GOVERNOR'S HOUSING TASK FORCE

Recommendations and Strategies to Increase the Supply of Affordable, Attainable Workforce Housing

DRAFT FINAL REPORT
6-11-24

COMPARISON OF MONTANA HOUSING DEVELOPMENT SUCCESSES AND CHALLENGES USING COMMON THEMES, KEY FACTORS, AND ROOT-CAUSE ANALYSIS

A REPORT BY THE MONTANA GOVERNOR'S HOUSING TASK FORCE

DECLARATION STATEMENT

I hereby submit this report of the Governor's Housing Task Force. My submittal as presiding officer complies with Executive Order No. 5-2022 and 3-2023. The report summarizes findings from a comparison of Montana housing development successes and challenges using common themes and root-cause analysis.

The report was approved by a majority of the Housing Task Force members.

Christopher Dorrington, Director

7/1/2024

Date

GOVERNOR'S HOUSING TASK FORCE

Recommendations and Strategies to Increase the Supply of Affordable, Attainable Workforce Housing

CONTENTS

MESSAGE FROM GOVERNOR GIANFORTE

<comment coming from Travis Hall>

Sincerely,

Greg Gianforte
Governor

PURPOSE, SCOPE AND INTENT

The availability of affordable, attainable housing is critical to the wellbeing of individuals, communities, businesses and organizations of all sizes, and the State's economy at large. However, driven by a shortage of housing supply, Montana faces a crisis that poses substantial challenges for hardworking Montanans seeking to live, work, and raise families in our state.

Many factors are driving housing shortages across the United States, including a lack of available construction labor, land use regulations, zoning restrictions, and a lack of developable land. In recent years, home prices have skyrocketed, newly listed homes were sold within hours of listing, and rental vacancy rates fell, driving up rent prices across Montana. Supply has simply not kept up with demand leading to a record-low housing inventory in early 2022.

The Governor's Housing Task Force

Task Force members (members) were appointed by the governor and included state and local elected officials, state agencies, state boards, councils, and commissions, housing-related professional associations, advisory groups, and researchers, among others. The Director of the Department of Environmental Quality (DEQ) served as the presiding officer and provided administrative support.

In developing its products, members sought input from the public, elected officials, Montana associations whose constituents are impacted by housing policy, advisory groups and researchers focused on housing policy, and other appropriate stakeholders as determined by the Task Force.

Task Force products are not considered to be final studies on the issues or complete solutions to the multi-faceted housing crisis. Governor Gianforte understands that other sources of information will and should be introduced into the conversation over time. He intends to advance the Montana housing conversation by deliberately focusing the time and attention of many experts on this specific issue.

EXECUTIVE ORDER 5-2022

On July 14, 2022, Governor Gianforte signed Executive Order (EO) No. 5-2022 creating the Housing Advisory Council, also known as the Governor's Housing Task Force (Task Force). The Task Force was charged with providing short- and long-term recommendations and strategies to the governor for the state of Montana "… to increase the supply of affordable, attainable workforce housing."

To this end, the Task Force produced two written reports. The first report was submitted on October 15, 2022 and focused on measures the Legislature could consider, and the governor could sign into law. The second report was submitted on December 15, 2022 and focused on regulatory changes and best practices that could be adopted by state agencies and local governments. These efforts were referred to as the "Housing Task Force Phase I and Phase II," respectively.

These phases and reports were intentionally broad in recognition of the complexity of the Montana housing conversation. Recommendations in each report were intended to further inform the Legislature, governor, state agencies, local and tribal governments, and the public.

EXECUTIVE ORDER 3-2023

On June 29, 2023, Governor Gianforte signed EO No. 3-2023 extending the Task Force to June 30, 2025, unless rescinded earlier or renewed by subsequent EO. The purpose of the extension is to have the Task Force expand upon its work as described in EO 5-2022. This effort was referred to as the "Housing Task Force - Phase III."

PROJECT-LEVEL APPROACH

For Phase III, the objective was to examine Montana's housing crisis on a project-level basis. The goal was to answer two fundamental questions: What's working and what's not?

The housing crisis is recognized as a complex conversation that involves many areas of expertise and copious amounts of information to review and share. For organizational purposes, members used an analytical framework strategy to funnel and summarize information in order to identify the most effective recommendations to submit to the governor.

Members followed an assignment-based process with an initial effort to research housing development projects and to provide case study examples of both "successful" and "challenging" projects. These terms were defined broadly relative to time of completion, meeting the budget, resource availability, and/or other criteria.

The Task Force chair created two study groups, one for successes and the other for challenges. Each study group hosted several off-cycle meetings to determine the common themes and key factors from the case study examples and other sources of information. Members then discussed root-causes and potential solutions that lead to draft recommendations. The draft recommendations were reviewed against concepts such as being legal, mindful of 2023 legislation, mindful of local and federal jurisdictions, etc., prior to becoming final recommendations for the governor's consideration.

In summary, Phase III was organized around the following assignments:

- **Assignment #1 - Inventory:** Identify case study examples of both successful and challenging projects;
- **Assignment #2 - Analysis:** Identify common themes and key factors between case study and other examples;
- **Assignment #3 - Attribution:** Identify root-causes and potential solutions; and
- **Assignment #4 - Draft Recommendations:** Summarize findings that will lead to final recommendations.

In this report, the case study examples, assignment worksheets and study group meeting summaries are included in **Appendix A**.

Public Participation Process

All Task Force meetings were open to the public and encouraged participants to share questions, comments, and suggestions. DEQ hosted a Task Force website that identified appointed members and their affiliations to advertise public meetings, publish meeting recordings, and solicit public comment through an interactive comment portal.

For this report, the Task Force met ten times in-person and via video conference between October 2023 and June 2024. All meetings were noticed to the public via a dedicated website (deq.mt.gov/about/housing-task-force) and email listserv with nearly 615 individual contacts and meetings included dedicated time to hear public comment. Members of the public also provided input to the Task Force and shared relevant information via an online comment portal. The Task Force received a total of 12 public comments.

The website comment portal also provided an interactive map viewer to identify where commentators live by zip code and other socio-demographics. The Map Viewer allowed the public to review comments and suggestions submitted via this media to the Task Force.

LIST OF RECOMMENDATIONS

Executive Summary

The Task Force proposed 23 final recommendations. The bulk of these recommendations focused on regulatory and financial solutions. Specifically, regulatory solutions targeted building code reform, zoning code reform, insurance reform, and support to local governments. Financial solutions addressed new housing funding programs, funding for existing housing programs, funding for state revolving funds, affordable housing investments, and opportunities for housing improvement districts.

The final recommendations are presented below:

R	RECOMMENDATIONS	PAGE
R1	Minimum Lot Size Requirements	7
R2	Parking Mandates	10
R3	Building Code Provisions for Missing Middle Housing	12
R4	Incorporate Landmark Pro-Housing Reforms into the Montana Land Use and Planning Act	14

Final Recommendations

R1	MINIMUM LOT SIZE REQUIREMENTS	
	Submitted By:	**Mark Egge and Emily Hamilton**
	Common Themes:	**Regulations and Construction**

RECOMMENDATION:
Eliminate minimum lot size and lot width requirements in cities to facilitate starter home construction with less expensive detached single-family houses and townhouses.

RATIONALE:
A 2021 University of Montana report found minimum lot sizes raise housing prices by as much as 20% by forcing buyers to purchase more land than they want. Several additional studies have confirmed this finding. The City of Bozeman 2021 Development Code Audit for Affordable Housing notes that "additional-lot-area-per-unit standards are a significant contributor to high housing prices for non-single-household development."

Minimum lot sizes also create "de facto single-family zoning" when the number of units permitted on a lot is tied to the lot size - even if the actual building takes up no more lot space than a single-family home (according to the Montana Zoning Atlas, 13.5% of residential areas zoned for multifamily housing in Bozeman are "de facto" single-family zoning due to lot size minimums). In many cases this prevents the creation of more affordable multifamily housing.

In 2019, the City of Helena abolished nearly all minimum lot size requirements. The Helena Association of Realtors said abolishing minimum lot sizes would "address housing goals by increasing dwelling unit supply while also protecting the character and quality of the city's neighborhoods." Cities that have significantly reduced or abolished lot size minimums have seen significant in start homes like townhouses. For example, minimum lot size reform in Houston, TX has facilitated the construction of tens of thousands of attached and detached houses on small lots and contributes to Houston having the lowest median house price to median income ratio among large Sunbelt cities.

BARRIERS ADDRESSED:
Repealing minimum lot size requirements would allow builders to provide housing

on less expensive lots. This smaller-lot development would also be more cost-effective for localities because larger lots require more infrastructure for streets, sidewalks, lighting, sewer, and water for each household, and higher taxes as a result. Limiting local minimum lot size requirements does not mean that new housing on larger lots would be banned, it simply means that property owners and homebuyers have the right to build and live on smaller pieces of land if they choose to. Setting limits on lot size requirements is not a one-size-fits-all solution; on the contrary, it would allow property owners to put their land to higher value uses as market conditions change in their neighborhoods.

KEY STRATEGIES:

The Legislature should consider limiting localities' authority to require large lot sizes for new housing by amending to §76-2-302, MCA to prevent localities from implementing minimum lot size or lot width requirements in places with wet utilities and including minimum lot size and lot width requirements in SB 382's Limitations on Zoning Authority.

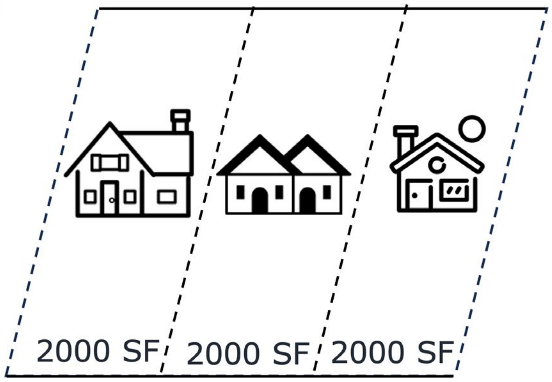
Prohibit local lot size and lot width requirements in areas that are served by public sewer and water systems. To make this small lot development feasible to build "small lots," those that are less than 4,000 square feet would have the following privileges:

- Localities can set small lot setbacks up to 10 feet front and rear, up to five feet side.
- Localities will allow zero side setback and attached housing when property owners on both sides of the lot line agree.
- Localities cannot require more than one parking space per unit and cannot mandate covered parking or off-site parking for small lots.
- Localities cannot require more than 40% open space or permeable surface on a small lot.
- Localities cannot set a height limit below three stories on a small lot.
- In cases where small lot construction would violate preexisting historic preservation rules, deed restrictions, or Home Owner Association (HOA) rules, they need not be allowed.

DISSENTING OPINIONS:

None identified.

SUPPORTING GRAPHICS:



Dimensional Standards Comparison Communities

	Lot Area	Lot Width	Max. Height	Lot Area/ Unit	FAR	Min. Open Space	Max. Lot Cov.	Max. Rear Lot Cov.
Bozeman	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**
Missoula	Yes	No	Yes	Yes	No	No	No	Yes
Billings	No	Yes	Yes	No	No	Yes [2]	Yes	No
Helena [1]	No [3]	No	Yes [3]	No	No	No	Yes	No
Laramie, Wyoming	Yes	Yes	Yes	Yes	No	No	No	No
Spokane, Washington	Yes	Yes	Yes	No	Some	Yes	Yes	No
Bend, Oregor	Yes	Yes	Yes	Yes	Yes	No	Yes	No

[1] N/A for downtown residential development.
[2] Multi-unit/mixed-use development only
[3] Rural districts only

Table Source: *City of Bozeman Unified Development Code Affordable Housing Assessment, December 2021.*

R2	PARKING MANDATES
	Submitted By: Mark Egge
	Common Theme: Regulations

RECOMMENDATION:
Noting that demand for parking will still lead to its creation in conjunction with new development, limit parking mandates in cities with robust transit and regional transportation planning.

RATIONALE:
Reducing or eliminating costly parking mandates may be the most commonly cited (and evidence based) regulatory reform to support the creation of affordable housing. Examples about from small places like Sandpoint, Idaho to large cities like Seattle and Minneapolis demonstrate that allowing consumer preferences and willingness to pay rather than planning rules to dictate how much parking is created associated with new developments reduces a key barrier to housing creation and leads to lower prices. The experience of cities that have eliminated costly parking mandates is that new parking continues to be created, though in many cases less parking than would have been previously required.

More than half of renter households in Montana have one or zero vehicles available, yet in most Montana cities any dwelling with two or more bedrooms would be required to have multiple parking spaces. Parking spaces add measurably to the cost of housing. Surface parking spaces are estimated to cost $5,000 (in addition to the cost of land), structured parking $30,000 per space, and underground parking $60,000 per space and up.

Planning rules that require renters and businesses to pay for more parking than they want or need drive up costs for everyone.

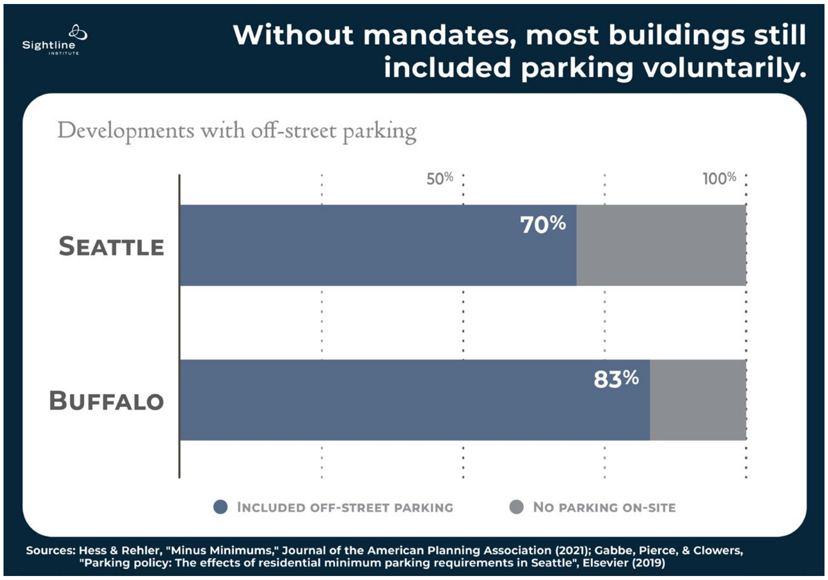
BARRIERS ADDRESSED:
Limiting the ability of cities (especially those with robust multimodal transportation systems) to impose costly parking mandates on new development will remove a key barrier that prevents the creation of housing (especially infill construction) and drives up costs.

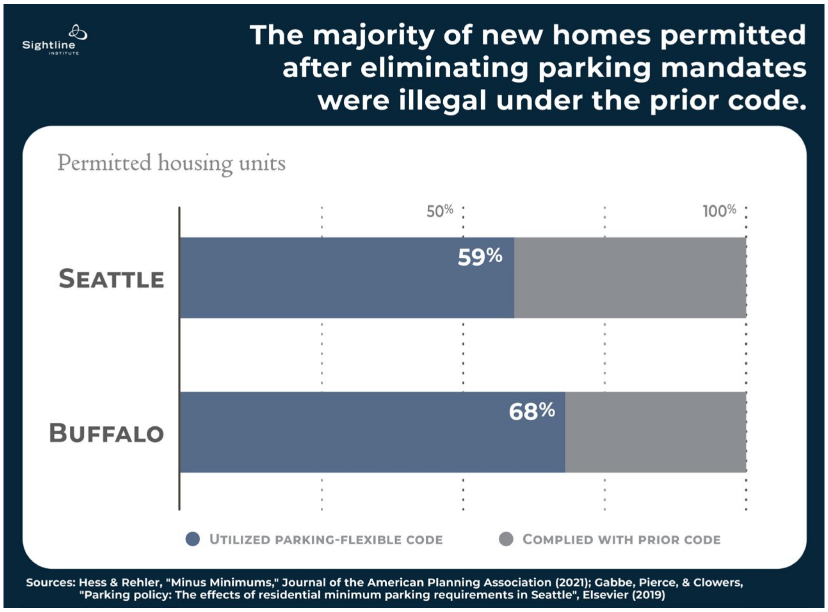
KEY STRATEGIES:
Introduce legislation prohibiting municipalities within the boundaries of a metropolitan planning organization from enforcing minimum parking requirements

for real property. (Refer to Colorado HB 24-1304 for an example of a similar statewide bill.) Incorporate these statutory requirements into §76-25-303, MCA.

DISSENTING OPINIONS:
None identified.

SUPPORTING GRAPHICS:





Sources: *Hess & Rehler, "Minus Minimums," Journal of the American Planning Association (2021); Gabbe, Pierce, & Clowers, "Parking policy: The effects of residential minimum parking requirements in Seattle", Elsevier (2019)*

R3 BUILDING CODE PROVISIONS FOR MISSING MIDDLE HOUSING

Submitted By:	Mark Egge and Danny Tenenbaum
Common Theme:	Regulations

RECOMMENDATION:

Identify, evaluate, and implement building code reforms to lower housing construction costs and timelines without compromising safety, especially for middle density dwellings. Many local and state jurisdictions nationwide have adopted building code reforms that make it more economical to build "missing middle" type housing without compromising health or safety.

