



HOUSING STRATEGY

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Table of Contents

1. Introduction and Context	1
Purpose	1
Why Address Housing?	1
Housing Definitions	2
Scale of the Problem	3
Overview of Current Programs and Roles	5
Strategy Framework	8
Tier 1 Recommendations	9
Tier 2 Recommendations	11
2. Supply and Land Use Strategies	15
Goals	15
Tier 1 Recommendations	15
Tier 2 Recommendations	22
Voluntary Inclusionary Housing Case Studies	23
ADU Incentive Program Case Studies	24
3. Preservation and Stabilization Strategies	25
Goals	25
Tier 2 Recommendations	25
4. Demand Strategies	29
Goals	29
Tier 2 Recommendations	29
Employee Housing Assistance Program	31
5. Funding and Implementation	33
Funding and Financing	33
Tier 1 Strategies	35
Tier 2 and Ongoing Strategies	36
Legislative Strategy (Tier 2)	38
Appendix: Gallatin County Housing Needs Assessment	39

List of Tables

Table 1. Gallatin County 2023 HUD Income Limits. 3

Table 2. Housing and Human Services Organizations 7

Table 3. Federal and State Housing Funding, 2023 34

Table 4. Revenue Estimates from Potential Mill Levy Increases. 34

Table 5. Housing Fund Revenue Estimate with 1.0% Contribution from General Fund . 35

List of Figures

Figure 1. Housing Spectrum 2

Figure 2. Gallatin County Sales Volume by AMI. 4

1. Introduction and Context

Purpose

The purpose of this Strategy is to help Gallatin County government enact strategies and policies that will maintain and increase the supply of affordable housing and help people access stable housing. The audience for this document is primarily Gallatin County policymakers and staff. It will also be useful for policymakers in the municipalities and housing and social service providers in the nonprofit sectors.

Why Address Housing?

Local governments are sometimes reluctant to get involved in influencing the housing market as housing is traditionally something that the free market provides. When there is not enough of the right type of housing, or housing is persistently too expensive, housing becomes a quality-of-life issue. Housing is also an important component of workforce development and retention. When housing becomes too costly compared to local wages, it is a constraint on the economy.

As a precursor to the Housing Strategy, a Housing Needs Assessment was compiled to provide context about the County's housing needs and inform the policies and strategies within. Additionally, during two rounds of public outreach for the Future Land Use Map and Housing Strategy, County residents communicated the difficulties they are experiencing due to the housing crisis. Residents shared that they are experiencing dangerous commutes, increased traffic from commuters, crowded, dangerous, or substandard living conditions, lack of stability and a sense of despair or hopelessness, stress from balancing multiple jobs to afford housing, and loss of important family and social ties when relocation is needed to afford housing. The data shown in the Housing Needs Assessment combined with resident-experienced housing difficulties provide the impetus for a Housing Strategy that includes location-specific programs and recommendations to address this complex problem.

Housing Definitions

“a”ffordable Housing

Housing that is affordable (lower case “a”) simply means housing that people can afford with their income. The traditional definition established by the U.S. Department of Housing and Urban Development (HUD) and used by most housing practitioners is that housing should cost no more than 30 percent of gross income. For rental housing, affordability is calculated based on rent plus utilities. For ownership housing, affordability is calculated on the mortgage payments plus insurance and any association dues.

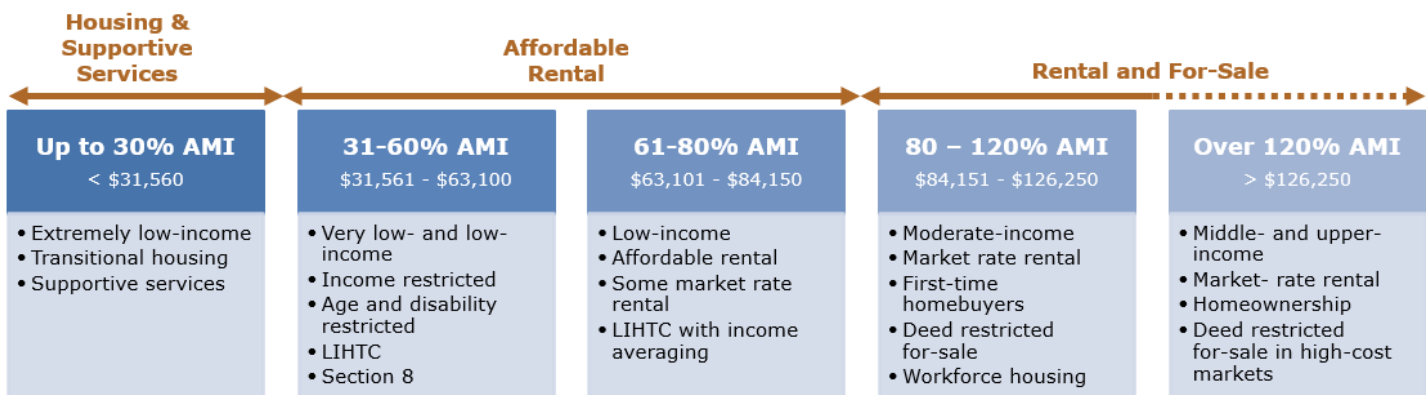
Attainable Housing

Attainable housing is a term used to describe housing that is affordable and free market, and not subject to any form of price or rent restriction enforceable by law or covenant.

“A”ffordable Housing

“Capital A” Affordable Housing, as housing practitioners refer to it, is permanently (or long-term protected) affordable housing, often tied to the requirements of federal and state funding sources or local policies and regulations. Federal programs fund permanently affordable housing that is legally restricted by income, age, disability, or other qualifying factors. These programs typically focus on housing for people with extremely and very low (below 50% AMI) incomes, and low incomes (up to 80% AMI). In some areas of the U.S. and in Montana but outside of Gallatin County, market rate housing can provide affordable/attainable housing at roughly 80% AMI and higher (or lower in low-cost markets).

Figure 1. Housing Spectrum ^[1]



[1] Income Limits are based on a four-person household in Gallatin County

AMI DEFINITIONS

The term Area Median Income (AMI) is a reference to HUD’s published income limits that determine eligibility for assisted housing programs and is typically expressed as percentages of AMI, or AMI adjusted for family size. HUD develops income limits based on Median Family Income (MFI) estimates and Fair Market Rent (FMR) for each metropolitan area, parts of some metropolitan areas, and each non-metropolitan county. HUD publishes AMI annually for Gallatin County (**Table 1**).

Table 1. Gallatin County 2023 HUD Income Limits

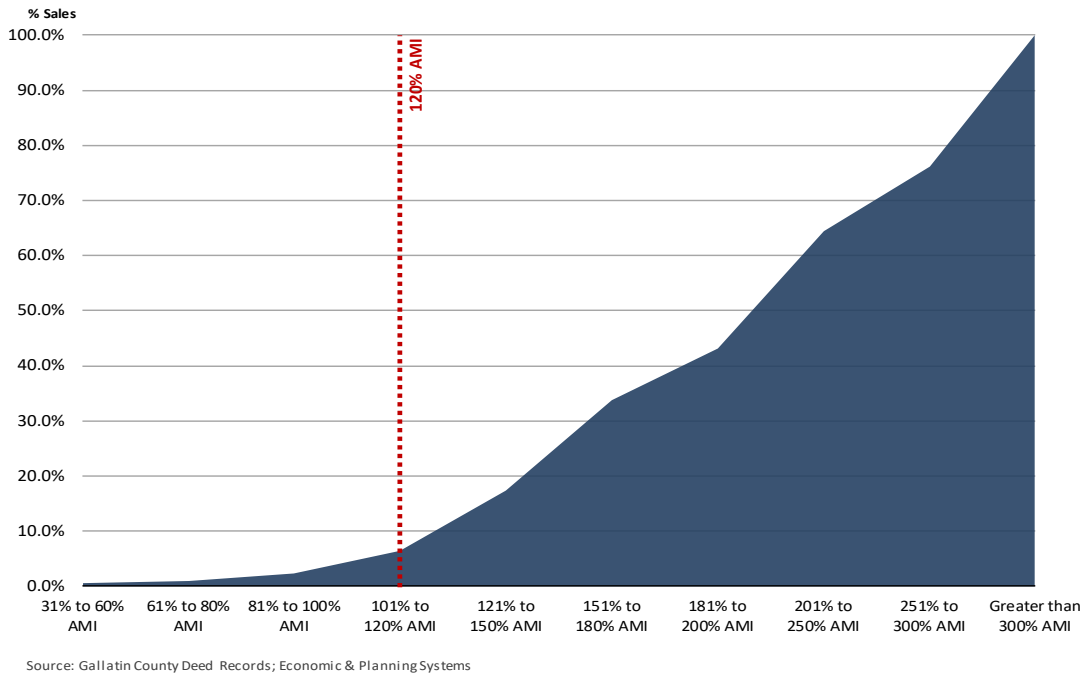
% AMI	1-Person Household	2-Person Household	3-Person Household	4-Person Household
30% AMI	\$22,110	\$25,260	\$28,410	\$31,560
40% AMI	\$29,480	\$33,680	\$37,880	\$42,080
50% AMI	\$38,850	\$42,100	\$47,350	\$52,600
60% AMI	\$44,200	\$50,500	\$56,800	\$63,100
70% AMI	\$51,600	\$58,950	\$66,300	\$73,650
80% AMI	\$58,950	\$67,350	\$75,750	\$84,150
90% AMI	\$66,350	\$75,800	\$85,250	\$94,700
100% AMI	\$73,700	\$84,200	\$94,700	\$105,200
120% AMI	\$88,450	\$101,050	\$113,650	\$126,250
150% AMI	\$110,550	\$126,300	\$142,050	\$157,800
200% AMI	\$147,400	\$168,400	\$189,400	\$210,400

Source: HUD, City of Bozeman, Economic & Planning Systems

Scale of the Problem

In 2023, the median sales price for all structure types of for-sale housing in Gallatin County was \$662,000 and had nearly doubled over the past five years. In Bozeman, the median sale price of a single-family home was approximately \$825,000 and \$585,000 in Belgrade. Countywide, residents earning less than 120% of AMI (\$113,650 for a three-person household) could afford less than 10 percent of all sales. In other words, 90 percent of the market is only affordable to households earning more than 120% of AMI. For renters, about half of all renters countywide are cost burdened, paying more than 30 percent of their income on rent. In some areas like West Yellowstone, about 40 percent of renters are severely cost burdened, paying more than half of their income to rent.

Figure 2. Gallatin County Sales Volume by AMI



The housing supply is also not keeping up with job growth. From 1990 through 2020, jobs grew by 3.3 percent per year while the housing stock increased by 2.3 percent per year. This one percent difference in growth rates may not seem like very much, but Gallatin County also has “amenity pressures” in its housing market: increases in part-time residents, remote workers, and affluent retirees have driven up home prices and occupied some of the supply that was previously available for the local workforce and population.

Need for local solutions

Limited availability of attainable housing can have negative impacts on the local economy, residents, and communities. The entire State of Montana (Division of Housing) was awarded \$13.8 million in Community Development Block Grants (CDBG), HOME Investment Partnership (HOME), Emergency Solutions Grant (ESG), and Housing Trust Fund (HTF) money from HUD in 2023. This money is then allocated throughout the entire state through a competitive grant process. However, these funds do not go far. If all of the \$13.8 million in statewide funding was dedicated to building housing affordable at 60% AMI, it could provide gap financing for roughly 180 units based on an estimated financing gap of \$75,000 per unit. Gallatin County and other local governments need to raise more money to fund Affordable housing development and programs, as the State and Federal Funding environment is not adequate to address the problem at the scale that is needed.

Overview of Current Programs and Roles

The current roles and abilities of the County and its partners and stakeholders influence the recommendations in this Strategy. It is important to support coordination and to not create competition among organizations and governments for limited funding and resources.

Gallatin County

Gallatin County is a general law county under Montana Law and operates within the powers explicitly granted by Montana state law. The major services the County provides include the County sheriff, courts, elections, clerk and recorder, a health department, roads and bridges, and planning and community development.

Related to housing, the County has limited resources and authority. The Planning and Community Development Department administers land use regulations which are reviewed by various advisory boards and decision-making bodies, including the County Commission. The County Commission is the legislative body for the County and consists of three elected commissioners. The County Planning Board is a 7-member board that makes recommendations to the County Commission on subdivision and zoning applications in “Part 2” zoning districts and un-zoned areas. The Planning and Zoning Commission is a 7-member board that makes decisions on zoning and development applications in “Part 1” zoning districts.

Zoning is perhaps the most direct tool the County has to influence housing. The County has 22 existing zoning districts. However, approximately 75 percent of the privately-owned land in the county is un-zoned and has no neighborhood plan. The County does not regulate land use in un-zoned areas aside from subdivision and Building for Lease or Rent (BLR) review processes. The County Commission may establish zoning upon petition by property owners (Part 1 Zoning) or at their own initiative (Part 2 Zoning).

Although the County can influence housing through its budgeting process, funding for housing programs or development is limited. Most of the County’s financial resources are allocated to providing statutorily required services like a sheriff, courts, health department, and maintaining roads and bridges outside the state highway system.

Current County Housing Work

Recently, the County has been more involved in housing. The biggest housing priority for the County in 2024 is completing development of the Hidden Creek Community. Hidden Creek is proposed to be developed on land owned by the County in the City of Bozeman. If approved, Hidden Creek will contain 6 to 10 for-sale townhomes on land owned by a community land trust. It is also planned for 80 to 150 apartments financed through the federal low-income housing tax credit (LIHTC) program, open to people earning between 30 and 70 percent of AMI. The site also reserves a 0.19-acre parcel for a daycare facility.

The County has also supported efforts to stabilize existing affordable homes. In late 2023, County Commissioners, in collaboration with NeighborWorks Montana, approved more than \$600,000 in low interest loans to facilitate the transition of the Stan's Garden Inc. manufactured home park in Belgrade into a resident ownership model.

Additionally, the County offers a density bonus in some areas of Big Sky for projects that provide workforce housing units deed-restricted in perpetuity and allows for accessory dwelling units in a number of zoning districts.

Other Major Organizations

There are several nonprofit organizations operating in Gallatin County that have taken on active roles in housing, partly because of the lack of resources and staffing in County and Municipal Governments available to take on these roles. Most of these organizations serve residents with low- (60-80% AMI) and very low-incomes (below 60% AMI).

- **Human Resource Development Council (HRDC):** HRDC is a nonprofit community action agency and community development corporation that serves Gallatin, Park, and Meagher counties. HRDC's service areas include food and nutrition, senior empowerment, affordable housing, youth development and early childhood education, transportation, and community development. HRDC develops, preserves, owns, and manages community facilities and affordable housing along the housing continuum. Some housing-specific programs offered by the HRDC include emergency shelter, transitional and supportive housing, rental assistance, administration of the Section 8 Housing Choice Voucher program as a field agent of the State of Montana, homebuyer education, downpayment assistance, and community land trust stewardship. In Gallatin County, HRDC has developed over 245 housing units, including over 120 shared equity homeownership opportunities, preserved over 200 homes, and partnered in over 300 Low-Income Housing Tax Credit developments with over 690 new homes in the pipeline.
- **Family Promise of Gallatin County:** Family Promise seeks to alleviate housing insecurity for families in Gallatin Valley. They provide services such as temporary rental assistance, landlord mediation, and transportation and utility support needed to prevent homelessness or to maintain or move to stable housing. They also provide emergency shelter services, transitional housing, childcare and early learning opportunities so as to provide families with upward mobility.
- **One Valley Community Foundation:** One Valley is a community foundation that acts as a facilitator between donors and other nonprofits with a range of roles in the community. They also convened the Regional Housing Coalition (RHC), a new multijurisdictional working group.

- **NeighborWorks Montana:** A nonprofit founded as a network, NeighborWorks Montana provides a range of housing services. They provide housing education and counseling, home loans for individuals, gap financing for affordable housing developers, and help homeowners purchase and manage their mobile home parks through their resident-owned community (ROC) program.
- **Big Sky Community Housing Trust:** The Big Sky Community Housing Trust is an independent nonprofit that provides affordable and stable homes for residents within the Big Sky community. They independently or collaboratively develop deed-restricted rental and for-sale units, available to local workers. They also administer the Good Deeds and Rent Local programs. Good Deeds is a deed-restriction incentive program that provides 20 percent of a property's appraised value in exchange for a permanent deed restriction that requires one occupant to work full-time in Big Sky and restricts short-term rentals. Rent Local provides cash to homeowners in exchange for turning their vacant properties into rentals for the local workforce.

Table 2. Housing and Human Services Organizations

Organization	RHC Member	Type	Funding	Major Programs
Nonprofit				
Human Resource Development Council (HRDC)	Yes	501(c)(3)	State and Federal Grants Program Revenue Philanthropy	Down payment assistance, rental vouchers, emergency assistance, affordable housing, energy assistance
Family Promise of Gallatin Valley	Yes	501(c)(3)	Contributions, special events and fundraisers, in-kind donations, grant income, tuition, rental income, investment income	Transitional housing, homelessness prevention, early childhood education, family resource center
One Valley Community Foundation	Yes	501(c)(3)	Philanthropy, program income	Give Big (fundraising)
NeighborWorks Montana	No	CDFI and 501(c)(3)	Grants, contributions, interest on loans and deposits, loan fees, conference revenue, contract revenue	Gallatin Housing Impact Fund, Second mortgages
Big Sky Housing Trust	Yes	501(c)(3)	Resort Tax, Fees, Philanthropy	Affordable housing development, buy-downs

Regional Housing Coalition

The Regional Housing Coalition (RHC) was formed in 2022 to bring together the major stakeholders in housing and economic vitality in Gallatin County. Its members include each local government, the major nonprofits noted above, banks, major employers, economic developers, real estate developers, the Gallatin Association of Realtors, and Montana State University. The RHC does not have a funding source other than a shared cost of a coordinator position. The RHC is working to:

- Coordinate and align resources to minimize overlap or redundancies
- Identify grant opportunities
- Identify local policy changes that are needed
- Raise funding for housing and programming
- Form partnerships and task forces around special topics and projects
- Advocate at the local and State level for regulations and laws designed to improve access to affordable and attainable housing.

Strategy Framework

The recommendations in this document are organized into four major categories described below.

1. **Supply and Land Use Policy Strategies** – Increasing the supply of housing for all income levels, focusing on land use, infrastructure, and land banking.
2. **Preservation and Stabilization Strategies** – Strategies to help people stay in their homes and to preserve affordability in existing homes largely through funding programs.
3. **Demand Strategies** – Providing resources for renters and buyers to help them access housing and lending. Also contains recommendations for a County employee housing assistance program.
4. **Implementation Strategies and Actions** – The last chapter of this Strategy document outlines the steps needed to carry out the top recommended strategies and policies. It begins with a funding evaluation and then describes the top recommendations in more detail. It ends with a section on State legislative actions needed to expand the ways in which local governments can approach housing affordability.

The recommendations are divided into two major categories according to their importance or priority.

Tier 1 Recommendations – Tier 1 recommendations are the top priorities. They were put in this category for several reasons including high impact, urgent need, are within the County’s purview, and can be scaled to available funding and resources.

Tier 2 Recommendations – Tier 2 recommendations are also important but require additional funding and may not be entirely within the County’s control. Tier 2 recommendations therefore may take longer to implement. The Tier 2 recommendations summarized in this Chapter are proposed as the higher priority within Tier 2.

Tier 1 Recommendations

This section summarizes the top priority recommendations for Gallatin County. The body of this document provides more detail on these strategies and how to move them forward.

These strategies emphasize policies and investments that will create long-term affordability and permanent housing. The top strategies are intentionally designed to make the best use of limited public funds by investing in permanent assets. The County does not, at least today, have the funding to allocate to annual programs such as direct rental assistance to tenants or additional down payment assistance. These programs are temporary assistance that do not create permanently affordable housing assets.

Zoning Reform (supply and land use)

Chapter 2 identifies zoning and land use policy changes designed to support and encourage more attainable housing and to create more consistency and predictability in the County’s zoning regulations. These recommendations were developed in conjunction with the Future Land Use Map (FLUM). The County also recently received a housing grant that will be used to support targeted code updates. Some of the key recommendations are noted below. Each recommendation is discussed in more detail in Chapter 2.

- Ensure zoning in Priority Growth Areas allows for a range of unit types by right, including apartments and ADUs appropriate for diverse ages, life stages, and abilities (as applicable to individual land use categories) and incorporating universal design standards.
- Incentivize infrastructure expansion through higher density “optional incentives” in Public Infrastructure Holding Areas.
- Tie opportunities for higher density housing in Managed Growth Areas to the provision of infrastructure and other community benefits.

- Remove barriers to smaller, more affordable housing types where appropriate.
- Adopt a single set of housing definitions.
- Clarify allowances for manufactured homes.
- Standardize terminology and expand allowances for non-traditional households.
- Review existing standards for compliance with the Fair Housing Act (FHA) and legal interpretation of the FHA by the federal government and the courts.

Create a voluntary inclusionary housing ordinance (supply and land use)

An inclusionary housing ordinance (IHO) is a zoning tool that requires a defined percentage of a new development project to be set aside as permanently affordable below market housing. The authority for mandatory inclusionary housing was repealed by the Montana Legislature in 2021. Local governments still have the authority to enact voluntary incentives-based IHOs and to enter into development agreements that result in an inclusionary housing set-aside. In areas that are suitable for more intensive development, Gallatin County should develop a voluntary IHO tied to a density bonus similar to the Whitefish and Bozeman policies. This tool could be applied in Urban and Rural Growth Areas and potentially in Public Infrastructure Holding Areas, and/or Managed Growth Areas identified in the Future Land Use Map (contingent on infrastructure and other land use guidelines).

Create a dedicated housing fund (funding)

A housing fund simply creates a financial structure into which contributions can be made by public, private, or institutional partners. As a County fund, the County is free to use the funds for any housing or housing-related purpose, unlike federal funds which have many restrictions. As a first step, if the County contributed 1.0-2.0% of its General Fund revenues to a Housing Fund every year, it could budget for \$250,000 to \$500,000 in annual housing expenditures. This is a first step until, or if, a local tax measure can be passed to increase funding for housing and related programs. This fund can also streamline the use of funding for several other strategies described in this document.

Begin a land banking strategy (supply and land use)

The cost of land is a significant component of the cost of building housing, ranging from about 12 percent for multifamily housing to over 20 percent for single family housing. For low-income housing, the cost of acquiring land is a major barrier to making a project feasible, so free or very low-cost land is an essential strategy for building low-income housing. There are numerous examples throughout the U.S. of local governments setting aside land they already own and acquiring new land to contribute to Affordable housing development.

“Land banking” is setting aside publicly owned land or building assets to be used for Affordable housing. The County should begin a land banking program, beginning at the County and then collaborating with the municipalities, nonprofits, school districts, and others to grow it into a countywide program.

Create an ADU incentive program (supply and land use)

Using money from the housing fund, the County could allocate funding every year to be given as grants or low/no interest loans for people to build Accessory Dwelling Units (ADUs). Participating in the grant program would be tied to a deed restriction that limits occupancy of the ADU to a full-time resident of Gallatin County working for a local employer. No income restrictions are recommended to ensure a broad pool of potential renters or buyers, although they could be considered and scaled with the amount of subsidy. For example, a \$10,000 grant could be tied to a 3-to-5-year deed restriction while a larger amount, for example \$25,000 or about 10% of the cost of an ADU, would require a longer deed restriction.

