



RENT LOCAL INCENTIVE PROGRAM

Rules and Regulations

Creating immediate homes for Big Sky residents.

Updated: September 30, 2023

Table of Contents

1. PROGRAM OVERVIEW	Page 3
2. INCENTIVES FOR NEW HOMEOWNERS TO LONG-TERM RENTING	Page 3
3. INCENTIVES FOR RENEWING HOMEOWNERS	Page 4
4. PROGRAM ADMINISTRATION	Page 6
5. ELIGIBILITY FOR NEW AND RENEWING HOMEOWNERS	Page 6
6. ELIGIBILITY FOR TENANTS	Page 8
7. PROGRAM EVALUATION	Page 9
8. TABLES	Page 10

Thank you Resort Tax, Spanish Peaks Community Foundation, Moonlight Community Foundation, and Yellowstone Club Community Foundation for funding The RENT LOCAL Incentive Program.

1.0 PROGRAM OVERVIEW

Big Sky residents struggle to find housing due to skyrocketing real estate prices and vacation rentals dominating the rental market.¹ By the end of 2021, Big Sky had a 0% vacancy rate² for long-term rentals, and the average cost to purchase a nonluxury condo soared to \$1,157,457.

Big Sky Community Housing Trust takes a multi-pronged approach to increasing the housing inventory available for community members. Building new developments that will remain permanently exclusive to residents is a strategic priority, but construction will take years. To create immediate rental inventory, BSCHT developed the RENT LOCAL Incentive Program.

Designed as a stop-gap program lasting four to six years, RENT LOCAL aims to increase the number of long-term rental units on the market by flipping vacant properties, vacation rentals, and spare bedrooms into homes for residents. Since Big Sky property owners can typically earn larger profits on the short-term market, The RENT LOCAL Incentive Program offers homeowners financial incentives in exchange for leasing long-term to the local workforce.

Rent Local successfully stimulates the growth of long-term rental inventory during periods when the community experiences an inventory shortage, or a vacancy rate below 2%. BSCHT estimates the community needs the Rent Local Incentive Program until it can build additional rental inventory, or the market can naturally produce it, bringing the vacancy rate to at least 2%.

2.0 INCENTIVES FOR NEW HOMEOWNERS TO LONG-TERM RENTING

BSCHT launched a successful pilot³ of the RENT LOCAL Incentive Program, lasting from August 1 to October 31, 2021. Updates to incentives offered through the RENT LOCAL Incentive Program began November 1, 2021. Pending funding, RENT LOCAL will continue until the community can produce a healthy vacancy rate of at least 2%.

2.1 Incentive Rates Chart for New Homeowners:

	1-YEAR Commitment	2-YEAR Commitment
1 BEDROOM	\$5,400	\$11,880
2 BEDROOM	\$6,300	\$13,860
3 BEDROOM	\$7,200	\$15,840
4 BEDROOM	\$8,100	\$17,820

2.2 Commitment Defined: BSCHT requires New Homeowners to commit to The RENT LOCAL Incentive Program for a minimum of one year, effective February 1, 2023. The maximum commitment as a New Homeowner is two years. New Homeowners' commitments begin when they sign a long-term lease with at least one Big Sky worker. New Homeowners must sign a valid lease equal to their time

¹ See Table 1, Page 10

² Generally, a long-term rental vacancy rate of 3% indicates a healthy balance between supply and demand. However, the Big Sky Community Housing Action Plan in 2018 reported a 1% long-term rental vacancy rate. By 2022's Big Sky Housing Needs Update, the vacancy rate dropped to 0%.

³ See Table 2, Pages 10

commitment to RENT LOCAL. If New Homeowners commit to RENT LOCAL for two years, they may choose to sign two one-year leases or one two-year lease. After a commitment of two years, New Homeowners may apply for additional funding but are subject to 3.0 INCENTIVES FOR RENEWING HOMEOWNERS.

- 2.3 New Homeowner Defined: A New Homeowner is a Big Sky property owner who has not rented on the long-term market in the last 12 months. The 12-month period is retroactive from the date a New Homeowner applies to the RENT LOCAL Incentive Program.
- 2.4 Bedrooms Defined: The owner must rent to at least one person per bedroom to qualify for higher bedroom awards. Family, children, roommates, or partners all qualify as bedroom occupants.

