


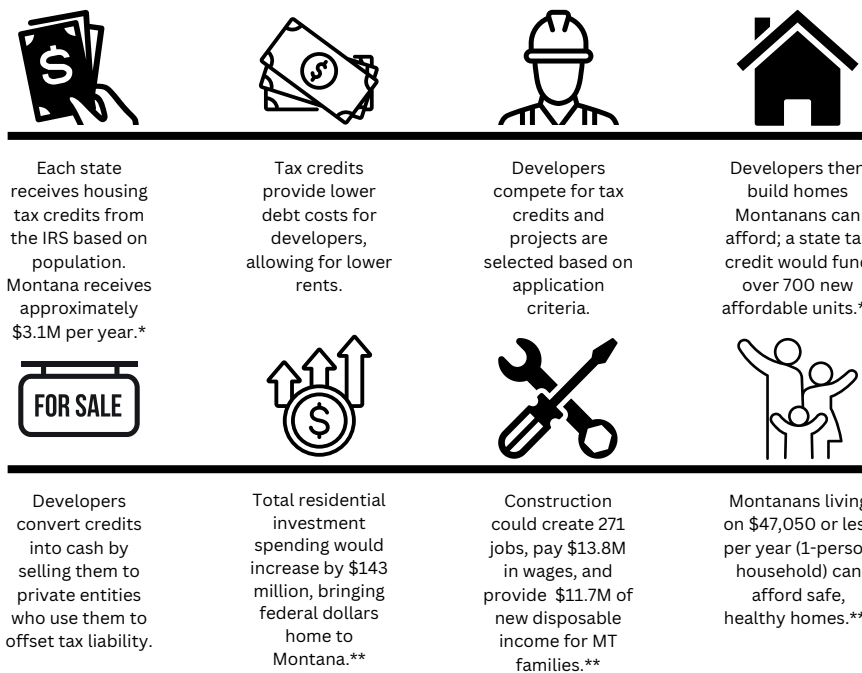


As Montana’s population grows, the expansion of new homes fails to keep pace. Throughout rural and urban Montana, the shortage of homes Montanans can afford hurts our quality of life and economy. Exacerbating that challenge, the Montana Board of Housing is forced to leave \$96.1 million in federal 4 percent credits on the table without a state workforce housing tax credit. This shortfall of existing resources leaves multigenerational, hard-working Montana families in a bind.

In response to the housing crisis, Governor Greg Gianforte announced and reauthorized the formation of a housing task force to identify “short- and long-term recommendations and strategies for the State of Montana to increase the supply of affordable, attainable workforce housing.” The Governor’s final housing task force report in 2022 and 2024 recommended passing a state-based housing tax credit.



How Workforce Housing Tax Credits Work



Sources:

**2024 Federal LIHTC Information by State.” *Affordable Housing Resource Center, Novogradac, 2024.*

**Sheehan, Derek. “An Assessment of the Potential Impacts of a Montana Low-Income Housing Tax Credit.” *Bureau of Business and Economic Research, University of Montana, Dec. 2022.*

***HOME Income Limits State: MT 2024, *U.S Department of Housing and Urban Development, 2024.*

Workforce Housing Development Helps the Economy**

- For every \$1 in lost revenue, a state credit program is estimated to leverage \$2.69 in public and private residential investment spending in the broader state economy.
- A supplemental state-level program implemented over six years is expected to increase the utilization of federal 4% credits by \$96.1 million and total residential investment spending by \$143 million.
- A state credit program could also be used with the competitive 9% program, thereby extending the number of units produced.
- A state program would be expected to increase overall units produced across the state by 40.8 percent or 122 per affordable units per year. Over six years, this results in 730 additional affordable rental units.
- These additional units would be expected to increase Montana’s number of units accepting Housing Choice Vouchers by 124 units, resulting in an additional \$38.1 million in federal voucher expenditures in the state over ten years.
- The addition of a state-level program is expected to particularly spur affordable housing development in areas of the state that have historically not seen much, if any, development to date; increasing the geographic distribution of these resources across the state.



A state workforce housing tax credit would help investors leverage and augment the federal Low-Income Housing Tax Credit (LIHTC), leading to more homes that Montanans can afford.

Income Eligibility and Affordability Requirements

- Residents of LIHTC-assisted properties must demonstrate an income level at or below 80% of the region's AMI (Area Median Income). AMI considers all household incomes within a region and takes the middle income to calculate affordability.
- For a home to be deemed affordable, a household pays no more than 30% of its income for housing costs (including utilities). So, a family of four in Great Falls, making a living of \$68,700 or less, could qualify for a safe and healthy home under the LIHTC program.***
- In exchange for tax credits, properties must ensure rents stay affordable for at least 30 years (50 years for new projects).
- If a household increases their income after initially qualifying to live in a tax-credit property, they may keep their rental home, ensuring stability for the family.
- Investors in projects that fail to comply can lose their tax benefits.

The Allocation Process and Financing

Each year, the federal LIHTC program allocates a specific number of credits to Montana, which the Montana Board of Housing distributes. The program is competitive, with twice as many applications for 2025 as could be funded.

In today's market environment, construction and development costs have become an extreme impediment for affordable housing developers. Traditional funding sources often fall short, and developers are left with a "gap" in their financing. The state housing credit is a valuable source of gap financing to overcome this shortage and ensure projects remain financially viable. That is why 32 states have enacted a state-level housing credit program.

While the 9% federal tax credits are often heavily competitive and oversubscribed, the 4% credits only fund a smaller portion of a project. To be viable, projects utilizing the 4% credits require more supplemental funding sources to pencil out. Adding a state-based tax credit will make the 4% federal credits more appealing as part of a funding stack, leading to additional workforce and affordable housing projects being built.

The availability of this type of gap financing allows Montana to leverage the federal LIHTC program more effectively. More projects can achieve the funding level necessary to reach full completion. Without it, Montana is leaving money on the table (and outside our borders).

A state-based housing tax credit would increase the pool of funds available, thereby increasing the number of projects that receive funding, especially those in rural areas, and bring more investment to our state.

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