Additional outreach is needed to determine what level of incentive would motivate people to participate in the program. The County will also need to make zoning revisions to ensure ADUs are allowed with few restrictions in the right places (close to jobs and services). Zoning revisions associated with ADUs are addressed in more detail in Section 2: Supply and Land Use Strategies.

Tier 2 Recommendations

The Tier 2 strategies elevated within this tier are summarized below. Additional Tier 2 recommendations are listed with more detail found in the body of this report.

Explore the feasibility of creating a Targeted Economic Development District (funding)

Targeted Economic Development Districts (TEDDs) are tax increment financing districts that counties are authorized to create. Previously the tax increment revenues could only be spent on “value added” industries, but the law was expanded to include workforce housing to support the jobs in new businesses. In 2023, Missoula County created the “Wye District” and will use tax increment financing revenues from the TEDD to finance infrastructure needed to support housing and economic development. After adopting the FLUM, Gallatin County should initiate studies to determine if there is an area of the County where a TEDD could be created that would include a significant housing component.

Develop a small-scale deed restriction incentive or “buy-down” program (housing preservation)

A deed restriction incentive program pays cash to a homeowner in exchange for placing a permanent deed restriction on the home. There are several examples of these programs in the Mountain West, including one run by the Big Sky Housing Trust. These programs benefit the homeowner by providing them with a cash payment to address major repairs or rectifying mortgage or tax delinquency, allowing them to stay in their home if they are at risk of losing it. The County and the public benefit through this strategy by creating a home permanently restricted to a local resident employee for significantly less money than building a new deed-restricted unit. Deed restriction payments are typically about 20 to 30 percent of the price of the home.

With an annual funding commitment to the Housing Fund, the County can have an application and lottery process to purchase deed restrictions and help people stay in their homes.

Create an employee housing assistance program (housing demand and economic/workforce development)

Recruiting and hiring for entry level and front-line positions can be challenging when finding housing is a barrier to accepting a job. Schools, hospitals, private employers, and local governments in high-cost areas of the Mountain West have started employee housing assistance programs out of necessity as recruitment tools.

Initial steps could be a rental assistance program offered to County employees in the form of a no-interest loan to pay for first and last month's rent and security deposit, which is a major cost some people cannot come up with without taking on debt. The loan can be paid back over a defined time period (e.g., 6 months) through an automatic paycheck deduction. If the program is successful, it can be a model for other employers. Longer term, the County can also consider a home ownership program.

Increase support for vulnerable people

Stakeholders that participated in this project emphasized the lack of resources – funding and facilities – for people with vulnerabilities. Local governments in Montana, and the State of Montana, have not established enough of a support structure to help people experiencing homelessness, drug addiction, mental illness, domestic abuse, and other vulnerabilities. There is also non-constructive public discourse around the issue of homelessness in particular, blaming local governments and service providers for inviting homeless people to Montana and Gallatin County.

The County currently has limited funds and resources to address these issues, as they have not been included as part of the core services that Montana counties are required to provide under state law. The County could begin by leading with positive and supportive messaging for these vulnerable populations and partnering with other local governments and nonprofits for changes in state funding and policies.

Advocate for changes in State legislation

Montana law has removed or restricted many tools that other states, and local governments within those states, have to address housing and social services. Gallatin County leaders can continue to work with other local governments and legislators to build support for more funding and legislation to advance affordable and attainable housing. Chapter 5 of this document provides a list of tools available in other states, some of which were recently repealed in Montana.

Inclusionary housing, affordable housing impact fees, and real estate transfer taxes are some of the most powerful tools for creating and funding Affordable housing but are prohibited in Montana.

LOCAL SOLUTIONS AND DEED RESTRICTIONS

When local funding or policies create affordable housing units, best practices from other states and communities in Montana show that they are often subject to a locally created deed restriction to maintain affordability permanently or for a defined time period. For example, if a community provides financial assistance or other incentives to a developer that creates affordable housing units in return, those units are subject to a deed restriction so that the public investment does not result in a windfall for the developer or first buyer who can re-sell the home at free market pricing and make a quick profit.

There are many forms of deed restrictions. Some limit occupancy to certain income levels. Others limit appreciation upon resale or have a mechanism that shares in the appreciation between the owner/seller and the agency. The simplest form of deed restriction only limits occupancy to someone who is a full-time resident that works full-time in the same county for any local employer. This deed restriction creates a natural pricing limit by excluding vacation homeowners or part-time residents from purchasing the home, and additionally avoids employer involvement in housing.

Other Tier 2 Recommendations

Other Tier 2 strategies are listed below and described in more detail in this document. These may be elevated within Tier 2 (or even to Tier 1) if there is an opportunity with funding, a project, or a shift in priorities.

- Monitor short-term rentals (p. 22)
- Support infrastructure projects (p. 22)
- Mobile home community stabilization (p. 26)
- Connect people with and support the organizations that provide housing assistance (p. 27)
- Expand down payment assistance programs (p. 30)
- Use conduit lending (p. 35)
- Support the Gallatin Impact Fund (p. 35)

2. Supply and Land Use Strategies

GOALS

- Increase housing production and the range of housing types to meet market demand for all income levels, life stages and abilities, and household types.
- Reduce the cost of new housing construction.
- Encourage and allow a broader range of housing types and sizes.
- Support development of rental and owner housing options including ones attainable for those earning incomes within the county, market rate, and permanently affordable options.
- Incentivize attainable housing and disincentivize high-cost housing in areas close to job centers.
- Identify and grow the supply of land for permanently affordable housing in areas also close to job centers.

This chapter identifies the strategies recommended for expanding and diversifying the housing supply in areas of Gallatin County that are suitable for housing, as identified by the Growth Policy and Future Land Use Map (FLUM).

Tier 1 Recommendations

Zoning Reform (Tier 1)



What is it and how does it help?

Zoning creates predictability about what is allowed to be built in certain areas of the county. The County, in partnership with property owners, water and sewer districts, local municipalities, and partner agencies, can use zoning to ensure that a range of housing types are allowed where they are most needed.

Zoning can also be used to encourage more attainable homes in Priority Growth Areas (as described below), and to disincentivize large, single-family residential lots in these same areas. Zoning ensures that there is a sufficient land supply that allows the potential for future housing development. While Gallatin County has a tremendous supply of land, the vast majority of it is not suitable for high-density housing due to a lack of infrastructure, natural hazards, or other limitations, as documented through the FLUM process.



Implementation Path and Recommendations

While some zoning recommendations should be applied countywide, others vary by location and should be aligned with the

FLUM. Recommendations are provided below based on ongoing discussions related to the Suitability Map, draft FLUM, and as informed by County staff's analysis of the degree to which existing zoning districts comply with Housing Goal 1 from the Growth Policy. Where applicable, specific land use categories or geographies are called out. Private covenants may limit the applicability of certain recommendations.

Recommendations for Priority Growth Areas

Priority Growth areas as identified in the FLUM generally represent areas around existing community cores (with access to jobs, amenities, and services) that are served by public water and sewer infrastructure.

Priority growth areas identified in the FLUM completed concurrently with this housing plan include the following FLUM categories: Urban Growth Areas and Rural Growth Areas, and Public Infrastructure Holding Areas when connected to municipal or district water and sewer services. The latest FLUM should be consulted to determine priority growth areas.

- ▶ **Ensure zoning in Priority Growth Areas allows for a range of unit types by right, including but not limited to apartments and ADUs (as applicable to individual land use categories). This action could include:**
 - Targeted updates to existing zoning districts to expand use permissions for smaller and more affordable housing types. For example, if ADUs are currently allowed only through special review, modifications could be considered to allow them by-right. Expanded permissions could potentially be tied to a deed restriction that specifies how the unit will be rented to an onsite employee or member of the local workforce.
 - Targeted updates to zoning to promote universal design and accessibility to encourage inclusive design and aging in place, in all areas and in particular in Growth Areas which offer close proximity to services and amenities.
 - The creation and adoption of new zoning districts in un-zoned areas that are suitable for a mix of higher density housing and supportive services. Having zoning in place that supports smaller and more affordable housing options in suitable locations increases the predictability of the development process, saving homebuilders time and money.
 - The long-term costs associated with housing, such as energy and transportation costs, should be mitigated with energy efficient design standards, transportation connectivity, and installation of water efficient fixtures. Incorporation of these features into affordable housing development reduces ongoing maintenance or occupancy costs and is therefore beneficial to tenants and owners long-term.
- ▶ **Incentivize infrastructure expansion through higher density 'options' in Priority Annexation Areas and Public Infrastructure Holding Areas.**
Zoning allowances in Priority Annexation Areas and Public Infrastructure

Holding Areas should be limited to more rural densities (larger lot sizes) and uses unless infrastructure and services can be provided in conjunction with a proposed development (as specified by FLUM chapter within the Growth Policy). Limiting the intensity and range of uses that are allowed in the near-term is intended to help maintain the opportunity for the expansion of housing options as Gallatin County continues to grow. Options for higher density development will vary by land use category.

- ▶ **Provide a density incentive in Managed Growth Areas tied to provision of attainable, accessible, diverse housing options among other public benefits offered.**
 - Zoning in Managed Growth Areas should be structured to provide a lower base density with a moderate density incentive available through the Cluster or Planned Unit Development (PUD) process tied to provision of several potential benefits that support growing communities identified in the FLUM, which include diverse, accessible, and attainable/affordable housing, or other community benefits.
 - Identify areas where a voluntary incentive program is viable that will create permanently affordable housing.
 - In areas where new zoning will be established, set the base zoning at a low density below what the market desires.
 - Allow landowners to voluntarily set aside permanently affordable units or lots when developing at a higher density (a density bonus). [See also Tier 1 recommendation: Create a voluntary inclusionary housing ordinance.]
- ▶ **Remove barriers to smaller, more affordable housing types where appropriate.**
 - Dimensional standards in some areas of the county may preclude the construction of smaller, more affordable housing options. Where appropriate, minimum unit sizes, maximum lot coverage, setbacks, and other potential barriers should be removed. Near-term efforts to remove barriers should be focused on existing zoning districts. As new Part 1 or Part 2 districts are developed, the creation of new barriers should be avoided.
 - These recommendations broadly address how the County describes and regulates different types of housing. These recommendations should ideally be applied consistently across the county but may need to be implemented in phases.
- ▶ **Adopt a single set of housing definitions.**
 - Currently, each of the County's 22 zoning districts includes a standalone set of definitions. Because the current zoning districts were adopted over an extended period of time, terminology is sometimes inconsistent. For example, the term 'multi-family or multiple family dwelling' can mean very different things in different areas of the county:

Dwelling Unit, Multi-family: A Structure or portion thereof containing multiple

Dwelling Units for habitation by one or more persons co-residing therein and their domestic Employees. (Gallatin Canyon/Big Sky Zoning Regulations)

Dwelling, Multi-Family: A structure or portion thereof used for occupancy by two or more families living independently of each other in two or more dwelling units. (Reese Creek Zoning District)

Dwelling, Multiple (multi-family): A Building, or portion thereof, used for occupancy by three (3) or four (4) Families living independently of each other with the Units completely separated by a common wall, floor and/or ceiling. (Gallatin County/Bozeman Area Zoning Regulation)

- Modern zoning codes typically establish a single, comprehensive set of definitions and not just for housing. This approach ensures that regulations for similar uses are applied consistently across districts and removes the need for interpretation when a zoning district is silent on a use that is consistent with the intent of the district, but that may not have been defined for that area when the district was originally adopted.

► **Clarify allowances for manufactured homes.**

Manufactured housing and mobile home parks are specifically allowed in some of the County's existing zoning districts today (with or without limitations) and are simply not mentioned in other zoning districts. Modern manufactured homes are hard to differentiate from traditional construction and can offer more affordable housing options. As part of the recommendation above, definitions contained in the Gallatin County/Bozeman Area Zoning Regulation that distinguish between 'Manufactured Home,' 'Mobile Home,' and 'Modular Home' should be applied consistently across all zoning districts. Additionally, existing standards and use allowances should be reviewed and discussed further with the community to determine whether they pose barriers to affordability. Montana law does require local governments to treat manufactured housing and stick built housing similarly in zoning, but additional consistency is needed in Gallatin County's zoning to better address this requirement. Applying a dedicated zoning district where necessary for mobile home parks is another strategy that can be used to help protect existing affordable housing from future redevelopment.

► **Standardize terminology and expand allowances for non-traditional households.**

The Housing Needs Assessment found that as housing costs continue to rise, households in Gallatin County are increasingly comprised of unrelated individuals living as roommates or extended family situations. As shown in the examples below, definitions for 'households' or 'family' vary (or are in some cases used interchangeably) in different zoning districts and generally limit the number of unrelated people that may live together in a single dwelling.

Household. (1) A person living alone; (2) any number of people related by blood, marriage, adoption, guardianship or other authorized custodial relationship; (3) two unrelated people and any children related to either of

them; (4) not more than four unrelated people living together as a single nonprofit housekeeping unit and sharing common living, sleeping, cooking, and eating facilities.

Family. a) A person living alone; b) any number of people related by blood, marriage, adoption, guardianship or other authorized custodial relationship; c) two (2) unrelated people and any children related to either of them; d) not more than four (4) unrelated people living together as a single nonprofit housekeeping unit and sharing common living, sleeping, cooking, and eating facilities. (Gallatin County/Bozeman Area Zoning Regulation)

Family. Any individual or two or more persons related by blood or marriage, or a group of not more than two persons (excluding domestic employees) who need not be related by blood or marriage, living together as a single nonprofit housekeeping unit. (Hebgen Lake Zoning Regulations)

While it is likely not enforced unless a complaint is made, this type of verbiage is contrary to the County's goal of promoting "equitable and inclusive" housing options. Generally, the number of unrelated people living together should be increased to five or more. This will allow more efficient use of the existing housing stock by allowing the rental of extra bedrooms and the types of house-sharing arrangements that help residents of all ages to pool their resources and afford adequate housing.

► **Review existing standards for compliance with the Fair Housing Act (FHA) and legal interpretation of the FHA by the federal government and the courts.**

This means ensuring that the County does not require more onerous standards for housing that serves people with disabilities from housing that does not. This often includes reviewing use permissions to ensure standards for household living and group living are treated equally and establishing a process for the County to make administrative adjustments to allow reasonable accommodations under the FHA (e.g., a wheelchair ramp that needs to extend into a required setback).

Voluntary Inclusionary Housing Density Bonus (Tier 1)



What is it and how does it help?

An inclusionary housing ordinance (IHO) is a zoning tool that requires a defined percentage of a new development project to be set aside as permanently affordable below market housing, thus expanding the supply of Affordable housing. The authority for mandatory inclusionary housing was repealed by the Montana Legislature in 2021. Local governments still have the authority to enact voluntary incentives-based IHOs and to enter into development agreements that result in an inclusionary housing set-aside. In Priority Growth Areas,

Gallatin County should develop a voluntary IHO tied to a density bonus similar to the Whitefish and Bozeman policies. An IHO requires developers to build a component of their project as permanently affordable housing.



Implementation Path

A density bonus and voluntary IHO can be implemented through code changes either prepared by staff or an outside consultant. In addition to the Bozeman and Whitefish examples mentioned below, there are others throughout the U.S. that the County can use as an example to start from. In crafting the ordinance, the County could consider using a real estate pro forma model and outreach to developers to gauge and calibrate the effectiveness of the incentives prior to drafting and adopting the ordinance.

Land Banking (Tier 1)



What is it and how does it help?

Land banking involves safeguarding and preserving land until it is ready for development or revitalization to support community objectives. Land banks typically acquire, manage, maintain, and repurpose properties that are vacant, abandoned, or foreclosed.

Controlling land costs is crucial for the creation of Affordable housing, as high development costs often render such projects challenging or financially unviable. By utilizing land banking, the County and its partners can establish a future supply of land for development while guiding the type of development that takes place on those properties.



Implementation Path

- Conduct a land inventory to identify land or facilities owned by the County that no longer serves a core operational purpose that could be considered for housing development.
- Partner with other jurisdictions and districts to create a regional land bank strategy that includes assets from all local governments, special districts, and nonprofits.
- Strive to develop an annual or 5-year plan for the development of viable sites.
- When funding allows, look for opportunities to purchase property for less than market value, such as foreclosed property or property with development constraints that can be addressed in a public-private partnership. This is a limited and strategic action.

ADU Incentive Program (Tier 1)



What is it and how does it help?

An Accessory Dwelling Unit (ADU) is a secondary housing unit on a single-family residential lot that has all the basic facilities for independent living such as a bathroom, kitchen, and sleeping area.

ADUs, as small homes, can be developed more affordably than traditional homes, creating housing opportunities for their occupants. For the owners of the ADU and principal property, ADUs create an additional income stream that can help people stay in the community and build wealth and can also assist residents to age-in-place by creating additional housing for caregivers or family members. Lastly, because of their size, limited amenities, and shared characteristics, rents in ADUs tend to be generally lower than other new construction.

An ADU is not an inexpensive endeavor for a typical homeowner as the average ADU can cost approximately \$200,000 or more to construct. Additionally, ADUs often require permits and additional review that may be perceived as complex and time intensive. Incentives and assistance are also needed for these barriers.



Implementation Path

- Incentive programs for ADUs have become popular in western mountain communities. With a funding source, the County could allocate money each year to an incentive program.
- Financial incentives for ADUs can include low/no interest loans and rebates on development fees and water and sewer connection fees. Use of incentive funding should be tied to maintaining affordable rents or renting only to a full-time resident of Gallatin County who works for a local employer. The length of the affordability covenant is proportional to the amount of the incentive (e.g., some are 1-3 years, some are in perpetuity).
- With a financial grant agreement with property owners, the County could use a contract to restrict rental of the unit to a local resident/employee as a condition of the funding. This would allow the County to work around state zoning laws that require ADU regulations to be no more restrictive than zoning for other housing.
- While pre-approved Accessory Dwelling Unit design plans can be useful to streamline the development review process, they may be challenging to utilize given the County's variation in design standards between zoning regulations.
- If the County implements a comprehensive set of zoning regulations in the future, pre-approved Accessory Dwelling Unit design plans may be appropriate to reduce review timelines and potential expenditures accrued during the permit review process.

Tier 2 Recommendations

Monitor Short-Term Rentals (Tier 2)



What is it and how does it help?

Short-term rentals can contribute to housing supply shortages when they are concentrated in naturally affordable and attainable priced areas. Some communities use zoning to regulate where short-term rental of dwelling units is allowed. Outside of some zoning districts, the County Planning Department does not currently have any regulations to allow or restrict the short-term rental (less than 28 days) of a dwelling unit.



Implementation Path

The County should consider proactive enforcement of the existing licensing program for STRs. Tracking where STRs are operating will allow the County to better understand how STRs may be affecting housing availability, and to then develop additional regulations as needed. The current licensing fee can be adjusted as needed to cover the administrative costs. The County can also consider zoning regulations to define where short-term rentals are allowed to operate.

Support Infrastructure Projects (Tier 2)



What is it and how does it help?

Infrastructure – water, sewer and drainage, roads, transit – is needed to support and provide services to new housing. Growth in Gallatin County is straining the road network and there are capacity constraints in water and sewer districts.



Implementation Path

While the County has limited powers to regulate private water and sewer systems, it can help facilitate planning and cross-district collaboration on system planning. The County can also continue to pursue federal grants for transportation projects, water, sewer, drainage, and other environmental and quality of life projects. These are largely functions the County performs today.

**CASE
STUDIES**

VOLUNTARY INCLUSIONARY HOUSING

WHITEFISH LEGACY HOMES

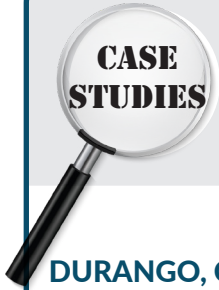
The Whitefish Legacy Homes policy provides incentives to projects that provide 10% of their units as permanently affordable. For a rental project, the affordable units must be priced at 60 to 80% of AMI and average 70%. For-sale project affordable units must be priced at 80 to 120% of AMI and average 100%.

For projects requesting a conditional use permit, they are eligible to receive a 20% reduction in parking requirements, a 5-foot height increase to 3 stories, a 10% lot coverage increase, and a 20% density increase. A subdivision using the incentive can receive a 20% reduction in minimum lot size, a 20% increase in density, and reduced setbacks and increase lot coverage.

BOZEMAN AFFORDABLE HOUSING OVERLAY (AHO)

Bozeman's code of ordinances offers two types of incentives to encourage the development of affordable housing. The first, "shallow incentives," requires new developments include greater than or equal to 5% of housing units to be affordable for individuals at 80% AMI (rental units) and 120% AMI (for sale and condominiums) or lower. This applies to single-household detached (SHD), single-household attached (SHA), and multi-household dwellings (MHD). The duration of affordability must be 30 years. If these criteria are met, the developer may reduce the minimum lot size to 2,500 sq. ft. for SHD units and 1,800 sq. ft. for SHA. The incentives for MHD include a 10% reduction in lot area and one to two additional stories of height depending on the zoning district.

To meet the requirements for 'deep incentives,' new developments must contain greater than or equal to 50% of units that are affordable at 80% AMI (rental) and 120% AMI (for sale/condo) or lower. The duration of affordability must be 30 years. If these criteria are met, the developer may reduce the minimum lot size to 1,600 sq. ft. with no minimum lot width requirement, and off-street parking reduced to one space per dwelling for SHD units. The developer may reduce the minimum lot size to 1,400 sq. ft. with no minimum lot width requirement, and off-street parking reduced to one space per dwelling for SHD units. For MHD projects, the developer may add one to four additional stories of height depending on the zoning district. Also, no onsite vehicle parking is required.



ADU INCENTIVE PROGRAM

DURANGO, CO ADU INCENTIVE PROGRAM

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.

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.

MAD RIVER VALLEY, VERMONT ACCESSORY DWELLING UNIT PROGRAM (ADUP)

The nonprofit Mad River Valley Housing Coalition offers grants of \$10,000 to homeowners to construct ADUs and rent them at affordable rents for five years. The maximum rent is \$1,500 per month for a 2-bedroom unit. The Mad River Valley is close to several major ski resorts and experiences tourism and vacation home housing impacts.

WHITEFISH, MT

In May 2022, the city council approved an ordinance that allowed ADUs in all zoning districts without requiring a conditional use permit, re-legalized the long-term rental of ADUs regardless of the owner's residency, and eliminated the requirement that ADUs be located above a garage. It further incentivized the development of ADUs by allowing them to be built up to 800 square feet rather than 600 square feet, and without building additional parking, in exchange for a minimum of five years of long-term renting via 12-month leases and no more than 30 days of vacancy between leases.

However, State Senate Bill 528 that passed in 2023 overruled the ordinance by allowing ADUs to be built up to 1,000 square feet where single-family homes are allowed, and eliminated parking, building height, and setback requirements. It also stated that there would be no owner-occupancy requirements and that regulations for ADUs cannot be more restrictive than those for single-family homes.

WEST DENVER SINGLE FAMILY PLUS (WDSF+)

This is a large-scale program seeded with \$1.1 million in General Fund appropriations. It is available to homeowners who make more than 81% of AMI and must rent to someone earning less than 80% of AMI. If the homeowner makes 80% and under, there are no income restrictions for the tenant.

The program provides loans of \$30,000 (studio), \$50,000 (1 bedroom), and \$75,000 (2 bedroom). The loans depreciate over 25 years and do not need to be repaid unless the property owner sells the property or does not comply with the terms of the deed restriction. The program includes seven pre-approved home designs.

