

Bozeman Community Housing Action Plan

*Working together to strengthen community by
increasing the inventory of quality homes
across the spectrum of needs.*

April 9, 2020 Amendment



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Executive Summary

The *Bozeman Community Housing Action Plan* outlines a partnership framework to address community housing in Bozeman over at least the next five years. Community Housing is defined as:

Homes that those who live and/or work in Bozeman can afford to purchase or rent. This includes apartments, townhomes, condominiums, emergency shelters, accessory dwelling units, mobile homes and single-family homes – all dwelling types – serving the entire spectrum of housing needs.

The Plan presents a set of actions that address a range of community housing needs. The *2019 City of Bozeman Community Housing Needs Assessment* study showed that between 5,400 to 6,340 housing units are needed over the next five years to address the current housing shortfall for residents and the workforce and to keep up with job growth. About 60% of these units need to be priced below-market to meet the full range of community housing needs. This includes a mix of housing unit types to diversify options for residents, with prices ranging primarily between \$160,000 and \$400,000 for ownership and \$500 to \$1,200 per month for rent. This plan was developed to begin addressing identified community housing needs and to create a lasting framework for implementation that will evolve as the community and its housing needs continue to evolve.

The partnership framework for accelerating community housing in Bozeman is based on the recognition that no one entity can solve the local housing challenges – it takes a community to build a community.

Utilizing the *2019 City of Bozeman Community Housing Needs Assessment* as a base to understand the housing needs of residents and employees in Bozeman, a local Housing Working Group, comprised of Bozeman community stakeholders, with input from the public and technical assistance from consultants, created this Plan. Strategies to meet housing needs have been identified and prioritized; roles and responsibilities have been assigned. A timeline for achieving priority strategies has also been established, recognizing that this Plan will have life beyond this timeline and will continue to evolve and meet changing community housing needs over the long term. By including various community members in its implementation (employers, institutions, community organizations, and stakeholders), the Plan acknowledges that community involvement is necessary for the Plan's success.

Objectives established in the Plan that will continue to be tracked to ensure progress is made, include:

- Ensuring community housing serves the full range of incomes without losing sight of safety net programs for extremely low income and homeless families. This includes safety net rentals below 30% AMI (about \$20,000 per year), additional resident and employee rentals up to 80% AMI (about \$55,000 per year), and ownership housing up to 150% AMI (about \$104,000 per year).
- Producing community housing at a rate that exceeds, or at least matches, job growth so that new employees can find homes.
- Striving to produce community housing at a rate that matches the spectrum of community housing needs, while also preserving what we have through a target of no net loss of existing community housing stock below 80% AMI.

The following graphic summarizes the strategies Bozeman will pursue over the next five years. The primary affordability level that each strategy will address is illustrated below and represents the provision of a diversity of housing for community members across multiple income levels and in various life stages.

Bozeman City Commission Amendments

The Bozeman City Commission voted on January 13, 2000 to incorporate amendments into the October 16, 2019 Bozeman Community Housing Action Plan. Those amendments are incorporated into this April 9, 2020 version and are shown in “pink” text throughout the document. The amendments were not reviewed by either the Housing Working Group or Consultant Team, but are incorporated at the request of the City of Bozeman.

Bozeman Community Housing Action Plan Bridge



Income source: 2019 HUD calculated income limits for 2-person households

Revised May 2019

- Land Banking
- Removal of Regulatory Barriers
- Deed Restrictions (permanent)
 - General Funds
 - Taxes for Housing
- Public/Private/Institutional Partners

Bozeman Community Housing Action Plan

This section presents the *Bozeman Community Housing Action Plan*. This Plan will focus the community housing partnership framework and increase the ability to meet community housing needs in Bozeman.

The primary components of the Plan include:

1. Objectives. Plan objectives are established to help monitor progress. Objectives should be revisited as community housing needs evolve.
2. Action Strategies. The action strategies represent the prioritized strategies that have been developed to meet housing objectives. The action strategies include defined roles and responsibilities and a timeline for achievement. This is the Action part of the Plan.

Because not every strategy can be implemented at once, the sequence of strategies were prioritized by evaluating current partner capacities and resources, understanding that some strategies may need to be implemented before others can be successful, and recognizing that others may have current political or legal limitations that will take more time. This prioritization is defined in more detail in the Action Strategy section.

3. Core Components. The core components represent the core operational needs to implement strategies, administer an inventory of community housing, and track the progress of the Action Plan. This structure is needed for successful implementation and to ensure continuation of the partnership framework to increase the availability of community housing in Bozeman.

The Appendix contains a summary of the Action Plan process, defined terms used in this Plan, and acknowledgements of Plan participants.

This Plan is also accompanied by Technical Documentation, which contains important information for Plan implementation. The Technical Documentation contains detail on each housing action strategy. The Technical Documentation should be referenced by implementing parties to understand the detailed background behind the formation of each strategy, best practices for each strategy, other communities implementing the strategy, and implementation steps and roles specific to Bozeman.

1. Objectives

The Bozeman Community Housing Action Plan presents a set of actions that address a range of community housing needs. The *2019 City of Bozeman Community Housing Needs Assessment* study showed that between 5,400 to 6,340 housing units are needed over the next five years to address the current housing shortfall for residents and the workforce and to keep up with job growth. About 60% of these units need to be priced below-market to meet the full range of community housing needs. This includes a mix of housing unit types to diversify options for residents, with prices ranging primarily between \$160,000 and \$400,000 for ownership and \$500 to \$1,200 per month for rent. As community housing needs change, the Housing Action Plan will evolve accordingly.

The actions identified in this Plan are designed to help Bozeman improve the availability of community housing, defined as:

Homes that those who live and/or work in Bozeman can afford to purchase or rent. This includes apartments, townhomes, condominiums, emergency shelters, accessory dwelling units, mobile homes and single-family homes – all dwelling types – serving the entire spectrum of housing needs.

The following objectives for meeting community housing needs will be tracked to monitor progress and revisited as community housing needs evolve:

- **Income Levels.** Community housing should serve the full range of incomes without losing sight of safety net programs. The primary focus should be on:
 - Ownership housing from 80% to 120% AMI, while also incentivizing the production of missing middle housing up to 150% AMI;
 - Additional resident and employee rentals up to 80% AMI; and
 - Safety net rentals below 30% AMI.
- **Jobs-Housing Relationship.** Produce community housing at a rate that exceeds, or at least matches, job growth at income levels and ratios being earned by Bozeman employees.
- **Community Housing Built and Preserved.** Strive to produce community housing at a rate that matches the spectrum of community housing needs, while also preserving what we have through a target of no net loss of existing community housing stock.

