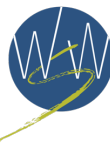


Big Sky Community Housing Needs Update: 2022

September 2022



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Introduction

This report is an update to the 2018 Big Sky Community Housing Assessment and Needs report (“2018 assessment”). It provides updated information about the housing inventory, pending projects and those in the pipeline, jobs and household income, home prices and availability, short-term rental trends, and the number of community housing units needed in Big Sky through 2027. It also updates the area median income (AMI) levels at which market purchase prices and rents are affordable and the corresponding community housing price points needed. It concludes with a brief summary of findings and recommendations.

Report Organization

This update was conducted by evaluating several components of the housing and job market, as summarized in the following sections:

- Area Median Income and Affordable Housing Payments: this section updates employee income by AMI utilizing secondary sources to estimate changes in Big Sky employee household incomes utilized in the 2018 assessment.
- Housing Inventory and Pending/Pipeline Development: this section identifies how many housing units have been added in Big Sky since the 2018 study. In addition, it identifies the number of community housing units produced by tenure and AMI affordability, as well as pending projects and those in the pipeline.
- Jobs and Wages: this section updates rates of job and wage growth since 2017, and projects job growth through 2027.
- Ownership Housing: this section documents how much home price points have changed since the last assessment and provides a current inventory of for-sale homes.
- Rental Housing: this section documents how much market rents have increased since the 2018 assessment, changes in the availability and affordability of market rents, and changes in the short-term rental inventory.
- Housing Needs Update: this section calculates the current and future community housing needs in Big Sky through 2027, presented for both ownership and rental housing and by AMI level.
- Findings and Recommendations: this section summarizes observed housing market and affordability changes, and provides general recommendations, including best practice concepts, for addressing identified needs.

Area Median Income and Affordable Housing Payments

“Affordable” Defined

The term “affordable” may often be associated with low income housing. In resort communities, however, affordability is a problem for households across a broad range of incomes; not just low income.

Housing is affordable when the monthly payment (rent or mortgage) is no more than 30% of a household’s gross income (i.e., income before taxes). Although there is some variation, this standard is commonly applied by federal and state housing programs, local housing initiatives, mortgage lenders and leasing agents. This same definition was used in the 2018 assessment.

Affordable rents and purchase prices meeting this 30% standard can be calculated for various income levels and are often expressed as a percentage of the Area Median Income (AMI). AMI is published annually by the U.S. Department of Housing and Urban Development (HUD) for each county and represents the Median Family Income of an area. This means that the AMI does not incorporate incomes from non-family single and roommate households, which make up over 40% of households Big Sky. As a result, the AMI is generally higher than the average income of all households.

AMI varies by household size. The median (or middle) income estimate generally falls on or near the 100% AMI rate for a family of four. Households that earn less than 100% AMI are identified as earning a lower percentage AMI (e.g., 80% AMI).

Big Sky crosses two counties. The 2022 median family income in Gallatin County is \$104,700 and \$72,600 in Madison County. This represents an annual average increase of about 8% and 3%, respectively, since the 2018 assessment. Like in the 2018 assessment, this update uses the AMI for Gallatin County because the majority of the local population resides in Gallatin County and the higher Gallatin County AMI is more reflective of incomes in Big Sky than that of Madison County.

Gallatin County AMI by Household Size: 2022

AMI Level	1-person	2-person	3-person	4-person
30%	\$20,900	\$23,850	\$26,850	\$29,800
60%	\$41,760	\$47,760	\$53,700	\$59,640
80%	\$55,650	\$63,600	\$71,550	\$79,500
100%	\$69,600	\$79,600	\$89,500	\$99,400
120%	\$83,520	\$95,520	\$107,400	\$119,280
150%	\$104,400	\$119,400	\$134,250	\$149,100
200%	\$139,200	\$159,200	\$179,000	\$198,800
300%	\$250,560	\$286,560	\$322,200	\$357,840

Source: US Dept. of Housing and Urban Development (HUD)

Income Distribution of Households

The distribution of households in the Big Sky area by AMI is used to understand the mix of housing and price points needed to sustain the resident population. To better approximate employed households, the below figures exclude households heading by persons age 62 and over and include households in Big Sky and Gallatin Gateway CCDs. As shown:

- Over 60% of renters earn below 100% AMI. The current rental market is affordable for households earning 110% or more, if units can be found.¹
- Only about 20% of owners earn over 300% AMI, which is slightly below the income needed to afford the median priced condominium sold through July 2022.²

Households by AMI: Big Sky/Gallatin CCD, 2022

AMI Range	Rent	Own	Total
<60%	31%	8%	16%
60 to 80%	15%	6%	9%
80 to 100%	15%	11%	12%
100 to 120%	10%	10%	10%
120 to 150%	7%	23%	18%
150 to 200%	10%	15%	13%
200 to 300%	9%	9%	9%
300% or more	3%	18%	13%
Total	100%	100%	100%

Source: Ribbon Demographics, LLC; HUD; Consultant team

Affordable Housing Prices

The average household size in Big Sky is about 2.5 persons, which was the average in the 2018 assessment. Due to very little change in this figure since 2018, 2.5 persons per household is used throughout this update like in 2018. The below table shows the affordable rents and home purchase prices at various household incomes and the respective AMI level for an average-sized household in 2022.

- Because the maximum affordable rent is solely based on 30% of household income, the maximum rent figures increased by 40% relative to the 2018 figures, the same amount as incomes.
- The maximum purchase price, however, only increased by about 13%. Rising mortgage rates in 2022 reduces the purchasing power of households.

¹ See *Rental Housing* section for more information.

² See *Ownership Housing* section for more information.

Maximum Affordable Housing Costs (2022)

AMI Equivalent*	Household Income	Max Rent	Max Purchase Price**
30%	\$25,350	\$635	\$80,200
60%	\$50,730	\$1,270	\$160,500
80%	\$67,575	\$1,690	\$213,800
100%	\$84,550	\$2,115	\$267,500
120%	\$101,460	\$2,535	\$321,100
150%	\$126,825	\$3,170	\$401,300
200%	\$169,100	\$4,230	\$535,100
250%	\$211,375	\$5,285	\$668,900
300%	\$304,380	\$7,610	\$963,200

Source: Consultant team

*AMI for the average sized 2.5-person household earning the respective income.

**Assumes 30-year mortgage at 7% with 5% down and 20% of the payment covering taxes, insurance and HOA fees.

Interest rates significantly affect the affordable purchase price of homes. Mortgage rates increased significantly in the first half of 2022. As a result, affordable purchase prices in the above table assume an average mortgage interest rate of 7%, which is approximately one percentage point higher than prevailing rates. In comparison, an assumed rate of 5% was used in 2018.