3. Preservation and Stabilization Strategies

GOALS

- Help people stay in their homes who may be at risk of displacement due to rising ownership or rental costs and address substandard living conditions.
- Seek opportunities to permanently preserve existing homes and properties that are already affordable.

Tier 2 Recommendations

There are no Tier 1 recommendations for Gallatin County government in this category.

Deed restriction incentive or “buy down” program (Tier 2)



What is it and how does it help?

Deed restriction incentives are effective tools to help people stay in their homes and to preserve naturally occurring affordable housing. For example, some homeowners may need financial assistance to address major repairs or delinquency on their mortgage or taxes and the County can provide a financial incentive in exchange for a deed restriction that helps people

continue to live in their homes. Alternatively, the County can assist local buyers by contributing toward their purchase in exchange for a deed restriction, making homes immediately more affordable to residents and adding permanently affordable homes to the inventory.

Additionally, the County can consider buying units from homeowners wanting to sell as strategic opportunities are presented, and subsequently place deed-restrictions to maintain permanent affordability. A key advantage of this type of program is that acquiring deed restrictions is usually less expensive than developing new housing. Depending on the deed restriction in the incentive, the cost ranges from about 15 to 30 percent of the market value of the home.



Implementation Path

The first step for this program is to design the parameters of what the County would fund, who is eligible, and to start setting an annual funding target. The County should do further research on these programs and contact the organizations that administer them to learn more about best practices and lessons learned. After designing the program, the County may need to:

- Pass an ordinance authorizing the use of funds

- Identify a staff position or partial or full-time employee to administer the program
- Implement a tracking database to ensure deed restrictions are not lost
- Retain an outside real estate attorney to assist with transactions.

Mobile home community stabilization (Tier 2)



What is it and how does it help?

Mobile home community stabilization refers to efforts aimed at maintaining the affordability, stability, and long-term viability of mobile/manufactured home communities. These initiatives typically focus on protecting residents from displacement, rent increases, or the sale and redevelopment of the land into other types of housing or commercial projects.

Stabilization strategies can include resident or nonprofit ownership of the land, legal protections against eviction, infrastructure improvements, and support for maintaining affordable housing options. The goal is to preserve the affordability and quality of life for residents while ensuring the community remains intact and sustainable over time.



Implementation Path

- Create an inventory of existing mobile home communities, current zoning, and a preservation network of nonprofits and other organizations that have the capacity to participate in preservation efforts.
- Implement zoning safeguards for existing mobile home communities to ensure they can remain an allowed use.
- Implement a right-to-purchase ordinance that comes into effect under certain conditions, such as when the park owner intends to sell the property, issues a notice to vacate due to demolition or closure, or files a rezoning request. This ordinance can mandate the park owner to give advance notice of the sale and share any offers received, allowing residents a window of 2-6 months to submit a counteroffer and arrange financing. Additionally, tenants may have the option to transfer their purchasing rights to a nonprofit organization.

Connect people with and support the organizations that provide housing assistance (Tier 2)



What is it and how does it help?

A number of public entities and private nonprofit organizations operate in the county that play crucial roles in enhancing housing stability for vulnerable residents, including emergency shelter services, food security, rental and down payment assistance, and building and managing affordable housing.

- Although these organizations possess the expertise to develop and manage assistance programs, the demand is vast and current financial resources are limited. The County can play a vital role by linking residents to available services and supporting these organizations with additional funding, which may be more cost-effective than creating new programs internally. Moreover, the County can work to remove obstacles that hinder these programs by updating outdated regulations and advocating for increased support at both local and state levels.
- Specific areas of support include:
- Tenant protections and legal assistance, currently provided by organizations like the Montana Legal Services Association that do not yet have dedicated local presence.
- Repair and efficiency loans and grants, some of which are provided by HRDC. Habitat for Humanity also has a home repair program that may be able to provide labor for repairs.
- Find/help establish an entity to administer USDA Rural Development programs, including down payment assistance, rental assistance and multifamily development lending, and single-family housing repair loans and grants. There currently is not a local representative for these federal programs.
- Promote the federal Low Income Housing Energy Assistance program administered by HRDC.



Implementation Path

- Create a Housing Resource Guide to help connect residents to available resources.
- Conduct outreach to existing organizations through the RHC process to better understand the limitations and needs they face.
- Advocate for additional funding at the federal and state levels for these types of programs.

Advocate to increase funding and facility support for vulnerable populations (Tier 2)



What is it and how does it help?

Many residents face vulnerabilities in regard to housing stability, and the deepest needs are among those who are experiencing or at risk of experiencing homelessness, mental health challenges, drug and substance abuse, domestic violence and abuse, chronic health conditions, disability, and aging.

By bolstering both funding and facility support, the County can create a more comprehensive safety net, ensuring that vulnerable populations have better access to stable, long-term housing solutions.



Implementation Path

- Advocate at the state level for additional funding and increasing facility capacity.
- Lead in improving the narrative amongst the public on the causes of housing instability and the advantages of contributing to its improvement.

4. Demand Strategies

Demand strategies are targeted at people – owners and renters, current or prospective – to help them get into or remain in stable housing situations.

Tier 2 Recommendations

Recommendations under demand strategies were assigned to Tier 2 mostly because they would require additional funding and compete with the Tier 1 recommendations. If additional funding can be allocated, these recommendations can also be prioritized and advanced.

County employee housing assistance (Tier 2)



What is it and how does it help?

It is becoming increasingly difficult for local governments and other public agencies to retain and attract employees at nearly all pay and career levels. The ability to sustain public services is threatened by high housing costs. The County can provide temporary assistance to County employees, both current renters and homeowners, in the form of zero- to low-interest loans, forgivable after a predetermined tenure at the County. These loans may be used for first- and last-month and security deposits or down payment assistance for renters and new homebuyers, or as a fund for emergency repair and maintenance for existing homeowners.



Implementation Path

- Create an employee housing assistance program for County employees as a model for other jurisdictions and the private sector.
- Begin with a rental assistance program comprised of a no interest loan for first and last month's rent and security deposit. This can be paid back through a paycheck deduction over a defined time period, or potentially forgiven after a certain number of years of service. The program could be designed in any number of ways: limiting it to below certain pay scales or certain departments or positions with the most recruiting challenges.
- Longer term if needed, an ownership assistance program could also be developed. This can be comprised of a larger second or third mortgage for down payment assistance, or a co-investment model as described in the case studies.

GOALS

- Increase support for buyers and renters in navigating the housing market.
- Improve employee attraction and retention for important public service positions and front-line workers.

Expand down payment assistance programs (Tier 2)



What is it and how does it help?

Down payment assistance programs are loans and grants that help homebuyers cover a down payment and, in some cases, closing costs. This type of assistance is especially helpful for those who can afford monthly mortgage payments but find it challenging to save for a down payment.

There are currently several assistance programs in the County and Montana as follows:

- **HRDC:** Qualified first-time homebuyers earning up to 80% AMI may be eligible for assistance up to \$30,000 in the form of a second loan at 0 percent interest and deferred payment.
- **Montana Board of Housing:** A participating lender will qualify eligible borrowers and select one of two available types of loans that may be used for down payment and closing cost assistance:
 - **Bond Advantage Down Payment Assistance Program:** Available for up to 5 percent of sale price up to \$15,000 with low monthly payments in a 15-year amortizing loan.
 - **MBOH Plus Deferred Down Payment Assistance Program:** Also available for up to 5 percent of sale price up to \$15,000 with no required monthly payments and only due upon transfer/sale of property or refinance/payoff of first loan. These loans are limited to households earning up to \$80,000 for 1-2 person households or \$90,000 for 3+ person households.
- **Montana Board of Housing Set-aside Loan Program:** It assists borrowers earning up to 80% AMI who receive down payment assistance from approved sources. The BOH partners with cities, counties, and nonprofits to qualify the buyer for most of the purchase price, and nonprofit provides the balance up to \$45,000.

These programs are typically geared toward very low- and low-income households. The challenge in Gallatin County is that home prices are too high for buyers under 80% of AMI to be able to afford the home and the mortgage payments. However, both additional funding and larger subsidized loans could help.



Implementation Path

- The Gallatin Impact Fund run by NeighborWorks Montana may be the best lead entity to expand down payment assistance programs. As noted in Chapter 5, Implementation and Funding, the County could consider contributing to this fund annually.

**CASE
STUDIES**

EMPLOYEE HOUSING ASSISTANCE PROGRAM

STATE OF MONTANA

The 2023 Montana State Legislature authorized the investment in Pintler Meadows to provide housing for state employees at the Montana State Prison and Montana State Hospital. Eligible employees are those that have a household income less than the state median and spend over 30 percent of monthly household income on housing or are currently unhoused.

COLORADO RIVER WATER AND SANITATION DISTRICT

Employees may be eligible for a housing loan up to \$50,000 with a 4 percent interest rate and loan forgiveness after certain years of service.

CITY OF ASPEN, COLORADO

An employee may apply for an interest free rental advance loan for one-half of the cost to secure housing, including first and last month's rent plus damage deposit. The loan must be repaid in biweekly payroll deductions within one year.

PITKIN COUNTY, COLORADO

The County assists employees in the purchase of their home by investing up to 40 percent of the purchase price in equity. When the employment ends, they are allowed to buy out the County or provide the County with the right to first purchase.

TOWN OF SILVERTHORNE, COLORADO (SUMMIT COUNTY)

The Town provides a Down Payment 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 that provides an interest-free loan to either full-time or 3/4-time employees to be used for a rental deposit.

BOZEMAN HEALTH

Bozeman Health partnered with ERES Capital to develop 100 apartment units in Belgrade just south of the airport as part of a large residential mixed-use project. Bozeman Health will subsidize the rents in their units to rent them to employees at attainable rates. Phase 1 construction began early summer of 2022 with completion in the second half of 2023. Bozeman Health will also be able to expand the number of units available to employees in future phases of the project.

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5. Funding and Implementation

Funding is the largest constraint to addressing Affordable housing in almost all communities. This chapter reviews the federal, state, and local funding environment for housing and then shows how Gallatin County could create a dedicated housing fund. It also provides a concise set of actions or steps for carrying out the Tier 1 recommendations.

Funding and Financing

Many of the recommended policies and actions require funding and staff resources to implement. The County has limited funding resources beyond funding its core operations. Montana law also constrains the types of revenues available to local governments, both at the municipal and county level. Sales tax is not enabled in Montana outside of Resort Tax Districts. Property tax revenues can only be increased by a factor of the past three years' average inflation plus growth in taxable value, or by voter approved mill levies.

Current Funding Sources

The current funding sources for housing in Gallatin County are annual competitive HOME grants from the state, and pandemic related grants which will end. For context, the entire State of Montana was awarded \$13.8 million in Community Development Block Grants (CDBG), HOME Investment Partnership (HOME), Emergency Solutions Grant (ESG), and Housing Trust Fund (HTF) money from HUD in 2023. This money is then allocated throughout the entire state through a competitive grant process to “non-entitlement” communities.

Gallatin County is not an “entitlement” county and therefore does not qualify for direct awards of CDBG funds from HUD. CDBG funds are also minor in terms of the scale of the problem: the entire state was awarded \$6.5 million in 2023, and annual distributions to the three entitlement cities (Billings, Missoula, and Great Falls) ranged from about \$500,000 to \$700,000 per year. Bozeman is now an entitlement community and may see funding in that range as well.

These funds do not go far. If all of the \$13.8 million in statewide funding was dedicated to below 60% AMI housing, it could provide gap financing for roughly 180 units based on a financing gap of about \$75,000 per unit.

Table 3. Federal and State Housing Funding, 2023

Federal Program	Montana 2023 Award	Allowed uses
Community Development Block Grants (CDBG)	\$6,541,090	- Range of infrastructure and housing projects - Planning projects - Moderate income housing (50-80% AMI) - More than 51% of people in service area must be low and moderate income
HOME Investment Partnerships Program (HOME)	\$3,450,234	- Building, buying, and/or rehabilitating affordable housing - Mostly <60% AMI - 5% local match for development - Direct rental assistance
ESG: Emergency Solutions Grants Program	\$741,200	- Homeless services and facilities
Housing Trust Fund	\$3,066,413	- Housing for 30-50% AMI
Total State Funding	\$13,798,937	

Source: MT Division of Housing; Economic & Planning Systems

Local Funding Options

Today, the only options the County has to increase funding for housing are through voter approved tax measures. At the right time when there is political support, a dedicated mill levy could generate meaningful funding. A 1.000 mill property tax would generate \$744,000 per year and cost approximately \$9.00 per year on the median home price.

Table 4. Revenue Estimates from Potential Mill Levy Increases

Taxable Value in Gallatin County	\$744,000,000
Dedicated Mill Levy	
0.250 mills	\$186,000
0.500 mills	\$372,000
0.750 mills	\$558,000
1.000 mills	\$744,000
Impact on Median Priced Home	
Median Home Price	\$662,000
Taxable Value (1.35%)	\$8,937
0.250 mills	\$2.23
0.500 mills	\$4.47
0.750 mills	\$6.70
1.000 mills	\$8.94

Source: Economic & Planning Systems

Without a tax ballot measure, the County will have to find funds within its current budget structure and process. The General Fund brings in approximately \$24.0M in annual revenue. The County could consider committing 1.0 to 2.0 percent of its General Fund annually to the Housing Fund. This would raise roughly \$250,000 to \$500,000 per year to be used in an employee housing assistance program, a buy-down program, and other opportunities as they arise. Unspent funds would accrue in the fund.

Tier 1 Strategies

Create a dedicated Housing Fund (Tier 1)



What is it and how does it help?

A top priority recommendation is to create a dedicated Housing Fund within the County budget. Forming a housing fund simply creates a financial structure into which contributions can be made by public, private, or institutional partners. Through its budgeting process, the County would try to commit a consistent annual level of funding. The County would then be able to plan and budget for housing projects or programs each year. While the initial amount of money put into the fund may be small, it is an important starting place.



Implementation Path

The scenario below shows a \$250,000 annual contribution from the General Fund to the Housing Fund (1.0% of General Fund revenues). The money could be allocated any way County leaders see fit. In the example below, 10% is allocated to County employee rental assistance, a recruiting tool for new hires (no-interest loan of first, last, and security deposit). Fifty percent is allocated to an ADU grant program at \$10,000 per ADU (tied to a resident-employee deed restriction). The remaining 40% can be used to partner on development projects, acquire land, or for grant matching. As shown, the County could help about four new hires each year and provide grants for about 13 deed-restricted ADUs.

Table 5. Housing Fund Revenue Estimate with 1.0% Contribution from General Fund

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											
County Employee Rental Assistance	10.0%	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
ADU Grants	50.0%	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Development/Land/Grant Matching	40.0%	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
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											
County Employee Rental Assistance	\$5,700	4	4	4	4	4	4	4	4	4	4
ADU Grants	\$10,000	13	13	13	13	13	13	13	13	13	13
Development/Land/Grant Matching	N/A	---	---	---	---	---	---	---	---	---	---
Total Units		17	17	17	17	17	17	17	17	17	17
Development/Land/Grant Matching/Misc.		\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000

Source: Economic & Planning Systems

If the development funds were not spent in that budget year, they could continue to accumulate, e.g., \$500,000 to a project every five years. Of course, if more money is contributed to the fund, there will be more impact.

Tier 2 and Ongoing Strategies

The Tier 2 strategies under Funding are things the County is already involved with periodically, directly and indirectly. However, it is important to note them so that they continue to be part of the County's housing actions.

Use Conduit Lending (Tier 2)



What is it and how does it help?

Conduit lending provides borrowers access to tax-free debt through the County as a financing vehicle. The County has used conduit lending to support a shelter for Family Promise in the past, and on a private economic development project with Bridger Aerospace. Conduit lending uses the project cash flow revenues as the pledge revenue for debt service (a bond), yet the County does not incur any financial or credit rating risk under this structure. If the project does not meet its debt obligations, the banks and bond holders go through a process to work out the distribution of remaining assets. This is a commonly used tool for housing and economic development finance.



Implementation Path

Conduit lending would be used in limited case by case projects. The challenge still remains that in order for it to be used, there needs to be a viable project with a capable project sponsor/developer. Using conduit lending would also complement the land banking strategy: the County can contribute land and tax-free debt to an affordable housing development.

Support the Gallatin Impact Fund (Tier 2)



What is it and how does it help?

The Gallatin Impact Fund is a revolving loan fund managed by NeighborWorks Montana. It aims to create a \$10.0 million loan fund and estimates it can leverage \$80.0 million in investment in housing (a 1 to 8 leverage ratio). The fund is being seeded by large businesses and philanthropic donors who receive a 2.0% annual return. The fund is restricted to rental projects at up to approximately 70% of

AMI and for-sale projects up to about 140% AMI. So far, the fund has been used mostly for rental project gap financing. A broader down payment assistance program is envisioned as the fund grows.



Implementation Path

Through the Housing Fund, the County can also consider annual contributions to the Gallatin Impact Fund.

Explore the feasibility of a Targeted Economic Development District (Tier 2)



What is it and how does it help?

Tax increment financing (TIF) is authorized by the State to be used in Urban Renewal Areas (URAs) in municipalities and in Targeted Economic Development Districts (TEDDs) in counties. TIF directs the incremental (new) tax revenue resulting from development, redevelopment, and other increases in property values to a financing district. TIF can be used for public infrastructure projects in the URA, including infrastructure needed for housing development. Montana law recently expanded the allowable uses of TEDD funds from solely nonresidential economic development projects to include costs related to workforce housing development.

The City of Bozeman's TIF policy allows TIF to reimburse fees and public infrastructure costs for rental housing at up to 80% of AMI, making it a form of gap financing. The City has used it on several 4.0% low-income housing tax credit developments and projects utilizing the City's AHO density bonus. Missoula County created a TEDD in 2023 with a focus on financing infrastructure needed to support both economic development projects and workforce housing. The cost of land and infrastructure is a major constraint to Affordable and attainable housing, and both are allowable costs in a TEDD. Gallatin County should determine if there are areas of the county where a TEDD with a major housing component would be feasible. The TEDD will need to contain nonresidential land uses in addition to housing, because nonresidential development is taxed at higher rates and generates more revenue than residential development. Also, some permanently affordable housing is tax exempt and will not generate tax increment in a URA or TEDD.



Implementation Path

- Monitor and pledge support for municipal URA projects that create affordable housing.
- After adopting the FLUM, conduct a planning and feasibility study(ies) to identify potential areas to create a TEDD with a significant housing component. The County may be able to find partners for this work including landowners, developers, and businesses.

Legislative Strategy (Tier 2)

There are several regulatory tools and funding sources authorized in other states that would be helpful in creating more affordable housing units and more funding. The County should partner with other local governments facing similar challenges to advocate for changes to State Legislation and the State Constitution.

- **Inclusionary housing ordinances** – Inclusionary housing or inclusionary zoning was repealed by the Montana Legislature in 2021. Inclusionary housing ordinances can create permanently affordable housing and are especially effective in high-cost areas where there is a large gap between what people can afford and market prices. Most states in the U.S. allow inclusionary housing ordinances.
- **Affordable housing impact fees** – Housing impact or “linkage fees” link job generation and affordable housing demand to new development. Linkage fees can be applied to residential development, nonresidential development, or both. In a fast-growing area like Gallatin County, linkage fees can generate significant revenue for Affordable housing. The same legislative action that repealed inclusionary housing powers also prohibited linkage fees.
- **Real estate transfer taxes** – A voter referendum passed in 2010 to amend state law to prohibit any tax, including sales tax, on the sale of real estate. In Colorado and Vermont, these taxes generate significant local revenues for Affordable housing. Mountain resort communities in Colorado receive several to tens of millions in annual revenue from transfer taxes.
- **Sales tax** – Only Resort Tax Districts are allowed to collect sales tax. In most other states, sales tax is one of the largest funding sources for local governments for general operations, and capital projects including Affordable housing. Under the current tax structure, local governments in Montana do not have the funding tools to keep up with the demands of growth.



Gallatin County Housing Needs Assessment

APPENDIX

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PHASE II REPORT

Gallatin County Housing Needs Assessment

February 21, 2024



Economic & Planning Systems, Inc.
The Economics of Land Use

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INTRODUCTION

This Report presents the second phase of work for the Gallatin County Housing Strategy (GCHS). The purpose of the GCHS is to recommend actions and strategies for the County to undertake to increase the supply of housing at affordable and attainable prices. Recommended strategies will likely include land use policies, partnerships with municipalities and nonprofits, and funding.

This report contains the analysis of demographic, economic, and market data needed to document the extent of affordability issues in the county, and to identify the differences in market conditions across the county that will influence policy. The next phase of work will be to identify the strategies, actions, and policies needed to improve housing conditions, and the recommended roles for the County and its partner stakeholders.

The report is organized into the following sections. Each section begins with a short synopsis of notable points from the data analysis.

- **Introduction, Definitions, and Summary of Findings** (pp. 1–10)
- **County Overview:** Describes countywide trends in population and the economy. (pp. 11–14)
- **Demographics:** An analysis of demographics related to housing such as household types and household income. (pp. 15–20)
- **Housing Stock:** Summarizes the characteristics of housing in each area of the county. (pp. 21–26)
- **Housing Market:** Analyzes data on the for-sale market and rental market. Contains a detailed analysis that converts sale prices to the income (AMI) needed to afford them. (pp. 27–35)
- **Affordability and Gap Analysis:** Compares the supply of housing by price range (converted to AMI) to the number of households in each AMI range. Identifies where the largest gaps in the market are, in terms of price and location. (pp. 36–45)

INTRODUCTION

Gallatin County Context

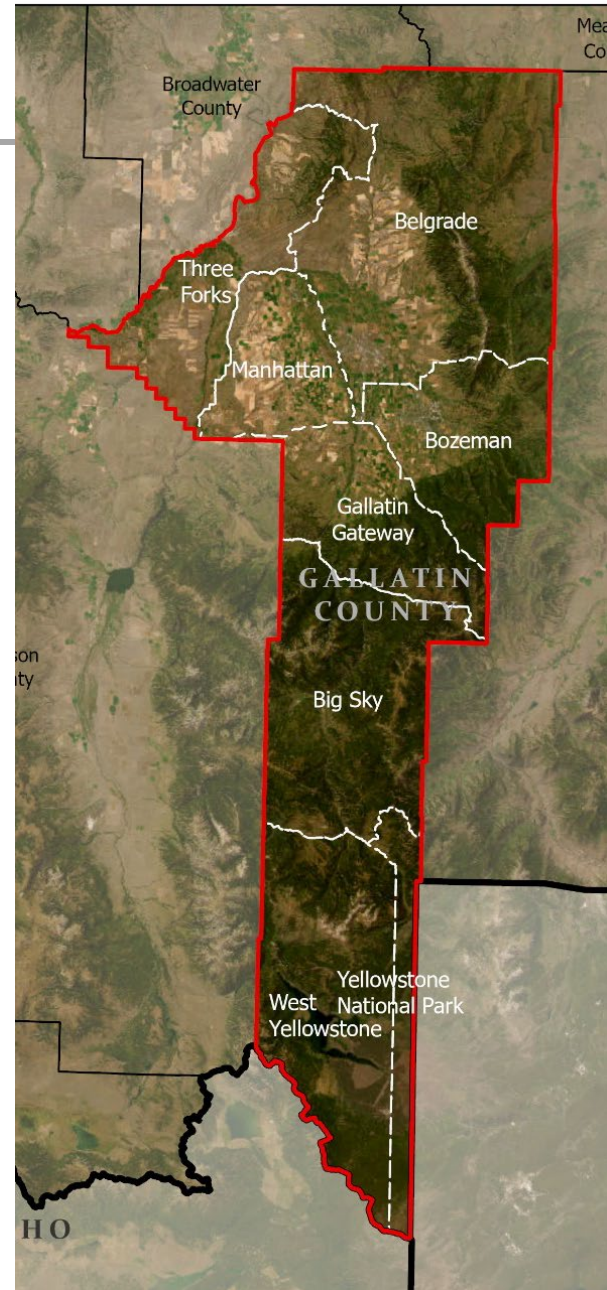
Over the past 5 to 10 years, Gallatin County has increasingly become known for its high quality of life, strong economy, and natural amenity assets. Bozeman is home to Montana State University (approximately 16,000 students) that draws students and parents from around the U.S. MSU is a Tier 1 Research Institution with strong engineering and R&D programs that spins off research and venture capital investment in the local economy.

