

MAKING MISSOULA HOME

A Path to Attainable Housing

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COMMUNITY DEVELOPMENT CONSULTANTS

PROJECT BACKGROUND

- **Werwath Associates- Background and Experience**
 - Work in diverse communities, especially in the Mountain West
 - Background in planning, programs, and nonprofit housing development
- **Report Process**
 - Qualitative and quantitative analysis
 - Work overseen by a diverse stakeholder advisory group
 - 30 community interviews, demographic and housing market analysis, community survey, industry survey, affordability analysis, constraints analysis, recommendations

HOUSING ANALYSIS CONTEXT

- Definitions of “affordability”- factor of income
- Factors impacting affordability- external forces
- Housing Spectrum Analysis- range of incomes and housing types
- Emphasis on homeownership, but all housing types interrelated
- Diverse strategies needed from public and private sectors
- Range of stakeholders all need to be engaged
- Ongoing assessment of strategies and their impact on the problem

GOALS OF THIS PROJECT

- What this report sought to do:
 - Define the problem and factors driving it
 - Look at demand factors- household demographics, population, job growth
 - Compare incomes to actual housing market activity
 - Define what “housing attainability” really means in Missoula
 - Talk to stakeholders to understand the qualitative aspects, opportunities
 - Provide comprehensive recommendations, with focus on diverse, collaborative public and private sector strategies

EVERYBODY KNOWS THERE IS A HOUSING PROBLEM

- So What Do We Look At?
- The gap between wages and housing costs:
 - Detailed demographic and housing data
 - Incomes and economic trends
 - Housing costs and availability data

KEY DEMOGRAPHICS

- City of Missoula's population grew 5.8% between 2010 and 2015
- Missoula County grew slower at 2.1%
- 2,500+ new people in the workforce in 10 years
- Housing unit growth roughly on pace with population increases