For every 1%-point rise, the purchasing power of a household decreases by about 10%. This should be considered when evaluating the affordability of housing and establishing prices for new affordable homes.

Interest rates, which rose in the first half of 2022, affect the affordable purchase price of homes.

Housing Inventory and Planned/Pending Development

The 2018 assessment characterized the housing inventory that is deed restricted as “shockingly low.” At that time, only Big Sky Apartments (36 units) were restricted to ensure rents would be affordable for residents. The LIHTC project provides rentals affordable for households earning up to 60% AMI.

New Housing Inventory

New housing built since 2018 is identified below by two categories:

- Community housing – residences intended and suitable for year-round occupancy. These include residences for rent or ownership that meet the diverse needs of residents and employees in different life stages that call Big Sky home.
- Employer/seasonal units – units designed and managed for seasonal employees (e.g., dorms, lock-offs). Such accommodations typically include shared bedrooms, kitchens, and bathrooms and are necessary for J-1 Visa hires, for example.

While employer units for seasonal employees are important and essential in Big Sky, the community housing gap identified in the 2018 assessment related to the need for residences suitable for year-round occupancy to improve the year round stability, diversity, and resiliency of the Big Sky community and economy. It was noted in that study that seasonal employee housing was expected to be provided in addition to the community housing estimates. As such, only community housing is counted against the community housing needs identified in the 2018 assessment (see *Community Housing Needs Update* section).

Based on tracked development, a total of 319 units have been built since the 2018 assessment. About 54% are employer units (173 units, 509 beds) and 46% are community housing (146 units).

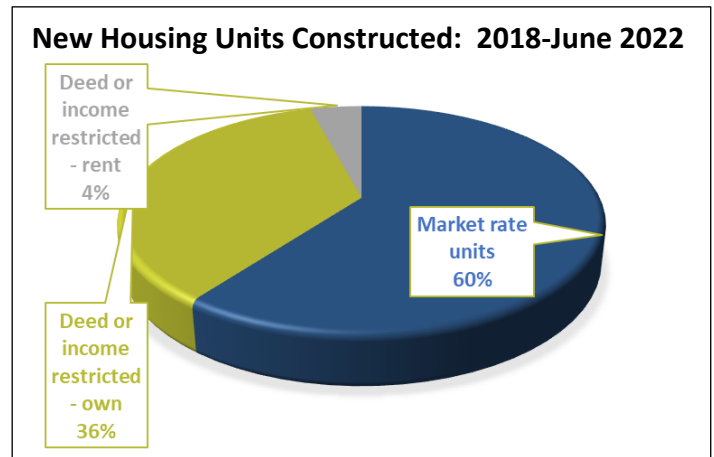
New Housing Units Constructed: 2018 through June 2022

	Big Sky Total	Ownership	Rentals
Total	319	52	267
Community housing (year-round occupancy)	146	52	94
Market Rate	88	0/no info	88
Below Market (deed restricted)	58	52	6
Employer/seasonal units (dorms/lock-offs)	173 (509 beds)	0	173 (509 beds)

Source: Big Sky Housing Trust, Lone Mountain Land Company

Of the community housing units, 58 (40%) are deed- or income-restricted to serve the local year-round workforce, more than doubling the supply of deed-restricted community housing.

- Meadow View Condos is a 52-unit deed restricted affordable ownership housing development sponsored by the Big Sky Community Housing Trust. Finished in the summer of 2021, it is fully sold and occupied. Homes are restricted for households earning 80% to 150% AMI.
- Habitat of Gallatin Valley and the Big Sky School District partnered to produce 6 additional rental housing units for teachers earning up to 60% AMI.



Pending and Pipeline Housing

This section summarizes pending and pipeline housing projects, meaning:

- **Pending:** units that are already under construction, have been approved, or are actively being planned with some certainty that they will be built in the next five years.
- **Pipeline:** residential development projects that are being discussed or are early in the planning process. They do not have approvals and many project details are still uncertain or unknown.

As shown below, community housing development is anticipated to pick up in relation to seasonal employer units:

- About 776 new community housing units are pending. Of these, 183 (24%) are anticipated to be deed- or income-restricted units.
- An estimated 650 units are in the pipeline, which is subject to change.

Number of Housing Units Pending or in the Pipeline

	Big Sky Total	Canyon	Gateway	Meadow	Mountain
Pending (anticipated by 2027)					
Community housing (year-round occupancy)	776	294	323	59	100
Market Rate	593	270	323	0	0
Below Market (deed restricted)	183	24	0	59	100
Employer/seasonal units (dorms/lock-offs)	310 (1,376 beds)	12	116	102	80
Pipeline (details/timing uncertain)	650	97	0	188	365

Source: Big Sky Housing Trust, Lone Mountain Land Company

Over half of the 183 pending deed- or income-restricted units will be located in the Mountain area and roughly one-third in the Meadow. This includes:

- 52 rental units in the Meadow, with at least half restricted to 40% to 80% AMI and the rest capped between 100% and 150% AMI (still being determined).
- 7 ownership units in the Meadow at 150% AMI.
- 100 ownership units in the Mountain area restricted to 100% to 150% AMI.
- 24 single family homes for rent in the Canyon area with unknown AMI limits at this time.

Pending Community Housing Development by Own/Rent

	Big Sky Total	Own	Rent	Mix of own/rent (or unknown)
Community housing (year-round occupancy)	776	117	92	567
Market Rate	593	10	16	567
Below Market (deed restricted)	183	107	76	0

Source: Big Sky Housing Trust, Lone Mountain Land Company

If all pending deed restricted community housing developments are built by 2027, there will be a total of 277 deed or income-restricted housing units serving Big Sky's community. Over half of these units will be for ownership.

Projected Total Deed-Restricted Community Housing Units in 2027

	Big Sky Total	Ownership	Rentals
Existing before 2018	36		36
Built since 2018	58	52	6
Pending (by 2027)	183	107	76
TOTAL	277	159	118

Source: 2018 Assessment, Big Sky Housing Trust, Lone Mountain Land Company

Jobs and Wages

Job Growth and Projections

There were an estimated 4,718 jobs in Big Sky in 2021, or about 700 more than in 2017. The previous assessment projected that jobs would be between 4,605 and 4,915 by 2023; however, a higher than anticipated rate of job growth meant that jobs reached this level in 2021. From 2017 to 2021, jobs grew by an estimated 4.1% per year on average in Big Sky. Job growth in Gallatin and Madison Counties combined was much slower (2.9% per year on average).

Through 2027, an estimated 675 to 1,275 jobs will be added in Big Sky depending on whether jobs are created at the long-term average rate of growth, or more recent rates of growth. As was the case in 2018 assessment, the state job growth estimate of 1.4% per year for the southwest region is likely low based on the amount of development that is pending and historic growth rates in the area (see *Housing Inventory and Planned/Pending Development* section).

