

# Fiscal Note 2027 Biennium

Bill#/Title:		Allow for nonprofitusing on state lands	t development	and management	of attainable	
Primary Sponsor:	Curtis Schome	r	Status:	As Introduced		
☐ Included in the Executive Budget		☐ Needs to be included in HB 2		☐ Significant Local Gov Impact		
☐ Significant Long-Term Impacts		☑ Technical Concerns		☐ Dedicated Revenue Form Attached		
		FISCAL SU	UMMARY			
		FY 2026 Difference	FY 2027 Difference	FY 2028 Difference	FY 2029 Difference	
Expenditures General Fund (0	1)	\$0	\$0		\$0	
Revenues General Fund (0	1)	\$0	\$0	\$0	\$0	
Net Impact General Fund B	Balance	\$0	\$0	\$0	\$0	

### Description of fiscal impact

HB 931 specifies that single family residential developments, authorized under a lease with a master lessee, including a lease executed with a non-profit corporation for developing attainable workforce development housing, is a commercial purpose for which a commercial lease can be issued. Department of Natural Resources and Conservation is unable to determine future income. There is no fiscal impact to the Department of Commerce.

#### FISCAL ANALYSIS

#### Assumptions

#### **Department of Natural Resources and Conservation**

1. The income generated by HB 931 is expected to be proportional to the scale and nature of the development projects undertaken. The Department of Natural Resources and Conservation (DNRC) is unable to estimate the exact amount of anticipated future income at this time.

## **Department of Commerce**

1. The bill revises 77-1-902, MCA, to authorize the development of attainable workforce housing by a non-profit, under a state land lease. There is no fiscal impact to the Department of Commerce.

#### **Technical Concerns**

#### **Department of Commerce**

1. HB 931 refers to the "Attainable workforce housing" definition provided in 90-6-143, MCA, which was established under HB 819 Montana Community Reinvestment Act during the 2023 Legislative session. "Attainable workforce housing" means housing of a cost that an eligible household would spend no more

than 30% of gross monthly income for a mortgage payment, property taxes, and insurance." This definition includes reference to the "Eligible household" definition, defined in HB 819 and 90-6-134, MCA to mean "a household earning between 60% and 140% of median household income for the county in which the person resides or the state, whichever is less." HB 931 does not reference this "Eligible household" definition, so it is presumed there are no household income limits for the single- or multifamily housing developed pursuant to HB 931.

- 2. HB 931 Section 1(4)(a) expands the definition of "Commercial purpose" to include "single-family or multifamily residential development authorized under a lease with a master lessee, including a lease executed with a nonprofit corporation for the purposes of developing attainable workforce housing..." This language suggests developed housing could be for both homeownership and rental. The "Attainable workforce housing" definition is tailored specifically to homeownership situations involving a mortgage payment; this definition may not be appropriate for multifamily rental housing.
- 3. As written, the "no more than 30% of gross monthly income for mortgage payment, property taxes, and insurance" could impact mortgage loan underwriting which may qualify borrowers for a mortgage but with a mortgage payment, property taxes, and insurance at an amount that exceeds 30% of the family's gross monthly income. It is very common for households to be approved for a mortgage loan where they are paying closer to 40% of monthly income for housing costs. It is also not clear if this requirement is at time of initial occupancy only, or if mortgage / rent is intended to be adjusted if the household's gross monthly income increases or decreases over time. If the Legislative intent is to ensure households continuously pay not more than 30% of gross monthly income, the resulting housing program would be operated more akin to a Section 8 Housing Choice Voucher where the household's rent is adjusted as household income increases and decreases. This approach would be administratively burdensome and may impact the financial feasibility / capital stack of the proposed housing development.

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		1CC	4/1/2025	
Sponsor's Initials	Date	Budget Director's Initials	Date	