



PATHWAYS TO REMOVING OBSTACLES TO HOUSING (PRO HOUSING)

Communities nationwide are suffering from a lack of affordable housing, and housing production is not meeting the increasing demand for accessible and available units in many urban and rural areas, particularly areas of high opportunity.

Pathways to Removing Obstacles to Housing (PRO Housing) supports communities who are actively taking steps to remove barriers to affordable housing, such as:

- Barriers caused by outdated zoning, land use policies, or regulations;
- Inefficient procedures;
- Gaps in available resources for development;
- Deteriorating or inadequate infrastructure;
- Lack of neighborhood amenities; or
- Challenges to preserving existing housing stock such as increasing threats from natural hazards, redevelopment pressures, or expiration of affordability requirements.

Grantees may use awards to further develop, evaluate, and implement housing policy plans, improve housing strategies, and facilitate affordable housing production and preservation.



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Commerce will make reasonable accommodations for persons with disabilities or persons with limited English proficiency who wish to participate in this process and need an alternative accessible format of presentation materials or translation services. If you require an accommodation, please contact Commerce at DOCAdministrativeRules@mt.gov no later than 5 p.m. on October 13, 2023.

The PRO Housing application, downloads and forms are available on our webpage.

Alternatively, you may request a hard copy of the forms by sending an email to DOCAdministrativeRules@mt.gov.

PUBLIC HEARING

- Wednesday, October 18 at 11 a.m.
- Zoom Meeting Link:
https://mt-gov.zoom.us/meeting/register/tZ0kcO6qpzgtG9Ny7z1P1vhx6V_E3ucbFvRc
- The public hearing will provide an overview of the PRO Housing program.
- The State of Montana will consider any comments or views provided in writing during the specified comment periods or orally during the public hearing.
- Concerned persons may present their data, views, or arguments either orally or in writing at the hearing. Written data, views, or arguments may also be submitted to:

Montana Department of Commerce, Legal Department, 301 South Park Avenue, P.O. Box 200501 Helena, Montana 59620-0501
- Alternatively, you may submit written comments by sending an email to DOCAdministrativeRules@mt.gov.

Pathways to Removing Obstacles to Housing (PRO Housing)

FR-6700-N-98

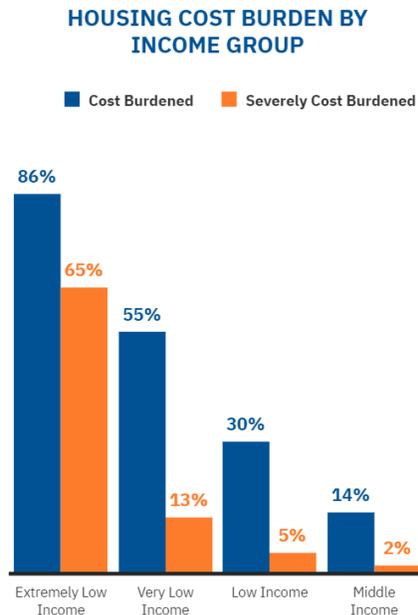
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Exhibit A: Executive Summary
Montana Department of Commerce, State of Montana

The Montana Department of Commerce (MDOC) effectively and efficiently delivers programs and resources through technical assistance, funding/investments, training/consulting, promotion, research, reporting, and outreach to provide affordable housing and land use planning, create sustainable business and economic growth to enhance community vitality to benefit the citizens of Montana. The MDOC partners with communities, businesses, and organizations across the state to strengthen Montana’s economy. The MDOC administers a diverse set of programs that together help Montana build and grow sustainable communities.

The lack of affordable housing has been 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 aging and in need of rehabilitation, many households earning a low income are being priced out of housing markets. When households become highly cost burdened, they experience many difficulties regarding health and well-being outcomes. Households priced completely out of the market experience the relentless difficulties associated with homelessness.



Source: National Low Income Housing Coalition

Montana made great progress during the 63rd Montana Legislative session to increase the supply of affordable, attainable housing for Montanans, but there is still more work that needs to be done. Spearheading statewide efforts to resolve the housing supply shortage, the Governor Gianforte launched a diverse, bipartisan Housing Task Force in July 2022. The governor’s task force identified problems at the root of the state’s housing shortage and provided solutions that could be implemented administratively or through law. The task force’s recommendations provided a roadmap for lawmakers ahead of the 2023 legislative session, leading to the historic pro-housing reforms adopted in Montana that some have dubbed the “Montana Miracle.”

The MDOC intends to build on this success and is proposing a two-pronged approach.

- **Provide additional statewide support for communities by expanding our Community Technical Assistance Program (CTAP).** With the addition of two Housing

Planners, MDOC will be able to support our Montana communities in implementing the pro-housing reforms by providing technical assistance to encourage planning and sustainable development in Montana communities by working with local governments, planning departments, private developers, non-profit organizations, and the public. In addition, the Housing Planners would lead in the development of a PRO Housing Guidebook and a Fair Housing Toolkit to further fair housing in Montana.

- **Commission a long-term study to build evidence on the outcomes of the legislative reforms.** Governments make budget and policy choices that have long-term effects on the outcomes they deliver for constituents. Policymakers can achieve substantially better results by using rigorous evidence to inform these decisions.

The MDOC is uniquely positioned to implement the activities proposed in this application quickly. MDOC has been operating the CTAP for nearly 10 years and provides professional planning assistance to communities across Montana in support of sound land use and development decisions, economic revitalization, and overall community resilience. CTAP staff include a land use attorney, professional planners, planning and outreach specialists, and licensed engineers who assist communities in everything from the development of long-range plans to interpretation of statute to guidance on grant applications and review of technical documents. This assistance is provided at no cost to communities statewide. MDOC also has capacity and proven success in managing a wide variety of federal funding.

The MDOC's proposed budget requests \$3,499,469.04 for the HUD share and MDOC is leveraging \$1,567,525.76. MDOC's proposed activities will impact all communities across the state of Montana and the long-term effects of the proposed activities are:

Effectiveness: The public and private sectors have access to MDOC's planning expertise to develop plans, feasibility studies, and projects that have a high impact on economic vitality in Montana communities.

Efficiency: The public and private sectors spend a reduced amount of time on effective housing and land use development planning.

Evidence: The creation of evidence from Montana's legislative reforms to evaluate housing policies now, rather than a backward evaluation, and to assist other states who are considering housing and land use reform.

Exhibit B: Threshold Requirements and Other Submission Requirements
Montana Department of Commerce, State of Montana

Exhibit B Threshold Requirements and Other Submission Requirements

1. Resolution of Civil Rights Matters

The Montana Department of Commerce (MDOC) acknowledges the requirement that all outstanding civil rights matters must be resolved prior to the application deadline. MDOC takes affirmative action to equalize opportunity for those classes of people who have traditionally denied equal opportunity by following all applicable state and federal laws pertaining to the fair and equal treatment of all people. MDOC has no current or past Civil Rights violations.

2. Timely Submission of Applications

MDOC acknowledges that we are aware of the timely submission requirements for the PRO Housing Notice of Funding Opportunity.

3. Eligible Applicant

MDOC attests that we meet the eligibility criteria under III.A as 00 state government under the Executive Branch of Montana's state government per Montana Code Annotated 2-15-104.

4. Number of Applications

MDOC acknowledges that only one application per applicant is allowed.

Exhibit C: Need

Montana Department of Commerce, State of Montana

Describe your efforts so far to identify, address, mitigate, or remove barriers to affordable housing production and preservation. (12 points)

Analysis of Impediments to Fair Housing, 2015-2020

As a requirement of receiving funds under the Community Development Block Grant (CDBG), the HOME Investment Partnerships (HOME), and the Emergency Solutions Grant (ESG), Montana submitted certification of affirmatively furthering fair housing to the Department of Housing and Urban Development (HUD). This certification has three elements:

- Completion of an Analysis of Impediments to Fair Housing Choice in Montana (AI),
- Actions taken to overcome the effects of any impediments identified, and
- Maintenance of records reflecting the actions taken in response to the analysis.

Although removing or ameliorating barriers to affordable housing falls primarily to local jurisdictions and the State Legislature, Montana Department of Commerce (MDOC) requires its CDBG, HOME, or HTF grantees to develop an Affirmatively Fair Housing Marketing Plan (AFHMP). An approved AFHMP is one element of the special conditions of the MDOC contracts with grantees and staff monitor for compliance during CDBG, HOME, and HTF project visits. All activities which are funded under the State's CDBG, HOME, HTF, and ESG programs will address obstacles to meeting underserved needs. The State identifies and responds to underserved needs as they arise from self-evaluation and citizen participation. In addition, MDOC continually provides technical assistance and planning resources to help communities engage in comprehensive planning, downtown master planning, business development planning, market studies, preliminary architectural reports, asset management, needs analysis, preliminary engineering, disaster planning, and other studies or plans that support the sustainability of local communities, affordable housing, public works investments, vital employment centers, and the environment.

Housing Task Force, 2022-current

On July 14, 2022, Governor Gianforte signed Executive Order No. 5-2022 creating the Governor's Housing Task Force. The purpose of the Task Force was to find solutions to these complex issues in the interest of Montana citizens and job creators. The Governor charged the task force with providing recommendations to make housing more affordable and attainable for Montanans. Recommendations included items the legislature could consider, and the governor could sign into law, items state agencies can implement administratively, as well as best practices local jurisdictions can enact. Task Force members were appointed by the Governor and included state and local elected officials, state agencies, state boards, councils, and commissions, housing-related professional associations, advisory groups, and researchers, among others. In developing these recommendations and strategies, the Task Force sought input from the public, members of the Legislature, Montana associations whose members are impacted by housing and land use policy, advisory groups and researchers focused on housing and land use policy, and other appropriate stakeholders as determined by the Task Force. The task force held over 25 meetings between July and December of 2022, which included opportunities for public comment, additionally the public could submit written comments for the task force to consider.

The task force's recommendations provided a roadmap for lawmakers ahead of the 2023 legislative session, leading to the historic pro-housing and land use reforms adopted in Montana that some have [dubbed](#) the "Montana Miracle." Below is an outline of what was accomplished.

HB 114 reduces the timeline to obtain a water right permit and change of use permit from 360 days to 105 days. This process will greatly lower the amount of time that it takes to build homes across the state by cutting red tape through the pre-application technical review process while increasing staff at the Montana Department of Natural Resources and Conservation to adequately service these applications.

HB 189 increases the income limits and market value limits for primary residences eligible for the Property Tax Assistance Program. This program aims to assist low- and fixed-income Montanans meet their property tax obligations.

HB 211 creates a process to streamline subdivision reviews when new information arises that may substantially affect the governing body's consideration of an application. The bill revises sections of the subdivision review process that require the governing body to restart an application review process due to new information. HB 211 creates a process to address variances in expedited subdivision review processes as variances are currently prohibited under this expedited process. HB 211 requires an incorporated city, town, or consolidated city-county to implement the expedited review process for a proposed subdivision that meets the revised criteria regardless of a local government's subdivision regulations.

HB 819 contains four housing proposals:

- (1) Sets up Community Reinvestment Organizations to allocate \$50 million for a statewide mortgage buy-down program for homebuyers earning 60-140% of median household income, with \$6 million going to a program for communities that house state inmates or behavioral health patients;
- (2) \$106 million for the Home Ownership Means Economic Security (HOMES) Act to establish a revolving loan fund account to provide financing to pay for infrastructure for development that achieves a minimum gross density of 10 units per acre, with \$1 million for planning grants program overseen by the MDOC to be used to:
 - provide planning grants to local governments and tribal governments for planning and zoning reforms to increase housing supply; and
 - cover administration costs of the grant program.
- (3) \$12 million to the Montana Board of Investments to construct or purchase workforce housing for employees who work at state-owned facilities that house state inmates or behavioral health patients; and
- (4) Adds \$50 million in authorization from the state of Montana Coal Trust Tax Fund to the existing \$15 million Coal Trust Multifamily Homes loan program run by the Montana Board of Housing, for a total of \$65 million in a revolving loan fund to provide lower interest rate loans for the new construction or preservation of affordable housing, including mobile home parks (this is an infusion from the coal trust, not from the general fund like the other programs).

HB 830 creates an optional 7-month property tax payment schedule for primary residences. Currently, homeowners that don't escrow, most notably Montanan seniors whose primary home loans have been paid off, must make two equal payments at the end of November and May of each year. This bill allows 7 monthly payments enables homeowners to spread out their payments and thus have more predictability and stability in their month-to-month finances.

SB 105 amends the local government power title of the Montana Code Annotated (MCA) to explicitly prohibit a local government unit from controlling the amount of rent charged for private residential or commercial property. This bill also includes a carveout for private

residential property where a local government unit has an interest in the property through a housing authority. The impetus of this bill is to prevent local government units from instituting rent control measures across Montana as has been the trend in other parts of the country. Rent control measures have the effect of decreasing the housing supply, perversely and negatively impacting Montana's ability to provide a housing supply to meet the demand across the state. **SB 131** requires local governing bodies to complete the examination and approve or deny an application for an exempt division or aggregation of land within 20 days of the receipt of the application. Also, this bill prohibits a local governing body from imposing conditions on the approval of an exempt division or aggregation of land.

