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THE MARKET FOR AFFORDABLE HOUSING IN TAOS, NEW MEXICO

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The responsibility for any errors or omissions in this report are, ours.

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EXECUTIVE SUMMARY

This study documents the extent to which home ownership is beyond the means of households with permanent residence in Taos County. During the 2006-2010 (first quarter) study period, only four percent of housing units sold in the county would have been affordable to the one-third of full-time households with the lowest incomes; most of these housing units were condominiums. From the opposite perspective, fewer than 15 percent of full-time households could afford the median price of a home sold in Taos County during the period. As we narrow our focus to households who depend on local employment for their income, the mismatch becomes even more severe. Fewer than five percent of working households could afford the median price of a home in Taos County during the four-year period.

The scarcity of affordable housing cannot be explained by an inactivity of the residential market. In Taos County, in the worst recent year in recent history and in the midst of the collapse of the housing market, the performance of the residential real estate market surpassed that of the national residential real estate market in the best year for which data is available. In Taos County in 2009, one home was sold for every 68 permanent *or seasonal* households, whereas in national markets in 2005 one home was sold for every 85 households.

The distortions in Taos County's residential real estate owes to two principal factors. First, the market for homes for seasonal, recreational and occasional use in Taos County puts great pressure on housing supply. By Census Bureau estimates, there are 4,506 residential units used by such part-time households, accounting for 27.6 percent of all occupied housing units. By comparison, just 3.5 percent of all residential units occupied nationally and 5 percent of all units occupied in other parts of New Mexico are used by part-time households. Second, supply of land serviced for high-density development is limited in Taos County, driving up land costs and, in turn, housing costs. To some degree the limited supply of land in the county is beyond local control (e.g. state regulations on development densities on un-serviced land), but local government has the authority to allow higher density development on serviced land and to ultimately to increase the supply of land with services.

Households and families have responded to the high cost of home ownership and the scarcity of affordable private rental units with a number of alternative and often short-term strategies. Many seek support in publicly managed or subsidized housing. However, the supply of County managed and supported housing is plainly inadequate, as the waiting list is nearly one and a half times the current supply. Another lower cost alternative to home ownership and multifamily rental markets is housing in trailers. According to Census Bureau estimates, nearly one-quarter the county's population live in trailers, where household size

exceeds single-family units by one-third and multifamily units by one-half. Housing advocates are concerned with the poor quality of many of these housing units, and express concern that many of the better-situated trailer sites may develop the land for commercial and higher-end residential use, leading to a displacement of many low-income residents. Another temporary solution to the housing shortage is the repeated subdivision of family land. While this strategy may provide temporary relief, subdivision is ultimately constrained by local ordinances that restrict residential density. Ultimately, the problem with any or all of these housing alternatives is that they will reach the limits of their flexibility – demand by households will exhaust their options and these households will be forced to seek housing, and employment, elsewhere.

To assess future, UNM-BBER examined the potential impact of alternative economic development scenarios on the future demand of work force housing. In all scenarios, the demand for low-income housing will continue to grow. Under assumptions of a continued growth of the tourism and residential construction sectors, growth in demand for low-income housing (mainly publicly supported and rental housing) is expected to increase very rapidly. Under the most optimistic scenarios, such as the growth of professional and technical services, or health care and educational services affordable owner-occupied units (up to \$200,000 in current dollars) will be in greatest demand.

Finally, to assess demand for UNM-Taos campus housing, BBER surveyed students with permanent residence listed in Taos County who are currently enrolled in courses at public universities in New Mexico. The survey asked about the importance of housing considerations in decisions to enroll either at the branch campus or at other campuses. The survey also asked students about their current housing situation, including costs; their willingness-to-pay for Taos campus housing; and the type of campus housing that they would require. The results of the survey suggest that UNM-Taos campus housing may be effective in retaining some students from Taos who choose to enroll elsewhere. However, the results of the survey strongly suggest that interest in campus housing owes more to an interest in reducing costs than concerns for housing availability; thus prospective students may be unwilling to pay prices necessary to support the costs of construction and maintenance.

1. INTRODUCTION

In the summer of 2009, the University of New Mexico's Bureau of Business and Economic Research was contracted by the UNM-Taos and the Town of Taos to conduct an analysis of the housing market in Taos County. The immediate interest was to assess the potential demand for campus housing at UNM-Taos' the newly developed Klauer campus. The broader interest was to understand the changing dynamics of housing supply and demand given the ongoing changes in the structure of the local economy and longer term projections for economic restructuring.

During the past few decades, Taos County has seen a sweeping change from what was once a predominately agricultural community to an economy that is focused on tourism, recreation, hospitality and the construction of high-end housing for retirees and second-homeowners. The general account is that these changes in the economy have created 'distortions' in the local housing market, as rising land and housing prices undermine efforts to provide affordable housing for the growing number of low and middle wage workers employed by the industries that now dominate the local economy. In short, it is no longer economical for homebuilders to provide housing for the local labor force, yet without an adequate supply of affordable housing available to the local labor force the underlying economic development model may be unsustainable.

This report considers the dynamics of the Taos County's housing market in four parts. Following this introduction, the first part examines current demand and capacity to pay for housing in terms of various demographic characteristics, including the age structure and incomes of households. The second part of the report turns to the supply of housing in Taos County. The analysis of supply is based on a comprehensive inventory of land and residential sales in Taos County from the first quarter of 2006 through the first quarter of 2010, and the issuance of residential construction permits for the period 2000 through 2008. In addition, we comment on the various *ad hoc* strategies used by local households to provide themselves with housing where market supply is unavailable. In the third part we consider various projections for the demand for housing in the future given alternative economic development scenarios. The final part draws upon results of a survey of university students with permanent residence in Taos County to assess the demand for UNM-Taos campus housing. A summary of the principal findings of the report and a discussion of recommendations concludes the report.

In summary, the findings of this report confirm the general account described above. During recent years and perhaps for as long as twenty years, the real

estate market in Taos County has been tailored to a very small segment of affluent buyers. During this time the supply of housing affordable to local labor force has been all but absent. To date, much of the low wage labor force has been able meet its housing needs through various *ad hoc* strategies, such as mobile homes and trailers on poorly serviced sites, sharing space with family, and commuting from neighboring communities. But as the economy grows and measures to bring housing and public services to acceptable standards are implemented, these strategies will soon prove inadequate. To respond to these growing challenges, the City and County must, both individually and together, implement policies to promote the development of housing that is affordable to the large number of low to mid wage workers employed in the local economy.

This report provides a realistic, empirically based assessment of the actual and projected demand for housing as a necessary basis of any effective housing policy. Specifically, this report establishes that fully one-third of households in Taos County can afford to spend no more than \$563 per month on housing, and many of these households can only afford much less. This budget does not allow for homeownership, even under the best of circumstances. The maximum housing budget of the next one-third of households in Taos County is \$1,175 per month. Given standard assumptions, a household at the top of this ranging, earning just under \$50,000 per year, can afford to purchase a home with a market value of no more than \$167,500. A further finding of this report is that to provide housing at any point within this price range, the City and the County must find new ways to make land with the necessary infrastructure available at costs far lower than currently available. This will likely require substantial changes in zoning to allow much high density of residential development.

Defining Affordable Housing

The definition of affordable housing varies according cultural, social, political and economic contexts. In Taos, given the complexity of these contexts, the number of competing definitions is as great as anywhere in the U.S. Depending on one's specific situation, the definition of housing in Taos County can range from a well-appointed single-family home, to a privately-owned condominium, to a rental unit, to an off-the-grid trailer, to an un-serviced unit on family property and beyond. The definition of affordable varies even more widely. While no one definition is any more valid than any other, effective housing policy does require a common definition. Insofar as this study is based on a concern for the availability of housing to accommodate the needs of local labor force, we use the spending capacity of the labor force to define affordability. This is not an arbitrary definition: it is based on an acknowledgement that the growth and stability of a community and its economy cannot be sustained without an adequate supply of housing affordable to the labor force. Thus, for the purposes of this study affordable housing is defined as code-approved housing affordable to all but very few of locally employed workers. Specifically, affordable is defined according to standards established by the U.S. Department of Housing and Urban

Development – the cost of housing, excluding utilities, is not to exceed 30 percent of a household's gross annual income¹.

2. CURRENT PROFILE OF HOUSING DEMAND IN TAOS COUNTY

Two of the most important factors that affect the demand for housing are household income and the age of the householder. Household income is important because it determines an individual's eligibility for mortgage finance, thus providing for homeownership. Age is important because the age-lifecycle both affects an individual's (and their household's) interest in homeownership and the type of housing that they demand. Experience suggests that, until one is at least in their 60s, home ownership becomes more likely as a householder ages. Similarly, experience has shown that the type of housing that a household demands depends on the family life cycle; e.g. families with children are more likely to require extra space, while younger or older households may place less value on extra space.

In this part of the report, we begin by examining the distribution of households by income and age, and rates of homeownership in Taos County. Next, we use this data to estimate the demand for housing from two perspectives. First, we use income and age characteristics to describe current patterns of homeownership in Taos County. Second, we use income data to determine the effective demand for various categories (price points) of housing, ranging from budget rental units to high-end homeownership.

A. Household Age and Income

Compared to other parts of New Mexico, income levels in Taos County are relatively low and age is relatively high. The median income in Taos County is \$37,778 (\$36,215 in the Town of Taos), which is lower than the median household income of New Mexico at \$43,202.² The median age in Taos County is 43 years old (44 in city, 36 in NM). The high age and low income in Taos County are expected to have countervailing impacts on home ownership

¹ <http://www.hud.gov/offices/cpd/affordablehousing>.

² All county demographic and income data is from the American Community Survey 2006-2008 (ACS). All city demographic and income data is modified from ESRI. Because the ESRI data is a projection from 2000 census data, it is adjusted to better reflect current conditions. The method for adjusting ESRI city level data is as follows: county level ACS data is collected and compared to county level ESRI data for a particular variable. If a disparity exists between the two, the county ACS data is discounted by the county ESRI data. The discounted value is then multiplied with the corresponding city ESRI value to obtain the modified ESRI variable.

because we expect that lower income cohorts are relatively less likely to own a home while older aged cohorts are relatively more likely to be homeowners.

Table 1 shows the number of households in Taos County by age cohort of the householder³ (or “head of household”) and annual income range. Totals are included for each row and each column. Column and row summaries show the total for each row or column (e.g. number of households with income less than \$10,000 of any age); the percentage of that row or column of all households; and the cumulative percentage. The source of this data is the Census Bureau’s American Community Survey (ACS)⁴.

Of the 11,825 households in Taos County, approximately 46% of households fall within the 45-64 age cohort (5,398 households), and the 25-44 and 65+ age cohorts have nearly the same percentage of total households at 27% and 26%, respectively (3,166 and 3,038 households). Lagging far behind is the <25 age cohort, which totals 2% of all households (223 households). In terms of income groups, the table shows that more households earn lower incomes and that fewer and fewer households earn higher incomes. The lowest income range, less than \$10,000 annual income, has the highest percentage of households, with 12% (1,368 households). The income range of \$35,000 to \$39,999, which coincides with Taos County median income (\$37,778), consists of approximately 8% of all households (956) and the number of homes generally continues to decrease as income increases.

³ “Householder” includes both homeowners and renters.

⁴ This report makes extensive use of the Census Bureau’s American Community Survey. The advantages of the ACS are that it reasonably up-to-date and provides highly detailed information. The disadvantages of the data is that it only provides data on the county level (information is not available for the Town of Taos only); and it is based on a survey, and therefore includes a specified degree of statistical inaccuracy. More importantly, the ACS (indeed all Census Bureau population data) includes only those whose ‘primary place of residence’ is in the subject geography; in this case Taos County. This has significant implications for this study, as it excludes what is expected to be a large number of second-homeowners, whose primary residence is elsewhere. By most accounts, these second-homeowners represent an important segment of the real estate market in Taos County. In Appendix A, we use other ACS data to quantify the number of second homeowners in Taos County.

