



## **RENT LOCAL INCENTIVE PROGRAM**

*Long-Term Rental Reward Program Rules and Regulations*

**Creating more homes for Big Sky workers.**

Effective Date: November 1, 2021

# Table of Contents

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

## 1.0 PROGRAM OVERVIEW

Community members in Big Sky struggle to find housing due to skyrocketing real estate prices and vacation rentals dominating the rental market. Currently, there is a 0% vacancy rate for long-term rentals throughout Gallatin county. Additionally, recent census data concludes that 78% of Big Sky's workforce commutes from at least 40 miles outside of Big Sky.<sup>1</sup> Nearly every local business struggles to hire and remain open because there is nowhere for their employees to live.

Although building more inventory is a top priority for Big Sky Community Housing Trust, the construction will take years. The RENT LOCAL Incentive Program aims to immediately 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.<sup>2</sup> (See Tables 1 & 2, Page 7). Housing more of the local workforce in Big Sky will reduce commuter traffic and pollution, as well as support the local economy.

## 2.0 INCENTIVES AND PROGRAM DURATION

BSCHT launched a successful pilot of the RENT LOCAL Incentive Program, lasting from August 1 to October 31, 2021. Updates to incentives offered through the RENT LOCAL Incentive Program will begin November 1, 2021. The RENT LOCAL Incentive Program will continue until more developments can be completed, and/or pending funding.

### 2.1 Incentive Rates Chart Effective November 1, 2021:

	6-MONTH LEASE	1 YEAR LEASE	2 YEAR-LEASE
<b>1 BEDROOM</b>	\$2,160	\$5,400	\$11,880
<b>2 BEDROOM</b>	\$2,520	\$6,300	\$13,860
<b>3 BEDROOM</b>	\$2,880	\$7,200	\$15,840
<b>4 BEDROOM</b>	\$3,240	\$8,100	\$17,820

- 2.2 Lease Defined: Incentive amounts are offered to homeowners new to the long-term rental market with a lease beginning on or after November 1, 2021. The minimum lease commitment is six months.
- 2.3 Homeowner Qualifications Defined: Homeowners meet BSCHT qualifications if the owner has not rented on the long-term market in the last 12 months and is signing a lease beginning on or after November 1, 2021.
- 2.4 Bedrooms Defined: owner must rent to at least one person per bedroom to qualify for higher bedroom awards.
- 2.5 Leases Signed Prior to November 1, 2021: The incentives outlined in 2.1 are not offered to any homeowner with a lease beginning prior to November 1, 2021. If owners continue with the program after their first official lease through RENT LOCAL, they may be eligible for continued awards, pending funding.

## 3.0 PROGRAM ADMINISTRATION

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

---

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

- 3.1 **Administration:** For six-month and one-year lease agreements, BSCHT will issue 50% of the award payment to participating property owners 30 days after the lease's execution date. BSCHT will grant the second installment of 50% at the close of the lease, pending compliance checks of the executed lease agreement. For two-year lease agreements, BSCHT will issue award payments in three equal installments to property owners, the first occurring 30 days after the lease's execution date. BSCHT will grant the second installment halfway through the lease term and the third installment 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 and proof of the tenant's local employment prior to releasing the first award payment. All homeowners receiving a cash incentive from BSCHT under RENT LOCAL must also complete an IRS W9 form. 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 for free. This includes marketing, providing customer service, listing units, screening prospective tenants, processing applications, showing the unit, 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 **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 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 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 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 Application with Big Sky Community Housing Trust:** The homeowner must sign a completed application, serving as the contract, with Big Sky Community Housing Trust. The homeowner must agree to comply with the RENT LOCAL Incentive Program’s rules as well as submit an IRS W9 form to BSCHT.
- 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 RENT LOCAL Incentive Program. To be eligible, owners must commit to renting out their spare room(s) for a minimum of six months to be eligible. Owners will receive 50% of the reward funds outlined in the Incentive Rates Chart in 2.1. Renewing one-year Lease guidelines, as outlined in 2.5, apply.
- 4.1.10 **Homeowners renting an ADU or Tiny Home:** If the ADU (auxiliary dwelling unit) has a separate entrance, at least one bedroom area, a private kitchen, and private living quarters, homeowners are eligible for the full reward.
- 4.1.11 **Developers or employers as landlords:** Only private homeowners are eligible for the RENT LOCAL Incentive Program. Business owners who privately own property may still apply.

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 or 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 further reward installments and may be required to pay back any previous installments.

**5.0 ELIGIBILITY FOR TENANTS**

- 5.1 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 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.
  - 5.1.2 **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).
- 5.1.3 **Background Check:** final applicants may be asked to 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 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 four weeks max a year at a cost of \$500 per week, paid by the homeowner participating in the RENT LOCAL 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 RENT LOCAL Incentive Program annually to ensure community resources are being efficiently utilized. BSCHT will track the following data 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-month leases.
- Number of rentals extended beyond twelve-month leases.
- Program participant surveys (homeowners and tenants).

**Fair Housing Laws/Equal Opportunity** *Big Sky Community Housing Trust will operate the 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
<b>Average All Units/Neighborhoods</b>	<b>\$177</b>	<b>\$283</b>	<b>\$352</b>	<b>\$29,205</b>	<b>\$46,695</b>	<b>\$58,080</b>
<b>Median All Units/Neighborhoods</b>	<b>\$176</b>	<b>\$267</b>	<b>\$345</b>	<b>\$29,040</b>	<b>\$44,055</b>	<b>\$56,925</b>

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

Short-Term (2 Beds)			Long-Term (2 Beds)		
(Median night rate: \$267 for 165 night) <b>GROSS INCOME (45% Occupancy)<sup>2</sup></b>	<b>In</b> \$44,055	<b>Out</b>	(\$1,000 a bedroom a month) <b>GROSS INCOME</b>	<b>In</b> \$24,000	<b>Out</b>
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)
<b>TOTAL EXPENSES</b>		<b>(\$20,248)</b>	<b>TOTAL EXPENSES</b>		<b>(\$4,075)</b>
<b>Net Income SHORT-TERM</b>		<b>\$23,807.00</b>	<b>Net Income LONG-TERM</b>		<b>\$19,925</b>

<sup>2</sup> **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.