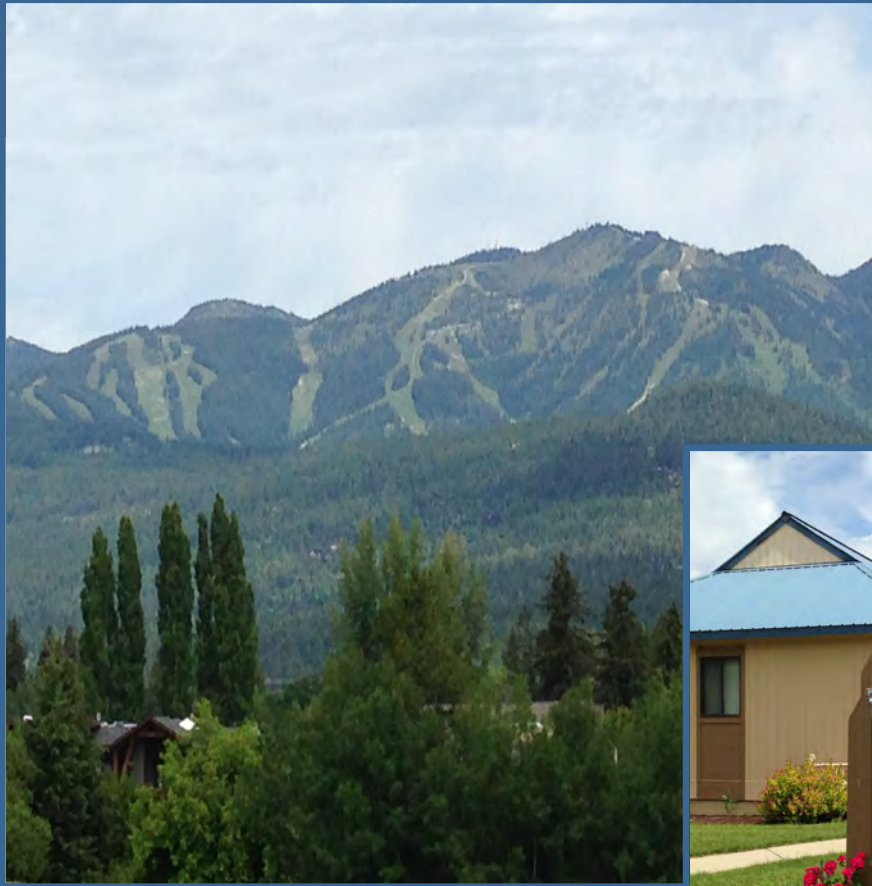


Whitefish Area Workforce Housing Needs Assessment

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Introduction

Purpose

This Housing Needs Assessment quantifies current and future housing needs in the Whitefish zip code area 59937 (“Whitefish Area”) and identifies where the market is not addressing those needs. It answers questions such as how much, what type and at which price points housing is needed to support Whitefish Area employees, employers and residents. This includes identifying needed homes for rental and ownership at price points ranging from lower-wage earners and entry-level workers through management positions.

The purpose of this information is to help the community establish housing strategies and policies that will provide more opportunities for local employees to live in the Whitefish Area and help support the local community character and economy. It is intended to be part one in a two-part process for the Whitefish Area in developing a local housing strategy:

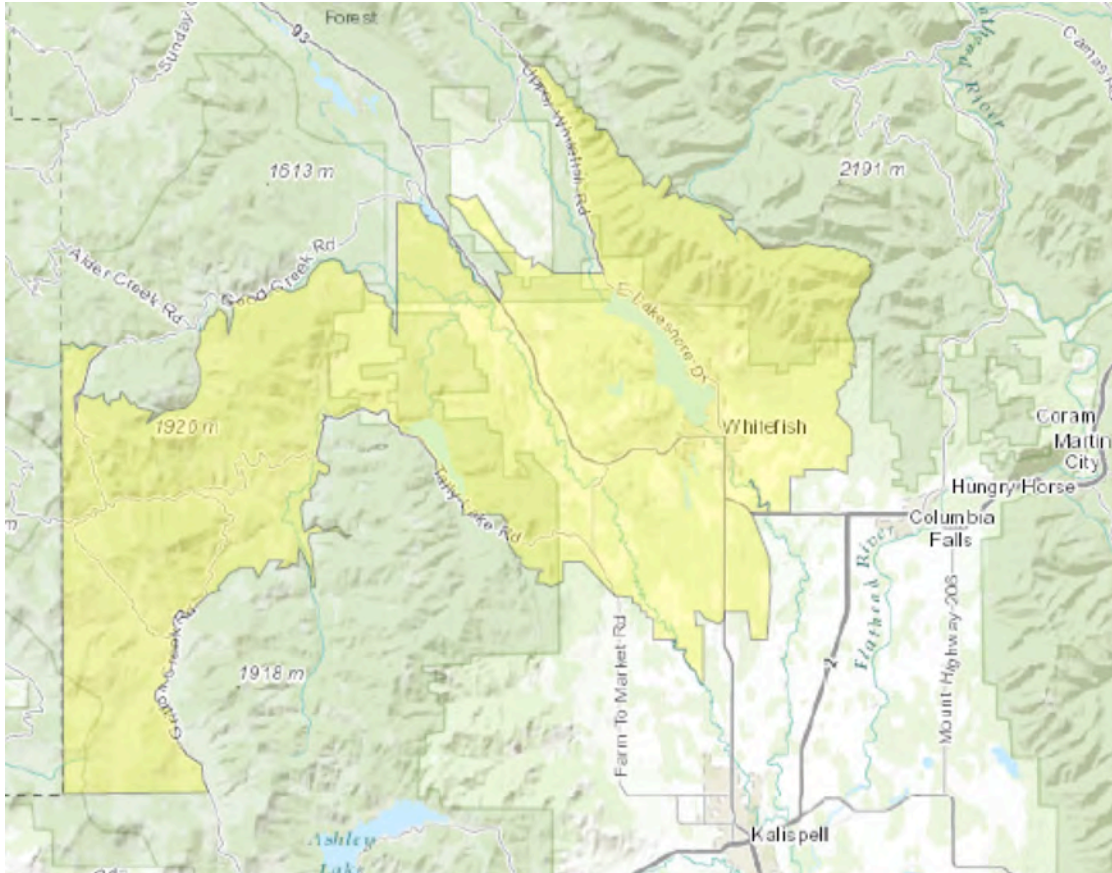
- This study (“Part One”) provides the data on demographic, economic and housing trends and identifies local housing needs.
- “Part Two” will use this information to develop specific housing goals, priorities and programs that can help the Whitefish Area support a vibrant community and economy moving forward.

The report does not cover senior and special needs housing, which are populations that require special housing design, services and considerations that are different from the local workforce. This report does identify important trends in this population, but specific housing needs in terms of special care facilities or age-restricted developments have not been identified. Analyzing the needs of these populations requires expertise and methods unique from workforce housing needs analysis.

Study Area

This study covers the 59937 zip code area, which includes the City of Whitefish and neighboring unincorporated area. Throughout this report, the term “Whitefish Area” is used to indicate the zip code area. This area is highlighted in yellow in the below map.

Whitefish Zip Code 59937 (“Whitefish Area”)



The study area is the yellow-highlighted region.

Methodology

Primary research was conducted to generate information beyond that available from existing public sources and included:

Whitefish Area Employer Survey. A short on-line survey was distributed to employers to reach large and small businesses in the Whitefish Area. The employer survey probed the number of year-round and seasonal workers (summer and winter), where workers live (commute patterns), employee retention and recruitment issues, to what extent employee housing is perceived to be an issue, and employers’ level of support for housing assistance, among other information.

We received generous assistance from the Whitefish Chamber of Commerce, the Whitefish Convention and Visitors Bureau and housing task force members in distributing the survey link. The survey link was also made available on the Chamber’s website and advertised through newspaper publications and other media. We also

followed up with some employers by phone to generate a deeper understanding of issues presented through survey responses.

Survey responses represent:

- 135 businesses or about 16% of all businesses in the Whitefish Area.
- A very large 50% of jobs in the Whitefish Area.

Whitefish Area Employer Survey Response Summary

	Responses	Total in Whitefish Area	% represented by survey
Employers	135	860	16%
Jobs represented	3,490	7,005	50%

Source: Employer survey responses; Whitefish Area employers and job numbers from QCEW zip code files and EMSI data.

Select comments offered by employers are quoted in italics and text boxes in several sections of this report.

REALTOR® and Lender Focus Group. A focus group with three REALTORS®, a property appraiser and a local mortgage lender was held in the City of Whitefish. Information was obtained on the ownership market including current prices, recent trends, occupancy patterns, availability and what households are seeking when looking to purchase or rent a unit. This discussion helped define housing preferences among locals and second homeowners searching for homes in the Whitefish Area, including unit type, price points and amenities. Information was also collected on the availability of financing and the challenges faced when residents try to buy a home.

Property Manager Focus Group. A focus group was held in which six rental property managers participated who lease market-rate rentals (apartments, condominiums and single-family homes) in the Area. This group provided information on the rental market including rents, vacancy rates, recent trends, renter profiles and units most in demand.

Affordable Rental Manager Interviews. Property managers of the eight affordable rental properties in the Area were interviewed to understand current rents, vacancy rates, occupancy, waitlists and trends.

Stakeholder Discussions and Interviews. Additional interviews were conducted with the Whitefish Housing Authority, Whitefish Chamber of Commerce, City of Whitefish and Flathead County Planning Departments, and local employers to gather their input and perceptions on housing problems, programs and challenges in the Whitefish Area and collect local data.

Early in the process we also held a discussion with Whitefish City Council, the housing task force and a breakfast session with Area employers to target primary housing concerns and understand local needs.

Secondary and Local Data Sources

A variety of sources of published information were used in the preparation of this report, including but not limited to:

- 2000 and 2010 US Census data and population projections. This information is used to identify changes in Whitefish Area residents and households over time and identify the demographics of the Area.
- 2010-2014 American Community Survey data (ACS) to understand general trends since the 2010 Census.¹
- Employment information from the Quarterly Census of Employment and Wages (QCEW), the US Bureau of Economic Analysis (BEA), and Economic Modeling Specialists International (EMSI) employment projections. This data was acquired with the assistance of Montana West Economic Development; Montana Department of Labor and Industry, Research and Analysis Bureau; and Flathead Valley Community College.
- 2016 Area Median Income from the Department of Housing and Urban Development.
- Current MLS listings, recent home sales and historic sale trends acquired through Northwest Montana Association of Realtors (NMAR) and Kelley Appraisal.
- Flathead County property ownership and residential records acquired through the Flathead County GIS Department and based on Montana Department of Revenue records.

¹ The ACS was not used to define the current demographic composition of Whitefish Area households for several reasons. First, for areas with populations under 20,000, the ACS still carries large margins of error for many of its estimates; even for the 5-year consolidated data. Unlike the decennial Census, the ACS does not collect responses from all households, but only a sample, increasing its margins of error in smaller areas. Second, the Census Bureau recommends using the data to understand trends in changes, where margins of error are reasonable, and not for exact numerical shifts in population or household demographics (see <http://www.census.gov/programs-surveys/acs/technical-documentation/code-lists.2014.html> for more information). Where the ACS has been used to help define the current status of households (primarily in Section 6 – Housing Problems), the margin of error has been provided to clarify the reliability of the data.

- Existing reports, including the Whitefish School District Demographic Study (May 2016) and the 2008 and 2012 Whitefish Housing Needs Assessments.

What is Affordable Housing for the Workforce?

“Affordable” Defined

This report centers on an understanding of “what is affordable” for working households within the Whitefish Zip Code Area (59937). While the term “affordable” is often associated or correlated with low income housing, affordability can be a problem for a broad range of income levels and affordability standards can be applied to all income levels.

Housing is affordable when the monthly payment (rent or mortgage) is equal to no more than 30% of a household’s gross income (i.e., income before taxes). Although there is some variation, this standard is commonly applied by federal and state housing programs, local housing initiatives, mortgage lenders and leasing agents.

Affordable rents and purchase prices meeting this 30% standard can be calculated for various income levels and are often expressed as a percentage of the Area Median Income (AMI). AMI is published annually by the U.S. Department of Housing and Urban Development (HUD) for each *county* and represents the Median *Family* Income of an area. This means that the AMI does not incorporate incomes from non-family single and roommate households, which make up 39% of households in the Whitefish Area. As a result, the AMI will generally be higher than the average income of all households.

The AMI varies by household size. The median (or middle) family income estimate in an area generally falls on or near the 100% AMI rate for a family of four. In Flathead County, for example, the AMI in 2016 is \$60,400. Households that earn less than the middle income, or 100% AMI, will be identified as earning a lower percentage AMI (e.g., 80% AMI).

Flathead County AMI by Household Size: 2016

AMI Level	1-person	2-person	3-person	4-person
30%	\$12,690	\$14,520	\$16,320	\$18,120
50%	\$21,150	\$24,200	\$27,200	\$30,200
60%	\$25,380	\$29,040	\$32,640	\$36,240
80%	\$33,840	\$38,720	\$43,520	\$48,320
100%	\$42,300	\$48,400	\$54,400	\$60,400
120%	\$50,760	\$58,080	\$65,280	\$72,480
150%	\$63,450	\$72,600	\$81,600	\$90,600
200%	\$84,600	\$96,800	\$108,800	\$120,800

Source: US Department of Housing and Urban Development (HUD)

The average household size in the Whitefish Area is 2.2 persons. The below table shows the affordable rents and home purchase prices at various household incomes and the respective AMI level for an average-sized household.

Maximum Affordable Housing Costs

AMI Equivalent*	Household Income	Max Rent	Max Purchase Price**
30%	\$15,000	\$375	\$62,300
50%	\$25,000	\$625	\$103,900
60%	\$30,000	\$750	\$124,600
80%	\$40,000	\$1,000	\$166,200
100%	\$50,000	\$1,250	\$207,700
120%	\$60,000	\$1,500	\$249,300
150%	\$75,000	\$1,875	\$311,600
200%	\$100,000	\$2,500	\$415,500

Source: Consultant team

*AMI for the average sized 2+-person household earning the respective income.

**Assumes 30-year mortgage at 4.5% with 5% down and 20% of the payment covering taxes, insurance and HOA fees.

Interest rates significantly affect the affordable purchase price of homes. Affordable purchase prices in the above table assume an average mortgage interest rate of 4.5%, which is slightly higher than the current rate. For every 1%-point rise, the purchasing power of a household decreases by about 10%. This should be a consideration when evaluating the affordability of housing for locals and establishing prices for new affordable homes.

Interest rates significantly affect the affordable purchase price of homes.

Diversity of Housing Needs

Housing for the workforce must accommodate a broad range of incomes within a community. This includes households with seasonal and entry-level service employees making \$9 to \$15 per hour through business managers making \$100,000 or more per year. It must also provide options for households at various life stages to buy or rent – from new school graduates, to young families, to empty-nesters preparing for retirement. Providing a range of ownership and rental options allows households to grow and change within a community, thus supporting a diverse and vibrant community and economy. More specifically:

- At the lowest income levels (under \$25,000 per year; below 50% AMI), homelessness and the threat of homelessness are important issues. Special populations who are unable to work (e.g., seniors and the disabled) may require assistance at the lower income levels. Affordability problems, especially for renters, may also be present among the working poor.
- As incomes increase to between \$40,000 to \$50,000 per year (about 80% to 100% AMI), households are often looking to buy their first home. Policies at this level are typically designed to help bring homeownership within reach, including down payment assistance and first-time homebuyer loans.
- Finally, at the highest levels (over \$60,000 per year; 120% AMI), upper income groups fuel the market for step-up and high-end housing. The needs of this group will typically be addressed by the free market; although market housing in many high-cost resort communities may start at 150% AMI or more.

Household Income Classification	AMI Level	Maximum 2-person Household Income	Typical Housing Needs
Extremely low income	<=30% AMI	\$15,000 (\$7.50/hr)	Emergency/subsidized housing
Very low income	31% to 50%	\$25,000 (\$12.50/hr)	Income restricted housing (LIHTC, etc.)
Low income	51% to 80%	\$40,000 (\$20/hr)	Market rentals
Moderate income	81% to 100%	\$50,000 (\$25/hr)	First time homebuyers
Middle and upper income	Over 100%	\$50,001+ (\$25+/hr)	Entry market housing and step up home buyers

Source: US Department of Housing and Urban Development (HUD), Consultant team

Acknowledgements

We would like to thank all of those who have helped us and have given us their time and assistance. Information in this report relied extensively on the cooperation and participation from the Whitefish Chamber of Commerce, City of Whitefish and Flathead County staff, elected officials, local employers, Realtors, property managers, lenders, appraisers and community stakeholders, including the Whitefish Housing Authority, Montana West Economic Development, Montana Department of Labor and Industry, Flathead Valley Community College, Northwest Montana Association of Realtors, Kelley Appraisal, Whitefish Convention and Visitors Bureau, and all others.

Information presented in this report is as much based on data and numbers as it is on the experiences and observations of those living in the community, which would not have been possible without extensive local participation. We have enjoyed working with the Whitefish Area community and we appreciate the opportunity to work with communities that have a desire to understand and address the housing needs of local residents and the workforce.

Conclusions and Recommendations

Recent Trends

With a growing economy, rising homes prices, scarce rental availability and few homes listed for sale at lower price points, a shortage exists of housing at prices that are affordable for the workforce. These trends are contributing to labor shortages by making it harder for local businesses to compete for and retain workers who are forced to live outside of the Whitefish Area. For example:

- Employers have had increasing job vacancies over the past couple of years. Approximately 225 year-round and 140 seasonal jobs were unfilled this summer.
- Almost one-third of employers had someone leave their employment or decline a job offer in recent years because they found a job nearer their place of residence.

Multiple factors contribute to this situation:

Primary (local) homes are losing ground. About 70% of homes in the Whitefish Area are now occupied by locals, which is higher than many comparative resort communities; however, recent trends indicate this is changing.

- Residential units occupied by residents dropped nearly 10-percentage points between 2000 and 2010, which is a large change even compared to other resort communities.
- This shift is continuing – the majority of sales activity is from second/vacation home buyers, with pre-retirement buyers comprising a rising segment of second homeowners.
- Second/vacation home uses simultaneously generate demand for workforce housing while reducing the supply.

Most wages cannot compete for housing. Wages for tourism-related service jobs are higher in the Whitefish Area than in the County, on average, but are still insufficient to make up for the higher housing costs.

- Over 50% of jobs are in low wage, tourism-related industries, which are subject to seasonal variations in business. Seasonal fluctuations make it hard to pay higher wages, much less employ persons year-round.

- Second home owners have become more cost-conscious since the recession and now compete with locals for lower-priced homes, decreasing the available supply and pushing the prices of these homes higher.
- More rentals are now on 6- or 9-month lease terms so they can be leased at premium prices during peak summer visitation, decreasing the availability of units for year-round locals.

High and Increasing Housing Costs. Many workers would prefer to live in the Whitefish Area, but cannot afford to either rent or purchase homes in the Area. This has affected business owners and employees ranging from entry-level to mid-management.

- Home sale prices have increased nearly 7% per year the past several years and rents have increased 10% each of the past two years, compared to 2.5% for local wages. Home sale prices are now near pre-recession levels and rents have surpassed them.
- More roommate households have formed to afford rising rents.
- Homebuyers are willing to compromise on their preferred type of home to live in the Whitefish Area, which is easier for singles and couples without children. Many young families instead purchase in Columbia Falls or Kalispell.
- New workers increasingly need to look to other communities to find housing. About 56% of the average year-round workforce commutes into the Whitefish Area for work.

Newer for-sale homes are not targeting the local workforce. About 80% of local buyers search for homes priced under \$300,000.

- The median asking price of condominiums constructed in the past two years is about \$400,000 and the median price of newer single family and townhomes is about \$450,000.
- Townhomes sold for a higher median price than single family homes in the past year, which is not typical. More diversity of product for locals is needed.

Loss of workforce rental units. As in other mountain communities, rental units are in short supply. Property managers have had less than 2% vacancy over the past few years.

- Growth in jobs has not been matched by development of rentals for the workforce.

- Long term rentals are being sold by their owners, primarily to second homeowners.
- VRBO and other on-line hosting sites have made it easier to short-term rent units. About 5% of housing units in the Whitefish Area were listed on VRBO in August. This has reduced the availability of long-term rentals and recently prompted the construction of a few units for this purpose.