SB 170 establishes an administrative process for first and subsequent minor subdivision if it: 1) Is located in an area that is subject to and complies with zoning regulations that address development intensity, dimension requirements, and use standards; 2) Is served by municipal water and sewer or a county water and/or sewer district; 3) Has legal and physical access; and 5) Doesn't require a variance to the subdivision regulations. The bill also outlines what items of subdivision review the administrative process eliminates when considering a minor subdivision application. SB 170 also allows for public participation by allowing a party to object to the administrator's approval of a minor subdivision application and establishes a process to address the grievance in a timely manner.

SB 237 allows municipalities to sell future connections for water and wastewater systems if it adheres to a development plan. This bill also establishes a process for municipalities to create development plans for water and wastewater systems to meet future growth expectations.

SB 240 exempts the Montana Department of Environmental Quality from reviewing subdivisions for Montana Environmental Protection Act requirements when a subdivision meets the following requirements: 1) Located 2 or more miles from high-quality waters; 2) Include 14 or fewer single-family residential subdivision lots; 3) Include wastewater systems that meet non-significance criteria established in rule; and 4) Demonstrate full compliance with the acquisition of necessary water rights and water availability.

SB 245 requires local government units with populations greater than 5,000 to allow multiple-unit dwellings and mixed-use developments that include multiple-dwelling units on a parcel or lot. The bill also requires that development under this statute must have a "will-serve" letter from both a municipal water and sewer system and that the development is in a commercial zone. SB 245 also restricts municipalities from requiring more than one off-street parking space for each unit. Key definitions include: "Mixed-use development" means a development consisting of residential and nonresidential uses in which the nonresidential uses are less than 50% of the total square footage of the development and are limited to the first floor of buildings that are two or more stories; and "Multiple-unit dwelling" means a building designed for five or more dwelling units in which the dwelling units share a common separation like a ceiling or wall and in which access cannot be gained between units through an internal doorway, excluding common hallways.

SB 323 revises zoning statutes to allow for duplex housing on a lot where single-family residence is a permitted use in a city with a population of at least 5,000 residents. The bill prohibits zoning regulations from being more restrictive on developments of single-family use lots or duplex housing on single-family lots than the zoning regulations applicable to single-family residences.

SB 382 requires many of the largest jurisdictions across Montana to draft and adopt a land use plan within 3 years of the effective date. The plan must include public comment and

participation. SB 382 also provides a process for adopting local plans and defines the required contents of a plan (e.g., future land use map and the number of housing units needed to accommodate its population projections over the next 20 years). The bill requires that once a land use plan is adopted, the local government unit must adopt zoning to reflect its plan. For example, the local government unit must zone enough area to allow for the permitting of all the housing units identified in the land use plan. SB 382 includes a list of zoning reforms to encourage housing and requires each jurisdiction to adopt five or more of the following reforms best suited to their locale:

- (a) allow, as a permitted use, for at least a duplex where a single-unit dwelling is permitted;
- (b) zone for higher density housing near transit stations, places of employment, higher education facilities, and other appropriate population centers, as determined by the local government;
- (c) eliminate or reduce off-street parking requirements to require no more than one parking space per dwelling unit;
- (d) eliminate impact fees for accessory dwelling units or developments that include multi-unit dwellings or reduce the fees by at least 25%;
- (e) allow, as a permitted use, for at least one internal or detached accessory dwelling unit on a lot with a single-unit dwelling occupied as a primary residence;
- (f) allow for single-room occupancy developments;
- (g) allow, as a permitted use, a triplex or fourplex where a single-unit dwelling is permitted;
- (h) eliminate minimum lot sizes or reduce the existing minimum lot size required by at least 25%;
- (i) eliminate aesthetic, material, shape, bulk, size, floor area, and other massing requirements for multi-unit dwellings or mixed-use developments or remove at least half of those requirements;
- (j) provide for zoning that specifically allows or encourages the development of tiny houses, as defined in Appendix Q of the International Residential Code as it was printed on January 1, 2023;
- (k) eliminate setback requirements or reduce existing setback requirements by at least 25%;
- (l) increase building height limits for dwelling units by at least 25%;
- (m) allow multi-unit dwellings or mixed-use development as a permitted use on all lots where office, retail, or commercial are primary permitted uses; or
- (n) allow multi-unit dwellings as a permitted use on all lots where triplexes or fourplexes are permitted uses.

After zoning is adopted, the jurisdiction adopts subdivision regulations with an administrative process for review and approval of plats and exemptions.

SB 407 requires local design review standards imposed by a local government to be clear, objective, and necessary to protect public health or safety or to comply with federal law. Also, when an individual or entity is seeking a variance, it can be pursued through an administrative process as opposed to a board. This process speeds up the variance approval process as most, if not all, variances must be board approved.

SB 528 revises zoning regulations to allow for a minimum of at least one accessory dwelling unit (ADU) on a lot or parcel that contains a single-family dwelling. The ADU can be attached, detached (when meeting specific requirements), or internal to the single-family unit on a lot or parcel. SB 528 allows municipalities to require a “will-serve” letter for water and sewer systems and allows for more permissive regulations relating to ADUs. If the accessory dwelling unit is

detached from or attached to the single-family dwelling, it may not be more than 75% of the gross floor area of the single-family dwelling or 1,000 square feet, whichever is less.

In addition, through **HB 2**, the Legislature significantly increased the budget for the Community Technical Assistance Program (CTAP) managed by the Community MT Division with the charge of providing planning assistance to communities experiencing housing shortages.

Additional recommendations were also offered to state agencies and local governments to further inform challenges and barriers that inhibit increasing housing supply to meet demand, provide possible solutions to identified challenges and barriers, and prioritizing key strategies. The Task Force developed 18 recommendations outlining three overarching strategies state policy makers can use to address Montana's housing and land use crisis outlined below (Housing Task Force, 2022).

1. Address Regulatory Capacity and Efficiency

Six (6) recommendations suggest that state agencies and local governments invest time to review regulatory process efficiency with an intent to streamline the current permitting process. Also, identify and modify portions of state code that may limit the ability of local jurisdictions to streamline or expedite routine administrative tasks that add unnecessary delay to building projects. This approach would include looking at occupational licensing and state building code review. Recommendations seek to reduce the time and steps of the required permitting process that may reduce costs to the applicant and stimulate development. Local governments are encouraged to seek opportunities to remove inefficiencies from their development permit review processes. These steps may help increase capacity without requiring higher permit fees or greater levels of public funding.

2. Information Gathering and Reporting

Five (5) recommendations suggest that state agencies support local governments by providing technical assistance to inventory/study infill development opportunities to increase the awareness of housing markets across the state and to understand the basic functioning of the state's regulatory and approval process. This may include an inventory of eligible underutilized state-owned lands in urban areas that may be appropriate for housing. Gathering and providing this basic information can be used as a benchmark for housing outcomes and regulatory throughput. These metrics may also be used to reduce the costs of development and increase the supply of housing.

3. Use of New and Existing Programs

Seven (7) recommendations suggest that state agencies and local governments invest more resources to develop and enhance a skilled workforce. This investment will ensure people are available and trained to work. Also, several recommendations were proposed to explore the benefits of innovative construction methods using modern technologies, materials, techniques and building systems/practices. Task Force members suggested investigating opportunities to build-out community infrastructure, such as water and sewer systems, roadways, utility connections, traffic control, parks, and public access, etc. and to access equitable ways to spread those over-heads costs. Recommendations further included exploring the creation of additional Community Land Trusts as non-profit organizations to assist with financing new development in a predictable, equitable method. Finally, recommendations suggested use of existing state funding to target projects located in jurisdictions that have proactively removed barriers to affordability in their zoning ordinances.

Community Planning Platform, 2023-future

The Community MT Division within MDOC is conducting outreach to prepare for the creation of the Community Planning Platform (CPP). This single online location will enable users to find a wide range of data for community and economic development planning. The CPP represents a commitment to improving the efficiency and effectiveness of planning throughout Montana. The outreach process is designed to encourage participation and engagement, since the success of the plan is determined by people working together. The initial phase of the plan has begun. The CPP will be launched sometime next year with future enhancements to follow. We intend for this platform to continue to evolve over the years with more tools and data. Community participation is key to the future of the platform. Working across State government, MDOC is leveraging new technology to draw relevant data from thousands of locations into a single platform that will put all this information at Montanan’s fingertips.

Do you have acute demand for affordable housing? What are your remaining affordable housing needs and how do you know? (13 points)

Overview

According to the National Low Income Housing Coalition and available Census data, across Montana there is a shortage of rental homes affordable and available to extremely low-income and very low-income households.

Montana’s Affordable Housing Need	
135,060	Total number of renter households (31%)
54,928	Number of VLI renters (41%)
55%	VLI Cost Burdened
31,337	Number of ELI renters (23%)
86%	ELI Cost Burdened
65%	ELI Severely Cost Burdened
-15,741	Shortage of rental homes affordable and available for ELI renter

Source: NLIHC tabulations of 2021 ACS PUMS

To put it into context, a very low-income family of 4 in Montana has an annual income just over \$45,500; an extremely low-income family of 4 has an annual income of just \$26,500. 65% of extremely low-income and 55% of very low-income households are severely cost burdened, spending more than half of their income on housing. There are over 86 thousand very low and extremely low-income renter households in Montana, but there is a shortage of over 24,000 rental homes affordable and available for these families. Unfortunately, our current State of Montana and Federally allocated resources can only support the production of, on average, approximately 500 affordable rental homes each year.

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

Compounding Montana's housing and land use crisis, seven of Montana's counties experienced a major flood event in June 2022, caused by a combination of heavy rainfall and melting snowpack. Two of the counties impacted and 18 of the census designated places impacted are identified as priority geography locations. In response to Montana's request, President Biden declared a presidential major disaster declaration on June 16, 2022.

Total physical damages from the flood event are estimated to exceed \$221 million, which does not include potentially millions in lost revenues experienced by privately owned businesses, including hotels and motels, restaurants, and other major wholesale and retail services. Based on the FEMA Individual Assistance (FEMA IA) registration numbers, there were 10 primary homes destroyed; 55 primary homes that sustained major damage; and 347 primary homes that will require habitability repairs (these numbers do not include property owners who decided not to apply for FEMA assistance). Flooding exacerbated existing housing shortages in these communities. In addition to the assistance for the replacement and repair of damaged residential structures, there is a basic need to provide additional affordable, owner-occupied, and rental housing units.

Condition of Housing Stock

The Montana Department of Revenue reviews the condition of Montana's housing stock biannually. The residential housing condition data is compiled and supplied from the ORION Property Database System. It includes most residential real estate including commercial apartments, condos, etc., improvements, and personal property which are appraised by the Department of Revenue for purposes of taxation. It does not include properties that are exempt from taxation. Housing condition is rated on the following scale:

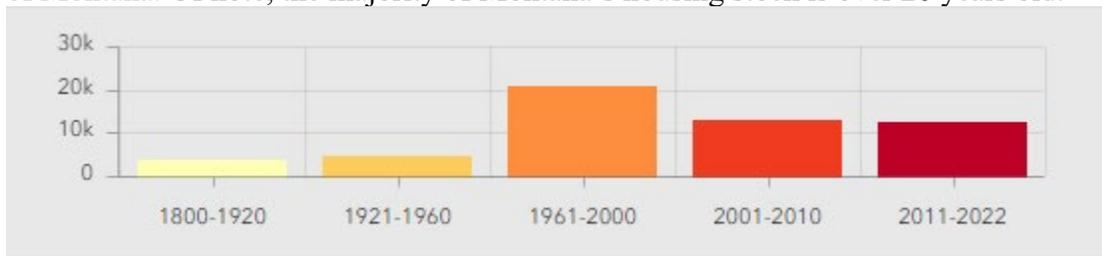
- Excellent – The residential dwelling is in better than new condition; very attractive and highly desirable. There are no deficiencies in material or construction and no signs of deferred maintenance.
- Very Good – The residential dwelling is in new or like new condition. There are no deficiencies in material or construction and no signs of deferred maintenance.
- Good – The residential dwelling has little to no wear and tear and the structure is slightly more attractive and desirable than average.
- Average – The residential dwelling exhibits normal wear and tear. There are few indications of deferred maintenance, and no significant repairs or replacements are necessary.
- Fair – The residential dwelling has some deterioration but is usable. The exterior and interior show wear and tear and deterioration but the property is suitable for use. The structure could be characterized by needing work.
- Poor – The residential dwelling has definite obvious deterioration and is barely useable. Structural elements may require replacement. The exterior and interior are in poor condition and the structure appears barely suitable for use.
- Very Poor – The residential dwelling is in very poor condition and practically unusable. Most structural elements require replacement. The exterior and interior are in dilapidated condition and not suitable for use.

