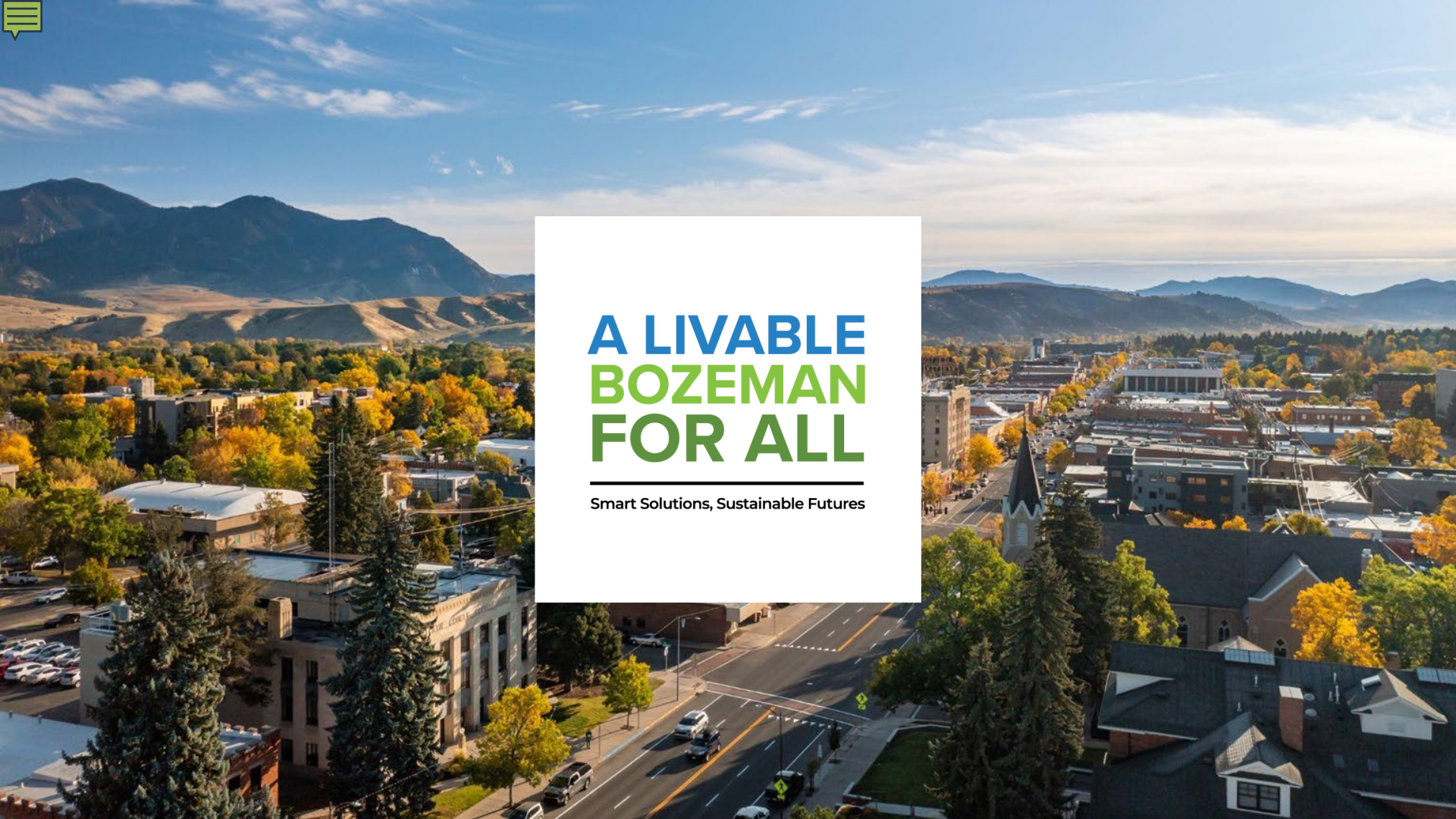


An aerial photograph of Bozeman, Montana, showing a mix of urban buildings, green trees, and yellow autumn foliage. In the background, there are rolling hills and mountains under a clear blue sky with some light clouds. The city's layout is visible, with streets and various building types. The text is centered over the middle of the image.

