

GALLATIN COUNTY HOUSING STRATEGY

Draft Strategy and Policy Recommendations

June 19, 2024 Steering Committee Meeting



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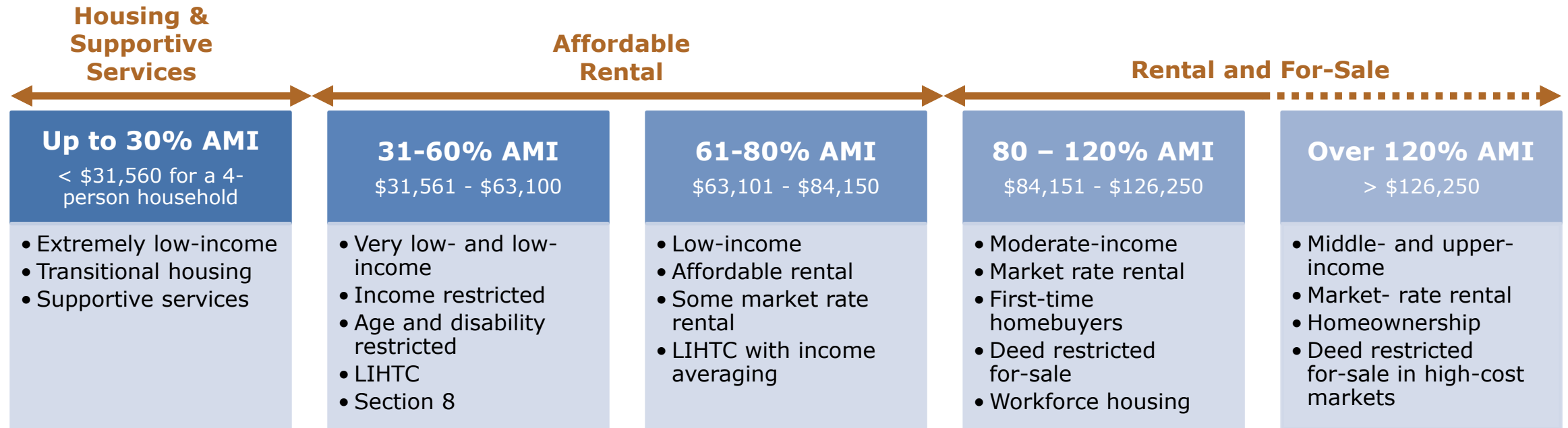
AGENDA

- Guiding considerations
 - Provides context and rationale for the recommendations
 - Key findings from Needs Assessment
 - Market realities
 - Available policy tools
- Top recommendations
- Other broader recommendations
 - Funding
 - Partnerships
 - Employee housing assistance
 - Supply strategies
 - Zoning, land use, and infrastructure

