housing challenges. Project Moxie's initial scope of work involved gathering community feedback on local perceptions regarding needs, challenges, and opportunities, and finding common ground and some consensus for specific ideas that could be developed into strategies to address housing needs highlighted in the assessment.

During the initial phase, the Project Moxie team interviewed 31 key stakeholders, including elected officials, nonprofit leaders, institutional and business leaders, funders, governmental staff members, developers, and others involved directly and indirectly with housing issues in Taos County. In cooperation with the North Central New Mexico Economic Development District, an educational and information-gathering forum was hosted with a focus on employer-assisted housing for Northern New Mexico employers and others with concerns about workforce housing.

The team also held a focus group with local nonprofit service providers. A key recommendation that emerged from stakeholder engagement was the creation of a nonprofit organization whose focus would be developing below-market housing throughout Taos County.





While Taos is fortunate to have strong nonprofit organizations, conversations with stakeholders made it clear that none possess the capacity or structure required to address the full scope of the challenges presented by the housing market. This organization, once formed, would spearhead housing strategies including, but not limited to administering a predevelopment fund, conducting homebuyer education courses, and facilitating public-private partnerships in the development of workforce housing opportunities.

Phase 2: Launching Taos Housing Partnership (*June 2022—December 2022*)

Shortly after the need for a new organization was identified, an interim Board of Directors was recruited consisting of local government leadership, major employers, and key nonprofit stakeholders. From June through December, Project Moxie facilitated 8 interim board meetings and more than a dozen committee meetings (development, finance, executive) that helped define high-level policies and strategies. Project Moxie also held several community events to introduce the organization, discuss potential strategies, and field questions. These events lead to the identification of a mission statement, the creation of a name and logo for the organization/initiative, a frequently asked questions document, the development of a website, and assisting with a basic framework for the organization. This work also included drafting a job description for a full-time Executive Director and exploring ways for local governments to fund the work of the Taos Housing Partnership.

Phase 3: Developing Community Housing Strategy (*January 2023—December 2023*)

At the beginning of 2023, local attorney Jake Caldwell, worked with the Town and County to develop a memorandum of understanding (MOU) between the Town and County regarding shared funding of a full-time Executive Director position to lead Taos Housing Partnership (THP) and to launch the initiative. Project Moxie assisted with posting a job description, reviewing applicants, participating in interviews, and working with Interim Board members and the Town of Taos in hiring an Executive Director, Lisa O'Brien.

From April until late July, Project Moxie with support from Werwath Associates, conducted several sessions to develop guiding policies and principles for a three-year roadmap designed for Taos. This phase, for which this report serves as the final deliverable, results in formal housing strategies with action items, defined roles, identified resources and clear next steps.

This three-year strategy is intended to serve as a roadmap for the Executive Director and the THP Board in the years to come. This document will be revisited annually, and outcomes can be adjusted based on resources, changes in market conditions, THP capacity and new opportunities. Some of the strategies below do not note specific unit counts due to the need for more information to project the number of units accurately (ie. predevelopment fund and infrastructure pilot). In early 2024 the team will update the plan with specific unit counts based on the rollout of these strategies in fall of 2023.

This third and final phase of work in 2023 also involves completion of documents for the formal incorporation of THP, establishing a permanent Board of Directors, identifying a HUD counseling agency to partner with to begin homebuyer education classes by the end of 2023, the launch of a local predevelopment fund, development of a second mortgage program, and development of a pilot with the Town of Taos to provide infrastructure funds to subsidize local housing projects.

ABOUT TAOS HOUSING PARTNERSHIP

Taos Housing Partnership (THP) is a nonprofit organization that is committed to taking meaningful action to develop housing in Taos County and its local jurisdictions. Its board is composed of community leaders from public and private sectors who are dedicated to solving housing challenges in Taos. THP's mission is, "To create equitable housing opportunities for our community while preserving our culture, promoting financial literacy, and protecting our environment."

THP will collaborate with developers, local governments, and nonprofit organizations to ensure that the housing built is innovative, affordable, and environmentally friendly. THP will provide local policy frameworks for housing initiatives throughout the County which will include an annual review of the local housing market to confirm affordability gaps by household income for rental and for-sale in order to adjust program strategies if needed. This will be done while ensuring that the needs of our most marginalized and low-income residents, including the homeless, the elderly, and people with disabilities, are addressed through strategic partnerships with service providers that focus on serving these community members. THP will also use financial tools to subsidize projects, fund predevelopment work, and support partners in meeting the growing needs of housing in Taos. THP is committed to helping create safe, stable, and regulatory-compliant housing opportunities with a goal of initiating the development of hundreds of new housing opportunities (for rental and/or purchase) over the next Three-Years. Detailed projected outcomes can be found in the draft strategy implementation chart in the appendix.

In addition to the collaborative work described above, THP will spearhead financial literacy and homebuyer education courses to ensure Taoseños are well-equipped to become homeowners. Paired with these education efforts will be a mortgage assistance program and lower cost mortgages to help prospective buyers purchase homes.

ROADMAP APPROACH

In developing this three-year strategy, Project Moxie incorporated feedback from interviews and focus groups in 2021/2022. The community feedback was aligned in the context of multiple interim board meetings, and the recently the 2020 Taos Housing Plan, and the Taos County Comprehensive Plan. In 2023, Daniel Werwath was asked to join the consulting team and assisted with a data update via a new housing needs assessment that used more recent data from the US census (see appendix).

The team also reviewed Mortgage Finance Authority's (MFA) New Mexico Housing Strategy to inform this three-year strategy. This document will guide the work of Taos Housing Partnership, while the local housing plans provide context for other activities that were recommended and could be implemented by other stakeholders in the community or by THP in years to come if capacity and resources are identified.

POLICY FRAMEWORK

THP will create programs that serve households earning less than 200% AMI. The focus for direct financial assistance will be aimed at families earning below 120% AMI with other strategies such as non-subsidized housing development and land use and development policies that support families at higher incomes (120-200% AMI). Each spring in alignment with the publication of HUD area median incomes, THP staff will update program target pricing as well as undertake a basic housing and income gaps analysis to confirm the target population for its for-sale and rental initiatives. See attached methodology and chart for 2023.

All homeownership opportunities that utilize public subsidies will be managed through a Second Mortgage Loan Pool by Taos Housing Partnership. The THP consulting team will draft the required legal instruments based on existing models in other New Mexico communities. These instruments will provide an opportunity to recapture the original subsidy, but will not otherwise impact the household's ability to gain equity as a homeowner. When possible, homeownership opportunities will be developed in mixed income neighborhoods to ensure that THP is not unintentionally creating segregated neighborhoods. Further, a key funding strategy for creating below-market homeownership opportunities will be to cross subsidize lower priced units through revenues generated from the sale of entry level market rate units. This is also a best practice from other high-cost markets in New Mexico.



For rental developments, THP will follow the requirements of state and federal funds such as the Community Development Block Grant Program, the HOME program, the National Housing Trust Fund, and the Low-Income Housing Tax Credit (LIHTC) Program. Below market rentals not using federal funds will follow an annual certification process and will be required to use a land use regulatory agreement. THP will work closely with MFA as they manage the majority of the federal subsidy programs listed above.

THP will coordinate a state policy agenda conversation annually to align 1-2 state policy objectives that would help the region successfully implement initiatives identified in this plan. THP will also undertake regular community events and forums to increase awareness of opportunities to develop below-market housing, continue to collaborate with local partners, and further the dialogue and support for more housing opportunities for target markets throughout Taos County.

Finally, THP will serve as a clearinghouse for information and political support for housing activities by other organizations. Habitat for Humanity, the DreamTree Project, Heart of Taos, Veterans Off Grid, and other organizations in Taos County can approach THP for requests of political support, technical assistance or other requests where a small amount of effort and coordination could yield new programs or resources for the community. THP believes that it is critical to focus on these core strategies for the next three years as each of these strategies will take significant resources and focus to accomplish. At the end of 2027, THP will review its accomplishments and revisit strategies that were not included initially to see if they have resources or capacity to undertake any additional activities.



FUTURE FRAMEWORK

It is the intent of THP to serve the broader county and smaller rural communities once this initial organizational programmatic capacity is established.

Please see **page 24** for a list of strategies that are on hold, but could be reconsidered in the near future.

NEEDS ASSESSMENTS

In the spring of 2023, THP commissioned Werwath Associates to update critical housing and population data to confirm current housing needs and the target population for THP projects and programs. This research indicated significant population changes across Taos County from 2016 to 2021 which informed housing strategy recommendations for this three-year plan.

2023 TAOS HOUSING DATA

The 2023 Taos Housing Market Data Report (see appendix) provides important information to guide future affordable housing strategies for THP and its partners. The population of Taos County grew by 4.1%, from 32,961 to 34,322, and 59% of that total growth occurred within the Town of Taos, with an almost 60% increase in adults over the age of 60. The communities of Taos, similar to the rest of New Mexico, are seeing a marked increase in the age of residence, and a trend of populations shifting from the Town center to rural communities. The data in Taos suggests that families with children are moving to the county, possibly because of the more moderate housing prices. A focus on larger, more affordable homes will help renting families put roots down and increase stability for these households.

The largest single indicator of housing affordability is the number of households paying over 30% of their incomes for housing costs. According to the latest American Community Survey estimate, a total of 3,293 out of 12,840 households in Taos County would be considered cost burdened. Of these, about thirty-five percent (35% are renters) and 65% are homeowners. Nearly forty-five percent (45%) of all renter households are paying unaffordable housing payments, as well as just over twenty percent of homeowners.

In Taos County an estimated 47% of households fall below 60% area median income (AMI) for a three-person family, meaning they should be considered “low-income” and are eligible for Federal rental assistance programs like the Low-Income Housing Tax Credit. This financial status often indicates the upper end of who can realistically attain and sustain homeownership. There are 1,157 cost burdened homeowner households earning less than \$20,000 a year and paying more than 30% of their income for housing. Data on the cost burden to renters suggests that economically vulnerable families are moving out of Taos County.

AFFORDABILITY & AVAILABILITY

Families with the lowest incomes are experiencing the highest levels of cost burden; an astounding 86% of renter households earning less than \$35,000 a year are currently cost burdened in Taos County. There is evidence in the report to suggest that as many as 750 of the most economically vulnerable families in Taos may have moved out of the County in order to find affordable housing.

Analysis of housing market trends indicates a drastic rise in the median sale price of homes, almost a 35% increase between 2020 and 2023. Building permit data from the Town of Taos shows the development of 16 units per year over the same 3 year period of time, suggesting that construction activity is far below what is needed to support the community and future growth within Town limits. Permit activity in the County was more robust with 81 units permitted in 2020, 136 in 2021, and 131 in 2022, all single-family residences. In 2022, more than 80% of for sale homes in Taos were out of reach to working class, entry level professionals, and first time homebuyers.

Rental Market

Affordable rentals are few and far between in Taos. Using the Area Median Income (AMI) to determine eligibility for HUD housing assistance programs it is clear that rental housing costs must also be addressed in any strategic plan aimed at increasing access to sustainable and stable housing in the County. Rental rates in Taos are not affordable for families below 150% AMI. New rental housing developments that support families making 60%-80% of AMI are considered as “workforce housing” with no Federal funding source must be considered as essential components of a long-term strategy. These strategies may include the consideration of large-scale high density developments, and promotion of smaller-scale approaches such as increased developments of accessory dwelling units (ADU’s) more commonly referred to as “casitas” in New Mexico. The impact of inflation has been dramatic in Taos, and the loss of lower income families from the Census rolls indicate displacement by higher income newcomers. There is a high need to continue investments that promote subsidizing rent for very-low and moderate income households through Low-Income Housing Tax Credit Programs and protecting access to units that meet Federal rental voucher program quality and pricing standards.



