

LEGISLATIVE HISTORY: FUNDING AFFORDABLE HOUSING

LOCAL GOVERNMENT INTERIM COMMITTEE
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INTRODUCTION & SCOPE

The State of Montana provides multiple programs to incentivize and finance affordable housing. This report summarizes affordable housing programs in existing law and legislation from the past three sessions (2019, 2021, and 2023) related to state-funded affordable housing programs.

The report's scope is narrowly structured to only include policies intended to increase access to housing considered affordable for low- and middle-income¹ families, including workforce housing. Additional policy solutions, such as land use regulation, are not included in this analysis.²

Additionally, multiple federal programs and funding options exist. See Appendix A for a list of federal programs administered by the Montana Housing Division of the Department of Commerce.

EXISTING PROGRAMS ESTABLISHED IN STATUTE

"HOUSING ACT OF 1975": BOARD OF HOUSING

The Board of Housing (BOH) was established in 1975 and codified in [Title 90, Chapter 6, Part 1](#) to provide various financing options and housing-related programs.

90-6-102. Legislative Declaration. The legislature finds and declares that there is a shortage in Montana of decent, safe, and sanitary housing which is within the financial capabilities of lower income persons and families. In order to alleviate the high cost of housing for these persons, the legislature believes that it is essential that additional public moneys be made available through the issuance of revenue bonds to assist both private enterprise and governmental agencies in meeting critical housing needs.

"Persons and families of lower income"³ means persons and families with insufficient personal or family income or other financial resources who require assistance under this part, as determined by the board, taking into consideration:

- (a) the amount of the total personal and family income, assets, and other financial resources available for housing needs;
- (b) the size of the family;
- (c) the eligibility of persons and families under federal housing assistance of any type based on lower income or a functional or physical disability;

¹ Multiple definitions of "low-income" and "middle-income" income exist in both federal and state law. For the purposes of this document, a policy is included if the general intent of the policy is to offer assistance for affordable housing in a general sense.

² The Local Government Interim Committee devoted substantial committee time to land use policy during the 2023-24 interim. Information related the Land Use Study Topic may be accessed on the [committee webpage](#).

³ [90-6-103](#). Definitions.

- (d) the ability of persons and families to compete successfully in the normal housing market and to pay the amount at which private enterprise is providing decent, safe, and sanitary housing;
- (e) the availability and cost of housing in particular areas; and
- (f) needs of particular persons or families because of age or physical disabilities.

The Board of Housing's powers to provide financing options include:

- making loans for housing developments in the state,
- investing in loans or other securities for the construction, rehabilitation, purchase, leasing, or financing of housing developments,
- making or securing loans for housing development to persons who are eligible or potentially eligible for federally issued loans, mortgages, or other housing assistance, and
- adopting terms and conditions for loans and other financing options offered by the board.

1989: REVERSE ANNUITY MORTGAGE LOAN PROGRAM

[Title 90, Chapter 6, Part 5](#) provides guidance for the Reverse Annuity Mortgage Loan Program, intended to allow "elderly Montanans to draw income for essential living expenses and other purposes from the equity accumulated in their single-family homes during their lifetimes while continuing to enjoy the shelter and security afforded by those residences."⁴

The program allows for citizens over 68 years of age who own and occupy a single-family dwelling to apply for a reverse annuity mortgage administered by the Board of Housing.

Recipients must complete a reverse annuity mortgage counseling program and the mortgagor is required to repay the mortgage loan once the loan matures, which may occur after any of the following events:

- the death of the last surviving mortgagor,
- the sale or transfer for the property to another person,
- the voluntary or involuntary transfer of the property by the mortgagor, or
- any other event that decreases the value of the property or that will have the likely effect of causing the loan to not be repaid.⁵

1999: HOUSING REVOLVING LOAN FUND (HOUSING MONTANA FUND)

[Senate Bill 349](#), now codified as [90-6-131](#) through [90-6-136, MCA](#), established an Affordable Housing Revolving Loan Fund, also known as the "Housing Montana Fund", administered by the Board of Housing. The legislative declaration provided in [90-6-131, MCA](#) states the legislature found it will "lose substantial sums allocated to it by the federal government for affordable housing for low-income and moderate-income households unless matching funds are provided".