NEEDS ASSESSMENT KEY FINDINGS

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HOUSING SPECTRUM



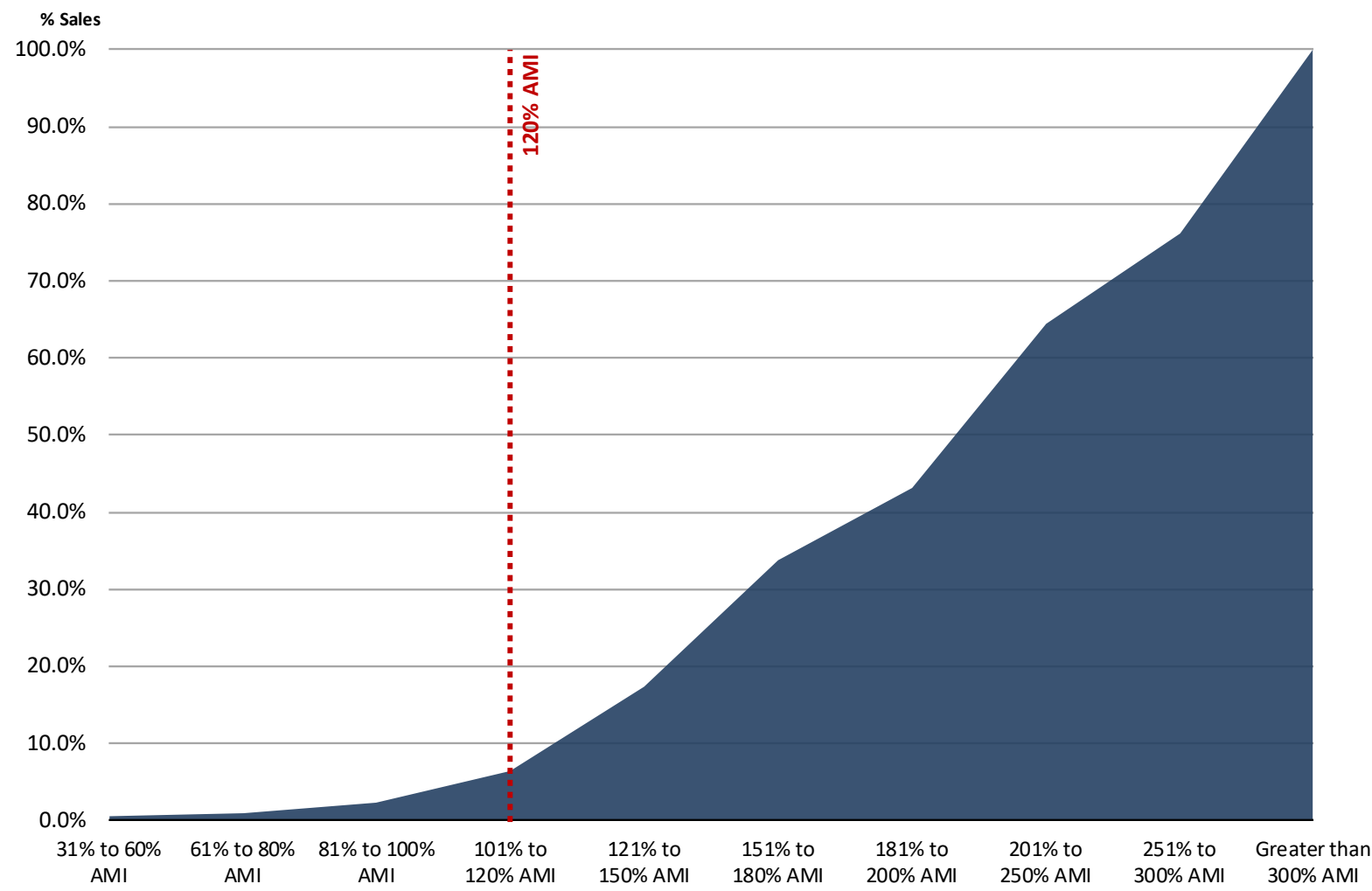
AFFORDABILITY

- Affordability issues are widespread across all areas of Gallatin County
- Need to earn over \$150,000/yr. (170% AMI for a 2.5–person household) in most areas to afford median priced home
- There are affordability gaps in all areas of the County at most income levels
- Renters are especially burdened by housing costs and housing security

Description	Median Sale Price	Annual Income Needed	AMI Needed
Gallatin County	\$662,000	\$190,923	213%
County Subdivisions			
Bozeman	\$730,000	\$209,815	235%
Belgrade	\$549,000	\$159,528	178%
Manhattan	\$594,000	\$172,031	192%
Gallatin Gateway	\$844,500	\$241,627	270%
Three Forks	\$393,000	\$116,187	130%
Big Sky	\$1,323,500	\$374,707	419%
West Yellowstone	\$611,000	\$176,754	198%

