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Helena,
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1970

Analysis of the
**HELENA, MONTANA
HOUSING MARKET**

as of July 1, 1970

**DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT**

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DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FEDERAL HOUSING ADMINISTRATION
WASHINGTON, D. C. 20411**

December 1970

FHA Housing Market Analysis
Helena, Montana, as of July 1, 1970

Foreword

This analysis has been prepared for the assistance and guidance of the Federal Housing Administration in its operations. The factual information, findings, and conclusions may be useful also to builders, mortgagees, and others concerned with local housing problems and trends. The analysis does not purport to make determinations with respect to the acceptability of any particular mortgage insurance proposals that may be under consideration in the subject locality.

The factual framework for this analysis was developed by the Economic and Market Analysis Division as thoroughly as possible on the basis of information available on the "as of" date from both local and national sources. Of course, estimates and judgments made on the basis of information available on the "as of" date may be modified considerably by subsequent market developments.

The prospective demand or occupancy potentials expressed in the analysis are based upon an evaluation of the factors available on the "as of" date. They cannot be construed as forecasts of building activity; rather, they express the prospective housing production which would maintain a reasonable balance in demand-supply relationships under conditions analyzed for the "as of" date.

Department of Housing and Urban Development
Federal Housing Administration
Economic and Market Analysis Division
Washington, D. C.

FHA HOUSING MARKET ANALYSIS - HELENA, MONTANA
AS OF JULY 1, 1970

The Helena, Montana, Housing Market Area (HMA) is defined as all of Lewis and Clark County. The HMA, located in a valley at the foot of the Rocky Mountains, has a current population of 33,100; Helena, the major city and only concentration of urban population in the HMA, is also the State capital. Employment trends indicate that the HMA has averaged more than seven percent unemployment annually since 1966, reflecting the impact of the highly seasonal tourism-connected activities in which there is high unemployment during the winter months. However, moderate gains have been recorded in total employment since 1966 (the earliest year for which employment totals are available), concentrated in the service, trade, and government sectors. These activities are expected to account for a large portion of the increases in jobs expected during the next two years.

The population has been growing faster in the area immediately outside the Helena city limits than in the city; taxes and land costs are significantly lower outside the city. The number of housing units authorized in Helena has decreased since 1965, but the estimated number of housing units built outside the city has increased steadily. The housing market is judged to be in reasonable balance, because many of the vacant units are substandard; the market for sound units with all plumbing facilities is relatively tight. The volume of multifamily construction has increased in the past few years and most units have been absorbed readily; however, units subsidized under sections of the National Housing Act are relatively new in the area and absorption rates should be monitored closely.

Anticipated Housing Demand

Anticipated demand for nonsubsidized housing in the Helena HMA during the July 1970-July 1972 forecast period is based on an expected increase in the number of households, losses to the inventory through demolitions, fire, and conversions, and on current market conditions. Based on these factors and on trends discussed in the following sections, it is estimated that there will be a demand for about 175 new, unassisted, privately-financed housing units a year during the period from July 1, 1970 to July 1, 1972, including 125 single-family houses and 50 multifamily units. There will also be annual demand for approximately 25 mobile homes. Distributions of demand for single-family houses by price class and multifamily units by gross monthly rents are shown in table I.

The present demand estimates are not intended to be predictions of short-term construction volume, but rather suggestive of levels of construction which would provide stability in the housing market based on long-term trends evident in the area.

Occupancy Potential for Subsidized Housing

Federal assistance in financing costs for new housing for low- or moderate-income families may be provided through a number of different programs administered by FHA: monthly rent supplements in rental projects financed under Section 221(d)(3); partial payment of interest on home mortgages insured under Section 235; partial interest payment on project mortgages insured under Section 236; and federal assistance to local housing authorities for low-rent public housing.