The revolving loan fund allows the Board of Housing to provide loans to eligible applicants that may be used for:

⁴ Statement of intent attached to Ch. 178, Laws of 1989.

⁵ [90-6-506, MCA](#). Repayment or termination of reverse annuity mortgage loan.

- matching funds from other available sources,
- providing bridge financing,
- acquiring existing housing to preserve or convert low-income or moderate-income housing, or
- preconstruction technical assistance to eligible recipients in rural areas and small cities and towns.

"Low-income" is defined as households whose incomes do not exceed 80% of the median income in the area, as determined by the United States Department of Housing and Urban Development, with adjustments for smaller or larger families.

"Moderate-income" is defined as households whose income are between 81% and 95% of the median income for the area, as determined by the US Department of Housing and Urban Development, with adjustments for smaller and larger families.⁶

1999: TAX EXEMPTION FOR AFFORDABLE RENTAL HOUSING

[Senate Bill 167](#) passed in 1999 provides for a property tax exemption administered by the Department of Revenue for rental property utilized at affordable rates and is codified in [15-6-221, MCA](#).

The "portion of a residential rental property that is dedicated to providing housing for lower-income persons is exempt"⁷ if:

- the property is owned and operated by an entity exempt from taxation and was constructed using a home investment partnerships program grant,
- the owner of the property receives an allocation of low-income housing tax credits from the Board of Housing,
- a deed restriction restricts the property's usage and provides the property must be used by lower-income households, and
- the property provides housing to an underserved population.

2011: VETERANS' HOME LOAN MORTGAGE PROGRAM

[Senate Bill 326](#) established the Veterans' Home Loan Mortgage Program in 2011 which originally allocated \$15 million from the permanent coal trust fund to provide loans to eligible veterans who are first-time home buyers. The amount provided from the permanent coal trust was increased to:

- \$30 million in 2013,
- \$40 million in 2015, and
- \$50 million in 2019.

To receive a loan, an eligible veteran must:

- be a first-time homebuyer and a Montana resident with honorable service or discharge,
- participate in a first-time homebuyer education program, and

⁶ [90-6-132, MCA](#). Definitions.

⁷ [15-6-221, MCA](#). Exemption for rental housing providing affordable housing to lower-income tenants.

- provide a minimum contribution of at least \$2,500.

Loans provided by the Veterans' Home Loan Mortgage Program must:

- have a maximum amount of no more than 95% of the value of the statewide allowable purchase price determined by the Board of Housing, and
- carry an interest rate of less than 1% of the federal national mortgage association delivery rate or 1% lower than the lowest interest rate charged by the Board of Housing for other home loan programs, whichever is less.

2019: COAL TRUST MULTIFAMILY HOMES PROGRAM

[House Bill 16](#), requested by the Local Government Interim Committee in 2019, established the Coal Trust Multifamily Homes Loan Program, codified in [90-6-137, MCA](#).

Like the Veterans' Home Loan Mortgage Program, the Coal Trust Multifamily Homes Program allows the Board of Housing to administer money from the permanent coal trust fund. The program originally allocated \$15 million in 2019 and was increased to \$65 million in 2023 through the passage of [House Bill 819](#).

The program allows the Board of Housing to provide "loans for the development and preservation of homes and apartments to assist eligible low-income and moderate-income applicants".⁸

Loans provided through the Coal Trust Multifamily Home Program must:

- fund projects for multifamily rental housing projects providing low-income and moderate-income housing, including the development or preservation of a mobile home park,
- may not exceed 95% of the total development costs, and
- Carry an interest rate of no less than 0.5% below the current coal trust fund investment performance.

⁸ [90-6-137, MCA](#). Alternate funding source for housing loans – use of coal tax trust fund money.

The same definitions of "low-income" and "moderate-income" apply to the Housing Montana Fund and the Coal Trust Multifamily Homes Program.

