

Appendix A  
Big Sky Community Housing Needs Update  
2023

## Overview

This appendix provides an estimate of the number of community housing units needed in Big Sky in 2023 and projected through 2028, updating the figures in the *Big Sky Community Housing Needs Update: 2022* report. Estimates are based on progress made since 2022, pipeline and pending housing development, and updated job growth and household income estimates. Information presented includes:

### Income and affordable housing costs

- Gallatin County area median income limits for 2023;
- Big Sky household distribution by AMI in 2023;
- Maximum affordable housing costs by income level in 2023.

### Jobs estimates

- Updated jobs estimates for the Big Sky area from 2012 through 2021, projected through 2028.

### Rental Availability

- Updated property manager interviews and review of rental listings to understand market availability of rentals.

### Community housing needs estimates

- Community housing deficit (catch-up need) in 2021;
- Estimated housing needs in 2021 through 2028;
- Summary of housing needs by tenure and AMI category.

Where necessary, the same assumptions presented in the 2018 Assessment and 2022 Update were used to update estimated housing needs.

## Income and Affordable Housing Costs

From 2022 to 2023, the median family income increased by about 21% in Gallatin County and just over 4% in Madison County.

**Table 1: Median Family Income by County: 2022 and 2023**

	FY2022 MFI	FY2023 MFI	FY 2022-2023 % change
Gallatin County	\$104,700	\$126,400	20.7%
Madison County	\$72,600	\$75,700	4.3%

Source: U.S. Department of Housing and Urban Development (HUD)

**Table 2: Gallatin County AMI by Household Size: 2023**

AMI Level	1-person	2-person	3-person	4-person
<b>30%</b>	\$22,100	\$25,250	\$28,400	\$31,550
<b>60%</b>	\$44,220	\$50,520	\$56,820	\$63,120
<b>80%</b>	\$58,950	\$67,350	\$75,750	\$84,150
<b>100%</b>	\$73,700	\$84,200	\$94,700	\$105,200
<b>120%</b>	\$88,440	\$101,040	\$113,640	\$126,240
<b>150%</b>	\$110,550	\$126,300	\$142,050	\$157,800
<b>200%</b>	\$147,400	\$168,400	\$189,400	\$210,400
<b>300%</b>	\$221,100	\$252,600	\$284,100	\$315,600

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

The distribution of owner and renter households in the Big Sky area skew lower on the AMI scale in 2023 than in 2022. This is important when considering the price points of housing that local households can afford. Specifically:

- A higher percentage of renters earn below 100% AMI (67%) than in 2022 (59%) and
- A lower percentage of owner households earn above 200% AMI (20%) than in 2022 (27%).
- In total, 80% of resident households earn incomes that require below-market housing pricing. This includes ownership housing priced below 250% AMI and rentals priced below 120% AMI.

**Table 3: Distribution of Households by AMI\*: Big Sky/Gallatin CCD, 2023**

	Rent	Own	Total
<b>&lt;60%</b>	39%	8%	19%
<b>60.1-80%</b>	15%	8%	10%
<b>80.1-100%</b>	13%	14%	13%
<b>100.1-120%</b>	9%	9%	9%
<b>120.1-150%</b>	6%	22%	16%
<b>150.1-200%</b>	9%	19%	15%
<b>200.1-300%</b>	6%	6%	6%
<b>&gt;300%</b>	4%	14%	11%
<b>Total</b>	100%	100%	100%

Source: Ribbon Demographics, LLC; HUD; Consultant team

\*Consistent with the 2022 update, households headed by persons age 62 and over are excluded to better approximate employed households.