The low and high 2027 job growth projections are based on the following rates:

- Low of 2.3% per year: this is the long-term rate of growth in wage and salary jobs from 2007 to 2021. There were two recessions over this time period.
- High: these are the 2017 to 2021 rates of growth, 2.9% in the two counties and 4.1% in Big Sky. To grow at this pace, housing will have to be available and affordable for employees so that employers can compete for and attract new employees to the area.

Job Estimates and Projections: 2021 to 2027

	# of Jobs		Average Yearly % growth			
	2017	2021	2027 (low)	2027 (high)	(low)	(high)
Big Sky area	4,019	4,718	5,394	6,002	2.3%	4.1%
Counties total*	85,862	96,360	110,155	114,562	2.3%	2.9%
% of County jobs in Big Sky	4.7%	4.9%	4.9%	5.2%	-	-

Source: QCEW county and Zip code (59716 & 59730); BEA county data; Consultant team

*Sum of Gallatin County and Madison County jobs

Wages

From 2016 to 2021, wages in the Big Sky area increased by 8.6% per year, almost double the rate from 2013 to 2017 (4.5%). This is lower than the rate of wage growth in Madison County, but higher than in Gallatin County. On average, employees in Big Sky are paid almost \$53,000 per year.

	2016	2021 [1]	Annual Yearly % growth
Gallatin County	\$40,969	\$55,221	6.2%
Madison County	\$35,134	\$54,575	9.2%
Big Sky area	\$34,876	\$52,698	8.6%

[1] preliminary data subject to revisions

Source: QCEW county and Zip code (59716 & 59730); Consultant team

Ownership Housing

Home Sale Prices

Home prices were too high for most workforce households in 2014. Affordability eroded further by the time the 2018 assessment was completed, and it has all but evaporated in 2022, with the exception of income- or deed-restricted inventory.

The average price of single-family sales in 2022 (through August 1) was almost \$3 million, and \$1.3 million for condominiums, requiring at least 7-times the average wage paid in Big Sky (absent substantial assets) to be able to afford to purchase homes.

- Since 2017, median annual sale prices of single-family homes and condominiums increased by 19% to 25% per year.
- The average sale price of single-family homes in 2017 was \$386 per square foot. Sales through Aug. 1, 2022, averaged \$901 per square foot; a 133% increase.
- The average sale price per square foot of condominiums (\$800) increased by 158% from the \$310 per square foot in 2017.

Change in Sale Prices: 2017 to 2022

	2017 (thru Nov. 15)	2019	2020	2021	2022 (thru Aug. 1)	Avg yearly % change (2017-2022)
Single-family						
Median sale price	\$1,030,000	\$960,000	\$1,299,500	\$1,917,500	\$2,450,000	19%
Average sale price	\$1,235,113	\$1,709,538	\$1,665,622	\$2,344,140	\$2,967,402	19%
Avg sale price/sq ft	\$386	\$484	\$441	\$633	\$901	18%
Condo/Townhome						
Median sale price	\$390,000	\$429,225	\$550,000	\$802,000	\$1,182,500	25%
Average sale price	\$520,341	\$570,240	\$696,333	\$909,689	\$1,341,706	21%
Avg sale price/sq ft	\$310	\$366	\$395	\$536	\$800	21%

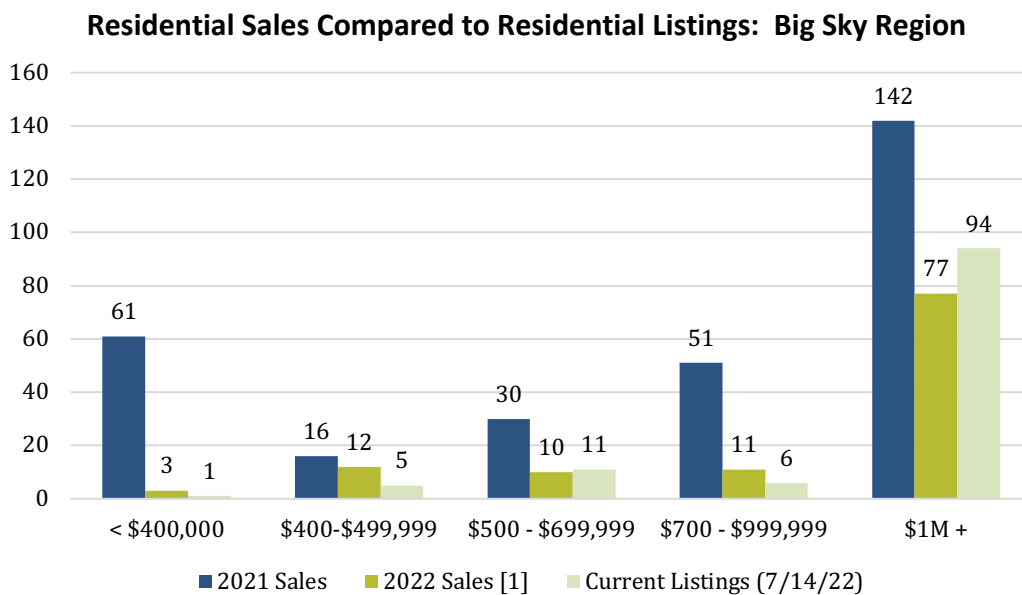
Source: The Big Sky Real Estate Company, MLS, consultant team

Active Listings

There are fewer housing units for sale this summer (117 total) than in the summer of 2017 (191 total) – a 39% drop. For-sale inventory is at or near record lows.

Relative to 2021 sales, current listings represent about 4.7 months of inventory overall. Inventory varies by price:

- There is less than one-month supply of homes for sale for \$500,000 or less (6 homes total). About 70% of resident households need homes priced below \$500,000.
- There is nearly an 8-month supply of homes priced over \$1 million.