These changes have additional impacts on the Whitefish Area community, many of which have been experienced by other mountain resort communities as home prices have increased, local-occupancy of homes have decreased and more employees have been forced to live in other communities:

- The Whitefish Area has been losing families. The high price of housing and low availability and choice in homes both for sale and for rent has pushed new families to other communities to find suitable housing and forced some to leave the area to afford to rent. Newer families have not been able to get a foothold in the Whitefish Area fast enough to make up for the loss of families with children as households have aged in place and become empty-nesters.
- Decreased volunteerism. A loss of community volunteers is common in mountain resort areas with high housing costs in which a rising number of local employees must reside in homes outside of the community. The City Fire Department has seen a reduction in the pool of volunteers in recent years. As home prices continue to increase, this may affect other local services, such as emergency services and public schools, which often rely upon a strong volunteer base.
- Maintaining a stable resident base to support the economy. Reduced local occupancy of homes, along with an increasing percentage of workers living outside the Area, has implications for both the long-term vibrancy of the town and the sustainability of its downtown and local businesses. As the year-round resident base decreases, businesses must rely more strongly on peak visitor seasons to sustain their operations. Many employers struggle with the existing seasonality of business in the Area. Expanding the resident base, in contrast, can provide more stable year-round activity for local businesses and help diversify the economy.

Housing Needs

An estimated 980 housing units (about 245 units per year) are needed to address current workforce housing shortages and keep up with future demand through 2020. Of these, about 605 units (62% of total units) should be provided at more affordable prices than supplied by the market to meet the full range of needs of the local workforce. These figures include housing for in-commuters that want to move to the Whitefish Area, workers needed for unfilled jobs, employees filling jobs vacated by retirees and workers filling newly-created jobs. The estimates cover housing that is needed for average year-round employment.

The extent to which each segment of housing needs is addressed by local housing programs will be an extension of housing policy, resources and desired direction with respect to workforce housing.

Summary of Housing Needs	
Catch-Up	670
In-commuters	555
Unfilled jobs	115
Keep-Up	310
Retiring employees	180
New jobs	130
TOTAL through 2020	980
Market-rate units (38%)	375
Affordable units (62%)	605

Both ownership and rental housing are needed in the Whitefish Area. The precise ratio constructed will be a reflection of housing policy as well as demand; but the table below recommends a larger focus on rental units in the near term given prevailing market problems and needs.

Summary of Housing Needs by Own/Rent Through 2020	
Units needed through 2020	980
Ownership	400
Rental	580

- Homeownership supports year-round residency and allows residents to invest in and help build a more stable community.
 - About 60% of needed ownership units (245 total) should be priced affordable for the workforce. This includes homes priced between

\$160,000 and \$310,000 for households earning between \$40,000 and \$75,000 per year (about 80% to 150% AMI).

- Homes priced below \$160,000 are also undersupplied (under 80% AMI). Producing homes at these low price points will require substantial subsidies or programs such as Habitat for Humanity.
- Preferred product types are single-family homes, duplexes and townhomes with a garage and/or extra storage.
- Rentals are in tight supply. Rentals support businesses in need of workers and help new residents gain a foothold in a community.
 - About 360 rentals (62%) should be priced affordable for workforce households earning at or below \$40,000 per year (under 80% AMI).
 - Rents should mostly be affordable for entry-level workers earning \$9 to \$15 per hour through professionals earning up to \$20 per hour. This ranges from about \$400 up to \$1,000 per month.
 - Renters want to live close to their jobs in the Whitefish Area. Renters also desire to have pets, extra storage and/or garages.

Section 1 – Population and Demographic Trends

This section of the report provides population and household estimates, examines growth and describes the demographic characteristics of households, including the mix of owner and renter households and household income. Key findings include:

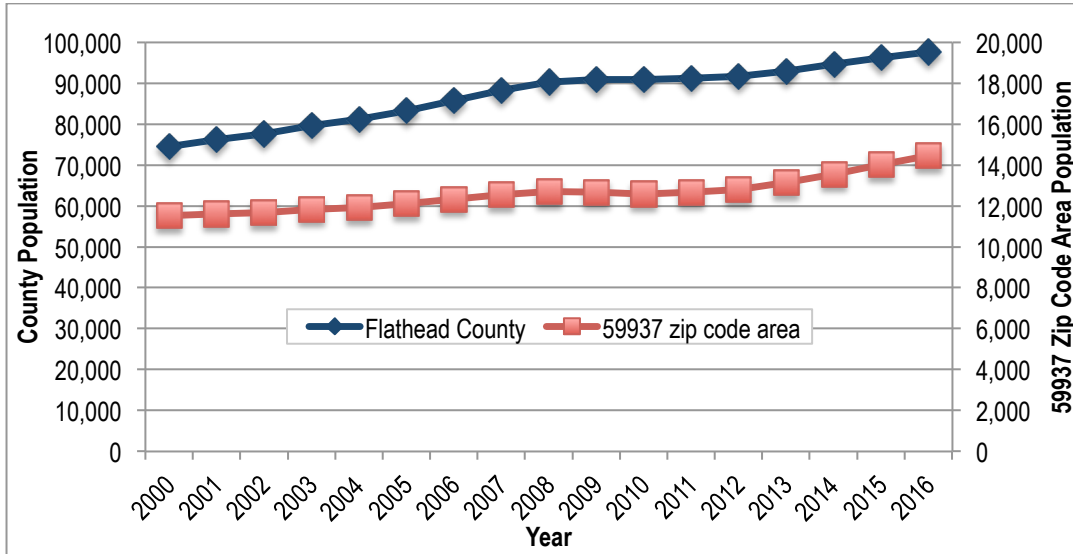
- The population of the Whitefish Area (zip code 59937) grew at a slower pace than Flathead County between 2000 and 2010, but is estimated to have been growing at almost twice the County's rate since 2010.
- The Whitefish Area is losing families – these are primarily workforce households.
- Growth in the population of persons over the age of 65 is outpacing other population groups, meaning that retiree households, both locals and second homeowner retirees, are becoming more prominent. Homes occupied by senior households are not available to the workforce.
- The homeownership rate declined 4-percentage points between 2000 and 2010, but has remained about 65% over the past five years.
- Estimates of employed household incomes indicate that renter households predominately earn under \$40,000 per year and owner households predominately earn over \$50,000, with a median income for all households of about \$53,300. This is important when considering housing affordability and pricing for the workforce.

Population and Households

The Whitefish Area currently has a population of approximately 14,460, which equates to about 15% of the population in Flathead County. The rate of growth in the Whitefish Area has varied from that of the County since 2000:

- Between 2000 and 2008, the population in the Whitefish Area increased about 10% (1,180 persons); the County grew at over twice that rate (21%).
- During the recession, the Whitefish Area lost about 120 persons, whereas the County showed modest growth.
- Since 2010, the population in the Whitefish Area has grown at almost twice the pace of the County, increasing an average of 2.2% per year, compared to 1.1% in the County as a whole.

Change in Population: 2000 to 2016 (Estimated)



Source: US Census population estimates; Consultant team (2016 and zip code area)

Population: 2000 to 2015

	2000	2010	2015	2016 (est.)	% change (2000-2010)	% change (2010-2015)
Flathead County	74,507	90,928	96,165	97,626	22%	6%
Whitefish Area	11,526	12,588	14,006	14,460	9%	11%

Source: US Census population estimates; Consultant team (2016 and zip code area)

With an average of 2.2 people/household, residents of the Whitefish Area occupy over 6,400 housing units.

Households: 2000 to 2016 (Estimated)

	2000	2010	2015	2016 (est.)	% change (2000-2010)	% change (2010-2015)
Flathead County	29,588	37,504	39,664	40,267	27%	6%
Whitefish Area	4,739	5,605	6,236	6,438	18%	11%

Source: US Census estimates; Consultant team (2015, 2016)

Owner and Renter Households

Of the 6,438 households in the Whitefish Area, about 65% own and 35% rent. This is lower than the 71% ownership rate in the County as a whole.

Owner- and Renter-Occupied Households: Whitefish Area – 2016

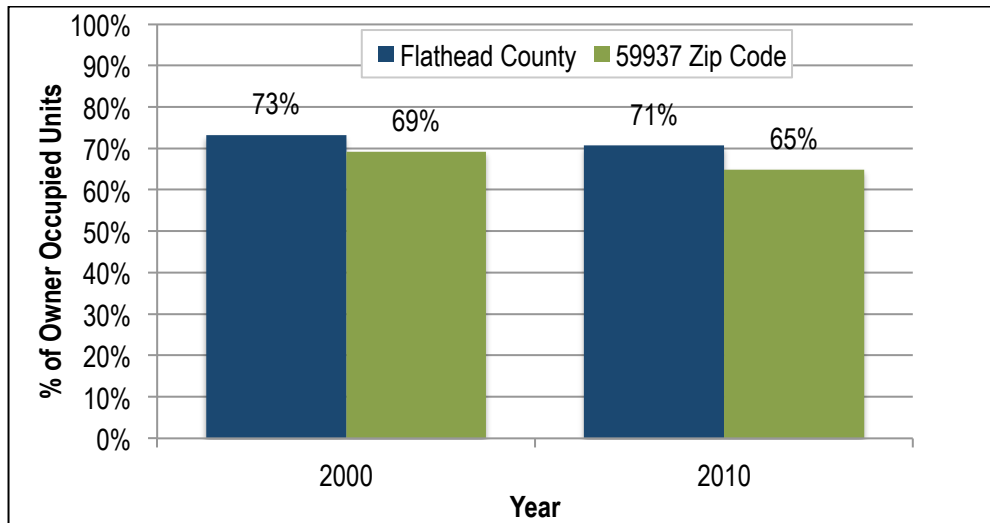
	2016 (est.)	
	%	#
Owner-Occupied	65%	4,179
Renter-Occupied	35%	2,259
TOTAL	100%	6,438

Source: US Census estimates; Consultant team (2016)

Between 2000 and 2010, the homeownership rate declined 4-percentage points in the Whitefish Area, from 69% to 65%. Most of this decline likely occurred during the recession (2007 – 2010). Data from the 2010-2014 ACS indicates that this rate has remained steady over the past five years.²

The homeownership rate also declined in the County as a whole, but by a lower 2-percentage points.

Owner-Occupied Housing Units: 2000 and 2010



Source: 2000 and 2010 US Census

² The 2010-2014 ACS indicates that the ownership rate averages about 66%, with a +/- 4% margin of error at the 90% confidence level. In other words, the ACS represents with 90% confidence that the ownership rate falls between 62% and 70%. Based on the ACS, the 2010 Census and local interviews, it is expected that the ownership rate has remained fairly steady since 2010.

Type of Households

There is little variation in household type in the Whitefish Area compared to the County as a whole. The variations seen are typical in mountain resort communities:

- The percentage of households with children (couples and single parents combined) is slightly lower in the Whitefish Area (28%) than in the County overall (32%); and
- The percentage of households living alone or with roommates is slightly higher in the Whitefish Area (39%) than the County (34%).

The Whitefish Area, however, has a lower percentage of roommate households relative to many mountain resort communities where housing costs are high and tourism-based wages are low. If recent housing trends continue, the percentage of roommate households will likely increase while fewer residents will be able to afford to live alone.

Household Distribution by Type: 2010

Household Type	Flathead County	Whitefish Area (59937)
Couple, no children	34%	33%
Couple, with children	19%	17%
Single parent households	13%	11%
Living alone	27%	30%
Other non-family households (e.g., roommates)	7%	9%
TOTAL	100%	100%

Source: 2010 US Census

Changes between 2000 and 2010 show that:

- Households living alone and couples without children increased at the fastest rate in the Whitefish Area.
- Couples with children remained fairly flat in the County, but declined in the Whitefish Area. The Area lost about 170 of these households and 350 residents between the ages of 5 and 17. Ensuring housing is available and affordable for young families to grow in the Whitefish Area will help retain these households in the future.

- The effect of housing on families with children is also supported by a demographic study that was recently conducted for the Whitefish School District.³ This study forecasted future school enrollments. This study concluded that continued in-migration of young families to the Whitefish School District is needed to retain or grow school enrollments and the housing market will impact this trend. The study forecasts that the rate and magnitude of existing home sales will become a dominant factor affecting the city's population and school enrollment.

Percent Change in Households by Type: 2000 to 2010

	Flathead County	59937 Zip Code
Couple, no children	30.0%	27.8%
Couple, with children	0.6%	-15.2%
Single parent households	40.3%	25.9%
Living alone	36.9%	33.3%
Other non-family households	45.2%	20.0%
TOTAL	26.8%	18.3%

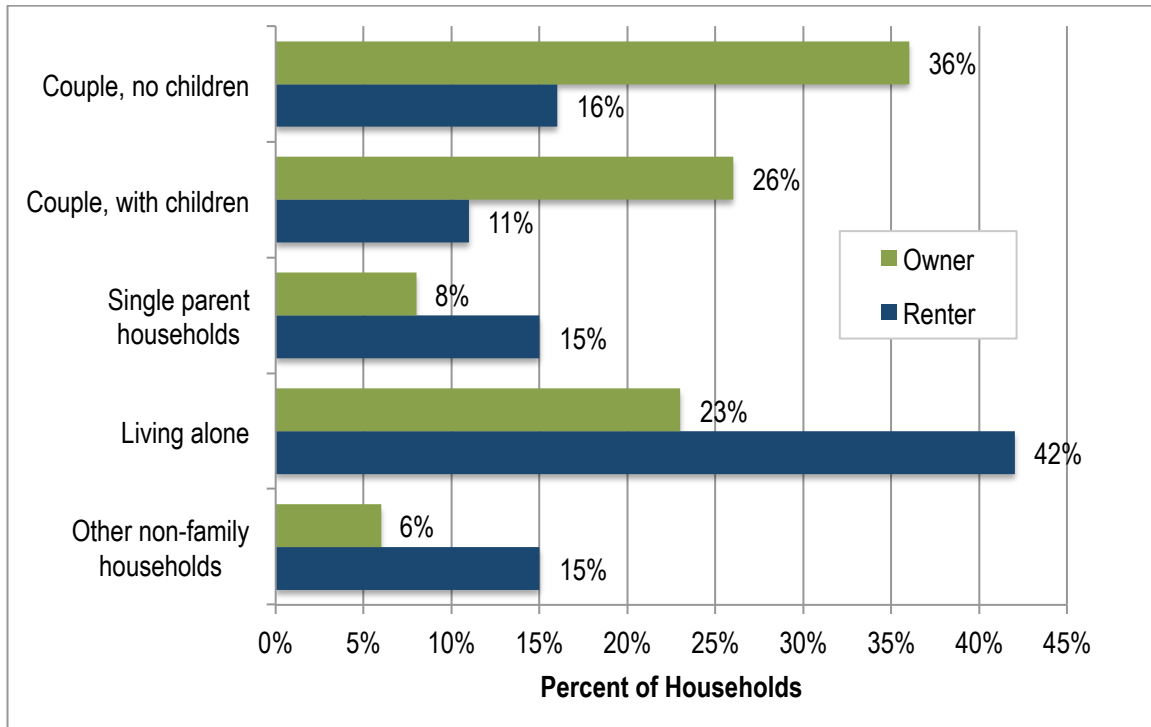
Source: 2000 and 2010 US Census

Comparing owner and renter households:

- Owners are comprised of a higher percentage of couples, both with and without children, than renters.
- Renters are more likely to be living alone (42%) or with roommates (15%) than owners.
- Another 15% of renters are single parent households. These households often find it more difficult than other types of households to afford housing.

³ The Whitefish School District Demographic Study, May 2016" by McKibben Demographics. This study evaluates a broader geographic area, analyzes a different time period (i.e., projects future trends rather than reporting on past trends), and relies upon different research methods and data than this Housing Needs Assessment; therefore, direct comparisons of the data between these two studies is not possible nor advised.

Household Type by Tenure (2010): Whitefish Area



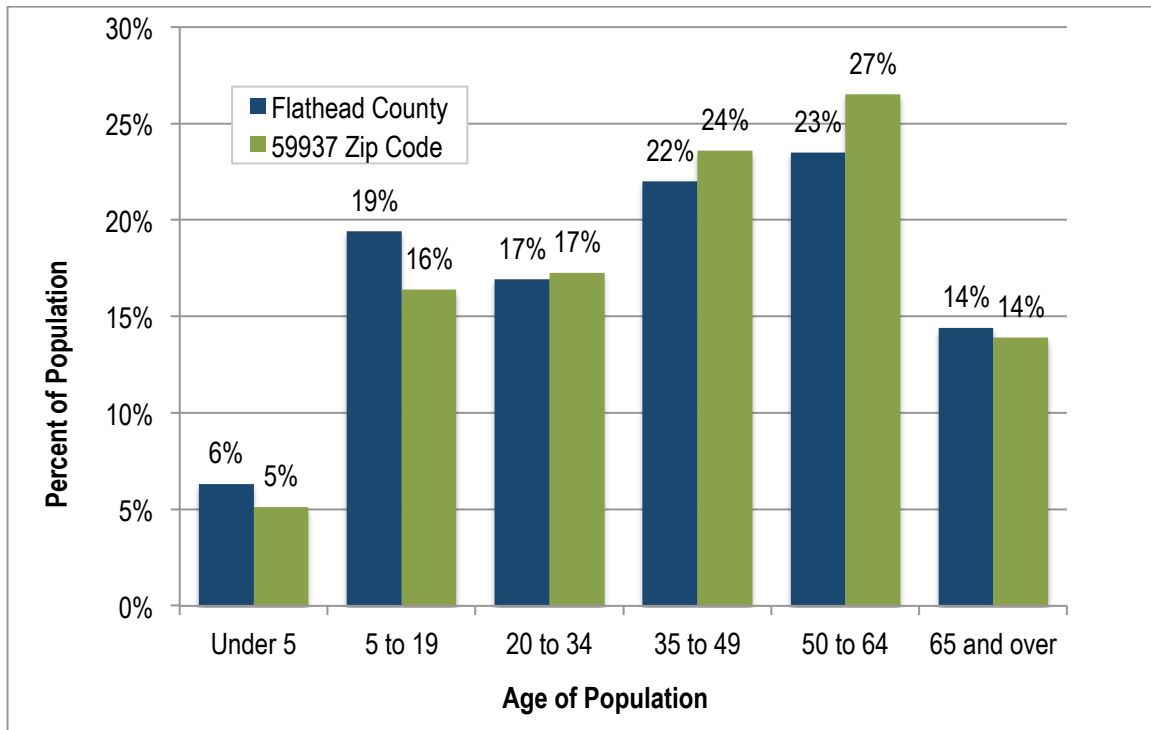
Source: 2010 US Census

Age of Population

The age distribution of residents in the Whitefish Area is similar to that of the County overall, showing a slightly higher percentage of persons between the ages of 35 and 64 and a slightly lower percentage under the age of 20 than in the County. Trends since 2000, show that:

- The fastest growing segment of the population in the Whitefish Area and the County between 2000 and 2010 were persons age 65 and over (29% and 36% increase, respectively).
- Conversely, the population of persons between the ages of 5 to 19 declined by 15% in the Whitefish Area and increased only 5% in the County.

Population Distribution by Age: 2010



Source: 2010 US Census

Senior-Headed Households

Senior-headed households have been increasing as a percentage of households in the Whitefish Area. This is due both to persons aging in place and second homeowners moving into their homes to retire to the area.

Senior-headed households increased 4-percentage points in the Whitefish Area and now comprise a slightly higher percentage of households in the Area (12.1%) than in the County overall (9.6%).

Senior-Headed Households: 2000 to 2010

	Flathead County		59937 Zip Code	
	#	%	#	%
2000	2,619	8.9%	371	7.8%
2010	3,616	9.6%	508	12.1%
% change (2000-2010)	38%	-	37%	-

Source: 2000 and 2010 US Census

Household Size

Households average just over 2.2 people per household in the Whitefish Area, down from about 2.4 people on average in 2000, a reflection of an increase in seniors (65+) and a decrease in families with children.

County household sizes declined only slightly to 2.4 from just under 2.5 in 2000.