Table 1: Households in Taos County by Age and Household Income

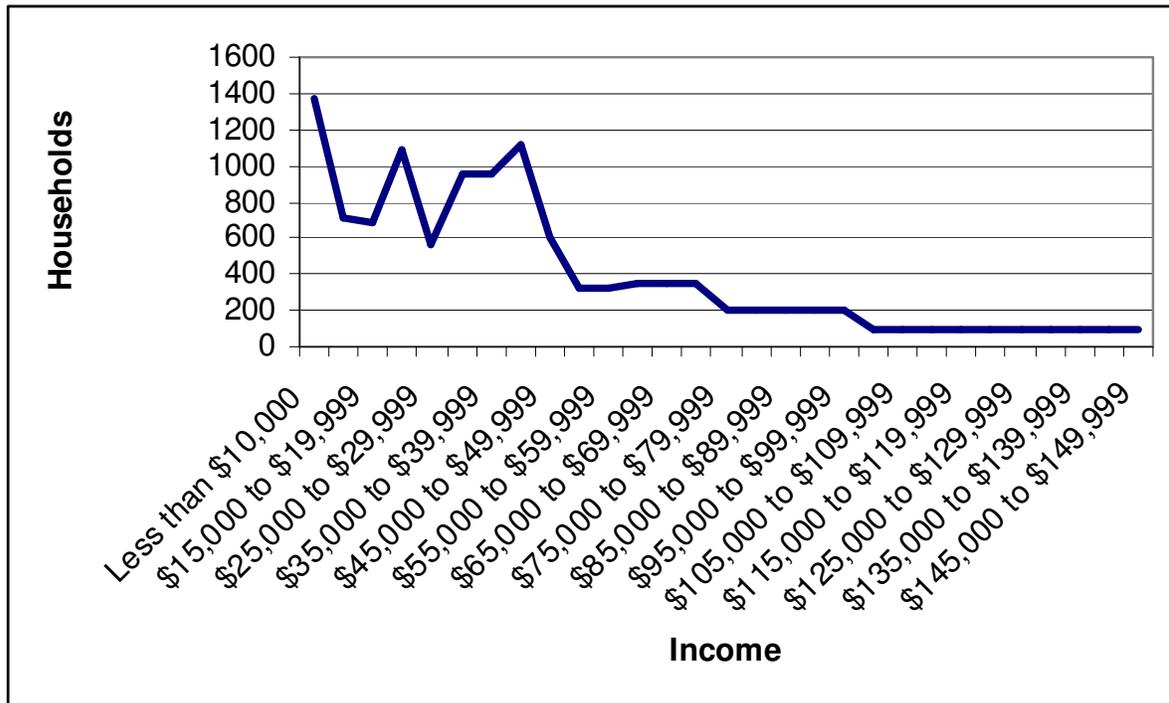
| Household Income | <25 | 25-44 | 45-64 | 65+ | Households | Share of Total | Cumulative Share |
|------------------------|------------|--------------|--------------|--------------|---------------|----------------|------------------|
| Less than \$10,000 | 8 | 428 | 289 | 643 | 1,368 | 12% | 12% |
| \$10,000 to \$14,999 | 50 | 102 | 318 | 243 | 713 | 6% | 18% |
| \$15,000 to \$19,999 | 92 | 89 | 252 | 251 | 684 | 6% | 23% |
| \$20,000 to \$24,999 | 28 | 494 | 309 | 258 | 1,089 | 9% | 33% |
| \$25,000 to \$29,999 | 37 | 20 | 329 | 183 | 569 | 5% | 37% |
| \$30,000 to \$34,999 | 8 | 294 | 306 | 353 | 961 | 8% | 46% |
| \$35,000 to \$39,999 | - | 192 | 542 | 222 | 956 | 8% | 54% |
| \$40,000 to \$44,999 | - | 301 | 625 | 193 | 1,119 | 9% | 63% |
| \$45,000 to \$49,999 | - | 269 | 261 | 77 | 607 | 5% | 68% |
| \$50,000 to \$59,999 | - | 171 | 308 | 156 | 635 | 5% | 74% |
| \$60,000 to \$74,999 | - | 275 | 661 | 101 | 1,037 | 9% | 82% |
| \$75,000 to \$99,999 | - | 305 | 344 | 157 | 806 | 7% | 89% |
| \$100,000 to \$124,999 | - | 97 | 294 | 80 | 471 | 4% | 93% |
| \$125,000 to \$149,999 | - | 99 | 310 | 54 | 463 | 4% | 97% |
| \$150,000 to \$199,999 | - | 15 | 121 | 24 | 160 | 1% | 98% |
| \$200,000 or more | - | 15 | 129 | 43 | 187 | 2% | 100% |
| TOTAL / AVERAGE | 223 | 3,166 | 5,398 | 3,038 | 11,825 | 100% | |

Source: U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates.

A shortcoming of the ACS data shown in Table 1 is that the income categories are not of equal range; at the low end, the range is \$5,000, but above \$50,000 the range widens. **Figure 1** is included to provide a better representation of the income patterns, as a ‘lumpiness’ of the income categories are smoothed to \$5,000 increments⁵. The figure clearly shows that the number of households decreases (on average) as income increases; and specifically that above \$45,000 the distribution of households by income declines sharply.

⁵ The data in Figure 1 are re-categorized by assigning equal shares of the broader categories to the narrower \$5,000 income increments; e.g. the 635 households with incomes between \$50,000 and \$60,000 are assigned in equal shares to \$50-\$54,999 and \$55,000-\$59,999 categories. The figure, then, uses estimates but more effectively shows the overall pattern.

Figure 1: Number of Households by Income Range



Source: U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates.

B. Patterns of Homeownership in Taos County

In Taos County, the homeownership rate is 74 percent, well above the statewide rate of 69 percent. Specifically, of the 11,825 households in the county, 8,701 own their own homes. The remaining households, (26 percent in Taos County represents the rental rate, which is lower than the New Mexico rate at 31 percent.

i) Homeownership by Income

As one might expect, the rate of homeownership tends to increase with income. **Table 2** shows the proportion of ownership for the same income ranges used in **Table 1**. While home ownership generally hovers between 50 percent and 60 percent up until the \$24,999 income mark, the rate of homeownership rises sharply as household income exceeds \$25,000, and continues to increase as income exceeds \$50,000.

Table 2: Home Ownership Rate by Household Income

| Household Income | # Households | # of Owners | Ownership Rate |
|------------------------|--------------|-------------|----------------|
| Less than \$10,000 | 1,368 | 788 | 58% |
| \$10,000 to \$14,999 | 713 | 402 | 56% |
| \$15,000 to \$19,999 | 684 | 456 | 67% |
| \$20,000 to \$24,999 | 1,089 | 604 | 55% |
| \$25,000 to \$29,999 | 569 | 430 | 75% |
| \$30,000 to \$34,999 | 961 | 725 | 75% |
| \$35,000 to \$39,999 | 956 | 739 | 77% |
| \$40,000 to \$44,999 | 1,119 | 865 | 77% |
| \$45,000 to \$49,999 | 607 | 469 | 77% |
| \$50,000 to \$59,999 | 635 | 520 | 82% |
| \$60,000 to \$74,999 | 1,037 | 849 | 82% |
| \$75,000 to \$99,999 | 806 | 700 | 87% |
| \$100,000 to \$124,999 | 471 | 437 | 93% |
| \$125,000 to \$149,999 | 463 | 429 | 93% |
| \$150,000 to \$199,999 | 160 | 132 | 83% |
| \$200,000 or more | 187 | 155 | 83% |
| | 11,825 | 8,701 | 74% |

Source: U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates; calculations by UNM-BBER, 2010.

ii) Homeownership by Age

Homeownership rates also increase as age increases. **Table 3** shows the number of homeowners, the respective share of all homeowners and the homeownership rate by age cohort. As the table shows, only 6.7 percent of the youngest cohort owns their own homes. The 25-44 age cohort is almost equally divided between ownership and renting. However, the two oldest cohorts have high ownership rates over 80 percent. Likely two factors explain this pattern. First, income is strongly correlated with age; thus, older householders have higher incomes, and are better able to afford homeownership. The second factor is age-lifecycle. Relatively younger householders are less likely to require the benefits that homeownership affords. For instance, an 18-year-old single householder is less likely than an older individual to demand a single-family detached home because that person is less likely to need the additional space to accommodate children.

Table 3: Home Ownership Rate by Age Cohort

| Age | # Households | # of Owners | Ownership Rate |
|-----------------|--------------|-------------|----------------|
| <25 years old | 223 | 15 | 6.7% |
| 25-44 years old | 3,166 | 1,561 | 49.3% |
| 45-64 years old | 5,398 | 4,491 | 83.2% |
| 65+ years old | 3,038 | 2,634 | 86.7% |
| Total | 11,825 | 8,701 | 74% |

Source: U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates; calculations by UNM-BBER, 2010.

iii) Segmentation of the Market for Homeownership

The above tables show homeownership rates by income and age individually. However, cross-tabulated data for homeownership by age *and* income is not available from the ACS; i.e. the dataset does not show us the number of homeowners. We are able to estimate these patterns using the individual variables⁶. These estimates are shown in **Table 4**. Defined as ownership propensity, the values in this table represent the percentage of households within a given income category *and* a given age cohort that are likely to be homeowners in Taos County.

As the table shows, the lowest homeownership rates, about 5 percent, are among householders under the age of 25 years old with incomes under \$20,000. At this income level and according to HUD standards, the housing budget is just over \$200 per month. With the assumptions used throughout this report, this household would be able to afford a home with a market value of only \$35,648. To the other extreme, very high rates of homeownership, nearly 100

⁶ Ownership propensities are calculated as follows: First, each column in the matrix of householders from **Table 1** (matrix A) is multiplied by the corresponding ownership percentages based on age to create matrix B. For example, the entries from the <25 years old column is multiplied by 6.7 percent, the entries from the 25-44 column is multiplied by 49.3 percent, etc. Then, each row of matrix A is multiplied by the corresponding ownership percentages based upon income range to create matrix C. For example, the entries from the <\$10,000 annual income row are multiplied by 58 percent, the entries from the \$10,000 to \$14,999 row are multiplied by 56 percent, etc. Each cell from matrix B is then averaged with the corresponding same cell from matrix C to create matrix D. Then, each cell from matrix D is divided by the corresponding same cell from matrix A to create matrix E. Each cell in matrix E represents an estimate of the propensity of ownership for each age and income combination. It became clear, however, that the propensities for the lowest age and income ranges were overestimated while the propensities for the older age and income ranges were underestimated. As a result, the propensities were adjusted to correct these estimation errors on the condition that the total of the row and column estimates matched those of the original table.

percent, are among householders in their later years with incomes over \$60,000. With an annual income of \$200,000 and a monthly housing budget of \$5,000, the household would be able to afford a home with a market value of more than \$712,000.

Table 4: Estimated Propensity to Own by Age and Household Income

| Household Income | AGE | | | | All Households |
|------------------------|-----|-------|-------|-----|----------------|
| | <25 | 25-44 | 45-64 | 65+ | |
| Less than \$10,000 | 5% | 30% | 67% | 73% | 58% |
| \$10,000 to \$14,999 | 5% | 30% | 65% | 67% | 56% |
| \$15,000 to \$19,999 | 5% | 30% | 78% | 91% | 67% |
| \$20,000 to \$24,999 | 10% | 45% | 65% | 70% | 55% |
| \$25,000 to \$29,999 | 10% | 46% | 73% | 98% | 75% |
| \$30,000 to \$34,999 | 12% | 45% | 85% | 95% | 75% |
| \$35,000 to \$39,999 | 15% | 50% | 83% | 88% | 77% |
| \$40,000 to \$44,999 | 15% | 50% | 85% | 95% | 77% |
| \$45,000 to \$49,999 | 15% | 50% | 98% | 99% | 77% |
| \$50,000 to \$59,999 | 15% | 60% | 88% | 96% | 82% |
| \$60,000 to \$74,999 | 15% | 63% | 87% | 99% | 82% |
| \$75,000 to \$99,999 | 15% | 65% | 98% | 99% | 87% |
| \$100,000 to \$124,999 | 15% | 71% | 98% | 99% | 93% |
| \$125,000 to \$149,999 | 15% | 71% | 98% | 99% | 93% |
| \$150,000 to \$199,999 | 15% | 66% | 81% | 99% | 83% |
| \$200,000 or more | 15% | 66% | 83% | 88% | 83% |
| All Households | 7% | 49% | 83% | 87% | 74% |

Source: U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates; Estimations by UNM-BBER, 2010.

Table 5 combines the data in the previous tables to show the estimated number of homeowners in Taos County for each age and income category. Specifically, the values are the number of householders in Taos County, including owners and renters, by age and income (Table 1) multiplied by the propensity of householders in each category to own (Table 4). On the right side of the table is the cumulative percentage of all homeowners in the county (8,701) in relation to the rise in household income. In essence, Table 5 is thus a summary description of the market for owner-occupied housing in Taos County in terms of the two determinant characteristics of homeownership.

Table 5: Estimated Current Ownership by Age Cohort and Income Range

| Household Income | AGE | | | | All Households | Cumulative Percentage by Income |
|------------------------|-----------|--------------|--------------|--------------|----------------|---------------------------------|
| | <25 | 25-44 | 45-64 | 65+ | | |
| Less than \$10,000 | 0 | 127 | 194 | 469 | 790 | 9% |
| \$10,000 to \$14,999 | 3 | 31 | 207 | 163 | 403 | 14% |
| \$15,000 to \$19,999 | 5 | 27 | 197 | 228 | 456 | 19% |
| \$20,000 to \$24,999 | 3 | 222 | 201 | 181 | 607 | 26% |
| \$25,000 to \$29,999 | 4 | 9 | 240 | 179 | 432 | 31% |
| \$30,000 to \$34,999 | 1 | 132 | 260 | 335 | 729 | 39% |
| \$35,000 to \$39,999 | - | 96 | 450 | 195 | 741 | 48% |
| \$40,000 to \$44,999 | - | 151 | 531 | 183 | 865 | 58% |
| \$45,000 to \$49,999 | - | 135 | 256 | 76 | 467 | 63% |
| \$50,000 to \$59,999 | - | 103 | 270 | 149 | 522 | 69% |
| \$60,000 to \$74,999 | - | 173 | 575 | 100 | 848 | 79% |
| \$75,000 to \$99,999 | - | 198 | 337 | 155 | 691 | 87% |
| \$100,000 to \$124,999 | - | 69 | 288 | 79 | 436 | 92% |
| \$125,000 to \$149,999 | - | 70 | 304 | 53 | 428 | 97% |
| \$150,000 to \$199,999 | - | 10 | 98 | 24 | 132 | 98% |
| \$200,000 or more | - | 10 | 107 | 38 | 155 | 100% |
| All Households | 15 | 1,562 | 4,514 | 2,610 | 8,701 | |

Source: U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates; Estimations by UNM-BBER, 2010.

C. Housing Budgets and the Capacity to Purchase Homes

Table 6 combines data on the distribution of household income in Taos County with two estimated measures of housing affordability – the monthly housing budget by income, and the maximum of market value of housing units that can be purchased with each housing budget. According to HUD standards, the monthly housing budget, excluding utilities, is equal to 30 percent of gross household income⁷. Using this budget figure, the market value of owner occupied-housing is determined by mortgage payment schedules, using standard mortgage parameters⁸. **Figure 2** shows graphically the two estimated measures

⁷ Monthly housing budgets are based on the median value of each income category. Budgets for 'less than \$10,000' and 'more than \$200,000' categories use \$10,000 and \$200,000 values, respectively.

