

# Greater Carlsbad Housing Analysis & Strategic Plan

Prepared for:

City of Carlsbad

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Prepared by:

Sites Southwest, LLC



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# I. Executive Summary

The City of Carlsbad is experiencing a housing shortage that impacts residents' quality of life and hinders the expansion potential of the local economy.

Young, working families and retirees are the primary market for housing. The greatest need is for multifamily rentals, particularly two and three bedroom units. There is also a need for single-family detached homes.

In addition, there is a tremendous need to rehabilitate and/or replace an old and poorly-maintained housing stock. Finally, there is a need to provide low-income and affordable housing.

The following chart demonstrates the housing need in the Greater Carlsbad area.

Table 1. Housing Needs Summary

Type of Housing	Who	New Units Needed
Market Rate Rentals for Temporary Workers	FLETC, corporate	20-50+
Workforce	Essential workforce: hospital workers, teachers, City and County employees	120 first phase; potential for 120 second phase
Affordable	Low-income Cost-burdened households Special needs (disabilities) Seniors on low fixed income	3 to 6 new replacement homes per year 10 to 15 rehabs per year Address the need of 1600 cost-burdened households
Transitional	Homeless Special needs (mental illnesses)	30-40 units
Market Rate, Retirees	Current residents and new residents age 55+	20+

Although there are available properties and eager developers, the Carlsbad housing market faces many constraints. Some of the most prominent obstacles include:

- *Insufficient infrastructure.* The capacity of existing infrastructure is already burdened, and prohibitive costs prevent developers from providing new or upgraded systems.
- *Institutional disincentives to development.* A slow and costly development process at the City level may deter developers from carrying out projects. These include lack of access to information about Carlsbad's development review process and lack of qualified building inspectors.
- *Lack of workers and tradesmen.* Developers must often bring in laborers from elsewhere, but they too face the problem of where to house the temporary workers.

- *Financing.* Both developers and potential home buyers are experiencing a credit crunch, exacerbated by the current national economic situation. Developers, particularly of multifamily units, are having trouble finding financing. In addition, many prospective home buyers have poor credit and a high debt load, which prevent them from qualifying for loans.
- *Lack of community amenities.* For Carlsbad to have significant new investment in housing development and population growth, it must be an attractive place to live. Creating a vibrant downtown and initiating wide-scale community beautification efforts would assist to this end.

Despite these challenges, Carlsbad also possesses important assets that boost its potential for success in addressing the housing issue. Among these are a group of local leaders and groups, including the City of Carlsbad, Carlsbad Department of Development (CDOD), Southeast NM Community Action Corporation (SNMCAC) and the Carlsbad Community Development Corporation (CCDC), who have shown dedication and determination in addressing the problem. Furthermore, Carlsbad is experiencing a period of economic growth that is not expected to wane anytime soon, and its potential as a retirement destination is high.

With a concerted effort on the part of the City, in conjunction with the local private and nonprofit sectors, Carlsbad can begin to tackle the current housing shortage that is crippling its community and local economy.

Priority areas include:

- Market rate rental housing and suitably priced single-family development to provide workforce housing
- Mixed income/affordable housing multifamily housing development
- Rehabilitation of existing housing stock
- Homeless/transitional housing
- Housing for retirees

In addition to these projects, this plan puts forth a number of general recommendations aimed at improving the housing development environment for both for-profit market rate developers and nonprofit housing development organizations.

## II. Introduction

The Greater Carlsbad Comprehensive Plan – Strategy 2020, completed in 2003, identified a number of housing issues and established goals and objectives for providing quality residential environments for area residents.

The plan also set policies that support the development of a wide variety of high quality housing in Greater Carlsbad. Potential ways to accomplish the housing goals include rehabilitating or replacing housing in poor condition, regulating development in the adjacent County to ensure appropriate standards of development, and proactively initiating housing programs through the City's powers under state law and in cooperation with the various state and federal agencies, private developers and nonprofit organizations that provide housing. The plan called for the initiation of a housing master plan that would provide for the development, rehabilitation and replacement of homeownership and rental residences, taking into account the needs of a wide variety of persons. The plan would address both affordable and market rate housing.

This document fulfills the City's goal to prepare a housing master plan. The purpose of the Housing Analysis and Strategic Plan is to quantify housing needs in the community and set out a strategic plan which provides achievable actions that can improve the housing situation in the Greater Carlsbad area. The document is consistent with requirements under the Affordable Housing Act for Affordable Housing Plans. The Housing Analysis and Strategic Plan includes the following sections:

- A community and housing profile, documenting current conditions and trends.
- A housing needs assessment that describes existing and projected needs.
- A land use and policy review that identifies institutional and regulatory barriers to housing production.
- Goals, policies and quantifiable objectives.
- A strategic action plan.

### A. Methodology

Four main types of information were used in compiling this document: 1) demographic, economic, and housing data 2) triangulated information from stakeholder interviews, 3) existing documents, plans and policies, and 4) information from websites, articles and other secondary sources.

Sources for statistical data include the 2000 US Census, the Bureau of Business and Economic Research at the University of New Mexico (BBER), and Claritas, Inc. The most up-to-date data was used when possible (generally 2008), but for some types of information the 2000 Census was the only available source.

The consultants conducted interviews with Carlsbad area developers, real estate agents, major employers, and nonprofit organizations to gain insight into the housing situation. A complete list of people interviewed can be found in the Appendix.

Plans, policies, articles and websites used are listed in the Bibliography in the Appendix. The Appendix also includes a Housing Resource Guide, which lists relevant programs, organizations and funding opportunities.

### B. Plan Study Area

This document mentions several geographic areas: Carlsbad, Carlsbad North, and the Greater Carlsbad area. Carlsbad simply refers to the City of Carlsbad. Carlsbad North is a census-designated place. It encompasses the small developed area just north of Carlsbad City limits including La Huerta. The Greater Carlsbad area includes the City of Carlsbad and its five-mile planning and platting jurisdiction, which covers unincorporated areas within five miles of the City limits.

The "plan area" or "study area" generally refers to the Greater Carlsbad area, although this occasionally refers to the combination of Carlsbad plus the Carlsbad North area. These distinctions are made based on the data available.

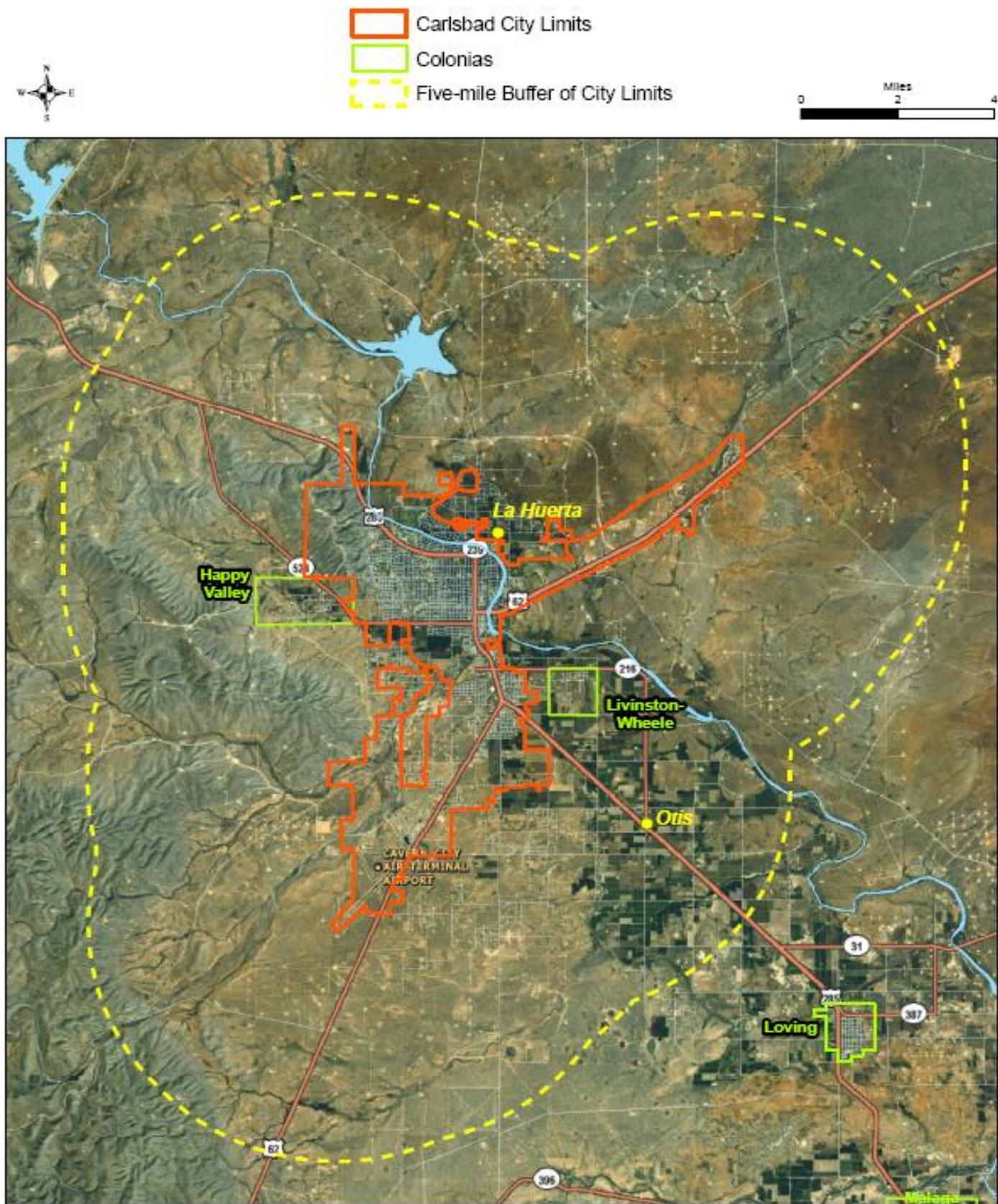


Figure 1. Location Map

### **III. Community and Economic Profile**

#### **A. Community Description**

The City of Carlsbad, located in southeastern New Mexico in Eddy County, is home to more than 25,000 people. Traditionally a ranching community, Carlsbad's economy today is driven primarily by potash mining, the oil and gas industries and the public sector. The Waste Isolation Pilot Plant (WIPP) and the Federal Law Enforcement Training Center (FLETC) provide nearby sources of employment. Carlsbad is home to a bustling hospital (the Carlsbad Medical Center), and a branch of the New Mexico State University (NMSU-Carlsbad). The Cavern City Air Terminal provides air transportation to nearby cities.

Carlsbad's mild climate and open spaces are attractive both to local people and incoming retirees. Tourist attractions include the well-maintained waterfront along the Pecos River and the national treasure, Carlsbad Caverns. There are several nearby state parks, including Brantley Lake and the Living Desert Zoo and Botanical Gardens. The Guadalupe Mountains and the Lincoln State Forest are within an hour's drive of the city. Carlsbad has two golf courses, a shooting range, and other recreational activities. The Carlsbad Concert Association, the Carlsbad Area Arts Association, the Carlsbad Community Chorale and the Community Theatre provide local entertainment opportunities.

#### **B. Population Trends**

As of 2008, Carlsbad had an estimated population of 25,155; the population of the Greater Carlsbad area was 27,536.

Population growth in Carlsbad and Eddy County has been flat since 1960. The Bureau of Business and Economic Research at the University of New Mexico (BBER) projects the County to grow at an average annual rate of 0.76% from 2007 through 2030.

The Greater Carlsbad Comprehensive Plan – Strategy 2020 includes high and low population projections for the City. Using the estimated 2007 population as a base, projected average annual growth rates range from 0.04% in the low series to 0.62% in the high series. Based on current estimates, recent population trends are following the low growth projection. According to the Comprehensive Plan, Carlsbad's slow projected population growth is a result of stagnant economic activity and a projected decline in mining and other extractive-based industries. The plan's projections do not take into account anticipated growth in nearby areas of unincorporated Eddy County. Neither did the projections anticipate the recent surge of activity in the oil and gas and potash mining industries or the potential for expansion into renewable resource activities. Finally, employer interviews suggest that local population growth is hindered by a shortage of housing; employment demands outpace the availability of workforce housing.

Local economic development experts note that the reported population figures may not tell the whole story. Other indicators of growth, or indicators of housing need, include hotel occupancy as indicated by Lodgers Tax revenues. In the past four years, Lodgers Tax revenues have increased without a change in the tax rate. From 2007 to 2008, in particular, Lodgers Tax receipts increased 24%. The reason for this increase is attributed to an increase in motel stays by short-term workers and other new residents who cannot find housing. In fact, several of the employers interviewed for this study pay to house new hires in hotels until the new resident can find housing.

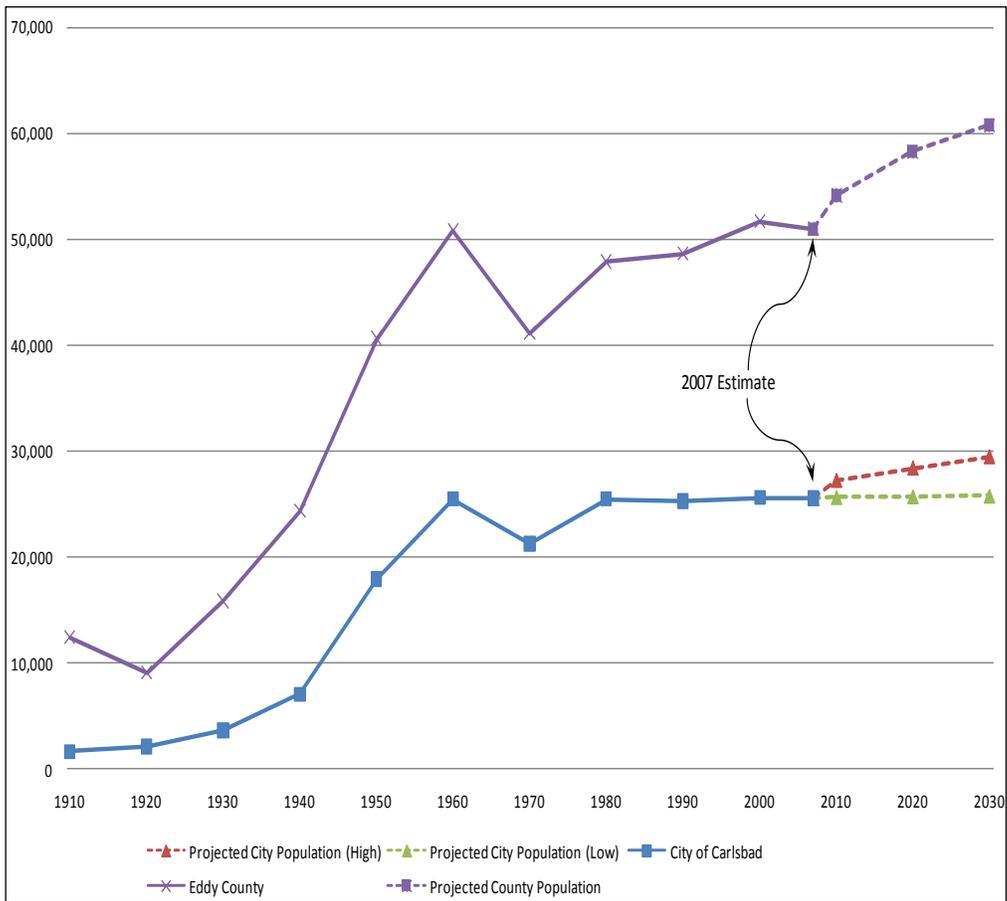


Figure 2. City and County Population Trends

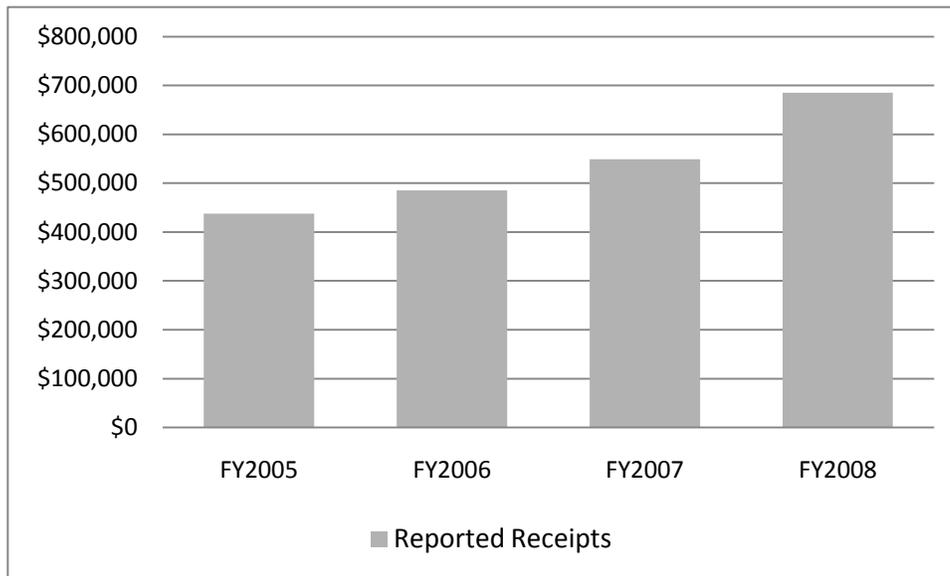


Figure 3. City of Carlsbad Lodgers Tax Receipts

## C. Demographic and Household Characteristics

Carlsbad has a predominantly Anglo population, with a greater percentage of senior citizens than New Mexico on average. The majority of households have one or two people, and about one fourth of seniors live alone.

Thirteen percent of working age adults have disabilities that affect employment, and nearly half of all seniors have some type of disability, including about one-third who have a physical disability.

### 1. Race and ethnicity

Carlsbad's population is predominantly White (75.7%), and 40 percent of residents are Hispanic. When compared to New Mexico as a whole, Carlsbad has a higher percentage of Anglo and Black residents, and less people of Hispanic ethnicity.

Table 2. Race and Ethnicity, 2008

	Race (% of Population)							Ethnicity (% of Population)		
	White	Black	Asian	Native American	Other	Multi-Racial	Total	Hispanic	Non-Hispanic	Total
City of Carlsbad	75.7%	2.3%	1.0%	1.3%	16.8%	2.9%	100.0%	40.0%	60.0%	100.0%
Greater Carlsbad Area	76.9%	2.1%	1.0%	1.3%	16.0%	2.7%	100.0%	37.7%	62.3%	100.0%
Eddy County	74.3%	1.6%	0.6%	1.3%	19.2%	3.0%	100.0%	41.8%	58.2%	100.0%
New Mexico	65.1%	2.1%	1.2%	9.5%	18.1%	4.0%	100.0%	44.4%	55.6%	100.0%

Source: Claritas, Inc., 2008

### 2. Age

The median age of residents in the Greater Carlsbad area is 37.9, higher than the state's median age. In addition, 16 percent of area residents (4,406 people) are 65 or older compared to 12.6 percent for New Mexico. Of those, 2,352 are 75 or older.

Table 3. Population by Age, 2008

	City of Carlsbad	Greater Carlsbad Area	Eddy County	New Mexico
0-17	25.7%	25.1%	26.5%	25.9%
18-64	58.3%	58.9%	59.6%	61.5%
65+	16.0%	16.0%	13.9%	12.6%
Total	100.00%	100.00%	100.00%	100.00%
Median Age	37.2	37.9	36.2	35.4

Source: Claritas, Inc., 2008

### 3. Household Characteristics

In 2008, there were a total of 10,108 households in Carlsbad, and 10,951 in the Greater Carlsbad area.

As is true nationally, household size in Carlsbad is decreasing. Average household size was 2.63 in 1990, dropping to 2.52 in 2000 and an estimated 2.44 in 2008. This trend has created a need for more housing even though the population is slow to increase.

As shown in Table 4, the Greater Carlsbad area has a relatively large proportion of one- and two-person households, nearly 62 percent altogether.

Table 4. Households by Size, 2008

	City of Carlsbad (# Households)	City of Carlsbad (% Total)	Greater Carlsbad Area (# Households)	Greater Carlsbad Area (% Total)
1-person household	2,826	28.2%	3,029	27.7%
2-person household	3,382	33.8%	3,751	34.2%
3-person household	1,628	16.2%	1,776	16.2%
4-person household	1,304	13.0%	1,425	13.0%
5-person household or more	878	8.8%	970	8.9%
Total	10,018	100.0%	10,951	100.0%

Source: Claritas, Inc., 2008

Table 5 shows households by type. Married couples without children make up the largest segment (31.5%), followed by married couples with children (21.8%). There are a number of single parent households as well; 7.8 percent of all households are headed by a single mother (853 total), while 2.9 percent (320 total) are headed by single fathers.

Table 5. Households by Type, 2008

	City of Carlsbad (# Households)	City of Carlsbad (% Total)	Greater Carlsbad Area (# Households)	Greater Carlsbad Area (% Total)
Single Male Householder	1,189	11.9%	1,290	11.8%
Single Female Householder	1,637	16.3%	1,739	15.9%
Married-Couple Family, own children	2,156	21.5%	2,390	21.8%
Married-Couple Family, no own children	3,058	30.5%	3,449	31.5%
Male Householder, own children	294	2.9%	320	2.9%
Male Householder, no own children	175	1.8%	197	1.8%
Female Householder, own children	838	8.4%	853	7.8%
Female Householder, no own children	457	4.6%	492	4.5%
Nonfamily, Male Householder	132	1.3%	138	1.3%
Nonfamily, Female Householder	82	0.8%	83	0.7%
Total	10,018	100.0%	10,951	100.0%

Source: Claritas, Inc., 2008

## 4. Special Populations

### Seniors

The study area has a higher percentage of residents over 65 than Eddy County or the state as a whole. Data from 2000 indicate that over 90 percent of people over age 65 live in households, and nearly two-thirds live in family households. One-fourth of the over-65 population lives alone (primarily female householders), and 8 percent live in group quarters such as nursing homes.

Table 6. Household Type by Relationship for the Population 65 and Over, 2000

	City of Carlsbad	Carlsbad North	Total	%
Total:	4,368	255	4,623	100.0%
In households:	3,992	255	4,247	91.9%
In family households:	2,805	205	3,010	65.1%
Householder:	1,504	106	1,610	34.8%
Male	1,296	106	1,402	30.3%
Female	208	0	208	4.5%
Spouse	1,119	99	1,218	26.3%
Parent	98	0	98	2.1%
Other relatives	72	0	72	1.6%
Nonrelatives	12	0	12	0.3%
In nonfamily households:	1,187	50	1,237	26.8%
Male householder:	277	27	304	6.6%
Living alone	261	27	288	6.2%
Not living alone	16	0	16	0.3%
Female householder:	884	23	907	19.6%
Living alone	879	23	902	19.5%
Not living alone	5	0	5	0.1%
Nonrelatives	26	0	26	0.6%
In group quarters:	376	0	376	8.1%
Institutionalized population	359	0	359	7.8%
Non-institutionalized population	17	0	17	0.4%

Source: US Census, 2000

### People with Disabilities

According to the US Census Bureau, individuals were classified as having a disability if:

- They were five years old or over and reported a long-lasting sensory, physical, mental or self-care disability;
- They were 16 years old or over and reported difficulty going outside the home because of a physical, mental, or emotional condition lasting six months or more; or
- They were 16 to 64 years old and reported difficulty working at a job or business because of a physical, mental, or emotional condition lasting six months or more.

Disability status was not tabulated for persons in institutions, people in the Armed Forces, and people under 5 years old.

Table 7 shows the population by age with different types of disabilities. An individual may report multiple disabilities, so the reported disabilities may be more than the total number of people with disabilities. For 2007, the only data available is the percentage of population by age group that has a disability.

In 2000, nearly nine percent of the adult working age population had some type of physical disability, and 13.2 percent had disabilities that affect employment. For residents who are 65 years or older, 34 percent had some type of physical disability, and 21 percent had disabilities that result in difficulty going outside the home. In 2007, nearly half of all seniors had some type of disability.

Table 7. Disabilities by Age Group

	2000				2007
	City of Carlsbad	Carlsbad North	Total	% of Age Group with Disability	% of Age Group with Disability
Total disabilities tallied:	9,531	446	9,977		
Total population 5 to 15 years	5,744	268	6,012		
Total disabilities for people 5 to 15 years:	382	6	388		10.6%
Sensory disability	91	0	91	1.5%	
Physical disability	85	0	85	1.4%	
Mental disability	160	6	166	2.8%	
Self-care disability	46	0	46	0.8%	
Total population 16 to 64 years	15,494	778	16,272		
Total disabilities for people 16 to 64 years:	5,939	197	6,136		17.8%
Sensory disability	464	10	474	2.9%	
Physical disability	1,405	37	1,442	8.9%	
Mental disability	780	25	805	4.9%	
Self-care disability	346	0	346	2.1%	
Go-outside-home disability	903	23	926	5.7%	
Employment disability	2,041	102	2,143	13.2%	
Total population 65 years and over	4,387	199	4,586		
Total disabilities for people 65 years and over:	3,210	243	3,453		49.5%
Sensory disability	658	43	701	20.3%	
Physical disability	1,098	78	1,176	34.1%	
Mental disability	503	34	537	15.6%	
Self-care disability	270	36	306	8.9%	
Go-outside-home disability	681	52	733	21.2%	

Source: U.S. Census Bureau, 2000 and U.S. Census Bureau American Community Survey, 2007

## D. Economic Trends

Carlsbad’s median household income, \$40, 556, is slightly lower than New Mexico’s as a whole, but is improving at a rate faster than the state’s. Carlsbad has experienced strong job growth, and its unemployment was cut in half from 2000. It has high potential for long-term economic stability and growth. Data from interviews, however, indicate that this is being jeopardized by the shortage of workforce housing.

In addition to workforce housing, there is also a need for low-income affordable housing; about 13 percent of area families live in poverty, especially single mothers and families with children.

### 1. Income

Incomes in the City and the Greater Carlsbad area are slighter lower than for the state as a whole. They have, however, improved significantly since 2000. The median household income from the Greater Carlsbad area grew from \$32,467 to \$42,304 in 2008, a 30 percent increase. (Median income statewide only increased by 25 percent.) Furthermore, while in 2000 only 25 percent of households earned \$50,000 or more, by 2008 nearly 40 percent did.