Home Ownership

The combination of pandemic-driven housing inflation, a shortage of housing supply, and external demand for housing with purchasing power not tied to local wages, has resulted in a housing market dominated by homes that cost more than \$300,000, and more than tripling of homes sold for more than \$1,000,000. Listings for available homes at the time of the report were severely limited, with only 7% of total listings under \$300,000 and only 121 total units listed. Of the 8 homes listed for under \$300,000 six were mobile homes in the county, 2 were small condo units, and 6 of the 8 were under contract or pending sale.

Mortgage financing is a critical component of homeownership and affordability strategies. Loan rates can dramatically impact buying power, and the Taos area maintains a higher rate than the national average at over 7%. Down payment minimums, closing costs, and high interest rates are widening the gap of affordability for moderate and low-income households in Taos. Data on mortgage origination (disclosed through the Home Mortgage Disclosure Act) reveals another strategic path to increasing access to affordable housing in Taos in credit counseling services. Data shows that 21% of mortgage applications originated were denied by the bank, 19% were withdrawn by the applicant and 11% were closed due to incomplete files. This makes a very strong case for the implementation of programs that offer home buyers down payment assistance, mortgage assistance, and credit counseling services to create access to the current homes on the market for residents of Taos. It is reasonable based on data analysis to estimate that between 275-300 households in Taos would be prime candidates for homeownership assistance programs.

HOME OWNERSHIP REFERENCE CHARTS

Household Income Tiers	Max AMI	1	2	3	4
Tier 1	60%	\$27,180	\$31,020	\$34,920	\$38,760
Tier 2	80%	\$36,200	\$41,350	\$46,500	\$51,650
Tier 3	100%	\$45,300	\$51,700	\$58,200	\$64,600
Tier 4	120%	\$54,360	\$62,040	\$69,840	\$77,520
Maximum Affordable Prices					
Price Tiers		0-1 BR	2 BR	3 BR	4 BR
Tier 1	60%	\$91,222	\$91,660	\$110,185	\$123,164
Tier 2	80%	\$125,278	\$130,662	\$153,907	\$171,831
Tier 3	100%	\$159,636	\$169,740	\$198,082	\$220,726
Tier 4	120%	\$183,795	\$186,340	\$222,939	\$249,076

* Calculations assume (1) an Interest Rate of 7.28 and (2) ability to contribute 31% of income to housing costs.

** Sources: Affordable Home Ownership rates based on United States Department of Housing and Urban Development formulas.

STRATEGY OVERVIEW

These are the key recommended strategies the Taos Housing Partnership will manage over the next three years. More details about each strategy is discussed in the sections that follow.

Below Market Development Strategies

- A. Launch Predevelopment Fund to identify and prioritize development opportunities for public investment
- B. Activate Chamisa Verde subdivision to provide affordable finished lots
- C. Activate publicly owned sites that are viable for development using the predevelopment fund as a screening tool
- D. Launch a formal land banking program using donated sites
- E. Sponsor a low-income tax credit project
- F. Pilot an infrastructure initiative with the Town of Taos Capital Outlay Funds

Homebuyer Counseling and Education

- A. Launch homebuyer education classes and counseling

Mortgage Assistance Programs

- A. Identify Second Mortgage Program through development and a capitalized fund
- B. Look at feasibility for an interest rate buydown program
- C. Develop a below mortgage 30-year loan product

Preservation

- A. Pathways to Preservation

Housing Policy, Education, and Advocacy

- A. Short-term Rental Policies
- B. Land Use Code Review participation and support for updates to local land use laws
- C. Identify long-term funding for an Affordable Housing Trust Fund

Community Education, Outreach, and Innovation

- A. Community Learning Sessions providing detailed information on issues related to housing affordability, best practices, etc.
- B. Community Conversations with direct service providers on issues related to housing affordability, homelessness etc.
- C. Engage with MFA, banks and other key partners to develop new housing resources for program implementation
- D. Use website to provide continuous information and to update main programs and initiatives

KEY STRATEGY RECOMMENDATIONS

BELOW MARKET DEVELOPMENT STRATEGIES

A. Launch a **Predevelopment Fund** to identify and prioritize development opportunities for public investment.

Rationale: This strategy came out of conversations with the Interim Board and the consultant’s understanding of best practice tools and strategies. By launching a Predevelopment Fund, THP will create a framework for prioritizing development opportunities, create a public process for selecting opportunities to fund, and will help projects that are stuck to move forward with funding for third-party studies, as needed, and technical assistance when available.

Timeframe: THP Predevelopment Fund launched third quarter of 2023

Lead: This strategy will be led by the Housing Consulting Team in coordination with the THP Executive Director. The Development Committee for THP will review and rank applications with the team and recommend awards to the THP Board.

Outcomes:

- Select and fund a minimum of two new housing development projects in the first year leading to at least 50 housing units in process towards development with a significant portion committed to below-market pricing.
- Fund at least one smaller scale innovative project that could help inform small scale housing strategies such as accessory dwelling unit development (casita), alternative building structure concepts etc.

The Predevelopment Fund is a pilot program; it will be easier to project outcomes after the first round is completed in October of 2023. This section may be updated to reflect the results of this first round.

Resources Needed: This strategy will require annual capitalization and support for program implementation.



B. Identify funds and re-activate Chamisa Verde subdivision and prepare for an RFP to provide shovel ready lots to third-party developers.

Rationale: Chamisa Verde is owned by the town and has previously provided lots for affordable housing. The Town is in process for a congressional appropriation to upgrade the subdivision which will enable the town to move forward with an RFP in 2024 for development partners to develop below-market housing in this subdivision.

Timeframe: Chamisa Verde development path will be assessed with the help of third-party consultants and congressional funding will be available in 2024 to upgrade the infrastructure. Lots will likely not be ready for development until late 2025 or early 2026.

Lead: This strategy will be led by THP housing consultants.

Outcomes: To cue up at least 80 lots for housing development in partnership with third-party developers/nonprofits that will be selected through an RFP process.

Resources Needed: Consulting time to manage this strategy and third-party support to review title and engineering to review necessary upgrades.

C. Activate Publicly Owned Sites that are viable for development using the Predevelopment Fund as a screening tool.

Rationale: Both the Town of Taos and Taos County have land that may be well situated for development. Because costs of land and construction are so high it's critical that free land be used whenever possible to develop housing. The ideal model for public land is to either create mixed-income for-sale units where higher cost market rate units can cross subsidize below-market housing (-120% AMI) through a request for proposals (RFP) process to third-party developers or to create an RFP for developers to specifically develop below-market rental housing including future low-income tax credit projects and special needs housing projects.

Timeframe: Local governments should identify any sites they are interested in and submit applications to the Predevelopment Fund to assess feasibility of activating sites and guide local government's prioritization of development opportunities. These sites will be evaluated alongside private sites; and if any public sites are selected; they will receive either technical assistance from the housing consulting team or grant funds for other third-party studies needed as part of a feasibility study to determine if a site can be developed for below-market housing. THP can also receive donated public sites that they can redevelop in the future through a public/private partnership model.

Lead: THP Executive Director, Housing Consulting Team and Development Committee.

Outcomes:

- Local governments will understand which sites are viable for development and be able to focus on resourcing these sites to prepare them for activation through THP. The goal is for public sites to be managed by THP to expedite their activation given that local governments are not staffed to develop housing projects.
- At least one public site is identified that THP can help to activate during the three-year roadmap timeframe.

Resources Needed: In order to support the development of public sites; THP will continue using its housing consulting team to develop strategies, assist with feasibility and manage the activation process. Funds will be needed to cover housing consultant costs to provide technical assistance and cue up sites for a third-party developer/s who would be selected by a competitive process.

D. Launch a formal Land Banking program using donated sites that are evaluated as feasible for future development.

Rationale: New Mexico has the Affordable Housing Act which provides tax credits for the value of private donations; this unique tool incentivizes private entities to provide donated land for the development of affordable housing. This is a true state tax credit which can be used to offset compensating taxes, gross receipts taxes and state income taxes. Tax credits are awarded at a value of \$.50 on the dollar for the amount of the donation, or discounted sale.

Timeframe: There has been significant interest from private entities for the past few years. Creating a formal program will help THP take advantage of interest in housing to attract private resources. THP's consulting team will develop a program for launch in early 2024 that can facilitate private donations for THP initiatives.

Lead: This strategy will be co-developed by the Housing Consulting Team and the THP Executive Director and reviewed and approved by the THP Board of Directors.

Outcomes:

- There will be a formal program in place by the first quarter of 2024.
- Once the program is in place the goal is for THP to receive at least three sites for development by the end of 2026.

Resources Needed: Funds are needed for the consultant to develop the program and for the legal review of template documents.

E. Create and manage an active Low-Income Housing Tax Credit (LIHTC) development strategy

Rationale: Low Income Housing Tax Credits (LIHTC) are the most widely used subsidy for affordable housing rental development in the country. Annually, this tool produces hundreds of units of affordable housing in New Mexico.

Every year, the federal government allocates credits to the state to distribute through a competitive process to projects. These projects are typically between 30 and 150 units and must restrict rents to certain income levels for 30-40 years, depending on their financial model. The 9% LIHTC model provides anywhere from 60% to 75% of the required equity for a project while 4% credits provide 20-35% of the equity for a project depending on tax credit pricing. Development partners are allowed between 0% and 15% of development costs as a fee for providing the units.

Communities benefit from well-designed, affordable rental communities and investors receive a double-digit federal tax write-off. Because of these enormous benefits, the LIHTC is a very competitive funding program and is oversubscribed 3:1 in New Mexico. But land donation and infrastructure funding can help ensure that projects from Taos are as competitive as possible. THP should help to identify potential sites for LIHTC development and help facilitate mission driven development partners for a project. THP can use the Predevelopment Fund and Land Bank as key tools for creating a local pipeline for development.



Timeframe: The goal is to identify a LIHTC eligible project in 2024, with a preference for a project that serves either seniors or special needs residents (homeless, disabled).

Lead: This strategy will be led by THP consultants with the THP Executive Director.

Outcomes: To cue up a new LIHTC development in Taos County in 2024, for an early 2025 application that would create 50-60 new affordable rental units within three years of application.

Resources Needed: Funds are needed for a consultant to cue up a process to select a developer for a LIHTC development. It will also be critical to identify a site and/or provide predevelopment funds to incentivize a LIHTC developer to undertake a project in Taos.

F. Pilot an Infrastructure Initiative with capital outlay funds from the State to incentivize a mixed income housing development in Taos in partnership with the Town of Taos.

Rationale: By supporting the creation of an RFP process for the Town of Taos, this initiative will support long-term system processes that prioritize funding infrastructure development that meet or exceed below-market set-aside requirements.

Timeframe: This effort will begin once the Department of Finance and Administration contract for funding is executed with the town and resources are available.

Lead: This strategy will be developed by THP's housing consulting team and the THP Executive Director. Reviewed and approved by the THP Board of Directors.

Outcomes:

- A Formal program will be in place, with model program documents by the end of 2023.
- Infrastructure will be underway by the first quarter of 2024. This strategy assumes at least two housing projects receive subsidies. There may be overlap between this strategy and the Predevelopment Fund. Total number of units will be updated at the end of the year when projects are identified.

Resources Needed: Funding is earmarked for the Town. Consultants are identified, but funds are needed for consultants to support implementation of this strategy.

HOMEBUYER COUNSELING AND EDUCATION

A. Launch a Homebuyer Education Training and Counseling Program in partnership with a regional homebuyer education and counseling agency to support financial literacy for renters and future homeowners and prepare a pipeline of buyers.

Rationale: Best practices point to the critical need for mortgage-ready buyers for any homebuyer initiative. By starting a program in 2023, THP will have the ability to help local residents interested in homeownership begin the process of savings, credit repair, and budgeting habits, in order to qualify for the best mortgage products in 2024, and beyond. Other homebuyer programs suggest that it can take anywhere from three months to two years for a household to be prepared to purchase a home. Some potential homebuyers will decide to not pursue homeownership, which is also deemed a success of the program in that they avoid getting into a situation that could hurt their credit or not work for their lifestyle.