⁸ Assumptions used throughout this study are 30-year mortgage; 6 percent annual interest rate, compounded monthly; 20 percent of monthly payments dedicated to insurance and taxes; and a 5 percent down payment.

of housing affordability in relation to income categories⁹. The vertical bar in the figure represents the median household income in Taos County of \$37,778.

According to the data in Table 6, one-third of households in Taos County have annual gross incomes of less than \$25,000, or monthly housing budgets of \$565 or less. This budget would allow for the purchase of a house with a market value of no more than \$80,200. The next third of Taos County households have gross annual incomes up to \$47,000, or monthly housing budgets up to \$1,175. At the top end of this range, the household could afford to purchase a house worth \$167,500. At the 75th percentile, a household earns just over \$60,000 per year, with a monthly budget of about \$1,380, allowing for the purchase of a house with a market value of about \$200,000. At the 90th percentile, annual incomes reach \$100,000, with monthly housing budgets of \$2,200, qualifying the household for a \$315,000 mortgage.

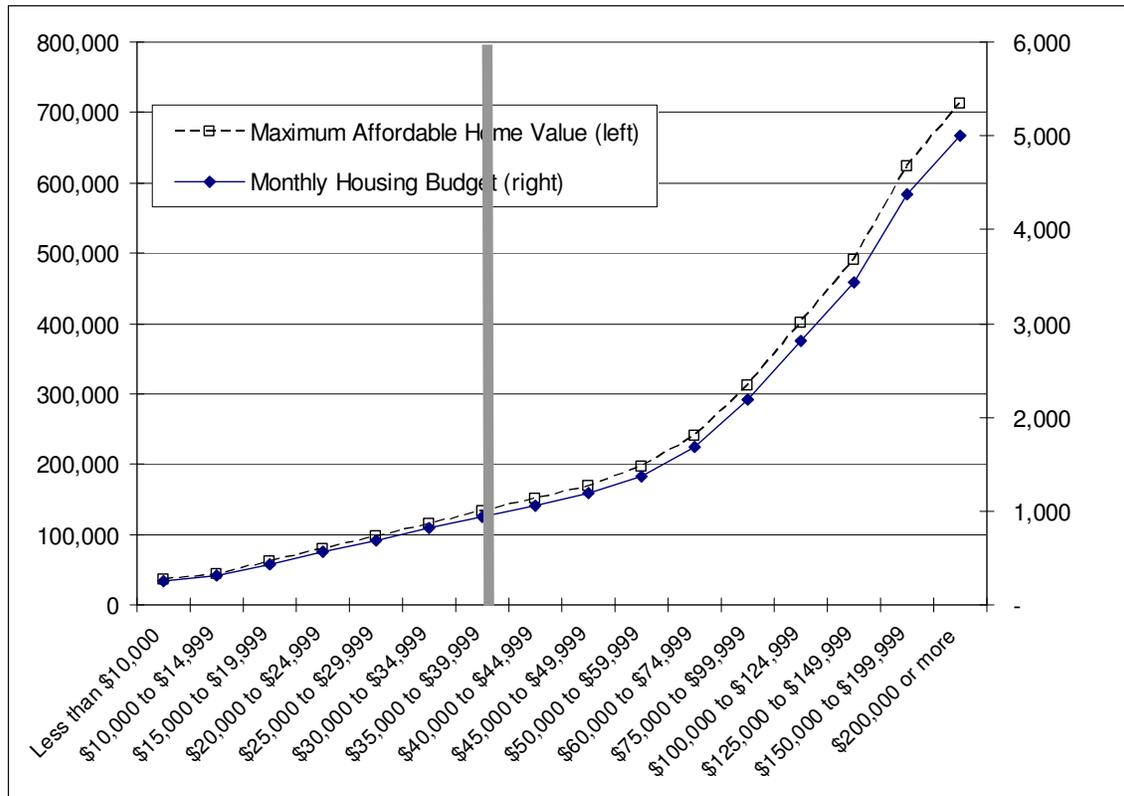
Table 6: Monthly Housing Budget and Maximum Value of Affordable Homes, by Income Category

| Household Income | Number | Percent of Households | Cumulative Percent | Monthly Housing Budget | Maximum Affordable Home |
|------------------------|---------------|-----------------------|--------------------|------------------------|-------------------------|
| Less than \$10,000 | 1,368 | 12% | 12% | \$250 | \$35,114 |
| \$10,000 to \$14,999 | 713 | 6% | 18% | \$375 | \$52,668 |
| \$15,000 to \$19,999 | 684 | 6% | 23% | \$500 | \$70,225 |
| \$20,000 to \$24,999 | 1,089 | 9% | 33% | \$625 | \$87,782 |
| \$25,000 to \$29,999 | 569 | 5% | 37% | \$750 | \$105,339 |
| \$30,000 to \$34,999 | 961 | 8% | 46% | \$875 | \$122,896 |
| \$35,000 to \$39,999 | 956 | 8% | 54% | \$1,000 | \$140,453 |
| \$40,000 to \$44,999 | 1,119 | 9% | 63% | \$1,125 | \$158,010 |
| \$45,000 to \$49,999 | 607 | 5% | 68% | \$1,250 | \$175,567 |
| \$50,000 to \$59,999 | 635 | 5% | 74% | \$1,500 | \$210,681 |
| \$60,000 to \$74,999 | 1,037 | 9% | 82% | \$1,875 | \$263,352 |
| \$75,000 to \$99,999 | 806 | 7% | 89% | \$2,500 | \$351,137 |
| \$100,000 to \$124,999 | 471 | 4% | 93% | \$3,125 | \$438,922 |
| \$125,000 to \$149,999 | 463 | 4% | 97% | \$3,750 | \$526,707 |
| \$150,000 to \$199,999 | 160 | 1% | 98% | \$5,000 | \$702,277 |
| \$200,000 or more | 187 | 2% | 100% | >\$5,000 | \$714,734+ |
| TOTAL / AVERAGE | 11,825 | 100% | | \$1,370 | \$192,368 |

Source: U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates; calculations by UNM-BBER, 2010.

⁹ The two diverge because the purchase of homes assumes a five percent down payment, which is not included in housing budgets.

Figure 2: Maximum Affordable Home Value by Income Range



Source: Calculations by UNM-BBER.

In the next section, we examine the supply of housing in Taos County, with the purpose of matching the supply of market housing against these demand figures.

3. CURRENT SUPPLY OF HOUSING IN TAOS COUNTY

Taos County housing tends to be expensive when compared to New Mexico housing prices. This is the case for both owner-occupied housing units and rentals as median home prices and median rental rates are higher. Current market trends suggest that prices will continue to remain high and suggest that the majority of housing volume sold occurs at higher price levels; however, the volume of homes sold has been generally declining since 2006. The persistence of high prices along with a general reduction in the quantity of homes sold indicates that the housing market is relatively inelastic in Taos County.

A. Overview of the Taos County Real Estate Market

Home values and rental rates in Taos County are generally high. The construction of new housing units in recent years has done little to bring prices and rental rates down as construction and development of new housing units has been relatively anemic over the past decade.

i) Occupancy and Vacancy Rates and Status

Table 7 shows occupancy and vacancy status of housing units in Taos County, as estimated in the Census Bureau's 2006-2008 American Community Survey (ACS). According to these data, there are 17,784 housing units in Taos County. Two-thirds, or 11,825, of these units are occupied. Of these, 74 percent are occupied by the owner, and the remaining 26 percent are occupied by a renter. This is a very high homeownership rate, well above the 68 percent national rate, but comparable to many rural areas in the county. At first glance, the vacancy rate of 33 percent in Taos County appears to be extremely high, but further consideration reveals a very important characteristic of housing in Taos County. By Census Bureau definitions, vacancies include a range of subcategories, including properties for seasonal, recreational, or occasional use¹⁰. This subcategory includes 4,506 units, or 27.6 percent of all housing units not otherwise considered vacant by the Census Bureau. This remarkable figure can be put in context with a comparison to a national rate of 3.5 percent, and a rate of 5.0 percent in the other counties of New Mexico. Leaving aside this group, the vacancy rate in Taos County is 8.0 percent, well below the statewide rate of 9.8 percent.

¹⁰ According to Census Bureau definitions, vacancies include unoccupied housing units or "a housing unit temporarily occupied at the time of enumeration entirely by people with a usual residence elsewhere is classified as vacant. The occupants are classified as having a 'Usual residence elsewhere' and are counted at the address of their usual place of residence." Census Bureau Fact Finder Glossary. http://factfinder.census.gov/home/en/epss/glossary_v.html

Table 7: Occupancy and Vacancy Status of Housing Units in Taos County.

| Occupancy and Vacancy Status | Housing Units | Percent of Total |
|--|------------------|---------------------|
| Housing Units, Total | 17,748 | |
| Occupied Housing Units | 11,825 | 67% |
| <i>Occupied by Owner</i> | 8,701 | 74% |
| <i>Occupied by Renter</i> | 3,124 | 26% |
| Vacant Housing Units | 5,923 | 33% |
| <i>Vacant: For rent</i> | 743 | 13% |
| <i>Vacant: Rented, not occupied</i> | 54 | 1% |
| <i>Vacant: For sale only</i> | 318 | 5% |
| <i>Vacant: Sold, not occupied</i> | 74 | 1% |
| <i>Vacant: For seasonal, recreational, or occasional use</i> | 4,506 | 76% |
| <i>Vacant: For migrant workers</i> | - | - |
| <i>Vacant: Other vacant</i> | 228 | 4% |

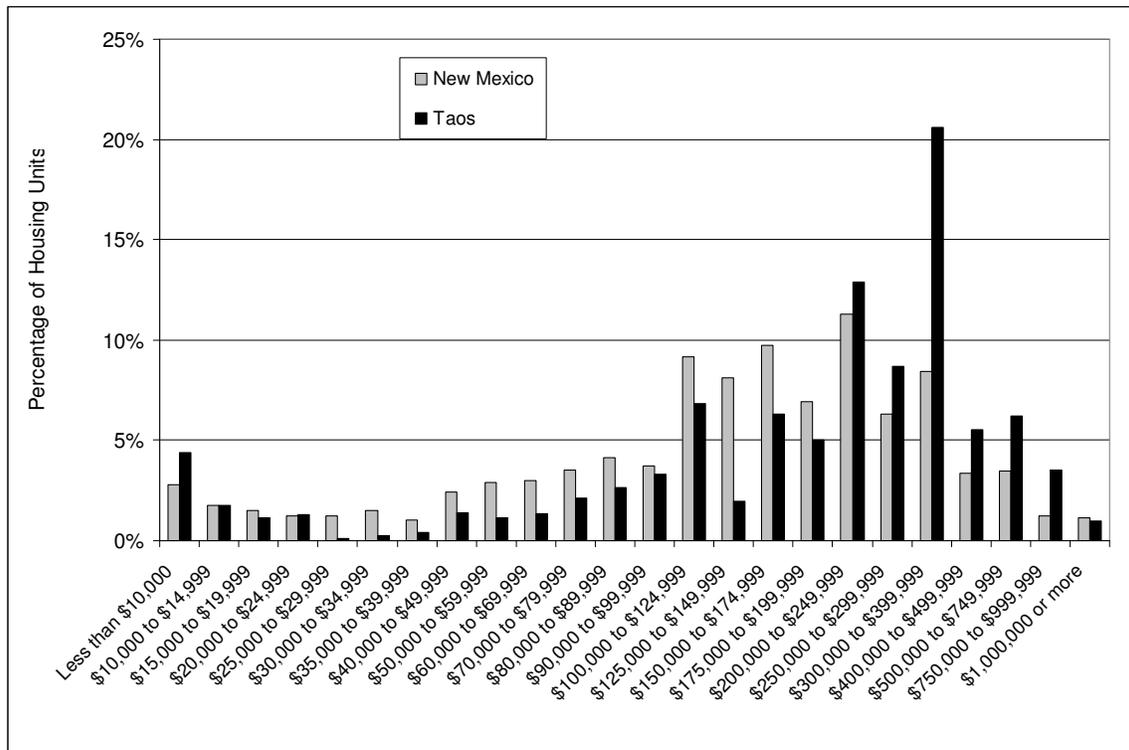
Source: Census Bureau, 2006-2008 American Community Survey 3-Year Estimates.

ii) Home Values

According to the ACS, median home values have increased sharply since the year 2000 in the county from \$124,886 to \$210,892. The 2010 values are 27 percent higher than the New Mexico median house value of \$165,100.

Figure 3 presents data on the percentage of housing units in Taos County and New Mexico by value increment. The most significant pattern in the chart is that, with the exception of the less than \$10,000 increment, the proportion of homes below \$200,000 is lower in Taos County than New Mexico. However, from \$200,000 to one million, the proportion of homes is higher in Taos County than New Mexico. Further, \$300,000-\$399,999 increment represents the biggest disparity between New Mexico and Taos. Nearly 21 percent of all homes are valued in this range in Taos County, while just over 8 percent of homes are valued at that level in the state. Finally, in each increment over \$400,000 until the small number of homes over \$1 million, the share of houses in Taos County is well above that of the state.

