

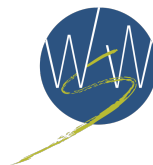
## Big Sky Housing Action Plan: Part 1

# Community Housing Assessment and Needs

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## Introduction

### Purpose

This report updates and supplements information presented in the 2014 Big Sky Housing Development Plan and identifies how much, what type and the price point of housing that is needed to support employees, employers and residents in Big Sky over the next five (5) years. The report also provides a general overview of land, resources and opportunities available in the Big Sky area to provide housing that is affordable for the local workforce.

The purpose of this information is to help Big Sky develop a Housing Action Plan that identifies and establishes housing strategies and policies that will provide more affordable opportunities for local employees to live in Big Sky. The Housing Action Plan will be created as Part Two of this study, occurring this spring.

Creation of a Housing Action Plan through this process will ensure that Big Sky has the information, tools, and strategies to provide the housing necessary to support a thriving community – housing to support businesses, economic development, community vibrancy, residents and visitors alike.

### Methodology

Primary research was conducted to generate information beyond that available from existing public sources and included:

Big Sky Employee Survey. An online survey was made available to Big Sky area households and employees to collect information on housing preferences of residents and employees, future plans, employment, household characteristics, housing perceptions and conditions, and other issues not otherwise available through secondary sources.

The survey was distributed as an online link through workers' places of employment with the generous assistance of Big Sky Chamber of Commerce, Big Sky Community Housing Trust (BSCHT) and Big Sky area employers – large and small. The survey link was also made available on BSCHT's website, various Facebook and social media sites. It was advertised through newspaper publications, flyers posted around Big Sky and distributed on postcards on in-commuting buses and in public spaces in Big Sky.

The intent was to reach Big Sky residents and in-commuters (people who live outside of Big Sky, but work in the community). In total:

- 1,112 responses were received from Big Sky households and in-commuters – an excellent response rate for a community the size of Big Sky. A total of 896 responses were from households with at least one person employed in Big Sky.
- Responses represent about 690 year-round area resident households and 206 seasonal area resident households that are employed in Big Sky. Respondents hold an average of 1,220 jobs throughout the year – or 30% of average year-round jobs in Big Sky.
- The data was weighted by two factors to better represent the mix of households employed in Big Sky:
  - Surveys received under-represented in-commuters, which is common. About 73% of responding households employed in Big Sky reported living in Big Sky, compared to about 50% that live in Big Sky, as determined from employer interviews.
  - Responses also under-represented one-person households (14%) and over-represented two-person households (37%). Based on ACS projected data for 2018<sup>1</sup>, about 24% of employed area households have one-person and 31% have two-persons.
- The margin of error for survey tabulations is within about 2.7% at the 95% confidence interval, meaning that for any tabulation the percent reported is within plus or minus 2.7% from what is actually the case. For data representing less than all responses (e.g., home owners), the margin of error will be higher.

**Big Sky Employee Survey Response Summary**

Where respondents live	# Survey Responses		
	All Respondents	Employed Year-Round Residents	Employed Seasonal Residents
<b>Big Sky</b>	594	362	93
<b>Bozeman</b>	345	200	94
<b>Other Gallatin County</b>	90	75	4
<b>Madison County</b>	25	16	4
<b>Other</b>	58	37	11
<b>TOTAL</b>	1,112	690	206

Source: 2017 Big Sky Employee Survey

<sup>1</sup> Ribbon Demographics HISTA data.

### Employer Interviews and outreach.

- At the beginning of this study (November 2017), we held a breakfast session with Big Sky employers (“Eggs and Issues”) that was hosted by the Big Sky Chamber. The purpose was to introduce the study and hear from employers about their primary concerns regarding housing in Big Sky.
- In addition, twelve employers in Big Sky were interviewed, representing the six largest employers and a mix of smaller and mid-size employers. Employers represented about 840 year-round jobs, 720 summer seasonal jobs and over 2,300 winter seasonal jobs in Big Sky – or about 40% of average year-round jobs in Big Sky.

Interviews probed where employees live, unfilled jobs, retiring workers, positions of high turnover, difficulty finding and recruiting workers, changes in employment over time and employers’ level of support for housing assistance. A mix of employers was represented, including: government, schools/education, utilities, health care, resort, bar/restaurant, lodging, real estate and property management.

Realtor Focus Group. A focus group with three Realtors was held in Big Sky. Information was obtained on the ownership market including current prices, recent trends, occupancy patterns, availability and what households are seeking when looking to purchase or rent a unit. This discussion helped define housing preferences among locals and second homeowners searching for homes in Big Sky, including unit type, price points and amenities.

Property Manager and Lender Interviews. Three property managers and a local lender were interviewed. Property managers provided information on the rental market including rents, vacancy rates, recent trends, renter profiles and units most in demand. The local lender provided information on the availability of financing and the challenges faced when residents try to buy a home.

Stakeholder Discussions and Interviews. Additional interviews were conducted with the Big Sky Chamber of Commerce, Madison and Gallatin County Planning departments, local developers, Big Sky Resort Tax Board, Big Sky Water and Sewer District and other stakeholders to collect local data and better understand housing problems, programs and challenges in Big Sky.

## Secondary and Local Data Sources

A variety of sources of published information were used in the preparation of this report, including but not limited to:

- 2000 and 2010 US Census data. This information is used to identify changes in Big Sky residents and households over time and provide a demographic base of the area.
- 2010 to 2016 American Community Survey data (ACS) to understand general trends since the 2010 Census and Ribbon Demographics, LLC, income data for 2018.<sup>2</sup>
- 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.
- 2017 Area Median Income from the Department of Housing and Urban Development.
- Current MLS listings, recent home sales and historic sale trends from the Southwest Montana Multiple Listing Service (SWMLS).
- Big Sky property ownership and residential property records from the Montana Department of Revenue, acquired through the cadastral website ([cadastral.mt.gov](http://cadastral.mt.gov)).
- Existing reports, including “Big Sky Housing Development Plan,” by Economic & Planning Systems (2014); Big Sky Chamber of Commerce power points and reports available at <http://bigskychamber.com/about/projects/workforce-housing/>; and other materials collected through interviews.

## Acronyms

The following acronyms are used in this report.

ACS	American Community Survey
AMI	Area Median Income
BEA	US Bureau of Economic Analysis
BSCHT	Big Sky Community Housing Trust
CDBG	Community Development Block Grant
HOA	Home Owner Association

<sup>2</sup> For areas with populations under 20,000, the ACS still has large margins of error for many estimates; even for the 5-year consolidated data. The Census Bureau recommends using the data to understand trends in changes, where margins of error are reasonable, and not for exact numerical shifts (see <http://www.census.gov/programs-surveys/acs/technical-documentation/code-lists.2014.html> for more information). The ACS was used in this report to gauge recent trends.

HOME	HOME Investment Partnerships Program
HUD	United States Department of Housing and Urban Development
LIHTC	Low-Income Housing Tax Credit
MLS	Multiple Listing Service
SWMLS	Southwest Montana Multiple Listing Service
QCEW	Quarterly Census of Employment and Wages

## Definitions

The following terms are used in this report:

Affordable Housing	As used in this report, housing is affordable if the monthly rent or mortgage payment is equal to or less than 30% of gross household income (before taxes). When housing costs exceed 30% of income, the household is considered to be Cost Burdened.
Area Median Income (AMI)	<p>A term that generally refers to the median incomes published annually for counties by the US Department of Housing and Urban Development (HUD). Each year, HUD adjusts the area median household income based on a variety of factors such as the area economy and household growth. AMI is used to set income and rent limits for affordable housing programs statutorily linked to HUD income limits (e.g. low-income housing tax credit rentals).</p> <p>AMI varies by household size and is published each year by HUD for households at various income levels, as follows:</p> <ul style="list-style-type: none"> <li>• Extremely Low Income – At or below 30% AMI</li> <li>• Very Low Income –Between 31% and 50% AMI</li> <li>• Low Income – From 51% to 80% AMI</li> <li>• Moderate Income – From 81% to 100% AMI</li> </ul>
American Community Survey (ACS)	The ACS is part of the Decennial Census Program of the U.S. Census. The survey was fully implemented in 2005, replacing the decennial census long form. Because it is based on a sample of responses, its use in smaller areas (under 65,000 persons) is best suited for monitoring general changes over time rather than for specific numeric counts due to potentially high margins of error.
Average household size	There are about 2.5-persons per household in Big Sky. This refers to the number of persons living in a housing unit that is located in Big Sky – includes all adults (employed or not) and children.



Average employees per employed household	<p>There are about 1.8 employed persons per household that is employed in Big Sky. This refers to the average number of adult employees (18 or older) residing in households with at least one adult who is employed in Big Sky (i.e. excludes households that have no working adults – retired or otherwise unemployed). This figure is used to estimate the number of housing units needed by employees filling jobs in Big Sky.</p> <p>The average number of employed persons in all households in Big Sky (which would include retired/non-working households) is lower; about 1.5.</p>
Average year-round jobs	<p>Refers to the average number of jobs available in Big Sky throughout the year, which is about 4,019 in 2017. It represents the sum of jobs during each month (Jan. to Dec.) divided by the number of months in the year (twelve).</p> <p>The number of jobs in Big Sky changes throughout the year. Many employers hire for only the summer or winter seasons. The number of jobs is highest in the winter months, lowest during the shoulder season (spring, fall) and moderately higher in the summer months. Average year-round jobs condenses this fluctuation into one number for ease of reporting and to understand on average how many jobs the community supplies.</p>
Catch-up Needs	<p>The number of housing units needed to catch up to meet the current shortfall in housing available for the workforce.</p>
Cost Burdened	<p>When housing costs exceed 30% of a household's gross (pretax) income. Housing costs include rent or mortgage and may or may not include utilities, homeowner association fees, transportation or other necessary costs depending upon its application. Households are severely cost-burdened when housing costs comprises 50% or more of gross income.</p>
Employee (or Workforce) Housing	<p>Housing intended for and affordable to employees and households earning local wages.</p>
HOME Funds	<p>Grants from HUD to states and units of general local government to implement local housing strategies designed to increase homeownership and affordable housing opportunities for low and very low-income households.</p>

In-commuter	<p>Refers to an employee that works in Big Sky, but that lives outside the community (e.g. in Bozeman, Belgrade, Ennis, etc.) and must travel into Big Sky for work.</p> <p>In-commuting represents only part of the total road vehicle trips per day into Big Sky. In-commuters represent employees traveling into Big Sky for work. Vehicle trips per day also include trips by visitors, delivery trucks, and all other non-employee travel into and out of Big Sky.</p>
Keep-up Needs	<p>Keep-up refers to the number of housing units needed to keep up with job growth and the housing units needed to house employees filling jobs over the next 5-years.</p>
Occupied housing unit	<p>Occupied housing unit means housing units that are occupied by persons that consider Big Sky as their usual place of residence or that have no usual place of residence elsewhere. (US Census definition). Occupied units are commonly referred to as Big Sky resident households or Big Sky households throughout this report.</p>
Seasonal job	<p>A job that lasts only during one season. In Big Sky, many employers hire employees to work only for the winter season (e.g. November/December through March/April) and/or the summer season (e.g. June through September).</p>
Seasonal resident employee	<p>An employee that lives in Big Sky or elsewhere in the region for only part of the year (e.g. for the winter season) and is employed in Big Sky. These are persons that are recruited from outside the area to fill seasonal jobs in Big Sky.</p>
Workforce (or Employee) Housing	<p>Housing intended for and affordable to employees and households earning local wages.</p>
Year-round job	<p>A job that lasts throughout the year, with no starting or ending date tied to the seasons.</p>
Year-round resident employee household	<p>A household that lives in Big Sky or elsewhere in the region year-round and that has at least one person employed in Big Sky</p>

## What is Affordable Housing for local employees?

### *“Affordable” Defined*

This report centers on an understanding of “what is affordable” for households employed in Big Sky. The term “affordable” may often be associated with low income

housing. In resort communities, however, affordability is typically a problem for a broad range of income levels; not just low income.

Housing is affordable when the monthly payment (rent or mortgage) is no more than 30% of a household's gross income (i.e., income before taxes). Although there is some variation, this standard is commonly applied by federal and state housing programs, local housing initiatives, mortgage lenders and leasing agents.

Affordable rents and purchase prices meeting this 30% standard can be calculated for various income levels and are often expressed as a percentage of the Area Median Income (AMI). AMI is published annually by the U.S. Department of Housing and Urban Development (HUD) for each *county* and represents the Median *Family* Income of an area. This means that the AMI does not incorporate incomes from non-family single and roommate households, which make up over 40% of households in the Big Sky area. As a result, the AMI will generally be higher than the average income of all households.

The AMI varies by household size. The median (or middle) family income estimate in an area generally falls on or near the 100% AMI rate for a family of four. In Gallatin County, the AMI in 2017 is \$71,000; in Madison County it is \$62,100. Households that earn less than 100% AMI are identified as earning a lower percentage AMI (e.g., 80% AMI).

Big Sky crosses two counties. HUD calculates different AMI's for each county. For purposes of this report, the AMI for Gallatin County has been used. This is because the majority of the local population resides in Gallatin County and the higher AMI in Gallatin County is more reflective of incomes in Big Sky than Madison County AMI.

#### Gallatin County AMI by Household Size: 2017

AMI Level	1-person	2-person	3-person	4-person
<b>30%</b>	\$14,910	\$17,040	\$19,170	\$21,300
<b>50%</b>	\$24,850	\$28,400	\$31,950	\$35,500
<b>60%</b>	\$29,820	\$34,080	\$38,340	\$42,600
<b>80%</b>	\$39,760	\$45,440	\$51,120	\$56,800
<b>100%</b>	\$49,700	\$56,800	\$63,900	\$71,000
<b>120%</b>	\$59,640	\$68,160	\$76,680	\$85,200
<b>150%</b>	\$74,550	\$85,200	\$95,850	\$106,500
<b>200%</b>	\$99,400	\$113,600	\$127,800	\$142,000

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

The average household size in Big Sky is about 2.5 persons. The below table shows the affordable rents and home purchase prices at various household incomes and the respective AMI level for an average-sized household.

### Maximum Affordable Housing Costs

AMI Equivalent*	Household Income	Max Rent	Max Purchase Price**
30%	\$18,105	\$455	\$71,000
50%	\$30,175	\$755	\$118,300
60%	\$36,210	\$905	\$142,000
80%	\$48,280	\$1,205	\$189,300
100%	\$60,350	\$1,510	\$236,700
120%	\$72,420	\$1,810	\$284,000
150%	\$90,525	\$2,265	\$355,000
200%	\$120,700	\$3,020	\$473,400

Source: Consultant team

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

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

Interest rates significantly affect the affordable purchase price of homes. Affordable purchase prices in the above table assume an average mortgage interest rate of 5%, which is slightly above the current rate. For every 1%-point rise, the purchasing power of a household decreases by about 10%. This should be considered when evaluating the affordability of housing and establishing prices for new affordable homes.

Interest rates significantly affect the affordable purchase price of homes.

### Diversity of Housing Needs

Housing for the workforce must accommodate a wide range of incomes. This includes households with seasonal and entry-level service employees making \$9 to \$18 per hour through business managers making \$100,000 or more per year. It must also provide options for households at various life stages to buy or rent – from new school graduates, to young families, to empty-nesters. Providing a range of ownership and rental housing allows households to grow and change within a community, thus supporting a diverse and vibrant community and economy. More specifically:

- At the lowest income levels (under \$30,000 per year; below 50% AMI), homelessness and the threat of homelessness are important issues. Special populations who are unable to work (e.g., seniors and the disabled) may require assistance at the lower income levels. Affordability problems, especially for renters, may also be present among the working poor.
- As incomes increase to between \$50,000 to \$60,000 per year (about 80% to 100% AMI), households are often looking to buy their first home. Policies at this level are typically designed to help bring homeownership within reach, including down payment assistance and first-time homebuyer loans.

- Finally, at the highest levels (over \$70,000 per year; 120% AMI), upper income groups fuel the market for step-up and high-end housing. Housing for this group may be addressed by the free market; although market housing in many high-cost resort communities often start at 150% AMI or more.

Household Income Classification	AMI Level	Maximum 2.5-person Household Income	Typical Housing Needs
Extremely low income	<=30% AMI	\$18,000 (\$9.00/hr)	Emergency/subsidized housing
Very low income	31% to 50%	\$30,000 (\$15.00/hr)	Income restricted housing (LIHTC, etc.)
Low income	51% to 80%	\$48,000 (\$24/hr)	Market rentals
Moderate income	81% to 100%	\$60,000 (\$30/hr)	First time homebuyers
Middle and upper income	Over 100%	\$60,001+ (\$30+/hr)	Entry market housing and step up home buyers

Source: US Department of Housing and Urban Development (HUD), Consultant team

The income distribution of households with at least one person employed in Big Sky (“locally-employed households”) is shown below. Ideally, housing that is produced to be affordable for local employees should be proportionately distributed according to household incomes. This means, based on the below table, that about 48% of rentals for local employees should be affordable for households earning under 100% AMI and 45% of ownership housing should be priced affordable for households earning between 100% and 200% AMI.

#### Income of Year-Round Resident Households Employed in Big Sky: 2017

	Owners	Renters	TOTAL households
<b>&lt;60% AMI</b>	4%	25%	12%
<b>60-80% AMI</b>	5%	13%	9%
<b>80-100% AMI</b>	9%	10%	11%
<b>100-120% AMI</b>	7%	14%	12%
<b>120-150% AMI</b>	17%	16%	18%
<b>150-200% AMI</b>	21%	11%	16%
<b>Over 200% AMI</b>	36%	10%	21%
<b>TOTAL %</b>	100%	100%	100%
<b>TOTAL #*</b>	685	1,030	1,715

Source: 2017 Big Sky Employee Survey, Consultant team

\*The Total # represents the total number of employee households that are filling jobs in Big Sky. See Section 2 – Economic Trends (p. 37) for this estimate.

## Acknowledgements

We would like to thank all of those who have helped us and have given us their time and assistance. Information in this report relied on extensive participation from the Big Sky Community Housing Trust, the Big Sky Chamber of Commerce, Resort Tax Board, local employers, Realtors, property managers, lenders, community stakeholders, Madison and Gallatin County planning and GIS staff, and significant involvement and input from local employees and residents through the 2017 Big Sky Employee Survey.

Particular thanks goes to the employers that participated in providing data, interviews and significant assistance with survey outreach to their employees. This includes: Big Sky Resort, Yellowstone Club, Moonlight Basin, Spanish Peaks, Lone Mountain Land Company, Big Sky Medical Center, Big Sky School District, Big Sky Water and Sewer, Bucks T4 Lodge, Big Sky Fire Department, and the Big Sky Food Bank, as well as all others that participated through outreach fronted by the Chamber.

Information presented in this report is as much based on data and numbers as it is on the experiences and observations of those living in the community, which would not have been possible without extensive local participation. We have enjoyed working with the Big Sky community and we appreciate the opportunity to work with communities that have a desire to understand and address the housing needs of local residents and the workforce.

## Summary of Findings

Big Sky has a big challenge ahead to address the housing needed by its residents and locally-employed households. The opinion of over 1,000 survey respondents says it all:

*80% of owners and nearly all renters (93%) feel that the issue of people who work in Big Sky being able to find housing they can afford is “the most critical” or “one of the more serious” problems in the community.*

Analysis of the housing market and conditions in this report supports that housing for locals is a serious, and likely critical, problem.

*(See Section 5 – Housing Problems, p. 61)*

Job Growth Far Exceeds the Provision of Housing for Locals. Problems in the housing market, employer and employment issues, and community housing issues in Big Sky can be summarized with one key indicator:

- Big Sky added 1,200 jobs over the past 5 years – a huge 42% increase.
- About 510 housing units were needed for employees filling new jobs.
- A total of 577 housing units were built during this period.

The volume of housing built sufficed to meet new employee housing needs – the problem is the price. Over 66% of units built (380 total) were priced over \$1 million; zero rentals priced below \$1,200 per month were developed (excluding dorm rooms). New development is not meeting the needs of the local workforce – it is leaving them behind.

*(See Section 1 – Housing Inventory, p. 19; Section 2 – Economic Trends, p. 32)*

Loss of Rentals. Not only is housing for locals being under-developed, it is also being lost at an astounding pace. Over 400 renter households that are employed in Big Sky (over 40% of renters) have been displaced within the past five years due to the owner selling their rental or converting it to a short-term vacation rental. Many households have had to move multiple times. This is a HUGE problem and far exceeds the impact seen in other resort communities in the mountain west.

Employers have also been master-leasing more rentals for their employees in recent years. While this helps house the employees of the master-leasing companies, it reduces the availability for others and perpetuates already scarce housing conditions.

*(See Section 4 – Rental Market Conditions, Loss of Long Term Rentals, pp. 56-7; Section 2 – Economic Trends, p. 43)*

Rising Rents Displacing Families. Rents for existing units have been increasing at least 6% per year on average; wages only 4.5%. Scarcity of units in Big Sky leads to extremely low vacancy rates (under 3%) and lack of turnover (20% of units (about 100) per year), which

pushes rents higher. Singles, couples and other family households are being priced out and replaced by roommate households.

*(See Section 4 – Rental Market, pp. 54-6; Section 2 – Economic Trends, p. 35)*

Rentals Require Roommates to Afford. Rents of available units are extremely high compared to local incomes. Advertised rentals in December averaged over \$925 per bedroom and \$2,500 per month – this requires an income of over \$100,000 per year (three-times the average wage) to afford. The 3-, 4- and 5-bedroom rental product being built, priced from \$700 up to \$900 per bedroom (or \$2,700 to \$3,500/month), perpetuates this problem. The data supports what so many survey respondents have stated: *holding multiple jobs and/or having multiple roommates is necessary.*

*(See Section 4 – Rental Market Conditions, pp. 57 et seq.; Section 1 – Housing Inventory, pp. 28 et seq.)*

Limited Product for Locals to Buy. Realtors estimate that about 15% of their sales activity was from locals in recent years, mostly because there is no product for them to buy. The inventory of homes affordable for residents has been declining and second homeowners and investment buyers are competing for the same product. The majority of locals can afford homes up to \$300,000 and only have a choice of a few condominium projects at this price – many of them studios and one-bedrooms. Finding units that are suitable for families and that provide sufficient storage and/or garages is hard.

*(See Section 1 – Housing Inventory, p. 23; Section 3 – Ownership Market Conditions, pp. 48 et seq.)*

Unaffordable and Rising Home Sale Prices. Sale prices have been rising an average of 6% to 10% per year since 2012. Already unaffordable homes have gotten even more unaffordable for residents and employees.

- The median single-family sale price is over \$1 million and are rarely found as low as \$500,000.
- Median condo/townhome prices are \$390,000, requiring an income of about \$100,000 to afford (165% AMI).
- HOA dues raise the purchase price of condominiums – an HOA due of \$217 per month is equivalent to adding \$30,000 to the purchase price.

*(See Section 3 – Ownership Market Conditions, pp. 45, 47-50)*

Employee Turnover. Employers in Big Sky pay higher wages than those in Bozeman and many offer either housing options, housing stipends or rent subsidies, commuting assistance or all of the above to entice employees to Big Sky. Despite these programs, employers still suffer from high employee turnover due to the expensive and limited housing options in Big Sky.