Household Size: 2010

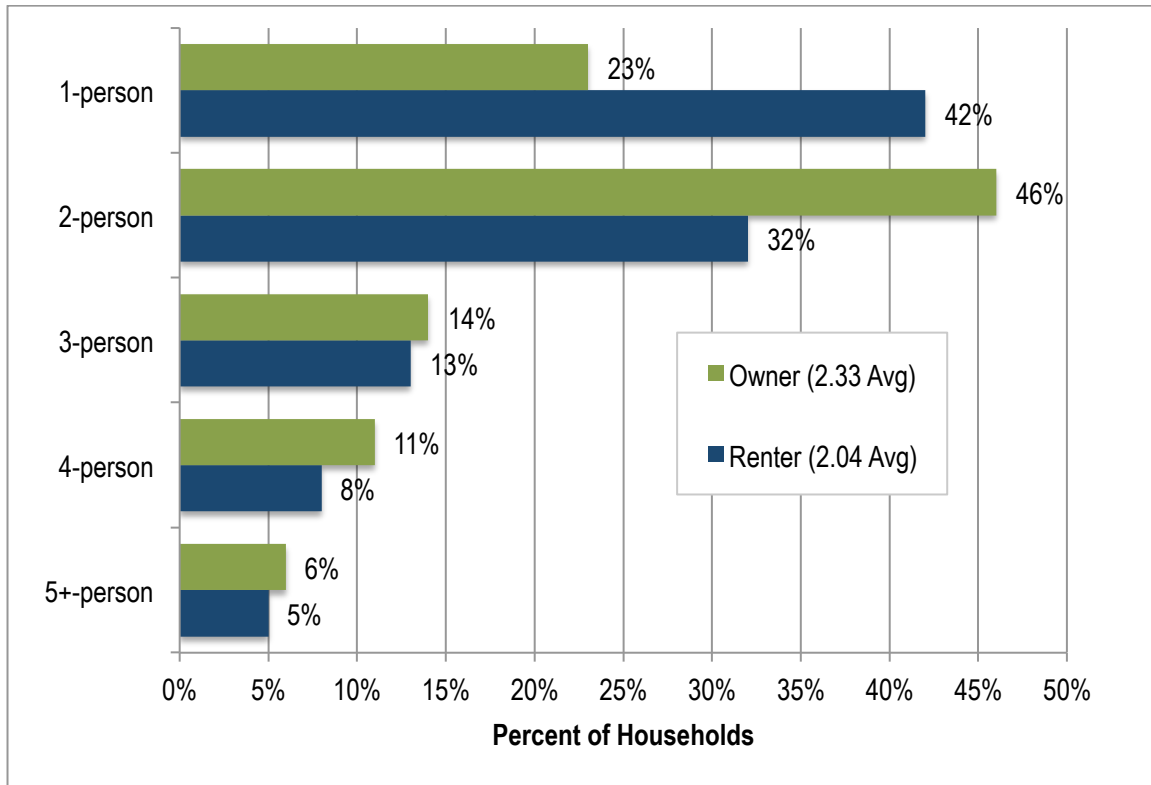
Persons per Household	Flathead County	59937 Zip Code
1-person	27%	30%
2-person	39%	41%
3-person	14%	13%
4-person	11%	10%
5+-person	8%	6%
AVERAGE	2.4	2.23

Source: 2010 Census

Owner households in the Whitefish Area are larger, on average (2.3 persons) than renter households (about 2.0 persons). With a lower percentage of families with children and higher percentage of households living alone in rentals, it is not surprising that the average household size is smaller.⁴

⁴ The 2010-2014 ACS indicates that the size of renter households may have increased slightly since 2010, but the estimate has a high margin of error (+/- 7.9%), indicating that this change may not be real. The average size of renter households may increase, for example, if more renters have become roommate households since the 2010 Census.

Household Size by Tenure (2010): Whitefish Area



Source: 2010 US Census

Household Income

Because the purpose of this study is to determine the availability and need for housing that is affordable to the workforce, it is important to understand the income distribution of employed households in the Whitefish Area. Workers hired by employers reside in households – some may live alone, with multiple roommates who have multiple incomes, or have families with one or more income-earners. While available jobs and wages in an area will affect how much households may earn, workers hired by local employers will make their housing decisions based on their household or family needs and total resources, rather than solely on their wage earned at a particular job. Housing programs typically address household rather than individual needs, and affordability is based on household incomes rather than wages.

To determine the sales price or rent for housing to be attainable by the workforce, housing costs are compared to the incomes of households with employees. Based on the ACS, between 75% to 77% of Flathead County households and 77% to 83% of Whitefish Area households include at least one member who is employed.

The below table shows the income distribution of households headed by persons under the age of 62 within Flathead County, which is used to approximate the income distribution of employed households.⁵ Based on this data:

- Employed households in Flathead County earn a median of about \$53,300 per year.
- The majority of renters earn under \$40,000 (62%), compared to only 31% of owners. This is roughly equivalent to 80% of the County's area median income (AMI)⁶ and is defined as "low income."
- A similar percentage of owners and renters earn between \$40,000 and \$50,000. This is approximately equivalent to households earning between 80% and 100% AMI, which is considered moderate income. In most communities, this is the most common income level at which renters seek to purchase homes. This transition is reflected in the Whitefish Area by the relatively equal percentage of renters and owners earning within this income range.
- Owners are much more likely to earn incomes in the middle and upper ranges over \$50,000 (65%) than renters (29%).

Most communities show similar variations in income between owners and renters.

⁵ This data is used to approximate the employed household income distribution of workers filling jobs in the Whitefish Area for a few reasons. First, Whitefish Area employees live throughout Flathead County – an estimated 56% of employees reside in homes outside of the 59937 zip code area (see Section 2 – Economic Trends for more information). Just evaluating the income of households within the 59937 zip code area would exclude the majority of the workforce, many of whom currently do not earn enough to reside nearer their jobs. Second, labor force participation drops off significantly for older residents – from over 80% for residents under 64 to under 15% for older residents based on the 2010-2014 ACS for Flathead County. Third, there is no source of secondary data that includes only the incomes of households with at least one employed person in the zip code area – the information has been approximated from the best available data.

⁶ See the "Introduction – What is Affordable Housing for the Workforce" for a definition of the area median income (AMI) for Flathead County.

**Estimated Income of Employed Households
Flathead County, 2016**

	Owners	Renters	TOTAL
Under \$15,000	7%	22%	12%
\$15 to \$24,999	7%	18%	10%
\$25 to \$39,999	10%	21%	14%
\$40 to \$49,999	11%	10%	11%
\$50 to \$59,999	11%	7%	10%
\$60 to \$74,999	15%	8%	13%
\$75,000 or more	39%	13%	30%
TOTAL	100%	100%	100%

Source: Ribbon Demographics, LLC; Consultant team

Section 2 – Economic Trends

This section presents information on the number of jobs, job trends and projections, average number of jobs held per worker and per household, seasonality in employment, and wages. It also presents employer perceptions and problems related to the current housing market, including unfilled jobs, employee turnover and perceptions of employee housing issues.

Key findings from this section include:

- The Whitefish Area is conservatively projected to add about 400 jobs through 2020. More workers will be needed to fill these jobs, creating more demand for housing to support businesses and employees.
- The Whitefish Area has two seasonal employment peaks – one in the summer and one in the winter. Many employees filling seasonal jobs reside in the area year-round; however, about 720 jobs in the summer and 420 in the winter must be newly filled each year.
- About 50% of jobs are low-paying tourism service positions, but higher paying health care jobs are growing.
- About 18% of employers in the Whitefish Area pay higher wages for the same jobs than in other parts of the County. The large employment sectors of accommodation, food services and recreation pay average wages that are 7% to 9% higher than the County overall.
- About 56% of workers (3,200 employees) in the Whitefish Area commute into the area for work from homes in Kalispell, Columbia Falls and other areas.
- About 32% of employers report either losing employees or having positions declined because workers found other jobs nearer their place of residence – a problem that will grow if workers must increasingly live in housing outside of the Whitefish Area.
- About 50% of employers report that finding and retaining qualified employees has gotten harder over the past few years; unfilled jobs have been on the rise. The scarcity of housing available for the workforce in the area is adversely affecting at least 55% of all employers and impacts employees holding entry-level through mid-management positions.

Job Estimates and Projections

In 2016, about 14.6% of jobs in Flathead County were located in the Whitefish area. Almost 400 jobs are projected to be added in the Whitefish area by 2020.

Jobs Estimates and Projections: 2012 to 2020

	# of Jobs		Average Yearly % growth
	2016	2020	2016-2020
Flathead County	48,115	50,853	1.4%
Whitefish Area	7,005	7,400	1.4%

Source: 2015 QCEW zip code files; Economic Modeling Specialists international (EMSI) projections (2016 to 2020); Consultant team

*Job estimates for the Whitefish Area are based on QCEW job estimates (2012 to 2015) and EMSI job projections (2016 to 2020) for Flathead County.

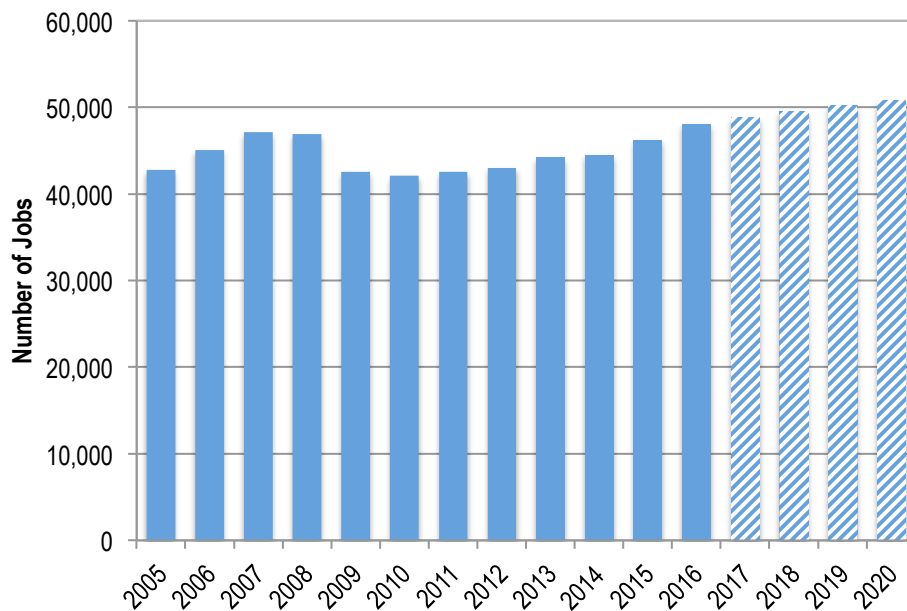
Change in Jobs

Jobs in Flathead County peaked in 2007, fell through 2010 and, in most job sectors, began coming back in 2011.

- Flathead County lost about 10% of its jobs (5,000 total) between 2007 and 2010, a loss similar in scale to other mountain west counties during the recession.
 - Construction, manufacturing and retail lost the most jobs between 2007 and 2010.
 - Unlike in many other mountain resort communities, accommodation and food services and arts, entertainment and recreation showed little decline during the recession, losing a respective 3% and 1% of jobs. Visitation from Canada strengthened during this period corresponding with the oil boom in that country, mitigating the loss of American visitation.
 - Some industries continued to add jobs, including health care and social services (5% increase), educational services (3% increase) and government (10% increase).

- Jobs have increased an average of 2.2% per year since the low in 2010. As of 2016, total jobs have recovered to pre-recession levels and now exceed 48,000 jobs.
 - During the recovery, the most jobs have been added in health care and social assistance, finance and insurance, manufacturing and transportation and warehousing.
 - Construction jobs still remain about 30% below the pre-recession peak. Jobs in manufacturing, retail, and administrative support and waste management also remain below pre-recession peaks.
- Looking ahead, job growth is projected to occur more slowly, at a rate of about 1.4% per year County-wide.

Flathead County Job Estimates and Projections: 2005 to 2020

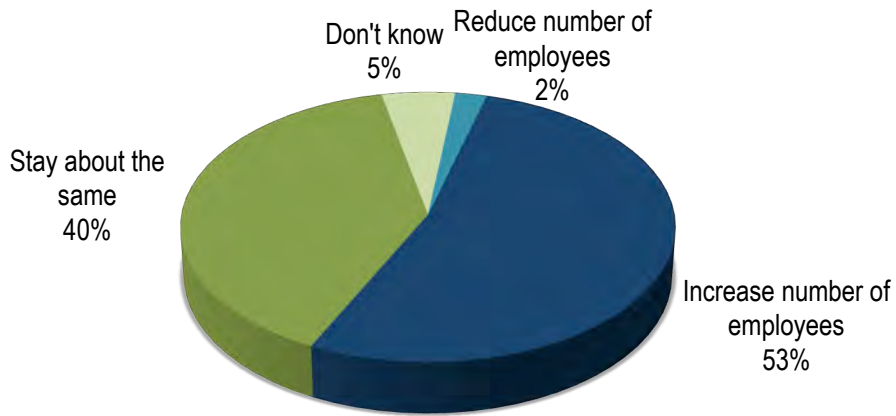


Source: QCEW, EMSI, Consultant team

Employer survey results and current commercial development in the pipeline, indicate that a future growth rate of 1.4% may be conservative for the Whitefish Area.

- Based on the 2016 employer survey, most employers in the Whitefish Area expect to increase their employment over the next five years.

**Job Changes Planned Over the Next Four Years:
Whitefish Area Employers (59937), 2016**



Source: 2016 Employer Survey

- Another indicator of continued job growth is that new commercial development is under construction or pending in the Whitefish Area, as summarized in the below table. More workers will be needed to fill jobs created when new commercial space and businesses are completed, increasing the need for housing for the workforce.
- Hotels and bar/restaurant businesses are typically the largest employee generators per square foot of development, both of which are currently pending or approved in the Area.

**Proposed Commercial and Mixed-Commercial Development:
Whitefish Area, 2016**

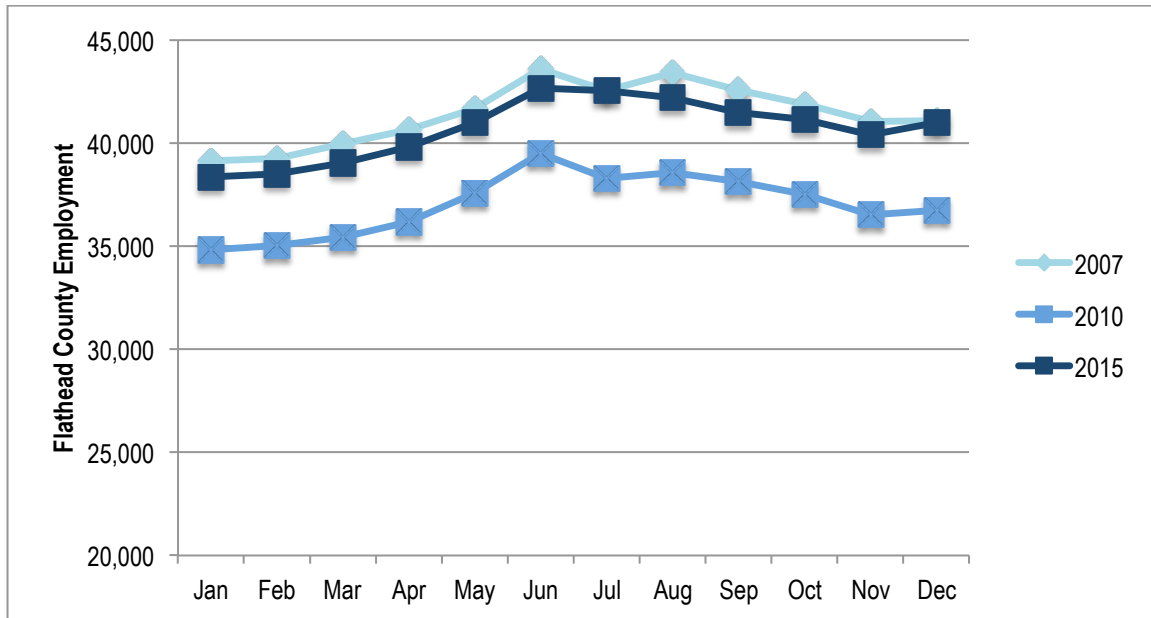
County (59937 area)	Description
4,500 sq. ft. Tavern/Casino (CUP proposed)	4,500 sq ft commercial
Mini Storage (under development)	-
City of Whitefish	Description
Marriott Towneplace (CUP approved)	81 rooms/17,565 sq. ft.
2nd St. Lofts (CUP approved)	Mixed commercial/residential; 15 condos (2 live-work); 3,696 sq. ft. commercial space
The Mix (CUP approved)	Three buildings for commercial/light industrial uses; 17,825 sq. ft.
Baker Lots (building permit pending)	Mixed commercial (4,000 sq. ft.) and vacation rentals (5 units)

Source: Flathead County Planning & Zoning Dept., City of Whitefish Planning Dept.

Seasonality of Jobs

Flathead County experiences peak employment in the summer months. The County added over 4,300 jobs in 2015 between the low in January and the high in June. Summer jobs are mostly added in accommodations and food services; arts, entertainment and recreation; construction; public administration/government; and retail.

Flathead County Employment by Month: 2007, 2010, 2015



Source: Quarterly Census of Employment and Wages (QCEW)

The Whitefish Area, in contrast, has two seasonal job peaks: one in the summer (June through September) and another in the winter (November through April). Based on employer survey results:

- About 40% of businesses hire summer seasonal workers; 27% hire winter seasonal workers.
- Businesses reported hiring for more summer seasonal jobs (1,440 total) than winter seasonal jobs (1,200 total) in 2016.
- About 50% of summer seasonal workers and 65% of winter seasonal workers live in the area year-round. Many of these workers are “year-round seasonal” job holders, meaning that they work in one or more seasonal jobs during the summer and one or more seasonal jobs during the

720 summer jobs and 420 winter jobs must be filled each year with workers from outside the Whitefish Area.

winter, but remain in the area year-round. The remaining 720 summer jobs and 420 winter jobs must be filled by workers who are recruited from outside the area each season.

- Businesses in recreation/entertainment, bar/restaurant, retail sales, and lodging are the predominate industries that hire both summer and winter seasonal workers. Government and health care each hire summer seasonal employees.

Seasonality of Jobs: Whitefish Area, 2016

	Average Employment	Estimated year-round jobs	Summer seasonal	Winter seasonal
2016 (estimated)	7,005	5,925	1,440	1,200
2020 (projected)	7,400	6,260	1,520	1,270

Source: 2016 Employer Survey, EMSI projections, Consultant team

Wages by Industry

Based on QCEW 2015 wage estimates, the average wage in the Whitefish Area is about 9.8% lower than in Flathead County overall. This figure is misleading, however. Several industries pay higher wages in the Whitefish Area than in the County.

- About 18% of employers reported that they pay slightly higher wages than nearby communities for the same jobs. While most types of businesses have at least one employer that does so, paying higher wages is most prevalent among service employment industries, including bar/restaurant, lodging, recreation, retail, and personal services.
- Based on QCEW wage data, the larger employment sectors of accommodation, food services and recreation pay average wages that are 7% to 9% higher than the County overall. A higher wage can help attract workers, cover some of the cost for workers that commute and assist with (though not fully compensate for) higher costs of living in the area.

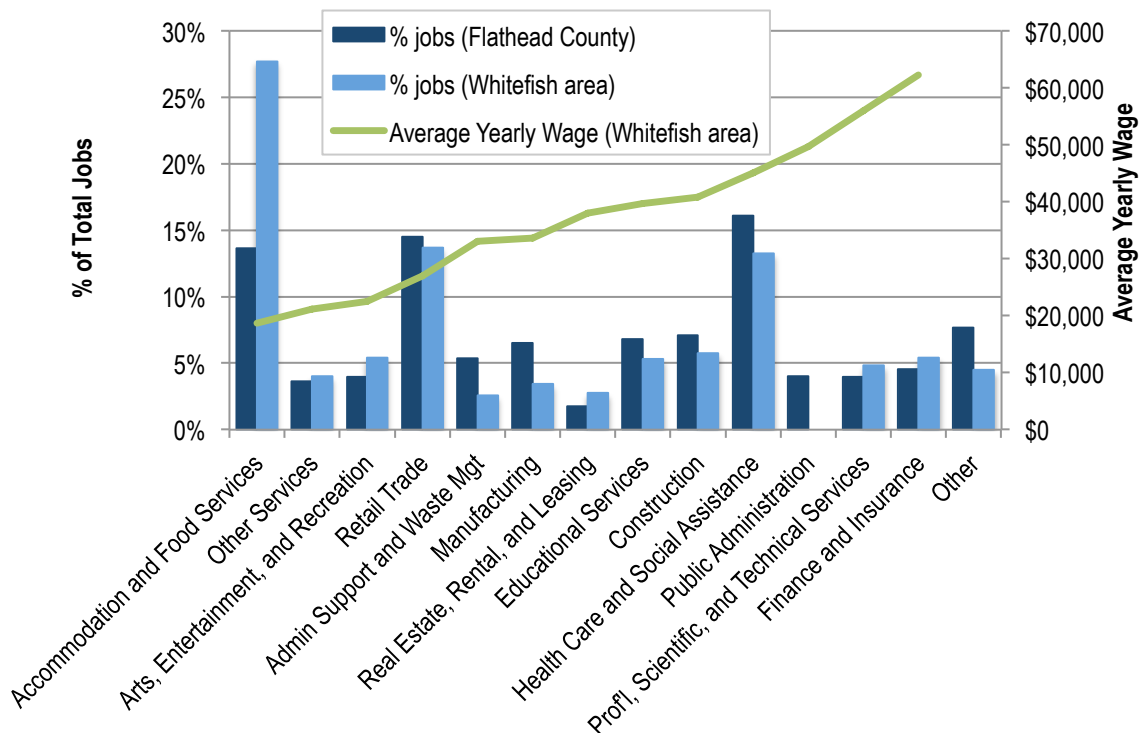
Average Annual Wage: 2015	
Flathead County	\$37,340
Whitefish Area	\$33,993

Source: QCEW, Montana Dept. of Labor and Industry

The lower overall average wage paid in the Whitefish Area compared to the County is largely due to differences in the mix of jobs.

