

Pathways to Removing Obstacles to Housing (PRO Housing)

FR-6800-N-98

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Exhibit A: Executive Summary

Montana Department of Commerce, State of Montana

Exhibit A: Executive Summary

The State of Montana is requesting \$7 million in Pathways to Removing Obstacles to Housing (PRO Housing) funding to implement long-term transformational change in how housing is planned for, regulated, approved, and incentivized in Montana's fastest growing and increasingly unaffordable communities. Through the new statewide Land Use and Planning Act (LUPA or "the Act"), Montana will demonstrate how shifting the cost and responsibility of development impact analysis and public input up to the comprehensive planning and community-wide zoning processes and away from site-specific permit review will streamline development approval, create certainty in the process, and reduce carrying costs. For the first time, Montana communities will be required to quantify their housing needs and zone sufficient density to accommodate the construction of those housing needs by-right.

At the same time, the Act requires Montana's most populous communities in its fastest-growing regions to enact a minimum of five zoning reforms that will lead to the development of more affordable housing. These reforms must come from a statutorily codified list of 14 reforms that include reducing or eliminating requirements related to parking, building height, lot coverage, setbacks, minimum unit size, minimum lot size, floor area ratio, and other common land use controls, rezoning to allow multifamily or mixed-use residential development in office, commercial, and light industrial zones, allowing duplexes, triplexes, or fourplexes by-right in all areas zoned primarily for single-family homes, allowing accessory dwelling units by-right, and eliminating or reducing impact fees for accessory dwelling units or multi-unit dwellings.

Finally, once a community has fully implemented regulations in compliance with the Act, all development is administratively reviewed and approved. Appeal of administrative decisions is strictly limited to those issues that were not already addressed during the comprehensive planning process, and appellants must raise all issues on appeal that they would raise in court or lose the ability to challenge a project on those grounds. This certainty is only available through successful implementation of the Act by a community.

The project has been and will continue to be a collaborative bipartisan effort of housing developers, realtors, surveyors, housing advocates, municipalities, land use planners, the legislature, and the Governor throughout and across all of Montana. From the creation of the Land Use Planning Working Group in 2018 to the passage of the Act in 2023, these groups have worked tirelessly to create a new framework for the development, review, and approval of housing development across the state. Since the Act was passed in 2023, the communities required to comply with the Act have collectively engaged in thousands of hours of staff time and public participation work and invested millions of dollars in ensuring the successful implementation of the new statutory framework. PRO Housing funding will bring these communities across the finish line with that work and begin the next phase of incentive programming to further develop, evaluate, and implement their housing policies and improve local strategies to facilitate affordable housing production and preservation.

The State of Montana, through its partnership with the Montana League of Cities and Towns, will provide \$5 million in PRO Housing funds to 11 Montana LUPA communities to complete the planning and public participation work needed to meet the deadline of May 17, 2026, for compliance with the Act. This includes finalizing the land use plans and maps, collect the data and

analyze the impacts of proposed development patterns on local services and facilities, the local economy, natural resources, the environment, and any hazards to development, provide public participation and comment on those impacts and necessary mitigation, and implement the land use plan through the adoption of specific zoning ordinances and subdivision regulations.

The State of Montana will use the remaining \$2 million in PRO Housing funds to create programs that communities statewide can access to further incentivize affordable housing development. The State will provide a cafeteria menu of options that communities can choose from to incentivize the increase of affordable housing development.

The Project is a collaborative effort to use the funding in ways that will help us alleviate the housing supply and affordability demands. The following activities will be completed:

Activity 1: Conduct remaining data compilation, analysis, housing needs projections, and public participation in developing land use plans and maps that support streamlined housing development by right in 11 Montana LUPA communities.

Activity 2: Update zoning ordinances and subdivision regulations that codify at least five zoning reforms that support increased housing development and implement administrative approval of housing development within 11 Montana LUPA communities.

Activity 3: Establish a cafeteria plan of pilot programs that all Montana communities can access for funding or assistance to create local programs that further incentivize the development of affordable housing.

The total project cost is \$11,882,822. The State is requesting \$7 million from HUD, of which \$4.93 million is to complete land use planning reforms with 11 LUPA communities implementing the Act, \$1.93 million to provide pilot programs to jumpstart housing development at the local level, and \$140,000 for the Montana Department of Commerce administration expenses. The state is providing \$350,000 in leverage through its Community Technical Assistance Program each fiscal year, and \$993,648 in grants to 37 communities across the state, which includes \$284,150 in grants to the 11 LUPA communities through the Montana Community Reinvestment (MCR) grant program. The assisted LUPA communities are providing \$4.5 million in leverage through local funds and in-kind staff time and resources. The League will not be requesting any administrative costs related to this grant. The state of Montana and its partner have proactively chosen to minimize costs allocated to grant administration in order to maximize the potential for success in local regulatory reform and incentivizing housing production.

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 (Commerce) acknowledges the requirement that all outstanding civil rights matters must be resolved prior to the application deadline. Commerce 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. Commerce has no current or past Civil Rights violations.
- 2. Timely Submission of Applications:** Commerce acknowledges that we are aware of the timely submission requirements for the PRO Housing Notice of Funding Opportunity.
- 3. Eligible Applicant:** Commerce 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:** Commerce acknowledges that only one application per applicant is allowed.

Other Submission Requirements

The Other Submission Requirements as outlined in Section IV.G. will be included in the narratives, the required forms will be submitted with the application, and be made publicly available with the application. This will include the following attachments:

1. Standard Form 424 (SF-424) Application for Federal Assistance
2. Assurances (HUD 424-D)
3. Applicant Disclosure Report Form 2880 (HUD 2880)
4. Disclosure of Lobbying Activities
5. Certification of Lobbying Activities

Code of Conduct

Commerce will comply with the requirements included in the “Conducting Business in Accordance with Ethical Standards” section of the Administrative, National and Department Policy Requirements and Terms for HUD Financial Assistance Awards, as well as any program-specific requirements. These requirements include ethical standards related to conflicts of interest for procurements in 2 CFR 200.318(c) and 2 CFR 200.317, as well as HUD-specific conflict of interest standards.

Affirmatively Furthering Fair Housing:

Commerce acknowledges and will act in accordance with HUD’s general non-discrimination and equal opportunity requirements at 24 CFR 5.105(a) and HUD’s nondiscrimination requirements at 24 CFR 1003.601.

Limited English Proficiency: The State will make reasonable accommodations for persons with disabilities or who have a limited English proficiency and who wish to participate in the process or need an alternative accessible format of notices, documents, or presentation materials.

Physical Accessibility: Meetings open to the public will be held in facilities that are physically accessible to persons with disabilities.

Exhibit C: Need

Montana Department of Commerce, State of Montana

Exhibit C: Need

a. i. Demonstrate your progress and commitment to overcoming local barriers to facilitate the increase of affordable housing production and preservation, primarily by having enacted improved laws and regulations. (15 points)

The State of Montana currently has multiple initiatives and resources in place that demonstrate the progress and commitments to overcoming local barriers to facilitate the increase in affordable housing production and preservation. The initiatives are listed below.

Governor's Housing Task Force

Governor Gianforte's Housing Task Force provided three reports, since 2022, to provide recommendations in making housing more affordable and attainable for Montanans. The task force held over 40 meetings between July and August 2024, which included opportunities for public comment and subcommittee sessions, additionally the public could submit written comments for the task force for consideration. A brief summary of recommendations include:

- Reduce pre-application technical review process delays, streamline subdivision reviews and administrative process, and improve exempt division or land aggregation applications timing.
- Provide funding to support home buyers earning 60-140% Area Median Income (AMI) by buying down mortgages, provide lower interest rate loans for the new construction or preservation of affordable housing, including mobile home parks.
- Support fair and affordable rents for residents and businesses.
- Establish a process for municipalities to create development plans for water and wastewater systems to meet future growth expectations.
- Exempt the Montana Department of Environmental Quality from reviewing subdivisions for Montana Environmental Protection Act requirements when a subdivision meets certain requirements.
- Support local governments with implementation of the Montana Land Use and Planning Act, including the development of land use plans to support zoning reform and streamlined development approval, create certainty in processes and reduce development costs.
- Increase the income limits and market value limits for primary residences eligible for the Property Tax Assistance Program and create an optional 7-month property tax payment schedule for primary residences.
- Develop a Housing Improvement District as a new identified tool to help support long-term housing development.

Montana Land Use Planning Act

Through the new statewide 2023 Land Use and Planning Act (LUPA or "the Act"), Montana will demonstrate how shifting the cost and responsibility of development impact analysis and public input to the comprehensive planning and community-wide zoning processes and away from site-specific permit review will streamline development approval, create certainty in the process, and reduce carrying costs. For the first time, Montana communities will be required to quantify their housing needs and zone sufficient density to accommodate the construction of those housing needs by-right.

At the same time, the Act requires Montana's most populous communities in its fastest-growing regions to enact a minimum of five zoning reforms that will lead to the development of more affordable housing. These reforms must come from a statutorily codified list of 14 reforms that include reducing or eliminating requirements related to parking, building height, lot coverage, setbacks, minimum unit size, minimum lot size, floor area ratio, and other common land use controls, rezoning to allow multifamily or mixed-use residential development in office, commercial, and light industrial zones, allowing duplexes, triplexes, or fourplexes by-right in all areas zoned primarily for single-family homes, allowing accessory dwelling units by-right, and eliminating or reducing impact fees for accessory dwelling units or multi-unit dwellings.

The project has been and will continue to be a collaborative bipartisan effort of housing developers, realtors, surveyors, housing advocates, municipalities, land use planners, the legislature, and the Governor throughout and across all of Montana. From the creation of the Land Use Planning Working Group in 2018 to the passage of the Act in 2023, these groups have worked tirelessly to create a new framework for the development, review, and approval of housing development across the state. Since the Act was passed in 2023, the communities required to comply with the Act have engaged in thousands of hours of staff time and public participation work and invested millions of dollars in ensuring the successful implementation of the new statutory framework.

