

Affordable Housing

Bozeman's latest plan *by Samaara Robbins & Susan Floerchinger*

With all of the incredible outdoor activities Bozeman has to offer, most of your spare time might be spent just looking for a place to live, earning money to pay rent, and saving what little is left for a down payment. But exorbitant housing prices are forcing the very people who make up Bozeman's outdoor-oriented workforce to leave because of a serious lack of readily available housing. To address this problem, the Bozeman City Commission adopted a Workforce Housing Ordinance in the summer of 2007.

How It Works

The ordinance applies to any development after August 15, 2007 of greater than 10 units or any condo conversion project on over five acres. Approximately 10% of these housing units must be workforce housing units (WHUs), and a portion of those must be single-family detached homes. Developers and/or builders must ensure that condos meet Fannie Mae and FHA requirements.

Developers must provide the lots, but they are not required to build WHUs. They can sell the lots to individual builders at fixed prices of no more than \$12 per square foot currently, with annual increases equal to the lesser of 4% or the increase of area median income (AMI) for the year. AMI is adjusted annually and set nationally by the Department of Housing and Urban Development.

The prices of the WHUs built by the developer or individual builder are fixed and determined by the workforce housing administrator. They adjust annually, but currently the ordinance sets the maximum price on a two-bedroom condo at \$113,285 and \$176,980 for a single-family detached home.

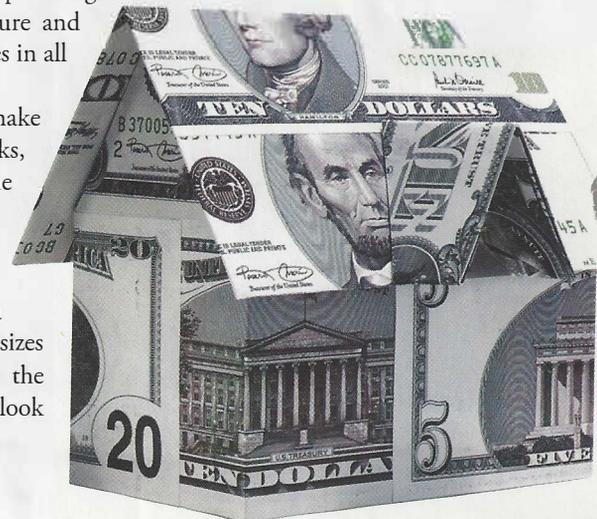
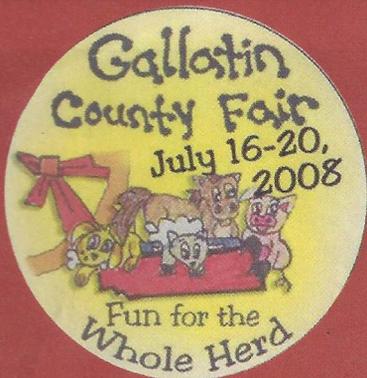
People interested in purchasing WHUs must submit an application to Bozeman's workforce housing administrator. Buyers must be prequalified through a city-approved lender, must earn less than \$70,100 (at time of print) per year, and meet asset restrictions as well as residency requirements. All buyers must also take an approved homebuyer education course.

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The Costs and Benefits

Workforce housing has exceptional benefits, but not without some costs. The ordinance gives developers significant cost offsets, including a density bonus, reduced requirements to build parkland, significantly smaller lot sizes (2,700 square feet for a detached home and 2,500 square feet for an attached home), waivers and/or deferments of impact fees, fast-tracking through the city's planning department, simultaneous infrastructure and housing construction, and zero lot lines in all residential zoning districts.

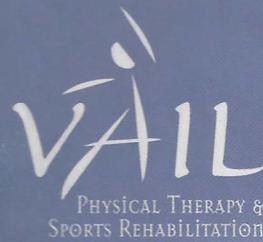
These enticements might make developers smile, but for other folks, not so much. The largest issue is the reduced parklands; once lost to housing, that land is lost forever. But also, dense developments require far fewer WHUs—as little as 4% of a development. Significantly smaller lot sizes create a mosaic of homes as seen in the Cooper Park area, but how will that look

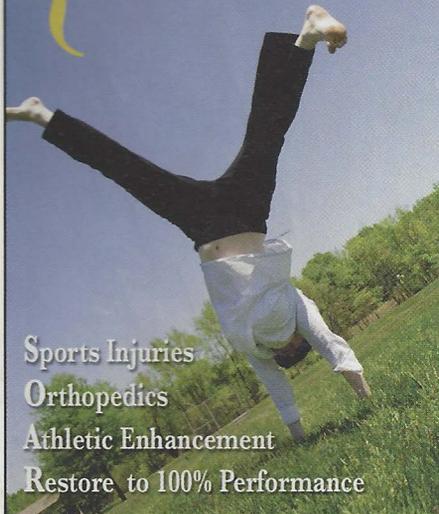
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Workforce Housing Unit Resources