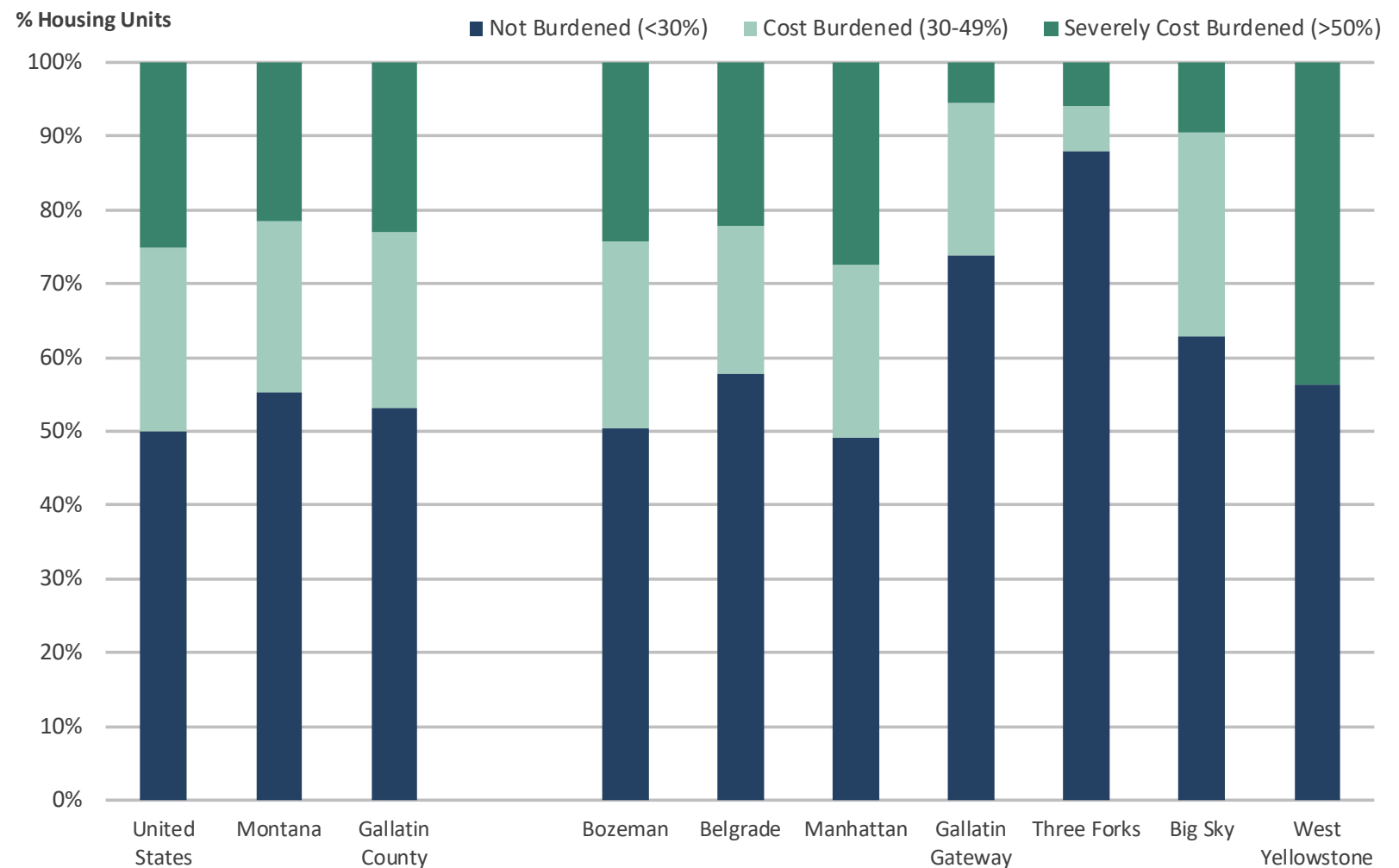
SALE PRICE DISTRIBUTION BY AMI

- Fewer than 10% of sales are affordable for those earning less than 120% of AMI (\$107,340 for a 2.5–person household)
- 90% of the market is priced above 120% of AMI



COST BURDEN – RENTERS

Cost Burden in Renter-Occupied Units - 2022



Source: U.S. Census ACS 5-Year Estimates, Economic & Planning Systems

SUPPLY HAS NOT KEPT UP WITH DEMAND

Description	1990	2000	2010	2020	1990-2020 Ann. %	2010-2020 Ann. %
Gallatin County						
Total Housing Units	21,350	29,489	42,289	52,835	3.1%	2.3%
Total Employment	19,630	34,577	42,482	59,022	3.7%	3.3%
Housing : Employment	1.1	0.9	1.0	0.9		

Source: U.S. Census, Bureau of Labor Statistics QCEW, Economic & Planning Systems

- The higher the housing to employment ratio, the more availability of housing for workers
- In 1990, there were more housing units than jobs, but this flipped from 2010 through 2020
- Job growth since 2010 outpaced housing growth which contributed to a shortage of supply and high prices

HOW DID WE GET HERE?