There are two ski areas in the area that support local and destination winter recreation, Big Sky and Bridger Bowl. Big Sky is the largest ski area in North America and has attracted wealthy part time residents. Nearby, is the Yellowstone Club, a private membership ski area community. While the Yellowstone Club is in Madison County, it has more influence on Gallatin County due to the airport, transportation routes, and City of Bozeman amenities. The Yellowstone Club has brought venture capital and real estate investors into this region who want to have a personal and or business toehold in Montana. Film and media have also promoted the Montana lifestyle, which contributes to in-migration and attracting jobs and investment.

The combination of the strong diverse economy and outdoor recreation and quality of life assets creates

different housing pressures that have combined to dramatically increase housing and real estate values. Strong job growth before the pandemic was attracting people from all over the country, some of them from more expensive metropolitan markets. The pandemic drove “amenity migration” across the globe as remote workers moved from expensive cities to sometimes lower cost areas with better quality of life. Last, vacation home buyers are prevalent in some areas of the county including Big Sky, around Bridger Bowl, and in Downtown Bozeman. These wealthy homebuyers can push up market prices out of reach of the local workforce. This trend has been well documented across the Western U.S., especially in areas around mountain resorts and first-class recreation assets. Remote workers and vacation homebuyers are typically wealthy and have amassed significant home equity enabling them to pay more and outbid others in home sales.

Because of these trends, simply building more and lower cost housing may not create more housing access for residents and the workforce. In the next phase of work, this housing strategy will identify where the County and local jurisdictions can increase housing access for residents and the workforce and how these market constraints will determine what policies are needed.



DEFINITIONS

GEOGRAPHIC DEFINITIONS

The geography of Gallatin County creates challenges in data collection and analysis. People’s knowledge of places in the county is comprised of many areas that have official administrative definitions, as well as informally defined places.

Economic and demographic data sources are published for several types of standardized geographic areas defined by the U.S. Census and other federal agencies. Counties and municipalities are the most common geographies used in housing studies. However, the unincorporated areas of the county are masked if only these geographic units are used because the unincorporated portions of the county cannot be accurately segmented out from the aggregate totals.

- County Subdivisions: Much of the analysis in this document uses **Census County Subdivisions (CCDs)** for geographic comparisons. The CCD unit of analysis allows consistent data sources across areas. A tradeoff is that the CCDs often contain municipalities and adjoining unincorporated areas.
- Census Defined Places: These are unincorporated communities such as Four Corners CDP, Gallatin River Ranch CDP, Bridger CDP, and Willowcreek CDP.

- Municipalities: These are formally incorporated areas with their own municipal government. In Gallatin County, there are five municipalities: Belgrade, Bozeman, Manhattan, Three Forks, and West Yellowstone.

Census County Subdivision (CCD)	CCD Population	Municipality	Other Areas
Bozeman	69,501	Bozeman	Bozeman Pass
Belgrade	30,798	Belgrade	Springhill South Bridger Foothills Gallatin River Ranch
Manhattan	5,794	Manhattan	Amsterdam-Church Hill
Gallatin Gateway	5,121	None	Four Corners Gallatin Gateway
Three Forks	3,731	Three Forks	Clarkston Willow Creek
Big Sky	2,919	None	Big Sky CDP (Gallatin County portion)
West Yellowstone	1,821	West Yellowstone	Hebgen Lake

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

DEFINITIONS

IMPORTANT TERMS

- **Affordable** – A home is affordable when a person or household spends 30% of their income or less on rent or mortgage payments (principal, interest, taxes, insurance). 30% of income is the standard used by the U.S. Department of Housing and Urban Development (HUD) and is commonly used in housing policy work. Affordable homes can be market rate or have income and other occupancy restrictions.
- **Cost burdened** – A person or household is cost burdened when they spend more than 30% of their income on rent or mortgage payments.
- **Household** – A household is a group of people, related or unrelated, living in a housing unit. Numerically, a household and an occupied housing unit are equivalent.
- **Housing unit** – The Census definition of a housing unit is space for one household between the floor and ceiling, with its own private entrance, bathroom(s), and cooking facility. This includes single family homes, duplexes, townhomes, apartments, condominiums, and mobile homes. Dorms and group living (some senior housing) are classified as group quarters.
- **Median household income** – This is the midpoint of household income for all households reported by the American Community Survey. This is a demographic statistic that varies by area of Gallatin County based on its demographics.
- **Area Median Income (AMI)** – AMI is an income standard defined by HUD (and used by the MT Dept. of Commerce) to administer housing policies and programs, and tenant income qualifications for income-restricted housing. AMI is often expressed as a percentage. The AMI for Gallatin County is \$105,200 for a four-person household (100% of AMI); for a four-person household at 80% AMI, the income limit is \$84,150. While based on local demographics, it is an administrative definition. The AMI definitions for Gallatin County are shown later in this section.
- **American Community Survey (ACS)** – The ACS is the program under which the U.S. Census provides demographic data between decennial censuses. Most of the demographic information in this report is derived from the 2022 5-year ACS estimates, which represent an average of survey responses collected between 2017 and 2022. Due to budget cuts, the Census Bureau has reduced the frequency of data collection in communities under 65,000 population.

DEFINITIONS

AREA MEDIAN INCOME

% AMI	1-Person Household	2-Person Household	3-Person Household	4-Person Household
50% AMI	\$38,850	\$42,100	\$47,350	\$52,600
60% AMI	\$44,200	\$50,500	\$56,800	\$63,100
70% AMI	\$51,600	\$58,950	\$66,300	\$73,650
80% AMI	\$58,950	\$67,350	\$75,750	\$84,150
90% AMI	\$66,350	\$75,800	\$85,250	\$94,700
100% AMI	\$73,700	\$84,200	\$94,700	\$105,200
120% AMI	\$88,450	\$101,050	\$113,650	\$126,250
150% AMI	\$110,550	\$126,300	\$142,050	\$157,800
200% AMI	\$147,400	\$168,400	\$189,400	\$210,400

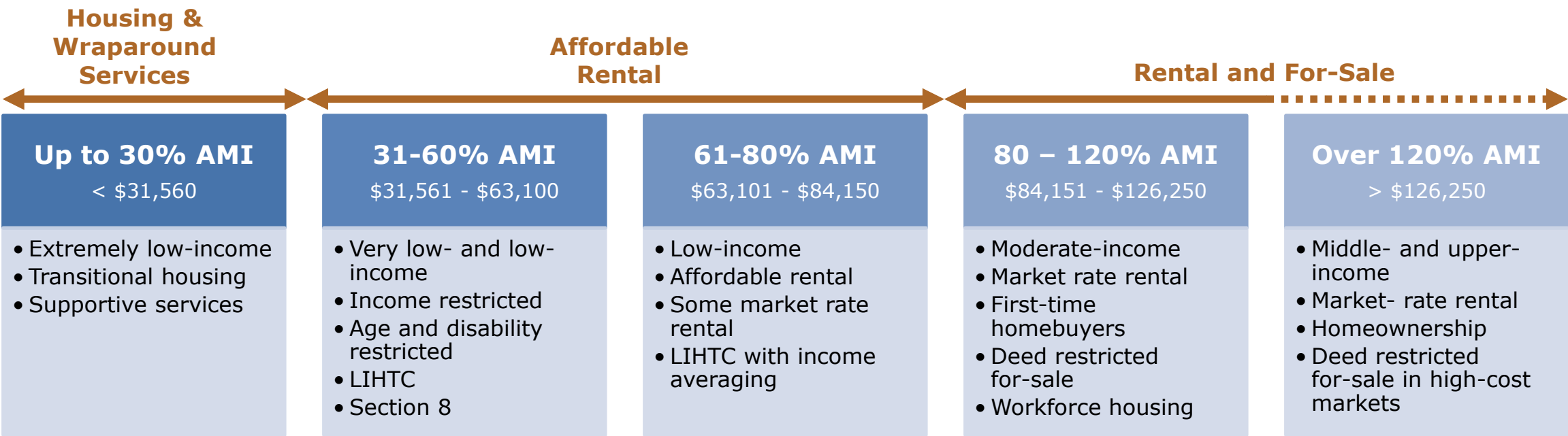
Source: HUD, City of Bozeman, Economic & Planning Systems

DEFINITIONS

HOUSING SPECTRUM

The graphic below illustrates how various income levels are linked with different types of housing and housing programs. The boundaries of each income range are not always fixed as shown here, as there needs to be consideration of the local context and market conditions. There is however an important division between below 60 to 80% of AMI and above that. Most federal and state funding for housing development caps out at 60% of AMI, although there are some more limited programs that extend to 80% of AMI (e.g., income averaging in LIHTC projects).

Historically, income and other deed-restricted ownership programs have been in the 80 to 120% AMI range. In high-cost mountain markets however, these programs and policies can extend well above these income limits when housing costs are high and influenced by vacation home and amenity-driven market factors.



SUMMARY OF FINDINGS

Economy and Growth Trends

- Since 2010, Gallatin County grew by over 30,000 people at a rate of 2.6% per year. Over 85% of the population growth occurred in the Bozeman and Belgrade CCDs. These two CCDs also currently have approximately 85% of all jobs in Gallatin County and are the most urbanized.
- The economy grew across several industries which highlight its economic diversity. Since 2017, Construction and the Accommodation and Food Services industries grew the fastest at 5.7% and 5.3% annually. Professional, Scientific, and Technical Services grew at 4.7% each year. Health Care grew at 4.3% per year, and Retail Trade grew at 3.0% per year.
- The economies of Big Sky and West Yellowstone are less diverse with proportionally more jobs in tourism and constructing and maintaining vacation homes.

Demographics

- The Bozeman and Belgrade CCDs have the youngest population with a median age of 30 and 36 years, respectively. Countywide, the population over 65 approximately doubled since 2010, including increasing by 95% change in Bozeman CCD and 143% change in Belgrade CCD. There will continue to be increasing need for services for those aging in place, particularly in rural areas.
- More residents lived with unrelated roommates in 2022 than in 2010, likely to be able to afford housing.
- Gallatin Gateway CCD has the highest median household income in the county at \$106,000, while West Yellowstone CCD has the lowest at \$59,000 compared to the countywide median of \$83,000 (5-year ACS estimates).
- Outside the Bozeman CCD, homeownership rates are higher than the U.S. average, with 70 to 80% of households owning their homes. Households in Bozeman CCD however are evenly split between renters and homeowners. This area has more students and younger people who are not yet in a position to buy or afford a home.

SUMMARY OF FINDINGS

Housing Market: For-Sale

- The Bozeman and Belgrade CCDs accounted for 85% of overall growth in housing units, which can likely be attributed to the availability of urban infrastructure and amenities. These CCDs include the municipalities of Bozeman and Belgrade plus unincorporated areas outside the municipalities. These areas may present the best opportunities to address housing supply and affordability because of their proximity to infrastructure, services, and jobs.
- Gallatin County has experienced unprecedented increases in housing costs, where home prices have increased at least 10 to 12% annually since 2016. In the most affordable areas, the median sale prices of single-family homes in Belgrade and Three-Forks CCD were \$585,000 and \$424,000, respectively. Homebuyers are increasingly trading longer commutes for more affordable homeownership in Manhattan and Three Forks CCDs and further in Broadwater County.
- Elsewhere, median single family home prices are \$825,000 in the Bozeman CCD, \$930,000 in Gallatin Gateway CCD, and \$1.9 million in Big Sky CCD.
- Countywide, the average sale price per square foot was \$400 (single family) and ranged from roughly \$400 to \$470 per square foot, except in Three Forks (\$333/sq. ft.) and Big Sky (\$887/sq. ft.).

- The number of mortgage loan originations for second homes and investment homes in the county nearly doubled in 2020 and 2021 compared to pre-pandemic levels. Second homes, and investment properties used as short-term rentals can reduce the supply available to long-term residents and the workforce.

Housing Market: Rental

- During the pandemic, there was very low rental vacancy which put upward pressure on rents. In 2022 and 2023, nearly 1,300 units were delivered in the Bozeman market area that helped moderate rent increases and pushed vacancy rates up close to 10%. Generally, new supply has been absorbed quickly after it is constructed.
- The vast majority of multifamily housing construction occurs in the City of Bozeman, Belgrade, and to a lesser extent in Four Corners.
- The average rental rates in the Bozeman and Belgrade areas are about \$1,900 per month, which is affordable to a 2-person household earning 90% of AMI. Initial data on the rental market indicates that Big Sky is the most expensive place to rent, at \$2,500/month (120% of AMI).
- Outside of Big Sky, market rate rental may be able to meet a large amount of need while subsidized rentals will be needed to meet needs below 80–90% of AMI.

SUMMARY OF FINDINGS

Affordability – Renters

- Nearly half of all renters countywide are cost burdened, considerably more than the 30% of homeowners. This is consistent with the statewide and U.S. average for renters. Renter cost burden is most severe in West Yellowstone where about 55% of renters are severely cost burdened, paying 50% or more of their income towards rent.
- The Average rental rate in the Bozeman and Belgrade areas is about \$1,900 per month equating to an affordable rent for a 2-person household earning 90% AMI.

Affordability – Owners

- Amongst owner households with a mortgage, over 30% are cost burdened countywide, spending over 30% of their income toward housing. Cost burden will be highly variable however depending on when someone purchased their home. Newer home buyers will be much more likely to struggle to afford their home than someone who purchased their home before the price appreciation that began after 2017.

- In most areas of the county, over 70% of homes can only be afforded by a household earning more than 150% of AMI. Lowering this threshold to 120% of AMI, nearly 94% of homes are only affordable to people earning more than that, meaning that only 6% of homes are affordable to people earning less than 120% of AMI.
- Even at 150–200% AMI, only 20 to 40% of units are priced to be affordable in this category in Bozeman, Belgrade, Manhattan, and West Yellowstone CCD. In Gallatin Gateway CCD and Three Forks CCD, 10 to 15% of the market is affordable to households earning 150–200% AMI and 85 to 90% of homes require higher incomes to be affordable.

SUMMARY OF FINDINGS

OVERALL HOUSING GAPS AND NEEDS

The housing market in Gallatin County has become less affordable at most income ranges under 150% of AMI. A key difference in Gallatin County is that there are few nearby lower cost options within a reasonable commuting distance that could be found in a larger metropolitan region. Strategies are needed across a wide range of housing types, prices and rents, and income levels.

Local solutions (policies and funding) will be needed because affordability challenges are present in income ranges well above the traditional federal and state programs that cap out at 60 to 80% of AMI.

Rental Housing

- More affordable rental and attainable (market rate) rental housing is needed. Affordable rental housing is needed to help low-income renters, who often have the least security in their housing.
- The supply of market rate rental housing needs to keep up with demand to avoid housing shortages which allow rents to increase more rapidly, repeating the pattern from about 2017–2022.
- At scale, most rental housing needs to be in urbanized or urbanizing areas that have the infrastructure to make it feasible. Most rental housing will be built by larger investor groups.
- Smaller scale rental housing can also be suitable in more rural areas if water and sanitation needs can be met.

For-Sale Housing

- Someone earning the median household income of \$89,450 can afford approximately \$300,000 for a home. That equates to about 750 square feet of space at the average price per square foot of \$400 and in many areas, less than 5.0% of the market is affordable at 100% of AMI.

- A wide range of strategies and policies will also be needed to expand the availability of lower priced for-sale housing. This may be harder to influence than expanding affordable income-restricted and attainable market rate rental housing.
- For sale housing strategies to be explored in the next phase may include:
 - Promoting well designed smaller units.
 - Increasing allowable densities to reduce linear infrastructure costs per unit.
 - Infrastructure grants and below market loans in exchange for permanent affordability.
 - Public-private partnerships to develop publicly owned assets.
 - Innovative construction techniques such as modern modular construction.
 - Others to be explored.

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%

Source: Gallatin County Deed Records, Economic & Planning Systems

COUNTY OVERVIEW

POPULATION

- The County has a population of 120,000 residents. Since 2010, it added 32,000 people at a rate of 2.6% per year.
- Just over 100,000 people or **84% of the population** lives in the **Bozeman and Belgrade CCDs**. These two areas comprised **87% of the population growth** in the county.
- While smaller in number, the more rural areas of Manhattan and Three Forks also grew rapidly. Manhattan added nearly 1,200 people at 1.9% per year. Three Forks added 1,000 people at 2.6% per year.
- Big Sky also grew substantially, adding 1,400 residents at a rate of 5.6% per year.
- Gallatin Gateway had the least amount and slowest population growth.

Description	2010	2015	2022	2010-2022		
				Total	Ann. #	Ann. %
Gallatin County	87,676	95,323	119,685	32,009	2,667	2.6%
County Subdivisions						
Bozeman	49,316	53,772	69,501	20,185	1,682	2.9%
Belgrade	23,042	24,376	30,798	7,756	646	2.4%
Manhattan	4,633	4,588	5,794	1,161	97	1.9%
Gallatin Gateway	4,646	5,050	5,121	475	40	0.8%
Three Forks	2,739	3,090	3,731	992	83	2.6%
Big Sky	1,511	2,647	2,919	1,408	117	5.6%
West Yellowstone	1,697	1,767	1,821	124	10	0.6%

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

JOBS

- The 2023 Economic Vitality Strategy for the Gallatin Valley identified this region as a major economic engine for Montana.
- Gallatin County has strong job growth, adding over 14,000 jobs since 2017 at a high growth rate of 4.2% per year.
- The region has three major components to its economy:
 - Education and health care, anchored by Montana State University (MSU)
 - Tourism and recreation
 - Knowledge industries spun off from Oracle, start ups, MSU, and attracted due to high quality of life.
- The industries with the most growth are:
 - Construction: +2,000 jobs
 - Retail trade: +1,400 jobs
 - Professional services: +1,200 jobs
 - Healthcare: +1,500 jobs
 - Hotels and restaurants: +2,500 jobs
- These figures are wage and salary jobs only. There are another 25,000–30,000 jobs in sole proprietors, and state government employment at MSU, and federal agencies (U.S. Forest Service). The data also does not capture employees working remotely for organizations outside Gallatin County.

Description	2017	2Q 2023	2017-2Q 2023	
			Total	Ann. %
Agriculture, forestry, fishing and hunting	538	1,073	535	13.4%
Mining, quarrying, and oil and gas extraction	183	202	19	1.8%
Utilities	105	152	47	7.0%
Construction	5,575	7,552	1,977	5.7%
Manufacturing	3,423	3,715	292	1.5%
Retail trade	7,904	9,313	1,409	3.0%
Wholesale trade	1,728	2,284	556	5.2%
Transportation and warehousing	1,427	1,539	112	1.4%
Information	619	800	181	4.8%
Finance and insurance	1,517	1,940	423	4.6%
Real estate and rental and leasing	1,098	1,713	615	8.4%
Professional, scientific, and technical services	4,264	5,502	1,238	4.7%
Management of companies and enterprises	232	283	51	3.7%
Admin. & support services	1,994	2,683	689	5.5%
Educational services	754	7,917	7,163	53.3%
Health care and social assistance	5,821	7,349	1,528	4.3%
Arts, entertainment, and recreation	1,379	2,054	675	7.5%
Accommodation and food services	7,691	10,211	2,520	5.3%
Other services (except public administration)	2,222	2,720	498	3.7%
Public administration	1,743	1,989	246	2.4%
Unclassified / not disclosed	6,412	88	---	---
Total	56,629	71,080	14,451	4.2%

Source: Bureau of Labor Statistics QCEW, Longitudinal Employer-Household Dynamics, Economic & Planning Systems

LARGEST INDUSTRIES BY AREA (2021)

- The largest job centers are the Bozeman and Belgrade CCDS, accounting for 86 of wage and salary jobs in the county.
- Bozeman and Belgrade CCDs have the most diverse economies, with jobs in Professional Services, Health Care, Manufacturing, and Trade.
- In many areas, Construction is a large sector and is likely undercounted because of the large percentage of sole proprietors in this industry.
- Big Sky and West Yellowstone's economies are mostly driven by tourism and recreation. Big Sky has 34% of jobs in hotels, restaurants, and retail trade. In West Yellowstone, 56% of jobs are in these sectors.

