AFFORDABLE HOUSING IN MONTANA

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Prepared by:
Brandon Bridge, P.h.D., Economist and Director of Forecasting

BUREAU OF BUSINESS AND ECONOMIC RESEARCH
UNIVERSITY OF MONTANA

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Executive Summary

Affordable housing is an increasingly difficult problem for many Montana communities. With relatively few affordable homes available for households earning a low income, and with much of the existing affordable inventory ageing and in need of rehabilitation, many households earning a low income are being priced out of housing markets. Highly cost-burdened households experience many difficulties with regards to health and well-being outcomes, educational attainment of minors, employment opportunities, etc., while those households priced completely out of the market experience the unending difficulties associated with homelessness. The difficulties of being highly cost-burdened or homeless extend from the individuals directly involved to the communities where they live. This imposes costs on community hospitals, schools, criminal justice efforts, infrastructure upkeep, and many other community institutions. Reducing these costs will be an increasingly pressing problem moving forward.

One proposal for addressing these issues is the use of state and federal funding to both develop new affordable housing units and to rehabilitate the existing affordable inventory. Rent subsidy programs like Section 8 vouchers and Public Housing, and construction subsidy programs like low-income tax credits have been used in Montana and others states to reduce the societal costs associated with a lack of affordable housing. However, information on the full scope and scale of the various public programs aimed at addressing these concerns, both in Montana and in other states, remains disparate and difficult to navigate. Additionally, the cost-reduction impact and effectiveness of these programs are neither fully understood nor uniform across programs or geographic locations. A more comprehensive understanding of these programs and their effects would be beneficial to any effort aimed towards improving housing affordability in Montana. This study looks to address this information void.

Using a combination of public data, data provided by local sources, research from the literature, information on other states as well as data on Montana, the present study will assess the landscape of federal and state direct and indirect funding efforts for increasing the quantity and quality of available affordable homes in Montana and comparable states.

Key Findings

There are currently over 23,000 housing units in Monatana that support housing affordability. These units are subsidized through several public finance programs that exist in the state for furthering the goal of affordable housing. Details of the public finance programs mentioned are included in the body of this report, but a summary of the number of subsidies by program follows.

- There are 7,977 apartment homes for rent in Montana that were developed using the federal Low-Income Housing Tax Credit program as the majority funding source. Of the 7,977 active housing units, 1,889 (24 percent) are set to have their federal LIHTC subsidy (made in the form of construction equity) expire within next ten years. The requirement of below market, affordable rents expires after 15 years (period of affordability) in these projects, meaning the apartment complex may be sold to investors who may then raise the rents beyond affordability.

- There are 11 local public housing authorities in Montana that own and manage over 2,009 public housing units. The average tenant of these units pays $321 per month in rent and earns an average annual household income of $13,568.

- There are seven tribal housing authorities in Montana that own and manage over 5,900 public housing units. Housing continues to be underfunded and underdeveloped on Montana’s Indian reservations. Undeveloped economic opportunity, high unemployment and shortage of capital compounded by lack of tribal financial and human capacity continue to hold back efforts to meet growing housing demands on Montana’s Indian reservations.

- There are 1,076 housing units in Montana currently being subsidized by the HOME program, which is administered by HUD. Of these units, 83 percent are set to have their subsidy expire within the next ten years. The POA requirements vary for these projects, with a minimum of five and a maximum of 20 years. After the POA, the housing units may be sold to investors who may then raise the rents beyond affordability.

- There are currently 4,310 apartment homes in Montana being subsidized by project-based Section 8 programs. Of these, 44 percent are set to have their subsidy expire within the next ten years.

- There are currently 1,737 housing units in Montana being subsidized by the USDA 515 direct loan program. Of these, 20 percent are set to have their subsidy expire within the next ten years.

- There are 252 apartment homes that are currently set to be developed or preserved with the Multifamily Coal Trust Homes Program.

- It is estimated that there are more than 3,600 individuals experiencing homelessness in Montana. It is further estimated that the top cost-decile of those individuals experiencing chronic homelessness incur over $50,000 per year in costs to public budgets.

Demand for affordable housing in Montana far outstrips supply. For example, statewide there are only 39 affordable housing units for every 100 households earning an extremely low income (below 30 percent of area median income). Also, since 2016 there have been over 30,000 applications for housing choice vouchers, with only about 4,000 issued. This indicates a demand-supply ratio of more than 7-to-1 for this program alone.

Since 2012, Montana has only financed 717 affordable housing units (including acquisition, rehabilitation, and new construction) with federal 4 percent low income housing tax credits. In this same period of time, Montana has abandoned $949 million in tax-exempt private activity bonds (PABs). Private activity bonds are revenue-backed bonds issued by a state or local authority for a private project. These bonds are exempt from federal income taxes which enables the project to access capital at a lower interest rate than could otherwise be attained. These private activity bonds may be used to finance 4 percent LIHTC projects. When they are unclaimed for a period of years they are abandoned.

Since 2016, an average of $62 million per year in 9 percent low income housing tax credit requests has been denied due to lack of funding. These projects would have significantly expanded the inventory of affordable housing in Montana. A state LIHTC program similar to those implemented in other states would likely allow developers to leverage federal tax credits currently unutilized in order to increase the supply of affordable housing in the state.

Housing Unaffordability

In order to understand the impacts of housing affordability challenges, it is helpful to consider the situation of complete unaffordability: homelessness. The costs born by homeless individuals and families are stark and clearly visible. The instability caused by homelessness turns many basic necessities into near-impossibilities. Finding adequate food, shelter, clothing, washing facilities, transportation, health care, education, personal safety & security, and employment become highly time-intensive and often impossible. These challenges are compounded by the high levels of substance abuse and mental illness experienced by homeless individuals and families.

Less visible are the impacts of homelessness on the surrounding communities. In 2015, Ada County, Idaho conducted case studies on the social costs of issues related to homelessness. In these studies, the Boise Police Department tracked the interactions between consenting chronically homeless persons and the community. Over the six months of the study, a representative individual experiencing chronic homelessness needed 13 visits to the hospital, 11 of which required paramedic dispatch. Due to stealing, trespassing, and public intoxication, this individual also was arrested 14 times, incurred 22 charges, and spent 95 days in jail. In this instance of the six-month case study, the individual experiencing chronic homelessness incurred over $50,000 in community spending for criminal justice and medical costs alone[1].

Such a detailed study has not been completed in Montana, but in 2019 the Corporation for Supportive Housing published a study examining the Medicaid costs incurred by the top decile of Montana individuals suffering from homelessness and chronic homelessness[2]. They found that individuals in the top cost-decile of those experiencing chronic homelessness had an average of $53,463 in Medicaid expenditures in 2017, and that individuals in the top cost decile of those experiencing homelessness averaged $49,906 in Medicaid claims. It is important to remember that Medicaid claims are but one visible, first-order impact of homelessness on public budgets. Figure 1 below shows the numbers of individuals experiencing homelessness in Montana.

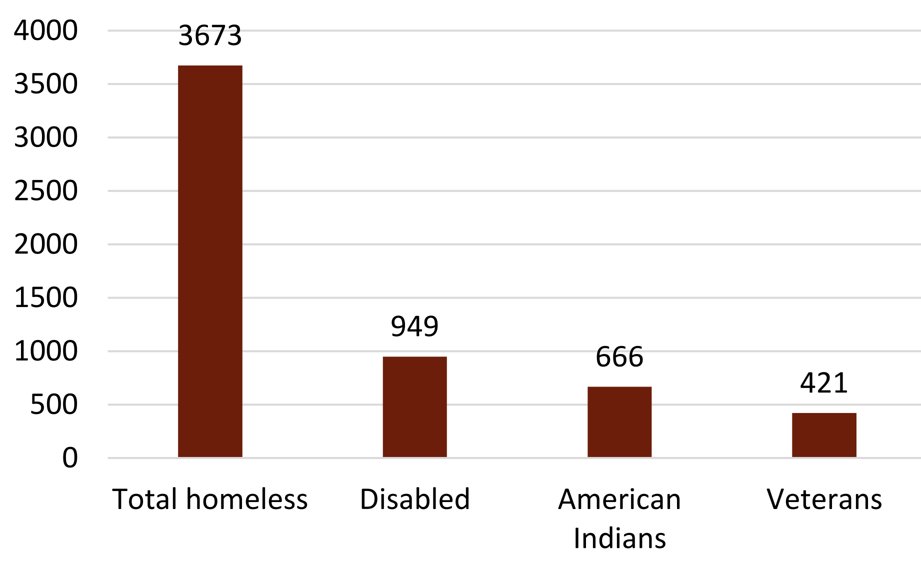

Figure 1: Montana homelessness by group. Source: Montana HMIS 06/12/2020

[1] https://www.boisestate.edu/bluereview/pay-for-success/
[2] https://www.csh.org/resources/montana-business-case-for-a-supportive-housing-services-benefit/

Given the numbers from Montana Homeless Management Information System (Figure 1), the results of the study performed by the Corporation for Supportive Housing, and a 34 percent state share of Medicaid costs, it could be inferred that the top cost-decile of individuals experiencing homelessness in Montana incur over $6 million annually in Medicaid costs to state budgets alone.

The proportion of American Indians experiencing homelessness in Montana (Figure 1) is noteworthy. It is estimated that American Indians make up 6.5 percent of the population of Montana[3], yet individuals identifying as American Indian make up 18 percent of the total homeless population. This constitutes an almost 3x overrepresentation in the data.

Figure 2 further breaks down the Montana homelessness statistics by gender. Not all individuals registering into the system decide to share personal demographic information, hence the numerical disparity between Figures 1 & 2. It is important to note that all 205 veterans in Figure 2 also identified themselves as disabled.

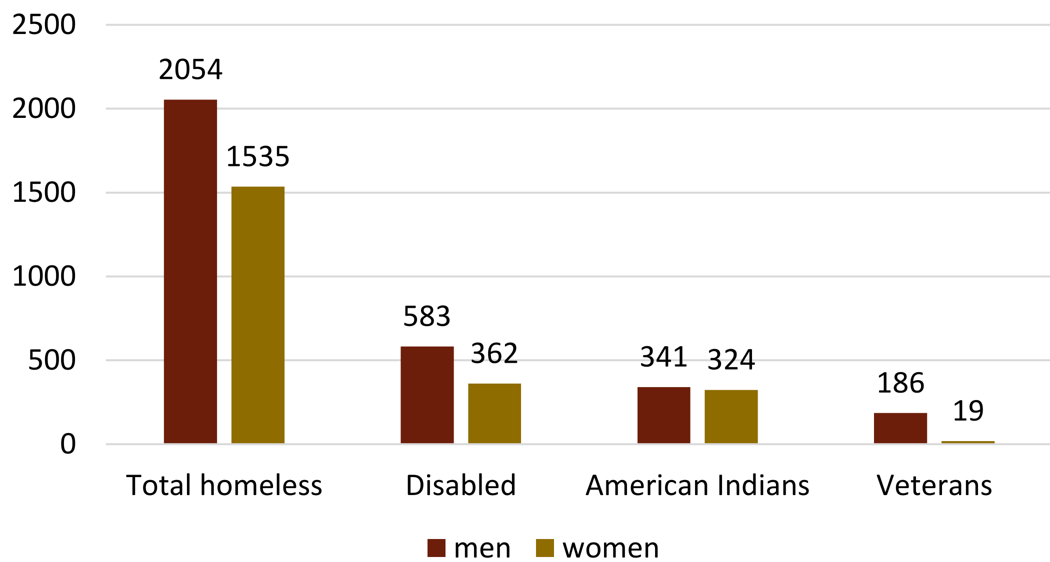

Figure 2: Montana homelessness by group and reporting gender. Source: Montana HMIS 06/12/2020

[3] data.census.gov

An Overview of Current Public Finance Programs For Housing Affordability in Montana

One focus of this report is a summary of the existing housing development subsidies and renter assistance in Montana. Subsidies such as the Low-Income Housing Tax Credit, public housing, HOME, Community Development Block Grants, Housing Trust Fund, Housing Choice vouchers, USDA Rural Development and the Coal Tax Loan Program are some of the various public finance programs in place to reduce the burden of housing unaffordability among the several target populations in the state.

These public finance programs can largely be divided into two categories: construction subsidies and rental subsidies. Construction subsidies are designed to encourage new affordable housing unit development by giving the subsidies directly to qualifying housing developers. Rental subsidies are designed to assist qualified individuals and families in finding an existing affordable home to live in. These rental subsidies are provided to qualifying rental property owners who charge market rents, with qualifying tenants paying 30% of their monthly income and the Federal government paying the remainder. This section will summarize the details of these programs as well as information regarding the homes in Montana currently subsidized by these programs.

Federal Low-Income Housing Tax Credit

One of the federal government's primary policy tools for incentivizing the development and rehabilitation of affordable rental housing is the low-income housing tax credit (LIHTC) program. Created by the Tax Reform Act of 1986, the LIHTC program is a construction subsidy program known in Montana as the Housing Credit program. This program is a system in which nonrefundable federal housing tax credits are awarded to developers via a competitive process, designed by and administered by state housing finance agencies (HFA). In this program, tax credits are allocated to developers who immediately sell them to investors, and then use the cash for construction. By eliminating or greatly reducing their debt service, the property may have positive cash-flow even with restricted rents affordable to working families, seniors, and individuals with disabilities.

In 2019, states received, from the Internal Revenue Service (IRS), a LIHTC allocation of 9% tax credits calculated by using $2.75625 per person multiplied by a number related to their total land mass. Many sparsely populated states, including Montana, receive a minimum small population state allocation. For 2019 that amount was $3,166,875, which results in $31,668,750 in tax credits over ten years. These 9% tax credits are allocated to developers who score highest in a highly-competitive process based on priorities laid out by the Montana Board of Housing in the annual Qualified Allocation Plan (QAP). There are also 4% tax credits available for use by developers. These credits are non-competitive and available when the HFA can use Tax Exempt Revenue Bonds for the loan transaction. Four percent credits combined with Tax Exempt Revenue Bonds are under-utilized in Montana compared to many other states.

Housing Units in Montana Currently Subsidized by the Federal LIHTC Program

Currently there are 7,977 apartment homes for rent in Montana that were developed using the federal LIHTC program as the majority funding source. Of these, 63.5 percent (5,069) were developed as new construction, 32.2 percent (2,572) are apartment buildings that were acquired and rehabilitated to preserve their affordability. The remaining 336 units (4.2 percent) used their allocation of Housing Credits to fund rehabilitation that was necessary on property that they owned. Developers are required to name the targeted incomes and the type of households that they wish to provide homes for. These details will be found on each property deed’s Restrictive Covenants. Developers decide what unmet housing need is present in a community via the Market Study they are required to obtain. They can then choose to serve families whose household income is 60% of Area Median Income or less and designate their property as a senior development.

In Montana, 1,680 (21 percent) of these apartment homes are restricted for those whose age is 62+, there are 5,298 (66.4 percent) homes for families, and 782 (9.8 percent) homes available for households in which at least one member is age 55+. It is useful to know that anyone of any age can live in family rental homes, including individuals living with disabilities. There may be disability-accessible apartments available, and a person seeking an accessible unit would place their name on a waitlist for a unit with those features. The housing units currently subsidized by the LIHTC program (4% and 9%) are geographically distributed as shown in Table 1 below.

County	Units	County	Units	County	Units
Beaverhead	52	Hill	225	Richland	56
Big Horn	55	Jefferson	36	Roosevelt	110
Blaine	110	Lake	344	Rosebud	71
Carbon	33	Lewis and Clark	591	Sheridan	4
Cascade	699	Lincoln	34	Silver Bow	252
Custer	53	Madison	48	Stillwater	32
Dawson	28	Meagher	10	Sweet Grass	24
Deer Lodge	10	Mineral	32	Toole	24
Fergus	59	Missoula	1,208	Treasure	12
Flathead	967	Park	119	Valley	6
Gallatin	851	Powell	69	Yellowstone	1,252
Glacier	193	Ravalli	308		

Table 1: Low Income Housing Tax Credit Subsidized Units by County. Source: Montana Housing

Figure 3 below shows the number of LIHTC subsidized units set to expire by year. We can see that 1,889 of the 7,977 active housing units (24 percent) are set to have their federal LIHTC subsidy expire within the next ten years.