The estimated occupancy potentials for subsidized housing are designed to determine, for each program, (1) the number of families and individuals who can be served under the program and (2) the proportion of these households that can reasonably be expected to seek new subsidized housing during the forecast period. Household eligibility for the Section 235 and Section 236 programs is determined primarily by evidence that household or family income is below established limits but sufficient to pay the minimum achievable rent or monthly payment for the specified program. Insofar as the income requirement is concerned, all families and individuals with income below the income limits are assumed to be eligible for public housing and rent supplement; there may be other requirements for eligibility, particularly the requirement that current living quarters be substandard for families to be eligible for rent supplements. Some families may be alternatively eligible for assistance under more than one of these programs or under other assistance programs using federal or state support. The total occupancy potential for federally assisted housing approximates the sum of the potentials for public housing and Section 236 housing. For the Helena HMA, the total occupancy potential is estimated to be 200 units annually. Future approvals under each program should take into account any intervening approvals under other programs which serve the same families and individuals.

The annual occupancy potentials^{1/} for subsidized housing discussed below are based upon 1970 incomes, the occupancy of substandard housing, estimates of the elderly population, income limits in effect on July 1, 1970, and on available market experience.^{2/} Helena has been designated a model city by the Department of Housing and Urban Development; it also has an active Urban Renewal Program. Under these programs, approximately 500 units are scheduled for demolition by May 1, 1973, resulting in the displacement of an estimated 100 families and 190 individuals. Approximately 45 displacees, all individuals, will occupy an H-2 rehabilitation project currently being planned. Because there are no current estimates of units to be demolished or persons to be displaced during the forecast period (July 1, 1970-July 1, 1972), the numbers in this potential reflect only a moderate number of displacees (40 families and 40 individuals). Additions should be made to the potentials if it is determined later that a larger number of families and individuals will be displaced during the forecast period. One additional factor used in determining these potentials is the current shortage of standard replacement housing.

Sales Housing Under Section 235. Sales housing can be provided for low- to moderate-income families under the provisions of Section 235. Based on exception income limits, about 75 houses a year could be absorbed in the HMA during the two-year forecast period of this report; using regular income limits, the potential would be reduced to about 45 units a year. Fund reservations for approximately 25 houses have been approved under Section 235; there are about 70 remaining reservations under this program; the remaining reservations should satisfy the potential for the first year of the forecast period.

Rental Housing Under the Public Housing and Rent-Supplement programs. These two programs serve essentially the same low-income households. The principal differences arise from the manner in which net income is computed for each program and from other eligibility requirements. For the Helena HMA, the annual occupancy potential for public housing is estimated at 65 units for families and 60 units for the elderly. About 25 percent of the families and 10 percent of the elderly also are eligible for housing under Section 236 (see table II). In the case of the somewhat more restrictive

^{1/} The occupancy potentials referred to in this analysis have been calculated to reflect the strength of the market in view of existing vacancy. The successful attainment of the calculated potentials for subsidized housing may well depend upon construction in suitably accessible locations, as well as distribution of rents and sales prices over the complete range attainable for housing under the specified programs.

^{2/} Families with incomes inadequate to purchase or rent nonsubsidized housing generally are eligible for one form or another of subsidized housing. However, little or no housing has been provided under some of the subsidized housing programs and absorption rates remain to be tested.

rent-supplement program, the potential for families would be about three-fourths of the figure shown above, but the market among the elderly would be unchanged.

There are currently 132 low-rent public housing units under management in the HMA; all but two units were filled on July 1, 1970. An additional 100 units (40 for elderly) were authorized by voters in a recent election and a preliminary loan has been approved. There is, also, a 60 unit rent-supplement project and a 66-unit project in which approximately 20 percent of the occupants qualified for rent-supplements; both projects were readily absorbed. The 100 units of public housing now awaiting approval should satisfy the potential for the first year of the forecast period.

Rental Housing under Section 236^{1/}. Moderately-priced rental units can be provided under Section 236. With exception income limits, there is an annual occupancy potential for 95 units of Section 236 housing, including 20 units for elderly families and individuals; based on regular income limits, the potential for families would be reduced to about 40 units; however, the potential for the elderly would remain unchanged. About 20 percent of the families eligible under this section are alternatively eligible for public housing and 25 percent of the elderly households would qualify for public housing. It should also be noted that in terms of eligibility, the Section 236 potential for families and the Section 235 potential draw from essentially the same population and are, therefore, not additive. As of July 1, 1970, no housing had been funded under the Section 236 program.