Gallatin County		Bozeman		Belgrade		Manhattan	
Total Jobs	64,327	Total Jobs	44,307	Total Jobs	11,064	Total Jobs	1,755
Top Industries		Top Industries		Top Industries		Top Industries	
Retail Trade	13%	Retail Trade	15%	Construction	20%	Construction	20%
Educational Services	11%	Educational Services	14%	Manufacturing	11%	Agriculture, Forestry, Fishing, Hunting	15%
Accommodation and Food Services	11%	Health Care and Social Assistance	12%	Retail Trade	10%	Educational Services	12%
Construction	11%	Accommodation and Food Services	11%	Wholesale Trade	7%	Manufacturing	9%
Health Care and Social Assistance	10%	Professional, Scientific, and Technical Services	10%	Accommodation and Food Services	7%	Accommodation and Food Services	8%

Source: Longitudinal Employer-Household Dynamics, Economic & Planning Systems

Gallatin Gateway		Three Forks		Big Sky		West Yellowstone	
Total Jobs	2,461	Total Jobs	1,025	Total Jobs	2,410	Total Jobs	1,269
Top Industries		Top Industries		Top Industries		Top Industries	
Construction	27%	Accommodation and Food Services	16%	Accommodation and Food Services	22%	Accommodation and Food Services	41%
Retail Trade	12%	Educational Services	13%	Construction	14%	Retail Trade	15%
Accommodation and Food Services	8%	Manufacturing	13%	Retail Trade	12%	Public Administration	14%
Manufacturing	8%	Mining, Quarrying, and Oil and Gas Extraction	11%	Real Estate and Rental and Leasing	9%	Professional, Scientific, and Technical Services	6%
Wholesale Trade	7%	Construction	11%	Health Care and Social Assistance	8%	Arts, Entertainment, and Recreation	4%

Source: Longitudinal Employer-Household Dynamics, Economic & Planning Systems

DEMOGRAPHICS

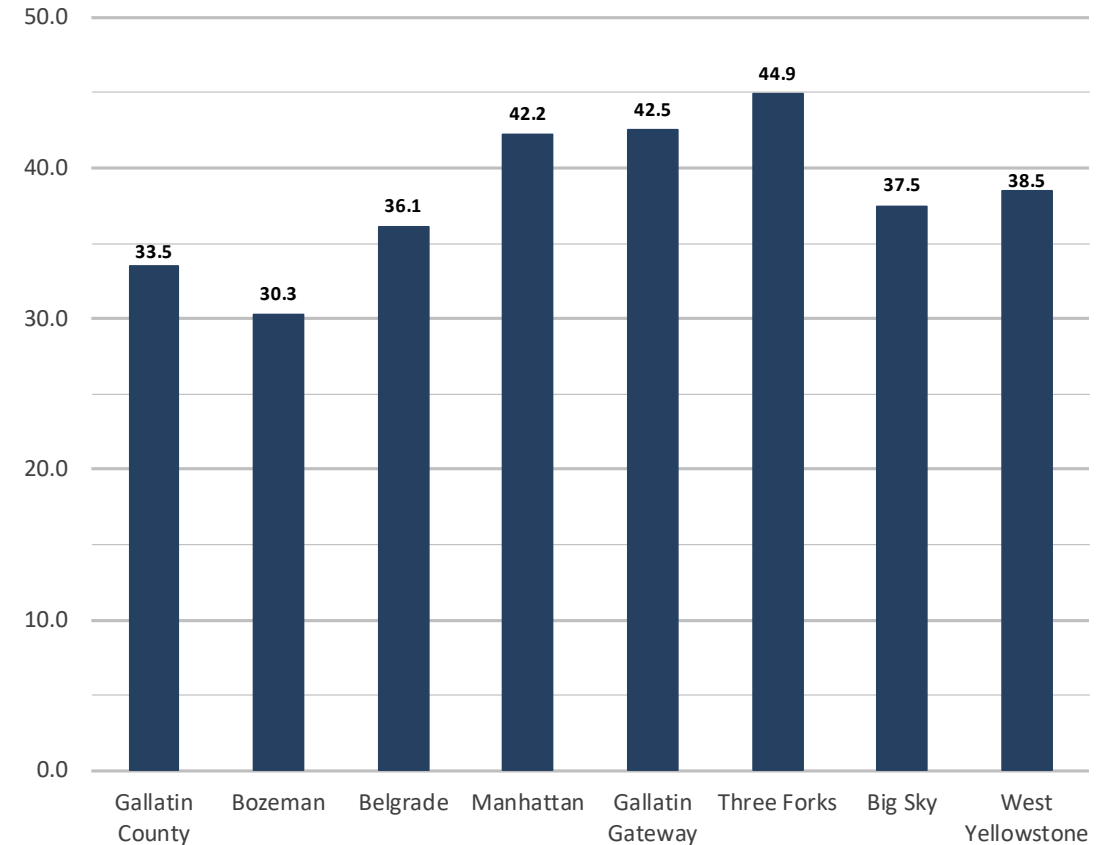
DEMOGRAPHICS

MEDIAN AGE

- Overall, Gallatin County has a young median age at 33.5 years, however there are differences across the county.
- The overall median is heavily influenced by the large student population and attractiveness of Bozeman to young people. The median age in the Bozeman CCD is just over 30.
- In Belgrade, the median age is 36, indicating its attractiveness to young people and young families.
- The more outlying areas have older populations. The Three Forks CCD has the highest median age at about 45 years. In Manhattan and Gallatin Gateway, the median age is in the 40 to 45 range.
- Big Sky and West Yellowstone have a similar median age at about 38 years.

Median Age - 2022

Median Age



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

DEMOGRAPHICS

GROWING AGING POPULATION

- The population over 65 has doubled in Gallatin County since 2010. This is due to a combination of in-migration by older people and aging in place of existing residents.
- The areas with the most pronounced percentage increases in people 65 and over are:
 - Belgrade: 143%
 - Gallatin Gateway: 101%
 - Bozeman: 95%
- West Yellowstone and Big Sky had the lowest increases of people over 65, at 16% and 28%, respectively. These figures largely reflect the younger full time resident workforce in these areas, not affluent part-time residents.

Population 65 years of age and above

Description	2010	2022	% Change
Gallatin County	7,891	15,582	97%
County Subdivisions			
Bozeman	4,389	8,579	95%
Belgrade	1,590	3,867	143%
Manhattan	588	1,067	81%
Gallatin Gateway	413	832	101%
Three Forks	422	665	58%
Big Sky	199	256	28%
West Yellowstone	273	316	16%

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

DEMOGRAPHICS

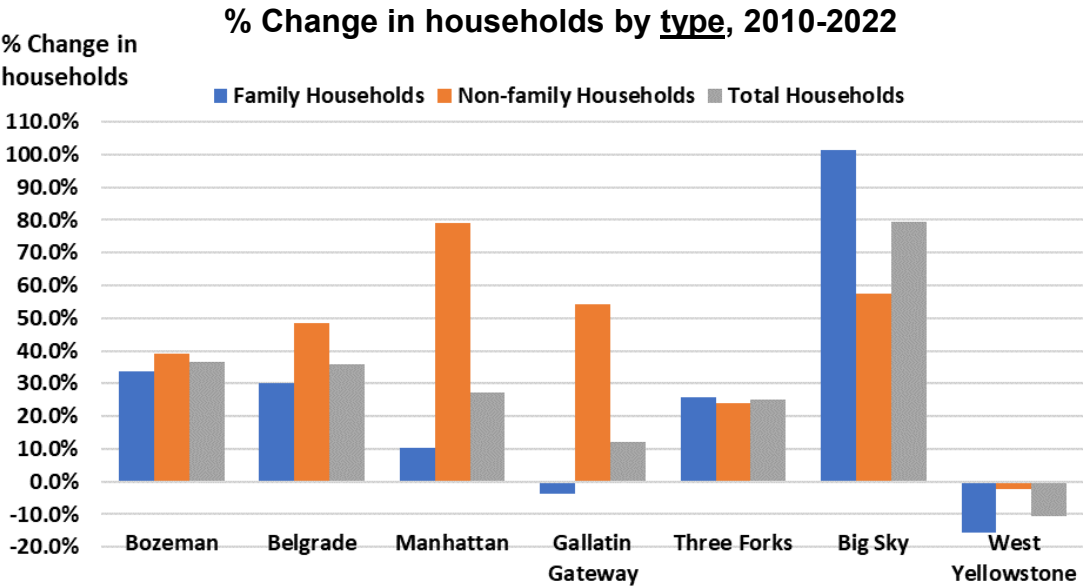
CHANGES IN HOUSEHOLD SIZE

- Many areas saw increases in 2-, 3- and 4-person households.
- In most areas, “non-family households” (unrelated roommates) grew faster than family households. This suggests that more people are pairing up to share housing costs.
- The trend in larger households paired with roommate households is especially evident in Belgrade, Manhattan, and Gallatin Gateway.

% Change in households by size, 2010-2022

Description	Gallatin County	Bozeman	Belgrade	Manhattan	Gallatin Gateway	Three Forks	Big Sky	West Yellowstone
1-person household	26.5%	13.6%	60.8%	51.4%	57.3%	14.2%	62.4%	2.9%
2-person household	42.9%	49.8%	49.4%	22.1%	-2.9%	30.4%	58.2%	-27.0%
3-person household	30.4%	52.8%	-1.2%	-3.5%	3.0%	4.6%	130.9%	68.4%
4-or-more-person household	29.6%	34.9%	25.4%	34.6%	0.5%	44.6%	166.9%	-37.2%

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



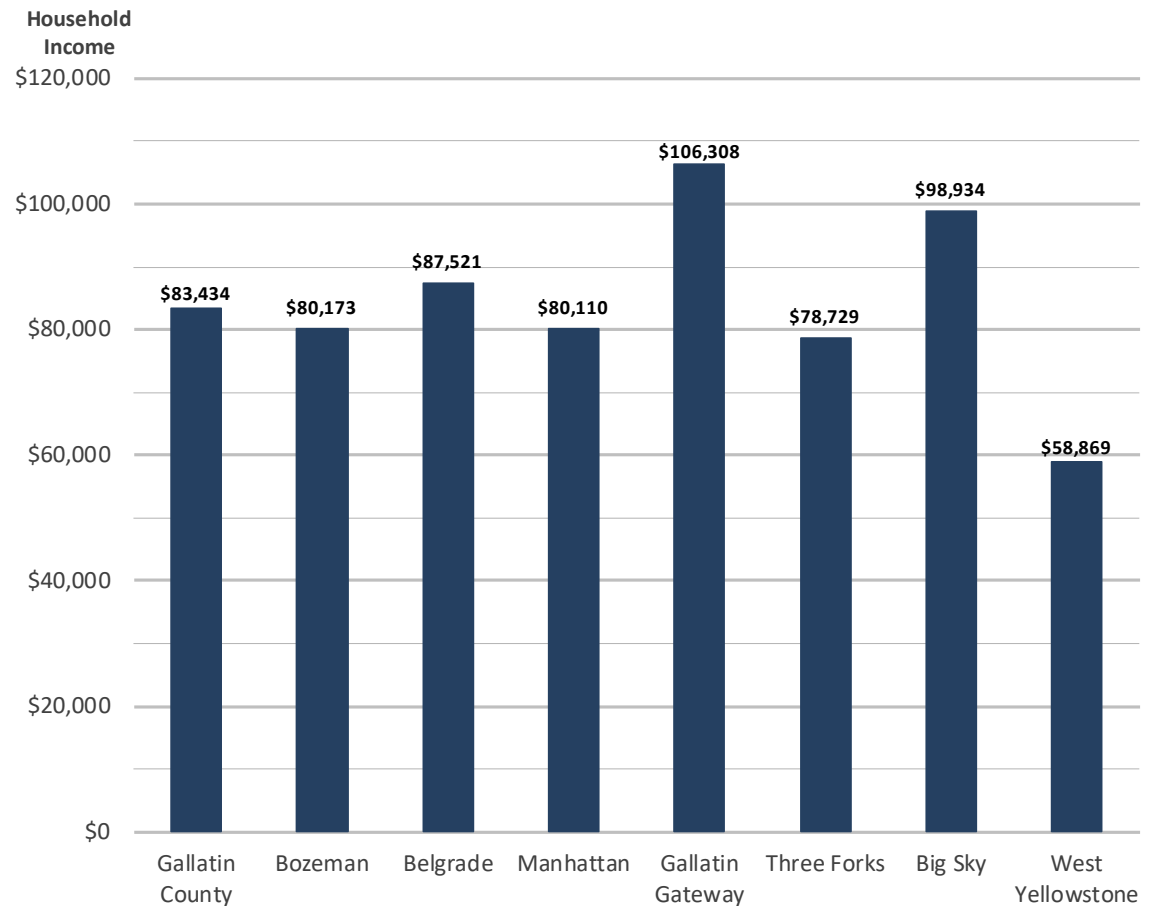
DEMOGRAPHICS

MEDIAN HOUSEHOLD INCOME

Median income is often reported in two ways that are easily confused. HUD defines the Area Median Income (AMI) for counties and metro areas for the purposes of administering federally funded housing programs. It is an administrative figure and not a demographic statistic, although HUD AMI is based on many factors including estimated household income from the American Community Survey (ACS).

- HUD sets AMI by family size. HUD's AMI for a family of 4 is \$105,200. This is the most frequently cited AMI figure.
- The American Community Survey by the U.S. Census Bureau publishes estimates of actual median household income for all household sizes.
- The actual median household income in Gallatin County is \$83,000. The highest income area is Gallatin Gateway at \$106,000 followed by Big Sky (full time residents only) at about \$99,000.
- The median household income in Bozeman for all households is \$80,000. For owner households, it is considerably higher at \$113,120.
- West Yellowstone has the lowest household income at \$59,000.

Median Household Income - 2022



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

DEMOGRAPHICS

KEY FINDINGS

- The population in Bozeman and Belgrade CCDs are younger, with a median age of 30 and 36 years respectively. Meanwhile, the median age in the rural areas of Manhattan, Gallatin Gateway, and Three Forks CCD lies between 40 and 45 years of age.
- The population aged 65 years and over nearly doubled in the county, with a 97% change between 2010 and 2022. While these trends are reflected in Bozeman, the aging population in Belgrade CCD increased nearly 1.5 times between those same years. Meanwhile, this change is less evident in Three Forks, Big Sky, and West Yellowstone, where the population aged 65 years and above grew between 15 and 60%.
- The number of non-family households increased mostly across the board, likely implying that more residents are living with roommates to be able to afford housing. In Manhattan CCD, non-family households increased by nearly 80% between 2010 and 2022, while non-family households in Bozeman and Belgrade CCDs increased between 40 and 50% in the same years.
- Gallatin Gateway CCD has the highest median household income in the county at \$106,000, followed by Big Sky CCD at \$99,000 while West Yellowstone CCD has the lowest at \$59,000. All other CCDs roughly reflect the county median with median household incomes ranging from \$80,000 to \$90,000.
- HUD's AMI for a family of 4 for administering housing programs in Gallatin County is \$105,200, while actual median household income for an average household size in Gallatin County is \$83,000.

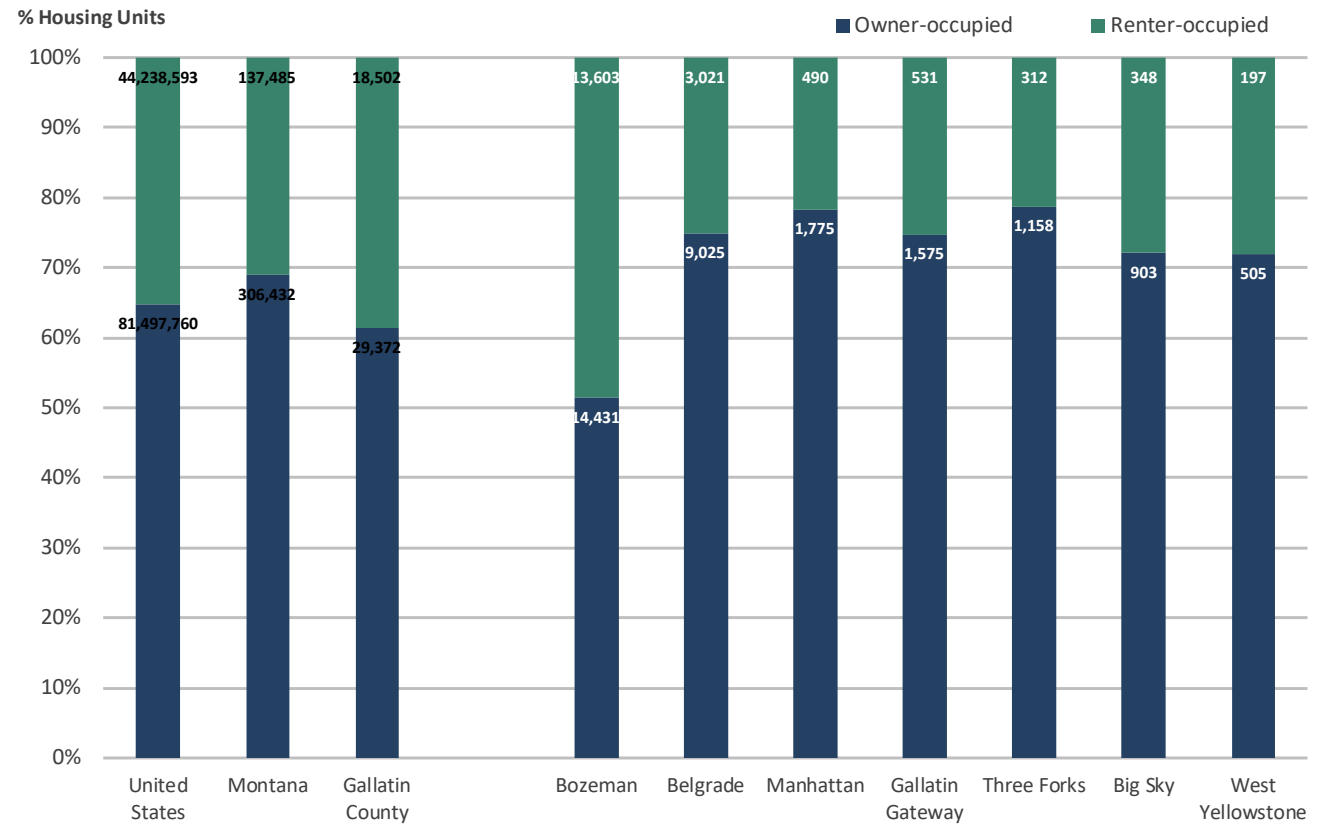
HOUSING STOCK

HOUSING MARKET

TENURE

- Countywide, about 60% of households own their home and 40% rent. This is about 10% below the Montana average but is heavily influenced by Bozeman.
- In Bozeman, the student population and influx of younger residents puts renters and owners at about 50% each.
- Outside of Bozeman, homeownership rates are high, ranging from about 70 to 80%.

Tenure - 2022



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

HOUSING STOCK

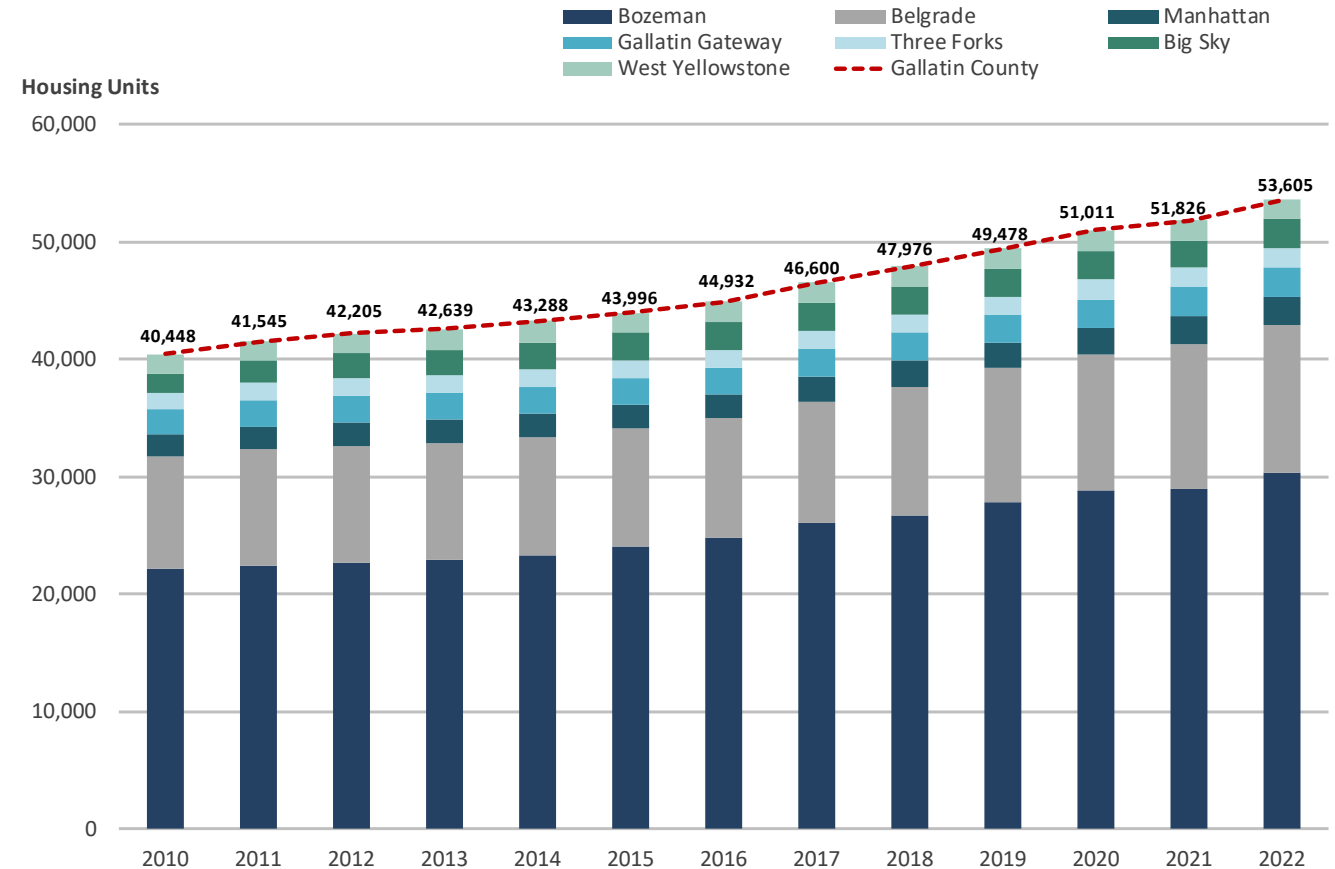
HOUSING UNIT GROWTH

- Over 13,000 housing units were added in all of Gallatin County since 2010, or 1,100 per year.
- The Bozeman CCD accounted for 62% of new housing units, followed by the Belgrade CCD with 23% of new units. In total, these two areas accounted for 85% of new housing.
- The remaining areas of the county accounted for approximately 15% of new housing.

Description	2010	2022	2010-2022		
			Change	% Change	Mkt. Share
Gallatin County	40,448	53,605	13,157	33%	100%
County Subdivisions					
Bozeman	22,167	30,384	8,217	37%	62%
Belgrade	9,566	12,573	3,007	31%	23%
Manhattan	1,917	2,383	466	24%	4%
Gallatin Gateway	2,156	2,484	328	15%	2%
Three Forks	1,414	1,698	284	20%	2%
Big Sky	1,638	2,471	833	51%	6%
West Yellowstone	1,564	1,612	48	3%	0%

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

Growth in Housing Units



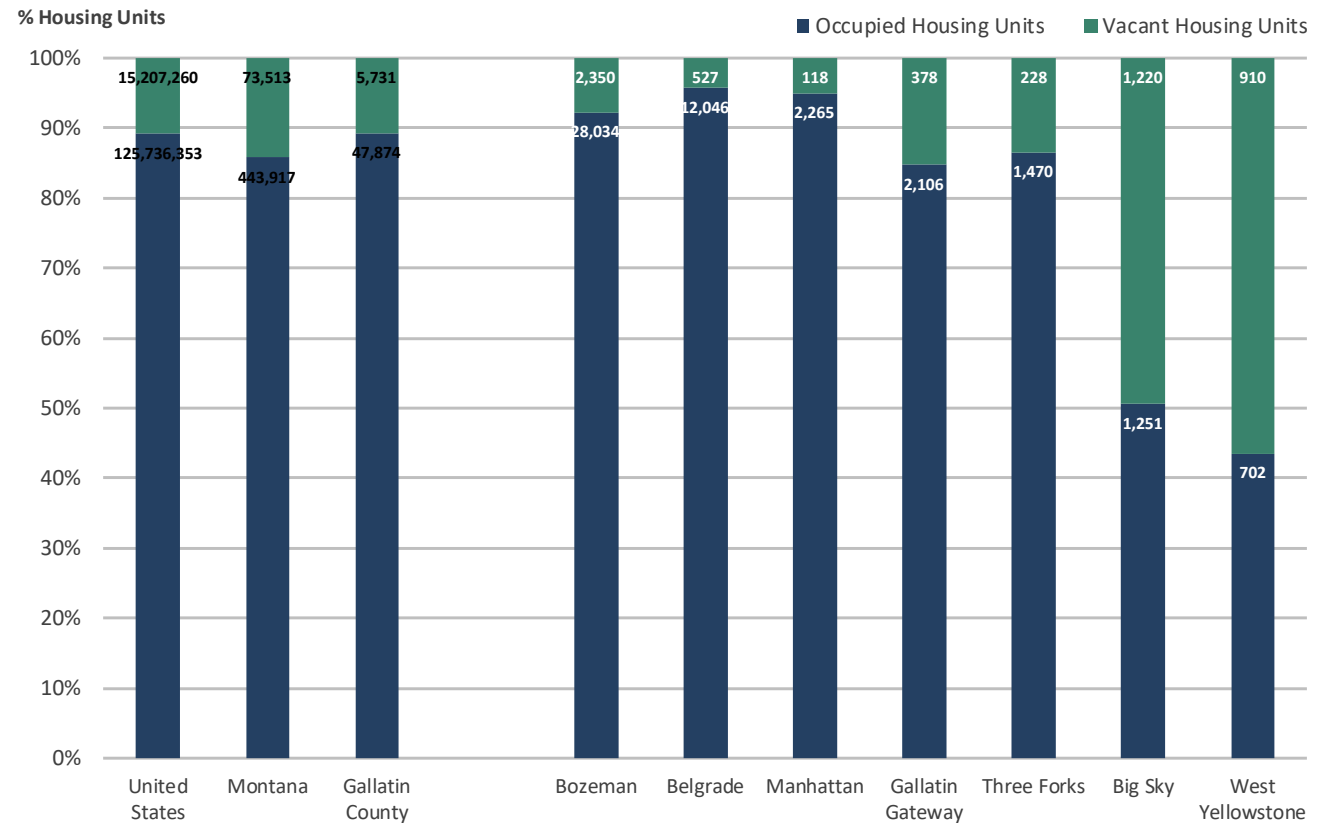
Source: U.S. Census ACS 5-Year Estimates, Economic & Planning Systems

HOUSING STOCK

VACANCY RATE

- In high-amenity and mountain resort areas, the housing vacancy rate is a proxy for the number of second/vacation homes (vacant for seasonal or recreational use, using the Census definition). Vacation homes are not typically available for long-term rental to local residents. Also, in high-amenity markets, vacation homebuyers can outcompete local buyers and set the market pricing.
- The Big Sky and West Yellowstone CCDs have the largest proportions of second homes. The vacancy rate in Big Sky is 50%, and about 42% in West Yellowstone.