House Bill 819

The 2025 biennium Legislature passed the Home Ownership Means Economic Security (HOMES) Act, which contained a variety of programs designed to increase the production of affordable housing in Montana. The HOMES legislation included:

- (1) \$50 million to create a statewide mortgage buy-down program for homebuyers earning 60-140% of median household income. \$6 million of this allocation goes directly to communities that house state inmates or behavioral health patients.
- (2) \$106 million 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. All funds allocated for this program have been obligated, with a total of 1,051 deed restricted units constructed to date, 797 of which are in or proposed to be annexed into one of the 10 communities subject to the Act. All units meet either Low Income Housing Tax Credit income requirements or have been constructed on community trust-owned lands.
- (3) \$12 million to construct or purchase workforce housing for employees who work at state-owned facilities that house state inmates or behavioral health patients. All funds allocated for this program have been obligated, with a total of 56 units approved and construction to begin this fall.
- (4) \$50 million in additional authorization from the state of Montana Coal Trust Tax Fund to the existing \$15 million Coal Trust Multifamily Homes loan program to provide lower interest rate loans for new construction or preservation of affordable housing, including mobile home parks. The State has loaned \$65 million to 23 projects.
- (5) \$1 million to provide planning grants to local governments and tribal governments for planning and zoning reforms to increase housing supply. Commerce awarded 37 planning grants for comprehensive planning, housing needs assessments, and updating zoning and subdivision regulations. Ten of the communities implementing the Act received grants from this allocation, for a total of \$284,150 in leverage towards the proposed project.

SB 245

SB245 requires Montana’s largest municipalities to allow mixed-use residential development in all commercial zones. Municipalities can only require one off-street parking space for each residential unit in such a mixed-use development.

SB 323

SB 323 requires Montana’s largest municipalities to allow duplexes to be developed in all single-family zones within their jurisdiction.

SB 407

SB 407 requires any local design review standards to be clear, objective, and necessary to protect public health or safety or to comply with federal law. The new statute also requires that a development proposal’s compliance with design review standards be analyzed by internal staff and not external volunteer review boards.

SB 528

SB 528 requires all municipalities in Montana to allow for an accessory dwelling unit (ADU) to be built on any lot that contains a single-family dwelling without any additional off-street parking requirements.

Community Technical Assistance Program (CTAP)

The State of Montana provides professional planning assistance to communities across Montana in support of sound land use and development decisions, economic revitalization, and overall community resilience through its Community Technical Assistance Program (CTAP). CTAP maintains planning consultants to help communities initiate or complete their planning documents. CTAP helps communities by reviewing and providing guidance on draft engineering, planning, and regulatory documents; creating model documents and planning resource publications for use statewide; advising the public and private sectors on navigating administrative rules and state planning and zoning statutes; hosts on-site training workshops; maintains a resource library; and conducts GIS mapping.

Community Planning Platform

The State of Montana is conducting outreach to prepare for the creation of the Community Planning Platform (CPP). Working across all state agencies, the CPP will leverage new technology to draw relevant data from thousands of locations into a single platform that will put this information at Montanan’s fingertips. This single online location will enable both the public and private sector to find a wide range of data for community and economic development planning purposes, including data compilation required for implementation of the Act. The CPP represents a commitment to improving the efficiency and effectiveness of planning and data access throughout Montana. The CPP is scheduled to be launched in FY 2025 with future enhancements to follow. This platform will continue to evolve over the years as better technology and more electronic data becomes available.

Montana Housing Counseling and Education

The State of Montana contracts with its partner NeighborWorks Montana to provide first time [homebuyer education](#). People that complete the first-time homebuyer education course often apply for homebuyer assistance programs with Commerce and other agencies. The homebuyer education course is required for all borrowers receiving loans through set-aside programs, all borrowers who don't have established credit, all borrowers in the Regular Bond Loan Program, unless they meet the criteria for an exception, and all borrowers using the Montana Veterans' Home Loan Program. Classes are currently available to attend in person and virtually.

The State's HOME Program also contracts with various Community Resource Development Councils (the majority of these organizations have HUD certified Housing Counselors on staff) to provide downpayment/closing cost assistance to homebuyers at 80% AMI and below. In program year 2023, the HOME Program provided downpayment assistance to 14 households.

Fair Market Rent Reevaluation

In August 2024, the State initiated an RFP for a vendor to help conduct a statewide fair market rent (FMR) reevaluation. This was done in response to the HUD-published FMRs falling significantly below the actual market rents that various programs are experiencing. The Housing Choice Voucher (HCV) program has struggled with voucher utilization even with multiple waivers in place to increase the Payment Standards. In 2023, Commerce was approved for a Success Rate FMRs to establish their Payment Standards. Commerce was able to combine the higher base with an approved waiver to multiply the FMRs by 120%. Commerce also was approved for several Exception Area Small Market FMRs, which further increased the Payment Standards for the HCV program.

This RFP will document market rents statewide to then request FMR reevaluation from HUD for all impacted programs. The intent is to demonstrate that the current FMRs should be increased for at least three years to the data collected, which would allow for further utilization of federal and state voucher programs.

a.ii. Do you have acute demand for affordable housing? What are your remaining affordable housing needs and how do you know? (10 points)

Montana has an acute demand for affordable housing in every city, town, and county across the state and there is a need for a coordinated and impactful response to provide disadvantaged Montanans an opportunity to find and attain reliable, long-term affordable housing. According to the Montana Labor Day Report, Montana's housing market has been characterized by significant price increases due to the rapid growth in population and income that has only intensified housing needs. This growth coupled with supply chain constraints and labor shortages limited housing production, which resulted in a dramatic increase in housing prices and an inability to meet the surge in demand. The typical home value in Montana reached \$470,000 in the first half of 2024 – representing a 70% rise in home values over the last five years. Rising home values and increases in the cost of borrowing have reduced the affordability of new mortgages and rent. Given the limitations on housing development, there remains a critical need for newly developed housing to increase availability of affordable housing. To further understand the acute demand for affordable

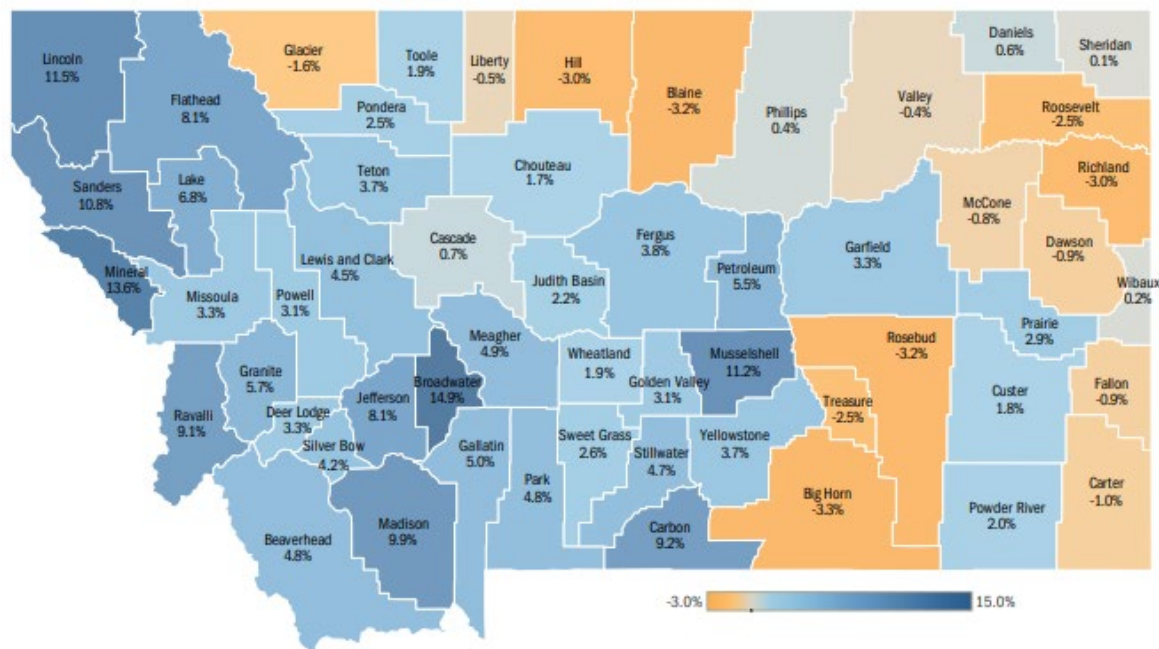
housing in Montana, it is important to look at the following factors impacting demand, such as population, income and employment, and housing characteristics.

Montana's consistent net migration population growth has made the demand for affordable housing an ever-increasing priority. During the last decennial census, Montana's total population was 1,087,211; however, 2023 Census Bureau data estimates Montana's growing population at 1,132,812. The population growth is mostly net migration-driven, meaning Montana is experiencing a larger number of new residents coming to the state than the number that is leaving. Montana ranks 4th in the nation for the highest rate of in-migration since 2020. Additionally, when considering the nearly 46,000 new residents that have moved into the state over the recent four-year period, the impact is significant to the local municipalities that must provide increased services and resources, including affordable housing. Another way to consider this level of growth, in a rural state, is to compare the total number of new individuals, 46,000, to 2023 population data for each incorporated city or town in Montana. The number of new Montanans, over this four-year period, is a larger population than all but four of the 128 incorporated cities and towns in Montana, or a larger population than 49 of Montana's 56 counties. or a larger population than all 8 of Montana Indian Reservations. While the population growth has not occurred in one jurisdictional boundary in Montana, the net migration growth has been in areas with higher population densities and significantly impacted the local governments that provide services and resources to existing residents as well as new residents. Specifically, these growth factors contribute to the strained development that is occurring inside and outside of communities that provide services and directly impact housing affordability and availability.