- Complex internal and external factors
- Strong local economy
 - Job growth creates housing demand
- Small market and limited capacity
 - Few large-scale production builders
 - Limited land supply
 - Infrastructure constraints
- Construction and trades industries
 - Aging labor force with fewer young people entering the industry
 - Little technological/productivity advancement in decades
- Amenity pressures
 - Desirable place with high quality of life
 - Wealthier outside buyers set the market price in some areas (remote work, vacation homes)

GUIDING CONSIDERATIONS

- The extent of affordability gaps (prices vs. incomes) is large
 - Supply-only strategies may help but will not eliminate the problem
 - No organization has the financial resources to affect affordability at scale
- Land is 20% or more of the cost of a home
 - As land gets scarcer, it will get more expensive
- There are few financial resources available
 - Local governments are subject to State revenue limiting legislation
 - Roughly \$6.5M per year in State funding for all of Montana (enough for roughly 40 units of affordable housing)
 - State and federal funding is limited to programs below 60–80% AMI
- Many land use and regulatory tools are not authorized in Montana
- **Let's focus on what we can do**

RECOMMENDATIONS

TOP RECOMMENDATIONS

Tier 1

Top Priorities

With flexibility to be Tier 2

- Create a dedicated housing fund
- Create an employee housing assistance program
- Begin a land banking strategy

Tier 2

Other Priorities

With flexibility to be Tier 1

- Develop a small scale buy-down program
- Create an ADU incentive program

1. HOUSING FUND

- Simply, a fund within the County budget
 - Initially, grants and miscellaneous contributions
 - A holding place for funding, as it becomes available, allocated to housing
 - Makes a policy statement that the County will put resources, however limited, to housing
- Budget for an annual contribution from the General Fund
 - 1.0% –2.0% of General Fund Revenues: \$250,000–\$500,000 per year
 - At discretion of County Commissioners to increase or decrease with available revenues

2. EMPLOYEE HOUSING ASSISTANCE PROGRAM

- The County provides many essential services that require reliable dedicated staff
 - Law enforcement
 - Road maintenance
 - Health inspections
 - Clerk and recorder
 - Elections
- Housing costs create recruitment and retention challenges
- Create a model for other local governments and private sector employers

2. EMPLOYEE HOUSING ASSISTANCE PROGRAM

- Renters
 - First and last month rent and security deposit
 - Paycheck deduction (loan) over 1–2 years
 - Forgivable after at least 3 years of service
- Home ownership
 - Important to long term workforce retention
 - Additional down payment assistance, or
 - Co-investment model
 - County purchases ~10–40% equity in the home
 - County shares in appreciation at sale
 - County also has right of first refusal at sale

EXAMPLES

- Pitkin County, CO
 - The county co-invests up to 40% equity into the purchase of a home by an employee. Home also has a deed restriction limited to resident-employees. Upon sale, County gets right of first refusal.
- Town of Silverthorne, CO
 - The Town provides a Downpayment Assistance Program in the form of a second mortgage for full time employees purchasing a home within Summit County. The Town also has a Rental Deposit Assistance Program which provides an interest-free loan to either full-time or 3/4-time employees to be used for a rental deposit.
- Town of Dillon, CO
 - The Town lends up to \$75,000 or 10% of the purchase price of a home to full-time employees to assist qualified Town of Dillon employees with the purchase of a home within a reasonable commuting distance of their employment

3. BEGIN LAND BANKING

- Free or deeply discounted land is essential to achieve deeper levels of affordability
 - Example: Hidden Creek project is on land owned by the County
- Conduct a land inventory to identify land or facilities owned by the County
 - Property that no longer serves a core operational purpose
 - Suitable for housing development
- Start with internal County program, grow to a regional program
- Partner with other jurisdictions and districts
 - Create a regional land bank inventory and acquisition strategy
 - Includes assets from all local governments, special districts, and non-profits
 - Identify properties for near-term development
 - Pool funding for acquisition and development
 - Annual review, revisions, strategy update (i.e. what can we do this year?)