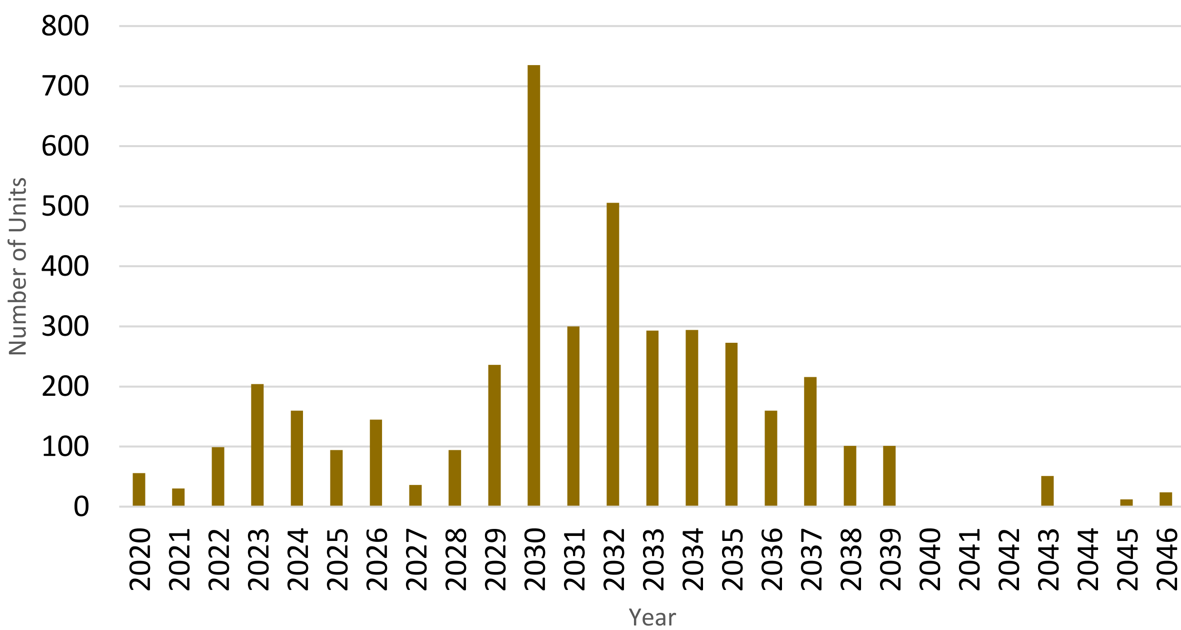

Figure 3: LIHTC Subsidized Housing Units Expiring by Year. Source: Montana Housing

While LIHTC properties must commit to a 30-year period of affordability (POA), they are only subject to a 15-year "compliance period." This is the period of time where the tax credits that have been given to developers can be taken back, or "re-captured" if the property fails to comply with LIHTC regulations, which is a rare occurance. During the following 15 years (or more) the property is still required to maintain affordability and comply with LIHTC rules and regulations, though without the ability to take back the credits, the states do not have many enforcement options for compliance.

The qualified contract process allows LIHTC property owners to opt out of the program after the first 15 years. In order to take this route, the owner must inform the state tax allocating agency of its intent to sell, and the agency would then have one year to find a qualified buyer. If no buyer is found, the owner may then be released from all obligations to the program. If the owner refuses to sell the property, it must abide by the extended use restrictions. Some LIHTC properties nearing the end of their use restrictions face a lack of resources to ensure that their property is maintained. In the absence of adequate resources to invest in rehabilitation, many properties face deterioration, increased vacancies and further budget shortages.

In areas with relatively booming housing markets, selling the property may be a more attractive option than continued compliance. Over the next five years, 564 LIHTC housing units in Montana will be facing this potential of being lost to the market. Figure 4 below shows the number of these housing units by county. Notably, the majority of the units (77%) potentially being lost to the market within the next five years are located in counties with relatively high affordability challenges.

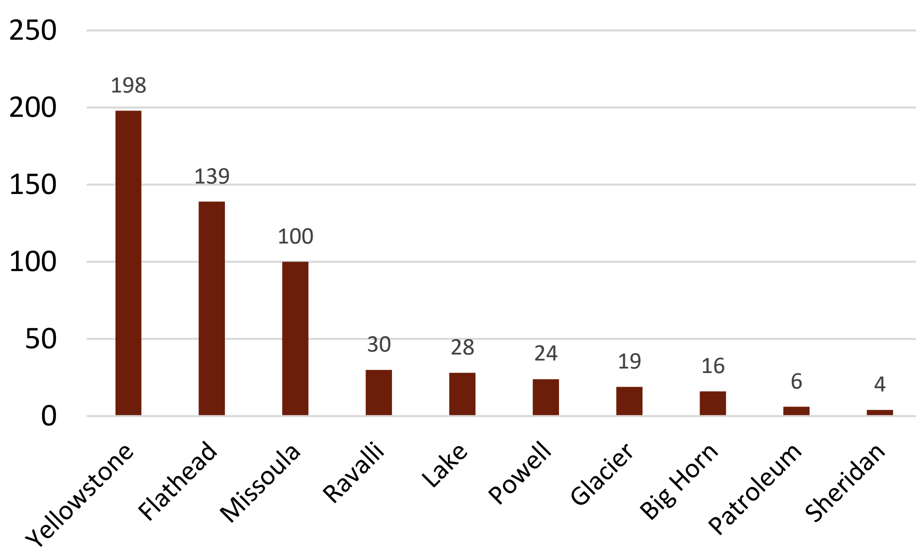

Figure 4: LIHTC Units with Potential for Loss to Market by 2025. Source: Montana Housing

Public Housing

Public housing was established by the Housing Act of 1937 to provide decent and safe rental housing for eligible families earning a low income, the elderly, and persons with disabilities. Public housing units exist as both single and multifamily structures. Currently there are roughly 1.2 million households living in public housing units across the country. The U.S. Department of Housing and Urban Development (HUD) administers federal aid to local housing authorities that manage the housing for households earning low incomes at rents they can afford. This public housing is limited to families and individuals earning low incomes. A household's eligibility is based on annual gross income.

Public housing authorities provide critical housing in communities throughout Montana. The low-rent public housing units are owned by the housing authorities, and qualified residents pay 30% of their adjusted income for rent. These units are particularly important for providing safe, stable, and affordable housing for the most vulnerable Montana citizens and families. This includes the elderly, disabled, low-wage, and single parent working families.

Public Housing Units in Montana

There are 11 local housing authorities in Montana that own and manage 2,009 public housing units. Of the data available, Montana tenants living in public housing units pay on average $321 per month in rent, and earn an average annual household income of $13,568. Figure 5 below shows the income category distribution of households currently living in public housing.

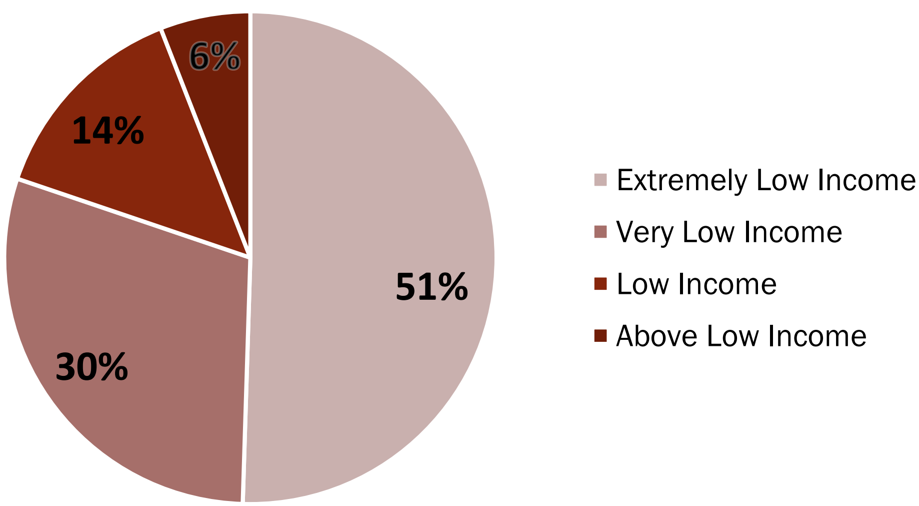

Figure 5: Public Housing Tenants' Average Annual Income Category

Of the housing authorities for which detailed data is available, there are 2,009 public housing units being actively managed. Four hundred of these units provide housing for families with elderly individuals, 700 of the units provide housing persons with disabilities, 772 of the households are headed by females, and children reside in 914 of the 2,009 units. These numbers are shown in Figure 6 (due to households with multiple categorizations, the demographic breakdown will not sum to the total). Table 2 below shows the geographical distribution of the public housing units for which exist detailed data, along with average tenant income and monthly rent payment.

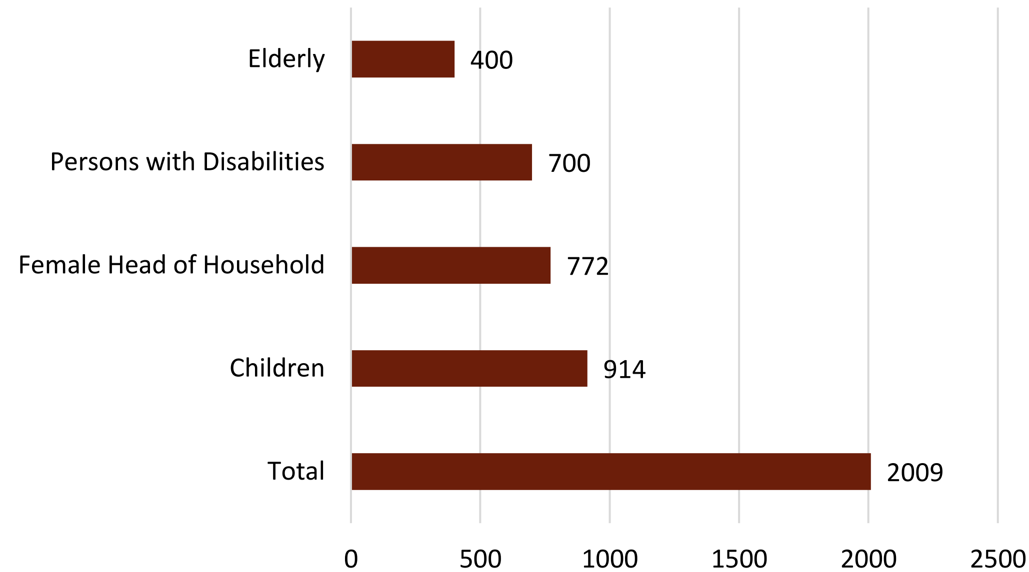

Figure 6: Public Housing Units and Tenant Demographics in Montana. Source: MT Public Housing Authorities Resident Characteristics Report, 05/04/2020.

Housing Authority	# of Units	Average Annual Tenant Income	Average Monthly Tenant Payment
Anaconda	170	$13,570	$313
Billings	274	$15,460	$368
Butte	353	$11,704	$286
Dawson County	20	$11,565	$281
Glasgow	60	$17,064	$411
Great Falls	490	$12,665	$300
Helena	366	$13,046	$303
Missoula	178	$14,909	$357
Richland County	48	$18,030	$424
Ronan	129	N/A	N/A
Whitefish	50	$15,413	$345

Table 2: Montana public housing units, income, and total tenant payment, by Housing Authority. Source: MT Public Housing Authorities Resident Characteristics Report, 05/04/2020.

Indian Housing Authorities

Prior to 1960, Indian Tribes, recognized by the United States in the 1934 Indian Reorganization Act, had virtually no access to federal housing assistance. John F. Kennedy, while campaigning for the Presidency in 1960, visited the Oglala Lakota on the Pine Ridge Indian Reservation in South Dakota and was shocked by the conditions the proud Sioux Nation were living under.

In 1961 Kennedy asked his cabinet to determine whether and federal resources exited to help Indian nations. His Interior Secretary determined that if Tribes could qualify as “municipalities”, they would be eligible to participate in the 1937 Housing Act. Later the agency (Public Housing Administration PHA) that would later evolve as HUD, created an ordinance to be adopted by any tribe wanting to participate in the 1937 Act. Tribes could also work with states to create Housing Authorities.

The first tribe approving a HUD-developed ordinance which created a housing authority eligible to enter into an Annual Contributions Contract with HUD was the Oglala Lakota Housing Authority in 1961. By 1963, over 100 Indian housing authorities were in existence including seven in Montana.

Between 1963 and 1980, HUD built over 70,000 Indian Housing Units. However, problems were arising as the 1937 Housing Act was designed for inner-cities and other urban areas, and the program never really worked very well in Indian Country. Often clashes between the elected tribal leadership and the HUD approved housing boards made operating the program under rigid HUD rules impossible. Too many issues from cultural considerations, availability of building and maintenance materials, contractors and market rentals doomed the HUD Indian Housing Program.

In 1996, following the release of the report (BUILDING THE FUTURE, A BLUEPRINT FOR CHANGE) of the National Commission on American Indian, Alaskan Native and Native Hawaiian Housing, Congress Passed PL 104-330, the NATIVE AMERICAN HOUSING ASSISTANCE and SELF-DETERMINATION ACT OF 1996. The act provided any eligible tribe a block grant based on a negotiated formula. The Act included the following objectives:

1) To assist and promote affordable housing activities to develop, maintain and operate affordable housing in safe and healthy environments on Indian reservations and in other Indian areas for occupancy by low-income Indian families;
2) To ensure better access to private mortgage markets for Indian tribes and their members and to promote self-sufficiency of Indian tribes and their members;
3) To coordinate activities to provide housing for Indian tribes and their members with Federal, State, and local activities to further economic and community development for Indian tribes and their members;
4) To plan for and integrate infrastructure resources for Indian tribes with housing development for tribes; and
5) To promote the development of private capital markets in Indian Country and to allow such markets to operate and grow, thereby benefiting Indian communities.

The NAHASDA program allowed a great deal of discretion by tribes in the type of housing and related programs created. Many tribes have not used the block grant to build additional units and utilize a majority of their block grants to support the homes built under the 1937 Housing Act. Tribes have the authority to determine rent schedules and enforcement rules and often local political decisions make it difficult to build sustainable housing projects. In addition, the program is complex and requires good financial and management capacity. National funding for the program, serving over 500 federally recognized tribes has be about the same for the past 24 years.

Montana Tribes have all utilized the LIHTC program and are learning more about the USDA Rural Development housing programs. NAHASDA made Indian housing authorities ineligible for new Section 8 funding as well as HOME funding. Housing continues to be underfunded and underdeveloped on Montana's Indian reservations. Undeveloped economic opportunity, high unemployment and shortage of capital compounded by lack of tribal financial and human capacity continue to hold back efforts to meet growing housing demands on Montana's Indian reservations. Table 3 shows the number of public housing units by tribal authority in Montana.

Tribal Authority	Units
Apsaalooke Nation	702
Blackfeet	1,461
Chippewa Cree	229
Fort Belknap	637
Fort Peck	1,294
Northern Cheyenne	787
Salish & Kootenai	862

Table 3: Public Housing Units by Tribal Authority in Montana

HOME

The U.S. Department of Housing and Urban Development (HUD) initiated a program in 1990 known as the Home Investment Partnerships (HOME) Program. This was designed as a federal block grant program to create affordable housing for households earning a low income. These grants fund the building, buying, and rehabilitating of affordable housing for both renters and owners. Funds from these grants can also be used to provide direct rental assistance to households earning a low income.

While funds from the HOME Program may be used to serve households at or below 80 percent of the area median income (AMI), they are particularly targeted towards households at or below 50 percent AMI. Eligible recipients of HOME grant funds may be local governments, public housing authorities, private developers, non-profit organizations, community housing development organizations, human resource development councils, and for-profit entities. The eligible projects for which the HOME funds may be used include demolition and reconstruction of existing substandard housing which is beyond rehabilitation, site improvements, construction of rental housing units, rehabilitation of existing substandard rental housing, conversion of existing non-housing structures into housing units, and construction of new single-family homes.

