

Healthcare Workforce Housing

NAHEFFA Annual Meeting

September 14, 2022 | Bozeman, Montana

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- The Housing Crisis and Defining “Affordable Workforce” Housing
- Case Study: Montana’s Housing Crisis and its Impact on Healthcare
- Models for Hospital-Led Housing Strategies
- Public-Private Workforce Housing Strategies
- Questions



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A photograph of a modern hospital lobby with a green overlay. The lobby features a polished floor, recessed ceiling lights, and a glass railing on an upper level. A potted plant is visible in the foreground. The text "Housing is an Operational Threat to Hospitals" is centered in white on the green overlay.

Housing is an Operational Threat to Hospitals

High housing costs preventing some workers from taking healthcare jobs

Housing crunch means Montana hospitals can't find, keep workers

Rising housing costs hinder hospital operations

Bozeman Health to Invest in Workforce Housing

How 2 hospitals in tourist towns are using employee housing to fight staff shortages

Florida hospitals say potential staffers can't find affordable housing

Housing for hospital workers called 'crisis'

St. Luke's buys McCall building for workforce housing



A photograph of a modern office interior with a green semi-transparent overlay. The background shows a bright, multi-level office space with glass railings, a polished floor, and a potted plant. The text "What is 'Affordable Workforce' Housing?" is centered in white on the green overlay.

What is “Affordable Workforce” Housing?

Defining “Affordable Workforce” Housing

- **Housing is considered affordable if it costs less than 30% of a household’s income.**
- Housing is no longer a “low-income” problem.
- Federally subsidized housing programs focus on low-income households earning 30% - 60% of an area’s median income.
- **The “Missing Middle”:** In recent years, moderate income households, generally earning 80% - 120% of an area’s median income, have found it increasingly difficult to find affordable housing.
- Many “missing middle” households are essential workers – police, firefighters, teachers, healthcare workers



Montana Example

Switching data, the **US Census Bureau** 2020 Area Median Household Income (avg. HH size 2.37) demonstrates that a Bozeman household, earning 100% of the area's median income (\$59,695) would be in "affordable" housing if it costs them less than \$1,492 per month. The actual average cost is over \$6,000 a month. In this example, Miles City is the closest to affordable and had lost 5% of its population between census periods. Bozeman grew by 42%. **The income gap between "affordable" and "available" in Bozeman is \$182,300 per year.**

City	census.gov			realtor.com			
	Avg. HH Income	30% AMI PMT	Could Afford	Avg. Home	Est. Monthly Pmt.	Needed NET Income	Income Difference
Miles City	\$ 53,571	\$ 1,339	\$ 208,927	\$ 229,000	\$ 1,489	\$ 58,395	\$ (4,824)
Montana	\$ 56,539	\$ 1,413	\$ 220,000	\$ 245,000	\$ 1,593	\$ 62,394	\$ (5,855)
Glasgow	\$ 50,541	\$ 1,264	\$ 197,110	\$ 265,000	\$ 1,723	\$ 67,575	\$ (17,034)
Butte	\$ 49,659	\$ 1,241	\$ 193,670	\$ 279,000	\$ 1,814	\$ 71,145	\$ (21,486)
Lewistown	\$ 34,065	\$ 852	\$ 132,854	\$ 274,000	\$ 1,781	\$ 69,870	\$ (35,805)
Billings	\$ 60,032	\$ 1,501	\$ 234,125	\$ 399,900	\$ 2,599	\$ 101,975	\$ (41,943)
Helena	\$ 60,074	\$ 1,502	\$ 234,289	\$ 499,300	\$ 3,245	\$ 127,322	\$ (67,248)
Kalispell	\$ 47,750	\$ 1,194	\$ 186,225	\$ 635,500	\$ 4,131	\$ 162,053	\$ (114,303)
Ennis	\$ 63,203	\$ 1,580	\$ 246,492	\$ 739,000	\$ 4,804	\$ 188,445	\$ (125,242)
Bozeman	\$ 59,695	\$ 1,492	\$ 232,811	\$ 949,000	\$ 6,169	\$ 241,995	\$ (182,300)





The Housing Crisis is a Growing Problem

Macro Drivers of the Housing Crisis

- **Supply Shortage:** Today, 3.8 million units short. Double the deficit since 2012.
- **Supply Shortage Exacerbated by Demographics:** Baby boomers are staying in their homes longer, colliding with peak Millennial demand.
- **Pandemic Demand Surge:** Low interest rates and shift to remote work fueled demand for housing
- **Rising Costs:** Construction costs have increased 25%-35% since 2020



Why Are Employers Innovating Around Housing? *Because It's Growing Less (Not More) Affordable*