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The WARD Initiative

A citizen special interest group initiative that received enough signatures to appear on the 2025 November ballot. This is not a policy created by the City.

It seeks to change the city code to require developers who seek to use cash-in-lieu of water rights for development to provide affordable housing.



Today, in Bozeman

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Growth has slowed to 1.4%

after an average of 3.7% from 2013-2023

- Since 2022, we have 1777 affordable units built, under construction or in the pipeline
- Over \$120M has been spent in subsidies on those projects
- Vacancy rates have been quoted at 12%; rent increases have slowed

Background: Current Water Adequacy Policy

- Current Policy went into effect in 1984
- Requires that projected water demand of new development be offset by one or more of these options:
 - **Reduce demand with water conservation systems and techniques**
 - **Pay cash-in-lieu of water rights and City acquires the water rights**
 - **Bring useable water rights to the City**
- **99% of development utilizes cash-in-lieu** and is highly efficient due to being able to connect to existing city infrastructure



WARD's Ballot Language

The Bozeman Water Adequacy Initiative amends 38.410.130.D of the Bozeman Municipal Code to **allow development to pay cash-in-lieu of water rights only if the development provides 33% or more of the dwelling units as restricted by deed for 99 years or as long as the law allows and sold at 120% or less of area median income (AMI) or rented at 60% or less of AMI.**

This applies to all residential development of **three units or more.**

The initiative also **repeals** the ability of residential development to satisfy its water adequacy requirements by **implementing offsite water efficiency or conservation measures.**



Ballot language does not include the ordinance.
View the ordinance by scanning the code.



Alternatives if proposed ballot initiative is approved by voters

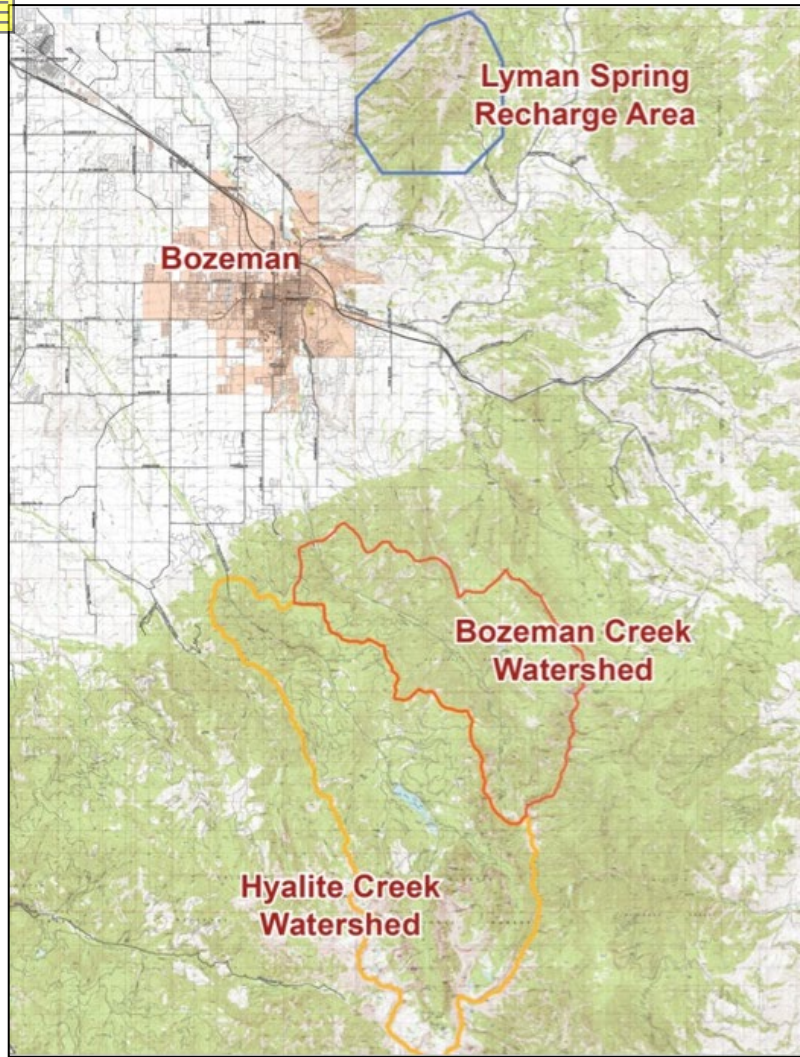
1. Access to cash-in-lieu of water rights tool becomes restricted requiring 33% of housing product be provided as affordable housing
2. Developers work to **secure their own water rights**, which can take anywhere from 5 to 8 years.
3. Developers can implement **only on-site water efficiency or conservation measures to limit impact**, with the remaining water demand coming from #1 or 2. **Off-site water conservation measures option would be removed under WARD.**