Recipients of HOME funds must agree to the terms and conditions of the program. These include income, rent, and possibly other restrictions for the period of affordability (POA). The POA of HOME grants varies by project and grant amount. Home ownership and rental acquisition/rehabilitation projects receiving less than $15,000 per unit have a POA of five years, the POA for those receiving between $15,000-$40,000 per unit is ten years, and projects receiving more than $40,000 per unit have a POA of 15 years. All new construction projects for rental housing units agree to a 20-year POA. Also, a 5 percent match in the form of a permanent contribution to affordable housing is required by recipients of HOME funds.

Housing Units in Montana Currently Subsidized by the HOME Program

HOME funds are appropriated directly to three cities in Montana, the entitlement cities of Billings, Great Falls and Missoula, by virtual of their population size. HOME funds are appropriated to the remainder of the state and awarded by the Montana Department of Commerce to areas outside of the entitlement cities. HOME funds can be used for both homeownership (as down payment assistance) and for construction subsidies (for apartments that are affordable).

Currently there are 1,076 housing units in Montana being subsidized by the HOME Program. Among these, about 75 percent (808) were originally subsidized for new construction, with the remainder being subsidized for rehabilitation. The target population for all HOME subsidized units is households earning a low income, and in Montana, 203 of these housing units are particularly targeted for the elderly or households with disabilities.

The housing units currently subsidized by the HOME Program are geographically distributed as shown in Table 4 below. We can see that roughly 77 percent of the units (825) are located in one of the seven primary population centers in the state (Cascade, Flathead, Gallatin, Lewis & Clark, Missoula, Silver-Bow, and Yellowstone Counties).

County	Units	County	Units
Beaverhead	8	Lewis and Clark	134
Broadwater	10	Madison	11
Carbon	22	Mineral	8
Cascade	92	Missoula	218
Dawson	17	Park	24
Fergus	11	Ravalli	55
Flathead	85	Richland	31
Gallatin	45	Roosevelt	27
Hill	13	Silver Bow	163
Jefferson	6	Yellowstone	88
Lake	8		

Table 4: HOME Subsidized Units by County. Source: MT National Housing Preservation Affordable Housing Database

Figure 7 below shows the number of HOME subsidized units' period of affordability (POA) set to expire by year. We can see that 895 of the 1,076 housing units (83 percent) are set to have their HOME subsidy expire within the next ten years. Of these, 529 housing units have no other subsidy in place. Of the housing units with their HOME subsidy POA expiring by 2030, 177 housing units are targeted for elderly households or households with disabilities, and 74 housing units are occupied by households earning and extremely-low income (less than 30 percent AMI).

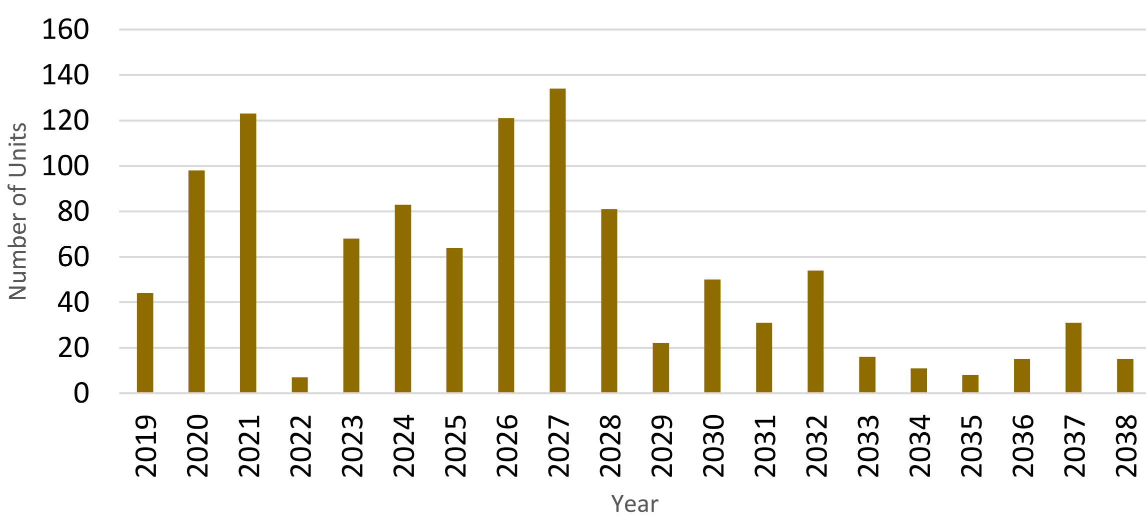

Figure 7: HOME Subsidized Housing Units POA Expiring by Year. Source: MT National Housing Preservation Affordable Housing Database

Community Development Block Grants

The Community Development Block Grant (CDBG) Program provides grants to help local governments fund new construction or rehabilitation of single-family or multi-family housing projects that target low-to-moderate-income households in Montana (less than 80 percent AMI). The CDBG program offers two types of housing grants. One of these is a competitive grant for multi-family housing projects known as the CDBG Affordable Housing Development and Rehabilitation Grants. In these instances, the grant is intended to fill a funding gap, and the maximum grant size is $450,000. The other type of grant offered by the CDBG program is a non-competitive grant with no maximum amount for single-family projects. These are known as CDBG Housing Stabilization Program Grants.

CDBG funds are appropriated directly to three cities in Montana, the entitlement cities of Billings, Great Falls and Missoula, by virtual of their population size. CDBG funds are appropriated to the remainder of the state and awarded by the Montana Department of Commerce to areas outside of the entitlement cities. CDBG funds can be used for economic development, infrastructure and housing, which makes the programs very competitive, both in the entitlement cities and in the statewide program.

Eligible recipients of these CDBG grants are limited to general-purpose local governments such as counties, cities, towns, and consolidated city-county governments. Also, eligible applicants may apply on behalf of special purpose organizations such as local economic development corporations, housing authorities, community housing development organizations, water or sewer districts, or private and nonprofit organizations.

CDBG Affordable Housing Development and Rehabilitation Grants may be used by recipients for construction of multi-family or multiple single-family homes, rehabilitation of multi-family rental homes, temporary housing facilities (shelters), or neighborhood revitialization projects (sidewalks, playgrounds, street lights, etc.). These funds may also be used for demolishing housing units that are beyond rehabilitation, provided the sites are retained for new construction. If awarded, these projects must be completed within two years of grant reception.

CDBG Housing Stabilization Program Grants similarly may be directed towards rehabilitation of qualifying housing units with health or safety concerns, new construction housing units on vacant lots, and demolition of unsuitable housing units provided the lots are retained for replacement housing. These grants also come with stipulations regarding the value of the rehabilitations, as well as the value of the property upon which the rehabilitation is being performed (neither of which may exceed the median home price for the area in question). Recipients of these grants have five years from the award date in which to access the funds.

Housing Trust Fund

The Housing Trust Fund (HTF) Program is a federal housing subsidy program that was instituted in 2008 as part of the Housing and Economic Recovery Act. The HTF program shares many similarities to the HOME program. Both of these programs have the stated objective of increasing the supply of affordable housing. One difference in these two programs is that while grants from the HOME program target households earning low incomes (below 80 percent AMI) and very low incomes (below 50 percent AMI), HTF grants are reserved for households earning extremely low incomes (below 30 percent AMI).

The HTF program is designed to bridge funding gaps for the development and rehabilitation of multi-family rental homes, and funds from this program are intended to be combined with other sources such as the CDBG program described above. Unlike HOME grants, in Montana HTF funds may not be used for construction of new single-family homes. Similar to the HOME program, HTF funds are contingent upon agreement to the terms and conditions specified by the authoritative bodies managing the program, and compliance to these terms and conditions is to be monitered throughout the POA.

HTF grants may be requested by Montana's entitlement communities (Missoula, Great Falls, and Billings), as well as public housing agencies, nonprofit and for-profit organizations. Eligible projects for which to apply HTF grants are the same as HOME eligible projects discussed above, save for the new construction of single-family homes which are not eligible for HTF grants. HTF funds may not be used to rehabilitate housing for existing homeowners or for transitional housing. The POA for HTF projects is 30 years. The Montana HTF allocation for 2019 was $3 million.

Housing Choice Vouchers

Individual

The Housing Choice Voucher program in Montana provides rental subsidies for families earning a very low income, elderly persons and persons with disabilities. This program is funded by the U.S. Department of Housing and Urban Development (HUD). Households receiving these rental subsidies choose their own rental home within the community of their choice, subject to program requirements and owner approval. The way in which this subsidy operates is the receiving family pays approximately 30 percent of their adjusted gross monthly income in rent and utilities, and the remainder is paid by the Housing Choice Voucher program directly to the property owner.

To be eligible for this program, applicants must qualify under HUD income limits and other program eligibility criteria. To qualify as very low-income, a household must earn below 50 percent AMI, which varies by county. Eligible applicants are placed on a waiting list for a period of time determined by the date of their application, the number of housholds leaving the Housing Choice Vouchers program, funding availability, and the number of people currently on the waiting list.

Project Based Section 8

The Project Based Section 8 program provides rental subsidies for apartments within a multifamily building that are targeted towards households earning very low incomes and households earning low incomes that meet certain requirements. In this program the funding is attached to specific apartment homes rather than the tenants themselves. The payments for the units are determined by the difference between the HUD-approved rent for all eligible apartments and the eligible tenants' rent contributions. As with the individual vouchers, the tenants' rent contribution is generally 30 percent of adjusted monthly gross income.

Housing Units in Montana Currently Subsidized by Section 8 Programs and Housing Choice Vouchers

Currently there are 4,319 housing units in Montana being subsidized by Section 8 programs. Of these units, 2,814 are targeted for households with disabilities or elderly households earning low incomes, and 1,500 are targeted for families earning low incomes. The housing units currently subsidized by project-based section 8 vouchers are geographically distributed as shown in Table 5, and housing units currently subsidized by Housing Choice vouchers are geographically distributed as shown in Table 6 below.

County	Units	County	Units	County	Units
Beaverhead	79	Hill	102	Powell	15
Blaine	20	Jefferson	27	Ravalli	60
Carbon	32	Judith Basin	13	Richland	60
Cascade	538	Lake	242	Sanders	23
Choteau	22	Lewis and Clark	29	Sheridan	179
Custer	61	Liberty	78	Silver Bow	24
Deer Lodge	21	Lincoln	358	Teton	41
Fallon	8	Missoula	45	Toole	50
Fergus	47	Musselshell	87	Valley	775
Flathead	287	Park	31	Yellowstone	15
Gallatin	172	Phillips	67		
Glacier	33	Pondera	102		

Table 5: Project-based Section 8 Voucher Subsidized Units by County. Source: Montana Housing

County	Units	County	Units	County	Units
Beaverhead	19	Hill	163	Powell	17
Big Horn	22	Jefferson	15	Prairie	5
Blaine	25	Judith Basin	1	Ravalli	109
Broadwater	12	Lake	98	Richland	41
Carbon	26	Lewis and Clark	647	Roosevelt	22
Carter	1	Liberty	1	Rosebud	9
Cascade	814	Lincoln	39	Sanders	27
Chouteau	8	McCone	1	Sheridan	11
Custer	50	Madison	12	Silver Bow	299
Daniels	2	Meagher	8	Stillwater	15
Dawson	36	Mineral	22	Sweet Grass	3
Deer Lodge	33	Missoula	1,076	Teton	11
Fergus	87	Musselshell	26	Toole	6
Flathead	269	Park	83	Valley	28
Gallatin	347	Petroleum	1	Wheatland	10
Garfield	1	Phillips	15	Yellowstone	1,152
Glacier	18	Pondera	17		
Granite	8	Powder River	2		

Table 6: Individual Housing Choice Voucher Subsidized Units by County. Source: Montana Housing.

Figure 8 below shows the number of Project-based Section 8 subsidized units set to expire by year. We can see that 2,048 of the 4,630 housing units (44 percent) are set to have their Sec. 8 subsidy expire within the next ten years. Of these, 1,390 housing units have no other subsidy in place. Of the housing units with their Sec. 8 subsidy expiring by 2030, 1,502 housing units are targeted for households with disabilities or elderly households, and 1,367 housing units are occupied by households earning an extremely-low income (less than 30 percent AMI).

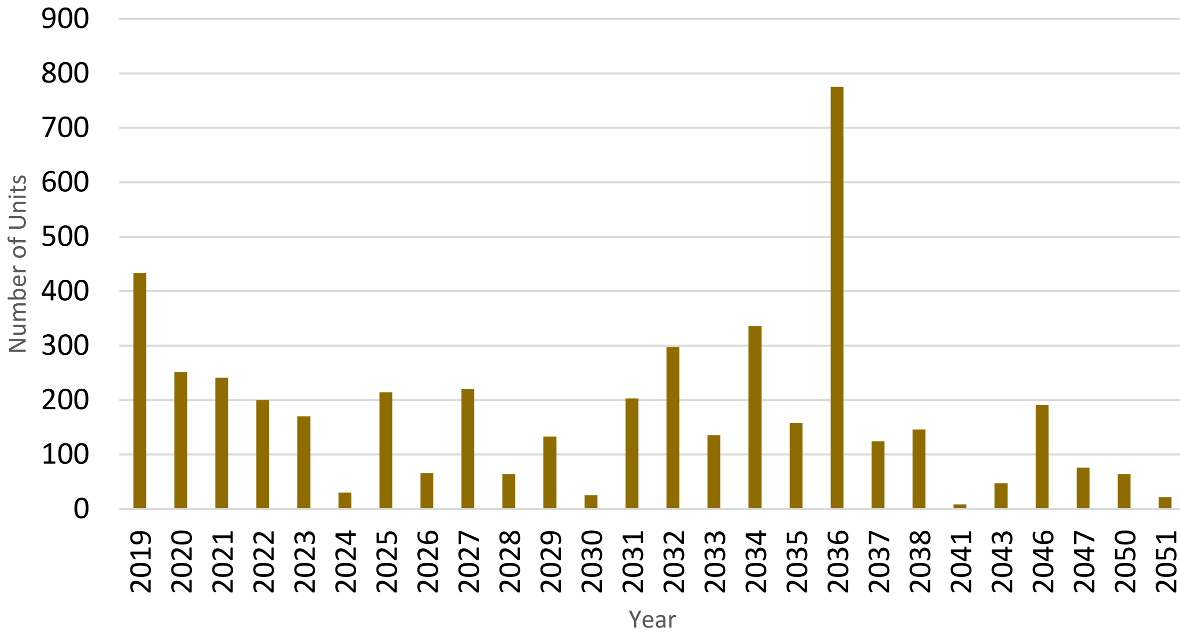

Figure 8: Project-based Section 8 Subsidized Housing Units Expiring by Year. Source: MT National Housing Preservation Affordable Housing Database

USDA Rural Development Program

The USDA Rural Development program has several ways in which it seeks to increase the supply of affordable housing in rural areas. Areas are designated as *rural* if they conform to the definition of rural areas as laid out in the Code of Federal Regulations as follows:

> *An area classified as a rural area prior to October 1, 1990, (even if within a Metropolitan Statistical Area), and any area deemed to be a 'rural area' under any other provision of law at any time during the period beginning January 1, 2000, and ending December 31, 2010, shall continue to be so classified until the receipt of data from the decennial census in the year 2020 if such area has a population exceeding 10,000, but not in excess of 35,000, is rural in character, and has a serious lack of mortgage credit for low- and moderate-income families.*[4]

The USDA has programs that assist in the development of single and multi-family housing. For single-family housing, there are direct home loans (Section 502 Direct Loan Program), and home loan guarantees (Section 502 Guaranteed Loan Program). For the direct loan program, a household must be earning a low income and have a willingness and ability to repay debt. They must also be without decent, safe, and sanitary housing, and they must be unable to obtain a conventional loan. There are stipulations on the types of properties available for financing (modest size, no in-ground swimming pools, etc.). These loans are available without a down payment and come with a fixed interest rate. For the guaranteed loan program, the USDA provides lenders guarantees on no-downpayment loans given to households earning moderate and low incomes. This is done to reduce the risk to lenders. Borrowers and properties must meet certain requirements similar to the direct loan program.