- About 57% of jobs pay below the average wage of \$33,933 in the Whitefish Area compared to 48% of jobs in the County.
- The dominant industry in the Whitefish Area is accommodation and food services (28% of jobs), which pays the lowest average annual wage. Retail is second, making up 14% of jobs. Retail pays an average wage just under \$27,000 per year. These industries are related to the tourism economy.
- Health care and social assistance is the third largest employment sector (13% of jobs) and pays significantly more than the average wage (over \$45,000 per year). This has also been one of the faster growing sectors in the Area and is an important service for the growing senior population, among others.
- One higher paying industry, technical services, comprises a slightly higher percentage of jobs in the Whitefish Area (5%) compared to the County (4%). Local Realtors noted that “work from anywhere” buyers, particularly those in technology, have increased their purchasing in the Area in recent years.

Jobs and Wages by Industry Sector: Flathead County and Whitefish Area, 2015

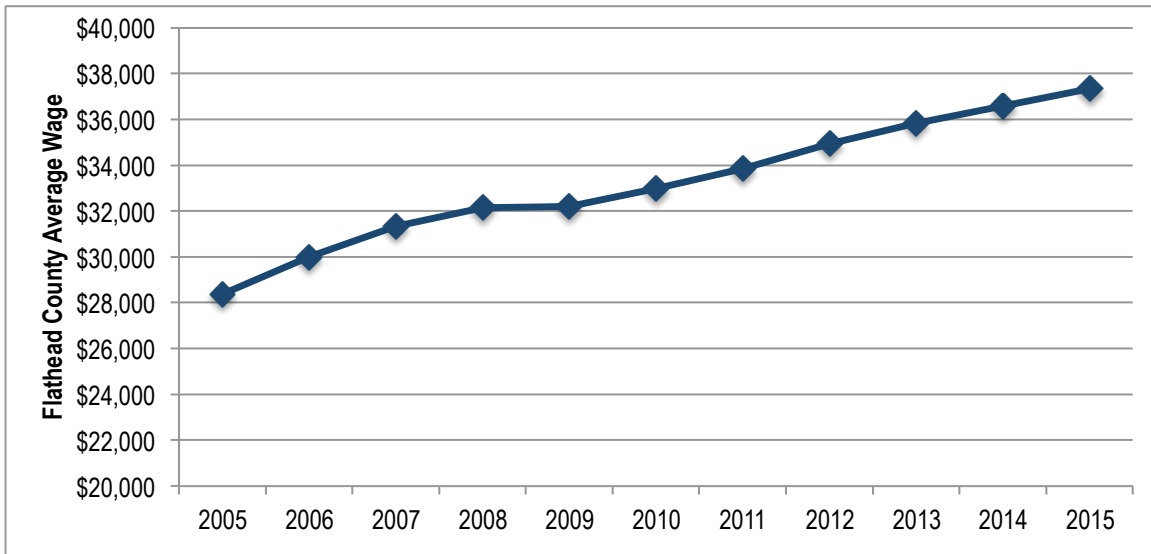


Source: QCEW, Consultant team

County-wide, wages increased an average of about 4% per year between 2005 and 2008, then stagnated in 2009 during the recession. Wages began increasing again in 2010, at an average rate of about 2.5% per year. This rate of increase is much slower than home purchase prices (6.7% per year since 2010) and rents (10% over each of the past two years) in the Whitefish Area, contributing to increased housing unaffordability for local workers.⁷

Growth in wages has not kept up with the significant increase in home purchase prices and rents in recent years.

Average Annual Wage: Flathead County, 2005 to 2015



Source: QCEW, Montana Dept. of Labor and Industry

Jobs per Employee and Employees per Household

The number of jobs per employee and the number of employees per employed household are used to translate job growth into the number of housing units needed by workers to fill new jobs. Based on these estimates:

- Employees filling the 7,005 jobs currently in the Whitefish Area reside in an average of 3,560 households. The number of housing units needed to keep up with job growth through 2020 is estimated in Section 7 – Current Housing Needs and Projected Demand.

⁷ See Section 4 – For Sale Market and Section 5 – Rental Market for more detail.

Translating Number of Jobs to Number of Households

	2016
Total Whitefish Area (59937) jobs	7,005
<i>Jobs per employee</i>	1.2
Total employees filling jobs	5,840
<i>Employees per household</i>	1.64
Total employee households	3,560

Source: EMSI projections, US Census/2010-2014 ACS, LAUS, Consultant team

Employees Per Household. The number of employees per employed household was estimated from 2010-2014 ACS data for Flathead County by dividing the number of employed persons in Flathead County by the number of households with at least one employee. As shown below:

- There are just over 1.6 employees per working household on average in the County. This is likely conservative for the Whitefish Area. Most mountain resort communities typically have closer to 1.8 employees per household in large part due to the higher cost of living in these areas.

Employees per Employed Household Calculation: Flathead County	
2016 Population age 16 to 64	63,453
Population age 16 to 64 that worked during the year (%)	79.4%
Population age 16 to 64 that worked during the year (#)	50,382
2016 Households (Flathead County)	40,267
Households with earnings (%)	76.3%
Households with earnings (#)	30,705
Employees per employed household (50,382 persons/30,705 households)	1.64

Source: US Census/2010-2014 ACS, Consultant team

Jobs per Employee. The number of jobs held per employee was estimated by dividing the number of jobs in Flathead County in 2015 by the average employed labor force during the year.⁸ As shown below:

⁸ BLS/LAUS estimates the number of employed residents in Flathead County. This includes persons that may hold jobs within or outside of Flathead County. Based on worker commute information from the US Census, the number of working Flathead County residents that commute out for jobs is approximately equal to the number of persons that commute in to Flathead County for work. (see e.g., U.S. Census Bureau. 2016. OnTheMap Application. Longitudinal-Employer Household Dynamics Program.

- Employees hold an average of 1.1 jobs in Flathead County. This is likely conservative for the Whitefish Area. Employees in most mountain resort communities hold 1.2 to 1.3 jobs on average.⁹
- Based on interviews with Whitefish Area employers and residents, many employees in the Whitefish Area, particularly in tourism-service jobs including retail, bar/restaurant, lodging/accommodations and recreation, hold more than one job. These industries comprise a much higher percentage of jobs in the Whitefish Area (47%) than in the County overall (32%). *As a result, a ratio of 1.2 jobs per employee is used in this report to estimate workforce housing needs in the Whitefish Area.*

Jobs per Employee Estimate: Flathead County	
Flathead County Jobs (2015)	46,301
Average # of employed labor force (2015)	42,547
Average Jobs per Employee (Flathead County)	1.1
Average Jobs per Employee (Whitefish Area (est))	1.2

Source: EMSI job estimates; BLS/LAUS labor force estimates; Consultant team

Unfilled jobs

Employers have reported increased difficulty recruiting and retaining workers to fill positions. With unfilled positions, this decreases the ability for a business to provide quality services and reduces their ability to generate needed revenue during peak business periods. Unfilled jobs are a key indicator of the need for additional workforce housing.

- Employers report that about 3.8% of year-round jobs (225 total) and 9.8% of seasonal summer jobs (140 total) were unfilled as of this past summer.
- The percentage of jobs that are unfilled has increased since last year.

<http://onthemap.ces.census.gov/>). This means that the number of working residents of Flathead County reported by BLS/LAUS is a good approximation of the total number of persons filling jobs in the County.

⁹ Recent surveys completed for housing needs assessments in the Town of Estes Park, Colorado (2015); Summit County, Colorado (2013); and Teton County, Wyoming (2014) show workers holding an average of 1.2 jobs in these resort areas. Historic research in these and other resort communities show employees have consistently held between 1.2 and 1.3 jobs on average over at least the past decade.

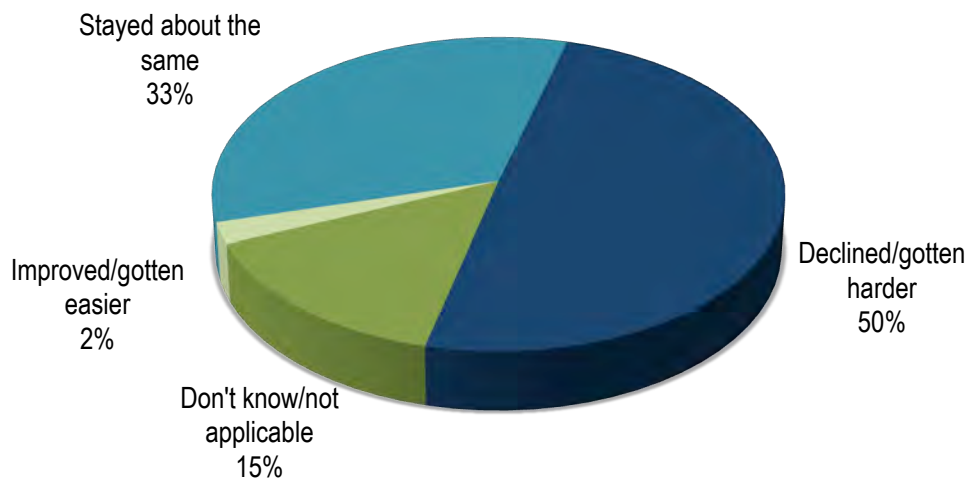
**Percentage of Unfilled Jobs in the Whitefish Area:
2015 and Summer 2016**

	Year Round Jobs	Seasonal Jobs
Currently	3.8%	9.8%
Last summer	3.1%	7.8%
Last winter	2.4%	4.6%

Source: 2016 Employer Survey

The ability for employers to fill these jobs has been getting more difficult. About 50% of employers stated that recruiting and retaining employees has gotten harder over the past three years.

**“To what extent has your ability to find and retain qualified employees
changed over the past three years?”**



Source: 2016 Employer Survey

Commuting

The Whitefish Area employs about 5,840 people on average year-round to fill its 7,005 jobs. The majority of these jobs are filled by workers that live outside of the 59937 zip code.

- About 3,245 employees (56%) commute in to the Whitefish Area for work throughout the year, on average.¹⁰ This number increases during the summer

¹⁰ Based on responses from the 2016 Employer Survey to the question “where do your employees live” for both year-round and seasonal workers. The in-commuting percentage is also very similar to that reported

and winter peak season employment periods and decreases during the off-season periods.

- Slightly more workers commute up from Kalispell (about 1,615) than from the Columbia Falls, Hungry Horse and West Glacier area (about 1,300).
- Only about 5% of the workforce lives north of the Whitefish Area.
- Employers estimate that a higher percentage of seasonal workers reside within the Whitefish Area (59%) than year-round workers. Some employers help provide accommodations for their seasonal employees and many seasonal employees live with several roommates.
- Employers estimate that about 34% of their in-commuting employees would prefer to live in the Whitefish Area if housing they could afford was available.¹¹ Based on research in comparable communities, the factors that most influence the percentage of employees who want to move closer to work include the distance and difficulty of the commute and the differential in home values between the community that imports workers and “bedroom” communities, quality of schools, community character and access to recreation.

Where Whitefish Area Workers Live

	# Workers	% Workers
Whitefish Area	2,595	44%
Kalispell	1,615	28%
Columbia Falls, Hungry Horse, West Glacier	1,300	22%
North of Zip 59937 (Olney, etc.)	290	5%
Other	40	1%
TOTAL	5,840	100%

Source: 2016 Employer Survey

by the U.S. Census through its OnTheMap Application at <http://onthemap.ces.census.gov/> for the 59937 zip code area, estimating that about 60% of local employees commute into the area for work.

¹¹ Research in comparable communities found that employers have a good sense of where their employees want to live. Owners/managers of small businesses and Human Resources personnel working for larger employers often help employees with housing searches and may provide additional housing assistance. Estimates in the Whitefish Area are in line with research in other communities. A household survey for Estes Park, Colorado (2015) showed that 60% of in-commuters want to move closer to their jobs; a household survey in Summit County, Colorado, (2012/13) showed less than 20% of in-commuters desired to move into the County; and a household survey for the Gunnison Valley, Colorado (2016) showed that 74% of in-commuters would prefer to move if affordable housing was available closer to work.

Employer Workforce Housing Perceptions and Problems

The majority of employers feel that the availability of housing that is affordable for the workforce in the Whitefish Area is one of the more serious problems (53%). Another 21% feel that it is the most critical problem in the area.

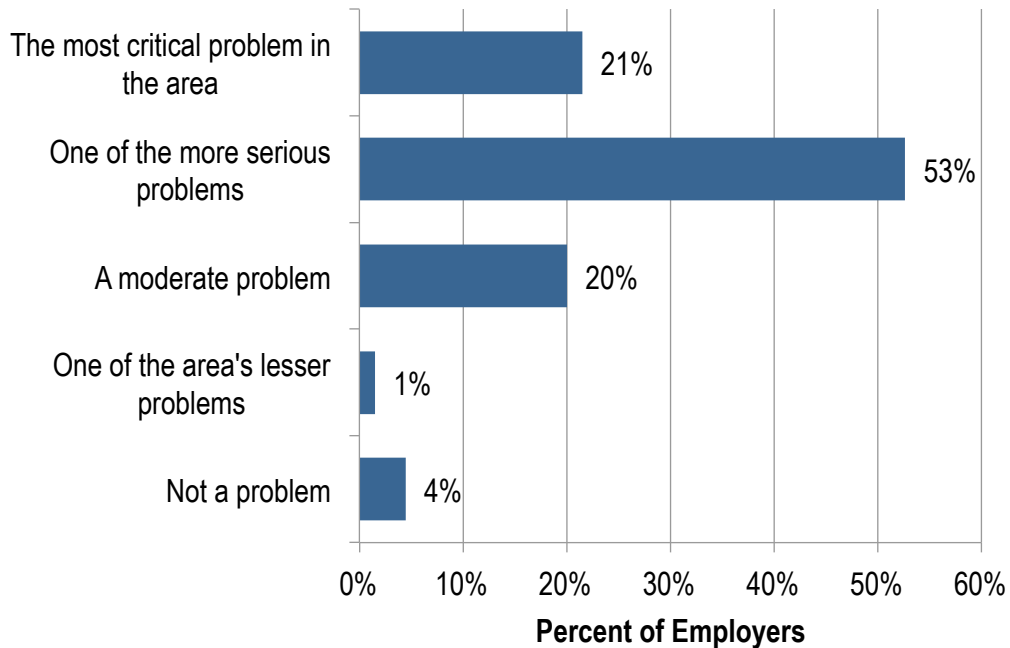
While some employers have not yet experienced problems related to housing, many are aware that if current trends continue, their business will likely be impacted in the future.

“We all know that Whitefish is growing and that means we will all need to hire more employees in the future. If the cost [of housing] keeps going up I feel that this is going to only be a growing problem for all the businesses in Whitefish.”

Whitefish Area Employer Survey comment

About 4% of employers feel that the availability of housing is not a problem. A majority of these employers provided year-round jobs in higher-paying job sectors and did not hire seasonal workers

Do you feel that the availability of housing that is affordable for the workforce in the Whitefish area is:



Source: 2016 Employer Survey

Difficulty Hiring or Retaining Employees

To understand more about some of the problems experienced by employers, employers were asked if they had anyone refuse a job offer or leave their employment within the past year for various housing and cost-of-living related reasons. Based on responses:

- About 41% of employers had someone decline a job offer or leave employment because the cost of living in the area was too high;
- Almost one-third (32%) had someone leave their employment or decline a job offer because they found a job nearer their place of residence. This concern was raised by employers in the 2008 Whitefish Housing Needs Assessment and will become a more frequent problem as more employees are forced to find homes in neighboring communities;
- The inability for employees to find adequate housing or suitable transportation has also affected some employers.

“The cost and availability of available housing in Whitefish has caused entry level or service employees to move to other towns. Once this happens most choose to work in those towns instead. Therefore diminishing the qualified workforce in Whitefish.”

Whitefish Area Employer Survey
comment

Did anyone refuse a job offer or did anyone leave your employment in the past 12 months because they:

% of Employers experiencing the problem	
Found the cost of living in the area to be too high	41%
Found a different job nearer their place of residence	32%
Could not find/lacked adequate housing	24%
Lacked transportation	19%
TOTAL*	55%

Source: 2016 Employer Survey

*The sum of the results is over 55% because some employers experienced more than one of the problems.

When asked to elaborate on issues that have made it difficult for employers to hire and retain employees, employers raise concerns about the interrelated issues of a lack of qualified and dedicated employees, the high cost of living, the need for more consistent and reliable transportation, and the seasonality of business in the area. All of these factors combine to make it more difficult for local employers to compete for workers, pay higher wages and attract employees who must commute into the area for work.

“The cost of living and lack of available housing is drastically reducing our labor resources. A combination of affordable housing and free public transportation would improve local business growth and quality of services for tourists. As owners we are making it work, however, qualified local workers mean we can succeed better in our day to day business goals.”

Whitefish Area Employer Survey

“The lack of affordable housing has proven to greatly reduce the pool of possible volunteer firefighters... Volunteer firefighters need to have free time to donate for training and call response. If they have to work two jobs in order to live here they don't have the time needed. The demand for emergency services goes up every year. If we can't get volunteers we need more career staff.”

Whitefish Area Employer Survey
(printed with permission from the Whitefish Fire Department)

A decline in volunteers is common among mountain resort communities in which a rising number of local employees reside in homes outside of the community. Households on average are more vested and involved in the communities in which they live. This can create problems for local services, such as fire and emergency medical services and public schools, which often rely upon a strong volunteer base.

Employment Problems

Employers were asked how frequently they experienced several employment problems over the past year, which could be related to housing.

About 69% of employers experienced at least one of the identified problems in the past year either sometimes or often. For problems that employers experienced “often”:

- About 31% often had no applicants for jobs this past year;
- Over one-fourth of employers often had unfilled jobs and/or unqualified applicants;

- Tardiness, which can be related to commuting problems, and/or employee turnover affected just under one-fourth of employers; and
- Absenteeism was experienced by only about 12% of employers.

Percent of Employers Experiencing the Following Problems "Often" in the Past Year:	
No applicants	31%
Unfilled jobs	27%
Unqualified applicants	25%
Tardiness	24%
Employee turnover	22%
Absenteeism	12%

Source: 2016 Employer Survey

Difficulty Finding Workforce Housing

Employers were asked to indicate the level of difficulty that their employees have locating housing in the area given a scale from 1 (no problem) to 5 (major difficulty). As shown below:

- Summer seasonal workers are likely to have much more difficulty than winter seasonal workers. Employers and property managers noted that many rentals lease for 9-month terms, then are short-termed rented during the summer, decreasing unit availability for workers. Employers also hire more summer employees on average than in the winter and a higher percentage of winter employees reside in the area year-round so already have housing upon starting their employment.
- By employment type, service positions, including wait staff, dishwashers, recreational guides and others, are reported by 54% of employers to have "major difficulty" finding housing. This is followed by general maintenance/labor employees (including housekeepers), and construction and skilled trade employees.
- Retail/lodge service clerks were reported by 38% of employers to have difficulty locating housing. Several lodging establishments provide rooms for some employees, helping with their housing.

"Our employees are living where they can, many in Kalispell, two in c-falls. Three in one whitefish home. We have one who is currently "camping" for the summer (yes) seeking housing."

Whitefish Area Employer Survey
comment

- Housing is hard to come by for more than just seasonal and general service positions. Entry level and mid-management positions are also reported to have trouble finding housing by a respective 45% and 25% of employers.
- Employers report that all types of housing is needed, but year-round rentals that serve low- and moderate-income employees and entry level ownership are the most in need. This includes rentals affordable for employees earning from about \$10 to \$18 per hour and homes starting around \$150,000 for first-time buyers.

“To what extent do your employees have difficulty locating housing in the area?”

