



PILOT RENT LOCAL INCENTIVE PROGRAM

Long-Term Rental Reward Program Rules and Regulations

Creating more homes for Big Sky workers.

Effective Date: August 1, 2021

Table of Contents

1. PROGRAM OVERVIEW	Page 3
2. INCENTIVES AND PILOT PROGRAM DURATION	Page 3
3. PROGRAM ADMINISTRATION	Page 4
4. ELIGIBILITY FOR HOMEOWNERS	Page 5
5. ELIGIBILITY FOR TENANTS	Page 6
6. HOME SHARE	Page 7
7. PROGRAM EVALUATION	Page 7
8. TABLES	Page 8

1.0 PROGRAM OVERVIEW

Big Sky Community Housing Trust's RENT LOCAL Incentive Program intends to increase the supply of rental homes available to Big Sky's workforce by adding an additional 100 units to the long-term rental pool by 2023.

Community members in Big Sky struggle to find housing due to skyrocketing real estate prices and vacation rentals dominating the rental market. Recent census data concludes that 78% of Big Sky's workforce commutes from at least 40 miles outside of Big Sky.¹ Additionally, local businesses struggle to hire and remain open because there is nowhere for their employees to live.

The RENT LOCAL Incentive Program aims to increase the number of long-term rental units available to Big Sky's workforce by offering financial incentives to homeowners, who can more easily pay their bills on the short-term rental market, in exchange for long-term leases.² (See Tables 1 & 2, Page 8)

The purpose of the Pilot Program is to test this concept with the long-term goal of housing more of the local workforce in Big Sky, which will reduce commuter traffic and pollution, as well as support the local economy.

2.0 INCENTIVES AND PILOT PROGRAM DURATION

After approval from BSCHT's Board of Directors, the Pilot RENT LOCAL Incentive Program will start August 1, 2021. The Pilot Program will remain in effect for six months or until BSCHT has used all available funds. If the Pilot Program is successful in increasing the number of long-term rentals on the market for local workers, BSCHT will extend the program, pending funding.

2.1 Incentive Rates Chart:

LEASE LENGTH	INCENTIVE
Previous LL Lease	\$300
*New 6-month Lease	\$1,500
New 1-Year Lease	\$6,750
**Renewing 1-Year Lease	\$6,750
New 2-Year Lease	\$14,500

2.2 Previous LL Lease Defined: owner has rented on the long-term market in the last 12 months through Big Sky Community Housing Trust or Landing Locals in Big Sky. Owners will receive up to a \$300 refund on the fee they paid for tenant screening services but will not receive a reward for a lease signed prior to August 1, 2021. For new leases by previous RENT LOCAL participants signed after August 1, 2021: owners who choose to renew their long-term lease for a minimum of one year may be awarded the same funds as if they are signing a new one-year lease. ****For the Pilot Program, BSCHT will only reward three (3) homeowners under the Renewing 1-Year Lease guidelines.** See 2.5 for details.

¹ Per the Census Bureau, <https://onthemap.ces.census.gov/>

- 2.3 *New 6-month Lease Defined: BSCHT will limit the number of awards offered to homeowners signing new six-month leases to ***five (5) for the pilot program**. At the completion of the Pilot Program, BSCHT will reevaluate incentivizing homeowners for six-month leases after analyzing the number of six-month leases that converted into longer leases.
- 2.4 New 1-Year Lease Defined: owner has not rented on the long-term market in the last 12 months and is signing a new lease for one year.
- 2.5 **Renewing 1-Year Lease Defined: owner has rented on the long-term market in the last 12 months and is renewing the lease for a minimum of 12 months, with the lease beginning between August 1 and December 31, 2021. Renewing leases for less than 12 months are not eligible for reward funds. ****For the Pilot Program, BSCHT will only reward three (3) homeowners under the renewing lease guidelines.**
- 2.6 New 2-Year Lease Defined: owner has not rented on the long-term market in the last 12 months and is signing a new lease for two years.
- 2.7 Leases Signed Prior to August 1, 2021: The incentives outlined in 2.1 are not offered to any homeowner with a lease beginning prior to August 1, 2021, except for the Previous LL Lease category. If owners renew a lease for a minimum of one year after August 1, 2021, they may be eligible for the incentive program. ****For the Pilot Program, BSCHT will only reward three (3) homeowners under the renewing lease guidelines.**

3.0 PROGRAM ADMINISTRATION

Big Sky Community Housing Trust will administer the Pilot RENT LOCAL Incentive Program as an extension of its current rental matching services.