Figure 3: Market Value of Owner-Occupied Housing Units in Taos County and New Mexico

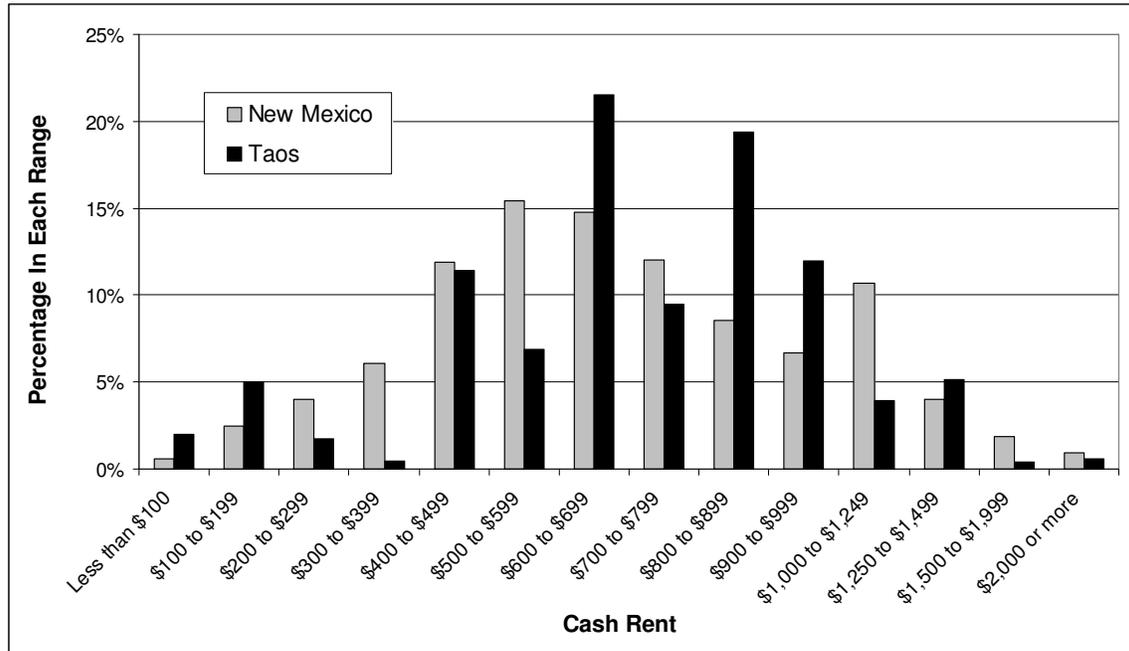


Source: U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates.

iii) Rental Costs

The median monthly rental rate for those paying cash rent is higher in Taos County at \$707 per month, than New Mexico at \$661 per month. **Figure 4** shows monthly rental rates by price increment in Taos County and New Mexico. In Taos County, only 28 percent of rental units are available for less than \$600 per month; half of all units rent from \$600 to \$900 per month. By comparison, 41 percent of rental units in the state as a whole are available for less \$600 per month, while only a third go for rents between \$600 and \$900 per month.

Figure 4: Monthly Rental Rates in Taos County and New Mexico



Source: U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates.

iv) Age of Housing Stock

The majority of housing construction in Taos County occurred from 1970 to 1999, but has slowed dramatically since 2000. **Table 8** shows housing construction in Taos County and New Mexico from prior to 1940 and 1940 to the present, in 10-year increments. While a relatively large percentage of housing units were built in Taos County prior to 1940 (15.8 percent), the majority were built from 1970 to 1999 (60 percent). In the next section we consider the recent real estate trends, and consider whether the slowing of construction since 2000 may have put upward pressure on housing prices.

Table 8: Housing Units by Year of Construction, Taos County and New Mexico

| Housing Units | Taos | New Mexico | % Taos | % NM |
|-----------------------|---------------|----------------|--------|------|
| Built 2000 or later | 589 | 102,400 | 3 | 12 |
| Built 1990 to 1999 | 4,026 | 157,515 | 22 | 18 |
| Built 1980 to 1989 | 3,241 | 157,630 | 18 | 18 |
| Built 1970 to 1979 | 3,708 | 166,706 | 20 | 19 |
| Built 1960 to 1969 | 1,265 | 95,095 | 7 | 11 |
| Built 1950 to 1959 | 1,185 | 94,800 | 7 | 11 |
| Built 1940 to 1949 | 838 | 39,662 | 5 | 5 |
| Built 1939 or earlier | 2,896 | 49,035 | 16 | 6 |
| Total | 17,748 | 862,843 | | |

Source: U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates.

B. Taos County Real Estate Market 2006-2010: An Analysis of the Multiple Listing Service (MLS)

To gain a more complete understanding of the supply of housing in Taos County, BBER conducted an analysis of real estate market transactions for the period 2006 through the first quarter 2010. The analysis was based on a complete record of the Multiple Listing Service (MLS) for Taos County for the period¹¹.

MLS recorded sales are broken down into four major types: single-family residences (985 transactions), condominiums (403 transactions), improved lots/land (106 transactions), and unimproved lots/land (554 transactions). The four types comprise the overwhelming majority of transactions and provide information about changing residential housing tendencies.

i) Number of Real Estate Transactions

During period 2006 through the first quarter 2010, 1,382 residential properties were sold in Taos County, including 997 single-family homes and 385 condominiums and townhouses.

By any measure, the number of residential transactions in Taos County far exceeds national levels. During the 2006 Q1 to 2010 Q1 period, – an average of about 325 per year were sold. The average number of permanent households in Taos County during this period was 11,825; adding in an estimated 4,506 seasonal households, there were 16,331 households in Taos County. Thus, during the period 2006-2010 Q1, an average of one home was sold for every

¹¹ The MLS is a proprietary listing maintained by the Association of Realtors. The list is considered inclusive of all transactions conducted by Association members, but does not include other sales, which primarily include sales by owner. The MLS micro-data was provided to UNM-BBER by an Association member.

36.4 permanent households or 1 home for every 50.2 permanent or seasonal households in the county. In 2009, the slowest year in recent memory, 240 residential properties were sold; thus a ratio of one home for every 68 permanent or seasonal households.

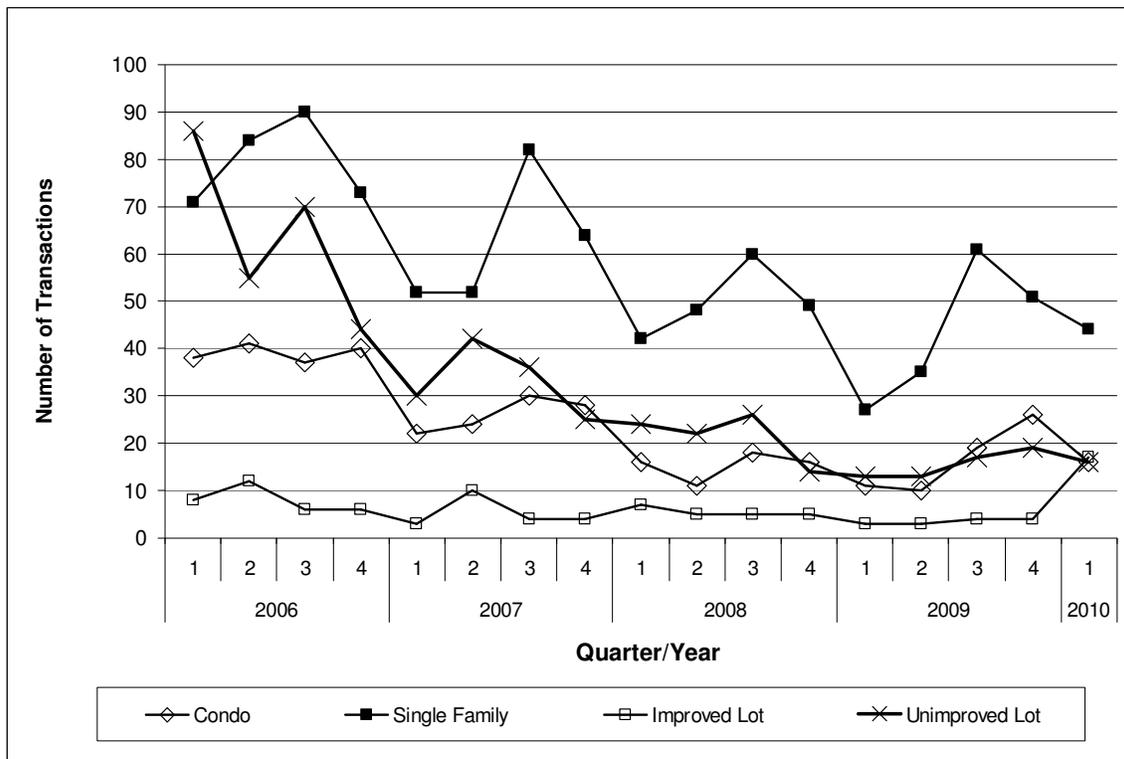
By comparison, during the period 1990 to 2009, the average ratio of home sales to households for the U.S. as a whole was 1 for every 196 households¹². In 2005, the single year with the greatest number of real estate transactions since data was consistently recorded (since 1963), 1.283 million homes were sold in the U.S. – a ratio of one sale for 85 households. Thus, residential real estate market in Taos County, in the worst year in recent history and in the middle of the housing crisis, far outperformed the national residential real estate market in the best year for which data is available.

Figure 5 shows the trend in the number of sales transactions for each type of property in Taos County beginning in 2006 broken down by quarter. The chart shows normal seasonal patterns, particularly the annual third quarter spike in the sale of single-family homes. More generally, the figure shows that the number of sales declined sharply from the 2006 through 2008, but strengthened beginning in 2009.

These trends are not consistent with national trends. First, the decline in sales in Taos County began well before the collapse of the national market in the second half of 2007. Second, there is some evidence of early recovery in property markets beginning in 2009, in sharp contrast to the national market, which remains severely depressed. Indeed, the sharp recovery in the sales of improved lots – a precursor to a broader recovery in property markets – is evident in the first quarter of 2010.

¹² Sources is the U.S. Census Bureau: <http://www.census.gov/const/soldann.pdf>

Figure 5: Number of Real Estate Transactions in Taos County, by Type, 2006 through 2010 (First Quarter)



Source: Taos County Association of Realtors, Multiple List Service (MLS).

ii) Median Price of Market Sales

The median price of the residential properties sold during the entire period was \$278 thousand, with a median price for single-family homes of \$299,900 and corresponding price for condominiums of \$229,500. Because sales values are skewed to the higher end, averages are considerably higher, with an overall average of \$321,200.

Figure 6 shows the trend in the median price of real estate transactions in Taos County, by type, from 2006 to the first quarter of 2010. Prices are adjusted for inflation. Again, these patterns diverge from the national trends. First, compared to national trends the prices of single-family homes have remained relatively stable in Taos County. To the extent that prices have declined, the change lagged the national pattern by a couple of quarters, with values coming down only in 2008, several monthly after the initial fall in national prices. Further, there is some early evidence of a recovery in values beginning in the first quarter of 2009, suggesting that factors at play in national residential markets are less determinant in Taos. In particular, factors that have depressed national markets are high rates of unemployment and tighter mortgage lending standards. The standard account of residential markets in Taos suggests that affluent retirees

and second homebuyers, less influenced by employment and credit markets tend to stabilize the market. Recent performance of the market tends to bear out this account.

iii) Residential Property Sales by Price Category

Table 9 shows the average quarterly sales of residential properties in Taos County, by price range and type, for periods preceding and following the national housing slump. The final columns shows the grand total of residential sales for both types of properties and for the entire time period; and the individual and cumulative shares that fall into each price category. The data in this table gives us a much more detailed since of the distribution of residential properties by sales price and in terms of the impact of the national housing crisis. **Figure 5** shows the same data in graphical form. In this chart, the vertical bars represent the average number of residential units sold during a quarter, for each of 16 price ranges used in Table 9; the bars stack the number of single-family and condominium units sold within the price range . To allow for a quick inspection of the impact of the recession, the bar to the left for each price range shows activity for the pre-recession period (2006 Q1 to 2007 Q2) and the bar to the right shows activity during the recession (2007 Q3 to 2010 Q1).

As the table and figure show, the greatest number of residential properties sold for \$250-300,000. In all, about one quarter of all residential properties sold for less than \$200,000, and 57 percent sold for less than \$300,000. However, a disproportionate percentage of these more affordable units are condominiums, which are more likely to be sold as seasonal, vacation and rental properties than are single-family homes. If we consider only single-family homes, we find that half of all properties sold for more than \$300,000 (consistent with the median price as reported above). Comparing values of single-family homes before and after the national decline in housing markets, we see a slight hollowing of the middle during the recession – a slightly greater share of single-family homes sold during this period sold for less than \$250,000 and more than \$400,000, and a correspondingly smaller share sold at points between these two ranges (34 percent versus 39 percent).