For multi-family housing, the USDA finances multi-family housing projects which are targeted towards elderly families, and individuals and families with disabilities who are also earning low incomes. This financing is done through both direct loans (section 515) and loan guarantees (section 538), though the vast majority of active

[4] Code of Federal Regulations, 7CFR Part 3560.11

subsidies in Montana from these programs are direct loans. These loans are designed to be available where commercial credit terms make charging affordable rents to households earning a low income unfeasible. The duration of these loans is 30 years. The section 515 program is frequently combined with the federal LIHTC program discussed above. Eligble applicants for 515 loans are individuals, trusts, associations, partnerships, limited partnerships, nonprofit organizations, for-profit corporations, consumer cooperatives, state and local government entities, and federally-recognized tribes.

Funds received through the 515 program may be used for the construction, improvement, and purchase of multi-family rental housing for eligible tenants. More specifically, these funds may be used to (among other uses): construct housing, purchase and rehabilitate buildings, provide subsequent loans, purchase and improve sites, develop and install necessary systems such as sewer and water, provide landscaping and site development, provide tenant-related facilities such as laundry services, and purchase and install equipment and appliances.

Housing Units in Montana Currently Subsidized by the 515 Direct Loan Program

Currently there are 1,737 housing units in Montana being subsidized by the section 515 program. According to the 2019 Rural Development Multi-Family Housing Annual Occupancy Report, over 95 percent of these units are occupied by households earning a very low income (below 50 percent AMI). The average income of households receiving rental assistance from this program is $11,072 per year, and of those receiving rental assistance, 27 households remain rent overburdened (paying more than 30 percent of monthly income for rent). Of the 1,737 subsidized units, 795 are targeted for households with disabilities or elderly households earning a low income, and 812 are targeted for families earning a low income. The housing units currently subsidized by the USDA Rural Development 515 Direct Loan Program are geographically distributed as shown in Table 7 below. We can see that these housing units are much more geographically distributed throughout the state, and indeed much more prevalent throughout the rural communities.

County	Units	County	Units	County	Units
Big Horn	69	Hill	37	Powell	21
Blaine	31	Jefferson	16	Ravalli	78
Broadwater	28	Lake	141	Richland	30
Carbon	47	Lewis and Clark	8	Roosevelt	59
Chouteau	5	Lincoln	45	Sanders	13
Custer	33	Madison	11	Sheridan	29
Daniels	28	Meagher	18	Stillwater	45
Dawson	7	Mineral	21	Sweet Grass	5
Fergus	41	Missoula	8	Teton	47
Flathead	361	Musselshell	18	Toole	30
Gallatin	80	Park	117	Valley	28
Glacier	40	Petroleum	6	Wheatland	12
Granite	13	Phillips	39	Yellowstone	72

Table 7: USDA 515 Subsidized Units by County. Source: MT National Housing Preservation Affordable Housing Database

Figure 9 below shows the number of USDA 515 subsidized units set to expire by year. Roughly 20 percent (351) of these housing units will have their 515 subsidy expire within the next ten years. Of those, 180 units currently have no other subsidy in place.

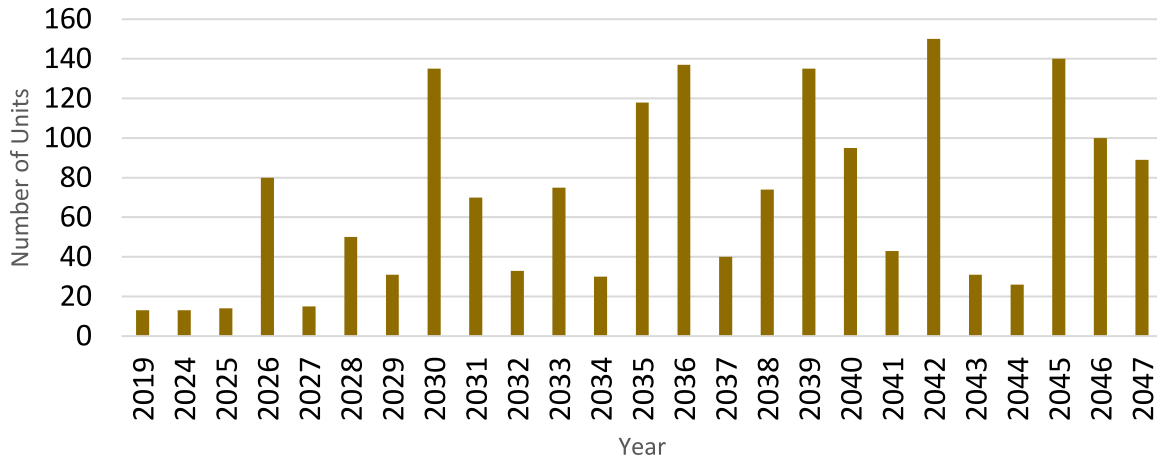

Figure 9: USDA 515 Subsidized Housing Units Expiring by Year. Source: MT National Housing Preservation Affordable Housing Database

Multifamily Coal Trust Homes Program

The 2019 Legislature created the Multifamily Coal Trust Homes Program (HB16), which made available $15 million of Coal Tax Trust Fund dollars to develop or preserve rental apartment homes that are affordable to working families, seniors and persons with a disability, by providing developers with low-interest rate loans. In early 2020, the Montana Board of Housing approved loans totaling $14.5 million to finance 7 developments with a total of 252 apartment homes. The loans were leveraged into $32.3 million in total development costs, bringing $17.7 in additional funding into the state. As the loans are payed off, the money returned will be used to fund the development of additional apartment homes. The financed developments are primarily in smaller cities of Belt, Cascade, Havre, Livingston, Joliet and Laurel. The Coal Trust Loan Program provides an important tool for preserving existing apartments that are affordable.

City	County	Units	Loan Amount
Belt	Cascade	22	$ 803,060
Cascade	Cascade	20	$ 872,500
Havre	Hill	32	$ 520,509
Livingston	Park	12	$ 900,000
Havre	Hill	60	$ 3,600,000
Helena	L & C	44	$ 2,674,631
Joliet/Laurel	Carbon/Yellowstone	62	$ 5,173,486

Table 8: Multifamily Coal Trust Loan Units by County. Source: NeighborWorks Great Falls.

Demand for Affordable Housing in Montana

Affordable housing has been an increasingly difficult problem for many Montana communities since around 2002 when housing prices began rising significantly faster than median household income in the state. With relatively few affordable homes available for households earning a low income, and with much of the existing affordable inventory ageing and in need of rehabilitation, many households earning a low income are facing challenges participating in housing markets. The vast majority of these households earning low-incomes are working families in Montana. According to the US Census American Community Survey, in 2018 23 percent of renter households were households earning an extremely low income (below 30 percent AMI), and among those households, 68 percent were severely cost burdened (more than 50 percent of monthly income to rent).

It is calculated that in Montana there are only 39 affordable housing units for every 100 households earning an extremely low income. Highly cost-burdened households experience many difficulties with regards to health and well-being outcomes, educational attainment of children, employment opportunities, and transportation (to name a few). Households priced completely out of the market experience the unending difficulties associated with homelessness.

As mentioned above, the difficulties of being highly cost-burdened or homeless extend from the individuals directly involved to the communities that contain them. Some of these costs involve day and night shelters, policing and legal costs, jailing costs, ER and hospital stays, transportation costs, drug and alcohol treatment costs, and mental health services costs. Currently the best estimates show that there are over 3,600 homeless individuals in Montana. Among these homeless individuals, 421 are veterans, and 205 are disabled veterans. Increased affordable housing would ease some of this burden of homelessness.

There are currently in Montana 14,507 housing units receiving subsidies for affordability. Roughly 68 percent of these housing units (9,919) are located in one of the seven primary population centers in the state. The remainder of this section will examine the demand for affordable housing in these locations.

Cascade County

Cascade County is populated by 34,444 households, 11,378 of which are renters. The income distribution of households in Cascade County is displayed in Figure 10 below. The area median income (AMI) for households in Cascade County is $48,160. This means that a household is earning an extremely low income for the county if the household income is less than $14,448. As can be seen in Figure 10, over 4,100 households in Cascade County are classified as earning an extremely low income, and over 8,000 households are classified as earning a low income (less than 50% AMI).

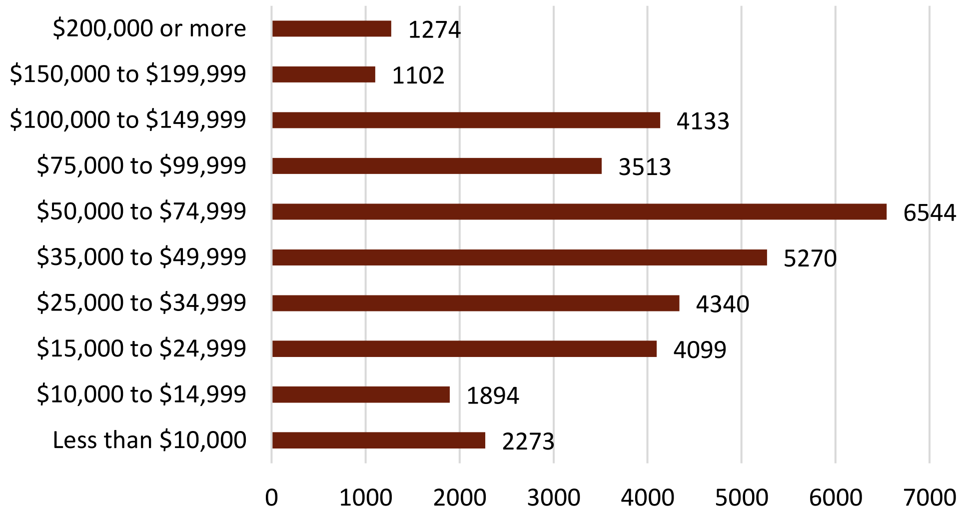

Figure 10: Cascade County Households by Income Group. Source: US Census American Community Survey, 2018 5yr

Of the renter households in the county, 46 percent are cost burdened, meaning they spend more than 30 percent of their monthly income on rent. Home owners in Cascade County are significantly less cost-burdened, with 18 percent of owner households experiencing this difficulty. Cascade County is one of the more affordable populated areas in the state, and as of the latest estimates there are 88 affordable housing units for every 100 households earning an extremely low income. This is the highest proportion among the relatively more-populated counties. Despite being relatively better off than other areas of the state, Figure 11 illustrates some of the housing affordability challenges faced by residents of Cascade County.

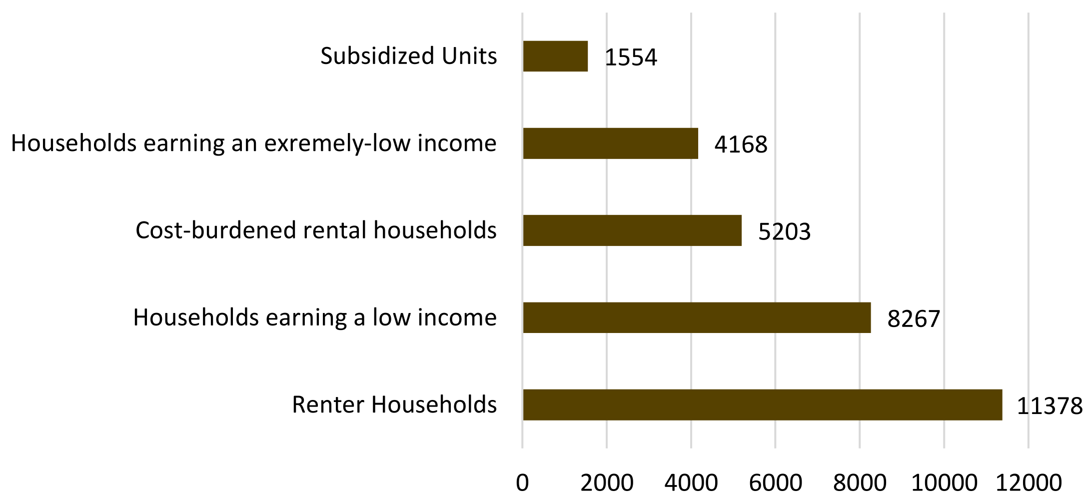

Figure 11: Cascade County Housing Affordability Challenges. Source: US Census American Community Survey, 2018 5yr

Cascade County contains 1,554 housing units receiving subsidies for affordability. Of these, 431 receive multiple subsidies. This means there is less than one subsidized housing unit for every five households earning a low income in Cascade County. The subsidies are distributed among the public finance programs as shown in Table 9 below. Among all units receiving subsidies in Cascade County, 453 (29 percent) are set to have all their subsidies expire within the next ten years. Without significant resources aimed at rehabilitation, this will represent a significant reduction in affordable housing in Cascade County within the decade.

Subsidy Program	# of Units
LIHTC	399
HOME	92
Section 8	667
USDA	0
Public Housing	489

Table 9: Subsidized Housing Units by Program, Cascade County. Source. MT National Housing Preservation Database.

Of the 489 public housing units being actively managed in Cascade County, 83 of these units provide housing for families with elderly individuals, 113 of the units provide housing persons with disabilities, 206 of the households are headed by females, and children reside in 239 of the units. These numbers are shown in Figure 12.

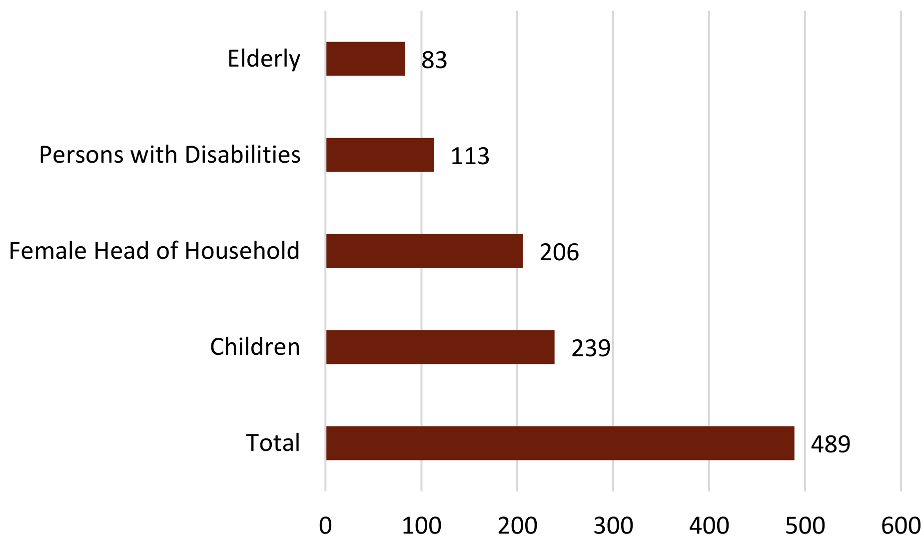

Figure 12: Public Housing Units and Tenant Demographics in Cascade County. Source: MT Public Housing Authorities Resident Characteristics Report, 05/04/2020.

Flathead County

Flathead County is populated by 38,252 households, 9,560 of which are renters. The income distribution of households in Flathead County is displayed in Figure 13 below. The area median income (AMI) for households in Flathead County is $52,966. This means that a household is earning an extremely low income for the county if the household income is less than $15,889. As can be seen in Figure 13, over 3,800 households in Flathead County are classified as earning an extremely low income, and over 7,500 households are classified as earning a low income (less than 50% AMI).

