

Housing Task Force - Phase III Assignment #1

Montana Housing Development Successes and Challenges From ~2020 to Present

Case Study Examples of Montana Housing Development **Successes***

2/9/2024

# (submitter)	Development Name	Location (city and county)	Type of Development (single-family, multiplex subdivision, other)	Number of Units (quantity)	Permit Footprint (acres)	Discussion (key factors)
1 (Mike S.)	Riverview Apartments	Big Sky / Gallatin-Madison	Low Income Multifamily	25	1.09	Lender working with borrower regarding <u>interest rates</u> during a period of rapid rate fluctuation. Multiple Sources of support: \$1.5M MBOH Coal Trust Low Interest Loan, \$500k Magnet Loan, \$1.2M Big Sky Resort Tax Funds, ARPA Funda, Big Sky <u>Community Land Trust</u> purchase of the property.
2 (Mike S.)	MRM Unified Campus	Billings / Yellowstone	Low Income Housing Multi-family and Homeless Shelter	29 (160 beds)	1.347	Lender working with borrower regarding <u>interest rates</u> during a period of rapid rate fluctuation. Multiple Sources of support: ARPA Funds, TIF Grants and \$12M in Foundation/Grants and Campaign funds to cover multiple cost increases.
3 (Mike S.)	Arrowleaf / Perennial Apartments	Bozeman / Gallatin	Low Income Housing Multifamily with Clinic and Daycare	232	16.17	Lender working with borrower regarding <u>interest rates</u> during a period of rapid rate fluctuation. Multiple Sources of support: Bozeman discount for permit fees and assistance with the construction of the Low-Income Clinic and Daycare.
4 (Mark E.)	Bridger View	Bozeman / Gallatin	Detached and attached homes, 1, 2, and 3-bedroom; for purchase	62 (31 market rate, 31 Affordable units for purchase)	8	Created 31 permanently affordable units utilizing a <u>long-term ground lease</u> managed by Headwaters Community Housing Trust. (In the first weighted drawing, over 250 residents sought 11 Affordable homes.)

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						<p>Some Affordable homes are partially funded through an <u>Employer Assistance program</u>. Employers cover a portion of the capital gap in exchange for securing an employee's opportunity to purchase a subsidized unit.</p> <p>Bozeman's market produces few starter homes. <u>Federal funding</u> contributes significantly to creation of subsidized rentals, but no federal or state funding exists to aid creation of attainable starter homes. <u>Private philanthropy</u> provided crucial funding to produce these units. The capital gap for future affordable units could be met through a combination of state and local support and capital provided by employers addressing their retention and recruitment needs.</p> <p>Bozeman approved 19 <u>relaxations of its current development code</u> (reduced lot sizes, road widths, setbacks, etc.) so Bridger View could construct 62 homes instead of 35 allowed by its code.</p>
5 (Mark E.)	Family Promise of Gallatin Valley	Bozeman / Gallatin	Adaptive Reuse Multifamily Residential	47 (rental units)	2	Total project cost: \$7.4m, including \$1m in funding from <u>Gallatin County Housing Impact Fund</u> . Funding sources: local bank, philanthropy.

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6 (Mark E.)	North 3 rd and Peach Apartments	Bozeman / Gallatin	New Construction Multifamily Residential	216 (affordable rental units)	6	Total project cost: \$69m. Funding sources: national bank, LIHTC. City of Bozeman shallow Affordable Housing incentives used for height, parking reduction. Coordinated utility upgrades. \$1.5m from Gallatin County Housing Impact Fund provided critical <u>bridge</u> to complete funding stack.
7 (Mark E.)	Lumberyard Apartments	Bozeman / Gallatin	New Construction Multifamily Residential	155 (mix of affordable / market rate rental units)	9.45	Total project cost: \$50m. Merchants Bank, LIHTC, Montana Housing. \$2.5m from Gallatin County Housing Impact Fund. Used City of Bozeman “shallow” affordable housing incentives for <u>height bonus</u> .
8 (Emily H.)	[<i>Bozeman Unified Development Code Update</i>]	Bozeman / Gallatin	x	x	x	The draft UDC would carry out many <u>policy objectives</u> that the housing task force has identified, including both allowing more, less expensive housing to be built and moving resident participation to the front of the planning process while <u>issuing by-right permits</u> for projects that comply with the UDC. One issue is that the Bozeman’s Mayor and Commission have decided to hold next steps on the draft UDC to gather more <u>community input</u> . It’s also worth learning more about how <u>state laws</u> like SB 382 are affecting the Bozeman process.
9 (Mark E.)	South Montana Street Fourplex	Butte / Silver Bow	Historic Preservation Multifamily Residential	4 (rental units)	0.8	<u>Rehab</u> of previously vacant building within Butte’s Urban Renewal Authority district. Project made possible through <u>direct grants</u> from URA (~8% of project budget) and URA bridge loan (~16% of project budget) in second position behind commercial loan from local bank.

