

# THE STRUGGLE IS REAL: THE STATE OF HOUSING IN SANTA FE

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## INTRODUCTION

Santa Fe is at an inflection point where we must ask: What kind of community do we want to be? The unprecedented combination of record high housing costs, wage loss from the pandemic, and a wave of outside capital pressure from people relocating to Santa Fe mean that Santa Fe is facing the most acute risk of gentrification ever. Dramatic proactive steps must be taken if Santa Fe is to remain a place for locals and everyday working people.

We have a remarkable, award winning infrastructure for creating affordable housing in our town. But to deal with the scale of the problem we face, we need to supercharge that infrastructure with resources that rise to the scale of the crisis. Our audacious goal is to ensure that any person from Santa Fe and any person that works in Santa Fe, should be able to live in Santa Fe affordably, and that every person in our community, regardless of background or financial position, should have access to safe decent housing as a fundamental right. In order to make that vision a reality, our communities need to be informed about the current state of housing in Santa Fe so that we can do something about

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it. This report was created to provide an overview of the housing crisis and to help demystify the housing issue for all of Santa Fe's diverse communities.

## KEY TAKEAWAYS

- 9700 Families were paying unaffordable rents or mortgages in 2018
- 77% of renter households earning less than \$50,000 a year were paying unaffordable rents
- Census rolls indicate that we have lost over 600 low income families between 2016 and 2018
- The pandemic has created a perfect storm of wage loss for housing insecure families, combined with new demand pressure from relocation
- Median home sales price set a record of over \$535,000, a 20% increase from the same quarter last year
- We recently set a record median homes sales price, and roughly 65% of Santa Fe would not be able to buy a home today based on their income
- We're losing 100's of units of legacy affordable housing from the 1990's and early 2000's to expiring affordability restrictions
- We lack consistent housing funding or a consistent pipeline of new affordable projects
- Key interventions:
- We need to set annual affordable housing production goals that can be used to assess our programs, investments and impact
- We urgently need to secure at least \$3-million in annually recurring funding for the City and County Affordable Housing Trust Funds

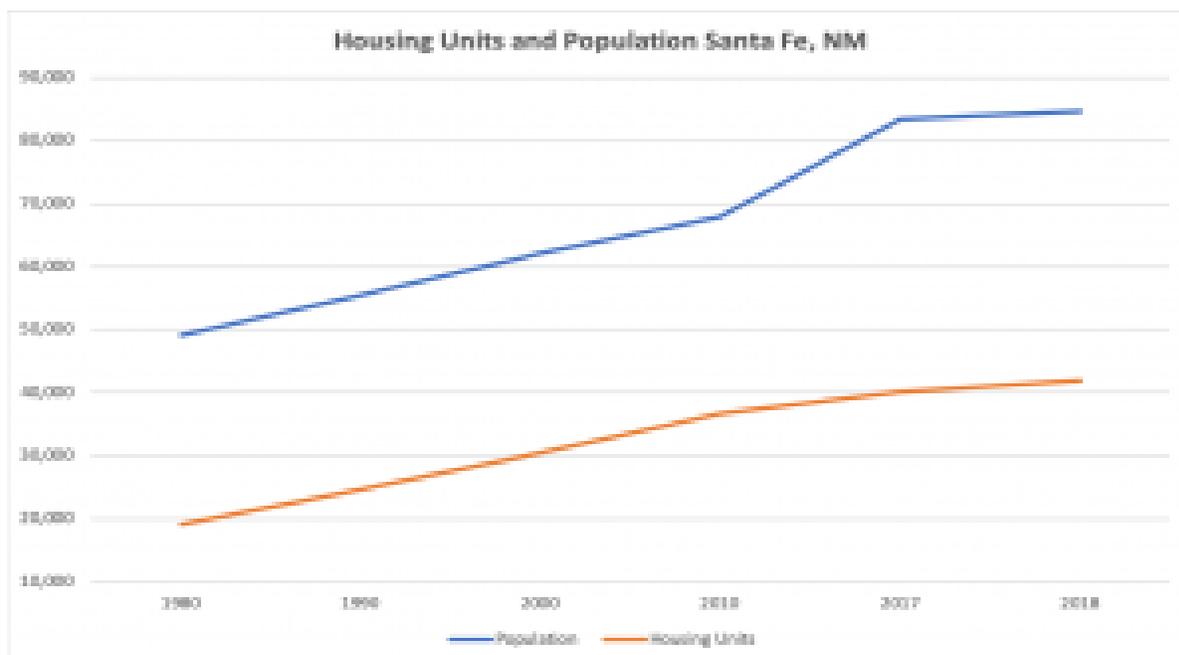
Please take a moment and check out our [full housing policy platform](#)