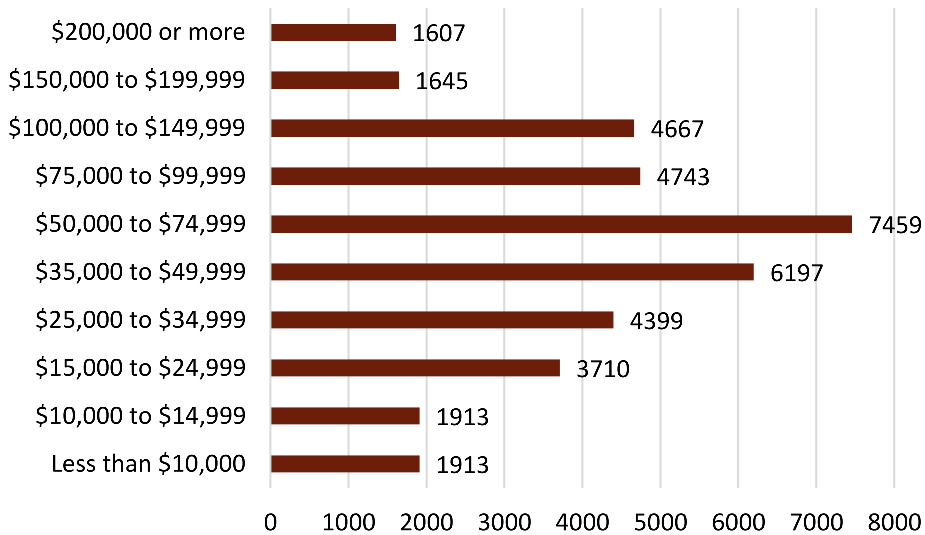

Figure 13: Flathead County Households by Income Group. Source: US Census American Community Survey, 2018 5yr

Of the renter households in the county, 46 percent are cost burdened, meaning they spend more than 30 percent of their monthly income on rent. Home owners in Flathead County are less cost-burdened than renters, with 26 percent of owner households experiencing this difficulty. Flathead County has 68 affordable housing units for every 100 households earning an extremely low income, which is significantly higher than the national average of 46 units per 100 ELI housholds. Figure 14 illustrates the housing affordability challenges faced by households in Flathead County.

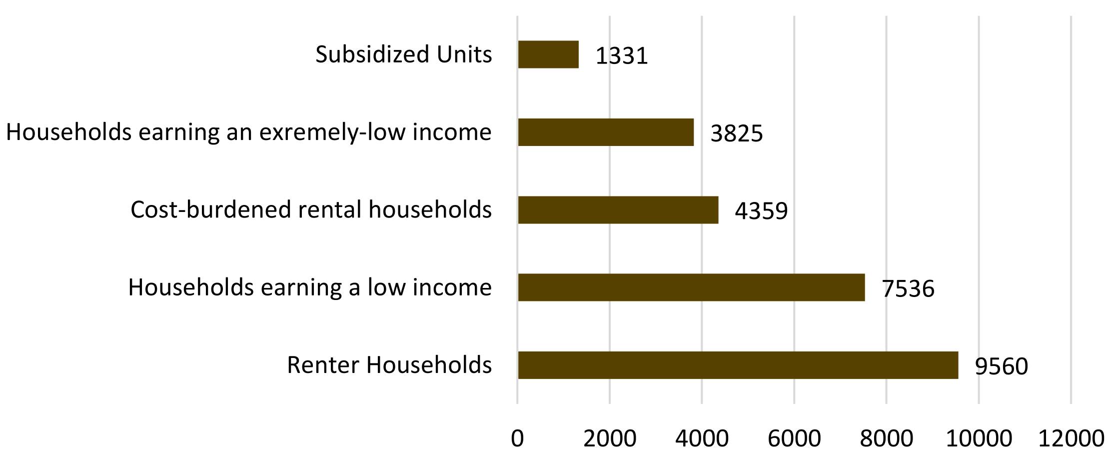

Figure 14: Flathead County Housing Affordability Challenges. Source: US Census American Community Survey, 2018 5yr

Flathead County contains 1,331 housing units receiving subsidies for affordability. Of these, 669 receive multiple subsidies. The subsidies are distributed among the public finance programs as shown in Table 10 below. Among all units receiving subsidies in Flathead County, 287 (21 percent) are set to have all their subsidies expire within the next ten years.

Subsidy Program	# of Units
LIHTC	772
HOME	85
Section 8	350
USDA	361
Public Housing	50

Table 10: Subsidized Housing Units by Program, Flathead County. Source. MT National Housing Preservation Database.

Another illustration of the housing affordability challenges faced by residents in Flathead County is the large disparity between those applying for housing assistance in the form of Housing Choice Vouchers, and the total number being issued since 2016. This is shown in Figure 15.

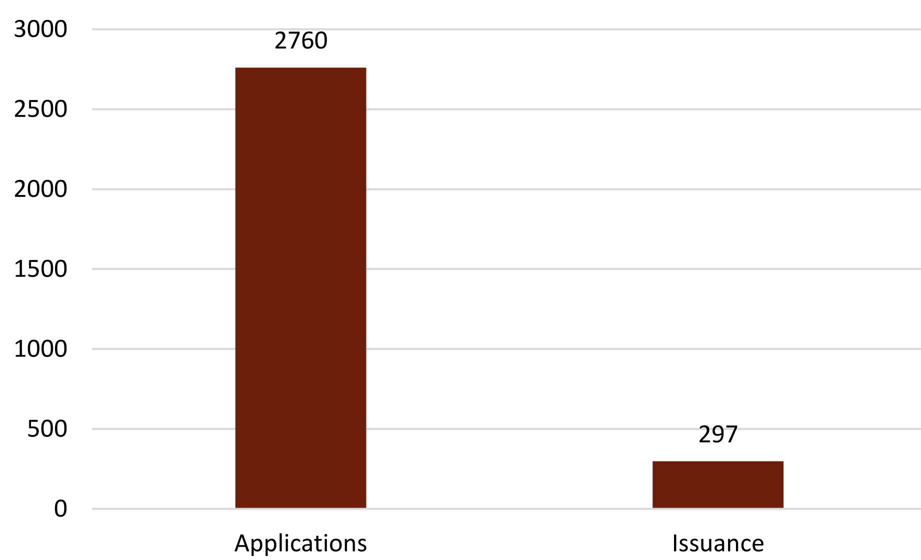

Figure 15: Kalispell Housing Choice Voucher Application and Issuance Since 2016. Source: MT Dept. of Commerce.

Gallatin County

Gallatin County is populated by 41,985 households, 15,367 of which are renters. The income distribution of households in Gallatin County is displayed in Figure 16 below. The area median income (AMI) for households in Gallatin County is $61,499. This means that a household is earning an extremely low income for the county if the household income is less than $18,449. As can be seen in Figure 16, over 4,100 households in Gallatin County are classified as earning an extremely low income, and over 7,500 households are classified as earning a low income (less than 50% AMI).

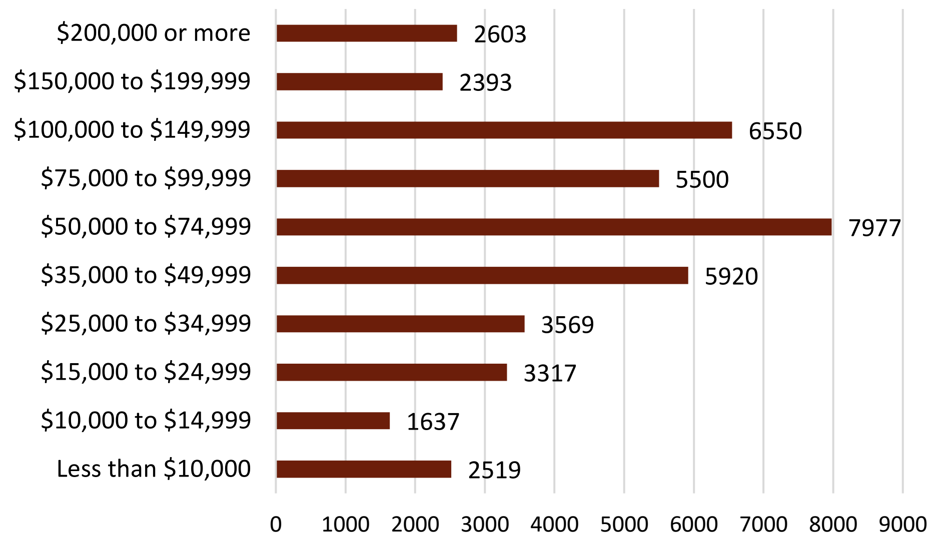

Figure 16: Gallatin County Households by Income Group. Source: US Census American Community Survey, 2018 5yr

Of the renter households in the county, 52 percent are cost burdened, meaning they spend more than 30 percent of their monthly income on rent. This is the highest instance of cost-burden among the seven populated counties here discussed. Home owners in Gallatin County are less cost-burdened than renters, with 20 percent of owner households in this situation. Gallatin County has 49 affordable housing units for every 100 households earning an extremely low income, which is slightly higher than the national average of 46 units per 100 ELI housholds. Figure 17 illustrates the housing affordability challenges for households in Gallatin County.

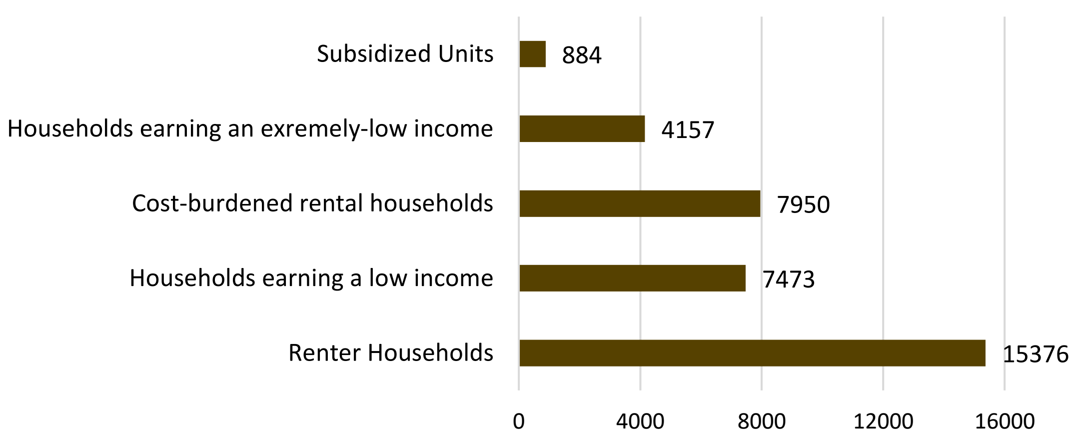

Figure 17: Gallatin County Housing Affordability Challenges. Source: US Census American Community Survey, 2018 5yr

Gallatin County contains 884 housing units receiving subsidies for affordability. Of these, 884 receive multiple subsidies. The subsidies are distributed among the public finance programs as shown in Table 11 below. Among all units receiving subsidies in Gallatin County, 328 (37 percent) are set to have all their subsidies expire within the next ten years. This is the second highest percentage of subsidized units expiring within the decade among the populated counties.

Subsidy Program	# of Units
LIHTC	598
HOME	45
Section 8	251
USDA	80
Public Housing	0

Table 11: Subsidized Housing Units by Program, Gallatin County. Source. MT National Housing Preservation Database.

Another illustration of the housing affordability challenges faced by residents in Gallatin County is the large disparity between those applying for housing assistance in the form of Housing Choice Vouchers, and the total number being issued since 2016. This is shown in Figure 18.

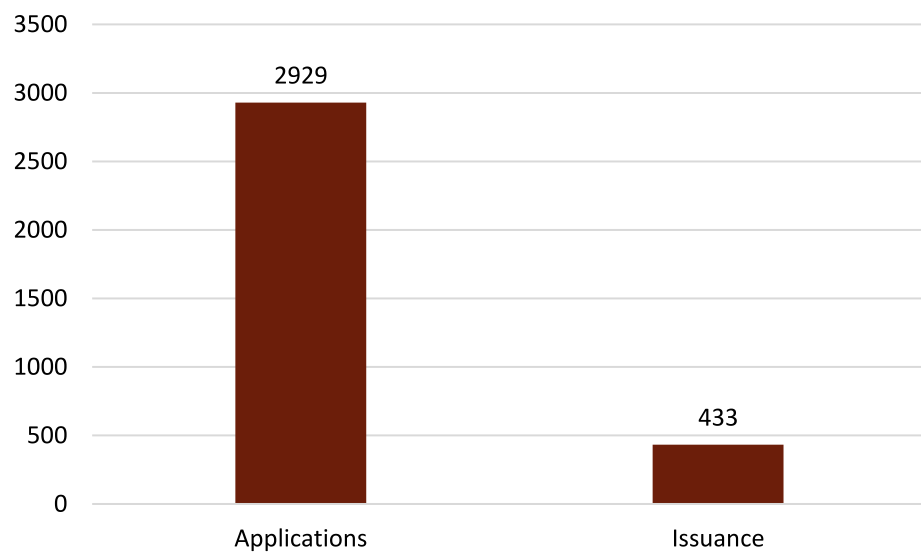

Figure 18: Bozeman Housing Choice Voucher Application and Issuance Since 2016. Source: MT Dept. of Commerce.

Lewis & Clark County

Lewis & Clark County is populated by 27,800 households, 8,746 of which are renters. The income distribution of households in Lewis & Clark County is displayed in Figure 19 below. The area median income (AMI) for households in Lewis & Clark County is $62,130. This means that a household is earning an extremely low income for the county if the household income is less than $18,639. As can be seen in Figure 19, over 2,500 households in Lewis & Clark County are classified as earning an extremely low income, and over 4,800 households are classified as earning a low income (less than 50% AMI).

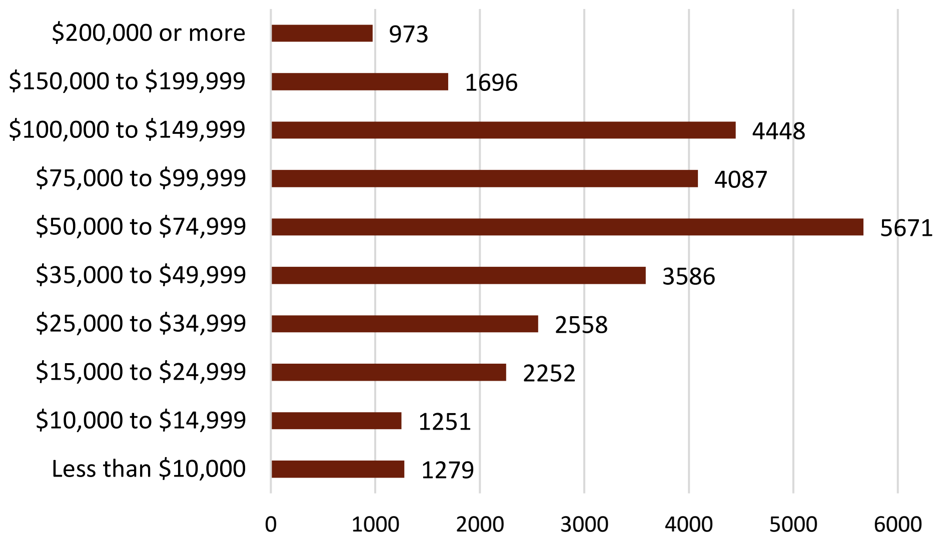

Figure 19: Lewis & Clark County Households by Income Group. Source: US Census American Community Survey, 2018 5yr

Of the renter households in the county, 41 percent are cost burdened, meaning they spend more than 30 percent of their monthly income on rent. Home owners in Lewis & Clark County are the least cost-burdened among the seven counties here examined, with 16 percent of owner households in this situation. Lewis & Clark County has 78 affordable housing units for every 100 households earning an extremely low income, which is the second highest behind Cascade County.