- The constant need to find and train employees is expensive – one employer estimated it costs them \$30,000 to train an employee.
- High turnover decreases the ability to provide quality service, which is a significant barrier to remaining competitive in service-oriented resort communities.
- Hiring in-commuters is not a solution. Big Sky employers “are good at training employees for jobs in Bozeman.” With some exceptions, employees will do the commute for a couple of years before finding employment closer to home. Survey comments say it all – the commute is long, exhausting, unpredictable, dangerous, and, for many lower-paying service jobs, just not worth it.

*(See Section 1 – Housing Inventory, pp. 25-7; Section 2 – Economic Trends, pp. 37-44)*

Build-Out Considerations. Unlike most other mountain resort communities, Big Sky has a lot of vacant land (over 50 square miles). While not all of the land is developable, the supply of land is not a primary limiting factor to increased affordable housing development. The availability to service water and sewer needs is, however, a significant limiting factor.

The Big Sky County Water & Sewer District can presently serve up to about 8,000 SFE of the total 11,000 allocated under present zoning. About 5,500 SFE have been developed, meaning that current capacity can serve another 2,500 SFE. A significant portion of this 2,500 SFE needs to be allocated for affordable housing development for Big Sky residents and employees if current and future housing shortages are to be addressed.

*(See Section 7 – Local Land and Resources, pp. 89 et seq.)*

## **Building Housing For Locals**

Moving forward, Big Sky needs to focus on building homes for locals, rather than just housing locals. Providing housing for employees with the desire to retain and grow a resident workforce and community requires more than just volume of units. Households need options to get into the community (affordable rentals), invest in their community and grow a family (entry-level and move-up ownership) and down-size as they age. Locally-employed households need units designed to meet their needs, whether they are residing in the area on a seasonal basis or throughout the year. Units produced to-date fall short of this goal:

- About one-third of seasonal resident employees residing in dorms/hotels provided by their employer are dissatisfied. Lack of kitchens and common/recreation rooms, no privacy, poor condition, and located in Bozeman/wearing commute top the list. Some issues can be fixed with relatively simple alterations that would improve satisfaction and, likely, return rates. *(See*

*Section 5 – Housing Problems, pp. 62 et seq.; Section 6 – Workforce Housing Needs, pp. 84 et seq.)*

- Recently developed rentals have 3-, 4- and 5-bedrooms, designed to accommodate multiple roommates. Developed 1- and 2-bedroom units are too expensive for most employees, exceeding \$1,100 per bedroom. Smaller, more affordable homes for renters are needed. *(See Section 1 – Housing Inventory, p. 29; Section 5 – Housing Preferences, pp. 73 et seq.)*
- Permanently affordable housing is needed in the community. Thirty-six units of income-restricted rentals (Big Sky Apartments) are not enough and affordable ownership for locals – other than the Hill Condos – is needed. Big Sky is way behind its resort competitors in this regard and it shows in the comparative housing conditions for its community. *(See Section 1- Housing Inventory, p. 24; Section 6 – Workforce Housing Needs, pp. 82 et seq.; Appendix A – Comparative Resort Community Metrics)*

Providing housing that meets the needs of employees helps the employer as well as the employee. It improves employee retention, job satisfaction, performance and, in a service industry, service to the customer. Resorts like Aspen, Telluride, Breckenridge and many others that strive to provide “Class A” service know that housing built for their employees, not just built to house employees, is key to achieving these goals. Big Sky is competing with these and other resorts for employees and business – failing to provide for the housing needs of its employees only operates to its detriment.

*“Big Sky needs more employee friendly housing. Bozeman is too far to realistically commute, and Big Sky loses out to other resorts of similar quality because of it.”*

Survey comment

*(See also Introduction – What is Affordable Housing for Local Employees, pp. 7 et seq.; Appendix A – Comparative Resort Community Metrics)*

### Housing Needs and Gaps<sup>3</sup>

Between 560 and 655 housing units are needed over the next five years to address current housing shortages (“catch-up” needs) for the workforce and keep up with future job growth. This averages between 95 and 110 units per year. This is equivalent to the amount of residential development that has happened over the past five years with one important exception: over 55% need to be priced below market to meet the needs of residents.

The relative priority of housing each of the below resident and workforce segments, and how much, will need to be considered during the Action Plan process.

<sup>3</sup> This entire section is summarized from Section 6 – Workforce Housing Needs (p. 79 et seq.) and Section 5 – Housing Preferences (pp. 64 et seq.).

Housing Needs Through 2023	Low	High
<b>Catch-Up</b>	<b>335</b>	<b>335</b>
In-commuters (39% want to move to Big Sky)	335	335
<b>Keep-Up</b>	<b>225</b>	<b>320</b>
Retiring employees (3% to retire in five years)	55	55
New jobs (69% of employees living in Big Sky)	170	265
<b>TOTAL through 2023</b> (Catch-up plus Keep-up needs)	<b>560</b>	<b>655</b>
Market-rate (no more than 45%)	250	295
Below-market (at least 55%)	310	360

Ownership and rental housing for the local workforce is needed in Big Sky. About 40% of new units should be for ownership and 60% for rent, which will accommodate in-commuters wanting to move to Big Sky and the needs of employees filling new jobs. The precise ratio, however, is also dependent upon the desired direction and housing policy of Big Sky, which will be a decision to make during the Action Plan process.

Housing Needs by Tenure	Low	High
<b>Units needed through 2023</b>	<b>560</b>	<b>655</b>
Ownership	225	265
Rental	335	390

About 40% of homes should be for homeownership. Homeownership supports year round residency and allows residents to invest in and help build a more stable community.

- At least 64% of the homes produced for ownership (140 to 170 homes) need to be priced below market. Given the housing shortage for existing residents and employees, this should be considered a minimum.
- Affordable prices should range between \$175,000 and \$500,000 for households earning between \$45,000 through \$120,000 per year (75% to 200% AMI).
- Homes affordable for households earning under \$45,000 per year are also undersupplied; however, producing homes below \$175,000 will require substantial subsidies or programs such as Habitat for Humanity.

- Regarding owner preferences:
  - Preferred product types in order of preference are single-family homes, townhome-style units, or condominiums. Many would also consider a tiny home.
  - Housing units for ownership are preferred to be located in the Meadow or, second, the Canyon.
  - Owners want pet-friendly homes, energy efficiency and storage/garages.
  - Two-bedroom/two-bath units are most needed.

#### Distribution of Needed Ownership Housing by AMI

Income Level	Maximum Income (average 2.5-person household)	Maximum Affordable Purchase Price	Distribution of Housing Needed by AMI*
<=60% AMI	\$36,210	\$142,000	4%
60-80% AMI	\$48,280	\$189,300	5%
80-120% AMI	\$72,420	\$284,000	16%
120-150% AMI	\$90,525	\$355,000	17%
150-200% AMI	\$120,700	\$473,400	21%
>200% AMI	>\$120,700	Over \$473,400	36%
<b>TOTAL %</b>		-	100%
<b>TOTAL #</b>		-	225 to 265

\*Based on the income distribution of owner households with employees in Big Sky.

NOTE: Shading indicates where there is a shortage of housing supply for the workforce. In Big Sky, substantial subsidy is needed to produce units in the lighter shade (under 80% AMI).

Rentals have been and are in tight supply. Rentals support businesses in need of workers and help new residents get a foothold in a community.

- At least 50% of rentals (170 to 200 homes) need to be priced below market. Given the rental shortage for existing residents and employees, this should be considered a minimum.
- New rentals for the workforce should mostly be priced for households earning under \$40,000 (or about \$20 per hour), ranging from \$650 to \$1,000 per month. No rentals in this price range were advertised for rent in December 2017.
- There is also a shortage of units priced up to about \$1,200 for two-bedroom and \$1,500 for three-bedroom units in Big Sky.

- Regarding renter unit preferences:
  - Renters need units that cannot be sold or rented short-term so they can be secure in their housing – apartments are one solution.
  - Renters want to live near work. The Meadow is their first choice, but would equally consider the Mountain or the Canyon second.
  - Renters want pet-friendly units and affordable one- and two-bedroom units so they can live alone/without roommates.

**Distribution of Needed Rental Housing by AMI**

Income Level	Maximum Income (average 2.5-person household)	Maximum Affordable Rent	Distribution of Housing Needed by AMI*
<=60% AMI	\$36,210	\$905	25%
60-80% AMI	\$48,280	\$1,205	13%
80-100% AMI	\$60,350	\$1,510	10%
100-120% AMI	\$72,420	\$1,810	14%
>120% AMI	>\$72,420	Over \$1,810	38%
<b>TOTAL</b>	-	-	335 to 390

\*Based on the income distribution of renter households with employees in Big Sky.

NOTE: Shading indicates where there is a shortage of housing supply for the workforce. Workforce units provided in the lighter shaded price points should be 2- and 3-bedroom units (1-bedroom units are provided by the market at this price point).

## Section 1 – Housing Inventory

This section presents information necessary to understand the availability of homes for Big Sky residents and the local workforce, including:

- How many housing units have been added in Big Sky since the last housing study in 2014;
- The resident occupancy rate of homes and differences among homes owned by resident and out-of-area (second homeowner) owners;
- Existing affordable and income restricted housing in Big Sky and employer-assisted housing for workers; and
- Some of the commercial and residential projects that are under construction or planned over the next several years.

### Housing Units – Number and Occupancy

There are about 4,320 housing units in the Big Sky area. Since 2012, about 577 housing units have been added:

- Only 30% of housing units in Big Sky are occupied by Big Sky residents. The rest are owned/occupied by second homeowners, vacant or occupied by visitors.
- Attached product (condos, townhomes, dup/tri-plex) represents about 50% of units built; single-family homes comprise the other 50%.
- With 66% of the 577 constructed units being valued over \$1 million, the majority have gone to second homeowners. Resident households (homes occupied by persons that live in Big Sky year-round/as their primary residence) have increased by only about 120 households since 2012.

66% of units constructed since 2012 were over \$1 million – these homes are not for locals.

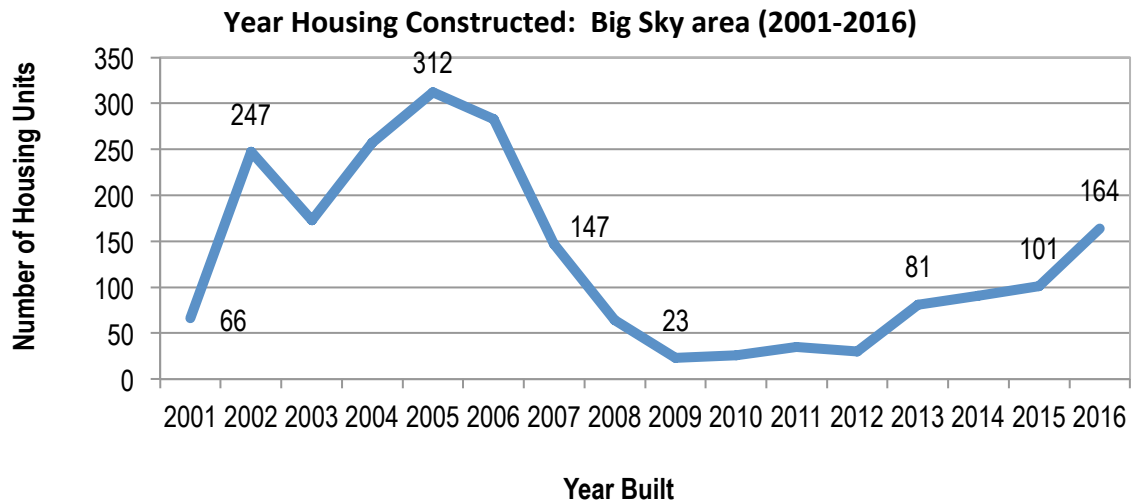
**Housing Units and Occupancy: 2010-2017 (est)**

	Big Sky area <sup>4</sup>		
	Housing Units	Occupied Units*	% occupied
<b>2010</b>	3,442	1,019	30%
<b>2012</b>	3,741	1,169	31%
<b>2016</b>	4,208	1,258	30%
<b>2017 (est)</b>	4,318	1,291	30%
<b># change (2012-2017)</b>	577	122	-
<b>% change (2012-2017)</b>	15.4%	10.5%	-

\*Occupied units means homes that are occupied by persons that consider Big Sky as their usual place of residence or that have no usual place of residence elsewhere.

Source: 2000 and 2010 US Census, 2012 to 2016 5-yr ACS, MT Dept. of Revenue Assessor data, Madison and Gallatin County subdivision and permit records (2017); Consultant team

While housing construction has been active and increasing since 2012, the number of housing units constructed in 2016 is still well below peak activity in 2005.



Source: MT Dept. of Revenue Assessor data, Consultant team

**Tenure of Households**

About 60% of Big Sky resident households own the home in which they live. The resident ownership rate has been decreasing since 2010.

Employees in Big Sky have a lower ownership rate than residents in Big Sky. About 40% of year-round resident employee households<sup>5</sup> own their home. The other 60% of

<sup>4</sup> The Big Sky area represents properties within the Big Sky Census Designated Place (CDP) as approximated from state property assessor records

employed households rent, care take or otherwise do not own their home. This is important to understand when considering the housing needs of the local workforce.

**Tenure of Big Sky Resident Households and Year-Round Resident Households Employed in Big Sky**

	Big Sky Resident Households		Year-Round Resident Employee Households*
	2010	2017 (est)	2017 (Survey)
Own	63%	59%	40%
Rent	37%	41%	60%
TOTAL	1,019	1,291	1,715**

Source: 2010 US Census; 2016 5-year ACS; 2017 Big Sky Employee Survey

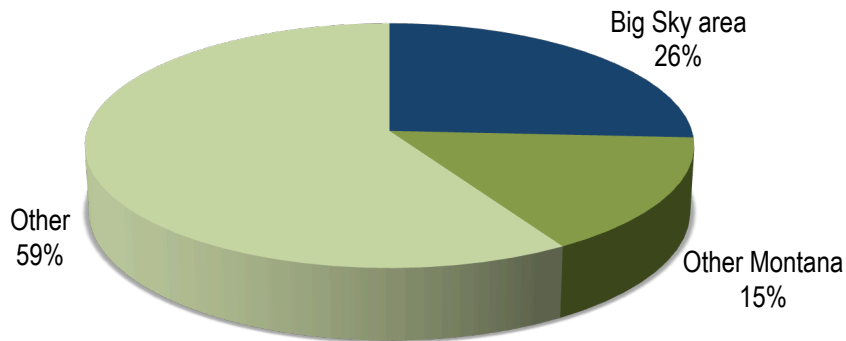
\*Year-round resident employee households include households that live in the area year round (either within or outside of Big Sky) and that have at least one household member employed in Big Sky.

\*\*See Section 2 – Economic Trends (p.37) for this estimate.

**Ownership**

While Big Sky residents occupy about 30% of the housing units, a slightly lower 26% of housing units are owned by Big Sky residents, as estimated from owner mailing addresses in Department of Revenue records. Renters living in units that are owned by out-of-area (non-Big Sky) owners account for the difference.

**Estimated Owners by Place of Residence: Big Sky Area, 2017**



Source: MT Dept. of Revenue Assessor data, Consultant team

<sup>5</sup> See Introduction, Definitions section: a “year-round resident employee household” refers to a household that either lives in Big Sky or elsewhere in the region year-round and that has at least one person employed in Big Sky.



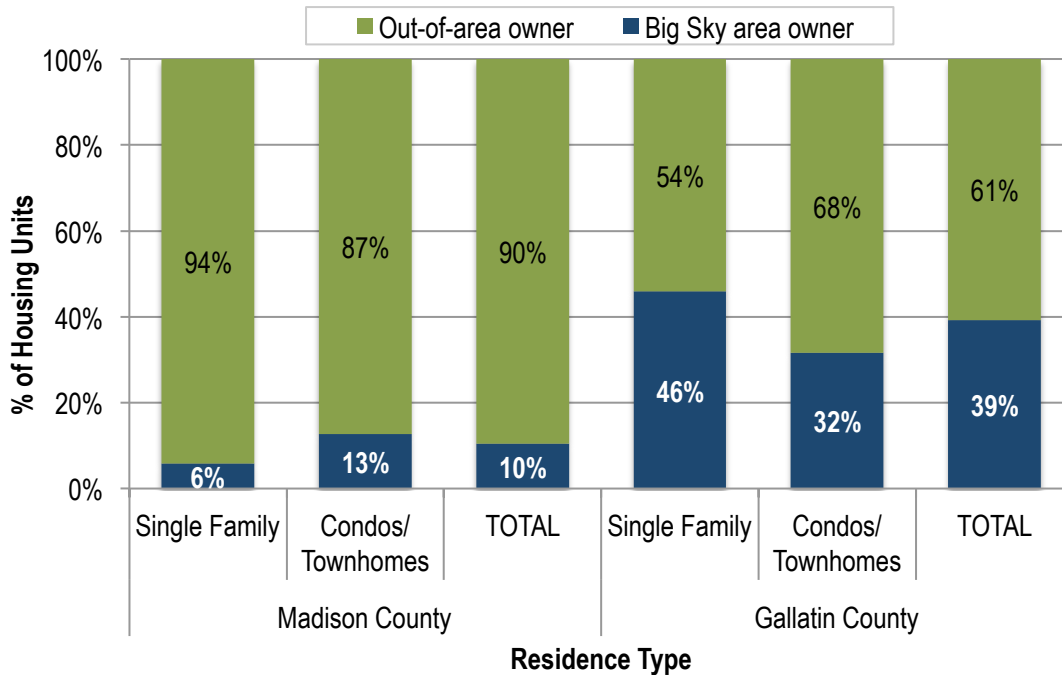
**Ownership by Home Location and Type**

Local ownership varies by county and property type:

- By county, only 10% of housing units in the Madison County portion of Big Sky are owned by Big Sky area residents compared to about 39% in the Gallatin County portion. Given the predominate resort and vacation development in Madison County, this discrepancy is not surprising.
- By property type, about 31% of single-family homes and 21% of condominiums/ townhomes are owned by Big Sky area residents. By county:
  - Only 5% of single-family homes and 13% of multi-family units in the Madison County portion of Big Sky are owned by Big Sky area residents.
  - A much higher 46% of single-family homes and 32% of multi-family units in Gallatin County are owned by residents.

In resort areas, higher proportionate ownership rates for single-family homes is common due both to resident preferences and ability to acquire financing. A lack of FHA-approved condominium projects, high second home ownership or rental rates, and high HOA fees, can make procuring financing for condominiums more difficult.

**Ownership of Homes by Type of Unit: 2017**



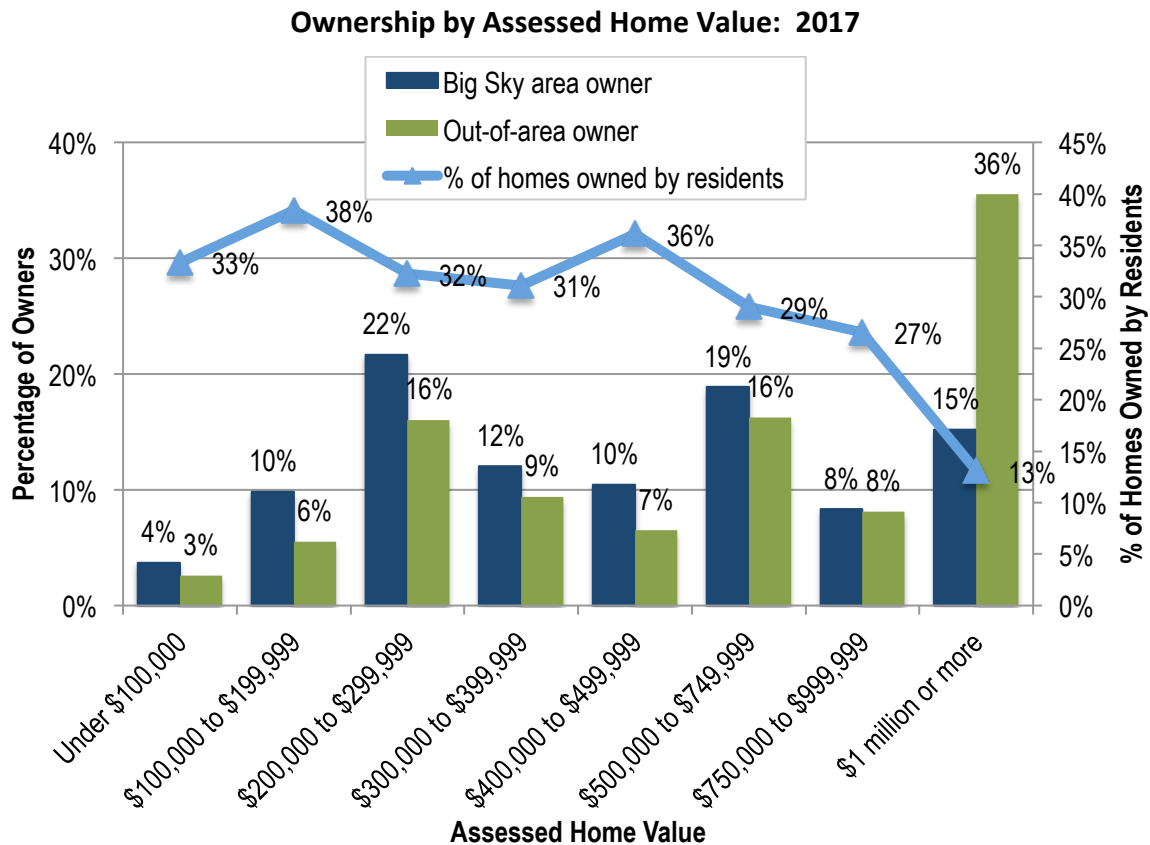
Source: MT Dept. of Revenue Assessor Parcel data, Consultant team

### Ownership by Price

Often in resort communities, a higher percentage of second homeowners own housing units at higher price points (e.g. luxury homes) than locals. This is the case in Big Sky as well, where, as shown in the below chart:

- The majority of residents (58%) own housing units valued under \$500,000.
- The majority of second homeowners (60%) own housing units valued over \$500,000.

Residents still compete with second homeowners for housing units priced below \$500,000; however. Only about one-third of these units are owned by residents, on average. This is consistent with Realtor interviews. Realtors stated that the primary competitive turf is for properties priced between \$300,000 and \$500,000. Residents wanting to buy, second homeowners and investors (buyers purchasing units for the short-term rental market) are all competing for these properties. Often residents are outbid or cannot compete with all-cash buyers.



Source: MT Dept. of Revenue Assessor data, Consultant team

## Affordable Housing Inventory

The affordable housing inventory in the form of deed restricted ownership and rental product is shockingly low in Big Sky.<sup>6</sup>

Dedicated  
affordable housing  
inventory is non-  
existent compared  
to other resorts in  
the Mountain West!

There are zero ownership units in Big Sky that are deed restricted to be permanently affordable.

Big Sky Apartments is the only rental property that is restricted to be affordable for households earning 60% AMI or less. It is also the only apartment complex in Big Sky.

- Big Sky Apartments was constructed utilizing low-income housing tax credits (LIHTC) in 1996 on land donated by Big Sky Resort. It is located in Madison County and provides 36 pet-friendly one- and two-bedroom units for income-qualifying renters. It houses about 70 persons and 40 dogs.
- Most occupants are employed in lower paying service jobs with the resorts and in Big Sky. This includes, for example, housekeeping, retail, restaurant, spa, and seasonal ski patrol and recreational guiding.
- Occupants are a mix of singles, couples and two-roommate households, single parents and families. Many tenants have leased their home for 5 or more years. With rents well below market-rate units, most of these tenants do not have other options in the community.