**Table 4: Maximum Affordable Housing Costs for an Average Sized 2.5-Person Household (2023)**

AMI Equivalent	Household Income*	Max Rent	Max Purchase Price**
30%	\$26,825	\$671	\$80,800
60%	\$53,670	\$1,342	\$161,600
80%	\$71,550	\$1,789	\$215,400
100%	\$89,450	\$2,236	\$269,300
120%	\$107,340	\$2,684	\$323,200
150%	\$134,175	\$3,354	\$404,000
200%	\$178,900	\$4,473	\$538,600
250%	\$223,625	\$5,591	\$673,300
300%	\$268,350	\$6,709	\$808,000

Source: Consultant team

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

\*\*Assumes 30-year mortgage at 7.5% interest rate with 5% down and 20% of the payment covering taxes, insurance and HOA fees.

## Jobs and Employee Estimates

An estimated 1,886 to 2,876 new jobs will be added in Big Sky by 2028, which is about twice the number of new jobs estimated in the 2022 Update. This is because recent data shows that the number of jobs and job growth rates are higher than assumed in the 2022 Update.

- The state revised its jobs estimates for the Big Sky area upward by about 1,000 jobs in 2017; and
- Job growth between 2017 and 2021 occurred at the high rate of growth that was presented in the 2022 Update report (4.1% in the Big Sky area and 2.9% in the counties).

Revised estimates, therefore, assume that the low rate of growth will continue at the current pace and the high rate will occur at the faster pace seen between 2012 and 2021 (5.9% in the Big Sky area and 3.9% in the counties, respectively).

**Table 5: Jobs Estimates and Projections: 2021 to 2028**

	# of Jobs				Average Yearly % growth	
	2017	2021	2028 (low)	2028 (high)	(low)	(high)
<b>Big Sky area</b>	4,974	5,846	7,732	8,723	4.1%	5.9%
<b>Counties total*</b>	92,420	105,287	128,324	137,522	2.9%	3.9%
<b>% of County jobs in Big Sky</b>	5.4%	5.6%	6.0%	6.3%	-	-

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

\*Sum of Gallatin County and Madison County jobs

Between about 6,000 and 6,700 employees will be needed to fill jobs in 2028, up from about 4,500 in 2021. The 1,500 to 2,200 additional employees needed to fill new jobs will occupy between about 810 to 1,235 housing units.

**Table 6: Jobs Estimates and Projections: 2021 to 2028**

	2021	2028 (low)	2028 (high)
<b>Big Sky area jobs</b>	5,846	7,732	8,723
<b><i>Jobs per employee [1]</i></b>	<i>1.3</i>	<i>1.3</i>	<i>1.3</i>
<b>Total employees</b>	4,495	5,950	6,710
<b><i>Employees per household [1]</i></b>	<i>1.8</i>	<i>1.8</i>	<i>1.8</i>
<b>Total employee households</b>	2,495	3,305	3,730

[1] Jobs per employee and employees per household estimates carried forward from the 2018 Big Sky Community Housing Needs Assessment.

## Rental Availability

The 1% rental vacancy rate reported in the 2018 assessment is now zero, and has been since at least 2020. On average, less than 8% of managed units turned over to new tenants last year. Property managers report that renters “take what they can get.” When a tenant leaves a unit they are typically leaving Big Sky rather than moving into a different rental in the area since rentals are not to be found.

A scan of multiple rental listings sites found only two single family homes advertised in December 2023.<sup>1</sup> One of four total property managers interviewed had four available, three of which were new clients/units that were just acquired. Units typically fill within one to two weeks.

Rent increases moderated from recent years. On average, rents increased about 10%. Several owners with repeat tenants did not increase rents.

Property managers had not gained any long term rentals from units directly leaving the short term rental market. New units added to long-term rental property manager inventories were from new purchasers of homes. Managers of short term rentals reported their inventories have continued to grow this year, although short term rental rates have gone down since the COVID highs. Several owners will only rent long term if they can collect rents at the high end of the market. A handful of owners rent long term in the summer months, then short term in the winter when short term rents are highest.