Table 8. Household Income, 2008

	Household Income (% of all Households)			
	City of Carlsbad	Greater Carlsbad Area	Eddy County	New Mexico
Less than \$15,000	15.8%	15.3%	15.6%	16.1%
\$15,000 to \$24,999	15.2%	14.7%	14.1%	13.1%
\$25,000 to \$34,999	12.5%	11.9%	12.2%	12.5%
\$35,000 to \$49,999	17.4%	16.5%	16.1%	16.5%
\$50,000 to \$74,999	20.1%	20.4%	20.0%	18.5%
\$75,000 to \$99,999	9.0%	9.5%	10.7%	10.1%
100,000 to \$149,999	6.2%	7.0%	7.5%	8.9%
\$150,000 to \$249,999	2.5%	3.2%	2.5%	3.2%
\$250,000 or more	1.3%	1.6%	1.3%	1.3%
Median Household Income	\$40,556	\$42,304	\$42,551	\$42,577

Source: Claritas, Inc. 2008

HUD reports the 2009 median family income in Eddy County to be \$50,038, among the highest in New Mexico, indicating that the estimates for household income in Table 8 may be understated. Households include single person households and households of unrelated individuals, which can include traditionally lower income persons such as students.

## 2. Poverty

Although income overall has risen, many families in the study area still live below the federally-designated poverty level. As of 2008, an estimated 1006 families (13% of all families) lived in poverty in the Greater Carlsbad area. Female-headed households with children and married couples with children were the groups most likely to experience poverty.

Table 9. Families with Income below the Poverty Level

	City of Carlsbad (#Families)	City of Carlsbad (% Total)	Greater Carlsbad Area (# Families)	Greater Carlsbad Area (% Total)
Married-Couple Family, own children	256	3.7%	285	3.7%
Married-Couple Family, no own children	139	2.0%	154	2.0%
Male Householder, own children	123	1.8%	131	1.7%
Male Householder, no own children	5	0.1%	8	0.1%
Female Householder, own children	411	5.9%	395	5.1%
Female Householder, no own children	36	0.5%	33	0.4%
Total in Poverty	970	14.0%	1006	13.0%

Source: Claritas, Inc. 2008

## 3. Employment

Employment in Eddy County has been growing steadily, from 11,697 jobs in 1970 to 22,018 jobs in 2007 (see Figure 4 below).

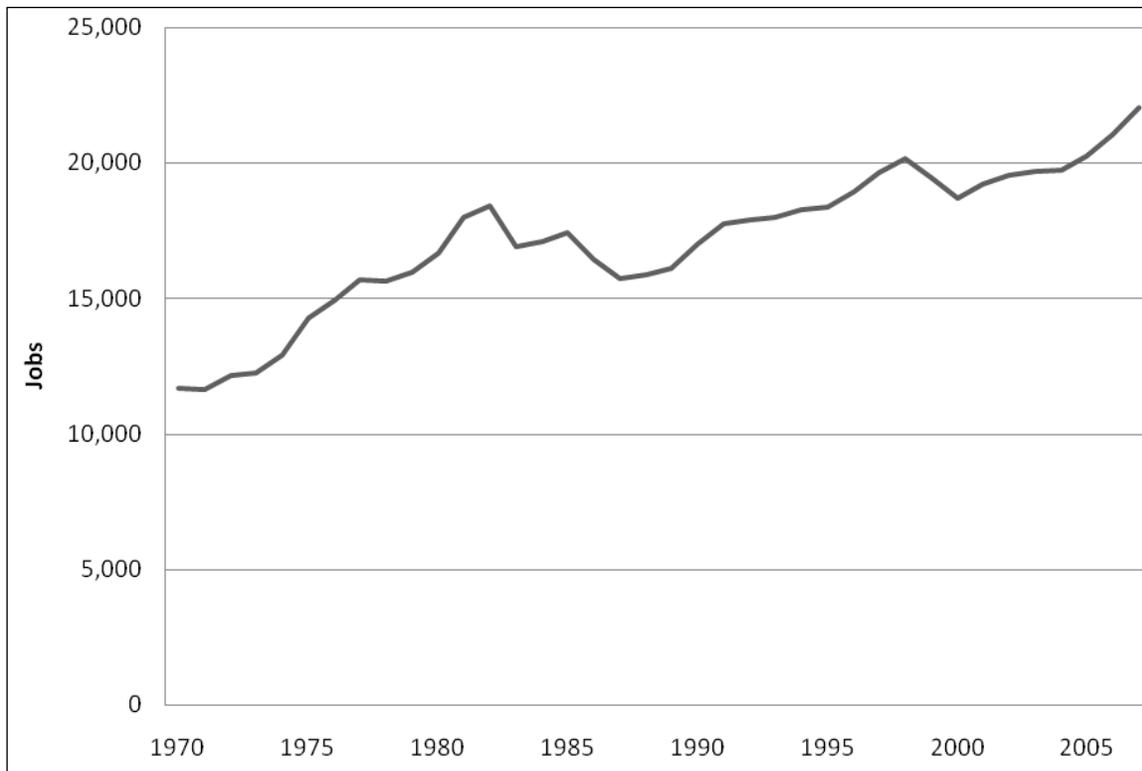


Figure 4. Total Non-Agricultural Employment, Eddy County

Trends by industry, shown in Figure 5 below, do not provide a completely accurate picture of the long-term trend because of changes in the industry classification system in 2001. However, the economy is characterized by fluctuations in the oil and gas economy, and growth in services and public administration.

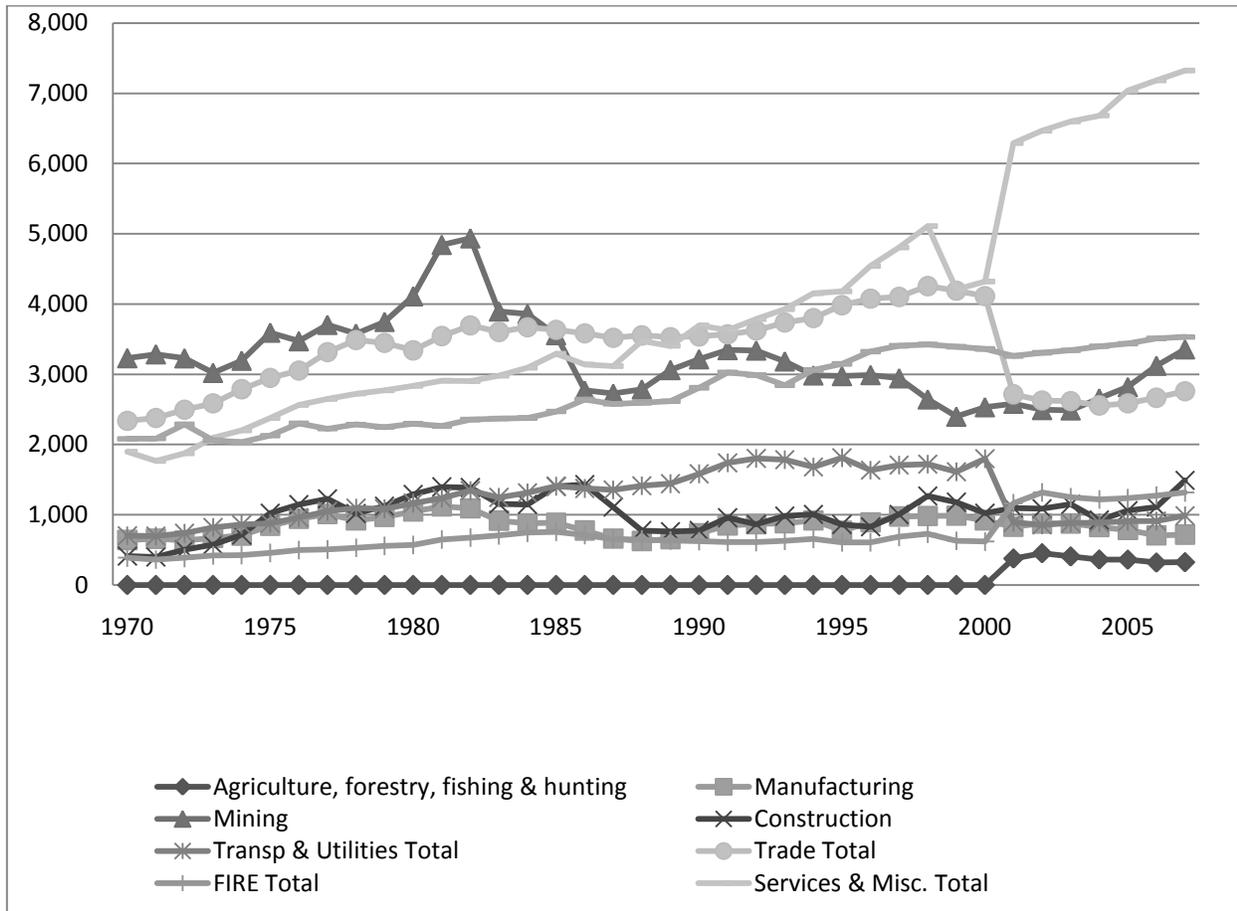


Figure 5. Jobs by Industry Classification

Source: NM Department of Workforce Solutions, 2008; Bureau of Labor Statistics, 2008

From 2000 to 2007, the civilian labor force grew by 13 percent, while the number of employed residents grew by 16.5 percent. Unemployment was cut in half, declining from 5.7 percent in 2000 to 2.8 percent in 2007, lower than the state average. While the local population has been able to absorb job growth until now, the low unemployment rate means that new jobs will increasingly need to be filled by new residents.

#### 4. Industry Trends and Future Outlook

Carlsbad has experienced strong economic growth in the last decade even as the rest of the United States was mired in recessionary conditions. The number of jobs currently surpasses the number of qualified employees. Some jobs are short-term (one to five years), but the majority of employers interviewed noted their need to fill permanent positions.

Carlsbad has high potential for a positive long-term economic outlook. New areas of potential growth include renewable resource industries, medical industries, education, retirees, and tourism. For these possibilities to bear fruit, Carlsbad must have a sufficient supply of housing as well as wide-scale community development and improvement efforts.

##### Natural resources

Natural resource-based economies tend to experience boom and bust periods as global prices and demand rise and fall. The Carlsbad economy has benefited from the high oil prices of the last several years, bringing many high-paying jobs to the area. The future of oil and gas, however, will remain volatile and linked to the global market.

Potash mining has also experienced resurgence. Industry reports indicate strong forecasted demand for potash

through at least 2012, and likely beyond that.

In addition to nonrenewable resources, Carlsbad has the potential to grow in renewable resource industries, such as solar energy and biofuel production.

The boom and bust character of this economic driver puts a strain on the local housing market. When many temporary employees flood the area, the housing market tightens, rents are raised, and those at the lowest income levels are pushed out. Furthermore, developers are wary to build new units (particularly multifamily ones), because of the long-term financial obligation and possibly of profit loss due to the up and down nature of the economy. If built, however, these units would allow more flexibility in the market, and create more room for lower income affordable housing units. This in turn would give employers more flexibility to expand operations, and allow new companies to locate here.

### **Public sector**

Since 1989, the Federal Law Enforcement Training Center in Artesia (FLETC) has been one of three sites in the country that serves as a residential training center in law enforcement for Federal agencies. The Artesia location trains about 1,000 men and women at any one time who live in dormitories on site and are instructed by 300 to 400 staff who reside in the community.

The Waste Isolation Pilot Plant (WIPP) in 1998 was certified to accept and store low level radioactive waste. It has been a source of high-paying jobs for the Carlsbad area.

### **Permian Basin Regional Training Center**

The PBRTC offers fire training for structural fire, public fire prevention, law enforcement, confined space / trench rescue, aircraft fire / rescue, emergency vehicle operations, oil / gas industry, safety, emergency operations, and hazardous materials incidents.

State of the art training takes place in a cityscape with roadways, a two-story observation tower, a five-story hotel training tower, a two-story apartment / retail building, a one-story residence, eight types of outdoor fire training props, live-fire simulators for LPG emergencies, a railroad accident site, car extrication area, and a drafting pit. Mobile fire training for volunteer departments includes a 30-ft mobile structural training unit, a portable fire extinguisher trainer, and an over-the-road tractor. Government agencies and industrial companies also share the center's use.

### **Medical industry**

The Carlsbad Medical Center grew by 250 employees in the last year and still has more than 30 vacancies. It may continue to be a sustainable source of jobs in the community.

The New Mexico State University at Carlsbad (NMSU-C) has a nursing program that has capacity for 55 students per year. Unlike other nursing programs in the state, NMSU-C does not have a two-year waiting list. Furthermore, it has a 95 percent pass rate for the Nursing Board Exam, one of the highest in the state. This should make it very attractive for students from other regions. Unfortunately, interviews suggest that the housing shortage deters prospective nursing students as well as candidates for hospital employment. If this situation were remedied, NMSU-C could help provide a steady stream of new nurses and their families to the area who could remain in Carlsbad through employment at the Medical Center.

### **University**

NMSU-C has had a 20 percent increase in its student body per semester for the last three years. The school currently averages about 1900 students per semester. Many of these are "nontraditional" students, who are returning to higher education, rather than entering right after high school. The majority of the student body is local; only five to ten percent are drawn from other parts of New Mexico or out of state. Administrators expect the University to continue to experience strong growth, and believe that more out-of-area students could be attracted to the school's special programs such as nursing, welding, building trades and digital media. This will depend, in part,

however, on the availability of adequate housing for students and their families.

### **Retirees**

“Baby Boomers,” the generation born between 1946 and 1964, make up nearly one third of the US population. They are currently entering retirement years. According to a 2004 study, 55 percent of Baby Boomers anticipate moving upon retirement. Many communities around the West hope to capitalize on the growing retiree market.

Carlsbad is in its third year of a heavy marketing campaign aimed at attracting retirees to settle in the area. The mild climate, relatively low cost of living, and the Pecos River waterfront facilities and other recreational activities are assets the community can draw upon. So far, there have been 13,000 requests for relocation packets in response to the campaign.

For the retiree movement to contribute significantly to local economic development, however, Carlsbad will have to create an adequate housing supply, an attractive environment and additional amenities. The recession beginning in 2008 has affected many Boomers’ ability to retire and relocate. Hence, Carlsbad must be more competitive. With the above-mentioned amenities in place, the area can expect to see growth due to retiree relocation.

### **Tourism**

Carlsbad has high potential as a tourist destination due to its proximity to Carlsbad Caverns. Though tourism is also subject to the ups and downs of national economic conditions, it is unlikely to wane in the long-term. Currently, however, the lack of amenities, restaurants, entertainment and limited lodging options prevent Carlsbad from capturing the tourist dollars that it could. As with the retiree market, the impact of tourism on Carlsbad will depend on the City’s commitment to community development, not only in housing, but in beautification efforts and small business revitalization.

## **5. Impact of Housing Shortage on Local Economy**

Even though the Carlsbad area economy has experienced strong growth in the last few years, research indicates that it has the potential to grow even more. The lack of workforce housing puts a stranglehold on local business expansion and negatively impacts service provision. It also deters new businesses from locating here. These factors, in turn, can have a long-term detrimental impact on Carlsbad’s potential as a tourist and retiree destination.

By investing in housing development, Carlsbad will also be investing in its local economy. If the housing issues are ignored, an economy with strong potential for growth is destined to stagnate or even decline.

### **Job vacancies and business expansion**

Interviews with local employers show that many operate continually with job openings. This has prevented businesses from expanding or even operating at capacity. Furthermore, prospective companies like restaurants and retail businesses are reluctant to locate in Carlsbad, partly due to the lack of minimum wage workers.

### **Medical industry**

The Carlsbad Medical Center hired nearly 250 people in the last year, and still has 30 to 40 full-time permanent positions available. According to their Human Resources Director, the hospital does not have a hard time finding employees, but rather housing for those employees. In the last year, at least 20 people in vital positions left due to housing issues. Some tired of commuting from as far away as El Paso. Others were turned off by the “hideous” stock of dilapidated housing and left. In several cases, the Medical Center has had to provide housing for employees in order to keep them.

### **Potash mines**

Mosaic Potash hired 60 to 70 hourly employees and 15 to 20 salaried employees in the last year. Traditionally they do not have a lot of turnover, but they anticipate a need to hire an additional 60 employees per year for the next several years to replace workers who will be retiring. Although employee housing has not been a major issue for Mosaic in the past, they acknowledge that it will be very important in the future as they recruit more employees from

other places to relocate in Carlsbad.

Intrepid Mining has also some faced challenges related to workforce housing.

### **University**

NMSU-C hired eight employees in the past six months, and currently has an additional 12 to 15 openings for permanent positions. Aside from these, the University generally has an annual turnover of ten to 12 employees. In recent months, the University has had to provide housing for incoming employees who couldn't find a suitable place to live. Two professors lived in motels. NMSU-C's nursing program also has an additional 20 openings, but many prospective students go elsewhere because they can't find housing in Carlsbad. The University has experienced strong growth in its local student body, but expects that it could attract more students from the outside if there were suitable housing for them.

### **Minimum wage workers**

According to interview data, the housing shortage has severely impacted the pool of minimum wage workers. Rental prices are inflated because of the tight housing supply, even though the quality is low. Meanwhile, moderate to high income households (earning \$100,000 or more, for example) occupy homes priced at much less than 30 percent of their income because there is nothing better available on the market. Lower rent apartments are therefore not available for low-income earners.

This has created an outflow of minimum wage workers from the community. One local businessman notes that his two companies are chronically short by eight to ten employees (10% of his total workforce). Restaurants, hotels, and retail are all impacted by the lack of entry level workers. New establishments are reluctant to locate in Carlsbad because of the shortage of minimum wage workers.

### **Impact on tourism**

Interviews indicate that the shortage of minimum wage workers in Carlsbad has led to poorer service at area restaurants, hotels and retailers. This can tarnish Carlsbad's reputation as a tourist destination. Carlsbad has a tremendous asset in the nearby Carlsbad Caverns, but profiting from tourism requires keeping people in the community to spend money at local businesses. Otherwise, Carlsbad will be nothing more than a pit stop on the way to the Caverns, and tourists will stay in more amendable and attractive communities.

### **Potential as retiree destination**

Carlsbad is in its third year of a heavy marketing campaign to attract retirees. The problem arises when retirees express interest in the community only to discover that there is nowhere to live. This, coupled with a community made unattractive by dilapidated buildings, few restaurants and amenities, and a hospital operating below its potential due to a staffing shortage, is sure to send retirees elsewhere.

## **6. Impact of Industry Trends on Affordable Housing**

As noted above, mining – the core of Carlsbad's local economy – is subject to boom and bust cycles, and hence, its employment needs fluctuate. Unemployment figures for Eddy County indicate that this results in high unemployment during bust cycles and lower unemployment during booms. The changing employment status of workers who remain in Carlsbad makes it difficult for them to qualify for home loans, even though wages tend to be high when workers are employed. The ups and downs of the mining industry also make construction of rental housing risky for developers, as the pool of tenants declines during bust periods. Meanwhile, during boom times, the influx of temporary workers causes the rental market to tighten and drive up housing costs.

One strategy to help address this issue is credit and financial counseling for households who rely on work in the mining industry. This could assist with long-term financial planning and account for their needs during bust cycles.

In addition, new rental housing is needed to alleviate the pressure in the housing market. Interviews with area employers indicate that temporary workers and new (permanent) workers to the area could afford and are willing to

pay market rate for higher quality rentals if those were available. Creating more choices in the rental market would force existing landlords to either upgrade their units and/or reduce lease rates, thereby improving the housing stock while creating more opportunities for affordable units.

A more long-term strategy, which is beyond the scope of this plan, is pursuing economic diversification into more stable industries, to help insulate workers from unemployment and job instability. The Carlsbad Department of Development is working towards this end, and is actively engaged in recruiting new business and industries to the Carlsbad area (see Section D of the following chapter).

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# IV. Housing Assessment

## A. Housing Characteristics

About three-quarters of Carlsbad area housing is made up of single-family detached homes, and owner-occupied homes. The housing stock is outdated; nearly half was built prior to 1960. Nearly a third of housing is in poor or fair condition. Almost 10 percent of area households live in overcrowded conditions.

### 1. Types of Housing

Nearly three quarters of the housing in the study area is single-family detached housing. Ten percent of housing is mobile homes, and 12 percent of housing is multifamily, ranging from duplexes to a few larger complexes of 20 units or more. Housing within the five-mile planning and platting area is predominantly single-family detached housing and mobile homes.

Table 10. Units in Structure, 2008

Units in Structure	City of Carlsbad		Greater Carlsbad Area	
	Total Units	%	Total Units	%
1-unit, detached	8,366	73.1%	9,259	74.5%
1-unit, attached	383	3.3%	381	3.1%
2 units	252	2.2%	249	2.1%
3 to 19 units	748	6.5%	713	2.8%
20 to 49 units	181	1.6%	181	1.0%
50 or more units	195	1.7%	188	3.1%
Mobile Home or Trailer	1,195	10.4%	1,398	10.3%
Boat, RV, van, etc.	132	1.2%	132	0.8%
Total	11,452	100.0%	12,501	100.0%

Source: Claritas, Inc., 2008

### 2. Tenure

Over 70 percent of housing is owner-occupied. Although the vacancy rate within the City in 2000 was over 12 percent, only two percent of all housing units were vacant for sale and six percent were vacant for rent. A total of 391 vacant units were classified as “other vacant,” meaning that they are year-round units which were vacant for reasons other than those listed in the table. For example, these might be held for occupancy of a caretaker or janitor, held for settlement of an estate, or held for personal reasons of the owner. Interviews with apartment managers suggest that the current vacancy rate for rentals is much lower, close to zero.

Table 11. Tenure of Occupied Housing Units, 2000 and 2008

	2000				2008 Estimate			
	City of Carlsbad		Greater Carlsbad Area		City of Carlsbad		Greater Carlsbad Area	
Owner Occupied	7,120	71.5%	7,975	73.2%	7,172	71.6%	8,048	73.5%
Renter Occupied	2,837	28.5%	2,913	26.8%	2,846	28.4%	2,903	26.5%
Total Occupied Units	9,957	100.0%	10,888	100.0%	10,018	100.0%	10,951	100.0%
Vacant Housing Units	1,464	12.7%	1,588	12.7%	1,434	12.5%	1,550	12.4%
Vacant for Sale	244	2.1%	NA					
Vacant for Rent	713	6.2%	NA					
Rented or sold, not occupied	50	0.4%	NA					
For seasonal, recreational or occasional use	65	0.6%	NA					
For migrant workers	1	0.0%	NA					
Other vacant	391	3.4%	NA					

Source: US Census, 2000; Claritas, Inc., 2008

### 3. Mobility

Carlsbad residents are similar to New Mexico in length of time in the same residence. In 2000, 48 percent of households had moved into their residence in the past five years. The Carlsbad North area is more stable, with 36 percent of households having moved into their current residence since 1995. Data for 2007 from the American Community Survey indicates that 77.5 percent of Carlsbad residents lived in the same house as the previous year, while 16.2 percent lived in Eddy County, but in a different house the year before. While need may be perfectly matched with households that are moving, this mobility provides opportunities to gradually improve the housing stock by building new units and eliminating substandard units from the inventory.

Table 12. Year Householder Moved into Unit, 2000

	City of Carlsbad	Carlsbad North	Eddy County	New Mexico
1999 to March 2000	22.5%	10.5%	19.7%	22.1%
1995 to 1998	24.2%	25.5%	25.0%	28.9%
1990 to 1994	17.3%	18.1%	17.5%	16.4%
1980 to 1989	14.3%	21.7%	16.4%	15.2%
1970 to 1979	9.0%	12.0%	9.5%	9.3%
1969 or earlier	12.8%	12.0%	12.0%	8.1%

Source: US Census, 2000

### 4. Age of Housing

Carlsbad's housing stock is very outdated. Nearly 45 percent of the study area's housing was built prior to 1960. New construction in the decades since the 1950s has dropped dramatically, with five to six percent of new housing built in each of the time periods from 1990 to 1998 and since 1998.

Table 13. Year Structure Built

Year Built	City of Carlsbad		Greater Carlsbad	
	Total Units	%	Total Units	%
1999 to 2008	626	5.5%	741	5.9%
1990 to 1998	662	5.8%	679	5.4%
1980 to 1989	1,253	10.9%	1,427	11.4%
1970 to 1979	1,842	16.1%	2,065	16.5%
1960 to 1969	1,847	16.1%	1,991	15.9%
1950 to 1959	2,993	26.1%	3,199	25.6%
1940 to 1949	1,607	14.0%	1,712	13.7%
1939 or Earlier	622	5.4%	687	5.5%
<b>Total</b>	<b>11,452</b>	<b>100.0%</b>	<b>12,501</b>	<b>100.0%</b>

Sources: Claritas, Inc., 2008

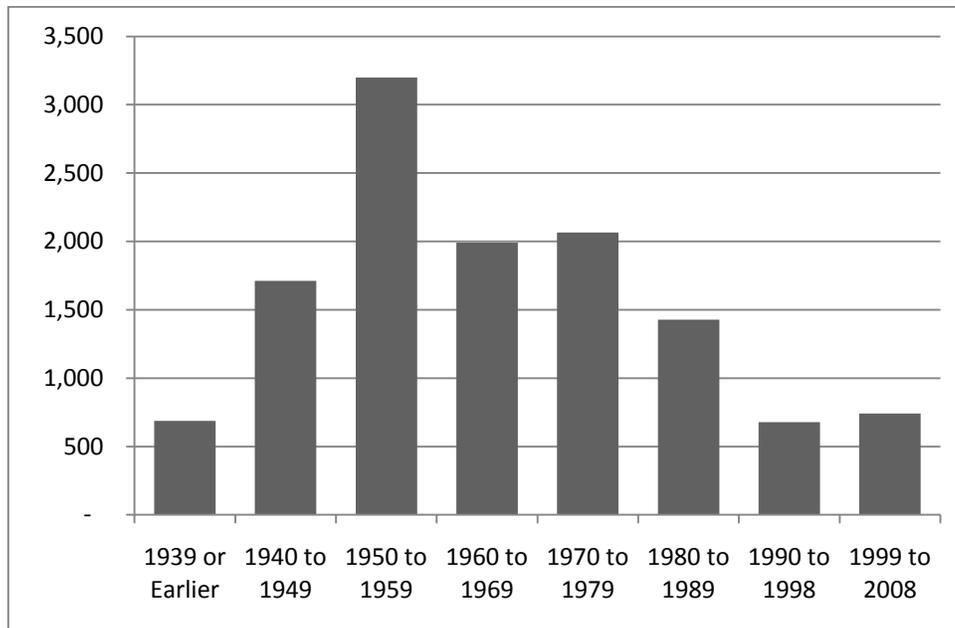


Figure 6. Year Structure Built By Decade, Greater Carlsbad Area  
Source: Claritas, Inc., 2008

## 5. Housing Condition

As part of the Comprehensive Plan, the City conducted a parcel-level windshield survey of housing conditions within the five-mile planning and platting jurisdiction. Dwelling units were rated as good, fair or poor condition. The structures in fair condition require some maintenance but are habitable, and those in poor condition support human habitation with a minimum level of comfort.