% of employers stating their workers have a “major problem” finding housing:	
Summer Seasonal	54%
Winter seasonal	31%
Other services (wait staff, dishwashers, spa/massage, guiding/recreation, etc.)	54%
General maintenance/labor (housekeeping, janitorial, landscaping, etc.)	49%
Construction/repair/skilled trades	46%
Entry level professionals	45%
Retail/lodge service clerks	38%
Office support staff	28%
Mid management	25%
Upper management	17%

Source: 2016 Employer Survey

Section 3 – Housing Inventory

This section provides an overview of the housing inventory, occupancy and ownership of homes, and age and type of housing in the Whitefish Area (59937). It includes information on market rate units, affordable and income restricted housing and employer-assisted housing for workers. It also discusses housing developments either under construction or proposed in the Whitefish Area (59937). Key findings include:

- Local residents lost a lot of ground to second homeowners in the Whitefish Area since 2000; the percentage of residential units occupied by locals declined by almost 10-percentage points. This trend has implications for workforce housing both in terms of demand (jobs created by second home construction and maintenance) and supply (relatively fewer homes available for the workforce).
- Second homeowners are more likely than resident owners to own homes priced over \$500,000; however, second homeowners are also competing with residents at the lower price points. Second homeowners have become more cost-conscious since the recession, increasing competition at lower price points.
- Home construction has picked up again since the recession, although is still below the pre-recession peak in 2004 and 2005. Residential building permits issued by the City of Whitefish so far this year are already over twice the number issued in all of 2015.
- The housing stock in the Whitefish Area is mostly single-family homes (70%). New townhomes are mostly targeted and priced for second homeowners. A low percentage of condominiums are available to and owned by residents (29%). More diverse product is needed for residents and second homeowners alike.
- About 3.7% of housing units in the area are restricted with price/rent caps and income targets to be affordable long term for the workforce. The 10 permanently deed restricted ownership homes currently house a local firefighter, a school teacher, service workers, and seniors. The 266 affordable rentals provide housing for retired seniors and persons with disabilities, plus employees in lower-wage service, retail/restaurant and recreation positions.
- About 23% of area employers provide some housing assistance to their employees. The largest percentage pay higher wages, but some provide rooms or units to rent or other programs. About 14% expressed interest in helping with housing in the future, with 65% being uncertain or needing more information. Further education or a more defined assistance program may generate support from more local employers.

Housing Units – Number and Occupancy

The Whitefish Area (59937) has just over 9,000 residential units, which equates to about 18% of the units in Flathead County as a whole. The number of housing units increased by about one-third in both the County and Whitefish Area (59937) between 2000 and 2010, which far exceeds the population growth rates of 9% in the Whitefish Area and 22% in Flathead County during the same period.

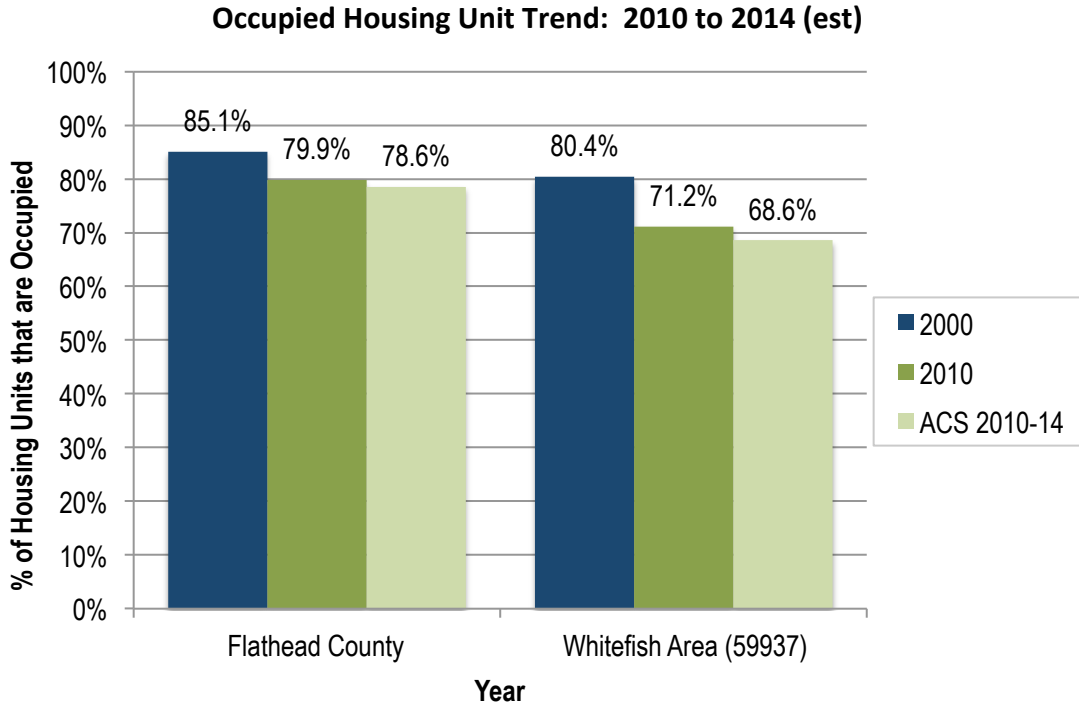
Housing Unit and Occupancy Estimates

	Flathead County		Whitefish Area (59937)	
	Housing Units	Occupied Units	Housing Units	Occupied Units
2000	34,773	29,588	5,896	4,739
2010	46,963	37,504	7,873	5,605
2016 (est)	50,422	40,267	9,044	6,438
% change (2000 to 2010)	35.1%	26.8%	33.5%	18.3%

Source: 2000 and 2010 US Census, 2010-2014 ACS, Consultant team

The percentage of homes in the Whitefish Area occupied by local residents relative to vacant/second homes (59937) has declined by almost 10-percentage points since 2000.

- The area had a relatively high occupancy rate of 80% compared to other high-cost mountain resort towns in 2000, but has since dropped to near 70% occupancy. The number of total housing units grew at almost twice the rate of households (i.e., occupied housing units) during this period.
- This is a significant change during the 10-year period, a trend that has implications for workforce housing both in terms of demand (jobs created by second home construction and maintenance) and supply (relatively fewer homes available for the workforce).



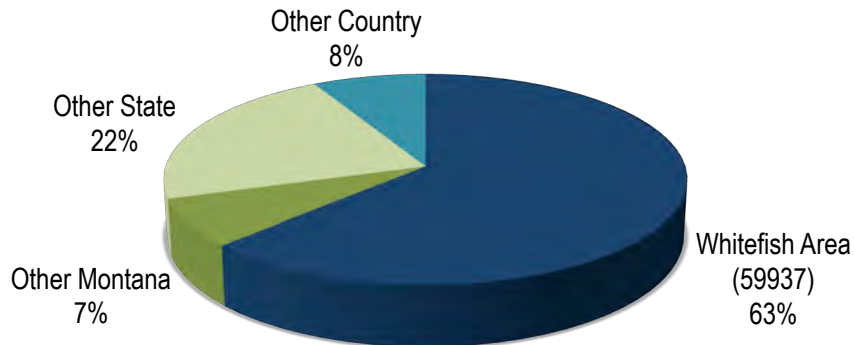
Source: 2000 and 2010 US Census, 2010-2014 ACS

Ownership

While locals reside in about 70% of the housing units, a slightly lower 63% of homes are owned by Whitefish Area residents. Renters who live in units owned by absentee landlords account for the difference.

Of the 37% of homes owned by out-of-area owners, most are owned by persons residing in other states. The vast majority of out-of-country owners reside in Canada.

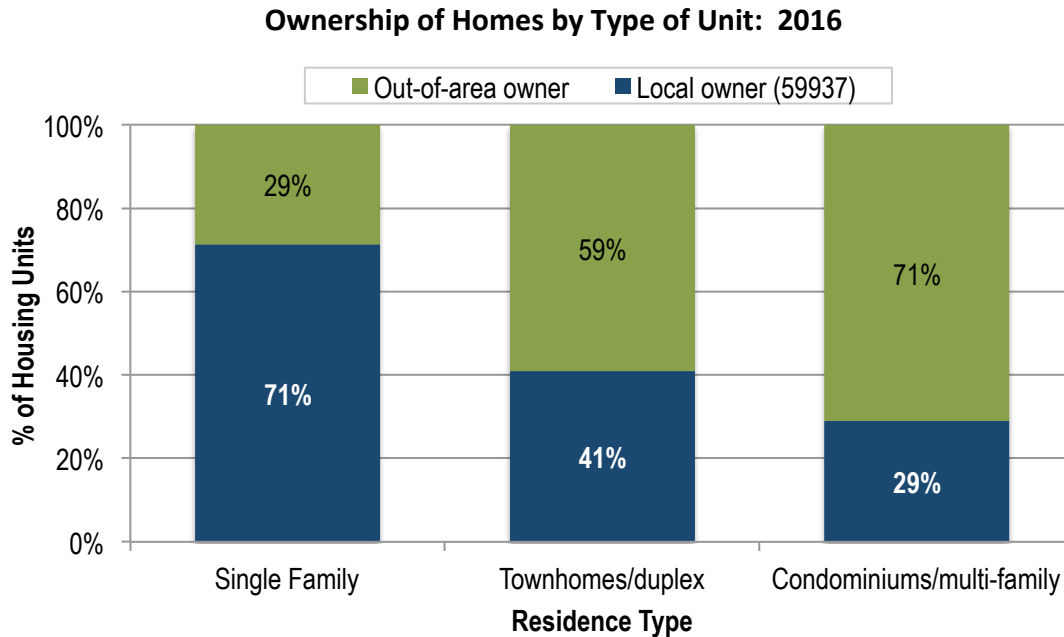
Estimated Owners by Place of Residence: Whitefish Area, 2016



Source: Flathead County GIS Department, Montana Dept. of Revenue, Consultant team

The ownership pattern varies by type of unit:

- Locals own the majority of single-family homes (71%). Locals are less likely to own townhomes (41%) or condominiums (29%).
- This ownership pattern is largely reflective of housing preferences by locals, as expressed by local Realtors, as well as the low supply of townhomes and condominiums that are suitable or affordable for local buyers.¹²



Source: Flathead County GIS Department, Montana Dept. of Revenue, Consultant team

Often in resort communities we see more second homeownership at higher price points (e.g. luxury homes) than homes owned by locals. Evaluating ownership by total assessed value shows that:

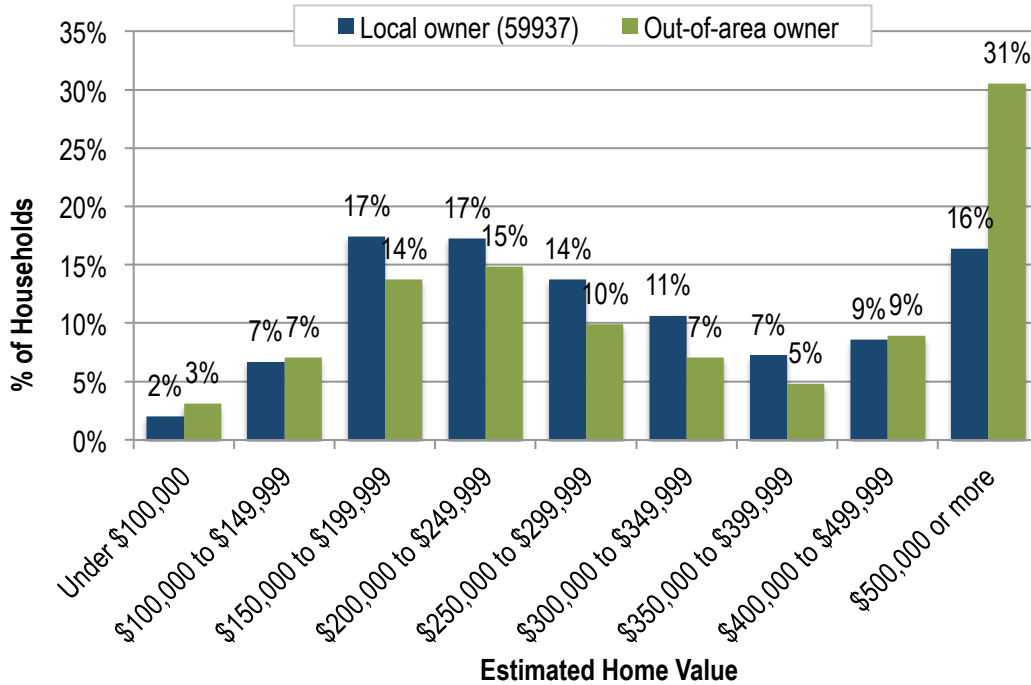
- A slightly higher percentage of locals own homes valued under \$400,000 than second homeowners; and
- A much higher percentage of second homeowners own homes valued over \$500,000 than locals.

Despite these differences, the distribution of local and second homeowners follow a similar pattern across all price points below \$500,000. This indicates that locals are competing with second homeowners at all price points. Local Realtors indicate that

¹² See Section 4 – For Sale Market for more information.

many second homeowners have become more cost-conscious since the recession, increasing competition at lower price points.¹³

Ownership by Assessed Home Value: 2015



Source: Flathead County GIS Department, Montana Dept. of Revenue, Consultant team

Age of Units

The average year in which homes were built in the Whitefish Area (59937) was 1983 – over 30 years ago. While older homes are typically in need of repairs and upgrades, the age of the total housing stock is relatively well-balanced, with about one-third each being built prior to 1980 (over 35 years ago), between 1980 and 2000 and since 2000.

¹³ See Section 4 – For Sale Market for more information.

Age of Housing Units: 2015

Year Built	TOTAL Units
2010 to 2016	12.9%
2000 to 2009	21.8%
1990 to 1999	17.1%
1980 to 1989	12.6%
1970 to 1979	14.8%
Before 1970	20.8%
TOTAL	9,044

Source: 2000 and 2010 US Census, City building permits, Consultant team

Residential construction has varied over the years. Activity picked up in the 1990's, was strong in the mid-2000's, slowed significantly during the recession, began picking up again in 2012 and is increasing.

- The number of residential building permits issued by the City of Whitefish through mid-2016 (142 total) is already twice the number issued in all of 2015. Building permit activity surpassed 2007 levels beginning in 2013, but is still below that seen during the pre-recession peak in 2004 and 2005 (about 300 residential permits issued each year).
- Activity in the unincorporated Whitefish Area (59937) has also picked up this year. The County does not issue building permits, but conducts septic inspections for new development, and must approve subdivision applications. The County has about 1,400 preliminarily approved residential lots that were created prior to the recession. Developers are undertaking infrastructure improvements and septic inspections, which began increasing in 2013 after the recession and remain strong this year.

Type of Units

The Whitefish Area (59937) has little diversity in its housing inventory. About 70% are single-family homes. While these are a preferred product-type for locals, they also tend to be among the most expensive.

More diversity in terms of townhomes or duplexes would provide more options, as discussed further in Section 4 – For Sale Market. Based on Montana Department of Revenue records, about 5% of the housing stock in the Whitefish area is comprised of townhomes.

**Housing Units by Type:
Whitefish Area (59937), 2016**

	Total units
Single family	70.0%
Duplex/Four-plex	11.0%
Other multi-family	13.0%
Mobile Homes	6.0%
TOTAL	9,044

Source: 2000 and 2010 US Census, 2010-2014 ACS, City Building Permit data, Consultant team

Affordable Housing Inventory

There are a handful of permanently affordable homeownership units and several affordable rental properties in the Whitefish Area, as summarized below.

Ownership

There are ten (10) permanently deed-restricted homes for ownership by households earning 80% or less of the area median income (AMI) in Whitefish. The Whitefish Housing Authority (WHA) qualifies buyers and oversees sales of the units. These include:

- A mix of townhomes and single-family homes, with 2- and 3-bedrooms.
- The homes were initially acquired by the WHA through a variety of methods. The WHA helped construct two homes, received two through the city's voluntary inclusionary zoning program, and purchased and rehabilitated the other six units.
- The ten homes have helped 14 households in the Whitefish Area through both initial home sales and resales.
- The units house a variety of residents, including a local firefighter, a school teacher, service workers, and seniors. The units have a mix of families, single-parents and singles.
- The average homebuyer that applies for the program can pay about \$115,000 and can receive up to a 100% match from the WHA. The upper range for loan approval is around \$160K for applicants.

Permanently Deed-Restricted Homeownership: Whitefish Area

Project	Total Units	1-b	2-b	3-b	Income level	Year Built
Housing Authority scattered homes	10 4 townhomes 6 single-family	0	Yes	Yes	<80% AMI	Various

Source: Interviews; Consultant team

Rental

There are 266 Income-restricted rentals in the Whitefish Area:

- All units are restricted for households earning 80% or less of the area median income. Over one-half of rentals are restricted for seniors/persons with disabilities (151 total).
- Projects provide a mix of 1-, 2- and 3-bedroom units. One-bedroom units comprise the majority of senior/disability-restricted rentals (128 units), with two-bedroom units making up the majority of other rentals (89 of 115 rentals).
- The projects were constructed with a combination of funding, including low-income housing tax credits (LIHTC), Rural Development funding, Section 515 and Section 202, and other HUD public housing support. Two rentals were donated to the WHA by BNSF railroad.
- Mountain View Manor and the BNSF units are managed by the WHA. Other projects are managed by independent property managers or companies.
- Most non-retired occupants are employed in Whitefish in lower-paying service jobs, retail/restaurant and tourism/recreation positions. Hailey Apartments, located near Whitefish Mountain Resort, houses several ski resort workers, many of whom are employed year-round in the area by holding seasonal jobs both in the summer and the winter.
- Occupants are a mix of families, single-parents, singles and roommate households, depending upon the property and size of unit.

While private and non-profit developers have been able to utilize various public financing programs to produce rentals for low income families and seniors in the past, no new affordable housing has been built in the past 12 years. With today's land and construction costs, comparable mountain towns are finding that additional local subsidies and incentives are required for affordable apartment development to be feasible.

Income-Restricted Rentals: Whitefish Area (59937)

Project	Total Units	1-b	2-b	3-b	Income level	Year Built
Housing Authority BNSF Units	2	2	0	0	<80% AMI	Various
Mountain View Manor	50	48	2	0	<40% AMI; Senior	1969/1997
Big Mountain Apts	37	0	37	0	<60% AMI	1977
Colorado Village Apts	36	4	28	4	<60% AMI	1986
Whitefish Manor	30	30	0	0	<40% AMI; Senior	1988
Stonecreek Apts	41	40	0	1	<60% AMI; Senior	1992
Mountain Apartments	30	6	18	6	50%, 60% AMI	2001/02
Mountain Senior Apts	30	10	20	0	50%, 60% AMI; Senior	2003
Hailey Apartments	10	2	6	2	50%, 60% AMI	2004
TOTAL Rentals	266	142	111	13	All under 80% AMI	-

Source: Interviews; HUD rental database; Consultant team

Employer Assisted Housing

About 23% of employers in the Whitefish Area (59937) provide some sort of housing assistance to their employees.

- The largest percentage of employers pay slightly higher wages than nearby communities for the same jobs to help compensate for the higher cost of living or potential need for employees to commute from outside of the Area.
- About 6% of employers own units or rooms for use or rent by employees. Another 1% master lease units that are rented to employees. Businesses providing units are primarily in the recreation, lodging and real estate industries. Some units have been provided for many years, whereas others have been recently acquired to help retain and recruit workers for hard to fill positions.
- About 5% of employers help employees with the housing search. In this tight housing market, many noted that finding housing is dependent upon having local connections because many homes are either not advertised or are quickly occupied once advertised.

Type of Housing Assistance Provided by Employers: 2016

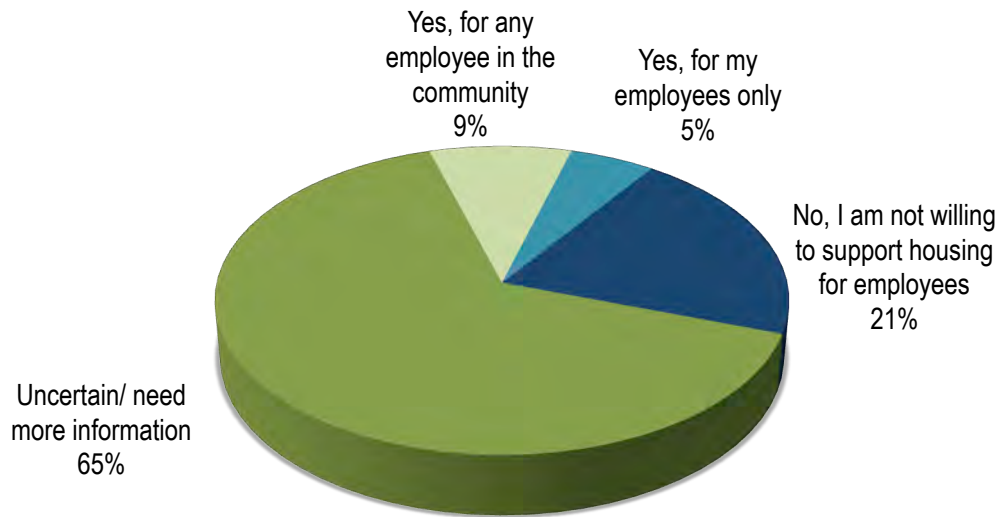
% of Employers Providing Assistance	
Pay higher wages than nearby communities	18%
Own units/rooms occupied by employees	6%
Assist employees with housing search	5%
Master lease units that are rented to employees	1%
Salary stipend/sign-on bonus	1%
Down payments or help with mortgage	1%
TOTAL % of Employers Providing Assistance*	23%

Source: 2016 Employer survey

*The sum of the percentages add to 34% because some employers provide more than one form of assistance.