- Unsound – The residential dwelling is unsound and unfit for use. All major structural elements require replacement. The exterior and interior are in dilapidated condition. The structure is not suitable for use.

The following is raw data which still needs to be analyzed, therefore, it is an estimate of Montana’s current housing stock. Of the 352,706 single family residential homes 56,578, or 16% ranked between fair and unsound. For mobile homes, 25,546, or 40%, ranked between fair and unsound. Condos and townhomes had 1,707 out of 31,508, or 5%, that ranked between fair and unsound.

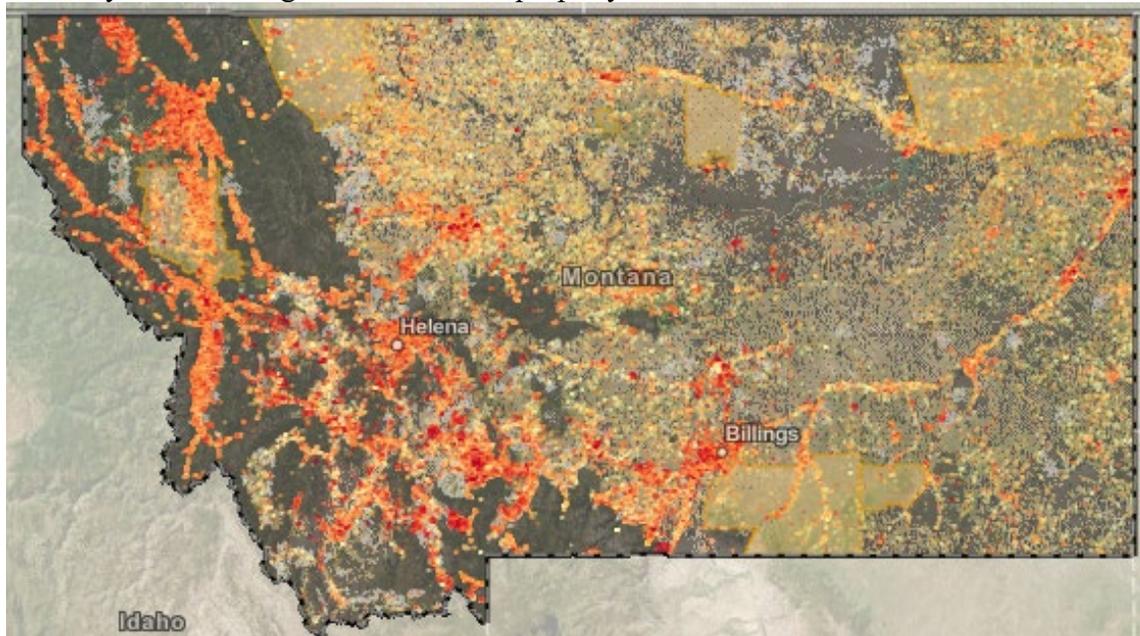
Age of Housing Stock

The graph below represents the age of Montana’s housing/building stock. The Montana Department of Revenue maintains property tax information for every parcel owned in the State of Montana. Of note, the majority of Montana’s housing stock is over 20 years old.



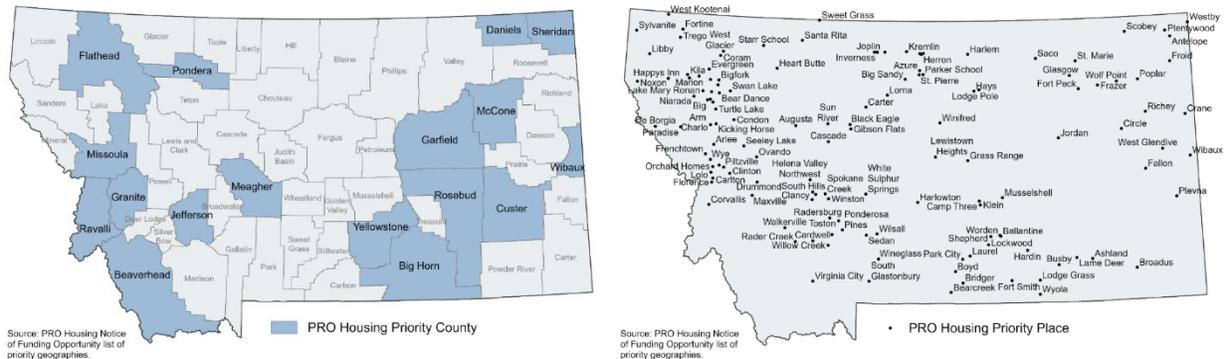
(Montana Department of Commerce, 2023)

Parcel development varies across time and space within Montana. This map created by the MDOC, uses structure locations and boundaries from the Montana State Library and Property Tax information from the Montana Department of Revenue to highlight areas of recent development. The points on this map represent structures and the color classes reflect the earliest year a building was built on the property.



Priority Geography

Montana's proposal will provide the support needed to expand our CTAP program by adding two Housing Planners and to study the outcomes of the housing and land use reforms statewide.



As you can see, Montana is vast and priority geographies are represented across the entire state. To put it into context, it would take more than 10 hours, without stopping, to drive east to west across Montana, while traversing the state north to south would take 5-6 hours. As the name given Montana of the “Big Sky Country” implies, it is just big. The proposed activities in the application will have the capacity to span over this vast country and provide benefits in every part of the state.

iii. What key barriers still exist and need to be addressed to produce and preserve more affordable housing? (10 points)

Barriers Identified through the Housing Taskforce

While much was accomplished during the 2023 Legislative session, there is still more work to do, therefore, on June 29th Governor Gianforte signed another executive order extending the Housing Taskforce under Executive Order No. 5-2022, through June 2025. Many factors are driving housing shortages across Montana, including a lack of available construction labor, land use regulations, zoning restrictions, and a lack of developable land. In Montana, home prices have skyrocketed, newly listed homes were sold within hours of listing, and rental vacancy rates fell, driving up rent prices across Montana, which lead to record low housing inventory in early 2022.

The task force identified and provided recommendations for barriers to Montana's housing shortage crisis as outlined below.

(1) Immediate supplemental budget allocations to three agencies/programs-

The taskforce identified three barriers that they recommended immediate supplemental budget allocation for that would result in moving forward with “shovel ready” projects as follows:

- The Department of Environmental Quality has a wait time of 8-12 months for permitting subdivision and public water supplies.
- Creation of a new position within the MDOC to facilitate year-round support and implementation of the housing and land use task force recommendations.
- Expand Accelerate Montana/ Rapid Training (AMP/RPT) Program to meet urgent labor and workforce needs. The AMP/RPT Program is partnering with two-year colleges and

Tribal colleges to train skilled workers in construction, manufacturing, healthcare, and technology.

(2) Increase the Supply of Housing - The absence of appropriate private sector incentive to offset costs such as municipal regulations, land, and infrastructure costs to make building affordable and attainable. Resources that currently exist are inadequate to successfully address Montana's shortage of housing.

(3) Create Legislation Directed at Development of Certain Lands – Land costs in Montana are a substantial barrier to building affordable housing therefore, the taskforce recommended the creation of legislation to establish criteria by which certain eligible entities could select and sell certain parcels of land (e.g., university system land) at below-market prices or for free to improve affordability and increase the density of housing supply.

(4) Reformation of State Tax Laws May Be Needed to Incentive Housing Development and to Reduce Property Taxes of Residential Homeowners – Montana does not have a sales tax so local governments and schools rely heavily on property tax for their revenue which may be contributing to the overall barriers to meeting Montana's housing needs. Montana generates 40% of its total taxes from property taxes, while the national average is 31%.

(5) Prohibit Residential Min. Lot Size Requirements Larger Than 2,500 Sq. Ft. – Some local authorities set minimum lot sizes that require more infrastructure such as streets, sidewalks, lighting, sewer, and water, which increases the costs for local governments and higher taxes as a result. This also leads to issues with transportation and the loss of agricultural and open spaces.

(6) Allow Accessory Dwelling Units on All Single-unit Residential Lots – The need to legalize the building Accessory Dwelling units to reduce barriers to homeowners using their property to generate income.

(7) Re-write the Montana Subdivision and Platting Act – Montana's Subdivision and Platting Act (MSPA) needs to be streamlined to foster development and protect public health and safety. As was currently written, it could take years from concept to final plat, at times, ending in a denial or unrealistic conditions that made the project too expensive, or bring about lawsuits.

(8) Enact a State Affordable Housing Tax Credit Tied to Local Zoning Reform- Need for an incentive program that would provide state funded tax credits for local governments who address zoning barriers currently limiting the supply of housing. This would meet the need for both market rate and subsidized low income and very low-income Montanans.

(9) Infrastructure Grants to Support Housing- Funding is needed to support the infrastructure for housing development to include the construction of water, sewer, and street extensions to serve the creation of high-density housing. This would allow for development opportunities with a variety of housing options.

(10) Amend State Law to Streamline Local Permitting- In the absence of a full re-write of the Montana Subdivision and Platting Act, there are still some smaller changes that could make permitting more efficient and predictable by streamlining local approval of development applications. This would include removal of duplicative public hearings and allowing zone map amendments implementing existing land use policy to be adopted by resolution rather than ordinance.

(11) Removal Bans on Multi-unit Residences- It is necessary to remove strict local zoning regulations that exclude low and middle-income residents. Over 70% of in-demand residential areas in Montana's either outright prohibit or penalize affordable multiunit residential development.

(12) Eliminate Regulatory Barriers to Housing Construction within Cities -Sidebars are needed to align zoning standards with best practices focused on promoting public health and safety.

(13) Require Short-term Rental Reporting - There is a need for improved monitoring on short-term rentals to determine the impact of short-term rentals on local workforce and community housing.

(14) Maximize Existing Infrastructure and Infill Development Through Incentives - State level financial investments are needed to build infrastructure as a foundational requirement, to address workforce shortages, to encourage innovative home construction with incentives that would include homes for households making less than 80% AMI, and to create toolkits that would encourage collaboration between the public and private sectors.

While some of these barriers were addressed during the legislative session, many were not. One factor in preventing some of these barriers from being addressed is maintaining autonomy of local governments. It was the intent of the housing taskforce to provide reports with recommendations that further inform the Legislature, Governor, state agencies, local governments, Tribal governments, and the public and are not intended to be prescriptive in nature.

Barrier in Availability of Funding

The availability of financing and subsidies for affordable housing development and preservation in Montana are primarily limited to federal resources, often set at the small population state minimums. The state of Montana strives to maximize its use and leverage of these scarce resources. For example, the need and demand for 9 percent Low-Income Housing Credits significantly exceeds credit availability.

- In 2021, 14 Letters of Intent were submitted requesting \$72.4M in 2022 Housing Credits to produce 433 rental homes, but only \$28.85M to support 162 homes was available to award.
- In 2022, 14 Letters of Intent were submitted requesting \$80.9M in 2023 Housing Credits to produce 403 but only \$30.1M to produce 158 homes was available to award.
- In 2023, 13 Letters of Intent were submitted requesting \$71.7 million in 2024 Housing Credits to produce 375 homes but only \$32.4 million to produce 139 homes was available to award.

This lack of funding over the last three Housing Credit applications cycles resulted in over 750 (752) affordable rental homes not getting developed.

The Low-Income Housing Tax Credit 4 percent program can only be triggered using the tax-exempt private activity multifamily Housing Bonds. Private Activity Bonds are issued under the Montana Unified Volume Bond Allocation Plan under 17-5-13, MCA.

- In 2021, the Montana Board of Housing issued \$135,388,504 to support 756 affordable rental homes.
- In 2022, \$49,958,689 was issued to support 352 affordable rental homes.
- We currently have eleven (11) applications requesting nearly \$200 million in tax-exempt bonds in our pipeline for proposed developments in Bozeman (x3), Missoula (x2), Great Falls (x2), Big Fork, Billings, Hamilton and Havre.

The Montana Housing Division and the Community MT Division, both housed within the MDOC, administer a variety of HUD Community Planning and Development (CPD) program

funds that can be used as gap financing for rental development, including CDBG for housing activities and planning, HOME and federal HTF. These HUD programs provide grant funds to communities and non-profits to rehabilitate single- and multifamily homes, finance new construction and rehabilitation of single- and multifamily homes and provide down payment assistance and closing assistance to eligible homebuyers. Additionally, the CDBG planning grant program provides funding for land use, zoning and subdivision regulations, housing needs assessments and community and regional housing plans, and infrastructure planning essential to providing housing.

Montana's Community Development Block Grant (CDBG) allocation under the 2021-2022 Annual Action Plan was \$6,790,917, which decreased to \$6,537,201 under the 2022-2023 Annual Action Plan. As another example, the state of Montana's fiscal year 2022 HOME allocation of \$3.4M was slightly higher than allocations to the 7 lowest allocated states: Alaska, Delaware, Hawaii, North Dakota, Nevada, South Dakota, and Vermont. We are in the tier of the lowest awarded states for federal Housing Trust Fund dollars. To put Montana's HUD allocations in perspective, the City of Oakland at population of 440,646 received \$3.38M in HOME and \$7.45M in CDBG for a combined \$10.83M, whereas Montana's combined HOME and CDBG allocation was \$9.95M. Unfortunately, these modest federal allocations are insufficient to significantly increase affordable housing supply.