## THE HOUSING AFFORDABILITY PROBLEM(S)

Housing professionals define affordability as a household paying less than 30% of their gross income on housing. This is true whether you make \$10,000 a year, or \$100,000 a year. Using this definition, its well understood that housing affordability is a longstanding issue in the Greater Santa Fe area. As such, local governments have had programs to support

affordability going back to the early 1990's. At the core of Santa Fe's, and indeed housing issues nationally, are two distinct issues:

1. First, the Federal Government only provides enough resources to state and local governments to meet the needs of approximately 20% of the lowest income households, many of whom will never be able to afford even the least expensive market rate housing. This leaves an 80% gap that state and local governments must figure out how to address.
2. The second problem is an unforced error that is a function of basic supply and demand issue within our real estate economy. In situations where housing supply is lacking, housing prices reset to the highest capacity to pay. This situation is in many ways an unforced error in that we have ample developable land, yet have failed to grow our housing stock in a way that keeps up with population growth. Add to it high pressure from outside housing demand from second homebuyers, retiree's, and relocating remote worker who aren't reliant on local wages for their capacity to pay, and housing costs start to diverge from This particular issue tends to impact higher wage workers, but functionally prices out the lowest income households in the community, exacerbating the first affordability problem.



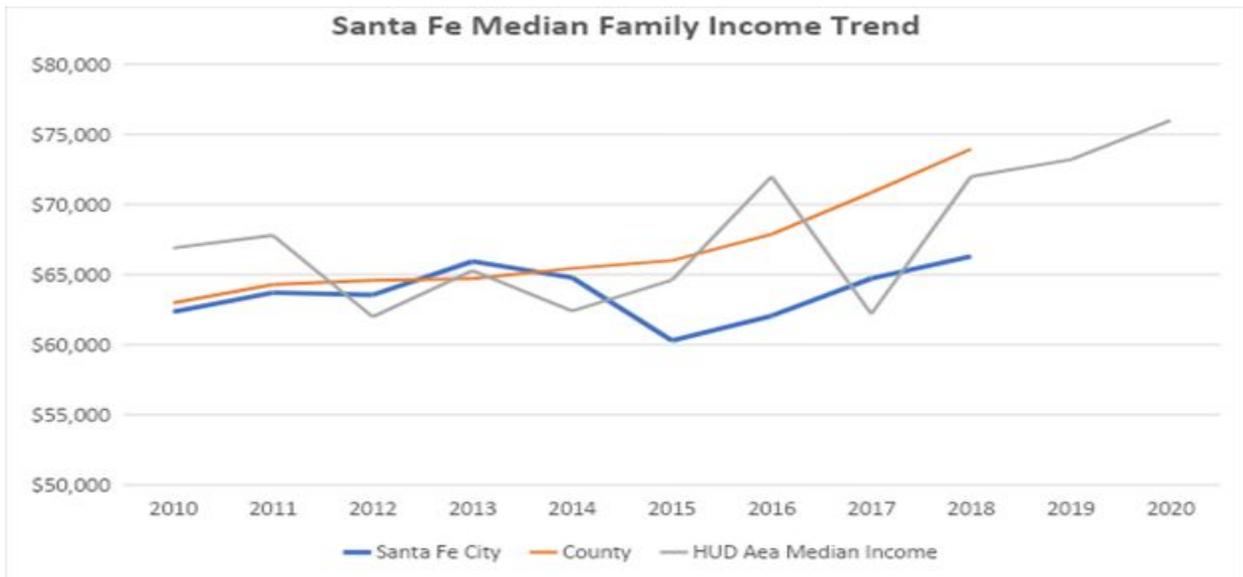
While there has been positive progress on the housing supply side, much more dramatic steps will need to be undertaken by local governments if we hope to hold ground against the challenges we face.

## INCOME & EMPLOYMENT

Housing affordability is a two-sided problem best expressed by the gap between wages and housing costs.

The best gauge of local incomes is the Census Median Family Income, as this most closely approximates incomes used to support housing payments. As we can see below, Median Family Income over the last 10 years has remained relatively flat for the urbanized area of Santa Fe.

