

Gallatin Valley Montana

A ULI Advisory Services Panel Report

October 15–20, 2023



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About the Urban Land Institute

THE URBAN LAND INSTITUTE is a global, member-driven organization comprising more than 48,000 real estate and urban development professionals dedicated to advancing the Institute's mission of shaping the future of the built environment for transformative impact in communities worldwide.

ULI's interdisciplinary membership represents all aspects of the industry, including developers, property owners, investors, architects, urban planners, public officials, real estate brokers, appraisers, attorneys, engineers, financiers, and academics. Established in 1936, the Institute has a presence in the Americas, Europe, and Asia Pacific regions, with members in 84 countries.

The extraordinary impact that ULI makes on land use decision-making is based on its members sharing expertise on a variety of factors affecting the built environment, including urbanization, demographic and population changes, new economic drivers, technology advancements, and environmental concerns.

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Drawing on the work of its members, the Institute recognizes and shares best practices in urban design and development for the benefit of communities around the globe.

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ULI MONTANA/IDAHO brings together real estate professionals, civic leaders, and communities across the region for educational programs, initiatives, and networking events, all in the pursuit of advancing responsible and equitable land use throughout the region. With over 300 members, ULI Montana/Idaho furthers ULI's mission by locally delivering on the Institute's best practices in leadership development and by facilitating regional

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About ULI Advisory Services

THE GOAL OF THE ULI ADVISORY SERVICES program is to bring the finest expertise in the real estate field to bear on complex land use planning and development projects, programs, and policies. Since 1947, this program has assembled well over 700 ULI member teams to help sponsors find creative, practical solutions for issues such as downtown redevelopment, land management strategies, evaluation of development potential, growth management, community revitalization, brownfield redevelopment, military base reuse, provision of low-cost and affordable housing, and asset management strategies, among other matters. A wide variety of public, private, and nonprofit organizations have contracted for ULI's advisory services.

Each panel team is composed of highly qualified professionals who volunteer their time to ULI. They are chosen for their knowledge of the panel topic and are screened to ensure their objectivity. ULI's interdisciplinary panel teams provide a holistic look at development problems. A respected ULI member who has previous panel experience chairs each panel.

The agenda of an Advisory Services panel is tailored to meet a sponsor's needs. ULI members are briefed by the sponsor, engage with stakeholders through in-depth interviews, deliberate on their recommendations, and make a final presentation of those recommendations. A report is prepared as a final deliverable.

Because the sponsoring entities are responsible for significant preparation before the panel's visit, including sending extensive briefing materials to each member and arranging for the panel to meet with key local community members and stakeholders in the project under consideration, participants in ULI's panel assignments can make accurate assessments of a sponsor's issues and provide recommendations in a compressed amount of time.

A major strength of the program is ULI's unique ability to draw on the knowledge and expertise of its members, including land developers and owners, public officials, academics, representatives of financial institutions, and others. In fulfillment of the mission of the Urban Land Institute, this panel report is intended to provide objective advice that will promote the responsible use of land to enhance the environment.

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perennial + arrowleaf

Introduction and Key Recommendations

MONTANA'S GALLATIN VALLEY IS RICH IN RANCHING AND AGRICULTURAL HISTORY and is a rapidly growing recreational destination. Surrounded by mountains and natural beauty, Gallatin County and the cities of Bozeman and Belgrade are striving to balance the influx of new development with the community's desire to preserve the rugged character that makes the Gallatin Valley so beloved.

Background

The Gallatin Valley, defined for this effort as the cities of Belgrade and Bozeman and the parts of Gallatin County surrounding and between those two municipalities, has long been shaped by nature. Surrounded by mountains and marked by the convergence of the Madison, Jefferson, and Gallatin rivers, the valley has plentiful wildlife, game, and plants that nurture and support life. This “Valley of Flowers” was a common ground and gathering space for Indigenous tribes, who cooperatively hunted the abundant game and harvested plants from the fertile soil. The same stunning beauty, rich soil, and accessible outdoor lifestyle continue to draw people to the valley today.

Gallatin Valley's economy has grown from its roots in agriculture and cattle ranching to a diverse mixture of industries, anchored by higher education, health care, and a growing technology hub. Over the past few decades,

the area's natural beauty and sporting opportunities have spurred a boom in recreational industries and tourism, with a concomitant growth in service-sector, hospitality, and construction jobs. The beginning of this upswing in population and economic vitality can be traced to the 1990s with the first major expansion of the Big Sky ski area, the lure of the Bridger Bowl ski area, blue-ribbon fly-fishing made famous by Norman MacLean's *A River Runs through It*, and, more recently, by the success of the *Yellowstone* television franchise, which has spurred an additional influx of individuals hoping to enjoy some of John Dutton's richly rugged ranching lifestyle.

One of the key community anchors in Bozeman is Montana State University (MSU), the largest university and research institution in Montana. MSU is one of the city's largest employers, with over 4,200 faculty and staff, and a major player in city vibrancy, with 17,000 students attending the university and more expected in coming years. The

Headwaters Hub, a consortium of MSU and the Tribal colleges led by Accelerate Montana, is one of 31 federally designated technology centers in the United States. This designation and the anticipated interest from those working in the country's innovation circles are expected to further drive population growth in the area as additional funding makes its way to this growing technology hub.

The valley is experiencing an extraordinary population growth. Since 2010, the city of Bozeman has grown by 51 percent to 56,123 people, the city of Belgrade has grown by 62 percent to 11,966 residents, and the broader Gallatin County is now home to 124,857 people. In just the period between July 2022 and September 2023, the city of Belgrade experienced a 13 percent increase in population, making it Montana's eighth largest city and one of the fastest growing cities in the state. If all of the developments currently in planning are completed, Belgrade could see an increase of nearly 15,000 residents in the next 10 years.

As the communities across the valley continue to grow and civic leaders strive to meet the demands of these expanding populations, concerns around housing and workforce, infrastructure, and development patterns arise. The communities are experiencing the impacts of rising housing costs, which create untenable housing and wage gaps and significant affordability challenges for large segments of the region's population. As observed by the panel, the challenges that growth presents to Gallatin Valley are not merely physical. The valley, and Montana as a whole, has a rich history and character that has defined the region for hundreds of years. With the rapid increase in new residents, many of whom may appreciate this character but did not grow up with it, the effect of growth on local character is difficult to fully articulate and predict. The sentiment of some suggests that expansion itself in the valley is antithetical to maintaining its character. However, the panel observed that growth and change are already occurring within the valley. Therefore, the Gallatin Valley faces a dilemma—how can the character and amenities that made this area so cherished and livable be maintained and remain accessible to all as population growth and development continue?

All three jurisdictions are working to tackle this challenge. The panel applauds their efforts and notes that some of the recommendations included in this report may reflect efforts currently being undertaken by the jurisdictions. Other recommendations range from those that can be immediately implemented to opportunities that will require time and notable effort on the part of the jurisdictions, including some

that will require action beyond the jurisdictions themselves, especially at the state level. The recommendations within this report reflect the panel's effort over a five-day period and the information that they were able to review and analyze at that time. The panel is aware that some of its suggestions may be difficult to implement, but did not withhold these suggestions merely because they are challenging.

The Panel's Assignment

ULI was asked to convene an Advisory Services panel focusing on the Gallatin Valley, specifically the cities of Belgrade and Bozeman and surrounding portions of Gallatin County, to study the housing, infrastructure, and community character challenges these jurisdictions face in the midst of development pressures and population growth.

The panel was asked to address the following questions relating to the amenities and character of the communities:

- What strategies might the region apply to accommodate growth while honoring our communities' grounding in nature and recreation?
- How can we ensure opportunity and access to community amenities that are foundational to our quality of life for all residents regardless of socioeconomic level or place of residence?
- How can our local communities leverage a regional approach to secure, connect, and provide access to recreation, trails, and natural areas?
- How might we better manage the health of the natural environment of our communities while also addressing continued community growth? Are there strategies other resort, destination, or Zoomtown communities are using effectively?

The panel was also asked to consider the following questions relating to housing and workforce:

- What are the best approaches to stabilize and grow attainable housing stock, particularly moderate- and low-income households?
- How can we address the rising housing costs coupled with labor shortages?
- What strategies have other resort communities utilized to address these simultaneous issues that would be applicable here?

On the topic of infrastructure, the panel was asked the following:

- What approaches to funding can the sponsor team use to expand infrastructure to support growing housing needs?
- How can we better use our existing green infrastructure to support our built infrastructure system?

Finally, questions of implementation were posed to the panel:

- What are the key partnerships the region can pursue to implement these recommendations?
- What might be the most effective funding approaches for the panel recommendations?
- What additional research or planning efforts at a regional level would assist with implementation?
- What examples or models might this region use to best leverage a regional approach for these issues?

Key Recommendations

The ULI Advisory Services panel recommendations outlined in this report are grouped into four primary categories: infrastructure, housing and workforce, preserving character, and funding and implementation.

The panel acknowledges the value of the previous planning work completed across the study area geography, which has provided much guidance. From a focus on downtown districts to trails to wastewater, the three jurisdictions have the information needed to get to work guiding development in the Gallatin Valley. In particular, the panel recommends moving forward with the implementation of the Triangle Community Plan, adopted in 2020 and focused on a geography that includes portions of Bozeman, Belgrade, and the Four Corners area of Gallatin County (collectively, the Triangle). It is time to start doing. The following are key recommendations for the sponsor team that the panel would like to highlight. Some recommendations are able to be implemented locally, while others will require action beyond the jurisdictions themselves, especially at the state level.

Regional Planning

The panel believes the jurisdictions have a responsibility to help guide future development in the valley. Through countywide zoning, future development can be shaped in a manner that ensures open-space preservation, makes efficient use of infrastructure and land, and supports the addition of a variety of housing types to the market. Looking forward, the

cities of Bozeman and Belgrade are strongly encouraged to annex the Triangle area. Through annexation, additional levers can be used to guide development in a way that preserves both open space and the character of the valley while making efficient use of municipal resources.

Implementing the plans on the table is also an important step. The formation of a Gallatin Valley Planning Authority (GVPA), the next generation of the Planning Coordinating Committee (PCC), can provide the structure and accountability to get the work done and be a vehicle for implementing the panel's recommendations and the existing plans. Gallatin County should also opt into Montana Legislature Senate Bill no. 382 (SB 382), which will enable planning and zoning efforts and support the work contemplated in the plans.

Infrastructure

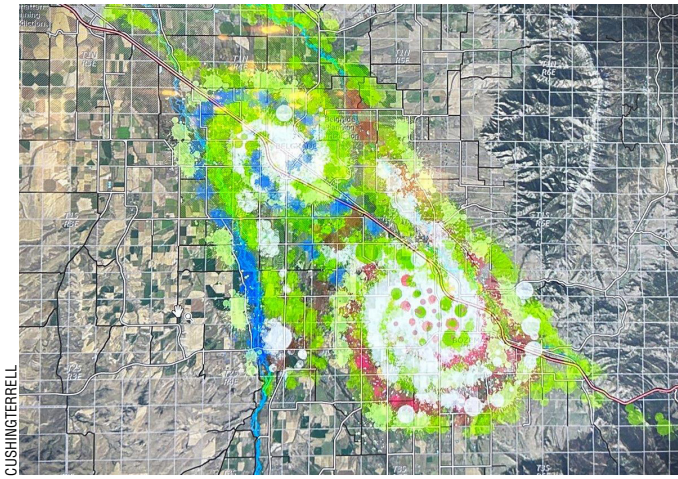
Infrastructure across the Gallatin Valley is more than just bridges and roads. Transportation infrastructure also includes access points, public transit options, and trails—each of which helps ease traffic pressures. Currently enforcing regulations that require developments to reserve space for rights-of-way and planning for tomorrow by adopting transportation policies that provide access, connection, and mobility options and that allow for future master planning will help ensure that the valley's infrastructure can continue to support its growing population.

Infrastructure also encompasses parks and open space. Valley jurisdictions should identify locations for neighborhood and regional parks to provide or preserve additional open space and access to nature. Supporting compact land use and identifying contiguous development patterns will also help preserve open space and focus density in areas where infrastructure is in place or may be readily expanded.

Water and wastewater infrastructure plays a significant role and, in fact, could provide the jurisdictions with the levers needed to direct development to neighborhood centers and more effectively limit sprawl. A comprehensive analysis of regional water supplies should be conducted to plan for and manage future growth and ensure continued access to clean and safe water, and a centralized wastewater treatment facility should be constructed despite potential jurisdictional, political, and regulatory challenges that may need to be faced to do so.

Housing and Workforce

Housing across the valley is increasingly becoming unattainable for the average Gallatin resident. Wages are not



Development patterns in Belgrade, Bozeman, and the Four Corners area are illustrated in the white circles on the map. Directing further development into these nodes and into areas where infrastructure is already in place can help preserve the character that area residents hold dear.

keeping pace with housing costs, leaving workers to seek housing in other communities, which creates transportation issues, limits worker availability, and leaves the valley's character to be shaped by only those who can afford the rising housing costs. By using thoughtful development controls, notably in the areas covered by the Triangle Community Plan, the jurisdictions can encourage density and allow for additional housing units and various types of housing to be built in areas where new services can easily tie into existing infrastructure. Deed restrictions and by-right development mechanisms such as accessory dwelling units and live/work units can help support the ongoing affordability of the valley's housing options.

Policies that prioritize housing attainability can be powerful tools. Streamlining development review and reducing predevelopment risk for projects aligned with the valley's housing goals can support new housing production. Similarly, all three jurisdictions should prioritize housing in budgeting actions. A new regional housing coalition that includes stakeholders from all three jurisdictions should be formed to undertake these regional housing issues and lobby the state legislature to gain access to additional resources and tools that can support the construction of more attainable housing units. It may be that the One Valley Community Foundation—organized Regional Housing Coalition could undertake these efforts with an expansion of scope or membership, although the panel did not analyze this route fully.

Preserving Character

The open space, outdoor recreation, and residents of the Gallatin Valley have shaped the unique Montana character people hold so dear. Preserving open space through tools such as transfers of development rights, ensuring equitable

access to outdoor recreation and community amenities, and striving to maintain a diverse array of housing stock that is attainable for an economically diverse workforce will go a long way to preserving the character of the community.

The valley's approach to housing development will be critical to supporting and preserving the region's character. Concentrating growth in a defined area, with urban-style densities, will make it easier to preserve the open space that valley residents and visitors cherish. This will require careful planning, land use policies, and regulatory action, but the effort will greatly enhance and support regional leadership's pursuit of Gallatin Valley character preservation. The panel acknowledges that this means that growth will be accommodated in the urban areas and current changes in density in these areas will continue. This may be difficult for residents who find density acceptable as long as it is not next door. The panel recognizes that this type of change will be uncomfortable but also believes that the alternative is sprawl, something that panel stakeholders indicated they did not want.

Funding and Implementation

Funding tools, available at the state and federal levels, can support much of the work outlined by the panel. In addition to public funding sources such as the Inflation Reduction Act (IRA) and Building Resilient Infrastructure and Communities funding, there are private-sector resources that can support the panel's recommendations. Community foundations and donor-advised funds may assist in areas where missions align, and public/private partnerships can provide critical predevelopment funding and support when there is a community benefit at hand.

