

Big Sky Housing Plan: Stakeholder Workshop #3

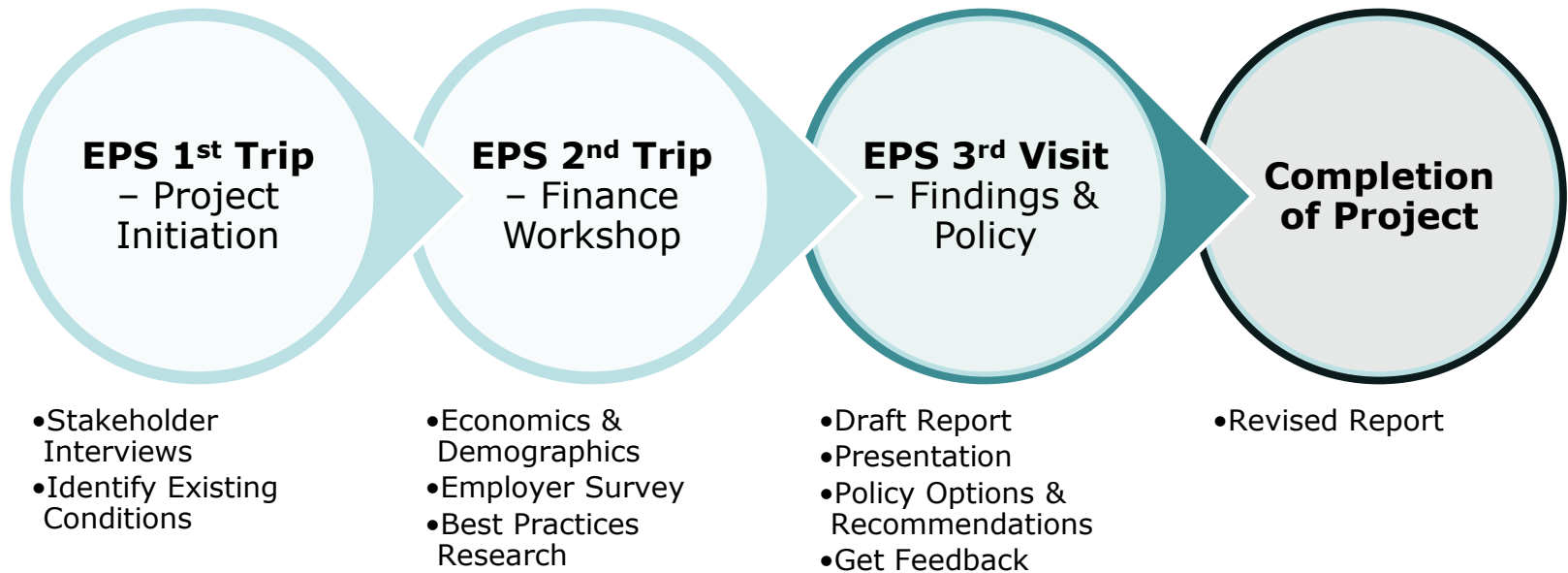
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Project Scope & Process



Tonight's Agenda

- Review Findings
 - Economic & Demographic Conditions
 - Best Practices
- Discussion of Policy Options
 - Under Current Conditions
 - With Minimal Effort/Changes
 - With Significant Effort/Changes
- Answer Questions
- Get Feedback
- Next Steps
 - Revise report
 - Community Convenes Again to Discuss

Review

CONDITIONS

Demographics & Housing

- Permanent Residents
 - Population (2,300) ▲ 1,000 persons over 2000
 - Households (1,000) ▲ 420 hhs over 2000
 - Ownership rate: 56 percent (U.S. = 65 percent)
- Second Homeowners
 - Households (1,700) ▲ 670 hhs over 2000
- Housing Units
 - Housing Units (2,000) ▲ 1,200 units over 2000
 - For every 1 permanent resident housing unit built there were 3 second homeowner units built

Employment & Wages

- Employment

- Laborforce (employed Big Sky residents)
 - 780 jobs (nearly 50% work in Big Sky)
- Workforce (includes commuters)
 - Approximately 2,300 wage & salary jobs
 - ▲ 750+ (2003 to 2011)