Timeframe: The consulting team will identify a homebuyer agency to partner with and launch its first class in Taos by the second quarter of 2024. The team will also develop homebuyer program guidelines and policies and contract with an existing program provider to provide services to Taos residents.

Lead: This strategy will be set up by THP consultants and then managed by the THP Executive Director.

Outcomes:

- Establish a formal program with classes and counseling by the fourth quarter of 2023.
- Educate 250 households during the three-year period.
- Support at least 60 households to continue on to prepare for homeownership through in-depth homebuyer counseling.

Resources Needed: Funding is needed for program costs which may include a third-party agency to provide services to THP and its service area; this funding will be identified by the THP Executive Director and the Board.

MORTGAGE ASSISTANCE PROGRAMS

A. Identify ways to use existing mortgage products by MFA and others to develop a more flexible local **Second Mortgage Program** through development processes and capitalizing a fund.

Rationale: A consistent way to subsidize homeowners directly is through a Second Mortgage Program. This helps homeowners meet down payment requirements while avoiding, at times, private mortgage insurance. These programs can be capitalized resources from the State, through local housing Trust Funds and through development initiatives.

Timeframe: The loan documents and policies and procedures will be developed in tandem with the Infrastructure Initiative above. A stand alone second mortgage program will be capitalized by an initial gift by the fourth quarter of 2023.

Lead: This strategy will be co-developed by the consulting team, with the THP Executive Director and with assistance from bank partners.

Outcomes:

- At least 20 loans are made annually starting in 2024.
- The average loan amount is estimated at \$50,000, and will demonstrate market responsiveness as new products come online and pricing comes down.

Resources Needed: THP will need to raise funds for capital and to cover program delivery costs.

B. Undertake a feasibility study of public funds being used to provide **Interest Rate Buydowns** for 30-year conventional mortgage products.

Rationale: 30-year mortgage rates are at an all time high. A recent analysis by the THP consulting team found that the 3% increase in mortgage rates from 2022-2023 has decreased the purchasing power of a median income family by approximately \$100,000. THP is looking into interest rate buydown strategies and the potential of a portfolio loan product with a local bank that would provide a discounted interest rate to help local households access better pricing for homeownership opportunities. The consulting team has identified that public funds can be used for interest rate buydowns, and needs to confirm local governments are interested in funding this program and a mechanism for funding can be established. The team estimates that the average buydown will cost around \$10,000 and would create approximately \$40,000 in additional mortgage capacity. Coupled with the Second Mortgage Program this could provide nearly \$90,000 in support for homebuyers to access existing entry level homes.

Timeframe: The consulting team will confirm the level of interest from local governments, and whether a program is feasible by the first quarter of 2024. If this program is deemed infeasible; the team will revisit second mortgage amounts and potentially raise them in order to provide an adequate level of subsidy.

Lead: This strategy will be co-developed by the consulting team, with the THP Executive Director and with assistance from local governments.

Outcomes:

- Up to 60 THP homebuyers will be assisted during the three-year period.

Resources Needed: Funds to implement this strategy might have to come from local governments due to laws governing how a buydown can be provided.



C. Explore the creation of a **portfolio loan product** that provides lower interest rates for local homebuyers.

Rationale: Creating a portfolio loan product with special rates or features is a common practice to help first time homebuyers enter a local market. This strategy will be explored at the same time as the buydown and second mortgage initiatives. It will take a combination of these different strategies to facilitate affordable mortgage payments for local households.

Timeframe: This would be explored in the second quarter of 2024, after the second mortgage program is launched.

Lead: THP Executive Director

Outcomes:

- Provide 30 lower interest 30 year mortgages leading to 30 new homebuyers in Taos County.

Resources Needed: The THP team estimates \$8,250,000 for the capital to originate these mortgages.

PRESERVE EXISTING RENTAL RESOURCES

A. Create **Pathways to Preservation** by identifying any current rental projects at risk of conversion to market rate for preservation, creating a database of at risk rentals, identifying establishing funding and resources, and developing relationships with owners. Explore local tools for supporting the preservation of properties and actively engage MFA in helping to find potential partners to take over and reinvest in these expiring properties where possible.

Rationale: Preservation is more cost effective and critical to any community affordable housing strategy. If existing rental units are not preserved, those existing residents are displaced, and the community loses critical units in its local portfolio. Preservation is challenging because it requires working with an existing owner who may not have a reason or financial interest in preserving the property. Preservation also requires significant funding to refinance the building and make improvements to keep it in good condition. Finally, it's challenging to find mission aligned developers willing to take on rental development, both preservation efforts and new construction. THP will begin in 2024 to develop a database of properties that are at risk of preservation and potential strategies for preserving these properties.

Timeframe: THP staff will coordinate a conversation with housing consultants and key leadership from the Town and County to explore best practices for managing short-term rental units by the fourth quarter of 2024.

Lead: THP staff to create the database and interview MFA regarding strategies and resources. Consultants to support best practices regarding strategies.

Outcomes:

- Preserve at least 1 project during the three-year period.
- Identify policies and resources for additional preservation work in future years.

Resources Needed: The THP team estimates local funding will be needed to incentivize/spearhead preservation of an existing project. The amount needed will be determined once the strategy is developed in 2024.

HOUSING POLICY AND ADVOCACY

A. Short-term Rental Policies: THP will assist local governments with conversations and strategies related to these housing policies.

Rationale: Local governments have been discussing this issue and the need to update existing short-term rental policies. Policies can aim to decrease new short-term rental inventory and encourage these units to be used for long-term rental housing. Policies may generate revenues that can be used to develop long-term affordable rental housing.

Timeframe: THP staff will coordinate a conversation with housing consultants and key leadership from the Town and County to explore best practices for managing short-term rental units by the fourth quarter of 2023.

Lead: THP staff and Town and County Managers with support from Werwath Associates.

Outcomes: Agreement on key concepts regarding short-term rental policies, and ensure that policies do not unintentionally harm future below-market housing strategies.

Resources Needed: THP team estimates minimal consultant support to participate and help facilitate a conversation with local governments on short-term rental policy best practices.



B. Participate in Land Use Code Review at both the Town and the County to increase types of housing, and permit approval times to increase more entry level housing development.

Rationale: Local governments are considering revising local land use laws. Land use policies and practices dictate whether housing can be built, where it can be built, and the cost of building it and can be a significant tool to create more affordable housing.

Timeframe: THP staff will coordinate a conversation with housing consultants and land use leads at the Town and County during the fourth quarter of 2023 to create high level goals for land use reform recommendations.

Lead: THP staff as well as town and county land use managers with support from housing consulting team.

Outcomes: Agree on land use reform or additional priorities that would increase below-market housing through tools such as density bonuses, fee waivers, changes in requirements for subdivisions etc.

Resources Needed: Funds for consultant support to participate in scoping conversations and to share best practices.

C. Identify a long-term funding source for a local Affordable Housing Trust Fund.

Rationale: The Town and County currently have funds dedicated to affordable and below-market housing, and the Town has a formal Housing Trust Fund. These existing tools are critical to THP's ability to increase local funds to preserve existing housing and create new development opportunities. THP will work with local governments to explore long-term funding opportunities for an affordable housing trust fund.

Timeframe: THP consultants recommend creating a local committee in the first quarter of 2024 to explore public and private funding sources for local trust funds.

Lead: THP staff with support from consultants

Outcomes:

- Establish an Exploratory Committee in 2024 to identify potential mechanisms to fund an Affordable Housing Trust Fund.
- Establish a criteria or decision making process to determine whether to pursue a funding mechanism and if so, create the strategy.

Resources Needed: Funds will be needed to coordinate stakeholder engagement and devise a feasible strategy.

COMMUNITY OUTREACH, EDUCATION AND INNOVATION

A. Provide **Community Learning Sessions** on issues related to housing affordability, housing policy, homelessness, program best practices, and systems improvements.

Rationale: Community education opportunities provide needed information on detailed topics that the general public may not be aware of. By sharing the details of this deeper work, the intent is to strengthen local community support and encourage community engagement in policy areas. These sessions also provide the platform for regular updates on THP's benchmarks for strategies across all areas of programming.

Timeframe: Launch in the third quarter of 2023 with a minimum of 4 sessions annually.

Lead: THP staff with support from Housing Consulting Team.

Outcomes:

- Increase community understanding of the need for below-market housing and solutions.
- Identify new resources and partnerships to increase the success of these strategies.

Resources Needed: Some funds to host events and pay guest speakers.



B. Provide regular **Community Conversations** with direct service providers on issues related to housing affordability, homelessness, best practices, and systems improvements.

Rationale: Support the work of social service providers, faith communities, and others who are providing homelessness prevention services or providing services to those experiencing homelessness, and meet with them regularly. Coordinate funding advocacy with this stakeholder group whenever possible at State and local levels.

Timeframe: Meet at least quarterly with service providers working on addressing homelessness. To start in January 2024.

Lead: THP staff will meet regularly with the local homeless providers to learn of ongoing and emerging topics, provide information on THP's strategies, and facilitate partnerships across the sector.

Outcomes:

- Explore ways THP strategies could align with other community service goals and activities.
- Offer assistance with letters of support, when appropriate and vetted by the THP board.
- Develop one strategy a year that increases resources or options for persons experiencing homelessness.

Resources Needed: This will need to be defined in partnership with THP's nonprofit partners each year. Sometimes it may be cash resources and other times it may be creating a preference under a THP initiative.

C. Promote innovative housing approaches in partnership with local nonprofits and communities and in collaboration with government partners.

Rationale: The Taos region has a long history of innovation with housing development, green building, and sustainability practices. This innovation should be strategically harnessed when possible in developing scalable housing solutions in the region.

Timeframe: Ensure that THP programs remain flexible and can be used by innovators in the region to test new structures, environmental design features and models for below-market housing. Begin this with the launch of the Predevelopment Fund and continue with the Infrastructure Initiative and roll out of the Second Mortgage program.

Lead: THP staff with support from the development committee.

Outcomes:

- Financially support at least one innovative development model during the three-year strategy.
- Provide technical assistance to at least one group to facilitate access to housing funding, grants etc.
- Connect partners and groups with other resources and share best practices for financing housing models.

Resources Needed: Funds needed for consultant support, community engagement and technical assistance.

D. Provide ongoing Community Education and outreach programming.

Rationale: Community Education programs create a platform that strengthens local community engagement and participation in a solution focused manner. Through community engagement activities, discussions are facilitated related to policy initiatives, neighborhood development projects, innovative practices, and collaborative efforts. Such programming also provides all local parties and stakeholders with one place to find accurate and up to date information.

Timeframe: Already in place; ongoing updates as additional program strategies are launched.

Lead: THP staff with support from THP Housing Consultant Team

Outcomes:

- Develop and maintain the THP website to provide information and updates on programs and local initiatives.
- Develop a quarterly newsletter.
- Build up existing email list of community members.
- Host targeted topic Community Education sessions – minimum of 4 annually.

Resources Needed: Funds needed to maintain communication efforts through contract with consultant.

STRATEGIES FOR FUTURE CONSIDERATION

The above strategies were identified and prioritized because of the alignment of THP’s mission, capacity, and willingness to spearhead the work, available resources, and indications of broad community support for the activity. Other activities that could be crucial to providing additional housing opportunities or stability for community members are listed here for future consideration:

- Consider prioritizing a Special Population/Vulnerable Population housing project with local service providers. This could be a motel conversion; safe parking initiative, rural tiny home village, or a Permanent Supportive Housing project in coordination with a tax credit project.
- Consider future work with mobile home park residents to access options for resident-owned community opportunities.
- Explore a formal partnership with the Northern Regional Housing Authority to help deploy their Housing Choice Vouchers (formerly Section 8) in Taos.
- Explore opportunities to support or coordinate housing rehabilitation efforts for both for-sale and rental housing. There is significant housing stock in need of rehab in Taos, but there is minimal programmatic infrastructure to deliver these services in the region currently.
- Align strategies with regional water policy with a focus on ways to incentivize below-market development through water resource provision. Consider ways to offset the use of below-market housing water uses through innovative methods.
- Develop an Accessory Dwelling Unit (casita) initiative that could provide low-cost financing and technical assistance either by right or expedited zoning approvals.