Examples of these types of reforms include allowing small multiplexes to be built or renovated under the International Residential Code (IRC) rather than the more-costly International Building Code (IBC), allowing single-stair buildings of more than three stories or removing sprinkler requirements when other robust fire-safety standards are implemented, ensuring building code allows for all different sizes of elevators on the market, and other related modifications that are appropriate to middle density housing units.

RATIONALE:

Changes to the local residential building code can significantly lower costs and construction timelines which empowers owners and developers to consider new housing types. For example, the City of Memphis governs construction and modification of 3- to 6-unit structures under the IRC, removes sprinkler requirements for 2-hour fire-rated wall and ceiling/floor assemblies, modified seismic and egress provisions, and no longer requires separate mechanical, electrical, and plumbing drawings. As a result, Memphis has a more diverse housing market with new and updated homes that are available and potentially more affordable for renters and homeowners. The city worked with the state's fire marshal to address initial safety concerns when modifying these building standards.

The Montana Building Codes Program amends existing adopted codes to improve applicability of international standards to Montana needs and contexts. This same mechanism may be used to tailor adopted codes to help better meet the state's housing needs.

BARRIERS ADDRESSED:
Modifications to the building code can reduce the cost and construction timelines of building middle density housing. Lowering the cost of “missing middle” housing will increase the housing supply and help address the shortage of affordable housing.

KEY STRATEGIES:
Use existing administrative mechanisms (such as an ad hoc task force through the Building Codes Program within the Montana Department of Labor & Industry or a subcommittee under the Building Codes Council), convene a representative group of stakeholders and officials to identify, evaluate, and recommend building code reforms to promote housing affordability. A task force, so convened, should conduct research (especially of successful practices in other jurisdictions) and make recommendations for code revisions to reduce the cost and timelines for residential construction.

Any task force should include representation from code officials, architects or design professionals, the State Fire Chiefs Association or the State Firefighters Association, affordability advocates, and those having experience with the relationship between adopted building codes and construction timelines and housing costs. This review may follow the examples provided by North Carolina’s 2023 HB 488 and Washington’s 2024 HB 2071.

DISSENTING OPINIONS:
None identified.

SUPPORTING GRAPHICS:
None identified.

R4 INCORPORATE LANDMARK PRO-HOUSING REFORMS INTO THE MONTANA LAND USE AND PLANNING ACT

Submitted By:	Danny Tenenbaum
Common Theme:	Regulations

RECOMMENDATION:

Incorporate the "Montana Miracle" pro-housing reforms (and applicable reforms being proposed in this current report) into section 20 of the Montana Land Use and Planning Act (MLUPA).

RATIONALE:

Difficulty in hiring engineers, drillers, plumbers, architects, etc., has contributed to slower timelines for housing construction. Occupational licensing boards across the United States are increasingly moving towards universal licensing and use of "equivalent standards" to address this problem.

BARRIERS ADDRESSED:

Updating the MLUPA will help tackle the long-term challenge of boosting inventory in larger cities.

KEY STRATEGIES:

- Incorporate the "Montana Miracle" pro-housing reforms legalizing duplexes, Accessory Dwelling Units, mixed-use development, and streamlined design review into Section 20 of the MLUPA. Also incorporate relevant reforms to municipal zoning being recommended in this current report (e.g. manufactured home community zoning, minimum lot sizes, and parking mandates.)
- Update Section 19 of MLUPA to ensure consistency between its "menu of options" and the reforms incorporated into Section 20.

DISSENTING OPINIONS:

None identified.

SUPPORTING GRAPHICS:

None identified.

R5	STREAMLINE PROCEDURES TO CONSTRUCT HOUSING IN CITIES
	Submitted By: Danny Tenenbaum and Joe McKinney
	Common Themes: Regulations, Planning, and Construction

RECOMMENDATION:
Eliminate protest petitions for municipal rezoning, requiring instead a simple majority vote. Eliminate unnecessary municipal hearings for projects proposed by public entities.

RATIONALE:
Rezoning a parcel to allow for increased density is a common step one must take to build multifamily housing in Montana. Under current law, a person seeking to rezone their property must win support from 2/3rds of those present and voting members of the municipality's governing body in the event that 25% or more of landowners within 150 feet sign a protest petition. Requiring a supermajority vote allows a minority to overrule the wishes of the majority. This may make sense for major proposals like constitutional amendments. Modifications to municipal zoning maps, by contrast, happen regularly throughout Montana's cities and towns, frequently not even making the local news. Rejecting the will of the majority specifically for requests to modify zoning is simply undemocratic. If a party with standing believes the rezone petition was granted unlawfully, they retain the ability to seek redress in court.

Current Montana law requires a symbolic city council hearing when a public entity, like a state university or state agency, "proposes to use public land contrary to local zoning regulations." These hearings are not necessary, as local governments lack the authority to reject or modify these types of projects. These unnecessary hearings are confusing for residents, as they give the impression that local governing bodies do have a say, when the authority lies with state entities like the Board of Regents. More importantly, they take up the time of staff and elected officials, and delay decision-making on projects over which local governing bodies have oversight.

BARRIERS ADDRESSED:
Reforming the municipal rezoning statute addresses the challenge of improving the speed and predictability of securing permission to construct.

KEY STRATEGIES:
- Amend §76-2-305(2), MCA to state rezone petitions is granted with "a favorable vote of the majority of present and voting members."

- Eliminate §76-2-402, MCA, to eliminate the requirement that “local governing bod[ies]” hold public hearings for public projects over which it has no oversight.

DISSENTING OPINIONS:

None identified.

SUPPORTING GRAPHICS:

None identified.

R6 REVISE MONTANA PUBLIC WORKS STANDARD FOR SIDEWALK REQUIREMENTS

Submitted By:	Mike Smith
Common Theme:	Regulations

RECOMMENDATION:
Revise Section 02529-5A of the Montana Public Works (MPW) standards (Pg. 492) and Section 608 Sidewalks of the Montana Department of Transportation (MDT) standards to follow the International Residential Code (IRC) depth requirements for driveway and garage thickness.

RATIONALE:
When a developer pours a city sidewalk to receive the final plat approval, they are required to pour it 4-inches thick. When a builder goes to install a driveway, the driveway is required by the IRC to be 4-inches thick as well. However, during the process of installing the driveway the MPW and MDT require that the builder tear out the freshly poured (developer) sidewalk and install a 6-inch thick sidewalk.

This misalignment in sidewalk depth when a builder installs a new driveway requires the builder to remove the recent developer-poured sidewalk and replace it with thicker sidewalks to meet code requirements.

BARRIERS ADDRESSED:
Removing the sidewalks and taking it to the landfill while also re-pouring it to 6-inch depth incurs about $2,000 of additional cost per home which gets passed onto the homeowner. This does not include administrative time or cycle time pertaining to new home construction. The newly enforced standard also carries an environmental impact through the dumping of perfectly good concrete into the landfill.

KEY STRATEGIES:
Changing the MPW standards (Pg. 492) and Section 608 Sidewalks of the MDT standards to follow the IRC's depth requirement for driveway and garage thickness.

DISSENTING OPINIONS:
A thinner sidewalk may be more prone to cracking.

SUPPORTING GRAPHICS:
None identified.

R7 CLARIFYING ROLES AND RESPONSIBILITIES BETWEEN BUILDING CODES AND FIRE MARSHALS

Submitted By:	Sarah Swanson
Common Theme:	Regulations

RECOMMENDATION:
There is confusion amongst regulatory offices and the construction industry on who has the authority to prescribe building requirements prior to issuing occupancy. This change would clarify the law to ensure a single resource is utilized for determining building requirements.

RATIONALE:
Montana's Building Code is designed to allow for alternative means and new technologies to allow the construction industry to leverage affordable building techniques while maintaining public health and safety standards.

BARRIERS ADDRESSED:
Currently, there are examples of multiple regulatory agencies imposing certain building requirements that exceed minimal standards. These requirements add costs, delays, and confusion to the building process.

KEY STRATEGIES:
These recommendations all require statutory changes. If accepted, the Department of Labor & Industry would conduct stakeholder outreach in anticipation of the next legislative session.

Below is a list of recommended MCA changes. Proposed changes are underlined or ~~strikethrough~~:

1. §50-60-101, MCA. "…or designee's jurisdiction for the purpose of determining whether the existing building or premises conforms to laws and rules relating to fire hazards and fire safety."
2. §50-60-102(1)(b), MCA. "…inspect existing public, business, or industrial buildings, as provided in chapter 61, and require conformance to law and rules promulgated under the provisions of this chapter."
3. §50-60-102(2), MCA. "…state if the rules do not conflict with building regulations adopted and occupancy issued by the department of labor and industry."
4. §50-60-202, MCA. "…and regulations for conformity with rules promulgated

and occupancy granted by the department."

5. §50-3-103,(1),(a-d), MCA. "a) ~~design, construction, installation, operation, storage, handling, maintenance, or use of structural requirements for various types of construction~~; operation, storage, handling, maintenance, or use of existing buildings. (b) building restrictions within congested districts; (c) maintenance of exit facilities from existing structures; (d) maintenance of existing fire extinguishers, fire alarm systems, and fire extinguishing systems."
6. §7-33-4208, MCA. "The governing body of an incorporated city or town may adopt technical fire codes, in whole or in part, for application to existing buildings and occupancies by reference under the procedure provided in §7-5-4202, MCA."
7. §50-61-101, MCA. "…and to allow for inspection of the existing buildings and premises by specified officers."
8. §50-61-114(2), MCA. "may enter into all other existing buildings and upon all other premises within the jurisdiction."
9. There is no MCA authorizing the certification of local fire departments to enforce an adopted fire code on existing buildings. The State Fire Marshall should be granted authority to certify local jurisdictions and provide regular oversight (and authority to decertify if necessary).

DISSENTING OPINIONS:

There are varying opinions on the applicability of the fire code versus the building code. Certain regulatory bodies believe they have the authority to require additional building requirements and do so to enhance public safety.

There could be concerns that the state is placing all new building construction requirements on the municipal building departments, thus eliminating the fire marshals from the new construction process. Fire marshals would then only be responsible for existing buildings.

There may be confusion on whether building codes would then be responsible to review, test and accept all new life safety systems; to ensure fire apparatus access is met; ensure for fire hydrant placement and spacing, etc.

Clarity would be needed to ensure municipalities understand which authority to follow, state statutes and rules or city codes.

SUPPORTING GRAPHICS:

None identified.

R8	LIMITING SUBDIVISION APPROVAL CONDITIONS
	Submitted By: Kendall Cotton
	Common Theme: Regulations

RECOMMENDATION:

The state should consider placing firmer and more explicit limits on the conditions allowed for subdivision approvals.

RATIONALE:

Despite progress in making the subdivision approval process more predictable and administratively-driven via SB 382, the Successes Study Group continued to hear concerns with the conditions placed on subdivision approvals. Presenters said the amount of discretion that local governments have to place conditions on their approval of subdivisions was problematic, particularly when conditions are required significantly drive up the cost of development and go beyond what's truly necessary for health, safety, infrastructure, etc.

SB 174 from Sen. Greg Hertz in 2021 updated the subdivision review criteria in §76-3-620, MCA to specify that "each condition required for subdivision approval must identify a **specific, documentable, and clearly defined** purpose or objective related to the **primary criteria** set forth in §76-3-608, MCA". Primary criteria include impacts related agriculture, local services, the environment, public health and safety etc. Conditional approval decisions under this statutory framework are often made directly by elected local government officials either at or directly after contentious public hearings. The Successes Study Group heard from presenters speculation that conditions are added to approvals to satisfy popular opinion instead of closely following the "primary criteria" of §76-3-608, MCA.

SB 382 creates an entirely new local subdivision review procedure, but only for certain municipalities. Instead of approval decisions being made directly by local elected officials for every new subdivision, SB 382 enables certain approvals to be made entirely at the administrative level. Under the new system, the planning administrator "shall issue" a decision to approve, conditionally approve, or deny a preliminary plat if it's in "substantial compliance" with the new land use plan (Section 29). This creates more predictability for subdivision approvals by making decisions less prone to influence by public opinion, rather more focused on an administrator's professional judgment.

Section 28 of SB 382 also limits subdivision requirements to standards for:

(i) standards for grading and erosion control;

(ii) standards for the design and arrangement of lots, streets, and roads;

(iii) standards for the location and installation of public utilities, including water supply and sewage and solid waste disposal;

(iv) standards for the provision of other public improvements; and

(v) legal and physical access to all lots.

In further limitation of conditional approvals, Section 25 of SB 382 also explicitly specifies that local governments cannot require so-called "inclusionary zoning" policies, which increases the cost of housing development, as a condition of approval.

While SB 382 has made substantial improvements to the subdivision approval process for certain municipalities, subdivision approval procedures for jurisdictions that remain governed under the pre-SB 382 subdivision statues could be improved by placing firmer and more explicit limits on the conditions allowed in subdivision approvals.

BARRIERS ADDRESSED:
Prolonged permit approval times add thousands of dollars to the costs of construction, making housing more expensive. Additionally, uncertainty about the conditions added to a development adds risk, which increases the cost of building. One of the Successes Study Group's presenters said the conditions placed on a subdivision he developed added "$30,000, $40,000, even $50,000" to the cost of each home in the subdivision.

KEY STRATEGIES:
The state could consider **narrowing the primary criteria for subdivision approvals set forth in §76-3-608, MCA**. This could include further defining "specific, documentable, and clearly defined impact" or further limiting the types of impacts that can be considered to ensure conditions are only made for the most compelling health or safety reasons.

DISSENTING OPINIONS:
This recommendation could be used to revise the size of housing developments that require a 2nd egress point and also requirements for fire department turnarounds. This may have the potential to create a public health and safety issue.

SUPPORTING GRAPHICS:
None identified.

R9	SELF-CERTIFICATION PERMIT PROGRAMS
Submitted By:	Kendall Cotton
Common Theme:	Regulations

RECOMMENDATION:

State and local governments should pursue the creation of self-certification programs to speed up permit approvals.

RATIONALE:

Despite progress in speeding up permit approval timelines for housing via SB 382 and other reforms, the Successes Study Group continued to hear concerns with permitting delays. Self-certification programs were suggested as a model for consideration that could potentially compliment streamlined administrative approvals of subdivisions via SB 382, as well as support permit reviews by the Department of Environmental Quality (DEQ) and other state agencies.

Self-certification programs allow registered professionals to bypass the normal permit process for certain eligible projects and get permits approved quickly, often in a few days, as long as those professionals have passed a government-sponsored certification program and undergo random audits for compliance. Certified architects or engineers who submit plans related to a development would be able to take responsibility for code compliance and certify themselves that the project complies with the building code.

Importantly, self-certification of permit approvals does not impact land use planning or the public's participation in land use planning. Self-certified projects must still obtain all approvals for planning, zoning etc. prior to the intake of the permit. Self-certification streamlines the **administrative** approval process of certain eligible building/civil/site/landscape plans related to a development.

Additional self-certification program requirements for may include a hold-harmless letter signed by all registrants, a building owner/tenant indemnification letter, and a copy of the professional of record's certification of insurance.

Self-certification programs reduce the burden on administrative staff to individually process permits for standard projects submitted from local engineers and other professionals they work with on a daily basis, allowing them to focus on the new or non-conventional project plans that come across their desk. This saves governments money and promotes efficiency.

Self-certification programs are being implemented with success around the country. The City of Phoenix has had a self-certification program in place since 2010. The City of Phoenix notes they can process self-certified permits in 1-5 business days, compared to the around 30 days it takes to approve a basic site plan under the normal process.

BARRIERS ADDRESSED:

Prolonged permit approval times add thousands of dollars to the costs of construction, making housing more expensive.

As previously noted by the Montana Housing Task Force, self-certification programs would help mitigate review staff shortages and speed up the review process for approving permits.

KEY STRATEGIES:

- State could reconsider SB 227 from Sen. Forrest Mandeville in 2023, which created a self-certification program at DEQ for subdivision reviews.
- State should evaluate whether state agencies and local governments can voluntarily adopt self-certification programs within existing law. If not, legislative reforms should be considered to allow self-certification of permits.
- If self-certification programs are allowed within existing law, the state could consider:
  - Voluntarily adopting self-certification programs at DEQ, DLI etc.
  - Creating resources and model language to support voluntary local government adoption of self-certification.
  - For example, the state could create and administer a statewide educational curriculum and self-certification examination. Local governments could rely on the state certification program to qualify applicants for self-certification of local permits, rather than creating their own program.

DISSENTING OPINIONS:

None identified.

SUPPORTING GRAPHICS:

BUILDING PHOENIX PLANNING & DEVELOPMENT DEPARTMENT

Self-Certification Program
Program Overview

The Self-Certification Program allows a registered professional to bypass the normal plan review process and get permits in one to five business days. Participating professionals must meet minimum qualifications and attend a Self-Certification training class.