3.0 INCENTIVES FOR RENEWING HOMEOWNERS

After careful analysis of the pilot program, BSCHT developed formal rules for Renewing Homeowners who have a history of renting long-term to local workers. BSCHT will commit approximately 35% of all funds raised for the RENT LOCAL Incentive Program to Renewing Homeowners. If the number of applicants for Renewing Homeowners exceeds the funding available, BSCHT will distribute the funds through a weighted drawing.

- 3.1 Incentive Rates Chart for Renewing Homeowners:

	2-YEAR Commitment
1 BEDROOM	\$8,910
2 BEDROOM	\$10,395
3 BEDROOM	\$11,880
4 BEDROOM	\$13,365

- 3.2 Commitment Defined: BSCHT offers the incentive amounts in 3.1 to homeowners already renting their Big Sky property to the local workforce. The Renewing Homeowner must commit to the RENT LOCAL Incentive Program for two years and have an active lease in place for both years to receive an award. The two-year period begins when BSCHT approves the Renewing Homeowner’s application to the program, not the effective date of any previously executed lease by the Renewing Homeowner.
- 3.3 Renewing Homeowner Defined: A Renewing Homeowner is one who has previously rented on Big Sky’s long-term rental market. A Renewing Homeowner can be new to the RENT LOCAL Incentive Program or a previous RENT LOCAL participant renewing their commitment to the program.
- 3.4 Bedrooms Defined: Owners must rent to at least one person per bedroom to qualify for higher bedroom awards. Family, children, roommates, or partners all qualify as bedroom occupants.

- 3.5 **Incentive Distributions**: BSCHT will distribute funds to Renewing Homeowners, pending funding, twice annually: once during the first quarter and once during the third quarter of every year it runs the RENT LOCAL Incentive Program.
- 3.6 **Weighted Drawing**: If the number of Renewing Homeowner applicants during any funding cycle exceeds the funding available, BSCHT will hold a weighted drawing. The rules for the weighted drawing are as follows:
- 3.6.1 **Property Limit**: Renewing Homeowners can apply to the weighted drawing for as many properties as they own in the Big Sky Resort Area District that they rent on the long-term market to qualified tenants. However, any Renewing Homeowner can only win a drawing once during a calendar year, regardless of the number of properties a Renewing Homeowner entered in a weighted drawing. If a Renewing Homeowner chooses to enter the weighted drawing for multiple properties and wins one of the weighted drawing slots, BSCHT will reward the Renewing Homeowner for the property that earns the most reward based on the chart in 3.1. If Renewing Homeowners wish to reapply for nonfunded properties, they may do so in the following calendar year.
- 3.6.2 **Time Limit**: The maximum amount of time any property owner can participate in RENT LOCAL is four years as RENT LOCAL is not intended to be a permanent program.
- 3.6.3 **Process**: BSCHT will use third-party software to conduct the weighted drawing. Renewing Homeowner applicants may earn multiple entries into the weighted drawing, with a maximum of ten entries per property possible. Renewing Homeowner applicants who do not win a weighted drawing may enter future drawings. BSCHT will base the entries into the weighted drawing on the following criteria:
- 3.6.3.1 **Rental History Entries**: One entry per year a Big Sky property owner has previously rented to local workers. Max entries for previous leases are six. The Renewing Homeowner applicant must email digital copies of prior leases to earn previous lease entries.
- 3.6.3.2 **Critical Service Worker Entry**: One entry if the Renewing Homeowners' tenant is a critical service worker such as a teacher, firefighter, medical worker, or emergency personnel. The Renewing Homeowner applicant must email a digital copy of a tenant's pay stub, or similar, to earn a critical service worker entry.
- 3.6.3.3 **New Award Entry**: One entry if the Renewing Homeowner has never received a reward from BSCHT through RENT LOCAL.
- 3.6.3.4 **Max Occupancy Entry**: One entry if the Renewing Homeowner has at least one occupant per bedroom.
- 3.6.3.5 **Below Market Rent Entry**: One entry if the rent the Renewing Homeowner charges less than the rent caps outlined in 5.1.4.

4.0 PROGRAM ADMINISTRATION

Big Sky Community Housing Trust will administer the RENT LOCAL Incentive Program for approximately four to six years, pending funding, or until Big Sky's long-term rental vacancy rate reaches 2%.