2. Housing Action Strategies

Recognizing that there is no silver bullet – that no one housing strategy can do it all – the Housing Working Group evaluated about 40 different methods that could be used to address community housing needs in Bozeman. The reviewed options were based on strategies that have been used in high-amenity communities throughout the nation to address a variety of community housing needs. This process is described in more detail in the Appendix.

Of the different options reviewed, the Working Group, with input from the public, housing needs assessment and technical assistance from the consultants, prioritized 17 of the options to implement within the next five years. Prioritization was required because neither the City nor the implementing partners have the capacity or resources to implement every strategy at once, nor would every strategy necessarily be effective in Bozeman. The other options are not lost, however. As the City and partners expand their capacity and successes, more strategies can be brought into the housing program to increase the impact of the actions taken.

The 17 strategies identified for implementation over the next five years cover a range of options and target a variety of incomes and housing types, ensuring that community housing needs are being addressed from multiple angles. This includes:

Funding: How do we pay for it?

Programs: How do we get people into homes?

Regulations: How do we make it happen?

Incentives: How do we make it easier?

Partnerships: How do we work together?

Preservation: How do we keep what we create?

The graphic on page two of this Plan (*Executive Summary – Bozeman Community Housing Action Plan Bridge*) summarizes the housing strategies that Bozeman will implement over the next five years and the primary affordability level that each strategy will address.

This section provides more detail on the developed strategies, to-date, as follows:

- Timeline for implementation: Shows the anticipated schedule for implementation for each community housing strategy over the next five years.
- Roles and responsibilities: Identifies the Bozeman entities, organizations or stakeholders that will be responsible for implementing each strategy. Lead and supporting roles are identified.
- Action strategy descriptions: Provides more detail on each of the 17 housing strategies, presented in the order shown on the timeline. A definition is provided for each strategy, along with a summary of the proposed action steps. A summary of non-prioritized strategies is also provided, many of which will be revisited for potential addition to the Action Plan as the housing program matures, capacity is added, and community needs change.

Timeline for Implementation

The 17 housing strategies identified for implementation within the next five years are shown on the timeline below. Strategies will be monitored and modified as needed to ensure effectiveness. The bottom of the timeline shows existing housing strategies that will continue and that will also be monitored as part of this Plan.

Strategies on the five-year timeline were identified as being “easy,” “medium,” and “hard” to implement, meaning:

- “Easy” strategies utilize existing capacity, organizations and momentum in Bozeman. This includes tweaking what already exists to focus more specifically on housing and borrowing on current programs that are already under development. These strategies are also perceived as having good political and community support.
- “Medium” strategies may require additional steps to complete, including more capacity or consultants; additional public outreach and input; new partnerships and/or more funding to ensure success.
- “Hard” strategies will require a combination of additional capacity, expertise and possibly local financing; may have complex implementation or approval systems; and may have varied political or public support requiring additional research and education. State statutory limitations may be in place for some, requiring creative approaches or possibly legislative changes to implement.

Timeline of Priority Action Strategies

Strategies	Type	Short 1 to 2 years	Mid 3 to 5 years	Long 5+ years	
General Funds	Funding	Easy-current; modify			
Tax Increment Financing (TIF)	Funding	Easy- exists; Medium-redirect for housing			
Community Land Trust	Preservation	Easy-in process			
Deed Restricted Housing (permanent)	Preservation	Medium			
Inclusionary Zoning	Regulation	Medium-modifications			
Public/Private/Institutional Partnerships	Partnership/Land	Medium			
Home Buyer Assistance	Program	Hard			
Permanent Supportive Housing (PSH) and Transitional	Program	Hard			
Removal of Regulatory Barriers	Incentive/Regulation	Hard			
Accessory Dwelling Units (ADU)	Incentive	Hard			
Fee Waiver/Deferral	Incentive		Medium		
Co-op Housing (mobile home parks)	Preservation	Key:	Medium		
Employer Assisted Housing	Program	Action Phase	Medium		
Land Banking	Partnership/Land	On-going Phase	Hard		
Taxes Dedicated to Housing	Funding		Hard		
Low Income Housing Tax Credits (LIHTC)	Funding		Hard		
On-going programs - to continue					
Flexible Development Standards	Incentive	City changes in effect; evaluation			
Short-Term Rental Regulations	Regulation	City adopted 2017; monitor			
Housing Rehabilitation and Weatherization	Preservation	Habitat for Humanity; HRDC			
Self Help Build	Program	Habitat for Humanity			
Senior Housing	Program	Various			
Federal and State Grants/Loans – CDBG, HOME, USDA/Rural Development, Section 8	Funding	HRDC, City			

Abbreviations: HRDC = Human Resources Development Council

Roles and Responsibilities

The Housing Working Group recognized that utilizing partners that are already working on or that have expertise with various identified strategies have a role either leading or supporting identified actions. This includes the City, HRDC, Habitat for Humanity, primary employers and others working with or alongside each other to further housing goals in the community. Joint implementation provides the ability to share resources and capacity and leverage successes for a more robust and effective housing program. More specific involvement for each strategy is summarized in the Technical Documentation for this Plan.

Matrix of Responsibilities: Action Strategies

STRATEGIES	Type	Lead	Support
General Funds	Funding	City	TBD
Tax Increment Financing (TIF)	Funding	City	TIF Districts
Community Land Trust	Preservation	HRDC/Habitat	HRDC/Habitat
Deed Restricted Housing (permanent)	Preservation	City	HRDC/Habitat
Inclusionary Zoning	Regulation	City	3rd party expert
Public/Private/Institutional Partnerships	Partnership/Land	School district	City support/convene potential partners; County; Habitat
Home Buyer Assistance	Program	City/HRDC	Prospera/Chamber
Permanent Supportive Housing (PSH) and Transitional	Program	HRDC	FUSE Team, hospital
Fee Waiver/Deferral	Incentive	City	TBD
Co-op Housing (mobile home parks)	Preservation	HRDC	Bozeman Cohousing
Land Banking	Partnership/Land	City/ Community Foundation	TBD
Employer Assisted Housing	Program	Prospera	City, Habitat
Removal of Regulatory Barriers	Incentive/Regulation	City	3rd party expert
Accessory Dwelling Units (ADU)	Incentive	City	MSU
Low Income Housing Tax Credits (LIHTC)	Funding	HRDC	City
Taxes Dedicated to Housing	Funding	City	Community/philanthropy (non profit)
Commercial Linkage	Regulation	City	TBD
On-going programs - to continue			
Flexible Development Standards	Incentive	City changes in effect; evaluation	
Short-Term Rental Regulations	Regulation	City adopted 2017; monitor	
Housing Rehabilitation and Weatherization	Preservation	Habitat; HRDC	
Self Help Build	Program	Habitat for Humanity	
Senior Housing	Program	Various	
Federal and State Grants/Loans – CDBG, HOME, USDA/Rural Development, Section 8	Funding	HRDC, City	

Strategies are sorted in the same order of the timeline presented above.