<sup>1</sup>Source: Apartments.com, Craigslist, Facebook, DiscoverBigsky.com, GoBigRentals.com, explorebigsky.com, apartmentsinbigsky.com

**Table 7: Big Sky Average Rents, Dec. 2023**

Type	Rent
<b>1-bedroom</b>	\$2,000
<b>2-bedroom</b>	\$3,000
<b>3-bedroom</b>	\$4,000
<b>4-bedroom</b>	\$5,000+

Source: Property manager interviews

## Community Housing Needs Estimates

### 2021 “Catch-Up” Needs

Higher jobs estimates means more community housing units are needed for workers filling jobs.

Between 2017 and 2021, an estimated 735 housing units were needed to address the current housing deficit for local residents and employees and keep up with job growth. Subtracting the 58 Community Housing units and 88 market rate units built since 2017 leaves a need for 589 housing units.

**Table 8: Update of Housing Needs: 2017-2021**

	2022 Report	2023 Update
<b>Catch-Up</b>	<b>335</b>	<b>415</b>
In-commuters (39% want to move to Big Sky)	335	415
<b>Keep-Up</b>	<b>265</b>	<b>320</b>
Retiring employees (3.2% in five years)	55	65
New jobs (69% of employees living in Big Sky)	210	255
<b>TOTAL through 2021</b>	<b>600</b>	<b>735</b>
Minus below market community housing built 2017-2021 <sup>2</sup>	58	58
Minus market rate built 2017-2021	88	88
<b>Revised 2021 Catch up Need</b>	<b>454</b>	<b>589</b>

### Future “Keep-Up” Needs

It is estimated that between 620 and 910 community housing units are needed to keep up with job growth and retiring employees through 2028. This is higher than 2022 Update estimates due mostly to actual and assumed faster rates of job growth.

<sup>2</sup> Meadowview Condominiums: 52 units for local ownership; Habitat of Gallatin Valley/Big Sky School District partnership: 6 rentals for teachers.

The below table uses the same assumptions as those used in 2018 and 2022 for the rate of retirement, for converting from jobs to needed housing units, and for the ownership/rental mix.<sup>3</sup>

**Table 9: Keep Up Needs: 2021-2028**

	Low	High
Retiring employees	65	65
New jobs	555	845
<b>Total Keep Up Needs</b>	<b>620</b>	<b>910</b>
Ownership	250	365
Rentals	370	545

### Total Needs (2021-2028)

High housing costs, the construction of few community housing units since the 2018 assessment, and robust job growth have resulted in a large and worsening shortage of homes that local employee households can afford.

About 1,350 housing units are needed by 2028. This is about 360 more units than would have been needed under the more conservative jobs and job growth assumptions in the 2022 Update.

A higher percentage of community housing units should be priced below market based on the shifting income profile of residents and continued high market pricing in the Big Sky area. This is a continuing trend:

- In 2018, about 60% of community housing needs to be priced below market;
- In 2021, about 70% of community housing needs to be priced below market;
- In 2023, about 80% of community housing needs to be priced below market.<sup>4</sup>

<sup>3</sup> Retirement rate: 3.2% of employees within five years; jobs to housing units conversion: 1.3 jobs per employee, 69% of new employees want to live in Big Sky, 1.8 employees per household; tenure mix of units: 40% for ownership and 60% for rent.

<sup>4</sup> See "Table 3: Distribution of Households by AMI."

**Table 10: Total Needs: Catch-Up Plus Keep-Up, 2021 to 2028**

	Total
Catch-up (2021)	589
Keep-Up (2021 – 2028)	765
<b>TOTAL Housing Units</b>	<b>1,354</b>
Below market/deed restricted (80%)	1,100
Market rate (20%) [1]	255

[1] Market rate, as defined herein and shown in Table 12, includes homes for ownership priced affordable for households earning above 250% AMI and rentals priced affordable for households earning above 120% AMI. The vast majority (80%) of local employee households earn below these levels. Resources should focus on the below-market employee housing needs defined herein.