GRAPH 1: Santa Fe Incomes for the Urbanized area of the city, county wide and HUD area median income 2010-2018



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While we have seen modest growth in county-wide incomes, median family income in the urbanized area of the city has only increased about \$4000 in the last 8 years (or about six percent or .75% a year). Another unfortunate factor is that gains during the last few years

may not actually represent real wage growth, as over 600 of the lowest income families left the Census rolls, skewing incomes higher for the community as a whole. **In fact, much of the income growth in the last few years is the result of the loss of lower-income families from the community.**

Another key income number is the HUD area median income (AMI). These county-wide income numbers are the basis for qualification for housing programs and are based on the latest available median family income, plus an inflation factor to project forward from the last available Census data. In a practical sense, higher AMI numbers mean that more households qualify for housing assistance programs, which in Santa Fe serve households up to 120% AMI, currently just under \$84,000 a year for a family of four. The downside of higher AMI numbers is that there are even more families that qualify for programs, which increases demand on otherwise scarce housing assistance resources.

The unemployment rate is another key factor in determining the health of the local economy. This is defined as the percentage of the total labor force that is unemployed but still able to work and actively seek employment.

#### **UNEMPLOYMENT RATE = % TOTAL UNEMPLOYED LABOR FORCE ABLE TO WORK**

Santa Fe's unemployment rate hit a six-year low in 2019, with a 3.9% unemployment rate. And while the overall unemployment rate has stayed reasonably stable through the pandemic, wage loss and unemployment will be massive factors impacting housing when we look at 2020 and into 2021.

To determine what portion of a population is experiencing poverty, the U.S. Census Bureau sets an income threshold under which an individual or family is deemed to be living in poverty. This threshold varies based on family size, living situation and age. **In 2019, about 12.8% of Santa Fe County residents were considered to be living in poverty.** In contrast, a higher percentage of 14.1% of U.S. residents and 20% of New Mexico residents were living in poverty in 2019. **In the urbanized area of Santa Fe, the poverty rate is slightly higher at 13.5%, representing over 11,400 people. At this income level, families will have virtually no options for market rate housing and face extreme housing insecurity and risk of homelessness.**

## HOMELESSNESS

Homelessness is a persistent problem in Santa Fe. The City of Santa Fe and its nonprofit partners recognize that **supportive housing, where housing is combined with supportive services, is the best solution to homelessness**. Much has been done over the years to increase the amount of supportive housing that is available and there is a need for more.

The annual 'point in time' count for January 2020 showed that there were 407 homeless people in Santa Fe on a single night in January. This is an increase over previous years and continues an upward trend that started in 2018. At the same time, 428 formerly homeless people were living in supportive housing designated for people exiting homelessness. Of these, 340 were living in permanent supportive housing for people with disabilities and 88 were living in transitional housing or rapid rehousing for people without disabilities.

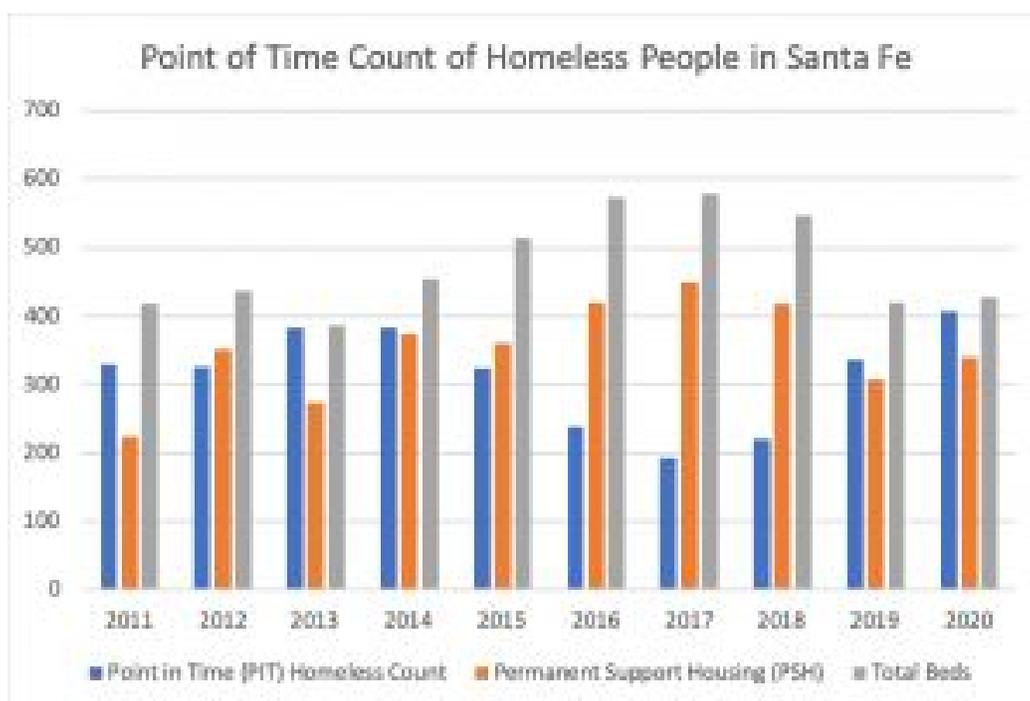
Santa Fe is participating in three national projects to reduce and end homelessness. First, Santa Fe worked to reduce homelessness among veterans and was recognized in 2017 by the U.S. Interagency Council on Homelessness as having effectively ended veteran homelessness by creating a system where homeless veterans in Santa Fe could be rehoused within 90 days of becoming homeless.