The map below shows population changes from 2020-2022 from Census Bureau data. The locations in blue and dark blue show 1%-15% population increases. The map highlights the areas where populations are increasing in Montana, which includes all of Montana's largest incorporated municipalities. When considering the population growth in these areas, the demand for available housing becomes more acute. The impact on the lowest income and disadvantaged residents in those areas become urgent when considering income and poverty and available and suitable housing units for purchase or rent.

Map 1 - Montana Department of Labor – Population by Net Migration

Net Migration as a Percent of Population by County from 2020 to 2022



Source: Census Bureau, Annual Resident Population Estimates, Estimated Components of Resident Population Change, and Rates of the Components of Resident Population Change for States and Counties: April 1, 2020 to July 1, 2022.

The demand for affordable and available housing has risen to a level of crisis. Montana’s population changes have also impacted the income and poverty rates across the state. According to the Census Bureau, the national official poverty rate in 2022 was 11.5% while Montana’s poverty rate was 11.8%. Montana’s poverty rate has gradually decreased by 1% over the past five years; however, the poverty rate for individuals 65 years has increased by 1.9% over the same period. Notably, Montana’s median household income has increased by approximately \$13,500 over the past five years, or approximately a 24% increase. Many of Montana’s communities have become an attractive area for working age individuals to move, with the largest employing industries of newcomers (34%) are accommodation, food service, and retail. According to the Montana Department of Labor and Industry, about 73% of people who recently moved to Montana are employed or actively seeking employment, which is higher than the labor force participation rate of existing residents, and 50% of them are between the ages of 25 to 54. This means that individuals moving to Montana have employment necessary to secure housing; however, there may not be housing available to secure, or the costs of housing is too high for the wages they are earning.

When looking at Montana’s housing cost trends for the past five years, the rising housing costs pose a major challenge. According to the Federal Reserve Bank of Minneapolis, Montana Housing Dashboard, Montana has seen some of the nation’s fastest-increasing housing-affordability challenges. In July 2019, the typical home value in Montana was \$268,223; however, at the beginning of 2024 the typical home value increased to \$446,293, which is a 66% increase. When considering the 24% increase in median household income with the 66% increase in housing prices, homeownership is no longer an option for many families. According to the 2022 ACS,

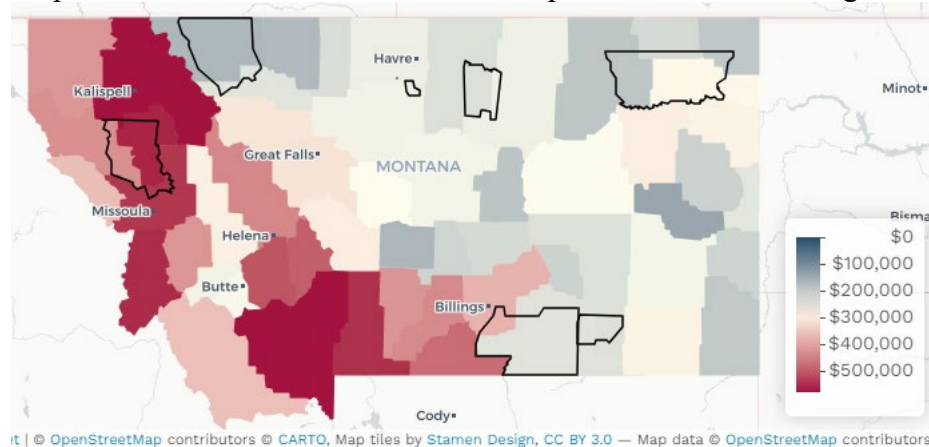
Montana’s housing stock included 358,555 single-family units, 21,528 condominiums/townhouse units, and 50,349 mobile home units. Montana saw a 23.4 decrease in the number of mobile home units in the overall housing stock since 2000. Of the 517,430 housing units counted in Montana during the 2020 census, 443,917 units were occupied, with 306,432 counted as owner-occupied and 137,485 counted as renter occupied. This equated to a homeownership rate of 69%. The Rental Vacancy Survey indicated a vacancy rate throughout the state of 4.3%. Additionally, according to the U.S. Census Bureau Household Pulse Survey, Week 48, Montana ranks third out of all states for the percentage of renters whose monthly rent increased \$250 or more in the previous 12 months (<https://newstalkkgvo.com/rent-increases-in-montana-are-among-the-highest-in-the-nation/>).

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

As seen in the map below, the highest prices of housing are shown in counties displayed in pink to bright red. These red counties are those with the highest percentage of population increases (as discussed earlier) and include the most populated municipalities in the state. Home prices in these areas are far out of reach for a low- to moderate-income household

Map 2 – Federal Reserve Bank of Minneapolis – Price of Housing



Between 2017 and 2022, Montana’s housing supply (total housing units) has increased by just 3.7% (+18,759). Combined with household changes these figures suggest that Montana has had a general housing deficit of just over 22,000 housing units from 2017 to 2022. In turn, American Community Survey data shows rental housing vacancy rates hit a record low of 4.8% in 2022 and in that same year rents were often higher for renters who moved more recently. Montana’s median monthly gross rent was \$1,005 in 2022 and has grown by 10.6% since 2017. However, when

looking further into rental factors, housing problems such as overcrowding, lack of plumbing or kitchen facilities and cost burden exacerbate the acute need for safe, decent and sanitary available and affordable rental units. Using HUD’s “CHAS” data (Comprehensive Housing Affordability Strategy), the data demonstrates the extent of housing problems and housing needs, particularly for low-income households and are provided in Tables 1 through 7.

Table 1 - Total Households Table

Household Type	0-30% HAMFI*	>30-50% HAMFI*	>50-80% HAMFI*	>80-100% HAMFI*	>100% HAMFI*
Total Households	57,615	58,015	81,580	48,600	190,240
Small Family Households	11,725	14,360	24,035	16,990	92,365
Large Family Households	2,470	14,360	5,540	3,215	12,860
Household contains at least one person 62-74 years of age	14,000	14,680	21,790	13,115	50,280
Household contains at least one person age 75 or older	10,015	11,030	11,450	5,735	15,075
Households with one or more children 6 years old or younger	6,815	7,795	11,605	6,280	24,865

Data Source: 2016-2020 CHAS; Table 5, 7, and 13

* HUD Area Median Family Income (HAMFI)

Housing Needs Summary Tables

1. Housing Problems (Households with one of the listed needs)

Table 2 - Housing Problems 1

Housing Problems	Renter					Owner				
	0-30% AMI	>30- 50% AMI	>50- 80% AMI	>80- 100% AMI	Total*	0-30% AMI	>30- 50% AMI	>50- 80% AMI	>80- 100% AMI	Total*
NUMBER OF HOUSEHOLDS										
Substandard Housing - Lacking complete plumbing or kitchen facilities	1,605	810	455	285	3,155	435	315	615	165	1,530
Severely Overcrowded - With >1.51 people per room (and complete kitchen and plumbing)	485	345	305	80	1,215	85	95	205	85	470
Overcrowded - With 1.01-1.5 people per room	415	595	370	455	1,835	145	515	785	410	1,855

(and none of the above problems)										
Housing cost burden greater than 50% of income (and none of the above problems)	17,830	5,030	725	120	23,705	12,205	6,115	3,665	955	22,940
Housing cost burden greater than 30% of income (and none of the above problems)	4,955	11,670	7,670	890	25,185	4,815	6,885	11,320	5,555	28,575
Zero/negative income (and none of the above problems)	1,750	0	0	0	1,750	2,215	0	0	0	2,215

Data Source: 2016-2020 CHAS; Table 3

* Total less than 100% AMI

2. Housing Problems 2 (Households with one or more Severe Housing Problems: Lacks kitchen or complete plumbing, severe overcrowding, severe cost burden)

Table 3 - Housing Problems 2

Housing Problems	Renter					Owner				
	0-30% AMI	>30-50% AMI	>50-80% AMI	>80-100% AMI	Total*	0-30% AMI	>30-50% AMI	>50-80% AMI	>80-100% AMI	Total*
NUMBER OF HOUSEHOLDS										
Having 1 or more of four housing problems	25,325	18,265	9,755	1,745	55,090	17,680	13,930	16,590	7,170	55,370
Having none of four housing problems	5,605	8,710	21,425	12,875	48,615	5,040	17,110	33,810	26,805	82,765
Household has negative income, but none of the other housing problems	1,750	0	0	0	1,750	2,215	0	0	0	2,215

Data Source: 2016-2020 CHAS; Table 5

* Total less than 100% AMI

3. Cost Burden > 30%

Table 4 - Cost Burden > 30%

Cost Burden > 30%	Renter				Owner			
	0-30% AMI	>30-50% AMI	>50-80% AMI	Total	0-30% AMI	>30-50% AMI	>50-80% AMI	Total
NUMBER OF HOUSEHOLDS								
Small Related	5,545	4,670	2,300	12,515	3,370	3,495	5,330	12,195
Large Related	900	1,000	245	2,145	670	855	1,175	2,700
Elderly	6,050	4,020	1,700	11,770	9,505	6,440	5,595	21,540
Other	12,055	7,870	4,400	24,325	3,880	2,525	3,205	9,610
Total need by income	24,550	17,560	8,645	50,755	17,425	13,315	15,305	46,045

Data Source: 2016-2020 CHAS; Table 7

4. Cost Burden > 50%

Table 5 - Cost Burden > 50%

Cost Burden > 50%	Renter				Owner			
	0-30% AMI	>30-50% AMI	>50-80% AMI	Total	0-30% AMI	>30-50% AMI	>50-80% AMI	Total
NUMBER OF HOUSEHOLDS								
Small Related	4,255	1,425	90	5,770	2,745	1,685	1,035	5,465
Large Related	615	205	20	840	505	365	125	995
Elderly	4,305	1,245	540	6,090	6,295	2,845	1,790	10,930
Other	9,910	2,495	230	12,635	2,910	1,305	780	4,995
Total need by income	19,085	5,370	880	25,335	12,455	6,200	3,730	22,385

