Montana Housing Coalition

SUPPORT HB 829

ESTABLISH A MONTANA WORKFORCE HOUSING TAX CREDIT

Our communities are stronger when everyone can afford a safe, healthy home. As Montana's population continues to grow, the expansion of new homes fails to keep pace. Throughout rural and urban Montana, the shortage of homes Montanans can afford hurts our quality of life and our economy. Exacerbating that challenge, the Montana Board of Housing can only fund approximately 25% of worthy multifamily rental home development applications yearly because of a lack of funds. This shortfall of existing resources leaves multigenerational, hard-working Montana families in a bind.

In response, Governor Greg Gianforte announced the formation of a housing task force in July to identify "short- and long-term recommendations and strategies for the State of Montana to increase the supply of affordable, attainable workforce housing." The Governor's final housing task force report recommended passing a state-based housing tax credit.

Workforce Housing Development Helps the Economy

The benefits of workforce housing development extend to the broader community:

- Projections for Montana indicate that over ten years, a state housing tax credit would mobilize enough private capital to generate over $143 million in economic activity in the form of construction, job creation, ongoing property operations, and increased incomes.
- For every 1 dollar spent on claimed tax credits, it would produce $2.69 in public & private investment spending in the broader state economy.
- The development of workforce housing supports existing jobs, creates immediate and long-term employment opportunities, and increases spending in local economies.
- Creating more workforce housing allows employers to attract and retain employees, growing their business and the regional economic competitiveness.
- Development and rehabilitation of affordable homes provide immediate fiscal benefits for state and local government, including building permit fees, impact fees, inspection fees, special assessments, and corporate and personal income taxes on those involved in the development.

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HB 829 would create a state workforce housing tax credit to help investors leverage and augment the federal Low-Income Housing Tax Credit (LIHTC), leading to more homes across Montana that working families and seniors can afford.

Income Eligibility and Affordability Requirements

- Residents of LIHTC-assisted properties must demonstrate an income level at or below 60% of the region's AMI (Area Median Income). AMI considers all household incomes within a region and takes the middle income to calculate affordability.
- For a home to be deemed affordable, a household pays no more than 30% of its income for housing costs (including utilities). So, a family of four in Great Falls, making a living on $43,600 or less, could qualify for a safe and healthy home under the LIHTC program.
- In exchange for tax credits, properties must ensure rents stay affordable for at least 30 years (50 years for new projects).
- If a household increases their income after initially qualifying to live in a tax-credit property, they may keep their rental home, ensuring stability for the family. Investors in projects that fail to comply can lose their tax benefits.

The Allocation Process and Financing

Each year, the federal LIHTC program allocates a specific number of credits to Montana that the Montana Board of Housing distributes. The program can be highly competitive, with over twice as many applications than can be funded.

In today's market environment, construction and development costs have become an extreme impediment for affordable housing developers. Traditional funding sources often fall short, and developers are left with a "gap" in their financing structure. The state housing credit is a valuable source of gap financing to overcome this shortage to ensure projects remain financially viable. That is why 24 states have enacted a state-level housing credit program.

The availability of this type of gap financing provides Montana with an opportunity for greater leverage of the federal LIHTC program. More projects can achieve the funding level necessary to reach full completion. Without it, Montana is leaving money on the table (and outside our borders).

HB 829 would increase the pool of funds available, thereby increasing the number of projects that receive funding, especially those in rural areas, and bring more investment to our state.

By paving the way for homes people can afford, more Montanans will become more productive and successful members of our society, helping strengthen our entire economy.

CONTACTS:

Melissa Shannon
406-422-2922
melissas@strategies360.com

Amy Nerison
651-383-2067
amyn@strategies360.com

Ella Currier
406-465-7198
ellac@strategies360.com

Natascha Robinson
406-282-4657
nataschar@strategies360.com