Abbreviations: City = elected officials, advisory boards, and staff; HRDC = Human Resources Development Council; FUSE = Frequent Users Systems Engagement; Habitat = Habitat for Humanity; Chamber = Bozeman Chamber of Commerce; Prospera = Prospera Business Network; MSU = Montana State University; TBD = To Be Determined; **Community Foundation = Bozeman Area Community Foundation**

Action Strategy Descriptions

This section provides a short summary of the Action Strategies, with more detailed information provided in the Technical Documentation for this Plan. Strategies are color-coded based on the primary category type shown in the timeline:

Funding: Blue
Partnerships: Purple
Programs: Red
Regulations: Orange
Incentives: Yellow
Preservation: Green

Strategies are summarized as follows:

- Priority Action Strategies: Each priority action strategy is summarized and presented in order of implementation. A definition is provided for each strategy, along with a summary of the proposed actions.
- On-Going Strategies: Each strategy that is on-going, meaning they are functioning and not currently a priority for additional changes or action at this time, are summarized. This includes the definition of the strategy, its current status and comments received.
- Potential Strategies for Future Consideration: Strategies that were evaluated, but not yet prioritized for implementation, are summarized. This includes the definition of the strategy, along with comments from the public and Housing Working Group.

Note that the strategies with a (*) indicate that the program is already in the place.

Bozeman Action Plan Strategies

Action Strategy	Definition	Proposed Actions
General Funds*	An annual or occasional budget allocation primarily to support staffing, pre-development and gap financing for community housing.	<ul style="list-style-type: none"> Maintain in the short-term until broad-based, reliable funding source is secured. Establish allocation criteria to inform use of the City’s Affordable Housing Fund.
Tax Increment Financing (TIF)*	Allows a local government or redevelopment authority to generate revenues for properties targeted for improvement. As improvements are made within the district, and as property values increase, the incremental increases in property tax revenue are earmarked for a fund. Expenditures of TIF-generated revenues are subject to certain restrictions and must be spent within the district.	<ul style="list-style-type: none"> Use of TIF to support community housing needs to be explored at the local and state levels. Downtown is considering the use of TIF to incentivize Studios and 1-bedroom units and/or units that have long-term affordability assurances. Considerations: <ul style="list-style-type: none"> More TIF for housing means less money is available for other community priorities. Potential challenges with state regulations and use for housing. May be vulnerable at the state – care in crafting. The establishment of any new TIF districts should balance competing community funding priorities. Use TIF to incentivize long-term affordable housing within the districts including incentivizing ADUs and 1-bedroom units in the Downtown BID and incentivizing tax-credit qualifying projects. This amendment serves to clarify and combine the first two actions listed in this strategy.
Community Land Trust*	Community nonprofit owns land, develops housing and provides long-term stewardship for permanent affordability through long-term ground leases. Typically, single family or townhomes for moderate and middle-income households.	<ul style="list-style-type: none"> Consider establishing a Community Land Trust (CLT) organization that has the capability to take on management responsibilities of permanent restrictions. Coordinate with existing housing providers with CLT homes to increase efficacy and avoid redundancy. Facilitate a community land trust presentation to the City Commission.

Action Strategy	Definition	Proposed Actions (Continued)
<p>Deed Restricted Housing (Permanent)</p>	<p>Dwelling units permanently restricted by occupancy (local employee/resident), income level, and with rent/resale restrictions to retain affordability in rising and high cost housing markets.</p>	<ul style="list-style-type: none"> • Transition to a permanent restriction when publicly subsidized community housing units are created. • Align with other policies: fee waivers and incentives. • Create a permanent deed restriction that balances long-term affordability with wealth creation. • Structure the eligibility and occupancy criteria to ensure “fairness.” • Increase management capacity - begin by evaluating existing capacity, considering adjustments, and/or establishing a new entity, such as a Housing Authority or Community Land Trust. • Emphasize customer service, such as one point of contact. • Facilitate a deed restricted housing presentation to the City Commission.
<p>Inclusionary Zoning*</p>	<p>Requires that new residential subdivisions and PUD’s include/build homes that are deed restricted for community housing.</p>	<ul style="list-style-type: none"> • Revisit Affordable Housing Ordinance: evaluate what has worked and not. • Apply to multi-family development, as well as single-family: ownership and rental. • Incorporate incentives along with housing development requirement. • Consider addressing up to 120% AMI for ownership. Work with CAHAB to develop a recommendation for adjusting the single-household and townhome ownership requirements in the inclusionary zoning ordinance to include up to 120%. • Require deed restrictions to be permanent. • Ensure consistency with other development codes. • Work with CAHAB to develop a recommendation on incorporating Condominiums into the inclusionary zoning ordinance, possibly targeting 100% AMI. • Research the feasibility of including multi-family rental units in the inclusionary zoning ordinance, possibly targeting 80% AMI.

Action Strategy	Definition	Proposed Actions (Continued)
<p>Public/Private/Institutional Partnerships</p>	<p>Public/institutional organizations partnering with the private sector for development expertise to build community housing on publicly owned site. May be vacant or under-utilized land. May also include institutional properties.</p>	<ul style="list-style-type: none"> • Establish criteria to prioritize site(s). • Understand partner and site constraints. • Facilitate partnerships. • Issue Request for Proposals with desired community housing outcomes. • Keep prioritized list for future housing opportunities. <p>* Strategies "Public/Private/Institutional Partnerships" and "Employer Assisted Housing" were seen as aligned by the Bozeman City Commission, and they amended the document to combine them into one strategy.</p>
<p>Homebuyer Assistance*</p>	<p>Down payment assistance of grants or second mortgages for qualified buyers. Can be used for restricted or market units.</p>	<ul style="list-style-type: none"> • Build upon existing program through the City, HRDC, Habitat for Humanity. • Seek local funding to serve households up to 120% AMI. • Community education program – financial literacy and assistance options. • Work with employers to assist employees. Technical assistance, loan/grant options, administration, etc. • Work with community partners to evaluate the establishment of home buyer assistance funds from non-city sources for home purchase made outside the inclusionary zoning ordinance.
<p>Permanent Supportive Housing (PSH) and Transitional*</p>	<p>PSH pairs housing with supportive services to transition chronically homeless into home security. Transitional housing provides temporary assistance to bridge the gap from homelessness to permanent housing.</p>	<ul style="list-style-type: none"> • Inform developers of PSH incentives/opportunities. • Identify needs (HRDC). • Form housing group to advocate for more state funds. • Implement FUSE model to more efficiently and effectively provide services (HRDC).