Data Source: 2016-2020 CHAS; Table 7

5. Crowding (More than one person per room)

Table 6 - Crowding Information - 1 of 2

Crowding (More than one person per room)	Renter					Owner				
	0-30% AMI	>30-50% AMI	>50-80% AMI	>80-100% AMI	Total	0-30% AMI	>30-50% AMI	>50-80% AMI	>80-100% AMI	Total
NUMBER OF HOUSEHOLDS										
Single family households	740	670	710	405	2,525	175	525	795	375	1,870

Multiple, unrelated family households	115	8	130	35	288	55	110	230	105	500
Other, non-family households	160	95	75	10	340	8	0	20	14	42
Total need by income	1,015	773	915	450	3,153	238	635	1,045	494	2,412

Data Source: 2016-2020 CHAS; Table 10

Table 7- Crowding Information - 2 of 2

Criteria	Renter				Owner			
	0-30% AMI	>30-50% AMI	>50-80% AMI	Total	0-30% AMI	>30-50% AMI	>50-80% AMI	Total
Households with Children Present	7,034 88	16,491 88	8,559 03	22,753 97	5,845 31	6,465 68	15,471 20	32,933 67

Data Source: Montana Department of Commerce analysis of 2016-2020 ACS Microdata via IPUMS*;

Using FY23 HUD Income Limits for Montana

**Steven Ruggles, Sarah Flood, Matthew Sobek, Daniel Backman, Annie Chen, Grace Cooper, Stephanie Richards, Renae Rogers, and Megan Schouweiler. IPUMS USA: Version 14.0 [dataset]. Minneapolis, MN: IPUMS, 2023. <https://doi.org/10.18128/D010.V14.0>*

The 2023 Point-in-Time (PIT) Count and Housing Inventory Count for Montana counted 2,178 homeless persons, including 494 homeless individuals belonging to a family with children, 1 unaccompanied homeless youth aged under 18, and 1,683 homeless adults without children. Of the 2,178 homeless people counted, 558 are considered chronically homeless. Montana’s 2023 count of 2,178 homeless persons represents a 37.4% increase in homeless persons since 2022, and a 60.5% increase since 2019. The face of homelessness in Montana varies across the state. With over 2,100 people counted in the 2023 Point-in-Time or “PIT” survey, the number of people experiencing homelessness that were counted in the annual snapshot has seen an increase by 23% since the last planning period. While Point-in-Time counts cannot capture the complete homeless population, it does give insight into the trends of the number of people experiencing homelessness in the state. Overall, Montana has seen an increase in the number of people experiencing homelessness since 2018, with an additional 700 people counted in 2023 versus 2018. In fact, 2023 showed the highest number of people experiencing homelessness during the Point-in-Time count since the survey began in 2005. While some of this increase may be due to changes in count strategies, it points to a growing level of need for supportive and housing services for people experiencing and at risk of homelessness in Montana.

Table NA-30: Total Number of People Experiencing Homelessness

	2018	2019	2020	2021	2022	2023
sheltered	1,032	1,012	1,085	1,168	1,292	1,683
unsheltered	373	345	460	633	293	495

Total	1,405	1,357	1,545	1,801	1,585	2,178
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Data Source: 2018, 2019,
2020, 2021, 2022, 2023
HUD COC PIT

Homelessness continues to be a high need within Montana, with Point-in-Time numbers on the rise. Additional information regarding the needs of households experiencing homelessness and service providers will be added to this section pending survey results and public input opportunities. The continued increase in rents, in development and rehab costs of housing, in interest rates, etc. while assistance from federal programs remaining stagnant or decreasing, especially relative to inflation, all conspire to limit the supply of affordable housing which will inevitably result in more Montanans unable to secure and retain stable, affordable places to live.

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

There are several key barriers that still exist and need to be addressed to produce and preserve more affordable housing in Montana. These barriers are listed below.

1. Restrictive land use ordinances and process that limit housing development:

The Draft Equity Plan Issue 5: Barriers to Providing Adequate Community Support, sub part 5.1, Lack of Resources, has identified an overall lack of federal, state, local, and private resources available to fulfill the needs of the state.

The proposed project is specifically designed to address this key barrier. The Act, once implemented, will remove duplicative discretionary approval processes and multiple public hearings, increase processing times for local review and approval, institute by-right zoning for adequate housing units in each community, and incorporate additional zoning reforms that will lead to the development of more affordable housing.

Once implemented by the 11 communities to be assisted with this PRO Housing funding, they will become models for other communities and regions across the state, demonstrating how much faster, simpler, and less controversial development review and approval can be through the framework created by the Act.

2. Capacity of affordable housing developers and partners

The success of home building in Montana depends on these entities recognizing each other’s unique expertise and position in the development of communities. Planning and code enforcement are essential to the prudent development of communities prioritizing the needs of the whole community in the present and future. At the same time, the lack of public infrastructure, increases in material and labor prices, and development standards may create challenges for establishing the capital stack needed to make affordable housing development successful. There is a need for more coordinated and consistent approach to give municipalities and housing developers the tools and support to increase available affordable housing. The activities proposed in this grant will help to

create more consistent and communicative approaches that will assist developers and municipalities with more efficient and effective housing development.

3. Limited infrastructure investment for affordable housing

The lack of available infrastructure is a critical barrier to the creation of housing. Allowing modest and gradual additions of housing units (especially through internal divisions, back yard additions, etc.) in areas already served by existing infrastructure is fiscally responsible, fair, and cost effective. Wise and efficient use of existing infrastructure allows for some of Montana's housing needs to be met without the need for building (and financing) additional road, water, and sewer infrastructure.

The State continually recognizes the need for infrastructure investment by targeting water and wastewater infrastructure upgrades and improvements in its CDBG grant programs and state-funded Montana Coal Endowment Program and Renewable Resource Grants and Loans program. The State also created allocated \$106 million in its HOMES bill in the 2023 legislative session 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. This link deposit program is the model for creation of the Housing Improvement District framework, which will allow the state and local governments to partner with the private sector to access lower interest rates for infrastructure financing to serve housing developments with affordable units and higher density designs.

4. Barrier in Availability of Financing

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 federal 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.

Montana Housing and the Community MT Division, both housed within Commerce, 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 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. The 2024-2025 allocation further decreased to \$6,172,506 from \$6,541,090 the previous program year. 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. In the 2023-2024 Annual Action Plan, Montana's HUD allocation was \$6,541,090. In 2024-2025, the allocation decreased to \$6,172,506. 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.

The state is 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.

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 State of Montana’s vision will be using \$7 million in PRO Housing funding to implement long-term transformational change in how housing is planned for, regulated, approved, and incentivized in Montana’s fast-growing and increasingly unaffordable communities. PRO Housing funding will then bring these communities across the finish line with that work and begin the next phase of incentive programming to further develop, evaluate, and implement their housing policies and improve local strategies to facilitate affordable housing production and preservation. In this application, three activities will realize this vision:

Activity 1: Conduct remaining data compilation, analysis, housing needs projections, and public participation in developing land use plans and maps that support streamlined housing development by right in 11 Montana Land Use Planning Act (LUPA or “the Act”) communities.

Activity 2: Update zoning ordinances and subdivision regulations that codify at least five zoning reforms that support increased housing development and implement administrative approval of housing development within 11 Montana LUPA communities.

Activity 3: Create programs and tools that communities statewide can access to further incentivize affordable housing development while incorporating equity and accessibility throughout and administering the grant.

Activity 1 – Conduct remaining data compilation, analysis, housing needs projections, and public participation in developing land use plans and maps that support streamlined housing development by right in 11 Montana LUPA communities.

During the 2023 Legislative Session, a package of bills known nationally as the “Montana Miracle” were passed into law. These bills were the result of a collaborative bipartisan coalition of developers, realtors, surveyors, housing advocates, municipalities, land use planners, the legislature, and the Governor working together to identify both immediate and long-term land use reforms to encourage and streamline the development of housing across the income spectrum. The crowning achievement of this package was Senate Bill 382, the Montana Land Use and Planning Act (LUPA or “the Act”), the first comprehensive modernization of Montana’s land use and planning statutes since their original enactment in the 1920s.

The Act eliminates the current reliance on site-specific housing development review and approval with discretionary conditional permitting, developer-required impact analysis, and multi-year state and local-level review processes. The Act reverses this, moving the majority of site analysis and public participation to the front of the process during the comprehensive planning work and away from site-specific development proposals and analysis. The Act requires 10 Montana LUPA communities, for the very first time, to quantify their housing needs over the next 20 years, and zone the community to allow for those units to be built by right. The Act requires each of those 10 LUPA communities to adopt at least five of 14 specific zoning reforms to lead to the development of more affordable housing. Finally, after the community comes into compliance with the adoption

of a land use plan, zoning ordinance, and subdivision regulations under the Act, all review and approval of development in substantial compliance with those plans and regulations will be administrative.

In order to develop comprehensive plans with robust public participation and thorough impact analysis that future development can rely on for approval, these communities must invest with funding and staff time heavily at the front end to meet Montana's constitutional right to know and participate and to facilitate administrative review of applications. Without financial support to engage in a thorough level of analysis and public participation, the success of the new framework is at risk of litigation, opening applications to further public hearings, and additional development costs for site-specific analysis. These obstacles would again slow down development approval, inject uncertainty into the process, and increase carrying costs. The PRO Housing funds will help ensure thorough, defensible, successful implementation of the Act.

