



January 11, 2024

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**RE: Housing Task Force – Homeword Summary of Housing Impacts**

Housing Task Force Members,  
Thank you all for requesting this information.

I'll start by briefly discussing the challenges we faced over the last few years and where we were greatly supported by financial assistance from MT Housing. We had five projects at various stages of construction and development that had unprecedented impacts from the global pandemic as well as ongoing industry and market challenges. We are very resourceful in everyday practice as Housing Developers, but for these projects and the impacts felt, a critical part of the most effective solution was securing additional resources. ARPA, HOME and additional LIHTC allowed these projects to reach completion and provide homes for over 300 families and individuals, including children, veterans, people with disabilities, seniors, and people experiencing housing instability. We are happy to outline specific ongoing challenges and successes in developing homes to meet Montana's housing demand, and hopefully wrap up with some successes.

**Trinity – Blue Heron**

Trinity is a project that includes 172 work force homes and 30 permanent supportive homes. Trinity was assisted with additional city, state and private funds during COVID to help offset increased construction costs due to the pandemic, and the project continues to face ongoing impacts from COVID as well as industry challenges:

- Several buildings had significant delays on electrical gear (disconnects, panels, circuit breakers, sockets, etc.) – we were unable to connect otherwise fully-completed buildings to the NW Energy electrical power grid, and we had buildings completion schedule shift by months. The buildings then sat empty for days or weeks, unable to occupy or complete the final life-safety inspections because they couldn't be "electrified". These delays left families living on couches and in cars, waiting for us to be able to connect our buildings to power. While this was a challenge many projects across the country faced, now we are facing quality problems with the same electrical parts that took so long to procure in the first place, and the replacement parts for these defective elements are also extremely difficult to locate. Trinity's Maple Street Flats had a brand-new electrical breaker blow between Christmas and New Year's 2023 – 40 homes without power, 100 homes without hot water. MHA Property Management worked all night to get the residents from the 40 powerless homes temporarily relocated. An electrical distributor was able to find, test and ship a breaker to minimize impacts on the residents (although with cost impacts to the project). This incident has raised questions about the quality of all the electrical gear that has taken so long to arrive at job sites across Montana and the nation since these gear shortages and

delays started occurring in 2021. Villagio, another 200-home Housing Tax Credit project in Missoula that was recently completed, had the same problem with a similar part a month earlier – their elevators went down causing significant safety and accessibility issues. The delays especially are a HUGE industry problem, at least in Montana and other rural states –we have heard from partners in other states that in the last eight months or so, coastal communities (Seattle, Los Angeles, New York City, etc.) and select larger market areas have seldom seen the same delay problems. We believe strongly that they are getting preference over our rural states with the limited supply. We need to have a much larger conversation about this as an industry, especially if the fears of substandard gear are proven to have merit.

- In the end, Trinity, due to supply chain problems such as the electrical gear described above and ongoing construction labor shortages that started even before the pandemic, was completed approximately six months later than it was scheduled to be completed.
- Despite these challenges, Blue Heron Place, the 30 permanent supportive homes within Trinity, is a huge success. We have MANY amazing stories from our service providers and property management about residents that have been experiencing chronic houselessness finding their footing, using the voluntary supportive services, and beginning to stabilize their lives. This project works: service providers and housing developers stretched and expanded on what we normally do, theorizing that providing Permanent Supportive Housing\* would work in Missoula as it has in other mountain west and northwest US communities. Blue Heron Place and these other projects have confirmed the model works.
- However, knowing this model works, that it is an effective path to reduce the number of Montanans experiencing houselessness, couch surfing, living in vehicles, and reducing their demand on first responders, we have ongoing concerns about our ability to fund the very necessary services associated with these specific homes. We have a finite amount of funds filling gaps between billable work and cost of services. There are policy changes necessary to help cover this gap, more refined billing practices by providers, changes in the understanding of the housing resources as to how to use cashflow for services if necessary. Again, this is an excellent example of a success story that also involves significant challenges.

\* “Permanent supportive housing is an intervention that combines affordable housing assistance with voluntary support services to address the needs of chronically homeless people. The services are designed to build independent living and tenancy skills and connect people with community-based health care, treatment and employment services.” From the National Alliance to End Homelessness web page.