The condition survey found that 72 percent of all housing was in good condition, 21 percent was in fair condition, and 8 percent was in poor condition. Manufactured housing, which accounts for about ten percent of the total housing stock, is disproportionately in need of repair and maintenance, with 32 percent in fair condition and 25 percent in poor condition. Multifamily housing and farm residences are also more likely to be in fair or poor condition.

Figure 7 below shows the locations of houses in fair or poor condition. While homes needing maintenance and

repair are scattered throughout the City, some neighborhoods have greater concentrations of these homes, which affects the quality of the entire neighborhood. Interviews with residents suggest that the Happy Valley neighborhood and the area south of Church Street particularly suffer from poor housing stock. These areas also have infrastructure needs that compound the housing quality issues.

The City of Carlsbad previously received funding through the MFA HOME Investment Partnership Program, which provides up to \$50,000 per home to low-income households for a variety of rehabilitation projects. This, however, was not sufficient to rehabilitate and bring up to code houses that required major electrical work, new roofs, or other significant repairs. The City no longer wishes to administer these funds, but encourages individual homeowners and housing nonprofits to do so when appropriate. Depending on the condition of the home, rehabilitation and/or weatherization programs may be beneficial; in some cases, however, demolition and redevelopment may be the best strategy.

## 6. Overcrowding

The Census Bureau determines housing to be ‘overcrowded’ when there are greater than 1 occupant per room, and ‘severely overcrowded’ as greater than 1.5 occupants per room.

According to the 2000 Census, 6.3 percent of renters lived in overcrowded conditions, including 3.8 in severely overcrowded conditions. In owner-occupied homes, 3.1 percent lived in overcrowded conditions, while 0.8 percent lived in severely overcrowded conditions. In total, 9.4 percent of Carlsbad area residents live in overcrowded or severely overcrowded conditions.

Table 14. Population In Overcrowded Conditions, 2000

	City of Carlsbad	Carlsbad North	Total	Percent
Total:	10,064	474	10,538	
Owner occupied:	7,171	467	7,638	100.0%
0.50 or less occupants per room	4,850	378	5,228	68.4%
0.51 to 1.00 occupants per room	2,095	75	2,170	28.4%
1.01 to 1.50 occupants per room	171	6	177	2.3%
1.51 to 2.00 occupants per room	36	8	44	0.6%
2.01 or more occupants per room	19	0	19	0.2%
Renter occupied:	2,893	7	2,900	100.0%
0.50 or less occupants per room	1,668	7	1,675	57.8%
0.51 to 1.00 occupants per room	1,042	0	1,042	35.9%
1.01 to 1.50 occupants per room	74	0	74	2.5%
1.51 to 2.00 occupants per room	86	0	86	3.0%
2.01 or more occupants per room	23	0	23	0.8%

Source: US Census, 2000

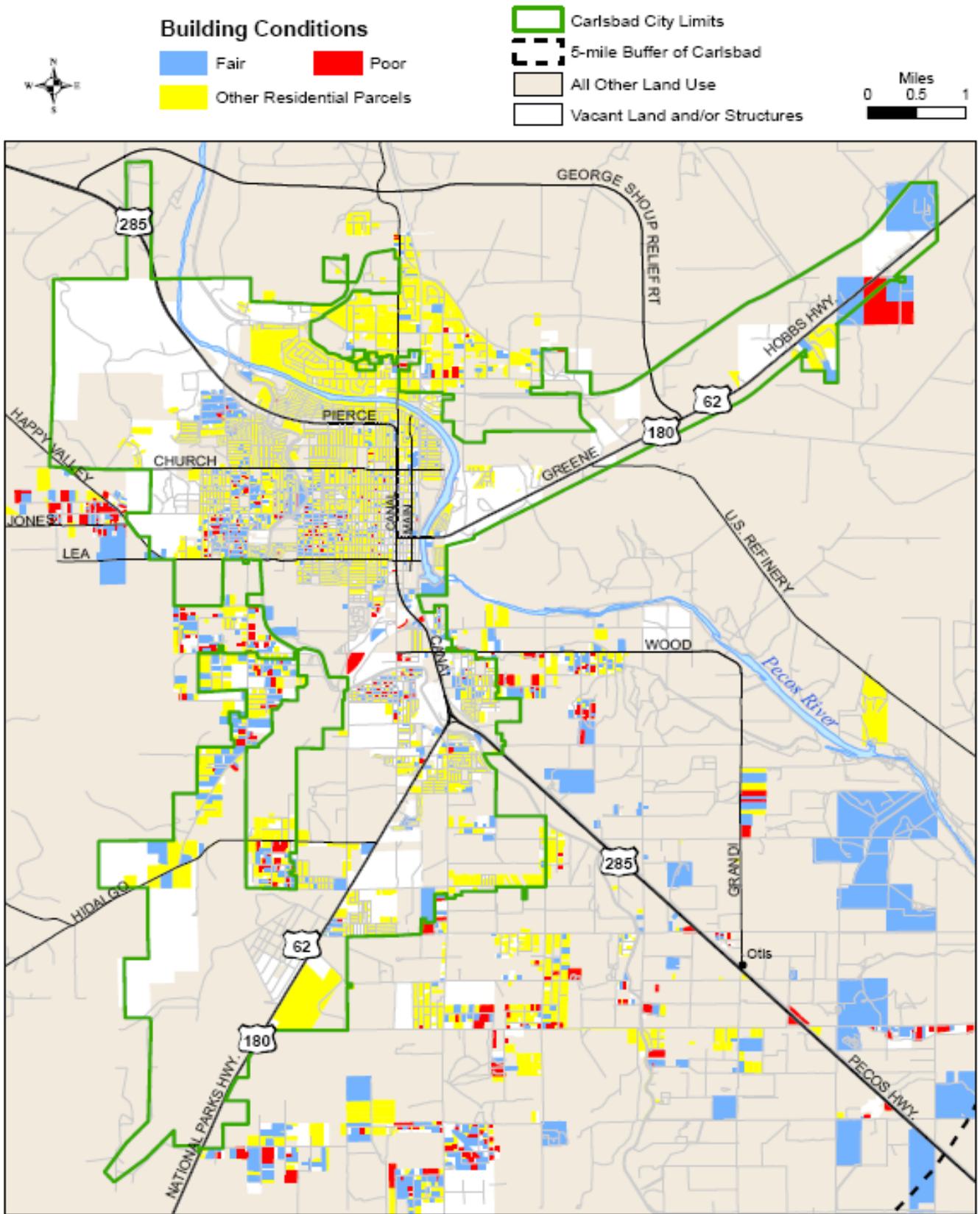


Figure 7. Housing Building Conditions

## B. Housing Affordability

Over 14 percent of homeowners spend more than 30 percent of their income on housing costs, while about one-third of renters do. Low-income households have a far greater tendency to have this cost burden. Unfortunately, low-income housing programs do not meet the current need; the voucher program has a waiting list.

At the same time, many households are spending less than they can afford. Of households earning \$35,000 or more, 80 percent of homeowners and 90 percent of renters spend less than 20 percent of their income on housing. This creates an opportunity for upward mobility in the housing market.

Meanwhile, there are houses for sale that could be affordable to all income brackets. The supply, however, does not necessarily meet the need. The older homes for sale tend to be too small and in poor condition, especially in the lowest price ranges.

### 1. Cost burden

Cost burden is the percentage of household income spent on housing costs and was calculated using Census data from 2000. The recommended maximum cost burden is 30 percent of household income.

Figures 8 and 9 show the percentage of income spent on housing costs for homeowners and renters at various income levels. Both graphics indicate that as household income decreases, the burden of housing costs increases. For instance, over half of owner-occupied households with incomes below \$10,000 paid 35 percent or more in housing costs, and 23.5 percent of households with incomes between \$10,000 and \$19,999 paid 35 percent or more. In total, 637 homeowners of various income levels paid more than 35 percent of household income for housing costs, and 273 homeowners paid between 30 and 34 percent in 2000. A total of 14.2 percent of homeowners have a housing cost burden of 30 percent or more.

Meanwhile, more than 80 percent of households earning \$35,000 or more spend less than 20 percent of their income on housing costs. This indicates that they are living well within their means and could afford to upgrade and move into a more expensive home if housing stock were available.

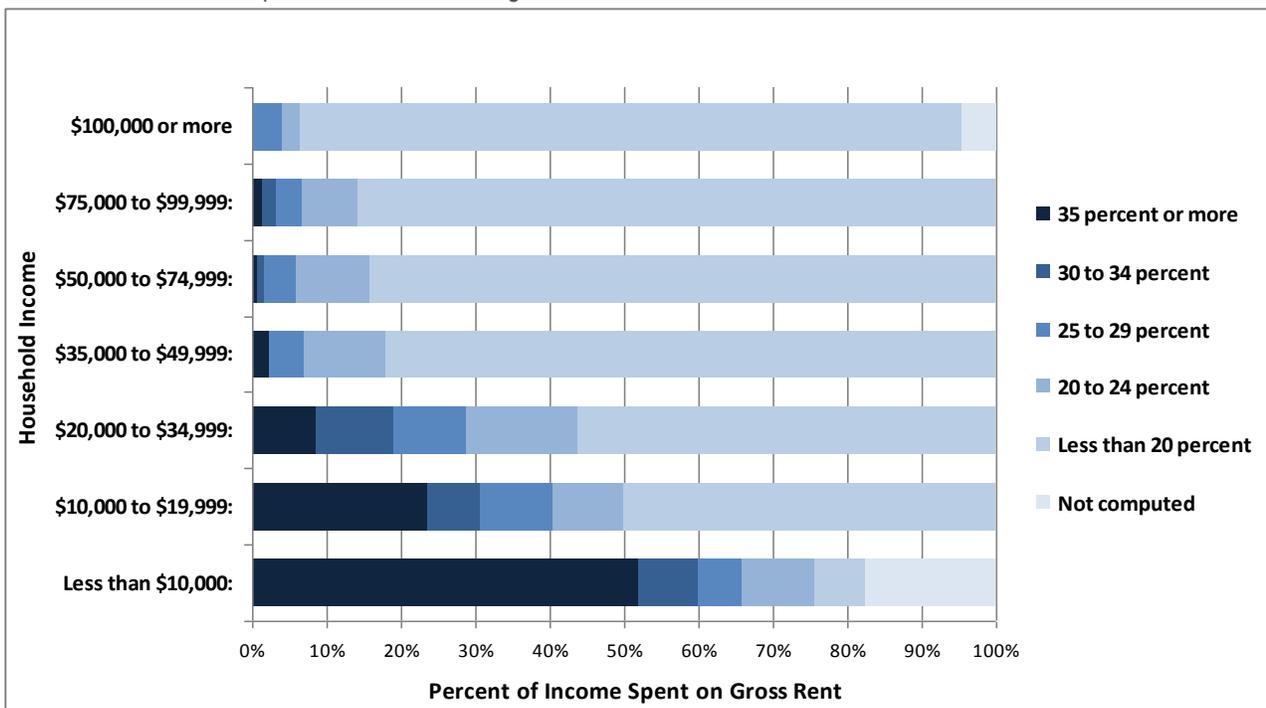


Figure 8. Housing Costs as a Percent of Income by Income Level, Owners, 2000

The housing cost burden for renters is worse than for homeowners, at least in the lowest income brackets. Sixty percent of renters with household incomes below \$10,000 paid more than 35 percent of their income for rent and related expenses (including utilities), and 40 percent of those with household incomes of \$10,000 to \$19,999 paid more than 35 percent of household income for rent. In total, 781 renter households paid more than 35 percent of income for rent, and 200 paid 30 to 34 percent in 2000. All in all, 33.9 percent of renter households have a cost burden of 30 percent or more.

Higher income households, however, fare better. Ninety percent of renter households earning \$35,000 or more spend less than 20 percent of their income on housing-related costs. As with homeowners, this indicates that many tenants could move into higher-priced rentals if they were available.

Interviews with area Realtors®, developers and apartment managers support the data presented here. Because of the shortage of apartments, rentals can charge higher prices, even for low quality housing. Because there is nothing else available, higher income households are living in overpriced yet rundown apartments. They could afford to pay more for a better place, but nothing is available. Meanwhile, minimum wage workers and those in the very lowest income brackets either cannot find a place to rent, or are paying an excessively high portion of their income on very low-quality housing.

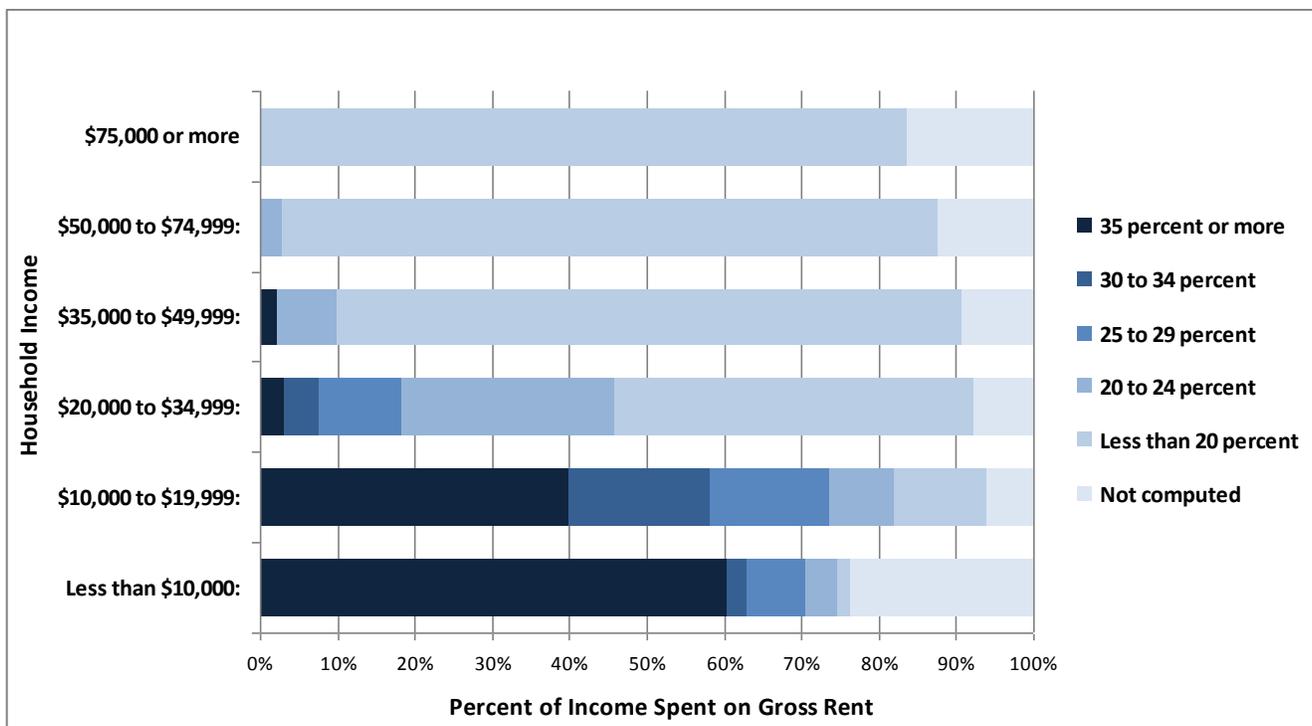


Figure 9. Gross Rent as a Percent of Income by Income Level, Renters, 2000

Data for 2008 regarding cost burden is not available. However, by assuming that there are the same proportion now as in 2000 of renters and owners by income bracket, as well as the same proportion of households with a high cost burden, it is possible to estimate the current number of households with a high cost burden by income bracket. These are shown in the table below.

Table 15. Cost-burdened Households by Tenure and Income Level, 2008 estimate

Household Income	\$Less than 35,000*	\$35,000 to \$49,999	\$50,000 to \$74,999	\$75,000 or more
Renter households paying 30% or more on housing costs	780	8	0	0
Homeowner households paying 30% or more on housing costs	837	34	34	70
TOTAL	1617	42	34	70

Source: US Census, 2000; Claritas, Inc., 2008

\*Note: Because of differences in the categories for 2000 and 2008 household income data, it is not possible to directly compare the number of households in more specific categories with income levels of less than \$35,000.

## 2. Housing Affordability of Homes for Sale

Information regarding homes for sale was analyzed to determine affordability of the homes currently on the market, as of October-November 2008. Affordable housing prices were calculated based on income ranges, as shown in Table 16. Actual affordability varies based on current interest rates, the term of the loan, down payment amount, insurance and tax costs, and other household debts. Affordability was calculated based on the following assumptions:

Down payment: 5%<sup>1</sup>

Interest Rate: 6%

Loan term: 30 years

Property tax: 0.69% of value (calculated using Carlsbad property tax rates and assuming property is appraised for tax purposes at its actual value)

Private mortgage insurance: 0.5% of value

Maximum amount of housing payment: 28%

Maximum amount of all housing costs, including utilities, maintenance, etc.: 36%

Using these calculations, the range of affordable house prices for each income bracket was determined. For example, a household making \$50,000 to \$74,999 per year could afford to purchase a home in the range of about \$176,000 to \$265,000.

<sup>1</sup> Note that first-time homebuyers obtaining FHA loans are only required to make a 3% down payment. This would raise monthly mortgage costs, which will have a slight impact on affordability. Since incomes in Carlsbad are relatively high, the down payment may be the critical factor. Higher down payments affect a household's ability to purchase a home.

Table 16. Housing Affordability by Estimated 2008 Income, Greater Carlsbad Area

Annual Income	Affordable House Price	
	Low	High
Less than \$15,000	\$ -	\$ 52,937.65
\$15,000 - \$24,999	\$52,941.18	\$88,231.76
\$25,000 - \$34,999	\$ 88,235.29	\$123,525.88
\$35,000 - \$49,999	\$123,529.41	\$176,467.06
\$50,000 - \$74,999	\$176,470.59	\$264,702.35
\$75,000 - \$99,999	\$264,705.88	\$352,937.65
\$100,000 - \$149,999	\$352,941.18	\$529,408.24
\$150,000 - \$249,999	\$529,411.76	\$882,349.41
\$250,000 - \$499,999	\$882,352.94	\$1,764,702.35
\$500,000 and more	\$1,764,705.88	\$ -

Source: Claritas, Inc., 2008; Sites Southwest

Because housing assistance programs tend to use median family income to determine eligibility, the following table was generated to provide affordable housing costs. The 2009 median family income for Eddy County was used.

Table 17. Housing Affordability by 2009 Eddy County Median Family Income

% Median Family Income	Annual Income	Affordable House Price
100% MFI	\$50,038.00	\$ 176,604.71
80% MFI	\$40,030.40	\$141,283.76
60% MFI	\$30,022.80	\$105,962.82
50% MFI	\$25,019.00	\$88,302.35
40% MFI	\$20,015.20	\$70,641.88
30% MFI	\$15,011.40	\$52,981.41

Source: HUD 2009; Sites Southwest

Figure 10 illustrates the comparison between housing available for sale and the percentage of Greater Carlsbad area households that can afford that housing (as of October-November 2008). For example, households earning less than \$15,000 per year represent 15 percent of all households, but less than seven percent of the housing for sale is affordable for these families.

Even though homes are available in all affordability ranges, affordability is only one of the criteria that a family considers in choosing housing. Housing priced below \$50,000 tends to be older rentals (investment properties), 1,200 square feet or less in size, and one to two bedrooms. The characteristics of this housing may not meet the needs of low-income families. Realtor® interviews suggest that available housing does not, in fact, meet prospective homebuyers' needs, who are looking for larger and better-maintained or new housing.

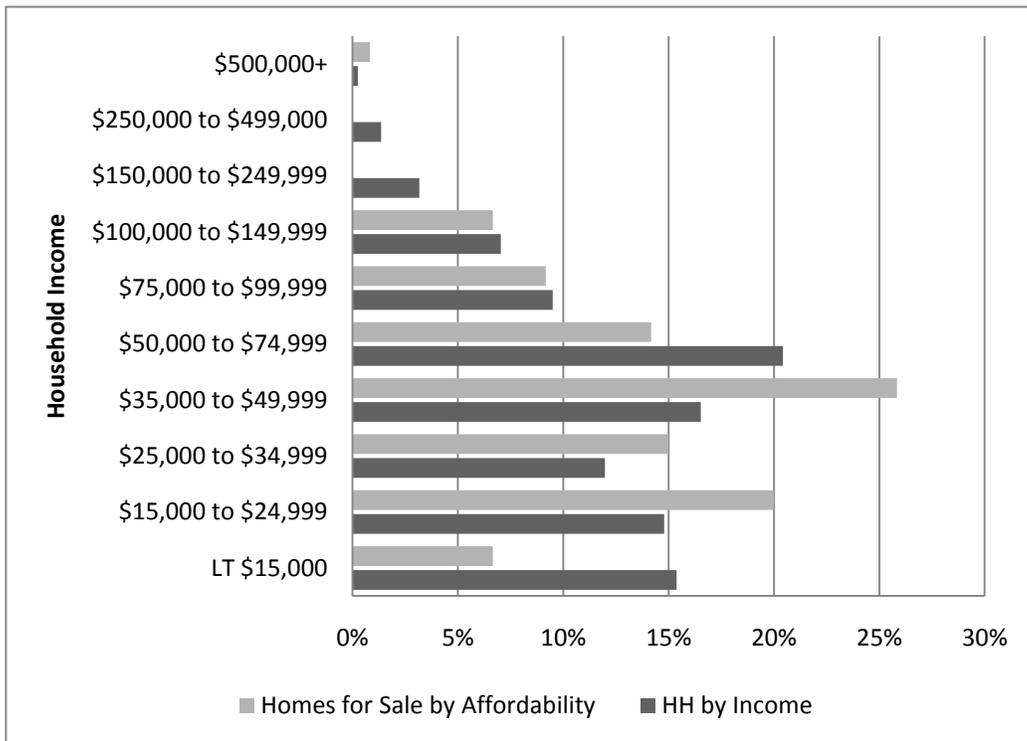


Figure 10. Housing Availability Compared to Affordability

### 3. Housing Affordability of Rental Units

Using 2009 HUD data for Eddy County median family income combined with information about rentals in the Carlsbad area, it is possible to estimate the affordability of different types of units at different income levels. The left side of Table 18 below indicates the median family income - \$50,038, and different percentages of the median. The right half of the table shows the median price of 1-, 2-, and 3-bedroom rental units in Carlsbad, and the percentage of monthly income a family would have to spend to live in that unit. Units deemed affordable are white; units deemed moderately affordable are shaded with a patterned dot, and units deemed unaffordable are shaded in grey. The least affordable units, costing a family more than 35% of their income, are the darkest grey.

Table 18. Affordability of Rental Units, 2009

Eddy County Median Family Income (2009)		2009 Median Rental Prices by Number of Bedrooms		
		1 BR	2 BR	3BR
		\$550	\$605	\$795
		<b>Percentage of Income Spent on Housing</b>		
100% MFI	\$50,038.00	13.2%	14.5%	19.1%
80% MFI	\$40,030.40	16.5%	18.1%	23.8%
60% MFI	\$30,022.80	22.0%	24.2%	31.8%
50% MFI	\$25,019.00	26.4%	29.0%	38.1%
40% MFI	\$20,015.20	33.0%	36.3%	47.7%
30% MFI	\$15,011.40	44.0%	48.4%	63.6%

As shown, rental housing becomes unaffordable for families earning 60% or less of the median income when they need 3-bedroom units. All rental units become unaffordable for families earning 40% or less of the median family income. Subsidies to assist very low income renters are discussed in the following section.

#### 4. Subsidies Needed: Renters and Owners

The tables below were developed to help determine the need and feasibility of creating subsidies for low-income families. The estimated 2009 median family income for Eddy County, as determined by HUD, is the starting point for estimates of the need for a housing subsidy.

Subsidies needed to make housing affordable to renters should be targeted to families earning 40% or less of the median family income or larger families needing 3-bedroom units earning 50% of the median income.

Table 19. Subsidies Needed for Renters at Various Income Levels

Eddy County Median Family Income (2009)		Maximum affordable monthly payment*	Monthly Rental Subsidy Required		
			1 BR	2 BR	3 BR
			\$550	\$605	\$795
100% MFI	\$50,038.00	\$1,250.95	n/a	n/a	n/a
80% MFI	\$40,030.40	\$1000.76	n/a	n/a	n/a
60% MFI	\$30,022.80	\$750.57	n/a	n/a	n/a
50% MFI	\$25,019.00	\$625.48	n/a	n/a	\$169.53
40% MFI	\$20,015.20	\$500.38	\$49.62	\$104.62	\$294.62
30% MFI	\$15,011.40	\$375.29	\$174.72	\$229.72	\$419.72

\*Note: This amount includes the cost of utilities.

It must be highlighted that the maximum affordable monthly payment includes the cost of utilities. Therefore, housing units made available to renters participating in subsidy programs must either include the cost of utilities in the rent, or an additional voucher/subsidy program must be provided to help cover those costs.

Table 20 shows the cost to build a home at 1200, 1400, and 1600 square feet at three different construction cost levels - \$107, \$114, and \$122 per square foot – that were determined to be appropriate for the Carlsbad area based on developer interviews. The right side of the table shows the subsidy that would be required to make these homes affordable to families at various income levels, assuming they are paying 30% of income on housing costs.