The above strategies should be revisited if the community identifies additional organizational capacity or funding opportunities.

CONNECTION TO COMPREHENSIVE PLANS

The work of THP over the last 14 months has included understanding some of the detailed studies and plans that were created over the last several years. Comprehensive Plans are long-range plans and include recommendations and considerations with immediate impact as well as those that take decades to realize.

The Town of Taos and Taos County have Comprehensive Plans that were adopted in 2022 and 2017 respectively. In addition, Affordable Housing Plans—required by local governments—were adopted by both the Town of Taos and Taos County in June 2020, and were approved by the New Mexico Finance Authority in accordance with the Affordable Housing Act.

All of these plans can be used as important guiding documents to support the above roadmap. It's also important to reflect on what activities have been recommended by previous studies, but have not been acted upon. Both Affordable Housing Plans recognize the historical context that has led to the limited supply of high-priced housing. In partnership with Taos County, the Town is taking important steps to ensure housing is affordable and available to local residents. In 2005, the Town of Taos established an Affordable Housing Trust Fund and authorized the donation of land for the affordable housing subdivision Chamisa Verde. In 2014, the Taos Housing Authority consolidated with the Northern Regional Housing Authority (NRHA) rather than closing, and saved 450 Section 8 vouchers and 169 low-rent units in order to serve very low-income renters. Services for the unhoused community have been collaborative and aligned since a gathering in 2018 that brought them together to assess the state of homelessness in Taos County.

This three-year road map aligns with several recommendations from the Taos County and Town of Taos plan including:

- Sponsoring new Low-Income Housing Tax Credit projects,
- Establishing strategies to develop new starter homes with long-term affordability,
- Developing moderately priced and workforce rentals using employer assisted housing strategies,
- Creating limits for the number of vacation rentals in the County and Town of Taos,
- Identifying a method to fund a Housing Trust Fund,
- Incentivize private sector projects that demonstrate commitment to long-term affordability,
- and support the efforts of the State of Homelessness in Taos Collaborative to provide shelter and pathways to permanent housing.

OVERALL FUNDING STRATEGIES

There are three primary funding sources for creating housing opportunities at the local level in New Mexico:

1. Local government funds include various options such as general funds, local infrastructure funding, and American Rescue Plan Act (ARPA) funding.

Local ARPA funds should be prioritized to create immediate capacity for housing projects and initiatives, support predevelopment, match requests for funding to the state for housing projects, cover the costs of fee waivers and offsets and provide infrastructure to new developments in exchange for below-market housing. Local government resources are typically created through requests during the state legislature, through congressional appropriations, by requesting funds through grant applications or an appropriation through the general fund. Any resources created at the local level must be administered in compliance with the Affordable Housing Act and must use a competitive process to make funding awards.

2. Private funds

THP was launched through generous funding from local and regional philanthropy. Key partners include Anchorum St. Vincent, the LOR Foundation, and the Taos Community Foundation. Foundations play a critical role by providing timely resources with added flexibility which can

catalyze larger resources over time. THP anticipates continued work with these foundations as they move into the implementation phases of these strategies. Other sources of private funding can come through donations from community members and local businesses and launching a Capital Campaign and tying it to the Affordable Housing Act and potential tax credits could help to raise as much as one million dollars, but possibly more with strategic ongoing community engagement. There has not yet been a concerted fundraising campaign for housing, and THP fundraising efforts will demonstrate how private community members in Taos react to an opportunity to address such a critical issue in their community. Finally, employers can be a unique source for capital, program funds, and even land. THP anticipates engaging with local employers over the coming months to explore interest and partnership opportunities. If resources are identified, this plan can be amended to add the details of a potential employer-initiated pilot program.



3. State and federal housing funding include Low Income Housing Tax Credit (LIHTC) programs, grants and low interest loans.

State resources remain limited in New Mexico; most funds available for housing are tied to federal resources. This is challenging for a rural region like Taos county as many federal programs do not work at a smaller scale or have limiting regulations making use of the funds challenging. THP will continue to work with MFA to identify resources for implementation, and anticipates that new state programs will be needed with more flexibility in their uses before THP can access meaningful funding from state agencies like the New Mexico Mortgage Finance Authority. The one exception is the Low-Income Housing Tax credit program which is a critical resource for THP in the next few years to facilitate a rental development that meets the needs of an aging population.

State capital outlay is also a key resource for THP and its government partners. In 2023, the Town of Taos received a capital outlay appropriation of \$2.9 million for below-market housing. The Town also received notice of a Congressionally Directed Spending (CDS) request of \$1.8 million for infrastructure buildout designated for the Chamisa Verde subdivision. The Governor has a new housing task force and there will likely be more funding available for new initiatives. THP will work closely with local legislators and make a concerted effort to share ideas with the Governor's team as these strategies roll out over the coming months.

This strategy will be reviewed each year, and an updated report will be provided to the community regarding the status of these strategies and any modifications moving forward. This is an ambitious agenda that will require patience, dedication, and millions of dollars to successfully implement. THP is grateful to all of the funding partners, community members that have engaged in sessions, the interim board, the current board, THP committee members and others that got this organization launched and ready to act in less than 14 months from the first idea to develop a stand alone organization.



STRATEGY SNAPSHOTS

Recommended Strategies	Anticipated Start Date	3-Year Investment	Program Costs	Strategy Partners	3-Year Goal
BELOW MARKET DEVELOPMENT STRATEGIES					
Launch Predevelopment Fund to identify and prioritize development opportunities for public investment	Third Quarter 2023	\$600,000.00	\$60,000.00	Anchorum, Taos Community Foundation	Fund at least two larger developments and at least one innovative project during the three-year period
Activate Chamisa Verde subdivision to provide affordable finished lots	First Quarter 2024	\$1,800,000.00	\$30,000.00	Town of Taos and congressional staff	Prep chamisa verde for infrastructure and to become shovel ready lots
Activate publicly owned sites that are viable for development using the predevelopment fund as a screening tool	First Quarter 2024	0	TBD	Taos County, local jurisdictions, Town of Taos, other public entities	Activate at least one publicly owned site that can support at least 40 units of below-market housing
Launch a formal land banking program using donated sites	First Quarter 2024	0	\$20,000.00	Mortgage Finance Authority	Solicit and receive at least three donated sites by 2026
Sponsor a low-income tax credit project	Second Quarter 2024	TBD	\$10,000.00	Need to identify funds or a site to incentivize partnership.	Sponsor a 2025 tax credit application for preservation or new rental development (50 unit goal)
Pilot an infrastructure initiative with the Town of Taos Capital Outlay Funds	TBD	\$2,900,000.00	\$40,000.00	Department of Finance Administration	Provide infrastructure to 1-2 projects where at least 50 units are below-market

Recommended Strategies	Anticipated Start Date	3-Year Investment	Program Costs	Strategy Partners	3-Year Goal
HOMEBUYER COUNSELING AND EDUCATION					
Launch homebuyer education classes and counseling	Second Quarter 2024	\$75,000.00	\$3,500.00	Regional Homebuyer Education Agency	Educate 250 households during the three years and ensure 60 continue with counseling to prepare for homeownership
MORTGAGE ASSISTANCE PROGRAMS					
Identify Second Mortgage Program through development and a capitalized fund	Fourth Quarter 2023	\$3,120,000	\$120,000 for program administration; \$1 million annually (3 million) for capital loans	Private funders, local employers	20 loans made annually. Average loan amount \$50,000.
Look at feasibility for an interest rate buydown program	First Quarter 2024	\$600,000.00	Assumes average of 10,000 per household and 60 during three-year period	Need local governments to fund and administer	Assumes 60 buydowns in 3 year period
Develop a below mortgage 30 year loan product	Second Quarter 2024	8,250,000	TBD	Local Bank Partner or State Agency	Provide 30 reduced interest mortgages (assumes 275,000 paired with second or discounted home)
PRESERVATION					
Pathways to Preservation	Second Quarter 2024	TBD	0	Staff develops a database of local projects and interviews MFA to understand resources	Assumes local funds needed to create incentives for preservation

Recommended Strategies	Anticipated Start Date	3-Year Investment	Program Costs	Strategy Partners	3-Year Goal
HOUSING POLICY, EDUCATION, AND ADVOCACY					
Short-term Rental Policies	Fourth Quarter 2023	0	3,000	Land use departments at Town and County	Agreement on key concepts for policy updates.
Land Use Code Review participation and support for updates to local land use laws	Fourth Quarter 2023	0	7,500	Land use departments at Town and County	Agreement on reform recommendations.
Identify long-term funding for an Affordable Housing Trust Fund	First Quarter of 2024		15,000	Philanthropy, private donors	Exploratory Committee. By 2025 determine a path forward.
COMMUNITY EDUCATION, OUTREACH, AND INNOVATION					
Community Learning Sessions providing detailed information on issues related to housing affordability, best practices, etc.	Third Quarter 2023		30,000 (10,000 a year)	THP Executive Director with support from Housing Consulting Team.	12-15 sessions during three-year timeline
Community Conversations with direct service providers on issues related to housing affordability, homelessness etc.	First Quarter 2024		30,000 (10,000 a year)	THP Executive Director	12-15 sessions during three-year timeline
Engage with MFA, banks and other key partners to develop new housing resources for program implementation	Fourth Quarter 2023	TBD, tied to all strategies requiring resources for implementation	Staff Time	MFA, NNMEDD, Philanthropy, State Representatives, Governor's Office	Fund raising will focus on second mortgages and development subsidies
Use website to provide continuous information and to update main programs and initiatives	Second Quarter 2023		30,000 for three years (10,000 a year to manage website)	Communications Consultant	Ongoing

APPENDIXES

HOME OWNERSHIP REFERENCE CHARTS

Taos Median Area Incomes (2022 HUD-derived numbers)

AMI	NUMBER OF PERSONS IN HOUSEHOLD							
	1	2	3	4	5	6	7	8+
50%	\$22,650	\$25,850	\$29,100	\$32,300	\$34,900	\$37,500	\$40,100	\$42,650
60%	\$27,180	\$31,020	\$34,920	\$38,760	\$41,880	\$45,000	\$48,120	\$51,180
65%	\$29,445	\$33,605	\$37,830	\$41,990	\$45,370	\$48,750	\$52,130	\$55,445
70%	\$31,710	\$36,190	\$40,740	\$45,220	\$48,860	\$52,500	\$56,140	\$59,710
80%	\$36,240	\$41,360	\$46,560	\$51,680	\$55,840	\$60,000	\$64,160	\$68,240
90%	\$40,770	\$46,530	\$52,380	\$58,140	\$62,820	\$67,500	\$72,180	\$76,770
100%	\$45,300	\$51,700	\$58,200	\$64,600	\$69,800	\$75,000	\$80,200	\$85,300
120%	\$54,360	\$62,040	\$69,840	\$77,520	\$83,760	\$90,000	\$96,240	\$102,360

Affordable Rental Limits (2022 HUD-derived numbers)

AMI	MAXIMUM GROSS RENT BY BEDROOM SIZE					
	0	1	2	3	4	5
20%	\$226	\$242	\$291	\$336	\$375	\$413
30%	\$339	\$363	\$436	\$504	\$562	\$620
40%	\$453	\$485	\$582	\$672	\$750	\$827
50%	\$566	\$606	\$727	\$840	\$937	\$1,034
60%	\$679	\$727	\$873	\$1,008	\$1,125	\$1,241
70%	\$792	\$848	\$1,018	\$1,176	\$1,312	\$1,448
80%	\$906	\$970	\$1,164	\$1,344	\$1,500	\$1,655

* Calculations assume (1) an Interest Rate of 7.28 and (2) ability to contribute 31% of income to housing costs.