Vacancy - 2022



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

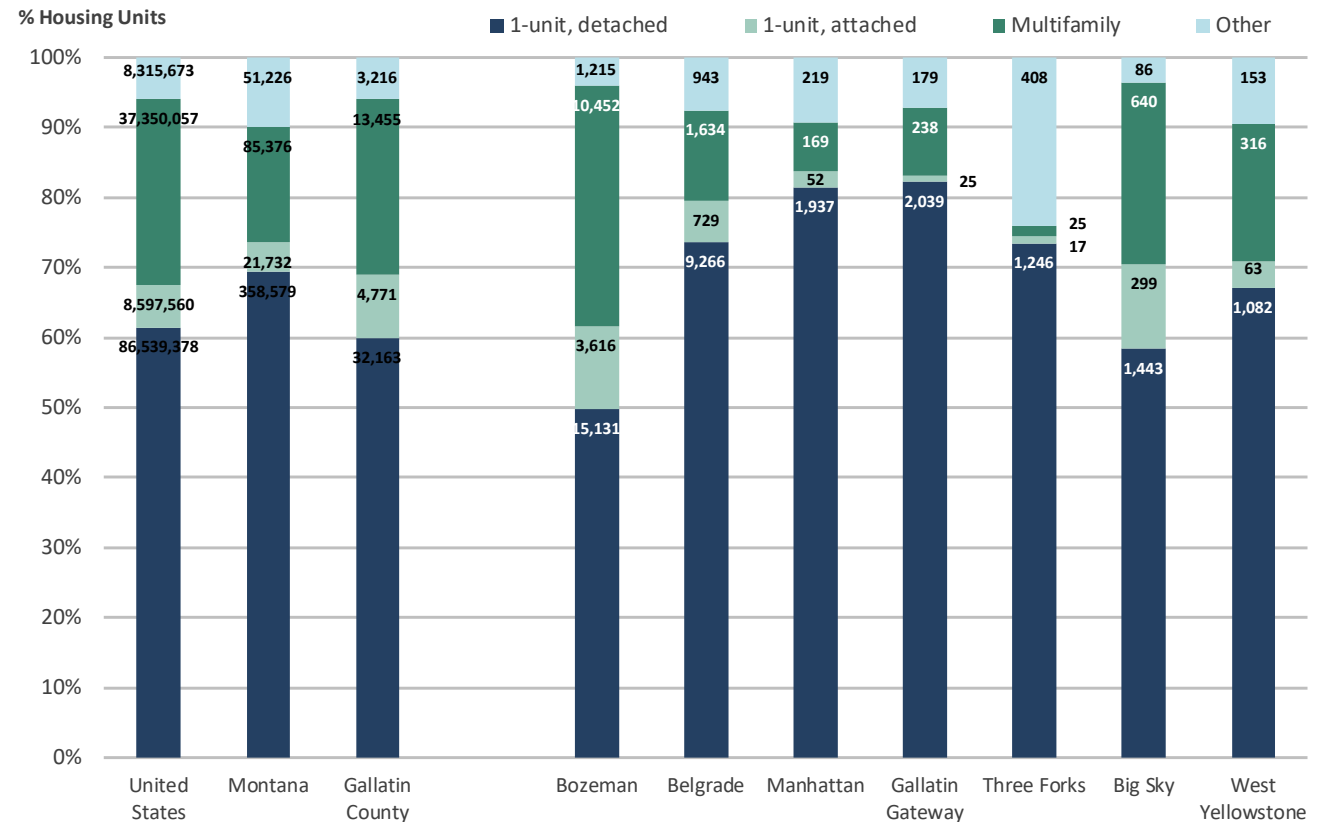
HOUSING STOCK

STRUCTURE TYPE

People have different housing preferences and different needs based on their stage of life. It is therefore important for a market to have a diverse selection of housing types.

- In most CCDs – Belgrade, Manhattan, Gallatin Gateway, and Three Forks – single family detached homes comprise over 70 to 80% of the current housing stock.
- Besides Big Sky, the Bozeman CCD has the largest percentage of attached and multifamily housing at 46%. The City of Bozeman is an attractive location for real estate investment and there has been considerable multifamily development there in recent years. The student population also creates demand for apartments. Townhome and condominium infill development is also occurring.
- Big Sky also has just under 40% of its housing in attached and multifamily units, however these are mostly resort condominiums that are out of reach to most of the local workforce.

Housing Units by Type of Structure - 2022



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

HOUSING STOCK

KEY FINDINGS

- Outside the Bozeman CCD, homeownership rates are high, between 70 and 80%.
- In the Bozeman CCD, households are about 50% renters and 50% owners due to the large student population, younger overall age profile, and amount of multifamily development the City has attracted.
- The Bozeman and Belgrade CCDs accounted for 85% of overall growth in housing units, which can likely be attributed to the availability of urban infrastructure like municipal water and sewage, roads, and public safety services.
- Vacation homes are most prevalent in Big Sky and West Yellowstone CCDs, with a housing vacancy rate of over 50%, a proxy for second homes. Meanwhile, Gallatin Gateway and Three Forks CCD has a vacancy rate between 15 and 20%, and Bozeman, Belgrade, and Manhattan CCDs had a vacancy rate of less than 10% – lower than the county average.
- The housing stock in most CCDs consists primarily of single-family homes, accounting for approximately 70% and over of all housing types. The areas with the most diverse housing stock are the Bozeman and Big Sky CCDs.
 - 50% of housing units in Bozeman CCD are single-family homes, while over 30% of the units are in multifamily structures and the remaining 20% are mostly duplexes and townhomes.
 - In Big Sky CCD, nearly 60% of the units were single-family homes, while over 20% were multifamily units. These multifamily units are mostly resort condominiums that are not affordable as workforce housing.

HOUSING MARKET

HOUSING MARKET

RENTAL MARKET

Published data on the rental market is more limited to the Bozeman area within Gallatin County.

- The average rental rate in the Bozeman and Belgrade areas is about \$1,900 per month in (\$2.15/sq. ft.). This equates to an affordable rent for a 2-person household earning 90% of AMI.
- During the pandemic, there was very low vacancy which put upward pressure on rents. From 2020–2021, rents grew by 8.8% in the Bozeman area, and by 7.5% from 2021–2022.
- In 2022 and 2023, nearly 1,300 units were delivered in the Bozeman market area that helped moderate rent increases and pushed vacancy rates up close to 10%. Generally, new supply has been absorbed quickly after it is constructed.
- A sampling of online rental listings in other parts of the county shows rents in newer buildings as follows:
 - Big Sky: \$2,500/month (120% of AMI, 2-person household)
 - West Yellowstone: \$1,850/month (90% of AMI)

Description	2017	2018	2019	2020	2021	2022	2023	2017-2023		
								Total	Ann. #	Ann. %
Inventory (units)										
Bozeman	3,788	3,813	4,052	4,730	4,913	5,398	6,185	2,397	400	9.4%
Gallatin County	4,368	4,393	4,636	5,314	5,498	6,007	6,794	2,426	404	8.5%
Avg Rent (per unit)										
Bozeman	\$1,560	\$1,589	\$1,618	\$1,656	\$1,803	\$1,938	\$1,944	\$384.50	\$64.08	3.7%
Gallatin County	\$1,539	\$1,569	\$1,599	\$1,637	\$1,781	\$1,913	\$1,921	\$381.50	\$63.58	3.8%
Avg Rent (per sq. ft.)										
Bozeman	\$1.72	\$1.75	\$1.79	\$1.83	\$2.00	\$2.15	\$2.15	\$0.43	\$0.07	3.8%
Gallatin County	\$1.71	\$1.74	\$1.77	\$1.82	\$1.98	\$2.13	\$2.14	\$0.43	\$0.07	3.8%
Avg Vacancy										
Bozeman	4.1%	2.5%	3.4%	5.3%	3.8%	4.8%	9.4%	5.4%	0.9%	15.1%
Gallatin County	3.9%	2.4%	3.2%	4.8%	3.5%	4.6%	8.9%	5.0%	0.8%	14.8%
New Unit Deliveries								Total	Avg	
Bozeman	46	25	239	678	183	485	787	2,443	349	
Gallatin County	56	25	243	678	184	509	787	2,482	355	

Source: CoStar; Economic & Planning Systems

HOUSING MARKET

MEDIAN SALE PRICE FOR ALL SALES

- The market in Gallatin County has seen strong sustained appreciation since 2016, with sharp increases during the pandemic in 2021 and 2022. Annual appreciation rates ranged from 10–12% in most areas.
- Outside of Big Sky CCD, the highest single family median home prices are
 - Bozeman CCD: \$825,000
 - Gallatin Gateway CCD: \$930,000
 - Manhattan CCD: \$638,000
- Lower priced homes can be found in Belgrade (\$585,000) and Three Forks (\$424,500).
- Outside of Big Sky CCD, the median condominium price is in the \$400,000–\$500,000 range.

Description	2016	2017	2018	2019	2020	2021	2022	2023	2016-2023		
									Total	Ann. #	Ann. %
Detached Single Unit											
Gallatin County	\$328,000	\$352,000	\$382,387	\$406,250	\$475,000	\$590,000	\$694,000	\$723,000	\$395,000	\$56,429	12.0%
Bozeman	\$356,035	\$380,000	\$420,375	\$442,562	\$516,562	\$635,000	\$774,000	\$825,000	\$468,966	\$66,995	12.8%
Belgrade	\$289,459	\$313,745	\$342,215	\$372,473	\$412,000	\$526,000	\$591,000	\$585,000	\$295,542	\$42,220	10.6%
Manhattan	\$279,960	\$309,198	\$367,501	\$381,781	\$451,000	\$536,000	\$580,000	\$638,000	\$358,041	\$51,149	12.5%
Gallatin Gateway	\$418,850	\$468,750	\$500,000	\$565,625	\$612,000	\$801,000	\$1,056,000	\$930,000	\$511,150	\$73,021	12.1%
Three Forks	\$198,750	\$264,597	\$259,440	\$276,250	\$297,511	\$361,000	\$432,000	\$424,500	\$225,750	\$32,250	11.5%
Big Sky	\$521,250	\$525,000	\$699,000	\$622,500	\$1,109,750	\$1,324,000	\$2,161,000	\$1,885,000	\$1,363,750	\$194,821	20.2%
West Yellowstone	\$297,950	\$326,779	\$374,831	\$334,375	\$391,000	\$472,000	\$643,000	\$639,500	\$341,550	\$48,793	11.5%
Condominium											
Gallatin County	\$228,000	\$252,731	\$276,125	\$306,727	\$325,000	\$372,500	\$480,000	\$487,000	\$259,000	\$37,000	11.5%
Bozeman	\$227,600	\$245,000	\$273,125	\$294,756	\$308,500	\$371,000	\$481,000	\$472,000	\$244,400	\$34,914	11.0%
Belgrade	\$201,798	\$237,083	\$227,648	\$281,666	\$285,256	\$305,000	\$356,500	\$393,000	\$191,202	\$27,315	10.0%
Manhattan	\$166,666	\$105,000	\$121,625	\$156,250	\$244,484	\$318,000	\$437,000	---	---	---	---
Gallatin Gateway	---	\$292,875	\$299,038	\$336,450	\$355,234	\$341,000	\$444,000	\$450,000	---	---	---
Three Forks	---	---	---	---	---	---	---	---	---	---	---
Big Sky	\$305,000	\$354,125	\$355,000	\$433,200	\$534,313	\$592,000	\$1,206,000	\$986,500	\$681,500	\$97,357	18.3%
West Yellowstone	\$241,531	---	\$230,000	\$399,594	\$265,146	---	---	---	---	---	---
Townhouse/Duplex											
Gallatin County	\$243,500	\$272,000	\$299,875	\$318,750	\$338,319	\$406,000	\$468,310	\$511,000	\$267,500	\$38,214	11.2%
Bozeman	\$261,250	\$288,469	\$327,163	\$349,875	\$350,625	\$445,000	\$521,500	\$533,000	\$271,750	\$38,821	10.7%
Belgrade	\$193,712	\$227,796	\$281,918	\$294,853	\$321,609	\$386,500	\$449,000	\$452,000	\$258,289	\$36,898	12.9%
Manhattan	\$155,451	\$212,797	\$266,240	\$486,563	\$403,750	\$305,500	\$448,000	\$401,000	\$245,550	\$35,079	14.5%
Gallatin Gateway	---	\$432,500	\$159,750	---	---	---	---	---	---	---	---
Three Forks	---	\$271,464	\$243,232	\$226,905	---	---	\$431,000	\$548,500	---	---	---
Big Sky	---	---	---	---	---	\$1,230,538	---	\$787,500	---	---	---
West Yellowstone	\$199,235	\$195,800	\$437,500	\$796,875	\$236,250	\$287,500	\$468,620	\$310,000	\$110,765	\$15,824	6.5%

Source: Zonda, Economic & Planning Systems

HOUSING MARKET

MEDIAN SALE PRICE PER SQUARE FOOT FOR ALL SALES

The price per square foot is an indicator of how far a buyer's money goes.

- Countywide, the overall median price per sq. ft. for a single family detached home is just under \$400. Outside of the Big Sky CCD, the highest prices per square foot are in the Bozeman CCD at \$418, Gallatin Gateway at \$462, and West Yellowstone at \$466.
- Lower prices per square foot typically reflect both larger homes and lower overall prices. In Belgrade, Manhattan, and Three Forks, the median price per square foot for a SFD home ranges from \$333 to \$365.
- Condominium prices per sq. ft. range from \$289 in Belgrade to \$337 in the Bozeman CCD, and \$461 in Gallatin Gateway CCD. In Big Sky, the median price per sq. ft. is \$630.
- Townhomes overall have the lowest prices per square foot. In the Bozeman CCD, the median is \$340, \$348 in Manhattan CCD, \$312 in Three Forks, and \$265 in Belgrade. While lower priced, townhomes currently are a small portion of the market in most areas.

Description	2016	2023	2016-2023		
			Total	Ann. #	Ann. %
Detached Single Unit					
Gallatin County	\$183	\$399	\$216	\$31	11.8%
Bozeman	\$184	\$418	\$234	\$33	12.4%
Belgrade	\$174	\$365	\$191	\$27	11.1%
Manhattan	\$174	\$339	\$165	\$24	10.0%
Gallatin Gateway	\$200	\$462	\$262	\$37	12.7%
Three Forks	\$158	\$333	\$175	\$25	11.2%
Big Sky	\$269	\$887	\$618	\$88	18.6%
West Yellowstone	\$207	\$466	\$258	\$37	12.2%
Condominium					
Gallatin County	\$159	\$345	\$186	\$27	11.7%
Bozeman	\$156	\$337	\$181	\$26	11.6%
Belgrade	\$140	\$289	\$149	\$21	10.9%
Manhattan	\$231	---	---	---	---
Gallatin Gateway	---	\$461	---	---	---
Three Forks	---	---	---	---	---
Big Sky	\$208	\$630	\$421	\$60	17.1%
West Yellowstone	\$191	---	---	---	---
Townhouse/Duplex					
Gallatin County	\$153	\$326	\$174	\$25	11.5%
Bozeman	\$161	\$340	\$179	\$26	11.3%
Belgrade	\$132	\$265	\$132	\$19	10.4%
Manhattan	\$141	\$348	\$207	\$30	13.8%
Gallatin Gateway	---	---	---	---	---
Three Forks	---	\$312	---	---	---
Big Sky	---	---	---	---	---
West Yellowstone	\$99	\$352	\$253	\$36	19.9%

Source: Zonda, Economic & Planning Systems

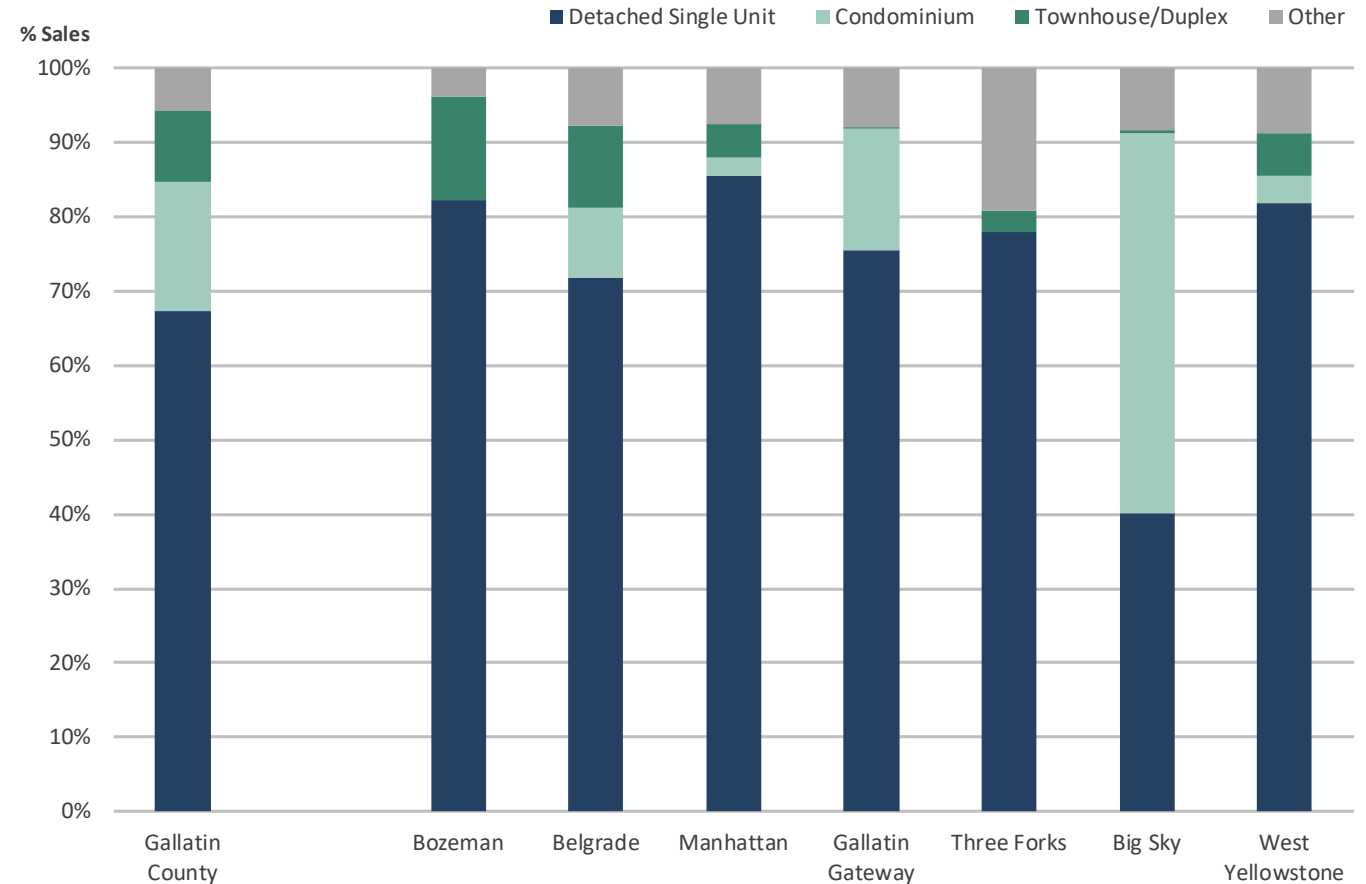
HOUSING MARKET

ANNUAL SALES VOLUME BY UNIT TYPE

The volume (amount) of sales of each housing type reflect the makeup of the existing housing stock and what is being built.

- From 2016 through 2023, 67% of all sales in the county were of SFD units.
- Outside of Big Sky, Bozeman has the most diverse housing product mix, which influences the countywide percentages because it is the largest market. In the Bozeman CCD, 65% of all sales are SFD homes. The remaining 35% are condominiums and townhomes.
- The Belgrade CCD also offers comparatively diverse housing with 72% SFD sales and 28% condominium and townhome.
- In Gallatin Gateway, condominiums and townhomes are about 25% of the market.
- Big Sky CCD has a large portion of its market in condominiums, but these are mostly resort condominiums not affordable to the local workforce.

Share of Sale Volume, 2016-2023



Source: Zonda, Economic & Planning Systems

HOUSING MARKET

PRICE DISTRIBUTION BY AMI RANGE

The first step in looking at affordability gaps in for-sale housing is analyzing the price distribution of sales. The sale prices are converted to the income one needs to afford the sale price, paying 30% of their income towards mortgage PITI (principal, interest, taxes, and insurance). The household income is expressed as a percentage of AMI.

Historically, affordable ownership housing policy has been targeted at households in the 80–120% AMI range, while subsidized rental housing targets households under 80% AMI. In high-cost markets, there are affordability gaps at higher incomes as this analysis will show.

The charts on the next page show the cumulative price distribution of sales categorized by AMI range. They are interpreted as follows.

- Countywide: 6% of sales are affordable to households earning less than 120% of AMI; 94% of the market is affordable above 120% AMI.
- Bozeman CCD: 4% of sales are affordable below 120% of AMI. 96% of the market is affordable above 120% AMI.