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10 (Joe M.)	Milwaukie Apartments	Great Falls / Cascade	Multi-Family / Patio Style Apts	121	4.74	Successful partner with the city for a <u>rezoning</u> and <u>public park easement</u> .
11 (Joe M.)	West Ridge Subdivision	Great Falls / Cascade	Single Family Sub. /Multi-Family	Phase 9 - 28 Ph. 10 - 70	20.31	Planned Unit Development (PUD) <u>Zoning</u>
12 (Joe M.)	Meriwether Crossing	Great Falls / Cascade	Single Family Sub. / Multi-Family	83	21.04	Planned Unit Development (PUD) <u>Zoning</u>
13 (Emily H.)	Westside Woods	Helena / Lewis and Clark	Subdivision	172	58	This is the first major development approved in Helena in decades. It's worth learning what had been holding back development approvals in Helena, if <u>state laws</u> affected this approval, and how future approvals could be <u>streamlined</u> .

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14 (Kendall C.)	[City of Helena – Policies and Plans]	Helena / Lewis & Clark	Single-family, multi-family “Three quarters of those units are single-family residences, with 11% listed as duplexes and 15% listed as multi- family units.”	1,578	x	<p>“city commission action over the past four years since the writing of the <u>2019 Growth Policy</u> has resulted in nearly 1,600 housing units either built or committed to within city limits.”</p> <p>Map of approvals here: https://www.arcgis.com/apps/dashboards/8ffc835eafa141019ad25b76472d7506</p> <p>The commission notes that these unit approvals were the result of “city annexations, subdivision approvals, rezonings, financial contributions and conditional use permits”</p> <p>The 1,578 figure does not include “<u>redevelopment projects and use-by-right projects not requiring commission approval.</u>”</p> <p>Further study is needed to identify how to move these 1,576 unit approvals from conditional approvals to by-right approvals, speeding up the process and <u>reducing administrative burden.</u></p>
15 (Mike S.)	Junegrass Place	Kalispell / Flathead	Low Income Multifamily	138	5.87	Lender working with borrower regarding <u>interest rates</u> during a period of rapid rate fluctuation. Low interest funds from the MBOH Coal Trust Funds, Kalispell City Support.
16 (Mike S.)	Trinity Apartments	Missoula / Missoula	Low Income Housing Multifamily with Services Center	202	7.07	Lender working with borrower regarding <u>interest rates</u> during a period of rapid rate fluctuation. Multiple Sources of Support-Use of Missoula and State HOME funds, Housing Trust Funds, City of Missoula Land Contribution, Missoula CIP/MRA

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						Grant and County Grant to cover multiple cost increases.
17 (Cheryl C.)	Trinity – Blue Heron Place	Missoula / Missoula	x	30	x	<p>Blue Heron Place is a 30 permanent supportive homes within Trinity. Service providers and housing developers stretched and expanded on what Homeword Inc. normally does, theorizing that providing permanent supportive housing would work in Missoula as it has in other mountain west and northwest US communities. Blue Heron Place and these other projects have confirmed it works.</p> <p>However, Homeword Inc. has only finite amount of funds filling gaps between <u>billable work</u> and <u>cost of services</u>. There are <u>policy changes</u> necessary to help cover this gap, more refined <u>billing practices</u> by providers, changes in the understanding of the housing resources as to how to use <u>cashflow for services</u> if necessary. Again, this is an excellent example of a success story that also involves significant challenges.</p>
18 (Danny T.)	The Hogan	Missoula / Missoula	Multifamily	36	x	<p>New 55+ development in Riverfront neighborhood adjacent to downtown Missoula. The city code granted <u>flexibility on mandatory parking requirements</u> for this specific project, meaning the builder was able to provide more units and work out an agreement with a nearby church on allowing residents to lease spots there if needed. Project would be much smaller and more expensive if the developer was forced to build more on-site parking.</p>