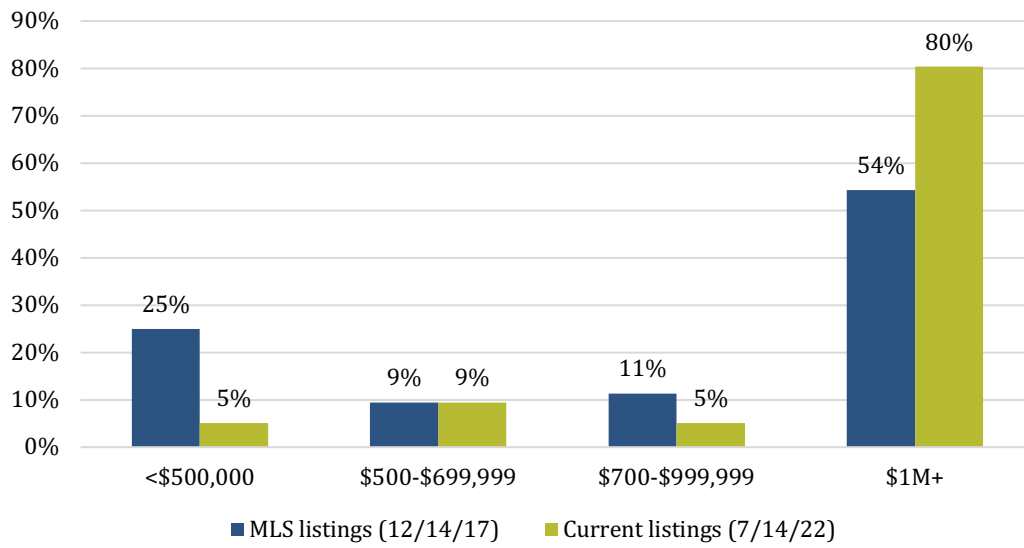


Source: The Big Sky Real Estate Company, MLS, consultant team

Although homes for sale below \$500,000 were not plentiful in 2017, availability at this price has continued to decline.

- In 2017, 25% of homes for sale were priced below \$500,000. All but one were condominiums which tended to be older/in need of repairs or designed for second homeowners (e.g., high HOA fees and prices exceeding \$500/square foot).
- In 2022, only 5% of homes were for sale below \$500,000 (6 total). Four are partial ownership or timeshare only, one is a 440 square foot unit that was built in 1974 and is priced over \$1,000/square foot, and the sixth unit is priced over \$1,100/square foot in a ski-in/ski-out, high amenity complex.

Residential Listings Compared: 2017 and 2022



Rental Housing

Rental Rates

The average rent per bedroom is near \$1,150 per month, up from about \$850/month in 2018. Current rents are affordable for households earning about 110% AMI. Almost half (48%) of renters need rents below \$1,700 per month, which is now very difficult to find.

Changes by unit size for professionally managed units are shown in the below table and illustrate that:

- The average price of rental units increased by about \$600 per month, or 38% since the 2018 assessment.
- Studio and one bedroom units have increased the most (68%).
- Over the past couple of years, property managers report that average rent has increased by between \$100 and \$300 each year for properties that retain the same renter. The highest typical annual increase has been closer to \$500 in the past few years, with a few exceptions.

As rents have increased, property managers note that tenants either figure it out and retain their unit, move out and leave the area or potentially utilize camping and van-living options in the summer, or units may be leased by employers who help subsidize the increase for their employees.

Market Rents: 2018 Assessment Compared to Summer 2022

	2018 Assessment (mid point of Professionally-Managed Market Rents)	Summer 2022 (Professionally-Managed Average Market Rents)	Percent Change
0/1 Bedroom	\$850	\$1,428	68%
2 Bedroom	\$1,700	\$2,258	33%
3 Bedroom	\$2,700	\$3,125	16%
4 Bedroom	NA	\$3,592	NA
Overall Average	\$1,700	\$2,338	38%

Source: Big Sky Community Housing Trust, local property managers, consultant team

Available Rentals

The 1% rental vacancy rate as of the 2018 assessment is now zero, and has been since at least 2020. Property managers report that renters “take what they can get.”

There were only five rentals publicly advertised in June 2022 in the Big Sky area. Two of the five were rooms for rent, with one being contingent on employment at a local restaurant, and two excluding pets. All listings (except for the employment unit) advertised lease terms for 7-months or less.

Big Sky Public Listings: June 2022

Type	Rent	Lease Duration/Terms
Room for rent	\$850	Employer-provided
Room for rent	\$1,250	6 months
Studio	\$1,600	7 months
Studio	\$2,500	6 months/no pets
1 bed / 1 bath	\$2,500	6 months/no pets

Source: Apartments.com, Craigslist, Facebook, DiscoverBigsky.com, GoBigRentals.com

Loss of Long-Term Rentals

As stated in the 2018 assessment³, the majority of rental inventory in Big Sky relies upon owners leasing condominiums and other owned-homes. This results in unstable rental stock. Primary factors affecting the supply of long-term rentals in recent years (similar to findings in 2018) includes:

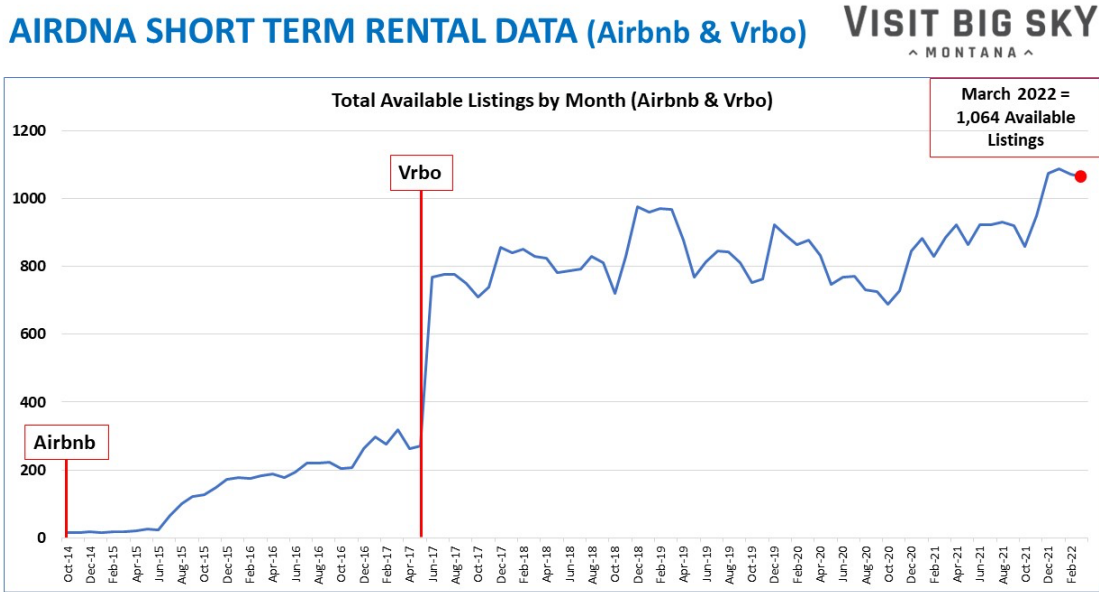
- Owners selling homes. New buyers, given high housing prices, typically opt to short-term rent (if they rent at all) to help cover costs. One property manager reported losing 10 to 12 rentals over the past few years to owner/landlords selling their home (or about 8% of their long-term rental inventory).
- Short-term rental competition. Owners can typically get a higher yearly return for short-term renting their homes in Big Sky over long-term leases. Short-term renting also provides flexibility for the owner to utilize the home.