As noted above, the legislature and executive branch are taking steps to increase state resources for affordable housing production, including the additional \$50 million authorized for the Coal Trust Multifamily Homes (CTMH) program and \$106 million for the HOMES Act. The Montana Board of Housing is completing the Administrative Rules process for the CTMH program but has already received nearly \$20 million in application requests. Market interest rates for construction loans and permanent financing averaging 7 percent or higher are creating significant financial feasibility challenges for affordable housing developers. The CTMH program interest rate is tied to the performance yield of the state's Coal Trust Tax Fund, ranging between 3.75 and 4.00 percent, and thus provides a significant cost benefit for affordable development.

Barriers in Infrastructure

Montana's large land area at 147,040 square miles and low population at just over one million, offer unique barriers to infrastructure improvements. Some of the older communities in Montana have pipes that date back to the late 1800s to the early 1900s, many of which have never been replaced. The most current data available suggests that to completely update Montana's water and wastewater infrastructure would be in the billions of dollars. The smaller communities around the state cannot afford these updates as they are costly and spread over a comparably small tax base. Rural areas in the state do not have the financial technical management necessary to take on these projects and there are very few funds for private grants. Montana, through the Montana Coal Endowment Program, HB 819, and administration of the federally-funded CDBG public and community facilities grant program, American Rescue Act Plan, and Infrastructure Investment and Jobs Act, has started to mitigate this issue, however, Montana's infrastructure needs far outweigh the state's capacity to address them.

Barriers in Natural Disaster Response

Montana is subject to a wide array of natural disasters. These natural disasters include:

- Wildfires are very common and risky in Montana, especially in the summer and fall seasons.
- Earthquakes, which are very likely in the western part of the state, where there are several active faults.
- Winter storms, which can bring heavy snow, ice, and freezing temperatures, affect roads, power, and health.
- Floods, which can result from snowmelt, rain, or ice jams, damage property and infrastructure.
- Extreme heat and drought, which can increase fire danger, affect water supply, and harm crops and livestock.

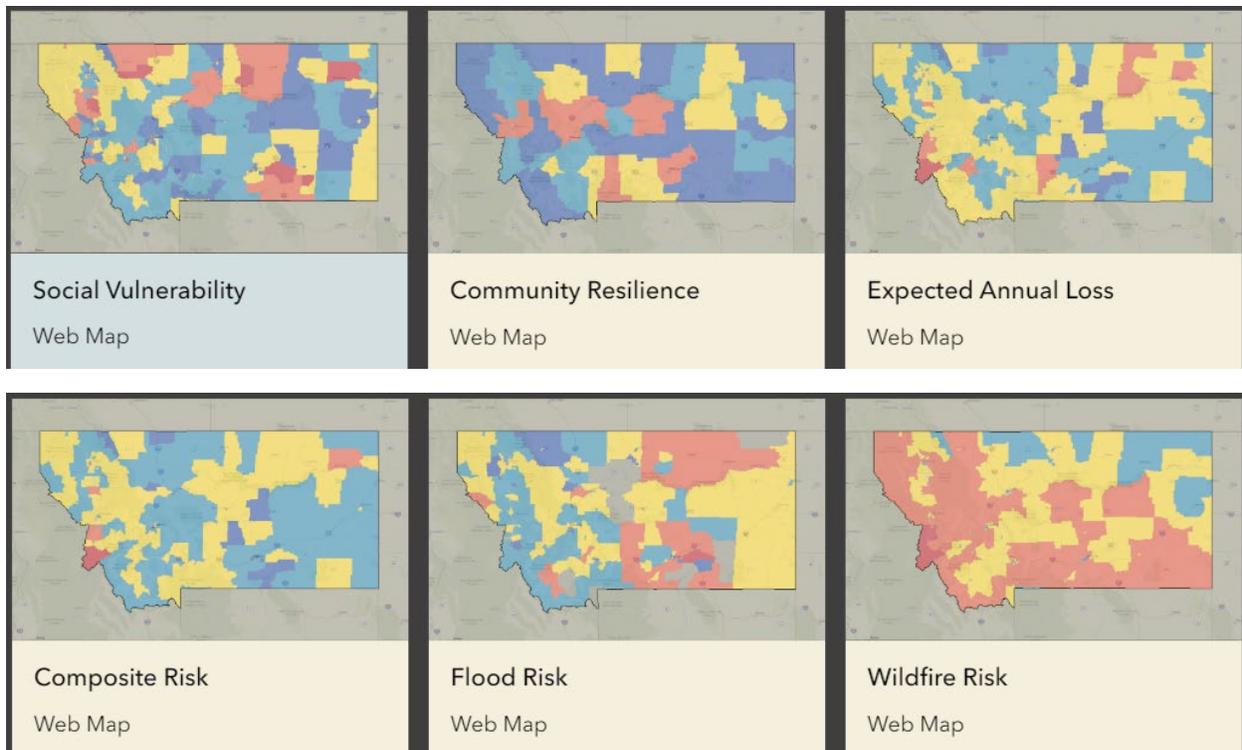
Montana's response to these natural disasters is inhibited on multiple levels. At a local level, there is a substantial lack of capacity to respond to and recover from natural disasters.

Emergency managers are often over-stretched, which creates burnout and turnover, causing knowledge gaps. On a state level, many of the same barriers exist. State emergency entities are a pass through for multiple communities and are often understaffed. Many of the programs to assist with natural disasters are complex and due to the lack of capacity, creating a platform to streamline the programs is not feasible. Programs tend to roll out in inequitable ways, leaving vulnerable populations more susceptible to long term insecurity and with a lack of resiliency.

At a federal level, there is inequitable access to funding between public and private assistance. The absence of established objective criteria to determine disaster assistance creates uncertain outcomes for accessing needed assistance, in essence, prolonging and exacerbating communities' trauma. Montana being an interior, rural state, cannot compete with hurricane states in a way that builds true resiliency.

The maps below represent FEMA's national risk index of natural hazards for the state of Montana. Social Vulnerability is a location-specific assessment of social vulnerability that utilizes 29 socioeconomic variables (ex. Median Age, Gross Rent, Per Capita Income) deemed to contribute to a community's reduced ability to prepare for, respond to, and recover from hazards.





(Montana Department of Commerce, 2023)

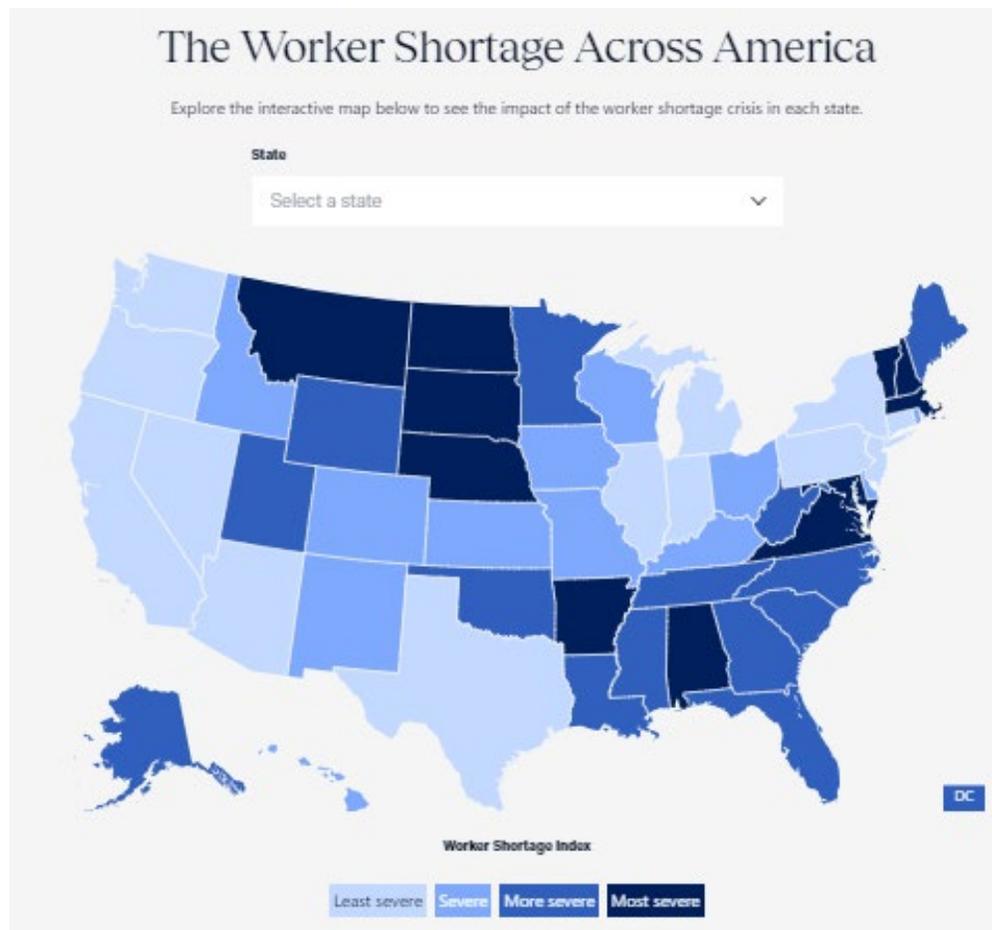
The State of Montana and our local communities understand the benefits of addressing impacts from natural disasters in a proactive manner. However, the lack of capacity/resources at the state and local levels limits our ability to invest in mitigation and resiliency before disasters strike. Therefore, many of our communities get stuck in the response/recovery cycle with no time, capacity, or funding to dedicate and invest in mitigation and resiliency.

Barriers in Workforce

Montana's economy continues its robust growth. According to the 2023 Montana Labor Day Report through the Montana Department of Labor and Industry, the first quarter in 2023, the unemployment rate dropped to 2.3%, hitting a record low. Montana has an aging/retiring population, and this is reflected in the state's workforce shortages. Additionally, Montana ranks 2nd in the nation for the largest percentage of in-migration from 2020 to 2022. Over 40,000 more people moved to the state than left from 2020 to 2022, translating to 3.8% of Montana's population. The U.S. Chamber of Commerce ranks Montana in the most severe worker shortage with only 48 available workers for every 100 open jobs.

While low unemployment rates have provided opportunity in Montana, they have also created a tight labor market in which all industries are experiencing the gap. Montana housing shortage is inextricably linked to Montana's staffing shortage. Since Covid 19, rapid price increases in home ownership and rentals have left many in Montana's workforce with a severe lack of affordable housing and many of those workers are needed to support Montana housing industry. From construction to property management and maintenance, the entire housing industry is being affected. Montana also has many seasonal workers, in both agriculture and tourism, who are

either being priced out of the housing market or there simply isn't the inventory, causing labor shortages in those industries as well.



Source: U.S. Chamber of Commerce

Because of Montana's variances across regions, the answer to this issue is not a one size fits all. Montana is currently looking at innovative ways to improve the workforce housing dilemma across all industries, however, there isn't a silver bullet, and it will take time.

Exhibit D: Soundness of Approach
Montana Department of Commerce, State of Montana

b. SOUNDNESS OF APPROACH (Maximum 35 points)

i. What is your vision? (15 points)

The Montana Department of Commerce (MDOC) has chosen to take a two-pronged approach when reviewing the eligible uses of this funding. Montana has made progress towards addressing our housing and land use crisis and our proposed activities would serve to build upon successes already achieved and to monitor legislative changes that were put into place during the 2023 legislative session to build evidence that the reform's objectives have been met, and to identify where they may have fallen short. To that end MDOC proposes the following activities:

- Expand the Community Technical Assistance Program (CTAP) by adding two (2) Housing Planners; and
- Commission a long-term study of the housing legislation passed in the 2023 legislative session.

Implementing these proposed activities will allow MDOC to further develop, evaluate, and implement housing policy plans, improve housing strategies, and facilitate affordable housing and preservation. In addition, these proposed activities will provide MDOC capacity to support local jurisdictions in implementing the new state laws put into place during the 2023 legislative session.

National Objectives

These proposed activities will result in state-wide professional planning assistance and data acquisition which will benefit low- and moderate-income persons and meet other community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community and other financial resources are not available to meet such needs. Montana is one of a few states that assesses property at a state level so MDOC has the capability to meet the requirements in 24 CFR 570.208(a)(1)(i) serving residents in a particular area, at least 51 percent of whom are low- and moderate-income persons, an area that is not primarily residential in character shall not qualify.