Professional Qualifications

- Architect or structural engineer registered in Arizona for at least three years to certify building plans
- Landscape architect registered in Arizona for at least three years to certify landscape plans
- Professional civil engineer registered in Arizona for at least three years to certify grading and drainage plans
- Successful completion of self-certification training from the Planning & Development Department

Submittal Requirements

- Building projects must obtain all planning, zoning, grading and drainage approvals and building code modifications as necessary prior to the city's intake of the plans.
- Civil, Landscape or Parking Lot projects must obtain all planning, zoning, site, off-site civil, site fire, addressing, and alternative paving approvals as necessary prior to the city's intake of the plans.
- For building projects, subject to random audit; a Structural Peer Review Certificate by a city-approved Structural Peer Reviewer is required for projects with structural scope of work; an Electrical Peer Review Certificate by a city-approved Electrical Peer Reviewer is required for installation or modifications to electrical systems that exceed 400 amperes or the available fault current exceeds 22,000 amperes.
- Fire plans and permits cannot be self-certified.
- All plan sheets must be sealed by a professional registered in the State of Arizona.
- Additional program requirements for all projects include: a hold-harmless letter signed by all registrants, a building owner/tenant indemnification letter, and a copy of the Self-Certified Professional's Certification of Insurance.
  - Current forms and checklists are on-line at https://www.phoenix.gov/pdd/self-certification-program/procedures-forms-and-links

Eligibility
Project scope of work must comply with the Self-Certification Program Eligibility Chart:
https://www.phoenix.gov/pddsite/Documents/TRT/dsd_trt_pdf_00491.pdf

For more information refer to our website at https://www.phoenix.gov/pdd/self-certification-program
or contact Claire Simeone-Stern at 602-495-0265.

Source: *City of Phoenix Planning & Development Department, Self-Certification Program*

PLANNING & DEVELOPMENT DEPARTMENT

Self-Certification Program
Eligibility Chart/ Audit Guidelines

Building Plans

Projects Eligible	Projects Not Eligible
• All new building construction and alterations not included in the "Projects Not Eligible" list to the right	• Hazardous occupancies and projects that contain any of the following: - Hazardous processes - Electrically hazardous locations - Extraction rooms - Hazardous exhaust systems - Refrigerant monitoring systems • New high rise buildings (occupied floor more than 75' above Fire Department access) • Projects located in a Hillside Development Area • Extra-large assembly occupancies (A4 & A5) • Projects in FEMA Special Floodplain Hazard Area

Civil/Site/Landscape Plans

Projects Eligible	Projects Not Eligible
• New construction and improvements to parking lot site plans up to 5 acres • All new construction and alteration plans for landscape, salvage and inventory up to 20 acres (on-site and off-site) • Civil on-site grading & drainage plans, & storm water management plans for: - Commercial projects up to 20 acres - Industrial and non-hazardous storage projects up to 80 acres - New residential single family home subdivisions up to 160 acres • Civil grading & drainage/concrete combination plans that meet the criteria above and limited to the following: - Removal and installation of driveways - Repair/replacement of existing curb, gutter and sidewalk - Update existing curb ramps to meet ADA	• Projects located in a Hillside Development Area • Projects in FEMA Special Floodplain Hazard Area • Civil grading & drainage/concrete combination plans for projects located in the Downtown Code or Walkable Urban Code as established by the Phoenix Zoning Ordinance • All other site and landscape plans • All other civil plans

Note: All Self-Certification plans must be submitted by the following types of registered professionals:

- Building Plans – Architect or Professional Structural Engineer
- Landscape Plans – Landscape Architect
- Civil Grading and Drainage Plans – Professional Civil Engineer
- Parking Lot Site Plans – Architect, Landscape Architect or Professional Civil Engineer

Page 1 of 2

Source: *City of Phoenix Planning & Development Department, Self-Certification Program*

City of Phoenix Planning and Development Department
Self-Certification Eligibility Chart, Audit Guidelines – Page 2 of 2

TRT/DOC/00491

Building Plans Audit Guidelines

Random Audit Guidelines	Automatic Audit Guidelines
• All projects not subject to automatic audit • Requires a structural peer review by a city-approved structural peer reviewer • Requires electrical peer review by a city-approved electrical peer reviewer for installation or modifications to electrical systems that exceed 400 amperes or the available fault current exceeds 22,000 amperes. • No audit fee assessed • Generally, a 10% chance of audit	• Remodels – 25,000 sf and above[1] • Shell buildings – 25,000 sf and above[1] • New buildings – 10,000 sf and above[1] • All new E and I occupancies[2] • All new A occupancies with an occupant load of 300 or more[2] • All medical marijuana facilities • All ambulatory care facilities • All standard plans • No structural or electrical peer review required • Audit fee is equal to half plan review fee per Planning & Development Fee Schedule [1] Aggregate area of all buildings [2] New = new building, addition, change of occupancy or initial tenant improvement

Civil/Site/Landscape Plans Audit Guidelines

Random Audit Guidelines	Automatic Audit Guidelines
• All landscape, civil grading and drainage, and parking lot plans up to 5 acres • No audit fee assessed • Generally, a 10% chance of audit	• Projects over 5 acres • Landscape plans for projects located in the Downtown Code or Walkable Urban Code as established by the Phoenix Zoning Ordinance • Civil grading and drainage/concrete combination plans • Audit fee is equal to half plan review fee per Planning & Development Fee Schedule

Source: *City of Phoenix Planning & Development Department, Self-Certification Program*

R10 SUPPORT MANUFACTURED HOUSING

Submitted By:	Emily Hamilton
Common Theme:	Planning

RECOMMENDATION:

Policymakers across Montana should facilitate new manufactured housing parks and manufactured housing subdivisions in places where they are feasible to build. State policymakers should lead on addressing barriers to manufactured housing by creating a streamlined process for permitting manufactured housing parks and ensuring that localities follow correct permitting processes. The state should also encourage Montana cities to allow manufactured housing in zones where it would be feasible to build with density restrictions that support manufactured housing in parks or on individual lots.

RATIONALE:

Manufactured housing is the least expensive way to deliver a unit of new housing today. However, in part because of regulatory barriers to siting manufactured housing, these homes are becoming a smaller share of the nation's total housing stock. In 1973, factory-built housing made up one-third of the nation's new housing units, but they have made up less than one-tenth of new housing in recent years.

Following the 2023 legislative session, Montana is one of two states that both requires localities to treat manufactured housing equal to site-built housing and preempts aesthetic requirements that can make manufactured housing infeasible to build even where it's technically legal. However, zoning restrictions and permitting processes are still a barrier to manufactured housing as a source of low-cost housing.

As manufactured housing parks are redeveloped, localities often do not zone new land for manufactured housing parks, leading to a reduction in the amount of land where manufactured housing is viable. When a park is redeveloped, the scarcity of land where manufactured housing units can be relocated is one important challenge for park residents. A shortage of spots in manufactured housing parks drives up lot rent for the spots that are available. Allowing more manufactured housing parks to be developed in Montana would improve opportunities for more people to live in the least expensive type of housing. Reforms would particularly benefit resident-owned or non-profit owned parks by creating more less expensive options for creating these parks.

BARRIERS ADDRESSED:

Montana faces a severe shortage of starter houses and houses affordable to low- and moderate-income residents. Manufactured housing is the country's largest source of unsubsidized housing that is affordable to these groups.

KEY STRATEGIES:

- State statute should be clarified to indicate that manufactured housing parks do not need to go through subdivision review. Section §76-8-107, MCA should be amended from Buildings for Lease or Rent to Real Property for Lease or Rent and expanded to become the permitting process for manufactured housing parks.
- Amend Section §77-1-902, MCA to allow manufactured housing on state trust land.
- Amend Section §76-2-304, MCA to require manufactured housing parks to be allowed on a parcel or lot that: (i) has a will-serve letter from both a municipal water system and a municipal sewer system; and (ii) is located in a commercial zone.
- The Task Force recommendation for Housing Improvement Districts would help make manufactured housing subdivisions financially feasible.
- The Task Force recommendation to require localities to allow small lot development would help make manufactured housing subdivisions financially feasible.

DISSENTING OPINIONS:

None identified.

SUPPORTING GRAPHIC:

Zoning Rules That Support Manufactured Housing Park Development in Mesa, AZ

TABLE 11-34-3: DEVELOPMENT STANDARDS FOR RV AND MANUFACTURED HOME PARKS AND SUBDIVISIONS					
Standard	Type of Development				
	RecreationalVehicle Park	Recreational VehicleSubdivision	Manufactured Home Park	Manufactured Home Subdivision	
Required Zoning	RM-4	RM-4-PAD RM-4-PAD	RM-4, RSL	RS-6 - PAD	
Alternative Zoning for Infill Sites	—	—	—	ID-1, ID-2 (9)	
Minimum Area	10 Acres	10 Acres	10 Acres	10 Acres (9)	
Maximum Density (3)	22 spaces per net acre	15 spaces per net acre	10 spaces per net acre	7.26 spaces per net acre	
Minimum Space/Lot Size					
Area Sq. Ft.	1,200	1,750 (2,000 avg.)	3,000	6,000	
Width (ft)	34 (7)	35	40	60	
Depth (ft)	40	50	60	94	
Required Yard Setbacks (5)					
Front (ft)	5	7	5	Front (Enclosed Livable Areas. Porches/Porte Cocheres)	10
				Garages/Carports - front and side yards	20 from the entry of carport/garage.
Side Min./Total (ft.)	3/6 (8)	5/10	5/10	5/15 (2)	
Rear (ft)	3	5	10	15	
From Exterior Boundary of Development (ft) (6)	10	10	10	10	
Minimum Recreation Area (sq. ft.) (4)	75 per RV Space	150 per RV Lot	100 per M. H. Space	150 per M.H. Lot	
Minimum Paved Parking (1)	1 per RV Space	1 per RV Lot	2 per M. H. Space	2 per M. H. Lot	
Minimum Visitor Parking	1 per 10 RV Spaces	1 per 10 RV Lots	1 per 5 M. H. Spaces	1 per 5 M. H. Lots	

Source: *Table 11-34-3 in Mesa, Arizona's zoning ordinance*

R11 SET REASONABLE LIMITS ON IMPACT FEES

Submitted By:	Danny Tenenbaum
Common Theme:	Construction

RECOMMENDATION:

Ensure "impact fees" imposed on the construction of new homes comply with the U.S. Supreme Court's recent **Sheetz** decision and do not place a disproportionate burden on first-time homebuyers.

RATIONALE:

Impact fees serve a valid purpose when they fund the public works projects necessary to tie new development into existing infrastructure. However high fees, and fees that are untethered to a project's actual impacts on public services can exacerbate housing unaffordability. Setting reasonable limits on impact fees will make it easier for first-time homebuyers to afford housing in the communities where they work.

BARRIERS ADDRESSED:

Establishing reasonable limits on these fees addresses head-on the challenge of high costs in new construction.

KEY STRATEGIES:

- Amend §7-6-1601(7), MCA to limit impact fees collection to statutorily defined "public facilities" (transportation, water, wastewater, stormwater, fire and police facilities). Current statute includes a sixth, catch-all category for "other facilities" which may not comply with the Sheetz decision's requirement that impact fees have an "essential nexus" to the expected impact of the development.
- Amend §7-6-1601(5)(a), MCA to eliminate the 5% allowable increase for "administration" of the fee.
- Limit growth in impact fees to inflation.

DISSENTING OPINIONS:

None identified.

SUPPORTING GRAPHICS:

None identified.

R12	STREAMLINE DESIGN REVIEW PROCESS FOR BUILDERS
	Submitted By: Danny Tenenbaum
	Common Theme: Construction

RECOMMENDATION:

Streamline design review process to ensure rules do not slow down or block new construction.

RATIONALE:

As one of the pro-housing pieces of legislation passed during the 2023 session, SB 407 set initial guidelines for the small number of municipal governments in Montana that have chosen to impose design rules on new construction that go beyond the statewide building code. Since the bill's passage, there have been attempts to improve local design rules with mixed success. Whitefish, for example, still sends projects to go before a volunteer Design Review Board where projects endure a hearing and can be delayed for objections to things like sconce design and paint colors.

Other cities still impose mandates to recess/setback upper floors, articulate rooflines, and "break up the massing" for new construction. The claimed justification for maintaining these aesthetic design rules is that they comply with the legal requirement of being "necessary to protect public health or safety." Requiring complex, articulated construction drives up costs and results in heat loss due to increased surface area. Clarifying the language of SB 407 will improve predictability and speed for builders.

BARRIERS ADDRESSED:

Streamlining design review procedures will minimize the delay and uncertainty that makes new construction more expensive.

KEY STRATEGIES:

- To avoid legal ambiguity, provide explicit guidelines for cities to follow if they decide to impose design mandates on builders and architects. The framework of Utah's HB 1003, passed in 2021, may be a useful touchstone.
- SB 407's "necessary to protect public health or safety" standard for local design rules should be amended to become "demonstrably necessary and narrowly tailored to fulfill a compelling public safety objective."
- Appeals of city staff design review decisions should go directly to the city's

governing body.

- Make explicit that design rules that do not comply with state statute may not be enforced.
- Incorporate these statutory guidelines into §76-25-303, MCA to ensure builders in all cities from onerous design mandates.

DISSENTING OPINIONS:

This recommendation restricts the design review procedures to only the state statute. This strategy limits the ability of local jurisdictions to add design review procedures, thus limiting local control.

An alternative to this recommendation may be to eliminate local design mandates entirely. If a project complies with zoning and complies with the building code, a city should simply issue a permit. Most municipal governments like Great Falls, Billings, Butte and Kalispell already do this. Only a few impose additional "design" ordinances which drive up costs. This is very similar to SB 406 (2023), introduced by Senator Trebas, which ended local building codes that are more stringent than the state building code.

SUPPORTING GRAPHICS:

Examples from the City of Bozeman's current code:

Figure 38.530.050.C.
Acceptable and unacceptable window design examples.

Source: *Bozeman Development Code*

Both buildings use modulated entry feature to help break up perceived massing and add visual interest.

The left building on East Main (about 110 ' wide) uses an articulated partial third floor along with smaller articulation treatment on the main floors to effectively break up the perceived scale and add visual interest (this would be a good departure example). The building to the right would not be an acceptable example. While the articulated features on the lower floors help, the monotony of the very long upper floor and roofline would not be acceptable.

Source: *Bozeman Development Code*

R13 STRENGTHEN SB 245 (2023 MIXED-USE ZONING BILL) TO ALLOW TALLER BUILDINGS

Submitted By:	Danny Tenenbaum
Common Theme:	Construction

RECOMMENDATION:
Legalize taller buildings in commercial and mixed-use zones designated under SB 245 (2023). Relaxing height restrictions in commercial and mixed-use zones to legalize “5 over 1s” – for the most common form of new multifamily construction in the United States.

RATIONALE:
Relaxing height restrictions in Montana cities (meeting the same criteria as SB 245) help to expand housing options in walkable neighborhoods that are typically closer to jobs, shopping, restaurants, and other value-adding amenities. This is directly in support of Governor Gianforte’s mission to make it easier for Montanans to live where they work. Taller buildings can provide more rental or condo units, increasing property tax revenue for the cities on existing infrastructure. Tall buildings are good for the economy too - they support more businesses in the area. Often, these six-story buildings have commercial space on the ground floor with residential units above. This can create a more lively and active area throughout the day.

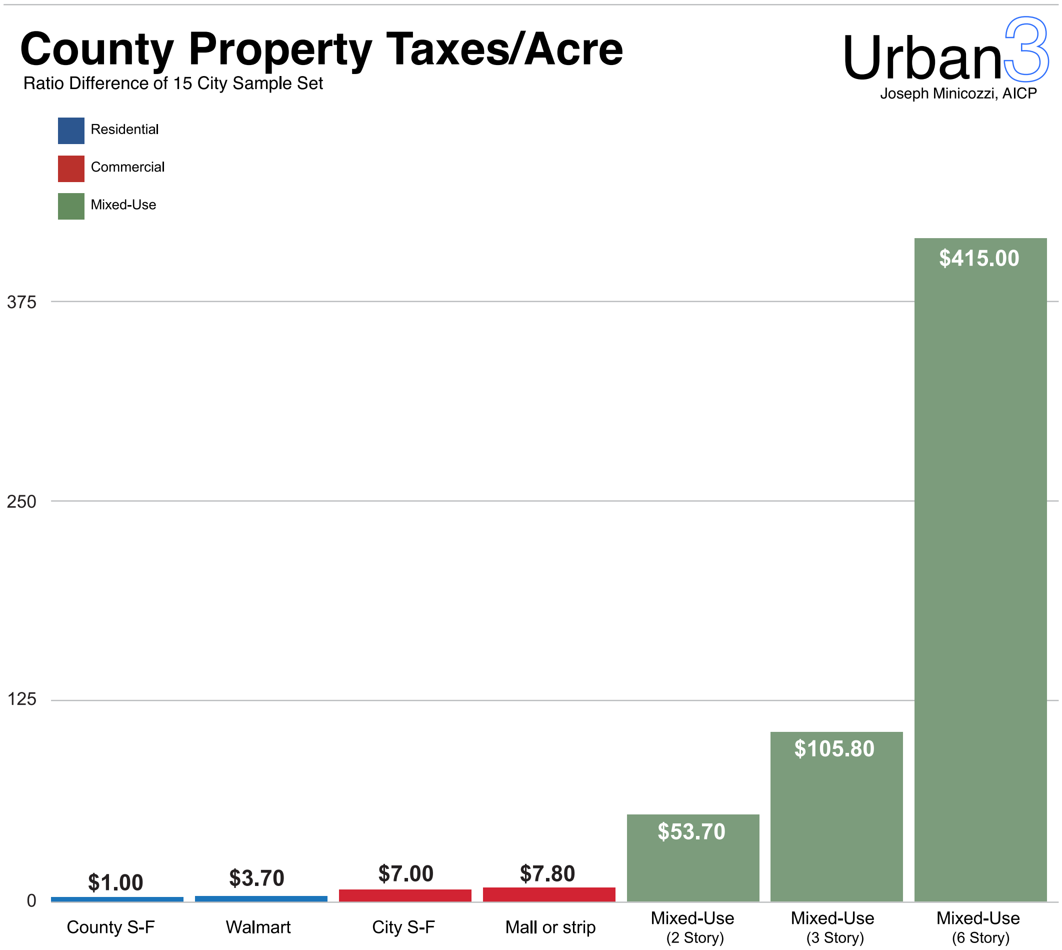
BARRIERS ADDRESSED:
Relaxing height restrictions addresses the challenge of siting multifamily housing and mixed-use development in cities.