Table 20. Potential Subsidies Needed for Homebuyers at Various Income Levels

Prices of New Homes by Size and Quality		Maximum Affordable House Price at:					
		100% MFI	80% MFI	60% MFI	50% MFI	40% MFI	30% MFI
		\$176,604.71	\$141,283.76	\$105,962.82	\$88,302.35	\$70,641.88	\$52,981.41
		Subsidy Required					
<b>1200 sq ft</b>							
at \$107/sq ft	\$128,400.00	n/a	n/a	\$22,437.18	\$40,097.65	\$57,758.12	\$75,418.59
at \$114/sq ft	\$136,800.00	n/a	n/a	\$30,837.18	\$48,497.65	\$66,158.12	\$83,818.59
at \$122/sq ft	\$146,400.00	n/a	\$5,116.24	\$40,437.18	\$58,097.65	\$75,758.12	\$93,418.59
<b>1400 sq ft</b>							
at \$107/sq ft	\$149,800.00	n/a	\$8,516.24	\$43,837.18	\$61,497.65	\$79,158.12	\$96,818.59
at \$114/sq ft	\$159,600.00	n/a	\$18,316.24	\$53,637.18	\$71,297.65	\$88,958.12	\$106,618.59
at \$122/sq ft	\$170,800.00	n/a	\$29,516.24	\$64,837.18	\$82,497.65	\$100,158.12	\$117,818.59
<b>1600 sq ft</b>							
at \$107/sq ft	\$171,200.00	n/a	\$29,916.24	\$65,507.18	\$82,897.65	\$100,558.12	\$118,218.59
at \$114/sq ft	\$182,400.00	\$5,795.29	\$41,116.24	\$76,707.18	\$94,097.65	\$111,758.12	\$129,418.59
at \$122/sq ft	\$195,200.00	\$18,595.29	\$53,916.24	\$89,507.18	\$106,897.65	\$124,558.12	\$142,218.59

In general, very large subsidies would be required to make ownership of a new home affordable for the lowest income households. In addition, it could be irresponsible to burden these households with the long-term debt obligation involved in owning a home. Below a certain income level, renting may be a better short-term housing solution, coupled with financial counseling, job training and other measures to improve a family's financial capacity to own a home.

Subsidizing home ownership may, however, be appropriate for certain families earning 60% to 100% of the median family income. One option for a homeownership subsidy is utilizing a soft second loan program. Soft second mortgages have a reduced or zero interest rate and will often cover up to 20% or more of the total loan. Some programs include loan forgiveness if a home has been continuously owner-occupied for a certain length of time. The New Mexico Mortgage Finance Authority (MFA) offers four different down payment assistance programs, each of which work as a 0% interest second mortgage available through an MFA approved lender. Income limits and home price limits apply.

Currently there is a housing subsidy element involved in the CCDC Construction Trades Program (see Section D). The donation of land, labor, and some building materials reduces development costs significantly. Depending on the income level of the purchaser, the final cost to the buyer will range from about \$55 to \$75 per square foot. Three-bedroom houses built are around 1250 sq ft, and four bedroom homes around 1360 square feet.

### **5. Housing at risk of no longer being affordable**

The initial review of homes for sale in October-November showed that of the 43 homes priced below \$100,000, 17 are currently rentals, and several of those are FLETC rentals<sup>2</sup>. The concern here is the risk that short-term tenants can outbid longer-term residents for rental housing.

### **6. Low-income housing**

According to the Region VI Housing Authority, 113 people in Carlsbad receive housing assistance payments of \$525/month. As of January 2009 there were 32 people on the Section 8 voucher waiting list, but this had been closed for six months due to a lack of funding.

The Mesa Grande Apartment complex used to provide low-income housing, but was bought by the private sector and now rents at the market rate. The Mission Apartments provides 68 units to qualifying low-income households. Nevertheless, there is an unmet demand for low-income housing.

## **C. Housing Market Trends**

The housing market in Carlsbad has been greatly impacted by the location of the Federal Law Enforcement Training Center (FLETC) in Artesia. Some 300 to 400 staff members at any one time – primarily U.S. Border Patrol – are required to find housing individually in the surrounding communities. They each receive a \$60 housing per diem as well as a \$32 per diem food allowance. This allows them to pay at least \$1,800 a month to rent an apartment, house or motel room, and government regulations prohibits them from doubling up. Rentals with three bedrooms and two baths that are fully furnished can qualify to become FLETC rentals at a rate of \$2,100 a month. Many single-family detached homes with these characteristics were converted to FLETC rentals, which took them out of the homebuyer market and put more pressure on multifamily complexes.

As of October-November 2008, a total of 120 homes were for sale, significantly less than in previous years. The rental market is also extremely tight. Of the apartment complexes contacted, none had vacancies, and most had waiting lists of at least 20 people.

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<sup>2</sup> Note that as of February 2009, a total of 104 homes priced under \$100,000 were listed as available.

Manufactured housing or mobile homes continue to be an important source of housing in Carlsbad, and accounted for 20 percent of the new housing since 2000 in the 2008 estimate.

Since 2000, 377 building permits have been issued for single-family residences, averaging about 40 per year. The only recent multifamily activity was for seven permits issued in 2008.

### 1. Housing costs and sales prices

The table below lists the total number of residential lots and units sold, as well as the average house sale prices and number of listings for 2003-2008. As shown, the most home sales took place in 2005, while the number of lots sold soared in 2007. The average price of home sales has risen steadily, and reached \$139,608 in 2008. The median sale price for homes in 2008 was \$125,000.

Table 21. Housing Sales over Time

	2003	2004	2005	2006	2007	2008
Total Residential Units Sold	355	381	488	437	416	377
Average Price – Units Sold	\$86,019	\$95,157	\$95,987	\$114,181	\$130,137	\$139,608
Total Residential Lots Sold	30	23	28	40	71	19
Listings as of 12/31	137	150	112	121	122	140

Source: Carlsbad Multiple Listing Carlsbad Board of Realtors, 2009

A total of 120 homes were on the market as of October-November 2008. This is much lower than the two percent vacancy rate preferred in owner housing to enable freedom of movement within the market. The 2000 Census showed 244 homes vacant for sale, and Realtor® interviews noted 297 homes for sale in 1986 (in the midst of a no growth period).

Data regarding homes for sale was collected during October and November 2008 from local Realtors® and Realtor® websites to create a snapshot of available housing characteristics and prices. Information was obtained for 120 homes for sale from websites and the Carlsbad Current-Argus. Prices ranged from \$20,000 to over \$1 million. Most homes were single-family detached, although there were some modular homes and multifamily properties. A number of the properties at the low end of the price range were rentals.

Table 22 shows the count of houses for sale by price range.

Table 22. Houses for Sale, 2008

Listing Price Category	Number of Bedrooms					Total
	1	2	3	4	Not Reported	
Price Not Reported			1	1		2
LT 50,000	2	5	1			8
50,000-99,999	1	17	13	2	2	35
100,000-249,999		5	34	8	3	50
250,000-499,999		2	15	6	1	24
Over 1,000,000					1	1
<b>Total</b>	<b>3</b>	<b>29</b>	<b>64</b>	<b>17</b>	<b>7</b>	<b>120</b>

The median listing price was \$135,000, and the average listing price was \$175,819.

In addition to homes for sale, 21 homes in pre-foreclosure were listed, with listing prices ranging from \$28,004 to \$242,768. The median price of these homes was \$66,310.

## 2. Rental market

Apartment complexes were contacted to obtain a snapshot of apartment vacancies and rental rates.

As shown in Table 23, the rental market is extremely tight. Of the apartment complexes contacted, none had a single vacancy, and all had waiting lists. Managers interviewed indicated that the rental market has grown tighter in the last year, but that vacancy has been low for the last several years. The owner of one complex said that he has not had a vacancy since he purchased the apartments in 2002.

Table 23. Apartment Rental Availability, January 2009

Name	Total Units	1 BR	2 BR	3 BR	Vacancies	# on Waiting List
Vista del Rio	112	32	56	24	0	60+
Mesa Grande	72	20	20	32	0	100-150
Riverwood	50	8	42	0	0	25-30
Cielo Vista	49	26	21	2	0	20-30
Vista del Sol	48	24	24	0	0	27
Tia Maria	40	0	40	0	0	5

Rental rates were also determined. It should be noted that subsidized low-income housing units were not included in the tabulation, nor were FLETC rentals. Interviews suggest that prices overall have been inflated because of the FLETC rentals, however. Rents sometimes varied based on type of unit (two-bedroom flat compared to two-bedroom townhome) and length of lease (yearly, six months, or month-to-month).

Table 24. Average Rental Rates, January 2009

	1 BR	2 BR	3 BR
<b>Lowest Rent</b>	\$450	\$565	\$695
<b>Highest Rent</b>	\$595	\$925	\$975
<b>Average Rent</b>	\$530	\$640	\$820
<b>Median Rent</b>	\$550	\$605	\$795

## 3. Manufactured housing

Manufactured housing represented an estimated 10.3 percent of the Greater Carlsbad area housing stock in 2008. This is an increase from 9.5 percent in 2000. Manufactured housing or mobile homes accounted for 20 percent of new housing since 2000 in the 2008 estimate.

## 4. New construction activity

New single-family residential construction in the City of Carlsbad has fluctuated over the past ten years, with the lowest amount of new construction in 2000 with 25 new homes and the highest amount in 2007 with 63 new homes. Few multifamily units have been built; building permits were issued for 72 multifamily units in 1998, four in 1999 and seven in 2008 as of October. Before that, the most recent multifamily complexes were built in the early 1980s.

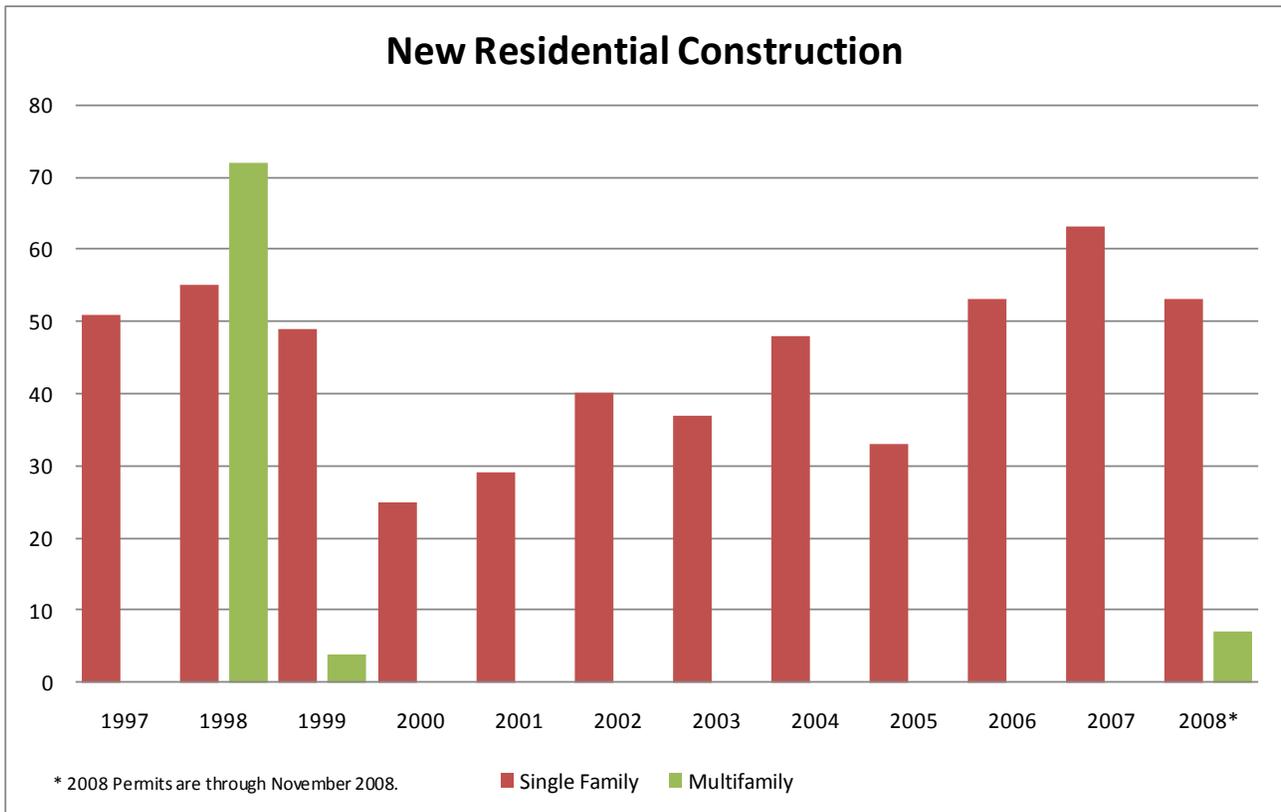


Figure 11. New Residential Construction

## D. Existing Support for Housing Development: Local Organizations and Programs

In addition to local political leadership, Carlsbad has a core of businesspeople, community members and organizations that have demonstrated commitment and ingenuity in addressing the area housing shortage. Several of these groups and their programs are outlined here. Many of the programs are in early stages and their positive impacts may not be felt for several years. They do, however, provide a strong base from which to move forward.

### 1. Carlsbad Community Development Corporation (CCDC)

The Carlsbad Community Development Corporation (CCDC) is a nonprofit formed in 2007, dedicated to “revitalizing the Carlsbad, NM community” through “the promotion of educational projects, community enhancements and charitable activities.”

#### Construction Trades Program

The organization’s most ambitious project to date is the Construction Trades Vocational Training Program (CTVTP), created in conjunction with New Mexico State University-Carlsbad (NMSU-C), area high schools and the City of Carlsbad. The primary goals of this program are 1) to create a trained workforce in construction trades and 2) to provide affordable housing for low-income families. The program also helps beautify and improve the community by building new homes on infill lots that were condemned by the City.

The program aims to train and certify 100 high school students per year in construction trades including carpentry, roofing, electric trades, plumbing, drywall, concrete, masonry, floor coverings, painting and landscaping. Students will have hands-on experience by building at least one home per year, which will then be sold to a qualified low-to-moderate income family.

During its first year (2007-08), 118 students participated in the program. The first house was built and sold, another is currently under construction, and a third is in the initial development stages. The CCDC has four additional infill lots dedicated to the program, and will continue to receive lots as the City condemns properties and donates them to the organization.

Phase 2 of the CTVTP will expand the program to displaced and underemployed adults through post-secondary certificate programs, classes, apprenticeships and the creation of an Associate in Applied Science Building Trades Technology Degree at NMSU-C. This component aims to reach alternative labor populations including at-risk youth, women, people in the criminal justice system and returning veterans. Eventually, the CCDC hopes to have the capacity to construct three homes per year available for low- to moderate-income families.

### **Housing Rehabilitation**

The CCDC has worked to create a partnership with the Southeast New Mexico Community Action Corporation (SNMCAC) and the New Mexico Mortgage Finance Authority that will allow students in the construction trades program and other volunteers to provide housing rehabilitation services. Currently this program is not running, and may fall under the purview of the Southeast New Mexico Community Action Corporation in the future (see below).

### **Homebuyer Education**

The CCDC 2008-2010 Strategic Plan lays out a variety of educational objectives aimed at helping families achieve greater financial stability. Specifically, the CCDC hopes to provide/promote trainings, seminars and counseling that will improve area families' financial literacy, help prevent foreclosures, support first-time homebuyers, and assist private developers in marketing affordable housing efforts.

### **Affordable Housing – Modular Homes**

The CCDC is currently pursuing the Foundation for Building program through the Region VI Housing Authority. This program will provide infill housing of modular homes on six lots in Carlsbad for low-income families.

## **2. Southeast New Mexico Community Action Corporation (SNMCAC)**

The Southeast NM Community Action Corporation (SNMCAC) is a nonprofit founded in 1965 that serves Eddy, Otero, Chaves, Lea, and Lincoln Counties. Its mission is to “change lives by developing human, social, educational and economic resources to their fullest potential.”

Currently, SNMCAC provides assistance paying rent, mortgage and/or utility bills for qualified low-income applicants, funded by a Community Service Block Grant. SNMCAC has also entered into a partnership with Group Workcamps that will allow youth and teens to rehabilitate the homes of elderly, disabled, and low-income community members.

Aside from these existing programs, SNMCAC is expanding its capacity to create a Housing Program serving Eddy County. It will be able to act as a lead agency and coordinate housing development efforts in the area. This will fill an important gap in leadership.

The organization's Strategic Plan 2007-2009 identified a number of priority areas and proposed strategies to address these. They include homebuyer and community education, housing rehabilitation, a “self help” housing program where families can use labor (“sweat equity”) as a down payment, and possibly acting as a rental housing developer. SNMCAC may engage in housing rehabilitation in the future as well.

## **3. Region VI Housing Authority**

The Housing Authority serves Chaves, Lea, Otero, Eddy and Lincoln Counties. The Authority administers tenant-based assistance programs and project-based assistance programs. Tenant-based programs allow families who meet certain income requirements to receive vouchers and search for affordable housing on their own. Project-based programs are specific housing units that offer an affordable rent to qualified tenants. The Authority also runs

the voluntary Family Self-Sufficiency program to help clients improve their economic situation and reduce dependence on public assistance.

#### **4. Habitat for Humanity**

Habitat for Humanity Carlsbad Area (HFH-C) is a nondenominational Christian housing ministry that provides affordable homes for very low income families who can invest 500 hours of “sweat equity” in home construction and repay the cost through a 20-year, no-interest mortgage loan. HFH-C is an all-volunteer organization that relies on the support of local communities to assist with the primary goal of building two homes each year for low-income families. Fifteen homes have been completed in Carlsbad and occupied by families since the program’s inception in 1999.

#### **5. Transitional Housing Programs**

There are currently two small-scale projects in the area that address homelessness. Refuge Adonai provides beds for three adults who are allowed to stay for one night only. The Carlsbad Transitional Housing and Homeless Shelter provides homes for two families. The families must agree to abstain from using drugs and alcohol, and in turn receive educational, career and other needed services. Families are allowed to stay for up to one year (negotiable) until they are able to find and afford adequate housing on their own.

#### **6. Carlsbad Department of Development**

The Carlsbad Department of Development (CDOD) is a private nonprofit corporation, created in 1966, which aims to improve job retention and creation in Carlsbad and South Eddy County. The CDOD recognizes the impact of the housing shortage on local economic development, and is addressing this by acting as a facilitator for developers.

##### **Development Services**

The CDOD plans to offer resource information to for-profit developers. The CDOD will meet with developers and offer assistance as determined by the CDOD Board Members.

Currently, the CDOD website provides information about developer financial incentives (the Infrastructure Reimbursement Program), local zoning maps, demographic data, and contact information for area real estate professionals and Realtors®. The CDOD is also developing an online catalog of vacant and available lots with property information and contacts.

##### **Economic Development**

The CDOD, recognizing its role in local economic development, emphasizes the need for additional housing options across all economic strata and will continue to work with for-profit (market value) developers. The organization is working to expand the local economic base and insulate it from the boom and bust cycles that often plague natural resource-based economies, such as Carlsbad’s. This helps ensure continued growth and employment opportunities regardless of individual market fluctuations.

The CDOD actively recruits retail businesses, restaurants and consumer service companies to the Carlsbad area, and assists existing businesses, federal operations, and other nonprofit organizations in Carlsbad and South Eddy County with improving or expanding their operations. Since finding reliable employees, managers, and other degreed and non-degreed professionals is a concern for area employers, the CDOD will make an effort to discover corporations and/or individuals interested in suitable for-profit (market value) housing development.

#### **7. Local Collaborative V, New Mexico Behavioral Health Collaborative**

The New Mexico Behavioral Health Collaborative was created by the legislature in 2004 to help coordinate and improve mental health and substance abuse services in New Mexico. Local Collaboratives around the state were formed to help improve health services from the bottom up.

Local Collaborative V serves Chavez, Eddy and Lea Counties. Recently, this Collaborative created a housing subgroup to help define and meet the needs of those with mental illnesses and substance abuse problems in the area. This group has representation from the Carlsbad Mental Health Center, and is informing the Center's planned housing projects (described in the Section F).

### **8. City of Carlsbad Housing Incentives**

In 2008, the Carlsbad City Council created the Infrastructure Reimbursement Program. This program offers private property owners and developers a ten percent reimbursement on total on- and off-site public infrastructure costs. Public infrastructure that qualifies for the reimbursement includes water and sewer lines and associated facilities; streets and alleys; sidewalks; curb and gutter improvements; multiuse trails; bike lanes; traffic signals; and transit facilities.

The savings associated with the infrastructure reimbursement program will depend on the type and location of the project. So far, one development has been approved to use this program, and netted a savings of about \$1,000 per unit. This project required the extension of new utility lines.

## **E. Housing Needs**

The data gathered for this study indicates that Carlsbad has a severe housing shortage that impacts the quality of life and drags down an otherwise booming local economy.

In general terms, these are Carlsbad's greatest housing needs:

- **Market rate multifamily rentals.**
  - 1 BR, 2BR, 3BR/2BA
  - Weekly, month-to-month, 6 month, 1-year leases
  - Apartments, condos, townhomes
  - Moderate and possibly upper-end price range
  - To house individuals, families
  - Market: workers, retirees, students
  - Moving from within Carlsbad and elsewhere
  
- **Market rate single-family detached housing.**
  - 2BR, 3 BR/2BA
  - 1600-2400 sq ft
  - \$80,000 to \$200,000 price range
  - Both in town and in suburban and rural settings
  - Market: primarily young families and retirees
  
- **Affordable housing options and solutions for cost-burdened households**
  - Rentals priced from \$375/mo and up; 1 BR, 2BR, 3BR/2BA
  - Homes for sale, priced between \$50,000 to \$176,000; 2 BR, 3BR
  - Financial and credit counseling, down payment assistance, homebuyer education
  - Weatherization programs to decrease energy costs
  
- **Rehabilitation of existing housing stock and demolition and replacement of substandard properties.**
  - Rehabilitation and/or replacement of substandard housing

- Adequate funding for rehabilitation projects
- Demolition and replacement if homes cannot be rehabilitated because of their substandard condition

## F. Housing Needs by Group

Carlsbad has a shortage of market rate, workforce and low-income housing. Families, students, retirees and special needs populations may fall in one or more of the categories.

### 1. Workforce and Market Rate Housing

The workforce with a housing shortage in Carlsbad runs the gamut from minimum wage earners and blue collar workers to skilled tradesmen and white collar professionals. Housing is needed for restaurant workers, janitors, nurses, construction workers, electricians at the mines, educators and others.

According to employer interviews, there tend to be more families than single individuals who are recruited to work in Carlsbad. This suggests that larger units (2 BR and 3BR/2BA) are in the greatest demand, although 1BR apartments are also needed. Most people new to the area are looking to rent for six months to a year while they get acclimated and consider purchasing a home. Month-to-month or even weekly rentals could benefit short-term contractors. Single-family detached housing is also in demand. According to area Realtors®, homes in the \$80,000 to \$200,000 price range are most in demand.

Salary ranges for jobs available in Carlsbad are \$16,000 to \$20,000 (minimum and low wage workers); \$44,000 to \$50,000 (educators); \$60,000 to \$80,000 (entry level mine workers); and \$35,000 to \$45,000 and \$150,000 to \$200,000 (health care professionals). Hence, there is a range of housing prices in demand, both for rentals and owner-occupied homes.

Over 80 percent of homeowners earning \$35,000 or more pay less than 20 percent of their income on housing, while over 90 percent of renters in that income bracket do. This suggests that there could be a market for more expensive rentals and homes than are currently available. If those with the means were able to “upgrade” their housing, this would free up some of the moderate and lower-rent places for workers at the bottom end of the pay scale. Interviews with area employers and others suggest that newcomers to the community (both temporary and permanent workers) are willing and able to pay more for higher quality housing. It is unclear whether or not current Carlsbad residents would take advantage of new housing opportunities.

### 2. Students

NMSU-C has a predominantly “nontraditional” student population. The average age of students is 27, and the majority is made up of single parents or married couples with children. This suggests that rather than dormitory-style housing, Carlsbad area students have similar needs as the workforce – mostly 2 BR or 3BR/2BA rentals.

NMSU-C has already begun to try to address the housing shortage. The University is working to purchase a 15-acre parcel which it would then open to private development for a mixed-use complex including multifamily rentals and retail/office spaces. The apartments would be available first to students, staff and faculty, next to other educators (local school district), and then to the public at large.

### 3. Seniors

Seniors fall into several categories and have a range of needs.

On one hand, there are seniors with low, fixed incomes. Their needs may overlap somewhat with other low-income households. For them, however, low-income housing will probably be permanent, not a step to better housing in the future, so quality is important.



In addition, about one-third of seniors have some type of physical disability, including 21 percent that have disabilities that limit them from going outside the home. These seniors would best be served by an assisted living arrangement or independent living in a senior community that also provides home health visits, shopping assistance and other services. Any such community should include slots for low-income residents.

Finally, there are the active seniors, who make up most of the newly-retired community that Carlsbad aims to attract. In terms of layout, their needs coincide with those of the workforce – again, 3BR/2BA units. Even though they are likely to have smaller households (one or two persons), retirees often use the extra bedrooms as guest rooms, craft and hobby spaces, or home offices. Many are seeking to downsize, though, and may desire slightly less total square footage (in the 1800 to 2000 sq ft range). Other considerations for the senior market include one-story homes with few or no steps and wider doorways to accommodate wheelchairs in the future.

As for housing types and locations, there is a range of options that appeal to retirees. One major trend among Baby Boomers is the migration from suburban to urban settings. Active seniors are looking for community, fitness activities, and entertainment. Living in an urban environment where they can walk to a grocery store, coffee shop, nature trail, etc., is appealing. Carlsbad has many opportunities for infill development, and active seniors could be a prime market for this, provided that other community amenities accompany housing. In addition, many retirees want to live without the hassle of property maintenance, and want to have the freedom to travel and feel that their home is safe. This suggests that multifamily apartments, condos, and townhomes are all in demand. Nevertheless, some active seniors may seek single-family detached housing in more rural or suburban settings.

The Chamber of Commerce has received over 13,000 requests for relocation packets from retirees since 2006. These retirees are primarily interested in housing for sale.

#### **4. Low-income and cost-burdened households**

Thirteen percent of Carlsbad area families are living under the federally-designated poverty level. These are primarily families with children, and particularly female-headed households. In addition, there are an estimated 1,617 cost-burdened households. Finally, the poor condition of housing likely disproportionately affects low-income households. There are large areas of Carlsbad that require rehabilitation, or in some cases, demolition and rebuilding.

New, affordable rental units are in great demand. As noted previously, there is currently a waiting list for families needing housing assistance through the Region VI Housing Authority. There are also families receiving rent vouchers who are not able to use them because of the lack of available units. As with workforce housing, 2BR and 3BR units are in the highest demand.

New affordable owner-occupied homes are in need, but only to the extent that they will not create long-term financial burdens for low-income households. Additional subsidy programs combined with credit and financial counseling would be needed to make affordable homeownership a viable option.