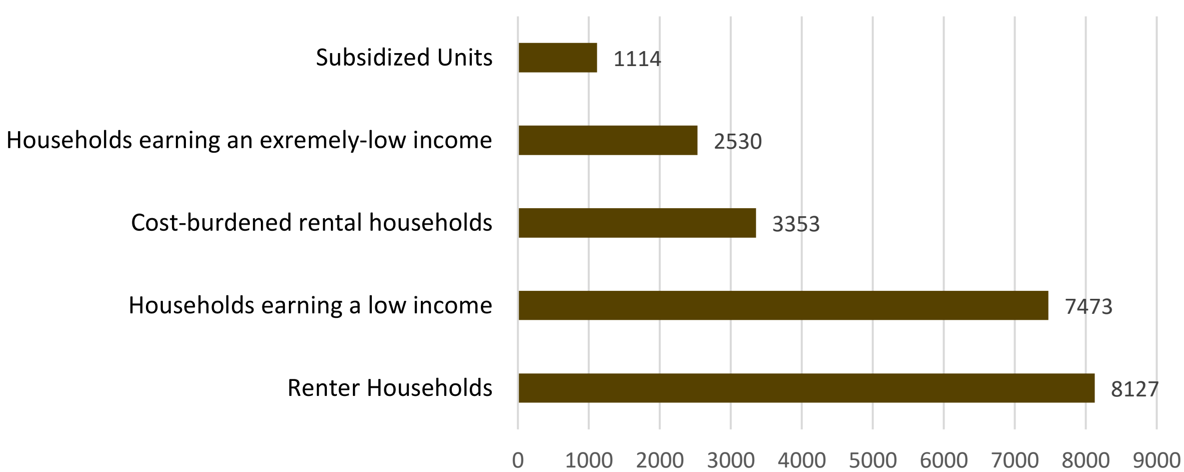

Figure 20: Lewis & Clark County Housing Affordability Challenges. Source: US Census American Community Survey, 2018 5yr

Lewis & Clark County contains 1,114 housing units receiving subsidies for affordability. Of thse, 252 receive multiple subsidies. The subsidies are distributed among the public finance programs as shown in Table 12 below. Among all units receiving subsidies in Lewis & Clark County, 217 (19 percent) are set to have all their subsidies expire within the next ten years. This is the lowest percentage of subsidized units expiring within the decade among the populated counties.

Subsidy Program	# of Units
LIHTC	267
HOME	134
Section 8	286
USDA	8
Public Housing	366

Table 12: Subsidized Housing Units by Program, Lewis & Clark County. Source. MT National Housing Preservation Database.

Of the 366 public housing units being actively managed in Lewis & Clark County, 79 of these units provide housing for families with elderly individuals, 170 of the units provide housing persons with disabilities, 166 of the households are headed by females, and children reside in 190 of the units. These numbers are shown in Figure 21.

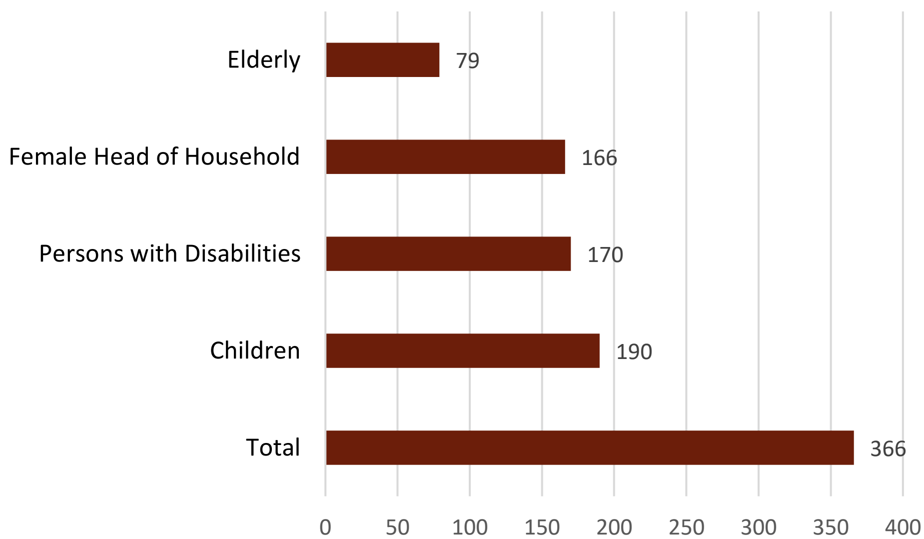

Figure 21: Public Housing Units and Tenant Demographics in Lewis & Clark County. Source: MT Public Housing Authorities Resident Characteristics Report, 05/04/2020.

Another illustration of the housing affordability challenges faced by residents in Lewis & Clark County is the large disparity between those applying for housing assistance in the form of Housing Choice Vouchers, and the total number being issued since 2016. This is shown in Figure 22.

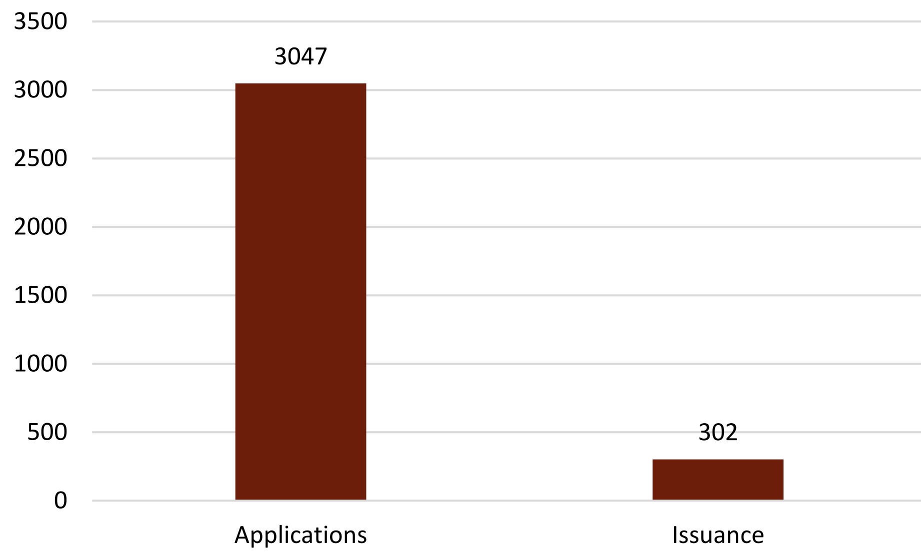

Figure 22: Helena Housing Choice Voucher Application and Issuance Since 2016. Source: MT Dept. of Commerce.

Missoula County

Missoula County is populated by 48,608 households, 18,872 of which are renters. The income distribution of households in Missoula County is displayed in Figure 23 below. The area median income (AMI) for households in Missoula County is $51,270. This means that a household is earning an extremely low income for the county if the household income is less than $15,381. As can be seen in Figure 23, over 6,500 households in Missoula County are classified as earning an extremely low income, and over 11,700 households are classified as earning a low income (less than 50% AMI).

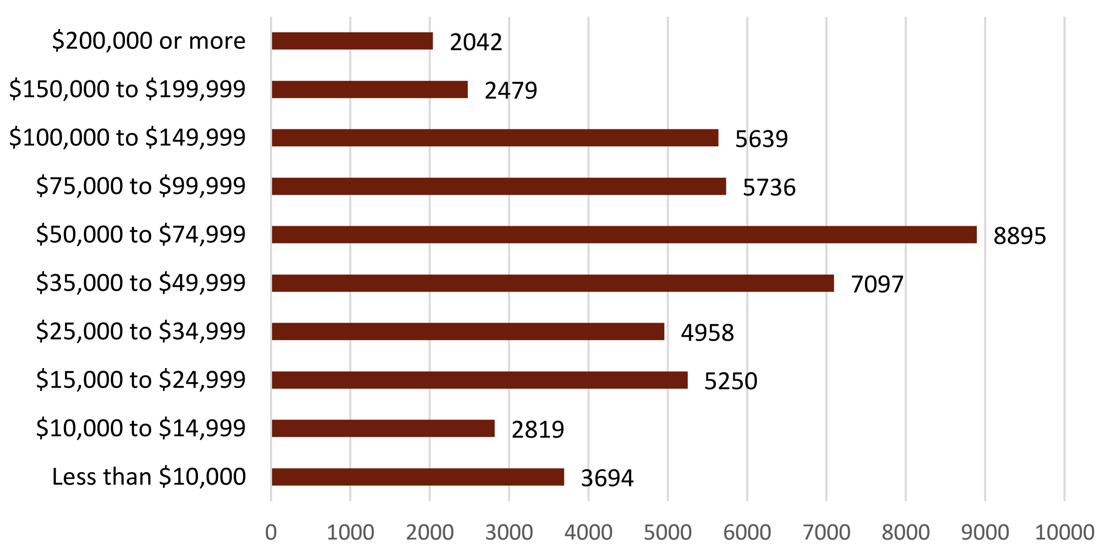

Figure 23: Missoula County Households by Income Group. Source: US Census American Community Survey, 2018 5yr

Of the renter households in the county, 50 percent are cost burdened, which is a significantly higher percentage than the Montana average among renters of 45 percent. Home owners in Missoula County are much less cost-burdened than renters, with 23 percent of owner households in this situation. Missoula County has only 42 affordable housing units for every 100 households earning an extremely low income, which is the lowest among the populated counties. Figure 24 below displays some of the housing affordability challenges for residents of Missoula County.

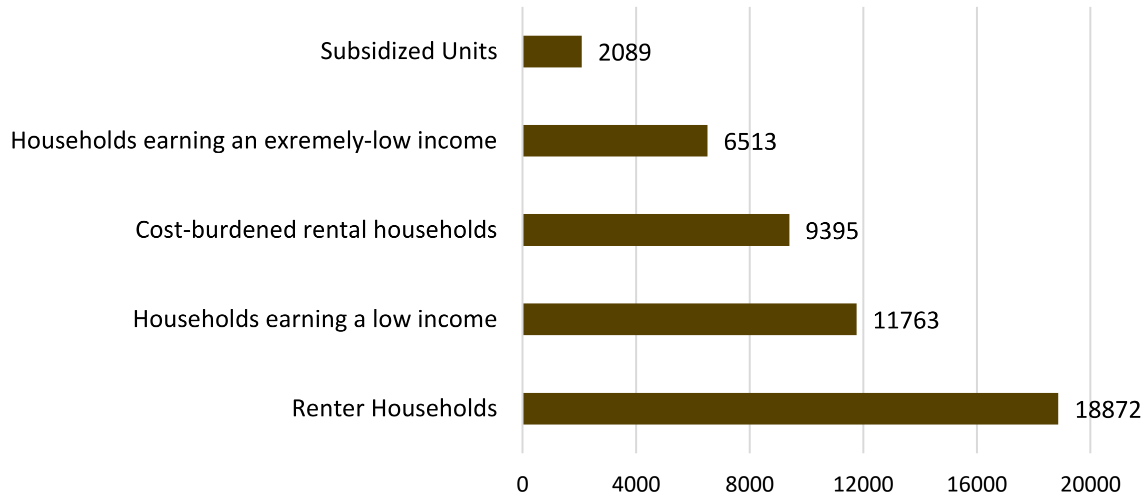

Figure 24: Missoula County Housing Affordability Challenges. Source: US Census American Community Survey, 2018 5yr

Missoula County contains 2,089 housing units receiving subsidies for affordability. Of these, 854 units receive multiple subsidies. The subsidies are distributed among the public finance programs as shown in Table 13 below. Among all units receiving subsidies in Missoula County, 473 (23 percent) are set to have all their subsidies expire within the next ten years. This is concerning as Missoula is already one of the more unaffordable counties in the state. Significant resources will need to be devoted to rehabilitation and revitalization to maintain current levels of affordable housing in the county.

Subsidy Program	# of Units
LIHTC	988
HOME	218
Section 8	429
USDA	8
Public Housing	273

Table 13: Subsidized Housing Units by Program, Missoula County. Source. MT National Housing Preservation Database.

Of the 273 public housing units being actively managed in Missoula County, 22 of these units provide housing for families with elderly individuals, 79 of the units provide housing persons with disabilities, 65 of the households are headed by females, and children reside in 78 of the units. These numbers are shown in Figure 25.

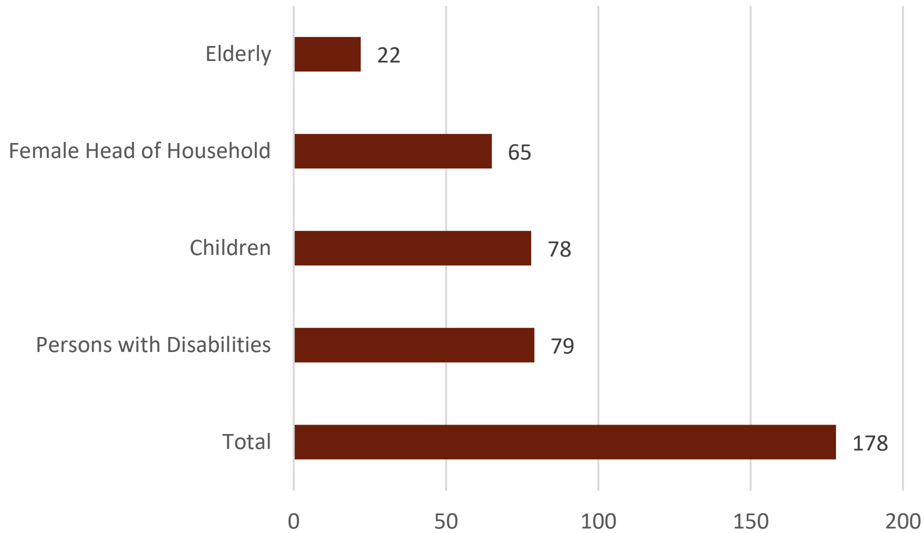

Figure 25: Public Housing Units and Tenant Demographics in Missoula County. Source: MT Public Housing Authorities Resident Characteristics Report, 05/04/2020.

Another illustration of the housing affordability challenges faced by residents in Missoula County is the large disparity between those applying for housing assistance in the form of Housing Choice Vouchers, and the total number being issued since 2016. This is shown in Figure 26.

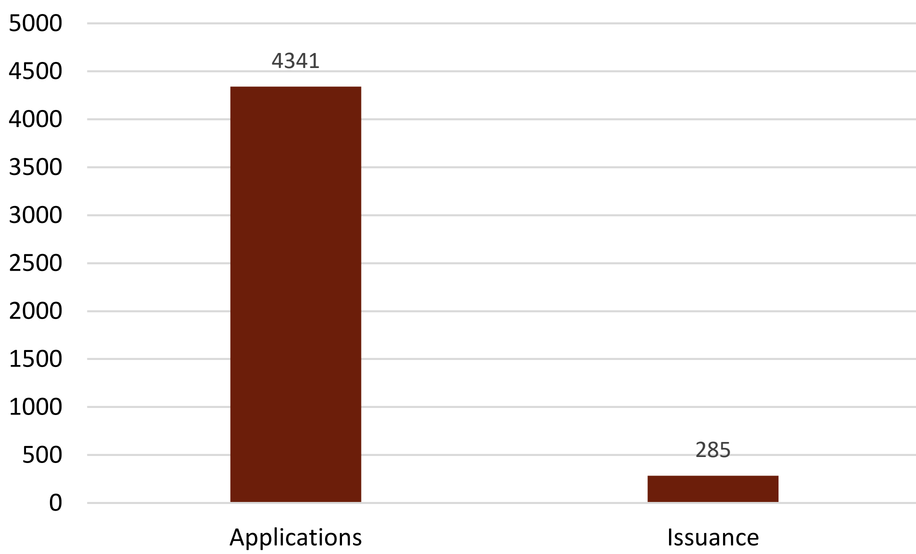

Figure 26: Missoula Housing Choice Voucher Application and Issuance Since 2016. Source: MT Dept. of Commerce.

Silver Bow County

Silver Bow County is populated by 15,158 households, 4,740 of which are renters. The income distribution of households in Silver Bow County is displayed in Figure 27 below. The area median income (AMI) for households in Silver Bow County is $42,237. This means that a household is earning an extremely low income for the county if the household income is less than $12,671. As can be seen in Figure 27, over 3,000 households in Silver Bow County are classified as earning an extremely low income, and over 4,000 households are classified as earning a low income (less than 50% AMI).