Bozeman is now a U.S. Department of Housing and Urban Development (HUD)—designated entitlement city. This designation, given to municipalities with more than 50,000 residents, provides access to annual community development block grant funding to support community development activities directed toward revitalizing neighborhoods. This funding and the entitlement city designation should be fully leveraged to the benefit of the community and in support of the city's housing goals.

The Gallatin Valley is beautiful and rugged and a place many wish to visit and ultimately call home. The passions people feel for these communities are an incredible asset that can be harnessed for the good of the community. Marshalling community around planning and implementation efforts such as those contemplated by the three jurisdictions takes time and considerable effort, but it will pay off over time.



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Regional Planning Context

THE GALLATIN VALLEY IS RICH IN RECREATIONAL RESOURCES—AND IN PLANNING DOCUMENTS. The care that municipal leadership and staff take with planning across jurisdictions and the care and attention that the community takes and places on the region’s future are to be commended. It is time to put the plans into action.

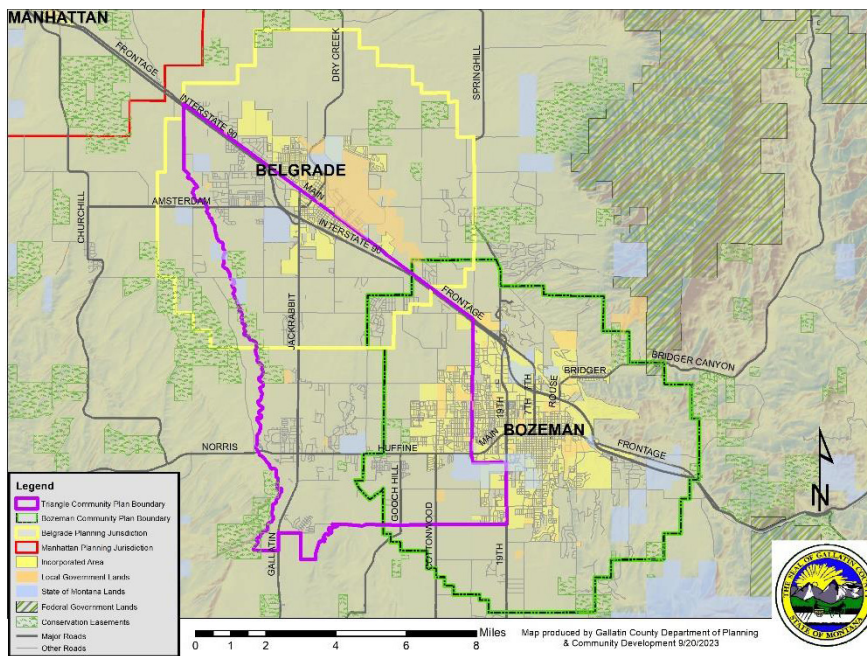
Collectively, Bozeman, Belgrade, and Gallatin County have produced a wide array of planning documents to help guide sustainable and responsible growth in the Gallatin Valley. These plans reflect community pride, municipal care, and a regional appreciation for the careful preservation of the natural resources that have drawn and continue to attract so many visitors and new residents to this part of the country. Focusing specifically on the Triangle, the planning work completed to date is thoughtful, comprehensive, and ready to be put into action.

Throughout the panel week, a wide range of recommendations to respond to the questions identified by the sponsor team was proposed. In many cases, the panel was able to point to elements of existing plans which, if implemented, would address many of these issues. For example, the Gallatin Valley Sensitive Lands Protection Plan provides recommendations for stormwater management and use of transfers of development rights, the Greater Triangle Transportation Plan calls for

“Planning is bringing the future into the present so that you can do something about it now.”

—Alan Lakein

development agreements that provide for critical future rights-of-way, and the Triangle Community Plan creates a policy for encouraging and prioritizing development within the cities of Belgrade and Bozeman and areas of the county where infrastructure is already in place. The conditions the panel observed in the study area were highlighted and reinforced in its review of the existing planning materials; this is why the panel strongly recommends moving ahead with the existing plans. The panel views the recommendations within this report as a means to implement the key elements of these plans that apply to the questions asked of the panel by the sponsor team.



“You can love completely without complete understanding.”
 —Norman MacLean, *A River Runs through It and Other Stories*

The study area is represented by the Triangle Community Plan boundary (purple line) and includes portions of Bozeman, Belgrade, and Gallatin County.

Future Development and Growth in the Valley

The panel heard from stakeholders an acknowledgment that growth is already occurring, but that sprawl is not acceptable. Instead, density is not in itself opposed, but density next door often is. The panel also heard a desire from stakeholders to not lose the things that make Gallatin Valley special, particularly access to the outdoors and all the things it offers—recreationally, visually, and psychologically.

Looking at the Gallatin Valley area and the Triangle holistically, the panel observed that existing planning maps and planning documents that outline the future of the area already illuminate a general pattern of growth. It can be articulated as unique yet interconnected little galaxies. Clusters of development are generally concentrated in existing population centers and surrounded by open space that signifies and reinforces the area’s character and valued way of life. By focusing future development within these existing population centers, the panel acknowledges that density will increase, but over time, if population continues to grow as predicted, open space and the region’s revered outdoor lifestyle can be preserved.

To reinforce this pattern of growth and development, the panel recommends as a first step establishing zoning within the county consistent with these patterns (discussed further in this section). In the medium term, transfers of development rights, also discussed further in this report, can facilitate the preservation of agricultural land and

identified open space and can direct development to other designated areas. The panel recommends that long term, the sponsor team jurisdictions focus density within the identified development cluster boundaries instead of allowing further expansion and sprawl.

Planning in the Triangle

The city of Bozeman, the city of Belgrade, and Gallatin County are three separate jurisdictions with their own planning policies, zoning regulations, and development approvals processes. In addition, there are outside agencies beyond the jurisdictions that have authority and responsibility over infrastructure that influences and enables development in the region. As the valley has experienced substantial growth in the last decade, limited interjurisdictional coordination has exacerbated several challenges, including sprawl. As observed by the panel, developers have opted for locations with fewer restrictions, and gaps in policy have affected development patterns within the region. Further, the lack of coordination has led to a piecemeal approach to providing infrastructure across the region. These challenges are most visible within the Triangle.

In 2016, the Planning Coordinating Committee was formed to provide an important platform for collaborative regional planning initiatives, particularly within the Triangle, focusing on areas such as infrastructure, public safety, parks and trails, and neighborhood design. Since its creation, the PCC has also completed several collaborative planning efforts,

including the Triangle Community Plan, the Triangle Trails Plan, and the Greater Triangle Transportation Plan. Combined with the more recent growth policy plans for Belgrade, Bozeman, and Gallatin County, commonalities in the different jurisdictions' vision for the area emerged, encompassing the diversity of the community of neighborhoods represented in the geography and accounting for the type of housing diversity and density needed to support neighborhood retail and community amenities. The Triangle plans also call for attention to the trails, pathways, open space, and roadway networks needed to provide safe mobility and recreation throughout the collective neighborhoods. The panel notes that the Gallatin Valley Sensitive Lands Protection Plan, an effort by the city of Bozeman and a working group of a wide range of partners including Gallatin County, was underway at the time of the panel and will provide the cities and county with additional plan-based resources for addressing issues pertaining to growth within the region.

The cohesion created across the Triangle through this important planning work supports the ongoing collaborations among and across all three jurisdictions. Although planning is an essential step in realizing a community's goals and vision, it must be followed by action to achieve intended results. With the three jurisdictions aligned and unified on their goals and having the engagement and support of their local elected officials, the implementation of the measures outlined in the respective growth policy plans should follow. It is time to put the plans into action.

Ultimately, it is the panel's recommendation that the PCC, with its current membership composition and aspirations, become the Gallatin Valley Planning Authority, a regulatory entity with requisite authorizations and enforcement power to more effectively implement these plans and the recommendations outlined in this report. The panel believes that this organizational body will also facilitate a regional perspective on growth that is critical to achieving the clustered development pattern it recommends. In doing so, the variation among the jurisdictions with regard to key planning elements such as land use controls and development requirements will be less likely to influence development patterns in a way that negates efforts to encourage growth in a deliberate manner throughout the valley. The panel acknowledges that unless otherwise indicated by the state of Montana, the GVPA will require legislative action from all jurisdictions to give it the power needed to implement its key functions. The transition of the PCC to the GVPA is discussed in greater detail in the implementation section of this report.

INSIGHTS FROM STAKEHOLDERS

Through the course of the study, the panel interviewed over 100 stakeholders from the community, including business owners, property owners, developers, municipal staff, elected leaders, and representatives from engaged community organizations. The following themes emerged from those interviews.

- We know we are going to grow, and that means change. Since we are going to do it, we should do it right.
- We do not like sprawl.
- We are okay with density—as long as it is not next door.
- We think the plan is OK, if we understand what it is.
- We are here (however and whenever we arrived) for the outdoors.
- We do not want to lose the things that make the Gallatin Valley special, including access to the outdoors, a strong sense of community, and the tenets of the Montana Code, an unwritten variation on the Code of the West, which embodies a code of conduct that has defined this region for decades.

2023 Legislature – SB 382

Another opportunity for action is the recent enactment of SB 382, which establishes a completely updated land use process for larger municipalities with populations of over 5,000 and encourages denser housing development within cities through new requirements for zoning and land use planning. Each of these cities, including Belgrade and Bozeman, will also be responsible for incorporating more robust data and analytics into their existing community planning process. The bill places public participation on the front end of the planning process, potentially accelerating development approvals and making the process more definable, predictable, and efficient for everyone involved.

The panel notes, however, that information and education about the update of the public participation process and when it takes effect need to be communicated frequently to the public during this transition period. The panel also cautions all three jurisdictions that a thoughtful approach to project approvals during this transition will be needed so that the public knows what projects are up for approval and when within the approval timeline they can comment.

Understanding the prominence that Belgrade and Bozeman have within Gallatin County and the growth triangle they create with the Four Corners area in Gallatin County, the panel recommends that the county opt into SB 382 to reduce the existing disparities between the cities and county, which currently create sprawl, and to create a more unified and aligned approach to land use regulation throughout the Triangle area.

The county is strongly encouraged to fully opt in to SB 382. It is the panel’s understanding that the county faces serious legal, political, and financial challenges with SB 382. The panel does believe that the benefits could outweigh the challenges. Should these challenges prove insurmountable for the county, the next best course of action is to explore an area or issue plan option as an alternative. In addition to the above advantages, compliance of the county with SB 382 would provide it with more regulatory tools to help focus on some of the county’s more egregious zoning challenges while setting the stage for zoning the Triangle and future annexation.

Land Conservation Strategies

There is significant community interest in conservation strategies to protect open space and the unique natural environment of Gallatin Valley. Implementing planning initiatives, unifying land use regulations, and annexing the Triangle area as recommended by the panel will all contribute significantly to land conservation; however, these are long-term strategies, and visible results will take years.

Use TDRs. Use of transfers of development rights (TDRs) is a strategy that could deliver near-term results, and the panel believes it is worth exploring for the Gallatin Valley. A TDR program is a powerful density allocation tool that could be used to reduce sprawl, safeguard rivers and streams, and incentivize permanent protection of valuable open space in the valley by redirecting development from agricultural lands to areas more suitable for denser development, such as the city centers and urban neighborhoods.

THE CODE OF THE WEST

“The Code of the West was a gentleman’s agreement to specific rules of conduct. It was never written into the statutes but was respected everywhere on the range.”

—Ramon F. Adams

The Code of the West, this “gentleman’s agreement,” has in many ways served as the foundation of communities in the western United States. With a focus on personal responsibility, getting a job done, and knowing when to stop, this code is still very much alive in these communities today. The buildings may be new and the coffee shop may have wi-fi, but for Montanans, when you make a promise, you keep it.

CODE OF THE WEST

1. Live each day with courage.
2. Take pride in your work.
3. Always finish what you start.
4. Do what has to be done.
5. Be tough but fair.
6. When you make a promise, keep it.
7. Ride for the brand.
8. Talk less and say more.
9. Remember some things aren’t for sale.
10. Know when to draw the line.

TDRs financially compensate landowners for choosing not to develop some or all of their land, giving the landowners an option under municipal zoning to legally sever the development rights from their land and sell these rights to another landowner or a real estate developer for use at a different location. The land from which the development rights have been severed is permanently protected through a conservation easement or a restrictive covenant. The development value of the land where the TDRs are applied is enhanced by allowing for new or special uses, greater density or intensity, or other regulatory flexibility that zoning without the TDR option would not have permitted.

The ultimate purpose of a TDR program is to create more efficient and sustainable growth patterns and, when used on a larger scale, to protect thousands of contiguous acres of open space. Density bonuses and TDRs are both tools that can encourage denser development with better links to existing street networks.

TDR programs in Montana are not expressly authorized by state statutes, but communities have enacted such programs under the zoning or development regulations contained in the [Montana Code, Title 76, Chapter 2](#), “Planning and Zoning.” The use of TDRs is more common in urban and rapidly growing counties than in rural areas.

Gallatin County has already added TDRs to its codebooks, originally to address development in the ranching community of Springhill. Enacted in 1992, the Springhill TDR is mandatory and townwide, focusing on preserving the town’s rural character. The Springhill TDR does not designate specific sending or receiving areas, but instead zones one house per 160-acre parcel and allows landowners to sell their development rights. When an owner purchases an additional right, construction is limited to 15 percent of the receiving parcel, and the remaining 85 percent is placed in permanent easement.

Successful TDR programs exist across the country, with exemplary larger-scale programs as close as Summit County, Colorado, and Mapleton, Utah. Pinelands Development in New Jersey is considered one of the most ambitious, innovative, and geographically extensive TDR programs in the United States, preserving more than 50,000 acres of the Pinelands region through TDRs.

Zone Gallatin County. The Triangle and surrounding county must be zoned to use a TDR program.

TRANSFER OF DEVELOPMENT RIGHTS: MAPLETON, UTAH

Enacted in 1998, the city of Mapleton created a TDR ordinance to protect the city’s open space and environmentally sensitive areas. Using a process that established sending sites (areas of open space the city sought to protect) and receiving sites (areas within the city that could accept additional density), the city created a framework for private-property owners to set and negotiate TDRs within the city’s structured density guidelines. Through the TDR process, property owners with land designated as a receiving site at the time of plat recording could subdivide land for additional density using TDR certificates purchased from sending-site property owners. Any property within the city could be a sending site, but greater incentives were given to hillside properties.

Mapleton outlines density maximums to guide development which follow one of three scenarios:

Scenario 1. Density may be increased by up to 100 percent in the R-2-B zone or in the A-2 and RA-1 zones when the result is no more than two lots.

Scenario 2. For sites of 15 acres or more, density may be increased by up to 75 percent of what is allowed in the underlying zone in the designated zones when at least 15 percent of the site is set aside as dedicated open space.

Scenario 3. Density may be increased by up to 50 percent for all projects that do not qualify under scenarios 1 and 2.

For more information and to review the TDR maps for Mapleton, visit mapleton.org.



Infrastructure

INFRASTRUCTURE PLAYS A KEY ROLE IN SHAPING OUR VERTICAL BUILT ENVIRONMENT, and the relationship between land use decisions and infrastructure is a key component of growth. The definition of infrastructure can be broad: it includes transportation access and mobility, water and wastewater, natural resources, schools, utilities, communications, fire protection, emergency management services, and public safety. Each of these elements is key to a vibrant community, and each of these elements creates a comprehensive and integrated infrastructure program to support the community's vision for the region.