City of Bozeman Website
Bozeman.net (under Divisions category)

Workforce Housing Administrator
Steve Herron 582-2271

Homebuyer Education & Down Payment Assistance
HRDC Road to Home Program 585-4878

For a complete copy of the ordinance, visit the City of Bozeman's website.

in subdivisions where every home is so similar to begin with? Will WHUs on 2,700-square-foot lots stand out or be hidden behind huge houses on larger lots?

Another issue is the cap on the homes' appreciation. All WHUs have a 10-year deed restriction. During that time a home can appreciate only by the lesser of 4.5% per year or its actual appreciation rate. If a homeowner sells his or her unit within those 10 years to another approved workforce housing applicant, the deed restriction extends another 10 years. But if a homeowner sells his or her WHU to a nonapproved applicant, he or she keeps only the lesser of a 4.5% annual gain or the actual appreciation; the difference between the allowed gain and the actual sale price of the house goes to the City's Workforce Housing Fund. If the original buyer owns the home longer than 10 years, he or she receives the house's full value upon sale.

Now, when supply is low and demand is high and buyers are struggling to afford a home, a WHU with capped appreciation is appealing. However, if a buyer can purchase a condo or a house in an outlying area for the same price without an appreciation cap, WHUs lose some of their sheen.

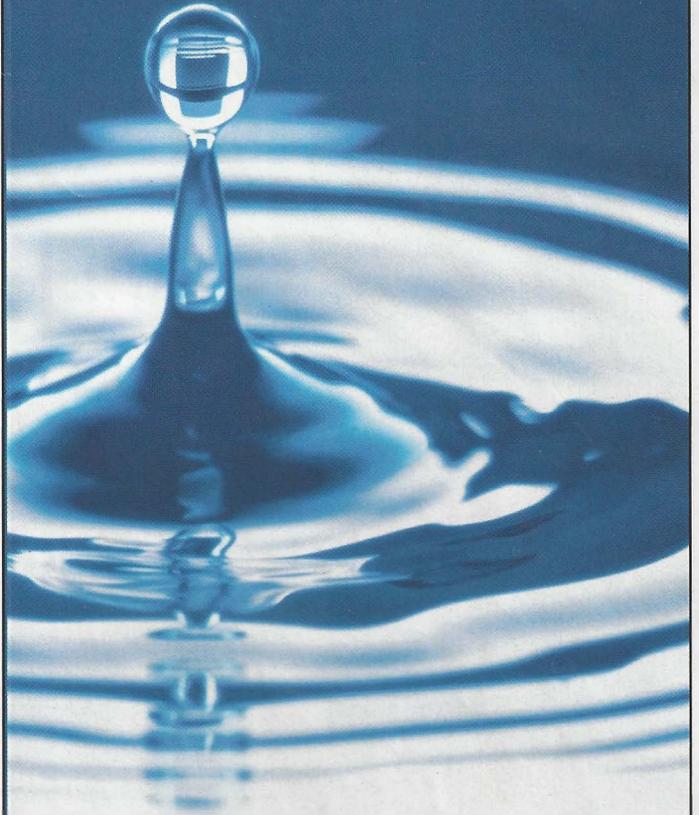
Workforce Housing Ordinance in Action

As of this writing, two subdivisions have approved preliminary plats that include WHUs. Story Mill, just north of downtown, has 37 WHUs; Norton East, located west of town, has 13 approved, including three detached homes on 5,000-square-foot lots and 10 condo units. Laurel Glen, west of town, proposed four single-family detached WHUs each on 5,000-square-foot lots and an additional eight-unit condominium project, for a total of 12 WHUs.

Though that's only 62 homes and the actual number may change during the approval process, the WHU program is one step toward affordable housing for Bozeman's workforce. 

Samaara Robbins was the Realtor representative on the Affordable Housing Task Force and is currently a member of the city's Community Affordable Housing Advisory Board (CAHAB). Susan Floerchinger is a member of the Community Affordable Housing Advisory Board and the National Alliance of HUD Tenants.

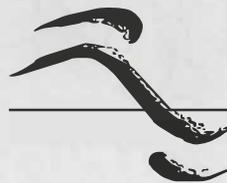
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