

# Montana Housing Programs

Local Government Interim Committee

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# Montana Board of Housing Single Family Housing Investments (2023)

- 456 Montanans assisted with their first home purchase
- \$120 Million principal of loans purchased (1<sup>st</sup> and 2<sup>nd</sup> mortgages combined)
- 227 Down Payment Assistance loans
- 5.62% Average mortgage loan interest rate



# Montana Housing Division

## Multifamily Affordable Housing Investments (2023)

- 33 projects comprised of 1,731 rental homes
  - 716 new or market to affordable conversion rental homes
  - 1,055 acquisition/rehab and preserved rental homes
- \$438 million in Total Project Costs
- \$157,300 average affordable housing investment per unit
- Direct and indirect economic impact estimates:
  - 4,347 jobs created
  - \$260 million wages paid



# What is “Soft Financing”?

- For tax credit properties, once permanent debt financing and equity are considered, there is often a financing gap between the total costs to develop the property and the supportable debt plus tax credit equity that needs to be filled.
- To bridge the gap, developers often must obtain funding from a variety of federal, state and local sources, that can be used to finance the creation and preservation of affordable housing.
- Often referred to as “soft financing” or “soft debt,” funding from these sources often have more favorable financing and repayment terms than conventional loans.

Source: <https://rentalhousingaction.org/wp-content/uploads/2021/11/NovogradacSoftFinancingSourcesSummary-April2021-Final.pdf>



# Typical “Soft Financing” Sources

- HUD block grant programs: HOME and CDBG
- Project Based Rental Assistance (PBS8, PBVs, Section 811 etc.)
- Special Needs Programs under McKinney-Vento Homeless Assistance funds
- USDA Multifamily Housing Programs
- Federal Sources authorized by Federal Housing Finance Agency (FHFA)...programs funded by contributions from Fannie Mae, Freddie Mac, and the Federal Home Loan (FHL) Banks:
  - National Housing Trust Fund (HTF). HUD allocates HTF funding by needs-based formula to states for the production or preservation of affordable housing for very low-income households.
  - Capital Magnet Fund (CMF). Competitively awards money to nonprofit housing organizations and Community Development Financial Institutions (CDFIs).
  - Affordable Housing Program (AHP). Each FHL Bank must establish an AHP and dedicate 10% of its annual earnings.
- State Housing Tax Credit
- State and local affordable housing programs, including issuance of new bonds or bonding authority, state or local housing trust funds, assistance in form of relief from property taxes, state and local rental assistance programs, tax increment financing
- Deferred developer fees
- Seller notes

Source: <https://rentalhousingaction.org/wp-content/uploads/2021/11/NovogradacSoftFinancingSourcesSummary-April2021-Final.pdf>



# Montana Housing Division Affordable Multifamily Resources

Program	“Available”
Low-Income Housing Tax Credits (LIHTC) Est. based on 2024 (\$2.90 x state population, \$3,360,000 minimum)	33,600,000 (10-year credit)
Volume Bond Cap Estimate based on 70% state issuer portion for 2025	277,999,050
Coal Trust Multifamily Homes (CTMH)* \$65 million total authorized	8,634,523
Multifamily Loan Program (MFLP)* No ongoing source	100,678
Housing Montana Fund (HMF)* No ongoing source	159,473
HOME Investment Partnerships (HOME)**	600,000
HOME-ARP One time only. 2 <sup>nd</sup> round application deadline April 30, 2024	3,189,291
National Housing Trust Fund (HTF)**	1,002,768
Community Development Block Grant (CDBG)**	447,394
CDBG-CV one time only. All funds committed	0

\*Revolving Loan Funds. Available balance based on loan payoffs and monthly P&I payments

\*\*HUD CPD Funds, available balance based on federal appropriations to HUD. FFY24 HOME & HTF funds won't be available from HUD until Sept. 2024 due to Congressional delays in passing budget.