Across the Gallatin Valley, an area rich in natural resources, there are several important infrastructure challenges that need to be considered in the near term to ensure that growth across the valley is responsible to the community and sustainable in the long term.

Infrastructure Challenges

Infrastructure has traditionally been provided by municipalities, and Belgrade and Bozeman have a reputation for providing residents with excellent services. Gallatin County's recently adopted growth policy recognizes that the growth pressures and increasing densification in the unincorporated Triangle area will require a significant

increase in services. At the same time, several important factors will soon further complicate expansion in the valley:

- There are no dedicated revenues to support the extension of urban services into the Triangle area, even though growth with urban densities is occurring.
- Ongoing growth patterns in the Triangle area are significantly limiting opportunities to preserve open space and sensitive lands and to provide connectivity.
- Infrastructure is very expensive and requires up-front capital investment to support growth.
- Land use, zoning, and rate of growth assumptions dictate present and future capacity and phasing needs.

ULI INFRASTRUCTURE INITIATIVE

The ULI Infrastructure Initiative identifies and promotes forward-looking infrastructure investments that are equitable and resilient and that enhance long-term community value.

Beyond these foundational physical and digital structures and facilities, infrastructure broadly includes the key spaces that build community: anchor institutions, the civic commons, and housing. Because infrastructure provides the means for connection, creative placemaking, and opportunity, smart infrastructure investment is an imperative for cities now and in the future.

- Water supply rights and sewage discharge limits for municipal use may ultimately influence regional growth decisions.
- The use of individual wells and septic systems was historically appropriate for rural development but has unintended consequences for public health and water quality in the rapidly urbanizing densities occurring in the Triangle area.
- Capital investment and operational financial support for other fundamental service infrastructure—including schools, libraries, recreation centers, firefighting, law enforcement, and emergency medical services—are rarely available concurrent with growth.

Policy Guidelines

The planning work that has been completed across Gallatin County has resulted in a series of goals and policies that are intended to guide development into more concentrated areas, helping to preserve open space and natural resources.

Key goals from the Gallatin County Growth Policies plan:

- Land Use Goal 1. Concentrate development in areas where a full range of services is available and results in the fiscally efficient delivery of public services.
- Land Use Goal 2. Encourage residential development in areas planned or zoned for residential use, recognizing and focusing on the link between location of housing and location of infrastructure, community facilities, and services.

- Development Standards Goal 1. Ensure developer responsibility for identifying, avoiding, and, if necessary, mitigating impacts due to development projects, as well as the adequate provision of infrastructure and services.

Key policies from the Triangle Community Plan:

- Policy 4.1.1. Encourage and prioritize development to locate within the cities of Bozeman and Belgrade and areas of the county where infrastructure is already in place.
- Policy 4.1.2. Recognize the critical need for infrastructure and services to be in place before or concurrent with new development.

Yet even with these goals clearly stated and policies firmly in place, development pressures are still challenging the valley's infrastructure, particularly in unincorporated areas of Gallatin County.

To reduce infrastructure pressures, the panel recommends the following guiding principles for the Triangle:

- Infrastructure improvements should be provided in a coordinated manner that supports compact land use and contiguous development patterns.
- Infrastructure services should promote density-specific locations to preserve open space and critical natural resources.
- Extension of infrastructure should be efficient and respect the economic investment required by both the public sector and private development.
- New annexation policies to address long-term tax fairness for public services, locations of infrastructure, and locations for future infill and growth should be developed. This is of particular interest as it relates to islands of unincorporated land surrounded by the city of Bozeman and land in critically adjacent areas. The panel recognizes, and does not take lightly, the legal and regulatory obstacles to implementing this recommendation. However, it believes the benefits of taking this step warrant the effort.

Infrastructure Recommendations

Belgrade, Bozeman, and Gallatin County have adopted policies, including those in the Triangle Community Plan, providing guidance related to infrastructure. The following panel recommendations identify specific policies and planning measures to help fund and reinforce implementation of the needed urban infrastructure in the Triangle area.

Water and Wastewater Policy Emphasis

The management and protection of the valley's water supply are critical to the health and well-being of current and future residents. Planning for future water supplies and wastewater collection needs cannot wait.

Minimize new well and septic system installations.

Jurisdictions should prioritize development in the future annexation area of the Triangle, where expansion of water and wastewater services can be more easily extended and minimize the installation of new septic systems and wells. This will help protect water quality in the valley and support the valley's broader environmental health.

Conduct water master planning. The region's laissez-faire approach to water and wastewater will not serve the ultimate goal of managing the character and location of growth. Land use and zoning policy for the Triangle should inform the anticipated water supply and wastewater demand—rather than just meeting demand for both as it occurs—and should be incorporated into regional water supply and wastewater treatment master-planning efforts. The Planning Coordinating Committee (when reconstituted as the Gallatin Valley Planning Authority) should continue its robust planning efforts, such as the Greater Triangle Area Transportation Plan and the Gallatin Valley Sensitive Lands Protection Plan, with water and wastewater master planning. Centralized water and wastewater services should be the driving forces for development patterns across the valley. The panel recommended annexation of the Triangle by the adjacent cities in major part because it would confer greater control over—and power to plan—water and sewer infrastructure, since in Montana, cities have authority over these systems that the counties do not.

Leverage growth policies to curb disconnected development. The county's adopted growth policy and land use requirements should be used to comprehensively evaluate proposed development in the Triangle area that aims to connect to centralized water supply and wastewater treatment. Small water and sewer utility districts should require new development to adopt best practices for indoor and outdoor conservation and efficiency. Similarly, new utility districts should design a network of water distribution and wastewater collection that can be easily connected to existing and future regional backbone infrastructure.

Consider a regional water and wastewater district. If physical topography and other constraints will limit the

practical extension of water and wastewater services from Bozeman and Belgrade, consideration should be given to the formation of a regional water and wastewater district to serve the remaining development areas.

Plan for future water rights. Prepare a holistic analysis of water rights availability to support anticipated growth in the annexation service areas. This should include a technical peer review of existing water and wastewater service districts to provide increased emphasis on long-term viability and ensure investments in needed improvements and a realistic rate structure to provide needed reserves.

Monitor to protect water sources. The county should monitor groundwater testing and river nutrient loading conducted by various agencies and consider the need to implement source water (groundwater) protection on an annual basis.

Review Triangle zoning to plan for water needs and wastewater collection. Consistent with the requirements of SB 382, the county, Belgrade, and Bozeman should determine the zoning in the Triangle area and in the 20-year growth and annexation service areas for Belgrade and Bozeman in a way that supports planning. Comprehensive master plans should be developed to extend water supply and wastewater collection on the basis of identified land use and zoning and should include the following:

- Raw water supply rights, water treatment capacity, storage, pumping, emergency power, and backbone distribution (infrastructure that serves a larger development area, rather than just one street or group of lots whose cost is shared by the area that benefits) to meet service area demand.
- Wastewater collection backbone infrastructure, pumping, emergency power, treatment capacity, and discharge permits to meet service area demand.
- A master phasing plan for future annexation areas to reduce up-front capital costs for backbone infrastructure.
- Water demand and wastewater generation rate assumptions based on the adoption of the U.S. Environmental Protection Agency (EPA) WaterSense requirements for all new development for indoor fixtures and appliances. (It is the panel's experience that WaterSense indoor water requirements do not add to the cost of residential construction.)

- A budget for efficient outdoor irrigation, including weather-based irrigation controllers for residential development, and the adoption of low-water-use native landscape in street rights-of-way and to meet landscaping requirements for nonresidential development. Projected water and wastewater demand should not be based on historic use but rather on studies and empirical demand data from utilities following EPA WaterSense requirements for all new development over multiple years.

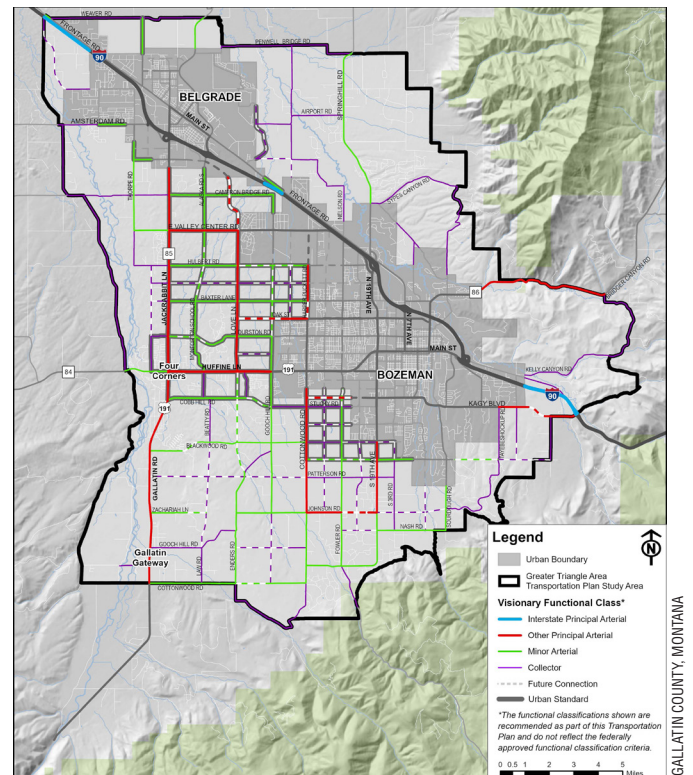
Right-sizing infrastructure using these demand data will reduce the size and cost of new water and wastewater infrastructure by orders of magnitude.

Consider creation of phased areas of benefit with opt-in opportunities to fund improvements. Funding the expansion of significant water and wastewater backbone infrastructure and capacity is a significant challenge for any jurisdiction. Valley residents' interest in and commitment to preserving the natural environment for future generations and planning for resilient infrastructure provide jurisdictions with the opportunity to fund centralized services, rather than continue piecemeal development at urban densities which could otherwise compromise community health and groundwater safety and supply. The panel recommends that the jurisdictions consider the creation of phased areas of benefit within the future annexation areas and allow properties to opt into a given phase, reserving capacity for the land uses and zoning for a specific parcel. The funded infrastructure would include a proportionate share of supply, storage, pumping and backbone transmission, wastewater collection, and treatment. The capital cost could be allocated on a per-unit basis (or equivalent square-foot basis) to create an impact fee to repay bond financing for infrastructure projects over time.

Transportation, Access, and Mobility

Traditional automobile infrastructure (roads), mass transit, and multimodal infrastructure are all key components of well-connected development. The panel's recommendations focus on policies and planning efforts that incorporate the current and anticipated growth and development in the valley.

Adopt transportation policies that provide access, connection, and mobility options. Land use and zoning policies should inform meaningful transportation, access, and mobility demands and allow regional master planning. Now that the region has crossed the population threshold, its Metropolitan Planning Organization can be an effective collaborative organization for Belgrade, Bozeman, and



The Greater Triangle Transportation Plan outlines a vision for the future road network across the Triangle area.

Gallatin County and should assist the three jurisdictions in implementing meaningful transportation policies and accessing federal transportation funding. The recommendations are as follows:

- Implement the Triangle Transportation Plan, one of many already completed and useful moving forward, and enforce the requirement that all new developments construct frontage improvements and reserve space for rights-of-way.
- Implement the Triangle Trail Plan and enforce the requirement that new developments construct all trails connecting across their property.
- Strong support should be given to the Urban Transportation District and future expansion of mass transit.

Update existing plans to reflect new development nodes and transportation needs. The 2022 Triangle Transportation Plan will soon require certain updates that coincide with the implementation of this report's recommendations, including the following:

- Upon identification of land use and zoning in the Triangle area, update the plan to reflect the actual location and projected intensity of development.

- Ensure that all new developments reserve right-of-way as identified in the plan.
- Direct density into nodal areas to support expansion of bus service and support public transportation.
- Comprehensively identify safe routes to school.

Create a transportation impact fee to fund improvements. The panel recommends that the cities and county seek funding for regional transportation through an impact fee, perhaps similar to the one already used by Bozeman, based on the Triangle Transportation Plan and the related land use and zoning.

Natural Resources

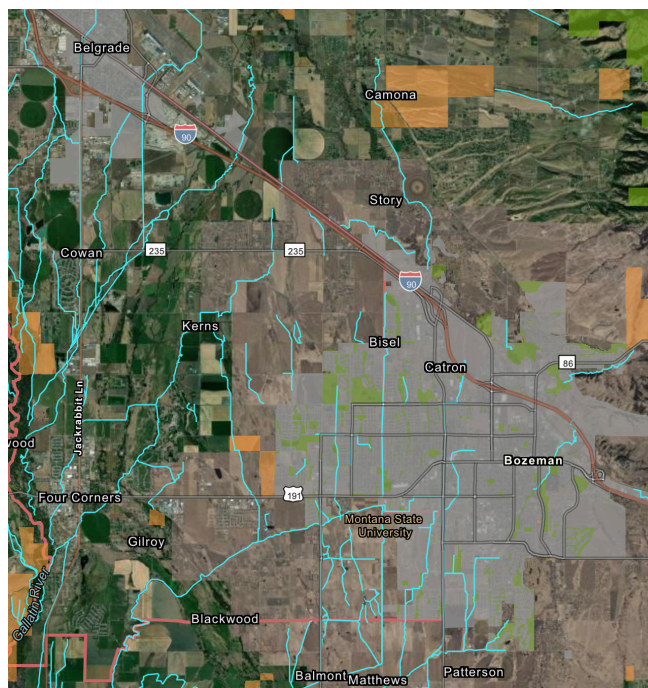
The Triangle Community Plan, the draft Gallatin Valley Sensitive Land Protection Plan, and the community plans for Belgrade, Bozeman, and the county reinforce the importance of agriculture and open space and the need to protect both, as well as other natural resources, through thoughtful municipal planning. In addition to zoning tools, transfers of development rights and conservation easements can protect the valley's open lands for future generations. Important natural features such as waterways as well as drainage ditches and canals can be protected by using existing rights-of-way and easements and can even be used as green infrastructure to help with surface water management and infiltration in more developed areas. The Triangle Trails Plan often follows existing water features, helping to protect the waterway while at the same time providing recreational access.

Consider forming a park district. The Triangle area will need to identify locations for neighborhood and regional parks to provide or preserve additional open space and access to nature. Other recreational amenities may require parkland dedications, and depending on how development occurs, a park district may be needed to help secure long-term funding.

Minimize stormwater runoff. Increasing development density will also increase urbanized runoff. It will be important to use low-impact development techniques to manage and capture storm water runoff, including micro-infiltration, bioswales, and other best management practices, to manage runoff before its entry into surface waters. Depending on soil conditions, more direct infiltration may also be a good solution.

Primary and Secondary Schools

Educational institutions are an integral part of any community's infrastructure. Although school districts act independently



The Gallatin County waterways, depicted in light blue, can be found within the Gallatin Valley Sensitive Lands Protection Plan.

CITY OF BOZEMAN, MONTANA

from the local jurisdictions, the panel recommends greater communication among all parties to facilitate growth planning.

Plan for future school additions or expansions. Land use planning and zoning need to include high-quality population projections and student generation rates so that areas that will allow the valley to maintain an ongoing community focus on neighborhood schools can be identified. Planners need to be aware of the significant cost of land acquisition and the unpredictability of bonding for facilities and levies as a source of operation funding as they concentrate growth in new neighborhoods.