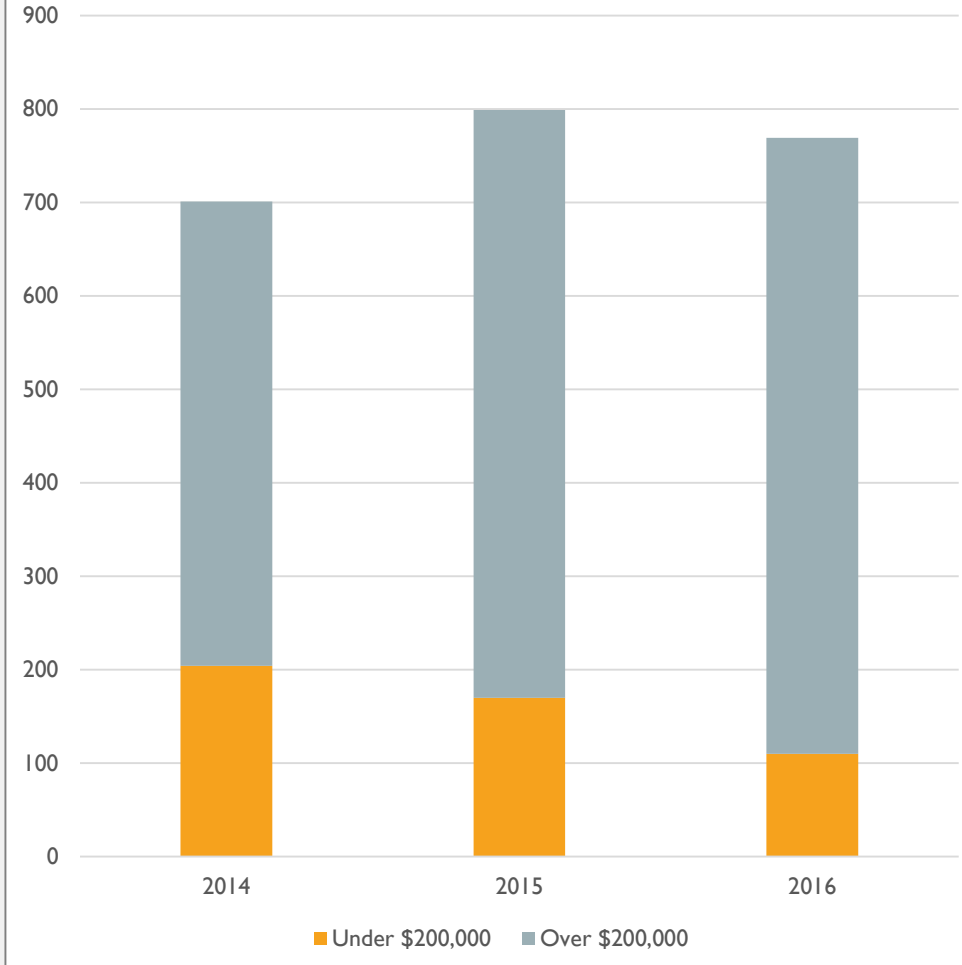
AGE AND INCOME OF POPULATION

- Missoula is a young town, 62% of the population between 20 and 60
- 47% of population in the city are considered “low-income”
- Missoula County Family Median Income of \$66,985
- 17,000 “cost burdened” families countywide mostly renters
- 41% of city households cost burdened
- 69% of city renters earning below \$35k/year are cost burdened
- At least 6,000 prospective homebuyers county-wide

HOUSING MARKET ACTIVITY

- Strong market recovery from downturn
- Median sales price for 2017 was \$268,250- requires a \$70,000 a year income
- 10 year record for building permits- 930 countywide
- 1,543 home sales in 2017, more than peak volume in 2007

Sales of Detached Homes By Price



- Sales of all homes below \$200,000 dropped from 41% in 2007 to 25% in 2016, despite growth in condo and townhome segment
- Detached homes below \$200,000 decreased 50% since 2014
- Only 90 single-family sales below \$200,000 in 2017

April 2017 Listings Detached Homes

	City	County
Listing Price		
Under \$200,000	2	7
\$200,000-\$249,000	11	10
\$250,000-\$350,000	38	64
\$350,000+	74	158
Total Listings	125	239

Source: Missoula Organization of REALTORS® April, 2017

April 2017 Listings Condominium

	City	County
Listing Price		
Under \$200,000	28	4
\$200,000-\$249,000	5	0
\$250,000-\$350,000	16	0
\$350,000+	7	0
Total Listings	56	4

Source: Missoula Organization of REALTORS® April, 2017

April 2017 Listings Townhome

	City	County
Listing Price		
Under \$200,000	2	0
\$200,000-\$249,000	22	1
\$250,000-\$350,000	7	2
\$350,000+	7	1
Total Listings	38	4

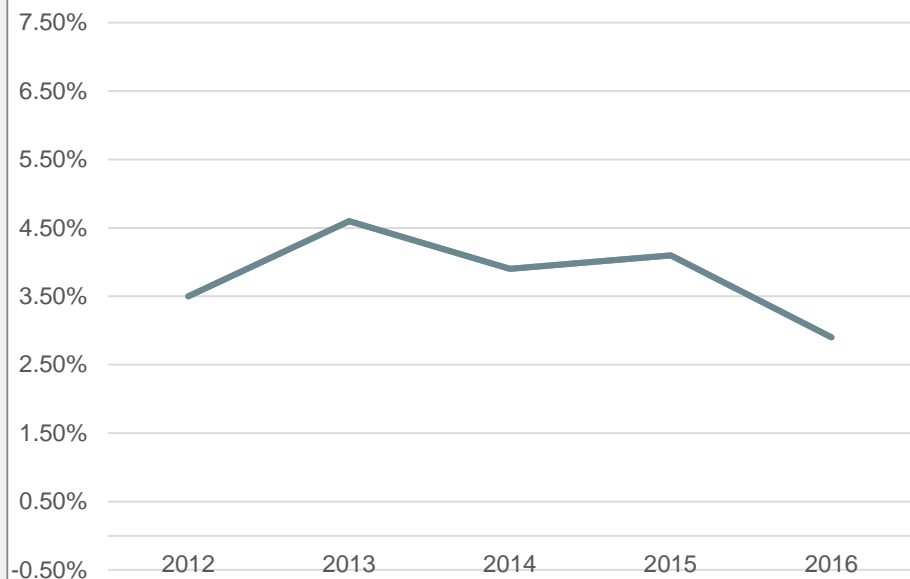
Source: Missoula Organization of REALTORS® April, 2017