Median Home Price and Household Income, 2000-2020

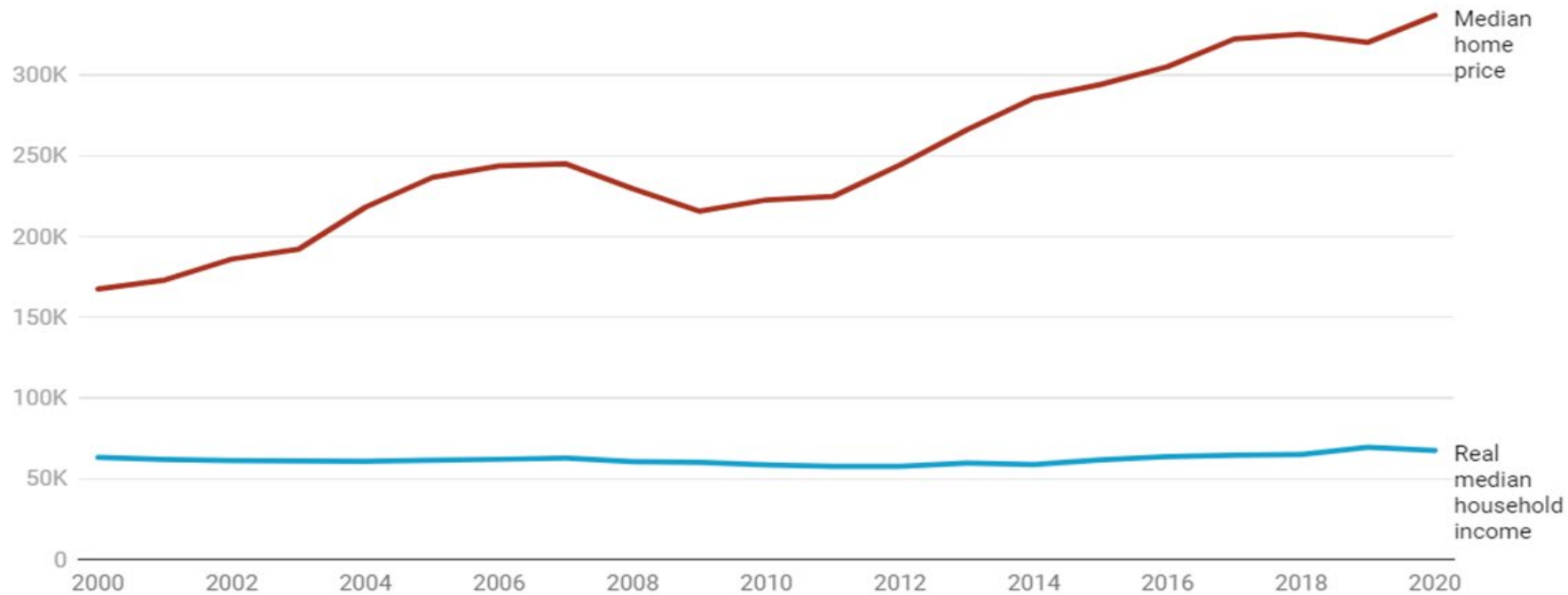


Chart: Governing • Source: [FRED](#) • Created with [Datawrapper](#)