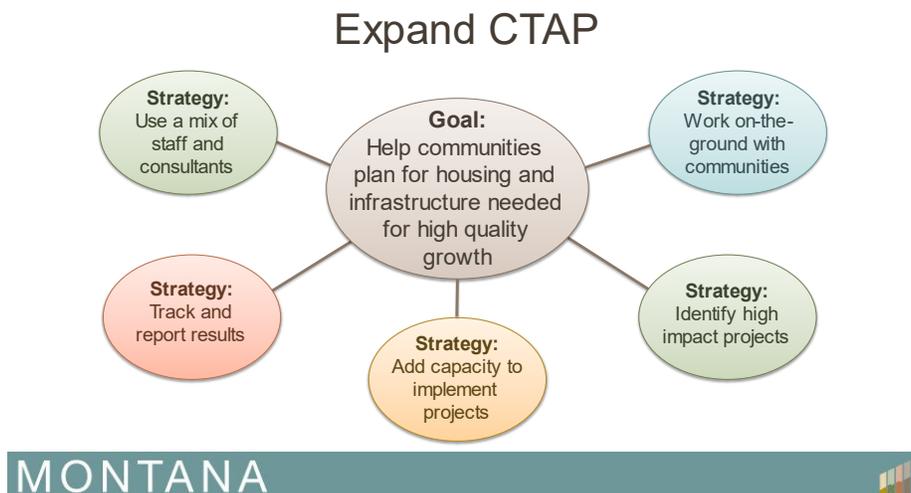
CTAP Expansion

The Community MT Division, within the MDOC, operates CTAP. The mission of CTAP is to provide technical assistance to encourage planning and sustainable development in Montana communities by working with local governments, planning departments, private developers, non-profit organizations, and the public. CTAP assists communities statewide through research and by providing both technical and legal guidance, education, and training.

Montana is currently the 6th fastest growing state in the country. While our population grew nearly 10% in the last decade, housing grew by less than 7%. Communities are struggling to effectively plan for and implement needed housing and infrastructure. Many of Montana's local communities lack planning staff and don't have the budget to hire consultants. Updated land use policies and regulations are needed so communities can plan for and provide needed housing. Montana communities need planning best practices, funding resources – including infrastructure to support housing needs, and guidance on implementing changes to state land use and housing laws. The CTAP program is working to address these needs.

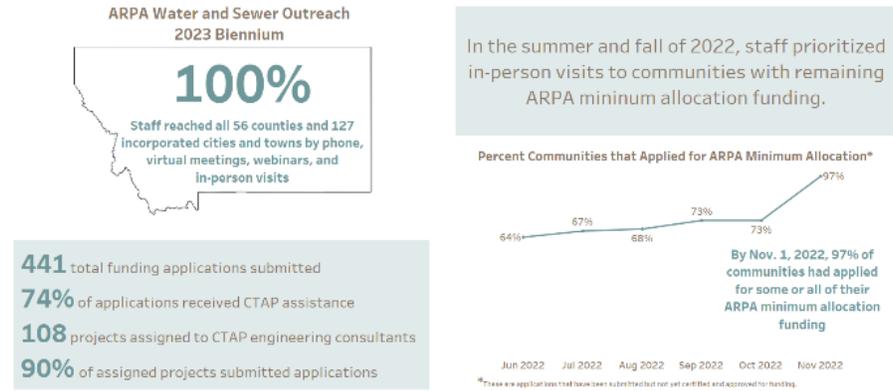
CTAP plans to assist Montana communities to address the housing crisis by:

- Mapping infill and redevelopment opportunities in Montana’s fastest growing communities.
- Providing guidance, model documents, and direct technical assistance to develop or update housing plans, and zoning and land use policies such as overlays to encourage multifamily and mixed-use development or access to affordable housing, and other policies and tools to incentive zoning, transit-oriented development zones, or ordinances to encourage housing development or preservation.
- Providing guidance, model documents, and technical assistance to identify and remove or reduce barriers to affordable housing development or preservation.
- Providing guidance, model documents, and direct assistance to communities for infrastructure planning necessary for housing development.
- Collaborate with the MDOC Research Information Services to host the Community Planning Platform, an online one-stop clearinghouse for all relevant land use and housing planning data curated to enhance the capacity of Montana communities to plan for the development of affordable housing or preservation.



CTAP has proven successes. During the 2023 biennium staff prioritized in-person visits to communities with remaining ARPA minimum allocation funding. CTAP staff were successful in contacting all 127 Montana cities and towns and 56 counties and assisting almost all of them in applying for ARPA minimum allocation funding. As a result, eligible communities applied for more than 98% of available funding. Through this experience, CTAP learned the value of combining staff expertise, persistent outreach, in-person and virtual meetings and trainings, and the strategic use of on-call procured service providers to fill the capacity gaps typical in Montana’s rural communities. CTAP is applying these lessons to its current efforts to help rural communities remove lead from drinking water and to address the housing crisis across the state.

Community Technical Assistance Program



Funding for two Housing Planners would allow MDOC to expand our current capacity to include proactive fair housing plans and the creation of a PRO Housing guidebook for Montana’s planning community. With the addition of two Housing Planners, MDOC could take the lead for fair housing planning in the State of Montana.

The Housing Planners would analyze Montana’s fair housing landscape and set goals to:

- Reveal who lacks access to opportunity and address any inequity among protected class groups;
- Promote integration and reduce segregation; and
- Transform racially or ethnically concentrated areas of poverty into areas of opportunity.

In addition, the Housing Planners would be tasked with long-term activities to ensure the successful and sustainable implementation of Montana’s fair housing plan by:

- Evaluating the completion of previous goals.
- Updating data and evaluating the current fair housing landscape.
- Revising previous goals and/or setting new goals based on that updated analysis.

The guidebook would serve as a resource for local and regional planners, as well as members of planning and zoning boards and other officials to understand how federal housing laws impact local planning efforts as well as how they interact with state laws around fair housing. The guidebook would also highlight the importance of integrating its principles into planning work. The focus of the guidebook would be to encourage expansion of affordable housing in a manner that would promote desegregation, expand affordable housing in well-resourced areas of opportunity for protected class groups that have systematically been denied equitable access to such areas; and to deconcentrating affordable housing and increasing housing choice.

Montana is currently undertaking the heavy lift of housing and land use reform, particularly around fair housing, and the landscape is primed for building opportunities that are sustainable, increase community resiliency, and develop and preserve affordable housing. By utilizing this funding, MDOC will be able to achieve successes that will support efforts to pursue sustainable funding for this work into the future.

Long-Term Study of Housing Initiatives

As outlined in Exhibit C Need, during the 2023 legislative session, a suite of housing reform and land use bills were passed intended to increase the supply of affordable, attainable housing for Montanans. These reforms are expected to have long-term outcomes for Montana's housing and land use capacities and by completing a long-term study, Montana will be able to build evidence regarding what works in housing reform, as well as strategically implementing future reforms. These legislative victories provide a unique opportunity to evaluate housing policies now, rather than a backward evaluation, and to assist other states who are considering housing and land use reform.

This study would routinely measure and report outcome data to determine whether the reforms are achieving the desired results. The selected contractor would be expected to:

- Develop meaningful outcome measures.
- Monitor Montana's housing industry.
- Evaluate the effectiveness of the reforms.
- Regularly report performance data to the MDOC.

The overarching questions facing policymakers and housing advocates alike are:

- What package of housing and land use policy changes were effective at increasing the supply, diversity, and affordability of homes?
- What political strategies worked in achieving better housing and land use policies?

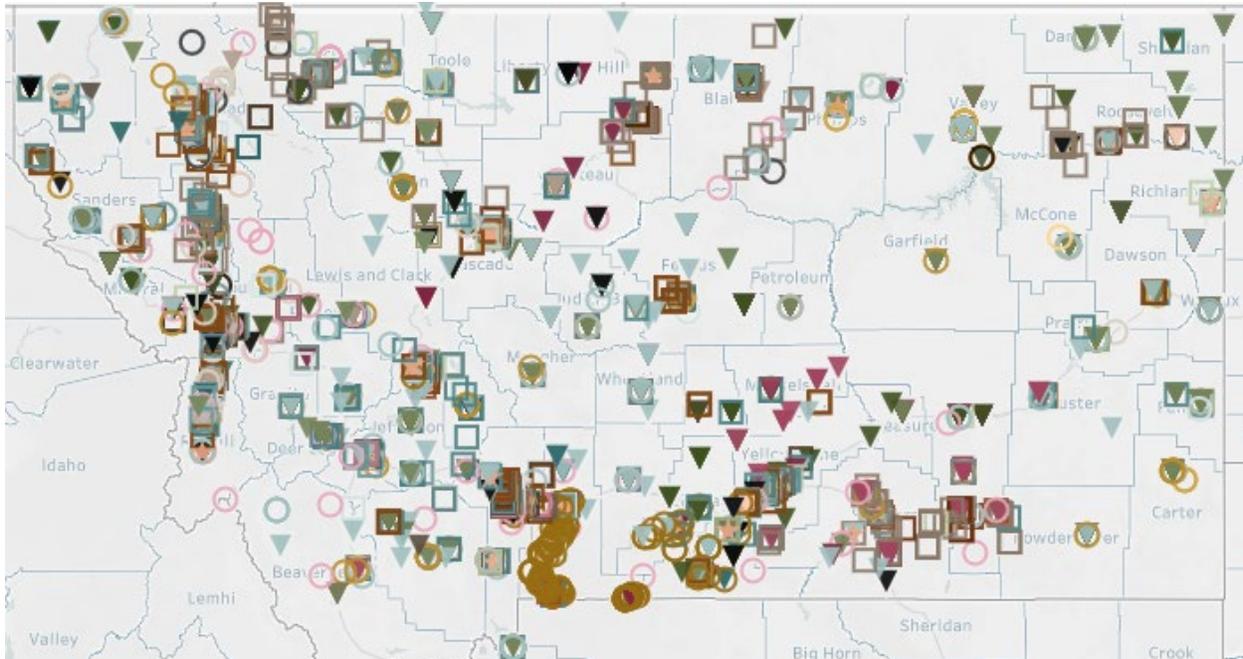
This rigorous analysis will build evidence regarding Montana's housing and land use reforms were effective and inform future opportunities to improve Montana's, as well as other states, housing and land use issues.

In addition to determining whether the reforms achieved the desired outcomes, this study can also identify if there was a positive return on these investments. Completing a cost-benefit analysis will provide critical information for future reforms and incorporate evidence for making future decisions. Providing implementation oversight may also provide an opportunity to refine these reforms throughout the period of performance of this grant funding to meet communities where they are at, and ensure improvements are sustainable.

ii. What is your geographic scope? (5 points)

CTAP offers statewide services. CTAP staff work with local governments and the public on long-range planning issues and assist in the development and adoption process of land use plans and regulations. CTAP staff also provides legal guidance and professional insight on planning topics such as subdivision regulations, zoning, and annexations. They assist developers, surveyors, engineers, and planners to interpret statute and understand case law governing land use planning in Montana. Staff review plans and regulations to ensure compliance with statute, programmatic requirements, and to encourage professional best practices, while also conducting research regarding local or statewide land use planning issues or questions.

The map below provides visual representation of the project, grants, and loans funded by the MDOC across Montana. As you can see, the MDOC supports Montana communities statewide.



Source: Montana Department of Commerce, Funded Projects

iii. Who are your key stakeholders? How are you engaging them? (5 points)

Our proposed activities further support the recommendations made by Montana’s Housing Taskforce. The housing taskforce members were appointed by the Governor and included state and local elected officials, state agencies, state boards, councils, and commissions, housing-related professional associations, advisory groups, and researchers, among others. The MDOC works closely with the housing task force and the proposed activities in this application will provide the taskforce data and outcome reporting that will further support their work. The Housing Taskforce held 25 public meetings starting in July of 2022 and going through December of 2022 in which the public was invited to comment and provide feedback on proposed solutions.

In addition, MDOC collaborated with members of Montana’s Housing Taskforce, the Department of Environmental Quality, the Department of Natural Resources Conservation, and the Montana Disaster and Emergency Services agency during the development of this proposal. MDOC published our proposed application on October 3, 2023, for 15 days at COMDEV.MT.GOV/PROGRAMS-AND-BOARDS/PRO-HOUSING and held the required public hearing on October 18, 2023. In addition, MDOC emailed the invitation to the public hearing to our interested parties via an email blast. The summary of comments received, and our responses, are in Attachment A.

iv. How does your proposal align with requirements to affirmatively further fair housing? (5 points)

The MDOC is issuing a Request for Proposal (RFP) to address the U.S. Department of Housing and Urban Development’s proposed rulemaking. As summarized on HUD’s website, “On February 9, 2023, HUD published in the Federal Register a Notice of Proposed Rulemaking

(NPRM) entitled “Affirmatively Furthering Fair Housing”. Although not final and subject to change, the proposed rule would faithfully implement the Fair Housing Act’s statutory mandate to affirmatively further fair housing (“AFFH”), which “directs HUD to ensure that [the Department] and its program participants proactively take meaningful actions to overcome patterns of segregation, promote fair housing choice, eliminate disparities in opportunities, and foster inclusive communities free from discrimination. The selected Offeror will act as directed by MDOC to help MDOC to develop an Equity Plan and/or Analysis of Impediments to Fair Housing Choice in accordance with all applicable AFFH guidance that becomes effective, including the Notice of Proposed Rulemaking (NPRM) and any subsequent AFFH Final Rule to be released by HUD.