**Big Sky Apartments: Units and Rents**

	Total	1-b	2-b	3-b
Units (all 60% AMI restricted)	36	24	12	0
Rents	-	\$645	\$783	NA

Source: Property manager interview

<sup>6</sup> See Appendix A for more information.

## Employer Assisted Housing Inventory

Because the high cost and limited availability of housing impacts the ability of employees to hire and retain employees, many employers either own or master lease units that they then rent or provide to their employees. This includes the resort employers (Big Sky Resort, Yellowstone Club, Moonlight Basin, and Spanish Peaks), as well as lodging, property management, retail, medical center, school district, construction and other employers in Big Sky.

About 7% of year-round resident employees and 40% of seasonal resident employees occupy housing provided by their employer.

Source: 2017 Survey

The benefit of having the housing outweighs the cost of provision for these employers. Many employers have increased their inventory of units for employees since 2012 by building, purchasing or master leasing more properties.

### *Mountain Resort Employee Housing*

Big Sky Resort and Yellowstone, Moonlight Basin and Spanish Peaks provide seasonal housing and some year-round management housing for many of their employees. All resorts have increased their supply of housing – Big Sky mostly through new dorm development, and the others mostly through master-leasing and purchasing units. Each has plans to add more to their inventory over the next several years. Units are expected to reach 100% capacity this winter.

- Big Sky Resort provides about 662 seasonal beds. The Resort strives to provide housing for 30% of their seasonal workforce through a combination of company-developed dorms and leased lodge/hotel units. Dorms are located in Big Sky; leased lodges are located in Bozeman and in the Canyon area (about 3 miles south). Most rooms are designed for double-occupancy; some are triple-occupancy (3 beds per room).
- The Yellowstone Club, Moonlight Basin, and Spanish Peaks have a combined 332 beds for seasonal employees. These include leased lodge/hotel units and master-leased apartments/condominiums. Apartments/condominiums are located in Big Sky; leased lodges are located in the Canyon. This includes Gallatin Gateway Inn (20 miles north) and 320 Ranch (15 miles south).
- Seasonal units are typically for 5-month winter terms and 4-month summer terms. Employees that work for Big Sky during the shoulder season can continue to occupy their unit. Most Yellowstone Club//Moonlight Basin/Spanish Peaks units have a year-round lease option, excluding 320 Ranch, which is only leased in the winter for employees.

- Big Sky Resort charges \$10/night for employees in shared rooms (about \$300/month). Yellowstone Club/Moonlight Basin/Spanish Peaks housing varies from \$350 to \$500 per month for a shared room; rooms at Gallatin Gateway Inn include all meals for \$500/month. Transportation (bus ridership) is included.
- Seasonal rentals in resort communities almost never allow pets. 320 Ranch is an exception – pets are permitted for an extra fee.

**Resort Seasonal Beds: 2017/18**

	Dorms	Lodge/ hotel	Other*	TOTAL	Average Rent
<b>Big Sky Resort</b>					
Existing	346	316	-	662	\$10/bed/night (\$300/month (shared))
Planned (thru 2021)	120-140	-	-	-	
<b>Yellowstone Club, Moonlight Basin, Spanish Peaks</b>					
Existing	NA	235	97	332	\$350-\$500/month (shared); \$700-\$1,000/month (private)
Planned	160	-	-	-	

\*These include master-leased apartments/condominiums in Big Sky

Source: Employer interviews

All resorts also provide some units for employees holding year-round management positions. These include owned and master-leased apartments/condominiums in Big Sky. These units are intended to provide employees with a place to “land” when they arrive until more permanent housing can be located. Some units have been occupied by the same tenant for one-or-more years.

- Big Sky Resort owns four (4) units at the Mountain and leases one in the Meadow. Units are currently full and occupied by food and beverage, retail and other management employees.
- Yellowstone Club, Moonlight Basin, and Spanish Peaks master lease most of their units, but own two of them. All units are occupied. Examples of recent occupants include employees in human resources and golf maintenance/management.

**Resort Management Housing: 2017/18**

	Beds	Units	Rent
<b>Big Sky Resort</b>	9	5	-
<b>Yellowstone Club, Moonlight Basin, Spanish Peaks</b>	40	15 (est)	\$1,200 to \$3,600/mo (1- to 4-bdr units)

Source: Interviews

**Other Employers**

Another 84 beds are known to be provided by various businesses throughout Big Sky.<sup>7</sup> These are a combination of master-leased, employer-developed and owned units.

*We could not function without the housing that we provide for our employees.*

Local Employer

- The Medical Center opened in 2015. The Medical Center purchased condominiums for employees beginning in 2015 in Big Sky in anticipation of hiring staff and helping them relocate. Units are leased below-market – \$1,700/month for 3-bedrooms. Since opening, two units have their original occupants and three have turned-over. All units are presently full. Occupants have included doctors, nurses, radiology and other professional staff.
- Bucks T-4 Lodge has had housing for many years, but added two bunk houses since 2014. The Lodge has five 4- and 5-bedroom trailers onsite, with rooms designed for double occupancy. Beds lease for \$300/month. These units are necessary for their J-1 Visa hires, but have also housed some year-round employees for up to 10-years.
- Some construction contractors also lease rooms in area hotels to help house their workers during development contracts. This includes rooms at Bucks T-4 and Whitewater Inn, among others.

**Other Employer-Provided Housing: 2017**

Business	Employee Beds
Lone Peak Brewery	5
Rainbow Ranch	6
Hungry Moose	10
River Rock/RPM	2
320 Ranch	24
Medical Center	15
Bucks T-4	22
	84

Source: 2017 Employer interviews, Chamber of Commerce “Community Building Forum” (Jan. 2017), Consultant team

<sup>7</sup> This represents a sample of units provided by other employers in Big Sky based on employer interviews and existing reports. This list is not exhaustive – many other businesses also provide beds/units.

## Proposed and Pending Development

### *Commercial Development*

Commercial development brings new jobs to the area and increases the need for housing affordable for local employees. There are several commercial permits that have been approved, some under construction and many planned projects. The below represents only a portion of this planned development:

New commercial and luxury/second home development means more employees are needed to fill jobs – employees need housing!

- A 129-room Marriott Residence Inn is under development in Town Center, projected to add about 200 jobs.
- Additional bar/restaurant, spa and mountain improvements at the Yellowstone Club, anticipated to add at least 110 jobs.
- Potential for several hotels at Moonlight Basin and one planned for Spanish Peaks. The 100-key Spanish Peaks hotel is estimated to add about 200 jobs.
- Potential expansion of medical center facilities; firm plans are not in place.
- Gondola and mall remodel improvements pursuant to Big Sky 2025.

The majority of jobs created by this (and other) pending development will be lower-paying service workers, many of them on a seasonal basis. Additional housing is needed for the employees that will be filling these jobs.

### *Residential Development*

Residential construction is also active in Big Sky; however, the majority is being developed for the luxury/second home market. Luxury/second home residential development creates more jobs in the property management, landscaping, maintenance and other property service sectors. Some projects include:

- Madison County approved four subdivision applications in the Moonlight Basin and Yellowstone Club areas this year, totaling 51 condominium units and two single-family lots;
- Two multi-family, five commercial and an estimated 40 single-family and accessory permits were approved by Gallatin County in 2017;

- About 143 luxury residences are under construction at Yellowstone Club, Moonlight Basin and Spanish Peaks; and
- Thirty-two market-rate rental townhomes are under construction in Town Center. Units are available for one-year leases. Only eight (8) have not yet been leased. Most are leased by families, multiple roommate households and construction contractors. Market rents range from about \$700 to \$900 per bedroom. Some smaller one- and two-bedroom rentals were completed in 2017, renting from \$925 to \$1,350 per bedroom.

Most residential units that are pending development are also for the luxury/second home market. A few projects are planned to provide housing for local workers and locally-employed households, including:

- One market-rate rental project in Town Center. This 20-unit development will offer year-round leases; however, with rents over \$1,000 per bedroom, these will not be affordable for the majority of employees earning local wages.
- Two seasonal/dorm projects providing up to 300 beds.
- Meadowview ownership project planned for 52 keys – including a mix of duplex homes and accessory dwelling units. The units are anticipated to be priced between \$300,000 and \$400,000 to provide more ownership options for locals. If this product is not deed restricted for resident-occupancy, it will be purchased by second homeowners.

While these projects will provide some housing, given the planned commercial and luxury residential development listed herein, not to mention the numerous other projects in the pipeline, much more is needed to address the needs of employees.

*“If none of the workers can find anywhere to live, there will be no one to serve and take care of all the wealthy individuals coming to Big Sky.”*

Survey comment



**Under Construction and Potential Development (Commercial): Big Sky 2017-2023**

Project	Project Description	Est. New Jobs (year round and seasonal)
<b>Gallatin County 2017 Permits</b>		
144 & 150 Straight Iron Rd	NA	Unknown
98 Straight Iron Road	NA	Unknown
659 Spruce Cone Drive	Daycare	Unknown
90 Lone Mountain Trail	Retail (Fireworks)	Unknown
585 Mountain Meadows	Gym Studio	Unknown
<b>Under Construction (Interviews)</b>		
Wilson Hotel (Town Center)	129 room Marriott Residence Inn	200+ (est)
<b>Pending (next few years)</b>		
Big Sky Resort (per Big Sky 2025)	Mall remodel and gondola	Unknown
Yellowstone Mtn Club (2018)	Three restaurants planned	80 to 100 food and beverage
Yellowstone Mtn Club (2018)	Spa, salon planned	10 housekeepers/service
Yellowstone Mtn Club	Gondola link to new ski mountain	Unknown
Moonlight Basin	3-hotels potential	Unknown
Spanish Peaks	100-key Hotel, plus branded residences	200+ (est)
Medical Center	Potential facility expansion	Unknown

NOTE: this is a partial list of known projects and estimated employment generation. Many more projects are occurring and are planned in Big Sky.

Source: Madison County Planning and Development Dept.; Gallatin County Dept. of Planning and Community Dev.; interviews, consultant team.

**Under Construction and Potential Development (Residential): Big Sky 2017-2023**

Project	# of units	Type of Units	Location	Price	Status
<b>Madison County Subdivisions (2017)</b>					
Lodge Residences	13	Condo	Moonlight	Luxury	-
The Corral	26	Condo	Yellowstone	Luxury	-
Golf Course Villas Lot 3	12	Condo	Yellowstone	Luxury	-
Lot 408A, Yellowstone Mtn	2	Single-family	Yellowstone	Luxury	-
<b>Gallatin County Permits (2017)</b>					
Spruce Cone Dr Apts LUP	NA	Apartments	Meadow	Market	-
Pheasant Tail Lane Condos	NA	Condo	Town Center	Market	-
Various	40	Single-family	Various	Market	-
<b>Under Construction (Interviews)</b>					
Yellowstone Mtn Club	92	Single-family	Yellowstone	Luxury	-
Moonlight Basin	16	2-bdr Cabins	Moonlight	Luxury	-
Moonlight Basin	10	Single-family, 5- and 6-bdr	Moonlight	Luxury	-
Moonlight Basin	13	Townhomes, 3- and 4-bd	Moonlight	Luxury	-
Highlands Neighborhood	12	Single-family, 3- to 6-bd	Spanish Peaks	Luxury	-
Golden Stone Residences	32	Townhomes, 3- to 5-bd	Town Center	\$2,684 3-b; \$3,056 4-b; \$3,456 5-b	24 of 32 leased
<b>Planned/Potential (next few years)</b>					
Mixed Use development	NA	Lots and vacation condos	Big Sky Mountain	Luxury	-
Yellowstone Mtn Club	48	Single-family	Yellowstone	Luxury	-
Moonlight Basin	40	Homes per year	Moonlight	Luxury	-
Highlands Neighborhood	41	Single-family	Spanish Peaks	Luxury	-
Town Center apartments	20	Condos, 16 1-b, 4 2-b	Town Center	\$1,400 1-b; \$2,150 2-b	-
	2	Penthouses	Town Center	TBD	-
Big Sky dorms (to 2021)	120-140	beds	Big Sky	Seasonal	-
Meadowview residential	52	Duplex, ADUs 2- and 3-bd	Meadow	\$300,000 to \$400,000	-
Yellowstone Mtn seasonal	160	beds/dorms	Uncertain	Seasonal	-

NOTE: this is a partial list of known projects. Many more projects are occurring and are planned in Big Sky.

Source: Madison County Planning and Development Dept.; Gallatin County Dept. of Planning and Community Dev.; interviews, consultant team.

## Section 2 – Economic Trends

This section presents information necessary to understand future workforce housing needs based on job growth, employer problems and perceptions and seasonal characteristics of jobs in the area. More specifically, information is presented on:

- The number of jobs, job trends and projections, and local wages;
- The average number of jobs held per worker and average workers per household;
- Seasonality in employment, seasonal job holders and observed changes in summer activity;
- Commuting patterns, employer commute assistance and the cost to commute; and
- The influence of the current housing market on the business community and year-round and seasonal workers and employer-provided housing assistance.

### Job Growth

As of the end of 2017, there were about 4,019 jobs in Big Sky.<sup>8</sup> Since 2012, about 1,200 jobs were added. This represents a 42% increase over five years. Big Sky now represents about 4.7% of all jobs in Gallatin and Madison Counties, compared to 4.1% in 2012. Job growth has not occurred evenly during this period, however:

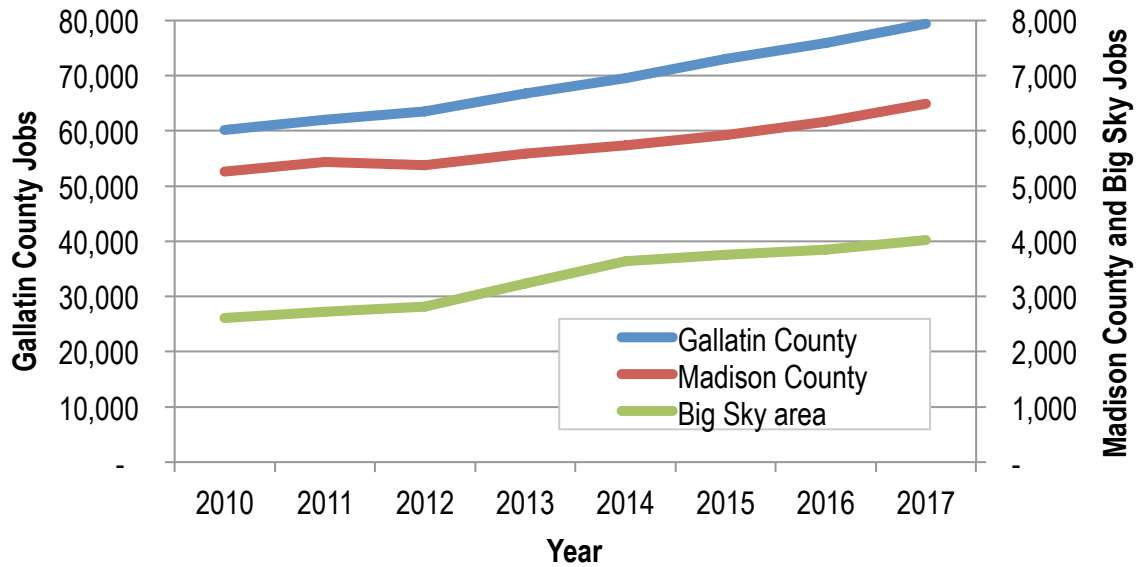
- Between 2012 to 2014, jobs increased by about 400 per year, spurred by the Yellowstone Club, Moonlight Basin and Spanish Peaks coming out of bankruptcy, paired with active development in Big Sky.
- Since 2014, increased resort employment; the addition of a full service grocery store, new medical center and mixed-use commercial in Big Sky; and development of much luxury real estate has brought a mix of mostly service and some professional jobs to Big Sky.
- Beginning in 2015, jobs have been added at a much slower rate – averaging about 100 per year. The rate of growth (3.4% per year) has been slower than the counties (4.3% per year).

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<sup>8</sup> This represents year-round average jobs. As discussed in this section below, jobs fluctuate seasonally, meaning there are fewer than 4,019 jobs during the shoulder season (spring/fall) months and more than 4,019 jobs during the summer and winter months, averaging to about 4,019 for the year.

### Change in Jobs: 2010 to 2017 Big Sky area, Madison County, Gallatin County

Source: 2010-2016 QCEW zip code files; QCEW



county data; BEA county data; Consultant team

### Job Projections

Through 2023, an estimated 600 to 900 jobs will be added in Big Sky. The number of new jobs depends upon whether growth tracks conservative state estimates (about 2.3% per year) or follows recent trends (3.4% per year).<sup>9</sup>

Based on pending commercial and residential development in Big Sky (*see Section 1 – Housing Inventory*), state estimates are likely low; however, growth will be limited by the ability for Big Sky to recruit employees to fill jobs, particularly if unemployment drops to 2% as predicted by the state. Available affordable housing will be a significant factor in Big Sky’s ability to attract, retain and compete for employees.

<sup>9</sup> A range is used based on State job growth estimates (2.3% per year) compared to the growth rate between 2015-2017 when the growth due to the Yellowstone Club, Moonlight Basin, Spanish Peaks coming out of bankruptcy leveled off (3.4% per year for Big Sky and 4.3% for Madison and Gallatin Counties combined).

The state job growth rate is estimated from Montana Dept. of Labor job projections for the Southwest Region. The state projects a low growth rate of 1.2% over the next several years, with growth being limited by a projected low unemployment rate (less than 2%). Gallatin and Madison Counties have been growing at nearly twice the rate of the rest of the Southwest region in recent years (about 2.3% per year). For purposes of this analysis, we have assumed the counties will continue to grow faster than the rest of the region and that Big Sky will grow at the same rate as the counties.

**Jobs Estimates and Projections: 2017 to 2023**

	# of Jobs				Average Yearly % growth	
	2012	2017	2023 (low)	2023 (high)	State est. (low)	Historic est. (high)
<b>Big Sky area</b>	2,820	4,019	4,605	4,915	2.3%	3.4%
<b>Counties total</b>	68,877	85,862	98,340	110,300	2.3%	4.3%
<b>% of County jobs in Big Sky</b>	4.1%	4.7%	4.7%	4.5%	-	-

Source: 2010-2016 QCEW zip code (59716); QCEW county data; BEA county data; Montana Dept. of Labor and Employment Job and Labor Force Projections for Southwest Region (2015 to 2025); Consultant team

\*Sum of Gallatin County and Madison County jobs

**Seasonality of Jobs**

Big Sky has dominant winter peak employment, with a smaller increase in the summer. May and October are the lowest employment months, which occur at the changeover of the seasons. More specifically:

- Big Sky adds up to 1,500 seasonal jobs in the summer and 3,000 in the winter from its base of about 2,900 year-round jobs (shoulder-season employment).
- Winter seasonal jobs are mostly in accommodations and lodging; arts, entertainment and recreation; bar/restaurant; and retail. The majority of summer seasonal jobs are in these same industries, but also include construction.

**Estimated Seasonal Employment in Big Sky: 2017**

Year-round jobs (shoulder-season)	Winter Seasonal jobs	Summer Seasonal jobs	Average Yearly Jobs
2,900	2,800-3,000	1,200-1,500	4,019

Source: Employer interviews, 2017 Big Sky Employee survey, QCEW jobs, BEA employment, Consultant team

Many year-round residents of the area fill seasonal jobs in Big Sky. Based on survey responses:

- About 40% of year-round resident employees in the area report holding at least one seasonal job in Big Sky during the year, equating to between 50% to 60% of winter seasonal jobs.
- Further, about 17% of year-round residents hold both a summer and winter seasonal job for the

About 50% of winter seasonal jobs are filled by year-round resident employees; the remainder are recruited from outside the area.

same employer during the year. These workers fill about 20% of winter seasonal jobs and up to 50% of summer seasonal jobs.

- This leaves between 40% to 50% of winter seasonal jobs (up to 1,500 jobs) and less than 600 summer jobs that must be filled by employees recruited from outside the area each year (i.e., seasonal resident employees). Because of the discrepancy, if enough seasonal units were built to accommodate 100% of these winter seasonal workers, then many would sit vacant in the summer, adding to the challenge of providing this type of housing.

**Winter Seasonal Jobs by Employee Residency: 2017**

	# of jobs	% of jobs
<b>Total Winter Seasonal Jobs</b>	2,900	100%
Filled by Seasonal Residents	1,150-1,450	40% to 50%
Filled by Year Round Residents	1,450-1,750	50% to 60%
Filled by Year Round Residents who work summer and winter seasonal jobs for the same employer	600	20%

Source: 2017 Big Sky Employee Survey, consultant team

Per interviews, the strong winter season compared to summer has been shifting in recent years. In Big Sky, interviewed employers noted that the summer season has been picking up. Some employers indicated that their spring shoulder season has also shortened over the past few years. As the summer begins approaching winter season activity, this has important considerations for local businesses, as well as employees filling these jobs and their housing needs. This is discussed in more detail in Section 6 – Workforce Housing Needs, Seasonal Workers.

**Wages**

Wages in Madison and Gallatin Counties have increased an average of 4.5% per year since 2013.

Most employers interviewed reported that they pay higher wages for the same jobs in other parts of Gallatin and Madison Counties. A higher wage can help attract workers, cover some of the cost for workers that commute and assist with (though not fully compensate for) higher costs of living in the area.

*We pay the highest wages [for our profession] in the state until you look at the cost of living.*  
Employer interview

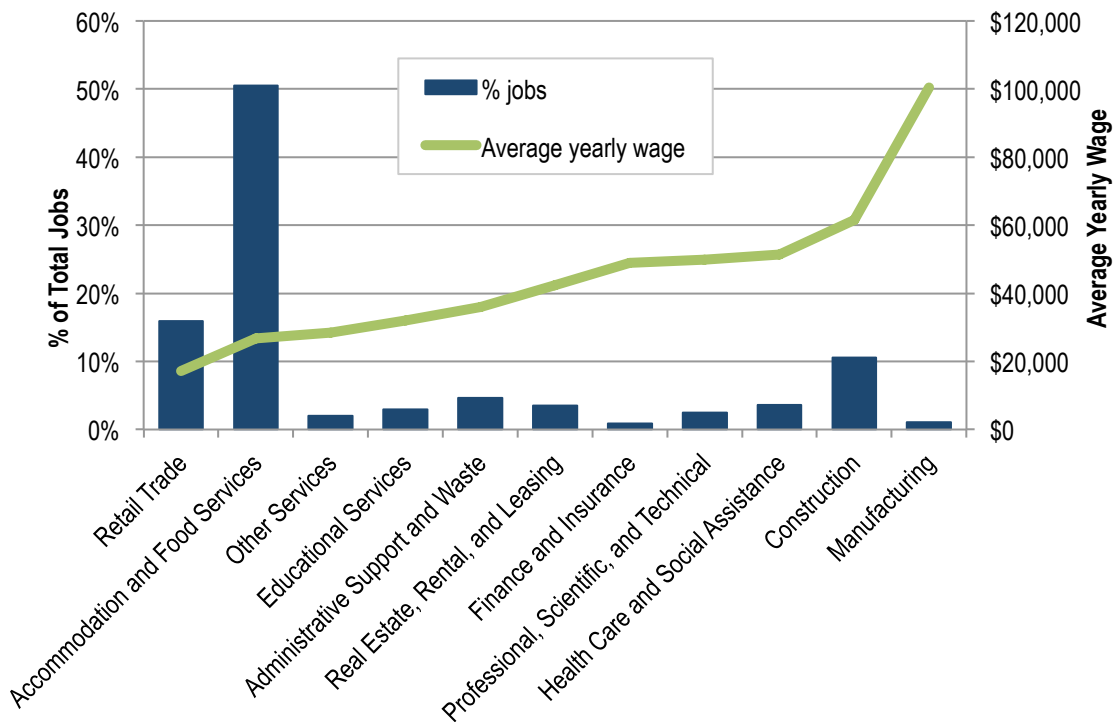
- Based on average wage data from the Quarterly Census of Employment and Wages (QCEW), construction, accommodation and food, and most other service and professional positions pay higher wages in Big Sky than either county.