Emergency Services

Access to public safety, fire, and emergency medical services is as basic to future community areas as indoor water. One of the benefits of concentrating development in a contained, higher-density area is that provision of these services can be more efficient and readily accessible.

The panel recommends that emergency services planning be included in development review processes. Planning for the delivery of emergency services and housing equipment must be considered as development expands. Land will need to be reserved for the location of satellite facilities in the Triangle area to maintain levels of service and response times. Fiscal impact calculations should include the capital costs associated with construction of facilities as well as ongoing operations.



Housing and Workforce

THE CITIZENS OF BELGRADE, BOZEMAN, AND THE UNINCORPORATED AREAS OF GALLATIN COUNTY have identified the lack of availability and affordability of attainable community housing as one of the most critical issues for the long-term success, viability, and sustainability of the region.

In addition to volatile economic conditions that affect labor supply, the cost of construction materials, and financing mechanisms, there are market conditions that are significantly hindering the region's ability to maintain an adequate supply of attainable housing in the valley. The panel heard that the short-term rental market is very strong in the area, leading many homeowners to bypass longer rental arrangements that could prove more affordable to a variety of renters. In addition, the influx of part-time residents seeking vacation property purchases has further constricted the supply and driven up home prices.

URBAN CAMPING

One very real impact of the region's affordable-housing crisis is a specific variety of homelessness dubbed "urban camping." Seen particularly in Bozeman but occurring throughout Gallatin County, urban campers—approximately 75 percent of whom are employed—live in recreational vehicles parked along city streets. Local police estimate that 50 percent of the urban camping population work in the service industry and 25 percent have jobs in the construction industry.

According to the Bozeman Community Housing Action Plan, Belgrade Growth Policy Plan, and the Gallatin County Housing Solutions Report, ensuring citizens' access to attainable housing has emerged at the top of the list as the most critical action community leaders and policymakers should pursue. In response to the growing importance of homes for year-round and seasonal residents living and working in the Gallatin Valley, the shared objective of the three plans is clear and concise: to ensure an adequate and appropriate mix of homes to meet the housing needs of the valley residents.

Housing affordability and availability remain a challenge throughout the region, and Gallatin County has significant gaps in both. A 2021 One Valley Community Foundation study found that job growth was outpacing the stock of housing and that housing cost was outpacing wage growth. The Bozeman Community Housing Action Plan states a need for 5,800 new housing units by 2025. A housing demand projection tied to job growth estimates that the city of Bozeman needs more than 700 units annually to keep up with 2 percent job growth, which is just half of the annual job growth of 3.9 percent over the past five years. Adding in new remote workers and demand by the second-home market suggests that the city will need nearly 900 units per year, evenly split between single-family detached homes, townhouses or duplexes, and multifamily options.

Policies and Strategies

Public-sector leadership across Bozeman, Belgrade, and Gallatin County recognizes the extreme housing pressures felt by current and potential residents across the valley. Through the adoption of key housing policies, the jurisdictions are beginning to address these critical housing issues and plan for more attainable housing in the market. The panel recommends the following policies and strategies for implementation:

Draft a regional housing implementation plan to be administered by a regional housing task force. The action plan will align with the housing goal and timeline for completion. An implementation plan should accompany the action plan to delegate tasks, create accountability, identify resources, outline a timeline for completion, and track progress toward the goal. The regional housing task force would be charged with implementing the housing actions and strategies identified within the plan, reporting (at least twice annually) on the progress of plan implementation, and making recommendations to elected officials and policymakers on changes to the plan to ensure its continued efficacy.

HOUSING SUPPLY IN GALLATIN VALLEY

Population estimates indicate that the city of Bozeman accounts for approximately 45 percent of the population of Gallatin County and an even greater percentage of the Gallatin Valley study area. Building permit data for the city of Bozeman from a report produced by Economic & Planning Systems in 2023 indicates that the total units permitted annually across all housing types are as follows over the last five years:

- 2019: 791 units
- 2020: 945 units
- 2021: 1,383 units
- 2022: 719 units
- 2023 (June): 913 units

If the estimated demand for housing is approximately 900 new units annually, and the number of new units built is at or above this amount, that should indicate an equilibrium of supply and demand within the housing market. However, it is the panel's observation that this is not the case from an affordability perspective. Under normal circumstances, the empirical rise of housing costs in the valley over the last few years would be cause to question the accuracy of either the supply or the demand numbers. But circumstances have not been normal, and it is the panel's belief that this speaks to underlying cost pressures and market dynamics beyond supply and demand that are currently inflating rents and housing prices. For example, the recent completion of several luxury apartment buildings locally has expanded the inventory of available units, yet it is unclear whether this new inventory at the top end of the market will cause average rents to drop, given the limited availability of other housing at lower- to mid-level price ranges.

STATE OF FLORIDA LIVE LOCAL ACT

Recent housing legislation passed by the state of Florida provides state funding for affordable housing, including both low-income and very low-income housing. The bill includes a local government preemption for certain local land use and zoning decisions, a move that was prompted primarily by developers in response to the need for affordable housing and resident opposition to multifamily housing developments.

For more information, see

- [The Live Local Act – Summary of the Bill](#)
- [Hometown Heroes Program](#)

Use deed restrictions to secure long-term affordability.

Deed restrictions are a widely accepted and proven means of securing long-term attainability and affordability of homes across a wide range of household income levels. To remain cost-effective, it is recommended that the deed restriction language contain only terms and limitations which serve to achieve stated housing objectives. For example, to accommodate the needs of housing for the local workforce, at a minimum, the terms of the deed restriction should require a qualified tenant or resident to work a minimum of 30 hours per week on an annualized basis at a business located within Gallatin County and earn 75 percent of their annual income from that local business.

Organize a regional housing coalition to advocate for policies at the state level. A regional coalition of community leaders and housing experts should be tasked with influencing and directing new and existing housing legislation at the state level and advocating for resort area-relevant housing policies. The primary objective of the effort is to advocate and lobby for legislation that specifically benefits Gallatin Valley and accelerates the valley's housing goals.

Ensure alignment between housing and transportation policies. Given the close relationship between housing and transportation and the fact that each can influence and drive the other, Gallatin Valley jurisdictions should review the adopted transportation policies and housing policies to ensure alignment and consistency with one another and across jurisdictions where possible. The recent approval

VAIL INDEED PROGRAM

Like other seasonal and tourist-driven housing markets, the town of Vail, Colorado, faces significant housing availability and affordability challenges. Real estate transaction sales data collected by the town's Housing Department demonstrate that 90 percent of locally owned homes that are sold end up purchased by a second-home or vacation property owner. Data further demonstrate that due to gentrification and increases in value, second homes and vacation properties are rarely, if ever, affordable for purchase by local residents. In response, the Vail Town Council and the Vail Local Housing Authority partnered to create the Vail InDEED program.

Vail InDEED is a deed restriction purchase program designed to protect and preserve existing homes in the community for occupancy by local residents. Much like an agricultural conservation easement protects and preserves the continued use of a property for agricultural purposes, the Vail InDEED program protects and preserves existing homes in the community from conversion to vacation homes through the recording of a deed restriction that limits occupancy to local residents. Through this program, the Vail Local Housing Authority uses taxpayer funds to purchase deed restrictions on behalf of the Vail community. In doing so, the program positively influences affordability and availability and builds community in a unique way.

For more information, see [Robert C. Larson Awards 2020 Winner: Town of Vail CO's Housing Department's Vail InDEED Program](#).

of the Urban Transportation District provides a timely opportunity to evaluate and amend, as deemed appropriate, existing transportation policies to advance and complement adopted housing policies. For instance, development applications that propose a component of deed-restricted housing could be prioritized in the application queue and reviewed prior to proposals that do not include such housing supports, thereby reducing a portion of the predevelopment timeline for the developer. Another option

could be creating a community housing zone district that prescribes development standards and regulations aimed at achieving housing goals. These standards and regulations would serve to minimize the uncertainties of the development review process, helping to reduce the development risks faced by private-sector developers.

Streamline the development review process. In collaboration with the private-sector development community, Gallatin Valley jurisdictions should identify process improvements to increase the efficiency and effectiveness of the development review, permitting, and entitlement processes. Although provisions of SB 382 already address this, a more intentional effort may be required to strengthen the public-private sector collaborations that will be required. The end goal of this strategy is to attract private-sector participation and investment in the production of deed-restricted homes across the full range of household incomes.

Align leadership to create strong partnerships. Strong leadership and alignment among the county's jurisdictions and respective leaders are needed to achieve the valley's attainable housing goals. Given the critical need for affordable housing within the region, a deliberate commitment to act with a sense of urgency and resolve is needed.

Create a culture of “getting to yes.” A public-sector organizational culture of “getting to yes” (or at least “getting to no quickly”) within the development review, entitlement, and permitting processes can increase predictability and lower up-front predevelopment costs, helping to mitigate development risk and exposure for private-sector housing development partners. Some municipalities described steps they have taken in this direction. SB 382 is designed to help with this predictability and can help facilitate this culture shift.

Create a resource hub. Through the establishment of a housing clearinghouse at the regional level, homeowners and renters can more easily find assistance with housing-related matters such as information about and education on for-sale home ownership and for-rent opportunities, homebuyer and rental payment assistance, and more. For example, Vail Valley created a Vail Valley Home Store, which serves Eagle County and the six municipalities within the region, providing housing resources to Vail Valley residents. This move has streamlined the processes, reduced operational costs across jurisdictions, and provided a single-source information clearinghouse for those seeking

ACCESSORY DWELLING UNITS

The Federal Housing Administration (FHA) defines an accessory dwelling unit (ADU) as a single habitable living unit with a means of separate ingress and egress that meets the minimum requirements for a living unit. An ADU is a private space that is subordinate in size and can be added to, created within, or detached from a primary one-unit single-family dwelling.

As reported by HUD, the new FHA policies include the following:

- Allow 75 percent of the estimated ADU rental income for some borrowers to qualify for an FHA-insured mortgage on a property with an existing ADU. This additional income flexibility will help to increase access to homes with ADUs for homebuyers with limited incomes, allowing them to benefit from the wealth-building opportunity of a property with an ADU.
- Use 50 percent of the estimated rental income, for some borrowers, from a new ADU the borrower plans to attach to an existing structure, such as in a garage or basement conversion, to qualify for a mortgage under FHA's Standard 203(k) Rehabilitation Mortgage Insurance Program. This will enable more homeowners with limited incomes to build ADUs, helping them sustain homeownership and expanding the production of ADUs as rental housing.
- Include ADU-specific valuation requirements for appraisers to clearly identify, analyze, and report on ADU characteristics and the estimated rent the ADU can be expected to generate. The guidance provided in the Mortgagee Letter will assist appraisers to more accurately determine the market value of a property with an ADU and also will help advance the maturation of ADU assessment, thereby increasing access to ADU financing as more cities and states remove zoning barriers.
- Add ADUs to the types of improvements that can be financed under FHA's mortgages for new construction. This allows new homes to be built with ADUs from the ground up, an important source of ADU production in addition to rehabilitating existing structures.

homeownership and rental opportunities. This model could be replicated for the Gallatin Valley and, perhaps, build off the existing network and resources of the Human Resource Development Council (HRDC).

Develop a housing tool kit. Bozeman, Belgrade, and Gallatin County can also support the creation of additional attainable housing through the use of zoning tools and other public-sector policies already on hand. ADUs have the benefit of providing rental housing opportunities for persons in need as well as an added source of income for the property owner. By establishing by-right development mechanisms, the panel believes that the jurisdictions could allow ADUs beyond just Bozeman and live/work development in commercially zoned areas by right, thus empowering the private sector to meet demand directly. Density also has an important role to play in the development of more attainable housing. By allowing higher-density and multifamily zoning and providing developers with density bonuses to encourage more units where it makes good community sense, more units can enter the market. And last, parking modifications, such as reducing off-street parking requirements, can also have a meaningful impact on the number of units a developer can include in a development. Jurisdictions can take concrete steps to spur creation of ADUs by providing technical support: in Vail, for example, a property owner ADU loan program was established along with a dedicated staff member to serve as a resource for homeowners seeking to add an ADU to their property. The staff member assists with the entitlement process, while the loan program provides a low-interest loan to fund the additions. The program has been well received within the communities and the unincorporated areas of the county.

Funding for Housing

Housing is valued as critical infrastructure within the community, and as such, it is imperative that housing developments, programs, and initiatives are adequately funded. The jurisdictions have a role to play here, too, and should reflect housing as a priority in budgeting actions. The level of public-sector funding and support will vary depending on need and market, yet it is important that the jurisdictions each establish a budget to support housing initiatives and that the community see and understand these support mechanisms. The ultimate funding need could be substantial, but understanding the totality of the financial need will help inform future decision-making and begin to prioritize public-sector-supported housing efforts.



The panel anticipates that new sources of funding will be needed to achieve the jurisdictions' housing goals. It is imperative that the new sources be consistent, reliable, predictable, and adequately sized to achieve the goal. The panel recommends exploring the following potential sources of funding to support housing initiatives in the Gallatin Valley:

- **Pursue public/private/institutional partnerships.** These partnerships should be structured to leverage each partner's unique access to funding.
- **Re-evaluate development fees.** Evaluate existing impact fees and identify opportunities to restructure development fees to lower the expense of the up-front soft costs of housing development, such as planning and design costs and permits. Although this will not accrue funding to the jurisdiction for housing production, it may help stimulate the development of new or more units by lowering barriers to or costs of development.
- **Leverage nonprofit partners to house essential workers.** Across the community, philanthropic participation in the form of donations, low-interest loans, community impact funds, foundations, and more can be intentionally directed to deliver housing opportunities to persons employed in essential occupations and service sector jobs.
- **Pursue grant funding and bond financing.** Actively pursue grant funding and low-interest tax-exempt municipal bond finance opportunities to secure no- to low-cost capital to fund housing developments.

- **Pursue deed restrictions to support long-term housing affordability.** The acquisition of deed restrictions is a proven means of delivering housing developments, programs, and initiatives. While Gallatin Valley jurisdictions cannot sustainably support the financial subsidies required of deed-restricted development, private-sector partnerships and investment can carry the weight and begin to address the valley’s housing needs.
 - Create partnerships with local business and institutional entities to collaborate on the development of deed-restricted homebuying opportunities. Working together, jurisdictions and local business owners can address the recruitment and retention needs of the business owners and further enhance the economic viability and resiliency of the valley.
 - Explore finance opportunities such as impact fees for new development, real estate transfer taxes, and lodging taxes assessed on short-term rentals to capture the financial value of deed restrictions, which can then be used as collateral to secure funding for other deed-restricted housing developments, programs, and initiatives.

Resort Community Housing Strategies

The following examples highlight new, innovative, and creative ideas that have been successfully implemented by resort communities across the Rocky Mountain West.