Action Strategy	Definition	Proposed Actions (Continued)
Fee Waivers/Deferral*	Water/sewer, building permit or other fees waived in part or whole or deferred until occupancy/sale to reduce upfront cost to build. General funds or other source need to cover cost if fees waived or reduced and/or for the deferral period.	<ul style="list-style-type: none"> • Update Affordable Housing Ordinance to reflect how fee waiver is implemented. • Structure fees to incentivize desired development (e.g. lower fees for smaller ownership and for-rent units, etc.). • Explore options to cover the cost of reduced fees – general fund, tax increment financing (TIF), etc. • Create an upfront schedule of all fees for developments – predictability. • Ensure homes benefit the community (deed restricted) if get reduced fees.
Co-op Housing	Common ownership and management of purpose-built communities. As related to preserving mobile home parks, residents form a corporate entity that purchases the park, placing the responsibility of park maintenance in the hands of the residents. Residents can self-organize to purchase or seek assistance. NeighborWorks Montana can provide assistance in Montana.	<ul style="list-style-type: none"> • Explore as a means to preserve mobile home parks. • Reach out to NeighborWorks Montana through HRDC <ul style="list-style-type: none"> ○ Explore how the program works. ○ Verify that it can work in Bozeman/with Bozeman area mobile home parks, including evaluating parks and residents for interest and feasibility.
Land Banking	Acquiring land for eventual community housing development. Acquisition may occur through purchase, trades, life estates, donation (non-profits), in-lieu requirements.	<ul style="list-style-type: none"> • Establish criteria to prioritize sites(s). • Inventory potential opportunities. • Understand constraints. • Include vacant, underutilized, redevelopment.

Action Strategy	Definition	Proposed Actions (Continued)
<p>Employer Assisted Housing</p>	<p>Employers providing housing support to employees. May be direct employee support (help with housing search, down payment, rent/mortgage, relocation) or master lease/buy/construct units.</p>	<ul style="list-style-type: none"> • Need education of and outreach to employers – present options and educate on tools available. • Hold symposium/education session. May be led by Chamber, Prospera, employers that currently have assisted housing programs in place, or another. • Next step: <ul style="list-style-type: none"> ○ Gauge interest in options from employers. Use information from the employer survey from the Needs Assessment as a starting point. ○ Find leaders to carry forward <p>* Strategies "Public/Private/Institutional Partnerships" and "Employer Assisted Housing" were seen as aligned by the Bozeman City Commission, and they amended the document to combine them into one strategy.</p>
<p>Removal of Regulatory Barriers</p>	<p>Updating/modifying code provisions and procedures that impair community housing development. For example, ensuring codes are consistent, simplifying applications. Complete code review and rewrite might be required.</p>	<ul style="list-style-type: none"> • Implement a biannual code revision process to make it easier for boards, committees, development professionals and the general public to suggest revisions to address current and future community housing needs. • Ensure process is predictable, transparent, useful and that codes produce what we want. • Engage third party to edit, reorganize and reformat the UDC to be more streamlined, functional and user friendly. Remove duplicative language and inconsistencies. • Engage third party to review all city codes, regulations and policies to identify disconnects and recommend methods to resolve. • Explore revisiting Engineering Design Standards and Specifications Policy to allow more compact development standards. • Explore adding code section for Moveable Tiny Homes. Coordinate at the state level.

Action Strategy	Definition	Proposed Actions (Continued)
<p>Accessory Dwelling Units (ADU)*</p>	<p>An ADU is a second smaller home sharing a lot with a single-family or townhome residence. Some examples include an apartment over a garage, a tiny house in the backyard, or a basement apartment. Accessory dwellings that may be restricted for use by residents and employees require compliance monitoring.</p>	<ul style="list-style-type: none"> • Explore removing special use permit requirement for a detached ADU in R-1 zone to allow by-right. • The city has taken steps to decrease the cost of ADUs, educate the community about these cost reductions and explore opportunities for additional reductions (i.e. permitting, impact fees, parking regulations). • Make pre-engineered ADU designs available for free – only a building permit needed to construct. • Deed-restrict units that receive an incentive/public break to build to ensure community benefit – e.g., require long term rental, resident/employee occupancy.
<p>Low Income Housing Tax Credits (LIHTC)*</p>	<p>A federal program that creates an incentive to finance rental housing for households below 60% AMI.</p>	<ul style="list-style-type: none"> • Work with the “Complete Count Committee” to assist with the 2020 census count. An “Entitlement Community”, or city with a population of 50,000, receives increased and direct tax credit allocations. • Get Bozeman representation on the Montana Board of Housing. • Align regulations and zoning with Qualified Census Tracts to encourage LIHTC development.
<p>Taxes Dedicated to Housing</p>	<p>Sales, property, lodging, short-term rental fee, real estate transfer, excise tax, vacancy tax, unit demolition or conversion fees. Voter approval required in most states. Revenue stream can be used for most housing-related activities. Approval requires extensive public education.</p>	<ul style="list-style-type: none"> • Pursue either a mill levy or bond issue. • Coordinate with a comprehensive education campaign. • Consider citywide Special District. • Evaluate what entity should hold funds collected (City, new Housing Trust fund, etc.). • Evaluate who should administer allocation of funds, taking into consideration accountability requirements with the use public funds. • Establish allocation criteria that considers: scoring system, leverages funds, aligns with income targets, requires permanent affordability. • Conduct a legal review of Montana Code to determine the most appropriate sustainable funding sources for Commission review.

Action Strategy	Definition	Proposed Actions (Continued)
<p>Commercial Linkage</p>	<p>Requires new commercial development to provide housing or pay fees for a portion of employees needed to fill the new jobs generated by the development. Nexus study is required to determine the mitigation requirement. Fluctuates with building activity.</p>	<ul style="list-style-type: none"> • Conduct Nexus Study to evaluate the potential impact of linkage on community housing and businesses. • Consider the impact on business growth and the impact on the community of doing nothing (status quo). • Identify peer communities and evaluate what has worked and not worked: learn from others. • Make it easy for employers to build housing today if they want to: e.g. continue to encourage residential above commercial or on same lot. • Conduct a legal review of Montana Code to determine the most appropriate sustainable funding sources for Commission review.
<p>Review of Planned Unit Developments (PUD)</p>	<p>Planned Unit Developments (PUD) are a mechanism to gain relaxations from City Code by providing public benefit above and beyond what would otherwise be required. The PUD process can be lengthy and cost prohibitive in some cases due to the information needed prior to approval. This strategy would seek to further define elements of the code that could be standardized for approval when Community Housing needs are the focus of Code relaxations.</p>	<ul style="list-style-type: none"> • Evaluate past PUD relaxation approvals. • Explore changes in the UDC and other City standards to minimize the need for PUD relaxations. • Develop a pattern book and template for review of PUD criteria when a PUD includes construction of affordable homes