# Available Resources Cont.

## ➤ **Coal Trust Multifamily Homes**

- Viability and demand of program subject to changes in Coal Trust Tax Performance Yield and conventional financing interest rates
- First lien position can pose challenges with other funding sources
- Subject to paying property taxes requirement is limiting for nonprofit applicants and projects proposed on Community Land Trusts; increases annual operating expenses and need for additional gap financing

## ➤ **Multifamily Loan Program & Housing Montana Fund**

- Lending interest rate tied to income targeting (able to go lower than CTMH)
- No on-going fund source or state appropriations; subject to repayments to RLF

## ➤ **HUD Programs**

- Montana's CDBG, HOME and HTF annual allocations are modest and include significant compliance requirements

## ➤ **Other “Soft Financing”**

- Other soft financing resources such as grants, 0% deferred or forgivable loans are scarce in Montana



# Coal Trust Multifamily Homes Projects

	City	Project	Units	Loan Amount	Type	Status
HB 16 - \$15M	Belt	Golden Valley Homes	22	803,060	Rehab	Approved February 2020; Closed
	Cascade	Quiet Day Manor	20	872,500	Rehab	Approved February 2020; Closed
	Livingston	Livingston Cottages	12	900,000	New	Approved February 2020; Closed
	Havre	Highland Manor	32	1,932,000	Rehab	Approved February 2020
	Helena	Firetower	44	2,674,631	Rehab	Approved April 2020; Closed
	Joliet / Laurel	Spruce Grove	62	5,173,486	Rehab	Approved April 2020; Closed
	Havre	Oakwood Village	60	2,100,000	Rehab	Approved April 2020; Closed
HB 819 - \$50M	Great Falls	Carter Commons	25	1,700,000	New	Approved September 2023
	Helena	Twin Creek 9%	20	1,115,346	New	Approved October 2023
	Hamilton	Riverstone Senior Apartments	23	1,550,000	New	Approved October 2023
	Billings	Mitchell Court	32	1,700,000	New	Approved October 2023
	Darby	Welcome Way Apartments	24	2,090,000	Rehab / Conversion	Approved Oct 2023; Closed
	Lolo	Two Rivers Community	59	5,460,833	Rehab	Approved December 2023
	Belgrade	Stan's Garden Community	39	5,356,765	Rehab	Approved December 2023
	Helena	Twin Creek 4%	52	7,686,748	New	Approved January 2024
	Great Falls	Elmore Roberts	60	4,989,000	Rehab	Approved March 2024
	Bozeman	Rocky Mountain Flats	300	8,550,000	New	Requested - staff underwriting
	Whitefish	Alpenglow 2	24	2,500,000	New	Requested - staff underwriting
<b>Total</b>			<b>910</b>	<b>57,154,369</b>		
<b>Total Authorized from Coal Trust Tax Fund</b>				<b>65,000,000</b>		
<b>Total Committed (Assumes approval of 2 pending projects)</b>				<b>57,154,369</b>		
<b>Remaining Available After Commitments (Includes loan P&amp;I payments)</b>				<b>8,634,523</b>		





# State Housing Tax Credit / State Housing Trust Fund

## **38 states have a State Housing Trust Fund:**

Arizona, Arkansas, Colorado, Connecticut, Florida, Georgia, Hawaii, Illinois, Iowa, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virginia, Washington, West Virginia

## **23 states have a State Housing Tax Credit:**

Arizona, Arkansas, California, Colorado, Connecticut, Georgia, Hawaii, Illinois, Maine, Massachusetts, Minnesota, Missouri, Nebraska, Nevada, New Jersey, New Mexico, New York, Oklahoma, Pennsylvania, Utah, Vermont, Virginia, Wisconsin

[Source: State Housing Finance Agency Factbook: 2022 NCSHA Annual Survey Results](#)



# Federal Rental Assistance Programs

- Housing Choice Vouchers (HCV) also known as Section 8 Vouchers
  - Veteran Affairs Supportive Housing (VASH and PB VASH)
  - Mainstream Vouchers
  - Emergency Housing Vouchers (EHV)
- Moderate Rehabilitation Contract Administration (Mod Rehab)
- Section 811 Project Rental Assistance (PRA)
- Project-Based Section 8 Contract Administration (PBS8)