- When asked if employers would be willing to provide assistance in the future for either their own or other employees in the community, about 14% expressed interest; 21% are not willing to provide housing support. A large 65% indicated they were uncertain/needed more information, indicating that further education or a more defined assistance program may generate more support from local employers.

“In the future would you be willing to assist with the provision of workforce housing?”
Whitefish Area Employers, 2016



Source: 2016 Employer survey

Proposed and Pending Development

Several residential development projects are proposed or under construction in the City of Whitefish, totaling over 300 units. The majority of homes are proposed to be market-rate, with potential for ten (10) affordable apartments through the City's voluntary inclusionary zoning ordinance. These projects are summarized below.

Under Construction and Pending Approvals (Residential): City of Whitefish 2016

Project/Status	# of units	Type of Units	Price Point
93 Ilc (2017 extension; working on engineering plans)	52	22 single family lots 30 condos	Market rate
Tamarack Ridge (2014 preliminary plat approved)	32	single family	Market rate
Maple Ridge (2014 preliminary plat approved)	20	10 single family; 5 townhouse	Market rate
WF Crossing (approved; under construction)	60	For-rent apartments	Market rate; 6 affordable (60% and 70% AMI households)
Mkay Enterprises (2016 preliminary plat approved)	41	18 apartments; 10 townhomes; 13 single family	Market rate; 4 affordable rental apartments proposed
SW Subdivision (2016 preliminary plat approved)	6	2 townhomes 4 single family	Market rate
The Cabins at Whitefish (approved; working on engineering plans)	12	Condo cabins	In resort residential zoning, but could be used for single family residential
Cottonwood Estates (pending preliminary plat application)	23	Single family	Market rate
Whitefish Lake Condos (building permit submitted)	4	Condominiums	Market rate; on the lake
Monterra Phase II (CUP approved; Feb. 2017 expiration)	66	Condominiums	Market rate

Source: City of Whitefish Planning Dept.

The County has seen increased activity this year in infrastructure improvements and septic inspections on some of the over 1,400 preliminarily approved, undeveloped residential lots. The most activity is around the Whitefish area and is primarily for large-lot single family homes, all of which would be market-rate and not affordable for most residents.

Section 4 – For-Sale Housing Market

This section of the report presents trends in the number of home sales and prices in the Whitefish area and Flathead County, an overview of recent sales activity, and the current availability of homes by type, price and relative condition/age of home, and evaluates the affordability of homes to the local workforce. This section also presents ownership preferences and information on mortgage availability.

Key findings include:

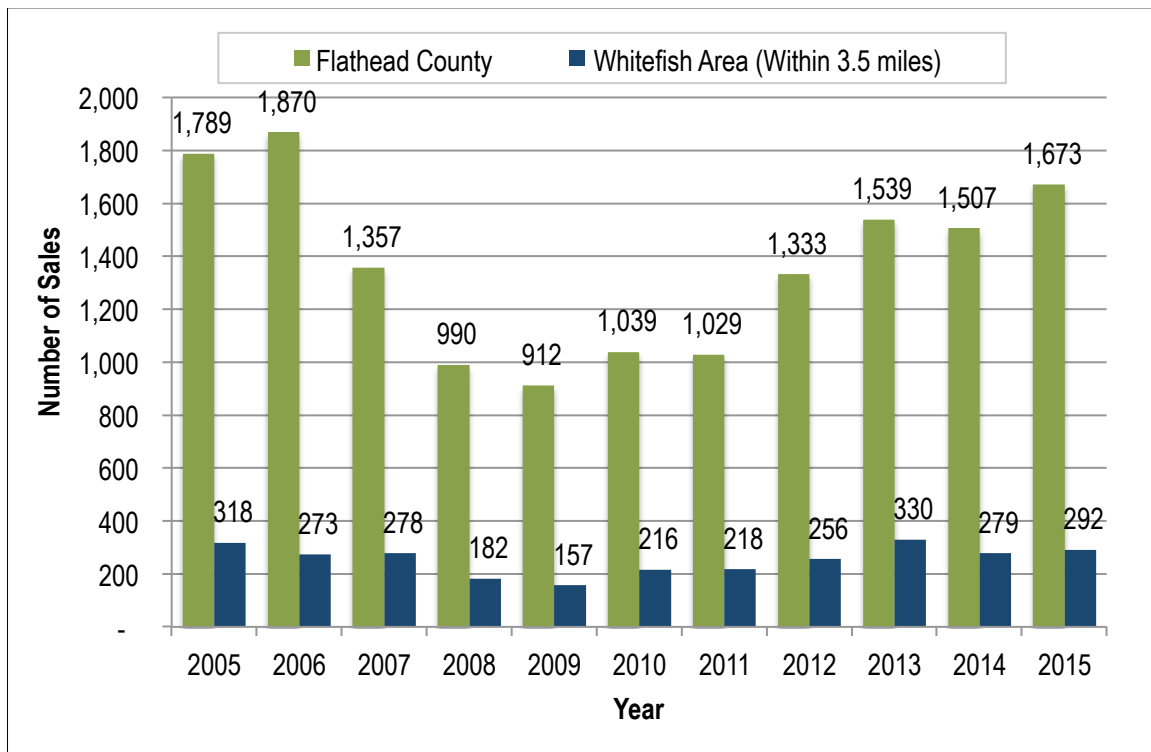
- Home prices in the Whitefish Area increased an average of 6.7% per year since 2010, are now close to pre-recession peak levels and are not affordable for most local residents. An income of over \$157,000 is required to afford a median priced single-family/townhome listed for sale. Over \$75,000 is needed to afford the median priced condominium listed for sale.
- The inventory of homes listed for sale is very low, particularly at or below \$350,000. These homes are in high demand by local residents and employees, as well as second homeowners. Homes priced at \$500,000 and above are over-supplied.
- The homes that are available below \$300,000 are typically older and in poor condition.
- New construction is not targeting the local workforce. The median asking price of condominiums constructed in the past two years is about \$400,000 and the median price of newer single-family and townhomes is about \$450,000.
- Second home buyers are responsible for a significant share of home sales. They are more cost conscious than they were prior to the recession and compete with residents for homes. Many plan to retire in the Whitefish Area. The ability to short-term rent their homes has permitted future retirees to purchase homes at least five or more years before retirement.
- First time homebuyers are returning to the market, although the availability of homes they can afford is very limited. Families with children are less able than singles or second homeowners to compromise on their home size and storage needs, and often find homes in Columbia Falls or Kalispell in lieu of the Whitefish Area.

Trends in Home Sales: 2005 – 2015

The real estate market in the Whitefish region and Flathead County as a whole has been recovering from the depths of the recession in 2009, but sale volumes and home prices have not yet returned to peak levels.

- The number of sales in both Flathead County as a whole and the Whitefish region (which includes the city and unincorporated county within a 3.5-mile radius)¹⁴ peaked in 2005/06 prior to the recession. The number of sales fell about 50% to their low in 2009.
- The number of sales has recovered over 80% of total volume since the low in 2009, but is still below peak volumes in both the Whitefish region and the County as a whole.
- Sales in the Whitefish region have comprised between 17% and 20% of all sales in the County over the past 10 years.

Number of Residential Sales: 2005-2015

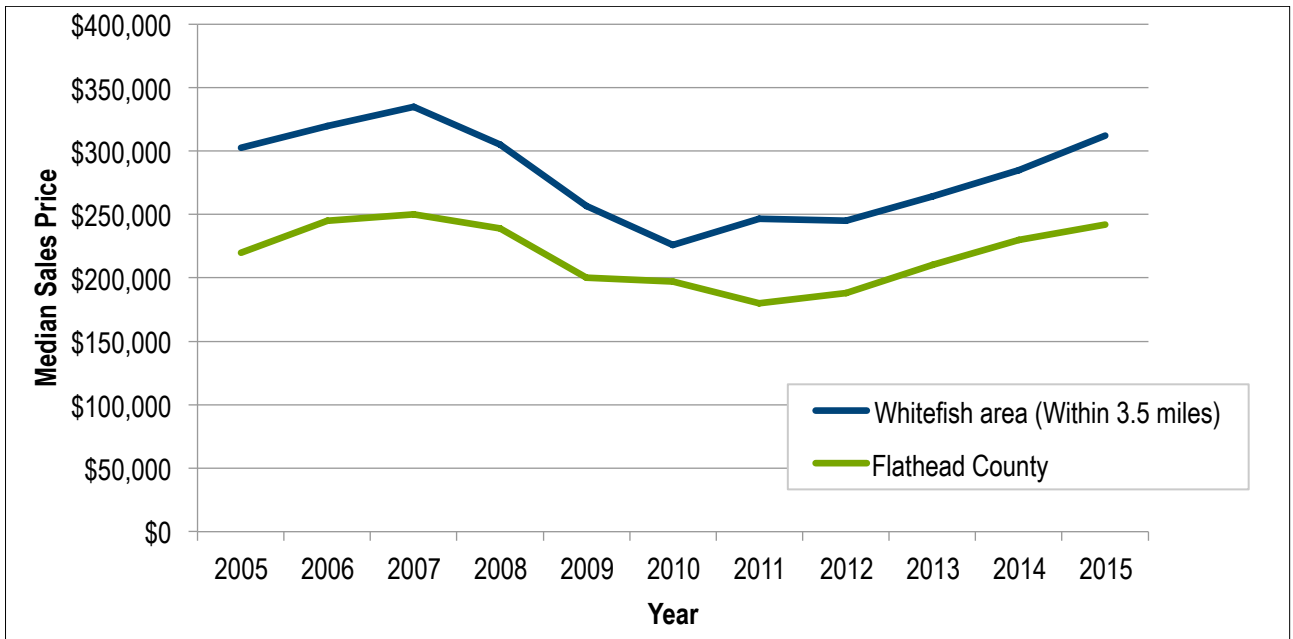


Source: Flathead Market 2014 and 2015, Jim Kelley

¹⁴ This region approximates, but is not completely equivalent to, the 59937 zip code area.

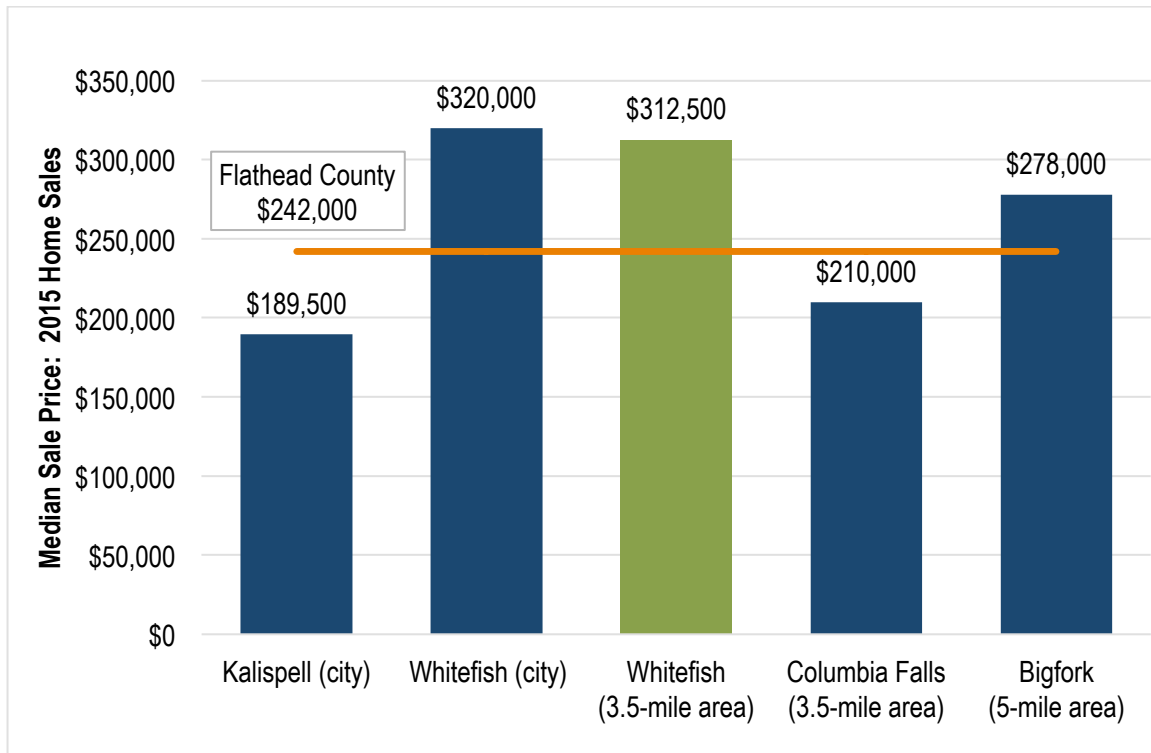
- Median sale prices peaked in 2007 in both the County (\$250,000) and the Whitefish region (\$335,000), after the number of sales had already started to drop likely due to lack of inventory. The median sale price declined 28% in the County and 32% in the Whitefish region upon reaching their low in 2011 and 2010, respectively.
- Price recovery has been relatively strong, increasing an average of 6.7% per year in the Whitefish region since 2010 and 7.7% per year in the County since the low in 2011.
- The median sale price increased 9.6% this past year in the Whitefish region and, at \$312,500, is only about 6.7% below the 2007 peak. Price increases have not occurred evenly across the board. Homes priced below \$500,000 have been in demand and are growing faster in price than higher priced homes.

Median Residential Sales Price: 2005-2015



Source: Flathead Market 2014 and 2015, Kelley Appraisal

The City of Whitefish and the Whitefish region have among the highest median home prices in the County. In 2015, the median sale price in the Whitefish region (\$312,500) was about 30% higher than the County overall (\$242,000), whereas the City of Kalispell and the Columbia Falls area were a respective 20% and 13% below the County median. When local employees and residents cannot find suitable housing they can afford in or near Whitefish, these communities provide alternatives.

Median Residential Sales Prices: 2015

Source: Flathead Market 2014 and 2015, Kelley Appraisal

Recent Sales

Sales in the Whitefish Zip Code Area between July 2015 and June 2016, indicate that prices are continuing to rise. The median price of homes sold was higher than sales in the City of Whitefish through December of last year – at \$326,250. Of these sales:

- Homes sold for an average price of \$186 per square foot. As is typical, single family homes sold for a slightly lower price per square foot than attached units, which are typically smaller.
- Townhomes sold for the highest median price, which is not frequently the situation. The sold townhomes are newer product on average than the single-family homes and condominiums and are relatively large. Most are 3-or-more bedrooms exceeding 1,800 square feet in size. The three units that sold for under \$200,000 were the only 2-bedroom homes, averaging about 1,100 square feet. This product is mostly being produced for and marketed to second homeowners.

Of the lower priced product:

- About 52% of sales were priced below \$350,000 – the price point sought by most local residents. About 60% of sales in this range were single-family homes and townhomes.
- The inventory under \$350,000 was on the market for less than five months, compared to almost eight months for homes over \$350,000.
- Homes that sold for under \$100,000 were all older condominiums built in the 1970s.
- The 12 single family homes that sold for under \$200,000 were built 60-years ago, on average.

Residential Units Sold: July 1, 2015 – June 30, 2016
Whitefish Zip Code Area (59937)

	Type of Home			TOTAL %
	Condominium	Townhome	Single Family	
<=\$100,000	9	0	0	3%
\$100,001 - \$150,000	5	0	0	2%
\$150,001 - \$200,000	22	3	12	11%
\$200,001 - \$250,000	17	0	24	13%
\$250,001 - \$300,000	13	2	33	15%
\$300,001 - \$350,000	2	2	28	10%
\$350,001 - \$400,000	2	3	28	10%
\$400,001 - \$500,000	3	6	20	9%
\$500,001 - \$750,000	6	3	31	12%
Over \$750,000	5	2	44	16%
TOTAL	84	21	220	325
Median Sold Price	\$227,500	\$410,000	\$379,750	\$326,250
Median Sold Price per Square Foot	\$211	\$189	\$180	\$186

Source: MLS

Availability – Homes Listed for Sale

Housing at prices affordable for locals is in short supply. Compared with the 325 units that sold between mid-2015 and mid-2016, the July inventory of about 414 units equals more than a one-year supply. While this suggests the Whitefish Area (59937) should be a buyer's market, a closer look shows that this conclusion is highly dependent upon the price point of available housing.

Current listings have a comparatively high median list price (\$495,000) compared to the median sale price last year (\$326,250). This does not mean that prices have escalated to this extent, but rather the lower priced homes have sold, while homes priced over \$500,000 remain on the market. More specifically:

- Five or six years ago, during the recession, there was too much inventory priced below \$350,000; now the inventory is too low. Less than 30% of available homes fall below this price, compared to 52% of sales last year.
- Single family homes and townhomes priced below \$350,000 are in high demand. These homes are the most desired by locals and also sought after by second homeowners. There is a very low four-month supply of homes available (38 homes available compared to 104 sales last year).
- The homes that are available below \$300,000 are typically older and in poor condition. New construction is not targeting the local workforce. The median asking price of condominiums constructed in the past two years is about \$400,000 and the median price of newer single family and townhomes is about \$450,000.
- About 70% of the available homes under \$350,000 are condominiums, which, as discussed below, present some challenges for local buyers. HOA dues decrease the affordability of these units.
- Demand for higher-priced homes (e.g. over \$700,000) has not returned. There is more than a two-year supply of homes available in this price range.

MLS Listings in Whitefish Area (59937): July 2016

	Type of Home			TOTAL %
	Condominium	Townhome	Single Family	
<=\$100,000	7	0	0	2%
\$100,001 - \$150,000	6	0	0	1%
\$150,001 - \$200,000	15	0	2	4%
\$200,001 - \$250,000	13	0	4	4%
\$250,001 - \$300,000	27	3	12	10%
\$300,001 - \$350,000	15	3	14	8%
\$350,001 - \$400,000	11	2	21	8%
\$400,001 - \$500,000	13	5	39	14%
\$500,001 - \$750,000	17	5	42	16%
Over \$750,000	14	3	117	33%
TOTAL	138	21	251	100%
Median List Price	\$315,000	\$434,000	\$689,900	\$495,000
Median List Price per Square Foot	\$248	\$205	\$252	\$243

Source: MLS

Affordability for the Workforce

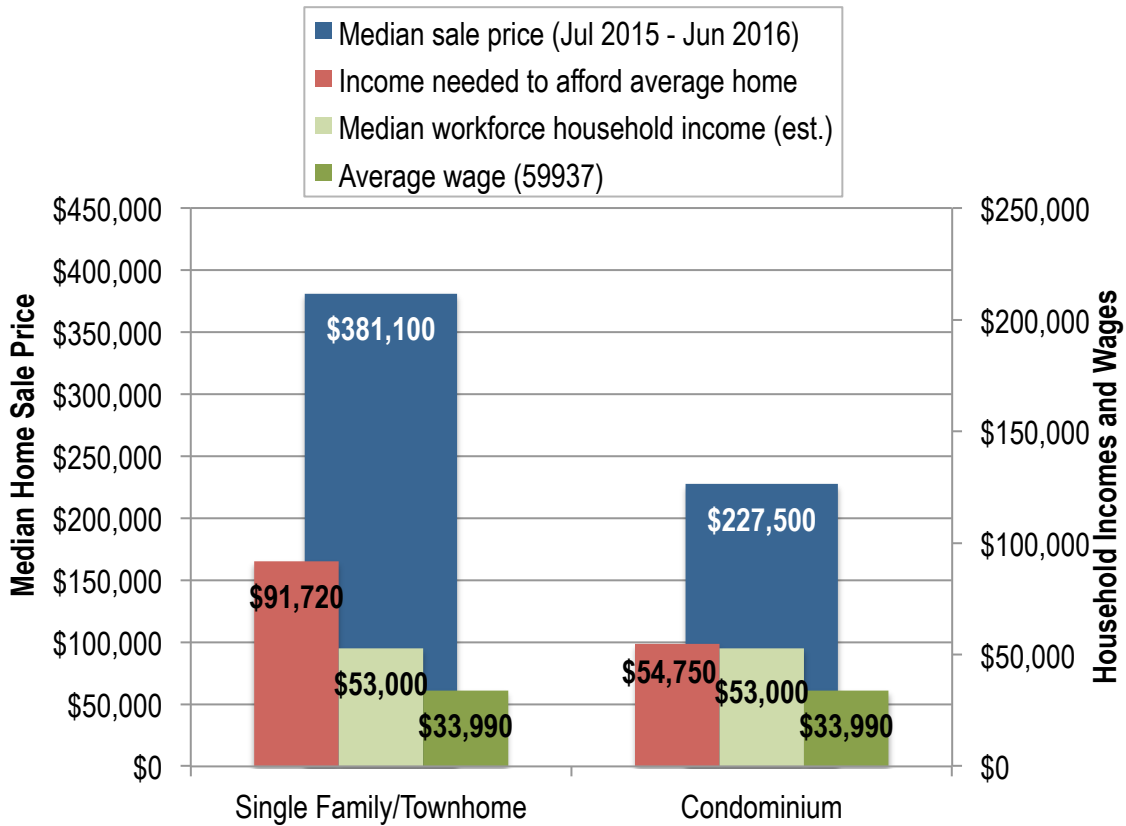
Even though prices have not returned to previous peak levels, they are still too high for most workforce households.