However, **the pandemic has created a very precarious situation that points to a high risk for future homelessness in the coming year**. Prior to the pandemic there were over 5700 renter families earning less than \$50,000 a year that were already paying unaffordable rents. And while there are eviction moratoria in place at both the State and Federal level, families are still responsible for repaying any unpaid rent. This suggests a large anticipated need for additional local rental housing assistance programs.

One of the most important interventions for homelessness will be to create more permanent supportive housing that helps people transition into stable housing with wrap around services and other supports. In 2019, Santa Fe joined the Built for Zero Movement to end chronic homelessness. This effort is aimed at housing the approximately 100 individuals in Santa Fe who have been homeless for a year or more and have a disabling condition. Santa Fe has created a by-name list of those who are chronically homeless and is currently

working to expand outreach to keep the list current and developing additional permanent supportive housing that meets the needs of those who are chronically homeless.

In 2019, Santa Fe began a Youth Homelessness Demonstration Program as a partnership between Youth Shelters and Family Services, the New Mexico Coalition to End Homelessness and agencies representing the 14 counties in Northern New Mexico. A federal grant with state matching funds is fueling this effort to find and house the most vulnerable homeless youth in Northern New Mexico, with a goal of creating a system where any homeless youth can be rehoused within 30 days.



Source: New Mexico Coalition to End Homelessness 2020

## RENTER AFFORDABILITY

Rental housing remains one of the most challenged areas of affordability facing the Santa Fe community. After a long period of relative affordability, a lack of housing supply in the early 2010's started driving fairly rapid rent appreciation and a higher dependence on subsidized rental housing. In fact, almost all of the rental housing created in the last decade was income restricted housing with little-to-no market rate rental development.

When households spend greater than 30% on housing, they are considered cost burdened, a statistic tracked by the Census Bureau.