Home rehabilitation and weatherization programs can be utilized to make existing homes safer, better quality, and more energy efficient. The New Mexico EnergySmart Program administered by the Region VI Housing Authority provides low-income families with home repairs that can reduce energy costs. The service is free to the homeowner; however, funding is limited and homeowners over 60 years old, persons with disabilities and sometimes families with children are given preference.

#### **5. Special needs**

##### **Physical disability**

The 2000 Census showed that nearly nine percent of the adult working age population has some type of physical disability, and 13 percent have disabilities that affect employment. This is in addition to the 34 percent of seniors

with a physical disability.

Housing needs for these groups may include low-income housing, especially for those on a fixed income who are unable to work due to their condition. Assisted living may be needed for individuals without family assistance. Any new developments aimed at this population would best be located in town, in order for clients to more easily access services, shopping centers, bus lines, etc.

### **Mental disability**

According to a rough estimate by the housing subgroup of the Local Collaborative V (under the New Mexico Behavioral Health Collaborative), approximately 30 percent of people with a severely disabling mental illness (SDMI) live in substandard housing. In addition, many SDMI clients of the Carlsbad Mental Health Center (CMHC) are homeless. The CMHC serves 40-50 or more people with SDMI.

These individuals often have a very low fixed income (as little as \$600/month), so even a \$400/month rental is an exorbitant cost. Members of the SDMI population often do not qualify for public housing assistance programs because they have a police record (even if it is a minor offense such as disorderly behavior). Even if they have sufficient income, people with mental illnesses may be turned away by wary landlords. Landlord education and support is needed to address this.

The largest need is for very low cost rent 1BR and 2BR rentals. Currently, there are several projects in planning stages aimed at addressing this need.

The Carlsbad Mental Health Center (CMHC) is collaborating with the New Mexico Coalition to End Homelessness to pursue HOME funding in order to purchase an 11-unit complex that is nearly adjacent to the CMHC. These units will be refurbished and offered at a very low cost to clients with mental illnesses.

YES Housing Inc., a nonprofit corporation out of Albuquerque, plans to build 24 “supportive housing” units each in Carlsbad, Hobbs and Roswell for people with mental illnesses. The project is still in the very earliest stages; land has not yet been identified for the complex.

### **Substance abuse**

Interviews highlight a substance abuse problem in Carlsbad and the surrounding areas. The Carlsbad Mental Health Center offers ten beds in a 120-day treatment center and 15 beds in a 30-day treatment center. These do not usually operate at full capacity and seem to be sufficient for current demand.

The problem, however, is when clients leave the treatment centers. There is currently no halfway house in local or neighboring communities. If clients are returning to low-income housing projects, they are often faced with rampant drug use. (A rough estimate by the CMHC suggests that up to 90% of households in low-income housing units are using drugs). This hinders rehabilitation efforts.

Housing needs to address substance abuse include a local halfway house. Aside from this, the community’s drug problems will have to be met by a combination of social and education programs and law enforcement.

The Carlsbad Community Anti-Drug/Gang Coalition is working to address drug and alcohol abuse.

### **Homeless population**

Homelessness in the Carlsbad area is difficult to quantify for several reasons. First, people who literally “live on the streets” are often transient, moving from one town to the next. They have their own lifestyle and values and typically do not participate in long-term structured programs. These tend to be single men, and there could be between 15 to 100 in Carlsbad at any given time.

In addition, there is what one service provider described as “disguised homelessness.” These tend to be women and children who are forced to live in unfavorable, temporary living conditions such as with an abusive partner or in

overcrowded conditions with relatives. Although they have a roof over their heads, they do not truly have a place to call home. An estimated 50 to 100 people in Carlsbad are in this situation.

Finally, due to the recent national economic crisis, service providers are seeing an increase of middle class individuals and families seeking assistance. They may have assets such as vehicles and nice clothes, but have lost their homes due to layoffs and foreclosure.

Existing programs provide services to a limited number of families for a limited time period per family. Demand outpaces the capacity of the Refuge Adonai and the Carlsbad Transitional Housing and Homeless Shelter.

Housing needs for the homeless and near-homeless population include more transitional housing; small, efficient, and very inexpensive units (\$300-\$400/mo); and possibly a shelter with more beds. Programs linked with services are preferable and have greater long-term impacts on the clients and the community.

## G. Housing Needs Summary

Table 25 below summarizes housing needs identified in the analysis by type, including the housing type, the target market, estimated current and future needs, salary ranges of the target households, and relevant comments. The greatest need for new housing is in rentals for both market rate and affordable housing. If suitable rental housing were available, this would meet the needs of temporary workers and for essential workforce. If the temporary housing needs of both temporary workers and new permanent residents could be met with suitable rental housing, it would ease the pressure for existing housing to convert to rentals and would provide short-term housing for new residents.

The City has a clear need for continued demolition and replacement and renovation of substandard housing. The need appears to be much greater than the capacity of local organizations and available financial resources, so the goal for this area is to continue existing programs and expand the capacity of local nonprofit organizations to provide affordable new homes on scattered vacant sites and to rehabilitate existing homes that meet criteria for rehabilitation.

It should be noted that because Carlsbad's housing market has been so tight for so long, it is hard to predict how the market will react and absorb new housing. This plan should be viewed as a starting point for new development, and should be reevaluated once the initial projects are in place. Many factors are undetermined, in particular the future needs of housing by group.

Table 25. Housing Needs by Type

**A. SUMMARY**

Type of Housing and Target Market	Estimated Current Need	Future Need (anticipated need per year)
Market rate – Temporary Housing	20-50+	50
Essential Workforce	120	100 – 120 units total additional need
Low-income and Cost-burdened	1617	Not determined
Transitional	15-20 homeless 15-20 special needs (mental illness)	Not determined
Infill / Rehabilitation/ Redevelopment	916 units in poor condition (overlap with low-income)	10-15
Retirees	Not determined	20-30

**B. MARKET RATE – TEMPORARY HOUSING**

Type of Housing and Target Market	Estimated Current Need	Future Need (anticipated need per year)	Salary Range	Comments
FLETC	300-400 - estimate 75 to 100 in the Carlsbad area	Will continue to need short-term rentals	\$60 to \$70 per day housing allowance	Instructors who will live in community housing, not dormitories. FLETC has specific criteria for housing - must be furnished, instructors do not double up in units, etc. Instructors receive housing stipend and can pay market rates.
Resource extractive industries; construction	3	50 (low estimate based on turnover)	\$45,000-\$50,000 (plus about 5% of jobs in \$80,000 to \$100,000 range)	90% local; These industries are volatile; current layoffs and furloughs but anticipated future need based on demand; Intrepid Mining: Currently only 3 openings; has turnover rate of 18% of 630 employees (=113), but is likely to be downsizing in the immediate future; has long-term project in the works, if it goes through, would add 50 new jobs (\$45,000-\$50,000 range); about 70% of employees are local
<b>Total Need</b>	<b>20-50+</b>	<b>50</b>		<b>Market rate rentals for temporary workers</b>

**C. ESSENTIAL WORKFORCE**

Type of Housing and Target Market	Estimated Current Need	Future Need (anticipated need per year)	Salary Range	Comments
Hospital	30-40 vacancies		\$19-\$32/hr RNs; \$40-\$45/hr PTs; \$150-\$200/yr MDs	Hourly staff hired locally; professional staff from elsewhere
NMSU-C faculty and staff	10-15 openings	10-12	staff (\$20,000); faculty (\$44,000 avg); administration (\$45,000-\$50,000)	Hourly staff hired locally; professional staff from elsewhere
NMSU-C students	10-15	10-15		Students are mostly local; single parents or couples with kids; average age is 27
School District	1 vacancy	25	\$36,000-\$76,000 certified employees; \$10 to \$20/hr for hourly employees	35-45% local; hiring takes place prior to beginning of the school year; expect increase in number of current employees retiring
City of Carlsbad	35-40	20-40	Blue collar: \$10/hr to \$26/hr; Public safety \$16.19/hr to \$21.70/hr; Administrative - \$20,000 to \$100,000/yr	95% local; 20+/- positions due to turnover
Nursing homes	14		\$10.50-\$11; \$17.25-\$22/hr - Part time, as needed positions	Landsun Homes (nursing home) - 40% turnover rate, avg annual hiring is about 70-80 people; most are part-time "as needed" positions; hire 95%+ local
Apartment waiting lists	20-50			Assumes that the lists from multiple apartment complexes include duplicates
Job growth		60		468 jobs in Eddy County per year since 2001 - if 25% are from elsewhere, and % of jobs in Carlsbad are equivalent to Carlsbad's share of population (52%), then housing need for new residents would be about 60 units per year. This number confirms demand listed by employers.
<b>Total Need</b>	<b>120</b>	<b>Additional 100-120 units, depending on leasing of first phase</b>		<b>Market rate apartments for workforce housing; larger complexes can support amenities like on-site management and recreational facilities; additional units may be needed, but some of these units will be occupied by families who rent until they purchase a home</b>

**D. LOW-INCOME**

Type of Housing and Target Market	Estimated Current Need	Future Need (anticipated need per year)	Salary Range	Comments
Cost-burdened households paying 30%+ income on housing	1617		Predominantly less than \$15,000 per year	Total estimate for households in the under \$35,000 income bracket 780 are renter HH; 837 are homeowners
Families living in poverty	1,006			This is predominantly a subset of the above
Section 8 waiting list	32			Likely fewer people than need; list had been closed for six months
<b>Total Need</b>	<b>1,617</b>			<b>Affordable housing units (or households benefiting from other housing assistance programs and counseling)</b>

**E. TRANSITIONAL**

Type of Housing and Target Market	Estimated Current Need	Future Need (anticipated need per year)	Salary Range	Comments
Homeless	50-100			Not living on streets, but in bad temporary situations; noted difficulty in housing true homeless population
Transitional Housing	10-15 families		\$8,000 to \$12,000	Families; mostly women with children - this is part of the population noted above as "homeless"
Special Needs (Mental Illness)	15-20			Low-income people with severely disabling mental illnesses
<b>Total Need</b>	<b>15-20 units</b> <b>15-20 units</b>			<b>Transitional housing - affordable rentals</b> <b>Supportive housing for SDMI clients</b>

**F. INFILL / REHABILITATION / REDEVELOPMENT**

Type of Housing and Target Market	Estimated Current Need	Future Need (anticipated need per year)	Salary Range	Comments
Homes in poor condition (redevelopment)	Estimated 916 homes in poor condition; will be demolished if found to be beyond repair through code enforcement efforts	5 to 8 annually		3-6 units by CCDC: Existing program could be expanded to up to 6 units per year  2 units per year by Habitat for Humanity
Homes needing maintenance/rehab	916 estimated in poor condition	10 to 15 annually		Current capacity of area nonprofits is prohibitive to expanding program at this time.
<b>Total Need</b>	<b>916 units</b>	<b>3 to 6 replacement units; 10-15 rehabs</b>		<b>Capacity to complete projects is an issue; replacement units may be for sale or rentals, depending upon incomes of residents</b>

**G. RETIREES**

Type of Housing and Target Market	Estimated Current Need	Future Need (anticipated need per year)	Salary Range	Comments
Current residents 65+	4,400			These residents are currently housed in the community but may need retiree oriented housing options in the future.
New residents	As recruited			Retirement housing could be the responsibility of a for-profit developer – Landsun or similar.
<b>Total Need</b>	<b>Not determined</b>	<b>20 -30</b>		<b>Specific numbers of retirees cannot be determined; the estimate of 20-30 housing units per year is a best guess. As of 2006, there have been 13,000 requests for relocation packets.</b>

## V. Land Use and Policy Review

Supportive land use policy is an important factor in the market's ability to provide both affordable and market rate housing. The following section describes local factors that influence Carlsbad's housing market, including zoning, land availability and price, infrastructure capacity, environmental constraints, and other factors.

### A. Existing Land Use

Current land use in the Carlsbad area is shown in Figure 12. The City is laid out in a fairly compact township grid pattern and is surrounded by public land and open space, with rangeland and agricultural land to the southeast. Within the Greater Carlsbad area, 61 percent of land is public land and open space and 27 percent is in agricultural use.

### B. Greater Carlsbad Comprehensive Plan Policies

The Greater Carlsbad Comprehensive Plan – Strategy 2020, established policy for the future development of the Greater Carlsbad area. Policies and analysis that are particularly relevant to the Housing Analysis and Strategic Plan relate to land use, housing and community facilities.

#### 1. Land Use Policies

The Comprehensive Plan evaluated two scenarios for future development. Both scenarios recognized a trend of residents moving away from older, more obsolete housing and into newer more modern homes. This includes new housing even with little population growth to support the desire of residents for newer housing. Both scenarios anticipate slow growth, with little additional residential land absorbed by 2020, although the largest consumptive use of land is residential.

The first scenario is a Trend Scenario, which assumes a continuation of historical growth patterns. Residential growth under the Trend Scenario is anticipated in the northwest, northeast and southeast parts of the area, including expansion outside of the City boundary.

The second scenario is an Infill/Redevelopment Scenario, which makes use of vacant lots and vacant land within or adjacent to developed areas with existing utility service. The Infill/Redevelopment Scenario takes environmental protection into account, avoiding development in flood zones. In this scenario, all development would occur within the City limits.

#### Preferred Scenario

The preferred scenario is the Infill/Redevelopment Scenario, which is seen as the most efficient use of existing public investment in infrastructure and public services. Furthermore it poses opportunities for rehabilitation and redevelopment that best meet the needs of some special populations, including seniors, low-income households, and people with disabilities.

#### 2. Housing Policies

The Comprehensive Plan identified housing issues and established goals and objectives for providing quality residential environments for area residents. The plan identified four goals, each with related objectives:

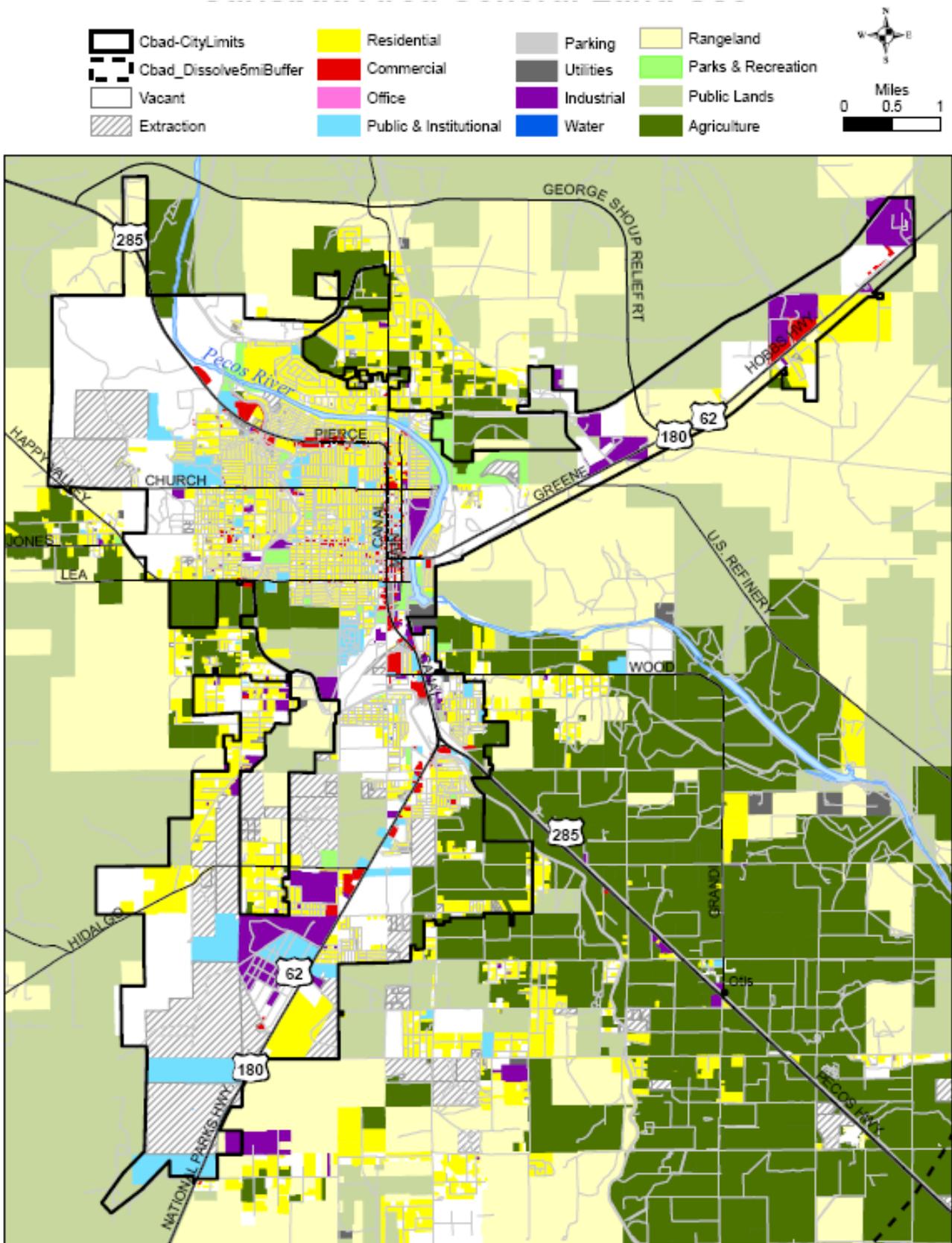


Figure 12. General Land Use

### **Goal 1**

*Carlsbad and Eddy County will encourage the development and redevelopment of housing in appropriate locations and at appropriate densities in order to provide a range of housing choices that meets the needs of current and future Carlsbad residents. Local governments will seek to initiate provision of the full complement of housing rehabilitation and replacement available in New Mexico for creating new rental and homeownership residences.*

- *The City of Carlsbad will adopt housing provision as integral part of its community development program.*
- *The City and the County will cooperate with the private and nonprofit sectors, including homebuilders and lenders to ensure adequate housing provision.*

### **Goal 2**

*Carlsbad and Eddy County will ensure that local housing protects the health, safety, and welfare of residents and their neighbors.*

- *Carlsbad and Eddy County will encourage the reversal and correction of blight by removing structures that pose a threat to the health, safety, and welfare of their residents as allowed by their police powers.*

### **Goal 3**

*Carlsbad and Eddy County will cooperate on regulating the quality of development in the unincorporated County surrounding Carlsbad in order to ensure that residents live in healthy, safe environments free of blight and neglect now and in the future.*

- *Carlsbad and Eddy County will use the tools provided by the legislature for the regulation in development of unincorporated areas.*

### **Goal 4**

*Eddy County will investigate with residents opportunities available for improving the quality of development in their neighborhoods through the provision of infrastructure enhancements and other improvements.*

- *Eddy County will take advantage of the set aside programs established for the correction of unsafe and unhealthy rural development if residents in those areas desire improvements.*

## **3. Community Facilities**

The Community Facilities section of the Comprehensive Plan addresses water resources, and water, wastewater and treated effluent utilities. Capacity and the cost of utility extensions and expansion have been cited in interviews as a major constraint to new housing development. The Comprehensive Plan discusses water resource limitations, the need to secure additional subsurface rights for the future and the need to adequately plan for and provide adequate water and wastewater infrastructure.

The municipal system and the Happy Valley and Otis Water Coops are shown in Figure 13, along with the locations of vacant land. The capacity of these systems to support additional development is an issue that affects the ability of the market to provide housing.

### **Goal 1**

*The City of Carlsbad should secure additional water rights as necessary during the planning period to allow for economic development and community growth.*

*The City should secure additional subsurface rights in the Carlsbad Underground Water Basin as is necessary to support growth during the planning period and as they become available.*

### **Goal 2**

*The City should continue to implement water conservation measures in order to achieve 10% conservation during the 40-year water planning period.*



- Carlsbad City Limits
- Vacant Land and/or Structures
- Otis Water Utility
- Carlsbad Water Mains
- 5-mile Buffer of Carlsbad

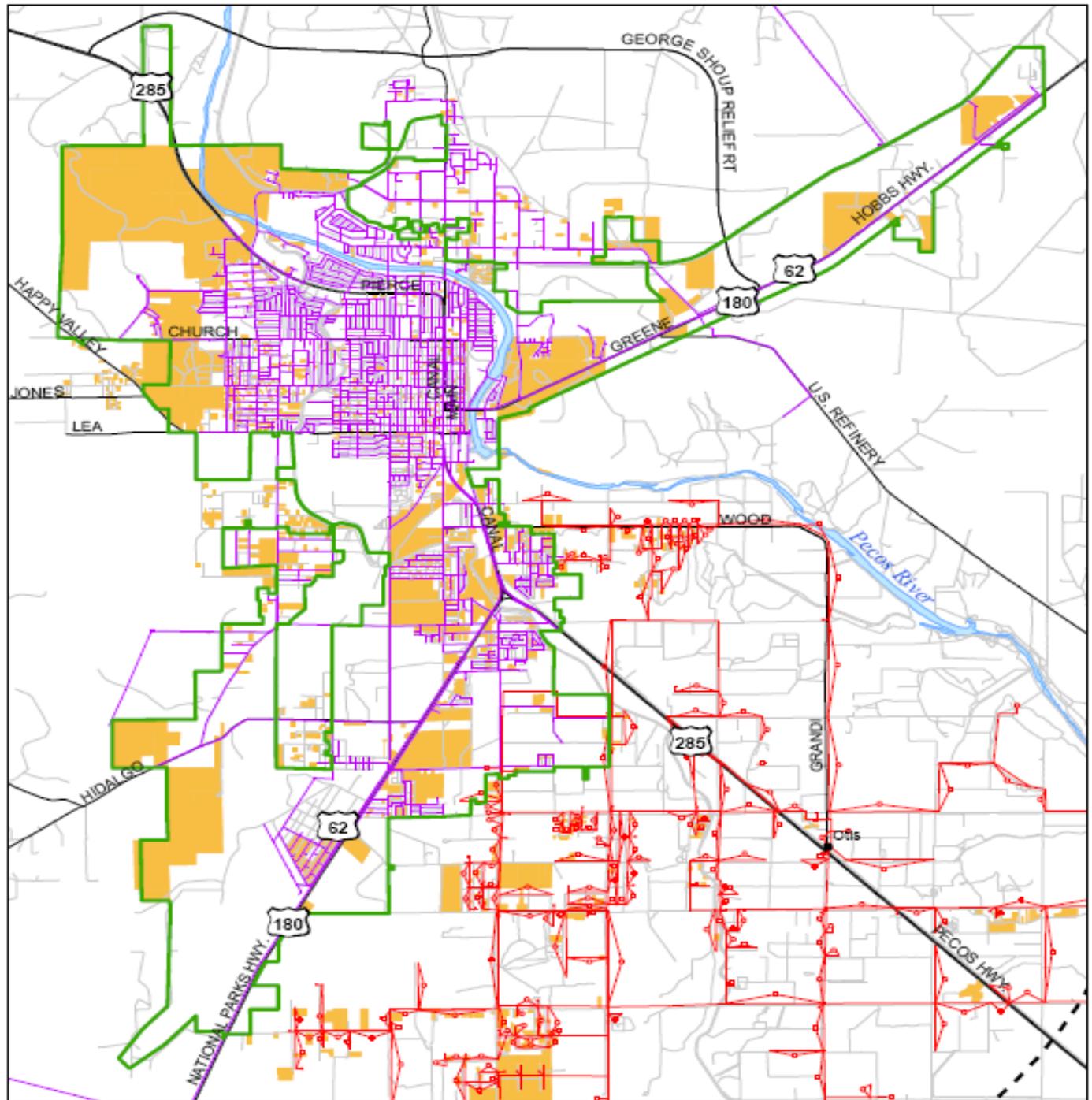
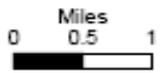


Figure 13. Water Utilities and Vacant Land

**Goal 3**

*The City should secure financing to expand use of its treated wastewater effluent program.*

**Goal 4**

*The City should seek to expand wastewater services as finances permit to areas of the community not being served.*

**Goal 5**

*The City should attempt to mitigate the negative impacts of unregulated development within the planning area, including areas served by rural water co-ops.*

**Goal 6**

*The City should consider the cost and benefits of the provision of municipal services to non-city residents, especially to residents of adjacent unincorporated Eddy County who are likely to avail themselves to the full array of municipal services.*

**Policies**

*The City of Carlsbad will periodically update its 40-year Water Plan (1995), its Water Conservation Plan (1993), and its Water and Wastewater Facilities Plan.*

*The City of Carlsbad will consider developing annexation and water rights acquisition policies in order to make informed decisions about utility service provision.*

*The City of Carlsbad and Eddy County will cooperate in the regulation of development in areas of unincorporated county adjacent to Carlsbad to ensure that future residential areas are appropriately sited and supplied with adequate development to appropriate standards.*

**C. City of Carlsbad Subdivision Ordinance**

The City Subdivision Ordinance establishes standards for residential subdivisions, including requirements that developers provide storm drainage, streets, and water and sewer infrastructure within the subdivision. Interviews with developers indicated that infrastructure costs are a significant barrier to building affordable housing; however, it is typical that a subdivision developer be required to provide on-site infrastructure and that this cost be included in the lot price.

**D. City of Carlsbad Zoning Code**

Carlsbad has eleven zoning districts. These are:

- (1) "A" residence district.
- (2) "B" residence district.
- (3) "C" residence district.
- (4) "R" rural residential district.
- (5) "D" commercial district.
- (6) "D-1" neighborhood commercial district.
- (7) "D-2" general commercial district.
- (8) "E" business district.
- (9) "F-1" light industrial district.
- (10) "F-2" heavy industrial district.
- (11) "CUP" Community Unit Plan district.

The City Zoning Code contains four residential districts. Zones “A” and “B” are primarily for single-family dwellings, and differ only in the allowed setbacks. Zone “C” allows multifamily housing, and the “R” designation is for rural dwellings. In addition, residential uses in the “C” residence district are permitted in the “D” commercial districts.

Height and lot size requirements of the residential zones are typical for communities of Carlsbad’s size. Front and rear yard setbacks range from 30 to 40 feet, which are deep but consistent with the small town character of Carlsbad. If lots of record at the time of adoption of the ordinance are too small to meet the setback requirements, the front yard setback can be reduced to 20 percent of the lot depth. Minimum rear yard setbacks may be 30 percent of the lot depth if the 30-40 foot setback cannot be met.