** Sources: Affordable Home Ownership rates based on United States Department of Housing and Urban Development formulas.

HOME OWNERSHIP REFERENCE CHARTS

Affordable Mortgage Amount (2022 HUD-derived numbers)

	NUMBER OF PERSONS IN HOUSEHOLD							
AMI	1	2	3	4	5	6	7	8+
50%	\$90,050	\$102,772	\$115,694	\$128,416	\$138,753	\$149,090	\$159,427	\$169,565
60%	\$108,060	\$123,327	\$138,832	\$154,099	\$166,503	\$178,908	\$191,312	\$203,478
65%	\$117,065	\$133,604	\$150,402	\$166,941	\$180,379	\$193,817	\$207,255	\$220,434
70%	\$126,070	\$143,881	\$161,971	\$179,782	\$194,254	\$208,726	\$223,197	\$237,391
80%	\$144,080	\$164,436	\$185,110	\$205,465	\$222,004	\$238,543	\$255,083	\$271,303
90%	\$162,090	\$184,990	\$208,248	\$231,149	\$249,755	\$268,361	\$286,968	\$305,216
100%	\$180,100	\$205,545	\$231,387	\$256,832	\$277,506	\$298,179	\$318,853	\$339,129
120%	\$216,120	\$246,654	\$277,665	\$308,198	\$333,007	\$357,815	\$382,624	\$406,955

Affordable Purchase Price (2022 HUD-derived numbers)

	NUMBER OF PERSONS IN HOUSEHOLD							
AMI	1	2	3	4	5	6	7	8+
50%	\$92,835	\$105,951	\$119,272	\$132,388	\$143,044	\$153,701	\$164,357	\$174,809
60%	\$111,402	\$127,141	\$143,126	\$158,865	\$171,653	\$184,441	\$197,229	\$209,771
65%	\$120,686	\$137,736	\$155,053	\$172,104	\$185,957	\$199,811	\$213,664	\$227,252
70%	\$129,969	\$148,331	\$166,980	\$185,343	\$200,262	\$215,181	\$230,100	\$244,733
80%	\$148,536	\$169,522	\$190,835	\$211,820	\$228,871	\$245,921	\$262,972	\$279,694
90%	\$167,103	\$190,712	\$214,689	\$238,298	\$257,479	\$276,661	\$295,843	\$314,656
100%	\$185,670	\$211,902	\$238,543	\$264,775	\$286,088	\$307,401	\$328,715	\$349,618
120%	\$222,805	\$254,282	\$286,252	\$317,730	\$343,306	\$368,882	\$394,457	\$419,541

* Calculations assume (1) an Interest Rate of 7.28 and (2) ability to contribute 31% of income to housing costs.

** Sources: Affordable Home Ownership rates based on United States Department of Housing and Urban Development formulas.

TAOS COUNTY AFFORDABLE HOUSING PLAN

The full list of goals and objectives for this Taos County Affordable Housing Plan are provided below:

1. Develop workforce rentals in Questa and in other locations throughout the County.
2. Pursue and partner with the Town of Taos on Low-Income Housing Tax Credit (LIHTC) and other affordable housing projects.
3. 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. (127 vouchers/units)
4. Establish a land trust to develop new starter homes with long-term affordability, potentially using publicly owned or privately owned land that can receive the state tax credit.
5. Expand the use of current rehabilitation programs in Taos County and pilot new funding opportunities.
6. Support the efforts of the State of Homelessness in Taos Collaborative to provide shelter and permanent housing for people experiencing homelessness.
7. Consider limiting the number of vacation rentals in the County or within a defined radius around the Town of Taos.
8. Consider implementing a real estate transfer tax on high-price sales with proceeds directed to affordable housing.

TOWN OF TAOS AFFORDABLE HOUSING PLAN

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.
6. Consider adopting inclusionary zoning to require that affordable units be built with all new development.
7. Provide development incentives for private sector projects that commit to long-term affordability.
8. Consider increasing height limits to three stories and providing development standard flexibility for new rental development, especially for affordable housing.
9. Expand the use of current rehabilitation programs and pilot new funding opportunities. (65 units)
10. 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)



Taos Housing Market Data Report

**Presented to Taos Housing Partnership
June 16, 2023**

Updated July 17, 2023

Demographic Profile and Trends

Household and Population Trends

The Taos County population grew by 4.1% between 2016 and 2021, from 32,961 to 34,322. The Town of Taos represents a majority of this growth with 789 of the 1361 total, 59% of the total growth. Percentage growth within town limits is significantly higher at 13.8%.

During this same time period, the number of households grew only slightly in the town (26 households), and actually decreased by 860 countywide, while population grew. The reason for this disparity between population and household growth is unclear.

Population and Housing Units				
	Town 2016	Town 2021	County 2016	County 2021
Population	5,735	6,524	32,961	34,322
Households	2,510	2,536	13,006	12,840
Total housing units	3,341	3,706	20,359	20,857
Occupied Housing Units	2,510	2,536	13,006	12,840
Vacant	831.0	1170.0	7353.0	8017.0
Percent renter occupied	73%	73%	73%	80%
Percent owner occupied	27%	27%	27%	21%

American Community Survey 5-Year Estimates

Age Profile of Population Little Changed

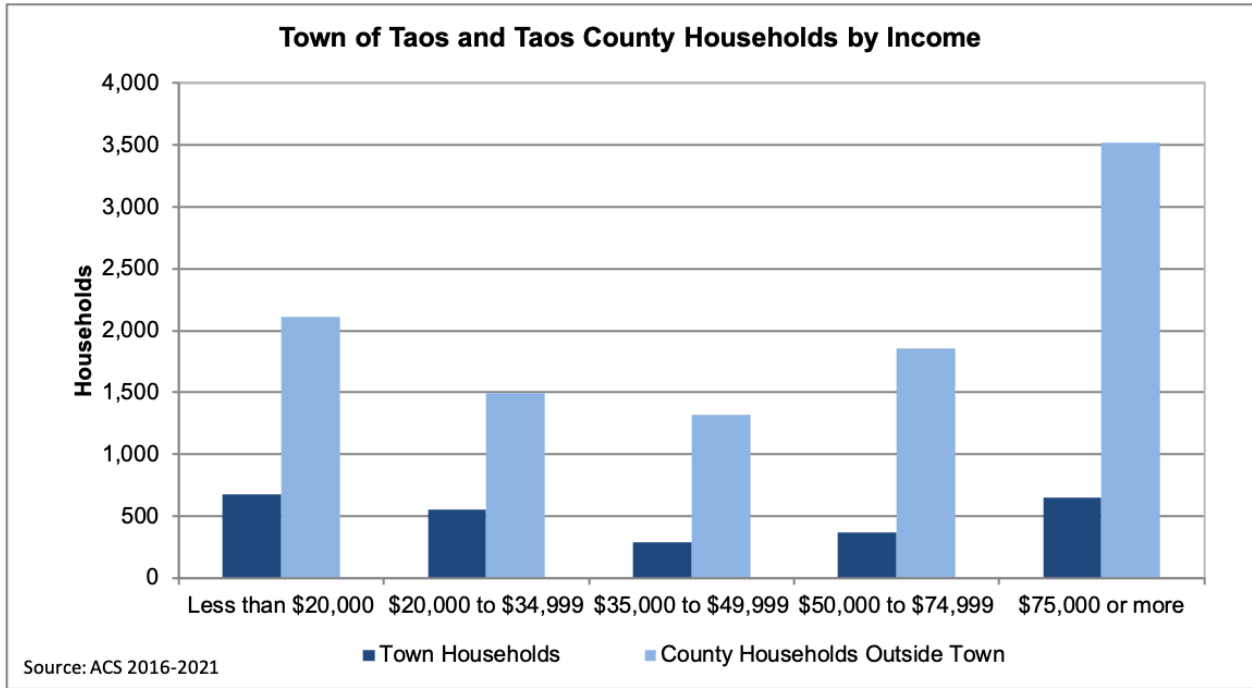
During the period between 2016 and 2021, Taos saw notable changes in age demographics, primarily within the Town of Taos. Within the town, the population below age 14 shrunk 27%, while the population over 60, grew by 59%. Countywide, growth was relatively proportional with the only notable change being a loss of 1017 people in the 20-59-year-old cohort. Overall in the County, the loss of population in the 0-14 cohort can be explained by aging, with nearly analogous growth in the 15-19-year-old segment. This suggests significant movement of families with children from the Town into the County, perhaps for more moderate housing prices. Information about births show about a 15% decline in births in Taos County between 2016 and 2021, dropping from 281 to 241 in that time period.

Age Profile of Town and County				
	Town		County	
	2016	2021	2016	2021
0-14 years	16%	10%	17%	14%
15-19 years	5%	6%	6%	6%
20-59 years	51%	45%	53%	44%
60-74 years	20%	27%	24%	26%
75 years and over	8%	12%	9%	10%

American Community Survey 5-Year Estimates

Income Distributions

As defined by the U.S. Department of Housing and Urban Development (HUD), about 60% of Countywide households are considered “low-income”—meaning that they have incomes at or below 80% of the area median income (AMI) as calculated by HUD.

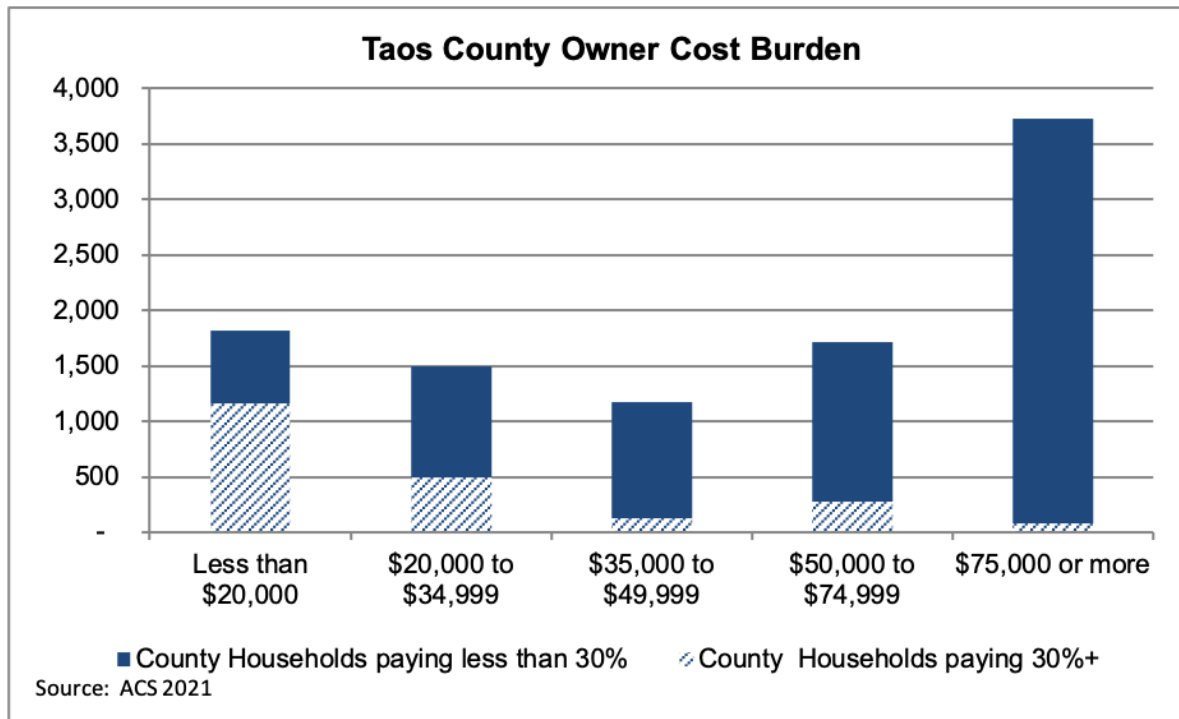


Approximately 47% of Countywide households fall below 60% AMI for a three-person family, the threshold below which they are eligible for Federal rental assistance through programs such as the Low Income Housing Tax Credit. This is also often the upper end of who can realistically attain and support homeownership. This suggests a very high need for new deeply subsidized rental housing. The \$35,000-\$74,999 group represents the primary candidates for affordable homeownership and constitutes 35% of countywide households with 5% of those residing within the Town of Taos.