- 3.1 Administration: BSCHT will issue 50% of the award payment to participating property owners 30 days after the lease's execution date. A second installment of 50% will be granted at the close of the lease, pending compliance checks of the executed lease agreement.
- 3.2 Lease Compliance: BSCHT will review a copy of the signed lease agreement prior to releasing the first award payment. Additionally, BSCHT will conduct lease compliance checks midway through the lease and at the lease's completion. BSCHT will require proof that the lease is active and in good standing from both the property owner and the tenants during all compliance checks.
- 3.3 Support Role: BSCHT will provide all current tenant screening services featured in RENT LOCAL to all reward recipients at no charge. This includes marketing, providing customer service, listing units, screening prospective tenants, processing applications, and making matches between owners and tenants. Owners who

require additional property management services can purchase them on an à la carte basis. Owners signing one-year leases, or longer, are eligible for 10% off à la carte property management services.

4.0 ELIGIBILITY FOR HOMEOWNERS

- 4.1 **Pilot Incentive Program Application:** Homeowners must complete an application to Big Sky Community Housing Trust and comply with the following criteria to be considered for the Pilot RENT LOCAL Incentive program:
 - 4.1.1 **Location:** The home must be in the Big Sky Resort Area District.
 - 4.1.2 **Status:** The home must be a legally permitted unit. If the homeowner applicant has a legal short-term rental, it must be in good standing, meaning all Resort Tax and Montana State Lodging Taxes have been paid.
 - 4.1.3 **Ownership:** The applicant must be the owner of the property or able to represent the owner or ownership group legally.
 - 4.1.4 **Rental Affordability:** Homeowners participating in the Pilot RENT LOCAL Incentive Program can charge market-rate rent. A one-bedroom unit should not exceed \$1,750 per month in rent. Rent for a multi-bedroom unit can range from \$900 to \$1,400 per bedroom per month. Acceptable rental rates for the Pilot RENT LOCAL Incentive Program are dependent on condition of the unit, number of bedrooms, utilities included, and other amenities offered. BSCHT reserves the right to decline rewards to owners charging more than a fair-market rate.
 - 4.1.5 **Property Condition:** The home must meet basic safety and quality criteria per the Montana Residential Landlord Tenant Act.
 - 4.1.6 **Signed Contract with Big Sky Community Housing Trust:** The homeowner must sign a contract with Big Sky Community Housing Trust and agree to comply with the Pilot RENT LOCAL Incentive Program's rules.
 - 4.1.7 **Signed Lease Agreement:** The homeowner must sign a lease agreement with qualified tenants working in Big Sky.
 - 4.1.8 **Successful Midway and Final Lease Checks for Final Award:** Leases will be checked for compliance by BSCHT via communication with the homeowner and tenants at the midway and final lease marks. Failure to meet lease requirements at either of these points disqualifies the homeowner from additional reward payments.
 - 4.1.9 **Homeowners renting only a portion of their home:** Homeowners renting out a bedroom(s) in a home they occupy are eligible for the Pilot RENT LOCAL Incentive Program. To be eligible, owners must commit to renting out their spare room(s) for a minimum of one-year to be eligible. Owners will receive 30% of the reward funds outlined in the Incentive Rates Chart in 2.1, regardless of the number of rented bedrooms or tenants. Renewing 1-year Lease guidelines, as outlined in 2.5, apply.
 - 4.1.10 **Homeowners renting an ADU:** If the ADU (auxiliary dwelling unit) has a separate entrance, at least one bedroom area, a private kitchen, private bath, and private living quarters, homeowners are eligible for the full reward outlined in the Pilot RENT LOCAL Incentive Rates Chart in 2.1.

4.1.11 **Developers or employers as landlords:** Only private homeowners are eligible for the Pilot RENT LOCAL Incentive Program.

4.2 Contingency:

4.2.1 **Change of Ownership:** If a homeowner sells the property during the lease period, the selling homeowner is disqualified from the program and must return all incentive funds to Big Sky Community Housing Trust. The new owners could potentially qualify if they rent to the existing tenants for a minimum of 12-months.

4.2.2 **Failure to Comply with Lease:** If the homeowner does not meet lease agreements at the midway and final mark, BSCHT will work with the homeowner to rectify the situation. If an agreement cannot be reached, the homeowner will be disqualified from receiving the second installment but will not be required to pay back the first installment.

4.2.3 **Maximum Incentive:** The maximum reward any one homeowner can receive for a three-year period, assuming the program continues and expands, is \$21,250.

5.0 ELIGIBILITY FOR TENANTS

5.1 Pilot Incentive Program Application: All members of a household must complete an application to Big Sky Community Housing Trust and comply with the following criteria to be tenants in the Pilot RENT LOCAL Incentive program:

5.1.1 **Work in the Big Sky Resort Area District:** At least one tenant in the household must work at least 30 hours per week for an employer based in the Big Sky Resort Area District. Permanent residents will be prioritized over seasonal employees.

5.1.2 **Current Living Location:** At least one tenant in the household must already reside in Gallatin or Madison County.

5.1.3 **Required Documentation:** Each adult applicant in the household must submit the following documentation along with their applications:

- Copy of driver license or other government issued photo ID.
- Copy of W2 and/or recent paystub (past two months).