- Breckenridge, Colorado: [Public/Private Partnerships](#). The goal of the Breckenridge program is to support the community’s character and economy by ensuring that residents can live, work, play, and raise a family in Breckenridge. The 2022 Five-Year Blueprint for workforce housing outlines the town’s strategy to leverage its \$50 million investment to catalyze \$300 million in private-sector investments, grants, and other funding to support local residents.
- Truckee/Placer County, California: [Lease to Locals](#). The Placer County program partners with Placemate to provide Tahoe property owners with cash incentives to lease properties to seasonal workers or those seeking long-term rental housing. The program caps the monthly rental rate and precludes rentals to family members.
- Vail, Colorado: [Employee Housing Program](#). In 1998, the town of Vail began its own housing program, which evolved into the initiative in place today, which assists full-time employees with purchasing a primary residence through interest-free loans. In addition,

HOUSING SUPPORTS IN WHITEFISH

The tourism management organization of Whitefish, Montana (Explore Whitefish), has decided to double the amount of funding it allocates for housing programs undertaken by the nonprofit Housing Whitefish, according to a press release issued on October 19, 2023, by Explore Whitefish, which described the decision as one the board was unanimous in approving.

Housing Whitefish, which works with the Whitefish Housing Authority, is now expected to receive up to \$150,000 annually from Explore Whitefish, with the increased funding coming from the Community Sustainability Fund, which Explore Whitefish collects through a 1 percent voluntary fee from participating restaurants, hotels, and transportation companies.

In the [press release](#), Housing Whitefish Executive Director Daniel Sidder said, “These funds will allow us to grow our capacity and help meet our fundraising targets to launch our Workforce Assistance Fund and advance our first building project.” That first building project is the second phase of the Alpenglow Apartments at Edgewood Place, which will involve 18 units of income-restricted apartments.

See [Whitefish Pilot](#) to learn more.

renters can qualify for a \$2,000 loan to assist with move-in expenses.

- Jackson Hole, Wyoming: [Density bonus incentives](#). The Workforce Housing Density Bonus Tool was designed to encourage primarily private-sector development of affordable or workforce housing by adjusting the unrestricted floor area. To use the tool, a developer provides one square foot of deed-restricted workforce housing for every two feet of “bonus” market-rate housing.
- Eagle County, Colorado: [Bold Housing initiatives](#). Designed for homebuyers, renters, and homeowners, Eagle County’s range of programs provides a robust set of housing attainability tools, from downpayment aid to assistance with ADUs to rental funds.



Preserving Character

THE GALLATIN VALLEY IS SPECIAL. The area is known far and wide for its natural beauty and access to year-round recreation. The valley is also home to people known for their rugged individuality and who abide by the Montana Code—a manner of living that has been shaped over the years by homesteaders, farmers, carpenters, and a few rascals. The Montana Code engenders a strong sense of community for those who call the area home and has shaped a character for the valley that is highly valued and worth preserving. Combined, these factors create a draw that is attracting visitors and new residents in droves.

As the communities across the valley continue to grow and civic leaders strive to meet the demands of these growing populations, concerns arise. One of these notable concerns centers around a distinct desire to maintain the current character of the valley and its communities in the face of continued growth.

Planning for and managing the valley's growth are critical to preserving the character of the area. Housing is rapidly becoming unaffordable for all but the wealthiest potential residents; young adults, service workers, and young families are moving further and further away from the valley in pursuit of attainable housing options. The demands on infrastructure are also increasing and require careful planning to allow for new development while also directing development in

ways that will be sustainable over the long term, helping to preserve open space for generations to come. Anticipated effects from a warming climate will also shape Gallatin Valley's character in the years to come. Implementing the plans the valley has in place today can begin to address these looming threats to the character of the valley and the Montana Code.

Housing Affordability as a Support for Community Character (and Resilience)

Maintaining housing for the wide variety of the valley's workforce must be a priority. Teachers, nurses, and police officers are struggling to find housing they can afford.

Service workers must find roommates to help pay rent. The cost of housing is driving residents further away from the city centers and often far outside the communities they serve.

- In 1970, a starting teacher’s salary was approximately \$5,000 and average home prices were around \$15,000. In May 2023, the Bozeman School Board voted to increase starting teacher salaries to \$45,895, yet using the salary-to-housing-cost ratio above, there are no homes available for \$150,000 in Gallatin County, Belgrade, or Bozeman.
- In 2016, an annual income of \$81,529 could support the purchase of the median-priced home at the time (\$359,000).
- Today, the median home prices range between \$620,000 and \$767,500 across the three jurisdictions, requiring annual incomes well over \$200,000.

Long-standing research holds that the average household should spend no more than 30 percent of its income on total occupancy costs to maintain affordability. Anything above that threshold indicates economic distress. Approximately 48 percent of renters and 25 percent of Bozeman homeowners are cost burdened, spending more than 30 percent of their gross income on housing. For those moving further afield in search of more affordable housing, commuting costs play a greater role, often negating the benefits of reduced housing costs. For example, a Bozeman teacher living in Three Forks—a 62-mile round trip to Bozeman—will spend an additional \$800 per month on transportation as calculated by the panel using a \$0.655/mile standard mileage rate for 2023. At an average annual salary of \$45,000, a teacher’s combined cost of housing and transportation (assuming they commute) is about 55 percent of their gross pay, leaving little remaining income for food, health care, and other basic necessities.

Economic impacts. From an economic perspective, the housing gap exists throughout the valley. A shortage of housing for workers means fewer workers—both seasonal and essential—and increased competition for them. Businesses relying on seasonal workers have difficulty maintaining a full workforce during the summer months, as housing is simply unavailable. The impact extends beyond local businesses, affecting the health and safety of everyone in the region when essential first responders, including firefighters, law enforcement officers, utility workers, nurses, and paramedics, also cannot afford to live in the community. All of these essential and service workers are indispensable to the local economy.

OPEN SPACE IN MONTANA



Open space in Montana is foundational to preserving the character of the land, the community, and the Gallatin Valley. Open space for health and well-being is specified in the Montana constitution, as is the preservation of open space for the protection of wildlife habitat corridors.

The state constitution requires that “the state and each person shall maintain and improve a clean and healthful environment in Montana for present and future generations.” The delegates to the 1972 Constitutional Convention “intended to adopt the strongest preventative and anticipatory constitutional environmental provisions possible to protect Montana’s air, water, and lands for present and future generations.” This intense focus on the health and well-being of Montanans as being directly connected to the environment is unique to the state and a clarion call for all who visit or reside in the state to uphold its ideals as a land that is clean and healthful.

For more information, see [Montana’s Climate Change Lawsuit: the Right to a Clean and Healthful Environment](#).

Resilience impacts. As the tightening markets drive rents higher and more essential workers are pushed out, community resilience is stretched. Essential workers who can no longer reside within the communities that need them can no longer be quickly and readily available when emergencies arise.

Community character impacts. The absence of essential and service industry workers as residents in the valley will begin to affect the character of the individual communities. Workers may choose to leave the region altogether, deepening the workforce shortage and associated service reductions. Those choosing to stay will face lengthening commutes, lessening their availability to pick up additional shifts or fill in when coworkers are unavailable.

University impacts and opportunities. Montana State University's impact on housing in the region should not be overlooked. First-year students at MSU have access to university-supplied housing. Beyond that first year, however, students are expected to find their own housing off campus, which puts pressure on the region's rental housing market and affects availability and pricing. The panel recommends that MSU and the surrounding communities become closer partners in matters of housing and in other areas such as agricultural research, public health, and transportation research. Institutional partnerships of this nature can prove helpful in discussions of preserving agricultural land, providing social services, and assisting in local transportation and transit solutions. In addition, flagship universities are often the stewards of population projections and could be partners in implementing SB 382.

The question of community character is at stake. The collective workforce keeps the community running and requires financially attainable housing to continue to support the community functions and unique character that residents so deeply desire to preserve.

Climate Shocks, Social Change

Throughout the panel, questions emerged about the region's long-term capacity to address growing disruptions that will likely come over a sustained period. Climate change and social change will result in immense shifts in communities, some occurring quickly while many others will quietly build over time, going unrecognized until it is too late to change course.

The Gallatin Valley relies on snowpack for its water supply, with the vast majority coming from snowmelt in the Gallatin Range. As average annual air temperatures warm, more precipitation will fall in the form of rain rather than snow, effectively eroding the region's natural water storage system and thus lessening the area's ability to slowly absorb the amount of water needed across the valley's landscape and reducing annual water supplies. Means of addressing this change vary in scope, cost, and impact, ranging from supply-side strategies such as creation of huge (and expensive) water storage and delivery infrastructure to increased pressure to extract more subterranean water, which is also a limited resource.

Economic and demographic shifts, consumer preferences and habits, and housing and transportation needs are all changing in ways that, if not considered holistically, have the potential to erode the economic health and quality of life of the valley. These systems, both natural and constructed, are the foundation of the community, further shaping its character, strengthening its cohesion, and supporting community resilience.

The panel believes that there is a significant opportunity to harness and maintain the unique identities of each community, while fostering a more integrated set of solutions that create regional synergies and financial efficiencies. The effects and powerful connections already apparent in the region's planning efforts reflect the clarity and continuity of the valley's collective vision for the future, identified for each town and, more importantly, the larger region. That solid foundation is key to maintaining the character and amenities that make the Gallatin Valley livable and accessible to all as the population grows and development continues.

Civic leadership in the valley has the tools needed to effectively guide development across the communities, the tools are effective and ready to be deployed, and the planning documents and mechanisms are properly placed.

IMPACTS OF CLIMATE CHANGE

... two readily observable impacts of climate change in Montana: changes in temperature and precipitation. The general trend in Montana, like the national trend mentioned above, is that Montana gets warmer. Precipitation patterns are a little less well understood, but generally precipitation in Montana increases. Warmer air can hold more moisture than cold air and will likely allow more moisture to be carried into the state during the autumn, winter, and spring months. Scientists predict that this increase in precipitation will not be offset by reduced moisture during the summer months, and Montana will receive a net increase in precipitation.

—Power Consulting Inc., “[The Economic Impact of Climate Change in Montana](#)”

Temperature Changes in Montana

The panel understands that Montana is projected to see a temperature rise of at least 6°F by midcentury and fewer extreme-cold days where the temperature drops below 10°F. As Montana’s winters become warmer, more precipitation will fall as rain than as snow. Headwater Economics, in its [report](#) on the climate effects on the Montana skiing and sportfishing industries, sums up the predicted changes in precipitation succinctly:

Changes in precipitation patterns are predicted to include a greater proportion of winter precipitation falling as rain than snow, decreased snow season length at most elevations, decreased spring snowpack, earlier snowmelt runoff and peak streamflow, increased frequency of droughts and low summer flows, and amplified dry conditions due to increased evapotranspiration, even in places where precipitation increases, as mentioned above. These changes have important implications. Historically, moisture delivered through snowmelt provided inputs to aquifers, rivers, and streams gradually throughout the summer.

These winter temperature changes are projected to reduce the median number of skiable days at Montana ski areas by as much as 51 days (at Great Divide) and an average of 33 days for all ski areas in Montana.

Fishing

A comprehensive study of Montana fishing conducted in 2022 projected a 35 percent decline in cold-water fishing habitat, which includes all trout fishing. When rivers become too warm, the fish become stressed and can die from a

combination of heat and stress. The impact is then not only on the native species of fish in Montana but also on the people of Montana and the people who come to Montana to fish on the rivers.

As one would expect, when closures and/or restrictions are put on fishing, the number of angler days decreases. Nonresident spending on fishing drives Montana’s recreational fishing industry, with visitors spending an average of \$690 a day, whereas residents spend only \$90 per day. If the [rivers cannot support the fish](#), then the out-of-state anglers will seek outdoor recreation opportunities somewhere else.

Winter Recreation

Montana is projected to have warmer winters, and those winter changes will be greater than the average change across the entire year. Scientists predict that by midcentury there will be more than 40 additional frost-free days in western Montana and at least an additional 30 frost-free days for the state as a whole. These extra frost-free days indicate a pronounced shift in the length of winter; the season will be at least [a month shorter](#). A 2021 study on the [impact of global warming on snow in ski areas for the American Meteorological Society](#) finds that skiing in Montana will decrease by a little more than one month (33 days) when averaged across all of the ski areas in Montana. Whitefish will see the largest change, at 48 days, and Maverick will see the smallest change, at 22 days.

Impacts on Yellowstone Park

In 2022, Yellowstone National Park saw more than 3 million visitors, making it the seventh most visited national park in the country. Although this is a drop from where it has historically been (among the top three to five most visited national parks), it is important to remember that large portions of the park were unavailable for visitation for much of 2022 due to historic flooding (the worst on record).

Forest fires are projected to increase in future years as [Montana’s climate changes](#). Those changes may have a dramatic effect on the state’s tourist economy. Montana’s attractiveness as a place to live and visit is tied to its natural beauty and its outdoor recreation potential. If the future is smoky, and one in which the danger of wildfire is regularly very high for a longer part of the year, then the quality of life in Montana will be diminished and people will have to weigh that fact when they consider Montana as a place to live or visit.



Funding and Implementation

THERE ARE REASONS TO ANTICIPATE THAT ADDITIONAL STATE AND FEDERAL FUNDING will soon be available to jurisdictions in the Gallatin Valley. The panel recommends that the cities and county seek out opportunities to apply for and receive this funding to help implement the recommendations outlined in this report. The panel also recommends several strategies for implementing the proposed actions described in the preceding sections.

Housing Funding

In addition to the existing housing incentives within the Gallatin Valley municipalities, the panel recommends the following funding strategies as additional tools. The panel believes that much of the anticipated state and federal funding that will soon be available can help the Gallatin Valley begin to address its critical affordable-housing shortages.

Montana State House Bill 819, passed in spring 2023, is set to deliver \$200 million across the state in pursuit of additional workforce housing units.

Divided into broad categories, the funding should have a significant impact, catalyzing new housing development and

unlocking homeownership for more Montanans. The anticipated funding categories are as follows:

- **Funding for deed restrictions.** Gallatin County will have access to \$12 million that will need to be matched by \$12 million locally. These funds would be deposited into a revolving loan fund to support deed restrictions for potential homeowners with incomes between 60 and 140 percent of the area median income. In these cases, the homeowner could have up to 30 percent of their home cost brought down in return for a restriction on the deed of the home, which is designed to ensure lasting affordability for current and future owners of the property. The details of the process and ongoing fund management are still to

be determined by the Governor's Office of Economic Development.

- **Funding for housing infrastructure.** A total of \$107 million was designated for Montana housing infrastructure for communities.
- **Loans for apartment construction.** A total of \$56 million was designated for loans for the Multi-Family Coal Trust Home Program for apartment construction.

Explore entitlement city funding. As a result of crossing the 50,000-resident mark, Bozeman becomes an entitlement city per HUD. Entitlement city status unlocks access to annual Community Development Block Grant funding for activities directed toward revitalizing neighborhoods, economic development, improvement of community facilities, planning, engineering, and other technical assistance for housing and other projects designed to support low- and moderate-income persons. Missoula, Billings, and Great Falls received allocations from HUD the last fiscal year totaling \$560,000, \$648,000, and \$770,000, respectively.

Leverage the Housing Trust Fund (HTF). Bozeman will also have access to the state of Montana's HTF, a federal block grant designed to create affordable housing for extremely low-income households. Montana's state allocation of HTF funds is provided by HUD, and the Montana Department of Commerce grants these funds to entitlement cities, nonprofit developers, and public housing authorities for the development and preservation of affordable housing for income-eligible individuals with less than 30 percent of area median income, which is \$31,550 for a family of four living in Gallatin County.