Sales Market

The volume of new single-family homes built annually since 1965 has remained relatively constant as increases in construction and financing costs have prevented any significant amount of speculative construction. During the 1960-1970 period, there has been a definite trend towards building outside the city limits as taxes and the price of available land increased in the city. Most of the new subdivisions are located east of Helena, with some activity located south and north of the city. New homes are typically priced from \$20,000 to \$30,000, with a few homes priced under \$20,000.

Existing homes that are in good physical condition are relatively scarce and are priced only slightly lower than the new homes. A small number of the existing vacant homes are not considered competitive in the market because they are substandard, and are scheduled to be demolished under the Urban Renewal Program.

^{1/} Interest reduction payments may also be made for cooperative housing projects. Occupancy requirements under Section 236 are identical for tenants and cooperative owner-occupants.

Rental Market

The rental vacancy rate has decreased from 9.8 percent in April 1960 to an estimated 4.9 percent as of July 1, 1970, as a result of demolitions and a lack of a significant amount of new nonsubsidized multifamily construction. The rental market seemed to be in reasonable balance in July 1970. A few vacancies existed in higher priced units--projects which do not accept children. Moderately priced rental units were almost all occupied. Other available units were in older structures, many of which were in poor physical condition. (Some of these older units will be demolished under the Urban Renewal Program).

Recent multifamily construction in the HMA has been mostly in garden apartments with typical rents of \$140 plus utilities for a one-bedroom unit and \$160 plus utilities for a two-bedroom unit. A few townhouses have been constructed in the HMA, and rents ranged from \$175 for a two-bedroom unit to \$185 for a three-bedroom unit (utilities not included).

Economic, Demographic and Housing Factors

Employment. Comparable employment data for the 1960-1969 period are available only for industries covered by the Montana Unemployment Compensation Law (covered employment). These data are based on fiscal year averages and exclude local, state, and federal government employees; interstate railway employees; domestics; agricultural workers; and self-employed persons (see table III). The covered employment data indicate that there was no growth in total covered employment during the 1960's. Only the wholesale and retail trade sector and the services and miscellaneous sector had significant employment increases during the decade. According to the covered employment data, employment in manufacturing declined from 1,170 workers in 1960 to 825 in 1961, after which it fluctuated between a low of 725 (in 1968) and a high of about 875 (in 1967).

Estimates available from the Montana State Employment Commission (see table III-A) show that total employment (including government, self-employed, domestics, and agricultural workers) increased from 11,728 in 1966 to 14,015 persons in 1969, an average annual increase of about 760 (6.5 percent). However, gains in the 1966-1968 period averaged only about 315 annually. Between 1968 and 1969, there occurred an increase of 1,650 workers, including a gain of 1,000 employees in government, of which about 450 resulted from a change in reporting method, and most of the other 550 were additions to state and local government. There were also increases of 300 workers in the trade sector and an additional 300 employees in other industries.

Using the data available and information obtained while in the area, it is judged that employment in the Helena HMA has increased primarily in the nonmanufacturing sector; mostly in trade, services, and government. In 1969, federal, state, and local government employment totaled about 4,680 employees (33.4 percent of total HMA employment) of which about 1,080 were federal employees, and 3,600 worked for state and local governments.

Unemployment in the HMA declined from 7.6 percent of the work force in 1966 to 6.6 percent in 1969. Significant factors causing the high unemployment are the weather and tourism, resulting in large fluctuations in unemployment between the winter months and the summer months. Through May of 1970, government cutbacks in construction funds and bad weather, with no off-setting employment developments, caused an above-normal unemployment rate; however, construction under way or being planned in June 1970 indicated that the situation had improved.

Employment growth during the forecast period is expected to approximate the 1966-1968 gains; total employment should increase by approximately 300 jobs annually. Additional jobs will be created mainly in services, trade, and government.