In the “C” residence district, zoning would allow higher density housing options, including townhouses and apartments. Based on the lot size requirements of the district, apartment complexes could reach a density of 30+ units per acre, which is at the high end of suburban apartment complex densities. Lot size requirements for townhouses (single-family attached residences) are less clear, since the only requirement mentioned is a 3,000 sf per unit lot area requirement for a two-family dwelling.

The current subdivision ordinance and zoning code create some barriers to development, particularly of development and redevelopment in older neighborhoods. The setbacks in general and the height requirements for multifamily building could be a limitation in infill areas, as they are too confining to accommodate contemporary construction styles. In new subdivision development, reduced front and side yard setbacks may be appropriate where smaller lots could make housing more affordable.

To address these and other issues, the City is currently revising the subdivision ordinance and zoning code, and will create an additional policy regarding infill development, specifically geared toward developing narrow lots.

In addition, interviews with developers suggest that the City has been flexible in granting variances or zone changes to accommodate new housing construction. Furthermore, planned development districts allow for review on a case by case basis, which may allow modifications of the regular code requirements.

## **E. Land Availability**

The number of parcels and total acreage of vacant land by zone is shown in Table 26 below. While there are over 5,000 acres of vacant residentially zoned land within the City, parcels are on average very small. This limits the potential to develop new subdivisions or larger projects. However, in infill areas lots can be consolidated to allow for bigger projects. As mentioned above, the City is revising its subdivision ordinance and zoning code to create higher quality developments and address some of the barriers to infill and regular development. Figure 14 shows vacant land in the downtown core by zone type.

Table 26. Vacant Land by Zone

Zoning District	Total Vacant Land		Parcels Outside of Flood Hazard Areas		
	No. Parcels	Acres	No. Parcels	Acres	Avg Parcel Size
A	2	2	2	2	1.00
B	1,113	745	940	682	0.73
C	161	58	69	35	0.51
CUP	77	17	73	16	0.22
D-1	15	6	8	5	0.63
D-2	317	251	214	215	1.00
E	62	9	0	0	--
F	81	44	27	33	1.22
F-2	185	768	148	708	4.78
R	251	5,610	211	4,950	23.46
<b>Total Residential</b>	<b>1,527</b>	<b>6,415</b>	<b>1,222</b>	<b>5,669</b>	
<b>Total Vacant Land</b>	<b>2,264</b>	<b>7,510</b>	<b>1,692</b>	<b>6,646</b>	

Source: City of Carlsbad GIS

# Carlsbad Area Vacant Land by Zoning

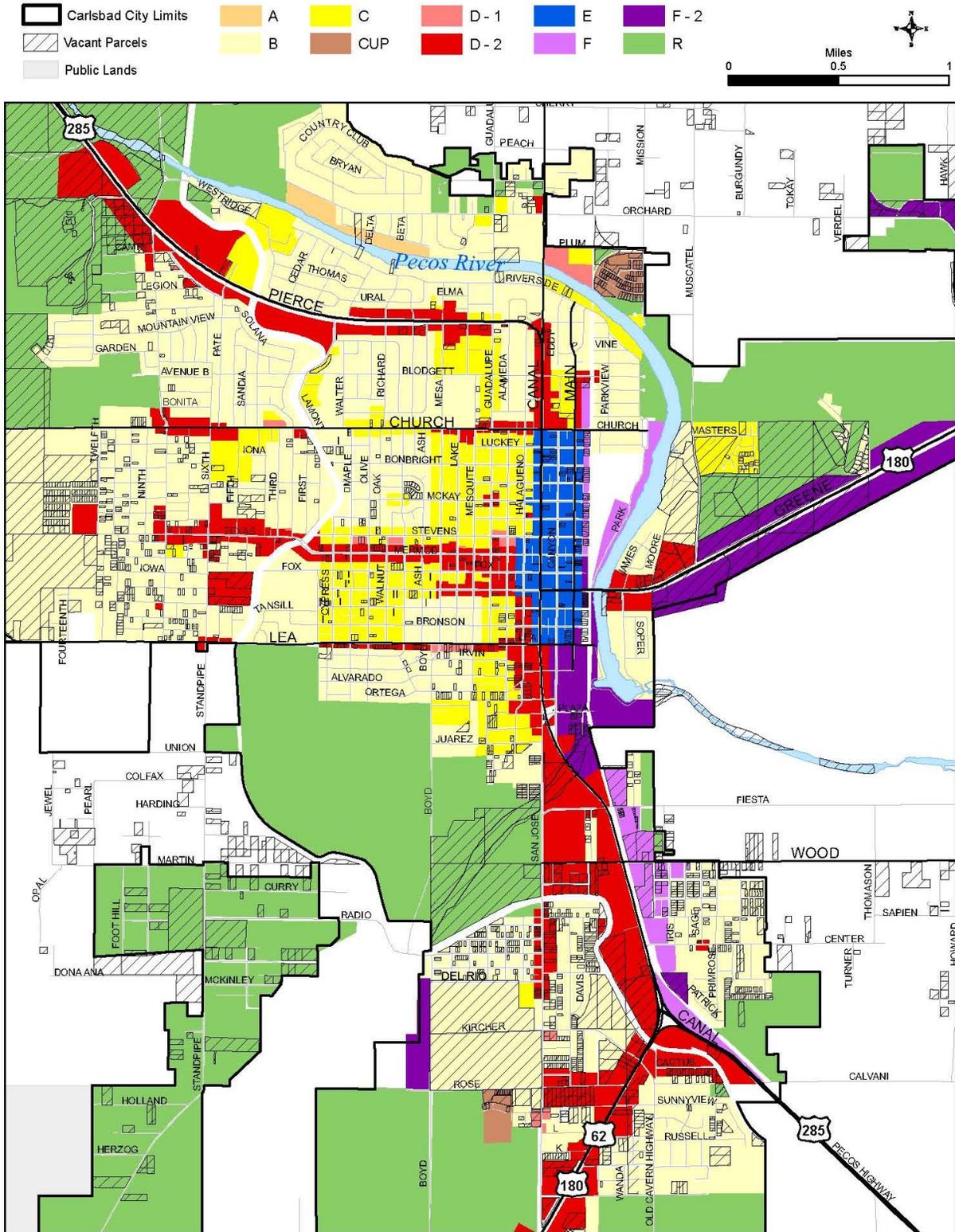


Figure 14. Carlsbad Vacant Land by Zoning

## F. Infrastructure Capacity

Interviews with residential developers were conducted to determine the reasons why the private housing market is not meeting the needs of area residents. Insufficient infrastructure capacity, primarily water and wastewater systems, was cited as a major constraint to housing development. The cost of extending utilities to vacant sites is more than can be justified given the local market's price requirements, and capacity is not sufficient for higher density housing.

The City has recently issued \$46 million in revenue bonds to fund water and wastewater infrastructure. Water and sewer rates should be sufficient to cover the cost of system maintenance, replacement, and system expansion in the future without large bond issues. A review of utility rates may be appropriate to determine whether rates, which are relatively low compared to New Mexico communities, are sufficient to properly fund improvements.

The location of vacant land relative to existing water systems is shown above in Figure 13.

## G. Environmental Issues: Opportunities and Barriers to Development

Environmental constraints include topography, flood hazard areas, and land ownership. Figure 15 shows vacant land and how it is affected by topography, flood hazard areas, and public land ownership. Although much of Carlsbad lies within a flood zone, there are still many vacant parcels with close proximity to utilities that are not in flood zones.

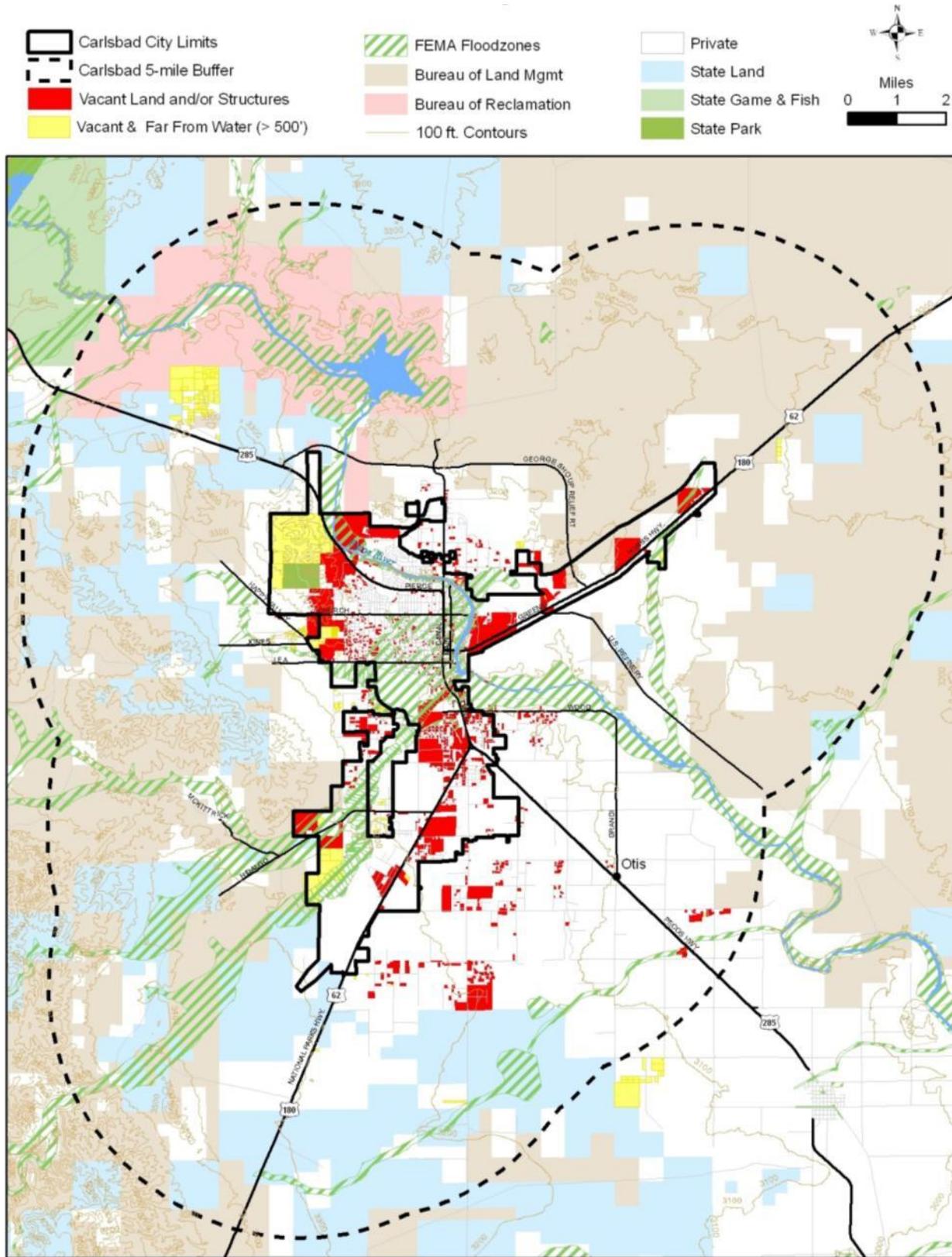


Figure 15. Physical / Environmental Constraints

## VI. Barriers to Housing Development

Carlsbad is a community of possibilities. It has a rare and commanding advantage over many small towns around the country in that its local economy is booming – there are more jobs than people to fill them. In a time when the US faces high unemployment (at a rate of 7.2 percent as of December 2008), people should be flocking to this desert town. Yet its population has remained stagnant, with minimal growth projected for the future. What’s going on?

On one hand, Carlsbad has a “chicken and egg” problem. Carlsbad can’t have growth without population increase, but the population can’t increase if there is not enough adequate or affordable housing. And prudent developers are reluctant to invest in a community that looks stagnant on paper. Population forecasts look dismal, based in part on the small number of building permits approved each year as well as a history of slow to no growth.

Nevertheless, if Carlsbad truly has a housing shortage, the private market should step in and fill the gap. What is preventing this from happening? Interviews with Realtors®, developers, and local leaders provided insight to this issue, and are listed below. Where possible, this plan has put forth recommendations to the City (in the form of goals, policies and action steps) about how to address these constraints (Section A, Chapter VII). Others may be mitigated through actions by nonprofit or private developers, and it is noted here if those actions are included in the Action Plan (Section B, Chapter VIII). Nevertheless, some constraints are related to market forces and actions by individuals and cannot be directly influenced by the City.

### A. Institutional Constraints

#### 1. Infrastructure

Lack of sufficient infrastructure capacity (small or nonexistent water and sewer pipes, lack of lift stations) is widely seen as a barrier to new housing development. Inadequate storm drainage facilities inhibit infill and redevelopment in older neighborhoods. The current infrastructure system does not have the capacity to meet existing, not to mention future, needs, and therefore cannot support new building in areas that are otherwise suitable for development.

Furthermore, the cost of extending utility lines is prohibitive for developers of affordable housing, and capacity constraints have prohibited or delayed infill projects. The burden of providing adequate infrastructure lays both with the City and private developers. The City has taken steps to remove this constraint, including a \$46 million bond issue to fund water and wastewater system capital projects and a 10 percent reimbursement to residential developers to help defray the cost of public infrastructure.

*This constraint is addressed under Strategic Plan Goal 2.*

#### 2. Development and Permitting Process

The City of Carlsbad, like many government entities, has a maze of bureaucracy that creates a circuitous process for developers to follow. Furthermore, Carlsbad has only one building inspector, who is not certified in all areas. This requires developers to rely on state inspectors, adding days or weeks to the process. These problems create a disincentive to develop in Carlsbad. There is a need for a building inspector with multiple certifications through hiring, training or an interagency agreement with one or more other cities or counties in the region with the same need. In addition, there is a need to improve the flow of information between the various City departments and private developers and nonprofit groups regarding the development process.

*This constraint is addressed under Strategic Plan Goal 4.*

### 3. Regulations

Developer interviews suggest that zoning may not align with residential development needs, particularly for multifamily development. Closer inspection, however, reveals that Carlsbad does have sufficient land in the “C” multifamily residential zone and “D” commercial zones, which also allow multifamily development. In total, there are 315 acres of vacant land in the “C” and “D” zones, including 255 acres that are not in the flood zone. The zones are located primarily in the urban core and align with the main arterials, soon to be transit corridors. This is consistent with the City’s desire to promote infill development over development in the outlying areas. In addition to vacant parcels, there are a number of vacant and aging structures that could be redeveloped and improved. Vacant parcels by zone are shown in Figure 14.

Other regulatory barriers include height and setback requirements. The City is currently revising its subdivision ordinance and zoning code, and creating a special infill policy to address these issues.

Finally, there are barriers related to process and the length of time required to obtain zone changes, permits and inspections. The length of time for zone changes is related to state requirements and cannot be changed. The City, does, however, have a need to increase staffing capacity to facilitate the permitting and review process.

*These constraints are currently being addressed by City efforts to revise the subdivision ordinance and zoning code, as well as under Strategic Goal 4.*

## B. Market Constraints

### 1. Developer Wariness

Carlsbad’s economy has been one of boom and bust, relying on natural resource industries and government contract work. Jobs cycle in and out of the community. Developers have been wary to invest, particularly in multifamily housing which carries a long-term financial obligation.

In addition, rents and housing prices in the community have historically been low for much of the population, and developers are concerned that the rents and prices required to support the development of new housing may be higher than residents are willing to pay, even though the cost to a buyer or renter is within an affordable range.

*The constraint of developers’ reluctance to build is a function of confidence in the economy and housing market, and cannot be directly impacted. However, Strategic Plan Goal 1 and Projects 1.A and 1.B in the Action Plan show the City’s determination and willingness to support housing development, particularly for the workforce. Policies such as amending the zoning code (under Strategic Plan Goal 1), investing in public infrastructure (Strategic Goal 2), improving the development process (under Strategic Goal 4), and investing in community beautification and recreation facilities (Strategic Goal 5) may help stabilize the local housing market and provide incentives for long-term private development.*

### 2. Developer Financing

Developer financing is another barrier to growth, especially for multifamily housing. Local banks can finance smaller projects, but developers require economies of scale (120 units or more) to bring down construction costs and rents. Due to the recent national financial crisis, large banks have tightened their lending practices, and it is more difficult for Carlsbad developers to obtain financing from larger banks.

*This constraint is related to local and national economic factors. This plan as a whole can help overcome this constraint by demonstrating the clear need for housing in the Carlsbad area. Action Plan projects 1.A, 1.B and 2.A are multifamily projects that have 120 units, to capitalize on the economy of scale.*

### 3. Limited Supply of Contractors, Tradesmen and Construction Workers

Development is hampered by a lack of laborers in building trades, from plumbers to framers to electricians. Developers can bring in crews from out of town, but there is nowhere to put them; motels are operating at or near

capacity due to the housing shortage.

*The joint CCDC and NMSU-C Construction Trades Program is addressing this constraint.*

#### **4. Land Availability**

Interviews suggested that vacant land may not be for sale and available for housing. Developers are not able to secure sites for housing and property owners may not be willing to participate in any type of housing initiative. Vacant and unimproved lands contribute to the empty and desolate appearance of Carlsbad.

*This constraint is related to property owners' individual needs and desires, and cannot be directly addressed. However, improved investment in the community may increase property values and make it more desirable for landowners to sell property for development. In addition, the Carlsbad Department of Development is working to develop a database of vacant parcels with ownership that will facilitate dialogue between prospective developers and landowners.*

### **C. Demand Constraints**

#### **1. Buyer Financing**

Although many local people have recently found higher wage jobs in Carlsbad, many households still have poor credit histories or substantial existing debt and cannot qualify for loans. In addition, buyers may not have saved enough for a down payment. Homebuyer training and down payment assistance are potential resources for low- and moderate-income families. Based on information obtained from interviews, creditworthiness is also an issue for higher income households as banks require better credit scores and higher down payments to qualify for loans. Assistance cleaning up poor credit, managing debt and saving for a down payment may be worthwhile for all income levels.

*This constraint is addressed under Strategic Plan Goal 4 and Project 2.B in the Action Plan.*

#### **2. Housing Costs**

Realtor® and developer interviews suggest that local people are unwilling to spend more money on housing costs (no more than \$200,000 for a house, with monthly mortgage payments of \$1500 or less, and about \$600 for a 2BD rental). A survey of income data, however, indicates that the vast majority of households earning \$35,000 or more could afford more than they are currently spending.

*This again is a product of individual desires and needs. Although it is impossible to predict with certainty how individual existing households in Carlsbad will react to new housing options, it is likely that newcomers to the community (essential workforce, well-paid professionals, and retirees) will take advantage of higher quality market-priced rentals and homes within their price range. It is also likely that at least some existing Carlsbad households will want to "trade up" to larger or better-quality housing when available, even if that increases their housing costs.*

## D. Community Constraints

### 1. Lack of Amenities

Another major issue that deters developers and potential homebuyers new to the community is the lack of amenities Carlsbad has to offer. Although the availability of jobs is an important consideration, people also want to settle in an attractive place. The community does not have control over whether or not chain restaurants and retailers locate in Carlsbad; that will depend on population growth. Improvements can, however, be made in the landscape (through public art, parks, green spaces and other beautification efforts), and in some service provisions (through small business loans to local people, for example). These improvements will help support efforts to recruit retirees and essential workers, and encourage private development.

*This constraint is addressed under Strategic Plan Goal 5. In addition, Carlsbad MainStreet is making efforts to improve the design and infrastructure of the downtown area, and will be developing a Master Plan that will include public art and other beautification components.*

## VII. Goals, Policies and Quantifiable Objectives

### A. Goals and Policies

The Greater Carlsbad Comprehensive Plan – Strategy 2020 contains general housing goals, which provide the original basis of the goals for the Housing Analysis and Strategic Plan. This section lays out several items:

- **Goals** are overarching statements detailing the ideal that Carlsbad hopes to achieve.
- **Policies** are approaches and general strategies necessary for achieving the goals.
- **Action steps** are specific strategies that must be completed by the City of Carlsbad in order to achieve the policies and goals of the plan. They are numbered, and are followed by a list of the policies and goals they support. Supportive actions to be taken by private and nonprofit groups or other entities are listed by priority area in the Action Plan in Chapter VIII.

Specific numerical **objectives** for various types of housing are listed in the chart in Section B.

#### Strategic Plan Goal 1

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*Carlsbad and Eddy County will offer a range of housing choices that meets the diverse needs of current and future residents. Housing will:*

- *Be situated in appropriate locations with adequate infrastructure.*
- *Have appropriate densities.*
- *Be available to households of all income levels, and will include both affordable and market rate units.*
- *Include the development of new units as well as the redevelopment of existing units.*
- *Include rental and homeownership opportunities.*
- *Include opportunities for individuals with special needs.*

The goals for specific types of housing development, rehabilitation and programming are shown in the table at the end of this section. The following policies and action steps are intended to support those objectives.

**Policy 1.1.** The City will eliminate regulatory barriers to housing development where feasible and desirable.

**Policy 1.2.** The City supports and encourages infill development of vacant residential lots where adequate infrastructure and utility service is available.

**Policy 1.3.** The City supports the development of workforce, mixed income, and affordable housing, and will work to facilitate the development process, subdivision approval and potentially have direct participation in land acquisition and financing.

**Policy 1.4.** The City supports and encourages the development of homeless/transitional housing and housing for other special needs residents by nonprofit and private developer groups.

**ACTION STEPS: CITY OF CARLSBAD**

1.1	The City will complete changes to its subdivision ordinance and zoning code, and create an infill development policy to better align height and setback requirements and other elements with modern construction styles, and facilitate development on small parcels.	Policy 1.1 Policy 1.2
1.2	The City will acquire properties for affordable infill as they become available.	Policy 1.2 Policy 1.3
1.3	The City will either apply or support efforts by private or nonprofit entities to apply for matching funds to conduct a workforce housing development feasibility study from the MFA.	Policy 1.3
1.4	The City will acquire land and make available to a private or nonprofit partner interested in pursuing the Low Income Housing Tax Credit for mixed income/affordable rental units.	Policy 1.3 Policy 4.1
1.5	The City will initiate the process of developing a mixed income housing project, adhering to the Low Income Housing Tax Credit Program requirements, beginning by having a representative attend the MFA Qualified Allocation Plan (QAP) training.	Policy 1.3 Policy 4.1
1.6	The City will work with the appropriate nonprofit agencies to identify a favorable location for a transitional housing development to serve families at risk of homelessness.	Policy 1.4
1.7	The City will work with the appropriate nonprofit and private development groups to identify a favorable location for supportive housing units to serve the mentally-ill low-income population.	Policy 1.4
1.8	The City will collaborate with developers to facilitate subdivision and planned unit development approval.	Policy 1.3

**Strategic Plan Goal 2**

*The City will have adequate infrastructure capacity to accommodate infill within its current service area and to serve areas identified as suitable for the City’s expansion.*

**Policy 2.1.** The City will continue to assess and fund infrastructure improvements designed to increase capacity through its capital improvements program, bond issues, and other means.

**Policy 2.2.** The City will address storm drainage issues within the City limits to make infill properties more developable.

**ACTION STEPS: CITY OF CARLSBAD**

2.1	The City will reevaluate existing long-range water and wastewater plans and update at least every 5 years.	Policy 2.1
2.2	The City will continue to research new funding sources, including federal stimulus programs.	Policy 2.1
2.3	The City will continue to offer its 10% infrastructure assistance program for qualified projects.	Policy 2.1
2.4	The City will draft a drainage plan to help deal with stormwater runoff and other drainage issues.	Policy 1.2 Policy 2.2
2.5	The City will complete infrastructure improvements currently underway.	Policy 1.2 Policy 2.2

### Strategic Plan Goal 3

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*Carlsbad and Eddy County will ensure that local housing protects the health, safety, and welfare of residents and their neighbors.*

**Policy 3.1.** The City will use the tools provided by the legislature to eliminate conditions of blight, including designation of metropolitan redevelopment areas where appropriate.

**Policy 3.2.** Carlsbad and Eddy County will encourage the reversal and correction of blight by enforcing existing building and zoning codes, and other codes targeted to community health, safety and welfare.

**Policy 3.3.** Carlsbad and Eddy County will encourage the reversal and correction of blight by supporting the rehabilitation of housing by nonprofit groups and private contractors.

**Policy 3.4.** Carlsbad and Eddy County will encourage the reversal and correction of blight by removing structures that pose a threat to the health, safety, and welfare of their residents as allowed by their police powers. This effort will be paired with new construction programs by housing nonprofits and other agencies to replace substandard structures with new infill housing.

#### **ACTION STEPS: CITY OF CARLSBAD**

3.1	The City will designate an area and create a plan for a Metropolitan Redevelopment Area.	Policy 3.1 Policy 4.1
3.2	The City will increase code enforcement activities as capacity allows.	Policy 3.2 Policy 3.3
3.3	The City will continue to fund demolition of substandard properties and condemnation of lots as appropriate, and offer these to the CCDC for redevelopment by the Construction Trades Program or for the placement of modular homes.	Policy 1.2 Policy 3.4

### Strategic Plan Goal 4

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*Carlsbad will improve its capacity to engage in housing development activities, while also supporting capacity-building measures and improvements of local nonprofit and private housing development groups.*

**Policy 4.1.** The City will support efforts that enhance Carlsbad’s competitive position for state-issued Low Income Housing Tax Credits and similar tax advantaged housing programs. Examples of City support include land acquisition and assembly and designation of redevelopment areas under the New Mexico Metropolitan Redevelopment Act.

**Policy 4.2.** The City will ensure that it has the staffing capacity to meet housing development needs.

**Policy 4.3.** The City and the County will cooperate with the private and nonprofit sectors to ensure an improved flow of information regarding the development process.

**Policy 4.4.** The City supports private and nonprofit housing development groups in their capacity-building activities and efforts to improve public awareness about housing programs and provision.