Subtracting units built since 2022 and currently under construction results in a need for 1,031 below market community housing units through 2028, or an average of about 205 units per year.

**Table 11: Remaining Below Market Need (subtract Built and Pipeline units)**

	Total	Ownership	Rental
Total Below Market Need	1,100	440	660
Minus Built 2022-2023:	13	0	13
Canyon (<80%, <100% AMI)	13	0	13
Minus Pipeline:	56	7	49
River View Apts (40% to 120% AMI)	49	0	49
Yellowtail (<200% est.)	7	7	0
<b>Remaining</b>	<b>1,031</b>	<b>433</b>	<b>598</b>

\*Built and pipeline projects include units that are deed restricted for local employee/resident occupancy. Affordability levels are noted in parenthesis.

Community housing units are needed for owner households earning under 250% AMI and renter households under 120% AMI.

- Ownership units priced between about \$215,000 to \$540,000 are the most needed, although a few are needed up to about \$675,000.
- Rentals priced for households earning from \$53,000 to \$90,000 are the most needed. Larger 2- and 3-bedroom units priced up to about \$2,700 per month are also needed.



**Table 12: Total Needs by Tenure and Price: 2021-2028**

AMI Range	Max Household Income (2.5-person household)	Maximum Affordable Home Price or Rent	# of Units	% of Units*
<b>OWNERSHIP</b>				
<=60% AMI	\$53,670	\$161,600	---	---
60.1-80% AMI	\$71,550	\$215,400	45	10%
80.1-120% AMI	\$107,340	\$323,200	130	30%
120.1-150% AMI	\$134,175	\$404,000	125	29%
150.1-200% AMI	\$178,900	\$538,600	105	24%
200.1-250% AMI	\$223,625	\$673,300	25	6%
>250% (market rate)	>\$223,625	>\$673,300	---	---
<b>TOTAL</b>			<b>430</b>	<b>100%</b>
<b>RENTALS</b>				
<=30% AMI	\$26,825	\$671	120	20%
30.1-60% AMI	\$53,670	\$1,342	185	31%
60.1-80% AMI	\$71,550	\$1,789	115	19%
80.1-100% AMI	\$89,450	\$2,236	100	17%
100.1-120% AMI	\$107,340	\$2,684	75	13%
>120% (market rate)	>\$107,340	>\$2,684	---	---
<b>TOTAL</b>			<b>595</b>	<b>100%</b>

\*Adjusted from AMI household distributions 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 in totals are due to rounding

## Secondary and Local Data Sources

- 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.
- 2023 Area Median Income from the Department of Housing and Urban Development.
- Ribbon Demographics, LLC, income data for 2023.
- Big Sky Housing Trust and Lone Mountain Land Co. provided information about community housing units built and in the pipeline.

# Appendix B

## Big Sky Community Housing Needs 2023 Pricing Gap Estimates

### Overview

This appendix summarizes the estimated subsidy gap needed to produce community housing units for different housing products: single-family homes, attached townhome-style homes, and stacked-flat condominiums/apartments. The information is based on interviews with local builders/developers, data from recent development projects, and recent land sales and listings.

This information can be used to approximate project subsidies that will be needed from state/federal revenues, local dollars, and philanthropic inputs to produce the housing needed at prices affordable for local employees to staff local businesses, provide quality resident and visitor services, and support resident and community vibrancy.

A few items of note:

- Costs will vary by project. This section provides average estimates based on information received.
- Data represents the average cost to build today. If developments break ground two years into the future, estimates will need to be adjusted for inflation.

The spreadsheet that accompanies this Appendix can be updated over time as construction and land costs change.

### Development Costs

The cost to develop housing varies by multiple factors, including location, target demographic, density, and product type. The primary residential development costs include land acquisition, construction costs, soft costs, site work, and financing. In addition to costs, labor shortages, land development limitations, infrastructure availability, among other factors, add to the challenge of developing community housing.