EXAMPLES

- City of Fort Collins, CO
 - Created by ordinance in 2001
 - Acquire properties in developing areas that have infrastructure or other constraints
 - Try to acquire property below market value due to development constraints
 - Develop with affordable housing, or sell as value increases and use funding for development
- Non-profit land trusts
 - County can work with non-profit organizations (contribute land and funding)
 - Can have local government funding partners
 - Local examples: Big Sky CHT, Headwaters CLT, HRDC, Trust Montana
 - Chaffee Housing Trust (Colorado): funded by Chaffee County, two municipalities, grants and philanthropy
 - Land trusts need scale (a lot of property) to sustain operations with ground lease payments

4. BUY DOWN PROGRAM

- Small-scale deed restriction incentive or “buy down” program
- Allocate a pool of annual funding from the housing fund
- Communicate the availability of funds and lottery process
- Use of funds
 - Typically price/incentive for deed restriction is 15–30% of market value
 - Rectify mortgage or tax delinquency (foreclosure)
 - Major repairs for habitability (e.g. roof, HVAC, plumbing, electrical)
 - Determine eligibility:
 - Potentially under 80% AMI
 - Primary residence
 - Retired or cannot work, or works for an employer in Gallatin County
- County retains a deed restriction on the property
 - Suggest sale is limited to a resident–employee, no appreciation cap
 - “Loosest” form of deed restriction

EXAMPLES

- Good Deeds, Big Sky, MT: The Big Sky Community Housing Trust provide cash not exceeding 16% of home value to homeowners or buyers in exchange for a permanent deed restriction on the property. The deed restriction creates an RO (resident occupied) requirement and does not have an appreciation cap.
- Vail InDeed, CO: The Town of Vail is using money from its recently passed 0.5 percent sales tax to acquire deed restrictions on existing homes. Their goal is to acquire 1,000 deed restrictions by 2027. The Town pays approximately 30 percent of market value, and there are no income limits, only residency and employment requirements in Eagle County.
- Eagle County Good Deeds Program, CO: Eagle County contributes towards the purchase price of a home (max. value \$850,000) in exchange for placing a deed restriction on the property requiring either resident occupied or price capped. The County will pay up to \$127,500 for either deed restriction, which includes 5% of purchase price for an RO deed restriction or 15 percent of purchase price for a price capped deed restriction.

FUNDING IMPACT – SCENARIO 1

- 1.0% annual allocation of General Fund to Housing Trust Fund or housing programs
- Funding allocation can be defined based on programs chosen by the County
- Housing assistance to ~6–10 people per year, 2–3 ADUs per year based on these assumptions
- Scenario 1 focuses on employee housing assistance

Funding Program	Factors	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
1% of General Fund		\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
Allocation											
Rental Assistance	10.0%	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
Homebuyer co-investment	80.0%	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
ADU Program	10.0%	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>
Total	100.0%	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
Housing Units											
Rental Assistance	\$5,700	4	4	4	4	4	4	4	4	4	4
Co-investment at 10%	\$66,200	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>
Total		7	7	7	7	7	7	7	7	7	7
ADUs	\$10,000	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Total Housing Units		9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5

Source: Economic & Planning Systems

FUNDING IMPACT – SCENARIO 2

- Option 2 focuses on an ADU incentive program
- \$10,000 one-time construction grant – funds about 25 ADUs per year
- Restricted to renting to a local employee full time resident for a period of time
- Restricting short-term rentals of ADUs can also achieve a similar outcome

Funding Program	Factors	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
1% of General Fund		\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
Allocation											
Rental Assistance	0.0%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Homebuyer co-investment	0.0%	0	0	0	0	0	0	0	0	0	0
ADU Program	100.0%	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Total	100.0%	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
Housing Units											
Rental Assistance	\$5,700	0	0	0	0	0	0	0	0	0	0
Co-investment at 10%	\$66,200	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total		0	0	0	0	0	0	0	0	0	0
ADUs	\$10,000	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Total Housing Units		25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0

Source: Economic & Planning Systems

5. ADU INCENTIVE PROGRAM

- ADUs can be developed more affordably than traditional homes in existing residential zones.
- ADU benefits
 - Increases housing opportunities
 - Homeowner that builds the ADU by gets rental income
 - Allow for aging relatives and multigenerational households
- Use of incentives (public money) should be tied to a deed restriction
 - ADU deed restriction periods tend to be shorter: ~5 years
- Incentives may be in the form of grants, zero-interest loans, expedited review and approval, reimbursement of water and sewer connection fees, etc.
- The county must amend zoning regulations to allow the development of ADUs

EXAMPLES

- Summit County, CO: Summit County will reimburse up to \$60,000 in water and sewer connection fees in several water and sewer districts that participate in the program. Rents must be between 80 and 110% of AMI with a permanent deed restriction.
- Durango, CO: The City of Durango set aside \$80,000 for 10 grants of \$8,000 each. The owner must agree to rent to a tenant verified to work in La Plata County (no income limit) and participate in the program for two years.