Action Strategy	Definition	Proposed Actions (Continued)
Up-Zoning	With the goal of allowing increased density where appropriate this strategy would seek to identify areas where density could contribute to increased housing supply. The strategy is meant to create uniformity in decision making and lend some level of certainty to property owners looking to aid Community Housing efforts by adding to the housing supply beyond what current zoning would allow. Tools in this strategic area may include changes to policy as well as text within the City Code.	<ul style="list-style-type: none"> • Align growth policy recommendations with the density goals supporting up-zoning. • Develop expanded criteria to be used for evaluation of up-zoning applications. • Develop appropriate transition standards when up-zoning existing parcels. • Identify areas ripe for up-zoning.

NOTE: The CAHAB Commission Liaison, in coordination with the City Manager, shall work with the Community Development Department to advance the action plan items that require coordination with community partners, providing regular updates to the Commission.

On-Going Strategies

On-Going Strategy	Definition	Status and Comments
Flexible Development Standards*	Modified land use regulations in exchange for community housing. May include reductions in parking, setbacks, open space, height limits, road widths, etc. Quality, compatibility, safety and neighborhood impacts are concerns.	<ul style="list-style-type: none"> • City changes are in effect – monitor. • Comments for future consideration: <ul style="list-style-type: none"> ○ Create predictable list of incentives that are by-right (approved by staff) in exchange for providing community housing benefit. ○ Amend utility and engineering standards to enable the creation of tiny home villages. ○ Evaluate reasons why mobile home parks are not being built or updated, consider adjustments to the building codes, engineering standards and UDC to encourage.
Short Term Rental (STR) Regulations*	Prohibiting or limited the use of homes for STR in specified neighborhoods or zones; placing resident-occupancy requirements on units that are rented short-term (e.g. rent bedroom only; ADU and primary home cannot both be STR; etc); require registration and charge fees; or other options.	<ul style="list-style-type: none"> • City adopted restrictions in 2017; monitor.
Housing Rehabilitation and Weatherization*	Repairing, updating, enlarging, improving energy efficiency, and providing handicapped accessibility, typically with Federal or State grants with strict limitation on who can be served. Staff/time intensive. Does not increase inventory of Community Housing; rather improves the quality of the existing housing inventory.	<ul style="list-style-type: none"> • Implementing partners: Habitat for Humanity; HRDC • Comments/benefits: <ul style="list-style-type: none"> ○ Enables people to stay in their homes. ○ Weatherization serves households earning <60% AMI. ○ Provides low interest loans to rehab homes. ○ Differentiate rehab (e.g. The Boulevards) from weatherization. ○ Keep – it’s a good thing.
Self Help Build*	Homebuyers receive low interest loans and technical assistance for their construction of homes. Requires large time commitment	<ul style="list-style-type: none"> • Implementing partner: Habitat for Humanity • Comments: <ul style="list-style-type: none"> ○ Active in the area; keep doing it. ○ Scalability is a problem – modest production. ○ Land costs are a challenge in Bozeman.

On-Going Strategy	Definition	Status and Comments
<p>Senior Housing*</p>	<p>High density, smaller, low maintenance units designed for retiring residents.</p>	<ul style="list-style-type: none"> • 260 affordable rentals for seniors and/or persons with disabilities exist in the City; multiple managers/providers are involved. • Comment for future: <ul style="list-style-type: none"> ○ Research full range of senior housing & service needs ○ Understand what is working well and not. ○ Expand reach of needs to more than low-income renters. • Identify partners – a leader for this program.
<p>Federal and State Grants/Loans – CDBG, HOME, USDA/Rural Development, Section 8*</p>	<p>Federal and State grants/loans for affordable housing, generally for construction of units. These include CDBG, HOME, and USDA/Rural Development. Major federal funding cuts proposed. Can only serve low income households (<50%, 60% or 80% AMI). Competitive and complicated grant application and administration process.</p>	<ul style="list-style-type: none"> • Primary implementing partners: City, HRDC • Comments: <ul style="list-style-type: none"> ○ Utilized to the max right now. ○ Allocation process skewed toward smaller communities. Takes longer to pull required information together in larger population communities such as Bozeman. ○ Highly competitive. ○ A population >50,000 would push Bozeman to an “Entitlement Community” status, which would increase availability and provide direct access to funding sources.

Other Strategies Reviewed – For Future Consideration

Potential Future Strategy	Definition	Comments
HOUSING PROGRAMS		
<ul style="list-style-type: none"> Construction Education Extension 	Work with local education system (high school technical extension, community colleges, post-secondary education) to provide training in the construction trades industry.	<ul style="list-style-type: none"> Shortage of construction labor – program can help build local labor/expertise. High school and MSU as potential partners.
<ul style="list-style-type: none"> Public Sector Development 	Initiating, designing, financing and constructing dwelling units by municipalities, counties and/or housing authorities. Similar to developing other public infrastructure.	<ul style="list-style-type: none"> Requires public sector capacity and specific expertise. Has financial risk.
FUNDING		
<ul style="list-style-type: none"> Construction & Debt Financing with Favorable Terms 	Low interest loans, tax exempt bonds, certificates of participation and other forms of development financing available to housing authorities, cities, counties and some non profits to develop housing.	<ul style="list-style-type: none"> Favorable terms include 90% LTV (loan to value) and 30-40 year amortization. Create a pot of money to use and leverage. Interest rates are currently low; more effective in high-interest rate environment.
<ul style="list-style-type: none"> Private Donations/Grants 	Tax deductible contributions to a non-profit organization, which purchases or develops housing. Competes with other charitable causes.	<ul style="list-style-type: none"> Donations to non-profit builders. Philanthropic grants.
<ul style="list-style-type: none"> Special Improvement District 	Special Improvement Districts (SIDs) are typically formed to fund public improvements, typically infrastructure (roads, sewer, etc.) or maintenance of City facilities or services. Costs are distributed across the properties within the SID that benefit from the improvements. Use specifically for housing is not common.	<ul style="list-style-type: none"> Consider a city-wide special improvement district. Requires approval by 60% of the property owners in the proposed district. System in place. State regulations may be a challenge.
<ul style="list-style-type: none"> Opportunity Zones 	The Opportunity Zones investment incentive was established in 2017 to encourage long-term private investments in low-income communities. Opportunity Zones are eligible to receive private investments through opportunity funds in the Bozeman area. The program does not explicitly address below-market community housing but may be designed to do so.	<ul style="list-style-type: none"> Not recommended for immediate use – new, untested, and complex. Need education. Economic Development tool, does not have any affordability incentives or controls. City's AHO could require some community housing in opportunity zones Tax credit projects get an equity boost in Opportunity Zones.