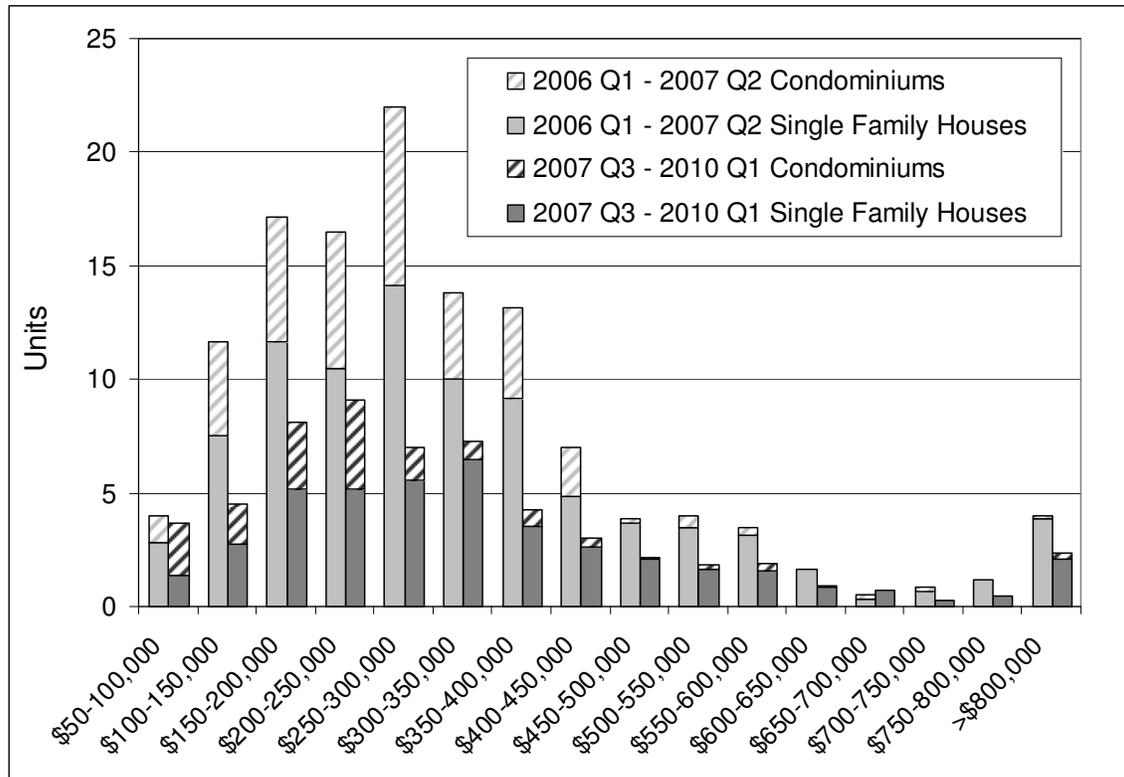
MARKET FOR AFFORDABLE HOUSING IN TAOS COUNTY

Table 9: Average Quarterly Sales of Residential Properties in Taos County, by Price Range and Type, for the Periods 2006 Q1 – 2007 Q2 and 2007 Q3 - 2010 Q1.

| Price Range | Average 2006 Q1 - 2007 Q2 | | | Average 2007 Q3 - 2010 Q1 | | | ALL QUARTERS | | | | |
|---------------|---------------------------|---------------------------|--------------|---------------------------|---------------------------|-------------|-------------------|---------------------------|--------------|-------------------|---------------------|
| | Condo- miniums | Single Family Homes | TOTAL | Condo- miniums | Single Family Homes | TOTAL | Condo- miniums | Single Family Homes | TOTAL | Share of Total | Cumulative Share |
| \$50-100,000 | 1.2 | 2.8 | 4.0 | 2.3 | 1.4 | 3.6 | 32 | 32 | 64 | 5% | 5% |
| \$100-150,000 | 4.2 | 7.5 | 11.7 | 1.8 | 2.7 | 4.5 | 45 | 75 | 120 | 9% | 13% |
| \$150-200,000 | 5.5 | 11.7 | 17.2 | 2.9 | 5.2 | 8.1 | 65 | 127 | 192 | 14% | 27% |
| \$200-250,000 | 6.0 | 10.5 | 16.5 | 3.9 | 5.2 | 9.1 | 79 | 120 | 199 | 14% | 42% |
| \$250-300,000 | 7.8 | 14.2 | 22.0 | 1.5 | 5.5 | 7.0 | 63 | 146 | 209 | 15% | 57% |
| \$300-350,000 | 3.8 | 10.0 | 13.8 | 0.8 | 6.5 | 7.3 | 32 | 131 | 163 | 12% | 69% |
| \$350-400,000 | 4.0 | 9.2 | 13.2 | 0.7 | 3.5 | 4.3 | 32 | 94 | 126 | 9% | 78% |
| \$400-450,000 | 2.2 | 4.8 | 7.0 | 0.4 | 2.6 | 3.0 | 17 | 58 | 75 | 5% | 83% |
| \$450-500,000 | 0.2 | 3.7 | 3.8 | 0.1 | 2.1 | 2.2 | 2 | 45 | 47 | 3% | 86% |
| \$500-550,000 | 0.5 | 3.5 | 4.0 | 0.2 | 1.6 | 1.8 | 5 | 39 | 44 | 3% | 90% |
| \$550-600,000 | 0.3 | 3.2 | 3.5 | 0.4 | 1.5 | 1.9 | 6 | 36 | 42 | 3% | 93% |
| \$600-650,000 | - | 1.7 | 1.7 | 0.1 | 0.8 | 0.9 | 1 | 19 | 20 | 1% | 94% |
| \$650-700,000 | 0.2 | 0.3 | 0.5 | - | 0.7 | 0.7 | 1 | 10 | 11 | 1% | 95% |
| \$700-750,000 | 0.2 | 0.7 | 0.8 | - | 0.3 | 0.3 | 1 | 7 | 8 | 1% | 96% |
| \$750-800,000 | - | 1.2 | 1.2 | - | 0.5 | 0.5 | - | 12 | 12 | 1% | 96% |
| >\$800,000 | 0.2 | 3.8 | 4.0 | 0.3 | 2.1 | 2.4 | 4 | 46 | 50 | 4% | 100% |
| TOTAL | 36.2 | 88.7 | 124.8 | 15.3 | 42.3 | 57.5 | 385 | 997 | 1,382 | 100% | |

Source: Taos County Association of Realtors, Multiple Listing Service (MLS); calculations by UNM-BBER, 2010.

Figure 6: Average Quarterly Sales of Residential Properties in Taos County, by Price Range, for the Periods 2006 Q1 – 2007 Q2 and 2007 Q3 - 2010 Q1.



Source: Taos County Association of Realtors, Multiple Listing Service (MLS).

C. An Econometric Analysis of Residential Prices

UNM-BBER conducted an econometric analysis in an effort to ascertain the relationship of certain variables to property sold price in Taos County over the period 2006 to the first quarter of 2010. Only housing units are included in the analysis; that is, single-family homes, condominiums, and townhomes are included while unimproved and improved lots are not. Again, the data is drawn from the Multiple Listing Service.

Several variables were considered for analysis, including variables representing the year of the transaction, the zone in Taos County for which the property is located, the number of days the property was on the market until sold, the square footage of the property, the square of the square footage and others. While it is true that multiple factors that may influence the price of a home not every possible factor is included in this analysis. For instance, additional variables that may relate to property quality may be useful but difficult to quantify. Other variables, such as connection to a public water or sewer system may also be

helpful, but are not included in the data. Another variable that may affect property price is dwelling age or whether it is listed on a historic register.

Several results of this analysis are noteworthy. First, in keeping with the dictum of the real estate industry, the location of the property is the single most significant determinant of sale price. For instance, property price in the Town of Taos tends to be higher than, or equal to, price in other zones. The primary exception is the price in Taos Ski Valley, which is higher. A second finding is that, all things being equal, the recession has had a negative effect on real estate values in Taos County. As a result, prices have fallen since 2008 and it is unclear when that trend will reverse.

Also interesting is that property price tends to fall as the number of days on the market increases. While this may seem obvious to those working in the industry, it is significant in that it indicates that 'waiting for your price' does not necessarily produce the intended outcome. This would be particularly true in a market overburdened with sellers. Finally, this analysis shows that value of residential properties, measured in terms of the price per square foot, increases with the overall size of the property. This is an important finding because it underlines the extent to which property markets in Taos are skewed to the high-end: not only is the market willing to pay for a larger property, but it is willing to pay increasingly more for these properties, likely because these properties feature the highest quality construction and amenities.

D. Current Ad Hoc Housing Solutions and Sustainable Housing in Taos County

With limited opportunities for home ownership and few affordable rental units available to many working households in Taos County, families and individuals seek alternatives. One alternative is public and subsidized housing. The Town of Taos does not currently operate an affordable housing program. Taos County manages the Housing Authority. According to representatives of the Housing Authority, the County manages 153 units, with a total residential population of 368 (an average of 2.4 persons per household). In addition, the Housing Authority managed a voucher program to subsidize housing costs of low-income families. There are 868 residents living in about three hundred residential units with the support of County managed voucher assistance. The supply of County managed and supported housing is plainly inadequate, as there is currently a waiting list of 645 applicants, nearly one and a half times the total number of units supported by the Housing Authority.

Another lower cost alternative to home ownership and multifamily rental markets is housing in trailers. According to the Census Bureau's American Community Survey, there are 2,153 occupied trailer units in the county; or about 18 percent of the total number of occupied housing units in Taos County. The residential population of these units is 7,192, or 23 percent of the county total. Thus, the

average household size in trailer units is 3.34 persons per unit – more than one-third higher than the household density of single-family units (2.52) and one-half higher than multifamily units (2.21).

Taos city ordinance **16.16.110.5** limits the number of manufactured homes to six per acre on land zoned R-6. The R-6 zoning allows for moderately high-density residential areas where water and wastewater services are supplied by the municipality. However, a problem facing occupants of manufactured housing is that older lots that pre-date current ordinances may be in need of substantial renovation. There is a concern among housing advocates that rather than renovate, owners of many of the better-situated trailer sites, especially in the Town of Taos, may be interested in developing the land for commercial and higher end residential use. This would almost certainly lead to a displacement of a substantial population of low-income residents, adding further pressure to affordable housing markets.

Another often-cited solution to the housing shortage used by individuals and families is the repeated subdivision of family land. While the subdivision of land may provide temporary relief, the land can only be subdivided so many times before it can no longer be divided. According to Taos city ordinance **16.116.100.5**, land zoned R-4 can have a maximum density of four single-family homes or manufactured homes per acre and each lot must be a minimum of $\frac{1}{4}$ of an acre. If the land is zoned for multi-family homes, rather than single-family homes (zoned R-14), then Taos city ordinances **16.16.120.5** and **16.16.120.6** allow 14 dwellings per acre of land unless a variance for greater density is granted by the Taos zoning board.

Finally, some individuals are building extra-legal housing structures on public lands and unincorporated areas outside of the city limits. Because the county does not have the resources to patrol every acre of land, households are springing up in undeveloped areas and are staying “under the radar.” This solution makes it impossible to provide necessities such as emergency services because the county may be unaware of the location of homes. In a related matter, sewage waste disposal is a limiting factor in locations that do not connect to a main sewer system. This is because a conventional septic system cannot be installed on a lot smaller than .75 acres.¹³ Thus, according to state statutes, population density is essentially limited in those areas.¹⁴

¹³ New Mexico Administrative Code **20.7.3.301(c)** indicates that the lot size is calculated as the total area of the plat of land minus area subject to roadway easement and liquid waste disposal easement granted by another lot.

¹⁴ See, New Mexico Administrative Code **20.7.3.301**.

In summary, families and individuals without the income necessary to affordable home ownership or higher-end rental units seek alternatives to satisfy their housing needs. While this is a satisfactory solution for many, the quality of housing for many of these households is poor and increasingly insecure. Growing pressures in land and property markets are likely to force many of these households to seek more marginal solutions.

E. Analysis: Housing Affordability in Taos County

Table 10 summarizes the two core elements of the housing market in Taos County – the capacity of households to pay for housing and the price of housing available in the market. On the left side, from Table 6, is household income and housing budget. On the right side are housing sales statistics. This is from the MLS, and is comparable to the data in Table 9, but re-categorized to conform to the housing budgets shown on the left side of the table.

Figure 7 shows the same data in graphical form. The line labeled ‘household income’ shows the share of households with incomes below the specified level. Similarly, the line labeled ‘housing sales value’ shows the share of home sales below the given value. The income and sales value labels on the horizontal axis are matched according to housing affordability parameters used throughout this report – i.e. the label shows first the level of household income and then the maximum value of a home affordable given the household income. For example, a household income of \$50,000 is matched with a home value of \$178,261.

This table and figure clearly show the mismatch between the cost of housing for ownership and capacity to pay for housing in Taos County. Fully one-third of households (3,854) in the county have a total income of less than \$25,000, allowing for a maximum monthly housing budget of \$625. If the household at the top of this income range had a 5 percent down payment and was able to qualify for a mortgage, its housing budget would allow for payments on a house valued up to \$89,339. However, only 27 homes were sold for this value or less during the period 2006 through 2010 Q1; and most of these were condominiums. Stated differently, one-third of the population with the lowest income is matched against two percent of the housing supply¹⁵.

The situation is only marginally better for the middle third of households in Taos County – those with incomes from \$25,000 to \$50,000. At the top of this range, a household could afford payments on a home valued up to approximately \$175,000. Yet, only 21 percent of the houses sold during period were valued at

¹⁵ Actually, only the households at the very top of this range could afford all of the 27 houses available in this price range; others in the income would be afford less..

or less than this value. Although the market is somewhat better in the \$50,000 to \$75,000 income range, there is only a significant improvement as incomes exceed \$75,000. At the \$75,000 to \$100,000 level, households can affordable payments on homes valued at \$263,350-\$351,130, where the supply is strongest. Of course, the situation continues to improve as incomes allow households to access a still larger share of the market.

In the figure, the affordability gap is represented by the gap between the two curves. The steep climb of the curve of household incomes to the left shows that incomes tend to be concentrated at the lower end; e.g. more than two-thirds of households earn less than \$50,000 per year. Yet, the much later climb of the housing value curve indicates that a corresponding share of homes are available only at a much higher value, well beyond the means of households with more modest earnings. Two-thirds of housing sales are available at a cost of no less than \$351,137, which is affordable only to households earning more than \$95,000 per year.

