

WHITEFISH COMMUNITY HOUSING COMMITTEE AGENDA



Thursday, July 6, 2023, at 3:30 p.m.
City Hall – **Whitefish Conference Room**

1. Call to order.
2. Communications from the public.
3. Review and possible approval of the draft of financial plan for resort tax re-allocation.
4. Next committee meeting.
 - a. Monday, July 24th at 4:00 p.m.
5. Adjourn.

Committee Documents:

Click [here](#) to access the Whitefish Community Housing Roadmap

Click [here](#) to access the 2022 Whitefish Area Community Housing Needs Assessment

Click [here](#) to access the Workforce Housing Needs Assessment

Click [here](#) to access the 2017 Whitefish Strategic Housing Plan

COMMUNITY HOUSING: RESORT TAX

PURPOSE

The 2022 Whitefish Housing Needs Assessment set forth a target of 1,310 new housing units, including rentals and ownership units, which are needed by 2030 to support current residents and employees. Of the 1,310 units, 75% must be priced below current market to meet community needs, which totals roughly 980 units needing to be priced affordably.

On November 21, 2022, the Whitefish City Council adopted the Whitefish Community Housing Roadmap (Roadmap), a partnership plan for accelerating community housing opportunities and provides a recommended range of strategies to drive action. A top priority within the Roadmap is to secure local funding for community housing initiatives, specifically asking voters to approve a portion of the City's 3% resort tax for community housing development and programs. This report details the history of resort tax as a funding mechanism, the proposed re-allocation and revenue projections for a 20-year term, and the recommended uses including immediate and possible future uses for community housing.

SUMMARY POINTS

- The proposed re-allocation of the 3% resort tax is intended to help move community housing development projects and programs forward.
- It is proposed that 10% of the 3% resort tax be designated specifically for community housing development projects and programs starting February 1, 2025. Over 20 years, this is estimated to generate around \$27 million.
- The Haskill Basin Conservation Easement bond will be paid off by January 31, 2025, opening up more funding to be utilized in other parts of the city. Streets, paths, parks, and the Whitefish Trail will all continue to see increased funding.
- All Resort Tax Fund expenditures will be approved on a project-by-project basis by the City Council.
- Securing resort tax as a funding mechanism for community housing will start the pursuit of other funding opportunities such as grants, philanthropic contributions, and business community buy-in which will further leverage funds provided by the resort tax.

RESORT TAX HISTORY

Resort tax is authorized by Section 7-6-1501 of the Montana Code Annotated. The implementation of resort tax as a funding mechanism for City services requires voter approval, including the duration, rate, and use of funds collected.

The resort tax assessed in Whitefish was originally approved by voters on November 7, 1995, for a 20-year term beginning January 1, 1996. Whitefish voters allocated the use of resort tax as follows:

- Property tax reduction for taxpayers in the city in an amount equal to 25% of the resort tax revenues derived during the preceding fiscal year,
- Provision for the repair and improvement of existing streets, storm sewers, all underground utilities, sidewalks, curbs, and gutters, in an amount equal to 65% of resort tax revenues derived during the preceding fiscal year,
- Bicycle paths and other park capital improvements in an amount equal to 5% of the resort tax revenues derived during the preceding fiscal year, and
- Cost of administering the resort tax in an amount equal to 5% per year.

Since then, Whitefish voters have approved extensions and changes to the resort tax in three separate elections. At the November 2, 2004, municipal election, voters approved an extension of the resort tax through January 31, 2025, by a margin of 2012 to 632. A special election was held on April 28, 2015, with voters approving an increase in the resort tax rate from 2% to 3% for additional property tax relief and to fund the purchase of the Haskill Basin Conservation Easement to protect and preserve water quality and quantity. The vote passed by a margin of 1718 to 334 and the 1% increase was effective July 1, 2015. Most recently, in November 2021, voters overwhelmingly approved a 20-year extension of the resort tax to January 31, 2045, with an 89% approval rate. Voters also approved a new allocation for the 3% resort tax use of funds, effective February 1, 2025, as follows:

- Property tax reduction for taxpayers in the city in an amount equal to 25% of the resort tax revenues derived during the preceding fiscal year,
- Provision for the repair, maintenance, and improvement of streets, storm sewers, all underground utilities, sidewalks, curbs, and gutters, in an amount equal to 58% of resort tax revenues derived during the preceding fiscal year,
- Improvements and maintenance of bicycle and pedestrian paths and other park acquisitions, capital improvements, and equipment, in an amount equal to 10% of the resort tax revenues derived during the preceding fiscal year,
- Maintenance and replacement of existing improvements of the Whitefish Trail with any amounts not expended within five fiscal years available for the maintenance of City bicycle and pedestrian paths, in an amount equal to 2% of resort tax revenues derived during the preceding fiscal year, and
- Cost of administering the resort tax in an amount equal to 5% per year for merchants' costs of administration.

PROPOSED RE-ALLOCATION & REVENUE PROJECTIONS

PROPOSED RE-ALLOCATION CHANGE

Based on the housing needs of Whitefish, specifically the need for local subsidy to move community housing projects and programs forward, it is proposed that 10% of the 3% resort tax be designated specifically for community housing. Following is a comparison of the current allocation through January 31, 2025, the voter approved allocation starting February 1, 2025, and the proposed re-allocation starting February 1, 2025:

Current Allocation Through 1/31/2025*	Voter Approved Allocation Starting 2/1/2025	Proposed Re-Allocation Starting 2/1/2025	Use of Resort Tax Funds
25.00%	25.00%	25.00%	Property tax reduction for taxpayers in the city.
5.00%	5.00%	5.00%	Cost of administering the resort tax in an amount equal to 5% per year for merchants' costs of administration.
43.34%	58.00%	48.00%	Provision for the repair, maintenance, and improvement of streets, storm sewers, all underground utilities, sidewalks, curbs, and gutters.
3.33%	10.00%	10.00%	Improvements and maintenance of bicycle and pedestrian paths and other park acquisitions, capital improvements, and equipment.
23.33%	0.00%	0.00%	Repayment of a loan or a bond to finance a portion of the costs of, or to otherwise pay for, the acquisition of the conservation easement or other interests, in and around Haskill Basin to protect and preserve water quality and quantity, including the source drinking water supply for the municipal water system of the city of Whitefish. (Loan scheduled to be paid off January 1, 2025).
0.00%	2.00%	2.00%	Maintenance and replacement of existing improvements of the Whitefish Trail with any amounts not expended within five fiscal years available for the maintenance of City bicycle and pedestrian paths.
0.00%	0.00%	10.00%	Provisions for community housing including the development of deed restricted affordably priced housing and community housing programs.

**Current allocation through 1/31/2025 shown as percentage of the full 3% resort tax for comparison purposes. Additionally, the uses allowed for streets and park improvements are expanded starting February 1, 2025, which is described above. Current allocation through 1/31/2025 cannot be used toward maintenance of streets, improvement of new streets, or maintenance of parks.*

When compared to the currently approved allocation starting February 1, 2025, 10% is reallocated from street improvements to community housing. However, because the Haskill Basin bonds will be paid off by January 31, 2025, this proposal still maintains funding levels for street improvements higher than it is today.

REVENUE PROJECTIONS

Since 1998, resort tax collections have increased on average 7.24% annually. However, if Fiscal Year 2020 through Fiscal Year 2022 are removed due to the pandemic and subsequent high inflation rates, the annual average increase drops to 6.22%. The projections below represent a conservative 5% annual growth rate for the 20-year term starting February 1, 2025, based on estimated Fiscal Year 2023 revenue collections and the proposed re-allocation.