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19 (Nathan D.)	Trailview Homes (NW Montana Community Land Trust Portion)	Whitefish / Flathead	Single-Family / Townhomes	3 (2023) 6-12 (2024) 12 (2025)	x	Layering <u>private donations</u> with federal / state funds and manageable mortgages for homebuyers makes home ownership accessible for people in the 60% to 120% AMI range. When NWMTCLT <u>purchases the land</u> and allows homeowners to buy just the home and assists them to access HOME-HBA funds and LIFT loans combined with keeping real estate agent/lender/title fees low, home ownership is possible. Also required are “patient” sellers who might be willing to sell below the market rate.
20 (Nathan D.) (Emily H.)	Alpine 93/40	Whitefish / Flathead	Multifamily / Mixed Use	210 (multifamily and 15,000 square feet of commercial space)	11.6	Nathan: SB 245 was a key to its success and instrumental in expediting the process through the city of Whitefish. One of the challenges faced was that as a result of its recent implementation there was a general lack of knowledge / understanding of its ramifications to the existing city’s <u>zoning policies</u> . Emily: SB 245 appears to have played a role in the Whitefish City Council voting to approve a significant increase in its supply of multifamily housing. It’s worth ensuring that local policymakers understand what the <u>state law requires</u> and that they are implementing <u>zoning reforms</u> to comply with it.
21 (Emily H.)	808 Edgewood Place	Whitefish, Flathead	Multifamily	42	1.66	SB 245 appears to have played a role in the Whitefish City Council voting to approve a significant increase in its supply of multifamily housing. It’s worth ensuring that local policymakers understand what the <u>state law</u>

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						<u>requires</u> and that they are implementing <u>zoning reforms</u> to comply with it.
22 (Emily H.)	<i>[Whitefish Landscaping Requirements]</i>	Whitefish / Flathead	Duplexes	x	x	The Whitefish City Council voted down a proposal to establish <u>landscaping requirements</u> that would have applied to duplexes but not single-family houses, citing SB 323. It's worth investigating similar proposals elsewhere to ensure compliance with state law.

*Success is defined broadly in terms of relative time to completion, meeting the budget, resource availability, and/or other criteria.

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Case Study Examples of Montana Housing Development **Challenges***

2/12/2024

# (submitter)	Development Name	Location (city and county)	Type of Development (single-family, multiplex subdivision, other)	Number of Units (quantity)	Permit Footprint (acres)	Discussion (key factors)
1 (Cheryl C.)	Hearthstone Apartments	Anaconda / Deer Lodge	Low Income / disability Housing	74	x	Hearthstone apartments is an income restricted property that provides 74 homes that older people and people with disabilities can afford to rent in Anaconda. The rehab was completed in July of 2022; it was delayed nearly eight months due to ongoing <u>skilled labor shortages</u> , delays from sporadic <u>supply chain issues</u> as a result of COVID, and experienced significant cost increases due to COVID.
2 (Cheryl C.)	Alpenglow Apartments	Anaconda / Deer Lodge	Low Income / disability Housing	38	x	Alpenglow apartments is an income restricted property that provides 38 homes that people can afford to rent in Anaconda. This new construction project was completed in May of 2021; it was delayed more than eight months due to ongoing <u>skilled labor shortages</u> , direct delays from worker quarantines, delays from sporadic <u>supply chain issues</u> as a result of COVID, and experienced significant cost increases due to COVID.

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3 (Mark E.)	Brewery District Site Concept	Bozeman / Gallatin	Mixed Use	70 (21 for sale, 49 for rent, 16 affordable)	2	Design effort required for preliminary approval from city precluded subsequent concept iteration. Early, conditional approval could have kept this project viable. <u>Indemnification for cities</u> (and their planning departments) may help support early or <u>discretionary approvals</u> . <u>High water table</u> , increased costs for underground parking (required to meet code) to \$95,000 per parking stall.
4 (Mark E.)	Black Olive (2017)	Bozeman / Gallatin	Residential	47	0.25	<u>Neighbors protesting</u> this apartment building successfully challenged an obscure part of the parking requirements code, increasing required parking for planned number of units. The developer reconfigured 1- and 2-bedroom units into more-expensive 2- and 3-bedroom units to reduce total unit count from 52 to 47. No reduction in building mass, scale, etc.
5 (Joe M.)	Wheatridge (not approved)	Great Falls / Cascade County	Mixed Residential	Phases 1 - 37	Phase 1 = 20.98	Entitlement denied. Site issues (<u>Stormwater</u>)
6 (Joe M.)	Castlepines	Great Falls / Cascade County	Townhomes	26	1.66	<u>Labor Shortages</u>
7 (Joe M.)	Aurora	Great Falls / Cascade County	Multi-Family, Patio Style Apts	283	12.21	<u>Labor Shortages</u>