- Only 9 detached home listings under \$200,000
- 22 between \$200,000-250,000 County wide
- Detached homes below \$200k represents 2% of detached listings (<1% in city)
- All homes below \$200k represent 11% of listings
- Homes between \$200-250,000 additional 11%

RENTAL HOUSING

- Similar challenges to ownership
- Perfect storm:
 - Increasing number of people priced out of ownership
 - Robust population growth
 - Young demographics/students
 - Large number of small households

Rental Vacancy Rates



Source: Western Montana Chapter of NARPM

- 2016 rental vacancy rate below 3%
- Near zero vacancy in below-market rate properties
- Vacancies below 5% for previous 6 years- considered very tight markets
- Many market rents exceed HUD Fair Market Rents

LACK OF RENTAL HOUSING-IMPACTS

- High level of households that are cost burdened- less disposable income
- Households unable to save for home purchase
- Drives up consumer debt which lowers mortgage capacity
- Lack of ownership opportunities mean higher income households drive up rental prices, forcing out the lowest income renters
- New community members less likely to stay and invest in community

DEFINING AFFORDABILITY

City of Missoula family median income, 2016	\$68,947
Missoula County family median income, 2016	\$66,686
Missoula MSA Area Median Income, 2017	\$71,200

Incomes by 2017 HUD AMI Levels for Missoula MSA						
% AMI	Number of Persons in Household:					
	1	2	3	4	5	6
50%	\$23,100	\$26,400	\$29,700	\$32,950	\$35,600	\$38,250
65%	\$30,030	\$34,320	\$38,610	\$42,835	\$46,280	\$49,725
80%	\$36,900	\$42,200	\$47,450	\$52,700	\$56,950	\$61,150
100%	\$46,200	\$52,800	\$59,400	\$65,900	\$71,200	\$76,500
120%	\$55,440	\$63,360	\$71,280	\$79,080	\$85,440	\$91,800

Source: US Department of Housing and Urban Development

RENTAL HOUSING AFFORDABILITY

Affordable Rent Levels By 2017 AMI and Household Size						
Number of Persons in Household:						
% Median	1	2	3	4	5	6
30%	\$347	\$396	\$445	\$494	\$534	\$574
50%	\$578	\$660	\$743	\$824	\$890	\$956
80%	\$923	\$1,055	\$1,186	\$1,318	\$1,424	\$1,529
100%	\$1,271	\$1,452	\$1,634	\$1,812	\$1,958	\$2,104

COMPARISON OF INCOMES AND RENTS

Comparison Rents and Area Median Income					
	Studio	1-Bedroom	2-Bedroom	3-Bedroom	4-Bedroom+
	1	1	2	3	4
Houses (2016)*	\$533	\$714	\$892	\$1,117	\$1,388
Affordable AMI	46%	62%	68%	75%	84%
Duplex (2016)*	\$550	\$614	\$783	\$1,084	\$1,283
Affordable AMI	48%	53%	59%	73%	78%
Multi-Unit (2016)*	\$569	\$625	\$743	\$858	\$1,162
Affordable AMI	49%	54%	50%	58%	71%
Multi-Unit (Market 2017)	\$751	\$812	\$968	\$1,046	N/A
Affordable AMI	65%	70%	73%	70%	N/A

Source: Western Montana Chapter NARPM, Gill Associates

*Likely includes both rent restricted and market rate properties

HOMEOWNERSHIP DEMAND

Figure 38: Analysis of Affordable Housing Opportunities for Renters

Income Range	# of City Households	# of County Households	Key Housing Strategies
\$0-\$14,999	5,159	1,630	Approximately 30% AMI- priority should be building new subsidized rental units, but requires substantial grants, rent subsidies, and below-market-rate investments to achieve affordable rent levels.
\$15,000-\$34,999	7,659	3,396	Approximately 60% AMI- can be feasibly assisted through federal rental housing development programs such as the LIHTC program, limited homeownership opportunities through deep subsidization.
\$35,000-\$49,999	5,746	3,855	Approximately 80% AMI- Market rents beginning to be affordable, but many would-be homeowners in this group have few options but sparse rural homes or condos in the city.
\$50,000-\$74,999	5,246	3,403	Approximately 120% AMI- options for condos or townhomes in the city, few and shrinking detached home options.
\$75,000 or more	7,685	5,541	< 120% AMI- at the lower end, limited options for detached homes in city and more options for condos and townhomes, this affordability could be eroded in the future if home prices rise faster than incomes or mortgage interest rates increase significantly