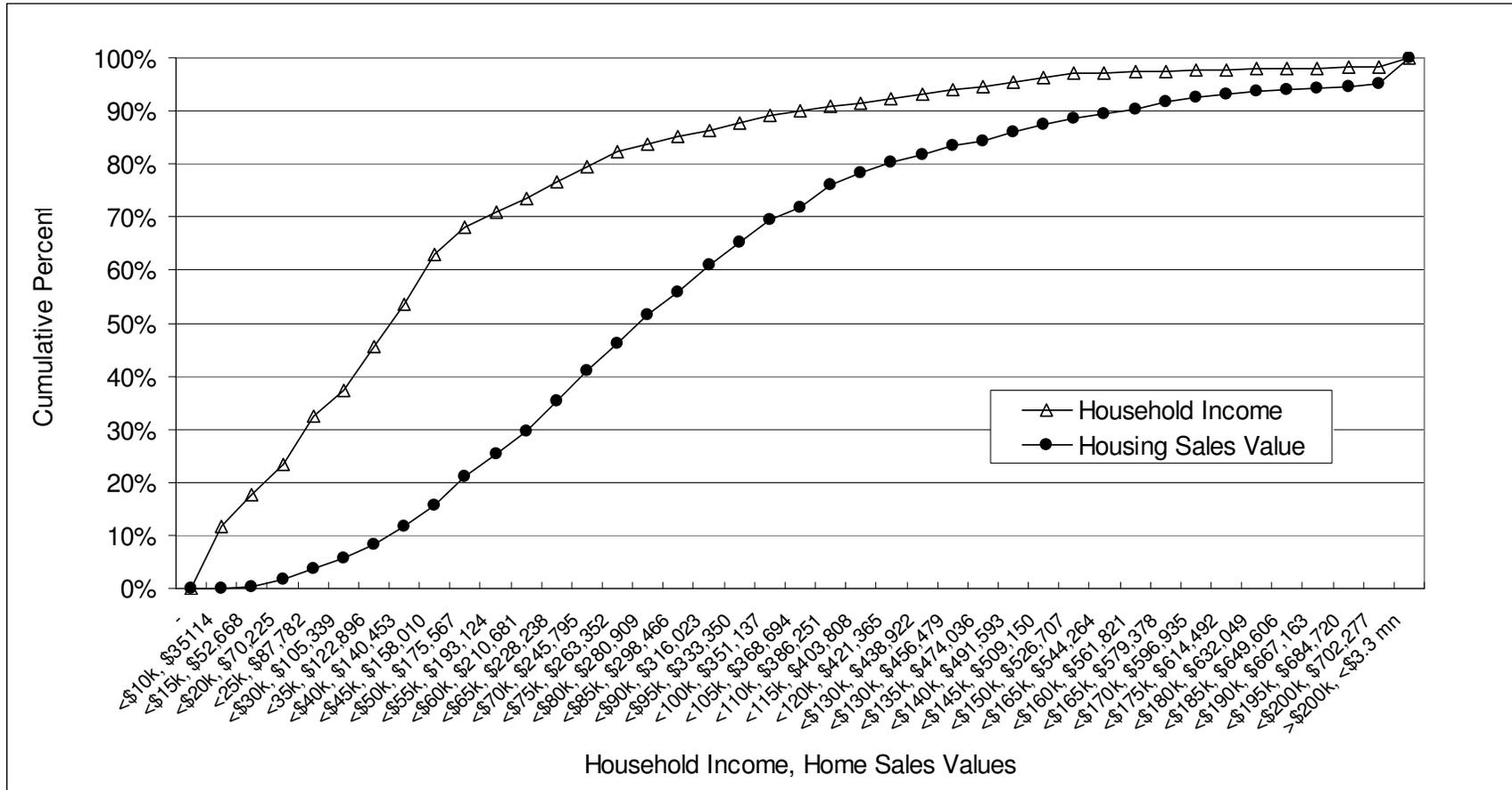
MARKET FOR AFFORDABLE HOUSING IN TAOS COUNTY

Table 10: Housing Affordability in Taos County – Household Income and Home Sales Values

| Household Income | Income Statistics from ACS | | | Computed | Computed | Housing Sales Statistics from MLS | | |
|------------------------|---------------------------------|-----------------------|----------------------------------|------------------------|-------------------------|-----------------------------------|-----------------------|----------------------------------|
| | Cumulative Number of Households | Percent of Households | Cumulative Percent of Households | Monthly Housing Budget | Maximum Affordable Home | Cumulative Number of Home sales | Percent of Home Sales | Cumulative Percent of Home Sales |
| Less than \$10,000 | 1,368 | 12% | 12% | \$250 | \$35,114 | - | - | - |
| \$10,000 to \$14,999 | 2,081 | 6% | 18% | \$375 | \$52,668 | 3 | 0% | 0.2% |
| \$15,000 to \$19,999 | 2,765 | 6% | 23% | \$500 | \$70,225 | 23 | 1% | 2% |
| \$20,000 to \$24,999 | 3,854 | 9% | 33% | \$625 | \$87,782 | 50 | 2% | 4% |
| \$25,000 to \$29,999 | 4,423 | 5% | 37% | \$750 | \$105,339 | 79 | 2% | 6% |
| \$30,000 to \$34,999 | 5,384 | 8% | 46% | \$875 | \$122,896 | 116 | 3% | 8% |
| \$35,000 to \$39,999 | 6,340 | 8% | 54% | \$1,000 | \$140,453 | 160 | 3% | 12% |
| \$40,000 to \$44,999 | 7,459 | 9% | 63% | \$1,125 | \$158,010 | 215 | 4% | 16% |
| \$45,000 to \$49,999 | 8,066 | 5% | 68% | \$1,250 | \$175,567 | 291 | 5% | 21% |
| \$50,000 to \$59,999 | 8,701 | 5% | 74% | \$1,500 | \$210,681 | 411 | 9% | 30% |
| \$60,000 to \$74,999 | 9,738 | 9% | 82% | \$1,875 | \$263,352 | 636 | 16% | 46% |
| \$75,000 to \$99,999 | 10,544 | 7% | 89% | \$2,500 | \$351,137 | 960 | 23% | 69% |
| \$100,000 to \$124,999 | 11,015 | 4% | 93% | \$3,125 | \$438,922 | 1,131 | 12% | 82% |
| \$125,000 to \$149,999 | 11,478 | 4% | 97% | \$3,750 | \$526,707 | 1,225 | 7% | 89% |
| \$150,000 to \$199,999 | 11,638 | 1% | 98% | \$5,000 | \$702,277 | 1,314 | 6% | 95% |
| \$200,000 or more | 11,825 | 2% | 100% | >\$5,000 | \$714,734+ | 1,382 | 5% | 100% |
| TOTAL / AVERAGE | | 100% | | \$1,370 | \$192,368 | | | |

Sources: Household Income: U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates; Housing Sales: Taos County Association of Realtors, Multiple Listing Service (MLS). Calculations by UNM-BBER, 2010.

Figure 7: Housing Affordability in Taos County – Household Income and Home Sales Values



Sources: Household Income: U.S. Census Bureau, 2006-2008 American Community Survey 3-Year Estimates; Housing Sales: Taos County Association of Realtors, Multiple Listing Service (MLS). Calculations by UNM-BBER, 2010.

4. ESTIMATED AND PROJECTED DEMAND FOR HOUSING BY THE TAOS COUNTY LABOR FORCE

In this section we narrow and extend our focus to current and projected demands for workforce housing in Taos County. Specifically, we shift from the estimation of housing demand based on household income to a narrower account of demand based on employment and wages. This shift allows us to consider the specific needs of the labor force and establishes framework from which we will be able to estimate the impacts of various local economic development scenarios on housing demand. However, by moving from broad measures of household income to only wages and salaries, we capture a smaller segment of total demand.

A. Limitations of Employment-based Housing Demand Estimates and Projections

There are three segments of demand that are not included in the following employment-based estimates of housing demand: permanent households without earnings from employment; households with members who are employed outside the county; and part-time or seasonal households.

Permanent households without earnings from employment

Table 11 shows household counts and aggregate household income by sources or types of income for Taos County, during the period 2006-2008. According to this table, 75 percent (8,915 of 11,825) of households with permanent residence in the county had earnings from wages and salaries or self-employment¹⁶. These earnings accounted for 72 percent of the total aggregate income from all income sources. The remainder of these households (2,910) and sources of income (\$159.6 million) will not be reflected in the following employment-based analysis of housing demand¹⁷.

¹⁶ Aggregate income for the row labeled 'With earnings' is the sum of wage or salary income and self-employment income. The number of households in this row does not equal the sum of the two constituent parts because some households earn income from both sources.

¹⁷ This does not imply that only 72 percent of the total income of the households included in the analysis is included. The majority of the remaining 28 percent of aggregate income likely accrues to the 25 percent of households that do not have income from employment (i.e. households with retirees, drawing social security, public assistance and other types of income). Thus, it is reasonable to assume that we will capture the large majority of income to the 75 percent of households that have income from earnings.

Table 11: Households and Aggregate Income, by Source of Income, in Taos County (income in 1,000s)

| | Households | Percent of Households | Aggregate Income | Percent of Income |
|--|------------|-----------------------|------------------|-------------------|
| TOTAL | 11,825 | | \$569,723 | |
| Type of Income Earned | | | | |
| With earnings | 8,915 | 75% | \$410,100 | 72% |
| With wage or salary income | 7,919 | 67% | \$335,552 | 59% |
| With self-employment income | 2,367 | 20% | \$74,548 | 13% |
| With interest, dividends, or net rental income | 2,950 | 25% | \$46,231 | 8% |
| With Social Security income | 4,084 | 35% | \$49,774 | 9% |
| With Supplemental Security Income (SSI) | 668 | 6% | \$4,753 | 1% |
| With public assistance income | 94 | 1% | N/A | N/A |
| With cash public assistance or Food Stamps | 1,294 | 11% | N/A | N/A |
| With retirement income | 2,153 | 18% | \$45,823 | 8% |
| With other types of income | 1,374 | 12% | \$12,619 | 2% |

Source: Census Bureau, 2006-2008 American Community Survey 3-Year Estimates.

Employment outside the county

In another dataset, the Census Bureau estimates commuting patterns between counties and states¹⁸. According to this dataset, it is estimated that in 2004 1,182 residents of Taos worked elsewhere, and 719 residents of other counties worked in Taos; thus, on a net basis, Taos County draws in income of 463 employees who reside in the county but work elsewhere. Analysis of housing demand based on employment will not reflect the demands of these workers.

Temporary or Seasonal Households

Finally, there remains the very significant segment of housing demand in Taos County associated with persons without permanent residence in the county. Earlier in this report, we reviewed Census Bureau housing occupancy and vacancy data to show that there were 4,506 housing units in Taos County occupied on a part-time basis for seasonal or recreational use by households with primary residence elsewhere. The very significant demands of this group will also not be reflected in the following employment-based estimates of housing demand.

In total, estimates and projections of employment-based housing demand will include approximately 8,915 households with persons earning incomes from

¹⁸ U.S. Census Bureau, Longitudinal Employer-Household Dynamics; <http://lehd.did.census.gov/led/library/archives.html>

wages and salaries, or self-employment¹⁹. On a net basis, this would exclude an estimated 463 persons who reside in Taos County but work elsewhere. These estimates will also exclude 2,910 households with primary residence in Taos County who do not receive wages and salaries or income from self-employment. Further, the employment-based analysis will not include what the Census estimates to be 4,506 households with primary residences elsewhere. Thus, in all employment-based estimates will capture the housing demands of about 55 percent of households with some kind of residence in the county.

B. Data and Methodology Used in Employment-based Housing Demand Estimates and Projections

The data used in this analysis is the Bureau of Labor Statistics Quarterly Census of Employment and Wages (QCEW)²⁰. The QCEW derives from a federally mandated filing by employers used in the administration of unemployment insurance (known as 'Covered employment, or ES-202 datasets). Because of federal mandates of the ES-202 data, QCEW is considered the most reliable source of county level employment data.

QCEW provides highly detailed employment and wage data on the county scale by industry. To move from industrial employment and wage data to estimates of household demand, we first account for multiple employees per household. In Taos County, there are, on average, 1.45 workers per household; thus, wages are multiplied by 1.45 to determine household income, and employment is divided by 1.45 to determine the number of households. We assume that workers sharing households have equal wage rates. Second, we use employment numbers to aggregate employee households into the household income categories similar to those used throughout this report. Third, we use HUD-defined parameters to estimate household housing budgets for each income category (30 percent of gross income); and mortgage finance parameters to estimate the maximum value of housing affordable to households in each income category (30 year mortgage; 6 percent APR; 5 percent down payment; 20 percent of monthly payments for insurance, taxes and fees).

In projecting future employment-based housing demand, we assume that wages paid to employees in each industry remain constant. This is useful insofar as the analysis remains in constant 2010 dollars. However, retaining relative wage rates

¹⁹ Note that the exact counts of households in the following projections are not equal to the counts given here. The reason for the difference is that different data sources are used. As noted, this discussion of household counts is based on Census Bureau ACS surveys. The following analysis of employment-based household demand is based on an entirely different dataset (BLS QCEW) discussed in the next section), in which the direct source is employers rather than households.

²⁰ <http://www.bls.gov/cew/home.htm>

across industries fails to take into account uneven wage pressures that invariably result from changes in labor demand across industries. It also fails to account for changes in the occupational structure of industries, whether involving ‘deskilling’ or increasing the technical aspects of work within industries. Given the complexity of estimating changes in wage pressures, we accept this limitation in exchange for simplicity.

Alternative employment-based housing demand projections are driven only by changes to industrial growth rates. Thus, a scenario involving rapid growth of high-wage industries increases employment in those industries and results in greater demand for housing among higher income households; increasing growth rates of low-wage industries increases demand for lower-cost housing. Changes in growth rates for industries with many employees in Taos County has a large impact on the structure of housing demand, and changes to smaller industries has only a minimal impact.

C. Estimated Current Demand and Baseline Projection for Labor Force Housing in Taos County

Table 12 summaries, for each industry, employment and wage data for Taos County and estimated household income. The table also shows the Bureau of Labor Statistics’ national employment growth projections for the period 2008-2018 and projected employment in Taos County in 2018 by industry based on BLS projections²¹. We use the BLS projections for national industrial employment growth as a baseline scenario for projecting growth of employment and thus housing demand in Taos County.

The BLS projections anticipate slow growth or declines of employment in the goods-producing sectors (agriculture, mining, utilities, manufacturing) and strong growth in many of service sectors, especially education, health care and social assistance, and professional and technical services. Hospitality (accommodations and food services) and arts, entertainment and recreation – two of the strongest sectors in Taos County, are expected to grow nationally at rates near or slightly below total national employment.