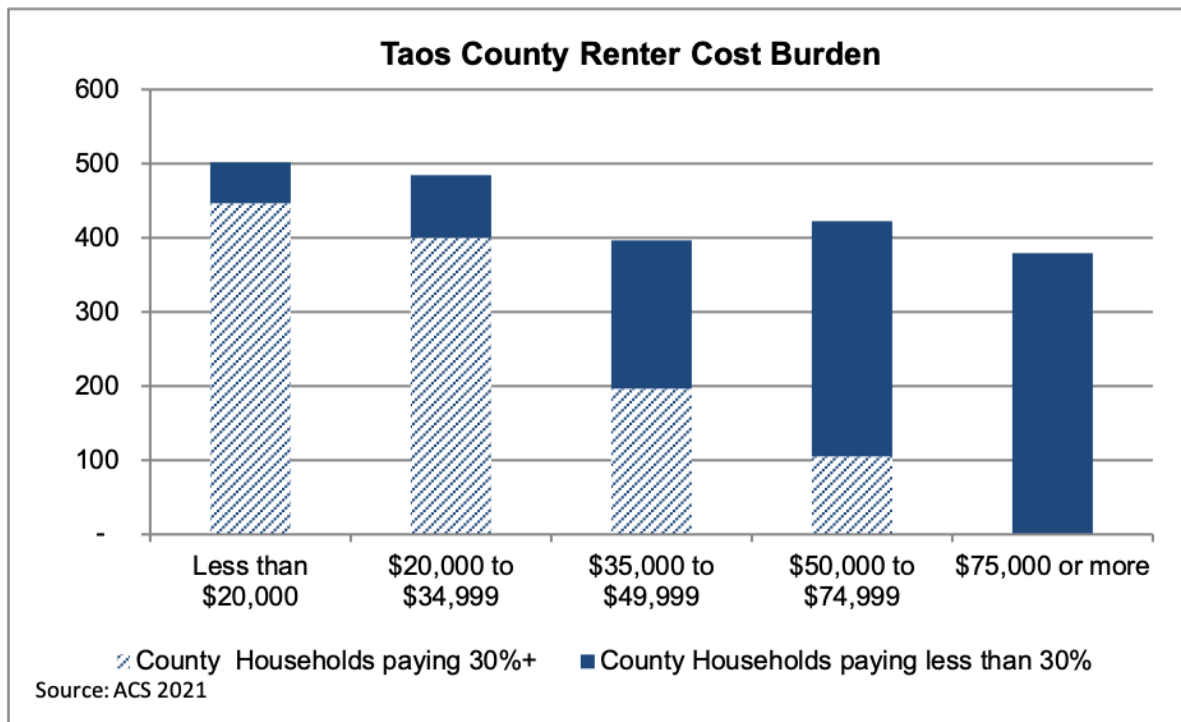
Housing Cost Burdens

The largest single indicator of the lack of housing affordability is the number of households paying over 30% of their incomes for housing costs, a widely used standard of housing affordability. This study uses the 30%-of-income standard because it is broadly accepted and available in comparative tables for American Community Survey data.

A total of 12,021, or 26%, of households in Taos County paid over 30% of their incomes for housing costs, according to the latest American Community Survey estimates. Of these, just over half—or 1149 households—were renters. Slightly less than half of all renter households in Taos County were cost burdened, compared to 25% of homeowners. There is a high number of cost burden owners in Taos, 2144 households, primarily concentrated in households with incomes below \$34,999 and there are 1157 owner households earning less than \$20,000 a year who pay more than 30% of their incomes for housing.



Cost burdens are concentrated among renters and homeowners with incomes under \$35,000—who make up more than three-quarters of all households paying over 30% of income for housing, although cost burden for renters extends up to the \$75,000 income segment. Among those households earning less than \$35,000 a year, an astounding 86% are cost burdened.



The table below illustrates the changes in total amount of cost burden households between 2016 and 2021. Normally decreasing numbers of cost burden households suggest an easing of affordability, wage growth or both. But given the rapid housing cost inflation, in this case it suggests economically vulnerable families are moving out of Taos County, perhaps as many as 750 households, the majority of them renters.

Cost Burden Households Taos County 2016 and 2021			
	2016	2021	% Change
Cost Burdened Owner Households	2367	2,144	-10%
Cost Burden Renter Households	1,690	1,149	-32%

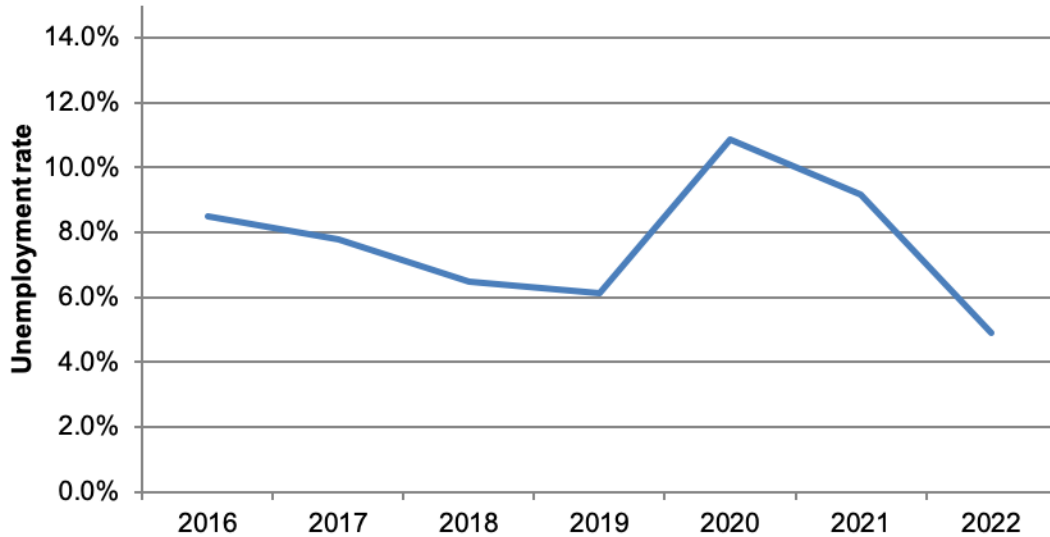
American Community Survey 5-Year Estimates

3. The Workforce, Economy and Overall Housing Demand

Employment Trends

Like most communities, the impacts of the pandemic are readily apparent in employment data. Taos County experienced slight gains in employment from 2016 to 2019, with overall unemployment decreasing 2.4%. In 2020, presumably from pandemic-related employment impact, unemployment shot up from 4.8% to nearly 11% total unemployment.

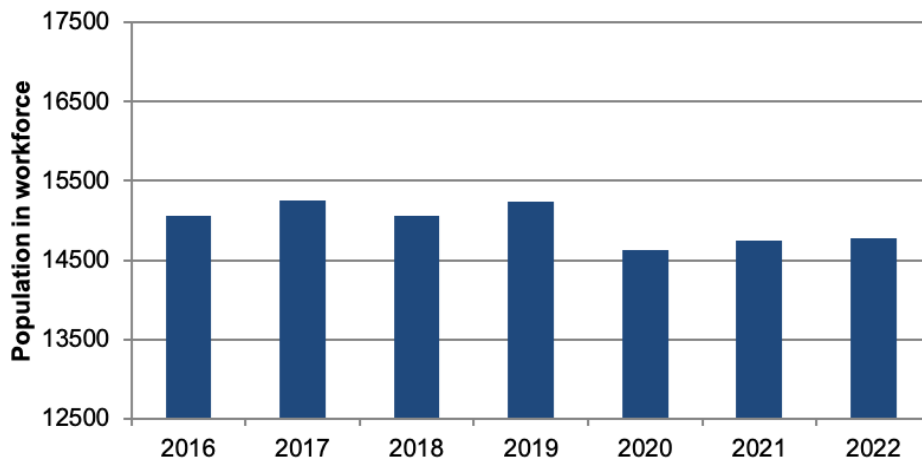
Unemployment Taos County



Source: Bureau of Labor Statistics

Since the initial years of the pandemic, unemployment has decreased dramatically and was at a historically low 4.9% for 2022. Preliminary data from 2023 suggests this trend is continuing strongly with spring unemployment around 3.7%.

Taos County Population in Workforce



Source: Bureau of Labor Statistics

But when we look at overall workforce numbers, we find that at 4.9% unemployment, there were 14056 employed people, which is actually below the total number of employed in 2019 before the pandemic. This suggests that the low unemployment is due in part to a combination of people leaving the workforce as well as workers leaving Taos County.

4. Housing Market Profile and Trends

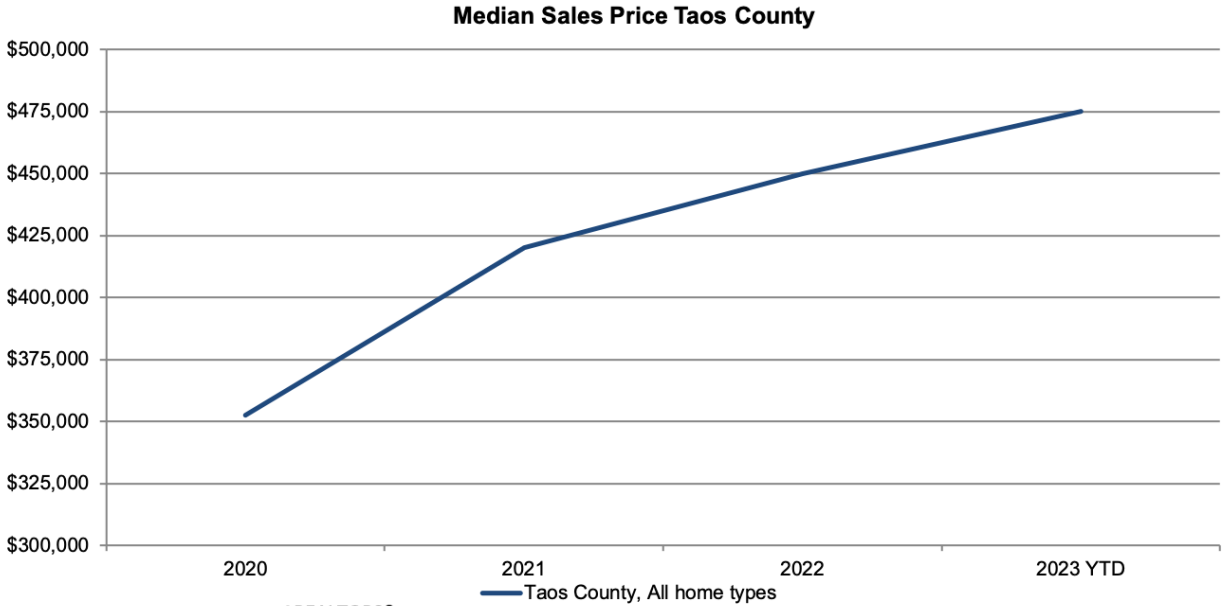
Housing Construction Activity

Town of Taos building permit data shows a total of 56 units created since 2020 through the May of 2023. Of these 38 were single-family homes, four were mobile homes and fourteen multifamily units were created. At an average of just over 16 units a year, this suggests that construction activity is far below what is needed to support population growth and help temper rising unaffordability. Permit activity in the County was more robust with 81 units permitted in 2020, 136 in 2021, and 131 in 2022, all single-family residences.

Home Sales Activity and Prices

Typical of high desirability communities in the mountain west, sales activity in Taos was very strong over the last three years with shrinking affordability and massive growth at the high end of the market.