- Wages

- Madison County = \$30,340 (2013)
- Gallatin County = \$35,624 (2013)
- Wages escalated 1.0% since 2000 (adjusted for inflation)
- Big Sky
 - Under \$40,000 / year = 82%
 - Over \$40,000 / year = 18%

Employer Survey Results

(Fielded February 2014)

- Total Employment
 - 10 employers participating
 - 2,386 jobs (peak season)
 - 574 jobs (off season)
- Commuting
 - 43 percent live in Big Sky (includes part-time/seasonal workforce during peak season)
 - 33 percent live in Bozeman
 - 24 percent live elsewhere
- Wages
 - 67 percent earn less than \$25,000
 - 6 percent earn \$50,000 to \$74,999
 - 1 percent earn more than \$75,000
- Housing
 - 7 of 10 employers said that “the availability of housing is a major issue affecting their ability to hire qualified staff”

How is housing affordability defined?

- Household income
 - \$60,000 (~100 percent AMI)
 - No more than 30 percent is spent on housing
 - What does that mean?
 - Principal, Interest, Taxes, Insurance
 - (HOA dues, Utilities)
- Income available for housing
 - \$18,000 (~30 percent)
 - ~ \$11,300 / year = net of PITI + HOA
 - (5% down, 30 year FRM, 5% int.)
- Affordable purchase price
 - \$181,000 (also approximately 3 times hh income)
- Housing Affordability
 - Median household income: \$58,400 (CAGR = 0.8 percent since 2000, inflation-adj.)
 - Affordable home price (@ median hh inc.): \$180,000
 - Average SF home price (2013): \$738,000
 - 69 percent of sales in last 10 years affordable to households \$75K+

Findings & Recommended

POLICY OPTIONS

Workforce Housing Need

- Conditions
 - 83% of 2,300 workers commute in
 - In-commuting growing 8% / year
- Community Housing Policy Target
 - 60% of workforce lives locally
 - Less 370 existing Big Sky resident workers
 - 1,010 new workers living locally
≈ **670 occupied housing units**
 - 50% of in-commuters live locally
 - 950 new workers living locally
 - ≈ **630 occupied housing units**
- Spectrum of Need
 - 67% of wage earners under \$25,000 (employer survey)
 - 82% of wage earners under \$40,000 (U.S. Census LEHD)
 - Balance of rental and ownership housing

Spectrum of Housing Need

Workforce Housing Needs

Part-Time & Seasonal Workforce
(e.g. Lift Operators, etc.)

Service Workforce (e.g. Retail,
Service, etc.)

Community Workforce (e.g.
Teachers, Fireman, Police, etc.)

< 50% AMI
Income: \$30,000 or less
Rent: \$700/month or less

50 to 100% AMI
Income: \$30,000 - \$60,000
Rent: \$700 - \$1,450/month

100 to 140% AMI
Inc: \$60,000 - \$80,000
Home Price: \$180K to \$260K

Employee Housing (Dormitory/Lodge
Units)

Rental

Ownership (TH, Duplex)

Private Housing Solution

Community Housing Solution

Policy Discussion Framework

- Actions
 - What can Big Sky do now without any governance or regulatory change?
 - What can be done with minor governance changes?
 - What can be done through a 501(c)(3) organization?
 - What can be done with significant governance changes?
- Strengths/Weaknesses/Opportunities
 - Unincorporated
 - Strong housing market
 - Employment base growth
 - New development
 - Funding potential

Recommendation 1

- Participation in Demonstration Project
 - Addresses short term goal
 - Can be done without any governance/regulatory change
 - Deals directly with land use constraint
 - **Action** – financial participation in development project
 - **Impact** – tangible effort

- Advantages
 - Immediately address need for housing
 - No change in governance or regulation required
 - Leverages funds
- Disadvantages
 - Exposure to risk

Recommendation 2: Establish a 501(c)(3) (Preferred Option)