Amplify homeowner benefits of ADU additions. At the federal level, a recent policy change will also support homeowners' pursuit of adding affordable housing to their own backyards. On October 16, 2023, the Biden administration announced a multipronged strategy to increase accessibility, affordability, and support for existing and aspiring homeowners. Through the FHA, HUD has implemented a policy allowing prospective borrowers to include rental income from accessory dwelling units in their qualification for FHA-insured mortgages, thereby expanding access to affordable mortgage credit for a broader range of homebuyers. This significant change will allow more borrowers to qualify for FHA financing and thus could expand prospective homeowners' interest in adding an ADU to a property. By recognizing the additional value a property can

AFFORDABLE HOUSING TOOLS

The Department of the Treasury and HUD released a 2022 guide, [*Affordable Housing How-To Guide: How to Use State and Local Fiscal Recovery Funds for Affordable Housing Production and Preservation*](#), to assist cities with using fiscal recovery funds for affordable housing.

The Department of Transportation's [*Thriving Communities Program*](#) addresses the intersection of housing and transportation needs through planning, technical assistance, and capacity-building support in under-resourced communities.

HUD introduced the [*Pathways to Removing Obstacles to Housing*](#) (PRO Housing) resource, which funds regulatory changes to increase housing supply.

HUD established an interagency partnership with the Department of Agriculture Rural Development, known as the [*Rural Partners Network*](#), aimed at producing signature projects to improve housing supply in selected communities, including rural areas often ineligible for federal funding.

Since the available funding spans many federal agencies and media areas, [*ECOS has published a wide-ranging collection of resources*](#) about funding opportunities and upcoming deadlines.

realize from the addition of an ADU, the policy could enable families to leverage the power of an ADU to help build generational wealth while also increasing the supply of affordable housing within the community. The panel recommends that the jurisdictions pursue outreach and technical assistance for this change and its benefits for residents to fully take advantage of the new policy.

Explore community land trust opportunities. Finally, the Biden administration has approved a pilot program for Community Land Trusts through the U.S. Department of Agriculture, which may increase the availability of housing by expanding the criteria for homeowners. The proposed [*Neighborhood Homes Tax Credit*](#) is based on the existing

Low-Income Housing Tax Credit but is instead focused on the development or rehabilitation of one- to four-unit buildings in targeted census tracts and for homebuyers at or below 140 percent of area median income.

Additional Federal Funding Sources

Recent federal funding has provided significant new opportunities for local governments, including the American Rescue Plan Act (APRA), Coronavirus Aid, Relief, and Economic Security Act (CARES), Infrastructure Investment and Jobs Act (IIJA) (also referred to as the Bipartisan Infrastructure Law [BIL]), the Inflation Reduction Act (IRA), and the CHIPS and Science Act of 2022 (CHIPS+). Many of the bills were drafted specifically to be more than just additive to existing programs and are instead intended to address infrastructure and how infrastructure is defined and funded. For more information, see [EPA Funding Announcements from the Bipartisan Infrastructure Law and the Inflation Reduction Act](#) and [A Guidebook to the Bipartisan Infrastructure Law](#).

Leverage population growth and new federal designation.

Federal funding could come to the region because of population growth. As a result of crossing the 50,000-population mark, the Bozeman area was designated a metropolitan area and was required to create a metropolitan planning organization, which includes Bozeman, Belgrade, Gallatin County, the Montana Department of Transportation, and Streamline Transit. This organization is focused on transportation planning and receives some federal planning funds for those endeavors.

Harness the power of housing funding plus funding for energy efficiency.

Several resources exist for Belgrade, Bozeman, and Gallatin County (as well as other local communities) to navigate and leverage the funding opportunities currently available through the federal government. Many of these programs now braid together the deep need for housing production and climate resilience. Multiple federal departments (Commerce, Agriculture, Energy, Transportation, Treasury, EPA, and HUD) are working to identify the resources under BIL, IRA, and other bills that can be used to support new housing and together have produced a Climate Resources for Housing Supply Framework, which describes and lists each of the potential funding opportunities (see the [Appendix](#)). The programs are grouped into categories by primary focus of funding: energy efficiency, renewable energy, and climate resilience. For example, [the Green and Resilient Retrofit Program](#) from HUD is available for adaptive

use or retrofitting of existing HUD-assisted multifamily rental properties, funding activities related to energy efficiency, water efficiency, and climate resilience. Funding supports for retrofits and renovations include heating, ventilation, and air conditioning heat pumps, Energy Star windows, fire-resistant roofs, responsibly sourced building materials, insulation, electrical appliances, building envelope upgrades, floodproofing, stormwater management, and clean energy generation systems. Most of the funding sources are directed at local and state government entities and nonprofit organizations. Bozeman, Belgrade, and Gallatin County can also play critical supporting roles by serving as information amplifiers and conduits to their respective communities as well as by providing technical resources for constituents seeking these funding streams.

Consider Department of Transportation technical assistance.

The two cities and the county can leverage existing staff and expertise by applying for [Department of Transportation technical assistance](#), which will connect local staff to several additional resources and can further help by providing longer-term technical support.

Pursue Building Resilient Infrastructure and Communities (BRIC) funding.

On October 12, 2023, the Federal Emergency Management Agency released the 2023 funding opportunities under the [BRIC program](#). BRIC supports states, local communities, tribes, and territories as they undertake hazard mitigation projects, reducing potential risks posed by natural disasters.

Explore Department of Agriculture funding opportunities.

The Department of Agriculture has a series of grant opportunities that may be of particular interest to the communities in the Gallatin Valley. Rural Community Development Initiative grants, for example, are awarded to nonprofit housing and community development organizations, low-income rural communities, and federally recognized tribes in support of housing, community facilities, and community and economic development projects in rural areas.

Nonprofits, Land Trusts, and Local Philanthropy

During times of market uncertainty or in instances where the market is pushing too hard in one direction, nonprofit organizations, public/private partnerships (P3s), and land trusts can help turn the tide and facilitate delivery of projects that a community may need but the market will not fully support.

Leverage P3s. P3s can often create the support and supply the funding needed for project feasibility during an uncertain market or for projects that have a clear or community benefit. These partnerships spread the financial risks between public and private entities, and the public sector must often expedite approvals and simplify coordination among departments to move needed projects along. Such partnerships require a clear understanding of the market conditions in the development area and a realistic assessment of the costs of infrastructure and amenities. While the use of public funds in private development is nearly always controversial, communities that invest in these strategic projects often receive returns in housing, water and sewer infrastructure, recurring tax revenues, and jobs. P3s are a means to leverage the best of private capital and public funds.

Expand community land trust work in the region. The Gallatin Valley Land Trust and the Montana Land Reliance do a great job with conservation easements in the local community. This type of partnership structure can leverage the wealth of the community to benefit all residents.

Leverage the community foundation. There is an extraordinary amount of untapped wealth within the Gallatin Valley that can be accessed through local community foundations. Community foundations across the country are using local wealth to support local community needs through direct grants, match-funded grants, and investment of donor-advised funds to support mission-aligned impact projects.

- Starting in 2019, [the Foundation for the Carolinas](#) led an innovative P3 with the city of Charlotte to raise more than \$53 million for the [Charlotte Housing Opportunity Investment Fund](#) to expand affordable housing options. The Foundation for the Carolinas seeded the fund with a \$5 million program-related investment and then raised an additional \$50 million with a number of local philanthropists and companies. Through 2021, they acquired more than 1,200 affordable housing units and preserved a number of naturally occurring affordable apartment complexes.
- The Seattle Foundation has been partnering to work on the issue of homelessness and is working to renew the [Seattle Housing Levy](#).

Local Government Coalitions and State Policy Changes

Discussions about taxes can be contentious, but the panel believes that if targeted and used appropriately, taxes can provide important tools for local municipalities to address specific funding needs.

Pursue a local option sales tax (resort tax). A local option sales tax is often used by a municipality or county as a means of raising funds for specific local or area projects, such as improving streets and roads or refurbishing a community’s downtown area. Montana statutes allow for the use of only one specific type of local option sales tax. Gallatin Valley

Community Foundations

Resort and nearby communities have effectively used their community foundations to accelerate and expand local giving. Some examples follow:

Foundation	Funds in Hand	Recent Annual Funding
One Valley Community Foundation	\$30 million under management	\$2.7 million
Whitefish Community Foundation	\$69 million granted since 2000 \$33 million in donor-advised funds since 2000	\$5.08 million raised in 2022 through the Great Fish Community Challenge
Community Foundation of Jackson Hole	\$114 million endowment in 2022	\$56 million in gifts in 2022

The panel believes that the One Valley Community Foundation or a similar organization could bring significant additional funds to several nonprofits supporting affordable housing, libraries, youth programs, pools, parks, trails, and many other nonprofit organizations with a focus on bringing community amenities to the entire area.

Local Option

A local option tax gives voters the agency to decide what their community needs and how they want to develop solutions.



Instead of being controlled by the state, local option taxes are generated and used locally. This means greater transparency in spending.

Voters have the choice to decide whether the tax is enacted or not.

A local option tax functions the same as a sales tax, meaning there is no additional labor required to collect it. These taxes also always have a designated sunset.

jurisdictions are encouraged to build a coalition of communities and private companies to lobby the state legislature to allow municipalities and regions the option to implement a local option tax beyond the existing resort taxes. Funding of this nature would help build needed infrastructure across the valley.

At present, local option sales taxes are available only to communities that meet the criteria for resort areas or resort communities as established in Montana state code (a resort tax). Two jurisdictions in Gallatin County, Big Sky and West Yellowstone, have a local resort tax. West Yellowstone has funded much of its infrastructure improvements and maintenance through resort taxes for two decades. It is the panel's understanding that this funding has also been used to make significant upgrades to the community's water and wastewater systems and to pave the streets in town. In Big Sky, the tax has played a significant role in the funding of services and programs that provide for public health, safety, and welfare, as well as tourism development, infrastructure facilities, post office services, ambulance and emergency services, public transportation systems, parks and trails, and the community library.

Montana also has a bed tax of 4 percent on overnight lodging, including short-term rentals. Of that tax revenue, 50 percent supports the state's tourism promotion efforts and 50 percent goes to the state's general fund.

One example of a community that has effectively used its taxing authority to fund housing is Steamboat Springs, Colorado. The community implemented a short-term rental tax on short-term lodging and allocated 75 percent of the collected revenues to the Yampa Valley Housing Authority for the development of affordable and attainable housing.

Gallatin Valley Organization and Implementation

Rapid growth brings traffic, soaring housing costs, displacement, and changing local character to regions across the country. These problems spread beyond a single jurisdiction, often negatively affecting the surrounding communities just as deeply. These are regional challenges requiring regional solutions.

In the Gallatin Valley, increasing housing costs in Bozeman influence growth in Belgrade and create sporadic development patterns in the county, the latter proliferating wells and septic systems and compromising the environmental integrity of the region. As new development patterns emerge, travel patterns change, affecting roadways, schools, and community facilities. Local parks and recreational facilities begin to serve a regional population. Essential workers—public servants, health care workers, and restaurant and retail employees—are forced to travel longer distances between work and affordable housing. Economic development initiatives are challenged when businesses cannot attract talent because the new talent cannot afford to live in the area.

Bozeman, Belgrade, and Gallatin County have demonstrated an interest in a combined regional approach to address these challenging topics, and meaningful collaboration has begun. The Triangle has been identified as a joint planning area for the three jurisdictions, and "the Triangle" is now a common term in the community. The Triangle Plan, the Triangle Transportation Plan, and the Triangle Trails Plan are strong foundations for the region, and these initiatives, along with other studies and recommendations, have positioned the region for the implementation efforts ahead.

The Planning Coordinating Committee has served the region well in undertaking initial steps to “coordinate and communicate on growth and development patterns in the Triangle expansion area for infrastructure, public safety, parks and trails, neighborhood design, and land use attributes” as outlined by Gallatin County.

Each jurisdiction is represented on the PCC by an elected official, a planning board member, and an executive-level planning official who can provide the range of local perspectives needed, from high-level policy down to detailed programmatic and operational insights. The PCC’s regional aspirations are on target with the issues facing the region.

Recast the PCC as the GVPA. While the mission, membership composition, and aspirations of the PCC have built the framework for the heavy lift, the panel believes that the valley is ready to tackle growth and development patterns. To best manage this task, the panel recommends that the PCC be recast with its current membership composition and aspirations as the Gallatin Valley Planning Authority, a regulatory entity with requisite authorizations and enforcement power. This entity will not usurp the local planning efforts in each of the jurisdictions, but its findings should be considered as each jurisdiction makes land use decisions. The scope of the authority of the GVPA will need to comply with state law. The future direction of the region will continue in a haphazard pattern if left to be addressed independently. The issues are urgent.

GVPA Mandates

The panel recommends that the GVPA be challenged to address the following:

- Strategic annexation and infrastructure expansion, especially relating to centralized water provision and management and wastewater management
- A comprehensive planning and zoning layer for the Triangle area to manage growth and facilitate TDRs
- Planning of equitable community and recreational facilities and sports centers throughout the Gallatin Valley region
- Ways to increase efficiency in school planning
- Connecting trails to provide mobility options across the county and beyond
- Regional housing programs and establishment of a housing coalition

- Implementation of a localized county bill like SB 382, concurrent with implementation in Bozeman and Belgrade
- Lobbying for additional funding authorization, such as a local option sales tax or the expansion of a resort tax to the Triangle

The Gallatin Valley is stronger together.

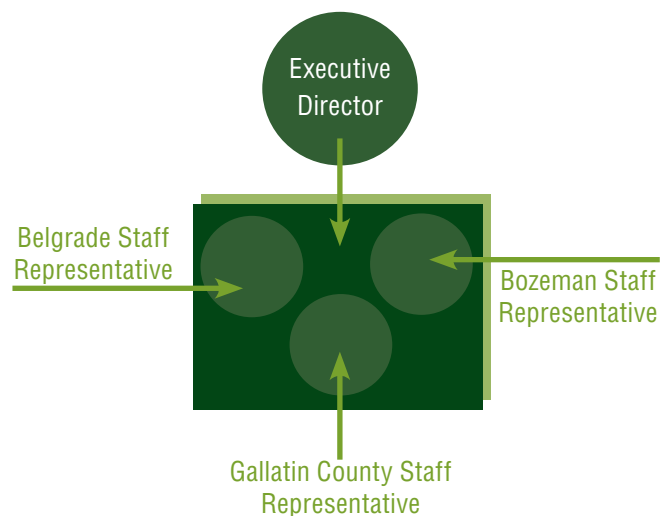
GVPA Operations

The GVPA is the next iteration of the PCC. The transition requires an executive director; dedicated staff; a system of accountability, education, and transparency; and identifiable outcomes. The panel acknowledges that unless otherwise indicated by the state of Montana, the powers of the GVPA will require legislative action from all jurisdictions to give it the power needed to implement its key functions. The panel recommends the following steps to complete this transition:

Hire an executive director. An executive director should be hired by and report to the GVPA. Areas of expertise should include planning or public administration. The director should be experienced in a regional collaborative environment, should be adept at facilitation and conflict resolution, and should demonstrate an ability to engage in a community with diverse interests. The executive director will be responsible for directing the work of the staff and identifying outcomes, timelines, and the operations of the board.

Hire dedicated staff. In the initial phases, each jurisdiction should allocate a mid-level planner to serve as a dedicated staffperson to the board. It will be important that active staff participation is consistent so that they can be the conduit

The Gallatin Valley Planning Authority





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between the board and activities in the respective jurisdictions. On an as-needed basis, staff specific to a topic such as water, wastewater, or traffic may be asked to participate.

