



July 12, 2021

Director Scott Osterman
Department of Commerce
301 South Park Ave.
Helena, MT 59601

Director Osterman:

We, the Montana Housing Coalition, write today to urge the Department of Commerce invest Montana's State Fiscal Recovery Funds for affordable housing development. The Montana Housing Coalition is a statewide policy making group of housing developers, community agencies, and other stakeholders who recognize the importance of housing to our quality of life and our economy. Montana already faced an acute shortage of affordable housing, and the pandemic pushed even more households deeper into financial distress and housing instability. The State Fiscal Recovery Funds provides an unprecedented opportunity to address the severe lack of affordable, accessible, and available housing supply. **The Montana Housing Coalition urges the Department of Commerce to invest a minimum of \$40 million of Coronavirus State Fiscal Recovery Funds to increase the supply of housing affordable to working families, seniors, and lower income households.**

Through the Coronavirus State Fiscal Recovery Funds, the Department of Treasury provided State and Tribal governments significant resources to respond to the impact of the pandemic and substantial flexibility for using these funds to meet the needs of their communities and residents.¹ One eligible use is to fund affordable housing development to increase the supply of affordable and high-quality housing targeted to households, populations, and areas hit the hardest by the pandemic. At least ten states and Washington D.C. have so far allocated or are considering similar investments.²

A lack of quality, safe housing that families can afford is an issue confronting communities across the state. Only 46 affordable and available housing units existed for every 100 of the lowest income renter households.³ As a result, 68 percent of these households must pay more than half their incomes in rent and have little left over to pay for other essential needs like groceries, medication, and transportation. Much of the state's existing housing inventory is

¹ U.S. Department of the Treasury, "[Coronavirus State and Local Fiscal Recovery Funds Interim final rule](#)," May 17, 2021.

² National Low Income Housing Coalition, "[Using ARPA Coronavirus State and Local Recovery Funds to Develop Affordable Housing](#)," June 7, 2021.

³ National Low Income Housing Coalition, "[Housing Needs by State: Montana](#)," 2021.

aging and needs repair, with an estimated 30,000 Montana homes in poor or very poor condition.⁴ Estimates from August 2020 show there were more than 3,600 individuals experiencing homelessness in Montana.⁵ During the pandemic, lower income households reported having fallen behind on housing payments and little confidence in their ability to make next month's rent payment.⁶ The true impact of the pandemic on housing instability is yet to be seen.

Furthermore, the lack of affordable and available housing threatens Montana's economic recovery. The pandemic contributed to the loss of local workforces, particularly among workers earning low incomes as they are more likely to work in industries that saw job losses, such as the service industry.⁷ Coming out of the pandemic, local businesses struggle to hire and retain staff, even with incentives like Return-to Work bonuses and higher wages, because people cannot work a local job if they cannot find a place to live.

The need for more housing is apparent, yet Montana has yet to invest adequate state resources to address the problem. The state's primary funding source for affordable housing development is the federal Low Income Housing Tax Credit program. However, over the past five years, \$300 million of affordable housing projects that would have created an additional 2,000 housing units were not funded due to limited federal Low-Income Housing Tax Credits.

Recommendations

The Montana Housing Coalition urges the Department to recommend investing a minimum of \$40 million of Coronavirus State Fiscal Recovery Funds to increase the supply of housing affordable to working families, seniors, and lower income households.

Of this \$40 million, we would urge the Department of Commerce to dedicate at least **\$30 million in grants for direct financial assistance to fill funding gaps and reduce total development costs for housing projects.** These grants will be similar to Community Development Block Grants (CDBG) and Housing Development Partnerships Program (HOME) administered by the Montana Housing Division. The Department can prioritize grants used to:

- Purchase existing housing to convert to affordable housing; provide preconstruction technical assistance for affordable housing projects; and comprehensive rehabilitation and preservation of existing affordable housing.
- Match federal, local, and other funding sources.

⁴ [Montana Housing Coalition](#), 2020.

⁵ Bridge, B., "[Affordable housing in Montana](#)," University of Montana Bureau of Business and Economic Research, Dec., 2020.

⁶ U.S. Census, "[Week 12 Household Pulse Survey: July 16-July 21](#)," July 29, 2020.

⁷ "[The Renters and Rental Market Crisis Working Group](#)," Urban Institute,

- Provide equity to housing projects that have applied for federal Low-Income Housing Tax Credits but not awarded due to lack of funds and located in communities disproportionately impacted by the pandemic.

Additionally, we urge the Department of Commerce to dedicate at least **\$10 million in grants to nonprofit housing partners and service organizations for housing and facilities necessary to provide safe shelters and supportive housing.** The Department can prioritize grants used to:

- Rent, acquire, and renovate existing facilities and convert underused hotels, motels, and other properties to shelters and supportive housing.
- Provide families at risk of or experiencing homelessness and for survivors of domestic violence.

Montana’s State Fiscal Recovery Funds gives the Department of Commerce an unprecedented opportunity to tackle our state’s housing crisis and, by doing so, build stronger, resilient communities. When we invest in housing, we invest in our children and families, we create jobs and keep local businesses alive, we keep Main Street thriving. Montana can follow the lead of other states that plan to use State Fiscal Recovery funds for housing development. This type of housing investment can leverage other federal resources to maximize the impact of these new funds. Even better, pairing new state and local funding resources with federal recovery funding will sustain the investments into the long term. We stand ready to assist the Department in any way we can as you consider our recommendations.

Sincerely,

Sheila Rice, Chair
 Montana Housing Coalition
sheilaricemt@outlook.com

Adrienne Bombelles
 Montana Budget & Policy Center
abombelles@montanabudget.org

Montana Housing Coalition Members

Accessible Space, Inc.
Affiliated Developers
Big Sky Community Housing Trust
Billings HA/HomeFront
Cedar Pointe Townhomes
City of Helena
City of Missoula
Clearwater Credit Union
Dick Anderson Construction

Echo Enterprises
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NeighborWorks Great Falls
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Sletten Construction
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CC: Director Mike Foster, ARPA Program
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