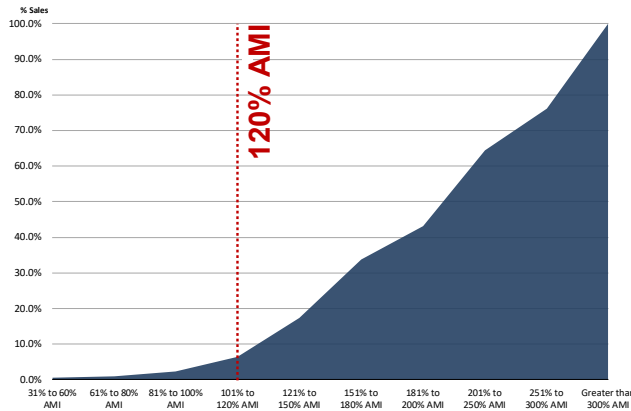
- Belgrade CCD: 8% of the market is below 120% AMI; 92% is affordable above 120% AMI.
- Manhattan CCD: 12% of the market is below 120% AMI; 88% is affordable above 120% AMI.
- Gallatin Gateway CCD: 2% of the market is below 120% AMI; 98% is affordable above 120% AMI.
- Three Forks CCD: 34% of the market is below 120% AMI; 66% is affordable above 120% AMI.
- Big Sky CCD: 1% of the market is below 120% AMI; 99% is affordable above 120% AMI.
- West Yellowstone CCD: 9% of the market is below 120% AMI; 91% is affordable above 120% AMI.

In the next section, we compare the distribution of household income by AMI range to the sale price distribution. It is important to understand how much of the market is priced above 120% and 150% of AMI because the income distribution data groups everyone earning more than 150% of AMI into one category.

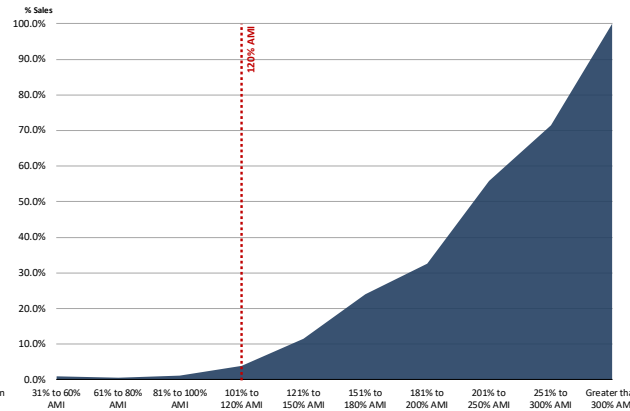
HOUSING MARKET

SALE VOLUME BY AMI

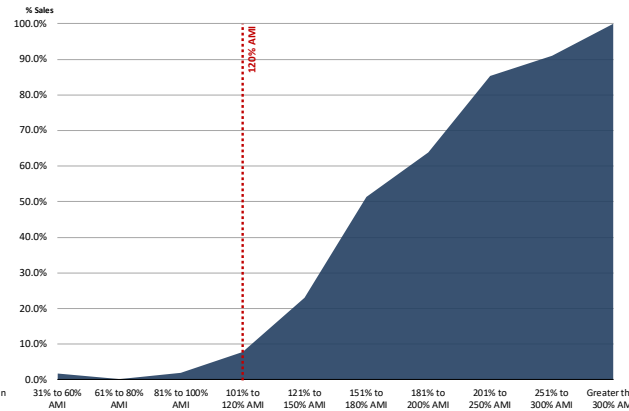
Gallatin County



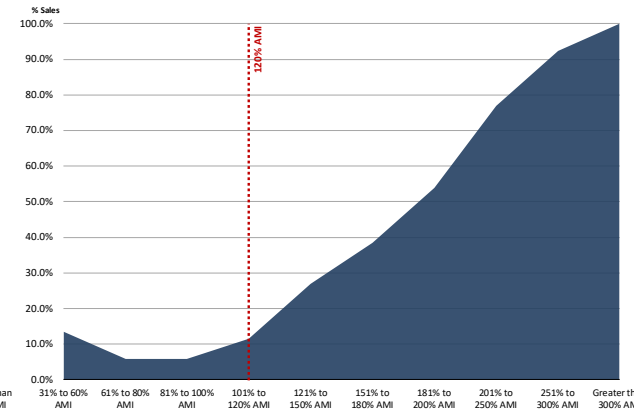
Bozeman CCD



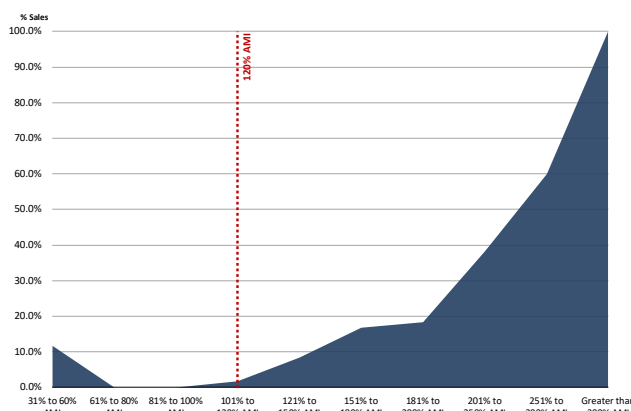
Belgrade CCD



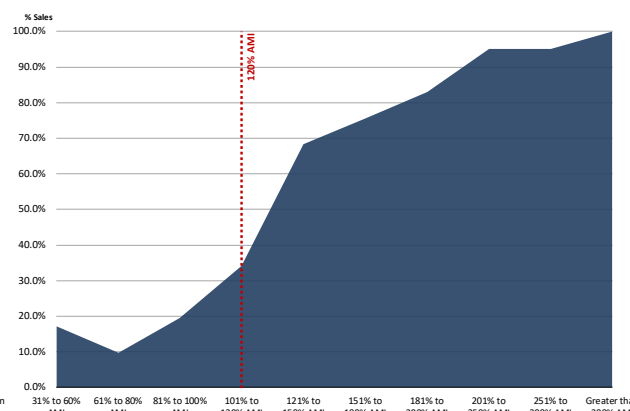
Manhattan CCD



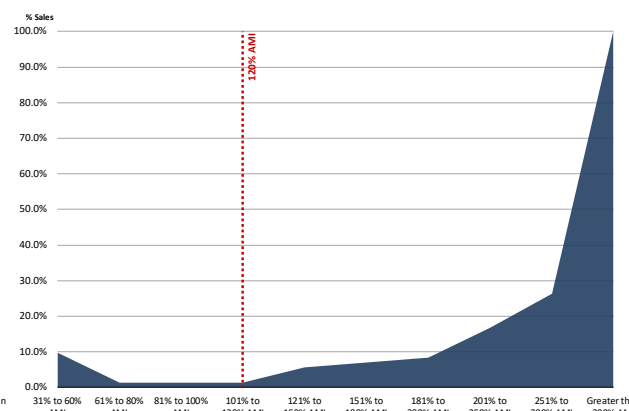
Gallatin Gateway CCD



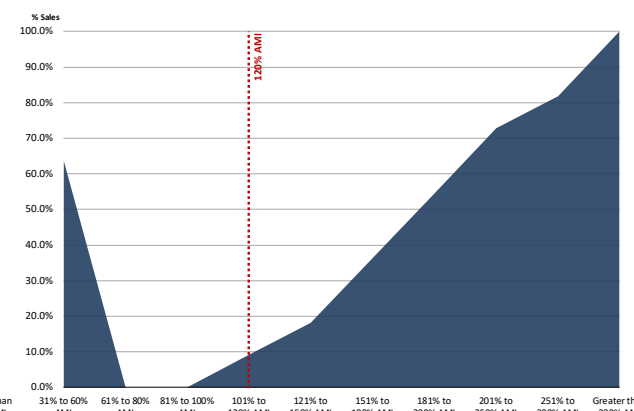
Three Forks CCD



Big Sky CCD



West Yellowstone CCD



HOUSING MARKET

SECOND HOME AND INVESTOR HOUSING

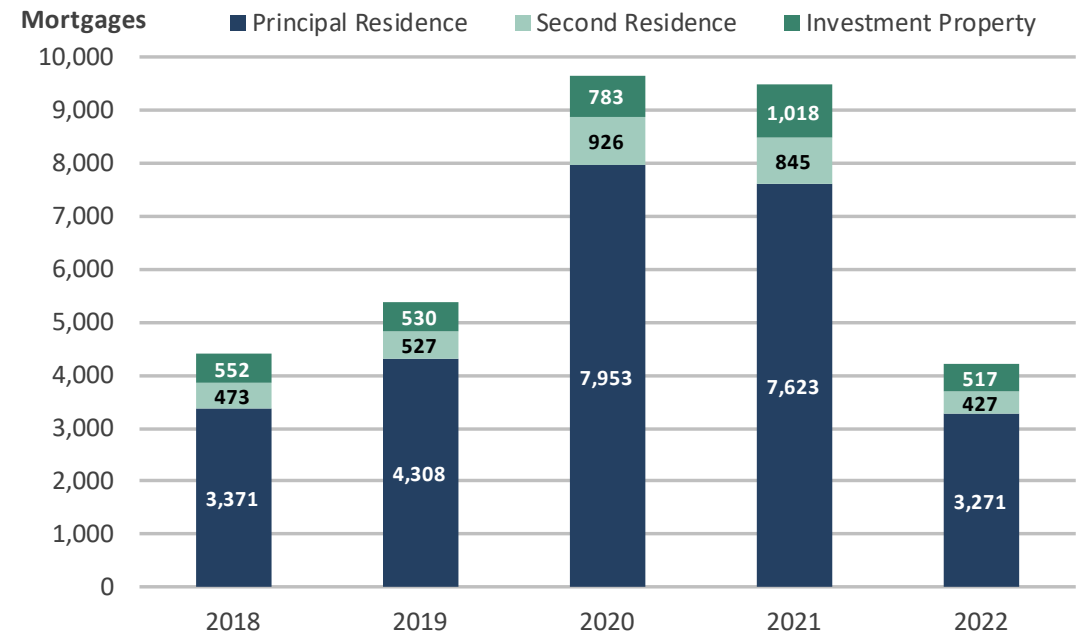
- Demand for home purchases in Gallatin County increased significantly in 2020 and 2021, with nearly double the number of mortgage loans originating as compared to 2018 and 2019.
- The increase in volume of mortgage loan originations for second homes and investment properties in 2020 and 2021 suggests that inventory for local buyers was reduced and contributed to the increase in home prices.
- In 2022, 77% of loans were for principal residences, while 10% of loans were for second residences and the remaining 12% for investment properties. In comparison, over 80% of loan originations statewide were for principal residences.

Percent Home Purchase Loan Originations by Occupancy Type

Description	2018	2019	2020	2021	2022	2018-2022		
						Total	Ann. #	Ann. %
Gallatin County								
Principal Residence	76.7%	80.3%	82.3%	80.4%	77.6%	0.9%	0.2%	0.3%
Second Residence	10.8%	9.8%	9.6%	8.9%	10.1%	-0.6%	-0.2%	-1.5%
Investment Property	12.6%	9.9%	8.1%	10.7%	12.3%	-0.3%	-0.1%	-0.6%

Note: Includes Conventional First Lien Loan Originations Only
Source: Home Mortgage Disclosure Act, Economic & Planning Systems

Home Purchase Loan Originations by Occupancy Type



Note: Includes Conventional First Lien Loan Originations Only
Source: Home Mortgage Disclosure Act, Economic & Planning Systems

HOUSING MARKET

KEY FINDINGS

- Home price increases are the result of a combination of factors: in-migration, strong job growth, amenity and vacation home pressures, and high construction costs. Home prices have increased 10 to 12% annually since 2016 in the county and all CCDs, except Big Sky where it increased at a sharp rate of 20% per year.
- In 2023, Belgrade and Three Forks CCD were most affordable with median sale prices of single-family homes at \$585,000 and \$424,000 respectively. The highest median sale prices are observed in Big Sky CCD, where the median sale price of a single-family home was \$1.8 million and that of a condominium unit was nearly \$1.0 million. Outside of Big Sky CCD, the highest single family median home prices are in the Bozeman CCD (\$825,000), Gallatin Gateway CCD (\$930,000), and Manhattan CCD (\$638,000).
- Generally, 60 to 85% of sales made in 2023 in the county were single-family homes. In Big Sky CCD however, over 50% of the units sold were condominium units.
- In most areas, 80 to 90% of units were affordable to people earning more than 120% AMI. In other words, only 10 to 20% of units are affordable to people earning less than 120% AMI. In Three Forks CCD, over 65% of homes were affordable to households earning over 120% AMI (35% priced under 120% AMI), making it comparatively more affordable than other CCDs.
- Belgrade and Three Forks CCDs had the largest share of units priced below 200% AMI providing greater homeownership opportunity to middle-income earners.
- In the Gallatin Valley, the market rent is approximately \$1,900 per month, which is affordable at about 90% AMI for a 2-person household.

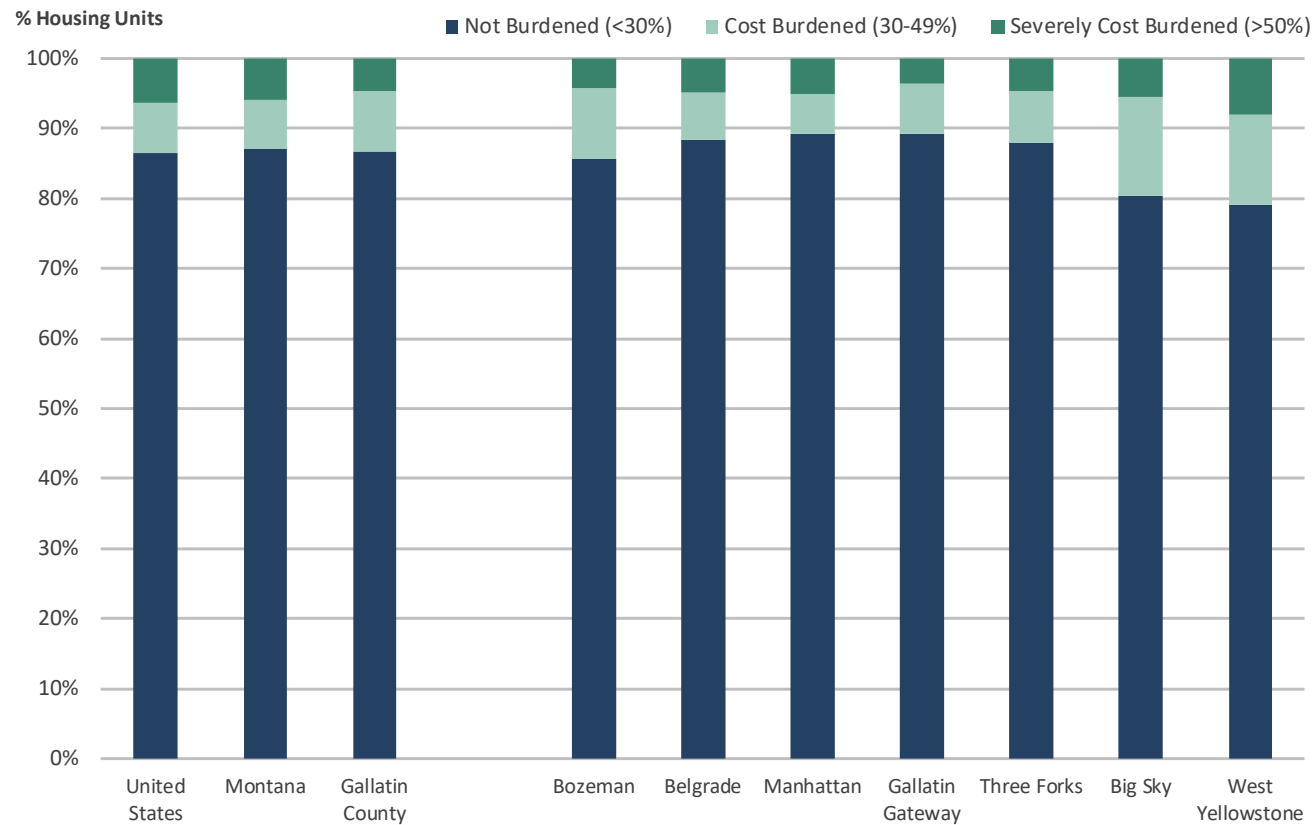
AFFORDABILITY AND GAP ANALYSIS

AFFORDABILITY

COST BURDEN IN OWNER-OCCUPIED HOUSING UNITS WITHOUT A MORTGAGE

- When homeowners face cost burden without a mortgage, it is typically because utilities and taxes make up more than 30% of their income, sometimes corresponding with seniors on fixed incomes.
- In most areas, cost burdened homeowners without a mortgage are approximately 15–20% of owner households. In the Big Sky and West Yellowstone CCDs, it is highest at approximately 20%.

Cost Burden in Owner-Occupied Units without a Mortgage - 2022



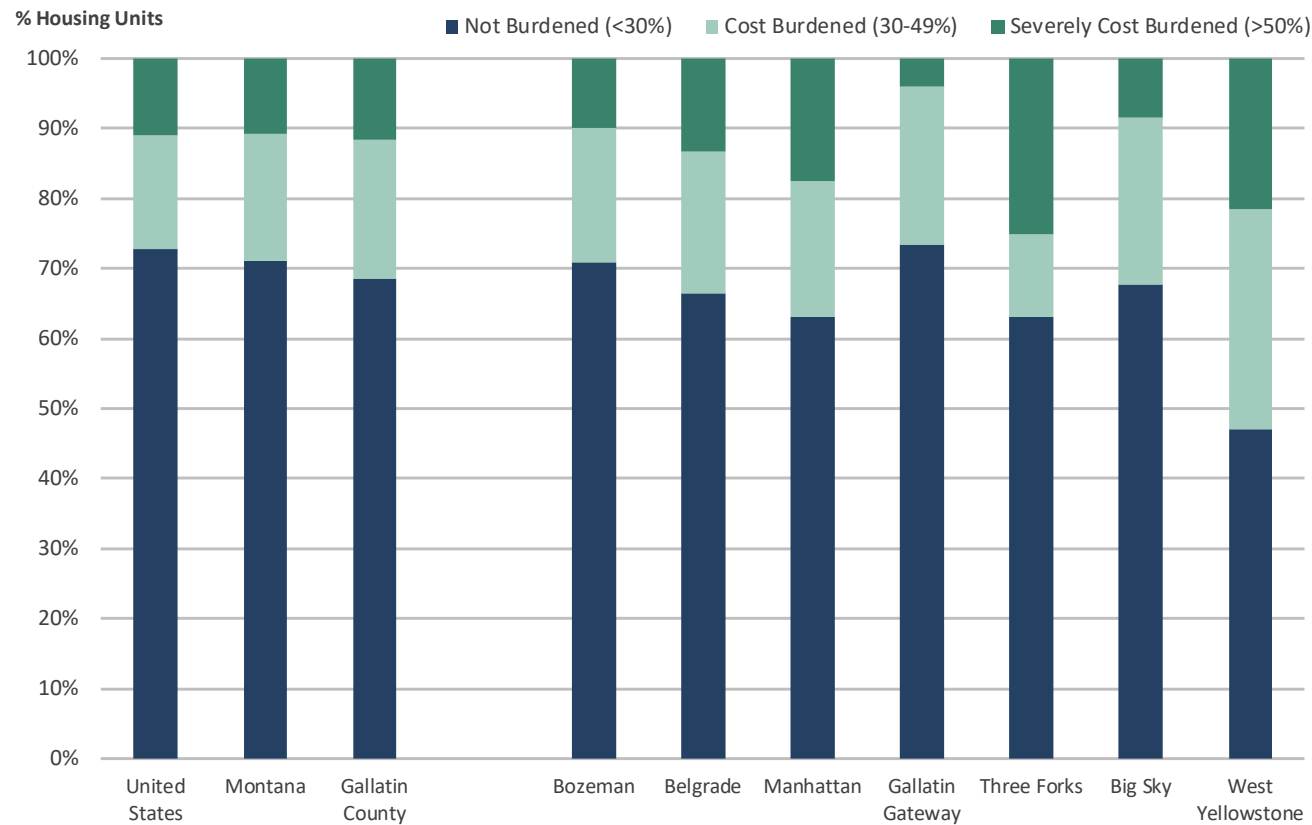
Source: U.S. Census ACS 5-Year Estimates, Economic & Planning Systems
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AFFORDABILITY

COST BURDEN IN OWNER-OCCUPIED HOUSING UNITS WITH A MORTGAGE

- Cost burden among homeowners is more common with a mortgage than without. Countywide, just over 30% of homeowners are paying more than 30% of their income towards mortgage payments.
- The areas with the highest rates of owner cost burden are:
 - Manhattan and Three Forks: 60–65%
 - West Yellowstone: Just over 50%
- The higher rates of cost burden in Manhattan and Three Forks may indicate that some people are willing to trade a longer commute for a lower priced home as a step to get into the market and start building home equity.

Cost Burden in Owner-Occupied Units with a Mortgage - 2022



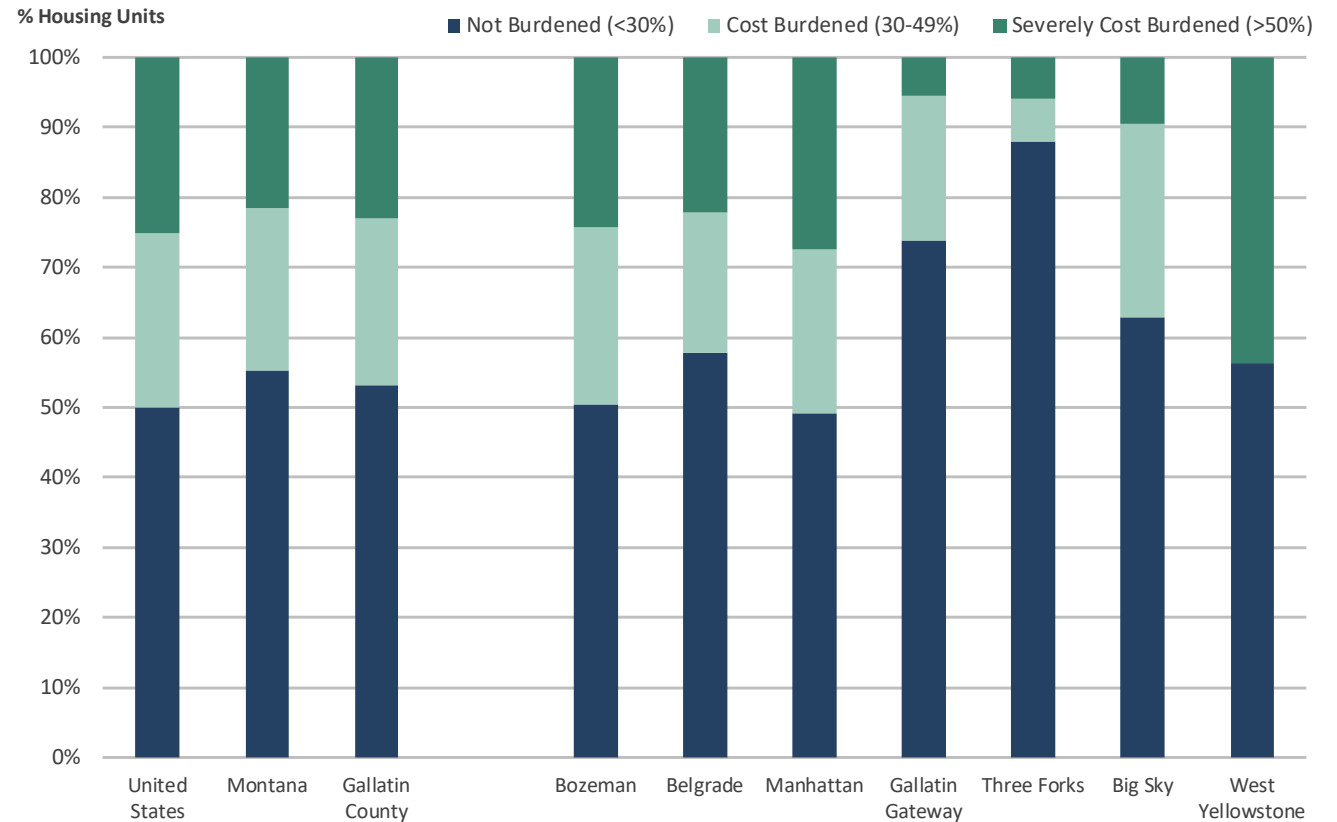
Source: U.S. Census ACS 5-Year Estimates, Economic & Planning Systems
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AFFORDABILITY

COST BURDEN IN RENTER-OCCUPIED HOUSING UNITS

- Cost burdened is defined as paying more than 30% of one's income towards rent or mortgage payments. Renters typically face cost burdened conditions more than owners who have more stable housing and housing costs (e.g., constant mortgage payment, or when the mortgage is paid off).
- Nationally, about half of all renters pay more than 30% of their income in rent. In Montana and Gallatin County, it is similar, with 50–55% of renters cost burdened.
- The highest incidences of cost burdened renters are in:
 - Bozeman: 50% split almost equally between severely cost burdened and cost burdened.
 - Manhattan: Approximately 51% of renters are cost burdened.
 - West Yellowstone: About 55% of renters are severely cost burdened, paying 50% or more of their income towards rent.