Other Strategies Reviewed – For Future Consideration (Continued)

Potential Future Strategy	Definition	Comments
PRESERVATION		
<ul style="list-style-type: none"> No Net Loss 	Requires replacement of below-market dwellings occupied by residents when redevelopment occurs. Similarly-priced units should be replaced on site or another site, or a fee-in-lieu of replacement could be allowed. Demolition tax can be used to fund replacement.	<ul style="list-style-type: none"> A demolition fee was discussed in the "Funding" strategy session. Homes transition from serving lower incomes to higher incomes – red to green on the bridge. Some demolition and redevelopment is good. Provide plan for displaced individuals. Disincentivizes rehabilitation and redevelopment. Must define substandard/unsafe housing that is best removed/redeveloped.
<ul style="list-style-type: none"> Condominium Conversion Policy 	Limiting or prohibiting conversion of apartments to condominiums to retain rental housing. May require some portion of converted units to be restricted community housing or provide first right of refusal of sales to apartment occupants, among other conditions. Some impose a conversion fee that goes into a housing fund.	<ul style="list-style-type: none"> A conversion fee was discussed in the "Funding" strategy session. Converted apartments to condominiums can create an entry level homeownership opportunity. Conversions from apartments to condominiums are overseen by the state – would need to establish a city tracking system.
<ul style="list-style-type: none"> Deed Restriction – Local Preference 	A deed restriction can be structured to give occupancy priority to certain households, as long as the priority does not discriminate against protected classes (race, color, religion, sex, handicap, familial status, national origin and, generally, source of income) in violation of the Fair Housing Act. Common preferences include employees that are working a certain number of hours in the community, employees that have worked a certain number of years in the community, and critical employees such as emergency service providers.	<ul style="list-style-type: none"> Big Sky requires 1590 hours of employment in community. Be careful to not discriminate against "new locals."
<ul style="list-style-type: none"> Acquisition of Market Units 	Usually involves investing public funds to lower the sales price in exchange for restricted community housing. Inability to obtain condo mortgages can result in units being rented. Public sector purchases can drive up prices for low-end market units.	<ul style="list-style-type: none"> More bang for your buck with other options.

Other Strategies Reviewed – For Future Consideration (Continued)

Potential Future Strategy	Definition	Comments
REGULATIONS		
<ul style="list-style-type: none"> Annexation Policies 	Negotiating restricted community housing as part of annexation agreements. Policy based. Entities have discretion in negotiations. This is a widespread practice among communities with community housing programs.	<ul style="list-style-type: none"> Could apply to County “donuts” within the City.
<ul style="list-style-type: none"> Residential Linkage 	Requires new residential development to provide housing or pay fees for a portion of employees needed to fill the new jobs generated by the development. Nexus Study required. Mitigation rate often increases with house size. Fluctuates with building activity.	<ul style="list-style-type: none"> Consider if commercial linkage is applied. Ensure all type of development contributes to community housing impacts, not just one group.
INCENTIVES		
<ul style="list-style-type: none"> Density Bonus 	Providing additional density in exchange for community housing. Must be large enough to entice development yet small enough for livability and compatibility. Not effective if existing zoned densities are high (e.g. when zoned at a level where developers have trouble building to existing densities).	<ul style="list-style-type: none"> Parking will be of concern if more density allowed in some areas. May need to modify existing densities for bonuses to be effective. City currently has density minimums in all residential districts in place.
<ul style="list-style-type: none"> Fast Track Processing 	Gives priority to developments that include community housing. May include expedited approval; help navigating entitlements (ombudsman approach).	<ul style="list-style-type: none"> Need more staff capacity in order to fast track applications. Potential for discontent among market rate developers if other projects move ahead.

3. Core Components

The Bozeman region has several programs, organizations and structures in place that are addressing community housing needs. This Action Plan presents the ability to evolve the housing program to better meet the needs of residents and employees by creating, strengthening and defining a partnership framework to address housing needs. This will allow Bozeman to leverage resources and capacity throughout the community and region. We recognize that programmatically and administratively, this requires additional capacity to manage an inventory of permanently restricted housing.

Core components are the tasks and structures needed to ensure that the partners and Plan continue to move forward. To ensure support and continuation of this partnership, a sound administrative structure needs to be established, along with housing program support to manage community housing that is produced through this Plan. Most of this structure needs to be in place within the first two-years of Action Plan implementation, as shown below.

Core Components Timeline

CORE COMPONENTS	2019		2020				2021				LONGER TERM
	Quarter 3	Quarter 4	1	2	3	4	1	2	3	4	2022+
1. Action Plan Administration											
2. Action Plan Coordinator/Facilitator - Action Plan to Work Plan											
3. Housing Program Management											
<i>Housing guidelines</i>											
<i>Deed restrictions (permanent)</i>											
<i>Unit management/housekeeping</i>											
<i>Inventory tracking</i>											

*Darker blue = the action phase for each element; lighter blue = on-going phase.

Each item is generally defined below, followed by the recommended implementation for each core component. For more detail, please reference the Technical Documentation for this Action Plan:

1. Action Plan Administration – includes procuring and managing the budget and staff to implement the Plan.

The first steps of administration will be to:

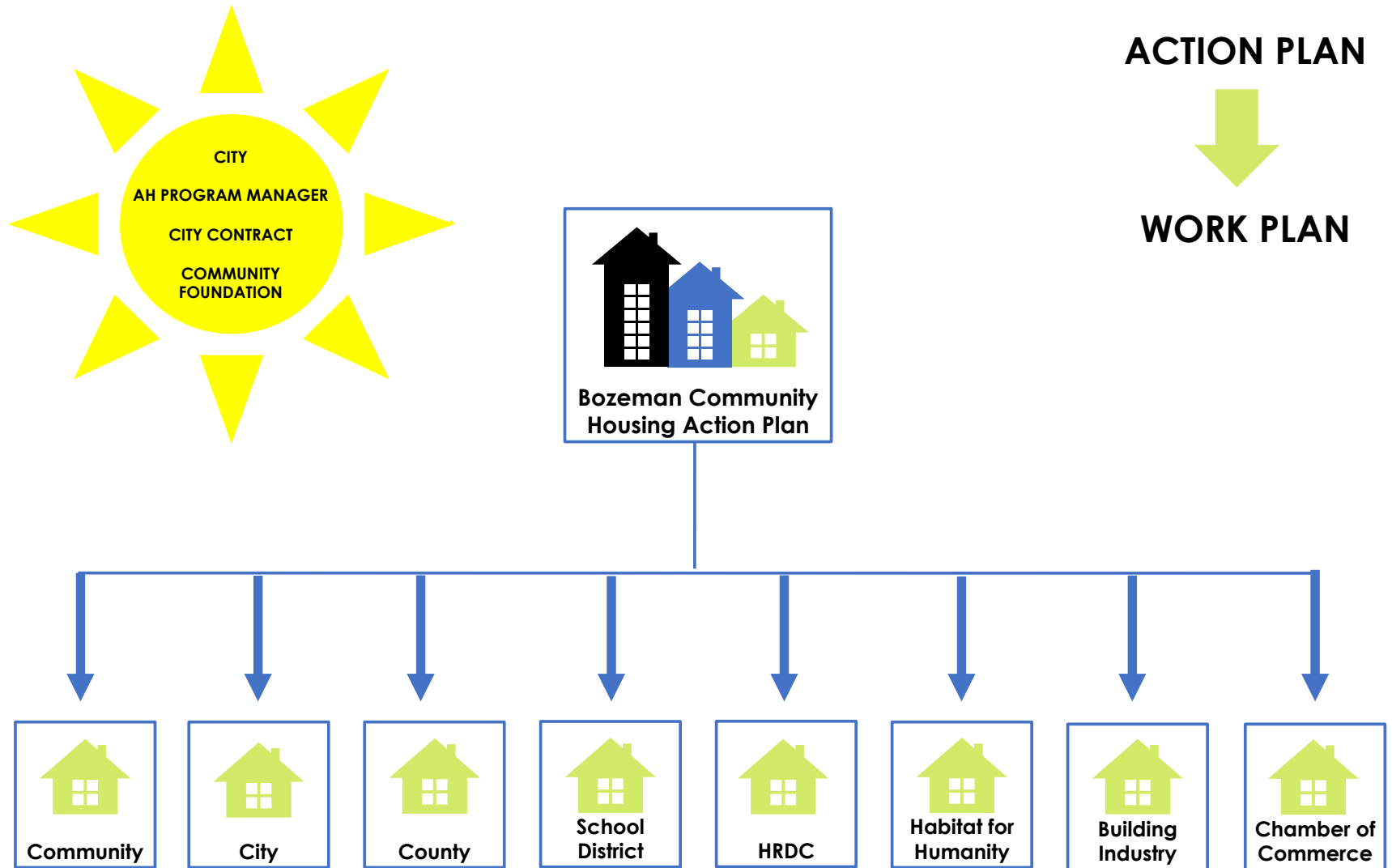
- Submit the Action Plan for acceptance by the City Commission;
- Present the Plan to Gallatin County for recognition;
- Budget for 3 years of implementation (staff, contractors, etc.); and
- Evaluate existing community housing program management (housing guidelines, deed restrictions-permanent, unit management, inventory tracking, etc.) and consider adjustment to meet community housing objectives.

2. Identify Action Plan Partner Coordinator—identifying a staff person/contractor who will serve as the convener of the Action Plan to assist with a regular meeting schedule (quarterly to begin) to track progress, learn of partner successes and challenges, and gather information for potential Plan modifications.

- Staff for this position could either be: 1) City of Bozeman Affordable Housing Manager, 2) Contractor with City, or 3) Contractor with another entity, such as the Bozeman Community Foundation.
- Role of coordinator:
 - Facilitation of partner meetings (at least quarterly to begin);
 - Summarize and advertise the “collective impact” of Action Plan partners (update quarterly and track and advertise through a published “Placemat” document or website);
 - Public outreach/communications tasks;
 - Partnership Development to build capacity of existing partners and recommend and bring in new partners;
 - Project management: work with partners on teams to implement strategies (research, facilitate teams, data analysis, outreach, etc.); and
 - Work Plan development: Concurrently, the coordinator would work with each Action Plan partner to take steps to develop a work plan for community housing from identified roles and tasks in the Action Plan.

At the city, this would include, for example, incorporating the Plan into any Memorandums of Understanding (MOU) or contracts for implementation with supporting partners, as well as prioritizing strategies for which the City has a role and identifying capacity and next steps for implementation.