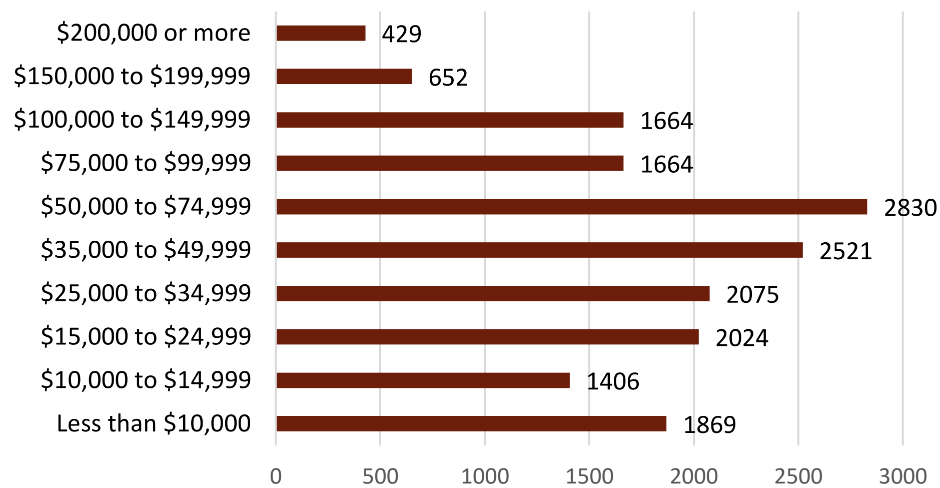

Figure 27: Silver Bow County Households by Income Group. Source: US Census American Community Survey, 2018 5yr

Of the renter households in the county, 52 percent are cost burdened, which is a significantly higher percentage than the Montana average among renters of 45 percent, and tied for the highest among the populated counties here considered. Home owners in Silver Bow County are much less cost-burdened than renters, with 18 percent of owner households being cost-burdened. Silver Bow County has 73 affordable housing units for every 100 households earning an extremely low income, which is significantly higher than the national average. These challenges are shown in Figure 28.

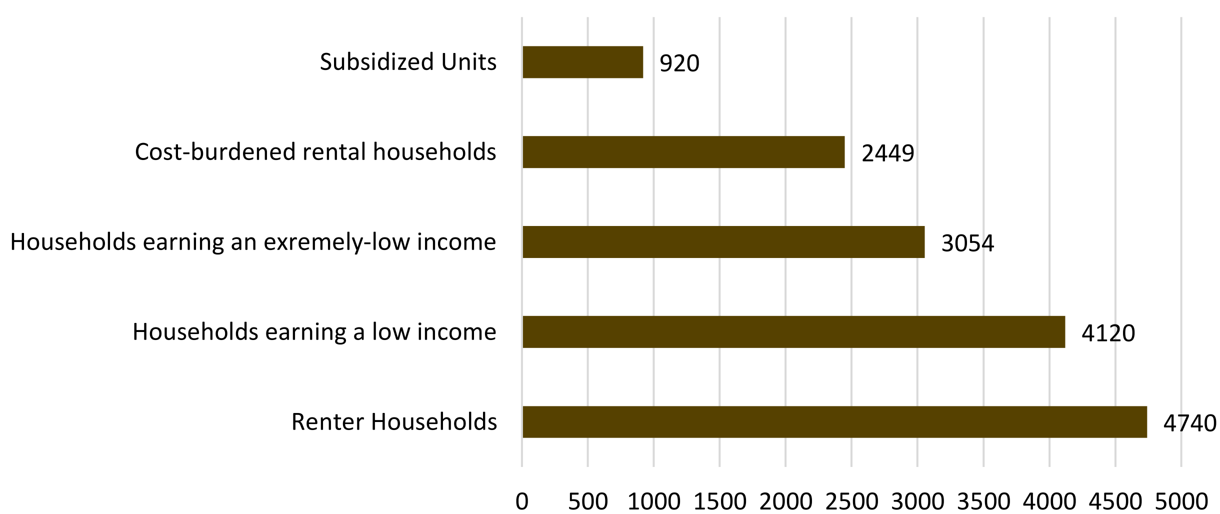

Figure 28: Silver Bow County Housing Affordability Challenges. Source: US Census American Community Survey, 2018 5yr

Silver Bow County contains 920 housing units receiving subsidies for affordability. Of these, 185 receive multiple subsidies. The subsidies are distributed among the public finance programs as shown in Table 14 below. Among all units receiving subsidies in Silver Bow County, 182 (19 percent) are set to have all their subsidies expire within the next ten years. This is the second lowest proportion of soon-expiring subsidies among the populated counties.

Subsidy Program	# of Units
LIHTC	186
HOME	163
Section 8	304
USDA	0
Public Housing	316

Table 14: Subsidized Housing Units by Program, Silver Bow County. Source. MT National Housing Preservation Database.

Of the 316 public housing units being actively managed in Missoula County, 92 of these units provide housing for families with elderly individuals, 154 of the units provide housing persons with disabilities, 58 of the households are headed by females, and children reside in 75 of the units. These numbers are shown in Figure 29.

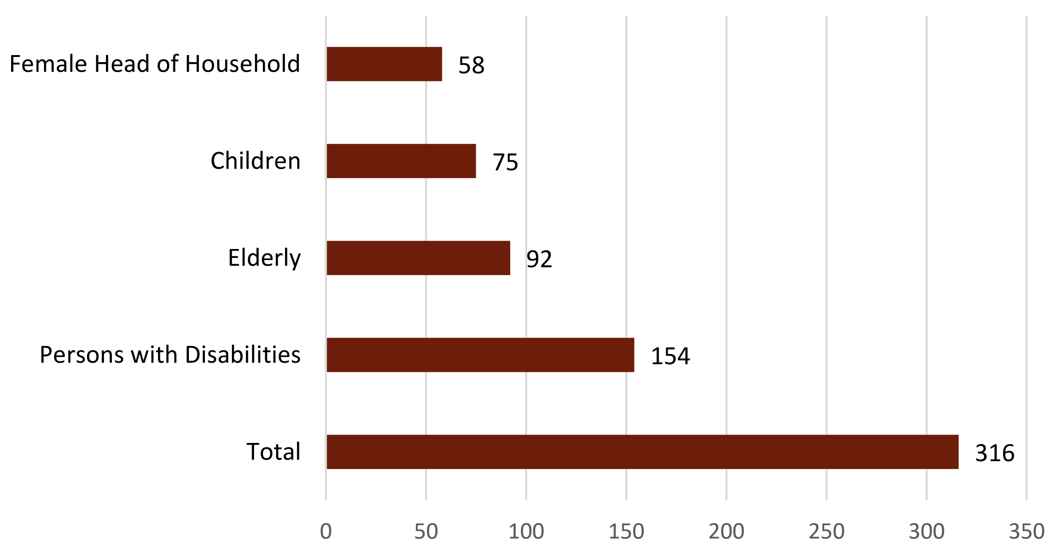

Figure 29: Public Housing Units and Tenant Demographics in Silver Bow County. Source: MT Public Housing Authorities Resident Characteristics Report, 05/04/2020.

Another illustration of the housing affordability challenges faced by residents in Silver Bow County is the large disparity between those applying for housing assistance in the form of Housing Choice Vouchers, and the total number being issued since 2016. This is shown in Figure 30.

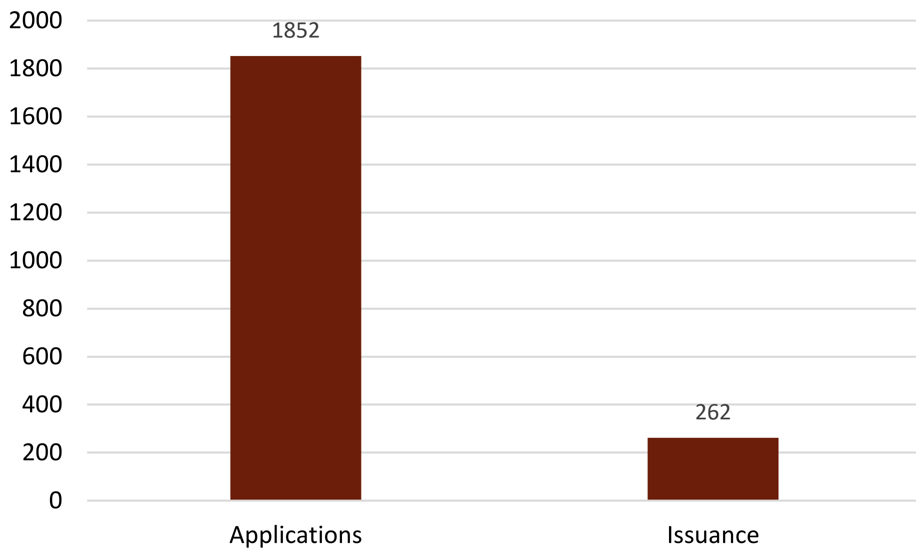

Figure 30: Butte Housing Choice Voucher Application and Issuance Since 2016. Source: MT Dept. of Commerce.

Yellowstone County

Yellowstone County is populated by 65,025 households, 20,602 of which are renters. The income distribution of households in Yellowstone County is displayed in Figure 31 below. The area median income (AMI) for households in Yellowstone County is $59,117. This means that a household is earning an extremely low income for the county if the household income is less than $17,735. As can be seen in Figure 31, over 5,700 households in Yellowstone County are classified as earning an extremely low income, and over 15,000 households are classified as earning a low income (less than 50% AMI).

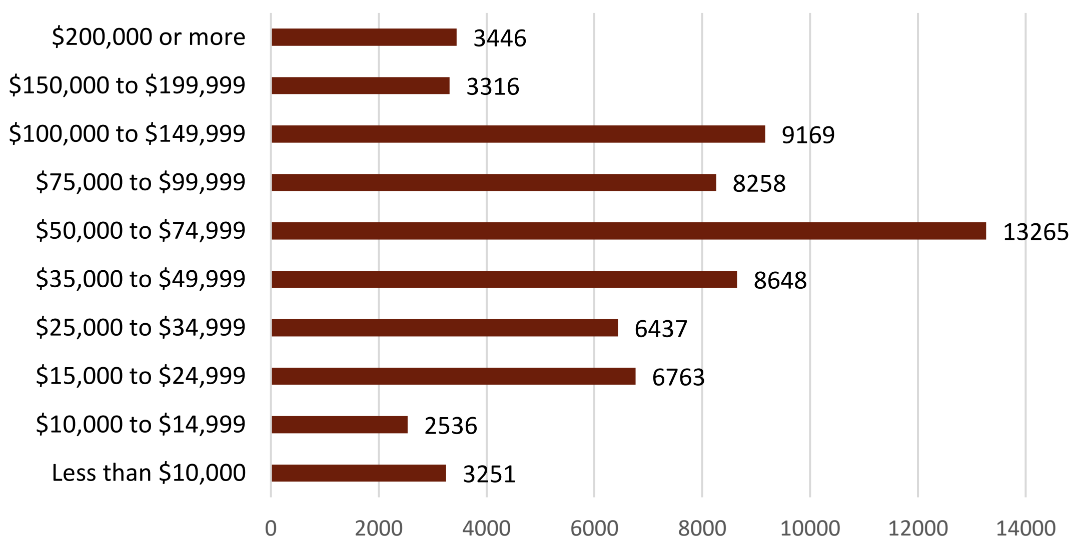

Figure 31: Yellowstone County Households by Income Group. Source: US Census American Community Survey, 2018 5yr

Of the renter households in the county, 45 percent are cost burdened, higher than the Montana average among renters. Home owners in Yellowstone County are much less cost-burdened than renters, with 19 percent of owner households being cost-burdened. Yellowstone County has 53 affordable housing units for every 100 households earning an extremely low income, which is slightly higher than the national average. Figure 32 illustrates some of the housing affordability difficulties faced by residents of Yellowstone County.

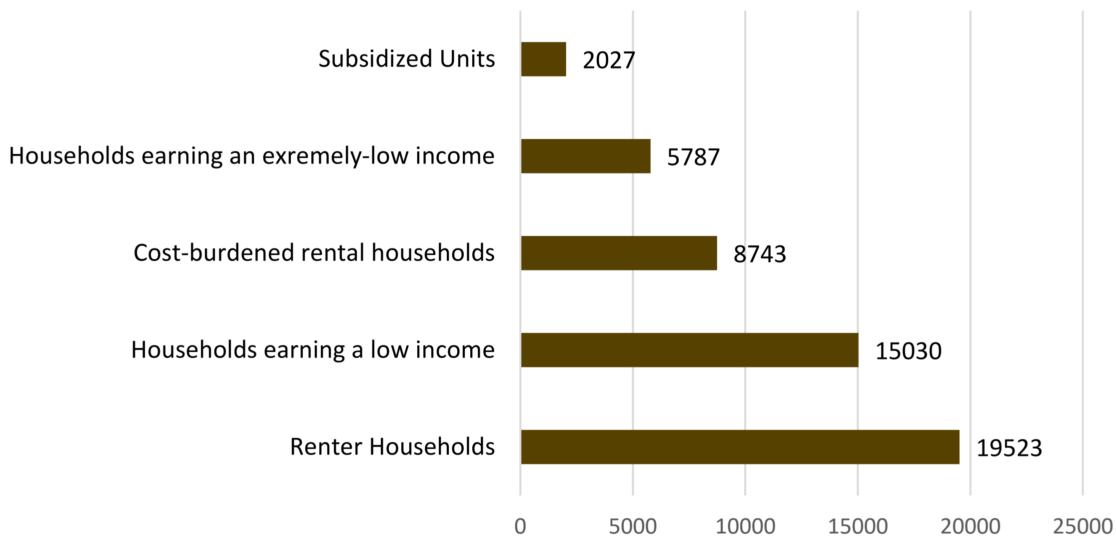

Figure 32: Yellowstone County Housing Affordability Challenges. Source: US Census American Community Survey, 2018 5yr

Yellowstone County contains 2,027 housing units receiving subsidies for affordability. Of these, 635 receive multiple subsidies. The subsidies are distributed among the public finance programs as shown in Table 15 below. Among all units receiving subsidies in Yellowstone County, 792 (39 percent) are set to have all their subsidies expire within the next ten years. This is cause for concern, as it is the highest proportion of soon-expiring subsidies among the populated counties.

Subsidy Program	# of Units
LIHTC	845
HOME	88
Section 8	1036
USDA	72
Public Housing	274

Table 15: Subsidized Housing Units by Program, Yellowstone County. Source. MT National Housing Preservation Database.

Of the 274 public housing units being actively managed in Yellowstone County, 22 of these units provide housing for families with elderly individuals, 65 of the units provide housing for persons with disabilities, 172 of the households are headed by females, and children reside in 199 of the units. These numbers are shown in Figure 33.

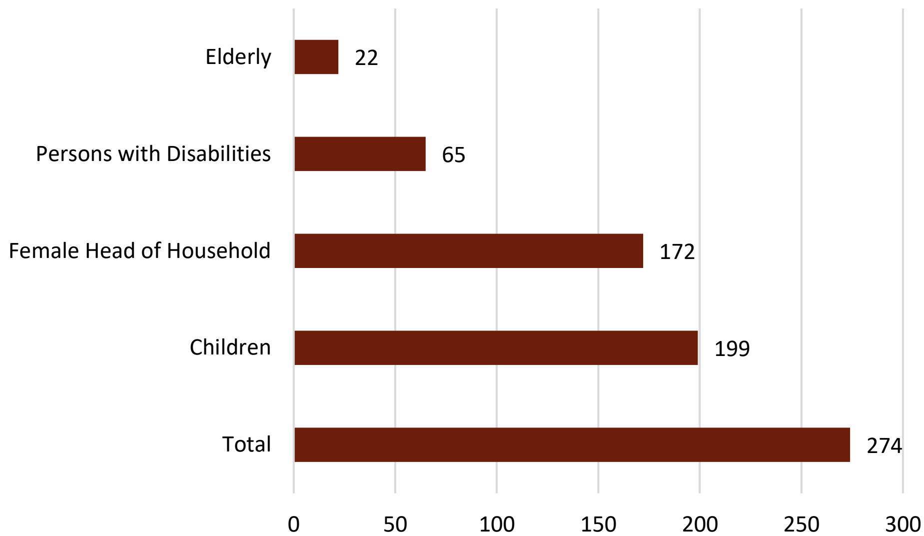

Figure 33: Public Housing Units and Tenant Demographics in Yellowstone County. Source: MT Public Housing Authorities Resident Characteristics Report, 05/04/2020.