Historically the goal of planning is to maximize the health, safety, and economic wellbeing of all people living in all communities. Planning helps create communities of lasting value with a shared long-term vision. Planning is most successful when it is inclusive and reflects the comprehensive values of an entire community. Planners work with residents and elected officials to help guide the layout of an entire community. One of the greatest challenges is imagining what can and should happen in a community over the long-term 10, 15 and 20 years into the future. This includes responding to what hasn’t been working, thinking about how a community should grow and change, and what it should offer its residents.

While long-range plans tackle a broad vision for a community, communities can use effective zoning laws and general planning standards to influence elements of the built environment to promote wellbeing. Land use reform is only one aspect of one goal of AFFH, and on its own it will not integrate areas by race, ethnicity, and socioeconomic status; however, land use reform can enable integration that is prohibited today. Information sharing and emphasis on place-based goals for equity, such as distribution of parks and public amenities are equally important.

Local land development patterns and zoning policies directly affect many of the critical factors that shape a community’s health – such as the availability and affordability of housing, walkability, levels of crime, and access to services. Comprehensive planning includes supporting zoning code reform to ensure communities can provide residents with greater housing at lower costs. CTAP staff, specifically the Housing Planners, can help communities understand the value of overhauling outdated local and state codes that set parking minimums, restrict multi-family housing options in certain areas, and prohibiting innovative solutions like accessory dwelling units (ADUs) are problematic and take time to educate communities about. As mentioned above, the Housing Planners can also take the lead helping communities with fair housing plans by developing a Fair Housing Toolkit, as well as also develop a Pathways to Removing Obstacles to Housing (PRO Housing) guidebook for Montana’s communities.

Montana’s Consolidated Plan (ConPlan) is submitted to the U.S. Department of Housing and Urban Development every five years. The ConPlan helps Montana assess affordable housing and community development needs to determine funding priorities and program structure under HUD’s formula block grant programs. Throughout the preparation and development of the ConPlan, MDOC hosts several focus groups, including meetings with key stakeholders, to receive guidance from communities about the priority focus areas for HUD funding. In addition, online and paper surveys have been distributed. During public meetings, in person and virtually,

MDOC staff receive public comments and respond to them accordingly. Public comments are also received during virtual public hearings held for the Consolidated Annual Performance Evaluation Report and the Annual Action Plan. Notices about all virtual and in-person public hearings are distributed through print mail and our listserv.

Lastly, most MDOC grantees are required to provide participation opportunities for the public as part of MDOC-administered grant programs. CTAP staff provide technical assistance to grantees on how to conduct public meetings and facilitate public participation processes to ensure that they are accessible and meaningful. Examples include holding multiple meetings during different times of the day to accommodate people who may not be able to attend a mid-day or evening meeting, holding meetings in non-traditional locations to include underserved communities, using a combination of internet-based and paper surveys and canvassing for responses in non-traditional locations such as outside grocery stores. CTAP provides technical assistance to local governments and planning boards for public participation related to land use planning and regulation including comprehensive planning, zoning and subdivision regulations and infrastructure planning.

v. What are your budget and timeline proposals? (5 points)

Minimum Award

If MDOC were awarded less than our request, we would have to consider hiring only one (1) Housing Planner or forgo or change the scope of the long-term study. Important work could still be accomplished, but it would impair our capacity to get it done following the proposed timelines. This would then result in delays in either the PRO Housing Guidebook, the Fair Housing Toolkit, or both. Additionally, MDOC would potentially need to change the scope of the long-term study so that it isn't throughout the period of performance for this grant opportunity, which would impair our ability to affirmatively speak to the evidence of the effectiveness of the housing reform as this type of reform takes time to implement, and time to really see its full benefits.

Proposed Budgets

To determine the budget for the long-term study, MDOC looked at projects of similar scope and added the 10% administrative costs allowed in the grant opportunity. MDOC has projected the long-term study will cost \$30,000 per year.

Activity: Commission a Long-Term Study			
Milestone	Subtasks	Start Date	End Date
Contract Executed for Long-Term Study	Prepare RFP	02/01/2024	03/31/2024
	Approvals/RFP issued	04/04/2024	04/10/2024
	Public announcement period	04/11/2024	05/09/2024
	Evaluation and negotiation	04/20/2024	07/05/2024
	Internal reviews	07/06/2024	07/10/2024
	Award Process	07/11/2024	07/21/2024
1 st Biennium Report – Preliminary Study	Complete Study Activities	07/22/2024	12/30/2024
2 nd Biennium Report – Interim	Complete Study Activities	01/01/2025	12/30/2026
3 rd Biennium Report – Final	Complete Study Activities	01/01/2027	09/30/2029

To determine the budget for the expansion of the CTAP program, MDOC looked at how the program is currently budgeted and administered. Using conservative current program trends and known cost rates, MDOC extrapolated a total budget with a 2% yearly escalation for COLA inflation.

Activity: Expand the Community Technical Assistance Program				
Implementation	Milestone	Subtasks	Start Date	End Date
Provide guidance, model documents, and assistance to communities.	Hire two (2) new Housing Planners	Recruit	02/01/2024	03/31/2024
		Onboarding	04/01/2024	04/30/2024
		Staff training	05/01/2024	09/30/2029
	Support local implementation of current and future reforms and regulations	Catalogue and analyze reforms & regulations	05/01/2024	09/30/2029
		Incorporate into the Community Planning Platform (CPP)	09/01/2024	09/30/2029
		Provide community trainings and technical assistance	09/01/2024	09/30/2024
	Develop a Pathways to Removing Obstacles to Housing (PRO) Housing Guidebook	Gather and analyze data	07/01/2024	03/31/2024
		Conduct public engagement and stakeholder meetings	04/01/2024	07/31/2024
		Develop Guidebook Goals and Objectives	08/01/2024	10/31/2025
		Gather public comment and finalize	11/01/2025	11/30/2025
		Provide community trainings and technical assistance	12/01/2025	09/30/2029
	Develop Fair Housing Toolkit	Collaborate with Montana Housing and stake holders to analyze Montana’s fair housing landscape.	07/01/2024	03/31/2025
		Collaborate with Montana Housing and stakeholders to establish Montana’s fair housing goals.	04/01/2025	07/31/2025
		Gather public comment and finalize	11/01/2025	11/30/2025
		Provide community trainings and technical assistance	12/01/2025	09/30/2025

Exhibit E: Capacity

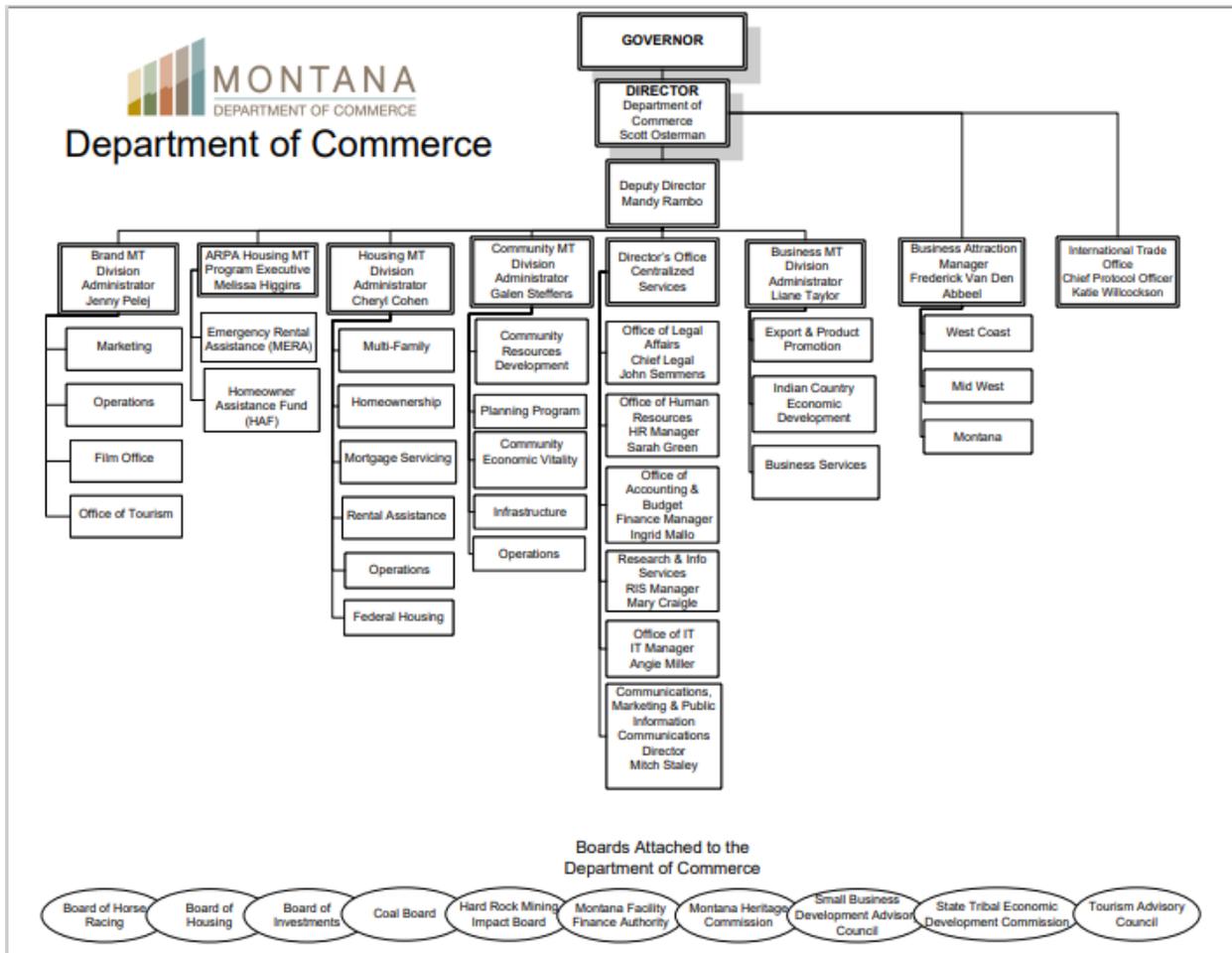
Montana Department of Commerce, State of Montana

c. CAPACITY (Maximum 10 points)

The Montana Department of Commerce (MDOC), State of Montana, will be responsible for leading the implementation of these proposed activities. The MDOC effectively and efficiently delivers programs and resources through technical assistance, funding/investments, training/consulting, promotion, research, reporting, and outreach to provide affordable housing, create sustainable business and economic growth to enhance community vitality to benefit the citizens of Montana. Melissa Higgins, Housing Program Executive with the MDOC, authored this grant application in coordination with:

- Cheryl Cohen, Administrator, Montana Housing Division, MDOC;
- Galen Steffens, Administrator, Community MT Division, MDOC;
- Mary Craige, Bureau Chief, Research and Information Services Division, MDOC;
- Cody Ferguson, Community Resource Development Manager, Community MT Division, MDOC;
- Erika Cooney, Compliance Specialist, Montana Housing Division, MDOC; and
- Mandy Rambo, Deputy Director, MDOC.

The Director of MDOC, Scott Osterman, reports directly to Montana’s Governor, providing the leadership capacity and legal authority to effectively implement this proposal.



Timely Implementation

The funding requested with this grant opportunity will, in part, support the expansion of the current Community Technical Assistance Program (CTAP) program managed by the Community MT Division. Therefore, all relevant project management, quality assurance, financial and procurement, and internal control capacity to quickly launch this project is already in place. CTAP currently has professional planners, planning and outreach specialists, staff attorney, and licensed engineers to support this work. In addition, MDOC has an Accounting and Fiscal Division which provides support for all fiscal, contracts, and procurement activities. The Community MT Division adheres to the Montana Department of Commerce's Internal Control Plan. This process includes segregating duties, supervising internal control systems, documenting transactions, authorizing transactions, controlling access to resources (such as physical, monetary, personnel, and information), and ensuring that employees adhere to the code of ethics.

MDOC has extensive experience at issuing Requests for Proposal, therefore, it would be able to stand up the contract for the long-term study within a six-month period, dependent upon receiving adequate bids. Additionally, the Montana University System has possible options to assist with the project.