- Housing/Community Foundation

- Dedicated to affordable housing and community preservation
- Endowed by concerned community residents
- Most flexible of all 3 non-profit options
- May incorporate functions of a land trust
- May include programs with similar purpose to housing authority
- **Action** – evaluate preferability of entity; consolidation of admin with Trust Montana
- **Impact** – organizational structure to receive funding

- Advantages

- Most flexible
- Broadly defined to address community needs
- Big Sky does not need to be incorporated
- Can act as a land trust and/or form a land trust as a separate entity within the foundation
- Local, state, and federal funding, as well as grant funding

- Disadvantages

- The mission of foundations can often overlap, creating redundancy of purpose and diluting the market for funding
- Creates increased competition among many existing non-profits for limited funding

Recommendation 2: Establish a 501(c)(3) (Alternative Option)

- Community Land Trust

- Successful in high-cost resort settings (e.g. Jackson, WY)
- More flexible structure than housing authority
- Alignment with Trust Montana (est'd January 2014)
- Land is acquired and leased separate from home
- **Action** – evaluate preferability of entity
- **Impact** – organizational structure to receive funding

- Advantages

- Greater flexibility
- No change in governance required
- Preserves long-term affordability
- Creates opportunities for first-time homebuyers
- May partner with developers
- Can purchase, own, and lease land
- No maintenance expenses like the housing authority
- Local, state, and federal funding, as well as grant funding

- Disadvantages

- Administration can be costly and governing body may create redundancies of leadership locally
- Loss of leadership can create continuity problems with its mission

Recommendation 2: Establish a 501(c)(3)

(Alternative Option)

- Housing Authority

- Must go through county process
- Determination of need
- Ability to administer housing programs, such as IHOs, etc.
- **Action** – evaluate preferability of entity
- **Impact** – organizational structure to receive funding

- Advantages

- Power to develop, acquire, own, and operate housing
- No change in governance required
- Addresses needs of very-low, low-, and moderate-income households
- Can receive local, state, and federal funding, as well as grant funding

- Disadvantages

- Maintenance / Administration of property can be costly
- Would need to establish through each county individually

Recommendation 3

- Explore Modification to Resort Tax District Legislation

- Longer-term objective
- Work with members of RTDB
- Funding dedicated to workforce housing
- **Action** – work with RTDB members to pursue change in statute from Legislature
- **Impact** – ½ cent tax could generate \$500K / year

- Advantages

- Big Sky does not need to be incorporated
- The resort tax broadly distributes the burden of need through the community and second homeowner population
- Funds could be dedicated directly to addressing housing needs

- Disadvantages

- Legislative risk
- Additional tax may not have strong community support

Recommendation 4

- Evaluate Feasibility of Incorporation

- Longer-term objective
- Has been discussed, but not evaluated by 3rd party
- What powers/tools would be available?
- What would it cost?
- What opportunities are being missed?
- **Action** – Weigh the pros and cons
- **Impact** – retain fair share of local taxes

- Advantages

- Local control
- Retain fair share of local taxes
- Taxing and self-governance authority, and all the regulatory powers that come with it
- Comprehensive list of advantages would be developed through further study

- Disadvantages

- Has faced opposition in the past
- Comprehensive list of disadvantages would be developed through further study

Recommendation 5

- Feasibility of Establishing Inclusionary Housing Ordinance

- Ideal for high-cost resort communities
- Longer-term objective
- Requires self-governing powers (incorporation)
- **Action** – Weigh the pros and cons
- **Impact** – retain fair share of local taxes

- Advantages

- Creates units when new development occurs

- Disadvantages

- Window of opportunity sliding by
- Requires incorporation

Recommendation 6

- Identify Alternative Funding Sources

- Longer-term objective
- Requires self-governing powers (incorporation)
- Dedicated funding sources (i.e. diversify revenues)
- **Action** – Balanced and comprehensive fiscal structure
- **Impact** – Positive impact when dedicated funding source identified at onset

- Advantages

- Allows Big Sky to take full control over local tax revenues
- Allows community to decide how much revenue can go to housing
- Spreads the impact across community
- Funding can come from numerous sources (public and private)