- Despite paying higher wages within each industry, the overall average wage paid in Big Sky is lower than either Madison or Gallatin Counties, averaging just under \$35,000 per year in 2016. The overall average wage is lower because of the predominance of low-paying jobs in accommodation and food services in Big Sky (51% of jobs) compared to the counties (15% combined).

Average Annual Wage: 2016	
Gallatin County	\$40,969
Madison County	\$35,134
Big Sky area	\$34,876

Source: QCEW, Montana Dept. of Labor and Industry

### Jobs and Wages by Industry Sector: Big Sky Area, 2016



Source: 2016 QCEW zip code file, Consultant team

## Jobs per Employee and Employees per Household

The number of jobs per employee and the number of employees per employed household are used to translate job growth into the number of housing units needed by workers to fill new jobs.

- Workers in Big Sky hold about 1.3 jobs on average and have about 1.8 employed persons per household. This is in line with most mountain resort communities.<sup>10</sup>
- In Big Sky, the number of jobs held fluctuates with the seasons. Employees hold an average of 1.23 jobs over the summer and 1.38 over the winter. Many employees, particularly in lower paid service positions, need to hold more than one job to afford to live in the area. This was noted both by employers, as well as respondents to the survey.
- Based on these estimates, employees filling Big Sky’s 4,019 jobs reside in about 1,715 households.

*“Many of my friends, as well as myself, have had to carry multiple jobs to make rent and have money to live on.”*

Employee Survey comment

	2017
Total Big Sky area jobs	4,019
<i>Jobs per employee</i>	<i>1.3</i>
Total employees filling jobs	3,090
<i>Employees per household</i>	<i>1.8</i>
Total employee households	1,715

Source: QCEW/BLS jobs data, 2017 Big Sky Employee Survey, ACS/Census, Consultant team

## Commuting

Big Sky employs about 3,090 people on average year-round to fill its 7,005 jobs. About 50% of employees commute to Big Sky for work; about one-third from Bozeman.

About 1,560 workers (50% of employees) commute into Big Sky for work.

<sup>10</sup> Recent surveys completed for housing needs assessments in the Town of Estes Park, Colorado (2015); Summit County, Colorado (2013); Teton County, Wyoming (2014); and Mammoth Lakes, CA (2017) show workers holding an average of 1.2 jobs in these resort areas, with about 1.8 workers per employed household. Historic research in these and other resort communities show employees have consistently held between 1.2 and 1.3 jobs on average over at least the past decade.



- The number of in-commuting employees is about 1,560 on average for the year. This number increases during the peak summer and winter employment seasons and decreases during the shoulder season periods.
- The percentage of commuting employee varies by year-round and seasonal resident employees in Big Sky. About 53% of year-round resident employees live in or near Big Sky compared to 45% of seasonal resident employees.

This is a function of the ability for year-round residents to be present in the area and locate housing in Big Sky over time, as well as the location of some seasonal resident housing. About 20% of seasonal residents reside in hotel/lodge rooms provided by their employers, many of which are located outside of Big Sky (e.g., Gallatin Canyon and Bozeman).

#### Where Big Sky Workers Live<sup>11</sup>

	# Workers	% Workers
<b>Big Sky area</b>	1,532	50%
<b>Bozeman</b>	992	32%
<b>Belgrade</b>	203	7%
<b>Other Gallatin County</b>	119	4%
<b>Madison County</b>	71	2%
<b>Other</b>	174	6%
<b>TOTAL</b>	3,090	100%

Source: 2017 Big Sky Employee Survey; Employer interviews; consultant team

#### *In-Commuters that Want to Move to Big Sky*

About 39% of in-commuters (605 employees) desire to move to Big Sky based on survey responses. These employees are forced to commute due to the inability to locate housing nearer their jobs in Big Sky.

Providing a range of housing options – both rental and ownership – at various price points could provide in-commuting workers with more local housing options. This would also help house new workers nearer their jobs and help mitigate commuting in the

<sup>11</sup> The 2014 report utilized both federal compiled data (Census LEHD Origin-Destination Employment Statistics (LODES)) available at <https://onthemap.ces.census.gov> and local employer interviews in its discussion of in-commuting. This report relies on local data from employers and employees because employers know where their employees live while employed in Big Sky, as do the employees themselves. Local data represents the best and most accurate source of commute data for resort communities such as Big Sky. Federal data estimates are less reliable and prone to large margins of error in small, resort communities. See <https://ideas.repec.org/p/cen/wpaper/14-38.html> for more information.

future, reducing congestion and other problems. The needs of employees wanting to move to Big Sky are discussed in detail in Section 5 – Housing Problems and Preferences.

#### In-Commuters that Desire to Move: 2017

“Within the next five (5) years, do you want to: “	#	%
Stay in your current residence	425	27%
Move into a new or different home in Big Sky	605	39%
Move into a new or different home outside of Big Sky	525	34%
<b>TOTAL*</b>	<b>1,560</b>	<b>100%</b>

\*differences are due to rounding

Source: 2017 Big Sky Employee Survey

Of employees that do not want to move to Big Sky, predominate reasons include:

- Cost of housing and its quality for what one pays;
- Cost of other needs, such as fuel and groceries;
- Access to amenities, including health care, shopping, entertainment and arts;
- Current home is nearer the employment of others in the household; and
- To be closer to friends and family.

#### Employer Commute Assistance

Many employers subsidize some or all of the commute costs for their employees. About 24% of year-round resident in-commuters and 43% of seasonal resident employees receive some assistance. Of employees receiving assistance:

- The most common assistance is through employer-provided bus passes (54%) and bus/vanpool service (46%).
- About 8% of employees receiving assistance get paid for their time commuting as part of their workday.
- Other types of assistance include employer vehicles, mileage reimbursement, gas cards and monthly travel stipends.

Type of Assistance	% of Employees*
Employer provides bus/vanpool service	46%
Employer pays for bus pass	54%
My work day (and therefore pay) includes the time I spend commuting to work	8%
Other	13%

Source: 2017 Big Sky Employee Survey

\*totals over 100% because respondents could select more than one type of assistance.

Every bit helps. The cost to commute to Big Sky from Bozeman is significant. This is best expressed through survey comments from in-commuters, which covers a range of impacts, including:

- The time cost of commuting;
- Overall employment satisfaction;
- Commute delays due to weather, accidents or other circumstances;
- Increased incidence of tardiness and absenteeism; and
- Unpredictable bus schedules and capacity.

*“Time cost of commuting for those living in Bozeman is tremendous. Taking the Link takes roughly 4 hrs per day. At \$10 per hour 5 day per week the opportunity cost of commuting is \$800 per month.”*

*“I would really like to be able to live closer to where I work in order to enjoy working there more.”*

*“I love and hate living in Bozeman. Long commute, but a nice hotel.”*

*“It's simply too far from work, 3.5 hours on the bus each day is very draining.”*

*“I work at the resort 5-6 nights a week. Due to minimal housing options, I'm currently living in Bozeman. The drive is dangerous in the winter and the bus takes hours out of my day... is unreliable and it creates a lot of stress as many times the bus is full when it arrives.”*

Employee Survey comments

## Employers, Employees and Housing

Most employers interviewed feel that the availability of housing affordable to the workforce is one of the more serious problems in the area. The lack of housing availability has been affecting their ability to recruit workers, fill jobs and retain employees. The problem tends to be worse during the winter than in the summer. Most employers interviewed indicated these problems have almost always been present, but are getting more pronounced.

These problems affect low-wage service workers, employees in management positions, and everyone in-between. For example:

- The school district had six (6) teachers decline positions due to housing in the last recruiting cycle – one position was offered to three different people;
- One mid-sized service employer has an average of twelve (12) potential hires turn down positions each year due to the lack of housing; and

- The local Fire District no longer requires that employees live in Big Sky for a majority of their positions because they could not fill jobs due to the lack of and cost of housing, despite being the highest paid District in the state.

Common problems encountered by all employers include:

Loss of units. Many renting employees *move every year* due to their rentals being sold or converted to short-term rental. Most new units being constructed, if not yet leased, are large and too high priced for most displaced renters. All employers have lost employees due to their inability to find replacement housing, or just getting tired of moving. Several of the persons interviewed had lost their housing in this manner.

*"We are good at training [teachers, food/beverage employees, lodging staff, etc.] for jobs in Bozeman."*

Local employers

Loss of commuting employees. Service and professional employers alike stated that they have gotten good at training employees for positions in Bozeman. After gaining two to three years of experience in Big Sky, employees can compete for jobs in Bozeman. After two to three years of commuting from Bozeman and being unable to locate local housing, many commuters leave for jobs nearer their homes. One employer estimates that it costs them about \$30,000 to train a good employee.

*"You should feel rewarded just to live here" only goes so far when you have kids, want to grow a family or purchase a home.*

Local employers

Inability to grow employees. Most employers prefer to hire local if possible or recruit from within for more skilled positions. The lack of housing inhibits growing experienced employees. While many employers offer career ladders, the housing in the area does not do the same. The lack of housing options and high cost makes it hard for employees to get established in the area (entry-

level rentals), much less grow a family or save for a down payment. Employees will often try for three to five years to make it work. Many young families end up leaving Big Sky and, eventually, their jobs.

Providing quality service. There are not enough workers to fill low wage positions, including dishwashers, housekeepers, servers and bussers, line cooks, landscapers and lodging front desk. Most local recruits already hold jobs, local contracting companies are unable to take more work and the positions do not pay enough to attract in-commuters.

*We need more housing if we want to maintain morale and provide high quality service to our customers.*

Local Employers

Employers that hire seasonally often rely on J-1 Visa employees to fill these positions, for which housing options must be available. Employers that need these workers year-round experience high turnover and vacancies, requiring management staff to

undertake unfilled roles (e.g. cleaning their own office, etc.). This decreases morale of management staff and increases turnover. The lack of consistency and experience in employment at this level also affects visitor experiences – service industries are unable to provide quality service when they have frequent turnover and job vacancies.

**Employer Housing Assistance**

Lodging, property management, resort/recreation, retail, medical center, school district, construction and other employers in Big Sky provide a variety of housing assistance for their employees. Because the high cost and limited availability of housing impacts the ability of employees to hire and retain employees, the benefit of providing assistance outweighs the cost of provision.

Based on survey responses, about 7% of employees in Big Sky that live in the area year round receive housing assistance from their employer. A higher 40% of employed seasonal residents report the same.

About 7% of year-round resident employees and 40% of seasonal resident employees receive housing assistance from their employer.

Housing assistance is provided by smaller employers (e.g. less than ten employees), mid-size (up to 50 employees) and the largest employers, with employers utilizing the means they have available to help with housing.

- Smaller employers with more limited financial means assist with the employee search, may help house employees in their own or friend’s homes until they can find other housing, or negotiate below market lease terms with willing landlords. In this tight housing market, many noted that it is necessary to be in the area to find housing because many homes are either not advertised, are quickly occupied once advertised, or leased through “who you know.”

Housing Assistance Provided by Employers: 2017/18
Pay higher wages than other employers in the counties
Build or purchase units/rooms occupied by employees
Master lease units that are rented to employees
Assist employees with housing search; negotiate more affordable lease terms
Salary stipend/rent assistance (typically \$200 to \$600/month)
Down payment assistance (grant/loan)
Employer provides temporary housing within their own home or with others

Source: Employer interviews

- Mid-size employers may undertake the above, as well as master lease units, purchase units, or build and manage units to lease to their employees. Some provide a monthly housing stipend or subsidy (e.g. \$200 to \$900 per month based on interviews) to help with housing costs. One employer provides a taxable grant up to \$15,000 after 4-years of service and again after 9-years that can help with a down payment or pay off student loans, among other purposes.
- The largest employers, including Big Sky Resort and the Yellowstone Club, Moonlight Basin and Spanish Peaks, provide a mix of housing for employees that fill seasonal service jobs through management positions (see Section 1 - Housing Inventory). These companies subsidize the cost of retaining owned units or year-round master leases for units that may sit vacant during the shoulder season.
- Most employers have been stepping up their housing assistance in recent years, adding to their master-leased or developed inventory, renovating existing employee housing product and searching for other opportunities to help employees locate and afford homes. While many would prefer to not be in the housing business, employers provide units because they are necessary.

*“We could not function without the housing that we provide for our employees.”*

Local Employer

*“I am only here because the company I work for has several apartments they own and rent only to there employees at a half way decent rate ... If the day comes I am no longer working for them I will be forced to leave Big Sky due to the cost of rent.”*

Survey comment

### **Housing Needed**

Housing needed by employees varied by employer, but covers the entire spectrum. Employers indicated the following housing would most help their employees and business:

- Seasonal housing offering rooms priced under \$600 per bed per month (depending upon wages paid) with good transportation to get them to and from work. This is a core need to hire for these positions and volume is needed.
- Service workers who may start seasonal, or hold seasonal jobs, but are working to be in Big Sky year-round. These employees need options to

The first question most seasonal employees ask before accepting a job is “do you have housing available.”

The first question many employers ask of new year-round hires is “do you have housing secured.”

Local employers

stay. This means rentals designed for year-round living either with or without roommates: smaller units, one- and two-bedrooms, starting at \$600 to \$700 per month per person, in apartments (with kitchens) that do not allow short-term rentals.

- Year-round professional positions need a range of housing to allow employees to get established in Big Sky, then be able to grow their families and lifestyle along with their careers. This encompasses a range of pay scales, from about \$36,000 per year up to \$100,000. This includes:
  - Rentals in apartments that will not be sold or converted to short-term rentals, ranging from \$900 up to \$2,400 per month for one-, two- and three-bedroom units.
  - Attached ownership options. Townhome or duplex-style units ranging from \$250,000 to \$450,000 would allow many professionals to purchase homes.
  - Some higher-paid professionals could pay up to \$600,000 for a home, but would desire a single-family product at this price.
  - Affordable HOA dues for all are required.
- Nearly all employers stressed the importance of needing more pet-friendly rentals. Pets are part of the culture of workers attracted to Big Sky.

*“Training hurts me the most. It takes a full year to make an employee worthwhile, then they can give me two weeks notice and leave... if we can keep and grow employees that is really what is needed.”*

Local employer

## Section 3 – Ownership Market Conditions

This section evaluates how much home sale prices have changed since the housing study completed in 2014. It provides an overview of recent sales activity and the current availability of homes. It evaluates the affordability of homes to residents and the local workforce and provides information on mortgage availability.

### Home Sales Prices

Between 2013 and 2017, average home sales prices increased to \$386 per square foot for single-family homes and \$310 per square foot for condominiums/townhomes.

- Single-family homes increased about 6% per year on average per square foot. The average sale price in 2017 rose to over \$1.2 million. The high-end single-family home market is led by sales in the Mountain area.<sup>12</sup>
- Condominium/townhome prices per square foot rose an average of 10% per year. The average sale price was just over \$520,000 in 2017.
- Realtors noted that many neighborhoods are now priced above where they were pre-recession in 2007. Both the single-family and condominium/townhome markets have come back strong. Homes priced under \$400,000 have appreciated faster than higher priced homes.

Home sale prices have increased an average of 6% (single-family homes) to 10% (attached product) per year since 2013.

#### Change in Sale Prices: 2013 to 2017\*

	2013	2015	2016	2017 (thru Nov. 15)	Avg yearly % change (2013-2017)
<b>Single-family</b>					
Median sale price	\$524,500	\$1,025,000	\$1,037,500	\$1,030,000	18%
Average sale price	\$828,200	\$1,160,560	\$1,415,296	\$1,235,113	11%
Avg sale price/sq ft	\$309	\$384	\$439	\$386	6%
<b>Condo/Townhome</b>					
Median sale price	-	\$339,000	\$340,000	\$390,000	-
Average sale price	\$370,710	\$508,975	\$439,189	\$520,341	9%
Avg sale price/sq ft	\$209	\$268	\$261	\$310	10%

\*data excludes sales in Yellowstone Club

Source: Southwest Montana Multiple Listing Service (SWMLS) 2015-2017;  
Big Sky Housing Development Plan 2014 (EPS)

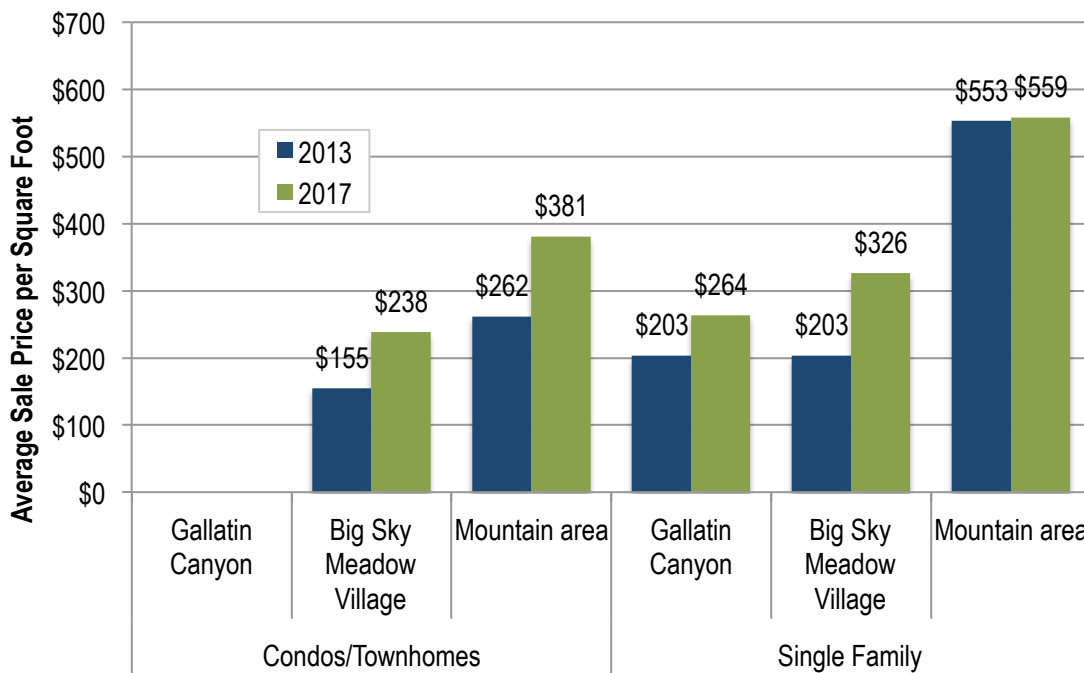
<sup>12</sup> Data excludes sales in Yellowstone Club.



Changes in the price per square foot varies by area:

- Only single-family homes in the Mountain area remained fairly flat. These homes are priced well above other properties, however, at \$559 per square foot.
- Single-family homes and condominiums/townhomes in all other neighborhoods have increased a minimum of 7% per year (single-family homes in the Canyon) up to 13% per year (single-family homes in the Meadow).
- Realtors noted that single-family homes in the Meadow are most desired by Big Sky residents and employees, although many are now priced beyond their means. More second homeowners are now desiring homes with accessibility to community amenities and walkability, increasing their interest in the Meadow, and competing with residents for homes.

**Average Residential Sale Price Per Square Foot by Big Sky Region:  
2013 and 2017**



*\*data excludes sales in Yellowstone Club*

Source: Southwest Montana Multiple Listing Service (SWMLS) 2015-2017;  
Big Sky Housing Development Plan 2014 (EPS)

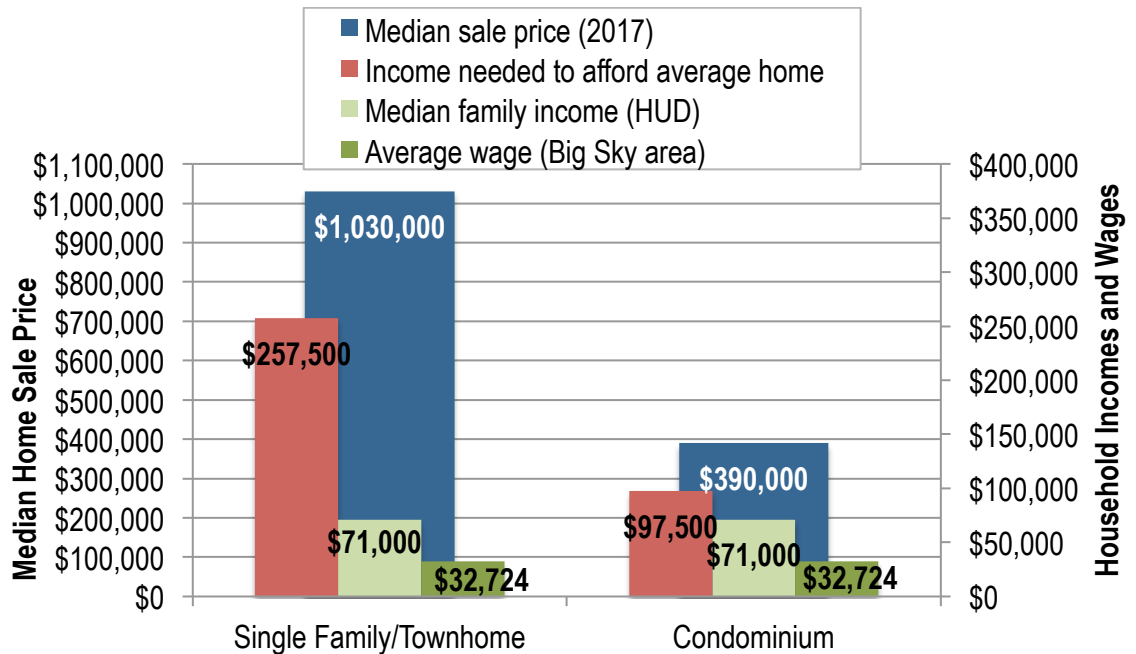
## Affordability for Residents

Home prices are too high for most workforce households. This was the case in 2014 and it has only gotten worse.

Growth in wages has not kept up with the significant increase in home purchase prices.

- Wages increased on average 4.5% per year since 2013<sup>13</sup>; home prices by 6% to 9%. Prices have become more unaffordable.
- An income of over \$250,000 (or 3.6 times more than the median household income; 7.9 times the average wage) is needed to afford the median priced single-family/townhome sold in Big Sky in 2017.
- The median priced condominium sold in 2017 requires an income of \$97,500 to afford. This is 1.3 times the median household income in the area and almost 3.0 times the average wage. When HOA fees are factored in, this increases the unaffordability of this product, as discussed in more detail below.