Create a system of accountability in operating. Operating in a cross-organizational environment can be challenging. A model used in the design and construction sector called integrated project delivery (IPD) can serve as the framework to execute projects of the GVPA. In an IPD process model, everyone shares the risks and rewards, including the procurement staff, design professionals, engineers, construction contractors, and anyone else in between. A disciplined protocol is needed to keep everyone on track, as there will be temptation for these efforts to become a lower priority in some jurisdictions. In its purest form, the multidisciplinary IPD team is colocated in its own office.

Provide education and operate transparently. Community members expressed frustration regarding previous planning efforts, frequently unaware of the studies already completed or feeling that they lacked information about the planning process or topics. This frustration has led to certain levels of distrust of the public sector on topics of land use and regulatory initiatives. Community engagement would not be solely the responsibility of the GVPA if it is created, but as the integrative land use and planning board, the GVPA would

need to do its part in the community education and engagement process, ensuring transparency via notices, website information, and outreach in small groups.

Launch with an investment and an immersive workshop. Launching the GVPA will take time and resources. Funding the effort may be a challenge, but it is an investment in the Gallatin Valley's future. To formally launch the GVPA, an intensive planning summit or working session designed to result in fundamental decisions on all the things listed as mandates within this section should be held, conducted by an experienced and objective facilitator and informed by the planning executives of the three jurisdictions. Retreat topics could include the legal framework of the organization, goals for the executive director, outlining organizational priorities, and expected outcomes. The planning executives should be prepared with initial recommendations and lean on the facilitator to ensure open and candid conversations about concerns accompanying this change. Without such a conversation, business will continue as usual. A culture shift will require time and commitment—and is required to tame further sprawl, prevent haphazard enclaves of development, and support diverse housing that is attainable and can support the community character residents hold so dear.



Implementation: Next Steps

AS THE THREE JURISDICTIONS CONSIDER WHERE TO START AND HOW, the following steps should be taken within the next 12 months.

Launch the GVPA. Forming and organizing the GVPA will take time, but the work should commence now. Through careful and intentional meeting planning and facilitation, an opening charrette involving key leadership and planning staff can lay the groundwork for transforming PCC into GVPA and detail the actions needed for the rechristened organization. The GVPA and its constituents will guide and facilitate many of the critical next steps for the region.

Form a regional housing coalition. While the full formation of such a coalition will take time, the process should start today. Working with known partners and exploring conversations with potential new or similarly aligned organizations can help shape the foundation of the coalition and see that it is ready to begin advocating for the tools and resources needed at the community level to meaningfully contribute to community housing solutions.

Determine how to align with SB 382. Although fully opting into SB 382 will require funding and staffing, Gallatin County is strongly encouraged to weigh the pros and cons of adopting a lesser version, namely, an area plan, versus opting into the process fully, which will provide the county with additional resources and levers for guiding development in the long run.

Reset the public engagement process. Community engagement is a long-term, intensive process. The love community members feel for the region, their city, and their neighborhood is impressive, and it cannot be respected enough. Engaging with the community, deeply and in spaces they already inhabit, will provide additional opportunities to enhance the clarity of both the Triangle Area Plan's vision and its content. The panel acknowledges that effort has been put into community engagement, but the panel heard from many constituents that the effort has been less effective than it could be. Prior efforts and communication tools need

to be reevaluated and expanded in the future to improve effectiveness of community connections.

The Gallatin Valley is adored, and rightfully so. The mountain vistas, outdoor recreation opportunities, cold-water streams teeming with fish, and the natural resources (flora and fauna) of the area have drawn people to the valley for centuries. As the cities and county wrestle with managing population growth, housing residents, and protecting the open space so dear to so many, the steps outlined in this report and on the pages of the

region’s current planning tools hold many of the answers for a sustainable path forward. It is now up to the community, civic leaders, and elected officials to see it through.

To further support implementation efforts, the following is a summary of the recommendations presented in this report in terms of short-, medium-, and long-term and ongoing actions that the members of the sponsor teams can take to address challenges with growth experienced throughout the Gallatin Valley.

Implementation Guide

Regional Planning

Short Term	<ul style="list-style-type: none"> • Gallatin County opts into SB 382. • Gallatin County pursues zoning.
Medium Term	<ul style="list-style-type: none"> • Use transfers of development rights to create more efficient and sustainable growth patterns and, at scale, protect thousands of contiguous acres of open space. • Recast the PCC as the GVPA, a regulatory entity with requisite authorizations and enforcement power. Hire a facilitator to conduct an immersive workshop. Hire an executive director and dedicated staff.
Long Term	<ul style="list-style-type: none"> • The cities of Bozeman and Belgrade annex the land within the Triangle. • Focus density within identified clusters of development to limit sprawl.
Ongoing	<ul style="list-style-type: none"> • Implement the existing plans for the Triangle area.

Infrastructure

Short Term	<ul style="list-style-type: none"> • Implement the Triangle Transportation Plan and enforce the requirement that all new developments reserve space for rights-of-way and construct frontage improvements. • Implement the Triangle Trail Plan and enforce the requirement that new developments construct all trails connecting across their property. • Include emergency services planning in development review processes.
Medium Term	<ul style="list-style-type: none"> • Minimize new well and septic system installations. Prioritize development in the future annexation areas for Belgrade and Bozeman, where expansion services can be more easily extended. • Prepare a holistic analysis of water rights availability to support anticipated growth in the annexation areas. • Review Triangle zoning to plan for water needs and wastewater collection. The county, Belgrade, and Bozeman should identify the zoning in the Triangle area and in the cities’ 20-year growth and annexation service areas to support planning. • Create phased areas of benefit with opt-in opportunities to fund infrastructure improvements within future annexation areas. • Create a transportation impact fee to fund improvements regionally through the Triangle Transportation Plan.

Implementation Guide

Infrastructure *(continued)*

Long Term	<ul style="list-style-type: none"> • Adopt transportation policies that provide access, connection, and mobility options and allow for regional master planning. • Conduct water and wastewater master planning using land use and zoning to inform water and wastewater demands. • Consider a regional water and wastewater district to address the physical constraints limiting the extension of water and wastewater from Bozeman and Belgrade. • Identify locations for neighborhood and regional parks to provide or preserve additional open space and access to nature. • Plan for further electrification across the valley.
Ongoing	<ul style="list-style-type: none"> • Coordinate infrastructure improvements to support compact land use and contiguous development patterns. • Preserve open space and critical natural resources by focusing infrastructure in density-specific locations. • Ensure that extension of infrastructure is efficient and respects public- and private-sector investments. • Consider new annexation policies to guide decisions around public services, locations of infrastructure, and locations for future infill and growth. • Leverage growth policies to curb disconnected development. Evaluate the viability of proposed Triangle developments not connecting to centralized water supply and wastewater treatment. • Monitor groundwater testing and river nutrient loading within the county and consider implementing source water (groundwater) protection. • Support the Urban Transportation District and future expansion of mass transit. • Update existing plans to reflect new development nodes and transportation needs. • Use low-impact, best practice development techniques to manage stormwater runoff before entry into surface waters. • Use high-quality population projections and student generation rates to maintain community focus on neighborhood schools.

Housing and Workforce

Short Term	<ul style="list-style-type: none"> • Organize a regional housing coalition to advocate for policies at the state level. • Streamline the development review process. Identify improvements to increase efficiency and effectiveness of the review, permitting, and entitlement processes. • Evaluate impact fees and restructure development fees to lower up-front soft costs (<i>e.g.</i>, planning and design costs and permits). • Leverage nonprofit partners to house essential workers. • Pursue public/private partnerships to catalyze additional housing development. • Create, perhaps in coordination with the Human Resource Development Council, a resource hub to help homeowners and renters find assistance and information about for-sale homeownership, rental opportunities, homebuyer and rental payment assistance, and more.
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Implementation Guide

Housing and Workforce *(continued)*

Medium Term	<ul style="list-style-type: none"> • Draft a regional housing implementation plan to be administered by a regional housing task force. • Use deed restrictions to secure long-term affordability. • Establish by-right development mechanisms to allow and/or encourage accessory dwelling units and live/work development in commercially zoned areas.
Long Term	
Ongoing	<ul style="list-style-type: none"> • Draft a regional housing implementation plan to be administered by a regional housing task force. • Use deed restrictions to secure long-term affordability. • Establish by-right development mechanisms to allow and/or encourage accessory dwelling units and live/work development in commercially zoned areas.

Funding for Implementation

Short Term	<ul style="list-style-type: none"> • Connect with the U.S. Department of Transportation for technical assistance.
Medium Term	<ul style="list-style-type: none"> • Utilize funding for housing and energy efficiency, <i>e.g.</i>, Bipartisan Infrastructure Law and Inflation Reduction Act. • Pursue BRIC funding. • Use population growth and new federal metropolitan area designation to unlock federal funding. • Leverage the Community Foundation and private wealth to support community needs, <i>e.g.</i>, grants, match-funded grants, and investment of donor-advised funds to support mission-aligned projects.
Long Term	<ul style="list-style-type: none"> • Pursue a local option sales tax to support the implementation of regional planning efforts.
Ongoing	<ul style="list-style-type: none"> • Leverage public/private partnerships for predevelopment funding during an uncertain market or for projects that have a community benefit.



Conclusion

PLANNING IS KEY TO COMMUNITY SUCCESS, and the Gallatin Valley is ready to take action. Plans are in place, addressing important community functions and goals, and leadership across Bozeman, Belgrade, and Gallatin County recognizes the need to act collaboratively to implement the Triangle Plan that is now in place.

The panel fully supports a common precept at the heart of virtually every plan it reviewed: to concentrate coming growth as much as possible in the core defined by the Triangle, discouraging or even disallowing development outside its confines. Engineering the Triangle as the recipient of the region's urban growth will make it possible—if not easy—for the rest of the region to avoid ruinous sprawl, the thing that will most surely destroy the Montana characteristics of the region everyone loves so much. Across all of the planning work completed to date and understanding the collective goals and concerns of the three jurisdictions, the following key recommendations should guide movements across the Gallatin Valley and help

inform the important work ahead. These recommendations are all in service to the above central goal:

- Implement the Triangle Plan.
- The county should opt in to SB 382.
- Bozeman and Belgrade should annex and zone the Triangle.
- The county is encouraged to zone the rest of the county, which is necessary to fully use transfers of development rights as recommended by the panel.
- Conserve agricultural land across the valley with new and existing tools, including TDRs.

- Infrastructure planning across all three jurisdictions should support the zoning measures in place, funneling improvements and resources in areas to concentrate and support density while curbing sprawl and protecting open land.
- Comprehensively analyze regional water supplies to plan for and manage future growth and ensure continued access to clean and safe water. A centralized wastewater treatment facility should be constructed.
- Bozeman is encouraged to leverage its entitlement city status and invest resources to access entitlement city funding and federal assistance.
- The three jurisdictions should collaborate to establish a regional housing coalition that can leverage the power of the valley to advocate for state-level housing legislation and supports.
- Affordable housing developments should be prioritized, and valley jurisdictions are encouraged to modify the development review process to prioritize affordable housing, thus speeding delivery and reducing development risk.
- Community wealth and community foundations may be found across the valley and could prove influential partners in this important work.
- The Planning Coordinating Committee was an excellent first step toward collaborative planning in the region. Now it is time to take the next step and transform the PCC into the Gallatin Valley Planning Authority, setting the stage for implementation of the Triangle Plan and the recommendations set forth by the panel.

Appendix: Inflation Reduction Act of 2022

This document provides resources on how modified or new tax deductions and credits enable energy production, commercial development, and home improvements that reduce greenhouse gas emissions because of the IRA of 2022. A bonus for some of the tax credits exists within Energy Communities. This resources guide does not cover new tax credits or tax credits modified by IRA related to nuclear power, advanced coal facilities, or carbon sequestration.

Federal and Nonfederal Resources on New and Modified Tax Deductions and Credits

[Novogradac Renewable Energy Tax Credit Resource Center](#)

[The Real Estate Roundtable](#)

- IRA—Section 48 Investment Tax Credit: March 30, 2023
- IRA Fact Sheet on Clean Energy Tax Incentives: March 23, 2023
- Clean-Energy Tax Incentives Relevant to U.S. Real Estate: January 5, 2023

Baker Tilly: [What the IRA Means for the Real Estate and Construction Industries](#)

Urban Land magazine online: [“Incentivizing a Green Revolution for Commercial Real Estate with the Inflation Reduction Act”](#)

Additional information on new or modified tax credits that relate to energy communities and those eligible to receive the credits can be found at the [Interagency Working Group on Coal and Power Plant Communities and Economic Revitalization website](#).

Eligible Tax Credits under the IRA within Energy Communities or “EC Projects”

Energy communities are defined multiple ways per the Internal Revenue Service guidelines as part of changes to tax code due to the IRA of 2022. These include the following key definitions:

- Brownfield site—as defined in certain subparagraphs of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA).
- Metropolitan statistical area or nonmetropolitan statistical area has or has had at any time after 2009:
 - 0.17 percent or greater direct employment or 25 percent or greater local tax revenues related to the extraction, processing, transport, or storage of coal, oil, or natural gas; and
 - An unemployment rate at or above the national average unemployment rate for the previous year.
- A census tract or directly adjoining census tract:
 - In which a coal mine has closed after 1999, or
 - In which a coal-fired electric generating unit has been retired after 2009.

Additional information on the definition of an energy community, and links to maps, can be found on the [Energy Communities website](#).

For Energy Producers

Section 45Y: Production Tax Credit for Electricity from Renewables

- The tax credit is transferable at a baseline of \$0.03 per kilowatt. Bonuses include the following:
 - 5× bonus if prevailing wage and apprenticeship requirements are met,
 - 10 percent bonus for materials produced within the United States, and
 - 10 percent bonus if an EC project.
- A qualified facility is a unit that produces net zero energy, owned by a taxpayer, that is placed in service after December 31, 2024. This includes expanded energy production capacity as part of a new unit.
 - A qualified facility has a greenhouse gas emission rate which is not greater than zero during the process of energy production.

- Qualified facilities include “advanced biofuel” or “renewable fuel” that requires combustion or gasification for energy production whose life-cycle emissions are zero. However, specific guidance will be issued not later than January 1, 2025, by the Secretary of Energy.
- Qualified facilities that produce energy above the net zero greenhouse gas life-cycle emissions which cannot be sequestered via geological storage.
- A 100 percent credit for qualified facility that is below 1 megawatt of production capacity. The percentage of the credit goes down as the production capacity goes up over 1 megawatt.

For Commercial Property Owners

Section 179D: Energy-Efficient Commercial Buildings Deduction

- Helps reduce energy consumption by 25 to 50 percent for commercial and multifamily buildings over the baseline energy use intensity. Deduction includes the interior lighting systems; the heating, cooling, ventilation, and hot water systems; and/or the building envelope.
- Maximum deduction is \$1.80 per square foot with a baseline of \$0.50 per square foot and increases by \$0.02 per square foot.
- Must meet the most recent, Secretary of Energy–approved Standard 90.1 by the American Society of Heating, Refrigerating, and Air Conditioning Engineers and the Illuminating Engineering Society of North America.