Short-Term Rentals

The purchase of homes for short-term rental purposes by investment buyers or second home owners increases home prices and reduces the potential availability of homes for long-term rentals and/or for purchase by local residents.

³ See pp. 53 and 57 from the 2018 assessment regarding the mix of rentals by unit type and renters being forced to move for various reasons, including the owner selling the rental (26%) and the owner converting to a short-term rental (23%).

The rising trend in short-term rentals in Big Sky was noted as a huge problem in the 2018 assessment, and the trend has continued. Since the 2018 assessment, the number of short-term rentals in Big Sky has increased 33%, from 800 in February 2018 to 1,064 in March 2022 and now comprise over 20% of the total housing stock.⁴



Source: AirDNA

The prior use of short-term rentals is not tracked in Big Sky; it is uncertain how many units would be rented by their owners long-term to residents if short-term renting was not an option. The community survey conducted for the 2018 assessment showed that long-term rentals were being lost to owners selling homes or short-term rental conversion at a rate of about 5% per year. Information from property managers and short-term rental growth over the past 5 years support that this has continued, although unit conversion has not been tracked.

⁴ Source: AirDNA data as compiled by Visit Big Sky

Community Housing Needs Update

Current “Catch-Up” Needs

Catch up in 2021 refers to the number of units needed to catch up to meet current community housing needs that are in short supply.

For the purposes of this update, catch-up is calculated by:

- Updating the total housing needs calculated in the 2018 assessment for the time period between 2017 and 2021.
- Subtracting the number of community housing units constructed or approved since the 2018 assessment from total needs.

Updated 2018 Assessment Estimates

The 2018 study projected housing needs through 2023. This included two estimates:

- Housing units needed to catch-up with current deficits by providing housing units for in-commuting employees who want to live in Big Sky.
- Housing units needed to keep-up with future demand for housing based on projected job growth and jobs vacated by retiring employees.

Updated estimates are based on:

- A four-year, rather than six-year, need. Estimates presented in the 2018 assessment covered from 2017 to 2023. Revised estimates show needs from 2017 through 2021; and
- Updated actual and estimated job growth between 2017 and 2021 from the Montana Department of Labor and Industry, showing that a total of 700 jobs were added. This is higher than anticipated: about 700 jobs were instead projected to be added by 2023 (i.e., two years later).

These estimates do not include resident housing lost due to owners selling homes or conversion to short-term rentals, a topic of concern in Big Sky, and should, therefore, be considered conservative.⁵

⁵ See *Rental Housing – Short-term rentals* section for more information.

Update of Housing Needs: 2017 to 2021

	2018 Assessment (2017 to 2023)		Updated (2017 to 2021)
	Low	High	
Catch-Up	335	335	335
In-commuters (39% want to move to Big Sky)	335	335	335
Keep-Up	225	320	265
Retiring employees (3.2% in five years)	55	55	55
New jobs (69% of employees living in Big Sky)	170	265	210
TOTAL through 2021	560	655	600
Market-rate (no more than 45%)	250	295	270
Below-market (at least 55%)	310	360	330

Revised estimates of need for 2017 to 2021 show that about 600 housing units were needed for local residents and employees to address deficiencies in 2017 and keep up with job growth and retiring employees. Most of these units needed to be priced below market (330 units).

Community Housing Produced

Accounting for community housing that has been constructed since 2017 shows that a remaining 272 below-market units and 182 market-rate units are needed.⁶

Estimated Remaining Community Housing Needs: 2017-2021

	Total need	Built 2017 - 2021	Remaining Catch-up
Below Market (deed restricted)	330	58	272
Ownership (below 150% AMI)	145	52	93
Rental (below 100% AMI)	185	6	179
Market Rate	270	88	182
Ownership	95	0/no info	95
Rental	175	88	87

NOTE: Differences are due to rounding

⁶ See *Housing Inventory* section for more detail on built and pending projects.

Keep Up Needs (2021 to 2027)

It is estimated that between 265 to 445 community housing units are needed to keep up with changes through 2027. As done in the 2018 assessment, the need for community housing units through 2027 is based on:

- Projected job growth. As outlined in the *Jobs and Household Income* section, jobs are projected to increase by between 675 to 1,285 positions by 2027. A range is presented to account for the historical growth rate (2.3%) and the more recent, higher rate of growth (4.1%); and
- Jobs vacated by retirees. The rate of retirement over the next five years is assumed to be the same as in the prior assessment – about 3% of employees – resulting in the need for an additional 65 housing units by 2027.

Assumptions regarding the mix of units by ownership and rental are the same as those used in the 2018 assessment, which can be referenced for more detail. This includes:

- About 40% of new units should be for ownership and 60% for rent. This takes into account that most in-commuters that would move are renters, as are the majority of new workers to the area initially (an estimated 70%). It is also in line with the rental shortage experienced in Big Sky (near 0% vacancy rate).

The precise ratio, however, is somewhat dependent upon the Area’s desired direction and housing policy. While the rental market is very tight and rentals are needed to help fill jobs and allow employees to enter the community, ownership is needed long term to reduce housing stress and build stability, security, and satisfaction among residents making their living in the region.

Keep Up Needs: 2021 to 2027

	Low	High
Retiring employees	65	65
New jobs	200	380
Total Keep Up Needs	265	445
Ownership	105	180
Rentals	160	265

Total Needs (2021 to 2027)

Just over 800 community housing units are needed in Big sky through 2027 to provide housing opportunities for local residents and employees. About 70% of needed homes should be

community housing units that are priced below-market. This means below 250% AMI for ownership and 100% AMI or less for rentals.⁷

Based on pending development projects through 2027, the market rate component of community housing needs will be met. Below-market (deed restricted) development will fall short by about 390 units, 60% of which should be rentals.

Total Needs: Catch-Up Plus Keep-Up, 2021 to 2027

	Total	Ownership	Rental
Catch-up (2021)	454	188	266
Keep-Up (2021 – 2027)*	355	140	215
TOTAL Housing Units	809	328	481
Below market/deed restricted (70%)	575	262	313
Market rate (30%)	234	66	168
Subtract pending development from total needs			
Pending development (by 2027)	776	-	-
Below market (deed restricted)	183	107	76
Market rate	593	- uncertain	-
Remaining Housing Need (through 2027)			
Remaining Housing Need (through 2027)**	392	155	237
Below market (deed restricted)	392	155	237
Market rate	0	-	-

NOTE: differences are due to rounding

*Represents the mid-point of estimated housing need based on low and high estimated job growth rates. Full range is between 265 to 445 units needed.