5.1.4 **Background Check:** final applicants will pay a \$20 fee for BSCHT to run a complete background, credit, and 50-state evictions check.

5.2 Household Defined: two or more adults related (family/marriage) OR unrelated but living together in one house.

5.3 Tenant Defined: a single adult, 18 years or older, applying to be matched into a rental unit in the Big Sky Resort Area District for use as their primary residence.

6.0 HOME SHARE

- 6.1 Definition of HOME SHARE: HOME SHARE is a program offered to homeowners renting on the long-term rental market in the Big Sky Resort Area District. In exchange for signing a long-term lease with qualified tenants, BSCHT offers alternative accommodations to owners who wish to visit Big Sky for short stays.
- 6.2 Pilot Program HOME SHARE limitations: Only homeowners signing a one-year lease, or longer, are eligible for HOME SHARE. As HOME SHARE inventory is limited, this service is not guaranteed and provided for two weeks max a year at a cost of \$500 per week, paid by the homeowner participating in the Pilot RENT LOCALA incentive program. The \$500 fee covers utility usage and cleaning fees in the HOME SHARE property.

7.0 PROGRAM EVALUATION

BSCHT'S staff and Board of Directors will evaluate the Pilot RENT LOCAL Incentive Program to ensure community resources are being efficiently utilized. BSCHT will produce a Pilot Program report using the following criteria to measure success and to evaluate whether to seek additional funding to continue the program:

- Number of homes unlocked as long-term rentals.
- Types of homes unlocked (size, location, condo or single-family).
- Number of units converted from short to long-term rentals.
- Rental prices for each unit in the program with the average per bedroom.
- Income of renters served.
- Employers served.
- Number of rentals extended beyond six (6)-month leases.
- Number of rentals extended beyond twelve (12)-month leases.
- Program participant surveys (homeowners and tenants).

Fair Housing Laws/Equal Opportunity *Big Sky Community Housing Trust will operate the Pilot RENT LOCAL Incentive Program in compliance with the HUD's Fair Housing Act and Montana Residential Landlord and Tenant Act. Big Sky Community Housing Trust does not discriminate nor allow homeowners to discriminate against tenants.*

Table 1: 2020 Average Short-Term Rental Rates*(Source: AirDNA.co | Collected in January 2021. Reflect dates from January to December 2020.)*

By Neighborhood	Average Daily Rate from AirDNA 2020			Annual Gross at 45% Occupancy (165 days)		
	1 bed	2 beds	3 beds	1 bed	2 beds	3 beds
Mountain	\$174	\$256	\$310	\$28,710	\$42,240	\$51,150
Hidden Village	x	\$417	\$409	x	\$68,805	\$67,485
West Fork + Deer Run	x	\$259	\$308	x	\$42,735	\$50,820
Town Center	x	x	\$410	x	x	\$67,650
Firelight Condos & Chalets	x	\$223	\$345	x	\$36,795	\$56,925
Golf Course	\$198	\$275	\$328	\$32,670	\$45,375	\$54,120
AUX units off Mountain	\$160	\$267	x	\$26,400	\$44,055	x
Average All Units/Neighborhoods	\$177	\$283	\$352	\$29,205	\$46,695	\$58,080
Median All Units/Neighborhoods	\$176	\$267	\$345	\$29,040	\$44,055	\$56,925

Table 2: Average Short-Term Versus Long-Term Rental Income in Big Sky for 2020

Short-Term (2 Beds)			Long-Term (2 Beds)		
	<u>In</u>	<u>Out</u>		<u>In</u>	<u>Out</u>
<i>(Median night rate: \$267 for 165 night)</i> GROSS INCOME (45% Occupancy)²	\$44,055		<i>(\$1,000 a bedroom a month)</i> GROSS INCOME	\$24,000	
8% Lodge + 4% Resort Tax		(\$5,287)	8% Lodge+ 4% Resort Tax		(\$0)
20% Manage /List/Cleaning		(\$8,811)	5% Manage /List/Cleaning		(\$1,200)
Utilities		(\$3,400)	Utilities		(\$0)
Short-term Rent Insurance		(\$1,750)	Landlord Insurance		(\$875)
Maintenance		(\$1,000)	Maintenance		(\$2,000)
TOTAL EXPENSES		(\$20,248)	TOTAL EXPENSES		(\$4,075)
Net Income SHORT-TERM		\$23,807.00	Net Income LONG-TERM		\$19,925

² **Profit Difference between the short-term and long-term rental markets:**

- At 45% occupancy (165 nights), short-term rentals earn \$3,882 more annually than long-term rentals.
- At 50% occupancy (183 nights), short-term renters earn \$7,151 more annually than long-term rentals.
- At 55% occupancy (201 nights), short-term renters earn \$10,419 more annually than long-term rentals.