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8 (Joe M.)	Arc	Great Falls / Cascade County	Multi-Family, Patio Style Apts	216	9.20	<u>Labor Shortages</u>
9 (Joe M.)	Meadowlark / South Park Additions	Great Falls / Cascade County	Single-family Residences	13 vacant lots	33	<u>Soils / Geotech</u>
10 (Mike S.) (Cheryl C.)	Trinity Villagio	Missoula / Missoula	Low Income Housing Multifamily, Permanent Support Housing with Services Center	~200	7.07	<p>Construction Costs. There was a 30% <u>increase in construction costs</u>, quickly rising interest rates of 3%+, materials not being available for 6+ months. For example, it had problems with replacement elevators parts. Large urban communities (Seattle, Los Angeles, New York City, etc.) don't seem to have the same issues with supplies as rural communities.</p> <p>In the end, Trinity, due to <u>supply chain problems</u> such as the electrical gear and <u>ongoing construction labor shortages</u> that started even before the pandemic, was completed approximately six months later than it was scheduled to be completed.</p>
11 (Danny T.)	<i>[State Subdivision Review Process]</i>	Throughout Western MT	Manufactured home communities	25-50	x	76-3-504 MCA requires a <u>subdivision review</u> for all manufactured home communities and RV parks, even when units are rented on a single lot. No such requirement for multiple sites built single-family houses on a single lot. The law seems inconsistent.

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12 (Danny T.)	[State Building Codes]	Missoula / Missoula	Multifamily	8-10	7,000 sq ft lot	The architect wants to build a small four story apartment building in a walkable neighborhood adjacent to downtown. Allowed under zoning, but <u>MT Building Code</u> requires a second staircase and this would reduce # of units, driving up the cost of the remaining ones. <u>The National Fire Protection Assoc. model code</u> allows four story buildings with one staircase. Other states/cities allow one staircase with 5-6 stories. Many historic buildings in Montana have just one staircase.
13 (Danny T.)	[Local Building Codes]	Missoula / Missoula	Multifamily	4	~3,000 sq ft lot	The developer wants to build internal wall to split a three-bedroom unit into a two bedroom unit with a studio. <u>Missoula's building codes</u> do not currently permit this because the lot is too small. Original, unamended version of SB 323 (2023) would have legalized this.
14 (Danny T.)	[Local / State Building Regulations]	Missoula / Missoula	ADUs	∞	Existing city lots	Two attributes preventing more ADUs from coming online in Missoula: (1) Size restrictions. Currently, its 600 ft., means no ADUs for families. SB 528 (2023) could be tweaked to further relax local size restrictions. (2) Non-conforming building lots. ADUs are also not allowed on nonconforming lots.
15 (Danny T.)	[Local Zoning Regulations]	Missoula / Missoula	Multifamily	9	12,500 sq ft lot	A small infill development was delayed because <u>proposed rezoning</u> required a city

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						council supermajority approval vote. This was / is triggered when 25% of surrounding neighbors object to the proposal. In this case, 27% objected to rezoning to allow for small increase in density. Parcel is currently empty except for a shed. Close to transit and Community Hospital.
16 (Danny T.)	<i>[State Regulations on Trust Lands]</i>	Philipsburg / Granite	Manufactured home communities	25	x	77-1-904 MCA authorizes commercial leases on <u>school trust land</u> . "Commercial" includes multifamily, but excludes "single-family residences." What about manufactured home communities?
17 (Mike S.) (Cheryl C.)	Crowley Flats	Lewistown / Fergus	Low Income Housing Multifamily	16	0.17	Construction Costs: This project witnessed 3a 0% increase in <u>construction costs</u> , quickly rising interest rates of 3%+, materials not being available for 6+ months. Crowley Flats targets residents that are income restricted to 60 percent Area Median Income or less (about \$16.90/hour in Fergus County). This project was completed in late spring 2022, but had to sit without power for three months due to delays in the delivery of specific <u>electrical gear (supply chain)</u> .