**ACTION STEPS: CITY OF CARLSBAD**

4.1	The City will adopt housing provision as an integral part of its community development program by making housing provision part of the City’s mission, and outlining its role in housing development, including financial assistance, land acquisition, staff assistance, and direct funding of projects.	Policy 4.1
4.2	The City will collaborate with Eddy County and area housing nonprofits (SNMCAC, CCDC, Regional VI Housing Authority) to petition the MFA to establish Eddy County as a priority county for the Tax Credit program.	Policy 4.1
4.3	The City will review its current personnel and ensure that staffing needs are sufficient to meet current code enforcement and permitting demand. This includes hiring a building inspector with multiple certifications to speed the inspection process.	Policy 3.2 Policy 4.2
4.4	The City will complete needed website upgrades to improve the flow of information regarding the development and permitting process to developers and nonprofit groups.	Policy 4.3 Policy 4.4
4.5	The City will collaborate with private and nonprofit groups, including the Carlsbad Department of Development (CDOD), in its effort to streamline the development process.	Policy 4.3
4.6	The City will work with local housing developers, lenders and nonprofit organizations to create a strategy for disseminating information about available programs for homebuyers and renters.	Policy 4.3 Policy 4.4

**Strategic Plan Goal 5**

*Carlsbad will become a more attractive town, both in terms of physical appearance, services and available amenities, and thereby increase the likelihood of private investment and relocation of retirees and essential workers in the town.*

**Policy 5.1.** Carlsbad will initiate and complete community beautification and recreation projects, and support similar efforts by private and nonprofit groups.

**Policy 5.2.** Carlsbad will initiate and/or support private and nonprofit efforts to provide services for new and existing businesses, particularly restaurants, shops and entertainment opportunities in the downtown area.

**ACTION STEPS: CITY OF CARLSBAD**

5.1	The City will collaborate with the MainStreet organization and support it as is needed and feasible.	Policy 5.1 Policy 5.2
5.2	The City will complete current beautification efforts that are underway, including sculptures and murals in public places.	Policy 5.1
5.3	The City will complete the construction of recreational amenities that are underway, including the consolidated senior center and multiuse trails.	Policy 5.1
5.4	The City will evaluate the feasibility of creating a beautification plan for Carlsbad, identifying areas, programs and funding for landscaping, trees, public art, community green spaces, parks and outdoor recreation areas.	Policy 5.1
5.5	The City will collaborate with and provide support as needed to private and nonprofit community clean-up efforts.	Policy 5.1
5.6	The City will support efforts by the Carlsbad Department of Development to provide resources and assistance to new and established businesses.	Policy 5.2

## Strategic Plan Goal 6

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*Carlsbad and Eddy County will cooperate on regulating the quality of development in the unincorporated county surrounding Carlsbad in order to ensure that residents live in healthy, safe environments free of blight and neglect now and in the future.*

**Policy 6.1.** Carlsbad and Eddy County will use the range of tools provided by the legislature for the regulation in development in unincorporated areas of the Greater Carlsbad area.

### **ACTION STEPS: CITY OF CARLSBAD**

6.1	The City will collaborate with Eddy County to jointly adopt zoning within the extraterritorial zone (ETZ) area around Carlsbad to share planning authority and develop consistency in regulation and enforcement.	Policy 6.1
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## **B. Quantifiable Objectives to Meet Housing Need**

Table 27 below shows the need for various types of housing and housing programs in Carlsbad. Housing for market rate units and retirees cannot be specifically projected, and will be a function of private developers' capacity and the evolving housing market.

As shown, the number of cost-burdened households will be reduced by over 60 percent by 2020, if the plan is followed. Currently, the City of Carlsbad and area nonprofit organizations do not have the capacity to further address this need. Related programs such as education, job training, drug counseling, and other social services may be needed to help address both poverty and the number of cost-burdened households in the area. Furthermore, the number of cost-burdened households in 2008 is an estimate based on the 2000 Census, and the plan should be revisited and revised when data from the 2010 Census are available.

There is also a continuing need for housing rehabilitation that will not be fully met by 2020. If a Metropolitan Redevelopment Plan is created for specific parts of the town (as is recommended under Strategic Plan Goal 3), it could include farther-reaching strategies and techniques for addressing the deteriorated housing stock.

Table 27. Quantifiable Objectives

	Developer	Priority area (in Action Plan)	Need: Total Current and Future	Immediate/ First year (# Units or Households served)	Additional # units per year	By 2020	Remaining Need (by 2020)
<b>Market rate</b> (New Units: Rental or single-family detached) Includes housing for retirees.	Private	1,5	20-50+	60	*	*	*
<b>Essential Workforce</b> (New rental units)	Private	1	220-240	120	120 total additional	240	0
<b>Cost-burdened Households</b>		2	1617**				640
New affordable rental units	City of Carlsbad/No nonprofit or private developers	2		60		60	
New affordable homeowner units (through redevelopment of vacant lots)	City of Carlsbad/nonprofit groups	3		5	8	77	
Expanded voucher program	Housing Authority	2			100 total	100	
Affordable homes made available by current households moving up into essential workforce and market rate units	n/a	n/a		120	120 total additional	240	
Households able to improve housing/financial situation through credit and financial counseling	Nonprofit groups	2		50	50	500	
<b>Transitional and Special Needs Units</b>	Nonprofit groups	4	15-20 (homeless) 15-20 (mentally ill)	20 11	24 total	55	
<b>Rehabilitation</b>	City of Carlsbad/nonprofit groups	3	916 (overlap with cost-burdened households)	10	15	145	771
<b>Retirees</b>	Private developers	5	Not determined	Not determined	20	200*	*

\*Unknown. Annual production of market rate units will depend on private developers' ability to finance and sell units as needed. A specific goal has not been determined. The first 60 units listed under "Market Rate" could be part of a mixed income project.

\*\*Estimate of number of cost-burdened households in 2008 earning less than \$35,000.

## VIII. Strategic Plan

The Carlsbad Housing Committee has identified five priority areas based on the feasibility and capacity of the City and existing nonprofit and private developers. These are described in Section A, and followed by an Action Plan in Section B. The Action Plan includes some of the Action Steps to be taken by the City, listed in the previous chapter. In addition, it outlines specific steps to be carried out by private and nonprofit groups, and other entities.

### A. Priority Areas

#### 1. Workforce Housing

The first priority is to support the development of housing for essential workers who are relocating to Carlsbad. Employers have verified that their new hires from outside of Carlsbad are having difficulty finding housing. The priority is high quality rental housing, but suitably priced housing for sale may also meet this need.

Private developers in the area are in the process of developing subdivisions and mixed density residential projects that will provide housing in the appropriate price range of these workers. NMSU-C has plans to purchase a 15-acre parcel and develop it as a mixed-use complex with market rate multifamily housing. These projects will help meet the urgent need for market rate housing for Carlsbad's workforce.

MFA has developed a Workforce Housing Development Program where for-profit entities, nonprofits, municipalities or a participating employer may apply for matching funds to conduct a workforce housing development feasibility study that can lead to the accelerated planning, financing and development of additional workforce housing. MFA financing may be used for costs associated with development of affordable housing or housing for households with no income limits, primarily tied to the needs of a participating employer.

The analysis shows that 120 rental units are needed immediately, with potential for an additional 120 units, depending upon lease-up of the first phase.

#### 2. Addressing the Needs of Low-Income and Cost-Burdened Households

The second priority is to build a new multifamily rental unit that would include both market rate units and units available to low-income households. The City would like to pursue the Low Income Housing Tax Credit program through the New Mexico Mortgage Finance Authority and would like to put institutional and other changes in place to improve Carlsbad's potential to successfully compete for tax credits.

In addition, there are a number of state and federal assistance programs for low-income households. Project 2.B focuses on increasing the capacity of local nonprofit organizations to reach more clients and make these programs more accessible to them.

#### 3. Rehabilitation/Replacement of Deteriorated Housing Stock

Over 900 houses in Carlsbad were identified as being in poor condition in a housing survey conducted during development of the City's comprehensive plan. The need for demolition and replacement and rehabilitation is still evident in Carlsbad's older neighborhoods. At a minimum, the City should support replacement of the five to six houses demolished each year because of substandard conditions and support efforts by nonprofits to increase annual rehabilitation projects to 10 to 15 units. Rehabilitation projects rely on MFA funding. The current limit of \$50,000 is inadequate to rehabilitate older housing that was not originally built to current building codes.

A longer term strategy is to work with the MFA to change the limits on funding limits for rehabilitation projects or to change the requirement that older housing meet all current codes.

**4. Provide Special Needs Housing: Homeless/ Transitional/ Mentally Ill Populations**

The City has a homeless population and families in undesirable temporary living conditions. There are also individuals with mental illnesses and/or substance abuse problems with special housing needs. Some of these individuals and families need transitional housing to meet short-term needs while they secure long-term housing. Residents with severely disabling mental illnesses may need permanent housing solutions at a very low cost.

Several projects to serve these populations are in the early planning stages. These include a homeless shelter/transitional housing development, and an 11-unit and 24-unit housing development for people with several disabling mental illnesses.

**5. Housing for Retirees**

The City is actively recruiting retirees to Carlsbad. The Chamber of Commerce has had over 13,000 requests for relocation packets since 2006 in response to this recruitment effort. Suitable short-term rental housing is needed to attract these new residents, and long-term housing for sale and for rent is desirable. In addition, over 4,000 residents of the greater Carlsbad area are ages 65 or over, and many of these residents will need a variety of housing options as they age. Housing targeted to this market must be ADA accessible. The strategy is for market rate developers to create housing options as the market demands.

**B. Action Plan for Priority Areas**

**1. Workforce Housing**

The first priority is to support the development of workforce housing to meet the needs of essential workers, including, but not limited to, teachers, law enforcement, health care workers, and local government employees, who are relocating to Carlsbad. The highest priority is well-designed rental housing for new residents who want to rent while they get to know the community as well as longer term residents who prefer to rent.

**A. Project 1.A**

Project 1.A	Priority Area		Quantifiable Objective	Description	
<b>Goal:</b>	Workforce Housing		120 rental units	Employer-sponsored rental housing	
Steps:	Action	Who is Responsible	Funding Sources	Priority	Time Frame
1.	Apply for matching funds to conduct a workforce housing development feasibility study. (Action Step 1.3)	City of Carlsbad, NMSU-C or other eligible nonprofit, employer or developer	MFA	High	Within 1 year
2.	Identify appropriate location and ensure adequate infrastructure availability. (Action Steps 2.3, 2.5)	City of Carlsbad in conjunction with developer (NMSU-C, for-profit, nonprofit or eligible employer)	City 10% infrastructure assistance program	High	Within 1 year
3.	Assemble and acquire land, initiate planning and construction of development.	NMSU-C or other eligible nonprofit, employer or developer	Private developer	High	Within 1-2 years

## B. Project 1.B

Project 1.B	Priority Area	Quantifiable Objective	Description		
<b>Goal:</b>	Workforce Housing	Up to 120 rental units	Private development of market rate multifamily projects to meet the short to medium needs of new residents and temporary workers.		
Steps:	Action	Who is Responsible	Funding Sources	Priority	Time Frame
1.	Identify appropriate location and ensure adequate infrastructure availability. (Action Steps 2.3, 2.5)	City of Carlsbad in conjunction with developer	City 10% infrastructure assistance program	High	Within 1 year
2.	Acquire land, initiate planning and construction of development.	Private developer	Private developer	Medium	Within 3-5 years

## C. Project 1.C

Project 1.C	Priority Area	Quantifiable Objective	Description		
<b>Goal:</b>	Workforce Housing	Undetermined	Private development of market rate single family subdivision.		
Steps:	Action	Who is Responsible	Funding Sources	Priority	Time Frame
1.	Determine appropriate location for new subdivision.	Private developer, City of Carlsbad	n/a	High	Within 1 year
2.	Ensure adequate infrastructure availability. (Action Steps 2.3, 2.5)	City of Carlsbad in conjunction with developer	City 10% infrastructure assistance program	High	Within 1 year
3.	Work together to facilitate subdivision or planned unit development approval. (Action Step 1.8)	City of Carlsbad, private developer	n/a	High	Within 1 year
4.	Acquire land, initiate planning and construction of development.	Private developer	Private developer	Medium	Within 3-5 years

## 2. Addressing the Needs of Low-income and Cost-Burdened Households

The second priority is to reduce the number of cost-burdened households in the Carlsbad area. The first project involves building a new multifamily rental unit that would include both low-income and market rate units. To do this, the City would like to pursue the Low Income Housing Tax Credit program through the New Mexico Mortgage Finance Authority. This program acts as incentive for individuals and corporations to invest in the construction of low-income rental housing projects by providing a dollar-for-dollar reduction in federal income tax liability. Projects must meet initial requirements in order to be considered for receiving the tax credit, and are then scored based on a point system. Projects with the highest points will be granted tax credits. A summarized list of requirements can be found in Figure 16.

The second “project” listed here is the expansion of existing housing programs by nonprofit organizations in the area.

### A. Project 2.A

Project 2.A	Priority Area	Quantifiable Objective	Description		
<b>Goal:</b>	Low-income Households	120 rental units in a mixed income complex (60 market rate; 60 affordable units)	A multifamily rental unit offering both market rate units and units affordable to households at particular percentages of the average median income level. Lead agency could be a combination of the City of Carlsbad, nonprofit (SNMCAC or CCDC) and/or a private developer.		
Steps:	Action	Who is Responsible	Funding Sources	Priority	Time Frame
1.	Assemble and acquire land. (Action Step 1.4)	City of Carlsbad and for-profit or nonprofit housing partner	City of Carlsbad (by contributing all land or writing down cost equal to 10% of total development cost)	Medium	1-3 years
2.	Ensure adequate infrastructure availability. (Action Steps 2.3, 2.5)	City of Carlsbad in conjunction with developer (for-profit or nonprofit housing developer)	City 10% infrastructure assistance program	High	Within 1 year
3.	Designate and create plan for Metropolitan Redevelopment Area. (Action Step 3.1)	City of Carlsbad	City of Carlsbad	High	1-2 years
4.	Establish SNMCAC and CCDC as Qualified Nonprofit Organizations; send representative to MFA Low Income Housing Tax Credit training, along with City representative (Action Step 1.5)	SNMCAC, CCDC and City of Carlsbad	MFA; LITHC (tax credits to help reduce development cost); Region VI Housing Authority	High	1-3 years

5.	Seek out an experienced development partner.	SNMCAC, CCDC and/or City of Carlsbad	n/a	Medium	1-3 years
6.	Work with the MFA to establish Eddy County as a priority county for the Tax Credit program. (Action Step 4.2)	City of Carlsbad, Eddy County, CCDC, Region VI Housing Authority	n/a	High	1-2 years
7.	Establish a local office of the Region VI Housing Authority to improve availability of assistance to local cost-burdened/LMI families.	Region VI Housing Authority	n/a	Medium	1-3 years
8.	Plan project, taking into account requirements and favorable elements to qualify for the Tax Credit program. These are summarized in Figure 16.	Development partner	Development partner	Medium	1-3 years
9.	Apply for MFA Tax Credit.	Development partner	Development partner	Medium	1-3 years
10.	Complete project.	Development partner	MFA and other partners	Medium	1-3 years

## B. Project 2.B

Project 2.B	Priority Area	Quantifiable Objective	Description		
<b>Goal:</b>	Low-income and Cost-Burdened Households	100 additional vouchers for low-income families 50 additional families served per year for housing education/counseling and other assistance programs	Reducing the number of cost-burdened households by improving and expanding existing nonprofit housing programs.		
Steps:	Action	Who is Responsible	Funding Sources	Priority	Time Frame
1.	Expand housing voucher program to an additional 100 families.	Region VI Housing Authority	Region VI Housing Authority	High	1-3 years
2.	Expand public education programs including first-time homebuyer assistance, financial/credit counseling, etc. to 50 families per year.	Region VI Housing Authority, CCDC, SNMCAC	Region VI Housing Authority, CCDC, SNMCAC, MFA	High	1-3 years
3.	Work with families to apply for weatherization funds to help bring down monthly energy costs.	Individuals, Region VI Housing Authority	New Mexico Energy\$mart	High	Ongoing
3.	Keep abreast of new federal and state programs providing funds for education for first-time homebuyers and related programs.	Region VI Housing Authority, CCDC, SNMCAC	Region VI Housing Authority, CCDC, SNMCAC	High	Ongoing
4.	Work with local nonprofits to create a strategy for disseminating information about programs available to homebuyers and renters. (Action Step 4.6)	City of Carlsbad with area nonprofits	n/a	High	Within 1 year

## Low Income Housing Tax Credit Program Requirements

The minimum project threshold requirements for low-income tax credits are:

- Evidence of site control by the applicant (proof of commitment to transfer the land to the applicant; deed or long-term leasehold interest; or purchase contract) that is not conditioned upon tax credit awards or any other requirement
- Proof of compatible zoning at the site
- A minimum score of 100 points (discussed below)
- Payment of all fees (including application fee of \$500 (\$1000 for for-profit applicant), market study deposit of \$4,800, processing fee of 7.5% of MFA-determined tax credit allocation amount)

Projects receive points based on various criteria, listed below. Requirements most likely to be met by a Carlsbad project are marked with an asterisk (\*).

- \*Participation of local nonprofit or government entity (10 pts)
  - Nonprofit must meet various requirements, including demonstrating financial capacity of net worth/assets of \$250,000
  - Nonprofit/government entity must own at least 51% of general partner interest; receive at least 10% of the developer fee; and have a representative attend the MFA Qualified Allocation Plan (QAP) training at least six months before submitting the application
- Earn 1<sup>st</sup>, 2<sup>nd</sup>, or 3<sup>rd</sup> place in an optional MFA design competition (5, 10, or 15 pts)
- Incorporate "green building" (5-15, 18, or 20 pts)
  - Must commit to LEED (Leadership in Energy and Environmental Design) certification, or meeting Enterprise Green Communities Green Criteria or Green Building Criteria
- Rehabilitation projects (15 pts)
- Conversion plus rehabilitation projects (15 pts)
  - Projects must convert at least 50% of existing market rate units to low-income units
- Preservation of affordable housing (15 pts)
  - For previously subsidized projects in which rents of 75% of units are no longer affordable
- \*Projects meeting certain Average Gross Median Income (AGMI) levels (25-30, 30-35, or 35-40 pts)
  - This is calculated by determining the percentage of units set aside for tenants at particular percentages of the median income level and for market rate units.
  - Note: The total combined maximum number of points awarded for this requirement and the following two requirements is 65.
- \*Projects meeting certain Average Gross Median Rent (AGMR) levels (20, 25, or 30 pts)
  - This is calculated by determining the percentage of rent-restricted units reserved for tenants at different percentages of the AGMI
- \*Projects that incorporate at least 15% market rate units (10 pts)
- Projects committed to an extended use period of 35 to 45 years (5, 10, or 15 pts)
- Projects reserving either 5% or 25% of units for special needs households (5 or 20 pts)
  - Special needs households include homeless people and people with physical or developmental disabilities or chronic mental illness
- Projects reserved for senior households (up to 15 pts)
  - Points awarded based on various project amenities
- Projects reserved for households with children (up to 15 points)
  - Points awarded based on various project amenities
- Efficient use of tax credits (5 or 10 pts)
  - For projects with development costs that do not exceed 100% or 110% of weighted average total development cost (in 2008, this was \$155.43/sq ft).
- \*Projects with 60 or fewer set aside units (5 pts)
- \*Local government contribution to development costs (10 pts)
  - Government entity must commit to 10% of development costs (in the form of cash, financing guaranties, land or buildings)
- \*Complete application that does not require deficiency corrections (5 pts)
- \*Projects marketed to households on public housing waiting lists (2 pts)
- Projects located in Qualified Census Tracts as determined by HUD (5 pts)
  - Carlsbad currently does not have any Qualified Census Tracts (in which have 50% of households have an income less than 60% of Area Gross Median Income)
- \*Projects that contribute to a Concerted Community Development Plan or are located in Metropolitan Redevelopment District (5 pts)
- Projects in which 50% of units are intended for eventual tenant ownership (5 pts)
- \*Projects that include a comprehensive program to facilitate eventual home ownership for tenants (5 pts)
- Projects with historic significance (5 pts)
- Projects located in Priority Geographic Areas, as determined by HUD (10 or 15 pts)
  - Eddy County is currently not considered to be a medium or high priority area

Figure 16. MFA Low Income Housing Tax Credit Program Requirements

### 3. Rehabilitation/Replacement of Deteriorated Housing Stock

The third priority area is rehabilitation or demolition and rebuilding the existing deteriorated housing stock. This will fulfill the Comprehensive Plan’s desired scenario of infill development rather than development in outlying areas that are not served by existing infrastructure.

#### A. Project 3.A

Project 3.A	Priority Area	Quantifiable Objective	Description		
<b>Goal:</b>	Rehabilitation of Deteriorated Housing Stock	Goal is a minimum of 10 to 15 rehabbed units per year.	Improving Carlsbad’s housing stock by rehabilitating deteriorated homes, which may disproportionately affect lower income households, and also lead to disinvestment in the community.		
Steps:	Action	Who is Responsible	Funding Sources	Priority	Time Frame
1.	Ensure that City has capacity to meet code enforcement needs, and ramp up enforcement efforts. (Action Steps 3.2, 4.3)	City of Carlsbad	City of Carlsbad	High	Ongoing
2.	Continue capacity-building within SNMCAC to develop a home rehabilitation program.	SNMCAC	MFA	High	Within 1 year
3.	Develop a pool of qualified and willing contractors for rehab projects.	SNMCAC or CCDC, Construction Trades Vocational Training Program	n/a	High	Within 1 year
4.	Establish ongoing program to rehab at least 10 to 15 units per year.	SNMCAC	MFA HOME fund; Neighborhood Stabilization Program	High	1-3 years
5.	Work with MFA and HUD to increase cap on HOME rehabilitation funding per property.	SNMCAC	n/a	High	1-3 years
6.	Continue to remain abreast of new federal, state, and other programs offered to provide home rehabilitation assistance.	SNMCAC	n/a	High	Ongoing

## B. Project 3.B

Project 3.B	Priority Area	Quantifiable Objective	Description		
<b>Goal:</b>	Replacement of Deteriorated Housing Stock	Goal is a minimum of 5 to 8 new units per year.	Demolition and replacement of deteriorated homes on infill lots. New homes will be made able to low and moderate income households.		
Steps:	Action	Who is Responsible	Funding Sources	Priority	Time Frame
1.	Continue to condemn/demolish substandard structures, and acquire properties for affordable infill, and offer these to the CCDC for redevelopment. (Action Steps 1.2 and 3.3)	City of Carlsbad	City of Carlsbad	High	Ongoing
2.	Continue with plans to expand Construction Trades Program to out-of-work adults and other groups.	CCDC, NMSU-C	CCDC, NMSU-C	High	Within 1 year
3.	Increase building of homes in Construction Trades Program to at least 3 to 6 per year, and offer these to low and moderate income families.	CCDC, NMSU-C	CCDC, NMSU-C	High	1-3 years
4.	Continue to build modular homes on vacant lots.	CCDC	Region VI Foundation for Building program, Neighborhood Stabilization program	High	Ongoing
5.	Continue to build 2 new homes per year on infill lots for low-income families.	Habitat for Humanity Carlsbad Area (HFH-C)	(HFH-C), "sweat equity" by families	High	Ongoing

#### 4. Special Needs Housing: Homeless/ Transitional/ Mentally Ill Populations

The fourth priority is to provide housing for special needs populations. These include homeless individuals and people in transition from a temporary living situation to more permanent housing, as well as people suffering from severely disabling mental illnesses.

##### A. Project 4.A

Project 4.A	Priority Area	Quantifiable Objective	Description		
<b>Goal:</b>	Homeless/Transitional Housing	Temporary housing for approximately 20 clients/households.	A transitional housing development for low-income families facing homelessness.		
Steps:	Action	Who is Responsible	Funding Sources	Priority	Time Frame
1.	Work with the service provider to identify an appropriate location for the project. (Action Step 1.6).	City of Carlsbad	n/a	High	Within 1 year
2.	Create transitional housing development and refer clients.	Coalition to End Homelessness and other nonprofits that serve the homeless	Nonprofit entities	Medium	1-3 years

##### B. Project 4.B

Project 4.B	Priority Area	Quantifiable Objective	Description		
<b>Goal:</b>	Housing for Persons with Severely Disabling Mental Illnesses	Housing for SDMI 11 clients.	An 11-unit development in close proximity to the Carlsbad Mental Health Center (CMHC) that will be refurbished and offered to SDMI clients. Shelter and care vouchers will be provided to assist clients with rental costs.		
Steps:	Action	Who is Responsible	Funding Sources	Priority	Time Frame
1.	Carry out plans to purchase and refurbish existing structure; offer to clients.	CMHC; Coalition to End Homelessness	HOME	Medium	1-3 years

### C. Project 4.C

Project 4.C	Priority Area	Quantifiable Objective	Description		
<b>Goal:</b>	Housing for Persons with Mental Illnesses	Housing for 24 low-income clients with mental illnesses.	The long-term goal is to create a 24-unit complex of "supportive housing" that links tenants to appropriate services. YES Housing Inc. will act as the developer; Region VI Housing Authority will act as the owner/manager of the property. A local lead agency will assist by screening tenants for placements and providing service information.		
Steps:	Action	Who is Responsible	Funding Sources	Priority	Time Frame
1.	Work with service providers and nonprofit developers to locate ideal spot for this housing project. (Action Step 1.7).	City of Carlsbad, with YES Housing, Inc. and CMHC	n/a	Medium	1-3 years
2.	Assemble and acquire land; develop complex.	YES Housing, Inc.	Nonprofit	Medium	1-3 years
3.	Create plan for development management and service provision; offer units to clients.	YES Housing, Inc., Region VI Housing Authority, CHMC, other appropriate nonprofits	Nonprofit	Low	3-5 years

## 5. Housing for Retirees

The fifth priority is housing for retirees of all income levels in response to the needs of both current residents and those who seek to relocate to Carlsbad. Housing for low-income seniors is included with the mixed income development under “Cost-Burdened Households.”

### A. Project 5.A

Project 5.A	Priority Area	Quantifiable Objective	Description
<b>Goal:</b>	Market Rate Retiree Housing	Undetermined – as market demands.	This could include a range of housing options, from townhouses and condos to single-family subdivision developments. Infill development is also appropriate. There should be a focus on single-level units with ADA accessibility.

Steps:	Action	Who is Responsible	Funding Sources	Priority	Time Frame
1.	Develop market rate housing as the market demands.	Private developers	Private	Medium	1-3 years
2.	Work together to facilitate subdivision or planned unit development approval, when appropriate. (Action Step 1.8)	City of Carlsbad, private developers	n/a	Medium	Within 1 year
3.	Continue to market Carlsbad as a retiree relocation destination.	Carlsbad Chamber of Commerce	Carlsbad Chamber of Commerce	Medium	1-3 years
4.	Assist retirees interested in relocation with Carlsbad area developers.	Carlsbad Chamber of Commerce, CDOD	n/a	Medium	1-3 years

# IX. Appendices

## Appendix A. Bibliography

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## Appendix B. Interviews

Lorraine Allen-Munoz, Carlsbad Community Development Corp. Oct 8, 2008.