**Represents the mid-point of estimated housing need based on low and high estimated job growth rates. Full range is between 300 to 480 units needed.

Community housing units are needed for owners earning under 250% AMI and renters earning under 100% AMI due to continued rising housing costs and scarce supply since the 2018 assessment. As shown above, market-rate community housing needs are expected to be met if pending and pipeline development projects are built. Below-market deed restricted community housing will still be needed:

- Housing units should generally be priced based on the income distribution of households in the area (see *Introduction – Income Distribution of Households*), which is illustrated in the below table. Figures should be used as a guideline and not an absolute.

⁷ Below market need has increased since the 2018 assessment, at which time 60% of community housing needed to be below market, meaning below 200% AMI for ownership and mostly below 80% AMI for rentals.

- Home purchase prices for locals should range as low as about \$200,000 up to about \$700,000. This would provide ownership opportunities for households earning between \$65,000 through \$200,000 per year (between about 80% and 250% AMI). The for-sale market is not providing a sufficient supply of homes in this price range.
- Homes affordable for households earning under \$60,000 per year to purchase are also undersupplied; however, producing homes at this price will not occur without substantial subsidies or programs such as Habitat for Humanity. These households also often have trouble qualifying for loans and meeting down payment purchase requirements.
- New rentals should be mostly priced for households earning under \$85,000 (or about 100% AMI). There is also a shortage of rentals priced up to about \$2,500 for two- and three-bedroom units in Big Sky.

Total Needs by Tenure and Price: 2021 - 2027

AMI Range	Max Household Income (2.5-person household)	Max Affordable Home Price or Rent	# of Units	% of Units*
OWNERSHIP				
<=60%	\$50,730	\$160,500	-	-
60.1-80%	\$67,575	\$213,800	15	9%
80.1 - 120%	\$101,460	\$321,100	40	27%
120.1 - 150%	\$126,825	\$401,300	50	32%
150.1 - 200%	\$169,100	\$535,100	35	23%
200.1 - 250%	\$211,375	\$668,900	15	9%
>250% (market rate)	>\$211,375	<\$668,900	-	-
TOTAL	-	-	155	100%
RENTALS				
<=30%	\$25,350	\$635	50	21%
30.1-60%	\$50,730	\$1,270	55	24%
60.1-80%	\$67,575	\$1,690	50	21%
80.1-100%	\$84,550	\$2,115	50	21%
100.1 - 120%	\$101,460	\$2,535	35	15%
>120% (market rate)	>\$101,460	>\$2,535	-	-
TOTAL	-	-	237	100%

*Adjusted from AMI household distributions (p. 4) based on distribution needed for below-market community housing only.

NOTE 1: Shading indicates where there is a shortage of community housing supply. Special note for rentals provided in the lighter shaded price point:

- <30% - rentals at this price assist fixed income/special needs population; employees typically earn too much to qualify at this level.
- 100.1 – 120% should be 2- and 3-bedroom units.

NOTE 2: differences are due to rounding

Findings and Recommendations

Housing Market and Development Trends

The housing market in Big Sky has continued to become less affordable and available for residents making their living in the area since the 2018 Housing Assessment:

- Housing prices and rents have increased significantly. The availability of housing for sale or rent that locals can afford is slim to nonexistent.
- The rise in interest rates in the first half of 2022 have decreased local household's ability to afford to purchase homes and get established in the area.
- Short term rentals have continued to grow and now comprise over 20% of the total housing unit inventory in Big Sky. Investors buying short term rentals drives up housing prices; units rented short term are no longer available for residents needing long-term/year-round rentals.
- Concurrently, the number of jobs and need for employees has increased faster than any other Gallatin County community, reaching estimated 2023 levels by 2021. In the scarce labor force environment, housing that is suitable and affordable for employees is a strong competitive advantage.

A significant number of housing units have been constructed in Big Sky since 2018, but fell short of meeting year-round community housing needs. This includes:

- A notable 500 beds (173 units) for seasonal employees, including lock-off rentals with shared kitchens and living areas, dormitory product, and converted hotels. This provides beds for the more transient workforce needed by area resorts and other businesses.
- 146 community housing units, 58 of which are deed restricted to ensure occupancy by residents making their living in the area and to retain affordability over time. Many year-round residents also hold seasonal jobs, or dual-seasonal jobs, and provide a more stable, consistent base of employees in the community.

In the high-cost, highly-competitive housing market, residents working locally do not have the resources to compete with higher-wage out of area buyers, renters, and investors.

Homes that are deed restricted for occupancy by local employees are removed from the fierce competition with outside interests and provide a secondary market of local housing options that retain their affordability over time. Having a sufficient supply of housing for households making their living in the area helps to sustain local businesses, ensure quality resident and visitor services, and retain a diverse and vibrant community.