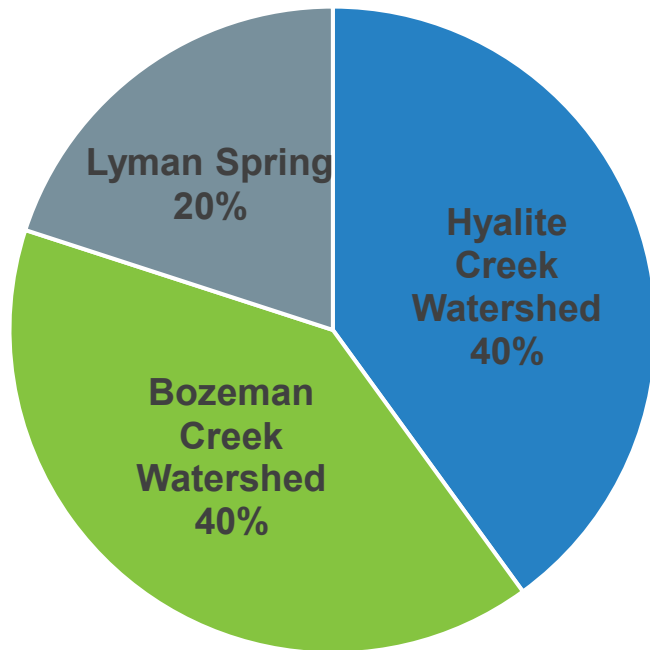
Water Facts

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Current Water Supply Snapshot





Facts about Water Adequacy in Bozeman, Montana

- Bozeman is **not at risk of running out of water**. When a developer proposes new housing, **the city must ensure there is adequate water**.
- In a normal water year, **Bozeman only uses 43% of its current water supply**, in a significant drought year, it increases to 60%.
- Bozeman **proactively manages water usage** through our conservation program.
- Bozeman continues to develop and implement **new water conservation measures and water supplies according to our long-term water supply plan** (Integrated Water Resources Plan)



Housing Facts

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Facts About Affordable Housing in Bozeman

- Area Median Income (AMI) Definitions
- **Past affordable housing projects required subsidies.** The lower the AMI thresholds, the more subsidies are necessary
 - Under WARD's levels, **ZERO** new units have been developed over the past 5 years without subsidy
- **Affordable housing is expensive to build** due to rising costs of land, labor, materials, and lending
- The city is working with **public, private, and nonprofit partners** to make affordable housing a reality
- **Policies are based on local data and community input**, with the goal of balancing affordability, smart growth, and neighborhood character
- A study we have done through the Affordable Housing Ordinance showed that **developers could only designate 5% of their units as affordable** – anything beyond that does not pencil out.