Another illustration of the housing affordability challenges faced by residents in Yellowstone County is the large disparity between those applying for housing assistance in the form of Housing Choice Vouchers, and the total number being issued since 2016. This is shown in Figure 34.

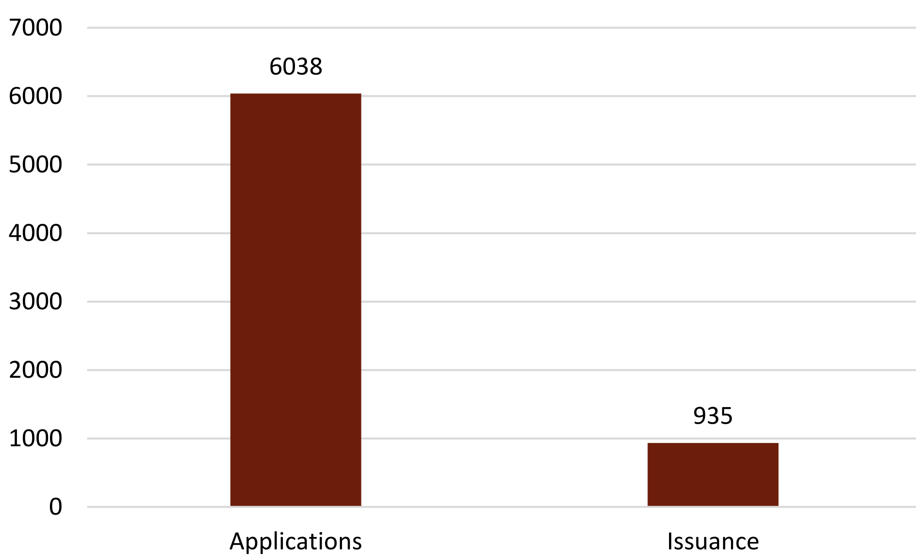

Figure 34: Billings Housing Choice Voucher Application and Issuance Since 2016. Source: MT Dept. of Commerce.

Montana's Underutilization of Federal Resources

Since 2012, Montana has only financed 717 affordable housing units (including acquisition, rehabilitation, and new construction) with federal 4 percent low income housing tax credits, illustrating the difficulty this program has for attracting developers in Montana. In this same period of time, Montana has abandoned $949 million in tax-exempt private activity bonds (PABs). Private activity bonds are revenue-backed bonds issued by a state or local authority for a private project. These bonds are exempt from federal income taxes which enables the project to access capital at a lower interest rate than could otherwise be attained. When they are unclaimed for a period of years they are abandoned.

The PAB volume cap for each state is the greater of either $105 per capita or $311,375,000. Volume cap that is not used by the end of the year may be carried forward to be used in the ensuing three years, after which time it is abandoned. These private activity bonds may be used to finance 4 percent LIHTC projects.

Since 2016, an average of $62 million per year in 9 percent low income housing tax credit requests has been denied due to lack of funding (see Figure 35 below). These projects would have significantly expanded the inventory of affordable housing in Montana. A state LIHTC program similar to those implemented in other states would likely allow developers to leverage 4 percent federal tax credits which are currently unutilized in order to increase the supply of affordable housing in the state. An added benefit of implementing such a program is that it has the ability to spur economic activity in the near-term, while delaying the costs of the foregone tax revenue by several years until the project is completed.

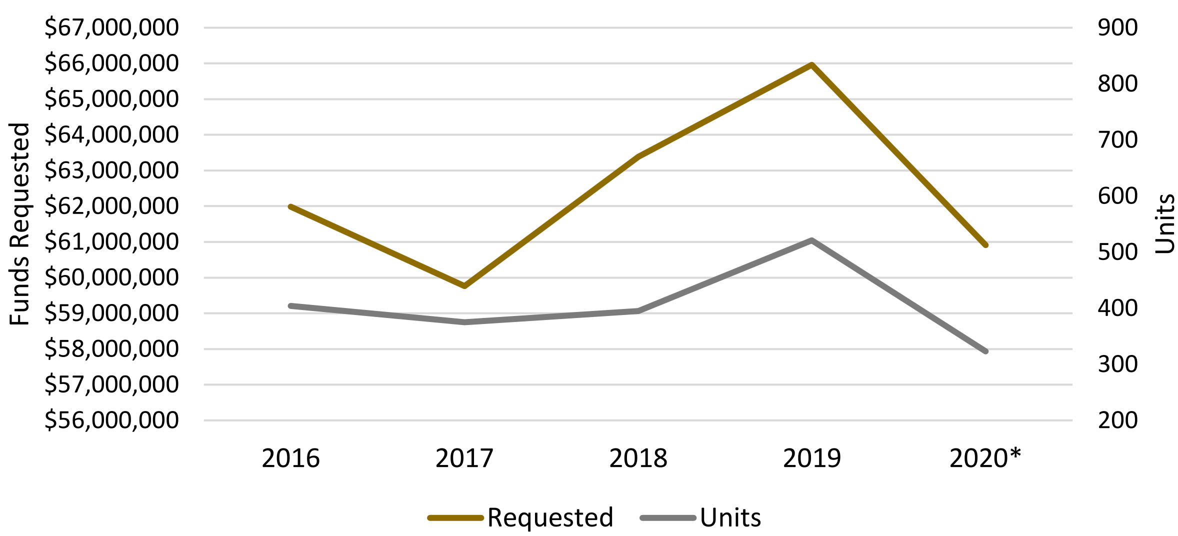

*Figure 35: Unfunded Proposed LIHTC Projects Since 2016. Source: Montana Housing. * data as of 09/11/2020*

States Implementing Affordable Housing Programs Programs

State Direct Appropriation Through Housing Trust Funds

Housing trust funds are established at the city, county or state level with a dedicated source of public revenue or with a direct appropriation with the purpose of providing homes and apartments that are affordable to working families, seniors and individuals with disabilities. If a dedicated revenue source is used, funds are transferred automatically every year into the housing trust fund account providing a continuous stream of funding, without going through an appropriation or budgeting process. Ideally, the funds can be used only in accordance with the enabling legislation or ordinance establishing the fund, targeted to serve the most critical housing needs.

There are many different ways that states have chosen to fund these programs. Real estate transfer taxes, document recording fees, bond revenues, state income tax contributions, interest on real estate escrow accounts, interest on title escrow accounts, and unclaimed property funds are all different options states have chosen. Another popular way of funding these programs is through direct appropriation or general funds. Some notable examples of this approach are North Dakota, Utah, Michigan, New Mexico, Oregon, Utah, Washington, and Virginia.

State Low Income Housing Tax Credits

One focus of this report is an assessment of the potential comprehensive impact of the utilization of a Montana State Housing Tax Credit, or similar affordable housing funding, that would leverage federal and other investment funds for the development of new affordable rental properties, and rehabilitate and preserve existing affordable rental properties in communities across the state.

The federal 4 percent credit has been financially infeasible for developers in many states, and has hence not been fully utilized. Mirroring the federal LIHTC program, 17 states have so far created their own housing tax credit programs to further leverage otherwise unused 4% federal credits, and several more have proposed such programs. What follows is a discussion of some of the state programs that have been implemented.

California

California has had a housing tax credit program in place since 1987 called the California State Low Income Housing Tax Credit, administered by the California Tax Credit Allocation Agency, which describes the program as follows:

> *The California Tax Credit Allocation Committee (TCAC) facilitates the investment of private capital into the development of affordable rental housing for low-income Californians. TCAC allocates federal and state tax credits to the developers of these projects. Corporations provide equity to build the projects in return for the tax credits. TCAC verifies that the developers have met all the requirements of the program and ensures the continued affordability and habitability of the developments for the succeeding 55 years.*[5]

California offers 4 percent state tax credits to qualifying developers. Since 1987, California has been awarded $1.99 billion in 9 percent tax credits to 921 projects totaling 57,505 affordable housing units. Since 1995 California has awarded over $276 million in 4 percent state tax credits to 139 projects totaling 11,398 affordable housing units.

[5] https://www.treasurer.ca.gov/ctcac/tax.asp

Colorado

Colorado has implemented the Colorado Low Income Housing Tax Credit, administered by the Colorado Housing and Finance Authority. This program was originally established in 2001, and later renewed in 2014 and 2016. The stated purpose of this program is to leverage the federal 4 percent credit which had historically been underutilized due to unprofitability.

The primary selection criteria for this program are reported as being: (1) low-income targeting, (2) extended low-income use, (3) homeownership options, (4) community revitalization plan, (5) tenant population with special housing needs, and (6) subsidized housing waiting list. Similar to the federal program, qualifying units must be rented to households earning no more than 60 percent of Area Median Income.

According to a 2017 report by the Colorado Housing and Finance Authority[6], from 2015 to 2017 this program had resulted in directly supporting 4,263 housing units. By combining the state LIHTC with the federal 4 percent LIHTC, Colorado has been able to leverage $33 million in federal 4 percent low income housing tax credits that would have otherwise gone unutilized. In the process, $465 million in new private sector investment was raised for housing in the state. The direct, indirect, and induced economic impact of this program as of 2017 is reported as being $1.57 billion and 19,105 jobs.

Since the Colorado state LIHTC program became operational in 2015, the amount of housing units financed with 4 percent credits has roughly doubled. Figure 36 shows data from the Colorado State LIHTC 2017 Allocation Report which illustrates this situation. It is clearly seen by the grey bars in Figure 36 that the addition of the state 4 percent LIHTC in 2015 drastically increased the number of economically viable 4 percent projects.

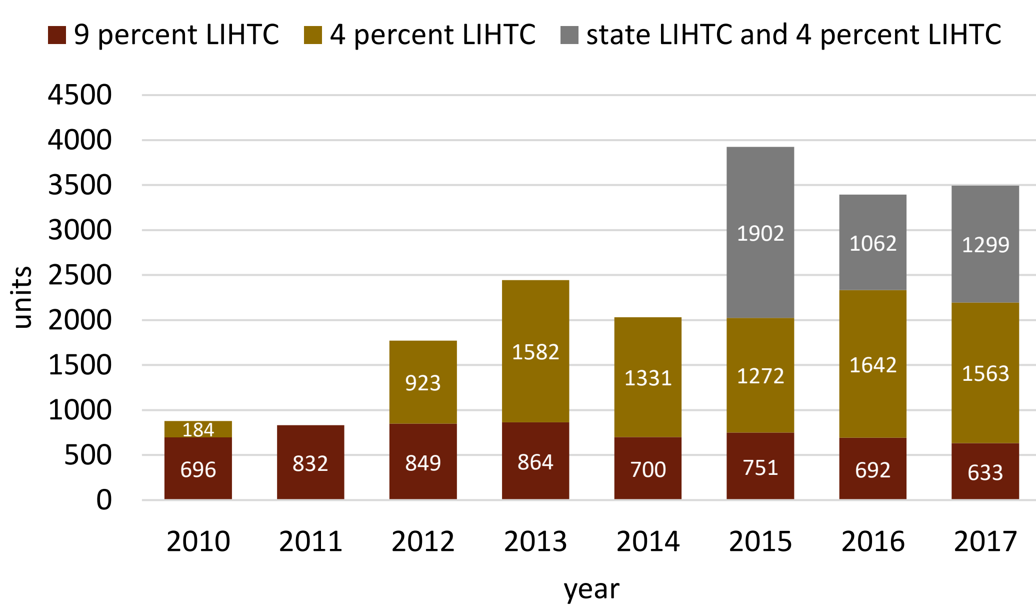

Figure 36: Colorado LIHTC Units 2010-2017. Source: Colorado State LIHTC 2017 Allocation Report

[6] Colorado State LIHTC 2017 Allocation Report

Georgia

Georgia implemented a state LIHTC program in 2000 to complement the existing federal LIHTC program. This program is administered by the Georgia Department of Community Affairs, and was implemented specifically to enable construction of affordable housing in areas of the state outside the Atlanta metropolitan area where incomes are lower and the federal LIHTC program alone was not sufficient to finance the housing developments. Again, the state LIHTC combined with 4% federal credits allowed projects to be economically feasible. Georgia is one of seven states providing a dollar-for-dollar match to the federal tax credit. Similar to the federal program, qualifying units must be rented to households earning no more than 60 percent of Area Median Income, and this income must be verified on an annual basis.

In a 2006 report it was estimated that the combined federal and state tax credits invested would result in 41,041 affordable housing units, a total economic impact of $4.47 billion, and 12,000 jobs over the life of the projects then undertaken.[7]

Wisconsin

Wisconsin implemented the Wisconsin State Housing Tax Credit (HTC) program in 2018 to complement the existing federal LIHTC program. Its stated goal is to be a complement to the federal 4% Housing Tax Credit (HTC), and follows the vast majority of rules that are currently in place for the federal tax credit program, though there are some differences. The Wisconsin HTC will have a six-year credit period, versus the 10- year federal credit period. Also, the Wisconsin HTC includes a preference for properties located in a city, town or village with a population of 150,000 or less.

The HTC ceiling will be limited to $7 million per year, and the program is administered by the Wisconsin Housing and Economic Development Agency (WHEDA). Tax credit developments must meet high design and operating standards. The scoring system for the awards is referred to as WHEDA's Qualified Allocation Plan; it includes points for strong management, excellent development quality, demonstrated market need, availability of community services and amenities, proximity to economic opportunities and proper local zoning.

Oklahoma

Oklahoma implemented a state LIHTC program in 2014 to mirror the existing federal LIHTC program. The primary selection criteria for this program are reported as being: (1) low-income targeting, (2) term of affordability, (3) development location and housing characteristics, (4) tenant/targeted populations, (5) tenant ownership, (6) preservation of 15-year old affordable housing, (7) energy efficiency, (8) historic nature, (9) negative points, and (10) a tie-breaker procedure.

The Oklahoma Affordable Housing Tax Credit is administered by the Oklahoma Finance Agency, is currently capped at $4 million, and is a dollar-for-dollar match of the federal credits. Since 2017 the Oklahoma state LIHTC program has been able to leverage over $15 million in otherwise unused federal LIHTC, financing the construction of 2,305 additional affordable housing units that would otherwise not have been possible.

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[7] *2006, Housing and Demographic Research Center, Department of Housing and Consumer Economics, University of Georgia: "The Economic Impact of Low-Income Housing Tax Credits in Georgia"*

South Carolina

South Carolina passed State Housing Tax Credit legislation in 2020 during a difficult budget year due to COVID. The selling point to the South Carolina lawmakers was the delayed impact of the Tax Credit, since the credits cannot be claimed by the investors until the apartments are fully built and occupied. The credit awards and construction processes take a few years, so South Carolina gets the new construction and affordable apartments quickly, but does not incur any state fiscal impact until three or four years after the Tax Credit legislation is passed.

Conclusion

Over the last several years affordable housing has become a nationwide concern. Prior to 2020 we had record lows in unemployment, record highs in the stock market, but troubling increases in income inequality. This had been a cause of growing concern, particularly in the area of housing where the cost of rents had been rising faster than wages in most areas of the US. The year 2020 has exacerbated these concerns greatly by adding record unemployment claims, record business closures, on top of continuously rising housing costs.

Communities are economically stronger, and are able to offer a shared, higher quality of life when there are employment opportunities for all who seek jobs and a variety of homes available for renting or buying. In situations like this, almost every household can find the home that fits their needs and their budget. In these communities, children are able to focus on school instead of the stress of homelessness, there are fewer or no food insecure families, people can spend more time focusing on their own health, people are able to plan and save for their retirement.

The United States as a whole is currently facing a shortage of affordable homes, and Montana is no exception. With relatively few affordable homes available for households earning a low income, and with much of the existing affordable inventory ageing and in need of rehabilitation, many households earning a low income are being priced out of housing markets. We are now facing ever expanding economic challenges, and these issues and concerns are not going away or getting better. When housing becomes unaffordable, it imposes costs on entire communities, but the most vulnerable in society bear the brunt of those costs. Housing affordability will likely be a challenge that Montanans continue to face in the coming years, and as such it deserves a place in public conversation.