KEY STRATEGIES:

- Amend §76-2-304(3)(b), MCA to relax height restrictions on buildings up to six stories in commercial areas of cities that meet (3)(a) criteria.
- Incorporate these statutory guidelines into §76-25-303, MCA to ensure builders in cities subject to the Montana Land Use and Planning Act also benefit from relaxed height limits.

DISSENTING OPINIONS:
None identified.

SUPPORTING GRAPHIC:



Average county property tax/acre ratio across sample set of 15 different cities from Montana to Florida.

Source: *Urban3, Joe Minicozzi, AICP*

R14	ALLOCATE STATE FUNDS TO BUILD THE HOUSING MONTANA FUND
	Submitted By: Joe McKenney, Don Sterhan, and Cheryl Cohen
	Common Themes: Construction and Financial

RECOMMENDATION:
Substantially increase state funding for the Housing Montana Fund (HMF) - Affordable Housing Revolving Loan Fund (AHRLF) established under §90-6-133 and §90-6-134, MCA and administered by the Montana Board of Housing (BOH).

RATIONALE:
The HMF includes an AHRLF account established under §90-3-133 and §90-6-134, MCA which can provide lower interest rate loans to eligible applicants for the development and financing of low- and moderate-income housing. The only revenues currently are interest income on mortgage loans and investments, any monthly principal and interest payments, and payoffs into the account. The current fund balance, as of April 2024, is approximately $170,000.

The HMF and its AHRFL were established in 1999 by SB 349. The legislative declaration in SB 349 remains as or even more applicable today as when it was drafted in 1999:

(1) The legislature finds that current economic conditions, federal housing policies, and declining resources at the federal, state, and local levels adversely affect the ability of low-income and moderate-income persons to obtain safe, decent, and affordable housing.

(2) The legislature finds that the state 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.

(3) The legislature declares that it is in the public interest to establish a continuously renewable financial resource known as an affordable housing revolving loan fund to assist low- and moderate-income citizens in meeting their basic housing needs.

There were no state legislative appropriations made to the HMF-AHRLF account at the time of SB 349 passage, nor any appropriates made subsequently. Following establishment of the account in 1999, the BOH put Affordable Housing Program loans funded by Federal Home Loan Bank of Seattle into the account and—based on cashflow—these loans have been paid back over time. The following session after its inception, the legislature transferred $500,000 from the Commerce Housing

Division's Section 8 Reserves into the account. Only a handful of loans have been made under the AHRLF over the last 10 years due to insufficient funding available.

The HMF-AHRLF could, with sufficient state appropriation, serve as a flexible state housing trust fund to provide matching funds to support the development and financing of low- and moderate-income housing (up to 95% of median income). The BOH has existing Administrative Rules of Montana (ARMs) governing the program, allowing for rapid and flexible deployment of funds to meet urgent housing needs in Montana communities.

The HMF-AHRLF framework could serve as a State of Montana Housing Trust Fund. Thirty-eight (38) states have a State Housing Trust Fund, including 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, and West Virginia.

Source: *State Housing Finance Agency Factbook: 2022 NCSHA Annual Survey Results*

BARRIERS ADDRESSED:

- Financing affordable housing developments is a barrier. Although conventional bank financing and developer equity can provide substantial financing, there may remain a funding gap to complete the project's capital stack. Gap financing in the form of a revolving loan fund can help to meet these gaps.
- Bridge financing may also be necessary to make development for low-income or moderate-income households feasible. The HMF- AHRFL, under §90-6-134(3)(b), MCA already provides a framework for "bridge financing necessary to make a low-income housing development or a moderate-income housing development financially feasible." Bridge financing loans can revolve more quickly when permanent financing takes out the bridge loan, allowing for additional loans to be made.
- Lack of affordable homes for low- and moderate-income Montanans.
- Increasing number of Montanans experiencing housing instability and homelessness.
- Limited number of affordable housing developments proposed in rural/ underserved Montana communities due to lack gap financing, TIF or other resources in those communities to pair with federal resources.

KEY STRATEGIES:
Draft and introduce legislation to authorize an appropriation of state funds to the HMF-AHFLF. The BOH can administer loans under this existing MCA and ARM framework. A suggested investment of $50 million would provide a healthy starting fund balance from which a revolving loan fund could successfully operate.

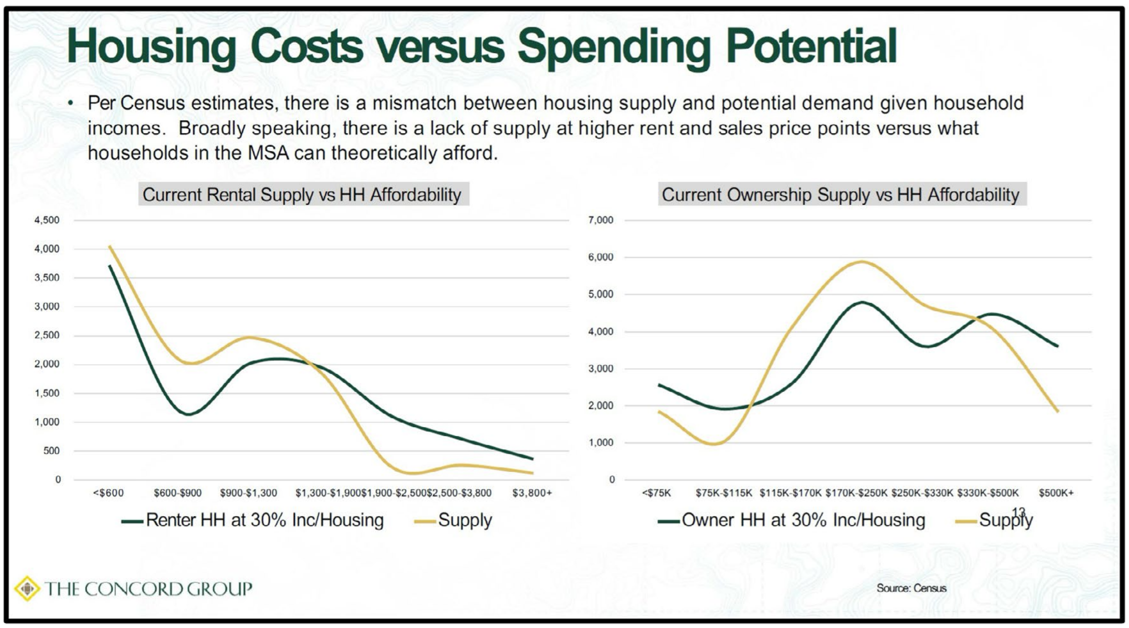
DISSENTING OPINIONS:
State government should focus efforts on removing barriers and implementing reforms to legalize missing middle housing options and provide greater incentivizes to encourage private sector development to meet Montana’s housing needs.

Local governments and the private sector should increase contributions to affordable housing, not solely state government.

The HMF-AHRLF is specific to low-interest rate loans and does not allow for deployment of funds as grants. Some developers may advocate for additional grant funding for affordable housing development.

A state housing tax credit could be established in lieu of direct state appropriations to the AHRLF.

SUPPORTING GRAPHIC:



Source: *Census*

R15 BOARD OF INVESTMENTS HOUSEKEEPING REVISIONS AND GAP FINANCING

Submitted By:	Joe McKenney and Chris Dorrington
Common Theme:	Financial

RECOMMENDATION:

The legislature should consider a bill (or bills) to amend the statutes that provide for the interest and income earned in the Workforce Housing Fund and in the Montana Housing Infrastructure Revolving Loan Fund accounts. Money deposited into these accounts would be invested by the Montana Board of Investments (BOI) as provided for by law. All interest and income earned on these accounts would be retained in their respective accounts.

RATIONALE:

Although bank financing and developer equity can provide substantial up-front financing, there often remains a financial gap to fully securing new projects. The Challenges Study Group received information stating that increased investment in housing supply would result in improved affordability. This recommendation seeks to increase the available funding for two BOI financial assistance programs.

BARRIERS ADDRESSED:

Access to sufficient financing is often a barrier to new housing developments. It is standard practice that demand for BOI financial assistance exceeds the funding available to developers. Retaining the interest and income earned from these two funds would result in additional capital that may be used to close financial gaps and result in more housing developments.

KEY STRATEGIES:

The 2023 legislature passed HB 819 creating the Montana Community Reinvestment Plan Act. However, the bill passed without considering provisions for the interest and income earned from the appropriations to be retained by their respective accounts. A legislative housekeeping bill could amend the appropriate statutes to address this recommendation.

Another strategy to improve housing development may be to revise the loan requirements for the Montana Housing Infrastructure Revolving Loan Fund. Increasing the maximum loan amounts for infrastructure development would recognize the equity of capital improvements and further support developer financing and commitment.

DISSENTING OPINIONS:

None identified.

SUPPORTING GRAPHICS:

General

- Low fixed-rate financing for up to 20 years.
- Online applications.
- Fast turnaround.
- Experienced staff ready to help your community and project succeed!

Contacts

Louise Welsh
Director of Municipal Loans
▶Bond Program

Doug Hill
Director of Commercial Loans
▶Loan Program
▶Impact Fee Program

John Romasko
Director of Fixed Income
▶Linked Deposit

Montana Board of Investments
2401 Colonial Drive, 3rd Floor
P.O. Box 200126
Helena, MT 59620-0126
Phone: (406) 444-0001
http://www.investmentmt.com

Bond Program

The Montana Housing Infrastructure Revolving Bond Program is designed to help local governments and housing developers lower the cost of infrastructure development.

- ☑ Funds may be used to expand or extend water, wastewater, storm water, street, road, curb, gutter, and sidewalk infrastructure to serve new or rehabilitated residential development.
- ☑ Local governments or security co-purchaser may apply online. BOI to participate in up to 50% of a local government security at a rate up to 25% of the co-purchaser's rate (exclusive of any fees).
- ☑ Program requirements:
  - Minimum gross density of 10 units for each acre.
  - Local government must waive or offsets all impact fees for the developer up to the amount of the security.
  - BOI bond counsel review required at borrower expense.

Program QR Code

Loan Program

Montana Housing Infrastructure Revolving Loan Program is designed to help local governments and housing developers lower the cost of infrastructure development.

- ☑ Funds may be used to cover the costs of demolition or to expand or extend water, wastewater, storm water, street, road, curb, gutter, and sidewalk infrastructure to serve new or rehabilitated residential development.
- ☑ BOI Approved Lender applies online on behalf of the local government or developer for a note not to exceed $1 million or 50% of the project costs. Interest rate locked on reservation date.
- ☑ Program requirements:
  - Minimum gross density of 10 units for each acre.
  - Borrower must pay all impact fees due up to the loan amount.
  - Reservation fee 0.25% of BOI participated amount.
- ☑ MHIR Loan Program Rate Sheet posted weekly on BOI website.

Program QR Code

Impact Fee Loan Program

The Impact Fee Loan Program will help housing developers pay local government fees with no interest to eliminate carrying costs of expanding housing opportunities in Montana.

- ☑ Funds must be used to pay impact fees, latecomer fees, or other state/local government-imposed administration fees (collectively "impact fees").
- ☑ BOI Approved Lender applies online on behalf of the developer for a maximum of $3 million participation per project.
- ☑ 0% interest rate for no more than a 24-month term.
- ☑ Reservation fee 0.25% of BOI participated amount. Funds may be reserved for up to one year.
- ☑ Must have an executed development agreement between state/local government and developer before funds can be distributed to government entity.

Program QR Code

Linked Deposit

The Linked Deposit Program will help housing developers and Approved Lenders lower interest rates during the construction period of an affordable housing development.

- ☑ BOI and Approved Lender will negotiate a fully collateralized deposit per 17-6-102, MCA. Deposit amount will rely on credit quality and affordability of the project.
- ☑ Housing developer pays Federal Home Loan Bank Community Advance Straight Line Amortizing CIA 2-year rate (FHLBCA) for the construction loan.
  - Approved Lender earns first 350 bps (3.5%).
  - BOI earns remainder (FHLBCA - 3.5%).
- ☑ Maximum 24-month term.
- ☑ Program Requirements:
  - Minimum gross density of 10 units for each acre may be required.
  - Proceeds must be used for construction loan.

Program QR Code

Source: *Montana Board of Investments*

R16	ESTABLISH STATE OF MONTANA HOUSING TAX CREDIT PROGRAM
Submitted By:	Don Sterhan, Mike Smith, and Cheryl Cohen
Common Themes:	Construction and Financial

RECOMMENDATION:

Draft and introduce legislation to establish a State Housing Tax Credit program. Montana Board of Housing (BOH) can allocate a State Housing Tax Credit given its long history and experience allocating the federal Low Income Housing Tax Credit (LIHTC). Department of Revenue would administer the tax credit as they administer other state-authorized tax credits.

RATIONALE:

In today's market environment, construction and development costs have become an extreme impediment to building truly affordable homes that are deed restricted and maintained as affordable housing for decades. Traditional funding sources often fall short in fulfilling the total capital need, so developers are left with a "gap" in their financing structure. A State Housing Tax Credit would be a valuable source of gap financing to overcome this shortage to ensure projects remain financially viable.

The federal LIHTC program allocates enough federal credits to Montana to support the construction or rehabilitation of five affordable rental projects per year. The number of units developed has declined as the federal credit allocation has remained flat and in fact decreased following the sunset of a 12.5% boost over a year ago (see decrease from 2021 to 2022). Montana does periodically receive small allocations (a few hundred thousand to <$1M) of additional federal credits remaining, which slightly increased available federal LIHTC in 2023 and 2024.

The BOH's competitive 9% LIHTC application cycle has historically been oversubscribed 3:1. The BOH typically receives between 12-15 Letters of Intent to Apply each year, from which BOH selects eight projects to submit full applications and ultimately only five projects receive allocations of the limited 9% LIHTCs.

In 2024, BOH received only seven "Letters of Intent" for its 9% LIHTC application cycle. Developers have resoundingly indicated that the primary factor in their decision to not submit an application this round was due to the lack of other gap financing / soft debt sources available to make these projects financially viable.

Year	Available Federal LIHTC	# Letter of Intent to Apply	Letter of Intent Requests	# of Projects Allocated	# of Rental Homes
2021	$32.3M	14	$72.4M	5	162
2022	$29.7M	13	$74.5M	5	158
2023	$32.4M	12	$70.7M	5	139
2024	$32.6M	7	$49.0M	TBD	TBD

The state's Volume Bond Cap (VBC) total for 2024 is estimated at $378,230,000. Of that total, 70% is allocated to state issuers. Tax-exempt bonds under VBC can leverage federal 4% Low Income Housing Tax Credits; in fact, it's the only use of VBC that can leverage another federal resource in this way. The BOH allocated $112M in tax-exempt bonds in 2020, $97M in 2021, $40.5M in 2022, and $146M in 2023. BOH's current pipeline estimated at nearly $260M for projects anticipating too close between now and the summer of 2025. A very significant portion of these tax-exempt bond / 4% housing credit deals are being developed in communities that have other resources developers could potentially tap into – such as Tax Increment Financing (TIF) and other local affordable housing funds. BOH staff and developers have expressed concerns about the ability of these pipeline projects to make it successfully to the finish line, absent the availability of other gap financing. Communities that lack local resources are much less likely to have LIHTC projects proposed for development in their communities.

The Coal Trust Multifamily Homes program is the only state-based program that can provide gap financing and it is an excellent resource – but cannot solve the problem by itself. A State Housing Tax Credit would provide another tool in our toolbelt, providing more flexibility and freedom for developers to bridge financial gaps and ultimately to build more homes Montanans can afford to rent.

The University of Montana's Bureau of Business and Economic Research released a report on a state-based housing tax credit and found that funding a tax credit at $1.5 million per year would not only build more affordable housing but provide significant economic benefits to the broader community, such as increased construction activity, job creation, ongoing property operations, and higher incomes.

- Projections for Montana indicate that over ten years, a state housing tax credit would mobilize enough private capital to generate over $143 million in economic activity in construction, job creation, ongoing property operations, and increased incomes.
- For every $1 dollar spent on claimed tax credits, it would produce $2.69 in public and private investment spending in the broader state economy.

In the 2021 session, HB 397 proposed to create a state-based workforce housing tax credit. That bill passed both the House and Senate, but was vetoed by Governor Gianforte because the funding was tied to the federal funding of tax credits. In the 2023 session, HB 829 proposed the creation of a state-based workforce housing tax credit funded at $1.5 million/year for six years. HB 829 passed the House on 2nd reading by a vote of 65-35 but was tabled in House Appropriations.