- Disadvantages

- Requires incorporation

DISCUSSION

Next Steps

- Revision to Report
 - Reviewed by steering committee
 - Gather feedback and comments from tonight
 - Submit final report to committee
- Community Discussion
 - Time to consider these options and recommendations
 - Reconvene in public meeting to discuss



Best Practices Review

HOUSING TOOLS & FINANCING SOURCES

Affordable Housing Land Use Regulations

	Land Use Regulations			
	Inclusionary Housing	Commercial Linkage	Residential Linkage	Land Set-Aside
What is it?	<ul style="list-style-type: none"> Addresses housing need from residential growth pressure; Requires a percent of housing be provided at affordable levels; 	<ul style="list-style-type: none"> Addresses housing need from commercial growth pressure; Requires commercial development to provide housing units (or pay a fee) based on new employees generated 	<ul style="list-style-type: none"> Addresses housing need from market for large second-homes; Developer provides employee housing units or pays fee in-lieu 	<ul style="list-style-type: none"> Requires percent of land to be set-aside for affordable housing;
What are its advantages / disadvantages?	<ul style="list-style-type: none"> Addresses community workforce housing needs (i.e. ownership or rental); Limits the burden to new residential development; Most common among the three programs identified; 	<ul style="list-style-type: none"> Addresses workforce housing needs; Broadens the burden to wide variety of land uses; Requires nexus analysis 	<ul style="list-style-type: none"> Addresses seasonal/service worker housing needs (i.e. rental); Limits the burden on market to large 2nd homes; Requires complicated nexus analysis 	<ul style="list-style-type: none"> County subdivision regulations allow for parkland, school, or other uses Affordable housing not currently an specified use; Would require amendment of state subdivision regulations
Who has it?	<p>Jackson/Teton County, WY; Aspen/Pitkin County, CO; Vail, CO; Telluride, CO; Park City, UT; Basalt, CO</p>	<p>Vail, CO; Aspen/Pitkin County, CO; Telluride, CO; Park City, UT; Basalt, CO</p>	<p>Telluride, CO; Jackson/Teton County, WY</p>	<p>N/A</p>

Source: Economic & Planning Systems

G:\133083-Big Sky MT Housing Development Plan\Data\133083-Housing Program Matrix.xlsx\Housing Program - Short

Other Funding Sources

Alternative Funding Options

	Excise Tax	Dedicated Sales Tax	Occupational Privilege Tax (Head Tax)	Use Tax (on Construction Materials)	Lodging Tax	LIHTC	RETA	TIF / TEDD
What is it?	Residential and commercial development pay a fee per sqft of new floor area.	Additional assessment on taxable goods	Tax assessed per worker per month	Additional assessment on construction materials	Assessment on lodging tax	Federal tax credits for affordable housing construction administered by Montana Board of Housing	Voluntary assessments on title transfer (RETA)	Mill levy
What are its advantages / disadvantages?	<ul style="list-style-type: none"> Broad distribution of burden to new residential and commercial development; Requires voter approval 	<ul style="list-style-type: none"> 0.5% could generate \$500K / year; Voter approval required; Could be implemented by Resort Tax District (may require legislative mod.) 	<ul style="list-style-type: none"> Broadest distribution of burden; Would have to be employer-paid; Addresses both existing and new needs 	<ul style="list-style-type: none"> Voter approval required; Strong nexus to new resort residential development 	<ul style="list-style-type: none"> Lodging industry typically expects to use funds for tourism development/marketing; Reasonable nexus to creation of service industry jobs 	<ul style="list-style-type: none"> 4 percent: non competitive; 9 percent: competitive; Requires minimum % units at low AMI levels 	<ul style="list-style-type: none"> Can be imposed voluntarily using developer agreement; Only feasible for application to new projects; Apply to new sales subject to developer agreement 	<ul style="list-style-type: none"> Revenues need to be spent primarily for infrastructure improvements;
Who has it?	Snowmass Village, CO; Boulder, CO	Aspen/Pitkin County, CO; St. Paul, MN; Dayton, OH	Denver, CO; Aurora, CO; Greenwood Village, CO	San Miguel County, CO	Snowmass Village, CO; San Francisco, CA; Columbus, OH;	Widely used across U.S.	Aspen, CO; Snowmass Village, CO; Vail, CO; Breckenridge, CO; Telluride, CO; Winter Park, CO	Widely used across U.S.; seldom for affordable housing