The costs in the tables below include the following primary categories:

- Land. Land costs vary significantly throughout the Big Sky area based on location (e.g., Yellowstone Club, Moonlight Basin, Town Center, Meadow, Canyon) and access to infrastructure, including the Big Sky Water and Sewer District. Land costs in the below tables are based on the average land price per acre from land sold in 2022 and winter 2023 listings in the non-resort areas, which equates to \$1.1MM/acre.

- Labor and Materials (Hard Costs). Hard costs typically comprise between 60% and 80% of total construction costs. Construction costs rising 25% per year were common in the COVID and post-COVID years. Costs have stabilized this past year and interviewees were hopeful that rises will return to a more stable 4% to 6% per year.

Modest hard cost estimates for building in the Meadow or Canyon areas fell between \$375 to \$420 per square foot. Looking ahead to 2024, this is likely conservative.

When building below-market housing for local employee households, it may be possible to reduce construction costs. This should be done with caution, however. Cutting costs on the front end with lower quality/less durable materials and compromising energy efficiency of homes (e.g., single pane vs. triple pane windows) results in higher management and maintenance costs on the back end and higher operational costs to owners and renters (e.g., heating/energy bills), which operates counter to the goal of providing quality homes that local employees can afford. In addition, building quality, well-designed, functional projects helps increase resident and financial support for more projects in the future – building “cheap” product does the opposite.

- Design, Architecture, Fees, Financing (Soft Costs). Soft costs include architectural, engineering, design, permitting, taxes, insurance, and legal fees. Soft costs were reported to average between 12% to 15% of total development costs.
- Site Work & Infrastructure. Site work includes grading the site, installing utilities, paving roads and parking, etc. Site work costs vary significantly based on site location. Site work can be a barrier if off-site infrastructure is required or if infrastructure upgrades are needed. Land costs and site work and infrastructure costs are often complementary, meaning that land with good infrastructure access (such as within the Big Sky Water and Sewer District, served by utility lines and roads, etc.) will be higher priced than land without such access, but site work costs will be lower. Again, trying to save money on the front end by buying “cheap land,” may not result in a lower-cost project when site work and infrastructure upgrades are included.

An average cost of \$20 per square foot of land was used based on information received, recognizing that site work costs will vary significantly by project.

- Developer Fee. Developer fees vary depending upon the project, but typically fall between 8% to 12% of total development costs. Lower risk projects, where developers are not assuming the risk of post-development lease-up or sales, for example, will have lower developer fees. A fee of 8% of total development costs is assumed below.

The following tables show estimates of the subsidy that would be needed for three types of ownership product to be built affordable for an average-sized 2.5-person household in Big Sky.

The gap ranges from about \$310K for a stacked-flat condominium, to \$770K for an attached townhome-style unit, to over \$1.1MM for a single-family home. The square footage, bedrooms, and other details are provided for each prototype below.

**Table 1**  
**Cost to Build – Condo or apartment: 2023**  
**2b/1b, 840 square foot living area, surface parking, 25-units/acre**

	Assumptions	Cost
Labor and Materials (hard costs)	\$380/sq ft	\$376,000
Site prep/infrastructure	Varies \$20/sq ft land avg	\$35,000
Design, fees, financing (soft costs)	15% of costs excl. land	\$80,000
Land	Varies \$1.1MM/acre average	\$44,000
Developer fee	8% of costs excl. land	\$43,000
<b>Total Development Costs</b>		<b>\$578,000</b>
Price affordable for households at the median income [1]	100% AMI	\$269,300
<b>Gap (subsidy needed)</b>		<b>\$308,700</b>

[1] Max purchase price assumes 30-year mortgage at 7.5% interest rate with 5% down and 20% of the payment covering taxes, HOA, PMI and insurance. Calculated for an average-sized 2.5-person household earning 100% AMI.