In just the last three years, the median sale price of all residential homes rose a dramatic \$122,500, or nearly 35% above 2020 levels. The increase in median sales price indicates that in 2022, more than 80% of homes are out of the reach of most working-class and entry level professional workers, which we will explore in more detail in the affordability analysis portion of this report.



Similar to the impacts of the pandemic driven housing inflation in other high-desirability communities, Taos has experienced brisk market activity and a general shortage of housing supply which, coupled with strong external demand not tied to local wages, has driven up housing costs. The result is a market dominated by homes costing more than \$300,000, and a more than tripling of homes sold for over \$1,000,000.

There is some hope for higher income Taos families in that there were still a fair number of homes in the \$200,000-\$300,000 range which could potentially be accessed with down payment and mortgage assistance programs.

Taos Residential Sales 2020-2022			
	2020	2021	2022
Sale Price			
0-\$200,000	45	30	20
\$200,000-\$300,000	67	39	52
\$300,000+	218	255	305
\$1,000,000+	7	23	29
Total	330	324	377

Current For-Sale Inventory

To better understand the current market conditions for homeownership opportunities we analyzed a point-in-time snapshot of current real estate listings for Taos County Association of REALTORS on June 10th 2023.

Current Home Listings June 2023	
Listing Price	
Under \$200,000	4
\$200,000-\$300,000	4
\$300,000-\$1,000,000	89
\$1,000,000+	24
Total Listings	121

There were only eight homes currently listed in the Taos area under \$300,000, again, the upper limit of affordability for families earning approximately 120% of the Area Median Income. All but two of the units were mobile homes located in the county, the remaining two were small condo units in the town. Of these, six of the eight units were under contract or pending sale, with only two available for purchase.

Overall, lower cost homes below \$300,000 represented less than 7% of total listings, while there were 24 listings for \$1,000,000+ homes, nearly 20% of all currently available products. Overall this suggests a significant tightening of the market since the previous year with very low supply for everything but the most expensive housing.

Financing Accessibility

A critical component of affordable homeownership rests with the availability of mortgage financing. The rate of loans can dramatically impact buying power, and minimum down payments and closing costs can present a significant obstacle to many working-class families. Over the last 10 years, buyers have enjoyed historically low interest rates which created significant buying power for lower income families.

Over the last 18 months we have seen a more than doubling of 30-year fixed mortgage rates. The figure below shows a ten-year trend of 30-year fixed interest mortgage rates from Freddie Mac’s Primary Market Mortgage Survey.



Primary Mortgage Market Survey®

U.S. weekly average mortgage rates as of 06/15/2023



Interest rates in the Taos area remain higher than the national average at over 7%, an increase of over 4% since early 2022. It's hard to overstate how much impact this has on affordability for working families. For example, at a 3.25% interest rate, a median income family in Taos County can afford around \$310,000 mortgage. At 7.25%, the affordable mortgage amount drops below \$200,000, wiping away over \$100,000 in buying power. This combined with some relatively affordable housing stock suggests that mortgage interest rate buydowns, where a lender is paid a fee at mortgage issuance for a lower fixed interest rate, may be an impactful strategy to explore. Similarly, down payment assistance programs can help close the gap on affordability for families towards the upper end of the affordable income segment, while also helping with the cash needed to close a purchase transaction.

There are several special first-time homebuyer products offered by the New Mexico Mortgage Finance Authority as well as several other banks active in Northern New Mexico. These offer benefits of lower interest rates (currently at 1.25% below market) and/or waiving mortgage insurance requirements, which can extend buying power.

Mortgage origination activity is disclosed through the Home Mortgage Disclosure Act (HMDA). A review of HMDA data for Taos County from 2021 shows 213 applications for mortgages. Of these, about 42% were originated, with 19% withdrawn by the applicant, 21% denied by the bank and 11% closed due to incomplete files. The large number of denied, withdrawn and incomplete mortgage applications suggests that credit and mortgage counseling can be a powerful tool for improving access to mortgages for Taos families.

Rental Housing

The strongest indicator of rental housing demand is rental vacancy rates. Unfortunately detailed current vacancy rate data is not available without conducting a comprehensive market survey. Other rental data is largely anecdotal given the relatively small rental market in the Taos Area.

A review of rental listings on Craigslist on June 9, 2023 revealed a total of 27 listings. Of these, 12 were one-bedroom units, eight were two bedroom and six were three-bedroom units. The average listing price for one-bedroom units was \$1516 with prices ranging from \$850 to \$1550. The average listing rate for two-bedroom units was \$1906, with a range between \$1200 and \$2800. The average rental rate for the six three-bedroom units was \$1842 and ranged from \$1450 to \$2200. With the exception of the one \$850 unit, no entry level prices were affordable to families even at the 80% AMI level.

It is worth noting the ways in which rental housing and ownership housing interplay. In markets where there is scarce supply for entry-level homeownership opportunities, we often see a constriction at the top end of the rental market with many moderate-income households forced to rent due to lack of affordable homeownership opportunities. This has the negative impact of constraining rental supply and increasing the cost of rental housing due to the higher payment capacity of the moderate-income renter households. This tends to disproportionately impact the lowest income renters, as they are the most impacted by increased pricing. While there is not data that can prove a corollary relationship such as this in the greater Taos area, the steady decline in available homes priced below \$300,000 suggest this could be a potential side effect of not aggressively working to satisfy the entry-level homeownership demand.

Similarly the high level of cost burden renters and high rental rates in Taos can have the impact of constraining access to homeownership by, at best, not allowing families to save sufficient downpayment and closing costs needed to purchase a home. At worst, it drives families to rely on debt to satisfy basic households needs, decreasing mortgage capacity and negatively impacting credit scores.

5. Affordability Analysis

Income and Pricing Definitions

In this section of the report household income, demographic, and housing market data are analyzed to approximate the current needs and gaps in affordability for both renters and future homeowners.

Generally, for renters, industry standard-setters such as HUD consider an affordable rental housing payment to be at or below 30% of a household's gross income, the same standard used by the Census to determine Cost Burden. For low- and moderate-income homebuyers, there is no such "official" standard. However, nonprofit and local government programs assisting

homebuyers set various affordability benchmarks for housing payments—typically at or near 30% of income. For the purpose of this report we have used the standard of 31% of gross income which has been used by the Federal Housing Administration for their mortgage programs, among the most liberal fixed-rate mortgage financing available to consumers. The definition of “housing payment” comes from the underwriting rules of mortgage lenders. It typically includes mortgage principal and interest payments, taxes, insurance, and any applicable homeowner association fees.

Using these guidelines, affordable rents and home prices can be determined for any income level. HUD and most housing agencies use percentages of the area median income (AMI) for the purposes of designing, operating, and qualifying households for housing assistance programs, and as such it is a critical measure to use for analysis within the larger context of Federal and local housing programs in Taos. The reason these income standards are used, particularly for homeownership programs, is that they are based on Census figures for median family income, which most closely approximates the household economic unit that would be purchasing a home.

Incomes by HUD AMI Levels for Taos County by Household Sizes 2023						
Number of Persons in Household:						
% of Median	1	2	3	4	5	6
30%	\$14,580	\$19,720	\$24,860	\$30,000	\$34,900	\$37,500
50%	\$22,650	\$25,850	\$29,100	\$32,300	\$34,900	\$37,500
60%	\$27,180	\$31,020	\$34,920	\$38,760	\$41,880	\$45,000
80%	\$36,200	\$41,350	\$46,500	\$51,650	\$55,800	\$59,950
100%	\$45,300	\$51,700	\$58,200	\$64,600	\$69,800	\$75,000
120% AMI	\$54,360	\$62,040	\$69,840	\$77,520	\$83,760	\$90,000

HUD adjusts AMI levels to compensate for household size and sets benchmarks at various percentages of the median income used as thresholds for housing program eligibility. As a result of these adjustments, larger households have higher income limits, while smaller household have lower income limits. Most local government housing programs and project receiving federal housing funding use these income standards. By comparison, an analysis of median income numbers as reported by the Census can show how these number interact and compare to existing housing programs and income restricted housing funding resources.

Census and HUD Household Incomes	
Town of Taos family median income, 2021	\$42,984
Taos County family median income, 2021	\$49,481
Taos County HUD Area Median Income, 2021	\$50,000
Source: Census American Community Survey, HUD Policy Development and Research	

When these numbers are compared, the HUD definition of area median income for the county has relative parity with the county-wide median family income, which is based on Census ACS 5-year median family income from two years previous. HUD then projected forward two years using a calculation that includes accelerators based on the consumer price index. This means that inflation can have a very meaningful impact on HUD income limits.

In the case of Taos County, this impact has been dramatic with the recently 2023 HUD AMI pegged at \$71,900, a 43.8% increase in two years. It is also worth noting that the underlying median family income data increased 28.2% in that same time period, so in this case the dramatic increase is a combination of both factors. And while some of this growth in median family incomes can be attributed to wage growth, given the loss of lower income families in the Census rolls, this is much more being driven by the displacement of lower income families by higher income newcomers.

Rental Housing Affordability

Rental housing is critical for lower income community members, as well as newly recruited workforce and the growing population of people who either wait longer to purchase a home or have decided not to purchase a home at all. Households below 60% of AMI generally do not typically earn enough to create a sustainable homeownership situation, although there are some notable exceptions to this, including programs like Habitat for Humanity which target households at or below 50% AMI.

Households below 60% AMI qualify for subsidized rental housing created through the Low-Income Housing Tax Credit program, which is one of the few sources for affordable rental housing construction, and is allocated based on a statewide competition for funding and is typically highly competitive.

The figure below shows affordable rents at 30% of gross income for various household sizes and HUD AMI income levels.

Affordable Monthly Rent at 30% of Income						
% Median	Number of Persons in Household:					
	1	2	3	4	5	6
30%	\$365	\$493	\$622	\$750	\$873	\$938
50%	\$566	\$646	\$728	\$808	\$873	\$938
60%	\$680	\$776	\$873	\$969	\$1,047	\$1,125
80%	\$905	\$1,034	\$1,163	\$1,291	\$1,395	\$1,499

When these figures are compared to average rents, gaps in the market can be more clearly identified. The table below shows the AMI level at which the average rent, by housing type and

bedroom, become affordable. For the purposes of this comparison household sizes were assumed to be one person per bedroom to account for single adult headed households.

Comparison Rents and Area Median Income			
	1-Bedroom	2-Bedroom	3-Bedroom
People in Household	1	2	3
Craigslist Average Listing	\$1,516	\$1,906	\$1,850
Affordable AMI	150%+	150%+	140%
Craigslist 6-9-2023			

This comparison shows that overall, rental rates are scarce and far out of range for lower income families in the Taos area. With average affordability exceeding the 150% AMI level for most housing types. Even the entry level rental prices show significant gap up to and above 80% AMI.

Taken together, this suggests a need for more rental housing development targeting very low income households, as well as projects that can meet the needs of families between 60% and 80% AMI, often referred to as “workforce housing” for which there are no Federal funding sources. However, to address long-term needs, a variety of strategies need to be developed to address continued rental housing development that includes a focus on family rental housing in large-scale higher-density developments, as well as more distributed smaller-scale development approaches such as promotion of the development of accessory dwelling units. As always, there is a high need to continue strategic investments in promoting subsidized rental for very low- and moderate-income households through the Low Income Housing Tax Credit Program and ensuring access to units that meet pricing and housing quality standards for Federal rental voucher programs.

Homeownership Affordability

For homeownership, the typical measure of affordability is the purchase price of the home. Using HUD AMI levels and assumptions based on the current mortgage loan underwriting, affordable home prices were calculated for households of various sizes at four key income levels and various home types. The goal of this analysis was to calculate affordability gaps between these income levels at multiple family sizes and the assumptions for entry level prices for various bedroom configurations.