**Income Needed to Afford Median Home Compared to Incomes and Wages:  
Big Sky area, 2017**



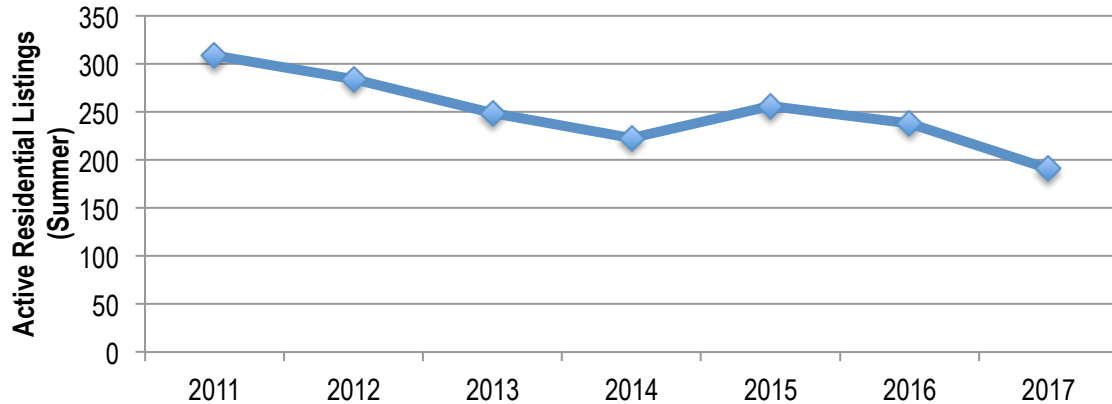
Source: Southwest Montana Multiple Listing Service (SWMLS) 2015-2017; Montana Housing Division (HUD AMI limits); 2016 QCEW zip code file (Mt. Dept. of Labor and Industry); Consultant team

<sup>13</sup> See Section 2 – Economic Trends.

## Active Listings

Inventories are near record lows. Listings in the summer of 2017 (191 homes) were 23% below homes for sale in the summer of 2013 (249 homes). Demand remains high, however, resulting in quickly rising home sale prices.

**Summer Residential Listings: Big Sky Area  
2011 to 2017**



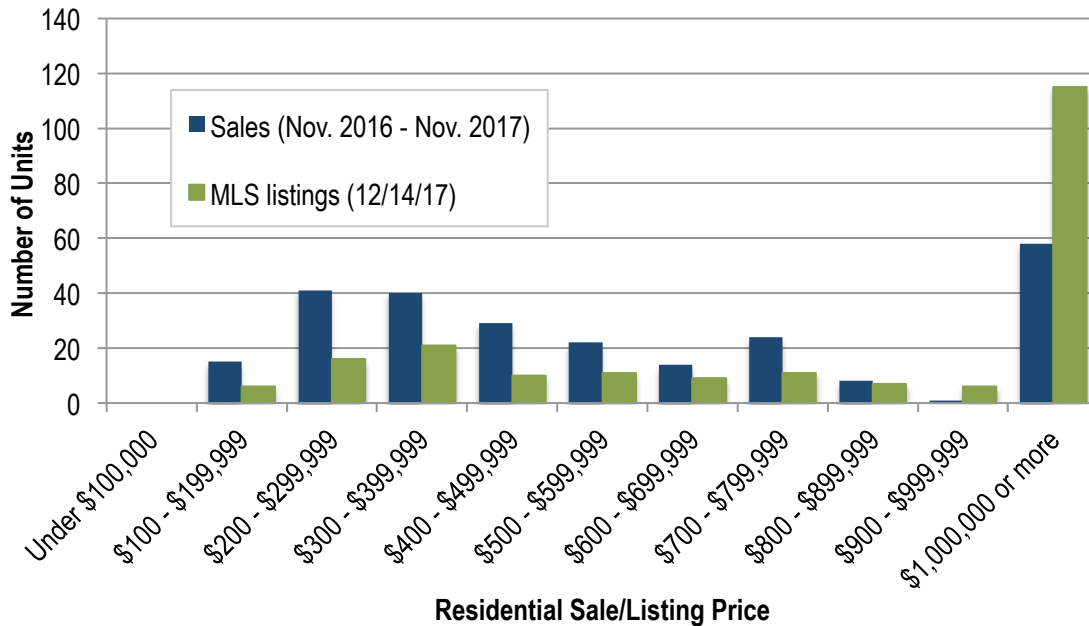
Source: L&K Real Estate Summer 2017 Market Update  
(<http://www.lkrealestate.com/resources/market-updates/>)

## Current Availability

In mid-December 2017, 212 properties (excluding condo-hotel/recreational units) were listed for sale. This compares to 252 sales that occurred over the prior year. This represents about 10-months of inventory. This suggests Big Sky should be a buyer's market; however, a closer look shows that this varies significantly based upon the price of available housing. More specifically:

- Over 50% of homes are priced at \$1 million or more. These are well out of the price range for local employees. Based on sales last year, there is a 24-month (two-year) supply of homes at this price.
- As homes become more affordable, supply drops. There is a 6-month supply of homes priced between \$500,000 and \$800,000 and a low 5-month supply below \$500,000 (53 listings compared to 125 sales).

### Residential Sales Compared to Residential Listings: Big Sky



Source: Southwest Montana Multiple Listing Service (SWMLS) 2015-2017; Dec. 14, 2017, MLS ([www.eralandmark.com/listings](http://www.eralandmark.com/listings)); Consultant team

Realtors stated that the majority of locals search for homes priced below \$500,000. Lower-end second homeowners and investor buyers (buyers that purchase homes to rent them short-term) also seek homes at this price. There is much competition for the few homes that are available. Realtors estimate that about 15% of their sales activity is from locals in recent years.

Locals comprise only about 15% of sales activity – they need product to buy!

- Of units priced below \$500,000, only one is a single-family home – a primary product demanded by locals and one that is rarely available (only 6 single-family sales at this price occurred last year).
- The other 52 listings priced under \$500,000 are condominiums or townhomes. Condominiums present some challenges for local buyers.
  - Several of these properties are designed for second-homeowners (e.g. Lone Peak Center), meaning high HOA fees, high-end amenities, and prices exceeding \$500 per square foot.

An HOA due of \$217 per month is equivalent to adding \$30,000 to the purchase price.

- Units priced below \$300,000 that are not high-amenity are typically older and may be facing costly repairs or special assessments. These include 0-, 1- and 2-bedroom units in Hill Condos (built in 1974), Glacier Condos (built in 1975), Cedar Creek Condos (built in 1999) and Firelight Condos (built in 2002). Most are located in the Mountain area, which, Realtors noted, is less desired by locals than the Meadow when purchasing.
- HOA dues decrease the affordability of these units. The lowest HOA fee for listed condos priced under \$300,000 on the MLS is \$217 per month, which is equivalent to adding about \$30,000 to the purchase price.
- Realtors and lenders noted additional challenges that condominiums pose for locals:
  - Acquiring financing for non-FHA approved condominiums can be difficult and require higher down payments. Only Morning Sun Condos were FHA approved in Big Sky, but they are no longer majority owner-occupied; meaning FHA loans are not available.
  - Finding units that are suitable for families and that provide sufficient storage and/or garages is difficult. Two-bedroom, two-bath with a garage is ideal, but rare.

**Residential For-Sale Listings by Type:  
Big Sky area, Dec. 14, 2017**

	Condominiums/ Townhomes	Single-family	TOTAL	TOTAL %
<b>Under \$300,000</b>	22	0	22	11%
<b>\$300 - \$399,999</b>	21	0	21	10%
<b>\$400 - \$499,999</b>	9	1	10	5%
<b>\$500 - \$599,999</b>	8	3	11	5%
<b>\$600 - \$699,999</b>	5	4	9	4%
<b>\$700 - \$799,999</b>	5	6	11	5%
<b>\$800,000 or more</b>	59	69	128	60%
<b>TOTAL</b>	129	83	212	100%
<b>Median List Price</b>	\$695,000	\$2,025,000	\$1,105,556	-
<b>Average Price per Sq. Ft</b>	\$446	\$579	\$498	-

Source: Dec. 14, 2017, MLS ([www.eralandmark.com/listings](http://www.eralandmark.com/listings)); Consultant team

The shortage of homes priced below \$500,000 exists across all Big Sky areas. These are homes that would be affordable to households earning about 200% AMI (\$120,000 per year) or less. As shown below, most are located in the Mountain area (28 units), followed by the Meadow (22 units).

**Residential For-Sale Listings by AMI and Location:  
Big Sky area, Dec. 14, 2017**

AMI Level	Max Purchase Price*	Canyon	Meadow	Mountain	Total	
					#	%
<b>Under 60% AMI</b>	\$140,000	0	0	6	6	3%
<b>60.1 - 80%</b>	\$190,000	0	0	0	0	0%
<b>80.1 - 100%</b>	\$240,000	0	0	2	2	1%
<b>100.1 - 120%</b>	\$285,000	0	5	6	11	5%
<b>120.1 - 150%</b>	\$355,000	0	4	9	13	6%
<b>150.1 – 200%</b>	\$475,000	0	13	5	18	8%
<b>Over 200% AMI</b>	>\$475,000	24	33	105	162	76%
<b>TOTAL</b>		24	55	133	212	100%
<b>Median List Price</b>		\$1,153,056	\$619,000	\$1,350,000	\$1,105,556	
<b>Average List Price</b>		\$1,447,921	\$943,887	\$1,767,238	\$1,517,484	
<b>Average PPSF</b>		\$440	\$349	\$570	\$498	

Source: Dec. 14, 2017, MLS ([www.eralandmark.com/listings](http://www.eralandmark.com/listings)); Consultant team

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

## Mortgage Availability

For single-family homes, townhomes and duplexes, conventional and government-backed mortgages are readily available at competitive rates. Given the high price of homes, USDA loans are often not available. Other factors may exist to limit opportunities. Based on interviews with a local lender and Realtors:

- Loan activity has increased since 2014, but more for second homeowners than locals. Many locals are getting priced out of the market – they cannot qualify for available properties.
- Interest rates average in the low 4% range. Amount of down payment, value of the property, credit score, amount in savings and other applicant criteria all affect the interest rate.
- Down payment, income and home availability are the primary barriers to locals seeking financing.
  - Locals most commonly seek loans up to \$300,000, for which they can find condominiums; however, they may not be in desired properties (e.g. the Hill, Firelight and Glacier are most common). Some locals have been

approved up to \$800,000 for a single-family home, but typically have down payment help and/or a co-signer.

- Lenders need two-years of consistent income history to qualify applicants. Locals with seasonal jobs can qualify if they find work with the same employer or within the same profession over a two-year period. When the industry of employment changes (e.g. server one summer, recreational guide the next), then income history can be a barrier.
- Down payments may vary from 3% up to 20% or more. Most locals that are able to meet down payments receive family assistance.

Financing for condominiums and mixed residential/commercial product is more difficult for locals purchasing a residence.

- Morning Sun Condos is the only FHA-approved condominium project in Big Sky. FHA, USDA and VA loans, which allow little to no down payments, are only available on projects that are approved.
- Local banks have a Fannie Mae/Freddie Mac fixed-rate 15 and 30-year product that will lend on non-FHA properties. The terms are favorable – 3% to 5% down. Property Mortgage Insurance payments are required, but can be removed once 80% loan-to-value is reached.
- Condominium review is still required. Several criteria must be met to obtain a mortgage and include in part that no single investor can own more than 10% of the units and 51% of the units in the project must be owner-occupied. For a resident buying the condominium as their primary residence, the owner-occupied ratio is not as much of a concern to local lenders, unless it is a new condominium product.
- For projects not meeting review standards, buyers must look to alternatives such as adjustable rate mortgage loans and higher down payment options.
- Traditional Fannie Mae and Freddie Mac lending is not available on mixed residential/commercial properties if more than 25% of the building is commercial. Some local banks offer an in-house loan with an adjustable rate, but at least 20% down payment minimums are required.
- High HOA dues decrease the buying power of residents and employees in Big Sky, decreasing their ability to qualify for the needed loan. The most common range in Big Sky is \$100 to \$300 per month, but some reach \$2,000 per month.

## Section 4 – Rental Market Conditions

This section evaluates the rental housing inventory, rise in market rents in recent years and the availability of units. This section is used to understand the current affordability of market rents to households employed in Big Sky and whether available units are meeting demand.

### Rental Inventory

About 41% of households in Big Sky rent their homes. This equates to about 530 renter households in 2017.

**Renter-Occupied Housing:  
Big Sky, 2010 to 2017**

	2010	2017
<b>Total Households</b>	1,019	1,291
Renter-occupied	375	530

Source: 2010 US Census, 2016 5-yr ACS, Consultant team

Rentals are a mix of individually owned single-family homes, duplex, townhome and condominium units. There is only one apartment building in Big Sky, which offers 36-units.

- The high incidence of owner-rented units (as opposed to apartment buildings) means renters are more susceptible to the loss of their rental through the sale of the home or conversion to short-term rental.
- Due to the scarcity of housing, about 3% of residents are homeless/searching for housing.
- Another 8% are residing in dorm/hotel housing through their employer. Dorm living is a difficult option for year-round residents, particularly if they must vacate at the conclusion of the winter season.

**Type of Rentals Occupied by Year-Round  
Big Sky Residents: 2017**

Type of Rental	% of Renters
Single-family home/cabin	15%
Condominium, townhome or duplex	67%
Apartment	7%
Car/friends/homeless	3%
Dorm/hotel	8%

Source: 2017 Big Sky Employee survey



## Rents

Market rents have increased significantly over the past few years. Rents for many units now exceed what the mortgage payment would be if renters could afford to purchase the home.

- Property managers report average rent increases of about \$100 per year since 2014, averaging 6% to 8% per year. Some owners have made more significant increases to push rents up to market levels. Owners are aware of the tight rental market and high prices they can demand.
- Big Sky Apartments is the exception. Rent increases in the LIHTC property are limited to ensure rents remain affordable for households earning up to 60% AMI in Madison County (under \$32,000 for an average 2.5-person household).

*"I lived in Big Sky for 7 years. The first of two houses I lived in was sold and the second house the landlord raised the rent every year and eventually forced me to find cheaper housing in Bozeman."*

Survey comment

- Rents for units managed by property managers vary by bedroom size, but average about \$1,700 per month - \$800 to \$900 per bedroom is common. The average rent is affordable for an average 2.5-person household earning \$68,000 per year, or about 113% AMI. Over 50% of renters earn below 113% AMI.
- Respondents to the survey pay about \$1,400 on average; about \$500 to \$600 per bedroom, which is more in line with local incomes. This includes units rented by individual owners and some longer term lease-holders. Households moving into a different rental in Big Sky today would pay more.
- Rising rents are pricing out many renters. Couples and family households are either having to find roommates or vacate their unit – which is then often filled by multiple-roommate households.

*Rising rents favor multiple-roommate households. Singles, couples and other family households are being priced out.*

Property manager

One property manager noted that typically with higher rents owners get higher quality tenants, but when rents exceed what Big Sky resident households can afford, multiple roommates is the only option. Many owners have quit renting homes long-term after having bad tenant experiences.

### Market Rents by Unit Size, June 2016

	Professionally-Managed Market Rents (interviews)	Median Rent Paid (survey)	Big Sky Apartments (60% AMI)
<b>0/1 Bedroom</b>	\$800-\$900	\$850	\$645
<b>2 Bedroom</b>	\$1,600-\$1,800	\$1,100	\$783
<b>3 Bedroom</b>	\$2,600-\$2,800	\$1,600	-
<b>4 Bedroom</b>	NA	\$2,000	-
<b>Overall Average</b>	\$1,700	\$1,400	\$691

Source: Property managers, 2017 Big Sky Employee Survey, consultant team

## Utilities

A recent trend for new apartment projects in mountain communities is for utilities to be included in rent. This reduces construction costs associated with individual meters, allows for energy-efficient heating systems such as central hot water boilers to be used and makes it easier for renters to move in and out without utility deposits.

- About 20% of renters in Big Sky report that their rent includes utilities.
- The other 80% of renters pay an average of \$240 per month, adding about 15% to monthly rent payments.

## Vacancy Rate and Turnover

As a general rule, double-digit vacancy rates are very high, rates at or below 3% are very low, and a vacancy rate of around 6% that is trending downward typically indicates to developers that construction of additional units should begin. These “rules of thumb” vary by market area.

In early December, only 14 units and three (5) rooms were advertised for lease through property manager sites, Craigslist and Big Sky Housing Network (Facebook). This is equivalent to a 3% vacancy rate, which is very low.

*“Options are very limited, overpriced, and aren’t available for long.”*

Survey comment

- Vacancy rates have been low at least since 2014. Property managers that were interviewed reported about a 1% vacancy rate (2 of about 170 units).
- Vacancy rates have typically been at or near 0% for at least the past year.
- The affordable LIHTC units are full and carry a waitlist of over 100 people.

**Vacancy Rates: Big Sky, December 2017**

<b>Income-restricted rentals (LIHTC)</b>	0% (0 units)
<b>Market-rate rentals (interviews)</b>	1.5% (2 units)
<b>Market-rate rentals (advertised)</b>	3.0% (14 units)

Sources: Craigslist; Property Manager websites; Facebook (Big Sky Housing Network); Interviews; consultant team

Unit turnover is most active in the fall (October/November), with some turnover in the spring (April/May). Property managers report that:

- Between 10% to 20% of their units turnover every year, but never remain vacant for long. This would be only 50 to 100 rentals per year based on a total inventory of 530 renter households.
- 1- and 2-bedroom units are most in demand. Two-bedrooms around \$1,400 per month are very easy to fill.
- 3-bedrooms can be harder to fill. Units priced at \$2,700 or more are too pricey for most couples to afford; they must find roommates to help pay.

## Loss of Long-Term Rentals

The availability of existing long-term rentals has been declining. Newly constructed rentals and available rentals on the market are priced higher than what most displaced renters currently pay.<sup>14</sup>

- Property managers report a decline in their inventory of long-term rentals over the past several years. Owners have either been selling their homes or converting them to short-term rentals. New owners have not been renting the homes long-term.
- Employers have also been master-leasing more rentals for their employees in recent years. While this helps house the employees of the master-lease companies, it reduces the availability for others.

“In a 24-month time frame our rent increased from \$1800/mo to \$2400 /mo to \$3000/mo..... We have had to move three times ... due to the owner selling the property. Each property has been similar... The current rate of increase is unsustainable for our family.”

Survey comment

<sup>14</sup> See Section 1 – Housing Inventory, Proposed and Pending Development and the next section herein below (“Available Rentals”).

The loss of existing rentals has significant effects on local residents and the workforce. Input from over 400 year-round resident renters with household members employed in Big Sky shows that 42% (165 total) were forced to move out of their rental at least once in the past five years. This includes:

- 26% because the home was sold by the owner;
- 23% because the unit was converted to a short-term rental;
- 9% because of an inability to pay rent; and
- 8% because the owner moved in.

At least 400 renter households (over 40%) lost their homes to owners selling or converting them to short-term rentals. **This is a HUGE problem!**

Applying responses to the 1,030 renter households that are employed in Big Sky, this means that about 260 renters had to move because their unit was sold over the past three years; 230 because the unit was converted to a short-term rental.

Of homes sold by the owner, most are purchased by second-home owners, who then typically short-term rent or otherwise take them off the rental market. The resulting impact is the same – loss of units for residents to rent long-term.

This Impact is tremendous compared to recent research in other mountain communities.<sup>15</sup>

## Available Rentals

Only 14 year-round rentals were available in the Big Sky area in early December 2017, based on listings on Craigslist, local property manager websites and Facebook (Big Sky Housing Network).

- Of these, the average rent was over \$2,500 per month. The lowest priced unit was a 1-bedroom in the Canyon for \$1,400. Overall, rents average about \$925 per bedroom.
- Rents are extremely high compared to local incomes. A household must earn over \$100,000 per year (171% AMI) to afford the average-priced rental available on the market.
- It takes 3-times the average wage to afford this rent. This means a two-adult household working at least three average jobs in Big Sky, or a three-or-more adult household with each earning average wages.

Rents of available units are extremely high compared to local incomes. Holding multiple jobs or having multiple roommates is necessary.

<sup>15</sup> Sales of rentals and short-term rental conversion displaced 9% of renters in Estes Park, Colorado, in 2015; 10% in Mammoth Lakes, CA, in 2017; under 10% in Whitefish, MT, in 2016 (est.).

**Market Rents of Vacant Units by Bedroom Size:  
Summit County, Mar/Apr 2016**

	Units	Average Rent	Yearly Income needed*	AMI Affordability**
Studio/1 BR	3	\$1,433	\$57,300	95%
2 BR	1	\$1,500	\$60,000	99%
3 BR	7	\$2,900	\$116,000	192%
4+ BR	3	\$3,333	\$133,300	221%
<b>Total Listings</b>	<b>14</b>	<b>\$2,579</b>	<b>\$103,100</b>	<b>171%</b>

Sources: Craigslist; Property Manager websites; Facebook (Big Sky Housing Network); consultant team

\*Income needed to afford the average rent (no more than 30% of gross income used for rent).

\*\*AMI level of income needed for an average 2.5-person household to afford the average rent.

The current rental market is underserving households with incomes at or below 80% AMI, which is the core rental market in most communities. The majority of available listings (87%) were priced for households earning 80% AMI or above.

**Market Rents of Vacant Units by AMI:  
Summit County, Apr/Mar 2016**

AMI Level	Max Affordable Rent*	Studio/ 1-bd	2-bd	3+-bd	Total listings	% listings
<60%	\$905	0	0	0	0	0%
60.1-80%	\$1,200	0	0	0	0	0%
80.1-100%	\$1,500	3	1	0	4	29%
100.1-120%	\$1,800	0	0	0	0	0%
>120%	>\$1,800	0	0	10	10	71%
<b>Total</b>		<b>3</b>	<b>1</b>	<b>10</b>	<b>14</b>	<b>100%</b>

Sources: Craigslist; Property Manager websites; Facebook (Big Sky Housing Network); consultant team

\*Affordable means no more than 30% of gross income is used for rent.

## Section 5 – Housing Problems, Preferences and Programs

This section presents information collected through the 2017 Big Sky Employee Survey regarding housing problems and perceptions of the local workforce, followed by housing preferences of employees that desire to live in Big Sky.

- The housing problems section first discusses the extent to which local employees feel that housing is a problem in Big Sky. It then presents the extent of common problems encountered, including the amount of income spent on housing costs (cost burden), households living in over-crowded conditions, and the level of dissatisfaction with current housing and reasons why.
- Housing preferences of employees that want to move to a new or different home in Big Sky are then discussed. This includes understanding the demographics of households so product can be targeted accordingly. It also presents the type, size, price point, location and amenities needed and desired by local employee households, as well as trade-offs that households will consider to afford housing in the community.
- Finally, the level of interest in various housing programs, including down payment assistance and purchasing deed restricted housing is discussed.

This information will be extremely useful as Big Sky works to devise housing programs and product that will better meet resident and employee housing needs in the community.

As Big Sky moves forward, it is imperative that the community focus on providing housing that meets local employee needs, NOT just provide housing that houses employees. The former will retain employees and residents in the community over the long term, help grow families, reduce employee turnover, increase employee and resident satisfaction and help build a more vibrant community with year-round residents to fill its jobs (including many seasonal jobs) and patronize its businesses.