Experience

MDOC has extensive experience in managing federal and state funding sources and coordinating with contractors, funders, subrecipients, community stakeholders, and other government agencies relating to housing and community planning as outlined below:

Examples of Coordination and Collaboration

- Outreach to counties, incorporated cities, and towns;
- Coordination with not-for-Profit organizations and associations such as NeighborWorks Montana, Montana Landlord Association, Montana Association of Counties, Montana League of Cities and Towns, Montana's Continuum of Care, and Montana Legal Services Association;
- Collaboration with other state/federal departments such as the Montana Disaster and Emergency Services within the Montana Department of Military Affairs, Department of Health and Human Services, Department of Natural Resources and Conservation, Department of Environmental Quality, and the Governor's Office;
- Recent examples include:
 - CTAP collaborating and coordinating with the Department of Natural Resources and Conservation to provide technical assistance to more than 200 Montana communities to help them access water and wastewater infrastructure funding provided by the American Rescue Plan Act;
 - CTAP collaborating coordinating with the Department of Environmental Quality to inventory more than 600 rural water systems for the presence of lead in drinking water service lines and remove lead where it is found using funding from the Infrastructure Investment and Jobs Act.

In addition, Montana Housing hosts the Housing Coordination Team (HCT), a group of public, private, and nonprofit organizations across the state working collaboratively to meet the need for

affordable homes for all Montanans. HCT meetings include training opportunities on a wide range of topics and are an opportunity to share best practices, brainstorm creative solutions, provide organization updates, and notify members of upcoming funding opportunities. Recent HCT presentations have included subject matter experts on brownfields grants, emerging energy assistance programs and proposed green building design standards for the Low-Income Housing Tax Credit Qualified Allocation Plan. MDOC is scheduled to present this NOFO application to the HCT on October 12, 2023.

Community MT within MDOC currently manages CTAP providing professional planning assistance to communities across Montana in support of sound land use and development. CTAP assists communities in everything from the development of long-range plans to interpretation of statute to guidance on grant applications and review of technical documents. This assistance is provided at no cost to communities statewide. The areas of expertise in the current CTAP program include:

- Long range community planning
- Subdivision regulations and review
- Zoning regulations and administration
- Drinking water and wastewater treatment systems
- Transportation: bridges, streets/roads, multi-modal
- Stormwater management
- Planning best practices and tools of the trade
- Exemption review and certificates of survey

With this funding, CTAP would add to its team two (2) additional full-time planners specializing in housing.

Community MT Programs

In addition to managing the CTAP program, Community MT also manages the following programs:

Montana Main Street Program - The Montana Main Street Program, established in 2005 and currently serving thirty-seven communities across the state, is a collaborative effort between the Community MT Division and the Montana Office of Tourism at the Montana Department of Commerce. The program helps communities strengthen and preserve their historic downtown commercial districts by focusing on economic development, urban revitalization, and historic preservation through long-range planning, organization, design, and promotion.

Community Development Block Grant (CDBG) Program - Montana's CDBG Economic Development program is designed to stimulate economic development activity by assisting Montana's private sector to create or retain jobs for low- to moderate-income Montanans, specifically, this includes individuals earning less than 80% of the area median income.

Montana Historic Preservation Program - The Montana Historic Preservation Grant (MHPG) Program is a state-funded program created in 2019 as a result of Senate Bill 338, Sections 1 through 17. The MHPG Program is designed to support public or private entities with the preservation of historic sites, historical societies, or history museums through grant funding.

Montana Coal Endowment Program - The Montana Coal Endowment Program (MCEP) is a state-funded program that is designed to help address the "affordability" of local infrastructure projects by providing grants to lower the cost of constructing public facilities.

Community Development Block Grant (CDBG) Program - Montana's CDBG Public and Community Facilities grants help local governments fund construction or rehabilitation of infrastructure and facilities that primarily benefit low- to moderate-income (LMI) Montanans, i.e., individuals earning less than 80% of the area median income.

Montana Housing Programs

The MDOC's Montana Housing Division is partnering with the Community MT Division for this grant application and its implementation. The Montana Housing Division also has extensive experience in applying for, implementing, and managing large scale federal and state programs as outlined below.

Community Development Block Grant (CDBG) Housing - Helps local governments fund new construction or rehabilitation of single-family or multi-family housing projects that benefit low- to moderate-income (LMI) Montanans, i.e., households earning less than 80% of the area median income. CDBG offers two distinct types of housing grants, the annual CDBG Competitive Housing grant and the open, CDBG Noncompetitive Housing grant.

Community Development Block Grant (CDBG) CARES - Through the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the State of Montana, Department of Commerce was awarded Community Development Block Grant funds (CDBG CARES) to support communities as they respond to the impacts of the COVID-19 pandemic.

HOME Program - The Home Investment Partnerships Program (HOME) Program is a federal block grant program directed by the U.S. Department of Housing and Urban Development (HUD) and is designed to create affordable housing for low-income households.

HOME-ARP - The HOME Investment Partnerships American Rescue Plan Program (HOME-ARP) is a federal block grant administered through HOME that provides funding for reducing homelessness and increasing housing stability. Montana's State allocation of HOME-ARP funds is provided by HUD, and the Montana Department of Commerce grants these funds to eligible applicants undertaking eligible activities.

Emergency Shelter Facility Grant (ESFG) Program - The Emergency Shelter Facility Grant (ESFG) Program is a one-time funding opportunity authorized by House Bill 5 of the 68th Legislative Session to award grant funding to nonprofit corporations that provide emergency shelter for the homeless. The objective of the ESFG Program is to increase the inventory of and improve access to emergency shelter for the homeless, as defined in these guidelines.

Housing Trust Fund - The Housing Trust Fund Program (HTF) is an affordable housing production program that will complement existing federal, State, and local efforts to increase the supply of decent, safe, and sanitary affordable housing for extremely low income (ELI) households, including special needs households, homeless households, and those at risk of homelessness.

Montana Board of Housing Programs

In addition to the above-mentioned experience, the Montana Board of Housing is attached to the MDOC. The Montana Board of Housing's purpose is to support the development of safe, accessible, and affordable homes for individuals and families in Montana. The board does this by partnering with organizations that provide affordable homes in Montana, issuing tax-exempt bonds, allocating federal Low-Income Housing Tax Credits, and administering federal housing programs. The board provides policy direction for all of Montana Housing's programs, except for the rental assistance programs. The Montana Board of Housing was created under the Montana Housing Act of 1975 and is comprised of seven members appointed by the governor and confirmed by the state senate. Examples include:

Multifamily Development - The Montana Board of Housing offers financing options for the development of affordable multifamily rental homes. Board staff monitor all properties during the commitment period, to ensure that those properties comply with federal and state requirements.

Housing Credits - The federal Low-Income Housing Tax Credit is available under Section 42 of the Internal Revenue Code. The Board allocates Montana's housing tax credits through a competitive process.

Coal Trust Multifamily Homes Program - The Montana Legislature passed HB819 during the 2023 session. The bill allows for the use of \$65 million of Coal Trust funds to be invested in loans to projects providing multifamily rental homes.

Multifamily Loan Program - Permanent financing for multifamily rental homes. Loans may be insured or noninsured depending on security of asset.

Conduit Bond Program - Conduit Bonds are issued, for the purpose of financing a mortgage loan made to a sponsor of a multifamily housing project located in the State of Montana for the construction, acquisition, or rehabilitation of a Project which incorporates the use of low-income housing tax credits.

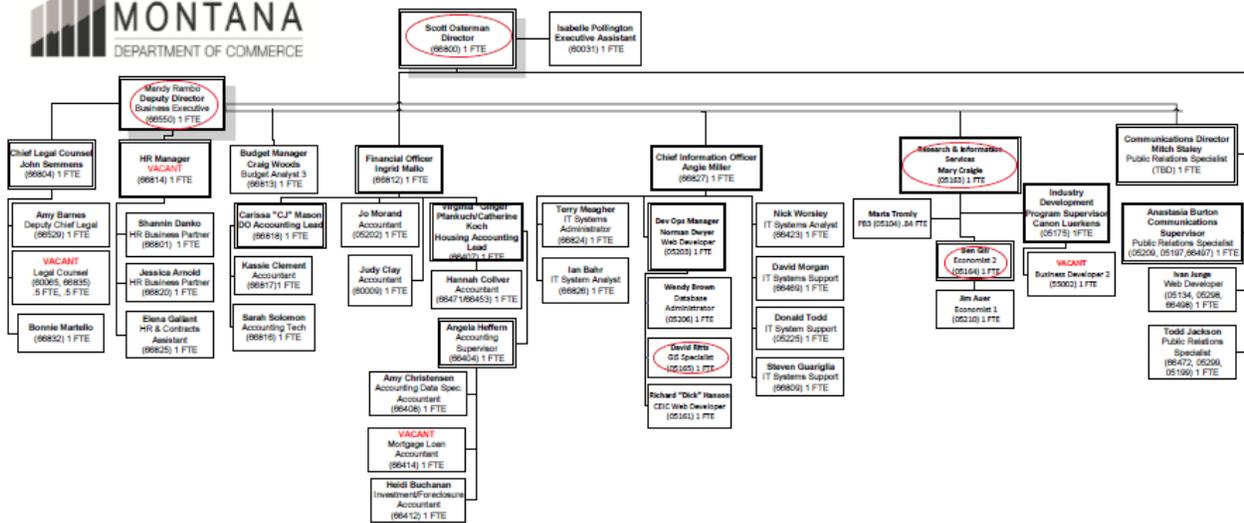
Housing Montana Fund (HMF) - The Montana Legislature established the HMF during the 1999 session. It is a revolving loan fund that is to be used for eligible activities. Eligible activities include matching funds, bridge financing, acquisition of existing housing stock, preconstruction technical assistance, acquisition of land for housing developments, land banking, and land trusts; and short-term, site-based housing vouchers for needy individuals.

Staffing Plans

This application is being submitted in collaboration with multiple division's within the MDOC that includes the Director's office, Community MT, Montana Housing, and ARPA Housing. Below are the organizational charts for each of those divisions with the individual's circled in red who are part of the PRO Housing team.

