



Behavioral Health System for Future Generations Commission



Recommendation for
Consideration

The Behavioral Health System for Future Generations (BHSFG) Commission proposes the following recommendation for consideration: **Fair Market Rent Reevaluation Study.**

Problem Statement

Individuals and families served in Montana's Behavioral Health (BH) and Developmental Disabilities (DD) Systems are increasingly unable to secure and maintain safe and affordable housing. Research suggests that a lack of affordable housing threatens to create and exacerbate behavioral health challenges and crises for vulnerable individuals.

Montana's market rents have increased substantially over the last several years due to a variety of market conditions including decades of under-development, limited housing supply, increased demand, inflation, higher costs of labor, increased property insurance and more. For example, an April 2022 study¹ found that Lewis & Clark County experienced the fifth highest rent increase (37%) of any county in the country with 1,000 or more residents between the first quarter of 2020 and the first quarter of 2022.

Vulnerable households who depend on Montana's Behavioral Health System are more likely to be cost-burdened or severely cost-burdened, meaning they pay more than 30% or 50% of their monthly income toward housing costs, than are other households. According to the Montana Department of Commerce, nearly 28,000 Montana renters are considered severely housing cost burdened, which threatens their ability to maintain access to housing, and therefore increases the likelihood that they develop a BH need or crisis.

When individuals and families engaged in Montana's BH System receive notice of a pending rent increase, they face serious risk of housing instability or homelessness. This is particularly true for individuals on fixed income sources like SSI, SSDI and TANF. Unfortunately, an increasing number of BH participants are unable to secure any form of housing and cycle between couch surfing, homeless shelters, and other medical or institutional settings such as emergency rooms and jails. This strains resources on a variety of social support systems.

A growing body of research, including statistically sound studies on the intersection of housing and healthcare, affirm that providing affordable housing and services to this population result in better outcomes for the BH participants themselves, and at a

¹ <https://www.washingtonpost.com/business/interactive/2022/rising-rent-prices/>



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reduced cost to taxpayers. According to the National Alliance to End Homelessness, communities see an average cost savings on emergency services of \$31,545 per person safely housed over the course of two years.² A study completed by The Economic Impact of Homelessness in Missoula points to several studies that indicate the average cost to communities for homeless individuals is \$7,000-\$10,000 per person per year.³

In addition to the housing needs of individuals and families described above, many of the lower-wage workforce employed in Montana's BH and DD Systems also struggle to secure and maintain affordable housing in the communities they serve. If an employee cannot obtain affordable housing in proximity to their job site, it is difficult for them to commit to working in the direct care service systems. The lack of affordable housing therefore creates additional workforce constraints for Montana's BH and DD Systems.

Despite leveraging multiple HUD waivers to increase the Voucher Payment Standards (VPS) to 120% of FMR, Montana's 2023 FMRs for studios, 1-bedroom and 2-bedroom apartments were—on average—\$262, \$261 and \$271/month less per month than the applicable 60% Low-Income Housing Tax Credit (LIHTC) restricted rent. This discrepancy is particularly acute in growing markets and more rural/frontier areas.

Additionally, even at 120% of FMR, the current "success rate" – meaning the ability of Housing Choice Voucher (HCV) participants to successfully lease a unit within 120 days of voucher issuance – is only 48%. The average wait time for voucher issuance can also range from 6 months to 10 years.

HUD's FMR methodology does not create adequate VPS for Montana. Landlords are rightfully hesitant to participate in a program that would result in hundreds or thousands in foregone rental income. Unfortunately, there is a vacuum of necessary data sources in Montana, and our rural and frontier nature makes it extremely challenging to receive adequate data from federal sources. Montana needs to fund a statewide FMR study to ensure that we can adequately understand the actual amount of housing assistance low-income Montanans need to afford housing.

² https://endhomelessness.org/wp-content/uploads/2022/08/Housing-First-Fact-Sheet_Aug-2022.pdf

³ <https://www.missoulapartnership.com/wp-content/uploads/2024/03/Economic-Impact-of-Homelessness-2.pdf>



Behavioral Health System for Future Generations Commission



Recommendation for
Consideration

Data and Information Sources

Housing vouchers are effective ways to help people with low-incomes access affordable housing. According to a 2021 study, housing “vouchers are highly effective at helping low-income people afford adequate, stable housing” as they vouchers sharply reduce homelessness, housing instability, and overcrowding.⁴

The benefits of housing vouchers also help improve the lives of people with low-incomes in other capacities. For example, “children whose families were homeless and receive vouchers to rent housing change schools less frequently, are less likely to be placed in foster care, experience fewer sleep disruptions and behavioral problems, and are likelier to exhibit positive social behaviors such as offering to help others or treating younger children kindly.”⁵ This suggests that affordable, stable housing is a critical component to ensuring Montana youth, adults, and entire families have their behavioral health needs met.

Despite the many benefits of housing vouchers, Montana families currently lack the access they need to receiving vouchers that can allow them to afford housing. Additionally, the Montana Department of Commerce’s statewide Public Housing Authority currently has 3,754 active and pending households on the HCV program, of which 2,133 have indicated at least one member of their household is experiencing a disability (56.8%). The statewide HCV program is currently serving 1,899 households with at least one household member with a disability, plus an additional 963 households on the waitlist. This shows that Montana needs to expand its housing voucher assistance programs to more families in need to simultaneously help people meet their behavioral health needs.

Statewide, the current VPS and FMR amounts are too low to cover the average rent for Montana adults and their families. While rates vary, on average, VPS amounts can be \$134 per month less than rental apartments, and FMR rates can be more than \$260 per month less than what Montana families need. This threatens to limit the impact of these current programs and limits the ability to provide Montanans with access to the affordable housing they need to have their needs met.

⁴ <https://www.cbpp.org/research/housing/more-housing-vouchers-most-important-step-to-help-more-people-afford-stable-homes>

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Provide one-time grant funding up to \$1,000,000 to the Montana Department of Commerce (Commerce) to work in partnership with the Montana National Association of Housing and Redevelopment Officials (MT NAHRO) HUD Fair Market Rent Solutions Workgroup to conduct a statewide FMR Reevaluation project.

Increasing Montana’s base FMRs would be a permanent and wholistic solution to addressing the state’s affordable housing crisis. However, before the state can set an accurate increase in the base FMR, Montana needs to conduct a study that gathers accurate, necessary information to be able to provide people with needed access to housing supports.

Place in Continuum	BHSFG Priority Alignment	Projected Cost
Prevention	Adult Behavioral Health Children’s Mental Health Developmental Disabilities	Up to \$1M

Oversight and Grant Management

DPHHS will complete an intragovernmental transfer to Commerce. Commerce will create the RFP and oversee grant implementation to ensure the contractor completes the project scope and deliverables in accordance with the contracted timeline, and within budget. The executed contract can include a requirement for reporting at any frequency desired by DPHHS and the Commission.