The 10 LUPA communities subject to this transformational new state planning framework must complete this work by May 17, 2026. Any local government entity in Montana may voluntarily choose to comply with the new Act; to date, one entity has elected to implement the Act and has been included in this activity. The State of Montana, through its partnership with the Montana League of Cities and Towns, will provide \$5 million in PRO Housing funds to 11 Montana LUPA communities to complete the planning and public participation work needed to meet the Act's compliance deadline of May 17, 2026. This includes developing land use plans and maps and providing robust public participation and comment on the impacts and mitigation of the development envisioned under those plans.

The work to be completed under Activity One includes the eligible activities outlined in (1) Planning and Policy activities supporting affordable housing, subsections A and B.

Activity Two – Update zoning ordinances and subdivision regulations that codify at least five zoning reforms that support increased housing development and implement administrative approval of housing development within 11 Montana LUPA communities.

After the 11 Montana LUPA communities complete their comprehensive planning, the Act requires those communities, for the very first time, to actually zone their jurisdictions so as to allow for their housing needs over the next 20 years to be built by right. The Act also requires the LUPA communities to adopt at least five of 14 specific zoning reforms that lead to the development of more affordable housing. Finally, after each community comes into compliance with the adoption of a land use plan, zoning ordinance, and subdivision regulations under the Act, all review and approval of development in substantial compliance with those plans and regulations will be administrative.

First, the new zoning codes must be updated to zone the jurisdiction for the number of housing units needed in the community over the next 20 years based on the analysis in the land use plan. This zoning will ensure that local use regulations do not stand as an obstacle to the development of the minimum number of housing units needed to accommodate the existing and projected population of the community. The Act allows the community to identify those areas both within

the existing jurisdictional boundaries and in those areas that the city is likely to annex over the next 20 years.

Second, the Act also sets forth a statutory menu of 14 zoning reforms that will lead to the development of more affordable housing, from increasing densities and allowing for accessory dwelling units to eliminating unnecessary development standards and reducing building fees. The 11 LUPA communities must adopt at least five of these reforms covering a majority of their jurisdiction in their updated zoning code. These reforms will encourage the development of more housing units throughout the jurisdiction across a variety of types, densities, and income levels.

Thirdly, the Act sets forth a drastically streamlined, narrowed subdivision review process, focused exclusively on those impacts of land division that cannot be addressed through zoning authority. These include the design and arrangement of the lots, legal and physical access, installation of utilities and other public improvements, and grading and erosion control. Once local subdivision regulations are updated and adopted under the Act, subdivision review will become less controversial and no longer play a duplicative role to zoning review, further streamlining the development process.

Finally, once all of the planning documents and implementing regulations are adopted pursuant to the Act, all development in substantial compliance with zoning will be approved administratively. Applicants that propose housing developments in compliance with zoning will take advantage of the previously completed impact analysis of and public comment on development of that use at that site and be able to obtain approval with *no additional* public comment, hearings, or discretionary review.

Instead of the current default of site-specific applications going to public hearing in front of the elected governing body, the new default will bring such decisions only to that body upon appeal of both the administrative decision and appeal to an advisory board. Those appeals will also be increasingly narrowed in scope and topic, requiring appellants to raise all issues at the first appeal that will later be raised in court or lose the legal ability to challenge a development on those grounds.

The State of Montana, through its partnership with the Montana League of Cities and Towns, will provide \$5 million in PRO Housing funds to 11 Montana LUPA communities to complete the planning and public participation work needed to meet the Act's compliance deadline of May 17, 2026. This includes updating the zoning and subdivision regulations to reflect each community land use plan and map.

The work to be completed under Activity One includes the eligible activities outlined in (1) Planning and Policy activities supporting affordable housing, subsections C, F, H, I, J, K, L, M, N, Q, and U.

Activity 3: Create programs and tools that communities statewide can access to further incentivize affordable housing development while incorporating equity and accessibility throughout and administering the grant.

Step 1: The State will provide a cafeteria menu of options that communities can choose from, including:

1. Incentives for affordable housing developers, such as providing lower interest rate loans for new construction or preservation of affordable housing, or innovative home construction
2. Incentives for homeownership to support low- to moderate-income households
3. Incentives for prioritizing projects that maximize density
4. Incentives for infill development and infrastructure investments
5. Incentives for adaptive reuse of historic properties

Step 2: The State will provide state-wide services through the development of a toolkit and training opportunities to support all Montana communities better understand the Act and opt into the implementation of the Act. The toolkit will include innovative housing tools, such as a Housing Improvement District model. These tools will be developed with a consultant and deliverables will be made available online and through training opportunities at the local level. The costs associated with these state-wide services will not exceed \$250,000 of the grant.

The work to be completed under Activity One includes the eligible activities outlined in (1) Planning and Policy activities supporting affordable housing, subsections D, E, G, M, O, R, V, the eligible activities outlined in (2) Development activities, subsections A and E, the eligible activities outlined in (3) Infrastructure activities, subsections A and B, and the eligible activities outlined in (4) Preservation activities, subsections C, E, F, H, K, and L.

National Objectives

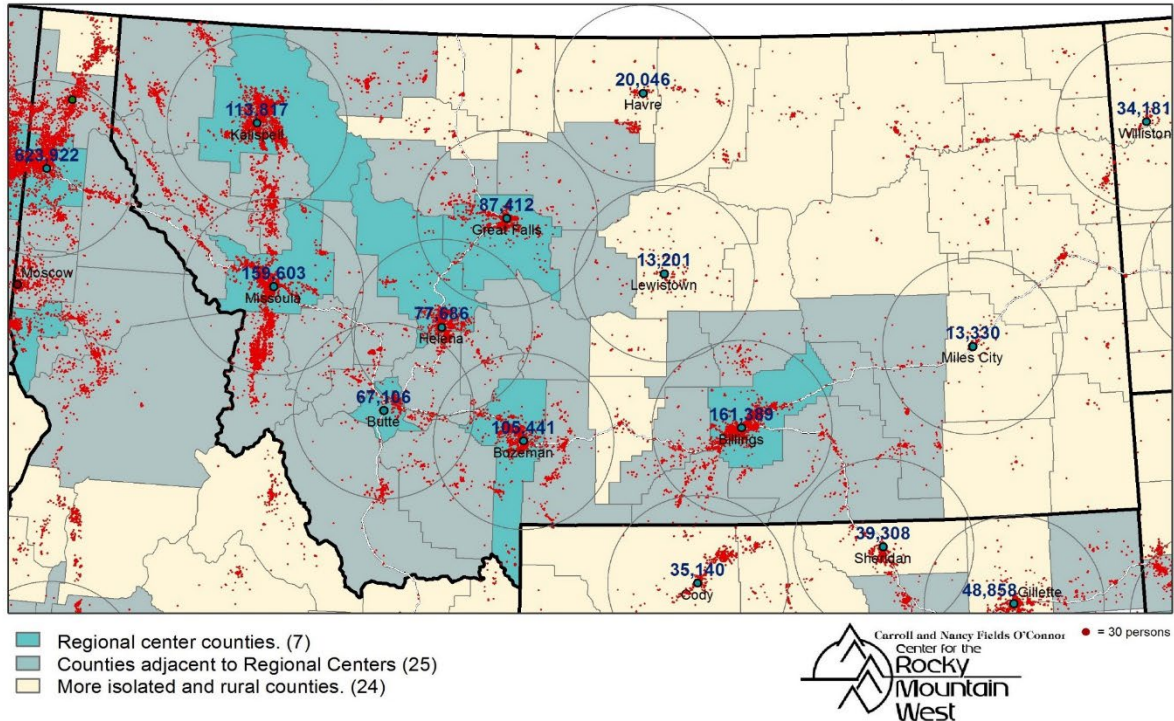
These proposed activities will result in locally prepared planning documents that will include analysis of and zoning reforms in areas where low- and moderate-income and disadvantaged populations predominately reside in the state of Montana. All of the activities, particularly Activities (1) and (2), will include analysis that considers the challenges of and barriers to LMI populations in achieving affordable housing goals. Activity (3) will further these planning activities with incentives to achieve site-specific housing financing and construction by supporting developers, potential homeowners, municipalities, and housing organizations in developing programs to work within the reformed planning framework achieved under activities (1) and (2).

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

Despite Montana’s vast geographic area (147,000 square miles), 56% of its population lives within seven “regional center” counties, sometimes referred to as “The Boot.” It is the largest 10 cities within the six most populous of these regional centers that are required to comply with the Act: Billings, Belgrade, Bozeman, Columbia Falls, Great Falls, Helena, Kalispell, Laurel, Missoula, and Whitefish. An eleventh city in a more rural county in the center of the state, Lewistown, has also elected to implement the Act. Together, the current population of these cities alone is 421,435. The total population of these regional center cities and counties is 704,463 persons, a full 62% of

Montana's entire population. 69% of Montana's total population of persons of Hispanic origin live in these counties, as do 66% of Montana's Black population, 32% of Montanans with a disability, and 29% of Montana's American Indian population.

Montana's Regional Centers and Their Surrounding Counties



Historically, development in Montana has been minimally regulated. The vast majority of the counties in Montana, including the majority of its developable land, are not zoned and all development in those areas is reviewed on a site-specific basis through time-consuming and uncertain discretionary subdivision review. Further, these areas are typically not served by any water or wastewater treatment system and rely heavily on underfunded county-maintained roads for access. In the absence of any comprehensive planning in these areas, housing development is not maximized for density, location, services, access, or any other benefit to the residents, and increases costs on the local jurisdictions to provide critical services after the fact.