TABLE 1 – REVENUE ESTIMATES

Fiscal Year	Resort Tax Collections Forecast	Property Tax Relief 25%	Parks & Trails 10%	Whitefish Trail 2%	Streets 48%	Community Housing 10%	Vendor Retained 5%
FY25*	\$ 3,304,983	\$ 826,246	\$ 330,498	\$ 66,100	\$ 1,586,392	\$ 330,498	\$ 165,249
FY26	\$ 8,328,558	\$ 2,082,140	\$ 832,856	\$ 166,571	\$ 3,997,708	\$ 832,856	\$ 416,428
FY27	\$ 8,744,986	\$ 2,186,247	\$ 874,499	\$ 174,900	\$ 4,197,593	\$ 874,499	\$ 437,249
FY28	\$ 9,182,235	\$ 2,295,559	\$ 918,224	\$ 183,645	\$ 4,407,473	\$ 918,224	\$ 459,112
FY29	\$ 9,641,347	\$ 2,410,337	\$ 964,135	\$ 192,827	\$ 4,627,847	\$ 964,135	\$ 482,067
FY30	\$ 10,123,414	\$ 2,530,854	\$ 1,012,341	\$ 202,468	\$ 4,859,239	\$ 1,012,341	\$ 506,171
FY31	\$ 10,629,585	\$ 2,657,396	\$ 1,062,959	\$ 212,592	\$ 5,102,201	\$ 1,062,959	\$ 531,479
FY32	\$ 11,161,064	\$ 2,790,266	\$ 1,116,106	\$ 223,221	\$ 5,357,311	\$ 1,116,106	\$ 558,053
FY33	\$ 11,719,118	\$ 2,929,779	\$ 1,171,912	\$ 234,382	\$ 5,625,176	\$ 1,171,912	\$ 585,956
FY34	\$ 12,305,074	\$ 3,076,268	\$ 1,230,507	\$ 246,101	\$ 5,906,435	\$ 1,230,507	\$ 615,254
FY35	\$ 12,920,327	\$ 3,230,082	\$ 1,292,033	\$ 258,407	\$ 6,201,757	\$ 1,292,033	\$ 646,016
FY36	\$ 13,566,344	\$ 3,391,586	\$ 1,356,634	\$ 271,327	\$ 6,511,845	\$ 1,356,634	\$ 678,317
FY37	\$ 14,244,661	\$ 3,561,165	\$ 1,424,466	\$ 284,893	\$ 6,837,437	\$ 1,424,466	\$ 712,233
FY38	\$ 14,956,894	\$ 3,739,223	\$ 1,495,689	\$ 299,138	\$ 7,179,309	\$ 1,495,689	\$ 747,845
FY39	\$ 15,704,738	\$ 3,926,185	\$ 1,570,474	\$ 314,095	\$ 7,538,274	\$ 1,570,474	\$ 785,237
FY40	\$ 16,489,975	\$ 4,122,494	\$ 1,648,998	\$ 329,800	\$ 7,915,188	\$ 1,648,998	\$ 824,499
FY41	\$ 17,314,474	\$ 4,328,619	\$ 1,731,447	\$ 346,289	\$ 8,310,948	\$ 1,731,447	\$ 865,724
FY42	\$ 18,180,198	\$ 4,545,049	\$ 1,818,020	\$ 363,604	\$ 8,726,495	\$ 1,818,020	\$ 909,010
FY43	\$ 19,089,208	\$ 4,772,302	\$ 1,908,921	\$ 381,784	\$ 9,162,820	\$ 1,908,921	\$ 954,460
FY44	\$ 20,043,668	\$ 5,010,917	\$ 2,004,367	\$ 400,873	\$ 9,620,961	\$ 2,004,367	\$ 1,002,183
FY45*	\$ 12,276,747	\$ 3,069,187	\$ 1,227,675	\$ 245,535	\$ 5,892,838	\$ 1,227,675	\$ 613,837
Total	\$ 269,927,599	\$ 67,481,900	\$ 26,992,760	\$ 5,398,552	\$ 129,565,248	\$ 26,992,760	\$ 13,496,380

*FY25 represents 5 months of collections and FY45 represents 7 months of collections.

As depicted in Table 1 – Revenue Estimates, if voters approve the proposed re-allocation, the resort tax may generate roughly \$832,856 in its first full year, or \$27 million over 20 years, for community housing efforts. Additionally, the resort tax may generate about \$3,997,708 in its first full year, or \$129.5 million over 20 years, for street improvements and maintenance.

PROPOSED USES OF RESORT TAX FUNDS

While voters approve the general use of funds, the Whitefish City Council approves the specific projects for which resort tax funds are expended during the budget process for each fiscal year. To add a new component to the resort tax uses, the voters need a general understanding of the types of expenditures that may be incurred. Community housing strategies funded by resort tax can be simplified into two separate categories: (1) development of community housing and (2) community housing programs. It is anticipated that the majority of funds will initially be allocated to development activities, but that may change over time as housing programs develop further.