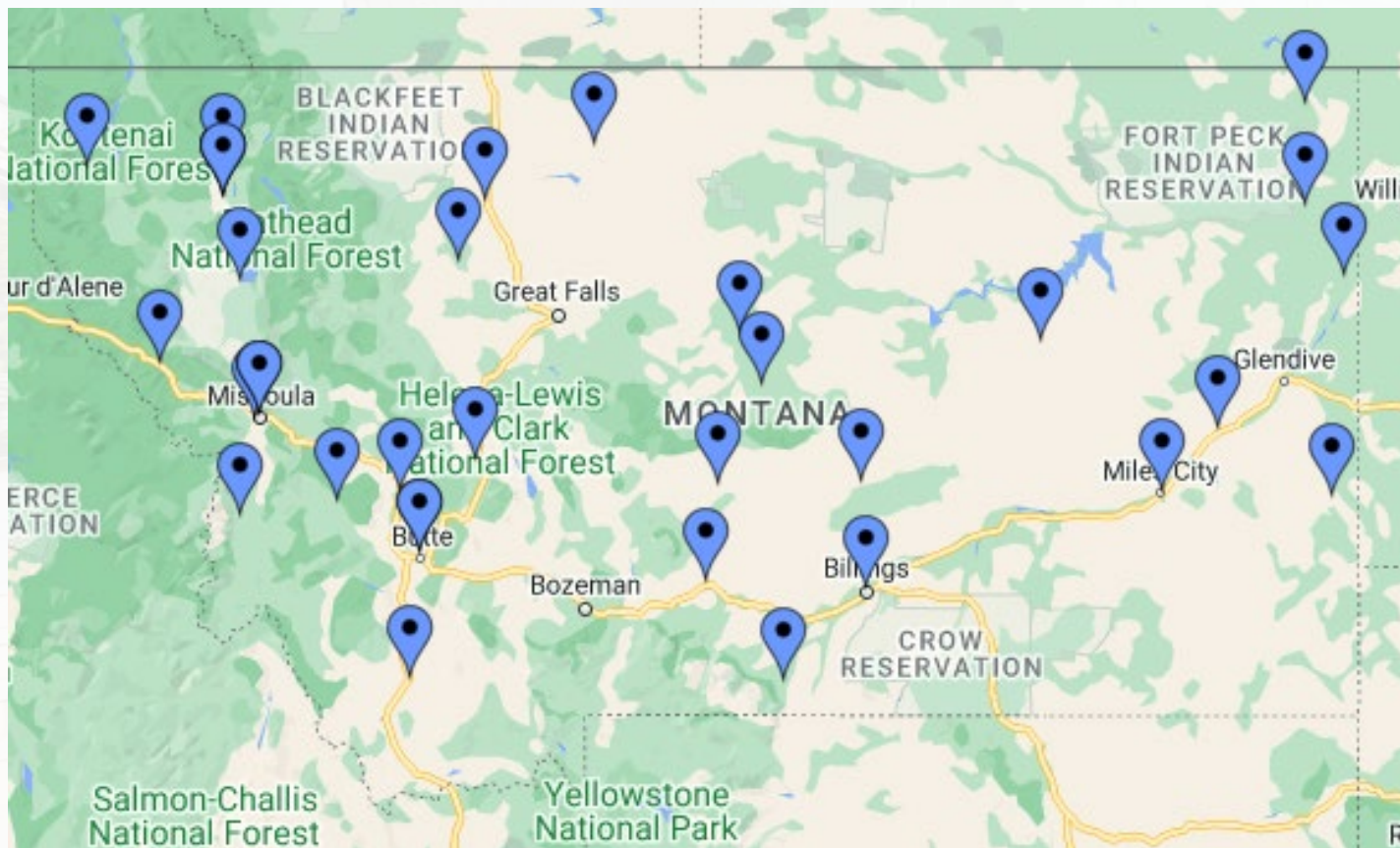




What is the “lay of the land” in Montana?

MHA Housing Survey

June 2022



MONTANA HOSPITAL
ASSOCIATION

Survey respondents represent the geographic diversity of healthcare settings across Montana and about 50% of hospital employment.



MHA Housing Survey

June 2022



Hospitals are focused on **delivering exceptional health care**, traditionally staying out of the “speculative” housing market.

In 2022 **100% of health care leaders are concerned about housing**, $\frac{3}{4}$ consider it a top priority.

Due to housing, **100% of hospitals are having difficulty attracting new employees**. $\frac{3}{4}$ are struggling to keep employees.



MHA Housing Survey



#1 strategy: **collaborate** with business community

Contributing factors:

FIRST: lack of SF homes/apartments

LAST: **Regulation**

A second “*general housing survey*” shared by the MT Chamber, Superintendents, Banks and Credit Unions found similar results.



MHA Housing Survey



Summary:

- **Lack of accessible housing impacts every corner of Montana's economy**
- **All options are on the table, but what will be tolerated?**
- **Supply side solutions are a necessary next step**
- **We cannot de-regulate out of the crisis**
- **Infrastructure investments are critical**
- **Allowances have to be made for higher density housing**



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Models for Successful Hospital-Led Housing Strategies

Master Lease Model

Basic Mechanics:

- Employer partners with home and apartment owners to “master” lease units, then sublease to employees.

Benefits:

- **Fast** – takes advantage of existing housing inventory
- **Flexible** - Master leasing housing units allows employers to adjust housing availability over time, ensuring to the greatest extent possible that units are available for employees when needed.

Challenges:

- Master lease rents can be higher than what employers can recoup through subleases, requiring financial subsidy.
- Subsidized rents may trigger taxable income issues.
- Requires employer to wear the “landlord” hat.
- Successful program administration often requires contracting with a qualified residential property management firm, which increases overall program cost.



Equity Investment / Development Participation Models

Basic Mechanics:

- Employer partners with a developer to develop for-sale or rental housing. The employer's role could be (1) **equity investment**, (2) **financial project subsidy** (grant), (3) **land donation**, (4) **servicing as an anchor tenant in a mixed-use project**, or some combination.
- In some models, employer receives rental preference for employees.

Benefits:

- **Expands Inventory**
- **Expands Affordability through employer “buy down” of construction costs**
- **Creates “upside” investment potential for employers**

Challenges:

- Long lead times
- Increased Complexity



Community Land Trust Model

Basic Mechanics:

- Employer partners with a Community Land Trust to support the financing and development of affordable housing. CLTs are non-profit entities authorized by law to facilitate the long-term availability of permanent affordable housing. Often accomplished through deed restrictions or the CLT retaining ownership of the underlying land.

Benefits:

- **CLTs are great partners**
- **Long-Term Solution**
- **Low Employer Input over time**

Challenges:

- Long lead times
- Complexity
- Policy considerations



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Public-Private Strategies

Public-Private Strategies

- Tax Incremental Financing for Rental Units
 - Flexible and already authorized in many jurisdictions
 - Can be used to subsidize construction costs or as annual payments to lower operating costs
 - May not adequately meet the financial needs of a project
- Property Tax Abatement Programs
 - Often involve governmental or quasi-governmental ownership (Examples: California Statewide Communities Development Authority, San Antonio Public Facilities Corporations law)
 - Can include direct annual tax abatements if housing meets certain criteria, typically income-based restrictions
- Special Governmental Authorities with Bonding Authority (e.g., California Joint Powers Authority, “Essential Function” bonds)



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Questions and discussion

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