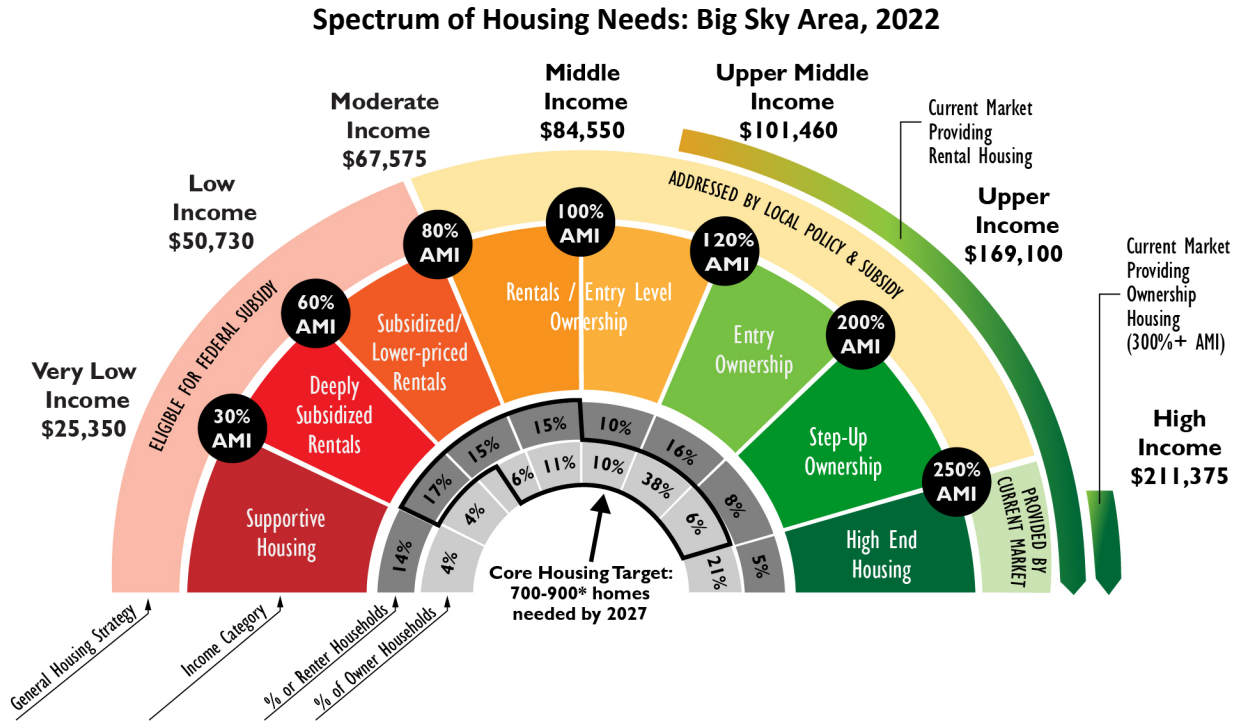
Community Housing Needs Through 2027

Big Sky has a heavy lift to increase the availability of community housing opportunities to sustain a vibrant community of residents and ensure quality services and amenities for residents and visitors alike. Importantly, **addressing community housing needs is more than just adding supply – it is adding supply at the right price to support the resident and employee community.**

The housing bridge, below, illustrates the community housing needs in Big Sky through 2027. The housing bridge illustrates the mix of housing needed by residents making their living in Big Sky and at which income level. It shows where the market is providing housing and where it is not; and how much additional housing is needed to address current shortfalls and keep up with future job growth at various price points. More specifically:

- Renters must earn at least \$90,000 per year to afford the average rental on the market, if they can find one.
- Households making their living locally are mostly priced out of market rate ownership housing. Households earning under \$250,000 per year have a scant handful of properties to choose from – most of which are designed as high-amenity condominiums for visitors (small, with high HOA fees), or older one-bedroom units. Units for families are out of reach.
- To address the current housing shortfall and keep up with future job growth, **at least 70% of the 700 to 900 homes needed to support local residents and employees by 2027 in Big Sky will need to be priced below market.** Addressing housing needs will require local policies, subsidies, and creative partnerships, building upon the existing achievements of the community, local organizations, employers, and developers.

Current planned and pending development projects will address the market housing component of estimated needs, as well as 183 deed restricted community housing units. **If development occurs as planned, between 300 and 480 more units will be needed at below-market prices.** This is a very big challenge, one that can only be met by a concerted and coordinated effort by the Big Sky community.



General Recommendations

Increase supply of stable rental inventory. The majority of rental inventory in Big Sky relies upon owners leasing condominiums and other owned-homes. This results in unstable rental stock. Owner-leased homes are susceptible to being sold and/or converted to short-term rentals, or otherwise removed from the long term rental inventory. Only 6 deed restricted rentals designed for year-round community occupancy were constructed since 2018. **At least 60% of the community housing inventory needed should be rentals.**

Add more stable rental inventory by building apartments designed (i.e., not lock-offs, dorms, etc.) and priced for year-round occupancy by singles and families making their living in Big Sky. Ensure units cannot be rented short-term and protect units from being converted to condominiums so that they will remain as year-round rental options for residents.

Employer housing assistance. Employer housing subsidies, stipends, and master leasing opportunities are common in the tight housing market environment. While this helps employees of participating businesses locate and afford housing, recognize that housing stipends/employer-subsidized rents support further rent hikes. Master leasing existing units removes housing opportunities from other employees in the community. To the extent that rental owners reside outside of Big Sky, or employees lease units outside of the area, subsidies

paid are largely not recycled back into the Big Sky economy. Finally, housing tied to a specific job or employer also stifles the ability for employees to advance their careers by gaining experience with other employers (i.e., if the employee leaves their job, they also lose their housing).

Employer-assisted housing programs should be part of the solution, but should be secondary to new community housing development. The benefits and drawbacks to various approaches need to be recognized and balanced.

Short-term rental management. Over 20% of the housing stock is being used for short-term rentals. This impacts the need for community housing on both the supply and demand side:

- Short-term rentals increase prices and decrease supply of homes available for residents.
- Employees are needed to service short-term rentals; employees need housing.

Work with the county to increase enforcement and consider restrictions on short-term rentals in the community. Examples to consider:

- The city of Whitefish has restrictive zoning that permits short-term rentals in only certain zones in the city.
- Other communities cap the number of short-term rental permits issued, number issued by neighborhood, or even distance between short-term rentals (e.g. no more than one every 500-feet).
- Deed restrict new housing development prohibiting units from being short-term rented to protect new housing stock from converting to transient visitor use.
- Lobby for increased state legislative flexibility to more actively manage short term rentals and their impacts (e.g., charge housing impact fees, HOA flexibility to regulate, differential lodging and/or property tax treatment, etc.).

Commercial development and community housing. Big Sky recognizes the connection between commercial development and the need for additional housing for employees that will be filling new jobs. Absent a mandatory commercial linkage/housing impact fee program, work with the county and/or developers to encourage that all new commercial developments pay fee or build deed restricted housing for employees. The future business owner and employees will thank you; new commercial space that also includes employee housing provides a marketing advantage over commercial space alone.



Community housing development. Producing more year-round housing opportunities for residents making their living in Big Sky will take substantial planning, partnership, and financial coordination to achieve. It is also very important to produce housing product that promotes community, sustains families, and supports residents as life circumstances change. **Community**

housing means creating homes, not just beds, for residents. This means producing housing for livability and durability FIRST, and financing SECOND. Although this seems counter-intuitive, starting with “we only have \$\$ to spend” will guarantee that short cuts are taken with the product, compromising its suitability and quality for residents over the long term. When a quality product is designed and brought forth, market the design to acquire the financial resources needed (e.g., philanthropy, state/federal sources, local public subsidies, etc.). *Quality community housing requires development flexibility/incentives and, commonly, direct subsidies to produce.*

- Learn from Bridger View – a mixed-income ownership development in Bozeman, in which 50% of homes are permanently deed restricted for local residents.⁸ This project was achieved with substantial philanthropic contributions and coordination with public, private, and non-profit entities. Big Sky has the ability to replicate the quality provided by this product through its local partners and resources.
- Leverage all financing sources. Elevate Big Sky, Resort Tax, and voluntary collections from the real estate community provide substantial local contributions for community housing.