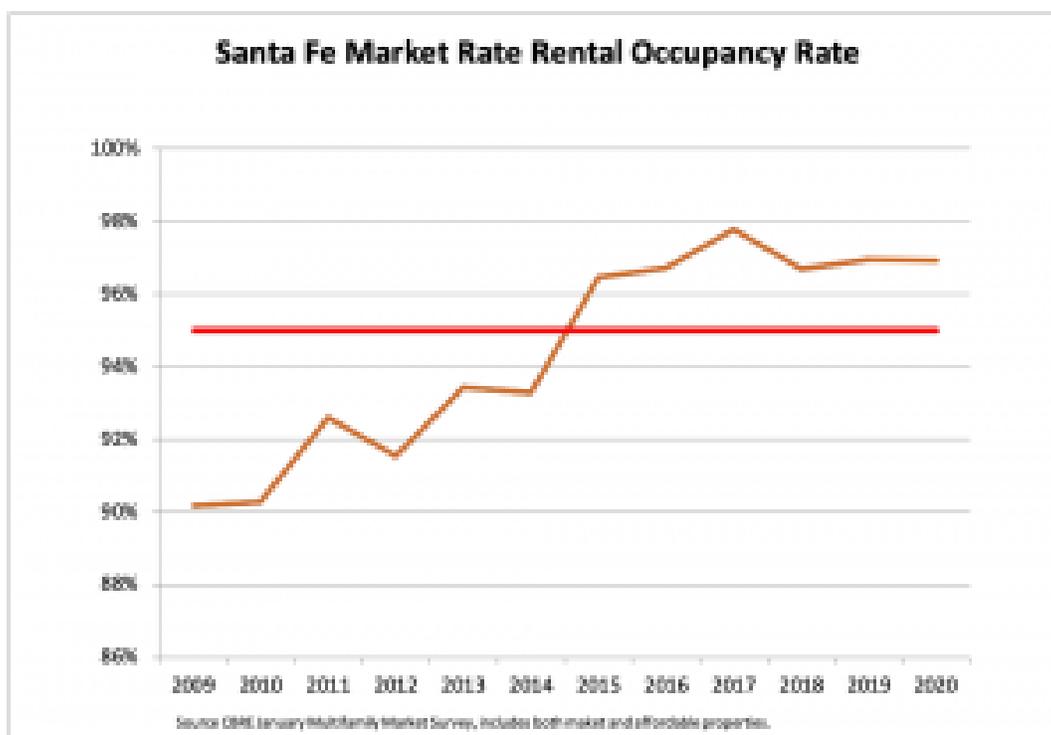
When you look at the Santa Fe urban area, you find that **over 77% of renter households earning less than \$50,000 a year are cost burdened**. This represents over 5,000 renter families and demonstrates that low and moderate-income renter households face the greatest cost burden in the Santa Fe County housing market.

<b>2018 Renter Cost Burden</b>			
<b>Income Range</b>	<b>Cost Burdened</b>	<b>Total Families</b>	<b>% Cost Burden</b>
<\$20,000	2355	2660	89%
\$20,000-\$34,999	2397	2731	88%
\$35,000-\$49,999	760	1789	42%
\$50,000-\$74,999	568	2684	21%
\$75,000+	90	2832	3%
<b>Total</b>	<b>6170</b>	<b>12696</b>	<b>49%</b>
<\$34,999/year	4752	5391	88%
<\$50,000/year	5512	7180	77%

*Source: Census American Community Survey Five-Year Estimate*

The best indicator for overall rental market conditions is the unit vacancy rate. The commercial real estate firm CBRE produces periodic rental housing surveys that poll rental and vacancy rates in around 20 multi-family properties with just over 3500 units of both affordable and market rate units. The January 2020 report indicates the overall occupancy rate of 97.67%, with anything over 95% considered a supply-constrained market. The survey also found that year-over-year rent growth was 7.6%. Affordable properties showed an astounding 98.6% occupancy, which is functionally at 100% occupancy, as the vacant units expressed in the survey are usually in the process of turning over to a new renter family. Waiting lists for affordable housing echo these findings in that there is extremely high demand for existing income-restricted multi-family units with **the Housing Trust reporting over 400 families on waiting lists for their three affordable rental developments**. The Santa Fe Civic Housing Authority lists have been closed for approximately two years, but

still report more than 200 people waiting for housing at family sites and over 300 on lists for senior serving projects, which represent a 4-5 year wait for housing.



One bright spot from a housing supply perspective has been the apparent wave of new multi-family development currently happening. A City of Santa Fe October 2019 pipeline report shows over 1100 units under construction with another 1600 units having received approval from the Planning Commission, of which a significant proportion is multi-family rental housing. While much of this new housing is out of reach for many working families, its high new construction quality, amenities, and in some cases premium locations should help ease pressure that higher income renters were placing on what was more traditionally moderate-priced rental housing.

It is worth noting that this recent growth in rental housing development is the product of a combination of market rents becoming high enough to sustain new development, and an allowance for developers to pay a fee, often referred to as a fee-in-lieu, rather than build 15% of their project as income restricted units. This change allowed for contributions of over \$1 million into the Affordable Housing Trust Fund just in 2019 alone. This money in turn supports the development of non-profit driven affordable housing as well as rental

assistance and other direct housing assistance for lower income families. In December of 2019, the City Council adopted permanent changes to their inclusionary housing program, the Santa Fe HOMES program, that doubles the fee-in-lieu charged for affordable housing, while also making it easier for developers to include income restricted units in new market rate developments. An additional change mandated that any new rental developments receiving any form of City incentives will not be able to discriminate on the basis of income source and must accept rental housing vouchers.