²¹ <http://www.bls.gov/news.release/ecopro.t02.htm>

Table 12: Employment, Wages, Estimated Household Income and Monthly Housing Budgets, by Industry, in Taos County in 2009

| Industry | Employment (2008) | Annual Wage | Household Income | Employment Growth: Baseline | Employment (2018) |
|-------------------------------------|-------------------|-----------------|------------------|-----------------------------|-------------------|
| Agriculture, Forestry | 12 | \$39,333 | \$57,033 | -4% | 12 |
| Mining | 618 | \$63,979 | \$92,769 | -15% | 525 |
| Utilities | 145 | \$41,855 | \$60,690 | -11% | 129 |
| Construction | 737 | \$29,377 | \$42,597 | 19% | 874 |
| Manufacturing | 149 | \$21,832 | \$31,657 | -9% | 136 |
| Wholesale Trade | 91 | \$34,374 | \$49,842 | 4% | 95 |
| Retail Trade | 1,456 | \$22,091 | \$32,031 | 4% | 1,518 |
| Transportation & Warehousing | 62 | \$42,258 | \$61,274 | 10% | 68 |
| Information | 148 | \$37,520 | \$54,404 | 4% | 154 |
| Finance & Insurance | 291 | \$31,515 | \$45,697 | 7% | 311 |
| Real Estate & Rental & Leasing | 224 | \$22,022 | \$31,932 | 10% | 246 |
| Professional & Technical Services | 502 | \$30,671 | \$44,473 | 24% | 620 |
| Mgt of Companies & Enterprises | 29 | \$58,218 | \$84,417 | 10% | 32 |
| Administrative & Waste Services | 17 | \$22,412 | \$32,497 | 10% | 19 |
| Educational Services | 897 | \$33,300 | \$48,285 | 27% | 1,135 |
| Health Care & Social Assistance | 1,549 | \$35,350 | \$51,257 | 25% | 1,940 |
| Arts, Entertainment & Recreation | 495 | \$19,180 | \$27,811 | 10% | 545 |
| Accommodation & Food Services | 2,100 | \$15,550 | \$22,548 | 8% | 2,278 |
| Other Services, except Public Admin | 328 | \$19,619 | \$28,447 | 13% | 370 |
| Public Administration | 824 | \$39,663 | \$57,511 | 7% | 886 |
| TOTAL / AVERAGE | 10,674 | \$29,570 | \$42,877 | 11% | 11,892 |

Source: BLS Quarterly Census of Employment and Wages.

Table 13 shows the estimated current (2008) and baseline projected 2018 demand for labor force housing in Taos County. In essence, the table directly follows the preceding table, but groups the industrial detail into six household income categories and applies the 2008-2018 growth rates²². The table also associates the household income categories with housing budget and home ownership affordability measures.

The 2008 columns show that the distribution of incomes among current labor force in Taos is well balanced among the lowest four of six income categories.

²² The 'lumpiness' of these household income categories (i.e. zero households in the \$60-74,999 range and 3,093 households in the \$40-44,999) is due to the aggregation of the underlying wage data by relatively few industries. In particular, the large number of households in the \$40-44,999 categories is due to similar wage rates in construction, professional and technical services, and health care and social assistance, as well as transportation.

Twenty percent of households can afford no more than \$750 per month in housing costs, or ownership of a home with a sales value of less than \$110 thousand – certainly not a possibility in the current Taos County housing market. About two-thirds of labor force households are unable to afford ownership of a home with a value greater than \$165 thousand, and more than 90 percent are unable to afford a \$200 thousand home in Taos County. Less than five percent are able to afford a home valued over \$300 thousand, which the median sales value of single-family homes sold in Taos County during the 2006-2010 Q1 period.

The 2018 columns show the distribution of employment-based households assuming that industrial growth patterns in Taos County track BLS projected national patterns. The final column is most useful. It shows the new demand for housing units in each income categories and associated housing budget. Under these assumed industrial growth rates, new demand for housing will be somewhat stronger in middle-income categories, from \$40 to \$60 thousand. There will be growth in the lowest income categories, but the market for higher valued homes will contract.

MARKET FOR AFFORDABLE HOUSING IN TAOS COUNTY

Table 13: Estimated Current and Projected 2018 Labor Force Demand for Housing in Taos County – Scenario A: Baseline

| Household Income | 2008 | | | | | 2018 | | | Change in Housing Demand |
|------------------------|------------------------|-------------------------------|--------------|------------------|--------------------|--------------|------------------|--------------------|--------------------------|
| | Monthly Housing Budget | Maximum Housing Affordability | Households | Percent of Total | Cumulative Percent | Households | Percent of Total | Cumulative Percent | |
| Below \$30,000 | \$750 | \$109,731 | 1,448 | 20% | 20% | 1,571 | 19% | 19% | 123 |
| \$30,000 to \$39,999 | \$875 | \$128,020 | 1,841 | 25% | 45% | 1,954 | 24% | 43% | 113 |
| \$40,000 to \$49,999 | \$1,125 | \$164,597 | 1,737 | 24% | 68% | 2,093 | 26% | 68% | 356 |
| \$50,000 to \$59,999 | \$1,375 | \$201,174 | 1,747 | 24% | 92% | 2,063 | 25% | 94% | 316 |
| \$60,000 to \$74,999 | \$1,688 | \$246,895 | 143 | 2% | 94% | 136 | 2% | 95% | (6) |
| \$75,000 and up | \$1,875 | \$274,328 | 446 | 6% | 100% | 384 | 5% | 100% | (62) |
| TOTAL / AVERAGE | \$1,104 | \$161,584 | 7,361 | | | 8,201 | | | 840 |

Source: BLS Quarterly Census of Employment and Wages; projections and calculations by UNM-BBER, 2010...

D. Alternative Scenarios for Projected Labor Force Housing Demand in Taos County

Tables 14, 15 and 16 shows projected housing demand for three alternative economic development scenarios for Taos County – growth of education and health care, professional and technical services, and tourism, respectively.

Table 14 presents a scenario based on a 50 percent increase in employment in education and health care industries – about twice the projected national rate of growth. Average wages in these industries are mid-range – \$33,300 (household income of \$48,285) and \$35,325 (household income of \$51,257), respectively. Growth in these industries therefore results in increases in the demand for housing among households with monthly housing budgets between \$1,125 and \$1,688. This will create demand for home ownership of units valued up to \$200,000. This scenario does not affect housing demand among labor force households with either low or high incomes.

Table 15 shows the projected impact of a 50 percent increase in professional and technical service employment – again, about twice the rate of industrial growth forecast by the BLS. Because wages in this sector average about \$44,500, this scenario would result in more growth in the demand for housing that can be supported with monthly housing budgets up to \$1,125, allowing for the purchase of homes valued up to \$165 thousand.

Finally, **Table 16** shows a troubling scenario under which Taos continues with its current economic development model based on tourism and construction. This scenario anticipates 50 percent growth in hospitality (accommodations and food services); arts, entertainment and recreation; and construction. Average wages in these industries in Taos County are low – wages in hospitality are the lowest of the two sectors in the local economy (\$15,550; household \$22,550); wages in arts, entertainment and recreation are second lowest (\$19,180; household \$27,800); and construction wages are somewhat higher (\$29,377; household \$42,600). Under this scenario, growth in housing demand is concentrated at the lowest end, with monthly budgets under \$750. Construction employment would create a modest increase in demand for houses valued to \$165 thousand.

In all these scenarios, the demand for low income housing will continue to grow. Under assumptions of a continued growth of the tourism and residential construction sectors, growth in demand for low-income housing (mainly publicly support and rental housing) is expected to increase very rapidly. Under the most optimistic scenarios, such as the growth of professional and technical services, or health care and educational services affordable owner-occupied units (up to \$200,000 in current dollars) will be in greatest demand.

Table 14: Projected 2018 Labor Force Demand for Housing in Taos County – Scenario B: Growth of Healthcare and Educational Service Industries

| Household Income | 2018 | | | | | |
|------------------------|------------------------|-------------------------------|--------------|------------------|--------------------|--------------------------|
| | Monthly Housing Budget | Maximum Housing Affordability | Households | Percent of Total | Cumulative Percent | Change in Housing Demand |
| Below \$30,000 | \$750 | \$109,731 | 1,571 | 18% | 18% | 123 |
| \$30,000 to \$39,999 | \$875 | \$128,020 | 1,954 | 23% | 41% | 113 |
| \$40,000 to \$49,999 | \$1,125 | \$164,597 | 2,238 | 26% | 67% | 502 |
| \$50,000 to \$59,999 | \$1,375 | \$201,174 | 2,327 | 27% | 94% | 580 |
| \$60,000 to \$74,999 | \$1,688 | \$246,895 | 136 | 2% | 96% | (6) |
| \$75,000 and up | \$1,875 | \$274,328 | 384 | 4% | 100% | (62) |
| TOTAL / AVERAGE | \$1,110 | \$162,372 | 8,611 | | | 1,250 |

Source: BLS Quarterly Census of Employment and Wages; projections and calculations by UNM-BBER, 2010...

Table 15: Projected 2018 Labor Force Demand for Housing in Taos County – Scenario C: Growth of Professional and Technical Services

| Household Income | 2018 | | | | | |
|------------------------|------------------------|-------------------------------|--------------|------------------|--------------------|--------------------------|
| | Monthly Housing Budget | Maximum Housing Affordability | Households | Percent of Total | Cumulative Percent | Change in Housing Demand |
| Below \$30,000 | \$750 | \$109,731 | 1,571 | 19% | 19% | 123 |
| \$30,000 to \$39,999 | \$875 | \$128,020 | 1,954 | 24% | 43% | 113 |
| \$40,000 to \$49,999 | \$1,125 | \$164,597 | 2,184 | 26% | 69% | 448 |
| \$50,000 to \$59,999 | \$1,375 | \$201,174 | 2,063 | 25% | 94% | 316 |
| \$60,000 to \$74,999 | \$1,688 | \$246,895 | 136 | 2% | 95% | (6) |
| \$75,000 and up | \$1,875 | \$274,328 | 384 | 5% | 100% | (62) |
| TOTAL / AVERAGE | \$1,101 | \$161,121 | 8,293 | | | 932 |

Table 16: Projected 2018 Labor Force Demand for Housing in Taos County – Scenario D: Continued Growth of Tourism and Residential Construction Industries

| Household Income | 2018 | | | | | |
|------------------------|------------------------|-------------------------------|--------------|------------------|--------------------|--------------------------|
| | Monthly Housing Budget | Maximum Housing Affordability | Households | Percent of Total | Cumulative Percent | Change in Housing Demand |
| Below \$30,000 | \$750 | \$109,731 | 2,172 | 24% | 24% | 724 |
| \$30,000 to \$39,999 | \$875 | \$128,020 | 2,090 | 23% | 47% | 250 |
| \$40,000 to \$49,999 | \$1,125 | \$164,597 | 2,253 | 25% | 72% | 516 |
| \$50,000 to \$59,999 | \$1,375 | \$201,174 | 2,063 | 23% | 94% | 316 |
| \$60,000 to \$74,999 | \$1,688 | \$246,895 | 136 | 1% | 96% | (6) |
| \$75,000 and up | \$1,875 | \$274,328 | 384 | 4% | 100% | (62) |
| TOTAL / AVERAGE | \$1,075 | \$157,255 | 9,099 | | | 1,738 |

Source: BLS Quarterly Census of Employment and Wages; projections and calculations by UNM-BBER, 2010

5. DEMAND FOR UNM-TAOS CAMPUS HOUSING

The University of New Mexico – Taos is considering the creation or expansion of academic programs. The creation or expansion programs might either encourage local residents to complete coursework at the branch before continuing their students at four-year programs; retain a greater number of students to complete four-year or graduate programs; or attract out-of-area adults to matriculate in any of a number of short courses that draw on the region’s unique historical, cultural and geographical characteristics. However, given the scarcity and high cost of housing in the Taos area, UNM may need to address housing issues if such academic programs are to be successful.

A. Survey of University students with Permanent Residence in Taos County

In this section of the report, we evaluate housing constraints specific to UNM-Taos concerns. To this end, UNM-BBER conducted a survey of students with permanent residence listed in Taos County who are currently enrolled in courses at the University of New Mexico - Albuquerque, New Mexico State University – Las Cruces, New Mexico Highlands University, and the University of New Mexico – Taos. The subject of the survey was the importance of housing considerations in decisions to enroll either at the branch campus or at other campuses of the three New Mexico public universities. In addition, the survey asked students about their current housing situation, including costs; their willingness-to-pay for Taos campus housing; and the type of campus housing that they would require.

The population for the survey was students enrolled in the three state public universities who had listed Taos as their permanent residents. UNM-BBER requested email addresses of these students from the registrar's offices of each of the universities. In total, 1488 individuals were sent invitations to participate in the survey and 178 responded. The majority of respondents were affiliated with UNM-Albuquerque or UNM-Taos (49 percent and 42 percent of all respondents, respectively). The largest proportion indicated that they either completed high school (30 percent) or had engaged in some college education (38 percent) in Taos County²³. Twelve percent indicated that they received an associate's degree while in Taos County.

Of the 178 respondents, 100 are enrolled at universities or campuses other than UNM-Taos. Of these 100 respondents, 81 percent indicated that housing availability and/or cost concerns were not a factor in their decision not to attend UNM-Taos and 14 percent indicated that housing availability and/or cost concerns contributed to the decision not to attend. Only one respondent indicated that availability and/or cost concerns were the main reason not to attend the branch.