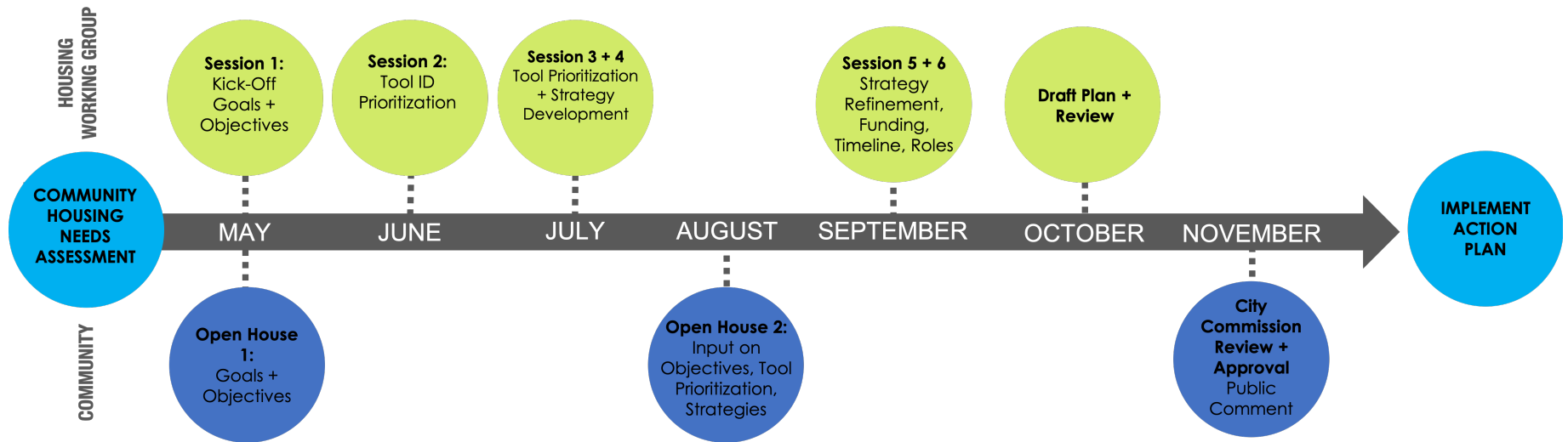
Action Plan to Work Plan Graphic



3. Community Housing Program Management – ensuring clear tracking, monitoring and management of units to retain community housing goals:
 - a. *Housing guidelines* – providing information on community housing development specifications, affordability levels, ownership and rental qualification procedures, sale/resale and rental standards, compliance and grievance processes, unit management, etc. The City and HRDC has guidelines in place; ensuring compatibility with new permanent affordability deed restrictions will be needed.
 - b. *Deed restriction (permanent)* – ensuring consistency, clarity, and that community housing goals are met, which means preserving affordability in perpetuity for community housing produced.
 - c. *Unit management/housekeeping* – having a central structure in place to monitor and manage the sales/rental occupancy, qualifications, maintenance, compliance monitoring, waitlists, etc. of community housing units. This oversight will require additional capacity as the inventory of homes expands.
 - d. *Inventory tracking* – maintaining a database of deed-restricted rental and ownership units to track their effectiveness, continued affordability, turnover, and occupancy to ensure the housing program and units are meeting goals. HRDC has acquired HomeKeeper, a deed restricted housing tracking program, that can be very effective for this purpose.

APPENDIX A – Action Plan Process, Definitions and Acknowledgements

Community Housing Action Plan Process



The Action Plan process began with an update to the “2012 Affordable Housing Needs Assessment for the City of Bozeman, Montana,” to:

- Identify how much, what type, at which price points, and for whom community housing is needed both currently and projected over the next five years;
- Inventory existing resources and capacity; and
- Understand current housing achievements.

Using the *2019 City of Bozeman Community Housing Needs Assessment* report and employer survey as the foundation, the *Bozeman Community Housing Action Plan* process kicked off in May 2019. The process included six work sessions with the Housing Working Group over a six-month period, two public open houses and online participation opportunities for public input. The consultant team provided technical assistance and expertise on housing solutions in the intermountain west and, guided by a professional facilitator, worked with the over twenty (20) community members comprising the Housing Working Group to decide upon and craft strategies to make the Plan “Bozeman.” Input from the public helped ground the approach through open house and online opportunities for participation. Throughout this process, the community drove the Plan’s priorities and development, resulting in the *Bozeman Community Housing Action Plan*.

More specifically, the process:

- Began with an overview of key findings from the *2019 City of Bozeman Community Housing Needs Assessment* and employer survey to shape initial goals and priorities for the community housing Action Plan. The public weighed in at the first open house and online regarding community housing objectives; Housing Working Group members were additionally presented with information on the necessary components of successful housing programs; core needs for housing plan implementation; and how other communities have been addressing similar housing challenges.
- At the second session, the Housing Working Group was presented with near 40 tools that other communities have used to address community housing needs. Through input from the consultants and discussion among the Group, the Housing Working Group prioritized tools they felt would be most effective for Bozeman.
- The Housing Working Group then spent two technical work sessions on the prioritized tools to develop action strategies. Through this process, the Housing Working Group learned about best practices in comparable communities, developed strategies, and discussed roles and responsibilities for implementation. The outcome of these sessions was presented to the public in a second open house to evaluate priorities and get input on drafted actions.
- The final session modified the actions and priorities pursuant to public input received. Objectives were reevaluated; a timeline for prioritized action strategies was developed; and roles and responsibilities were identified among the various partners to implement the Plan.

Definitions

The following definitions are provided and coincide with those used in the *City of Bozeman Community Housing Needs Assessment (February 2019)*.

Affordable housing – As used in this report, housing is affordable if the monthly rent or mortgage payment is equal to or less than 30% of gross household income (before taxes).

Area Median Income (AMI) – A term that generally refers to the median incomes published annually for counties by the US Department of Housing and Urban Development (HUD). AMI varies by household size. AMI is used to set income and rent limits for housing programs statutorily linked to HUD income limits (e.g. low-income housing tax credit rentals).

Community Housing – Homes that those who live and work in Bozeman can afford to purchase or rent. This includes apartments, townhomes, condominiums, emergency shelters, accessory dwelling units, mobile homes and single-family homes – all dwelling types – serving the entire spectrum of housing needs. The report *City of Bozeman Community Housing Needs Assessment (February 2019)* identifies community housing needs in Bozeman in 2019 through 2025.

Community Housing Action Plan – A partnership framework with actionable strategies to increase the inventory of community housing – dwellings that Bozemanites can afford to purchase or rent.

Missing Middle – Generally refers to ownership housing needed for residents and employees earning over 80% AMI, yet that cannot afford market-rate housing. In Bozeman, this generally refers to households earning between about 80% AMI up to 150% AMI (an average-sized 2.0-person household earning between \$55,700 to \$104,400 per year).

Acknowledgements

We would like to thank everyone who gave their time and assistance to create the *Bozeman Community Housing Action Plan*. Input from local employers, Realtors, developers, end-users, lenders, and property managers (through targeted interviews and focus group meetings) and 491 businesses or about 10% of all businesses in the City of Bozeman (through an employer survey), were central to identifying the community housing needs and several strategies that are the focus of this Plan. Development of the Plan relied on funding from the City of Bozeman and philanthropy along with extensive participation from the City of Bozeman staff and community stakeholders, leaders, and residents that formed the Housing Working Group:

Bozeman Community Housing Action Plan Working Group

NAME	AFFILIATION
Bill Fiedler & Penny Zacharisen (Alt)	Chamber of Commerce
Brian Popiel	SWMBIA
Bridget Wilkinson	Bozeman Area Community Foundation
Connie Campbell-Pearson	Gallatin Valley Interfaith Association
David Magistrelli	Habitat for Humanity
Desiree Smith	Bank of Bozeman/Residential Lending
Ellen Beck	Gallatin Association of Realtors
Erik Nelson	ThinkTank/Development
Jason Smith	Bozeman Health
Karin Jennings	West Paw/Manufacturing
Kathi Thorson	Legacy Properties/Property Management
Kevin Thane	CAHAB
Lila Fleishman & Brian Guyer (Alt)	Missing Middle
Loren Olsen & Marty Madsen	City Staff
Mathieu Menard	Gallatin County Planner
Pat Strauss	Bozeman School District
Paul Reichert	Prospera
Rob Pertzborn	Intrinsik/Achitect
Scott MacFarlane	Gallatin County Commission
Susan Riggs & Chris Naumann (Alt)	Downtown Partnership
Terry Cunningham	City Commission
Tracy Ellig & Michael Becker (Alt)	Montana State University
Tracy Menez	HRDC

*Many working group members are affiliated with multiple organizations in Bozeman. Only the primary affiliation of each member is listed above.

We cannot thank the community enough for the wealth of insight and experience they brought to this process. The *Bozeman Community Housing Action Plan* would not exist without this broad and extensive participation.