Scott Anderson, UniDev. January 21, 2009.

Christine Beasley, Human Resources Director, Carlsbad Medical Center. January 2009.

Scot Bendixon, Human Resources Director, City of Carlsbad. January 29, 2009.

Kirstin Carlson, Marketing Director, Carlsbad Mental Health Center. January 14, 2009.

Ted Cordova, Human Resources Director, Carlsbad Municipal School District. January 29, 2009.

Elissa Davis, Southeast NM Community Action Corporation. October 9, 2008.

Robert Detweiler, General Contractor, Constructors, Inc. January, 2009.

George Dunagan, REALTOR®, Dunagan Associates. By email, January 16, 2009.

Joe Epstein, President, Carlsbad Community Development Corporation. January 15, 2009.

Dolly Flavin, Staff, USDA Carlsbad Office. December, 2008.

Gene Harbaugh, Director, Carlsbad Transitional Housing and Homeless Shelter, Inc. January 29, 2009.

Russell Hardy, President, New Mexico State University – Carlsbad. January 16, 2009.

Ray Maccabee, Director, Refuge Adonai. January 30, 2009.

Nathan MacDonald, Developer, New-Mizz Homes, LLC. December 2008.

Estela Osborne, Human Resources Director, Landsun Homes. February 11, 2009.

Dan Puccetti, Housing Development Program Manager, NM Mortgage Finance Authority, January 2009.

Don Purvis, CEO, Mosaic Potash. January 14, 2009.

David Sepich, President, Carlsbad Department of Development. January 15, 2009.

Ken Thurston, Developer, Thurston Homes. December 2008.

Jackie Webb, Human Resources Director, Intrepid Mining. February 11, 2009.

Wanda Welch, REALTOR, Century 12. December 2008.

## Appendix C. Housing Resource Guide

The following is an annotated resource list of financial resources and agencies responsible for meeting identified housing needs, helping families build capacity to acquire housing on their own, and providing assistance for needy families. The various programs are listed under the agencies that administer them, such as the New Mexico Mortgage Finance Authority, the USDA Housing and Community Facilities Programs, HUD's Region VI housing authority, and the State of New Mexico.

### **New Mexico Mortgage Finance Authority**

<http://www.nmmfa.org/>

The MFA, though not a state agency, was created by state law with a mandate to provide affordable housing in New Mexico. The MFA is given authority to issue tax-exempt mortgage revenue bonds. Proceeds from bond sales are used to fund below-market interest rate loan programs for single-family homebuyers and for developers of affordable multifamily dwellings. In this way MFA fulfilled its mission, using private dollars only (no state or federal funds), from its 1975 inception to the present.

The state made the MFA responsible for state and federally-funded housing programs as well. Besides constituting recognition for a job well done by MFA with its revenue-bond programs, New Mexico made the MFA a "one-stop shop" for housing finance, a model already adopted by most states. The MFA purview now encompasses the tax credits program, emergency shelter grants, homeless initiatives, and Housing and Urban Development's HOME program.

By operating efficiently, the not-for-profit MFA generates surplus revenue, used to create even more programs to make affordable housing a reality in New Mexico. These include programs for down payment assistance and to support other nonprofit providers of housing and related services.

344 4th Street SW  
Albuquerque, NM 87102  
(505) 843-6880  
(800) 444-6880 (Toll free in New Mexico)  
Fax: (505) 243-3289  
TTY: (800) 659-8331  
TTY/Voice: (800) 659-1779

Following is a list and brief descriptions of programs offered:

#### **MFA Homebuyer Programs**

The MFA Homeownership programs provide a range of financial assistance to low- to moderate-income first-time home buyers including below-market interest rates, closing cost assistance and down payment assistance programs. These programs are also available to individuals who have not owned a home or a manufactured house in the last three years.

***MFA's MortgageSaver Program*** offers below-market interest rates and/or closing cost assistance to first-time homebuyers. The program is also available to individuals who have not owned a home (including a manufactured home on a permanent foundation) in the last three years. A borrower may qualify for a MortgageSaver, MortgageSaver Zero or MortgageSaver Plus funds based upon household income and family size as well as the sales price of the home. Mortgage loans available under the MortgageSaver program include FHA, VA, and a variety of conventional loans, including the MyCommunity and Community Solutions Programs.

***MFA's Mortgage Booster program*** is a second mortgage product that provides down payment and closing cost

assistance to borrowers who qualify for MFA's Mortgage\$aver loan. Mortgage Booster is a loan designed to serve low- to moderate-income first-time homebuyers who don't have adequate resources for a down payment and/or closing costs. Participating lenders are used to process the loan. Lender will help applicants determine the maximum amount, based on their need. They may qualify for up to 8% of the amount of the sales price of their home. Mortgage Booster allows borrowers to spread out their repayment over 30 years, which is a longer period of time than MFA's other down payment assistance programs allow. Borrowers must be able to qualify for MFA's Mortgage\$aver program to take advantage of Mortgage Booster.

**The MFA Payment\$aver program** is available to first-time homebuyers, including individuals or families who have not owned and occupied a primary residence for the past three years. Many loan types are available under the Payment\$aver program. These loan types include FHA and VA, including loans to buyers of homes located on Native American trust lands. The program works well with a variety of conventional loans, such as CHBP products, GRH guaranteed or leveraged loans. With Payment\$aver, purchasers get a below-market-interest-rate loan to purchase a house, plus a second loan at zero-percent interest to cover up-front costs (the down payment and other costs related to the purchase). Depending on the type of loan, Payment\$aver may also be used to fund temporary interest-rate reduction. Income and home sales price limits apply depending on family size and location. The zero-percent-interest Payment\$aver loan (the second loan) may not exceed 8% (depending on area) of sales price of the home or not to exceed \$8,000. The loan need not be paid back until the property is sold, refinanced, or transferred. A lender can determine whether an applicant is eligible for Payment\$aver and explain the various loan types that are available. Please see the MFA website for the "Participating Lenders Page" for a list of institutions who are partnering with the MFA on this program. To use Payment\$aver, borrowers must receive pre-purchase counseling, which is available through MFA-certified agencies throughout New Mexico. If there is not an approved agency nearby, MFA will help in the process. Lenders will gladly help the borrower get in contact with an approved agency.

**HERO program** was designed to serve households in which at least one member is a police officer, nurse, teacher, firefighter, or active member of the armed forces. The HERO program is a first- and a second-mortgage product that provides below-market interest rates, down payment, and closing cost assistance for the purchase of a home. Lenders will help you determine the maximum amount, based on need. Loans are made through participating lenders. Borrowers may qualify for up to 8% of the amount of the sales price of the home. This loan is repaid over 30 years at a fixed interest rate. Applicants must be able to qualify for a typical mortgage loan in order to take advantage of HERO. Homes financed can include single-family detached homes, townhomes, condominiums, homes in planned unit developments, and permanently attached manufactured homes. Income limits apply—please see MFA's website. The total mortgage amount is determined by the program guidelines of the first mortgage loan. Lenders will advise applicants of the maximum amount for which you qualify. Residences financed can include single-family detached homes, townhomes, condominiums, homes in planned unit developments, and permanently attached manufactured homes. Income limits apply.

**Helping Hand program** is a statewide program designed to assist first-time homebuyers with disabilities in the purchase of a home. It is a second mortgage loan program, similar to the HELP program (see below), in which all or part of the down payment and closing costs can be borrowed. Additional funds may be borrowed for pre-pays, cash reserves or to rehabilitate the home for accessibility. It is a zero-percent-interest-rate, non-amortizing loan, which will be due on sale, refinance or transfer. The program is funded from available HOME monies and may be used only in conjunction with Mortgage\$aver under the FNMA Home Choice or FHA loan programs. The program is targeted for families at or below 70% or 80% of area median income limits (depending on where the borrower wishes to purchase) in which at least one family member has a disability as defined by the Americans with Disabilities Act (ADA). Borrowers must be counseled and certified by HOME New Mexico prior to application with the eligible lender. Helping Hand is a soft second mortgage, due upon a full repayment of the mortgage, cash-out refinance, sale or transfer of the property, or change of owner-occupied status. The maximum loan amount under the Helping Hand program is \$8,000. No interest will be charged in conjunction with the Helping Hand program.

**Homeowner Rehabilitation Program** provides assistance to low-income homeowners who lack the resources to make necessary repairs to their homes. Assistance can be used for reimbursement of costs for rehabilitation, which includes the following: applicable codes, standards or ordinances, rehabilitation standards, essential improvements, energy-

related improvements, lead-based paint hazard reduction, accessibility for disabled persons, repair or replacement of major housing systems, incipient repairs and general property improvements of a non-luxury nature, site improvements and utility connections. MFA relies on nonprofits, housing authorities, and local governments to administer the homeowner rehabilitation program. Funds are awarded through an RFP/application process and proposals are reviewed and evaluated by several committees, and approved by the MFA Board.

**Reservation Rehabilitation Program:** MFA has also reserved funds to provide loans to homeowners on a house-by-house, first-come, first-served basis. Sub-recipients of homeowner rehab funds design programs to fit the needs of their individual jurisdictions. The role of sub-recipients is to administer the rehabilitation program from initial marketing activities to completion of the rehabilitation and securing loans. Agencies are responsible for publicizing and taking applications, qualifying applicants, determining income eligibility, determining ownership, guaranteeing that work is properly inspected and completed, insuring that properties meet all code, construction standards and HQS regulations, and adherence to all HOME funding and Lead Based Paint Requirements. Agencies are also responsible for securing due on sale, refinance or transfer or amortizing, low interest loans for participants. The program is available statewide excluding the cities of Albuquerque and Las Cruces. Properties located on Native American Trust Lands are eligible to apply for the Owner- Occupied Rehabilitation Program.

## **MFA Housing Development Programs**

MFA administers programs for affordable rental and single-family development. The multifamily programs provide funding throughout New Mexico for the acquisition, rehabilitation, new construction and, in some cases, refinance of rental housing. These multifamily programs are usually sponsored by private for-profit, not-for-profit, and public housing authority developers. Programs are also available for developers for the acquisition, rehabilitation and new construction of single-family units. Specific programs include the following:

### ***HOME/Single Family Development***

**NM Housing Trust Fund** provides flexible funding for a wide range of housing initiatives—including infrastructure costs—to produce significant additional housing investment in the state. Funds are awarded on a competitive basis. The HTF may be used to finance part of all of an entire project that will provide affordable ownership, rental or special needs housing primarily for persons or households of low or moderate income. Eligible applicants range from nonprofit and governmental housing agencies to for-profit firms and joint ventures. Housing must remain affordable on a long-term or permanent basis. Loans range from one to 30 years with interest rates of from 1 to 5 percent. Applications are reviewed on a quarterly basis.

**NM Affordable Housing Tax Credit Program** provides tax credits to individuals, businesses, and local governments that provide donations to a trust fund administered by the MFA. The state offers credits on income taxes, gross receipts taxes and compensating taxes (excluding local option gross receipts tax imposed by a municipality or county, or the state government gross receipts tax) to any eligible individual, business, and local or tribal government that donates land, building, cash or services for an affordable housing project approved by MRA or for a trust fund administered by MFA. The credit is equal to up to 50 percent of the value of the donation (minimum \$200; maximum \$1 million). Qualified affordable housing activities are defined as land acquisition, building acquisition, construction, remodeling, improvement, rehabilitation, conversion or weatherization for residential housing that is approved by the MFA. Eligible projects include single-family housing or multifamily housing located in a county with a population of less than 100,000. Single-family projects must remain affordable for a minimum of five years; multifamily for 10 years

### ***Partners***

**Low Income Housing Tax Credit:** The LIHTC program offers a 10-year credit on federal income tax for owners of newly constructed or renovated rental housing and sets aside a percentage of the units for low-income individuals for a minimum of 15 years. The amount of the credit varies for new construction and renovation. The project must receive allocation of New Mexico State's annual credit ceiling or use multifamily housing tax-exempt bonds that receive allocation of New Mexico State's bond volume cap. Allocations are made on the basis of the New Mexico State Qualified

Allocation Plan.

**HOME/Rental Development:** Federal HOME Investment Partnership funds are used to provide gap financing for development of affordable rental or special needs housing, through either new construction or acquisition and rehabilitation of existing properties. As gap financing, HOME funds are typically the last dollars committed to a project and are used in combination with other housing resources such as MFA's Tax Credit and 542(c) loan programs. These allocations are available to nonprofit, for-profit, tribal, and public agency developers who apply during the Tax Credit application period (typically on or about February 1 of each year). HOME/Rental Incentive funds may be awarded to projects using 4% Tax Credits that have received an allocation of private activity bond volume cap from the State Board of Finance, or to projects with first mortgage financing derived from either 501(c)(3) bonds or other sources approved by MFA. Funding for these projects is available on a first-come, first-served basis throughout the year until allocations are exhausted. Native American trust land projects are eligible.

**542(c) Risk Sharing/ACCESS:** FHA-Insured Construction/Perm or permanent mortgages are for acquisition/rehab or new construction of affordable rental properties. Eligible borrowers include single-asset mortgagors, including nonprofit organizations, for-profit corporations, joint ventures, limited liability companies, and partnerships. For more information, please view [www.nmmfa.org](http://www.nmmfa.org). The Access Loan Program provides up to \$2 million in FHA-insured construction and permanent financing for small-scale affordable housing projects throughout New Mexico. It is designed to minimize transaction and due diligence costs, and expedite processing for small projects. Loans are for new construction, substantial rehabilitation, refinancing or acquisition of projects having no less than five units per site. Detached, semi-detached, row houses or nonprofit organizations, for-profit corporations, joint ventures, limited liability companies, and partnerships are eligible.

**Bond Financing (Tax-Exempt Mortgage Revenue Bond Financing, Taxable Mortgage Revenue Bond Financing, 501(c)(3) Bond Financing):** MFA will provide bond financing for multifamily housing developments through the following mechanisms:

- Using Private Activity Bond Volume Cap (PABVC) multifamily project allocations from the State Board of Finance ("SBOF") for new tax-exempt bond issues
- Refunding outstanding bond issues
- Issuing new 501(c)(3) bonds: 501(c)(3) bonds are a desirable source of financing for multifamily housing, because the bonds themselves require no allocation of private activity bond volume cap or other scarce resources. The projects benefit from bond interest rates equal to or better than other tax exempt bond rates, but in lower-rent markets additional subsidies or gap financing may be needed to achieve economic viability. The interest income is tax exempt to the bond owner, and is "non-AMT" income. The lower return on the bond investment benefits the project through a lower loan rate. Other advantages of 501(c)(3) financing, compared with private activity bonds, include avoidance of the continuous rental requirements, the land and existing property limitations, and the prohibition on advance refunds. By definition, the owner must be a nonprofit or government entity; this financing is not compatible with Tax Credits.

MFA may issue the bonds with or without providing the credit enhancement. As a "conduit" issuer, MFA issues the bonds that fund the developer's loans, but does not provide loans or take the credit risk. Consequently the interim and permanent financing, along with the credit enhancement for the bonds, must be provided through other sources proposed by the developer of the project. Alternatively MFA can provide the credit enhancement with the use of its 542(c) FHA Mortgage Insurance Program. Processing and approvals are different in each case, with credit enhancement requiring considerably more due diligence on MFA's part. Please see the program summary on the website; it is intended as a general guide to developers, to assist in the determination as to whether tax-exempt bond financing is an appropriate vehicle for a proposed project—visit [www.nmmfa.org](http://www.nmmfa.org).

**Primero Loan Program** is a flexible, short-term, low-cost loan program created in 1993 to finance the development of affordable rental or special needs residential facilities in New Mexico that would be considered "high risk" by traditional lenders. Its goal is to leverage other public and private funds, and to expand the housing development capacity of New Mexico's nonprofit, tribal, and public agency housing providers.

**Build It! Loan Guarantee program** was created to encourage other lenders to provide interim financing when they might not otherwise do so—for "high-risk" or unconventional projects – to unfamiliar types of borrowers or in unfamiliar

geographic markets. The program offers MFA guarantees of up to 50% of the risk of loss in the underlying loan. MFA has successfully guaranteed the loans of both conventional lending institutions and community lenders in the past. Loans may be made to public or tribal agencies and nonprofit developers can be guaranteed under this program. BUILD IT! Loan guarantees can be used for owner-occupied or rental developments or special needs facilities. Sites must be responsive to demonstrated community needs, and zoning must be pending or completed. Commitments for matching contributions from other public sector entities, equal to 10% of the total development costs, must be in place. Finally, at least 40% of the units in the development must be affordable to households earning no more than 80% of adjusted area median income.

**Workforce Housing Development Program.** This program was developed by MFA to help eliminate some of the barriers to building housing in rural areas that is affordable for the state's "essential" workforce of teachers, law enforcement and public safety officials, health care workers, and others. Under the program, communities would apply for matching funds to conduct feasibility studies for workforce housing projects. Communities would provide land for such a project and work in conjunction with a Master Developer, UniDev, selected by MFA through a competitive process. Once built, the project would sell homes to essential workers on land leased by the City.

## **Other MFA Programs and Activities**

### **Homeless Assistance**

State Homeless Assistance funding may be used for acquisition, renovation, repair, rehabilitation, conversion, essential or supportive services, operating expenses, prevention activities associated with providing shelter or services to homeless individuals.

### **Weatherization**

The Weatherization Assistance Program (WAP) provides limited assistance to low-income homeowners to improve the energy efficiency of their homes, thus reducing their utility costs.

### **Emergency Shelter Grants**

The Emergency Shelter Grant Program (ESG) provides assistance to units of local government or nonprofit organizations to improve the quality of existing emergency shelters. The MFA has a Directory of Housing Services that contains a listing of all of MFA's partners and affiliated housing service providers. It can be requested from MFA on-line from the MFA website.

### **Elderly/Assisted Living**

The variety of MFA programs that can be used to develop assisted living facilities, with different requirements, are described in the Assisted Living Program Matrix at [www.nmmfa.org](http://www.nmmfa.org). Facilities can be created through new construction, acquisition/rehabilitation of existing properties, and conversions of non-residential buildings. MFA programs fund housing, not services, which need to be funded through other sources such as insurance programs.

## **New Mexico State Government**

### **HUD CDBG Grants**

The Small Cities Community Development Block Grant (CDBG) program, one of the nation's largest federal grant programs, is administered by the Department of Housing and Urban Development through the Local Governments Division of the NM Department of Finance and Administration to promote the revitalization of neighborhoods and the expansion of affordable housing and economic opportunities. This includes activities that support the redevelopment of properties in distressed areas if such activity supports the mission of the program. CDBG is a "bricks and mortar" program, with the rehabilitation of affordable housing traditionally being the largest single use of CDBG funds. Up to \$50,000 per home can be used on home rehabilitation/repair activities. Grant applicants may be counties, incorporated municipalities and the NM Mortgage Finance Authority, except for Albuquerque, Farmington, Las Cruces, Santa Fe, and Rio Rancho, which receive HUD funding directly.

Contact: Local Government Division  
402 Don Gaspar, Santa Fe, NM 87501  
Ph. 505-827-4948  
<http://local.nmdfa.state.nm.us>

### **HUD Section 108 loan guarantees**

Section 108 is the loan guarantee provision of the Community Development Block Grant (CDBG) program. Under Section 108, state and local governments receiving entitlement funds can receive federally-guaranteed loans, often at lower interest rates, to cover the cost of multi-year development projects too large for single-year financing with CDBG funding. City or state applicants can pledge up to five times their annual CDBG grants as collateral. States can also pledge their own CDBG allocation on behalf of their small cities.

### **Historic Rehabilitation Tax Credits**

Investors can receive a credit against their total income taken for the year in which a rehabilitated building is put into service. Rehabilitation of certified historic structures qualifies for a credit equal to 20 percent of the cost of the work; rehabilitation work on non-historic structures built before 1936 qualifies for ten percent.

### **HUD Region VI Housing Authority**

The Region VI Housing Authority, located in Roswell, NM, assists low-income families in five New Mexican counties with safe, decent and affordable housing. It administers two basic types of HUD housing programs 1) tenant-based assistance (Section 8 Housing Vouchers) and 2) project-based assistance (Affordable Housing).

Section 8 Housing Vouchers: Formally entitled the Housing Choice Voucher Program but commonly referred to as Section 8, the program is designed to provide a rental subsidy to low-income families for affordable, decent, safe, and sanitary housing in the private market. The tenant-based rental assistance program ensures that families are not forced to spend an unreasonable portion of their monthly income on shelter and allow them flexibility in selecting a community or neighborhood in which to live. A voucher covers a portion of the rent, and the tenant is expected to pay the balance. The tenant's share of rent is an affordable percentage of their income, generally between 30 and 40 percent of their monthly adjusted gross income for rent and utilities. Eligibility is based on a family's household income. Seventy-five percent of new vouchers issued must be made available to families earning less than 30 percent of the area median income (AMI). The program depends on the willingness of private landlords to accept the vouchers.

Affordable Housing: Project-based assistance is tied to a specific dwelling. The family who lives there will pay an affordable rent until they move. At that point, the unit goes to the next income-eligible family who moves in. Only La Posada in Carlsbad still offers project-based rental assistance. It is a 12-unit HUD 22f(D)3 development with full project-based rental assistance. All 12 units have two bedrooms.

Contact: Region VI Housing Authority  
106 E. Reed, PO Drawer 2057  
Roswell, NM 88202-2057  
(575) 622-0881  
[www.r6ha.org/home.html](http://www.r6ha.org/home.html)

### **United States Department of Agriculture (USDA)/ Rural Development/ Housing and Community Facilities Programs (HCFP)**

The Housing and Community Facilities Programs, Rural Development, is an agency of the USDA that was restructured from the former Farmers Home Administration in 1995. It operates a broad range of programs to provide homeownership

options, housing rehabilitation and preservation funds, rental assistance to HCFP-funded multifamily housing complexes, farm labor housing, and help to developers of multifamily housing projects, such as assisted housing for the elderly and disabled or apartment buildings and community facilities. Located in Washington, DC, the HCFP National Office is responsible for setting policy, developing regulations, and performing oversight. Its field operations are carried out through the USDA's state and local Rural Development offices and service centers. The Southeastern NM office is located in Carlsbad, NM, although it is transferring soon to Roswell. HCFP programs are available to eligible applicants in rural areas, typically defined as open country or rural towns with no more than 20,000 population. This would apply to communities outside the Carlsbad City limits.

### **Habitat for Humanity**

Habitat for Humanity Carlsbad Area (HFH-C) is a nondenominational Christian housing ministry affiliate of Habitat for Humanity International founded as a 501(c)3 organization in 1998. HFH-C serves the communities of Carlsbad and Loving, New Mexico. HFH-C's mission is to provide modest but adequate housing to help those in need by creating a better human habitat in which to live and work associating with other agencies and groups functioning with a similar purpose, expanding the number of persons participating in the ministry, and enacting the ministry through loving acts.

HFC-C is an all volunteer organization relying upon the support of the local communities to assist with the primary goal of building two homes each year for low-income families in need of decent and affordable housing. Fifteen homes have been completed and occupied by families, with the first home completed in 1999.

The program is a "hand up" and not a "hand-out." Families are selected based upon their (1) need for adequate housing, (2) ability to repay the cost of home construction when provided a 20-year, no interest mortgage loan, and (3) willingness to partner with HFH-C by providing 500 hours of family time (sweat equity) building their home and the homes of other partner families. Very low income families (income less than or equal to 50% of the area median income) unable to obtain a mortgage loan by conventional lenders are selected. HFH-C family selection process is nondiscriminatory regarding race, religion, ethnicity, sex, and age and disability status.

When a home is completed, the family moves into a new, energy efficient place they can call their own. Because the typical family, and their families before them, have never owned a home, HFH-C provides a homeowner education prior to and following home completion. Families can look at the future knowing they have a permanent place to live, will be able to maintain stable employment, or be able to seek educational opportunities and better employment (as members of some families have done). Their children can look forward to establishing long-term friendships and attending the same school all year long.

Low-income families desiring to own a home and community members desiring to volunteer in the homebuilding program can contact Habitat for Humanity Carlsbad Area by calling (575) 234-9658, or writing to PO Box 277, Carlsbad, NM 88221-0277.

## Appendix D. Public Participation Summary

The following meetings were held in Carlsbad to gather input from the public, local officials, and other stakeholders.

October 8, 2008	Kick-off Meeting
January 22, 2009	Review of Housing Assessment
February 26, 2009	Review of Strategic Plan
March 10, 2009	Final Review, City Council Hearing

## Appendix E. Definitions

### Disability, 2000 Census

**Disability** (overall definition including any of the 6 disability types below) A long-lasting physical, mental, or emotional condition. This condition can make it difficult for a person to do activities such as walking, climbing stairs, dressing, bathing, learning, or remembering (asked of persons ages 5 years old and older). This condition can also impede a person from being able to go outside the home alone or to work at a job or business (asked of persons ages 15 years old and older).

**Mental Disability** definition based on a two-part question: "Because of a physical, mental, or emotional condition lasting 6 months or more, does this person have any difficulty in doing any of the following activities: (a) learning, remembering, or concentrating ..." (asked of persons ages 5 years old and older)

**Physical Disability** definition based on a two part question: "Does this person have any of the following long-lasting conditions (b) a condition that substantially limits one or more basic physical activities, such as walking, climbing stairs, reaching, lifting, or carrying". (asked of persons ages 5 years old and older)

**Self-Care Disability** definition based on a two-part question: "Because of a physical, mental, or emotional condition lasting 6 months or more, does this person have any difficulty in doing any of the following activities: (b) dressing, bathing, or getting around inside the home..." (asked of persons ages 5 years old and older)

**Sensory Disability** definition based on a two part question: "Does this person have any of the following long-lasting conditions (a) blindness, deafness, or a severe vision or hearing impairment..." (asked of persons ages 5 years old and older)

**Go-Outside-the-Home Disability** definition based on a two-part question: "Because of a physical, mental, or emotional condition lasting 6 months or more, does this person have any difficulty in doing any of the following activities: (c.) Going outside the home alone to shop or visit a doctor's office? (Note: only asked of persons 15 years old or older)

**Employment Disability** definition based on a two-part question: "Because of a physical, mental, or emotional condition lasting 6 months or more, does this person have any difficulty in doing any of the following activities: (d.) Working at a job or business? (Note: only asked of persons 15 years old or older)