- An income of over \$91,700 (or 2.7 times more than the average wage) is needed to afford the median priced single-family/townhome sold in the Whitefish Area (59937) between July 2015 through June 2016. Based on the current median listing price of \$653,000, the income required rises to over \$157,000.
- The median priced condominium sold over the past year requires an income of almost \$55,000 to afford, or about 1.6 times the average wage, which could be affordable to a two-income household provided suitable product can be found. Based on the current median listing price of \$315,000, the income required jumps to over \$75,000.

“Staff wanting to move up from apartment living to renting or buying a house are moving out of town to C[olumbia] F[alls] or Kalispell or other places and leaving working in W[hitefish].”

Whitefish Area Employer Survey

**Income Needed to Afford Median Home Compared to Incomes and Wages:
Whitefish Area (59937), 2015-16**



Source: Land Title, HUD, DOLA, Consultant team

Homebuyer Profiles and Preferences

The primary buyer segments in the current market are second home owners, out-of-area retirees moving in or purchasing with future plans to retire to the area and local residents and employees. Investment buyers who purchase properties for the purpose of renting them out or otherwise making a profit, are also present.

Second home buyers comprise an estimated 20% to 30% of buyers in the current market. Out-of-area current and future retirees comprise an additional 30% to 40% of buyers.¹⁵ Realtors have seen some changes in the demographics and preferences of these buyers over the past several years:

¹⁵ Source: Realtor focus groups and interviews.

- Before the recession, second home buyers focused on the higher-end market (over \$700,000). Today's second homeowner is making more modest choices and seeking smaller houses. They are now competing with locals for homes priced between about \$275,000 to \$425,000.
- During the recession, most second home buyers were Canadian due to the oil boom, allowing many to purchase homes for cash. Now that the U.S. economy is recovering, Americans are back and comprise at least one-half of second home buyers.
- The number of early-retiree buyers has increased, in part due to the short-term rental market. These buyers are purchasing homes with the intent to retire in the area in 5 to 10 years and renting the units short term through sites like VRBO to cover mortgage payments or supplement retirement savings.
- Many second home buyers would prefer high-amenity condominiums over higher-maintenance single family homes, but there are few options in Whitefish. Second-homeowners own about 65% of the condominiums in Monterra, for example. Second homeowners are very motivated to purchase in the Whitefish Area and are willing to compromise on their preferred housing type and amenities to be in the area. Many compete with locals for single family homes, duplexes and townhomes (if available) at the lower price points.

Local buyers make up the remaining 30% to 40% of the for-sale market. Realtors stated that local residents and employees were not actively buying during the recession – most were not able to take advantage of the lower prices to get into home ownership; however, a few employers noted that purchasing homes in foreclosure during this period allowed them and some of their employees to stay in the Area. Now that rents are starting to exceed mortgage payments on homes in the Whitefish Area, first-time homebuyers are coming back to the market. Other local buyers are taking advantage of the equity earned on their homes and are wanting to upsize.

- About 50% of local buyers are first-time homebuyers. The other 50% are homeowners that want to purchase a larger home. Local households are rarely looking to downsize and purchase smaller homes – although some are looking to rent smaller homes in the area, with little success due to the unavailability of rentals.
- Singles and young families are the predominant demographic for local homebuyers. Technology and work-from-anywhere buyers are increasing. Realtors feel the current rising housing market is more tied to job growth than the pre-recession market, with many employees in professional positions relocating to the Whitefish area (e.g., health care, etc.) and seeking housing.

- About 80% of local buyers are searching for homes priced below \$300,000, although a few have purchased near \$400,000.
- The preferred unit types are single family homes with small yards and townhomes. Garages and extra storage are key. While both amenities are best, one is workable. A two-bed/two-bath townhome with a garage priced under \$300,000 in good condition will sell quickly. Homes available at this price point are typically old and in sub-par/poor condition.
- Condominiums are generally not preferred by locals and are particularly difficult options for families. High homeowner dues (e.g., \$275/month at Monterra) add to the cost to purchase these homes. It is also hard to get financing for units that are not FHA approved, higher down payments are typically required, and finding affordable options that provide sufficient storage and/or garages is difficult.
- Like second homeowners, local buyers desire the Whitefish Area and are willing to compromise on most of their home preferences. Some singles can make older, smaller condominiums work. Young families, however, often find suitable product in the Columbia Falls area (small single family homes or duplexes with yards) when they cannot find affordable product in the Whitefish Area.

Preferred Housing Options: Local and Second Home Buyers, 2016

	Unit Type	Price	Location
Local Resident/Employee Household	Single-family/Townhome 2 BR w/ garage and/or extra storage Small yard	<=\$300,000	In/near Whitefish; will compromise to be in the Whitefish Area to the extent possible; families may relocate to Columbia Falls
2nd Home Buyer Future Retiree	High-amenity condominiums or townhomes	<\$450,000; demand for \$700,000+ properties has not yet returned	In/near Whitefish; will compromise product type to purchase in the Area

Source: REALTOR® focus group

Investment buyers are not a significant component of the market. The short-term rental market has generated some activity. Realtors noted that house swaps and short-term rentals are driving prices up, particularly in areas zoned resort residential (where short-term rentals are permitted).

Mortgage Availability

For single-family homes, townhomes and duplexes, conventional and government-backed mortgages are again readily available at competitive rates.

- Lending standards that tightened after the recession have again relaxed. Most buyers with decent credit and adequate income can get a loan. Applicants with a new job may have difficulty getting approved.
- Conventional loans are again readily available with as little as 5% down. This is a popular product for local first-time buyers. Gift funds from friends or family and down-payment assistance programs are common for residents needing help with the down payment.
- Rural Development (RD) and FHA also offer some 0% down payment loans. Educational outreach to locals to increase knowledge of the availability of this product may help more renters move into ownership provided homes are available for them to purchase.
- Locals being approved for loans for \$250,000 and less are the most common. The problem is housing inventory – this product is scarce.

Condominium financing is more difficult. The industry went through many changes after the recession and has limited condominium financing primarily to portfolio loans (i.e., loans not sold on the secondary market and that are not usually available for fixed rates long term). FHA is looking at changing their standards, but challenges still remain:

- Monterra is about the only FHA-approved condominium project in the Whitefish Area. FHA, USDA and VA loans are only available on projects that are approved.
- There are tight limits on the amount of commercial space that can be within the project.
- Condominiums often have higher down payment requirements.
- The number of short-term and long-term rentals in a project can affect the ability to get financing.

Section 5 – Rental Housing Market

This section of the report presents the inventory of rental units, their condition/age, rents, and vacancies. It identifies trends in the occupancy and price of rental units and preferences among renters.

Key findings from this section include:

- Rents have increased an average of 10% for each of the past two years and now surpass pre-recession levels. Increases are likely in the future given the limited supply.
- The average rent in the Whitefish Area (\$1,240) is affordable to a household earning over \$50,000 per year (about 100% AMI). Of units available for rent, the asking rent averaged over \$1,500. Most rents exclude utilities.
- Availability is extremely low. Less than 2% of units were vacant in August. Property managers report that vacancies the past few years have been consistently low year-round.
- Some year-round rentals are converting to other uses. Owners are selling their homes as prices have increased and taking them off the rental market; other owners are reducing their lease terms from one-year to 8-months (Oct. through May), so they can lease their units for more during the summer.
- Turnover is very low; renters have so few choices that many cannot move.
- Rising rents affect the demographic of households. Families are being replaced by multiple roommate households who can afford the higher rent.
- Seniors seeking rentals has been increasing. This includes seniors on fixed incomes, as well as seniors with equity who recently sold their homes and want to downsize.

Rental Inventory

About 35% of households in the Whitefish Area rent their homes. This equates to just under 2,300 renter households in 2016.

**Renter-Occupied Housing:
Whitefish Area (59937), 2010 to 2016 (estimated)**

	2010	2016
Total Households	5,605	6,438
Renter-occupied	1,967	2,259

Source: 2010 US Census, DOLA projections (Grand County), Consultant team

Based on interviews with managers of over 1,000 market-rate rentals in the area, less than 20% of units are in apartment buildings.

- Rentals in the area are primarily individually owned single-family homes, duplex, townhome and condominium units.
- It is estimated that about one-half of these rentals are rented by their owners, with the other 50% being rented through a professional property management company.

Age and Condition

Over 50% of rented properties in the area were built more than 30 years ago. Many of the older units that are professionally managed are being renovated or have undergone repairs and upgrades. Some owner-managed units are poorly maintained, but this has not been a common complaint.

Of the 264 affordable apartments, about 26% were built since 2000.

- The oldest property, Mountain View Manor, had significant renovations completed in 1997 and is pending further upgrades.
- Big Mountain Apartments, Colorado Village, and Whitefish Manor are reported to be in generally good condition.
- Most properties have management on-site to address needed repairs.

Year Built: Affordable Apartments, Whitefish Area

	# Units	Year Built
Mountain View Manor	50	1969/1997
Big Mountain Apts	37	1977
Colorado Village Apts	36	1986
Whitefish Manor	30	1988
Stonecreek Apts	41	1992
Mountain Senior Apts	30	2003
Hailey Apartments	10	2004
Mountain Apartments	30	2001/02
TOTAL	264	-

Source: HUD LIHTC database; Interviews

Rents

Market rents have been increasing significantly over the past few years. Rents have increased an average of 50% since 2010, with a 10% increase in each of the past two years. Rents have surpassed pre-recession prices and, for some units, have reached the point where households could pay less if they could purchase the home.

- The average market-rate rent is \$1,240 for units leased by property managers. This is affordable for a two-person household earning \$50,000 per year, or about 100% AMI. Over 70% of renter households have lower incomes. Many renters desire to purchase homes once reaching this income level.
- Average rents vary from about \$775 for a one-bedroom (just over 60% AMI) to \$1,275 for a two-bedroom (over 100% AMI) and \$1,680 for a three-bedroom (over \$120% AMI for a two-person household).
- Rents vary significantly within each bedroom size. Rent differences depend mostly upon location – units in the Whitefish Area, and particularly downtown, demand higher rents than units in other areas; and whether units have a garage or storage or allow pets – pets are common among renters. The age and condition of units has some effect, but less so than the other factors.
- As rents on 3-bedroom units have jumped \$200 or more, this has had the effect of displacing young families and replacing them with 3-or-more-roommate households which can pay the higher rent.

“Rents have gotten out of reach in Whitefish for younger employees who are not looking for a situation with a lot of roommates...”

Whitefish Area Employer Survey comment

- There has been an increase in seniors who have sold their homes for equity and are looking to downsize. Many desire single-floor living. Many end up in Columbia Falls or Kalispell due to the shortage of units in the Whitefish Area and/or their high price.

Market Rents by Unit Size, June 2016

Professionally-Managed Market Rents		NOTES
1 Bedroom	\$450-\$1,600; \$775 average	Big range, most are priced below \$1,000
2 Bedroom	\$700 - \$2,900; \$1,275 average	Base price is \$700-\$900; most are \$2,000 or below
3 Bedroom	\$900 – \$3,600; \$1,680 average	Consistently start at \$900-\$1,000; most units peak at \$3,000
4 Bedroom	\$1,500-\$1,800; \$1,650 average	Only one manager had these units
Overall Average	\$1,240	-

Source: Property Manager focus group, interviews

Rents for the income-restricted affordable apartments in the Whitefish Area are much lower on average than market rents; although for all except 3-bedroom units, there is some overlap in price ranges.

The overall average apartment rent of \$615 is affordable to a 2-person household earning about \$25,000 (50% AMI). The availability of these units is limited, however:

- All units typically have no vacancies, very low turnover of only 1 to 3 units each year and most have a waitlist, allowing units to be filled quickly when they become available.
- While these units serve many lower income employees in the Whitefish Area,¹⁶ they cannot serve many segments of the market. This includes dual-income couples who exceed income-qualification limits, yet cannot afford market rate rentals; applicants with felony convictions; and employees without sufficient income documentation. These households cannot afford market rents, but also cannot access current affordable options.

¹⁶ See Section 3 – Housing Inventory (Affordable Housing Inventory) for more information on occupants.

- There are too few extremely-low-income units (i.e., 30% AMI) that would be affordable to households on social security income. These households cannot afford rents at levels restricted for households earning up to 50% AMI. LIHTC property managers report that they have been turning away more of these applicants in the past year.

Affordable Rents by Unit Size, June 2016

	Income-Restricted Apartment Rents
1 Bedroom	\$300-\$604; \$450 average
2 Bedroom	\$520-\$800; \$660 average
3 Bedroom	\$600-\$860; \$730 average
Overall Average	\$615

Source: Property Manager focus group, interviews

There are also too few properties in the Whitefish Area for Section 8 voucher holders. Market rents are too high for the program:

- One market rate property manager accepted them in about 50 of her managed units that were priced between \$600 (1-br) and \$1,200 (3-br); other managers had a few units in Columbia Falls.
- The Whitefish Housing Authority has not been able to place voucher holders in Whitefish for several years. The WHA used to be able to place people in Columbia Falls, but rents are getting too high there as well. \$654 for a 1-bedroom is the allowed maximum payment for a voucher holder.

Lease terms

Managers of Whitefish Area properties offer a mix of lease terms from less than one month up to one year. The majority of properties carry leases of 8-months or more.

- Owners converting long-term rentals to short-term vacation rentals has not been widespread (as discussed in Section 6 – Housing Problems).
- Renting units with 6- to 9-month leases from fall through spring is relatively common, however, and affects the ability for employees to reside in the area year-round.

- One property manager has a unit that leases for \$1,000 per month through a fall/winter lease, then for \$3,000 per month during the summer. Almost all property managers had some units on a similar schedule, although rents varied. Most of these units are furnished.
- Some employers noted that this type of lease has been increasing. Workers that had relatively stable year-round rentals have, in recent years, needed to find alternative housing in the summer so owners can short-term their units for higher rents.

Utilities

A recent trend for new apartment projects in mountain communities is for utilities to be included in rent. This reduces construction costs associated with individual meters, allows for energy-efficient heating systems such as central hot water boilers to be used and makes it easier for renters to move in and out without utility deposits.

In Whitefish, most units managed by property managers do not include utilities:

- Managers estimate that electric may cost \$100 on average, depending upon the age of the property, and water and sewer average \$80 per month.
- With planned wastewater treatment upgrades, the wastewater rate is anticipated to double, which will have a significant impact on renters and homeowners alike.

Vacancy Rate

As a general rule, double-digit vacancy rates are considered to be very high, rates at or below 3% are very low, and a vacancy rate of around 6% that is trending downward is typically an indication to developers that construction of additional units should begin. These “rules of thumb,” however, vary by market area.

The average vacancy rate in the Whitefish Area was below 2% in August (fewer than 45 units), which is very low. Vacancy rates have tightened over the past four years.

- Rentals are now mostly occupied year-round. Vacancies used to increase in the fall and took longer to fill than other times of the year. That has not been the case for the past four years. Property managers have consistently had at least 98% occupancy.

- Property managers have more choices in tenants now. Most take application fees and have multiple applications for units.
- Units renting for less than \$800 take hours to fill; units at \$1,600 take no more than 30-days; units priced over \$4,000 still take time to fill.
- Income-restricted affordable rentals have been full the past few years. Most have waitlists varying from six up to 30 people; units are usually filled immediately upon vacancy.
- Affordable properties turnover one to two units per year. Of units built in the 2000’s, many have their original tenants.
- Fewer than 10% of market rate units managed by property managers turnover each year in the Whitefish Area. Most turnover occurs in May through August. The lack of rentals keeps tenants in their units. Managers have had some tenants give 30-day notice, then take the unit back for lack of alternatives.

Vacancy Rates: Whitefish Area (59937), July/August 2016

Income-restricted rentals	1.9% (5 units)
Market-rate rentals (interviews)	1.0% (11 units)
Market-rate rentals (advertised)	1.0% (23 units)

Source: Craigslist; Interviews; consultant team

Available Rentals

Only 23 units available to rent year-round in the Whitefish Area were advertised on Zillow and Craigslist in August. Of these, the average rent was over \$1,500 per month. Only six units were available for \$1,000 per month or less.

“Most [of my employees] live in Kalispell or C[olumbia] Falls or outside of Whitefish. Affordable Rentals are very hard to find, that aren't vacation rentals. I have had several employees over the years who live in low income housing/apartments.”

Whitefish Area Employer

**Rents of Vacant Units by Income Affordability:
Whitefish Area (59937), August 2016**

	Max Rent	Studio/ 1-bedroom	2- bedroom	3+- bedroom	Total listings	% listings
<\$15,000	\$375	0	0	0	0	0%
\$15 - \$24,999	\$625	1	1	0	2	9%
\$25 - \$39,999	\$1,000	2	2	0	4	17%
\$40 - \$49,999	\$1,250	2	2	0	4	17%
\$50 - \$59,999	\$1,500	0	1	0	1	4%
\$60 - \$74,999	\$1,875	0	1	5	6	26%
\$75,000 or more	Over \$1,875	0	2	4	6	26%
Total	-	5	9	9	23	100%
Average Rent	-	\$921	\$1,262	\$2,068	\$1,503	-

Sources: Zillow and Craigslist

Renter Preferences

Interviews with property managers and comments from employers provide some insight on the preferences of renters in the Whitefish Area:

- Units in and near Whitefish are most preferred. Prices should not exceed about \$800 for a 1-bedroom, \$1,200 for a 2-bedroom and \$1,500 for a 3-bedroom.
- Pets are popular. Some owners are renovating units and no longer allowing pets, whereas others are renovating units with pet-friendly carpets. Some require a pet deposit and/or extra rent.
- Storage and garages are preferred. Units with these amenities can demand higher rent.
- Units for seniors to downsize are limited in the Whitefish Area and in increasing demand. These should be one-story units with easy access.

Section 6 – Housing Problems

This section provides an overview of multiple indicators of housing problems, including households that are cost-burdened by unaffordable housing payments, overcrowded, living in substandard housing, or forced to commute. This section also provides an overview of the impacts of short-term rentals on the availability of year-round housing for the local workforce.

This section uses a combination of local information and secondary data from the 2000 US Census and 2010-2014 ACS because 2010 Census data is not available for these topics. Because the ACS is based on monthly samples of residences, rather than a 100% census count like the 2000 or 2010 Census, the ACS should be used to gauge trends over time rather show precise changes. This is particularly true in areas with populations under 20,000 (such as the Whitefish Area), where margins of error can be high. The ACS margins of error for the Whitefish Area have been provided below where helpful to understand the data quality and reliability for certain housing problems.

“Whitefish housing is expensive. I have associates in the service industry that cannot find reasonable housing. They have shared housing with multiple roommates in less than desirable conditions.”