The calculation for entry level home prices, used to show gap shown in the following tables below are based on an average sales price of the lowest quartile of sales by number of bedrooms during 2022. We use an average to account for the most inexpensive homes which often need extensive renovation that is not feasible for first-time buyers. It can also partially account for the continued increase in housing costs for the coming year. This also establishes a

replicable methodology for creating a starting point from which to calculate the homeownership gap. It is important to note that changes in variables used to calculate home price can have a major impact on the affordable purchase price, particularly increases in interest rates, as discussed previously.

Size and Type of Unit	1 BR-D	2 BR-D	3 BR-D	4 BR-D
Assumed household size	1	2	3	4
"Entry-level" prices	\$150,000	\$335,000	\$285,000	\$305,000
Median for all sales	\$299,000	\$404,250	\$510,250	\$668,320

It is interesting to note that the two-bedroom entry-level price exceeds both the three and four-bedroom pricing even though the overall median follows a more typical pricing trend. Two-bedroom homes by far make up the largest segment of home sales and may be subject to more demand. Another likely factor is that the prevalence of three and four-bedroom mobile homes may be helping keep the entry-level price more affordable among those bedroom typologies.

For the purposes of this analysis we used 7.28% as the interest rate assumption, based on the current published average for New Mexico, with .25% added for a slight cushion for future rate fluctuations. This model also assumes that the buyer pays all closing costs out of pocket, but any buyer contribution towards down payment would be part of the gap figure. It also assumes that below 80% AMI buyers will have such significant subsidy that they will not have to carry any mortgage insurance costs because their loan to value ratio (LTV) is below 80% of the total home value.

The income levels represented in the affordability calculations were chosen because these are common boundaries used for defining types of homeownership assistance. Households between 60-80% AMI typically need significant financial assistance through both deeply discounted homes and significant amounts of down payment assistance. These households qualify for Federal housing assistance and typically will rely on homes produced through nonprofit housing development or for-profit developers with significant incentives such as donated land and waived development fees and development subsidies.

Affordable Housing programs in New Mexico can typically subsidize up to 120% of area median income. For this analysis we chose to show up to 140% AMI to help establish the upper end of the housing affordability gap. Households at the top of the 80-120% range are on the cusp of current market affordability levels with the handful of market rate homes currently available. But it is not until the 140% ranges—and at larger family sizes—that you start to see affordable pricing that is currently available in the open market.

Home Prices Affordable at AMI Levels						
% Median	Number of Persons in Household:					
	1	2	3	4	5	6
60%	\$91,222	\$91,660	\$110,185	\$123,164	\$134,943	\$146,723
Gap	-\$58,778	-\$243,340	-\$174,815	-\$181,836	-\$170,057	-\$158,277
80%	\$125,278	\$130,662	\$153,907	\$171,831	\$187,500	\$203,169
Gap	-\$24,722	-\$204,338	-\$131,093	-\$133,169	-\$117,500	-\$101,831
100%	\$159,636	\$169,740	\$198,082	\$220,726	\$240,359	\$259,992
Gap	\$9,636	-\$165,260	-\$86,918	-\$84,274	-\$64,641	-\$45,008
120%	\$183,795	\$186,340	\$222,939	\$249,076	\$272,636	\$296,196
Gap	\$33,795	-\$148,660	-\$62,061	-\$55,924	-\$32,364	-\$8,804
140%	\$218,003	\$225,380	\$266,887	\$297,857	\$325,344	\$352,830
Gap	\$68,003	-\$109,620	-\$18,113	-\$7,143	\$20,344	\$47,830

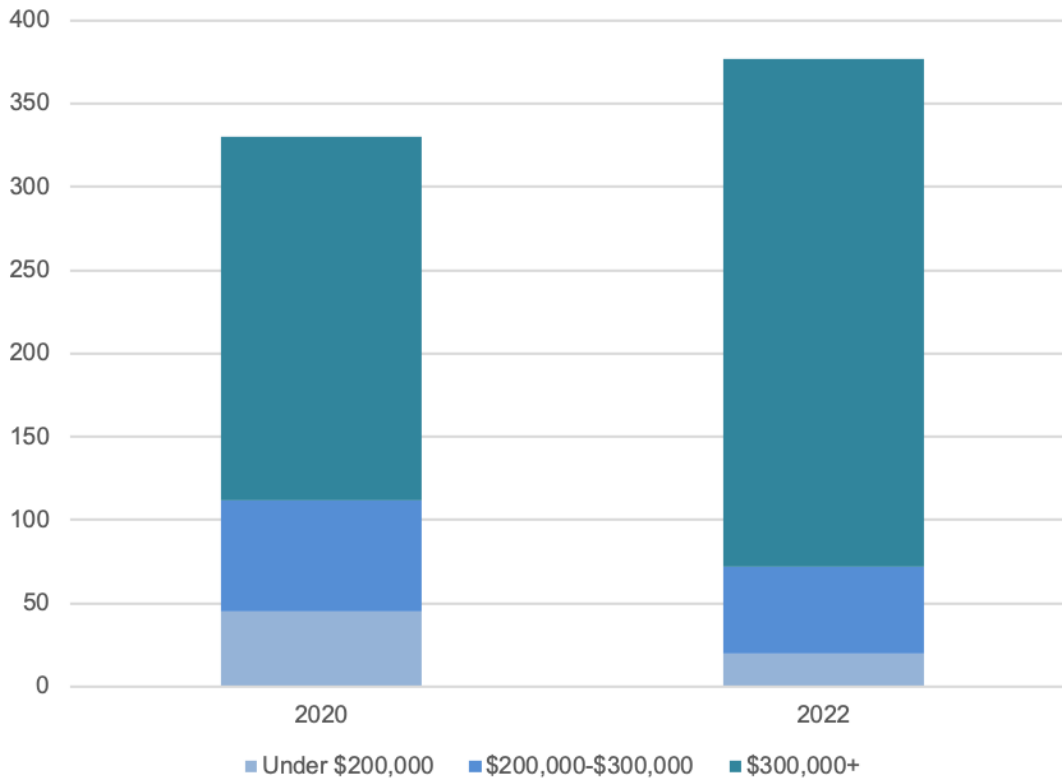
As is often the case in higher cost communities, there is a significant gap at the 60% AMI level, ranging from just under \$60,000 for a one-person household to the largest gap, just over \$180,000 for a four-person household. Interestingly, the highest entry-level cost was found to be in the two-bedroom segment with a gap of \$243,340. To achieve affordability for this income group will require layering of several affordability approaches, including direct subsidization of affordable housing development with both federal and local sources, in addition to the likely need for layered down payment assistance to achieve an affordable mortgage level.

There are still significant gaps at all household sizes at the 80% AMI level as well. These gaps range from a low of just over \$26,000 to a high of over \$204,000 for a two-bedroom/two-person family. A three-person household at 80% AMI would have an annual income of \$46,500, or an hourly wage of \$22.36. This income range is closer to what can be achieved with local funding, a regulatory incentive-based approach to private sector production of below-market rate homes, or the layering of several down payment assistance sources. But there are few options on the open market for households earning at this level, even with down payment assistance alone.

It isn't until we get to the upper end of the 120% AMI level that we begin to see mortgage capacity that comes close to the lowest price market rate home prices.

It can also be helpful to compare the above affordability assumptions to the snapshot of sales activity discussed earlier in the report in an effort to understand longer term trends in affordability. Looking at a three-year snapshot of countywide sales in 2020 and again in 2022, we see some interesting patterns that suggest shirking affordability. The graphic below expresses home sales by pricing segment.

Taos Sales By Price



What is clear, is that even with relative affordability in recent years, housing priced below \$200,000 which roughly equates to affordability for a family of three at 10% AMI, has decreased considerably. Sales of all home types below \$200,000, went from 45 units in 2020 to just 20 units in 2022, a 56% decrease and just 5% of the overall market share. Even more worrisome is that only two units were sold below \$200,000 in the first five months of 2023.

Smaller decreases are observed in the \$200,000-\$300,000 segment with a 23% drop over the three-year period, resulting in a decrease from a 14% to 7% market share. This pricing segment roughly equates to the purchasing power of a six-person household at the 120% AMI level, the highest income range in the affordable segment. Sales of homes over \$300,000 have grown more than 40% during the three-year period, with the exponential increase in \$1,000,000+ home sales by more than 300%.

Housing Demand

This report is particularly interested in access to affordable home purchase opportunities, so there is a focus on renter households, who are the largest pool of future homebuyers. The table below analyzes the most feasible housing strategies for renter households at various income tiers, along with the estimated number of Taos renter households in those income groups broken down into town and county residents. It should be noted that Census demographics do

not perfectly align with median income benchmarks, so characterizations based on exact AMI income ranges are not possible.

Analysis of Affordable Housing Opportunities for Renters			
Income Range	# of Town Households	# of County Households	Key Housing Strategies
\$0-\$20,000	270	231	The upper end of this income range roughly equates to the 30-40% AMI and includes a large percentage of renter households with virtually no housing options on the open market. The priority for this group is accessing rental assistance vouchers and building new deeply subsidized rental units. Supporting households at this income level requires substantial grants, direct rent subsidies, and below-market-rate investments to achieve affordable rent levels in Low Income Housing Tax Credit projects.
\$20,000-\$34,999	260	224	Renter households in this income range roughly equate to 60% AMI on the upper end, and can be feasibly assisted through federal rental housing development programs such as the Low-Income Housing Tax Credit program. They may have limited homeownership opportunities through construction and deep subsidization of low-cost homes by non-profits such as Habitat for Humanity who specialize in deeply supported homeownership models.
\$35,000-\$49,999	81	316	Market rents are still largely unaffordable to this group. Many would-be homeowners in this group have virtually no affordable purchase options and typically are not eligible for subsidized rental. The upper income range is approximately 80% AMI for a family of three. This group would be a primary target for nonprofit homeownership programs.
\$50,000-\$74,999	128	295	Would-be homeowners can afford \$200,000-\$240,000 mortgages but have very limited options in the open market. Again a segment who would benefit greatly from below market rate development needing less subsidy than lower income groups.
\$75,000 or more	88	291	Would-be homeowners in this group have limited options for detached homes, especially at the lower end, but would be key market segments who would benefit from modestly priced market rate housing development, downpayment assistance programs and mortgage interest rate buydown programs.

Source: American Community Survey 2021 5-Year Estimates

As we can see from the breakdown of households, there are nearly 600 renter households earning below \$20,000 a year. There are a number of households in this group who are either at risk of homelessness or transitioning out of unstable housing situations. There are extremely limited options for assisting this group of renters, either with rental vouchers or specialized housing designed to serve people with such low incomes.

In the \$20,000-\$34,999 income range, there are 484 households countywide, with the slight majority living in the town. At the lower end of the income spectrum, this group often requires some form of rental assistance or below-market rental housing to avoid being cost burdened.

Households at the upper end of this income category may also be aspiring to homeownership with their options limited to deeply discounted housing opportunities, far deeper subsidies than are available through existing assistance programs alone. Generally, the only way to achieve affordable home prices for this group is through non-profit driven housing development models that leverage significant internal and external subsidies.

The \$35,000-\$49,999 tier includes 81 renters in the town, and an additional 316 in the county. This group of renters are strong candidates for homeownership but likely struggle to find any housing on the open market that is affordable. The target price range for this group is around \$150,000, a price range that is nonexistent on the open market. If only 1/3 of this group desired to purchase a home, this would represent 132 potential buyer households.

The next income group at \$50,000-\$74,900, which roughly equates to 80%-120% AMI, is often referred to as “missing middle” housing and encompasses 128 households in the town and another 295 households in the county. Again, if just 1/3 of households in this income group desired to purchase a home, this would yield 141 potential homeowners. The range of affordable home prices for this group run from around \$150,000 at the lower end to around \$225,000 at the upper end.

Taken together it is reasonable to assume that there are approximately 275-300 households that are prime candidates for assistance through homeownership programs. Just over a third of these live within the Town of Taos with the remaining two thirds residing in the county.