Source: American Community Survey 2011-2015 5-Year Estimates

HOMEOWNERSHIP AFFORDABILITY

Detached Home Prices and Affordability Gap by AMI Levels						
Household Size	1	2	3	4	5	6
Entry-Level Price	\$159,585	\$175,000	\$220,125	\$245,000	\$245,000	\$245,000
65% AMI	\$98,883	\$114,682	\$123,746	\$137,213	\$152,606	\$167,999
Gap	\$(60,702)	\$(60,318)	\$(96,379)	\$(107,787)	\$(92,394)	\$(77,001)
80% AMI	\$129,568	\$149,924	\$163,291	\$181,391	\$200,494	\$218,947
Gap	\$(30,017)	\$(25,076)	\$(56,834)	\$(63,609)	\$(44,506)	\$(26,053)
100% AMI	\$172,832	\$200,424	\$216,916	\$240,402	\$266,725	\$297,406
Gap	\$-	\$-	\$(3,209)	\$(4,598)	\$-	\$-
120% AMI	\$219,942	\$254,264	\$276,909	\$306,901	\$339,328	\$371,754
Gap	\$-	\$-	\$-	\$-	\$-	\$-

CONDO AND TOWNHOME AFFORDABILITY

Figure 33. Townhome Prices and Affordability Gap by AMI Levels

Household Size	1	2	3	4	5	6
Entry-Level Price	\$109,000	\$133,750	\$200,000	\$240,750	\$240,750	\$240,750
65% AMI	\$98,469	\$113,680	\$125,487	\$135,526	\$150,919	\$166,312
Gap	\$(10,531)	\$(20,070)	\$(74,513)	\$(105,224)	\$(89,831)	\$(74,438)
80% AMI	\$132,073	\$150,947	\$165,032	\$179,704	\$198,610	\$217,458
Gap	\$-	\$-	\$(34,968)	\$(61,046)	\$(42,140)	\$(23,292)
100% AMI	\$179,489	\$204,991	\$221,091	\$238,715	\$265,435	\$292,457
Gap	\$-	\$-	\$-	\$(2,035)	\$-	\$-
120% AMI	\$226,599	\$258,831	\$281,661	\$305,611	\$338,038	\$370,464
Gap	\$-	\$-	\$-	\$-	\$-	\$-

Figure 34. Condo Prices and Affordability Gap at AMI Levels

Household Size	Number of Persons in Household:			
	1	2	3	4
Entry-Level Price	\$121,000	\$130,000	\$160,000	\$160,000
65% AMI	\$82,283	\$101,095	\$118,490	\$137,465
Gap	\$(38,717)	\$(28,905)	\$(41,510)	\$(22,535)
80% AMI	\$113,758	\$137,307	\$157,771	\$184,538
Gap	\$(7,242)	\$-	\$(2,229)	\$-
100% AMI	\$159,258	\$191,352	\$218,698	\$251,838
Gap	\$-	\$-	\$-	\$-
120% AMI	\$206,368	\$245,192	\$279,268	\$319,036
Gap	\$-	\$-	\$-	\$-