Income. In July 1970, the current median income, after deduction of federal income tax, of all families in the Helena HMA, was \$9,000, and the median after-tax income of two- or more-person renter households was \$7,650. Detailed distributions of all families and renter households by after-tax income classes in 1959 and 1970 are presented in table IV.

Demographic Factors. The population of the Helena HMA was estimated at 33,100 persons as of July 1, 1970,^{1/} reflecting an average annual population increase of about 500 (1.6 percent) since April 1, 1960. The increase in the population of the city of Helena totaled about 2,375, or an average annual increase of about 230 (1.1 percent) over the 10.25 year period for a July 1, 1970 total of 22,650. In the remainder of Lewis and Clark County, the July 1, 1970 total was 10,450, a gain of 2,725 persons, an average of about 270 (2.9 percent) annually. During the two-year period ending July 1, 1972, the population of the HMA is expected to increase by 550 persons annually (see table V); Helena is expected to grow by approximately 225 a year and the remainder of the HMA about 325 annually, mostly in the suburbs surrounding Helena.

There were an estimated 10,550 households in the Helena HMA as of July 1, 1970, including 7,550 in the city of Helena and 3,000 in the remainder of the HMA. Since April 1960, the number of households in the HMA has increased about 1,600, an average of almost 160 (1.6 percent) annually. It is estimated that Helena and the remainder of Lewis and Clark County each gained an average of 80 households a year--annual increases of 1.1 percent and 3.0 percent, respectively. Based on the projected increase in population and almost no change in household size, an estimated 175 households (75 in Helena, and 100 in the remainder of the HMA) are expected to be added annually during the next two years (see table V).

^{1/} Locally reported preliminary population and household counts from the 1970 Census may not be consistent with the demographic estimates in this analysis. Final official census population and household data will be made available by the Census Bureau in the next several months.

Housing Factors. Residential building activity in areas where permits are issued (Helena and East Helena) fluctuated greatly during the 1960-1970 period; permits averaged about 95 single family units and 50 multifamily units per year. Single-family residence permits issued in Helena were much lower in the latter half of the decade and only the subsidized multifamily units authorized under the Housing Act kept total permits issued above levels attained in the early 1960's. The first year in which a comparatively large number of multifamily units were constructed was 1963, when a total of 139 multifamily units were built--one 40-unit structure and 99 units (most of which were constructed by firms from outside the HMA) in buildings with eight units or less. Because of the large number of units coming on the market in a relatively short span of time, absorption was slow and only 24 multifamily units were constructed from 1964 through 1966.

As of July 1, 1970, there were an estimated 11,850 housing units in the HMA, reflecting a net increment of 1,400 units since April 1960. The net increase resulted from the addition of 1,900 units of new construction, 300 trailers, and the loss of 800 units through demolition. About 50 units were under construction in July 1970, all of which were single-family houses.

Vacancy. There were an estimated 1,300 vacant housing units in the Helena HMA as of July 1, 1970 (see table VII). Included in the vacant unit category are 100 available sales units, 200 available rental units and 1,000 units that are not available because they are either seasonal, dilapidated, or being held off the market. The available vacant sales and rental units represent vacancy rates of 1.5 percent and 4.9 percent, respectively; these ratios represent a slight increase in the sales vacancy rate since 1960 when it was 1.4 percent and a large decrease in the rental vacancy rate from 9.8 percent in 1960.

Table I

Estimated Annual Demand For Nonsubsidized Housing
Helena, Montana, Housing Market Area
July 1, 1970 to July 1, 1972

A. Single-Family Houses

<u>Sales price</u>	<u>Number of units</u>	<u>Percent of total</u>
Under \$20,000	25	20
\$20,000 - 22,499	20	16
22,500 - 24,999	15	12
25,000 - 29,999	30	24
30,000 - 34,999	15	12
35,000 and over	<u>20</u>	<u>16</u>
Total	125	100

B. Multifamily Units

<u>Gross monthly rental</u>	<u>Efficiency</u>	<u>One bedroom</u>	<u>Two bedrooms</u>	<u>Three or more bedrooms</u>
\$130 - \$149	5	-	-	-
150 - 169	-	5	-	-
170 - 189	-	10	-	-
190 - 209	-	5	10	-
210 and over	<u>-</u>	<u>-</u>	<u>10</u>	<u>5</u>
Total	5	20	20	5

Note: Gross rent is shelter rent plus the cost of utilities.