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18 (Cheryl C.)	Bluebunch Flats	Livingston / Park	Low Income Housing Multifamily	37	x	Bluebunch Flats is an income restricted property that provides 37 homes that people can afford to rent in Livingston. This historic adaptive re-use was completed in February of 2021; it was delayed nearly six months due to ongoing <u>skilled labor shortages</u> and direct delays due to <u>worker quarantine</u> .
19 (Mike S.)	Riverview Apartments	Big Sky / Gallatin-Madison	Low Income Housing Multifamily	25	1.09	Construction Costs. This project witnessed a 30% increase in <u>construction costs</u> , quickly rising interest rates of 3%+, 4 months + delay waiting for DEQ approval.
20 (Mike S.) (Cheryl C.)	Junegrass Commons	Kalispell / Flathead	Low Income Multifamily	138	5.87	Construction Costs. This project witnessed a 30% increase in <u>construction costs</u> , quickly rising interest rates of 3%+, 4 months + delay waiting for DEQ approval. Junegrass Commons is currently under construction; construction started in May 2022. This project experienced major delays for <u>electrical gear (supply chain)</u> . Electrical gear typically requires a three - six-month lead time and that timeframe was greatly exceeded. The project also faced a four-month delay in the start of construction because of delays caused by the Department of Environmental Quality (DEQ). DEQ's <u>review of the infrastructure improvements</u> , the plans and permit application for which

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						<p>were also being reviewed for compliance with all the regulations by the City of Kalispell, within whose jurisdiction the project lies, took approximately six months.</p>
<p>21 (Joe M.)</p>	<p>Creekside Commons</p>	<p>Kalispell / Flathead</p>	<p>Multiplex, Affordable</p>	<p>31</p>	<p>1</p>	<p>Labor is a significant and ongoing issue. This touches all aspects, from <u>city staffing available</u> to review/ inspect to <u>shortages of tradespeople</u> to move the project along whether it be through design and permitting or the actual construction.</p> <p>Supplies and Materials in 2023 is improving over 2021-2022 but there are still problem areas. Electrical service gear is still extremely difficult. We are ordering this equipment 6 months prior to turning in for building permit and still anxious about it's arrival. Shipping delivery date estimates can between 6-12 months and often change at the last minute.</p> <p>Interest Rates are of course taking up more and more of our overall development budget. A win here this project has a below market loan from the Multifamily Loan Program at 3.129% for 40 years. The projects construction lender was also able secure funds from the Board of Investments Linked Deposit Program which</p>

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						<p>brought our construction loan rate down by 1.70%.</p> <p>General Comment: As a multifamily developer that works all around the state, we've seen a wide variety of "impact fees" charged by various municipalities on new construction projects. These amounts can vary greatly from town to town. The impact fees are for things like water, sewer, storm sewer, police, fire, transportation, parks. Some towns don't charge any of these fees, most charge something, and several we've encountered are as high as \$6,000 per new multifamily dwelling unit. These impact fees are on top of requiring the developer to pay for and install, in some cases, water, sewer, sidewalks, roads etc. that are then given to the city as public infrastructure.</p> <p>Through observation, it seems that <u>building permit fees</u> are regulated by the state, however, cities often also add a "design review fee" which can be up to as much as the building permit fee.</p>

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22 (Joe M.)	Carter Commons	Great Falls / Cascade	Multiplex, Affordable	25	1	<p>Labor and Materials: Similar case to above, although <u>availability of labor</u> seems better than Kalispell/ Flathead</p> <p>Interest Rate: Similar to above the project secured a <u>below market loan</u> through the Coal Trust Multifamily Homes Loan Program at 3.9725% for 40 years.</p>
23 (Mike S.)	Sunshine Village, Broadview East Apartments and Broadview West Apartments	Great Falls / Cascade	Low Income Multifamily	92	2.45	<p>Construction Costs. This project saw a 30% increase in construction costs, quickly rising interest rates of 3%+.</p>
24 (Mike S.)	RidgeWater	Polson / Lake	Multi-family	40	x	<p>Project <u>required rules deviation</u> and still waiting for DEQ approval even though Polson agreed to DEQ-contracted reviewer. Polson may be example of a smaller rural community impacted negatively from <u>new zoning requirements</u>.</p>

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25 (Joe M.)	NeighborWorks	Great Falls / Cascade	Apartments	x	x	<p>Loss of Local Affordable Apartments We have looked at the purchase of several large apartments in order to maintain their long-term affordability, but those types of properties are being sold to <u>out of state investors</u>. Some who want to maintain affordability (which is good), but others who are more interested in turning the biggest profit and eliminating any income restrictions or rent limits. All fair, but the more of these that lose affordability, the more pressure it puts on all systems for those needing stable rents, use federal Section 8 vouchers, or are on fixed incomes. We have been looking for smaller properties and local owners who want the property to stay local. We hope to close soon on the first of this type an 8-plex called Ulmer Square in a critical neighborhood in need of revitalization. These issues have accelerated since COVID, i.e. people looking to “buy Montana” and more so in Great Falls due to our long-time affordability that is slipping as we are now “discovered”. We are still looking for other properties in the downtown area to buy and maintain or buy and renovate for affordable housing.</p>
26 (Joe M.)	NeighborWorks	Great Falls / Cascade	In-Fill Homes	x	x	<p>In-Fill Homes Developing in-fill housing in our downtown area has been very challenging due to all of</p>

