OUR Missoula

2045 Land Use Plan

Appendix B. Our Missoula Equity in Land Use Report

December 16, 2024

OUR Missoula
Growth Policy Update & Code Reform

Equity in Land Use Report

AUGUST 2, 2023

Acknowledgements

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Special thanks to the following contributors for their role in research and consultation.

- Benjamin Brewer, City of Missoula, CPDI
- Emily Gluckin, City of Missoula, CPDI
- Elizabeth Johnson, City of Missoula, CPDI
- Charlie Ream, City of Missoula, CPDI
- Marc Hendrickson, City of Missoula, CPDI
- Samantha Suter, Metta Urban Design
- Peter Park, Peter J. Park Planning
- Spider McKnight, Owner/Creative Director, Six Pony Hitch
- Philip Maechling, Historic Preservation Consultant
- Séliš-Qĺispé Culture Committee, Confederated Salish & Kootenai Tribes

OUR Missoula
Growth Policy Update & Code Reform

Purpose of this Report

This report is one of a set of analytical reports conducted for the Our Missoula Growth Policy and Code Reform project. The Equity in Land Use report evaluates Missoula's land use policy and zoning regulations based on how well they support social equity goals, including advancing housing affordability and reducing barriers to historically disadvantaged populations from thriving in the community.

See below for more information on the purpose of following reports:

- **Community Form Analysis:** This report analyzes the physical form and character of Missoula. The purpose of the report is to inform ways in which the Growth Policy and development code can help preserve and build on the character of Missoula.
- **Growth Policy Assessment:** This report provides a brief summary of why the City is updating the Growth Policy right now, and what key issues the update will address.
- **Our Missoula Development Guide Update:** This report provides background information on development activity in Missoula in order to inform how land use policies and regulations may be influencing development trends.
- **Neighborhood Profiles:** This report provides background data on socioeconomic and physical conditions in every neighborhood throughout the City. It can be used to inform discussions about land use and development within specific neighborhoods.

Executive Summary

The purpose of the Our Missoula project is to refresh Missoula's Growth Policy, the community's vision for future growth, and to modernize one of its key tools for carrying out that vision: the zoning and development code. The City recognizes the need to update its policies and priorities to be responsive to current challenges, including housing affordability, equity, climate change, and other issues.

The Equity in Land Use report evaluates Missoula's land use policy and zoning regulations based on how well they support social equity goals, including advancing housing affordability and reducing barriers to historically disadvantaged populations from thriving in the community. This report was called for by the 2019 citywide housing policy, 2020 Strategic Plan, and 2021 Justice, Equity, Diversity, and Inclusion (JEDI) Resolution.

Historical Context: How Inequities of the Past Affect Missoula Today

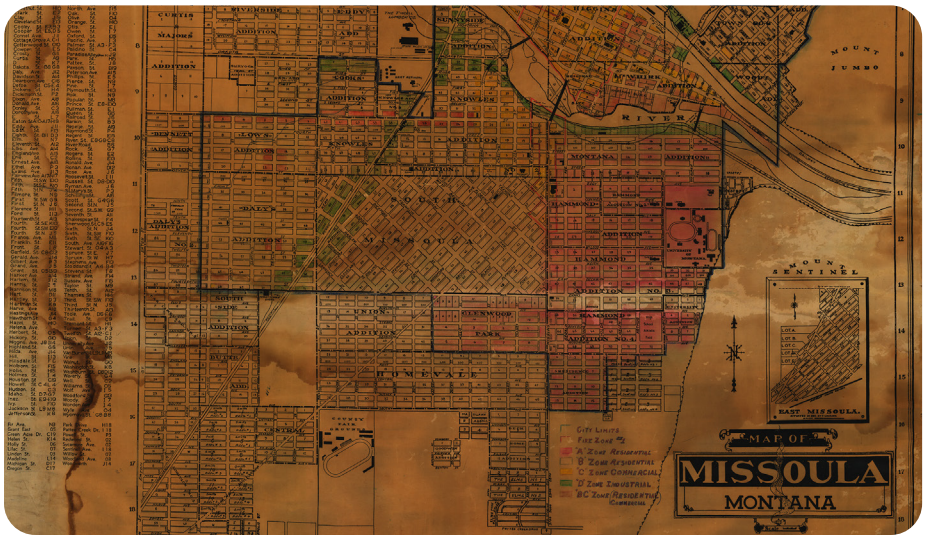
Since the beginning of human history, the area now occupied by the city of Missoula has stood at the heart of the aboriginal territories of the Séliš and upper Qĺispé Nations. The Séliš and Qĺispé people lived by a way of life that was based on a profound relationship with and knowledge of the lands and waters, and with the plants and animals that inhabit them.

The introduction of a new Euro-American economic system in the 19th century initiated the transformation of the prevailing socio-economic way of life that the Séliš and Qĺispé nations had

known for thousands of years. The imposition of this new system created a trajectory of social, economic, and health disparities for Indigenous peoples for generations.