Table II

Estimated Annual Occupancy Potential for Subsidized Rental Housing
Helena, Montana, Housing Market Area
July 1, 1970 to July 1, 1972

A. Families

	<u>Section 236a/ exclusively</u>	<u>Eligible for both programs</u>	<u>Public housing exclusively</u>	<u>Total for both programs</u>
1 bedroom	10	5	5	20
2 bedrooms	20	10	15	45
3 bedrooms	20	-	15	35
4+ bedrooms	<u>10</u>	<u>-</u>	<u>15</u>	<u>25</u>
Total	<u>60</u>	<u>15c/</u>	<u>50c/</u>	125

B. Elderly

Efficiency	10	5	40	55
1 bedroom	<u>5</u>	<u>-</u>	<u>15</u>	<u>20</u>
Total	<u>15b/</u>	<u>5d/</u>	<u>55d/</u>	75

a/ Estimates are based upon exception income limits.

b/ Applications and commitments under Section 202 are being converted to Section 236.

c/ Approximately three-fourths of these families also are eligible under the rent supplement program.

d/ All of the elderly couples and individuals also are eligible for rent supplement payments.

Table III

Workers Covered Under Montana Unemployment
Compensation Law By Industrial Group
Helena, Montana, Housing Market Area
1960-1969
Fiscal Year Averages^{a/}

	<u>1960</u>	<u>1961</u>	<u>1962</u>	<u>1963</u>	<u>1964</u>	<u>1965</u>	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
Total covered employment	<u>5,122</u>	<u>4,689</u>	<u>4,577</u>	<u>5,021</u>	<u>4,622</u>	<u>4,831</u>	<u>4,980</u>	<u>5,010</u>	<u>4,829</u>	<u>5,076</u>
Manufacturing	1,170	823	747	817	832	848	869	874	721	813
Nonmanufacturing	<u>3,952</u>	<u>3,866</u>	<u>3,830</u>	<u>4,204</u>	<u>3,790</u>	<u>3,983</u>	<u>4,111</u>	<u>4,136</u>	<u>4,108</u>	<u>4,263</u>
Mining & construction	712	706	810	978	560	622	713	647	570	535
Trans., comm. & pub. util.	143	134	148	155	149	155	146	149	150	151
Wholesale & retail trade	1,461	1,466	1,389	1,448	1,470	1,490	1,544	1,580	1,566	1,635
Fin., ins. & real estate	844	768	655	650	633	632	652	685	713	758
Services & misc.	792	792	828	973	978	1,084	1,056	1,075	1,109	1,184

^{a/} The Montana fiscal year extends from July 1 through June 30.

Source: Montana State Employment Commission.

Table III-A

Labor Force Trends
Helena, Montana, Housing Market Area
1966-1969
 (annual averages)

	<u>1966</u>	<u>1967</u>	<u>1968</u>	<u>1969</u>
Civilian work force	<u>12,691</u>	<u>13,049</u>	<u>13,383</u>	<u>15,004</u>
Total unemployment	963	1,044	1,022	989
Percent of work force	7.6	8.0	7.6	6.6
Total employment	11,728	12,005	12,361	14,015

Source: Montana State Employment Commission.