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						<p>the above issues compounded by the <u>inflated cost</u> of homes. In the past, we would be able to purchase a blighted property for approximately \$20k and have the boarded up home removed and build a new two- or three-bedroom home to sell from \$185k to \$200k. That was difficult in the best market. To do this in the past we would receive CDBG or HOME funds. That makes it work for us to cover any loss and keep homes affordable. Other cities would only dream of being able to do this for their city. Since COVID, we are still doing in-fill homes but now the price is up to \$240k. I believe the very top of what someone under 80% AMI could afford with a deferred HOME loan from NWGF. The issue is now the <u>cost of a lot</u> as well as the <u>cost of construction</u> and foundations in our <u>challenging soils</u>. I am concerned that people and out of town/state investors will hold these blighted and boarded up homes longer and continue to ask for much higher prices. This will continue to chill building new homes on these lots. In-fill homes could and should be a huge strategy for us and the city. Existing city services and infrastructure are there and become great opportunities for first time home buyers. Many of the homes that are not blighted, but in need of renovation are being sold, given only modest updates and turned into</p>

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						rental homes. Adding more homes to the rental market isn't always bad, but the rents are going higher than a mortgage due to the low stock and it removes a potential homeowner from our community. We need more homeowners in our downtown north and south side. The value to a community is enormous and we already have a very large rental population in our most challenging areas of the city.
27 (Joe M.)	NeighborWorks / Meriwether Crossing	Great Falls / Cascade	Single Family	83	x	<p>Meriwether Crossing Project These lots were completed in 2020. Our single-family development for our Owner-Built homes with USDA-RD. We developed 83 lots beside our Rockcress Commons project. We worked with local engineers, Woith Engineering, to develop the build ready lots. Many of the issues we encountered at Rockcress have been ongoing for Meriwether – both in the <u>infrastructure costs</u> and <u>building the homes</u>. The takeaway from this project is the cost to create the build ready lots and keep them affordable; not only those homes we build, but for the market rate lots to create \$300k to \$350k homes. We need more funds to help with the rising cost of <u>infrastructure</u>. For profit home building can't find build ready lots and when they do the cost of the home puts it out of range for so many hard-working middle-class buyers. These builders are</p>

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						<p>going into the county where it is easier to build and are building much larger and more expensive homes. We do not have new homes for families to purchase as young middle-class first-time homebuyers or families that are moving up to a bigger home which opens more housing stock for our labor force to become 1st time homebuyers. We are currently trying to develop a similar property of 124 acres. This will be a much bigger project and a multi-year phased development, but the challenges may make it impossible. The loss to our community is not only the homes that NWGF builds, but the opportunity to build homes at a variety of different price points, styles, density, home types and small commercial opportunities. A private developer might see this land as an opportunity to build large homes on three to five acres of land. Limiting our ability to provide more housing and boxing in the city if they do not elect to annex in.</p>
28 (Joe M.)	NeighborWorks / Rockcross Commons	Great Falls / Cascade	Apartments	x	x	<p>Rockcross Commons Project Completed in late 2020. Even with extreme delays, harsh weather, labor shortages and COVID, we successfully completed the project. We had a lot of <u>value engineering</u> prior to building to make the budget work and our partner out of Washington was able to infuse their own funds to guarantee the project. Not all for-profit developers</p>

# (submitter)	Development Name	Location (city and county)	Type of Development (single-family, multiplex subdivision, other)	Number of Units (quantity)	Permit Footprint (acres)	Discussion (key factors)
						<p>would be so willing to make sure a project gets off the ground to create affordable housing. We <u>need more incentives</u> for those groups to develop affordable homes. We see now more are going for market rate because the affordable programs that use tax credits don't always pencil out with the rent levels needed. This is a strong reason why we need a <u>state housing tax credit</u> to compliment the federal credits Montana uses. As I said this was prior to COVID and all the same issues of <u>building costs</u> and <u>labor shortages</u> are only more difficult now with <u>supply issues</u>, <u>inflation</u>, and the labor shortage is only worse with so many building projects in the region.</p>
<p>29 (Danny T.)</p>	<p><no name></p>	<p>Whitefish / Flathead</p>	<p>Multifamily</p>	<p>x</p>	<p>Existing city lots</p>	<p>Approval of multifamily project conditioned on Whitefish's "<u>Architectural Review Committee</u>" approving the color of the windows and lighting sconces. SB 407 (2023) abolished these design review boards, and prohibited design rules that are not "necessary to protect public health or safety." Law may need to be tightened to ensure compliance.</p>