## Housing Problems

When asked, “How do you feel about the issue of people who work in Big Sky being able to find housing they can afford?” Based on responses, the housing problem is significantly impacting everyone – year-round resident employees, seasonal resident employees, renters and owners:

*“Rental prices are going up at very high rates. Many property owners still decide to enter the lucrative VRBO market. Leaving some residents priced out and unable to find ... housing. Losing our working class residents due to high costs of living would change this town in a big way.”*

Survey comment

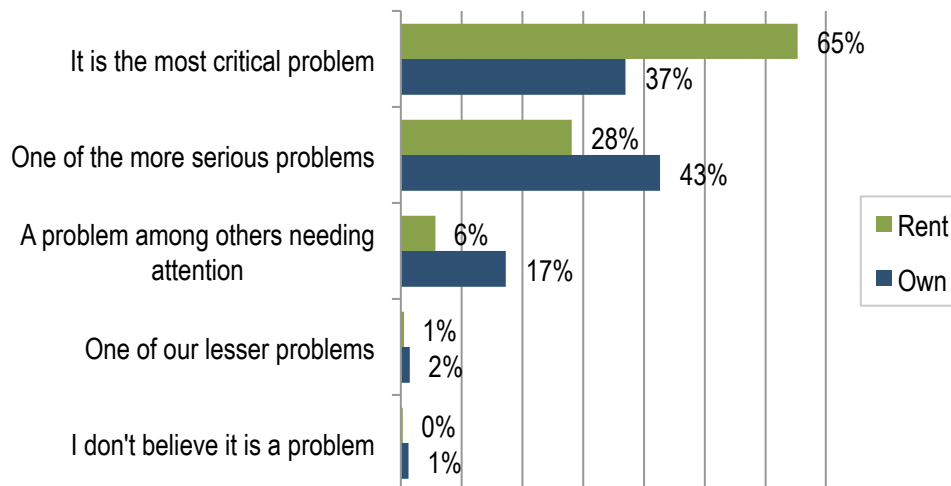
- About 84% of both year round and seasonal resident respondents felt it is one of the more serious or most critical problems. This leaves only 16% of respondents that feel it is only a moderate or lesser issue.

*“Although I got in the market early, I could not now. As a small business owner, it is extremely hard to hire due to the lack of affordable housing.”*

Survey comment

Renters are more likely than owners to state that the housing for people who work in Big Sky is a serious or critical problem, which is common. Owners have been able to purchase into their community and, particularly in Big Sky, do not face the significant problems of rising rents, owners selling homes or owners converting homes to short-term rentals. Only about 20% of owners, however, feel that housing is a moderate or lesser problem – meaning that the problem is apparent to everyone.

### **“How do you feel about the issue of people who work in Big Sky being able to find housing they can afford?”**



Source: 2017 Big Sky Employee Survey

### Housing Cost Burden

Households are considered to be cost burdened if their housing payment (rent or mortgage plus utilities) exceeds 30% of their gross income. Households paying over 50% are extremely cost burdened. Cost burdened households often have insufficient income for other life necessities including food, clothing, transportation and health care.

Survey responses were reviewed for both seasonal resident workers (employees in Big Sky who live in the area only part of the year) and year-round resident workers (employees who live in the region – either in-commute or live in Big Sky – for the entire year). About 27% of year-round resident employees and 28% of seasonal resident employees were cost burdened.

Evaluating year-round resident employees by AMI shows that cost burden decreases as income rises, but affects entry-level through mid- and upper-management employees:

- Two-thirds (67%) of employee households earning under 80% AMI (predominately renters earning under \$50,000 per year) are cost burdened. A very high 23% pay over 50% of their income for housing.
- Over 40% of households earning up to 120% AMI (about \$72,000 per year) are cost burdened. About 70% of these households rent – this is a key sign that rentals are priced way too high for local workers. Market rentals, even in mountain resort communities, are typically affordable for households earning at this level.<sup>16</sup>
- For households earning over 120% to 150% AMI, cost burdened declines significantly (17%). Although 63% of these households rent homes, their incomes allow them to better afford market rents than lower-income households.

Households earning 100% AMI in most mountain resort communities can afford market rents – not in Big Sky.

#### Cost Burdened Households: 2017 Employees in Big Sky that Reside in the Area Year-Round

% of income used to pay for housing	AMI Level					Overall
	<80%	80.1-120%	120.1-150%	150.1-200%	>200%	
<b>30% or less</b>	32%	59%	84%	98%	95%	72%
<b>31% to 50%</b>	44%	39%	15%	2%	5%	22%
<b>50% or more</b>	23%	2%	2%	0%	0%	5%

Source: 2017 Big Sky Employee Survey

<sup>16</sup>Mammoth Lakes, Ca. (2017): average rent of \$1,700/mo affordable to 100% AMI household; Jackson, WY (2016): average rent of \$1,782/mo affordable to 100% AMI household; Whitefish, MT (2015): average rent of \$1,240/mo affordable to 100% AMI household.



## Overcrowding

Overcrowding does not have a strict definition. Most property managers allow no more than 2-persons per *bedroom* in their units. The Census Bureau defines overcrowded housing units as those with more than 1-person per *room*.

Overcrowding is more of a problem during peak-season employment.

- Only about 1% of year-round resident employees reported having 2-or-more people per bedroom.
- About 4.4% of seasonal resident employees reported the same.

*“Sharing a home with 5 other people is exhausting, there’s not much privacy or silence, there’s always people coming and going, and homeless friends crashing on couches.”*

*“Not really allowed to have the amount of people living with me, but it’s the only way we can afford to live in Big Sky.”*

Survey Comments

## Dissatisfaction With Housing

Survey respondents were asked, “Which best describes your satisfaction with your residence?” on a scale from 1 – very satisfied to 4 – very dissatisfied. Responses vary by tenure and employee term of residency:

- About 29% of year-round renters and 24% of seasonal residents were either “not satisfied” or “very dissatisfied” with their housing. Only 7% of year-round owners said the same.
- Reasons for dissatisfaction varied, but predominately included:
  - Homes are too expensive, particularly given their condition. Landlords are not motivated to repair homes when they can charge a premium;
  - Inability to live alone. Having roommates is required to afford rent and the housing shortage means homes are not available, only rooms;
  - Inability to have pets;
  - Living condition problems, such as mold, leaking roofs, broken appliances and poor insulation/drafty windows leading to high utility costs; and
  - Too long of a commute (for in-commuters) – many hours each day, dangerous and unpredictable.

*“Adults living as roommates.”*

*“It is very small and expensive. The building is old and full of mold.”*

*“I own pets so I can’t rent and I live in a truck camper...”*

*“...3.5 hours on the bus each day is very draining.”*

Survey Comments

Satisfaction also varies by type of home.

- Single-family home residents are the most satisfied.
- Over 25% that reside in condos or apartments are not satisfied.
- Over 33% are not satisfied in dorms/hotels – this was the highest ratio of dissatisfaction. Particular concerns expressed were the lack of access to a kitchen; unavailability of a common room; lack of privacy/rooming with strangers; insufficient storage; some rooms with mold/poor conditions; and the long bus ride to the hotel in Bozeman.

### *Why Renters Have Not Purchased*

The survey asked renters why they have not yet bought a home. The top two reasons why employees that live year-round in the area have not purchased are:

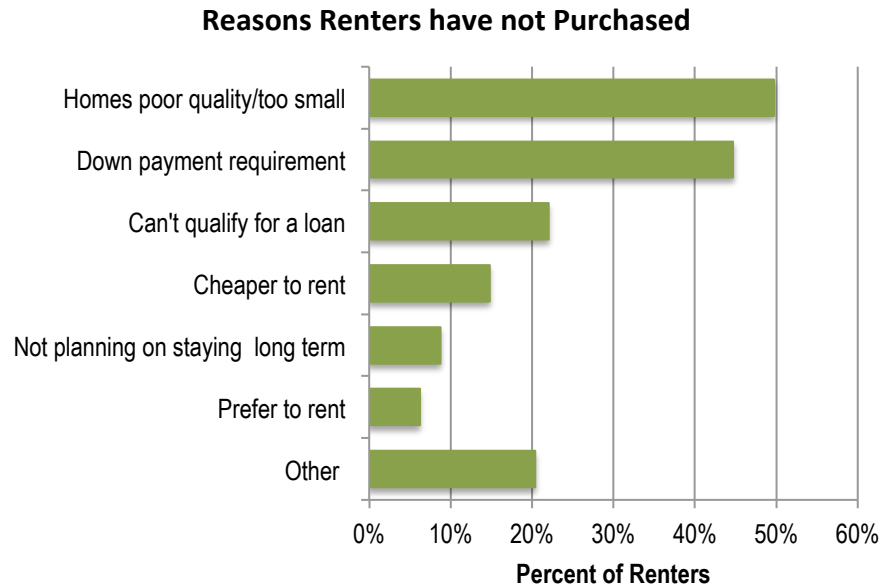
- The “homes I can afford are poor quality or too small” (50%) and
- The “high down payment requirement” (45%). The Big Sky Community Housing Trust is developing a down payment assistance program for households with local employees, hoping to help with this latter problem.

Of the remaining reasons:

- The “inability to qualify for a loan” is a lesser problem. Based on lender and Realtor interviews, most applicants are approved for loans - it is the amount of the loan that is often insufficient given market prices.
- Very few (15%) stated that it is cheaper to rent. In Big Sky, rents for many properties now exceed what the mortgage would be if the renter could purchase the home.
- Of the 20% of respondents providing “other” reasons, the majority stated that there are no homes available within their affordability range. High HOA fees and the inability to compete/outbid other buyers were also barriers to ownership.

*“There are no homes in my price range. Have tried to buy twice but offer not high enough.”*

Survey comment



Source: 2017 Big Sky Employee Survey

## Housing Preferences

This section examines the type, number of bedrooms, price, home characteristics and location preferences of employee households that want to move to a new or different home in Big Sky in the next five years.

This information describes what housing is needed in Big Sky to meet the needs of persons making their living in the community. Unless otherwise noted, the preferences expressed are from survey respondents that have at least one household member employed in Big Sky and that live in the region year-round (as opposed to seasonal).

### *Employee Households that Want to Move to Big Sky*

The 2017 Big Sky Employee Survey asked respondents whether they want to move into a new or different home in Big Sky within the next five (5) years. About 39% of in-commuting employees and 48% of local employees expressed a desire to move.

- Of employees who want to move, most want to purchase a home (61%).
- The majority of current owners want to continue to own (92%).
- Most renters (51%) would like move into ownership, about one-third (35%) want to continue to rent and the rest have no preference.

**Preference to Own or Rent a Home in Big Sky: 2017**

Do you prefer to:	Present Tenure Status		
	Owners	Renters	Total
<b>Buy</b>	92%	51%	61%
<b>Rent</b>	7%	35%	28%
<b>No preference (either buy or rent)</b>	1%	14%	11%
<b>TOTAL %</b>	100%	100%	100%

Source: 2017 Big Sky Employee Survey

**1 – Household Demographics**

The demographics of employed households that want homes in Big Sky affects the type and design of housing that is needed. As shown below:

- Most households are smaller – over 50% of households that prefer to own or that would rent have one or two people.
- Households preferring to own a home are more likely to be couples and couples with children than households that would rent. About 50% of households that would rent in Big Sky are presently living with roommates, but desire to live independently – shrinking from 4- and 5-person households to fewer than 3.
- Employed households desiring to move cover a range of ages. Households that would rent are most likely to have persons between the ages of 18 and 29. Households looking to buy are predominately occupied by persons between 30 to 64 and about one-third have children.

**Demographics of Employed Households that  
Want to Move into a New or Different Home in Big Sky: 2017**

		Prefer to Own	Prefer to rent/ No preference	Total
<b>Household Size:</b>	1-person	24%	24%	24%
	2-person	33%	33%	33%
	3-person	18%	18%	18%
	4-person	18%	13%	16%
	5+-person	6%	12%	9%
	Average household size	2.5	2.6	2.5
<b>Household Type</b>				
	Couple, no kids	28%	15%	23%
	Couple, with kids	22%	9%	17%
	Single parent	1%	0%	1%
	Living alone	23%	26%	24%
	Other (roommates, etc)	26%	50%	35%
<b>Age of Household Members</b>				
	Under 5 years	17%	2%	11%
	5 to 17 years	15%	6%	12%
	18 to 29 years	42%	71%	53%
	30 to 64 years	71%	54%	64%
	65 or over	4%	2%	3%

Source: 2017 Big Sky Employee Survey

## 2 – Type of Employment

Helping to house year-round resident employee households in Big Sky can help retain year-round and seasonal job holders in the community. Of year-round resident employee households that want to move to Big Sky:

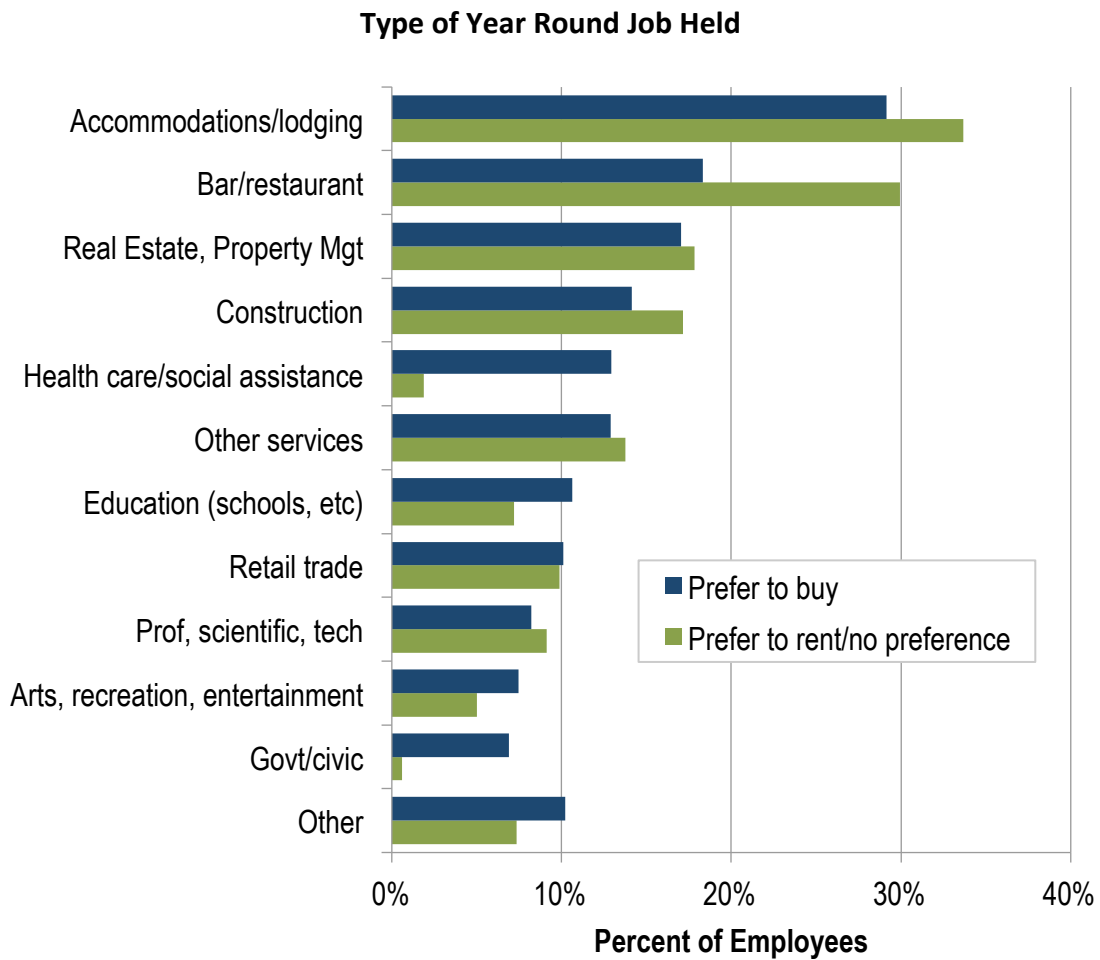
- About 80% have at least one person in their home that holds a year-round job;
- About 50% have someone in their home that holds a summer or winter seasonal job (or both).

<b>% of Households With Someone Holding a year-round or seasonal job</b>	
<b>Year round job</b>	81%
<b>Summer seasonal job</b>	47%
<b>Winter seasonal job</b>	53%

Source: 2017 Big Sky Employee Survey

Not surprisingly, households that would move to Big Sky are predominately employed in accommodations/lodging and bar/restaurant – the majority of jobs in the area. Some differences by preferred tenure are apparent, however:

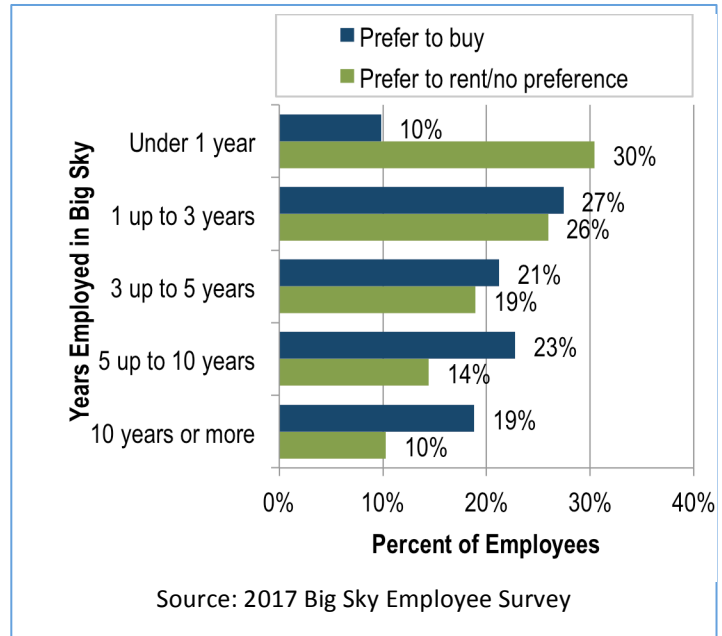
- Households that prefer to own are more likely to have year-round job holders in health care, education and government professions than households that would rent.
- Households that would rent are more likely to be employed in construction (which are typically more transient jobs), accommodation/lodge and bar/restaurant service industries than employees that prefer to buy.



Source: 2017 Big Sky Employee Survey

Households wanting to own have worked in the area longer, on average, than those that want to rent or that have no preference.

New employees in their first year of employment typically rent. As households become more established, they seek to buy – a shift is seen at the 5-year point. About 42% of those that want to own have worked in Big Sky for 5-or-more years; compared to 24% that would rent.

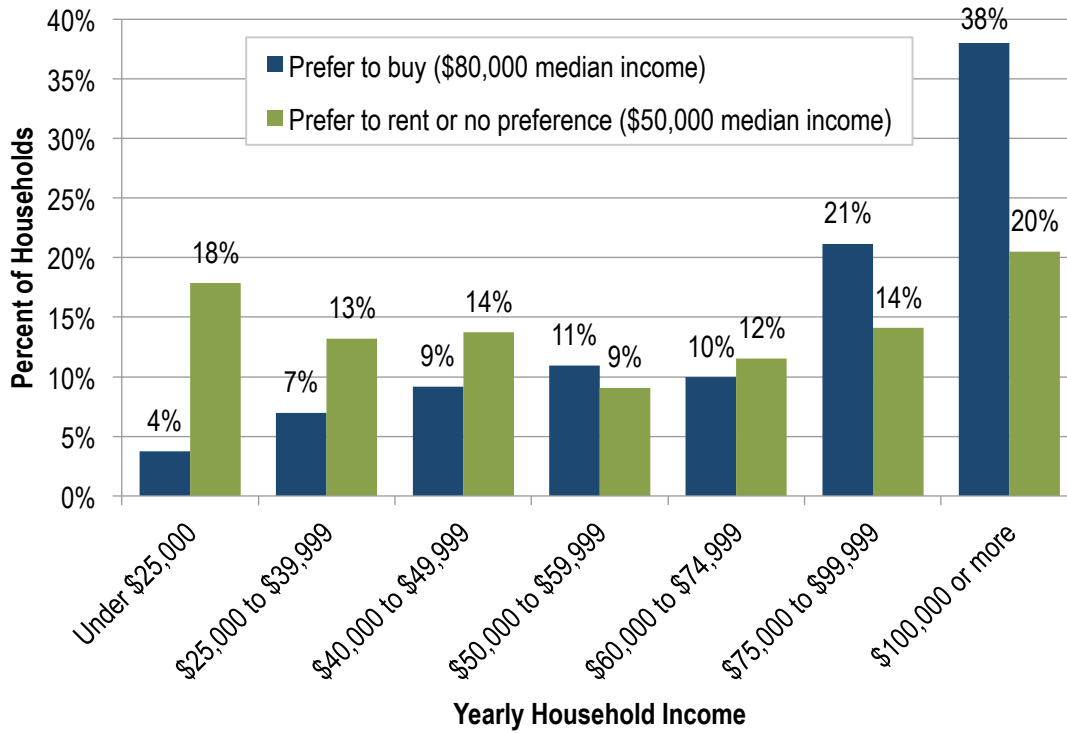


### 3 – Household Income

In most resort communities, the primary renter population earns less than 80% AMI, households wanting to buy their first homes typically earn between 80 to 120% AMI (if they can find homes affordable to purchase) and move-up buyers (households wanting to own a different home) earn above 120% AMI. This is apparent in Big Sky as well. As shown below:

- A much higher percentage of households that would rent earn below \$50,000 (about 80% AMI) than those that want to own. About 60% of households earning below \$50,000 would rent.
- Conversely, about 70% of households that earn over \$50,000 prefer to own. These would be homes price from about \$200,000 and up.
- Almost 60% of households wanting to own earn \$75,000 or more (above 120% AMI). These households could purchase homes costing about \$300,000 or more.

### Yearly Household Income Distribution of Households that Want to Move



### Households That Want to Move by AMI

	Prefer to Buy	Prefer to Rent/no preference	Total
<b>Under 60%</b>	9%	21%	14%
<b>60.1 to 80%</b>	9%	20%	13%
<b>80.1 to 120%</b>	20%	19%	20%
<b>120.1 to 150%</b>	21%	20%	21%
<b>150.1 to 200%</b>	17%	10%	14%
<b>Over 200%</b>	24%	9%	18%
<b>Median Income</b>	\$80,000	\$52,000	\$75,000

Source: 2017 Big Sky Employee Survey



### Preferred Home Location

In response to the question “Which area of Big Sky would be your first and second choice of where to live, assuming that housing costs were the same in each area?”:

- Both prospective renters and owners have a strong preference for living in the Meadow (over 70%);
- Households wanting to move show some differences on their second choice location based on desired tenure.
  - Employee households preferring to purchase a home favor the Canyon as their second-choice location (47%).
  - Employee households who would rent are split between the Canyon (39%) or the Mountain (41%). This indicates that renters would consider units constructed in the Mountain area – near where many of them work.

#### First and Second Choice Location: 2017

FIRST Location:	Prefer to Buy	Prefer to Rent/ No preference	Total
The Canyon	18%	8%	14%
The Meadow	68%	79%	72%
The Mountain	13%	13%	13%
TOTAL	100%	100%	100%
SECOND Location:			
The Canyon	47%	39%	44%
The Meadow	26%	20%	23%
The Mountain	27%	41%	32%
The Canyon	100%	100%	100%

Source: 2017 Big Sky Employee Survey

### Preferred Home Type

Comparable research on housing-related tradeoffs in mountain towns has shown that employees are most willing to compromise on unit type and size, but are less flexible regarding location and least flexible on price – they need something they can afford. This is also supported by the priorities identified by respondents in Big Sky.