Table IV

Estimated Percentage Distribution of All Families
and Renter Households by Income
After Deduction of Federal Income Tax
Helena, Montana, Housing Market Area
1959 and 1970

<u>Income</u>	<u>1959</u>		<u>1970</u>	
	<u>All families</u>	<u>Renter households^{a/}</u>	<u>All families</u>	<u>Renter households^{a/}</u>
Under \$2,000	6	8	3	4
\$2,000 - 2,999	7	10	3	4
3,000 - 3,999	10	14	4	6
4,000 - 4,999	12	17	5	9
5,000 - 5,999	16	16	7	9
6,000 - 6,999	13	13	9	10
7,000 - 7,999	11	8	9	11
8,000 - 8,999	8	5	10	10
9,000 - 9,999	6	4	8	9
10,000 - 12,499	6	3	18	14
12,500 - 14,999	3	1	11	8
15,000 and over	<u>2</u>	<u>1</u>	<u>13</u>	<u>6</u>
Total	100	100	100	100
Median	\$5,950	\$5,075	\$9,000	\$7,650

^{a/} Excludes one-person renter households.

Source: Estimated by Housing Market Analyst.

Table V

Population and Household Trends
Helena, Montana, Housing Market Area
April 1960-July 1972

<u>Components</u>	<u>April</u> <u>1960</u>	<u>July</u> <u>1970</u>	<u>July</u> <u>1972</u>	<u>Average annual change</u>			
				<u>1960-1970</u>		<u>1970-1972</u>	
				<u>Number</u>	<u>Rate^{a/}</u>	<u>Number</u>	<u>Rate^{a/}</u>
<u>Population</u>							
HMA total	<u>28,006</u>	<u>33,100</u>	<u>34,200</u>	<u>500</u>	1.6	<u>550</u>	1.6
Helena	20,277	22,650	23,100	230	1.1	225	1.0
Remainder of HMA	7,729	10,450	11,100	270	2.9	325	3.0
<u>Households</u>							
HMA total	<u>8,947</u>	<u>10,550</u>	<u>10,900</u>	<u>160</u>	1.6	<u>175</u>	1.6
Helena	6,749	7,550	7,700	80	1.1	75	1.0
Remainder of HMA	2,198	3,000	3,200	80	3.0	100	3.2

a/ Derived through the use of a formula designed to calculate the percentage rate of change on a compound basis.

Sources: 1960 Censuses of Population and Housing;
1970 and 1972 estimated by Housing Market Analyst.

Table VI

Residential Construction Trends
Helena, Montana, Housing Market Area
1960-1970

<u>Year</u>	<u>Single-family units</u>		<u>Multifamily units</u>	<u>Total housing units</u>
	<u>With permit</u>	<u>Without permit^{a/}</u>		
1960	107	25	14	146
1961	86	30	7	123
1962	139	35	7	181
1963	132	35	139	306
1964	89	40	8	137
1965	112	45	6	163
1966	76	50	10	136
1967	81	50	27	158
1968	67	60	160 ^{b/}	287
1969	71	70	91 ^{c/}	232
1970(thru June)	38	43	0	81

a/ Estimated

b/ Includes 60 units authorized under the rent-supplement program.

c/ Includes 72 units authorized under Section 221(d)(3) BMIR.

Sources: U.S. Bureau of the Census; local building inspectors; and estimates by Housing Market Analyst.

Table VII

Tenure and Vacancy of the Housing Supply
Helena, Montana, Housing Market Area
April 1960 and July 1970

<u>Tenure and vacancy</u>	<u>April</u> <u>1960</u>	<u>July</u> <u>1970</u>
Total housing supply	<u>10,442</u>	<u>11,850</u>
Occupied housing units	<u>8,947</u>	<u>10,550</u>
Owner-occupied	5,300	6,700
Percent owner-occupied	59.2	63.5
Renter-occupied	3,647	3,850
Percent renter-occupied	40.8	36.5
Vacant housing units	<u>1,495</u>	<u>1,300</u>
Available vacant	471	300
For sale	77	100
Homeowner vacancy rate	1.4%	1.5%
For rent	394	200
Renter vacancy rate	9.8%	4.9%
Other ^{a/}	1,024	1,000

^{a/} Includes vacant seasonal units, dilapidated units, units rented or sold awaiting occupancy, and units held off the market.

Sources: 1960 Census of Housing and estimates by Housing Market Analyst.

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