# (submitter)	Development Name	Location (city and county)	Type of Development (single-family, multiplex subdivision, other)	Number of Units (quantity)	Permit Footprint (acres)	Discussion (key factors)
30 (Danny T.)	<no name>	Whitefish / Flathead	Multifamily	x	x	The multifamily project delayed because Whitefish's " <u>Architectural Review Committee</u> " did not like the look of the dormers and wanted to approve the <u>landscaping plan</u> . SB 407 (2023) abolished these design review boards, and <u>prohibited design rules</u> that are not "necessary to protect public health or safety." Law may need to be tightened to ensure compliance.

# (submitter)	Development Name	Location (city and county)	Type of Development (single-family, multiplex subdivision, other)	Number of Units (quantity)	Permit Footprint (acres)	Discussion (key factors)
31 (Nathan D.)	Alpenglow Phase II	Whitefish / Flathead	Multifamily	18	0.61	<p>We received a preliminary approval letter from the Coal Trust Multifamily Homes program for a loan of almost \$4.4M, which is 95% of our project costs. The challenge is that in order for us to cover the debt and meet the 1.15 debt coverage ratio, we'll only be able to take ~\$3.2M in a loan, leaving about \$1.4M that we need to fill. For some of the other organizations or businesses with more capital or assets this isn't as big of an issue. For us, as this is our first project, we need to raise this additional capital through other grants, donations, etc.</p> <p>The <u>state grants</u> that could help raise significant funds such as HOME and CDBG have <u>low-income requirements</u> (usually under 60% AMI), which isn't the demographic the CTMH is targeting nor who we are looking to serve with this project. Other applicants are pairing tax credits with the CTMH, but again, that is for lower income households.</p>

*Challenge is defined broadly in terms of relative time to completion, meeting the budget, resource availability and/or other criteria.

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Housing Task Force - Phase III Assignment #2

Common Themes and Key Factors Summary Tool

February 9, 2024

Common Themes	Regulations (local-state-fed)	Planning (local-state-fed)	Construction (local-state-fed)	Financial (local-state-fed)
<p style="text-align: center;">Key Factors</p> <p>A topic summary from a variety of HTF references</p>	Lot size restrictions	Subdivision review	Supply chain	Available lenders
	Code compliance	Architecture review	Skilled labor shortages	Building permit fees
	Zoning / easements	Landscaping review	Labor quarantines	Impact fees
	Setback requirements	Stormwater review	Delivery timelines	Inflation
	Parking requirements	Soils / geotech surveys	Product quality	Mortgage insurance
	Utilities	Covenants	Out-of-state investors	Homeowner's insurance
	Infrastructure requirements	NIMBY concerns	Building lot availability	Market pricing
	Lawsuits / indemnification	Land entitlement	Skilled labor training	Interest rates
	Non-conforming lots	Rezoning process	Building lot costs	Access to capital
	State Trust land eligibility	Gov. employee shortages	Infrastructure costs	Community funding
	Fire Marshal review	Local growth policies / plans	Construction costs	Partnerships
	Development use by-right	Discretionary requirements	Building material costs	Revolving funds
	State-local regulatory roles	Public participation		Finance policy change
	Discretionary approvals			Cashflow for services
	<p style="text-align: center;">Instructions</p>	<p>For Assignment #2, HTF members listened to invited speakers and discussed project-level examples from the Case Study Examples and other sources. Applicable Common Themes and Key Factors were captured and included in the Summary Tool. Note: Assignment #3 will use this information (and others) to identify Root Causes and Potential Solutions to be used in Assignment #4 Final Recommendations.</p>		



Assignment #2 - Summary Notes

Key Factors organized by Common Themes (not inclusive)

March 8, 2024

Regulations

1. Single-stair buildings (building codes).
2. International Residential Code (IRC) vs. International Building Code for 3 - 6 unit structures (building codes).
3. Parking requirements.
4. Subdivision review required for non-subdivided manufactured home communities and RV parks.
5. Excessive street widths & turn radii requirements.
6. Municipal zoning rules continue to block multifamily housing, even in urban transportation districts & downtown-adjacent neighborhoods.
7. Persistence of aesthetic design rules in violation of SB 407.
8. Height restrictions in neighborhoods that are lower than already-existing buildings in those neighborhoods.
9. Prohibitions on small lots and townhouses persist in some cities.
10. Parallel permitting—permitting that allows simultaneous permitting for a project vs. a sequential permitting process.