SUMMARY TABLE

Program	Year Enacted	Type of Assistance	Target Population	Funding Source	Funding Amount
Board of Housing (BOH)	1975	Issuance of revenue bonds; Loans; Investments	Persons and families of lower income	BOH Financial Program Enterprise Fund	In CY2023, 683 loans totaling \$119.6 mill in loan acquisition balance ⁹
Reverse Annuity Mortgage Loan Program	1989	Reverse Mortgage	Citizens over 68 who own and occupy a single-family dwelling	Housing Trust Fund Enterprise Fund	As of Dec. 2023, BOH is servicing 44 RAM loans totaling \$2.6 mill. Current available fund balance (including cash, investments, loans, and interest receivable): \$5.7 mill
Housing Montana Fund	1999	Loans	Low- and moderate-income applicants (<80% AMI up to 95% of AMI)	Housing Montana Enterprise Fund	Current fund balance: \$159,473 New loans are made as monthly P&I and payoffs into the account increase account balance
Affordable Housing Tax Exemption	1999	Property Tax Exemption	Owners of properties (often nonprofit entities) who rent to lower-income persons	Property tax exemption – no funding source	TY2022 state revenue loss: \$1.085 mill TY2023 state revenue loss: \$1.422 mill ¹⁰
Veterans' Home Loan Mortgage Program	2011	Loans	Veterans who are first-time homebuyers	Permanent Coal Tax Trust Fund	2011: \$15 million 2013: authorization increased to \$30 mill 2015: authorization increased to \$40 mill 2019: authorization increased to \$50 mill As of Dec. 2023, BOH has 440 VHLP loans with \$88.6 mill principal balance Current fund balance: \$63,300

⁹ The Department of Commerce (DOC) provided the funding sources and amounts for programs the agency administers, received by email communication March 8, 2024. All programs listed on the table are administered by DOC except for the Affordable Housing Tax Exemption, which is administered by the Department of Revenue.

¹⁰ Taken from "[Fiscal Impacts of Property Tax Exemptions and Abatements](#)", Megan Moore, Revenue Interim Committee 2023-24.

Additional information related to the Affordable Housing tax Exemption may be found in the [Department of Revenue 2020-2022 Biennial Report](#), pgs. 460-462

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<p>Coal Trust Multifamily Homes Program</p>	<p>2019</p>	<p>Loans</p>	<p>Multifamily developments, including mobile home parks, for low- and moderate-income applicants (<80% AMI up to 95% of AMI)</p>	<p>Permanent Coal Tax Trust Fund</p>	<p>2019: \$15 million 2023: authorization increased to \$65 mill Current unobligated balance: \$8,634,523 BOH anticipates all \$65 mill will be obligated by FYE or CYE at the latest</p>
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2019 INTRODUCED LEGISLATION

Legislation included addresses affordable housing and includes a fiscal impact to either the state or local governments.

<p>Passed and Enacted Legislation</p>	
<p>Bill Number</p>	<p>Short Description</p>
<p>HB 16</p>	<ul style="list-style-type: none"> Establish affordable housing loan program (Coal Trust Multifamily Homes Program) – <i>requested by LGIC</i>
<p>HB 527</p>	<ul style="list-style-type: none"> Revise laws related to affordable housing tax exemptions to allow a single-member LLC to be qualified property owner

<p>Failed Legislation</p>	
<p>Bill Number</p>	<p>Short Description</p>
<p>SB 15</p>	<ul style="list-style-type: none"> Allow Big Sky Economic Development Program and Treasure State Endowment Program funds to be used for affordable housing infrastructure
<p>SB 18</p>	<ul style="list-style-type: none"> Establish workforce housing tax credits - <i>requested by LGIC</i>

2021 INTRODUCED LEGISLATION

Legislation included addresses affordable housing and includes a fiscal impact to either the state or local governments.

<p>Passed and Enacted Legislation</p>	
<p>Bill Number</p>	<p>Short Description</p>
<p>HB 432</p>	<ul style="list-style-type: none"> Revise property tax exemptions for affordable housing to allow property owned by a nonprofit and constructed using a home investment partnerships program grant to qualify

Failed Legislation	
Bill Number	Short Description
HB 21	○ Authorize additional funding for the multifamily coal trust home loan program – <i>requested by LGIC</i>
HB 397	○ Establish workforce housing tax credits – <i>vetoed by the Governor</i>
SB 117	○ Revise laws governing the Housing Montana Fund to allow grants as well as loans from the fund

2023 INTRODUCED LEGISLATION

Legislation included addresses affordable housing and includes a fiscal impact to either the state or local governments.