Additionally, as part of the PRO Housing NOFO, HUD provided data for 420 geographic areas in Montana. Of these 420 geographic areas, HUD identified 151 priority geographies comprised of 106 Census Designated Places (CDPs), 28 municipalities, and 17 counties. One of these priority geographies, the City of Laurel, will receive direct funding from this grant to complete Activity 1 and Activity 2. However, the majority of the priority communities identified by HUD are CDPs, which do not have the legal authority to implement land use regulations and typically have less services than the most populous centers discussed earlier. Additionally, nearly 40 HUD priority geographies are in close proximity or share jurisdictional boundaries with the 11 LUPA communities that are carrying out the responsibilities under the Act. It is therefore easy to conclude

that those 40 HUD priority geographies will be influenced or impacted by the work that the 11 LUPA communities will do under this grant.

Further, the goal of the PRO Housing NOFO has several parts is primarily to elevate and enable promising practices dedicated to identifying and removing barriers to affordable housing production and preservation and also includes facilitating the collaboration and harnessing innovative approaches from jurisdictions, researchers, advocates, and stakeholders. The geographic scope for the state of Montana becomes even more compelling even though the HUD priority geographies are not specifically receiving funding. This is because of the work being done by the most populous municipalities in the state directly working on reducing barriers to affordable housing to recreate a promising practice that other local governments can follow and over the long-term impact the housing availability and affordability in their own communities and the CDPs or counties. By increasing the ease, reducing the cost, and making development in these municipalities faster, the State can protect its important rural character and economies by incentivizing new growth in higher density urban areas on water and wastewater treatment systems. This pattern of development will also reduce costs for all existing taxpayers by making the provision of services more efficient through comprehensive planning of development and then spreading the costs of those services across more residents.

The geographic scope of this application is intentional and specific to maximize and leverage the existing work that has already been done by these 11 LUPA communities and create real and lasting impact for the long term and in the surrounding areas that are identified by HUD as priority geographies.

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

Our proposed activities further support the work of the Governor’s Housing Task Force. The Task Force includes state and local elected officials, state agencies, state boards, councils, and commissions, housing-related professional associations, advisory groups, and researchers, among others. The Housing Task Force held 25 public meetings from July through December of 2022 and again from October 2023 through August 2024. The public was invited to comment and provide feedback on proposed recommendations, including the activities in this proposal, throughout those meetings and discussions. Letters of support from many of these members are included with this proposal.

In addition, the development, drafting, and passing of the Act was the successful culmination of a broad bipartisan coalition of developers, realtors, surveyors, housing advocates, municipalities, land use planners, the legislature, and the Governor. Those groups have all been engaged in the ongoing discussions of the implementation of the Act, including meeting monthly to discuss the status of each community’s work on the Act and providing updates to the legislative Local Government Interim Committee from June 2023 through September 2024. Letters of support from many of these organizations are included with this proposal.

Each community implementing the Act must develop a Public Participation Plan that it will follow throughout the process of visioning, drafting, editing, evaluating, and adopting each component of the Act, from the land use plan through the zoning ordinance to subdivision regulations. In this

way, not only will the key stakeholders in each community and statewide be engaged in the process, in most communities that process has already begun, and the community has already been engaged in the process. For example, in Whitefish, the city coordinated with Whitefish High School to use the land use plan project as a Senior Project. Some of these projects were presented by the students at a January 18, 2024, Community Development Board work session. Whitefish High School's Art Class then used the land use plan topics for one of their art projects, with students depicting their visions for the City of Whitefish in 2045 and providing descriptions of their work. The city then displayed the art works at City Hall.

Lastly, the key stakeholders have been engaged in the development of the Analysis of Impediments and the Consolidated Plan have also been included in the discussions related to the development of this grant that the state is currently undergoing. Given the limited narrative space in this application, a list of all stakeholders engaged can be found online at [Department of Commerce | Montana Department of Commerce \(mt.gov\)](https://commerce.mt.gov).

Additional information will be added to this section to document the efforts taken by Commerce and the League to further engage stakeholders during the public comment period for this grant.

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

There are statewide efforts to help ensure equitable access to homeownership in Montana. Commerce makes all determinations with respect to the adequacy of the borrower's income in a uniform manner without regard to race, color, religion, sex, national origin, familial status, handicap, marital status, actual or perceived sexual orientation, gender identity, source of income of the borrower, or location of the property. The Bond Advantage Down Payment Assistance Program and the MBOH Plus 0% Deferred Down Payment Assistance Program provide homebuyer assistance to first-time homebuyers. Commerce, 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.

According to the 2024 Fair Housing Survey, 41% of respondents are aware of fair housing laws in Montana, 39% are somewhat aware, and 19% are not aware. The survey found that 37% of respondents are aware of policies to promote fair housing in their communities. Of the 181 respondents to the survey, 29 have witnessed or experienced housing discrimination. Additional public responses indicated the need to address housing discrimination based on gender identity, age, and source of income.

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, Commerce 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.

The racial and ethnic groups in the non-entitlement areas of Montana have experienced a small shift since 1990 to include a more diverse makeup of residents. However, the White population still represents the vast majority of Montanans in non-entitlement areas of the state. The White population decreased from 91.4% in 1990 to 83.3% in 2020. Black, Asian or Pacific Islander, and American Indian populations all saw small increases in proportional representation. The Hispanic population grew from 1.3% in 1990 to 2.6% by 2020. See Table I.1 for changes in race and ethnicity over time.

Table I.1: Race and Ethnicity

Race/Ethnicity	1990 Trend		2000 Trend		2010 Trend		2020	
	#	%	#	%	#	%	#	%
White	556,529	91.4%	618,450	89.2%	666,393	87.8%	657,407	83.3%
Black	1,103	0.2%	2,275	0.3%	4,179	0.6%	2,648	0.3%
Hispanic	7,969	1.3%	11,912	1.7%	19,169	2.5%	28,565	3.6%
Asian or Pacific Islander	2,432	0.4%	4,558	0.7%	7,104	0.9%	5,371	0.7%
Native American	40,296	6.6%	54,443	7.9%	61,823	8.1%	53,132	6.7%

Data Source: HUD AFFH Tool, Census, ACS

Nonentitlement Areas of Montana

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 brackets experience disproportionately greater need in comparison to other racial groups.

During the development of the latest Analysis of Impediments and the Consolidated Plan, Commerce conducted outreach and received comments regarding the importance and a need for subsidized housing, workforce housing and ADA compliance. Some public comments included a concern about the lack of developers who actually want to build affordable housing and concerns about people are creating ADUs without going through the proper channels and regulations to ensure that they are habitable per health and safety standards such as converting garages into ADUs, which could lead to potential toxic exposure. This grant will help address these concerns through the activities. Lastly, Commerce is affirming this project complies with and is consistent with the latest, and upcoming, Consolidated Plan and Analysis of Impediments.

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

The total project cost is \$11,882,822. The State is requesting \$7 million from HUD, of which \$4.93 million is to complete land use planning reforms with 11 LUPA communities implementing the

Land Use and Planning Act, \$1.93 million to complete provide pilot programs to jumpstart housing development at the local level, and \$140,000 for the Montana Department of Commerce administration expenses. The state is providing \$150,000 in leverage through its Community Technical Assistance Program and \$284,150 in grants to the 11 LUPA communities through the Montana Community Reinvestment (MCR) grant program. The assisted LUPA communities are providing \$4.5 million in leverage through local funds and in-kind staff time and resources. The League will not be requesting any administrative costs related to this grant. The state of Montana and its partner have proactively chosen to minimize costs allocated to grant administration in order to maximize the potential for success in local regulatory reform and incentivizing housing production.

Timeline:

All project activities will be completed no later than 12/30/2029.

Activity 1 and Activity 2 will be initiated no later than 3/2025 and completed by 12/30/2026

Activity 3 will be initiated no later than 3/2025 and be completed by 6/30/2029

Project closeout and monitoring will be completed by 12/30/2029

Exhibit E: Capacity

Montana Department of Commerce, State of Montana

Exhibit E: Capacity

i. What capacity do you and your Partner(s) have? What is your staffing plan? (10 points)

The Montana Department of Commerce (Commerce) and the Montana League of Cities and Towns (League) will jointly lead the implementation of proposed activities, utilizing their administrative capacity, experienced staff, and energy to handle projects of such scale and complexity.

The Montana Department of Commerce has strong capacity and established systems are in place to ensure smooth implementation of program and project management for this grant.

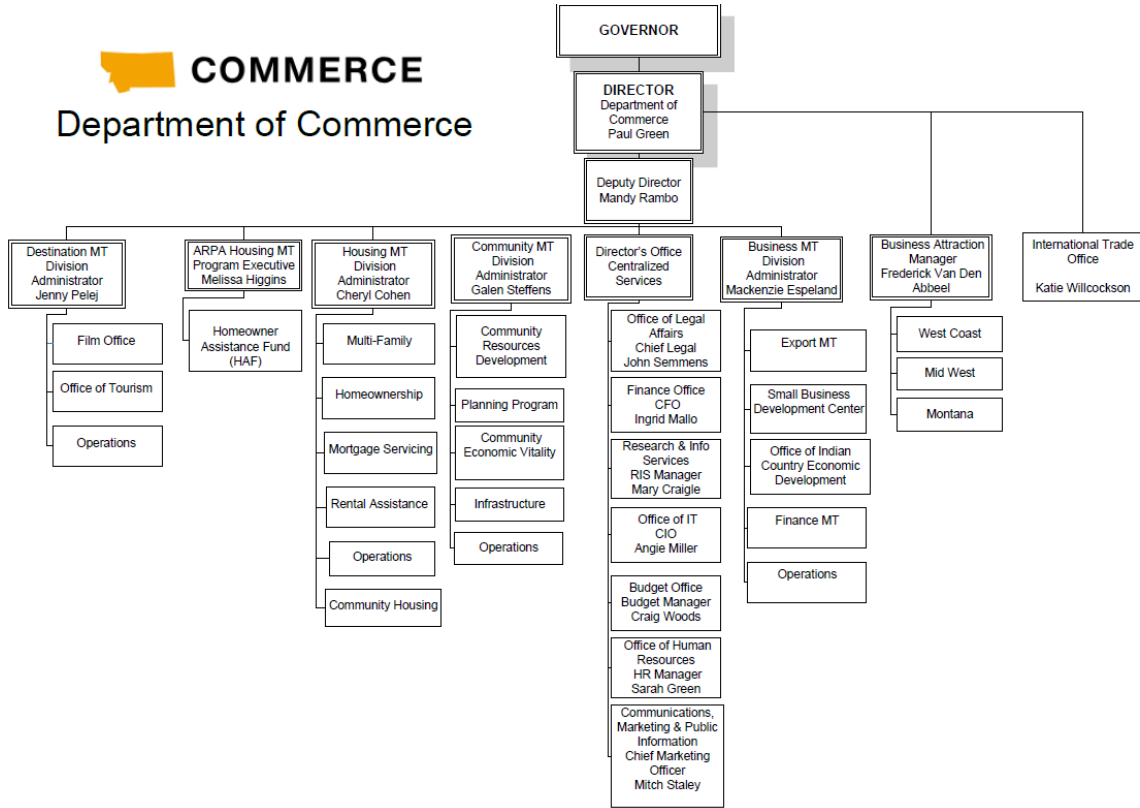
- Since the 1980s, Commerce has been the recipient and manager of HUD funds. Additionally, Commerce's CDBG, HTF, and HOME programs offer a wide range of services to assist low- and moderate-income people, including funding and awardee monitoring for their efforts to preserve and/or create affordable housing. Commerce has occasionally provided funding for pressing communal needs that could not be met by other means.
- The structure for award making and project administration are established by the organizational structure at Commerce, which includes decades of experience administering and managing federal and state grant and loan programs as described below.