DEVELOPMENT OF COMMUNITY HOUSING

Community housing is housing that is created to serve income ranges which are unable to be produced by the private sector. If voter approved, a portion of the 10% allocated to community housing would be used to develop community housing in partnership with private and/or non-profit entities in exchange for a deed restriction that would outline future ownership and tenant eligibility requirements. Deed restrictions can be used as a tool to preserve affordability in perpetuity.

Current examples that may qualify include:

Project Name	Developer	# of Units	Unit Type	Targeted AMI
Depot Parks Townhomes	Whitefish Housing Authority	22	Ownership	Range of 80% to 120%
Alpenglow II	Housing Whitefish	16-20 (Estimate)	Rental	< or = 80%
Monegan Project	Housing Whitefish	Unknown	Rental and Ownership	< or = 80% for Rental; <120% for Ownership

The amount contributed toward a development project is determined on a case-by-case basis by the City Council. The proposed funding will be used to fill the financial gap between market rate housing and needed community housing. It is currently estimated that to produce a community housing rental unit priced at 70% of AMI requires \$169,000 of funding, and an ownership unit priced at 100% of AMI requires \$350,000 of funding. However, these numbers have changed significantly and will continue to do so in the future based on market conditions, interest rates, grant funding, and other factors.

Following is an excerpt from the Housing Needs Assessment that describes the target AMI ranges, pricing, and number of units needed by 2030:

Table 30. Total Needs by Tenure and Price: 2021 - 2030

AMI Range	Max Household Income (2.5-person household)	Max Affordable Home Price or Rent	# of Units	% of Units
OWNERSHIP				
<=60%	\$40,530	\$125,000	75	15%
60.1-80%	\$53,975	\$166,500	55	11%
80.1 - 120%	\$81,060	\$250,100	105	20%
120.1 - 150%	\$101,325	\$312,600	60	12%
150.1 - 200%	\$135,100	\$416,800	65	13%
200.1 - 250%	\$168,875	\$521,000	50	10%
>250% (market rate)	>\$168,875	>\$521,000	105	20%
TOTAL	-	-	515	100%
RENTALS				
<=30%	\$21,040	\$525	80	10%
30.1-60%	\$40,530	\$1,015	175	22%
60.1-80%	\$53,975	\$1,350	90	11%
80.1-100%	\$67,550	\$1,690	95	12%
100.1 - 120%	\$81,060	\$2,025	80	10%
>120% (market rate)	>\$81,060	>\$2,025	280	35%
TOTAL	-	-	800	100%

NOTE 1: Shading indicates where there is a shortage of community housing supply. Special note for rentals provided in the lighter shaded price point:

- <30% - rentals at this price assist fixed income/special needs population; employees typically earn too much to qualify at this level.
- 100.1 – 120% should be 2- and 3-bedroom units.

NOTE 2: Differences are due to rounding

COMMUNITY HOUSING PROGRAMS

Housing strategies identified in the Roadmap expand beyond the development of housing units. Programs recommended include, but are not limited to, homebuyer assistance, acquisition of deed restrictions, and rental assistance. With a 20-year term for resort tax, it is reasonable to anticipate that program needs will change over time, but initial programs anticipated for funding include:

1. Whitefish Workforce Assistance Fund – The goal of this fund is to help full-time employees to successfully live and work in the Whitefish area by providing rental assistance. This fund is aimed at helping our workforce retain housing and get into new rental units.

2. Homebuyer Assistance Program – The goal of this program is to help residents get into deed restricted homes through down payment assistance.

Other possible programs identified in the Housing Roadmap include acquisition of deed restricted units, short-term rental conversion, and employer assisted housing. Initial and future programs must be approved by the City Council prior to the use of resort tax funds.

SUMMARY

Resort tax funding for community housing can create funding certainty for the development of housing units and continuation of programs without impacting property taxpayers. With 75% of 1,310 units needing to be developed and priced under current market rate by 2030, a 10% allocation of resort tax can help make a significant difference in addressing this critical community need. Securing resort tax as a funding mechanism can also start the pursuit of other funding opportunities such as grants, philanthropic contributions, and business community buy-in which will further leverage funds provided by the resort tax.