- 4.1 Administration of Payment for New Homeowners: For one-year commitments, BSCHT will issue 50% of the award payment in 2.1 to New Homeowners approximately 30 days after the lease's execution date. BSCHT will grant the second installment of 50% at the end of the lease, pending compliance checks of the executed lease agreement. For two-year commitments, BSCHT will issue award payments in three equal installments. The first payment will occur approximately 30 days after the lease's execution date. BSCHT will grant the second installment at the one-year mark and the third installment at the completion of the owner's commitment to RENT LOCAL, pending compliance checks of the executed lease agreement.
- 4.2 Administration of Payment for Renewing Homeowners: BSCHT will issue award payments outlined in 3.1 in three equal installments. The first payment for Renewing Homeowners will occur 30 days after BSCHT approves the Renewing Homeowner's application. BSCHT will grant the second installment midway through the Renewing Homeowner's commitment to RENT LOCAL. BSCHT will issue the final installment at the completion of the two-year commitment, pending compliance checks of the executed lease agreement.
- 4.3 Lease Compliance: BSCHT will review a copy of the signed lease agreement and require proof of the tenant's employment with a Big Sky employer prior to releasing the first award payment. All homeowners receiving a cash incentive from BSCHT under RENT LOCAL must also complete an IRS W9 form. Additionally, BSCHT will conduct lease compliance checks at the midway point and at the completion of a Homeowner's commitment to RENT LOCAL. BSCHT will require proof that the lease is active and in good standing from both the property owner and the tenants during all compliance checks.
- 4.4 Support Role: Although BSCHT does not provide full-time property management, BSCHT will provide tenant screening services to all New or Renewing Homeowners in RENT LOCAL for free. This includes marketing, providing customer service, listing units, screening prospective tenants, processing applications, showing the unit, and suggesting matches between owners and tenants. New and Renewing Homeowners will select the final tenant from a screened list of options provided by BSCHT. RENT LOCAL owners may also elect to select their own tenant, provided the tenant meets the eligibility requirements outlined in 6.0.

5.0 ELIGIBILITY FOR NEW AND RENEWING HOMEOWNERS

- 5.1 Incentive Program Application: New and Renewing Homeowners must complete an online application to Big Sky Community Housing Trust, submit a W9, complete

an agreement with BSCHT if using tenant matching services, and comply with the following criteria to be considered for the RENT LOCAL Incentive program:

- 5.1.1 **Location:** The property must be in the Big Sky Resort Area District.
- 5.1.2 **Status:** The property must be a legally permitted unit. If the applicant has a legal short-term rental, it must be in good standing, meaning all Resort Tax and Montana State Lodging Taxes have been paid.
- 5.1.3 **Ownership:** The applicant must be the owner of the property or able to represent the owner or ownership group legally.
- 5.1.4 **Rental Affordability:** New and Renewing Homeowners participating in the RENT LOCAL Incentive Program can charge market-rate rent provided that the monthly rent does not exceed the limitations outlined in the chart below. Utilities can be in addition to the monthly rent cap.

Number of Bedrooms	Monthly Rent Cap
Spare Bedroom Only	\$1,200
Studio/1 Bedroom Unit	\$1,750
2 Bedroom Unit	\$2,800
3 Bedroom Unit	\$3,800
4 Bedroom Unit	\$4,300

- 5.1.5 **Renewal Leases:** If New or Renewing Homeowners' initial leases expire during their commitment to RENT LOCAL, they must first offer a renewal lease to the existing tenant unless the existing tenant violated the rental contract or no longer wishes to occupy the premises. If New or Renewing Homeowners wish to increase the monthly rent during any renewal period, they must first seek approval from BSCHT and remain within the rent caps outlined in 5.1.4.
- 5.1.6 **Property Condition:** The home must meet basic safety and quality criteria per the Montana Residential Landlord Tenant Act.
- 5.1.7 **Signed Application with Big Sky Community Housing Trust:** The New and Renewing Homeowner must sign a completed application, serving as the contract, with Big Sky Community Housing Trust. The New and Renewing Homeowner must agree to comply with the RENT LOCAL Incentive Program's rules. RENT LOCAL homeowners who wish to utilize BSCHT's free tenant screening services must sign a separate, written agreement.
- 5.1.8 **Signed Lease Agreement:** The New and Renewing Homeowner must sign a lease agreement with qualified tenants working for an employer with a physical address in the Big Sky Resort Area District.
- 5.1.9 **Successful Midway and Final Lease Checks for Final Award:** BSCHT requires both homeowners and tenants to complete surveys at the midway and final lease marks to ensure lease compliance. Alternatively, BSCHT offers to perform a physical walk-through of the property at the midway point with advance notice to the tenants and homeowner. Failure to meet lease requirements at either of these points disqualifies the homeowner from additional reward payments.