CONSUMER PERSPECTIVES

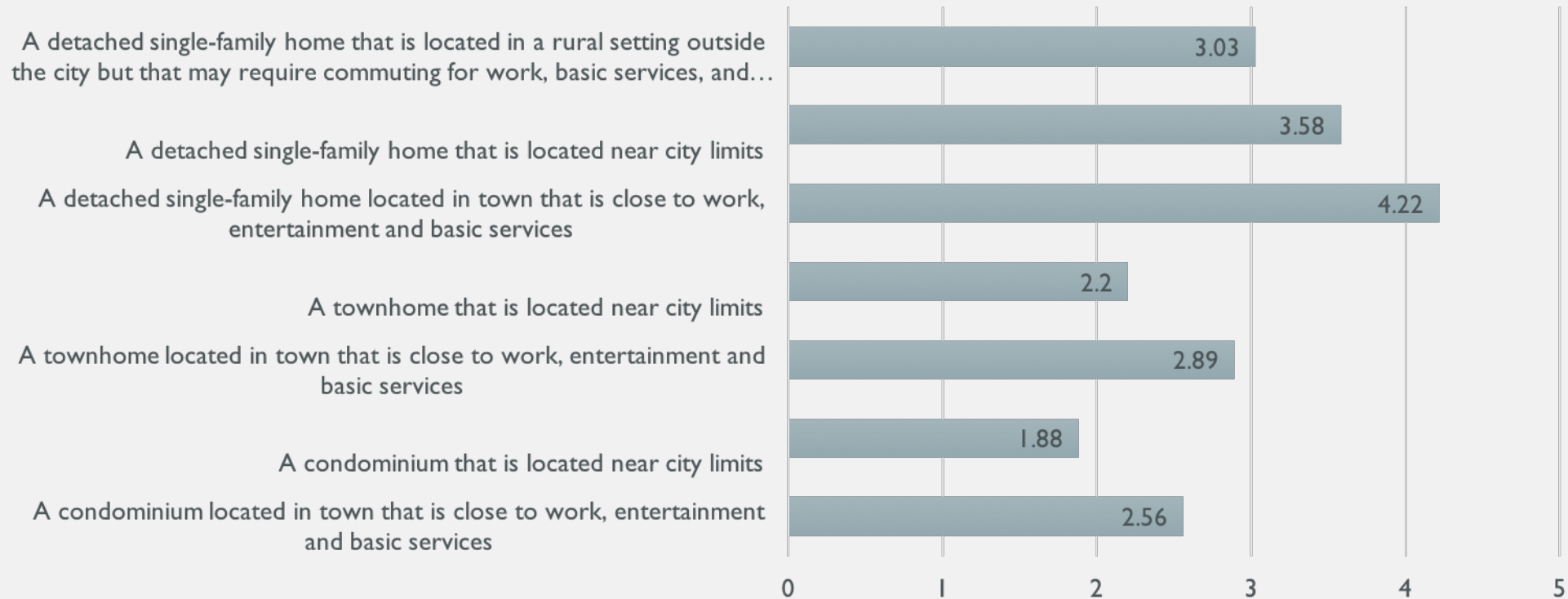
- Survey with over 900 respondents
- Housing meets needs- 90%+ of owners, 58% of renters
- Price, type of housing, and size were the biggest issues for renters
- 50%+ say their current rental is too small for their family