Source: Economic & Planning Systems

M:\133083-Big Sky MT Housing Development Plan\Data\133083-Housing Program Matrix.xlsx\Funding Options - Short

Housing Development Programs

- Housing Authority
 - Can be created by MT counties
 - Not a separate unit of government
 - Does not have taxing authority
- Community Land Trust (CLT)
 - Non-profit corporation with 250 nationwide
 - Land is acquired and leased separate from home
 - Land appreciation is set to maintain affordability
- Housing Foundations
 - Dedicated to affordable housing and community preservation
 - Endowed by concerned community residents
 - Jackson Hole Community Land Trust - Wyoming
 - Mountainlands Community Housing Trust - Utah

	Tool	Big Sky Eligible	Modify Resort Tax District	Requires Self-Governing Power
Land Use	IHO			■
	Comm. Linkage			■
	Res. Linkage			■
	Land Set-Aside	■*	■*	■*
Funding Options	Excise Tax			■
	Sales Tax		■	■
	Lodging Tax		■	■
	LIHTC	■	■	■
	Head Tax			■
	TIF / TEDD	■*	■	■
	RETA	■	■	■
Program	Housing Authority	■	■	■
	Comm. Land Trust	■	■	■
	Foundation	■	■	■

* Denotes that under current authority/regulation, affordable housing is not a specified use; for land set-aside, subdivision regulations would need to be modified; for TIF/TEDD option, affordable housing is also not a specified use.



Telluride

- Program
 - Guidelines adopted 1994
 - Goal is to house 60% of employees locally
- Tools
 - Commercial linkage – 40% of new employees
 - Residential linkage – 60% of new employees
- Strengths and Weaknesses
 - Primarily rental housing
 - 50% for 80 to 100% of AMI (2 person HHs)

Vail

- Program
 - Guidelines adopted 1996
 - 727 deed restricted rental, 175 ownership units
- Tools
 - IHO – 10 percent employee housing units
 - Commercial linkage – 50% of new employees
- Strengths and Weaknesses
 - On-site housing is mainly small dorm units
 - Few remaining sites for new development
 - A lot of existing unit purchases

Aspen/Pitkin County

- Program
 - Began in 1974
 - Aspen/Pitkin County Housing Authority created in 1982
- Tools
 - IHO – 30 percent total floor area
 - Commercial linkage – 60% of new employees
 - 0.4% dedicated sales tax
 - 1% RETT – Aspen only
- Strengths and Weaknesses
 - Most comprehensive program
 - Benefits from additional funding sources
 - Challenge finding sites and getting projects entitled

Jackson/Teton County

- Program
 - Goal to house 65% of local employees
 - At least 33% units at Category 1 and 2 below 100% AMI
- Tools
 - IHO – 25 percent housing on-site
 - Residential linkage for homes over 2,500 sf
 - Fees from \$1.98 to \$14.39 sf
 - Commercial linkage – 0.65 per 1,000 for retail
- Strengths and Weaknesses
 - TCHA units primarily service worker rentals
 - JHHT program complements TCHA program
 - Focused on workforce ownership units

Park City

- Program
 - Policies adopted 1995
 - 485 deed restricted units built – 80% rental
 - 136 units under development
- Tools
 - IHO – 15 percent affordable units
 - Commercial linkage – 20% of new employees
 - Units rented to households below 100% AMI
- Strengths and Weaknesses
 - Primarily provides rental housing
 - Mountainlands Community Housing Trust has built 135 workforce housing units

Recommendation 4

- Part-Time/Seasonal Workforce Needs

- Longer-term objective
- Work with employers
- Employers evaluating issue internally
- **Action** – Identify magnitude of need for housing locally vs. regionally (i.e. commuters)
- **Impact** – housing more of workforce locally means greater community character

- Advantages

- Several employers looking at this currently
- Difficult to fund this workforce housing need from “public” level
- Private market solves it

- Disadvantages

- Community has no regulatory leverage