Award making for Activity 3 will be done through the typical competitive award process and will be overseen by the Community MT Administrator and planning staff. The competitive award process will similarly follow the established CDBG Planning grant program and will be announced in coordination with the same. The Administrator will oversee the contracting, reporting and site visit processes for all awards. In addition, the state of Montana has received HUD CPD funding since 1981. Commerce has the framework in place for project management, compliance, and quality assurance that will enable immediate and timely implementation of the proposed activities. Commerce's capacity and expertise comes from the specific administrative experience identified through the following:

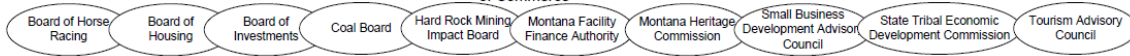
- Community MT: will administer and oversee the management of this PRO Housing program. Community MT administers numerous federal and state funded community development programs such as CDBG, MT Coal Endowment Program, Main Street Montana, MT Historic Preservation, Hard Rock Mining Board, and the Community Technical Assistance Program (CTAP). CTAP provides 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 proposal includes funding to hire a limited-duration consultant, who will assist Community MT to continue the progress towards addressing the housing needs and land use as discussed in Exhibit D.

- Housing MT: Housing MT will support Community MT Division with any work related to this program. Housing MT division also has extensive experience in applying for, implementing, and managing large scale federal and state programs such as CDBG, Housing Trust Fund, HOME, Housing Choice Vouchers, Low Income Housing Tax Credits, and many more housing programs. Housing MT works to support the development of deed restricted affordable housing units in a variety of types through acquisition and development of single family, multi-family, and trusts, mixed income, rehabilitation projects and shelters. Housing MT collaboratively works with Community MT and the Montana Department of Public Health and Human Services to complete the Consolidated Plan, Annual Action Plan, Consolidated Annual Evaluation Report, Affirmatively Furthering Fair Housing Plan as well as IDIS and DRGR reporting experience
- Commerce Finance Department: consists of financial experts, which includes budget and finance managers that are dedicated to the work all of the divisions that oversee federal and state appropriations and budgets. Community MT, Housing MT, and the Commerce Finance departments work closely to manage the CDBG, HTF, HOME, and other funds allocated to Commerce. In the last biennium Commerce has successfully awarded and administered approximately \$100 million in CDBG, HTF, HOME and numerous other Commerce funded programs.
- Commerce Legal: assists Commerce in achieving its policy goals and serves the public interest by providing excellent, objective, timely, and economical legal advice. Legal regularly supports Community MT and Housing MT divisions. This includes, but is not limited to, review and approval of contracts, administrative rules, loan terms, and documents, land use, environmental review, implementation and administration of programs, policy and procedural changes related to all programs administered at the department.

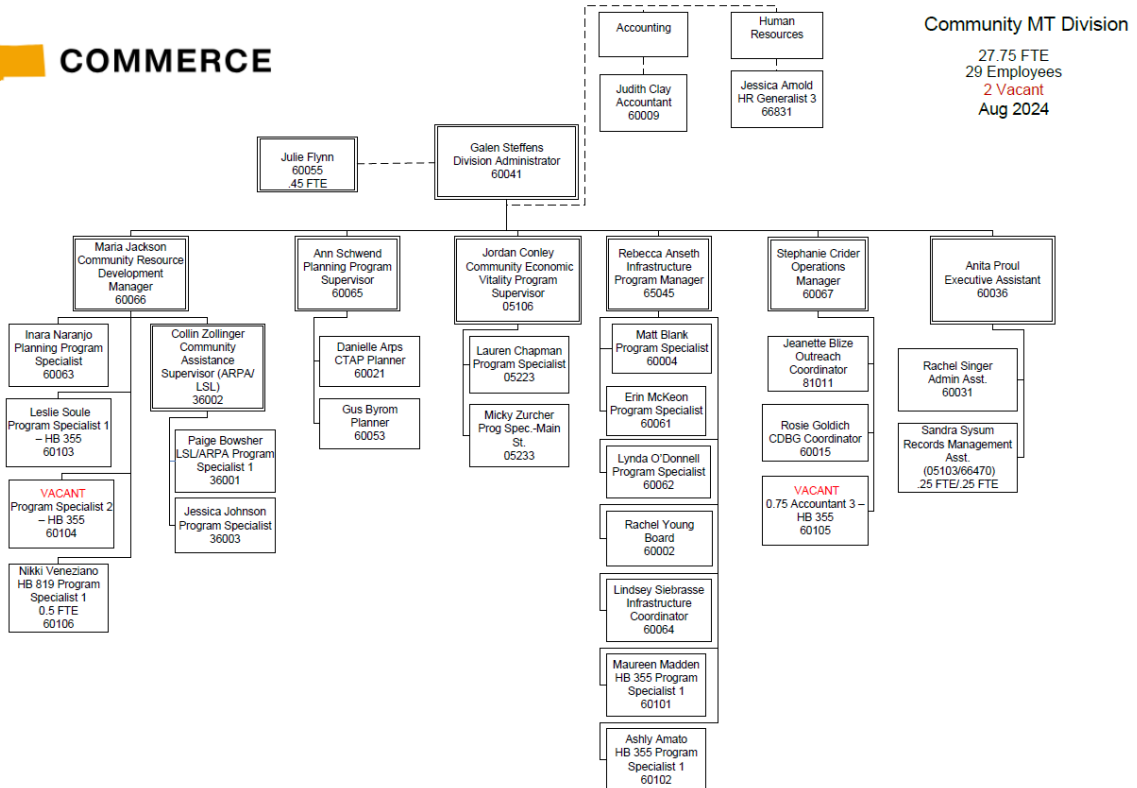
COMMERCE
Department of Commerce

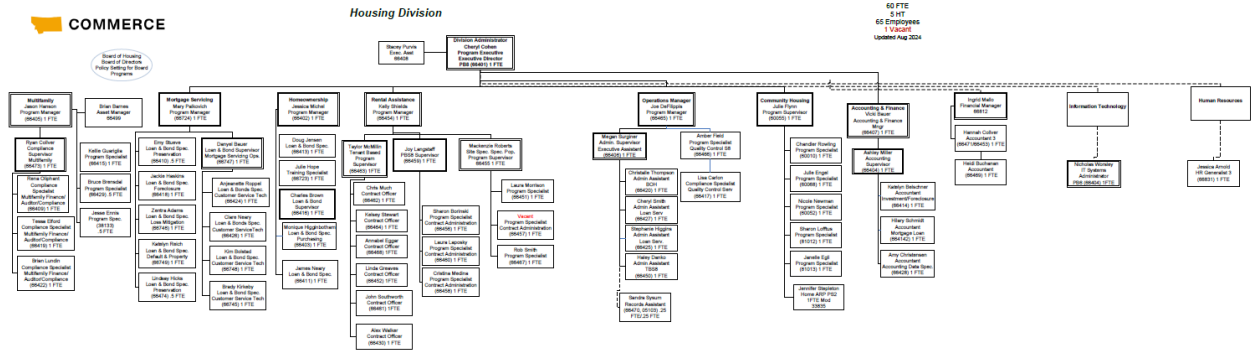


Boards Attached to the Department of Commerce



COMMERCE





Montana League of Cities and Towns (League) has strong capacity and established systems are in place to ensure smooth implementation of the project management for Activity 1 and Activity 2 of this grant.

- Kelly Lynch, Executive Director of the League, has more than 20 years of experience as an attorney and local government advocate. Kelly is also a certified planning professional with the American Institute of Certified Planners. Her experience in land use, community development, and housing are of notable importance to the support and capacity that she brings to the implementation of this grant. She is an expert in collaboration between public agencies, the private sector, and elected officials with diverse backgrounds to provide creative, efficient, and effective leadership for Montana’s communities that will directly benefit the implementation of the Activities listed in this application. Additionally, prior to joining the League, Kelly served as Community MT Administrator and Special Projects Legal Counsel for Montana Department of Commerce, which includes numerous years of experience working in the CDBG, NSP, HOME, HTF, Housing Choice Voucher programs as well as numerous other state and federal programs. This experience and expertise will ensure accurate and timely compliance and completion of this grant.
- Jennifer Olson, Government Affairs Director of the League, has over two decades of experience working at the Federal, State, and local non-profit levels. She started her career with a community action organization providing resources, then worked at Commerce as the Community MT Administrator (succeeding Kelly) to lead the division in its administration of CDBG, CDBG-DR, NSP, HOME, HTF, and several infrastructure, planning, and other community development state and federal funded programs. Her experience includes the design and development of HUD’s CPD programs for the state of Montana and oversight and administration of the Consolidated Plan, Annual Action Plan, Consolidated Annual Evaluation Report, Analysis of Impediments/Affirmatively Furthering Fair Housing Plan as well as IDIS and DRGR reporting experience. Most recently she worked at the U.S. Department of Housing and Urban Development in Field Policy and Management connecting federal resources to individuals and communities. Jennifer will directly support the work of this grant and her experience and expertise will ensure accurate and timely compliance and completion of this grant.