PROSPECTIVE HOMEOWNERS

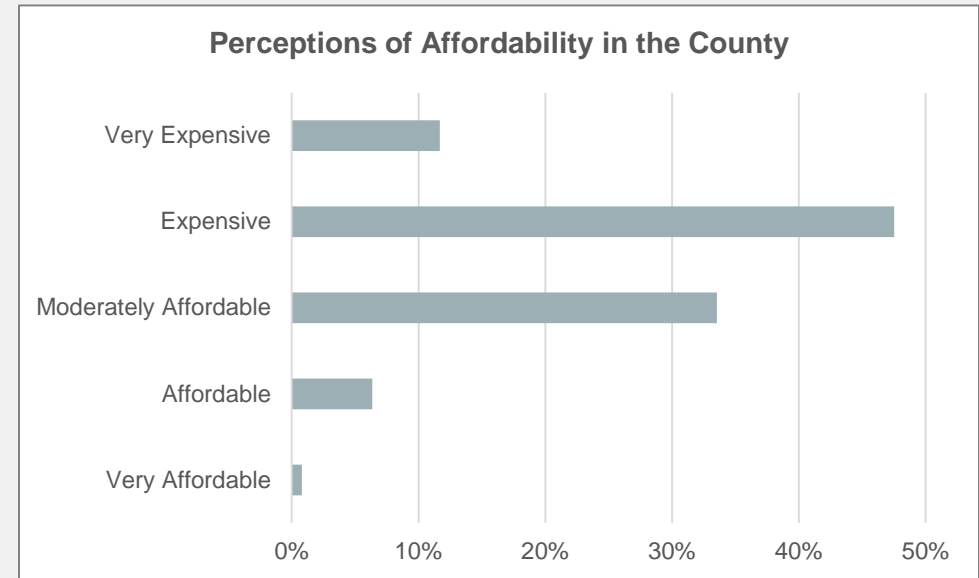
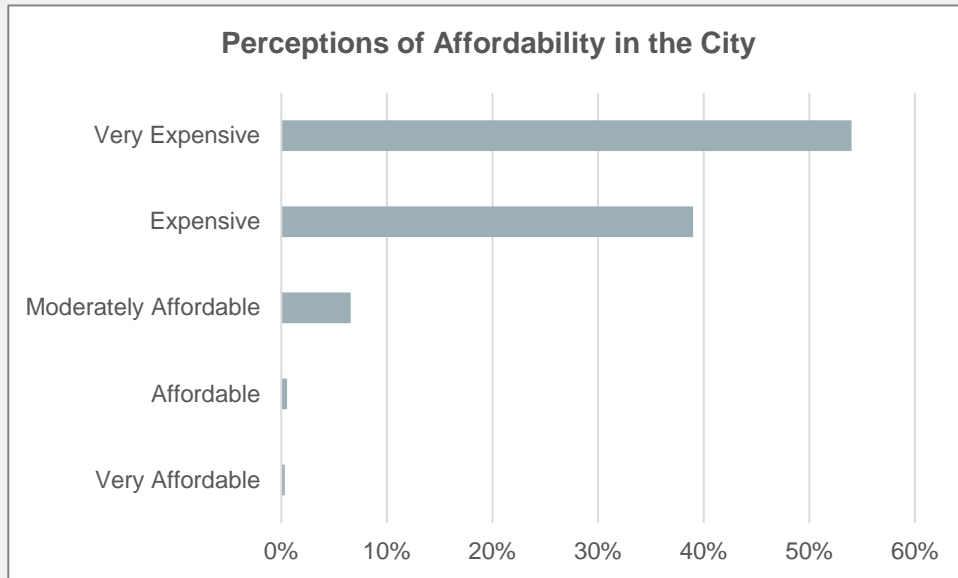
- 80% of current renters reported desire to own a home
- Only 26% had tried to purchase before
- Widely perceived obstacles to purchase- Price being the biggest (72%)
- 31,000+ renters earning above \$35,000 a year