- 5.1.10 **Homeowners renting only a portion of their home:** Homeowners renting out a bedroom(s) in a home they occupy are eligible for the RENT LOCAL Incentive Program. Owners will receive 50% of the reward funds outlined in the Incentive Rates Chart in 2.1 for New Homeowners and 3.1 for Renewing Homeowners.
 - 5.1.11 **Homeowners renting an ADU or Tiny Home:** If the tiny home or ADU (auxiliary dwelling unit) has a separate entrance, at least one bedroom area, a private kitchen, and private living quarters, homeowners are eligible for the full reward outlined in 2.1 or 3.1.
 - 5.1.12 **Homeowners renting an RV space:** An RV Space is considered a spare bedroom. If the RV space provides the option of electric and water hookups, homeowners are eligible for 50% of the reward funds for a 1-bedroom outlined in 2.1 or 3.1. The maximum rent that can be charged for an RV parking space by a RENT LOCAL owner is \$900, including utilities.
 - 5.1.13 **Employers as landlords:** BSCHT does not provide RENT LOCAL funding to businesses providing employee housing. Business owners who also privately own property may still apply provided the property is not used to house the business owners' employees.
 - 5.1.14 **Relatives as landlords:** Landlords renting to immediate family members do not qualify for RENT LOCAL funding.
- 5.2 Contingency for New and Renewing Homeowners:
- 5.2.1 **Change of Ownership:** If a New or Renewing Homeowner sells the property during the lease period, the selling homeowner is disqualified from the program and must return all incentive funds to Big Sky Community Housing Trust. The new owners could potentially qualify if they rent to the existing tenants for a minimum of 12 months.
 - 5.2.2 **Failure to Comply with Lease:** If BSCHT discovers the New or Renewing Homeowner is not honoring the lease agreement at the midway or final mark, BSCHT will work with the homeowner to rectify the situation. If an agreement cannot be reached, the homeowner will be disqualified from receiving further reward installments and may be required to pay back any previous installments.

6.0 ELIGIBILITY FOR TENANTS

- 6.1 Tenant Application: If a New or Renewing Homeowner elects to use BSCHT's tenant screening services, BSCHT requires prospective tenants to complete a formal application.
 - 6.1.1 **Work in the Big Sky Resort Area District:** At least one tenant in the household must work at least 30 hours per week for an employer with a physical address located in the Big Sky Resort Area District. The average of 30 hours per week requirement for a minimum of one tenant applies to all properties funded by RENT LOCAL, even if a New or Renewing Homeowner does not use BSCHT's tenant screening services.

6.1.2 **Required Documentation:** If using BSCHT'S tenant screening services, each adult applicant in the tenant's household must submit the following documentation:

- Copy of driver license or other government issued photo ID.
- Copy of W2 and/or recent paystub (past two months).
- Current and past landlord references.

6.1.3 **Background Check:** If using BSCHT's tenant screening services, New and Renewing Homeowners may request a complete background check, credit, and 50-state evictions check for a \$40 fee that will be deducted from their reward amount.

6.2 Household Defined: two or more adults, 18 years or older, related (family/marriage) OR unrelated but living together in one house.

6.3 Tenant Defined: an adult, 18 years or older, applying to be matched into a rental unit in the Big Sky Resort Area District for use as their primary residence.

7.0 PROGRAM EVALUATION

BSCHT'S staff and Board of Directors will evaluate the RENT LOCAL Incentive Program annually to ensure it efficiently utilizes community resources. BSCHT will track the following data to measure success and to seek additional funding to continue the program:

- Number of homes unlocked as long-term rentals.
- Types of homes unlocked (size, location, type).
- Number of units converted from short to long-term rentals.
- Rental prices for each unit in the program with the average per bedroom.
- Income of renters served.
- Employers served.
- Number of rentals extended beyond twelve-month leases.
- Program participant surveys (homeowners and tenants).