At least 23 states have a State Housing Tax Credit, including 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, and Wisconsin. Montana has neither a funded state housing trust fund nor a state housing tax credit to augment our federally allocated resources.

Source: *State Housing Finance Agency Factbook: 2022 NCSHA Annual Survey Results.*

BARRIERS ADDRESSED:

- There are limited financial resources to make affordable housing developments “pencil”. Traditional funding sources are increasingly falling short, leaving developers with a “gap” in their financing structure. A State Housing Tax Credit would provide additional equity to a project’s capital stack, as opposed to taking on additional debt in the form of a loan.
- A State Housing Tax Credit would leverage private sector investors interested in the win-win proposition of funding affordable housing development while simultaneously reducing their state tax liability. These tax credits would not only provide additional capital to offset increased construction costs and rising interest rates, but would also allow individuals and corporations to invest in our communities. Truly the creation of a unique public-private partnership.
- Lack of affordable homes for low- and moderate-income Montanans.
- Increasing number of Montanans experiencing housing instability and homelessness.
- Limited number of affordable housing developments proposed in rural/underserved Montana communities due to lack gap financing, TIF or other resources in those communities to pair with federal resources.

KEY STRATEGIES:

Legislation would need to be drafted and passed in the 2025 session to accomplish these recommendations.

DISSENTING OPINIONS:
Historical opposition to providing state funding for affordable housing development in general—including offsets in the form of a tax credit to reduce an individual's state of Montana tax liability, as it may be perceived to be outside of the government's role and is best addressed by the private sector.

The Department of Revenue administers a wide variety of tax credits. Each additional tax credit increases the administrative burden on the department. This has a spillover effect to industries and professionals involved in preparation of tax returns for their clients.

A state housing tax credit approach could increase professional/legal costs associated with development due to financing complexities.

A state housing tax credit approach may introduce additional uncertainties with respect to the credit value to dollar that can be achieved.

Housing Tax Credit projects are expensive from a construction cost basis and are considered by some to be developer friendly.

SUPPORTING GRAPHICS:
The Montana Housing Coalition has used this graphic to explain how housing tax credits work:

Source: *Montana Housing Coalition*

Currently LIHTC rent limits are included in the chart below. Market rent for a comparable property is $1,500 for a 1-bedroom and over $2,000 for a 2- or 3-bedroom apartment (Flathead County example).

LIHTC Income Limits for 2024 (Based on 2024 MTSP Income Limits)	Charts	60.00%	30.00%	40.00%	50.00%	70.00%	80.00%
1 Person		37,140	18,570	24,760	30,950	43,330	49,520
2 Person		42,480	21,240	28,320	35,400	49,560	56,640
3 Person		47,760	23,880	31,840	39,800	55,720	63,680
4 Person		53,040	26,520	35,360	44,200	61,880	70,720
5 Person		57,300	28,650	38,200	47,750	66,850	76,400
6 Person		61,560	30,780	41,040	51,300	71,820	82,080
7 Person		65,820	32,910	43,880	54,850	76,790	87,760
8 Person		70,020	35,010	46,680	58,350	81,690	93,360
9 Person		74,280	37,140	49,520	61,900	86,660	99,040
10 Person		78,480	39,240	52,320	65,400	91,560	104,640
11 Person		82,740	41,370	55,160	68,950	96,530	110,320
12 Person		87,000	43,500	58,000	72,500	101,500	116,000

LIHTC Rent Limits for 2024 (Based on 2024 MTSP/VLI Income Limits) Bedrooms (People)	Charts	60.00%	30.00%	40.00%	50.00%	70.00%	80.00%
Efficiency (1.0)		928	464	619	773	1,083	1,238
1 Bedroom (1.5)		995	497	663	829	1,161	1,327
2 Bedrooms (3.0)		1,194	597	796	995	1,393	1,592
3 Bedrooms (4.5)		1,379	689	919	1,149	1,609	1,839
4 Bedrooms (6.0)		1,539	769	1,026	1,282	1,795	2,052
5 Bedrooms (7.5)		1,698	849	1,132	1,415	1,981	2,264

Source: *Novogradac Rent and Income Calculator*

Housing Tax Credit income eligibility limits vary by county, but to qualify for a Housing Tax Credit apartment in Flathead County the household must first demonstrate they make less than the income limits listed below:

				Flathead County			
2023 AMI		**1 Person**	**2 Person**	**3 Person**	**4 Person**	**5 Person**	**6 Person**
60%	**Max Income**	$35,280	$40,320	$45,360	$50,400	$54,480	$58,500
	Max Per/Hr	$17	$19	$22	$24	$26	$28
70%	**Max Income**	$41,160	$47,040	$52,920	$58,800	$63,560	$68,250
	Max Per/Hr	$20	$23	$25	$28	$31	$33
80%	**Max Income**	$47,040	$53,760	$60,480	$67,200	$72,640	$78,000
	Max Per/Hr	$23	$26	$29	$32	$35	$38
	Kalispell			**Avg**			
	Fast Food			$18			
	Teller			$16-18			
	Costco/Target			$18			
	Office Admin			$18-22			
	Clerk & Recorder Deputy Admin Clerk			$19			
	Hospital Non-Medical			$19-$22			
	Court Deputy Clerk			$20			
	911 Dispatcher			$24			
	Laborer			$26			
	Waste Water Treatment Plant Operator			$26			
	EMT			$28			
	Police Officer			$32			

Source: *Novogradac Rent and Income Calculator; Montana Prevailing Wage Rates for Non-construction Services 2024 Effective: January 13, 2024.*

R17 AUTHORIZE ADDITIONAL FUNDS AND MODIFY STATUTORILY REQUIRED LOAN TERMS FOR THE COAL TRUST MULTIFAMILY HOMES PROGRAM

Submitted By:	Don Sterhan and Cheryl Cohen
Common Themes:	Regulations, Construction, and Financial

RECOMMENDATION:
Draft and introduce legislation to:

- Authorize an additional $50 million in funding from the Coal Trust Tax Fund for the Coal Trust Multifamily Homes (CTMH) program, and;
- Provide more flexible terms for loans made under the CTMH program, administered by the Montana Board of Housing (BOH), and established under §90-6-137, MCA. Specifically, to reassess first lien position and subject to property taxes requirements or at minimum illuminate potential unintended consequences associated with these policies for lawmakers to consider.

The CTMH program is a proven public-private partnership that leverages the state of Montana's Coal Trust Tax Fund to provide lower interest rate loans to eligible affordable housing developers. The program was first authorized in 2019 (HB 16) at $15 million and was reauthorized in 2023 (HB 819) with an additional $50 million. HB 819 directs the Montana Board of Investments (BOI) to allow the BOH to administer up to $65 million of the Coal Tax Trust Fund for the purpose of providing loans for the development and preservation of affordable multifamily rental homes (including preservation of mobile home parks) to assist eligible low-income and moderate-income households. Of the $65 million authorized, currently only $16.7 million remains and BOH expects those funds to be obligated before the 2025 legislative session begins.

Section 17(3)(ii) of HB 819 states "The loan must be in first lien position" and 3(v) states "Projects funded with the loans must be subject to property taxes, except for those located on tribal lands." These requirements are captured in §90-6-137(3)(i) and §90-6-137(3)(ii), MCA and were both carried forward from House Bill 16, Ch. 460 of the 2019 (66th) Legislature. HB 819 in 2023 continued these requirements but did add a subject to property taxes exception for Tribal land projects.

The CTMH program provides interest rates below conventional market rates, but rates are tied to the average investment yield of other Coal Trust Tax Fund investments, ensuring that the fund remains whole and that CTHM does not negatively impact or reduce the many other initiatives funded by the Coal Trust Tax Fund.

RATIONALE:

There is a pressing need for additional affordable housing gap financing. The current demand exceeds available funds. Developers are continuing to struggle with rising prices on materials, making affordable housing developments a challenging prospect. To date, the State of Montana has relied heavily on federal programs to carry the load and bear the brunt of our funding needs for affordable housing in Montana; there is now a need and an opportunity for shared responsibility and some level of additional state participation (financial assistance) to meet the demand and the need. State-based funding for affordable housing development will leverage federal funds and provide much-needed gap financing for projects that need a bit more funding to be financially viable. The CTMH program is the only state-based program currently providing such gap financing and is an excellent resource.

Current statutory parameters of the CTMH program, specifically the first lien position and subject to property taxes requirements, limit the potentially eligible universe of applicants and project types, and create various unintended consequences. Illuminating the unintended consequences of these statutory requirements through the deliberative legislative process would provide elected officials with additional information for their consideration.

BARRIERS ADDRESSED:

This recommendation addresses the barriers discussed in making affordable housing projects pencil out for private-sector developers, particularly in providing a source of gap financing. Recognizing the impact of rising costs in today's market environment (high construction costs, higher interest rates, labor shortages, supply chain deficiencies, etc.), the need for gap financing has become more critical than ever. Since the 1980s, when the federal government moved away from public housing and instead provided increased funding to private sector developers (primarily under the federal Low Income Housing Tax Credit program), this public-private partnership model has been very successful. However, given current market conditions and Montana's severe affordable housing supply shortage, additional funding is needed over and above the federal funding provided.

Other major funders in an affordable housing development's capital stack may not agree to subordinate to a first lien position CTMH loan, particularly if the other funders' loan amount exceeds the CTMH loan amount. At times, other funders may agree to a pari-passu "equal footing" or pro rata loan option, but BOH – in consultation with legal counsel – has determined these loan approaches would not fully meet the current statutory first lien requirement. Capital stacks in affordable housing developments typically include multiple loans and negotiated "waterfall" distribution structures. Developers have indicated that the first lien requirement significantly reduces their ability to leverage this loan program in conjunction with other major funders of affordable housing, including but not limited to regional/ national banking institutions as well as financing available through HUD/FHA, Fannie Mae, and/or Freddie Mac. Partnering with these larger institutional investors would likely require a statutory change to permit CTMH loans in a second lien position.

Montana Code Annotated §15-6-221 provides for a property tax "exemption for rental housing providing affordable housing to lower-income tenants." Eligible properties include, but are not limited to, properties allocated Low-Income Housing Tax Credits by the BOH and properties owned and operated by a nonprofit corporation that are constructed using federal Home Investment Partnership Program grants. This property tax exemption is one of the significant ways the State of Montana contributes to the financial feasibility of affordable housing serving lower-income tenants, and most properties applying for a CTMH loan would be eligible to apply for this exemption, except for the requirement in §90-6-137(3)(ii), MCA.

The "subject to property taxes" requirement results in unintended consequence. For example, this requirement can inadvertently necessitate a larger CTMH loan in the project's capital stack in order to offset the property tax payments requirement over the operating proforma period. CTMH properties are subject to rent limitations which already reduce available net operating income (NOI). A requirement to pay property taxes further reduces operating revenues available for property maintenance, replacement reserve deposits and other longer-term asset management needs to ensure properties can successfully operate for the required 30-year period of affordability.

Reducing available NOI for preventative and capital maintenance place properties at risk of insufficient funds to maintain properties, potentially leading to increased needs for additional public subsidy before the property's period of affordability has concluded. Additionally, with these additional operating costs (property taxes), there is a corresponding and negative impact that surfaces in one of two ways, or both: (1) developers are forced to build fewer homes to make the development pencil out, or (2) the added costs are passed along to tenants, resulting in higher monthly rental rates. By removing the property tax requirement, developers can build more affordable homes and keep rents lower.

There are also various scenarios this requirement may not have anticipated. For example, BOH—in consultation with legal counsel—has determined that Payment-In-Lieu-Of-Taxes or PILOT programs which are administered by various units of local government to allow reduced property taxes for certain eligible uses including affordable housing, cannot be leveraged by CTMH properties given the legislative requirement and intent to be “subject to property taxes.” Additional scenarios include properties developed on Community Land Trust (CLT) parcels where property taxes on the land versus improvements are distributed to the CLT and property owner separately.

KEY STRATEGIES:

Legislation would need to be passed in the 2025 legislative session to address and implement these recommendations. This draft legislation could both increase the level of funding authorized and provide for more flexible terms for loans to increase the program’s impact and effectiveness. Testimony from BOH subject matter experts and the affordable housing developer community during the 2025 legislative session can provide lawmakers with additional details and scenarios for their consideration.

DISSENTING OPINIONS:

Historical opposition to providing state funding for affordable housing development in general, as it may be perceived to be outside of the government’s role and is best addressed by the private sector.

Members of some key legislative committees and individuals representing the Board of Investments (BOI) have indicated that the CTMH program “starves” the Coal Trust Tax Fund because the interest rates for CTMH loans were lower than what the fund could make on traditional investments. This criticism may have been fair under the first $15 million authorized by HB 16 in 2019 (although this argument did not necessarily acknowledge the other economic activity and benefits generated by housing development), but with adjustments in HB 819 and under current Administrative Rules for the program, all loans are now made at the average performance yield per BOI’s posted rates, thus making that argument moot.

A strict first lien position requirement provides the best assurance and security for Coal Trust Tax Fund dollars loaned for affordable housing development.

Allowing CTMH properties to either be exempt from payment of property taxes and/or allowing for reduced property taxes under PILOT programs reduces property tax revenue to the state and units of local governments. This revenue is needed for the delivery of essential services.

SUPPORTING GRAPHIC:

The Montana Housing Coalition has used this graphic in support of CTMH:

Success of
Coal Trust Multifamily
Homes Program

As of 2024, the Montana Board of Housing approved loans totaling **$50.3** million to finance **18** developments in **13** Montana communities for **610** apartment homes.

Since 2020, **244** affordable apartment homes have been developed or preserved, with **366** in development

Results from initial $15 million in HB 16*:

- **$17.7 M** in private investment
- **421** jobs created
- **$19 M** in wages

*Bridge, B., Ph.D. (2020, December). Affordable Housing in Montana [PDF]. University of Montana: Bureau of Business and Economic Research.

Source: *Montana Housing Coalition*

R18 FAIR MARKET RENT REEVALUATION - FUND RENTAL HOUSING SURVEYS

Submitted By:	Cheryl Cohen
Common Themes:	Regulations and Financial

RECOMMENDATION:

The Governor's Housing Task Force supports the Behavioral Health System for Future Generations Commission's recommendation to the Governor for an appropriation of up to $1 million to support statistically relevant Fair Market Rent (FMR) reevaluation rental housing surveys per the U.S. Department of Housing and Urban Development (HUD) regulations to support an increase to base federal FMRs, thereby increasing Montana's Section 8 Housing Choice Voucher Payment Standards.

The HB 872 Behavioral Health System for Future Generations Commission (BHSFG) has assessed this recommendation to "Increase support for people with serious mental illness (SMI) and/or substance use disorder (SUD)" by "coordinat[ing] with appropriate housing authorities to develop a FMR review to increase the purchasing power of housing vouchers." The Commission's April 23, 2024 meeting discussed a potential appropriation of $750,000 under the HB 872 framework to support this effort, given the correlation between persons served under the Department of Public Health and Human Services behavioral health programs and those same individuals utilizing or needing to utilize federal rental assistance vouchers to maintain housing stability. At the Commission's May 20, 2024 meeting, this recommendation was adjusted to a up to $1 million. The Commission approved moving this recommendation to the Governor's office for final approval.

RATIONALE:

The Department of Commerce statewide Public Housing Authority, known as the Rental Assistance Bureau within the Montana Housing Division, has maximized its Section 8 Housing Choice Voucher Payment Standards (VPS) using available HUD waivers, including HUD's "Success Rate Payment" and "Exception Rate Payment Standards." Under the program, participants pay 30% of their adjusted monthly income toward rent and the federal Housing Assistance Payment (HAP) covers the difference up to a maximum Voucher Payment Standard. VPS are based on FMRs, which are in turn based on standard quality, recent mover rents at the 40th percentile. HUD has acknowledged that "assessing the accuracy of FMRs is difficult because at any given time the true 40th percentile rent paid by recent moves is unknown." This is especially the case in rural/frontier areas with limited rental housing stock from which to base a statistically relevant sample.

Despite leveraging multiple HUD waivers to increase the VPS, Montana's 2023 VPS for studios and 1- and 2 bedroom dwellings were – on average - $134, $119, and $93/month LESS per month than the applicable 60% Low-Income Housing Tax Credit (LIHTC) restricted rents. This discrepancy is particularly acute in growing markets and more rural/frontier areas.

	Avg Difference 2023 VPS - 2023 LIHTC 60%
Studio / Efficiency	(134)
1 Bedroom	(119)
2 Bedroom	(93)
3 Bedroom	90
4 Bedroom	182

	Avg Difference 2023 FMR - 2023 LIHTC 60%
Studio / Efficiency	(262)
1 Bedroom	(261)
2 Bedroom	(271)
3 Bedroom	(149)
4 Bedroom	(98)

In short, if VPS are not keeping up with restricted, below-market rents in LIHTC properties, they are certainly not keeping up with general market rate rental costs. This is significantly reducing the leasing success rate of Montanans issued federal rental assistance vouchers. In fact, less than 50% of households issued vouchers are able to successfully lease up in the private rental market within the allowable 120-day timeline permitted by HUD.