Of those respondents enrolled at universities or campuses other than UNM-Taos, 65 students (or 68 percent) indicated they would not have considered attending UNM-Taos even if campus student housing was provided. Thirty-one students (or 32 percent) indicated that they would have considered attending if housing was provided, suggesting that campus housing may be attractive to some students for whom housing availability and/or costs were not a prior concern.

Seventy-five respondents indicated that they are currently enrolled at the UNM-Taos campus. Of those enrolled at UNM-Taos, 37 (51 percent) indicated that housing availability and/or cost did not play a roll in their decision to enroll at the Taos branch (and not enroll elsewhere). Nineteen (26 percent) indicated that housing availability and/or cost concerns where their main reason to choose to attend, and 17 (23 percent) indicated that housing availability and/or cost concerns contributed to the decision to attend UNM-Taos. Of the 75 respondents enrolled at UNM-Taos, 46 (63 percent) indicated that they would have considered living in campus housing if it had been available, and 27 (37 percent) indicated that they would not have considered living in campus housing.

In total, 77 students indicated an interest in Taos campus housing – 46 enrolled at UNM-Taos and 31 enrolled elsewhere. These respondents were asked to specify the maximum value, including utilities, which they would be willing to pay

²³ Although the survey did not specifically ask the number of courses that students had taken in Taos, we learned that many, including employees of UNM-Taos, had taken only one or two courses at the branch.

for shared campus housing in Taos. Of these, the majority (52 percent) indicated that they would be willing to pay no more than \$400 per month; 31 percent indicated that they would be willing to pay up to \$500 per month; and ten percent indicated that they would be willing to pay up to \$600 per month. The remaining seven percent indicated that they would pay \$700 or more per month. On average, respondents are willing to pay less than \$450 per month for Taos campus housing²⁴.

The survey asked students about their current housing situation and costs. In total, 124 individuals provided information; of these 57 had expressed an interest in Taos campus housing. Information about current costs was cross-tabulated with willingness-to-pay for Taos campus housing for these 57 respondents. The objective was to gauge the extent to which the expressed demand for campus may be driven primarily by an interest in obtaining lower-cost housing.

Table 17 shows the results of the cross tabulation. Of the 57, five expressed a willingness to increase their housing payments to live in Taos campus housing. By contrast, 47 said that they were willing to live in Taos campus housing at costs lower than their current costs. The remaining five would consider paying a cost within the same range.

Table 17: Willing to Pay for UNM-Taos Campus Housing by Current Housing Costs

| | | Maximum Amount Respondents Willing to Pay to Live in Shared Campus Housing | | | | | Summary | |
|-----------------------|-------------------|--|-------|-------|-------|-------|-----------|------------------|
| | | \$400 | \$500 | \$600 | \$700 | \$800 | Total | Percent of Total |
| Current Housing Costs | \$400 or less | 12 | 4 | 0 | 0 | 0 | 16 | 28% |
| | \$401 to \$600 | 9 | 5 | 0 | 1 | 0 | 15 | 26% |
| | \$601 to \$800 | 6 | 3 | 2 | 0 | 0 | 11 | 19% |
| | \$801 to \$1,000 | 1 | 1 | 1 | 0 | 0 | 3 | 5% |
| | More than \$1,000 | 4 | 3 | 3 | 0 | 2 | 12 | 21% |
| Summary | Total | 32 | 16 | 6 | 1 | 2 | 57 | 100% |
| | Percent of Total | 56% | 28% | 11% | 2% | 4% | | |

Source: UNM-BBER, 2010, survey results.

In summary, the results of the survey suggest that UNM-Taos campus housing may be effective in retaining some students from Taos who choose to enroll in other New Mexico public university branches. Campus housing may be even

²⁴ The average is based on assumption of \$400 for those willing to pay up to \$400; and midpoints of ranges for the other responses.

more effective in attracting students attending UNM-Taos. However, interest in campus housing is very strongly associated with an interest in reducing costs. Very few respondents are willing to increase their housing costs to live on campus; only 3 of 57 are willing to pay more than \$600 per month. These findings strongly suggest that the interest in UNM-Taos campus housing is due less to concerns for housing availability and more to an interest in reducing housing costs. Thus, prospective students may be unwilling to pay prices necessary to support the costs of construction and maintenance.

6. CONCLUSIONS

The main finding of this report is that there is a substantial mismatch between the capacity of the local labor force to pay for housing and the supply of housing available in the residential real estate market. Using the years 2006-2010 Q1 as a study period, this report documents that less than five percent of the households that depend on local employment for their income would be able to afford the median cost to own a single-family home in Taos County – about \$1,700 per month for a home valued at \$300,000. Fewer than ten percent of working households would be able to afford a home valued at \$200,000, yet only about one-quarter of all homes sold during the period were valued at \$200,000 or less. To the other extreme, fewer than 20 percent of working households in Taos County earn incomes less than \$30,000, and thus have monthly housing budgets of \$750 or less.

Instead, the real estate market in Taos County is structured to address the demands of buyers who do not work in the county. This can be inferred from the above description – given that reliable income data shows that few working households can afford the high cost of housing sold in the county, we must conclude that these properties are sold to a non-working population. This report presents evidence from the Census Bureau that supports this inference. Census Bureau data on housing occupancy and vacancy, and more detailed accounts of types of vacancies shows that nearly 28 percent of all occupied housing units in Taos County are for “seasonal, recreation, or occasional use”. By comparison, five percent of occupied housing units in New Mexico and 3.5 percent of occupied housing units nationally are similarly used.

This report assesses the implications of various scenarios of economic development and growth in Taos County for the demand for labor force housing. In the final analysis, housing outcomes simply reflect the assumptions behind the development scenarios. However, differences between scenarios that emphasize the growth of professional services or education and health care, and a scenario that assumes a continued reliance on tourism and construction underline the central finding of this report. The current tourism and construction-based development model relies heavily on a large low-wage labor force. Yet, the

central paradox is that, with its success, the very foundation upon which the model is depends – low wage labor – is squeezed out of the market. Continued growth of the tourism and construction sector will certainly continue to drive up the demand for low-cost housing, and without this housing the sustainability of this kind of growth must be questioned.

To date, the low wage work force has confronted the scarcity of affordable housing with an array of innovative and sometimes marginal strategies. Many low-income households live in cramped and even unsafe conditions, including a very large number of trailers. Others have remained on land that the family has owned for generations, continuously subdividing to accommodate the families of children and grandchildren. Others commute long distances from communities well away from the employment center in the town of Taos. Still others find extralegal arrangements, such as living on un-serviced land outside of code and without the necessary permits. These many strategies have helped to stave off the distortions in the housing market, but as the economy grows and measures to bring housing and public services to acceptable standards are implemented, these strategies will likely prove inadequate and unsustainable.

City and county leaders can approach the distortions in the housing market from any number of angles. In the most simplistic of terms, the problem can be approached from the demand or the supply side. An approach from the demand side means effectively promoting an economic development model that slows the growth of low-wage jobs and encourages the growth of higher-wage jobs. With higher wages and revenues, the labor force and public sector can be afford to address what are ultimately supply side constraints on housing availability.

Perhaps the principal constraint on the development of affordable housing in Taos County is the high cost of serviced land. And as land is plainly available, the problem is in turn providing this land with the necessary infrastructure and services. To be sure, the provision of infrastructure and services in Taos is costly. Water is scarce, and state development codes require either high cost public infrastructure such as sewer lines, or a density of development below what is likely to be economical for affordable housing. An immediate and likely most efficient solution is to greatly increase the density of residential development, thereby reducing the cost of land per housing unit. This can be enabled with revisions to town's zoning codes and an authorization of more accommodating zoning codes in the county. The Town of Taos is currently reviewing its development codes to enable greater density of residential development. Taos County should likewise consider changes to development codes and even site-specific investments in the necessary infrastructure to encourage higher density residential development. These strategies will ultimately contribute to an increased supply of affordable housing.

APPENDIX: UNM-TAOS STUDENT HOUSING SURVEY

University of New Mexico-Taos Student Housing Survey

Consent to Participate in Survey

The Bureau of Business and Economic Research (BBER) at the University of New Mexico is conducting a research study for the University of New Mexico - Taos. The purpose of the study is to assess the demand for student housing in Taos County. You are being asked to participate in this study because you have a permanent address in Taos County on record at the university in which you are currently enrolled.

Your participation will involve answering a few questions related to the extent to which housing concerns influenced your decision to attend the university in which you are currently enrolled. The survey should take about five minutes to complete. Your involvement in the study is voluntary, and you may choose not to participate. The only identifying information associated with this survey is your email address. BBER will only use your email address to keep track of responses and will not release your email address to anyone, nor will your email address appear in any released analyses of the information provided through this survey. The survey includes questions related to your current housing situation, such as "In which of the following universities are you currently enrolled?" as well as hypothetical questions, such as "If campus housing had been available in Taos when you first enrolled at the university in which you are currently enrolled, would you have begun your studies at the Taos branch of UNM and opted to live in campus housing?" There are no known risks in this study.

The findings from this project will provide information on the level of interest in and the demand for student housing for UNM-Taos. If published, results will be presented in summary form only and will not identify participants or individual responses.

If you have any questions about this research project, please call Dr. Jeffrey Mitchell at (505)277-2216. If you have questions regarding your legal rights as a research subject, you may call the UNM Human Research Protections Office at (505) 277-0067.

Only those 18 years old or older may participate in this study. By choosing "yes", below, you will be acknowledging that you are at least 18 years old and you will be agreeing to participate in the above described research study.

Are you at least 18 years old and do you consent to provide information for this survey?

Yes

No

University of New Mexico-Taos Student Housing Survey

What is the highest level degree you completed in Taos County?

- GED
- High school graduate
- Some college
- Associate's degree
- I have not completed any academic work in Taos County.

In which of the following universities are you currently enrolled? (Choose one)

- New Mexico Highlands University
- New Mexico State University
- The University of New Mexico - Albuquerque campus
- The University of New Mexico - Taos campus

To what extent did housing concerns (e.g., availability and/or cost) influence your decision NOT to attend UNM-Taos? (Choose one)

- Housing availability and/or cost concerns were the main reason I chose not to attend UNM-Taos.
- Housing availability and/or cost concerns contributed to my decision not to attend UNM-Taos.
- Housing availability and/or cost concerns were not a factor in my decision not to attend UNM-Taos.

To what extent did housing concerns (e.g., availability and/or cost) influence your decision to attend UNM-Taos? (Choose one)

- Housing availability and/or cost concerns were the main reason I chose to attend UNM-Taos.
- Housing availability and/or cost concerns contributed to my decision to attend UNM-Taos.
- Housing availability and/or cost concerns were not a factor in my decision to attend UNM-Taos.

University of New Mexico-Taos Student Housing Survey

If campus housing had been available in Taos when you first enrolled in college, would you have considered beginning your studies at the Taos branch of UNM?

- Yes
- No

If campus housing had been available in Taos when you first enrolled at UNM-Taos, would you have considered living in it?

- Yes
- No

What is the MOST you would have been willing to pay to live in shared campus housing, including utilities, in Taos:

- \$400 per month
- \$500 per month
- \$600 per month
- \$700 per month
- \$800 per month

Would you have been willing to share your campus housing room with a roommate?

- Yes
- No

Would you have been willing to share your campus housing bathroom with at least one other person?

- Yes
- No

University of New Mexico-Taos Student Housing Survey

If you were married at that time, would you have been interested in married student housing?

- Yes
- No

Do you currently live in Campus housing (i.e., dormitory or campus-owned student housing, on- or off-campus)?

- Yes
- No

Which of the following describes your CURRENT housing payment situation:

- I live in a residence for which I am solely responsible for the rent/mortgage payments
- I live in a residence for which I contribute a share of the rent/mortgage payments
- I live in a residence for which I do not contribute to the rent/mortgage payments

How is your housing paid for?

- I live with my family or others, and do not contribute to housing costs.
- I do not live with my family, but my family or others pay my monthly rent/mortgage.
- I do not live with my family, and my monthly rent/mortgage is paid for by (please describe):

In which of the following types of housing do you currently reside:

- A house
- An apartment or duplex house
- A mobile home
- Other (please specify)

University of New Mexico-Taos Student Housing Survey

What is the TOTAL monthly rent/mortgage cost, including utilities, for your current residence?

- \$1 to \$200 per month
- \$201 to \$400 per month
- \$401 to \$600 per month
- \$601 to \$800 per month
- \$801 to \$1,000 per month
- More than \$1,000 per month

How many other people (not counting yourself) live in your current residence?

- 0
- 1
- 2
- 3
- 4 or more

How many bedrooms are in your current residence?

- None (studio)
- One
- Two
- Three
- Four or more

University of New Mexico-Taos Student Housing Survey

How far away from the campus in which you are currently enrolled do you live?

- I live on campus
- 0 – 5 miles
- 5 – 10 miles
- 10 – 30 miles
- over 30 miles

How is your Campus housing paid for?

- I am solely responsible for my campus housing payments
- I contribute to my campus housing payments
- My family or others are fully responsible for my campus housing payments

How much do you pay per semester for your campus-based residence (not including board)? (You can find rate tables by clicking on the following links: [UNM](#) [NMSU](#) [NMHU](#).)

- \$1,000 - \$1,500
- \$1,501 - \$2,000
- \$2,001 - \$2,500
- \$2,501 - \$3,000
- \$3,000 - \$3,500

Please tell us about yourself.

Gender?

- Female
- Male

University of New Mexico-Taos Student Housing Survey

Age?

- 20 years or younger
- 21-30 years
- 31-40 years
- 41-50 years
- 51 years and over

Marital status?

- Single
- Married or living with partner

In which ethnic/racial group do you classify yourself? (You may choose more than one answer.)

- Anglo
- Hispanic
- Native American
- African American
- Asian or Pacific Islander
- Prefer not to answer

Other (please specify)

Please click the "Done" button below to submit survey.

Thank you for your participation.