Location was discussed above. Regarding the type of housing, employees who want to move were asked, “From the list below, which types of homes would you most likely consider?” Respondents were asked to provide their first, second and third-choice home. Over 80% of respondents provided three choices, meaning that the significant majority of employees that want to move are willing to make trade-offs on their home type to live in Big Sky. As shown below:

- Households that want to own prefer a single-family home as their first choice (82%), followed by a townhome-style unit as their second choice (60%) and, third, a stacked-flat condominium (33%) or a tiny home (23%).
- Households that would rent also preferred a single-family home as their first choice (41%), townhome second (32%) and condominium (31%) or apartment (28%) third.
- Apartments can provide a more stable housing option for renters than other rented product in mountain resort communities because the individual unit cannot be sold by the owner and cannot typically be rented short-term (less than 30-days). Owners selling homes and/or converting them to short-term rentals have each displaced about 25% of renters in Big Sky in recent years.<sup>17</sup>

### First Choice – Preferred Type of Housing: 2017

FIRST Choice Home:	Prefer to Buy	Prefer to Rent/ No preference	Total
Single-family	82%	41%	66%
Townhome (2-story)	10%	22%	15%
Tiny Home (< 600 sq ft)	5%	22%	12%
Condominium (stacked flat)	1%	9%	4%
Apartment	2%	5%	3%
Mobile Home	1%	0%	0%
Dorm/Shared room	0%	0%	0%
<b>SECOND Choice Home:</b>			
Townhome (2-story)	60%	32%	49%
Tiny Home (< 600 sq ft)	15%	12%	14%
Condominium (stacked flat)	11%	19%	14%
Single-family	8%	22%	13%
Apartment	5%	15%	9%
Mobile Home	1%	1%	1%
Dorm/Shared room	0%	0%	0%
<b>THIRD Choice Home:</b>			
Condominium (stacked flat)	33%	31%	32%
Apartment	14%	28%	20%
Tiny Home (< 600 sq ft)	23%	11%	18%
Townhome (2-story)	14%	17%	15%
Single-family	6%	6%	6%
Mobile Home	8%	3%	6%
Dorm/Shared room	2%	1%	1%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: 2017 Big Sky Employee Survey

<sup>17</sup> See Section 4 – Rental Market Conditions, Loss of Long-Term Rentals

### Preferred Home Characteristics

Employees that want to move were asked to “Please indicate how important the following factors are to you when looking for a place to live,” given a scale from 1 = Not At All Important to 5 = Extremely Important.

Employee household that want to move ranked home characteristics in the same order of priority regardless of tenure preference.

- When looking for a place to live, the “cost of housing to buy or rent” is the most important consideration, followed by “allows pets.”
- The “type of home” was rated of lesser importance than all factors except the “age-want new home” which was of below-average importance (2.8 average).
- These rankings indicate that employees will first look to the price of the home and other needs (pets, energy efficiency, storage) and compromise on the type of home if other needs are met.

#### Priorities for Home Characteristics: 2017

Home Characteristics	Prefer to Own	Prefer to Rent/ No preference	Total
Cost of housing to buy/rent	4.5	4.6	4.5
Allows pets (dogs, cats, etc.)	4.1	3.8	4.0
Energy efficiency	4.1	3.8	4.0
Storage for equipment/vehicles	4.1	3.4	3.8
Type of home (single-family, condo, etc)	3.9	3.4	3.7
Age-want new home	2.8	2.7	2.8

Source: 2017 Big Sky Employee Survey  
\*Sorted in descending order of importance.

Regarding location considerations, employees wanting to move to Big Sky ranked “proximity to work” as their top priority and are willing to make trade-offs to do so (as indicated above). By preferred tenure:

- Employees that would rent rank “proximity to services” and “proximity to transportation” as their second and third priority. Employees preferring to own rated “proximity to transportation” as low-priority on average (2.7).
- “Proximity to day care” was rated as lowest priority for those who want to rent or own, but is of high importance to families with young children.

### Priorities for Location Considerations: 2017

Location Considerations	Prefer to Own	Prefer to Rent/ No preference	Total
Proximity to work (yours or others in home)	3.9	4.0	4.0
Community amenities (schools, parks, etc)	3.3	3.0	3.2
Proximity to services (medical, groceries, etc.)	3.1	3.2	3.2
Proximity to transportation	2.7	3.1	2.9
Quality of schools	3.0	2.2	2.7
Proximity to day care	1.9	1.5	1.7

Source: 2017 Big Sky Employee Survey  
\*Sorted in descending order of importance.

### Bedrooms Needed

A range of housing sizes are needed, from small rental units to get workers out of roommate situations and poor living conditions through entry level ownership to keep young families in the community. More specifically:

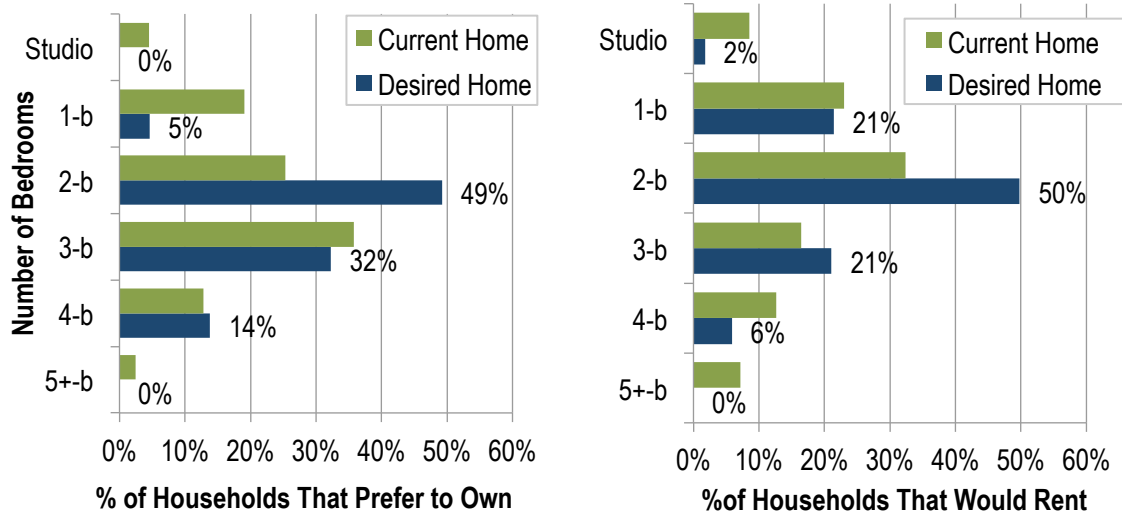
- More 2-bedroom units for ownership and rental are needed. About 50% of employed households that want to move need 2-bedrooms compared to 28% that currently occupy homes of this size.
- Households that would rent need smaller units on average than owners. About 23% need a 1-bedroom or smaller home. Renters currently occupying 4- and 5-bedroom homes are in units too large for their household, mostly because they are currently in roommate situations and want to live on their own. Rentals should primarily focus on homes with 2-or-fewer bedrooms.
- Households that prefer to own mostly need 2- and 3-bedroom homes; about 14% need 4-bedrooms. Employees currently in smaller 1-bedrooms generally desire to up-size when they buy in Big Sky.
- No households reported needing a 5-bedroom home. The ownership and rental product being produced with 5-or-more bedrooms are not meeting the needs of this population.<sup>18</sup>

*“There is a severe lack of homes being built that are starter homes. Two bedrooms, with living and storage space (ideally a garage). Something where a young couple can afford to start their lives together.”*

Survey comment

<sup>18</sup> See Section 1 – Housing Inventory, Proposed and Pending Development

**How Many Bedrooms Are in Your Current Home and How Many Bedrooms Does Your Household Need?  
Employed Households that Want to Move: 2017**



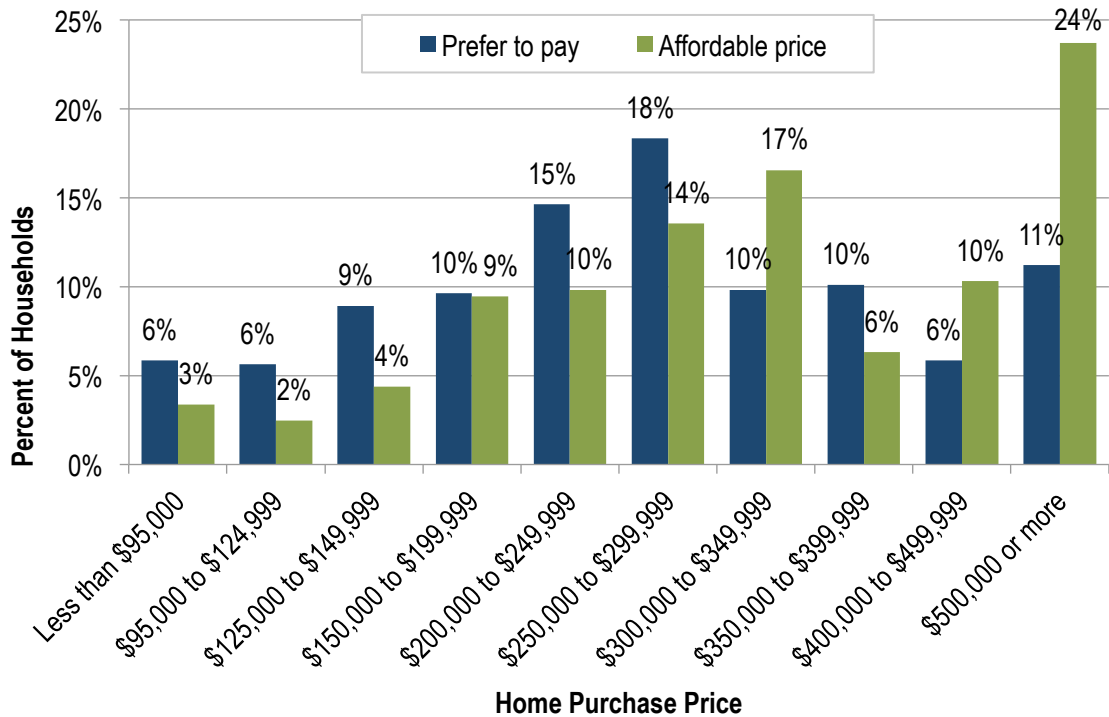
Source: 2017 Big Sky Employee Survey

**Affordable Purchase Price**

Households that want to purchase in Big Sky generally prefer to pay a little less than the maximum their incomes indicate they can afford, as shown below. Based on this data:

- The majority of homes for purchase should range between about \$150,000 up to \$400,000 (56% affordable price; 63% prefer to pay). The average affordable price is about \$300,000.
- Producing homes below \$150,000 would be affordable for households earning under 60% AMI, but would require significant subsidy to produce.
- Employees able to pay \$500,000 or more for homes desire single-family homes. Occasionally market-rate single-family homes are available in the Canyon at this price, but rarely in the preferred Meadow location. The large discrepancy between the percentage of buyers that could pay \$500,000 or more (24%) and desire to pay this much (11%) indicates that product design and type will be important to this group.

### Amount Households Prefer Pay for Their First Choice Home



Source: 2017 Big Sky Employee Survey

- Assuming an average of one (1) to 1.5-persons per bedroom, 1-bedrooms should range between \$150,000 to \$200,000; 2-bedrooms up to \$275,000; 3-bedrooms up to \$350,000; and 4-bedrooms up to \$400,000.
- Homes sold at the upper end of the price range for each bedroom size need to be sufficiently different from the market (e.g. better suit employee household needs, provide different unit types) to support a deed restriction. Primary market units in these price ranges include Hill Condos, Firelight Condos, and Cedar Creek Condos.

### Maximum Affordable Price By Bedrooms

	1-bedroom	2-bedrooms	3-bedrooms	4-bedrooms
<b>Affordable Price</b>	\$214,000	\$278,000	\$346,000	\$400,000

Source: 2017 Big Sky Employee Survey

### Affordable Rent

Households that would rent significantly under-reported what their household could afford assuming up to 30% of income is used for housing. Part of the reason is that household incomes reported are based on current households, of which many include roommates, rather than their desired future household (e.g., living without roommates).

- The median income of households that prefer to rent is \$52,000 (about 86% AMI for an average 2.5-person household). This household could afford about \$1,300 in rent.
- By bedroom size, households that would rent can to pay between about \$550 and no more than \$750 per bedroom.
- Assuming an average of about 1.5-persons per bedroom, studio and 1-bedroom units should be priced from about \$650 up to \$1,000; 2-bedrooms up to \$1,250; and 3-bedrooms up to \$1,550.

Maximum Affordable Rent By Bedroom Size			
	1-bedroom	2-bedroom	3-bedroom
<b>Affordable Price</b>	\$1,000	\$1,250	\$1,550

Source: 2017 Big Sky Employee Survey

### Housing Programs

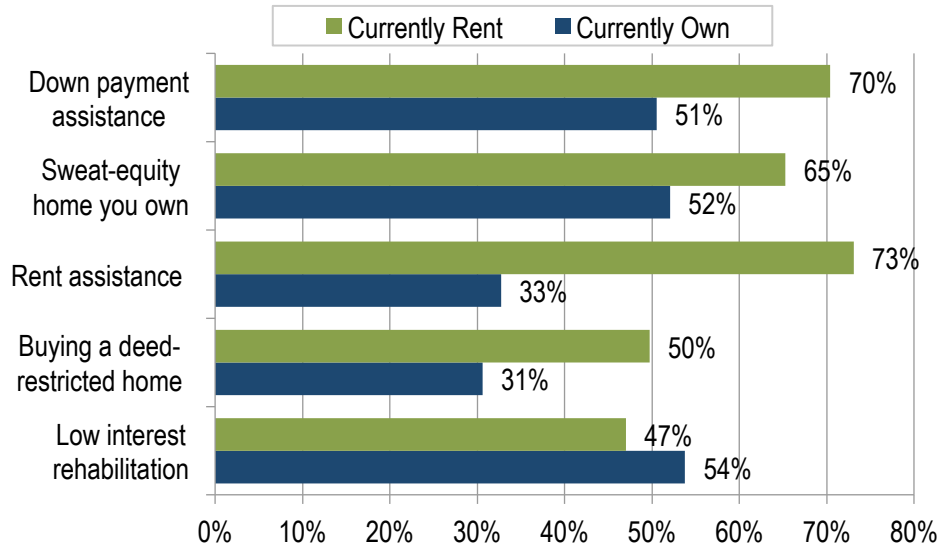
Survey respondents were asked whether they would consider several different types of help with housing, using a scale from 1 =“Would not consider” to 5=“Would definitely consider.” Responses from employees in Big Sky that reside in the area year-round varied by tenure, with renters being more likely than owners to utilize most programs:

- At least 50% or more of renters would consider “rent assistance,” “down payment assistance to buy a home,” “owning a home built with sweat-equity,” and “buying a deed-restricted home capped at 3% to 5% per year increase.”
- Over 50% of owners would consider a “low interest rehabilitation loan for home improvements,” “sweat-equity home to own,” and “down payment assistance.” Owners are less likely to consider a deed-restricted home, which is common. Households that can purchase unrestricted market-rate homes (or that purchased them many years ago) do not need a deed-restricted home that is priced below market to be able to buy into their community.
- About 14% of respondents indicated they “don’t know” if they would purchase a deed restricted home – higher than any other assistance category. Some Realtors and lenders, being inexperienced with this product, were also uncertain regarding the market for these units. Education of consumers and real estate

Community education will be needed when Big Sky introduces deed-restricted ownership product.

professionals alike will be needed when Big Sky produces its first deed-restricted product.<sup>19</sup>

**Housing Help You Would Consider: 2017**



**Percent that Would Consider the Program**  
 (rated 4 or 5 on a scale from  
 1 = "Would not consider" to 5 = "Would definitely consider")

Source: 2017 Big Sky Employee Survey

<sup>19</sup> Based on research conducted in other mountain resort communities, deed restricted product has performed at least as well as market rate product in terms of marketability to buyers, provided the product is affordable and desirable to purchasers and sufficiently below market prices to justify the restriction. See "Deed Restrictions in a Down Market – What’s Working and What’s Not" (January 2012) by Rees Consulting, Inc., available at: <http://reesconsultinginc.com/wp-content/uploads/2010/02/Deed-Restrictions-in-a-Down-Market1.pdf>.



**Down Payment Available**

Employed households that want to purchase a home in Big Sky were asked how much they have available for a down payment.

- About 11% of households reported that they have \$0. Many survey comments iterate that rents are so high, households have difficulty covering basic living expenses, much less saving for a down payment.
- On average, households had about \$12,200. The amount varied based on household income level, ranging from \$6,000 on average for households earning under 80% AMI up to about \$17,310 for households earning over 200% AMI.

**Average Down Payment Available by AMI:  
Employee Households that Want to Buy in Big Sky**

AMI Level →	<80% (\$50,000)	80.1-120% (\$72,000)	120.1-150% (\$90,000)	150.1-200% (\$120,000)	>200%	Overall
<b>Average:</b>	\$5,980	\$6,890	\$10,430	\$16,820	\$17,310	\$12,170

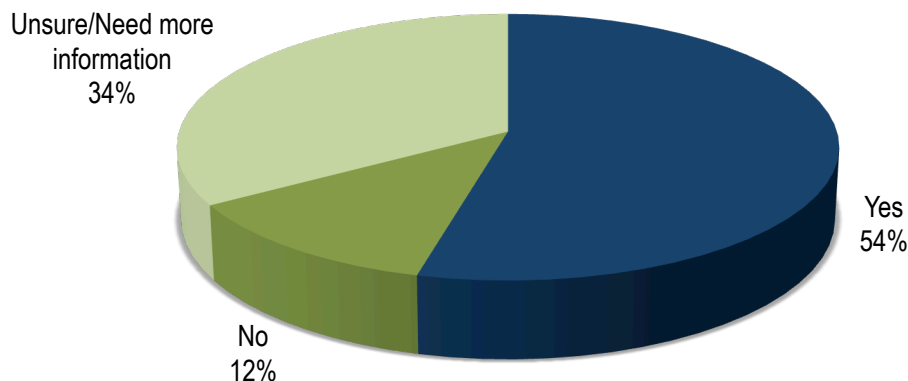
Source: 2017 Big Sky Employee Survey

**Acceptance of Deed Restrictions**

Employee households that want to purchase a home in Big Sky were asked if they would consider purchasing a home with a deed restriction. This means a *“home priced below market rate and affordable to your household, but that could appreciate in value at most 3 to 5% per year.”*

- About 54% stated that they would consider a deed restriction. Another 34% stated they were “unsure/need more information.” Education is needed.

**Would Consider Purchasing Deed Restriction: 2017**



Source: 2017 Big Sky Employee Survey

## Section 6 – Workforce Housing Needs

This section of the report estimates the number of housing units needed by employees in Big Sky to fill current housing needs and to accommodate future needs to support the businesses and the community through 2023. This includes identifying needs by ownership and rental units and by price points affordable for workforce households. Estimates include housing that may be provided by the market and shows where the market is unlikely to provide housing needed to support the local workforce.

Housing needs are presented in two categories:

- **Catch-Up Needs** – the number of housing units needed to address current deficiencies in housing based on in-commuting employees who want to live in Big Sky. These are employees that are forced to commute.
- **Keep-Up Needs** – the number of units needed to keep-up with future housing demand based on job growth and jobs vacated by retiring employees.

A discussion on seasonal housing needs is also provided. This includes estimates of seasonal job growth, an overview of who seasonal employees are and the variety of housing needed by these employees.

### Current “Catch-Up” Needs

#### *In-commuters*

Providing stable housing options for in-commuters that would prefer to live near their jobs has many benefits to both employers and the community, including helping to decrease employee turnover, improve customer service, and increase community vibrancy and year-round occupancy.

About 335 units are needed in Big Sky to meet the needs of in-commuters who would prefer to live nearer their jobs. About 39% of in-commuters reported in the 2017 Big Sky Employee Survey that they want to move to Big Sky within the next five (5) years.

Units Needed to House In-Commuters	
Total in-commuters (50% of employees)	1,560
% want to move to Big Sky	39%
# that want to move	605
Workers per household	1.8
New housing needed	335

## Future (Keep-Up) Needs

### Retiring employees

Employers will need to fill the jobs vacated by retirees in addition to any newly created jobs. Some retirees will leave the area upon retirement; however, when they sell their homes, many will be purchased by second-home owners rather than local employees.

Based on survey responses, about 3% of employees (100 total) will be retiring over the next five years. About 55 housing units will be needed to house the employees filling jobs vacated by retirees.

Retiring employees	
% to retire by 2023	3.2%
# to retire	100
Employees per household	1.8
Housing units	55

### New Jobs

To keep up with estimated job growth over the next five years (395 new jobs), approximately 130 additional units will be needed by 2023 to house 63% of local employees in Big Sky. The 63% target is based on current patterns – 44% of the current workforce lives in the Area and 19% commute in but want to move.<sup>20</sup>

#### Estimated Housing Needed by the Workforce Filling New Jobs, 2017 – 2023

	Low	High
Increase in Jobs between 2017 to 2023	585	895
Jobs per Employee	1.3	1.3
New Employees Needed	450	690
% to live in Big Sky*	69%	69%
# to live in Big Sky	310	475
Employees per Housing Unit	1.8	1.8
New housing needed in Big Sky	170	265

\*Includes 50% of the workforce that lives in Big Sky plus the 39% of in-commuters who want to move to Big Sky.

<sup>20</sup> Job growth and commuting estimates are presented in Section 2 – Economic Trends.

## Summary of Catch-Up and Keep-Up Needs

Based on estimated catch-up and keep-up needs, between 560 to 655 housing units for the workforce are needed by 2023, or an average of about 95 to 110 units per year.

- About 53% of the housing needed should be priced below-market: 295 to 345 units (50 to 60 per year). As discussed further below, this means ownership housing priced below \$500,000 (200% AMI) and rentals priced below \$1,500 per month (100% AMI).
- The extent to which identified housing needs may be addressed by the market will be influenced by changes in housing prices over time, the availability of land, developers' construction of community housing, and the presence or absence of programs to facilitate or require more affordable development. These factors will be an extension of housing policy, resources and desired direction with respect to workforce housing. Setting this policy direction will be a goal of Part 2 of this study through the development of a Housing Action Plan.

### Summary of Housing Needs

	Low	High
<b>Catch-Up</b>	<b>335</b>	<b>335</b>
In-commuters (39% want to move to Big Sky)	335	335
<b>Keep-Up</b>	<b>225</b>	<b>320</b>
Retiring employees (3.2% in five years)	55	55
New jobs (69% of employees living in Big Sky)	170	265
<b>TOTAL through 2023</b>	<b>560</b>	<b>655</b>
Market-rate (no more than 45%)	250	295
Below-market (at least 55%)*	310	360

\*Below market homes include ownership priced between \$150,000 up to \$500,000 and rentals priced from \$650 to \$1,200 per month, but also including 2- and 3-bedroom units up to \$1,500. This is shown in the following section: Needs by Own/Rent and Income.

## Needs by Own/Rent and Income

Ownership and rental housing for the local workforce is needed in Big Sky. About 40% of new units should be for ownership and 60% for rent. This takes into account that about 48% of in-commuters that want to move prefer to own, the majority of new workers to Big Sky rent (70%), and that about 60% of current employees in Big Sky are renters.

The precise ratio, however, is dependent upon the community's desired direction and housing policy. Rentals are needed to help recruit new workers and residents to Big Sky; ownership is needed to retain year-round residents and support community stability.