Nearly 28,000 Montana renters are considered severely housing cost burdened, paying more than 50% of their income toward housing costs



# Objectives and Goals

Objective: Maximize use of federal rental assistance programs to serve Extremely Low- and Very Low-Income Montanans

## 2025 Biennium Goals:

1. Increase training and coordination with field agency partners
2. Pursue maximum flexibility for HUD Fair Market Rents / Voucher Payment Standards within parameters of federal regulations
3. Release Request for Proposals (RFP) for project-basing Housing Choice Vouchers and other to-be-identified RFPs for improved service delivery for HCV participants and landlords
4. Expand rental assistance special programs as federal opportunities arise, in partnership with the Department of Public Health & Human Services, Montana Continuum of Care and other partners



# Strategies, Initiatives and Measures

Strategies	Initiatives	Measures
<ul style="list-style-type: none"> <li>Implement process improvements</li> <li>Customer service, accountability and efficiency</li> </ul>	<ul style="list-style-type: none"> <li>Released competitive Request for Proposals for local program administration &amp; field inspection services in Q4 2022 <b>(Complete)</b></li> <li>Executed new performance-based contracts with selected Field Agency partners effective July 1, 2023 <b>(Complete)</b></li> <li>Deploying baseline survey to Housing Choice Voucher participants and landlords by September 30, 2023 <b>(Complete)</b></li> </ul>	<ul style="list-style-type: none"> <li># of open and leased Housing Choice Vouchers</li> <li>Baseline survey results and on-going surveys</li> </ul>
<ul style="list-style-type: none"> <li>Increase voucher utilization</li> </ul>	<ul style="list-style-type: none"> <li>Maximize Voucher Payment Standards <b>(WIP)</b></li> <li>Release competitive Request for Proposals to project base Housing Choice Vouchers by September 2024 <b>(WIP)</b></li> </ul>	<ul style="list-style-type: none"> <li># of open and leased Housing Choice Vouchers</li> </ul>
<ul style="list-style-type: none"> <li>Interdepartmental / Interagency collaboration</li> </ul>	<ul style="list-style-type: none"> <li>Continue monthly Interdepartmental Housing Integration Project (IHIP) calls with DPHHS, Montana Continuum of Care and Montana HealthCare Foundation <b>(WIP)</b></li> <li>HUD-VASH Roundtables <b>(Done)</b></li> </ul>	<ul style="list-style-type: none"> <li>Utilization and growth of special program vouchers</li> </ul>



# Fair Market Rents

- HUD uses Fair Market Rents (FMR) to determine payment standard amounts for the Housing Choice Voucher program (typically between 90 and 110 percent of FMR)
- FMRs are based on Standard Quality, Recent Mover rents
  - Standard Quality rents from 5-Year American Community Survey
  - Adjustment from smallest area with statistically valid 1-Year Recent Mover data
  - Consumer Price Index (CPI) Adjustment
  - Trend Factor based on HUD forecast of expected growth in gross rents in 4 Census Regions
- In September 2022, HUD released a Notice of FY2023 Fair Market Rents. Numerous commenters submitted concerns around the accuracy of HUD's FMR methodology in rural areas
- HUD reiterated its commitment to improving the accuracy of FMR calculations for all areas. However, HUD's response also indicated that "Assessing the accuracy of FMRs is difficult because at any given time the true 40th percentile rent paid by recent movers is unknown."



# LIHTC Rent to Voucher Payment Standard Comparison

Lewis & Clark County example:

	2023 LIHTC 60% AMI Rent Limits*	2023 HUD Fair Market Rent	2023 Voucher Payment Standards (HUD-approved 120% FMR waiver)
Studio / Efficiency	1,093	683	819
1 Bedroom	1,171	791	949
2 Bedroom	1,405	1,003	1,203
3 Bedroom	1,624	1,292	1,550
4 Bedroom	1,812	1,498	1,797

- During COVID-19, HUD instituted a waiver to the 90-110% of FMRs calculation.
- Under this waiver, PHA's could request up to 120% of FMR, which Montana Housing fully utilized.
- Resulting Voucher Payment Standards, even at 120% of FMR, are insufficient to cover even a 60% AMI restricted rent in a LIHTC property.
- Across all 56 counties, studio FMRs average \$262/month LESS and 1-bedrooms average \$261/month LESS than LIHTC

The LIHTC program has slight difference in rent limits based on place-in-service year due to federal HERA legislation.



