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Rio Rancho housing leaps

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The movement of home builders from Albuquerque to Rio Rancho has kicked into a higher gear, fueling speculation the West Side boomtown will surpass its neighbor in new housing in the not-too-distant future.

In the first three months of this year, Rio Rancho's housing starts were up 52.5 percent while Albuquerque's were down 26.5 percent, according to the latest Metropolitan Housing Digest.

"It's huge," said Jim Folkman, executive vice president of the Home Builders Association of Central New Mexico.

"A single quarter's results don't necessarily make a trend, but numbers like these are representative of what we will see in the future."

Folkman said Rio Rancho is closing in on Albuquerque in total numbers of housing starts - 581 to 996 in the first quarter - and doing it faster than anybody anticipated.

"We used to think it would be a few years before Rio Rancho would exceed Albuquerque in housing starts," Folkman said. "Now it looks like it will probably happen within the next year and a half."

He said the trend "represents a whole different way of the Albuquerque metro area growing."

"We could see a Minneapolis/St. Paul, Dallas/Fort Worth dynamic," Folkman said. "And that's news."

Rio Rancho's housing starts have been rising since 2000. The city finished 2004 - a fourth record year for new home construction in the metro area - with 1,715 housing starts, up 43.2 percent from 2003.

The city of Albuquerque saw 5,071 starts last year, up 0.6 percent from the previous year. In 2003, Rio Rancho's starts were up 43.5 percent

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A TALE OF TWO CITIES

Here's a look at the number of new housing permits issued by the cities of Albuquerque and Rio Rancho:

Albuquerque

Number of permits
Change

2000 3,373 -6.4 percent

2001 4,158 23.3 percent

2002 4,491 8 percent

2003 5,041 12.2 percent

2004 5,071 0.6 percent

1st quarter 2004
1,356

1st quarter 2005 996 -
26.5 percent

Rio Rancho

and Albuquerque's 12.2 percent.

Jim Palenick, Rio Rancho city administrator, said the city had 1,358 housing starts through May and anticipates 3,200 for the year.

"We'll come close to Albuquerque this year," he said. "And it's almost certain that in 2006 we'll surpass Albuquerque in real numbers of houses permitted.

"We have a lot of developable land available. We have an expedited permitting process. We're competitive on impact fees."

Folkman said the shift by home builders to Rio Rancho can be attributed to developers anticipating a restrictive growth environment in Albuquerque and high impact fees on the West Mesa. New impact fees go into effect July 1.

"All the major production builders are there (in Rio Rancho) - Wallen, Raylee/Vantage, Centex, KB Home, Pulte, Artistic," he said. "There's an awful lot of growth."

Jerry Wade of Artistic Homes, one of the metro area's biggest home builders, said Rio Rancho has "a whole different political climate."

"They seem to want building," he said. "There's land available, and with the impact fees and the unknowns we look at here in Albuquerque, I feel a little better about building there."

Wade said builders had a good relationship with Albuquerque until a couple of years ago. "People shied away with the political climate change," he said. "Rio Rancho has a progressive attitude and a real want-to."

Fred Mondragon, Albuquerque's economic development director, said most of the city's developable land is on the West Side, but the City Council passed a moratorium on new building at Ventana Ranch.

"And there is a concern about impact fees," he said. "The mayor was very opposed to the high level of impact fees on the West Side compared with the balance of the city. I think that's beginning to affect the West Side. People are nervous because of the high impact fees."

He said Mayor Martin Chavez supports the Planned Growth Strategy and a sensible approach to home building.

"We want to make sure there are available homes for people who want to live in Albuquerque," Mondragon said. "On the other hand, our goal is to make sure there is quality building and that we don't overstretch in terms of infrastructure."

But, he said, the City Council "probably went too far in terms of the moratorium and impact fees."

Number of permits
Change

2000 628 23.1 percent

2001 820 30.6 percent

2002 835 1.8 percent

2003 1,198 43.5 percent

2004 1,715 43.2 percent

1st quarter 2004 381

1st quarter 2005 581 52.5 percent

Source: Home Builders Association of Central New Mexico

"I think some barriers were set up," Mondragon said. "I think it should be more reasonable."

Folkman said Albuquerque stands to lose millions of dollars annually in property taxes and gross receipts taxes on new home construction.

"And that's going forward many years," he said. "The city will lose tax revenues, but the demand on services will continue. People from Rio Rancho will use Albuquerque's services while the city's tax base diminishes."

Palenick said Rio Rancho is focusing on quality of life and working hard to boost its business profile. "One thing we need very much is a lot of new gross receipts taxes," he said. "That comes through retailers, restaurants. We're working to get people to build those things. And that's happening."

Palenick anticipates Rio Rancho will boom for a couple of decades. He said the population, now about 70,000, could top 150,000 by 2015. Albuquerque's population is about 475,000.

"The focus of growth will be here," Palenick said of Rio Rancho. "Albuquerque is very dynamic, but at the same time you get to the point where a larger urban core finally reaches a plateau, and much of the growth occurs in suburbs. I see us like Scottsdale to Phoenix."

"The focus of growth will be more pronounced in Rio Rancho and less so in Albuquerque."

Rio Rancho considers itself part of the metro area and not a competitor, he said.

"We're simply trying to provide a good place to live for our residents and the new residents coming in," he said. "We're a part of Albuquerque, and they're a part of us. We're better as a region than as any one city."