All in all, 2019 was also a very good year for affordable rental housing development, with two Santa Fe projects being awarded funding in the annual statewide competition. The two projects, [Siler Yard](#) and La Resolana, will bring in over \$17m in affordable housing funding and create 100 units of long-term income-restricted rental housing.

The City Land Use Department is also leading a project to identify additional land use incentives for affordable housing development that should help boost the financial feasibility of both affordable projects and mixed-income developments. In addition to the positive policy changes to the inclusionary zoning program, the City also adopted reforms to the Accessory Dwelling Unit regulations that make creating infill housing units on existing properties possible on more properties in the city, while other changes should help lower the cost of development. One key change removed the owner-occupant requirements which will now allow both a main house and guest house to serve as long-term rentals (previously only one could be rented) as well as nonprofit owners to add guest houses to their scattered site housing inventory, something that wasn't allowed previously.

The last resources for affordable rentals are rental housing vouchers. There are two main voucher programs, the Housing Choice Voucher (formerly called Section 8) as well as a local rental voucher program funded through the City's Affordable Housing Trust Fund.

In Santa Fe there are currently 1200 housing choice vouchers, and Santa Fe County has an additional 241 vouchers. These vouchers can be used by income qualified households to pay the difference between a market rent and what they can afford based on their income. One challenge that has arisen in recent years is that housing units must meet basic housing quality standards and be under a maximum rent to qualify. Both the Civic Housing Authority and Santa Fe County Housing Authority report that they have a significant percentage of

voucher recipients that are not able to locate qualifying housing in the time frame allotted. Moreover, the Civic Housing Authority reports that despite having 1200 vouchers, they only receive funding from HUD to fulfill around 900 of those vouchers.

Another critical problem is the loss of affordable housing due to expiring affordability periods. Many affordable housing built in the 1990's and early 2000's is now reaching the point where it is converting to market rate rental housing. In 2018 the community lost 269 units of income restricted housing in two developments. So even with the construction of two new income restricted projects this year, we are still behind nearly 170 units from where we were in 2017.

## **HOMEOWNERSHIP AFFORDABILITY**

Santa Fe has a robust, award-winning infrastructure for affordable homeownership. This includes three high production nonprofit organizations, a long-established city funded downpayment assistance program, as well as an inclusionary zoning requirement that that 20% of all homeownership projects with 10 units or more be reserved for low income households.

Despite this amazing affordable housing infrastructure, the cost of housing has never been higher in Santa Fe. In the third quarter of 2020 we saw a combined City/County median sales price of \$536,995, nearly a 20% increase from the same quarter 2019, but also an all-time record median sales price. To put it into perspective a family would need a minimum income of over \$120,000 a year to afford a home at this price. Overall sales volume up 24% showing strong demand pressure on housing that should drive rising prices in the future. According to the City of Santa Fe HOMES program ordinance, the affordable home price for a family at 100% of the HUD area median income would be \$248,225. It is also important to recognize that many homes sold through affordable housing programs are not listed on the Multiple Listing Service reflected and therefore not reflected in median home price statistics.

## **AFFORDABLE HOUSING PROGRAMS**

The City Santa Fe and Santa Fe County have extensive programs to support affordable housing creation, services and investments. The City of Santa Fe has four main pillars of affordable support including General Fund money for homeownership services, the Affordable Housing Trust Fund that supports a wide range of housing activities, Federal Community Development Block Grant funds, and our inclusionary housing programs.

The City's Affordable Housing Trust Fund (AHTF) was established in 2005 but has yet to have a dedicated source of revenue, instead relying on repayments of past investments and fee-in-lieu payments from inclusionary zoning for capitalization. Despite this, it has had significant impact in the community. In program year 2019-2020 the City invested \$446,100 which provided rental assistance to 111 families through partners Adelante, iYouthworks!, and the Life Link. In addition it supported rental assistance for sober living for 26 individuals, seven downpayment assistance loans to first time homebuyers and provided \$150,000 in capital for the rehabilitation of the Villa Consuelo senior affordable rental complex. In addition, during the program year, the fund saw \$1,126,324 in fees-in-lieu and repayments past subsidy, which will support activities in the 2020-2021 program year.