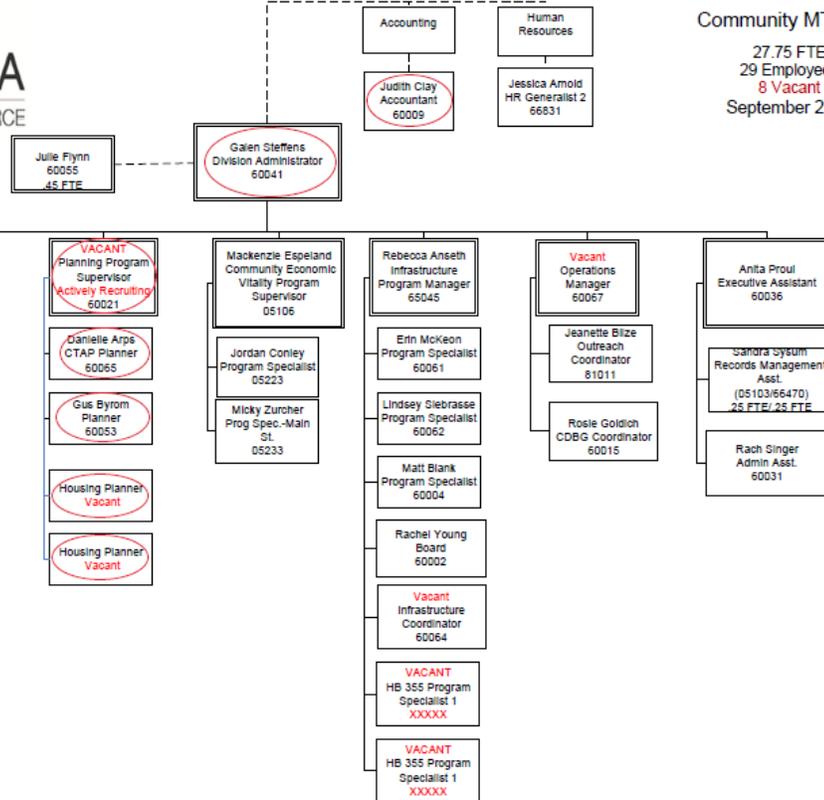


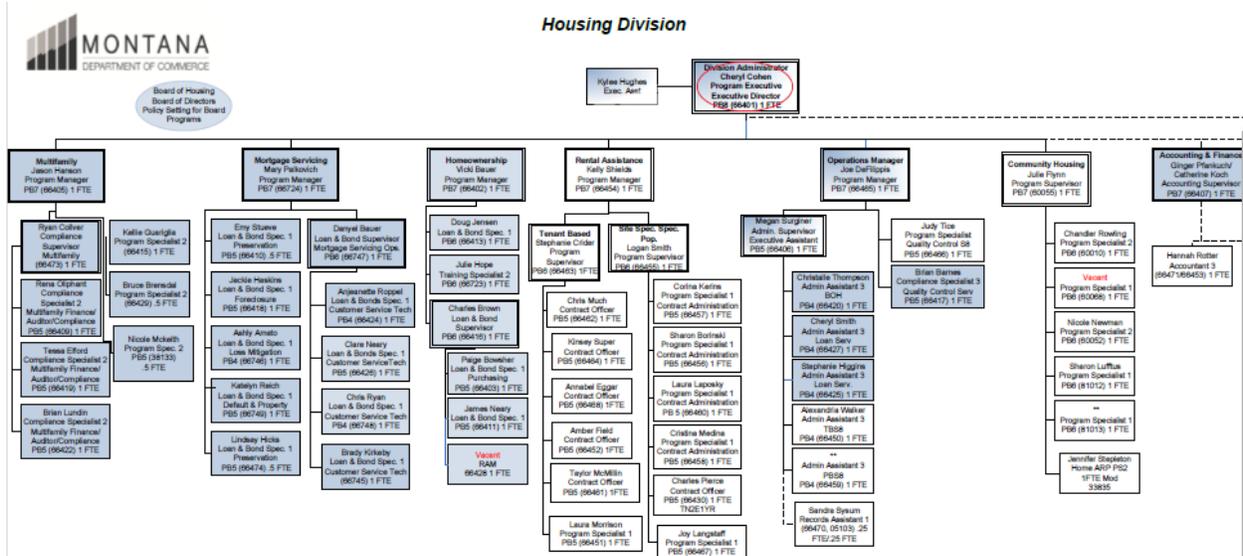
Director's Office



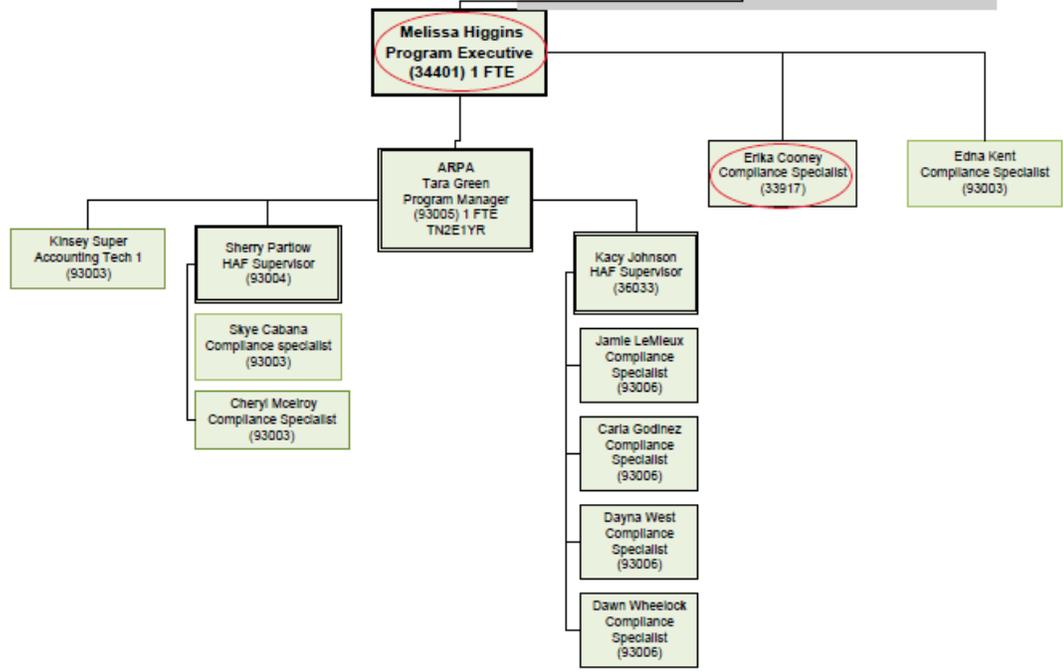
Community MT Division

27.75 FTE
29 Employees
8 Vacant
September 2023





ARPA Housing



Civil Rights and Fair Housing Issues

The MDOC, in the delivery of housing related activities, such as mortgage servicing and rental assistance programs, and administration of federal funds for housing activities, is required to comply with all applicable federal, state, and local laws, rules, and requirements, including the following specific nondiscrimination and equal opportunity laws:

- Federal Fair Housing Act

- The Americans with Disabilities Act of 1990 (ADA)
- Montana Code Annotated §49-2-305 Montana Human Rights Act
- Age Discrimination Act of 1975
- Title VI of the Civil Rights Act of 1964
- Section 504 of the Rehabilitation Act of 1973

The MDOC, through its employees and contracted third parties that engage in housing activities on behalf of the Department, is committed to ensure that the letter and spirit of the Federal Fair Housing Act and Montana Fair Housing laws are followed by respecting the diversity and differences within our customer base. As a requirement of receiving federal funds for housing activities, the State must submit certification of affirmatively furthering fair housing to the Department of Housing and Urban Development (HUD). This certification has three elements:

- Completion of an Analysis of Impediments to Fair Housing Choice in Montana (AI),
- Actions taken to overcome the effects of any impediments identified, and
- Maintenance of records reflecting the actions taken in response to the analysis.

During the development of the Analysis of Impediments and the Consolidated Plan, MDOC conducted a Fair Housing Survey and a Housing and Community Development Survey. The survey responses are provided on our website at [AnalysisImpediments.pdf \(mt.gov\)](#). Demographic, economic, and housing information collected is from the Census Bureau, the Bureau of Economic Analysis, the Bureau of Labor Statistics, and other sources. Data is used to analyze a broad range of socio-economic characteristics, including population growth, race, ethnicity, disability, employment, poverty, and housing trends.

Table 21 - Greater Need: Housing Cost Burdens

Housing Cost Burden	Less than or equal to 30%		Between 30% and 50%		Greater than 50%		Household has no/negative income (not computed)	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Jurisdiction as a whole	319,065	100%	62,695	100%	50,055	100%	4,235	100%
American Indian or Alaska Native	12,460	4%	2,500	4%	2,105	4%	630	15%
Asian	2,090	1%	345	1%	300	1%	30	1%
Black or African American	830	0%	295	0%	155	0%	25	1%
Pacific Islander	105	0%	45	0%	0	0%	20	0%
White	288,460	90%	55,750	89%	44,010	88%	3,125	74%
Other (including multiple races)	7,060	2%	1,470	2%	1,855	4%	195	5%
Hispanic	8,060	3%	2,290	4%	1,630	3%	210	5%

Data Source: 2016-2020 CHAS; Table 9

The largest non-white group in Montana is American Indian/Alaskan Native. This ethnic group is largely located on seven Indian reservations, but the population is disbursed throughout all areas of the state and has a significant presence in select urban centers (e.g., Billings). While needs vary across income categories and geographic locations for this group, data show that American Indians/Alaska Natives in the 30% AMI and below bracket experience disproportionately greater need in comparison to other racial groups.

Exhibit F: Leverage

Montana Department of Commerce, State of Montana

d. LEVERAGE (Maximum 10 points)

i. Are you leveraging other funding or non-financial contributions? (10 points)

House Bill 819

The Montana Department of Commerce (MDOC) is leveraging \$1,000,000, or \$500,000 per year for state fiscal years 2024 and 2025, in State General Fund dollars allocated during the 2023 Montana Legislative Session in House Bill 819. These funds may be used to:

- (a) provide planning grants to local governments and tribal governments for planning and zoning reforms to increase housing supply; and
- (b) cover administration costs of the grant program.

A copy of House Bill 819 is provided to represent the valid, accurate, and firmly committed leveraging of this funding.

In addition, MDOC is leveraging staff time committed to this project for a combined leverage funding of \$1,567,525.76, which is 45% of our total proposed funds requested. MDOC believes this leveraged funding will greatly enhance the effectiveness of our proposed activities.

MDOC put forth the following hours to complete the Pathways to Removing Obstacles to Housing application which is not included in our submitted budget.

In Kind Application Staff Time

Name	Role	Hours (est)	Hourly Salary	Total
Melissa Higgins, Housing Program Executive	Primary Author, Project Manager	240	\$48.20	\$11,000
Galen Steffens, Community MT, Division Administrator	Secondary Author, Support	30	\$52.67	\$1,580.10
Mary Craige,	Secondary Author, Support	15	\$47.82	\$717.30
Cody Ferguson	Secondary Author, Support	20	\$37.67	\$793.40
Erika Cooney	Compliance, Budget, Forms	20	\$36.24	\$724.80
Judy Clay	Accountant	5	\$37.68	\$188.40
Cheryl Cohen	First Review	2	\$54.13	\$108.26
Mandy Rambo	Final Review	2	\$56.50	\$113.00
Total				\$15,225.26

Exhibit G: Long Term Effect

Montana Department of Commerce, State of Montana

e. LONG-TERM EFFECT (Maximum 10 points)

Expected Long-Term Effects

The Montana Department of Commerce's (MDOC) proposal seeks to enable the production and preservation of affordable housing units in the long term through a three-pronged approach: planning through the expansion the Community Technical Assistance Program (CTAP) by adding two (2) Housing Planners; through creating capacity for real time data acquisition, and through a long-term study of housing legislation passed in the 2023 legislative session. Each of these activities will make significant impacts in removing barriers to the production and preservation of affordable housing in the near term and for years to come.

By building upon the capacity and expertise of CTAP and adding two (2) Housing Planners, the MDOC will help Montana communities facing housing challenges better identify their present and future housing needs, opportunities for infill and redevelopment, and policy reforms that are barriers to the production and preservation of affordable housing. With their relatively small populations, most Montana communities lack the capacity to complete housing needs assessments and to plan for future planning needs without the assistance of a consultant.

CTAP was created to fill that capacity gap but has not had the resources to help more than a handful of communities each year. With the CTAP staff expansion proposed here with the addition of two (2) Housing Planners, CTAP can take the lead helping communities with fair housing plans by developing a Fair Housing Toolkit, as well as also develop a Pathways to Removing Obstacles to Housing (PRO Housing) guidebook for Montana's communities. CTAP will also provide guidance, model documents, and direct technical assistance to communities to identify current and projected housing needs, possible locations for infill and redevelopment, zoning and other land use policies that act as impediments to the production and preservation of affordable housing and reforms to address them.

This will have long-term effects in at least three significant ways:

- First, zoning regulations often last for decades—reforms that are made over the course of this grant will lay the policy groundwork to increase the production and preservation of affordable housing for years if not decades to come.
- Second, as Montana communities begin to meet their housing needs through sustainable planning, they will become more attractive for business development, their tax bases will grow, and they will more sustainably provide resources to support planning capacity to address future needs.
- Third, with the resources available to support planning, Montana communities will develop a culture of planning perpetuating a cycle of long-range planning and budgeting for housing and infrastructure that will make them more vibrant and resilient to change.

Through the increase capacity of real time data acquisition, the MDOC will create long-term effects for the production and preservation of affordable housing by enhancing the capacity of the MDOC and Montana communities to plan for housing needs. Real time data acquisition will give planners the most current, accurate information resulting in the most precise plans. Over the long-term, this will make it easier for the state and Montana communities to access the quality data they need to make planning and policy decisions so that they can stay nimble to adjust to

population and economic development trends that put pressure on affordable housing. As a result, the state and Montana communities will be better prepared for change and reduce the potential shocks from what feel like sudden crises in the housing market. This will benefit low- to moderate-income Montanans who feel fluctuations in the housing market most acutely and businesses that want to attract and retain their workforce.

Lastly, the MDOC is proposing to commission a long-term study of the effects of housing-related legislation passed in the 2023 legislative session to gather hard data the efficacy of policy changes to meeting the needs of producing and preserving affordable housing. It is often said that “states are the laboratories of democracy” but with the Montana Department of Commerce proposal, we will be taking this idea seriously. Long-term studies of the tangible outcomes of individual reforms can inform policymakers in Montana but also in predominantly rural but rapidly changing Western states and across the nation. This proposal has the potential to provide lessons in what policy reforms truly address the housing crisis and remove barriers to the production and preservation of affordable housing and which do not.

Measures of Success

Effectiveness: The public and private sectors have access to MDOC’s planning expertise to develop plans, feasibility studies, and projects that have a high impact on economic vitality in Montana communities.

Efficiency: The public and private sectors spend a reduced amount of time on effective housing and land use development planning.

Evidence: The creation of evidence for MDOC’s legislative reforms to evaluate housing policies now, rather than a backward evaluation, and to assist other states who are considering housing and land use reform.

The MDOC establishes Objectives, Goals, Strategies, and Measures (OGSM) as part of our common practice. The Community MT Division’s OGSMs are as follows:

Objective: Focus resources on completing transformational project that fosters vibrant and sustainable communities across Montana.

Goal: 75% of projects funded by division programs and completed in the 2025 biennium received proactive assistance.

Strategies: Customer Service and accountability.

Measures:

75% of participating communities are engaged in this initial prioritization.

75% of planning grant applications receive staff assistance prior to submission.

50% of funded plans are implemented within one years’ time.

50% of funded construction projects are completed within the original timelines and budgets.

Additional measures would include completion of a Pathways to Removing Obstacles to Housing (PRO) Housing Guidebook and Fair Housing Toolkit by December 1, 2025.

Funding from this grant opportunity will assist us in meeting these goals, specific to housing and land use, by providing additional resources, including two housing planners, capacity for real time data, and evidence of successful reforms.