EPS Study

- Economic & Planning Systems Inc. (EPS), a third-party consultant, analyzed costs and revenues to calculate profit margins for housing projects
- Under current market with WARD's affordability requirement, **NO** developments are feasible
- In order for development to occur under WARD, developer must secure their own water rights or receive significant subsidies

Single Family Home Developments (30-unit development):

Description	SFD Baseline	SFD 33% Set Aside
Profit Margin per Unit		
Sale Revenues	\$783,815	\$676,754
Land cost	-\$150,000	-\$150,000
Construction costs	-\$528,000	-\$528,000
Cost of sale	<u>-\$27,434</u>	<u>-\$23,686</u>
Profit/Loss	\$78,382	-\$24,933
Profit Margin	10.0%	-3.7%
Total Units	30	30
Total Profit/Loss	\$2,351,445	-\$747,975

Source: Economic & Planning Systems

Multifamily Development (90-unit Apartment Complex):

Description	Baseline	33% Set Aside	Difference
Total Development Costs	\$26,820,000	\$26,820,000	\$0
Net Operating Income	\$1,344,600	\$1,175,652	-\$168,948
Yield on Cost Target	6.5%	6.5%	--
Feasible Development Cost	\$20,686,154	\$18,086,954	-\$2,599,200
Value/Profit or Gap	-\$6,133,846	-\$8,733,046	-\$2,599,200
per Unit	-\$68,154	-\$97,034	-\$28,880

Source: Economic & Planning Systems

Development within Bozeman is Most Water Sustainable

Gallons per Capita Day Water Use

Bozeman = 114 GPCD

Others in Montana = 163 GPCD (average)

Comparable Cities =

Boulder, CO: 133 GPCD

Denver, CO: 140 GPCD

Bend, OR: 157 GPCD

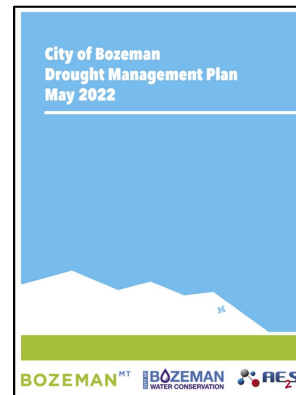
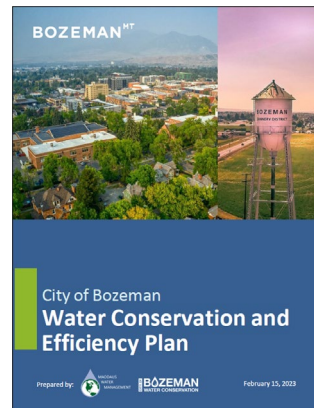
Gallons per Household Day Water Use

Bozeman: 188 GPHD

National average: 254 GPHD

Arid Western states: 314 GPHD

City has the experts to efficiently develop water supply, water rights, and conservation to stay in front of development demands





WARD's Impact on Housing

The requirement that 33% of housing units in new developments must be affordable to have access to the city's cash-in-lieu of water rights **could limit housing supply** because:

- Housing developers rely on a mix of market-rate units and affordable housing units to cover the cost of building. Requiring a **high number of affordable housing units will make it difficult for projects to secure financing** or cover construction costs.
 - Developers may try to make non-affordable units subsidize affordable ones, increasing costs for 2/3rds of the homeowners in their projects.
- If developers are not coming to Bozeman to build additional housing, the **demand for housing will increase**, causing prices to increase.
- **Developers may look to other areas to build instead**, such as the County, which may increase commuting and negatively impact the environment.



What We Can Do Together

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All Hands

A collective solution to a sustainable future.

A true partnership to address the various pressure points of housing in the city means bringing everyone to the table.

Join us as we work on the **Community Housing Action Plan** and **Integrated Water Resources Plan** to plan for our future water supply and affordable housing.



The November 4 election

Considerations



Remember to Vote by November 4

- Ballots will be mailed by Oct. 17
- Ballots should be returned by mail or dropped off at an official drop-off location
- Residents can check their registration status by visiting voterportal.mt.gov



Remember to Get the Facts on the WARD Initiative

- It is unlikely that this initiative will result in more affordable housing due to the high costs and 33% requirement.
- At this time, Bozeman is not at risk for running out of water, we proactively plan our water supply and emphasize water conservation to ensure current and future resident have access to water.
- There is no “silver bullet” to make housing more affordable. Another regulatory barrier creates barriers to comprehensive solutions.



Questions?

For more information, go
to **engage.bozeman.net/ward**