Planning

1. Proposed zoning changes required supermajority approval upon protest.
2. Amount of design work necessary to get preliminary approval (possibly a reflection of risk/lawsuit-avoidant planning departments).
3. Could use additional coordination between cities and counties in Urban Growth Zones to encourage better coordination of infrastructure.
4. Housing Choice Voucher program inefficiencies (barriers to landlord participation, wasted vouchers, etc.).
5. Further explore SB 382 that seeks to create the Montana Land Use Planning Act – determine state, local planning roles and responsibilities, requirements, discretion, etc.
6. Ensure the state is providing local governments enough resources and guidance on best practices to successfully implement SB 382.

Construction

1. Expenses, generally. Land, supplies, labor, permits, fees, etc.
2. Shortage of skilled labor & occupational licensing challenges.
3. On-going supply chain issues.
4. Competition for infill / preservation opportunities against deep-pocketed out-of-state buyers.
5. Given the cost of land and limited amount of lots available for sale, incentives for increased density may be necessary. Lot size outside city limits can be prohibitive for workforce/affordable development. Lewis and Clark Co. for example has a minimum lot size of 10 acres. Consider looking at counties for increasing density.
6. Habitat for Humanity in Helena is working on an interesting model that could produce meaningful results—a development that includes collaboration with a local church, YMCA and others to provide cost diversity of homes in that development.
7. Is there an opportunity to create an easy process for transferring property with “abandoned” homes to entities interested in re-developing the property? Often abandoned homes require demolition and demolition costs can make re-development uneconomical despite the existence of critical infrastructure.
8. Further explore examples of off-site improvement / infrastructure requirements (discretionary?) that affect unit price and affordability.

Financial

1. Nearly impossible for Affordable Housing to be built these days without some sort of "soft financing" aka gap financing.
2. **Section 8**
 - I. Housing Choice Vouchers
 - a) There's a long wait.
 - b) Not enough landlords participate. May get worse when the new inspection standards rolling out.
 - c) HUD's fair market rates are too low. Fair Market Rates can be challenged, but would require a costly study.
 - II. Project-based Vouchers can help by placing the subsidy with the unit rather than the individual. PBS8s must be competitively awarded. Montana Housing is working on getting apparatus in place to issue RFP.
3. **Complexity of Programs**
 - I. Complex for individuals. Housing Stability Services (11k households served through CARES and ARPA funding with counseling re: housing).
 - II. On subsidy program side, Montana Housing has limited capacity for technical assistance for communities and developers (Federal Grants only include a small amount of TA funding).
 - III. Housing Montana Fund was created, has flexible operating rules, but was never funded.
4. **State Housing Tax Credit**
 - I. Typically piggybacks off of Federal 4% LIHTC program, simplifying administration.
 - II. Twenty-three (23) states have one, not Montana.
 - III. Montana got close to creating one in 2021, but was ultimately vetoed due to concerns about the budget risk entailed in the state program being tied to federal appropriations.
5. **High Construction Costs**
 - I. Local opposition to new housing a challenge. Opposition inhibits local code reform, prevents discretionary approvals (e.g. zone map amendments). General

- misunderstanding about the relationship between building new homes and existing home prices.
- II. Possibility of attaching YIMBY Act (Yes In My Back Yard) provisions to a future state Housing Tax Credit.
 - III. Other cost factors: homeowners insurance, title insurance, building codes.
 - IV. Construction costs and risk issue for market rate and Affordable housing
 - V. Other discretionary approvals at cost, risk, e.g. fire Marshall approvals
6. Scarcity of nine 9% LIHTC funds.
 7. Lack of financial support mechanisms or programs for starter homes and other for-purchase housing (no LITCH, no housing choice vouchers, Housing Trust Fund, CDBG, Coal Trust Multifamily Homes, etc.).
 8. Growth in overall subsidy required to create each affordable unit.
 9. Examine historic tax credits and potential to expand those tax credits. There is massive untapped potential in rural and urban communities for retrofitting historic buildings to accommodate some housing. Havre alone has more than 120,000 square feet of unoccupied space in historic buildings above ground floor. MT historic tax credit amounts to 5% of the project cost. Renovating existing unoccupied buildings takes advantage of existing infrastructure. Increasing MT's historic tax credit could incentivize additional housing in both rural and urban communities.
 10. Property tax is a significant contributor to the cost of home ownership - it will be difficult to address the cost of housing without addressing the cost of property tax.

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