Revisit a recommendation from the 2018 Housing Action Plan to pursue a voluntary real estate transfer assessment on new high-end/second homeowner product. High-cost, majority second-homeowner markets benefit significantly from this funding strategy. State legislation permits the imposition of voluntary transfer fees that are contributed to a 501(c)(3). *Coordinate with the clubs and developers of new high-end/second homeowner product to voluntarily place a covenant on new development requiring up to a 1% transfer assessment upon sale that is contributed to a 501(c)(3) for housing.*

Pursue another LIHTC development in Big Sky to provide a stable source of affordable rentals for households earning 80% and below.

- Code and zoning incentives. Work with the county to implement code changes to incentivize the private market to produce more deed-restricted community housing units. Developers can utilize certain incentives in exchange for providing some deed restricted community housing.

Common community housing incentive policies include: deed-restricted housing by right in specified zones, development/impact fee deferral until sale/occupancy, priority processing for deed restricted projects, reduced parking requirements where sensible/shared parking permissions, and density bonuses for deed restricted units.

A density bonus incentive is strongly recommended in high-cost areas like Big Sky, in lieu of straight upzoning, to promote more community housing development.

Upzoning will simply allow more units to be built with no guarantees that any units will be provided at prices the community can afford. Utilization of a density bonus will ensure that some deed restricted units are built as part of the development.

⁸ For more information, see <https://bridgerview.org>

Appendix A

Methodology

Secondary and Local Data Sources

A variety of sources of published information were used in the preparation of this update, including but not limited to:

- U.S. Census Longitudinal Employer Household Dynamics (LEHD).
- Ribbon Demographics, LLC, income data for 2022.
- Employment information from the Quarterly Census of Employment and Wages (QCEW), the US Bureau of Economic Analysis (BEA), and the Montana Department of Labor and Industry.
- 2022 Area Median Income from the Department of Housing and Urban Development.
- Current MLS listings, recent home sales and historic sale trends from the Big Sky Real Estate Company.
- Publicly listed rentals from various sources, including Apartments.com, Craigslist, Zillow, Facebook, Discoverbigsky.com, Lonepeaklookout.com, Explorebigsky.com, Gobigrentals.com, and Apartmentsinbigsky.com. Additional rental data provided by local property managers.
- Big Sky Community Housing Trust and local builders/developers provided information about current, pending, and pipeline development projects.

Acronyms

The following acronyms are used in this assessment.

ACS	American Community Survey
AMI	Area Median Income
BEA	US Bureau of Economic Analysis
BSCHT	Big Sky Community Housing Trust
HUD	United States Department of Housing and Urban Development
LIHTC	Low-Income Housing Tax Credit
MLS	Multiple Listing Service
QCEW	Quarterly Census of Employment and Wages

Definitions

The following terms are used in this assessment:

Affordable Housing	As used in this assessment, housing is affordable if the monthly rent or mortgage payment is equal to or less than 30% of gross household income (before taxes). When housing costs exceed 30% of income, the household is considered to be Cost Burdened.
Area Median Income (AMI)	<p>A term that generally refers to the median incomes published annually for counties by the US Department of Housing and Urban Development (HUD). Each year, HUD adjusts the area median household income based on a variety of factors such as the area economy and household growth. AMI is used to set income and rent limits for affordable housing programs statutorily linked to HUD income limits (e.g. low-income housing tax credit rentals). AMI varies by household size and is published each year by HUD for households at various income levels, as follows:</p> <ul style="list-style-type: none">• Extremely Low Income – At or below 30% AMI• Very Low Income –Between 31% and 50% AMI• Low Income – From 51% to 80% AMI• Moderate Income – From 81% to 100% AMI
American Community Survey (ACS)	The ACS is part of the Decennial Census Program of the U.S. Census. The survey was fully implemented in 2005, replacing the decennial census long form. Because it is based on a sample of responses, its use in smaller areas (under 65,000 persons) is best suited for monitoring general changes over time rather than for specific numeric counts due to potentially high margins of error.
Average household size	There are about 2.5-persons per household in Big Sky. This refers to the number of persons living in a housing unit that is located in Big Sky – includes all adults (employed or not) and children.

Average employees per employed household There are about 1.8 employed persons per household that is employed in Big Sky. This refers to the average number of adult employees (18 or older) residing in households with at least one adult who is employed in Big Sky (i.e. excludes households that have no working adults – retired or otherwise unemployed). This figure is used to estimate the number of housing units needed by employees filling jobs in Big Sky.

The average number of employed persons in all households in Big Sky (which would include retired/non-working households) is lower; about 1.5.

Average year-round jobs Refers to the average number of jobs available in Big Sky throughout the year. It represents the sum of jobs during each month (Jan. to Dec.) divided by the number of months in the year (twelve).

The number of jobs in Big Sky changes throughout the year. Many employers hire for only the summer or winter seasons. The number of jobs is highest in the winter months, lowest during the shoulder season (spring, fall) and moderately higher in the summer months. Average year-round jobs condenses this fluctuation into one number for ease of reporting and to understand on average how many jobs the community supplies.

Catch-up Needs The number of housing units needed to catch up to meet the current shortfall in housing available for the workforce.

Community Housing Residences intended and suitable for year-round occupancy. These include residences for rent or ownership that meet the diverse needs of residents and employees in different life stages that call Big Sky home.

Cost Burdened When housing costs exceed 30% of a household's gross (pretax) income. Housing costs include rent or mortgage and may or may not include utilities, homeowner association fees, transportation or other necessary costs depending upon its application. Households are severely cost-burdened when housing costs comprises 50% or more of gross income.

Employer/seasonal housing	Units designed and managed for seasonal employees (e.g., dorms, lock-offs). Such accommodations typically include shared bedrooms, kitchens, and bathrooms and are necessary for J-1 Visa hires, for example
In-commuter	Refers to an employee that works in Big Sky, but that lives outside the community (e.g. in Bozeman, Belgrade, Ennis, etc.) and must travel into Big Sky for work.
Keep-up Needs	Keep-up refers to the number of housing units needed to keep up with job growth and the housing units needed to house employees filling jobs over the next 5-years.
Occupied housing unit	Occupied housing unit means housing units that are occupied by persons that consider Big Sky as their usual place of residence or that have no usual place of residence elsewhere. (US Census definition). Occupied units are commonly referred to as Big Sky resident households or Big Sky households throughout this assessment.
Seasonal job	A job that lasts only during one season. In Big Sky, many employers hire employees to work only for the winter season (e.g. November/December through March/April) and/or the summer season (e.g. June through September).
Seasonal resident employee	An employee that lives in Big Sky or elsewhere in the region for only part of the year (e.g. for the winter season) and is employed in Big Sky. These are persons that are recruited from outside the area to fill seasonal jobs in Big Sky.
Year-round job	A job that lasts throughout the year, with no starting or ending date tied to the seasons.
Year-round resident employee household	A household that lives in Big Sky or elsewhere in the region year-round and that has at least one person employed in Big Sky