### Summary of Housing Needs by Own/Rent Through 2023

	Low	High
<b>Units needed through 2023</b>	<b>560</b>	<b>655</b>
Ownership	225	265
Rental	335	390

Ownership housing should be created based on the income distribution of households employed in Big Sky. This shows that:

- At least 64% of the homes produced for ownership (140 to 170 homes) need to be priced below market. Given the housing shortage for existing residents and employees, this figure should be considered a minimum.
- Prices for locals should range as low as about \$175,000 up to about \$500,000. This would provide ownership opportunities for households earning between \$50,000 through \$130,000 per year (between about 80% to 200% AMI). The current for-sale market is not providing homes for residents in this price range. Two-bedroom, two-bathroom homes with a garage under \$300,000 would be a hot local commodity.
- Homes affordable for households earning under \$50,000 per year are also undersupplied; however, producing homes at this price will not occur without substantial subsidies or programs such as Habitat for Humanity.
- Homes priced over \$500,000 are oversupplied when compared to the proportion of local workforce households that can afford to purchase these homes. Although this varies by price point. Homes up to \$750,000 are somewhat scarce; homes over \$1 million are relatively plentiful, but the vast majority of locals are not purchasing these.<sup>21</sup>

<sup>21</sup> See Section 3 – Ownership Market Conditions.

**Homeowner Income Distribution Compared to Availability of Homes**

Income Level	Maximum Income	Maximum Affordable Purchase Price	Owner Income Distribution	For-Sale Listings (Dec. 2017)
<=60% AMI	\$36,210	\$142,000	4%	3%
60-80% AMI	\$48,280	\$189,300	5%	0%
80-120% AMI	\$72,420	\$284,000	16%	6%
120-150% AMI	\$90,525	\$355,000	17%	6%
150-200% AMI	\$120,700	\$473,400	21%	8%
>200% AMI	>\$120,700	Over \$473,400	36%	76%
<b>TOTAL</b>	-	-	225 to 265	212

NOTE: Shading indicates where there is a shortage of housing supply for the workforce. In the Big Sky market, substantial subsidy is likely needed to produce units in the lighter shade (under 80% AMI).

There are very few units available to rent at any price in Big Sky. Based on the income distribution of renters and available rentals on the market:

- At least 50% of rentals (170 to 200 homes) need to be priced below market. Given the rental shortage for existing residents and employees, this should be considered a minimum.
- New rentals for the workforce should mostly be priced for households earning under \$40,000 (or about \$20 per hour), ranging from \$650 to \$1,000 per month. No rentals in this price range were advertised for rent in December 2017.
- There is also a shortage of units priced up to about \$1,200 for two-bedroom and \$1,500 for three-bedroom units in Big Sky.
- New one-bedroom rentals under development will be priced above \$1,400 and 2-bedrooms at \$2,150 – far exceeding the affordability level that employee households need.

**Renter Income Distribution Compared to Available Rentals**

Income Level	Maximum Income	Maximum Affordable Rent	Renter Income Distribution	Available Rentals (Dec. 2017)
<=60% AMI	\$36,210	\$905	25%	0%
60-80% AMI	\$48,280	\$1,205	13%	0%
80-100% AMI	\$60,350	\$1,510	10%	29%
100-120% AMI	\$72,420	\$1,810	14%	0%
>120% AMI	>\$72,420	Over \$1,810	38%	71%
<b>TOTAL</b>	-	-	335 to 390	14

NOTE: Shading indicates where there is a shortage of housing supply for the workforce. Workforce units provided in the lighter shaded price points should be 2- and some 3-bedroom units (1-bedroom units are provided by the market at this price point).

## Seasonal Workers

Big Sky needs to fill about twice as many seasonal jobs in the winter (about 2,800 to 3,000) than in the summer (about 1,200 to 1,500). Sufficient housing is needed for employees recruited for seasonal jobs due to many factors, including J-1 and H2B Visa requirements for some workers, relieving pressure on the existing housing stock which often cannot accommodate the increase in workers, and most importantly, helping employers fill jobs – workers need housing. Often the first question asked by new seasonal hires is whether the employer has housing available.

### Estimated Seasonal Jobs: 2017 and 2023<sup>22</sup>

	Summer	Winter
<b>Total seasonal jobs (2017)</b>	1,200-1,500	2,800-3,000
<b>Jobs filled by year round residents</b>	600+	1,450-1,750
<b>Jobs filled by seasonal residents</b>	600-	1,150-1,450
<b>Estimated added seasonal jobs (2023)</b>	200-300	500-600

Source: 2017 Big Sky Employee Survey, consultant team

Housing for seasonal workers in most resort communities is provided by the employers who hire them. This is particularly true in resorts like Big Sky in which one season dominates over the other - neither private developers nor public housing authorities can afford to develop housing that is occupied only part of the year. All mountain resort employers and many smaller employers in Big Sky provide housing options to seasonal employee hires.<sup>23</sup>

Up to 600 winter and 300 summer seasonal jobs may be added by 2023.

Survey comment

If seasonal jobs grow at the same rate as year-round average jobs through 2023, up to 300 more summer jobs and 600 more winter jobs will be added. As employers plan for this growth and the housing that may be needed, there are several factors that need to be considered.

#### 1. Year-round or seasonal resident hires.

The type of housing needed varies by whether workers filling jobs are year-round residents in the Big Sky area or if they live in the area seasonally.

Between 50% to 60% of winter seasonal jobs are held by employees who reside in the area year-round. Some work dual-seasonal jobs (summer and winter) for the same or different employers and others hold a year-round job and

*“Having a diverse and interesting workforce up on the mountain is a win for the resorts and other businesses here. It makes sense to support the ability for us to live here long term rather than rely only on J1s and one season temps.”*

Survey comment

<sup>22</sup> See Section 2 – Economic Trends, Seasonality of Jobs, for more information.

<sup>23</sup> See Section 1 – Housing Inventory, Employer Assisted Housing

pick up seasonal work for extra income. Many of these employees have families or are otherwise not interested in residing in temporary dorm-style housing, but need more permanent, year-round housing options, such as those discussed in this section, above.

The remaining 40% to 50% of winter seasonal jobs are filled by employees who only come to the area for a few months for which dorms, hotels or hostels may suffice. For peak summer seasonal employees, RV spaces, camping facilities, non-winterized cabins and similar low cost housing options for these workers are also feasible, unlike for employees in the winter.

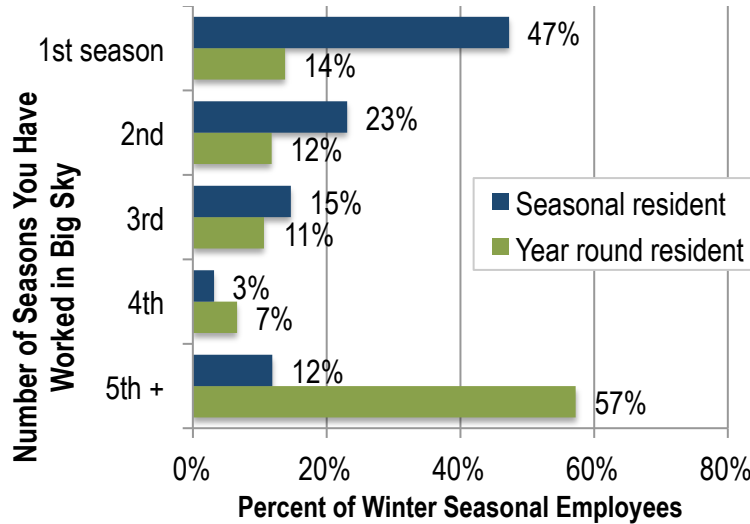
## **2. Comparative summer and winter seasonal activity.**

Many employers have observed increased summer activity. If trends continue, summer seasonal employment will grow faster than winter jobs. This would assist the provision of housing for employees holding seasonal jobs because summer employees would occupy more units vacated by winter employees. It would also increase the ability for seasonal job holders to remain in the area year-round because they could work in the summer and winter. This has important considerations for employee recruitment and stability, in addition to housing needs. For example, in Big Sky:

- About 17% of year round employed residents in Big Sky work for the same employer in summer and winter seasonal jobs. As summer job opportunities increase, so will the ability for employees to stay in the area year-round and hold dual-seasonal jobs.
- Seasonal resident employees have about a 53% return rate. A much higher 86% of year round residents have worked in Big Sky for multiple seasons.
- If more year round residents fill seasonal jobs, this reduces the need for local businesses to recruit and train new employees each season, helping the employer and improving the quality of service to the visitor. This can only happen, however, if housing opportunities are available in Big Sky to retain these core seasonal employees in the community.



***“If you work in a seasonal job, is this your first season working in Big Sky, or have you worked in Big Sky in prior seasons?”***



Source: 2017 Big Sky Employee Survey

### 3. Employee demographics.

The demographics of seasonal hires affects the type of housing needed to attract and retain employees. Seasonal employees in many comparable resort communities have shifted to an older demographic, particularly in areas where summer seasonal employment is more even with winter seasonal jobs. Older, more permanent workers require different housing options; an adjustment many communities have had to make.<sup>24</sup>

- In Big Sky, the majority of seasonal resident workers filling winter jobs are younger. About 74% of households have at least one person between 18 and 29. About 44%, however, have household members over 30, for which shared-room style living is typically no longer desirable.
- Almost one-fourth of seasonal resident workers are couples without children; another one-fourth live alone.
- Most seasonal resident employees live with roommates, but in part due to shared room requirements in dorms and hotels (in which 45% of seasonal resident workers live).

*“Need couples units not so much on dorm space but for married couples who both work at Big sky.”*

Survey comment

<sup>24</sup> Mammoth Mountain Ski Area (MMSA) in California ran into this issue in the 2016/17 ski season, during which the mountain remained open well through the summer due to record snow fall. MMSA still hires primarily younger, 20-something employees for a few months in the winter, for which dorm-style and shared-living quarters suffice. With the extended ski season, however, older seasonal workers from other resorts were recruited to fill some positions. Mixing 40- and 50-year-old workers with younger workers in units has been an awkward fit at best.

### Demographics of Seasonal Resident Employees

Household Type	% of employees	Age of Persons in Household	% of employees
Couple, no kids	23%	17 or under	4%
Couple, with kids	1%	18 to 29 years	74%
Single parent	0%	30 to 64 years	44%
Living alone	23%	65 or over	2%
Other (roommates, etc)	53%		

Source: 2017 Big Sky Employee Survey

#### 4. Competitive position.

Providing housing that meets the needs of employees helps the employer as well as the employee. It improves employee retention, job satisfaction, performance and, in a service industry, service to the customer. Resorts like Aspen, Telluride, Breckenridge and many others that strive to provide “Class A” service know that employee housing built *for* their employees, not just built to house employees, is key to achieving these goals.

*“Big Sky needs more employee friendly housing. Bozeman is too far to realistically commute, and Big Sky loses out to other resorts of similar quality because of it.”*

Survey comment

Big Sky is competing with these and other resorts for employees. It is important to be aware of comparative housing opportunities elsewhere<sup>25</sup> and pay attention to the satisfaction and needs of employees in Big Sky to ensure the resort remains competitive.

For example, about 45% of seasonal resident employees reside in dorms/hotels. When asked whether they were satisfied with their housing, about 33% reported being unsatisfied with these units. The primary complaints included:<sup>26</sup>

- Lack of access to kitchen facilities;
- Unavailability of a common room/recreation room;
- Lack of privacy/rooming with strangers;
- Insufficient storage/closet space;
- Mold in some rooms/poor condition/little light; and
- The long bus ride to the hotel in Bozeman and hazardous drive.

<sup>25</sup> See for example descriptions of employee housing options provided for Aspen/Snowmass employees at <https://aschousing.managebuilding.com/Resident/PublicPages/CustomPage.aspx?cp=22>. All units provide private or semi-private access to kitchen facilities, many have common rooms, and a variety of options are available – from small studios to lock-off bedroom shared units and converted hotel/motel dorm style rooms.

<sup>26</sup> See Section 5 – Housing Problems, Preferences and Programs for more information.

Simple changes or additions to existing units could make a significant difference. Expanded options for employees – not just dorms – and options in Big Sky, not Bozeman, are desperately needed. Section 5 – Housing Problems, Preferences and Programs should be reviewed to better target housing product for employees.

*“Employee housing was one of the reasons I came to work here but not having even a community kitchen or something was awful.”*

*“There should be a 180 degree turn in employee housing options. This should have been implemented in the Big Sky expansion plan of 2025.”*

*“If you want good employees, creating a happy and healthy environment for them is a good start.”*

*“The hope is that quality spaces can be created (a quality space defined as: A space which provides heating and possesses bathroom, kitchen, electric, and sleeping facilities with potential options for pets) which will help keep and bring quality workers here.”*

*“Must have more housing in Big Sky, less in Bozeman.”*

Employee Survey comments

## Section 7 – Local Land and Resources

This section provides a brief inventory of current land and local housing resources available for housing in Big Sky, including a general overview of build-out capacity. This information will set the stage for exploring opportunities in more detail through the Action Plan process.

### Build-out

#### **Big Sky County Water & Sewer District**

Build out in Big Sky in Town Center, the Meadow and parts of the Mountain areas are limited by available single-family equivalent (SFE) allocations regulated and operated by the Big Sky County Water & Sewer District. The District generally covers the Meadow Village up to Moonlight Basin and includes part of Spanish Peaks.

*Potentially 30% or more of the remaining 2,500 SFE must be allocated to the development of affordable resident housing to support current and new employees needed as growth continues.*

Moonlight Basin and the Canyon is outside the District. Housing can be developed in the Canyon, but requires septic drainfields and permitting, which can only support low-density development. Moonlight Basin has its own water and sewer system, allowing some higher density development.

The District has not annexed land into its boundaries for twenty years due to an inability to service additional land area. An analysis of SFE capacity and build-out shows:

- The District is allocated for 11,000 SFE; it has capacity to service 8,000 SFE.
- The District is 50% to 70% built out based on zoned and current capacity.

**Estimated SFE in Big Sky Water & Sewer District**

	Zoned SFE	SFE Capacity
<b>Zoned SFE:</b>	11,000	8,000
<b>SFE used (existing development)</b>	5,500	5,500
<b>Remaining SFE capacity</b>	5,500	2,500

Source: Big Sky County Water & Sewer District interview

If Big Sky wants to retain a 30% occupancy rate, at least 30% of residential SFE must be allocated for housing affordable to residents and the workforce. Build out also needs to allocate proportionate SFE for the development of housing for employees filling new commercial jobs.

## **Resort Development**

The mountain resorts have significant development capacity remaining. Over the next several years, over \$600 million of development investment is planned.<sup>27</sup>

- Under Big Sky 2025, Big Sky Resort will continue with its lift and village improvements, targeting the Mall remodel and Gondola. The Resort anticipates adding an average of 50 to 60 pillows per year for seasonal employees to help address employee needs created by new development.
- The Yellowstone Club estimates it is about two-thirds through build-out. The high end residences planned will create demand for more employees to provide services.
- Moonlight Basin has entitlements for 1,650 units. The resort has built and sold about 400 of those – 1,250 remain (about 25% built-out). This includes the potential for three hotels. Development is anticipated to add about 40 units per year on average, comprised of high-end single-family homes and condominiums.
- Spanish Peaks has 896 entitlements and has built about 300 (about one-third built-out). Entitlements include the potential for two hotels. Current emphasis is on the Highlands Neighborhood and the Settlement Village, inclusive of a 100-key hotel and supporting branded residences.

It is essential to combine this resort development with a strong resident and workforce housing development program. Housing for locals is already a huge problem in Big Sky – and a substantial number of new employees will be needed to support this growth and provide services to the high-end visitors targeted by this development. Establishing build-out targets which include affordable housing for residents and locals are needed. Every resort entity needs to participate.

*“ALL EMPLOYEES ARE ESSENTIAL FOR A FUNCTIONING BIG SKY!”*

*“It’s nice that people with power are listening, but we need them to start acting. I love Big Sky and would love to stay. But if we were removed from our current living situation, there would be no way I could stay. .... Take away the workers, take away Big Sky.”*

*“We need to do better to create opportunities for working class people to live here. I am a teacher and I had to move out of town because I could no longer afford my housing.”*

Survey comments

<sup>27</sup> Information based on interviews. See Section 1 – Housing Inventory, Proposed and Pending Development for more detail.

## Publicly-Owned and Vacant Land

There are over 50 square miles of vacant land in the Big Sky region – including Madison and Gallatin Counties. Development capacity is limited by the availability of central water and sewer systems, as well as topography, infrastructure and other limitations. In other words, land is not the limiting factor to increasing affordable housing development for residents and employees. This is unique among most mountain resort communities.

Publicly-owned land can be an important resource to advance affordable housing. Utilizing public land for housing development is an effective strategy in many resort communities. In Big Sky, publicly-owned land includes the Big Sky Water and Sewer District and the school in the south of Big Sky. Most of this land is allocated or reserved for facilities.

The vast majority of vacant land is privately-owned. This includes large private landholders (e.g. Simkins Family/Town Center), as well as the larger resorts (Moonlight Basin, Spanish Peaks, Yellowstone Club, and Boyne) and several other employers in the community (e.g., Bucks T4 Lodge in the Canyon and the Medical Center in Town Center).

Little publicly-owned land exists in Big Sky – affordable housing development opportunities need to be explored with the private and employer sectors.

The Action Plan process will explore the opportunity for public-private partnerships to facilitate the development of more housing for locals. This includes working with employers, or others, that are already active, or that want to be more active, in providing housing for employees.

## Local Resources

Big Sky needs to develop its local resource and housing program management capacity in order to tackle the significant housing problem in the community. It has a couple of local resources to build upon, but much more is needed to shape a coordinated effort around housing.

The Action Plan (part 2) of this study will identify paths forward, but implementation will not happen without the community and regional partners (including the counties) coming together to recognize the importance of housing in sustaining the community and taking active measures to make it happen.

### **Big Sky Community Land Trust (BSCHT)**

In 2016, the Big Sky Chamber of Commerce and the Human Resource Development Council (HRDC) formed the Big Sky Community Housing Trust to address affordable housing needs in Big Sky. The organization is presently staffed by one part-time person who splits his time between the BSCHT and housing in West Yellowstone.

Through HRDC, the organization has a down payment assistance program available for households earning 80% AMI or less in Big Sky, funded through federal HOME funds. This program is being launched this year in Big Sky.

The BSCHT will work to secure resources in the form of land, funds, or expertise to move affordable housing efforts forward. This includes pursuing both state and federal funds that support affordable housing like the Low Income Housing Tax Credit (LIHTC), Community Development Block Grant (CDBG) and HOME funds, in addition to applying to the Big Sky Resort Tax Board for local financing for affordable housing projects and programs.

### **Big Sky Resort Tax District**

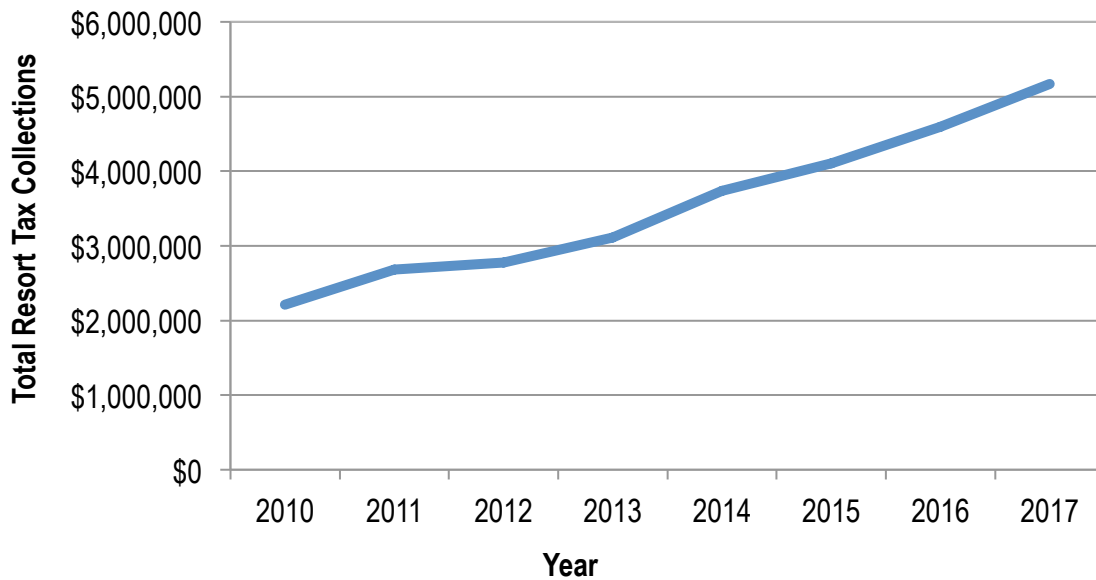
The Resort Tax is a 3% sales tax passed in 1992 to improve the community of Big Sky, Montana.

The Resort Tax is governed by a five member, elected Board of Directors. Board members live within the boundaries of the District and serve a four-year term once elected in a November general election in odd-numbered years. Registered voters who live within the boundaries of the Big Sky Resort Area District may vote in the election. The day-to-day administration of the District is overseen by two staff members, the Administrative Assistant and the Operating Assistant.

The Big Sky Resort Area District appropriates resort tax funding on an annual basis. The funding supports local services and programs including a post office; ambulance and other emergency medical services; public transportation systems; infrastructure facilities; tourism development; parks and trails; community library; and other services that provide for the public health, safety, and welfare within the Big Sky Resort Area District.

Resort tax collections totaled about \$5.2 million in 2017 and have been growing an average of about 12% per year since resort activity began picking up in 2010.

**Big Sky Resort Tax Collections: 2010 to 2017**



Source: Resort Tax Board, available at [www.resorttax.org](http://www.resorttax.org)



## Appendix A: Comparative Resort Community Metrics

**Comparison Communities – Key Metrics**

	Mammoth Lakes, CA	Breckenridge, CO	Crested Butte, CO	Jackson, WY	Telluride, CO	Whitefish, MT	Big Sky, MT
<b>Population</b>	8,000	4,900	1,600	10,500	2,500	14,500	3,000+/-
<b>2017 General Fund – Expenses</b>	\$21,100,000	\$23,800,000	\$4,200,000	\$18,700,000	\$11,600,000	\$48,600,000	--
<b>Total Housing Units</b>	9,722	7,267	1,114	5,240	2,480	9,044	4,318
<b># Resident Households</b>	3,252	2,160	770	4,386	1,158	6,438	1,291
<b>% Housing Occupied by Locals</b>	33%	30%	69%	84%	47%	71%	30%
<b>Median Sale Price (all housing units) (2016)</b>	\$345,000	\$522,500	\$350,000	\$875,000	\$825,000	\$312,500	\$415,000
<b>Deed Restricted Units</b>	222	849	231	1,546	327	276	36
<b>% Local Households in DR Units</b>	7%	39%	30%	35%	28%	4%	3%
<b>Area Median Income 2017</b>	\$75,800	\$88,600	\$70,800	\$91,400	\$79,000	\$60,400	\$71,000
<b>Home affordable to median household</b>	\$297,300	\$347,500	\$277,700	\$358,400	\$309,800	\$233,000	\$278,400
<b>Affordability gap*</b>	\$47,700	\$175,000	\$72,300	\$516,600	\$515,200	\$79,500	\$136,600

Sources: Census, HUD, CO State Demographer, Local MLS, Local Assessor/Parcel records, Land Title, Consultant Team

\*Underrepresents the actual gap in each community. Single-family homes sell for much higher than the median shown; condominium price points do not include HOA fees (\$300/month effectively adds \$45,000 to the sale price), nor reflect the condition of units or special assessments.