OTHER ROLES FOR COUNTY

- Supporting infrastructure capacity expansions in areas appropriate for growth
- Executing P3s for mixed income housing development on County-owned land
- Funding – continue to pursue grants
- Conduit lending – support partners in financing projects
- Participate in regional organizations like the RHC
- Partner with municipalities and non-profits on a legislative strategy
- Convener: everyone is a Gallatin County resident

OTHER RECOMMENDATIONS

STRATEGY FRAMEWORK

- Zoning and land use policy
 - Increasing supply
 - Improving affordability and housing options
- Preservation and stabilization
 - Preserving existing lower cost housing
 - Helping people stay in their homes
- Demand
 - Buyer and renter support
- Funding and Financing
 - Adapting existing funding
 - New funding sources (limited)
- Roles and partnerships
 - Supporting municipalities and non-profits
- Legislative strategy
 - Supporting work by others to advance housing and land use policy

FUNDING AND FINANCING

- Continue to apply for State and Federal grants for identified projects
- Conduit lending
 - County can issue tax free bonds backed by project revenues
 - No risk to County – risk is on bondholders
 - Precedent: Bridger Aerospace, Bozeman–Yellowstone Fiber, HRDC
- Tax increment financing
 - Support use in municipalities when affordable housing is included
 - County TIF (TEDD) can only be used for commercial/industrial purposes
- Create a Housing Trust Fund as discussed above

ZONING AND LAND USE POLICY

- **Adopt a single set of housing definitions:** Currently, the county's 22 zoning districts include a standalone set of definitions, often inconsistent with each other. By creating a comprehensive set of definitions that all zoning will refer to will facilitate consistent application of zoning regulations and upholds the intent of a zoning district.
- **Expand allowances for manufactured homes:** Manufactured housing and mobile home parks are currently allowed in some zoning districts in Gallatin County, while others do not mention them. It is recommended to apply uniform definitions countywide and review existing standards with the community to ensure they do not hinder affordability, with some areas considering dedicated zoning for these homes.
- **Standardize terminology and expand allowances for non-traditional households:** Rising housing costs in Gallatin County are leading to more households with unrelated individuals or extended families. Current zoning definitions of 'household' and 'family' often limit the number of unrelated people who can live together. To promote equitable housing, it is recommended to increase this limit to five or more, facilitating more efficient use of housing and supporting various house-sharing arrangements.

ZONING AND LAND USE POLICY

- In priority growth areas
 - Remove barriers to smaller, more affordable housing types where appropriate (dimensional standards)
 - Allow a range of unit types by right, including apartments and ADUs
 - Establish new Part 2 zoning in priority growth areas consistent with the FLUM
- Consider and explore the viability of a density bonus incentive program
 - In priority growth areas
 - Whitefish Legacy Homes program: voluntary 10% set aside with 20% density bonus and reduction in dimensional standards

PRESERVATION AND STABILIZATION

- Senior property tax reductions – County program to complement State PTAP program
- Repair and efficiency loans and grants
 - USDA Rural Development programs
 - HRDC runs federal Low Income Housing Energy Assistance (LIHEA) program
- Mobile home stabilization
 - Outreach to tenants (land) and landlords to understand challenges
 - Organization and empowerment to purchase land (ROCC Communities model)

LEGISLATIVE STRATEGIES

- Support legislative efforts with municipalities and non-profits
- Land use tools
 - Inclusionary zoning was banned by MT legislature in early 2021
 - Also banned affordable housing impact fees (“linkage fees”)
 - Increase review and approval powers of Counties for private water and sewer districts
- Funding
 - Broader eligibility for Resort Tax designation
 - Enable real estate transfer taxes