Passed and Enacted Legislation	
Bill Number	Short Description
HB 5	○ Establish an "Emergency Shelter Facility Infrastructure Account" and appropriates \$5 million to the Department of Commerce to distribute as grants to nonprofit corporations for emergency shelter, property acquisition, construction, shelter space acquisition, or general capital improvement projects
HB 244	○ Revise the Housing Montana Fund to remove outdated language and allow for more existing funds to be distributed for purposes authorized by the temporary assistance for needy families block grant
HB 371	○ Allow a state-chartered bank to own residential real property for the provision of employee housing
HB 523	○ Require the Department of Commerce to report the amount of funds each recipient received from the emergency rental assistance program provided by federal American Rescue Plan Act (ARPA) funds
HB 819	<ul style="list-style-type: none"> ○ Create the Montana Community Reinvestment Plan to allow for \$56 million to be distributed to community reinvestment organizations for the purposes of securing affordable housing & targeted workforce housing ○ Create the HOMES revolving loan account administered by the Board of Investments for providing loans to developers, up to \$106 million with an additional \$12 million allocated for targeted workforce housing ○ Authorize an additional \$50 million from the permanent coal trust to be used for the Coal Trust Multifamily Homes Program ○ Appropriate \$1 million to the Department of Commerce for local and tribal government planning grants

<u>SB 94</u>	<ul style="list-style-type: none"> ○ Require that a recovery residence offering assistance to appropriate individuals be certified before receiving housing vouchers from the Department of Corrections
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Failed Legislation	
Bill Number	Short Description
<u>HB 233</u>	<ul style="list-style-type: none"> ○ Require the refund of residential lease application fees
<u>HB 318</u>	<ul style="list-style-type: none"> ○ Provide a refundable individual income tax credit for renting to tenants using housing choice vouchers and allow for a tax credit for converting a short-term rental into a long-term rental
<u>HB 370</u>	<ul style="list-style-type: none"> ○ Revise resort tax eligibility and allow use of an additional 1% tax for workforce housing
<u>HB 407</u>	<ul style="list-style-type: none"> ○ Provide for affordable housing tax abatements administered by local governments
<u>HB 416</u>	<ul style="list-style-type: none"> ○ Provide income tax credits for renting dwelling below market rate
<u>HB 430</u>	<ul style="list-style-type: none"> ○ Establish a rent local program funded with a tax on short-term rentals¹¹ that offers tax rebates to property owners who rent to local employees
<u>HB 546</u>	<ul style="list-style-type: none"> ○ Authorize additional funding for coal trust loan program for housing (<i>concept amended into HB 819, which passed</i>)
<u>HB 574</u>	<ul style="list-style-type: none"> ○ Establish a workforce housing trust fund with \$500 million from the general fund to provide loans and grants for affordable housing
<u>HB 820</u>	<ul style="list-style-type: none"> ○ Provide a property tax exemption of 20% of the appraised value of employer-provided housing
<u>HB 825</u>	<ul style="list-style-type: none"> ○ Provide funding to address affordable housing (<i>portions of concept amended into HB 819, which passed</i>)
<u>HB 829</u>	<ul style="list-style-type: none"> ○ Establish a Montana workforce housing tax credit
<u>HB 848</u>	<ul style="list-style-type: none"> ○ Provide a partial tax exemption for renting a dwelling below market rent
<u>HB 927</u>	<ul style="list-style-type: none"> ○ Authorize additional authority for coal trust housing loans (<i>concept amended into HB 819, which passed</i>)
<u>SB 194</u>	<ul style="list-style-type: none"> ○ Provide income tax credit for landlords who rent for below market rate
<u>SB 320</u>	<ul style="list-style-type: none"> ○ Require the refund of residential lease application fees
<u>SB 517</u>	<ul style="list-style-type: none"> ○ Establish graduated fee on short term rentals with money allocated to the Housing Montana Fund to be used for affordable housing grants

¹¹ HB 430 was later amended to use lodging tax revenue rather than a tax on short-term rentals.