HUD does provide for another option to increase FMRs (upon which VPS are based) if the jurisdiction can provide "statistically representative rental housing survey data" to justify the increase. Some HUD publications estimate this type of survey to cost between $20,000 - $30,000 per county. In partnership with other local Public Housing Authorities (PHAs), the Montana Housing Division has learned a more realistic cost might be around $50,000 per county. Some states have conducted this survey on a regional, rather than individual county basis, which could help reduce overall costs.

The Montana Housing Division with the Department of Commerce is currently exploring an initial pilot rental housing survey for the Lewis & Clark, Broadwater, and Jefferson tri-county region, in partnership with the City of Helena, Lewis & Clark County, and Helena Housing Authority. This pilot could inform a regional, statewide approach. The City of Helena, Lewis & Clark County and the Helena Housing Authority are each contributing to cost-share for this initiative pilot, which is estimated at approximately $100,000. HUD is providing technical assistance resources for this effort.

The Rental Assistance Bureau's HUD administrative fees and HUD-held reserves are insufficient to undertake a broader state-wide effort, which could provide a more permanent solution to challenges with the voucher under-utilization and the difficulties of participants to secure a rental unit on the private market. Increasing the VPS could also support efforts to "project base" some of the tenant-based vouchers by pairing them in LIHTC or other affordable rental developments.

§982.503 Payment standard amount and schedule.

(c) *HUD approval of exception payment standard amount —*

(3) Above 120 percent of FMR.

(i) At the request of a PHA, the Assistant Secretary for Public and Indian Housing may approve an exception payment standard amount for the total area of a county, PHA jurisdiction, or place if the Assistant Secretary determines that:

(A) Such approval is necessary to prevent financial hardship for families;

(B) Such approval is supported by statistically representative rental housing survey data to justify HUD approval in accordance with the methodology described in §888.113 of this title; and

(C) Such approval is also supported by an appropriate program justification in accordance with paragraph (c)(4) of this section.

(ii) For purposes of paragraph (c)(3) of this section, the term "place" is an incorporated place or a U.S. Census designated place. An incorporated place is established by State law and includes cities, boroughs, towns, and villages. A U.S. Census designated place is the statistical counterpart of an incorporated place.

Applicable §888.113 reference:

(e) *Data sources.*

(1) HUD uses the most accurate and current data available to develop the FMR estimates and may add other data sources as they are discovered and determined to be statistically valid. The following sources of survey data are used to develop the base-year FMR estimates:

(i) The most recent American Community Survey conducted by the U.S. Census Bureau, which provides statistically reliable rent data.

(ii) Locally collected survey data acquired through Address-Based Mail surveys or Random Digit Dialing (RDD) telephone survey data, based on a sampling procedure that uses computers to select statistically random samples of rental housing.

(iii) Statistically valid information, as determined by HUD, presented to HUD during the public comment and review period.

BARRIERS ADDRESSED:

- Improved voucher utilization rate of state and local PHA Section 8 Housing Choice Vouchers.
- Increased “success rate” of participants able to successfully lease up in the rental market with their voucher within 120 days. Commerce PHA “Success Rate” is currently around 48%.
- Address current Catch-22 cycle of low utilization rates placing state and local PHA HUD-held reserves at risk of federal capture, as has occurred in recent years to the tune of $4.5 million.
- Increased housing stability for Montanans experiencing SMI / SUD at risk of housing instability or homelessness.
- Improved alignment between VPS with market rental rates.
- Increased landlord recruitment and retention.
- Increasing Montana’s base FMRs would be a more permanent and wholistic solution, versus smaller scale proposals such as a landlord retention/recruitment bonus, landlord mitigation fees for tenant damages beyond what can be covered by security deposit and/or proposed tax credits to landlords for renting before market rate.

KEY STRATEGIES:

- Recommend the Governor's Office approve the recommendation to fund FMR studies, as supported by the HB 872 Commission during their May 20, 2024 meeting.
- As the process proceeds, consider balance of state funding contributions versus local match from either local PHAs and/or local governments.
- Continue advocacy efforts at the federal level to address underlying challenges with HUD methodology that disproportionately impacts rural Montana.
- Procure reputable university and/or consultant team to conduct surveys.
- Completion of tri-county study in partnership with City of Helena and Helena Housing Authority; process and results to inform statewide, regional approach.
- Completion of rental housing surveys by FYE 2026 to inform FY2027 submission to HUD for review and approval.

DISSENTING OPINIONS:

- To minimize the need for any additional FTE resources, Commerce could explore partnering with one or both state universities or other reputable consultants with prior rental housing survey experience to complete this work.
- A cost sharing or match requirement with local public housing authority, tribal housing authority or units of local government could be considered.
- Competing needs for use of state funds.

SUPPORTING GRAPHICS:

Source: *BHSFG May 20th Meeting Slide Deck – See slides 7 through 12.*

R19 BUILD HOUSING MONTANA FUND AND ENGAGE UNDERSERVED COMMUNITIES

Submitted By:	Cheryl Cohen
Common Theme:	Financial

RECOMMENDATION:
Provide an additional Full-Time Equivalent (FTE) position within the Montana Board of Housing (BOH), with a corresponding appropriation to fund the FTE. This FTE would focus on:

- Engaging the private sector, including employers/businesses and philanthropic organizations, to make contributions, gifts and/or grants to the Housing Montana Fund (HMF) - Affordable Housing Revolving Loan Fund (AHRLF).
- Outreaching underserved communities, including rural cities/towns and Tribal governments, to gain an increased understanding of each community's specific housing needs and financial challenges.

This position would provide a continuous feedback loop between the identified needs of underserved communities, how existing BOH policies for funding allocations could be modified to better meet the needs of underserved communities, and to articulate these needs to interested private sector employers/businesses and philanthropic organizations. This would include identification of and application to applicable grant opportunities to build the AHRLF.

RATIONALE:
The BOH Housing Montana Fund (HMF) was established in 1999 by Senate Bill 349. The HMF includes the AHRLF established under §90-3-133 and §90-6-134, MCA which can provide lower interest rate loans to eligible applicants for the development and financing of low- and moderate-income housing. The only revenues currently are interest income on mortgage loans and investments, any monthly P&I payments, and payoffs into the account. The current fund balance, as of April 2024, is approximately $170,000.

Pursuant to §90-6-133(4), MCA "The board may accept contributions, gifts, and grants for deposit into the fund." To date, the BOH has not had sufficient staffing capacity to engage the private sector to make such contributions, or to identify and apply for any applicable private sector or philanthropic grant opportunities.

Montana's decades in the making shortage of affordable, attainable housing is a problem that cannot be solved with additional state funding alone. Employers/

businesses and philanthropic organizations based in Montana have a shared interest in ensuring adequate affordable, attainable housing supply to retain their current workforce, expand their businesses and achieve mission-driven goals.

BARRIERS ADDRESSED:

- Insufficient gap financing resources available for affordable housing development.
- Gather an increased understanding of the specific housing needs and financial challenges of underserved communities, including rural and Tribal communities.
- Expand private sector contributions to support the development of new, affordable homes.
- Provide a meaningful avenue for private sector participation in solving Montana's housing crisis.

KEY STRATEGIES:

- Include FTE allocation to the BOH in Governor's Executive Budget.
- Assess whether BOH has sufficient proprietary funds to partially support this FTE or if a state appropriation would be needed to fund the entire position, taking into account the position's intent to focus on building a state-level program.

DISSENTING OPINIONS:

- The BOH may have some ability to fund this position with its proprietary funds. The BOH does not receive any general fund appropriations for its administration or operations; the only state resources BOH currently administers are coal trust tax fund dollars specific for the Veterans' Home Loan Program (VHLP) and Coal Trust Multifamily Homes (CTMH) loan program.
- General concerns over the expansion of state government and increased FTEs.
- The current HMF-AHRLF is specific to loans and does not allow monies to be distributed as grants. Private sector contributions to the fund may include parameters for grant versus loan administration and terms. Allowing for some portion of the fund to be allocated as grants may provide flexibility needed to align with private sector contribution goals.

SUPPORTING GRAPHICS:

None identified.

R20 AFFORDABLE PROPERTY AND CASUALTY INSURANCE

Submitted By:	**Cheryl Cohen, Danny Tenenbaum, and Kendall Cotton**
Common Theme:	Financial

RECOMMENDATION:
Address the challenges of obtaining affordable property and casualty insurance for homes.

RATIONALE:
The cost and availability of affordable property and casualty insurance plays a significant role in the overall costs of housing.

Single-family homeowners and multi-family rental property operators are experiencing significant increases in property insurance premiums and deductibles, as well as increased challenges in securing adequate coverage in the Montana market. These cost escalations are resulting in escrow shortfalls for homeowners, reducing affordability for new homebuyers, drastically reducing net operating income for multifamily rental property operators and necessitating increases in monthly rents passed on to tenants. In the case of affordable multifamily rental property operators who have regulatory limitations on rent increases, some parent companies need to front deductibles that individual properties cannot individually afford due to limited rental income.

On the construction side, construction insurance also has a direct impact on the eventual cost of a home as well as the scale of new housing development homebuilders choose to undertake.

Multifamily Rental Properties:

One nonprofit affordable housing developer reported premium increases for all properties by nearly 20% with some premiums doubling or tripling. See table below for specific property examples. Note that all premium figures listed do not include wind/hail coverage.

Common coverage challenges include older pre-1970s structures (properties with dated fire suppression systems and/or aid pull cords in units serving senior/disabled residents), high rises over four stories, properties with commercial kitchens and properties in eastern Montana with higher wind/hail risks.

	2023 Premium	2024 Premium	% Increase
Property #1 - Anaconda	37,724	87,475	132%
Property #2 - Billings	40,928	79,170	93%
Property #3 - Billings	51,127	99,687	95%
Property #4 - Billings	16,974	45,566	168%

Deductibles also increased substantially, reducing already limited net operating income.

- Deductibles increased from $5,000 to $25,000 per claim.
- Deductibles for wind/hail increased from $5,000 per claim to 2% of building value. The resulting deductible for a small 20-unit property valued at $12 million is now $240,000.
- Deductibles for water damage are now limited to $50,000 in damage, which is likely insufficient for multifamily rental properties. For example, when a flooding event occurs on an upper story unit causing damage to all units below and/or sprinkler system deployment causing water damage throughout the property.

Single-Family Properties:

Insurance premiums and deductibles are also increasing for homeowners. Coverage for older homes and manufactured homes is increasingly challenging and homeowners are seeing more coverage exclusions in their policies. Factors are similar to the multifamily rental property space, but include age of property, eastern Montana hail/wind risks and homes located in jurisdictions served by volunteer fire departments.

Disaster Risk:

Wildfire risk poses a threat to the insurability of many homes in rural areas or in the Wildlife Urban Interface (WUI) of cities. Nearly 30% of Montana properties have extreme wildfire risk, more than any other state. The Successes Study Group heard that this extreme risk can impact the availability of home insurance for thousands of Montanans as insurers increase premiums to compensate for the risk, or decline coverage completely.

Federal law mandates that mortgage lenders require flood insurance on loans secured by properties located within high-risk flood disaster areas. Additionally, the federal government directly provides flood insurance to property owners via the National Flood Insurance Program (NFIB). There is no comparable program for other disasters such as wildfires.

A standing advisory memo from Montana's Insurance Commissioner clarifies that insurance companies cannot outright deny coverage based solely on the fire risk present in the home's geographic zone, such as a zip code. However, insurers aren't prohibited from denying coverage based on a case-by-case assessment of fire risk.

Liability Risk:

Montana's statute of repose currently exposes builders to liability for 10 years after project completion. This is significantly higher than many other states that strike a more balanced approach to construction defect litigation (Idaho, Nevada, Michigan, Tennessee, Texas, Washington e.g. use a 4-6 year window). Maintaining a longer window of liability increases the risk of litigation and therefore leads to higher construction insurance costs for builders. The increased risk of construction litigation also disincentivizes multifamily development of condominiums which people can own rather than rent. A recent analysis from Colorado (which is currently reforming its defect laws) found construction insurance policies for new multifamily housing were 5x higher when units were individually owned verses rented.

BARRIERS ADDRESSED:

While home insurance is generally not required by law, many mortgage companies require home insurance coverage. Declined coverage can be devastating for those relying on financing for their home, while expensive coverage can put home insurance, and thereby homeownership, out of reach for less wealthy homeowners. Additionally, no insurance puts Montanans at a great risk of unrecoverable losses from property damage by wildfires or other disasters.

Mitigation efforts can increase the chances that a home at risk of disaster will remain insurable. Additionally, reduction in liability for construction would also reduce the cost of homes and increase the availability of attainable homeownership.

KEY STRATEGIES:

The State could consider creating a model voluntary wildfire mitigation certification program, led by the Insurance Commissioner.

- Some Montana insurers have already adopted wildfire mitigation incentive programs, which offer premium discounts in exchange for community homeowners voluntarily achieving a FireWise USA recognition for reducing wildfire risk in the WUI.
- Montana leaders can champion the development of these voluntary mitigation programs to help Montana homes remain insurable in the face of disaster risk. Leaders in Boulder County, CO have collaborated with insurers to create

Wildfire Partners, an innovative program which helps homeowners mitigate the wildfire risk on their property with education and financial assistance. Homeowners who opt-in to the Wildfire Partners program receive a certification that their property has the proper mitigation for wildfires. In exchange, insurance companies recognize this certification as proof of mitigation efforts and agree to provide coverage for certified homes. The program is funded in part by Boulder County, along with state and federal grants.

- This voluntary and collaborative effort would be inexpensive compared to the costly top-down approaches of states like California to dealing with home insurance. While California has instituted insurance price controls and mandates that have forced homeowners onto a bare bones state-run plan, Colorado has not needed to resort to such policies.
- By leading a collaborative effort with the state's property insurers, Montana can avoid the pitfalls of states like California and empower the private marketplace to overcome the challenges that unnaturally severe wildfires pose for home ownership and affordability.

The Governor or Insurance Commissioner could establish a stakeholder working group to further explore root causes and recommend implementable solutions to address the rising costs and coverage limitations of single-family and multi-family property and casualty insurance.

- The Governor could establish an Insurance Task Force similar to the Housing Task Force and Property Tax Task Force, or the Montana Commissioner of Securities and Insurance could take lead to establish a housing-focused working group.
- Stakeholder group membership may include, but not be limited to: housing industry professionals (mortgage servicers, rental property operators, HUD-certified housing counselors), insurance companies, emergency/disaster professionals, and the state insurance commissioner.

The legislature could revise the statute of repose (§27-2-208, MCA) for construction defects to 4-6 years after substantial completion of construction.

- Amend §27-2-208 (1) and (2), MCA replacing "10" and "10th" with "4" and "4th," respectively.

DISSENTING OPINIONS:

The Montana Trial Lawyers Association typically opposes any legislation that limits liability. They may argue limiting the statute of repose could prevent plaintiffs from recovering damages, or that the states with shorter windows of liability suffer from lower overall quality construction.

Additionally, any collaborative programs for mitigation should work hand in hand with stakeholders like the Department of Natural Resources and Conservation to ensure there are no duplication of efforts.

SUPPORTING GRAPHIC:

States At High To Extreme Wildfire Risk, 2021 (1)

Rank	State	Estimated number of properties at risk	Rank	State	Percent of properties at risk
1	California	2,040,600	1	Montana	29%
2	Texas	717,800	2	Idaho	26
3	Colorado	373,900	3	Colorado	17
4	Arizona	242,200	4	California	15
5	Idaho	175,000	5	New Mexico	15
6	Washington	155,500	6	Utah	14
7	Oklahoma	153,400	7	Wyoming	14
8	Oregon	147,500	8	Arizona	9
9	Montana	137,800	9	Oklahoma	9
10	Utah	136,000	10	Oregon	9
11	New Mexico	131,600	11	Texas	7
12	Nevada	67,100	12	Nevada	6
13	Wyoming	36,800	13	Washington	5

(1) As of October 2021.

Source: *Insurance Information Institute, Facts + Statistics: Wildfires*

R21 SUPPORT LOCAL GOVERNMENT HOUSING REGULATORY REFORM

Submitted By:	Cheryl Cohen and Kendall Cotton
Common Theme:	Financial

RECOMMENDATION:

Draft legislation to propose an ongoing appropriation for planning grants to local governments and tribal governments for planning and zoning to increase housing supply, and to provide rule-making authority to the Department of Commerce to establish parameters for this housing-specific planning grant program via a public administrative rule-making process.

RATIONALE:

House Bill 825 from the 68th legislative session, short title "Home Ownership Means Economic Security Act" or the HOMES Act, included a $25 million appropriation from the state special revenue account to the Department of Commerce to administer planning grants to eligible entities. The intent of this fund was to "provide planning grants to local governments and tribal governments for planning and zoning to increase housing supply" and "cover administration costs of the program." HB 825 further included rule- making authority for the Department of Commerce for this planning grant program.

The original intent of the planning grant funds in HB 825 included reviewing criteria and the application scoring system to prioritize applications to the Montana Board of Investment's (BOI) Montana Housing Infrastructure earnings state special revenue account program (also proposed in HB 825). These application reviews were to include: (1) ensuring readiness to proceed; (2) ensuring subdivision improvement agreement; and (3) reviewing other factors relevant to promoting successful housing developments that meet a minimum gross density of ten units per each acre. HB 825 missed the deadline to appropriation bill transmittal.