Source: consultant team

**Table 2**  
**Cost to Build – 2- and 4-unit attached homes: 2023**  
**3b/1.5b, 1,350 square feet living area, garage, 12-units/acre**

	Assumptions	Cost
Labor and Materials (hard costs)	\$390/sq ft	\$658,000
Site prep/infrastructure	Varies \$20/sq ft land avg	\$73,000
Design, fees, financing (soft costs)	15% of costs excl. land	\$142,000
Land	Varies \$1.1MM/acre average	\$92,000
Developer fee	8% of costs excl. land	\$76,000
<b>Total Development Costs</b>		<b>\$1,041,000</b>
Price affordable for households at the median income [1]	100% AMI	\$269,300
<b>Gap (subsidy needed)</b>		<b>\$771,700</b>

[1] Max purchase price assumes 30-year mortgage at 7.5% interest rate with 5% down and 20% of the payment covering taxes, HOA, PMI and insurance. Calculated for an average-sized 2.5-person household earning 100% AMI.

Source: consultant team

**Table 3. Cost to Build – Single family home: 2023**  
**3b/2b, 1,500 square foot living area, garage, 5-units/acre**

	<b>Assumptions</b>	<b>Cost</b>
Labor and Materials (hard costs)	\$390/sq ft	\$780,000
Site prep/infrastructure	Varies \$20/sq ft land avg	\$174,000
Design, fees, financing (soft costs)	15% of costs excl. land	\$186,000
Land	Varies \$1.1MM/acre average	\$220,000
Developer fee	8% of costs excl. land	\$99,000
<b>Total Development Costs</b>		<b>\$1,459,000</b>
Price affordable for households at the median income [1]	100% AMI	\$269,300
<b>Gap (subsidy needed)</b>		<b>\$1,189,700</b>

[1] Max purchase price assumes 30-year mortgage at 7.5% interest rate with 5% down and 20% of the payment covering taxes, HOA, PMI and insurance. Calculated for an average-sized 2.5-person household earning 100% AMI.  
 Source: consultant team

The below tables show the total subsidies required to produce the number of ownership and rental units needed, as shown in Appendix A, Table 12. On average, to produce 100% of the estimated new housing needed by local employees through 2028, about \$109MM per year in subsidies are required. Most communities establish achievable goals that are below 100% of the needs and build capacity and credibility from successful projects to do more over time.

**Table 4. Big Sky Community Housing Subsidy Gap Through 2028**

**RENTAL UNITS – Apartments (see Table 1)**

AMI %:	30%	30.1-60%	60.1-80%	80.1-100%	100.1-120%	Total
<b>Average AMI level</b>	30%	45%	70%	90%	110%	-
<b>Subsidy Gap Per Rental Unit (incl. land)</b>	\$578,000	\$509,091	\$391,091	\$292,909	\$195,818	-
<b>Units Needed (see App. A, Table 12)</b>	120	185	115	100	75	595
<b>Total Rental Unit Gap</b>	\$69,360,000	\$94,181,818	\$44,975,455	\$29,290,909	\$14,686,364	\$252,494,545

Note: gap price per unit assumes household income at 30% for the lowest range, and the middle of the AMI range for others. See the spreadsheet for details.

**FOR SALE UNITS – Multi-Family (see Table 2)**

AMI %:	80%	80.1 - 120%	120.1-150%	150.1 - 200%	200.1-250%	Total
<b>Average AMI level</b>	80%	100%	135%	175%	225%	-
<b>Subsidy Gap Per For Sale Unit (incl. land)</b>	\$825,600	\$771,700	\$677,400	\$569,700	\$435,050	-
<b>Units Needed (see App. A, Table 12)</b>	45	130	125	105	25	430
<b>Total For Sale Unit Gap</b>	\$37,152,000	\$100,321,000	\$84,675,000	\$59,818,500	\$10,876,250	\$292,842,750

Note: gap price per unit assumes household income at 80% for the lowest range, and the middle of the AMI range for others. See the spreadsheet for details.