The combined management and knowledge of the CDBG program showcases the expertise and proficiency of the Commerce and League staff in coordinating various funding sources, contracting, community stakeholders, and government agencies. Their capabilities encompass the development and oversight of competitive applications, administration of subrecipient awards and legal documentation, as well as the disbursement and accounting of funds. Furthermore, their adeptness extends to program and subrecipient monitoring, along with accurate reporting to HUD and other relevant entities. The capacity of these two organizations will ensure successful and accurate implementation of this grant. The staffing of this grant will include the aforementioned League staff and Community MT staff, including the Community MT Administrator, a Community MT specialist to complete reporting, and two CTAP planning staff to carry out the implementation, reporting and monitoring of this grant. The League will not be receiving any administrative funding for this grant; all administrative costs listed in this grant will be exclusively for the related administrative expenses of Commerce and Community MT.

Jennifer Olson, Government Affairs Director at the Montana League of Cities and Towns, in conjunction with Melissa Higgins, Housing Program Executive wrote this application on behalf of the Montana Department of Commerce and Montana League of Cities and Towns. Coordination with Community MT, Housing MT, Finance Department, Legal and Montana League of Cities and Towns ensure that the problems, barriers and activities proposed are in alignment with current and future goals and objectives of Commerce and League.

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)

The total project cost is \$11,882,822. The State is requesting \$7 million from HUD, of which \$4.93 million is to complete land use planning reforms with 11 communities implementing the Land Use Planning Act, \$1.93 million to complete provide pilot programs to jumpstart housing development at the local level, and \$140,000 for the Montana Department of Commerce administration expenses. The state is providing \$150,000 in leverage through its Community Technical Assistance Program and \$284,150 in grants to the 11 communities through the Montana Community Reinvestment (MCR) grant program. The assisted communities are providing \$4.4 million in leverage through local funds and in-kind staff time and resources. The League will not be requesting any administrative costs related to this grant. The state of Montana and its partner have proactively chosen to minimize costs allocated to grant administration in order to maximize the potential for success in local regulatory reform and incentivizing housing production.

Leverage:

State of Montana: Community Technical Assistance Program:	\$150,000
Montana Community Reinvestment (MCR) grant program:	\$284,150
Leveraged funds from 11 partnering communities:	\$4,448,672
Total Leverage:	\$4,882,822



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Local Government Interim Committee

68th Montana Legislature

SENATE MEMBERS

MARY ANN DUNWELL - Vice Chair
RUSS TEMPEL
JEREMY TREBAS
TERRY VERMEIRE

HOUSE MEMBERS

LARRY BREWSTER - Chair
TOM FRANCE
STEVE GIST
GREG OBLANDER

COMMITTEE STAFF

TONI HENNEMAN, Lead Staff
JULIE JOHNSON, Staff Attorney
DANIEL ROSENBERG, Secretary

September 10, 2024

Adrienne Todman, Acting Secretary
U.S. Department of Housing and Urban Development
451 7th Street, S.W.
Washington DC, 20410

Dear Acting Secretary Todman,

The Montana Legislature's Local Government Interim Committee is studying the impact of multiple bills passed by the 2023 Montana Legislature related to land use and planning that address the lack of affordable housing. Like many states, Montana has experienced explosive growth in home prices, leading to increased rents and an overall cost burden to residents. In a multi-pronged approach, the 2023 Legislature passed a suite of bipartisan bills, dubbed the "Montana Miracle"¹ by news outlets.

The Legislature recognized the importance of streamlining regulations and modernizing land use planning to increase supply and reduce barriers to rehabilitating and developing housing units. [Senate Bill 382](#), known as the "Montana Land Use and Planning Act" best demonstrates the Legislature's commitment to long-term housing affordability as it requires certain cities to develop robust, future-focused land use plans and maps while directing cities to implement zoning measures to encourage housing development.

In addition, other bills passed during the 2023 Montana Legislative session encouraged housing development through policies such as allowing accessory dwelling units on parcels that contain a single-family dwelling, legalizing multifamily housing in areas zoned for office or retail development, legalizing duplexes on single-family lots, and other regulatory reforms to streamline the permitting of various types of housing.

The requirements of Senate Bill 382 to streamline and modernize land use planning almost mirror the U.S. Department of Housing and Urban Development's PRO Housing Grant objectives to "support communities who are actively taking steps to remove barriers to

¹ Kriston Capps first used the term "Montana Miracle" in her article "[How YIMBYs Won Montana](#)", published by Bloomberg in April of 2023. Other news outlets followed suit, including [The Atlantic](#), [Sightline Institute](#), and [Governing](#).

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.”²

For these reasons, we are disappointed that no Montana city was awarded FY23 PRO Housing³ grant funds. Eleven cities across Montana are currently working to implement Senate Bill 382 by May of 2026, an implementation schedule that requires analysis of various metrics, including population, housing, environment and natural resources, economic development, and infrastructure. Cities then use the analyses to develop long-range land use plans and maps that will drive local policies and housing affordability into the future. Montana cities are completing exactly the kind of hard work the U.S. Department of Housing and Urban Development PRO Housing Grant is designed to support.

We strongly encourage the U.S. Department of Housing and Urban Development to consider Montana cities when reviewing applications for the FY24 PRO Housing Grant. The Montana Legislature recognized the importance and impact of land use planning policy and considers the PRO Housing Grant a great example of federal and state government not only recognizing a shared need but, more importantly, a shared solution: improving land use planning and policies to create affordable housing in a timely and responsible manner.

Sincerely,



Rep. Larry Brewster, Chair

Cc: U.S. Senator Jon Tester
U.S. Senator Steve Daines
U.S. Representative Matt Rosendale
U.S. Representative Ryan Zinke
U.S. Department of Housing and Urban Development Block Grant Assistance Acting Director Kimberly Nash
Montana Department of Commerce Director Paul Green
Montana League of Cities and Towns Executive Director Kelly Lynch

² [PRO Housing Overview](#), U.S. Department of Housing and Urban Development website, accessed August 19, 2024.

³ [FY23 PRO Housing Grant Awardees](#), U.S. Department of Housing and Urban Development website, accessed August 19, 2024.

Exhibit G: Long Term Effect

Montana Department of Commerce, State of Montana

e. LONG-TERM EFFECT (Maximum 10 points)

What permanent, long-term effects will your proposal have? What outcomes do you expect? (10 points)

This grant proposal has three main activities that activates collaboration between state and local governments in coordination with developers and planners to elevate and enable local processes that will produce achievable long-term results dedicated to identifying and removing barriers to affordable housing production and preservation while considering the needs of disadvantaged populations and reducing discriminatory barriers. This grant not only activates and facilitates the increase in affordable housing production and preservation for these 11 communities during this grant timeline, but more importantly is a catalyst for the long-term results for years to come. It is also a catalyst for other communities who will be able to learn and follow the path of these 11 Montana communities to initiate the same changes, creating a long-term and wide-spread impact to affect many more communities than this original grant seeks to accomplish.

The implementation of the Montana Land Use Planning Act (LUPA or “the Act”) by 11 Montana LUPA communities and the modeling of pilot housing incentive programs at the state will have enact transformational change across the state in seven ways.

- (1) For the first time, Montana’s fastest-growing areas will quantify the number of housing units needed to house its projected population and incorporate those numbers into its comprehensive planning documents. Prior to implementation of the Act, housing needs were not required to be quantified and not required to be incorporated into land use plans.
- (2) For the first time, Montana’s fastest-growing areas will be required to zone to allow, by right, the number of housing units needed to house its projected population over the next 20 years. This single statutory change will ensure that the regulations in these communities are not the barrier to developing the minimum number of units necessary to house its projected populations.
- (3) As part of their zoning code update necessary to implement the Act, Montana’s fastest growing areas will adopt at least five zoning reforms from a list of 14 statutory reforms that will lead to the development of more affordable housing.
- (4) With implementation of the Act, all development proposed in substantial compliance with the zoning for a site will be administratively reviewed and approved with no additional public comment, hearings, or discretionary review.
- (5) By demonstrating how to implement the Act and the success of this new development review framework, these 11 Montana LUPA communities will provide a model for encouraging other Montana jurisdictions to implement the Act and transform land use planning, reform zoning, and streamline housing development in additional communities.

- (6) New or expanded incentives for affordable housing developers, such as providing lower interest rate loans for new construction or preservation of affordable housing, innovative home construction methods, or improved infrastructure or infill development.
- (7) New tools and training to assist affordable housing developers and nonprofit organizations with affordable housing development.

Success at the end of the performance period will be:

- (1) All 11 LUPA communities have fully implemented the Act and are reviewing and approving applications for zoning and subdivision review administratively.
- (2) A new toolkit has been developed and made available to support other communities with the implementation of the Act and innovative housing planning tools.
- (3) Increased affordable housing unit production. While housing production is a long process, the total of units produced from 2017-2022 will be compared against the total of units produced during the term of this grant 2024-2029, with a specific focus on the housing unit production as it relates to the 11 LUPA communities implementing the Act.