Community Development Block Grant funds are awarded to the City by the US Department of Housing and Urban Development (HUD). This flexible block grant can be spent on a range of community, housing and economic development activities which local communities prioritize. In the current completed program year, the City invested \$383,531 in CDBG funds which supported nine community projects including services for 1003 homeless families in the Public Schools through Adelante, a new security system and street outreach to 199 teens by Youth Shelters, end of life hospice care for 14 formerly homeless individuals, and emergency shelter for 172 homeless women through Interfaith Shelters. In addition, 16 families received down payment assistance through Homewise, and 21 families received home repair grants through Homewise and Habitat for Humanity. Lastly, an additional \$47,000 was invested in the renovation of 100 units of housing at Villa Consuelo senior complex.

The Santa Fe Homes Program is a type of inclusionary housing program that requires a certain percentage of all newly built housing provide a set aside for affordable housing. The requirement for homeownership projects is that 20% of new projects with 10 units or more be reserved for households earning less than 100% of the area median income. In program year 2019-2020, 28 households bought below market rate homes through this program. In addition, newly approved development projects committed to creating 128 units of homeownership housing and an additional 34 units of affordable rental housing. Homeownership projects with less than 10 units are allowed to pay a fee-in-lieu of building the housing, as are rental projects, which make up the bulk of funding contributed to the housing trust funding in this program year. A change to inclusionary zoning policy has made it more feasible for market rate rental developers to include affordable rental units while also doubling the fee-in-lieu incrementally by 2022.

Some direct housing services are still funded directly from the City's General Fund, which dates back to the early 1990's. This includes over \$270,000 in support to the Housing Trust to provide homebuyer education, training, and income certification required for qualification for City housing programs. This supported first time homebuyer education and training for 659 individuals. In addition, the City used general fund money to support rental assistance for 23 homeless youth and their families through Adelante and iYouthWorks!.

## WHAT CAN WE DO?

The Housing Coalition is dedicated to create system housing solutions that address the range of housing issues facing Santa Feans. We believe that anyone who works in Santa Fe, or is from Santa Fe should be able to afford to live here. To that end, we are working on these specific slate of [program and policy changes](#):

**Fund the Trust Funds** – Local housing funds are critical for making sure there is access to housing for everyone in the community, especially with pandemic evictions looming. Currently the City of Santa Fe's Affordable Housing Trust Fund is a powerful tool, but has no permanent dedicated source of funding. Community housing advocates agree that we need at least \$3 million a year to make sure our housing interventions rise to the scale of the problem and address a range of housing needs from homelessness through foreclosure.

Likewise, Santa Fe County should implement a trust fund mechanism to make access to housing funds more transparent and effective and serve the unique housing needs outside the urban area of Santa Fe.

**City Land Donation Program** – Promote the creation of new affordable housing development through the identification and systematic annual donation of City-owned parcels for income restricted rental housing development.

**Zoning Reform** – Currently, over 50% of Santa Fe's residentially zoned land allows only one unit per acre, such a low density that no measure of affordability can ever be created on those lots. By contrast, less than 5% of the residentially zoned land is zoned dense enough to support even moderately priced rental housing, and less than 15% can support moderately priced homeownership. The City should extend the Midtown LINC zoning to other urban corridors in the city, such as Cerrillos Road and Siler/Rufina as a way to incentivize new housing development, particularly affordable housing, through expedited and simplified land use review and other financial incentives. The City should also consider updating the future land use map to identify areas that have the social and physical infrastructure to support higher density housing.

**Streamline Development Review** – Identify methods to simplify and speed up the City's development review process and upgrade current community engagement practices such as Early Neighborhood Notification requirements and other City public hearings to include more voices from more diverse stakeholders, while promoting more neighborhood responsive development. The City should conduct community impact analysis of larger developments that scores development impact based on community needs & goals such as affordability, environmental and climate sustainability, equity, and economic development.

**Renter Rights** – Fund and support tenant resources and information about their rights under state and federal laws. Pass state law changes that provide more protection for renters, including "curing" rights.

**Set Housing Program Goals** – Assist leadership in creating a framework for affordable housing-specific and measurable goal setting to track and ensure progress in our efforts. Local governments should create annual goals for housing services and affordable housing

unit production that fit into a strategic framework of reducing needs. The exercise of setting goals is critical for knowing if housing programs and investments are working and create a context for interactive policy and program development.

**Create New Financing Tools for CDFI's** – Identify new funding sources for affordable housing through Community Development Financial Institutions and other funding mechanisms to support new affordable housing programs including innovative financing for Accessory Dwelling Units.

**Regional Approach** – Work regionally in Northern Santa Fe County and up to Los Alamos County to address demand for housing by local workers.