APPENDIX A

AVAILABLE FEDERAL PROGRAMS

The Housing Division of the Montana Department of Commerce administers multiple federal housing programs.

The following table provides federal program descriptions and links to the Housing Division's webpage for Montana-specific information related to the programs.

Program	Description
Montana Homeowner Assistance Fund (ARPA)	<ul style="list-style-type: none"> Funding provided through the federal American Rescue Plan Act (ARPA) and appropriated to the Department of Commerce through HB 632, 2021 Intended to aid homeowners with qualified expenses and financial hardship related to the homeowners' primary residence
Montana Emergency Rental Assistance Program	<ul style="list-style-type: none"> Funding provided through the Coronavirus Aid, Relief, and Economic Security Act (CARES) <i>Applications currently closed</i>
Housing Choice Voucher & Moderate Rehabilitation Programs	<ul style="list-style-type: none"> Funded by US Department of Housing and Urban Development (HUD) Provides rental subsidies for very low-income families, elderly persons, and persons with disabilities
Emergency Housing Voucher Program (ARPA)	<ul style="list-style-type: none"> 109 Emergency Housing Vouchers through HUD for individuals who are homeless, at risk of homelessness, fleeing domestic violence, sexual assault, stalking, or human trafficking, or are recently homeless. <i>Applications currently closed</i>
Veterans Affairs Supportive Housing (HUD-VASH)	<ul style="list-style-type: none"> Rental assistance through case management and clinical services administered through local Veterans Affairs Medical Centers for homeless veterans
Project-based Section 8 Program	<ul style="list-style-type: none"> HUD provides funds to make up the difference between HUD-approved rent and an eligible family's rent contributions in a multifamily building
Section 811 Supportive Housing (project based) & Mainstream Voucher Programs (tenant-based)	<ul style="list-style-type: none"> MT DOC and DPHHS provides support to new or existing multifamily properties to offer supportive services to individuals living with a disability (Section 811) MT DOC and DPHHS provide support to non-elderly persons with disabilities, pairing federal rental assistance with voluntary supportive services to help individuals maintain independent living in the community of their choice Non-elderly persons with a disability must be eligible for services provided through Medicaid waivers, Medicaid state plan options, state funded services, or other appropriate services related to the disability
Community Development Block Grant Housing (CDBG)	<ul style="list-style-type: none"> Authorized under Title 1 of the Housing and Community Development Act of 1974 Grants provided on a formula basis to states, cities, and counties for new construction of multifamily housing development, rehabilitation of

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	<p>multifamily rental housing, temporary housing facilities, and neighborhood revitalization</p>
<p><u>CDBG CARES (CARES)</u></p>	<ul style="list-style-type: none"> • Additional Community Development Block Grant funds allocated through the Coronavirus Aid, Relief, and Economic Security Act (CARES) • <i>Funds are currently allocated – see website for recipients and guidelines</i>
<p><u>Home Investment Partnerships Program (HOME)</u></p>	<ul style="list-style-type: none"> • Federal block grant through HUD to create affordable housing for low-income households • HOME funds may be distributed to local government units and non-profits in the state
<p><u>HOME Investment Partnerships American Rescue Plan Program (HOME-ARP)</u></p>	<ul style="list-style-type: none"> • Federal block grant providing funding for reducing homelessness and increasing housing stability • Eligible projects include acquiring, developing, or relocating rental housing, homelessness prevention services, and housing counseling services • <i>One time only with second round application deadline Apr. 30, 2024</i>
<p><u>Housing Trust Fund</u></p>	<ul style="list-style-type: none"> • Federal funds allocated annually from HUD as grants for the construction, rehabilitation, and preservation of affordable rental housing for extremely low-income households and individuals (those at or below 30% of area median income)
<p><u>Low-Income Housing Tax Credits (LIHTC)</u></p>	<ul style="list-style-type: none"> • Board of Housing votes annually to allocate Montana's housing tax credits for the construction or preservation of affordable homes