# Factors Impacting Voucher Utilization

- Shortages in housing keeps current inventory full and property managers do not need to participate to keep housing units occupied.
- Rental home must comply with HUD Housing Quality Standards
  - HUD shifting to new NSPIRE standard, requiring additional training for PHA inspectors & landlords
  - [Montana Structures with Parcel Earliest Build Year Dashboard](#) indicates most of Montana's housing stock was built between 1961 - 2000
- Voluntary landlord / property owner participation
  - Landlords can realize more rental income by leasing units at market rate
  - No source of income protection at state or local level
- Limited housing navigation assistance to aid participants with apartment search
  - HCV participants may have challenges with prior rental history, poor credit etc.
  - Limited resources for security deposits, application fees and other participant needs to secure housing
- Stereotypes or stigma associated with "Section 8"



# Voucher Participant Survey Results – Areas for Improvement

## **Theme: Staffing levels and response time**

- “More employees so they are not so overworked and understaffed.”
- “Maybe you guys should hire more people?”
- “Need more staff to handle the amount of tenant utilizing programs.”
- “(Delayed responses) due to lack of staff and workload they carry.”
- “Communications via phone/email were slower than I expected.”
- “More timely correspondence back.”

## **Theme: Voucher Payment Standards insufficient**

- “The assistance allotment needs to keep up with the cost of living better.”
- “Pay attention to actual rental rates in the area. I’m homeless and having a hard time finding something in my allotment.”
- “Can’t find anything (within voucher allotment).”
- “Higher rents need to be approved in Kalispell.”





# Voucher Participant Survey Results – Positive Feedback

- “Thank you for all each of you do! I feel so blessed and grateful for the program and for the specific staff members who have contributed towards my secure placement in housing.”
- “No complaints with the program; thank you for all of the assistance for my family’s comfortable living.”
- “No, I'm very happy and grateful for the help I've received locating and moving into the apartment I have! Thank you so much! It really feels great to have my own place to live for my son and myself.”
- “Nothing; opportunities were great! Very helpful and I was able to understand everything I was told that was needed of me.”
- “They always talk to me the very day that I call, and they always answer all of my questions.”
- “Very friendly and answers all questions.”
- “Commerce answered questions in a timely manner and solved all my issues with the field agency.”
- “Very quick to get something done when a change is needed, or something happens that causes a forced change like my medical disability.”
- “In home visit / inspection was very informative and inspector was very thorough with a great attitude.”
- “(Field Agent) is a gem. She is kind, caring, and knows what she is doing.”
- “I find the people in the field agency extremely good at their jobs and cannot think of anything that needs improving, that I'm aware of.”



# Emergency Shelter Facility Grant Program

County	Project	Type	ESFG Award	Total Project Cost
Flathead	Samaritan Housing Building Stability	Rehab	\$750,000	\$7,344,649
Gallatin	Family Promise of Gallatin County	Rehab	\$187,500	\$1,984,815
Gallatin	HRDC 9	New Construction	\$562,500	\$16,150,000
Lewis & Clark	Good Samaritan Ministries	Rehab	\$559,738*	\$1,388,590
Missoula	Mountain Home Montana	Rehab	\$369,183	\$5,769,624
Missoula	Poverello Center	Rehab	\$228,593	\$228,593
Missoula	YWCA Missoula	Rehab	\$91,136	\$182,272
Ravalli	SAFE	Rehab Expansion	\$750,000	\$3,273,462
Silver Bow	Butte Rescue Mission	Rehab	\$750,000	\$2,359,683
Yellowstone	Montana Rescue Mission	Rehab	\$750,000	\$13,767,076
<b>TOTAL</b>			<b>\$4,998,650</b>	<b>\$52,448,764</b>

Total project costs estimated at over \$52.4 million, representing a 10:1 leverage of funds