CONSUMER HOUSING PREFERENCE

Desirability Rating of Various Housing Types

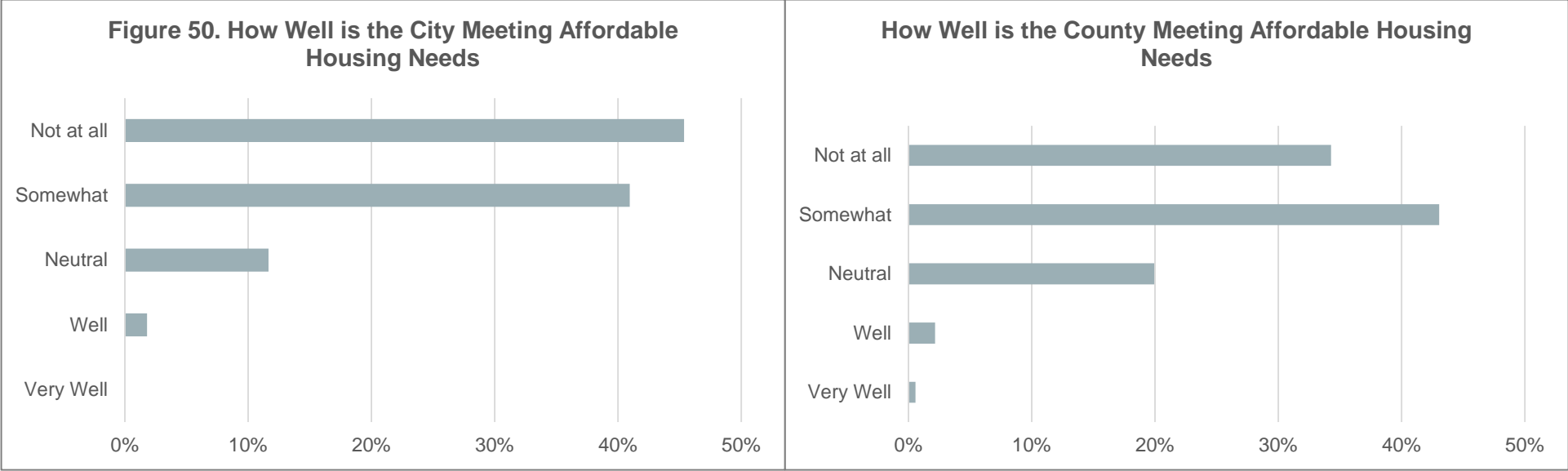


COMMUNITY PERCEPTIONS OF AFFORDABILITY

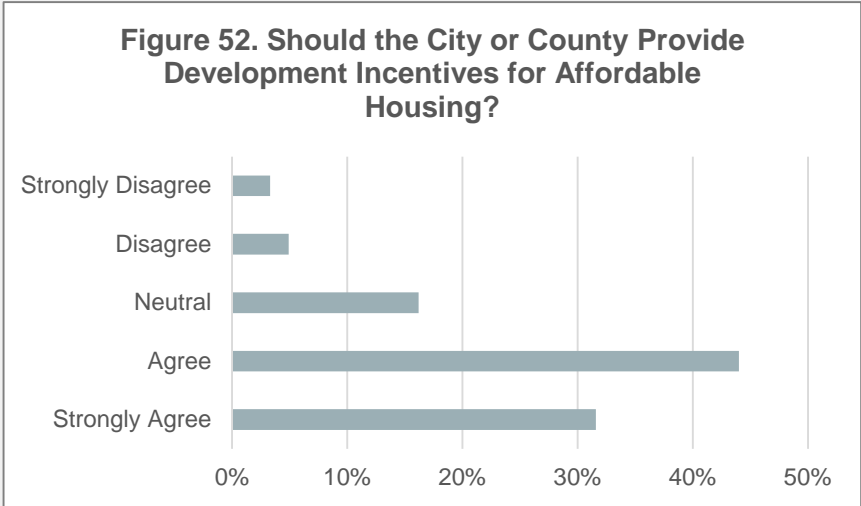
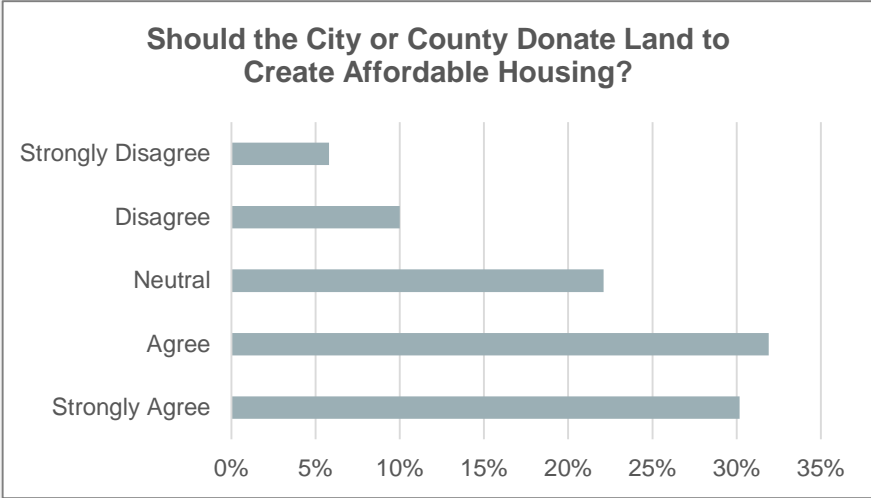
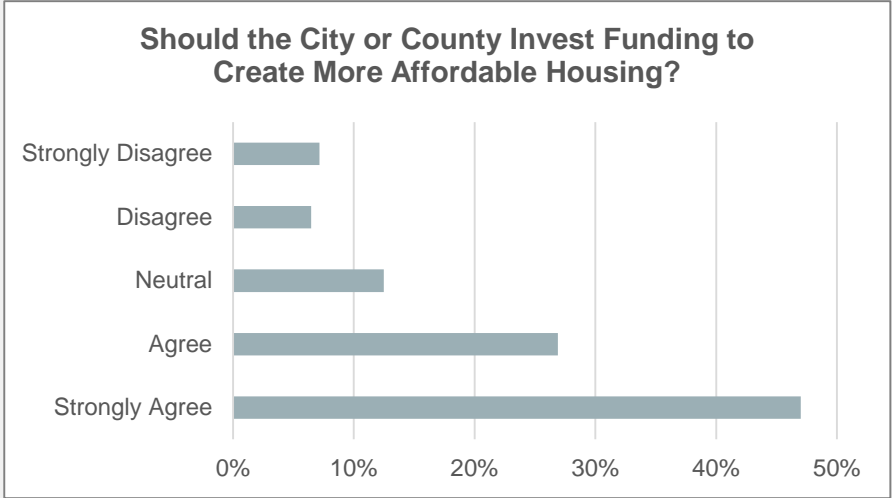