### **Junegrass Commons**

Junegrass is a project in Kalispell, MT that will provide 138 workforce rental apartment homes and is currently under construction; construction started in May 2022. It has faced similar challenges as Trinity, and one uniquely Montanan challenge that was not an issue for Trinity, as it was started about a year before Junegrass:

- Junegrass faces even worse delays than Trinity did for electrical gear. All the gear was ordered as soon as the permits were available, in May 2022, because electrical gear delays were already identified as a challenge by that time. The original scheduled delivery date was August 2023, a significant delay, as prior to these recent manufacturing and delivery issues, electrical gear typically had a 3 - 6-month lead time. The gear was then further delayed and scheduled to arrive in December 2023, with no

explanation. In late December, we learned it has now been delayed again with an estimate of September 2024. We will have several buildings, approximately 84 homes, completed with everything except the electrical and final inspections, and will not be able to connect them to the Flathead Electric power grid. No one will be able to move in, already 6 months behind schedule when the gear was going to arrive in December; this is yet another timing impact. Some of these homes will be completed ten months behind schedule. Although we found an alternate solution that cost nearly \$50,000 for the first building so it could be completed earlier, due to other compounding delays mostly related to labor shortages. Property management worked to temporarily house two qualified households experiencing houselessness – an aging veteran with cancer and his wife as well as a single mom with three children – during the week of Christmas and the first three weeks of January, so they wouldn't have to spend that time waiting for the first building to be completed living in their vehicles.

- While this second challenge didn't occur at Trinity, Junegrass also faced a four-month delay in the start of construction because of delays at the State Department of Environmental Quality. DEQ's review of the infrastructure improvements, the plans and permit application for which were also being reviewed for compliance with all the regulations by the City of Kalispell, within whose jurisdiction the project lies, took approximately six months, apparently because of a huge backlog, inadequate staffing, and no method of prioritizing duplicative reviews or critical project reviews. This challenge is one that we understand may be going through review by Montana State government and could potentially be resolved, while the electrical gear issue is more far reaching.

### **Crowley Flats**

Crowley is a 16-home project in Lewistown, MT whose residents are income restricted to 60% Area Median Income or less (about \$16.90/hour in Fergus County). This project was completed in late spring last year but had to sit without power for 3 months due to delays in the delivery of specific electrical gear – in this case, sockets. This equipment was ordered in July 2022, originally scheduled for delivery in March 2023, then delayed till December 2023, and eventually scheduled for delivery in August 2023. 13 months for equipment that has historically been available either off the shelf or had lead times of 2 to 6 months. Qualified households kept being notified of dates of move in changing for months, causing two households to finally give up and relocate to other states (there are next to no vacant homes available to rent in Lewistown that are affordable at these incomes). Once we were able to complete the building, the project filled up within a month, all 16 homes.

### **Hearthstone Apartments**

Hearthstone is an income restricted property that provides 74 homes that seniors and people with disabilities can afford to rent in Anaconda, MT. The rehab was completed in July of 2022; it was delayed nearly 8 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.

### **Bluebunch Flats**

Bluebunch Flats is an income restricted property that provides 37 homes that people can afford to rent in Livingston, MT. This historic adaptive re-use was completed in February of 2021; it was delayed nearly 6 months due to ongoing skilled labor shortages and direct delays due to workers being quarantined.

### **Alpenglow Apartments**

Alpenglow is an income restricted property that provides 38 homes that people can afford to rent in Whitefish, MT. This new construction project was completed in May of 2021; it was delayed more than 8 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.

All of these projects have equally wonderful stories of providing safe, healthy homes to people who are earning lower incomes – from being able to finally live in the same community where they work, to finally moving into stable housing and not living in a camper to being able to have a roll-in shower so they can improve their own hygiene. Some of the impacts outlined above are unprecedented and may not occur again until there is another pandemic. The electrical gear delays may improve eventually in Montana’s less urban communities even though our numbers don’t provide the same scale of potential profit when deciding where a limited resource is deployed. It’s harder to compete with the scale of urban center projects on the coasts. But the continued labor shortages is an ongoing crisis from years before the pandemic, with no forecasted improvement. It is impacting all types of housing, and all construction and therefore, all of Montana’s economy.

Please let us know if you have any additional questions or need any clarifications.

Sincerely,

Heather McMilin  
Project Development Director  
Homeward, Inc.