Portions of the HB 825 HOMES Act were later included in HB 819, which was passed by the 68th legislature and signed into law by Governor Gianforte. However, the planning grant appropriation was reduced from $25 million to $1 million, rule-making authority was removed and the planning grants were decoupled from the HOMES Act / BOI components of HB 825 which were ultimately included in HB 819. The resulting language in HB 819 is ambiguous and limited to "provide planning grants to local governments and tribal governments for planning and zoning to increase housing supply" and "cover administration costs of the grant program", without any reference to the HOMES Act / BOI program in HB 819 nor to SB 382.

Currently, stakeholders have expressed differences of opinion as to the use/prioritization of the $1 million planning grant appropriation that was included in HB 819. As one example, the League of Cities and Towns has indicated a preference for the Department of Commerce to prioritize these planning grants for communities impacted by SB 382 “Create the Montana Land Use Planning Act”, which focuses on municipalities with a population at or exceeding 5,000 located within a county with a population at or exceeding 70,000 in the most recent decennial census.

BARRIERS ADDRESSED:

Section 22 of HB 819 passed in the 68th legislative session includes a $1 million appropriation from the general fund to the Department of Commerce for the biennium beginning July 1, 2023, for planning grants. The bill language is unclear as to whether this is a one-time only appropriation or an ongoing appropriation each biennium, and rule-making authority to clarify use/prioritization of planning grant funds was not provided.

Cities and towns have expressed concerns as to their local capacity and costs associated with the implementation of SB 382.

Costs of various common planning grant deliverables, such as preliminary engineering reports, have more than doubled over the last several years (increasing from approximately $35,000 to $65,000 - $70,000), limiting the reach of other existing Department of Commerce resources, including the federal Community Development Block Grant (CDBG) and state Montana Coal Endowment Program (MCEP) planning grant programs.

While the CDBG planning grant program can be used to support local planning and zoning efforts to increase the housing supply, such as Growth Polices, Housing Needs Assessments, Zoning Regulations, etc., there are federal requirements for eligibility, match requirements and necessary grant administration that some local jurisdictions are not able to meet. Furthermore, demand for these planning grants greatly exceeds available funding. Separately, MCEP planning grants currently cannot be used to support local planning and zoning efforts to **increase** housing supply as they can only be used by local governments with infrastructure planning efforts tied to upgrading **existing** water or wastewater facilities, sanitary or storm water systems, and bridges.

KEY STRATEGIES:

Increasing and providing for an ongoing appropriation for planning grants specific to new housing growth, which may include planning grants to support SB 382 implementation, will enable local governments to focus additional efforts to identify housing growth needs and to develop and implement activities to increase housing supplies.

Allowing for rule-making authority provides a public process for input on prioritization of planning grant funds resulting in increased collaboration between the state and local governments.

DISSENTING OPINIONS:

The Department of Commerce could prioritize existing planning grants to support local governments with planning and zoning to increase housing supply, instead of an additional appropriation.

The Department of Commerce’s Community Technical Assistance Program has experienced various challenges including staffing transitions which has limited its impact in recent years.

Local governments should not rely on state planning grants, but should instead consider ways to allocate additional local funds to these efforts.

The expansion of residential developments may exceed the capabilities of existing public safety departments (police and fire). It is best to include those departments early in the planning process to ensure for essential services.

SUPPORTING GRAPHICS:

None identified.

R22 USE THE "CARROT" OF STATE AFFORDABLE HOUSING FUNDS TO INCENTIVIZE CITIES TO ELIMINATE RESTRICTIVE ZONING AND LAND USE RULES

Submitted By:	Danny Tenenbaum
Common Theme:	Financial

RECOMMENDATION:
Add statutory criteria to public investments in affordable housing (e.g. Coal Trust Loans, Housing Montana Fund, Montana Housing Infrastructure Revolving Loan Program, potential state tax credits) to incentivize cities to eliminate regulatory barriers to multifamily housing construction.

RATIONALE:
Governor Gianforte stated in his 2021 letter vetoing HB 397 (State Low Income Housing Tax Credit legislation), "The most effective way to address housing affordability challenges in our growing state is to reduce the panoply of regulations faced by housing development." Adding common sense sideboards to state affordable housing funding will incentivize city governments to proactively reduce regulatory barriers to housing affordability. Good stewardship of public funds means ensuring our investments in affordable housing projects have the greatest impact. Bipartisan federal legislation similar to this recommendation (H.R. 4351, Yes In My Backyard Act) recently passed out of committee on a 48-0 vote.

BARRIERS ADDRESSED:
Incentivizing cities to adopt better planning practices addresses the challenge of increasing housing options for Montana families.

KEY STRATEGIES:

- Amend §17-6-308, MCA (Coat Trust Loans), §90-6-133, MCA (Housing Montana Fund), and §17-6-801, MCA (Montana Housing Infrastructure Revolving Loan Program) to target state funding awards to jurisdictions with zoning ordinances that encourage multifamily housing construction. Project proposals located in Montana Land Use Planning Act (MLUPA) applicable cities, for example, should receive the lowest priority when those cities have not fully complied with MLUPA's statutory requirements.
- Ensure proposed state affordable housing tax credit legislation deprioritizes funding of project proposals located in MLUPA-applicable cities that have not fully complied with MLUPA's statutory requirements.

DISSENTING OPINIONS:

None identified.

SUPPORTING GRAPHICS:

None identified.

R23	ESTABLISH HOUSING IMPROVEMENT DISTRICTS
	Submitted By: Chris Dorrington
	Common Theme: Financial

RECOMMENDATION:
Establish Housing Improvement Districts with state-level backing for special assessment bonds to pay infrastructure costs.

RATIONALE:
Emphasizing infrastructure investment is a follow-on success from the Governor's Housing Task Force Phase I and II reports.

Infrastructure (water, sewer, roads, stormwater, sidewalks, etc.) represents a significant upfront cost, and therefore barrier, to delivering additional housing inventory, particularly with respect to large scale development on previously undeveloped property. By creating a public/private partnership between developers and local governments, upfront costs can be financed on a tax-exempt basis for a lower interest cost and amortized over many years, with savings passed onto buyers or renters.

BARRIERS ADDRESSED:
Challenge: Developer Default. Pledging of taxing authority by local governments in the event of developer default has been a hindrance to finance infrastructure costs through special assessment bonds under existing statutes. The state can step into this role through the Montana Board of Investments (BOI) and pledge state resources as a backstop rather than local property taxes.

Challenge: Disconnect Between Costs and Affordability. Developers need to recover their costs when selling or renting newly developed property, including infrastructure costs. This can be either absorbed into a mortgage or take out financing, respectively. However, typically these mechanisms have interest rates higher than those of a tax-exempt public bond issuance spread over a longer term. Providing a more cost-effective means of financing upfront infrastructure costs will lower total project costs, allowing developers to deliver more housing at a more affordable cost.

KEY STRATEGIES:
Create Housing Improvement Districts in Montana code which:

- Require a petition by the developer or owner of land to be included.
- Require the developer meet the requirements of the HOMES Act.
- Partner developers with local governments to solve housing affordability and inventory issues at a local level.
- Leverage the BOI significant financial expertise and tools to minimize costs.

DISSENTING OPINIONS:
None identified.

SUPPORTING GRAPHICS:
None identified.

LIST OF TASK FORCE MEMBERS

Task Force Members and Affiliations

NAME	AFFILIATION
Chris Dorrington	Task Force Chair and Director of the Department of Environmental Quality
Todd O’Hair	Task Force Vice Chair and President and CEO of the Montana Chamber of Commerce
Patrick Barkey, Ph.D.	Director of the Bureau of Business and Economic Research at the University of Montana
Sen. Ellie Boldman	State Legislator (D, Missoula)
Terry Brockie	Instructor, ANC College, Ft. Belknap
Cheryl Cohen	Division Administrator, Montana Department of Commerce Housing Division
Kendall Cotton	President and CEO of the Frontier Institute

Nathan Dugan	President and co-founder of Shelter WF
Mark Egge	Affordable housing advocate, data scientist, and former member of the Bozeman Planning Board
Jaclyn Giop	President of the Montana Water Well Drillers Association
Eugene Graf	Owner of E.G. Construction
Emily Hamilton, Ph.D.	Senior Research Fellow and Director of the Urbanity Project at the Mercatus Center
Adam Hertz	Former Secretary of the Montana Board of Housing
Sen. Greg Hertz	State Legislator (R, Polson)
Don Jones	Commissioner of Yellowstone County
Amanda Kaster	Director of the Department of Natural Resources and Conservation
Jacob Kuntz	Executive Director of the Helena Area Habitat for Humanity
Bill Leininger	President of the Montana Association of Realtors
Joe McKenney	Great Falls City Commissioner
Nicole Rolf	Senior Director of Governmental Affairs at the Montana Farm Bureau Federation
Mike Smith	Market President of Glacier Bank
Valerie Stacey	Environmental Health Specialist with Lewis and Clark County
Don Sterhan	Steering Committee member of the Montana Housing Coalition. President and CEO of CR Builders, LLC
Sarah Swanson	Commissioner of the Department of Labor & Industry
Danny Tenenbaum	Former State Legislator
Rep. Sue Vinton	State Legislator (R, Billings)

Study Group Co-Chairs

The Task Force chair created two study groups, one for successes and the other for challenges. Two co-chairs (each) were appointed from the membership to lead discussions around the identification of common themes and key factors, then further between root-causes and potential solutions. The study group co-chairs are outlined below.

SUCCESSES STUDY GROUP
Kendall Cotton
Sarah Swanson
CHALLENGES STUDY GROUP
Mark Egge
Danny Tenenbaum

APPENDICES

Appendix A: Supporting Documentation

A1	ASSIGNMENT #1: INVENTORY
A1a	Case Study Examples of Montana Housing Development - **Successes**
A1b	Case Study Examples of Montana Housing Development - **Challenges**

The appendix only includes the cover pages from each case study example table as an illustration of the information developed and used by Task Force members. The complete documents are available from the Department of Environmental Quality DEQ upon request.

A1a Case Study Examples of Montana Housing Development - **Successes**

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 interest rates 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 Community Land Trust 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 interest rates 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 interest rates 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 long-term ground lease managed by Headwaters Community Housing Trust. (In the first weighted drawing, over 250 residents sought 11 Affordable homes.)

Page 1 of 8

A1b Case Study Examples of Montana Housing Development - **Challenges**

Housing Task Force - Phase III Assignment #1

Montana Housing Development Successes and Challenges From ~2020 to Present

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 skilled labor shortages, delays from sporadic supply chain issues 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 skilled labor shortages, direct delays from worker quarantines, delays from sporadic supply chain issues as a result of COVID, and experienced significant cost increases due to COVID.

Page 1 of 16

A2	**ASSIGNMENT #2: ANALYSIS**
A2a	Common Themes and Key Factors Worksheet
A2b	Study Group Meeting Summary - **Successes**
A2c	Study Group Meeting Summary - **Challenges**

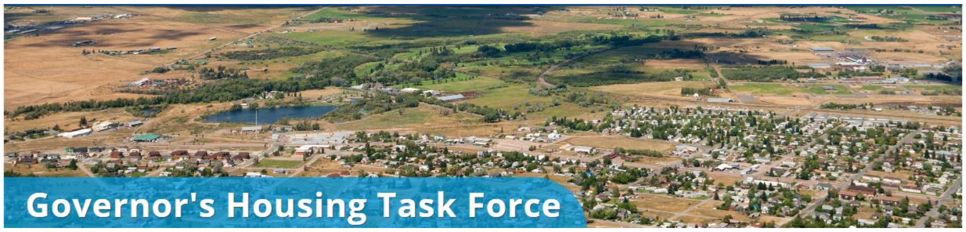
A2a Common Themes and Key Factors Worksheet

Housing Task Force - Phase III Assignment #2

Common Themes and Key Factors Worksheet

February 9, 2024

Common Themes	**Regulations** (local-state-fed)	**Planning** (local-state-fed)	**Construction** (local-state-fed)	**Financial** (local-state-fed)
Key Factors A topic summary from a variety of HTF references	Lot size restrictions	Subdivision review	Supply chain	Available lenders
	Code compliance	Architecture review	Skilleds 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	Mortage insurance
	Utilities	Covenants	Out-of-state investors	Homeowner's insurance
	Infrastruture requirements	NIMBY concerns	Building lot availability	Market pricing
	Lawsuits / indeminification	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
Instructions	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 Recomendations**.			



Meeting Summary Notes

SUCCESSES Study Group Meeting*

February 8th 3pm-5pm

*This Zoom meeting was recorded and is posted on the Housing Task Force website:
https://deq.mt.gov/about/Housing-Task-Force

Welcome and Co-Chair Introductions

The Zoom meeting had 41 total participants: 28 public guests, seven HTF members, three invited presenters, and three DEQ administrative support. The meeting lasted approximately 90 minutes. There were no public comments.

Guest Presentations on Housing Topics

Mayor Cunningham, City of Bozeman: Gallatin Impact Fund

Mayor Cunningham presented a slide show with information about the Gallatin Impact Fund. He was assisted by Kaia Peterson, Executive Director of NeighborWorks Montana, the non-profit organization that administers the Fund. Common Themes and Key Factors summary (not inclusive):

Common Themes	Financial	Construction	
Key Factors	Access to Capital	Community Financing	Education & Counseling
	Resident Owned Com.	Collaboration	Innovation & Creativity
	Safety & Stability	Revolving Funds	Partnerships

Ron Bartsch, Sussex Construction: Helena Westside Woods Subdivision

Ron presented information about his company's housing development experience in Helena, namely the Westside Woods subdivision. He shared perspective regarding past and current challenges. Common Themes and Key Factors summary (not inclusive):

Common Themes	Regulations	Planning	
Key Factors	Growth Plans	Density	Public Process
	State-Local Roles	Risk vs. Certainty	Discretionary Requirements
	NIMBY	Develop. By-Right	City Staff Availability

A2c Study Group Meeting Summary - **Challenges**

Meeting Summary Notes

CHALLENGES Study Group Meeting*

February 12, 2024 3:00pm – 5:00pm

*This Zoom meeting was recorded and is posted on the Housing Task Force website:
https://deq.mt.gov/about/Housing-Task-Force

Welcome and Co-Chair Introductions

The Zoom meeting had 43 total participants: 28 public guests, 11 HTF members, two invited presenters (one being a HTF member), and three DEQ administrative support. The meeting lasted approximately 100 minutes. There was one public comment directed to Cheryl Cohen regarding her financial presentation.

Guest Presentations on Housing Topics

Cheryl Cohen, Dept. of Commerce – "Soft Financing Availability & Housing Choice Vouchers"

Cheryl presented a slide show with information on affordable housing finance products and opportunities. Soft financing or "soft debt" funding from a variety of federal, state and local sources may serve to bridge the gap between the total costs to develop the property and the supportable debt plus tax credit equity that needs to be filled. Common Themes and Key Factors summary (not inclusive):

Common Themes	Financial		
Key Factors	State-Fed products Tax credits Gap financing	Fair Market Rates (FMR) Voucher utilization Revolving Funds	Market rental rates State tax credits / trust fund Housing standards

Deidra Kloberdanz, DNRC Real Estate Management Bureau – "State Trust Lands"

Deidra presented a slide show with information on how DNRC works within the existing framework of statute and rule to accomplish its constitutional mandate of generating revenue for the trust beneficiaries. She outlined three goals for real estate development on state trust lands: share in expected community growth; plan proactively; and increase revenue for trust beneficiaries. Common Themes and Key Factors summary (not inclusive):

Common Themes	Regulations	Planning	
Key Factors	HB 819 review State Land Board RFP process	Commercial leasing Real estate laws Community involvement	Land valuation Fiduciary duty Easements / ROWs

A3	**ASSIGNMENT #3: ATTRIBUTION**
A3a	Root Causes and Proposed Solutions Worksheet - **Successes**
A3b	Root Causes and Proposed Solutions Worksheet - **Challenges**
A3c	Study Group Meeting Summary - **Successes**
A3d	Study Group Meeting Summary - **Challenges**

A3a Root Causes and Proposed Solutions Worksheet - **Successes**

Housing Task Force - Phase III Asignment #3
Successes, Root Causes, and Potential Solutions Worksheet

April 1, 2024

Common Themes	Regulations (local-state-fed)	Planning (local-state-fed)	Construction (local-state-fed)	Financial (local-state-fed)
Successes (the WHAT)	Concurrent code review process	Outreach to promote trades pathway	Future Build program model	Public-private finance partnerships
	Building exemptions by type	Developing coordinated partnerships	Pre-release people into trades	Private apprenticeships with salary
	Alternative means and methods law	H.S. graduation incentives	Pre-apprenticeship programs	
			Directed curriculum development	
Root Causes (the WHY)	Public health & welfare	Student participation / awareness	Return on investment	Return on investment
	Environmental safety	Business development certainty	Skilled labor availability	Public fund reporting requirements
	Individual property rights	Quality of Montana lifestyle	Payment of living wages	Financial certainty/ guarantees
	Commercial property rights	Workforce flexibility (telework)	Competing labor markets	Societal costs / objectives
	Energy conservation			Economic costs / objectives
	Sustainability			Income inequality
	Regulatory obligations			Transportation access
Potential Solutions List (master list)	By right approval processes	Rehab existing housing stock	Bond guarantees	Support public / private investments
	Insurance requirement reform	Community Land Trusts	Bulk construction methods	Make public dollars more flexible
	Revize zoning restrictions	Subsidized legal services	Support construction subsidies	Support state-federal rental asistance
	Parking mandate limits or pre-emption	Concurrent review process	Support more $ for MTEC	Housing project subsities / trust funds
	Building code reform	Support local housing authorities	Workforce training subsitides	Incentivise land donations
	Stacked utitlies	Support tribal housing authorities		Create below-market interest rates
	Manufactured home regulations	Protections for local planning decisions		Co-op style of property 'shares'
		Permitting shot clocks (hard or incentives based)		Allow resort tax strategies
		Self-certification		State-federal housing tax credits
		Investments in public transportation		Billing & payment policies & practices
				Finance law / policy reform
				Allow impact fee exemptions
				Infrastructure exemptions
				Down payment assistance
				Manufactured home financing options
Instructions	For **Assignment #3**, continue to discuss housing development successes and challenges using invited speakers, case study examples, or other project-level information. Identify possible challenges, root causes and potential solutions. **Note**: Assignment #4 will use, in part, this information to develop draft recomendations.			
Recommendation REVIEW	**Assignment #4** will use, in part, the potential solutions to draft recomendations. HTF members will conduct additional review of draft recommendations against some basic concepts to ensure the final recommendations are thoughtful, objective, and useful. Additional review includes, but is not limited to: Specific, Measurable, Achievable, Relevant, and Time-Bound (S.M.A.R.T.), legal, mindful of 2023 Legislation, mindful of local and federal jurisdictions, others. Draft recommendations not selected as final recommendations will be summarized in Appendix B.			