- 93% city "Expensive or "Very Expensive, 59% in the county
- County residents see rural areas as more expensive than city residents

LOCAL GOVERNMENT RESPONSE



APPROACHES TO SOLVING PROBLEMS



REGULATORY ANALYSIS

- Reviewed land use codes and other regulations for both city and county
- No strong framework or definition for affordable housing development in code
- City has taken some proactive measures, but development costs remain high and land availability low
- City needs more proactive work to balance inward growth policies
- Subdivision is challenging
- Opportunities in both the city and county for both streamlining regulations to generally lower development costs and creating incentives for meeting community housing needs

CONCLUSIONS

- High land cost and low availability
- The supply of affordably priced detached homes has nearly evaporated for households with incomes below approximately 100% of the area median income
- Nearly universal among the stakeholders was the acknowledgement that housing and cost of living are critical issues that will impact economics and the community fabric
- Threshold moment- resort community vs. economic vibrancy

RECOMMENDATIONS

KEY RECOMMENDATIONS

- Need a system change approach
- Report provides a comprehensive list of opportunities that fall under the following categories: Regulatory, Housing Development, Program Development, Capacity Building, and Funding
- Needs community processes and implementation
- Engagement of a diversity of stakeholders is needed
- Collaboration between city and county is critical

REGULATORY

- City and county create formal incentive programs for affordable housing development
- Consider proactive rezoning with densities high enough to support affordable development
- Liberalize rules around accessory dwelling units in the city
- Coordinate regulations between city and county- program development, annexation, and collaborative management

HOUSING DEVELOPMENT

- Analyze publicly owned land for donation
- Create plans for targeted infrastructure development that supports affordable development
- Identification of and community led planning for high opportunity sites
- Support development of multi-family housing design standards, LIHTC
- Create more predictable infrastructure standards for new development
- Incentives for lower cost development through Townhome Exemption

CAPACITY BUILDING

- Convene diverse coalition to work on implementation
- Expand Community Development Financial Institution capacity
- Explore new approaches to non-profit homeownership development
- Collaborations to grow local construction capacity

PROGRAM DEVELOPMENT

- Create assessment framework and measurement for impacts on housing need
- Grow consumer programs like homebuyer training and down payment assistance
- Develop a housing education and advocacy effort
- Expand approaches for preservation of existing affordable housing

FUNDING RECOMMENDATIONS

- Create an affordable housing trust fund with local sources
- Pursue a bond for housing that can capitalize the trust fund and support a triage response to housing needs
- Leverage existing sources like tax increment financing and other infrastructure funding to align with affordable housing needs

IT'S NOT TOO LATE!

- Support policy creation efforts- identify responsible departments or individuals within governments to be responsible for implementation
- City include county representative in policy creation process
- County look at similar process and unique land use needs
- Convene wider group to oversee ongoing implementation that includes local governments, real estate and development professionals, and non-profits
- Create housing advocacy and education initiative

QUESTIONS?