Whitefish Area Employer Survey Comment

Cost-Burdened

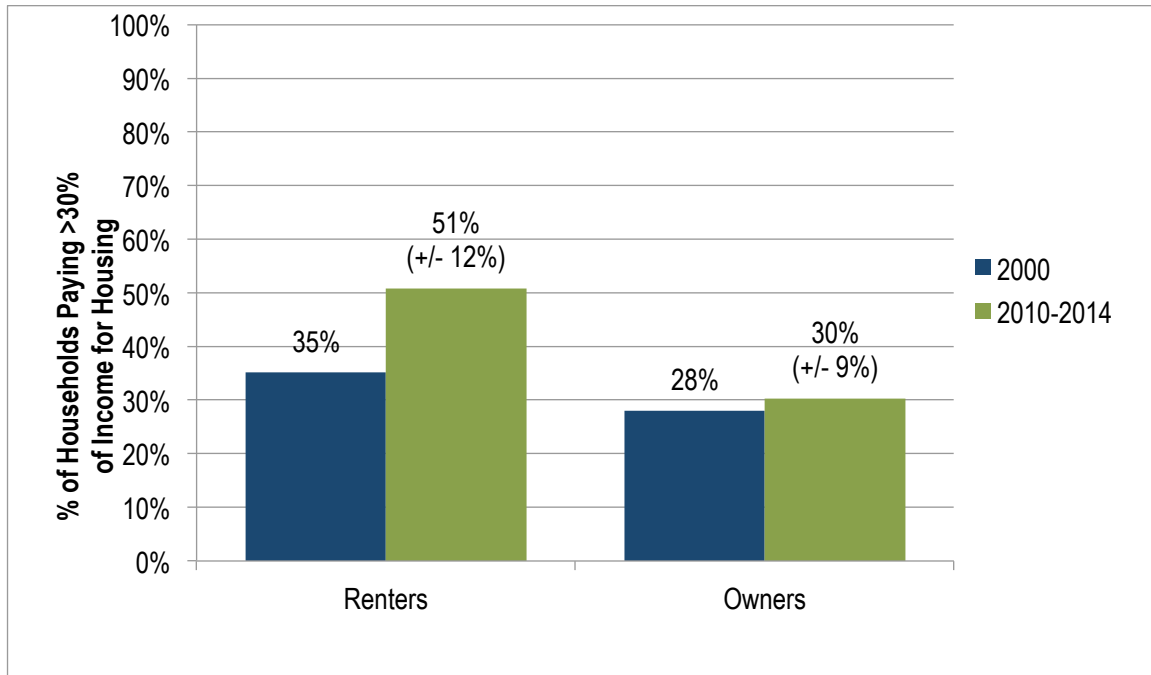
Households are considered to be cost burdened if their housing payment¹⁷ exceeds 30% of their gross income, and extremely cost burdened if it exceeds 50%. Cost burdened households often have insufficient income left over for other life necessities including food, clothing, transportation and health care.

In 2000, about 35% of renters and 28% of owners were cost-burdened in the Whitefish Area. ACS 2010-2014 estimates show that cost-burden among owners has remained about the same. Cost-burden among renters is estimated to have increased, ranging between 39% to over 60%.

Rents increasing at a rate of near 10% over the past couple of years compared to a yearly 2.5% increase in area wages has likely increased cost burden among renters, though the magnitude of this change cannot be reliably quantified. Property managers were not able to comment on the extent of this problem; however, they have observed more families being replaced with roommate households, which have more incomes to cover the rent, as rents rise.

¹⁷ The US Census defines “housing payment” to include rent and mortgage plus utilities.

**Cost Burdened Households:
Whitefish Area: 2000 – 2014 (est)**



Source: 2000 Census, 2010-2014 ACS estimate

Substandard Housing

Housing is considered substandard when it lacks basic facilities, including complete plumbing, complete kitchens or heating. Households residing in substandard housing are considered to be in need of assistance, even if they are otherwise satisfied with their housing.

Few households in the Whitefish Area reside in substandard housing based on this definition. About 1% of renters and 0.5% of owners in 2000 lacked complete facilities and none lacked heating options. Based on the ACS 2010-2014 estimates, this has remained fairly consistent.

As indicated in earlier sections,¹⁸ the age of housing and maintenance of units are more likely to affect the condition and suitability of housing for locals.

¹⁸ See Section 3 – Housing Inventory, Section 4 – For Sale Market and Section 5 – Rental Housing Market.

**Type of Heating Fuel Used: Renters
Whitefish Area, 2000 – 2014 (est)**

	Renters		Owners	
	2000	2010-2014	2000	2010-2014
Lack complete plumbing	1.0%	0.0%	0.5%	1.0%
Lack complete kitchen	1.0%	0.4%	0.3%	0.4%
Type of Heating Fuel Used				
Gas/Oil	50.4%	49.0%	65.4%	66.5%
Electric	42.2%	45.9%	18.1%	20.2%
Wood	7.4%	4.7%	16.0%	11.5%
Other	0.0%	0.0%	0.4%	1.9%
None	0.0%	0.4%	0.0%	0.0%

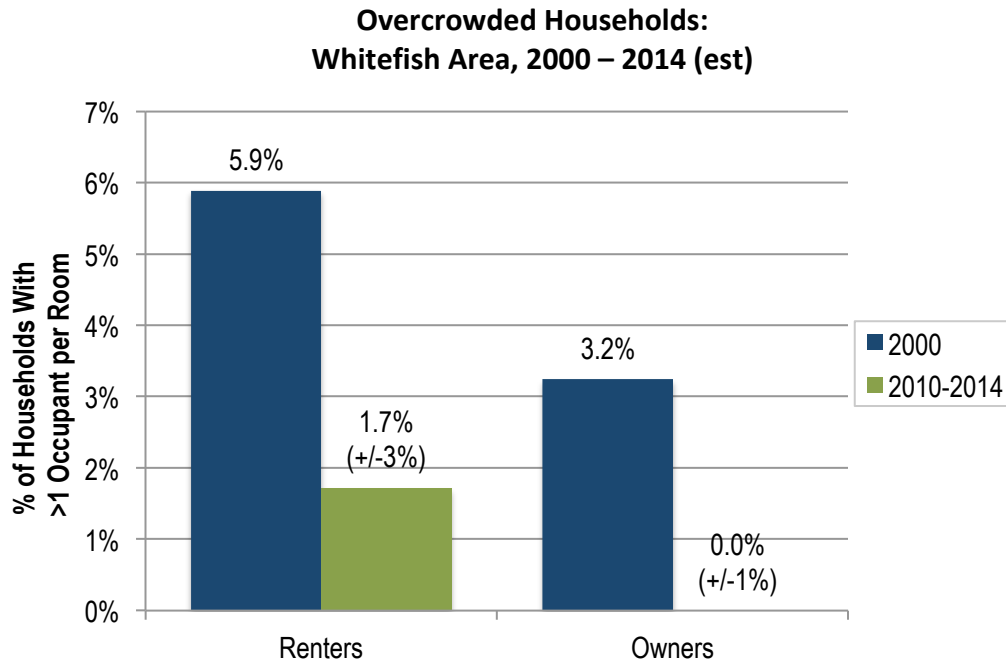
Source: 2000 Census, 2010-2014 ACS estimate

Overcrowding

Overcrowding does not have a strict definition. Most property managers allow no more than 2-persons per *bedroom* in their units. The Census Bureau defines overcrowded housing units as those with more than 1-person per *room*.

Based on the Census, renter households were more likely to be overcrowded (6%) than owner households (3%) in 2000. The ACS indicates this may have decreased in 2010-2014; although among renters, overcrowding problems change with peak employment periods.

Property managers noted that overcrowding in their rentals has not been a problem, but they allow no more than 2-persons per bedroom upon lease-up and monitor this requirement. They have, however, seen a rise in roommate households both as a percentage of total renters and in size (e.g. three- and four-roommate households instead of two roommates).



Source: 2000 Census, 2010-2014 ACS estimate

Forced to Commute

As stated in Section 2 – Economic Trends, employers estimate that about 34% of in-commuting workers (1,095 total) would prefer to live in the Whitefish Area if they could find housing that they could afford. These workers are forced to commute due to the lack of workforce housing in the Whitefish Area. For workers that would prefer to move:

- It is typical for homeowners who in-commute to be more reluctant than renters to move given their more stable housing situation.
- Employees wanting to move work in a range of jobs in the Whitefish Area, including retail, lodging/accommodations, bar/restaurant, recreation, health care, and finance/banking.
- According to employers, in-commuters include employees from entry-level and seasonal workers through management positions.

Providing a range of housing options – both rental and ownership – at various price points could provide in-commuting workers with more local housing options. This would also help house new workers nearer their jobs and help mitigate commuting in the future.

Short-Term Rental Impacts

The short-term rental market affects the demand for workforce housing both from the supply side, by removing long-term rentals and homes previously owned by local residents from the market, and the demand side, through increased job growth to provide services to the short-term visitors and the rental properties. With the explosive growth in short-term vacation home rentals available through websites such as VRBO, AirBnB and other online hosting sites, these concerns have come to the forefront, not only in the Whitefish area, but also among most every high-cost resort community throughout the mountain west.

While a comprehensive analysis of this issue was outside the scope of this study, some insight into the problem is available through property manager and Realtor interviews, and through local short-term rental license data and AirBnB and VRBO listings.

Existing Short-Term Rentals.

In August of this year, there were 529 short-term rentals advertised on VRBO from Olney to Columbia Falls, constituting roughly 5% of housing units in this area.

VRBO listings in August totaled about 5% of housing units in the Whitefish area.

Short-term rental advertisements on AirBnB have increased significantly over the past few years. In 2016:

- There were 298 active rentals listed with 94 active hosts.
- Average daily rents received for AirBnB-listed units ranged from just under \$200 for a 1-bedroom unit to over \$450 for a 4-bedroom home.

Growth in AirBnB Listings: 2013 to 2016

Year of listing:	2013	2014	2015	2016
# of listings:	15	37	129	298

Source: Airdna.co

City License Data. The City of Whitefish began requiring permits for short-term rented homes in 2013. The City requires a business license and fee, City Fire Department inspection, Flathead County Health Department inspection and State of Montana Public Accommodation License for a Tourist Home. Properties must be located within defined short-term rental zones in the city. The City has issued permits for 21 properties.

County Licensed Tourist Homes. The state of Montana began requiring accommodations inspections and permits for Tourist Homes in 2009. Flathead County has 98 licensed Tourist Homes in the 59937 zip code area. The County does not actively monitor short-

term rental homes to gain compliance. All permits were acquired upon request by the owner or through complaints received on non-permitted units.

The County does not collect information on the use/occupancy of the home prior to its use as a short-term rental. Several observations have been made upon inspection, however:

- At least three (3) units this spring had been rented long-term and converted to short-term.
- The County sees a lot of permit activity at the base of Whitefish Mountain. Most of these units are condominiums owned by second homeowners.
- One four-plex was constructed this year with the intent to rent all units on a short-term basis.
- A property manager of short-term rentals expressed that it has been hard to retain employees to help manage the rentals due to the lack of affordable homes in the Whitefish area. His workers have typically found homes in Kalispell, only to find a job closer to home and leave his employment within one to two years.

For-sale market. Realtors noted that the short-term rental market has affected some of the home purchase activity. It has attracted some investment buyers, although more frequently it has prompted many second homeowners with plans to retire in the area to purchase homes 5 to 10 years in advance. Realtors have noted that home prices have increased slightly more in the areas of the city where zoning permits short-term rentals.

Rental market. Property managers have not seen a significant shift of long-term rented homes into short-term units (i.e., rented for periods less than 30-days) among units that they manage. Many owners have considered conversion, but given the current high yearly rental rates and the increased cost and management involved with short-term rentals, most owners have preferred to retain their units as long-term rentals. As a compromise, however, some units that were rented year-round are converting to 6- to 9-month leases to take advantage of higher summer rents.

A larger contributor to the loss of long-term rentals has been owners selling their homes as home prices have increased. Managers reported losing nearly 20 units this spring due to owners selling. New owners may short-term rent their units, particularly if they want the flexibility of using the unit themselves for part of the year. Property managers find that units are being short-term rented regardless of whether they are permitted by zoning or not.

Section 7 – Current Housing Needs and Projected Demand

This section of the report estimates the number of housing units needed by employees in the Whitefish Area both to fill existing gaps in the housing market and to accommodate future needs to support the businesses and the community through 2020. This includes identifying needs by ownership and rental units and by price points affordable for workforce households.

Housing needs are determined through a combination of factors and are presented in two categories:

- **Catch-Up Needs** – the number of housing units needed to address current deficiencies in housing based on employees needed to fill unfilled jobs and in-commuting employees who want to live in the Whitefish Area.
- **Keep-Up Needs** – the number of units needed to keep-up with future demand for housing based on projected employment and jobs vacated by retiring employees.

The housing needs estimated in this section are a component of housing demand in the Whitefish Area, but they do not represent total demand. This section estimates housing units needed to support employers, keep up with future job growth and improve housing conditions for area workers. The estimate includes housing that may be provided by the market, and gaps where the market is unlikely to provide housing needed to support the local workforce. It does not include additional components of demand, such as resident households who would like to buy a new or different home in the Area or out-of-area households wanting to purchase vacation or retirement homes.

Current Conditions and Catch-Up Needs

In-commuters

Providing stable housing options for in-commuters that would prefer to live near their jobs has many benefits to both employers and the community, including helping to decrease employee turnover, improve customer service, and increase community vibrancy.

About 555 units are needed in the Whitefish Area to meet the needs of in-commuters who would prefer to live nearer their jobs. Employers estimate that about 34% of employees commuting from homes outside of the 59937 zip code area would move to the Whitefish Area if they could find suitable housing they could afford.

Units Needed to House In-Commuters	
Total in-commuters	3,245
% want to move to the Whitefish Area	34%
# that want to move	1,095
Jobs per employee	1.2
Workers per household	1.64
New housing needed	555

Unfilled jobs

About 115 housing units are required to house employees needed to fill the 225 year-round jobs that are vacant.

Units Needed to Help Fill Vacant Jobs	
# Year-Round unfilled jobs	225
Jobs per worker	1.2
Employees per household	1.64
Housing units needed	115

Future (Keep-Up) Needs

Retiring employees

Employers will need to fill the jobs vacated by retirees in addition to any newly created jobs. Some retirees will likely leave the area upon retirement; however, when they sell their homes, many will likely be purchased by second homeowners or in-coming retirees rather than local employees.

Employers report that about 6% of employees (365 total) will be retiring over the next four years. About 180 housing units will be needed to house the employees filling jobs vacated by retirees.

Retiring employees	
% to retire by 2020	6.1%
# to retire	357
Jobs per worker	1.2
Employees per household	1.64
Housing units	180

Job Growth

To keep up with estimated job growth over the next five years (395 new jobs), approximately 130 additional units will be needed by 2020 to house 63% of local employees in the Whitefish Area. The 63% target is based on current patterns – 44% of the current workforce lives in the Area and 19% commute in but want to move.

Estimated Housing Needed by the Workforce Filling New Jobs, 2016 – 2020

Increase in Jobs between 2016 to 2020	395
Jobs per Employee	1.2
New Employees Needed	330
% to live in Whitefish Area*	63%
# to live in Whitefish Area	210
Employees per Housing Unit	1.64
New housing needed	130

*Includes 44% of the workforce that lives in the Whitefish Area plus in-commuters who want to move to the Area.

Summary of Catch-Up and Keep-Up Needs

Based on estimated catch-up and keep-up needs, approximately 980 housing units for the workforce are needed by 2020, or an average of about 245 units per year. This includes housing in-commuters that want to move to the Whitefish Area, workers needed for unfilled jobs, employees filling jobs vacated by retirees and workers filling new jobs created through 2020. The extent to which some of these needs may be addressed by the market will be influenced by changes in housing prices over time, the availability of land, developers' willingness to take advantage of opportunities to build additional workforce housing, and the presence or absence of regulatory barriers. In addition, the extent to which any or all of these elements of need are addressed by local housing programs will be an extension of housing policy, resources and desired direction with respect to workforce housing. Setting this policy direction will be a goal of Phase 2, Strategic Planning.

Summary of Housing Needs	
Catch-Up	670
In-commuters	555
Unfilled jobs	115
Keep-Up	310
Retiring employees	180
New jobs	130
TOTAL through 2020	980

Needs by Own/Rent and Income

There is need for both ownership and rental housing in the Whitefish Area that is available to the local workforce. About 40% of new units should be for ownership and 60% for rent. This takes into account that most in-commuters that would move are renters, as are the majority of new workers to the area initially (an estimated 70%). It is also in line with the rental shortage experienced in the Whitefish Area (under 2% vacancy rate).

The precise ratio, however, is somewhat dependent upon the Area' desired direction and housing policy. While the rental market is currently tighter than the ownership market, ownership is needed long term for year-round residents.

Summary of Housing Needs by Own/Rent Through 2020	
Units needed through 2020	980
Ownership	400
Rental	580

Ownership housing should be created based on the income distribution of households employed in the Whitefish Area, as shown below.

- Prices for locals should range as low as about \$160,000 up to about \$310,000. This would provide ownership opportunities for households earning between \$40,000 through \$75,000 per year (between about 80% and 150% AMI). The current for-sale market is not providing a sufficient supply of homes in this price range.
- Homes affordable for households earning under \$40,000 per year are also undersupplied; however, producing homes at this price will not occur without substantial subsidies or programs such as Habitat for Humanity. These households also often have trouble qualifying for loans and meeting down payment purchase requirements.

- Homes affordable to households earning between \$75,000 to \$100,000 per year, while not plentiful, are generally available in relation to the percentage of workforce households earning within this range.
- Homes priced over \$400,000 are oversupplied when compared to the proportion of local workforce households that can afford to purchase these homes.

Homeowner Income Distribution Compared to Homes Availability

Income Level	MAXIMUM Affordable Sale Price	Owner Income Distribution	All For-Sale Listings
Under \$15,000	Under \$62,300	7%	0%
\$15 to \$24,999	\$103,900	7%	1%
\$25 to \$39,999	\$166,200	10%	2%
\$40 to \$49,999	\$207,700	11%	4%
\$50 to \$59,999	\$249,300	11%	4%
\$60 to \$74,999	\$311,600	15%	10%
\$75,000 to \$99,999	\$415,500	14%	17%
\$100,000 or more	Over \$415,500	25%	61%
TOTAL	-	100%	410

NOTE: Shading indicates where there is a shortage of housing supply for the workforce.

There are very few units available to rent at any price point in the Whitefish Area.

- New rentals for the workforce should be mostly priced for households earning under \$40,000 (or about \$20 per hour). Only six (6) rentals in this price range were advertised for rent in August 2016.
- There is also a shortage of units priced up to about \$1,200 for two-bedroom and \$1,500 for three-bedroom units in the Whitefish Area.

Renter Income Distribution Compared to Available Rentals

Income Range	Maximum Affordable Rent	Renter Income Distribution	Available Rentals*
Under \$15,000	\$375	22%	0%
\$15 to \$24,999	\$625	18%	9%
\$25 to \$39,999	\$1,000	21%	17%
\$40 to \$49,999	\$1,250	10%	17%
\$50 to \$59,999	\$1,500	7%	4%
\$60 to \$74,999	\$1,875	8%	26%
\$75,000 or more	Over \$1,875	13%	26%
TOTAL	-	100%	23

*Available rentals include rentals available in the Whitefish Area in August 2016.

NOTE: Shading indicates where there is a shortage of housing supply for the workforce. Workforce units provided in the lighter shaded price points should be 2- and 3-bedroom units.

Seasonal Workers

Businesses recruited and trained new workers to fill about 720 jobs last summer and 420 jobs last winter.¹⁹ Given the scarcity of housing in the area, 54% of employers that hire summer seasonal workers and 31% that hire winter seasonal workers state that the ability for these workers to find housing is a “major problem.” Most seasonal workers earn anywhere from about \$9 up to \$15 per hour.

Summary of Seasonal Workers

	Summer	Winter
Total seasonal jobs	1,440	1,200
Jobs filled by seasonal residents	720	420
Jobs per seasonal worker (est.)*	1.5	1.5
Seasonal workers needing housing	480	280
# of Seasonal Housing Units Needed	Unknown/fluctuates	

*Year round workers hold 1.2 jobs on average in the Whitefish Area. Seasonal workers typically hold more than this (up to 1.8 jobs in some communities). An estimate of 1.5 was used (mid-point).

The number of housing units needed by seasonal workers is difficult to define – needs change year-to-year based on several factors – tourism, hiring needs, weather, housing market availability, etc. In most seasonal resort communities, housing for seasonal workers is often provided by the employers who hire them. Neither private developers nor public housing authorities can afford to develop housing that is occupied only part of the year. The dual-seasonality in the Whitefish Area, however, can provide options that are not available in communities that have only one dominant season.

The type of housing needed can also vary significantly. Employers have specific knowledge of the number of workers they plan to hire, their demographic characteristics and their housing needs. For example:

- Many seasonal employees hired at Whitefish Mountain work in the area year-round, holding a seasonal job with the mountain in the winter and with others (e.g. Park Service, recreational outfitters, etc.) in the summer. Many of their employees have families or are otherwise not interested in residing in temporary dorm-style housing, but need more permanent, year-round housing options.
- Other positions may be filled by employees who only come to the area for a few months for which dorms or hostels may suffice. For peak summer seasonal employees, RV spaces, camping facilities, non-winterized cabins and similar low cost housing options for these workers are also feasible, unlike for employees in the winter.

¹⁹ See Section 2 – Economic Trends (Seasonality of Jobs).