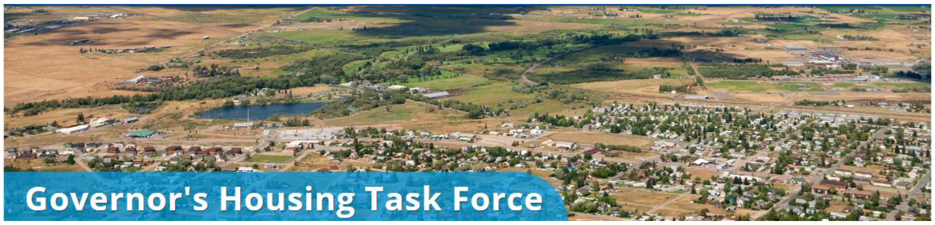
A3b Root Causes and Proposed Solutions Worksheet - **Challenges**

Housing Task Force - Phase III Asignment #3
Challenges, Root Causes, and Potential Solutions Worksheet

March 28, 2024

Common Themes	Regulations (local-state-fed)	Planning (local-state-fed)	Construction (local-state-fed)	Financial (local-state-fed)
Challenges (the WHAT)	Homeowners insurance availability	NIMBY opposition to new housing	Skilled labor shortages	No state housing tax credit
	Minimum lot sizes	Many developments require discretionary approval	Overall construction costs	Housing Choice Vouchers not keeping up with market rates
	Parking requirements	Lawsuits against planning depts.	Infrastructure construction costs	High interest rates
	Building codes:	Spillover effects of one jurisdiction to adjacent jurisdictions		
	- Commercial code 3+ units	Water resource allocation challenges		
	- Multiple stairways	Variable permitting approval timelines		
	- Dorm/co-living restrictions	Unreasonable discretionary approval considerations		
	Variation in rules between communities			
	Shadow regulation			
	Biennial legislative session			
Root Causes (the WHY)	Old regulations misaligned with modern needs of cities. Lack of speed in updating regs.	Contradiction between "housing as investment" vs. "housing as a basic neccessity"	Lack of vocational training	Macroeconomic forces, geographic and demographic circumstances
	Minimum lot sizes: desire to maintain rural character, light and air between buildings	Limited planning dept. resources	Lack of affordable workforce housing	
	Fire safety concerns	Risk adversion		
	Local regulatory capture and opposition			
	Required seperation of utilities			
Potential Solutions List	By right approval processes	Rehab existing housing stock	Bond guarantees	Support public / private investments
	Insurance requirement reform	Community Land Trusts	Bulk construction methods	Make public dollars more flexible
	Revize zoning restrictions	Subsidized legal services	Support construction subsidies	Support state-federal rental asistance
	Parking mandate limits or pre-emption	Concurrent review process	Support more $ for MTEC	Housing project subsities / trust funds
	Building code reform	Support local housing authorities		Incentivise land donations
	Stacked utitlies	Support tribal housing authorities		Create below-market interest rates
		Protections for local planning decisions		Co-op style of property 'shares'
		Permitting shot clocks (hard or incentives based)		Allow resort tax strategies
		Self-certification		State-federal housing tax credits
				Billing & payment policies & practices
				Finance law / policy reform
				Allow impact fee exemptions
				Infrastructure exemptions
Instructions	For **Assignment #3**, continue to discuss housing development successes and challenges using invited speakers, case study examples, or other project-level information. Identify possible challenges, root causes and potential solutions. **Note**: Assignment #4 will use, in part, this information to develop draft recomendations.			
Recommendation REVIEW	**Assignment #4** will use, in part, the potential solutions to draft recomendations. HTF members will conduct additional review of draft recommendations against some basic concepts to ensure the final recommendations are thoughtful, objective, and useful. Additional review includes, but is not limited to: Specific, Measurable, Achievable, Relevant, and Time-Bound (S.M.A.R.T.), legal, mindful of 2023 Legislation, mindful of local and federal jurisdictions, others. Draft recommendations not selected as final recommendations will be summarized in Appendix B.			

A3c Study Group Meeting Summary - **Successes**



Meeting Summary Notes

SUCCESSES Study Group Meeting*

April 1, 2024 12:00pm - 2:00pm

*The Zoom meeting and associated documents are posted on the Housing Task Force website:
https://deq.mt.gov/about/Housing-Task-Force

Welcome and Co-Chair Introductions

The Zoom meeting had 39 total participants: 23 public guests, 10 Housing Task Force (HTF) members, six invited presenters, and two DEQ administrative support. Public comments were solicited and addressed during the meeting and encouraged to be submitted through the HTF website. The meeting lasted approximately 125 minutes.

Guest Presentations on Housing Topics

Panel Discussion I: "*Building Code Enforcement Jurisdictions: State and Local Fire Marshals*"

Kendall Cotton moderated a panel discussion on the topic of building codes, specifically those enforced by state and local fire marshals. Panelist included Ron Martin, Deputy State Fire Marshall, DOJ, Area 2; Brandon Yung, Acting Fire Marshall, Central Valley Fire Dist., City of Belgrade and greater Gallatin Valley; and Eric Copeland, Bureau Chief Commercial Weights and Measurements Bureau, DLI.

Some panelists expressed frustration with the time required to assist customers with "who to call for assistance" and "who does what when" regarding the code enforcement process. A potential solution was presented that, in part, creates a universal database showing approved building permits subject to code inspection and outlines agency roles and responsibilities. Fostering positive work relationships was agreed to be the best method of code compliance.

Panelists mentioned successes in code enforcement approach such as local jurisdictions having simultaneous code review, thus being mindful of construction timelines. There are also select construction projects exempt from (some) code review such as fourplex housing (and others) because they are not considered commercial buildings.

The state building codes program (certified local programs) is required to allow builders to use modern technical methods, devices, and improvements that tend to reduce the cost of construction. These methods must have reasonable requirements to provide for the health and safety of building users and occupants, be consistent with the conservation of energy, and by design criteria result in the efficient use of energy. This approach supports regulatory flexibility while meeting the intent of the law for public health and safety.

<u>Panel Discussion II</u>: "*CTE and Construction Education Training Programs in Montana"*

Sarah Swanson moderated a panel discussion on the topic of construction trades education and training in Montana. Panelist included Mike Parcell, Engagement Specialist, DLI; Bill Ryan, Director of Education & Apprenticeship, Dick Anderson Construction; and Jason Small, Executive Director, Montana AFL-CIO.

Successes in trades education and awareness are many. Panelists discussed how they work to identify and close potential disconnects between what is taught in school and what is needed on the job site. Creating public-private partnerships is necessary to maintain a qualified pool of trades workers.

The Dick Andersen Construction Apprenticeship program with support from the Great Falls College is an example of a customized training program that became a state recognized apprenticeship program. Another example included a pre-apprenticeship program that provides incentives to keep students in school to complete their high school diploma that will benefit them in the future.

The Future Build Great Falls construction training program is an example of a success that focuses on five core components weaved throughout the curriculum and hands-on training: education, construction training, work ethic and job training, leadership and community service, and career development. Professional certifications and college credits are also offered.

Potential solutions include providing additional public funding to support student engagement activities that promote the trades career pathway. Another potential solution is to provide grant funding to qualified students for monetary support while receiving training, i.e. transportation costs, per diem, etc.

Kelly Lynch, MT League of Cities and Towns. *"SB 382 – Montana Land Use and Planning Act"*

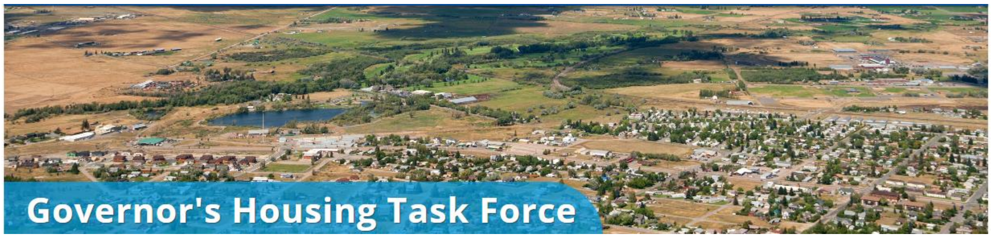
Kelly presented a slide show with information on SB 382 that passed in the 2023 legislature. The statute revisions were codified in Title 76 - Land Resources and Use, Chapter 25 - Montana Land Use Planning Act. She stated the need for the bill was due to the existing status of outdated and inconsistent land use and planning statutes and the increased frustration with the slow, expensive, and risky process.

SB 382 created new statutes for land use planning and mapping, zoning regulations and mapping, and subdivision regulations and mapping. Specifically, it requires local planning commissions, public participation plans, land use plans, future land use maps, implementation plans, updated reviews, zoning regulations, subdivision regulations, and other miscellaneous provisions. Kelly also provided an update on the Montanans Against Irresponsible Densification (MAID) lawsuit challenging, in part, SB 382.

Member Discussion

Following the presentations, members and the public shared thoughts and ideas with panelists and the invited speaker. Notes from the meeting will be used to identify potential root causes, and potential solutions for the worksheet. Assignment #4 will use, in part, the worksheet information to draft recommendations.

A3d Study Group Meeting Summary - **Challenges**



Meeting Summary Notes

CHALLENGES Study Group Meeting*

March 28, 2024 12:00pm – 2:00pm

*The Zoom meeting and associated documents are posted on the Housing Task Force website:
https://deq.mt.gov/about/Housing-Task-Force

Welcome and Co-Chair Introductions

The Zoom meeting had 37 total participants: 21 public guests, 14 Housing Task Force (HTF) members, two invited presenters, and two DEQ administrative support. Public comments were solicited and addressed during the meeting and encouraged to be submitted through the HTF website. The meeting lasted approximately 110 minutes.

Guest Presentations on Housing Topics

Alex Horowitz, PEW Charitable Trusts. "*Housing Affordability*"

Alex presented a slide show with information on the outcomes of housing policy changes. He summarized research performed by PEW that characterized obstacles to affordable housing. Specifically, he showed national statistics on rent cost by household membership, housing size (footprint), location, proximity to amenities, etc. He illustrated the relationship between low housing inventory and rent growth by vacancy rates. New data confirms that a greater housing supply results in lower housing costs, i.e. rent growth is low where housing has been added. Jurisdictions with zoning reform have lower rental costs, while jurisdictions with minimum lot sizes have higher housing costs. He also discussed the link between the high cost of housing and the increase in homelessness.

Tony Jordon, Parking Reform Network. "*Parking Reform and Housing Affordability*"

Tony presented a slide show with information on parking reform and housing affordability. He showed information on parking mandates that illustrated the high variability between Montana communities. He noted there are no parking standard authorities and that it is often an unscientific determination. Tony introduced the concept of the trade-off between parking spaces to living spaces. Solutions to housing affordability include the elimination of parking mandates with less governmental oversite. Establish market pricing on parking areas and invest in public transit / multi-model connectivity. These solutions, in part, will allow more types of housing to become available and affordable.

Member Discussion

Following the presentations, the Study Group co-chairs facilitated a discussion using the Assignment #3 worksheet and captured ideas and suggestions about the types of housing challenges, their potential root causes, and potential solutions. Assignment #4 will use, in part, the worksheet information to draft recommendations.

A4	**ASSIGNMENT #4: DRAFT RECOMMENDATIONS**
A4a	Draft Recommendations Template
A4b	Draft Recommendations Worksheet - **Successes**
A4c	Draft Recommendations Worksheet - **Challenges**

A4a Draft Recommendations Template

Housing Task Force - Phase III Assignment #4
Recommendation Template
4-26-2024

Recommendation Title: *<A short description of recommendation>*

Submitted By: *<name of author(s)>*

Common Theme(s): *<Insert theme name(s) here>*

Recommendation Statement:
<A short statement made in response to member discussion, factual data, and public comment>

Rationale:
<Describe how the recommendation would support housing development in Montana>

Barriers Addressed:
<Describe how the recommendation would support SUCCESSES or address CHALLENGES>

Key Strategies:
<Describe the steps necessary to implement the recommendation>

Dissenting Opinions:
<Describe dissenting viewpoints>

Supporting Graphics:
<If desired, include a supporting graphic to further illustrate your recommendation>

A4b Draft Recommendations Worksheet - **Successes**

Housing Task Force - Phase III Asignment #4 DRAFT Recommendations - SUCCESSES Study Group						
May 20, 2024						
Draft Recommendation Titles		Author	Common Themes			
			Regulations	Planning	Construction	Financial
#						
1	Supporting Local Government Housing Regulatory Reform	Kendall Cotton	X			
2	Limiting Subdivision Approval Conditions	Kendall Cotton	X			
3	Self-Certification Permit Programs	Kendall Cotton	X			
4	Voluntary Wildfire Mitigation Certification Program	Kendall Cotton	X			
5	Use State Funds to Develop Montana State LIHTC Program	Mike Smith				X
6	Manufactured Housing Park Zoning	Emily Hamilton		X		

A4c Draft Recommendations Worksheet - **Challenges**

Housing Task Force - Phase III Asignment #4

DRAFT Recommendations - CHALLENGES Study Group

May 20, 2024

#	Draft Recommendation Titles	Author	Common Themes: Regulations	Common Themes: Planning	Common Themes: Construction	Common Themes: Financial
1	Minimum Lot Sizes	Mark Egge	X		X	
2	Parking Mandates	Mark Egge	X		X	
3	Building Code Provisions for Missing Middle Housing	Mark Egge	X	X	X	
4	Affordable Housing Revolving Loan Fund (AHRLF) Funding	Joe McKenney				X
5	Board of Investments Revovling Loan Funds	Joe McKenney				X
6	State-based Housing Trust Fund and Housing Tax Credit	Don Sterhan			X	X
7	Reauthorize the Coal Trust Multi-family Homes Program (CTMH)	Don Sterhan			X	X
8	Assess Flexibility of Coal Trust Multifamily Home Loan Terms	Cheryl Cohen	X			X
9	Fair Market Rent Reevaluation - Fund Rental Housing Surveys	Cheryl Cohen	X			X
10	Increase State Gap Financing for Afforable Housing	Cheryl Cohen	X			X
11	Build Housing Montana Fund & Engage Underserved Communities	Cheryl Cohen		X		X
12	Develop Strategies to Address Rising Costs of Property Insurance	Cheryl Cohen		X		X
13	Planning Grants to Increase Housing Supply	Cheryl Cohen		X		X
14	Construction Defect Litigation Reform	Danny Tenebaum			X	
15	Set Reasonable Limits on Impact Fees	Danny Tenebaum			X	
16	Streamline Design Review Process For Builders	Danny Tenebaum			X	
17	Strengthen SB 245 (2023 Mixed Use Zoning Bill) to Allow Taller Buildings	Danny Tenebaum			X	
18	Allow Taller Single-Stair Buildings With Fire Safety Measures	Danny Tenebaum			X	
19	Montana Land Use and Planning Act Updates	Danny Tenebaum		X	X	
20	Require a Majority Vote for Rezone Petitions	Danny Tenebaum	X	X		
21	Targeting Public Investment in Affordable Housing	Danny Tenebaum				X
22	Revise Montana Public Works Standard for Sidewalk Requirements	Mike Smith	X		X	
23	Establish Housing Improvement Districts	Chris Dorrington				X
24	Allow Small Lot Development	Emily Hamilton		X		
25	Clarifying Roles & Responsibilities Between Building Codes & Fire Marshalls	Sarah Swanson	X			
26	< placeholder for BOI recommendation from Director Dorrington >	Chris Dorrington				x

- End of Document -