Section 48E: Clean Electricity Investment Tax Credit

This tax credit applies to investment in the property and other improvements that are an integral part of the qualified facility, including financing or depreciation and construction. The tax credit is transferable and stackable, so it could range from 2 to 70 percent depending on the following:

- 6 percent base rate for tax credit for qualified facility or energy storage technology investment with net output/storage of less than 1 megawatt,
- 2 percent base rate for tax credit for qualified facility or energy storage technology investment with net output/storage of greater than 1 megawatt,
- 10 percent bonus for an EC project,
- 5× bonus for using prevailing wages and an apprenticeship program,
- 10 percent bonus for materials produced in the United States, and
- 10 to 20 percent bonus for qualified affordable housing or economic-benefit projects within a qualifying low-income community and/or federally recognized tribal land with power from wind or solar that is 5 megawatts or less. The government has 1.8 gigawatts of power to allocate to projects via an application process.

For the 10 percent credit, the project must be located within qualified tax locations based on New Market Tax Credit locations.

For the 20 percent credit, the project must be in the qualified location and must be a facility installed on a residential rental building that participates in a covered federal housing project whose electricity benefits are shared equitably within all residential tenants or 50 percent of the financial benefits must be delivered to certain income levels for housing costs, such as reduced electric bills.

- Cannot be used with a renewable energy credit determined under Section 45. Section 48E can be used with a Section 45L tax credit.
- The buildings or structure, especially if not directly needed for qualified facility, are not covered if using qualified rehabilitated building tax credits under Section 47. This portion of the cost should be removed from the overall investment or basis.
- Does not reduce Section 42 Low-Income Housing Tax Credits.

Section 30C: Alternative-Fuel Vehicle Refueling Property Credit

- A credit to incentivize the installation of electric-vehicle-charging or other alternative-fuels stations.

- This is a 6 percent transferable tax credit. This amount can be increased to up to 30 percent if prevailing wage and apprenticeship requirements are met.
- Must be located within a qualified low-income community (same locations as for New Market Tax Credits).

Section 45L: Tax Credits for Zero Energy Ready Homes (ZERH)

- A credit to incentivize energy-efficient new residential construction and adaptive use of existing building, including multifamily.
- Two-tiered credit applicable for higher-rated energy-efficient units meeting the ZERH program requirements and prevailing wages.
 - \$1,000 to \$5,000 available for single-family and manufactured homes, depending on energy efficiency level. No prevailing wage requirement.
 - Multifamily base is between \$500 and \$1,000 per dwelling unit for the first five floors of a building. Increases to \$2,500 to \$5,000 if using prevailing wage.
 - Tax credit can be used only for the first five floors of a building.
- Does not reduce Section 42 Low-Income Housing Tax Credits.

Direct pay (“elective pay”) and transferability provisions: Provisions in the IRA allow for elective pay, or direct pay, to tax-exempt and governmental entities for the full value of the tax credits. Eligible entities include the following:

- State, local, and territorial governments;
- Tribal and native entities; and
- Rural energy cooperatives; and other tax-exempt entities, including 501(c)(3) organizations, 501(d) organizations, and those exempt under 501(a) of the tax code.

Programs for energy producers and commercial property owners

- Section 45Y: Production Tax Credit for Electricity from Renewables
- Section 48E: Clean Electricity Investment Tax Credit
- Section 30C: Alternative Fuel Vehicle Refueling Property Credit
- Section 45L: Tax Credits for ZERH

Additional programs for energy producers and industrial users

- Section 45Q: Tax Credit for Carbon Sequestration
- Section 45U: Nuclear Power Production Credit
- Section 45V: Clean Hydrogen Production Credit
- Section 45Z: Clean Fuel Production Credit
- Section 48C: Qualifying Advanced Energy Project Credit

For Homeowners or Renters

Section 25C: Energy-Efficient Home Improvement Credit

- 30 percent capped tax credit for residential energy efficiency and electrification upgrades up to \$3,200 per year, not lifetime
 - Heat pump and heat pump water heaters, \$2,000
 - Other upgrades, \$1,200
 - » Insulation, \$1,200
 - » Doors, \$500
 - » Windows, \$600
 - » Electrical panel, \$600
 - » Energy audit, \$150

Section 25D: Residential Clean Energy Credit

- Provides a 30 percent uncapped tax credit for rooftop solar, battery storage, or geothermal heating. Can be applied to an electrical panel upgrade if it is installed in conjunction with another eligible energy installation.



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About the Panel

Alan Razak

Panel Chair
Philadelphia, Pennsylvania

Alan Razak's background in commercial real estate encompasses development and project management, finance, architecture, and feasibility and planning analyses. He has extensive experience managing the development process, both as owner and as a fee developer, and with use types including residential, office, and retail, as well as specialized expertise with highly technical facilities such as data centers. Razak currently manages a sensitive renovation and restacking project for the American Philosophical Society, in addition to providing strategy and planning support for various clients of the firm and advising on design and construction contracts.

Razak led the development of the 76ers training and headquarters complex, one of the first projects to take advantage of the extraordinary Grow NJ tax credit program. He was principal in charge of development management for the Cheslen Visitor Center for Natural Lands Trust, as well as for a strategic facilities plan and team assembly, contracts, and initial project setup for Montgomery County, which encompassed approximately \$300 million of work on Montgomery County properties and the downtown core of Norristown, Pennsylvania. Other projects included a study for the Children's Hospital of Philadelphia (CHOP) of its mission-critical data centers, which enabled CHOP to avoid creating a new \$20 million data center, and transaction management for land at Fulton and Flatbush in Brooklyn, New York, tripling the anticipated proceeds for the seller.

Razak founded Razak Company in 2003, where he developed projects such as Pembroke North Condominium, Main Line Jaguar Land Rover, 5035 Ritter Road for the Administrative Office of Pennsylvania Courts, and the Curtis Institute of Music's Lenfest Hall, where he restarted an over-budget project and saved \$12 million. He provided early-phase planning or forensic analyses for projects at Swarthmore College, Citadel Investments, the Rock School of Dance, and Vanguard.

Prior to forming Razak Company, Razak was a principal with Radnor Advisors, which was subsequently purchased by Insignia/ESG. There, he was worldwide director of the Technology Practice Group and managed the Philadelphia office's real estate consulting group. During the early 1990s,

Razak focused on international real estate development, along with technical consulting services for government and domestic financial institutions. For much of the 1980s, he was a partner at Rouse and Associates (later Liberty Property Trust), where he managed urban development projects in Washington, D.C., and the Philadelphia region, including work on Philadelphia's Penn's Landing.

Laura Bonich

Jackson, Wyoming

Laura Bonich has 35 years of experience, primarily in project planning and entitlement with an emphasis on horizontal infrastructure and infrastructure sustainability for water, wastewater, reclaimed water, drainage, and transportation. She has provided strategic planning approaches to all aspects of land development projects, including physical and policy land planning, infrastructure master planning, design, financing, entitlements, sustainability, permitting, and regulatory compliance. She has worked on the due diligence, acquisition, entitlement, master planning, and design of over 100,000 single-family lots and thousands of square feet of commercial, mixed-use, and redevelopment projects in 11 states. Working in numerous town and county jurisdictions has given her a broad understanding of the impacts of growth and the importance of land use regulations and zoning. She emphasizes the practical implementation of sustainable design practices for infrastructure.

Bonich lives in Jackson, Wyoming, where she serves as chair of the Affordable Housing Supply Board and on the Energy Conservation Works Board (a partnership with the local energy company, Town and County). Bonich spent 20 years as a full member of ULI, is a past branch president of the American Society of Civil Engineers, was a member of the Institute for Sustainable Infrastructure's National Technical Committee for the Envision rating system, and is a member of the Harvard Graduate School of Design Sustainable Infrastructure Advisory Board. Bonich also worked directly on the development of the Leadership in Energy and Environmental Design (LEED) for Neighborhood Development rating system. Bonich has a bachelor of science in civil engineering from the University of Washington and a master of business administration from National University.

Lucia Garsys

Tampa, Florida

Lucia's experience has focused on the intersection of land use, infrastructure, and public funding. This gives her unique insight into effective public/private partnerships to balance community needs and developer interests. Garsys currently serves as senior adviser on community partnerships in Hillsborough County, Florida, leveraging institutional interests to build emerging innovation districts. In the past decade, she served as the executive administrator for Hillsborough County's land planning and development as well as its cradle-to-grave capital operations and programs. She directed 2,000 employees with a \$500 million operating budget and a \$1 billion capital portfolio to balance the diverse needs of a growing community.

Her prior consulting experience includes land use and comprehensive planning, downtown revitalization with tax increment financing, developer recruitment, and fiscal impact analysis in the Chicago Metro area and Fairfax, Virginia. She consulted on economic development initiatives with communities throughout the United States. Garsys advised emerging democracies in Eastern Europe on transparent and open land development and planning processes. Garsys is an active member of ULI, having served as governance chair for ULI Tampa Bay and past chair of its Management Committee. She served as a panelist on a half-dozen Advisory Services panels and local technical assistance panels. In Hillsborough County, she hosted two Advisory Services panels. She served as a juror for the Americas and Global Excellence Awards and engages in national initiatives focused on infrastructure and land use.

In the past, she served as a juror for AICP's Student Awards, as a board member on and adviser to the Board on the Built Environment of the National Research Council, and on the Advisory Board for the Planning program at the University of South Florida. She routinely mentors students and women in real estate and related fields.

Garsys holds a bachelor of science in city and regional planning from the Illinois Institute of Technology and a master's degree in urban and regional planning from the University of Illinois at Urbana—Champaign. She is a fellow of the American Institute of Certified Planners.

Molly McCabe

Big Fork, Montana

Molly McCabe is chief executive officer of HaydenTanner, a strategic real estate development and advisory firm driving impact investment and sustainability in the built environment. The firm takes a people-centered approach and triple bottom-line focus to ensure projects are sound investment opportunities while creating healthy, resilient buildings and vibrant, sustainable communities. She has a specialized focus on environmental, social, and governance factors including climate risk, resource efficiency, carbon tracking, resilience, health, and wellness.

Experienced in leading through complexity, McCabe has helped launch and guide several startups, new ventures, and change management initiatives. McCabe is cofounder and board member of The Lotus Campaign, providing housing-driven solutions for homelessness, and sits on the boards of The Freshwater Trust and City Craft Foundation. McCabe is past chair of the ULI Responsible Property Investment Council; a founder of a venture capital-funded, commercial mortgage-backed securities firm; and manager of an institutional real estate capital markets group. McCabe wrote "Practical Greening: The Bottom Line on Sustainable Property Development & Investment" and "Financing and Driving Value: Responsible and Resilient Property Investing in the New Millennium" and is an industry leader on investment, climate change, social impact, and resilience.

Gretchen Milliken

Park City, Utah

Gretchen Milliken is an urban planner, architect, and designer and currently leads several affordable-housing developments in Park City and Moab, Utah. Prior to her involvement in affordable housing, Milliken served as planning director for Park City Municipal, where she oversaw all land use planning, historic-preservation efforts, and planning applications. Milliken moved to Utah in 2020 following an eight-year stint as the director of advanced planning and sustainability for Louisville Metro Government in Louisville, Kentucky, where she led several significant citywide planning initiatives, namely, Vision Louisville, an innovative and transformative 25-year plan for future growth; MOVE Louisville, a strategic

multimodal transportation master plan; and Vision Russel, a \$30 million HUD Choice Neighborhood Initiative to implement mixed-income, multigenerational housing and mixed use in one of the city's most impoverished neighborhoods. While in Louisville, she also participated in the ULI Rose Fellowship and cofounded the ULI Kentucky district council.

A transplant from Stockholm, Sweden, where architecture and urban planning are synonymous with smart and sustainable growth, Milliken brings a holistic approach to her work with a focus on people, sustainability, and the built environment. Over her career, she has accumulated a diverse resumé of architectural projects along with long- and short-term planning initiatives, regional planning, multimodal strategic planning, sustainability, climate resiliency, resort planning, and comprehensive plan updates.

Kim Morisaki

Kalispell, Montana

Kim Morisaki's family has been in Montana's Flathead Valley for six generations and building homes in Montana for three generations. After four years at Claremont McKenna College in California, she headed off to Japan for an adventure in Montana's sister state, Kumamoto, and found herself running a business importing Montana-made and other American-made goods. For several years, she imported building materials for Japanese contractors and architects who wanted to build American-style homes. After marrying Yuji Morisaki, she convinced her husband that life would be more fun in Montana, where the mountains were beautiful and the lakes were plentiful.

After returning to Montana in 2003, Morisaki worked at Artisans Doors of Montana, and her sales region included Bozeman, Big Sky, and Jackson Hole. Having studied economics in college, she decided to make a career change and moved to Montana West Economic Development and Flathead County Economic Development Authority, where she helped new businesses launch and existing businesses expand. Her favorite project was working with the city of Kalispell to lay the groundwork for the new Parkline Trail, which took 10 years to bear fruit but was worth every minute. In 2020, she started Morisaki Strategic Solutions and began

leveraging all available tools to expand the inventory of affordable housing in northwest Montana, soon taking on the role of executive director of the Northwest Montana Community Land Trust with a mission to provide permanently affordable homeownership opportunities for low- and moderate-income families in the Flathead Valley and northwest Montana.

George Ruther

Vail, Colorado

George Ruther is the director of housing in Vail, Colorado, with nearly 30 years of mountain resort community development experience. Capitalizing on his extensive community development experience, Ruther transitioned to lead and direct the town of Vail's newly formed Housing Department. Under his leadership, the Housing Department is directly responsible for policy development; housing regulation implementation, deed restriction compliance, and oversight; lottery administration; program administration; and management of housing developments and initiatives that increase the overall supply and availability of housing opportunities within the community and the region. Since its formation in 2018, the Housing Department has aided the community in realizing a 53 percent increase in the total number of deed-restricted homes in Vail, with an additional 600 homes currently in the pipeline. The availability and affordability of housing, however, remain the most critical issues facing the Vail community.

Throughout his public-sector career, Ruther has led and directed the successful outcome of Vail's most complex, challenging, and critical community initiatives. HousingColorado recognized him for innovation and leadership in affordable-housing solutions with the 2019 Eagle Award, acknowledging his work to ensure safe, fair, and affordable homes for all Coloradans.

Ruther earned a bachelor's degree in public administration and policy analysis from the University of Wisconsin and a master's degree in urban and regional planning from the University of Colorado. He is an active member of the American Institute of Certified Planners, American Planning Association, HousingColorado, and ULI.

Scott Schoenherr

Boise, Idaho

Scott Schoenherr leads Rafanelli & Nahas's intermountain operation and has developed or acquired nearly 2 million square feet of property in the Boise, Idaho, area. Rafanelli & Nahas focuses on class-A office buildings in the downtown core and is the largest property owner in downtown Boise. Rafanelli & Nahas also develops and manages multifamily projects in California and Idaho.

Schoenherr received his bachelor of arts from Michigan State University and a master of business administration from Harvard Business School. After business school, Schoenherr relocated to the San Francisco Bay Area, where he joined Spieker Properties. At Spieker, Schoenherr handled leasing, construction, acquisitions, and management of office and industrial properties in San Francisco's East Bay. Later, Schoenherr started Crucial Technology, a division of Micron Technology. Under his leadership, Crucial's sales grew to over \$500 million annually.

Schoenherr is actively involved with the Children's Home Society of Idaho and several other Idaho charities. He is also active in BOMA, the Downtown Boise Association, and ULI.



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