Fair Housing Laws/Equal Opportunity *Big Sky Community Housing Trust will operate the RENT LOCAL Incentive Program in compliance with the HUD's Fair Housing Act and Montana Residential Landlord and Tenant Act. Big Sky Community Housing Trust does not discriminate nor allow homeowners to discriminate against tenants.*

Table 1

BUY A HOME: The cost to purchase a condo increased by 175% from 2019 to 2022. Increased interest rates pushed buying an entry-level condo even further out of reach. Per BSCHT’s 2022 Housing Study Update, the maximum affordable purchase price for the area’s median income (\$84,550) is \$267,500. Even with an income that is 300% of the area’s median income (\$304,380), the maximum affordable purchase price is \$963,200. (Data from 2022 Big Sky Housing Study Update)

RENT A HOME: The biggest challenge in the rental market is availability due to a lack of long-term rental inventory. Currently, only 36 apartments exist in Big Sky, forcing the community to rely on private property owners for its rental inventory. The growth of the vacation rental market since 2014 has consumed large portions of residents’ rental inventory. (Data from airdna.co)

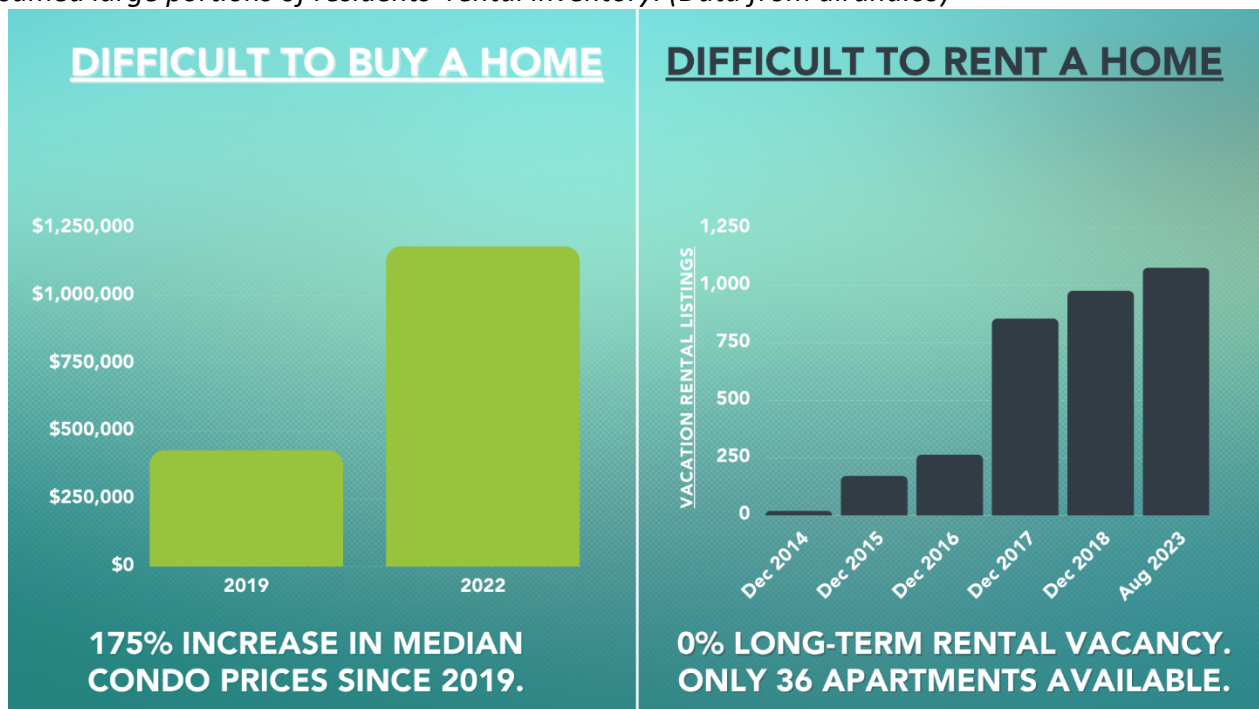


Table 2

BSCHT conducted a pilot of The RENT LOCAL Incentive Program from August 1 to October 31, 2021. Prior to August 1, RENT LOCAL did not provide homeowners with cash incentives, just free tenant screening.

PILOT RENT LOCAL PROGRAM RESULTS (from August 1-October 31, 2021)



**CASH REWARD created MORE new inventory 87% FASTER.
36 resident workers found a home in the pilot RENT LOCAL program.**