Cost Burden in Renter-Occupied Units - 2022



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

GAP ANALYSIS

Ownership

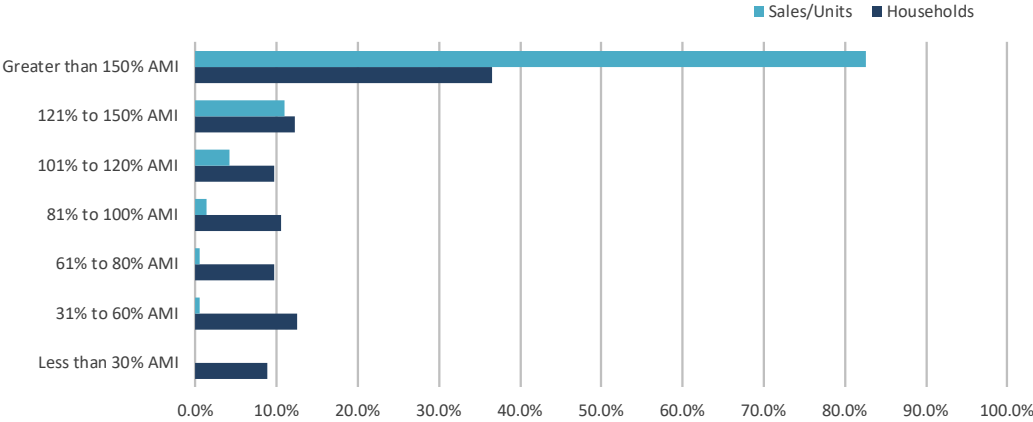
The ownership gap analysis compares the percentage of sales affordable at various AMI ranges to the percentage of households in those income ranges. The sample of over 20,000 home sales since 2016 used in this analysis is a good representation of the value of the entire housing stock. Refer to the charts on the pages that follow this explanation.

- Countywide, a household needs to earn more than 120% of AMI to afford a home. Nearly 94% of home sales were affordable to households earning over 120% AMI. However, households in this income range comprised less than half the households who own a home in the county. In other words, there are twice as many unaffordable homes as households who earn more than 120% AMI.
- Similar trends are observed in Belgrade CCD where nearly 80% of the home sales were affordable at over 150% AMI, attainable by only 30% of the owner households in the CCD.
- In Bozeman CCD, less than 4% of the home sales were affordable to households earning less than 120% AMI, who comprised over 47% of owner households.
- Gallatin Gateway and Big Sky CCDs had the least housing opportunity for lower income households, where nearly 99% of the home sales were only affordable to those earning over 120% AMI. In Gallatin Gateway CCD, no homes were priced under 100% AMI.
- Three Forks CCD is the most affordable, where over 34% of the sales were affordable to those earning less than 120% AMI, primarily in the 101–120% AMI category. Still, 66% of the sales were affordable to only approximately 25% of owner households.

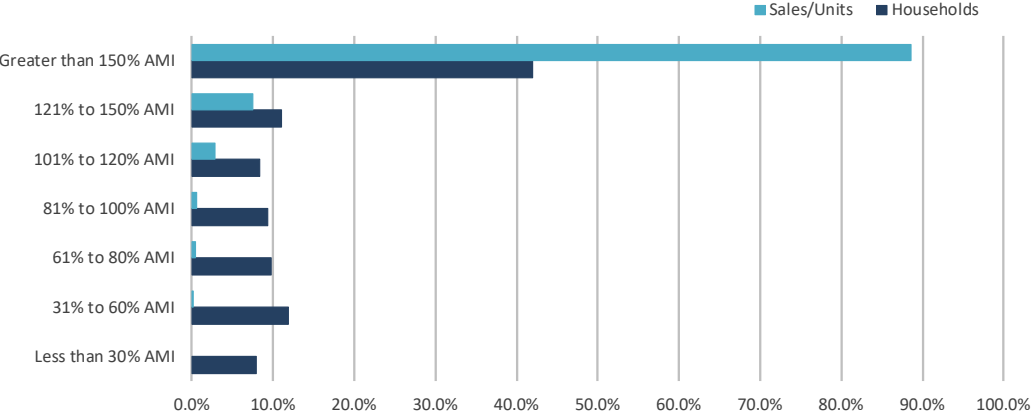
HOUSING MARKET

GAP ANALYSIS – OWNERSHIP

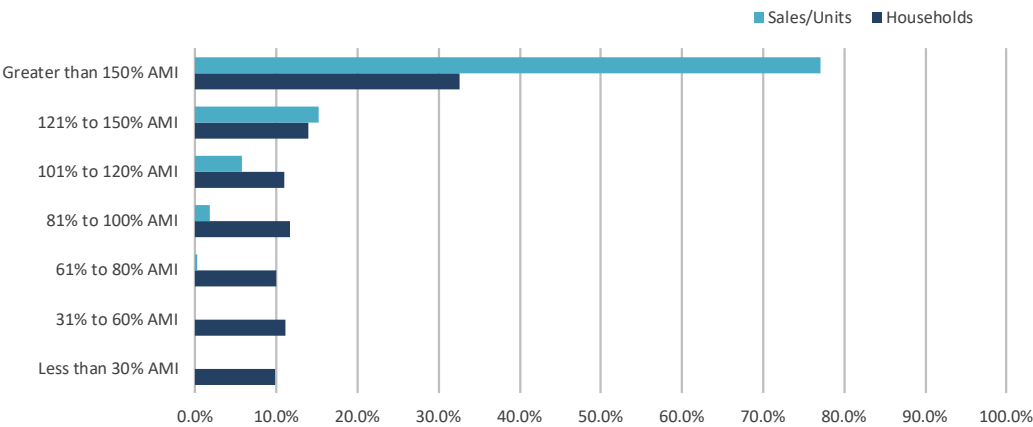
Gallatin County



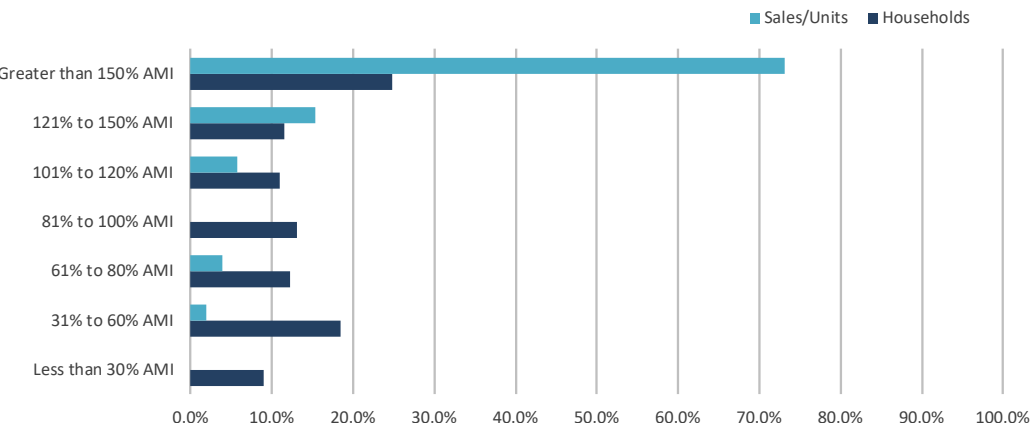
Bozeman CCD



Belgrade CCD



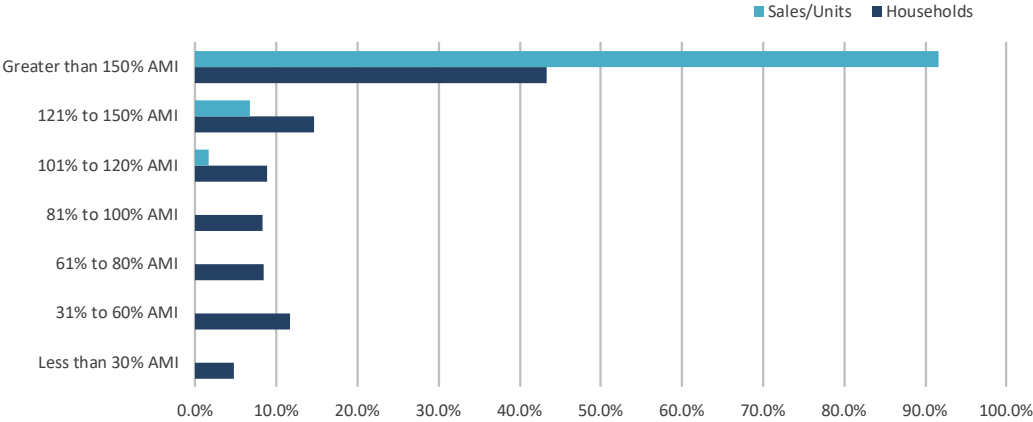
Manhattan CCD



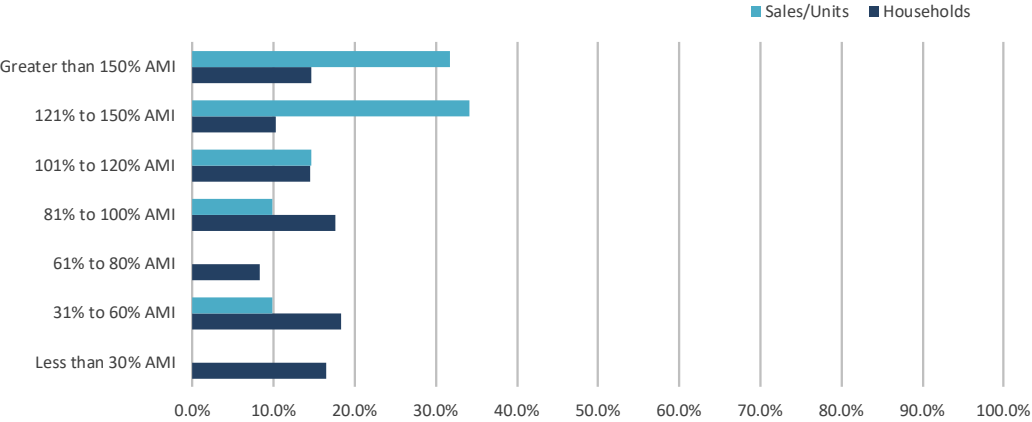
HOUSING MARKET

GAP ANALYSIS – OWNERSHIP

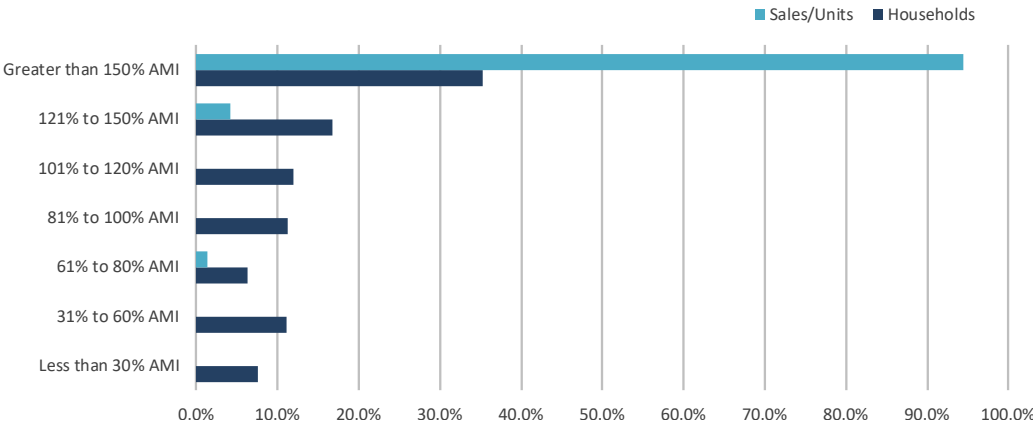
Gallatin Gateway CCD



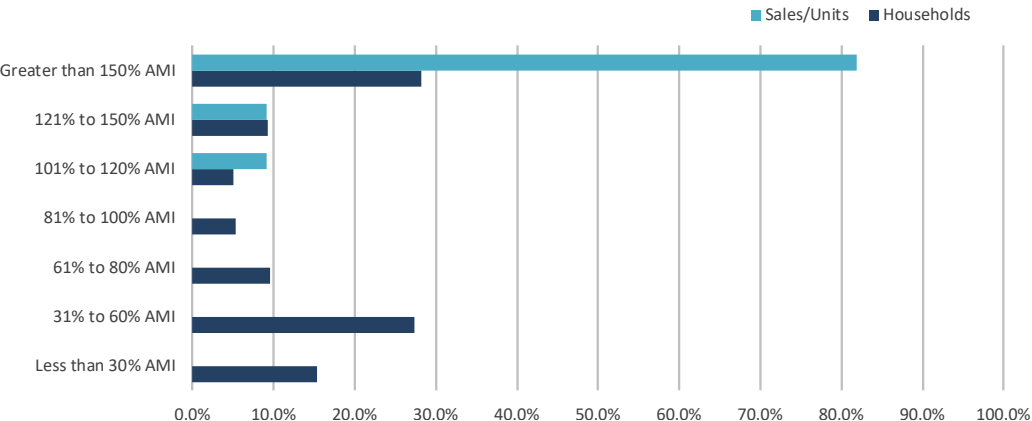
Three Forks CCD



Big Sky CCD



West Yellowstone CCD



GAP ANALYSIS

OWNERSHIP

Description	Gallatin County			Bozeman CCD			Belgrade CCD			Manhattan CCD		
	Households	Sales	Differential	Households	Sales	Differential	Households	Sales	Differential	Households	Sales	Differential
Owners												
Less than 30% AMI	8.9%	0.0%	-8.9%	8.0%	0.0%	-8.0%	9.8%	0.0%	-9.8%	8.9%	0.0%	-8.9%
31% to 60% AMI	12.5%	0.5%	-12.0%	11.8%	0.1%	-11.7%	11.2%	0.0%	-11.2%	18.5%	1.9%	-16.6%
61% to 80% AMI	9.7%	0.5%	-9.2%	9.7%	0.4%	-9.3%	10.0%	0.3%	-9.7%	12.2%	3.8%	-8.3%
81% to 100% AMI	10.5%	1.3%	-9.2%	9.3%	0.6%	-8.7%	11.6%	1.8%	-9.9%	13.1%	0.0%	-13.1%
101% to 120% AMI	9.6%	4.1%	-5.5%	8.4%	2.8%	-5.6%	10.9%	5.8%	-5.1%	11.0%	5.8%	-5.2%
121% to 150% AMI	12.2%	11.0%	-1.2%	11.0%	7.5%	-3.5%	13.9%	15.3%	1.3%	11.5%	15.4%	3.9%
Greater than 150% AMI	<u>36.6%</u>	<u>82.6%</u>	<u>46.0%</u>	<u>41.9%</u>	<u>88.6%</u>	<u>46.7%</u>	<u>32.6%</u>	<u>77.0%</u>	<u>44.4%</u>	<u>24.8%</u>	<u>73.1%</u>	<u>48.3%</u>
Total	100.0%	100.0%	0.0%	100.0%	100.0%	0.0%	100.0%	100.0%	0.0%	100.0%	100.0%	0.0%
<120% AMI	51.2%	6.4%		47.1%	3.9%		53.5%	7.8%		63.7%	11.5%	
>120% AMI	48.8%	93.6%		52.9%	96.1%		46.5%	92.3%		36.3%	88.5%	

Description	Gallatin Gateway CCD			Three Forks CCD			Big Sky CCD			West Yellowstone CCD		
	Households	Sales	Differential	Households	Sales	Differential	Households	Sales	Differential	Households	Sales	Differential
Owners												
Less than 30% AMI	4.8%	0.0%	-4.8%	16.4%	0.0%	-16.4%	7.5%	0.0%	-7.5%	15.4%	0.0%	-15.4%
31% to 60% AMI	11.7%	0.0%	-11.7%	18.3%	9.8%	-8.6%	11.1%	0.0%	-11.1%	27.3%	0.0%	-27.3%
61% to 80% AMI	8.4%	0.0%	-8.4%	8.2%	0.0%	-8.2%	6.3%	1.4%	-5.0%	9.5%	0.0%	-9.5%
81% to 100% AMI	8.3%	0.0%	-8.3%	17.6%	9.8%	-7.8%	11.2%	0.0%	-11.2%	5.3%	0.0%	-5.3%
101% to 120% AMI	8.9%	1.7%	-7.2%	14.5%	14.6%	0.1%	11.9%	0.0%	-11.9%	5.0%	9.1%	4.1%
121% to 150% AMI	14.6%	6.7%	-7.9%	10.3%	34.1%	23.9%	16.8%	4.2%	-12.6%	9.2%	9.1%	-0.2%
Greater than 150% AMI	<u>43.3%</u>	<u>91.7%</u>	<u>48.3%</u>	<u>14.6%</u>	<u>31.7%</u>	<u>17.1%</u>	<u>35.2%</u>	<u>94.4%</u>	<u>59.2%</u>	<u>28.2%</u>	<u>81.8%</u>	<u>53.6%</u>
Total	100.0%	100.0%	0.0%	100.0%	100.0%	0.0%	100.0%	100.0%	0.0%	100.0%	100.0%	0.0%
<120% AMI	42.1%	1.7%		75.1%	34.1%		48.0%	1.4%		62.5%	9.1%	
>120% AMI	57.9%	98.3%		24.9%	65.9%		52.0%	98.6%		37.5%	90.9%	

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

GAP ANALYSIS

RENTERS

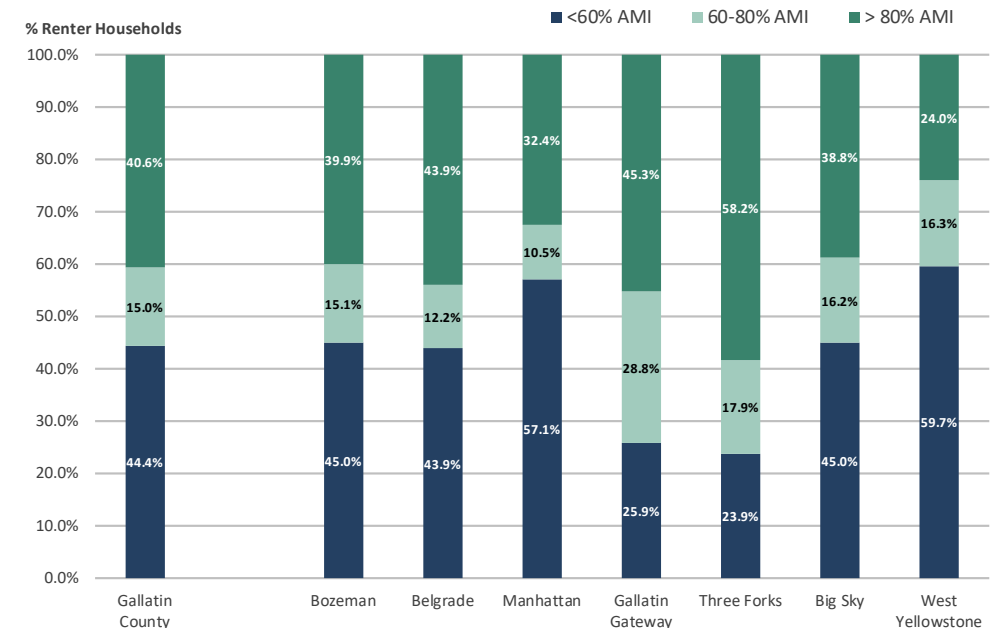
The renter gap analysis is addressed more qualitatively due to limitations in the ACS and available market data.

- Sixty percent of AMI is generally the upper income limit of most subsidized rental housing. The Low-Income Housing Tax Credit (LIHTC) program typically stops at 60% of AMI or must average 60% of AMI. Section 8 housing vouchers cap out at 50% of AMI.
- Countywide, about 45% of renter households earn less than 60% of AMI. Manhattan and West Yellowstone have higher concentrations of low-income renters, at 55% to 60% of renters. Cost burden renters are concentrated in these lower income ranges.
- Above 80% of AMI, there are no state or federal programs that provide funding or gap financing for rental housing. Countywide, about 40% of households earn more than 80% of AMI. Renters at approximately 80% of AMI can generally pay for market rate rental housing but may have to “stretch” and will experience some cost burden. The market rent of \$1,900 per month in the Bozeman area is affordable at approximately 90% of AMI (2-person household).
- People in the 60–80% AMI category are often between qualifying for subsidized rental housing, because they earn too

much, and being able to afford market rate rental housing. About 15% of renters are in this income range countywide.

- The area where the most policy and funding intervention is needed is in creating more housing affordable below 60 to 80% of AMI.
- Strategies are also needed to continue encouraging market rate rental housing affordable to people earning 80–100% of AMI.

Renter Households by AMI



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

AFFORDABILITY AND GAP ANALYSIS

KEY FINDINGS

- Amongst owner households with a mortgage, over 30% are cost burdened countywide, spending over 30% of their income toward housing.
- Cost burden is most prevalent in the more outlying areas of Manhattan, Three Forks, and West Yellowstone CCD,s even before considering transportation costs. In these three CCDs, between 10 to 20% of owner households without a mortgage are cost burdened. This is an indication of people living on fixed incomes that are struggling with other costs such as taxes, utilities, and homeowner dues.
- Nearly half of all renters countywide are cost burdened, paying over 30% of their income on rent. The Bozeman CCD has a large influence on the countywide average due to the large student population.
 - Over 40% of renters are cost burdened in Belgrade CCD, over 50% in Manhattan CCD, and nearly 30% in Gallatin Gateway.
 - In West Yellowstone CCD, over 40% of renters are severely cost burdened, paying over 50% of their income towards rent.
- There are more households in the county earning less than 150% AMI than there are housing units priced to be affordable to them.
- In most areas, over 70% of the ownership market was priced over 150% AMI, except in Three Forks CCD where a majority of units were priced between 121 and 150% AMI.
- With fewer units available than households within lower-income categories, households will find it difficult to enter the homeownership market and those who already own homes cannot afford to either upsize or downsize.