Non-Indigenous newcomers rationalized and executed the dispossession of tribal land based on a system of land ownership, resource extraction, and profit. This is a stark reminder that rules about how land can be used, and who can use land, can inflict immense harm. Any consideration of social equity in land use in Missoula must be guided by a shared understanding of the original inhabitants of the valley for millennia, their profoundly different relationship with the land, water, and wildlife, and the cultural significance of the land that remains today.

Private and governmental real estate practices were used throughout the country in the early and middle parts of the 20th century to discriminate against Black, Indigenous, and People of Color (BIPOC) communities. These practices included preventing access to home loans, preventing BIPOC families from touring houses in mostly white neighborhoods, and racially restrictive covenants which prevented BIPOC individuals and families from purchasing homes in certain neighborhoods. There is some evidence of these practices occurring in Missoula. These practices and the municipal zoning code created insurmountable barriers to BIPOC families living in certain neighborhoods.



In 1932, the City of Missoula adopted its first zoning code. The original zoning ordinance included four zone districts and close to 85% of the city's residential land was zoned to allow multi-dwelling buildings. Throughout the latter half of the 20th century, Missoula's zoning evolved from its primary purpose of separating incompatible uses to a more restrictive regulation of different types of residential uses. The share of residential land that allows the construction of more than two units dropped from 85% in 1932 to 36% in 2022. Exclusive single-dwelling zone districts became the predominant type of residential zone. Although single-dwelling zoning does not explicitly exclude certain people, it influences the socioeconomic and racial/ethnic makeup of neighborhoods.

Equity Analysis: Land Use and Zoning Regulations

Housing Affordability

Access to housing that is affordable at one's income level is one of the most critical resources needed for people to achieve their

potential and thrive. The cost of housing in Missoula has risen dramatically in recent years, far outpacing any increase in incomes.

There are two ways that land use regulations affect the cost of housing: (1) constraining the overall supply of housing and (2) encouraging development of larger, more expensive units. The regulations that have the greatest impact on housing affordability are permitted housing types and density levels, and these are contained in Title 20 - Zoning.

A financial analysis was conducted to assess the relative affordability of new housing under Missoula's zoning regulations. The cost of development on a per unit basis is significantly lower in higher density zones than lower density zones. Missoula's zoning regulations are also influencing the size of units that are being developed, encouraging larger unit sizes, which are less affordable.

Minimum feasible prices and rents for new market rate housing are significantly higher in the single-dwelling and duplex zone districts and lower in the multi-dwelling zone districts. Even the zones that allow the highest density levels and lowest minimum feasible prices/rents for new housing are only affordable to about 30-40% of households in Missoula.

A household must earn about 2 to 3 times the median income in order to afford to purchase a new single-dwelling home built in one of the low density, single-dwelling zones. These homes will likely only be affordable to 10-15% of households in Missoula. However, 44% of Missoula's land that is zoned to allow residential uses is dedicated to exclusive single-dwelling zones

Segregation and Exclusion

Segregation occurs when neighborhoods across a city are stratified by income, class, race, ethnicity, national origin, or religion. Exclusion occurs when more affluent neighborhoods have greater access to resources, amenities, services, and other opportunities compared to less affluent neighborhoods.

Neighborhoods in Missoula are clearly segregated by income and race/ethnicity with more racially diverse and lower income households being concentrated in central neighborhoods. Neighborhoods that have higher median incomes and less racial/ethnic diversity are predominantly zoned in exclusive single-dwelling districts. Neighborhoods that have lower median incomes and more racial/ethnic diversity are disproportionately mapped to multi-dwelling or commercial zone districts.

However, zones that encourage higher density are primarily found in areas that are more walkable and close to essential services and amenities. Exclusive single-dwelling zones are commonly found around the periphery of the city with less walkable access to these services and amenities. However, some single-dwelling zones are mapped to more central areas with good access to services and amenities. New housing development in these neighborhoods that is affordable to a wide range of income levels would be highly supportive of equity goals.

A wide body of research in recent years has demonstrated that the neighborhood that a child grows up in has a significant influence on economic outcomes in adulthood. According to measures used for this analysis, educational and economic opportunity is highest in neighborhoods on the south and east

sides of Missoula, as well as the Rattlesnake Valley. Educational and economic opportunity is lowest in west side and north side neighborhoods. Exclusive single-dwelling zones are significantly more likely to be mapped to neighborhoods with high or highest levels of economic and educational opportunity. Conversely, areas zoned for multi-dwelling buildings tend to score lower on the educational and economic opportunity index.

Gentrification and Displacement

Land use regulations can not only affect someone's options for where they can afford to live, they also impact whether someone can afford to stay in a neighborhood they currently live in. When someone is forced to move out of their housing or neighborhood as a result of rising rents, this is known as displacement. When displacement is associated with a broader pattern of demographic and housing market changes across a neighborhood, this is known as gentrification.

Neighborhoods vulnerable to displacement in Missoula are generally not actively gentrifying. These neighborhoods remain relatively stable and have lower housing costs relative to other neighborhoods in the city. However, certain areas are showing early signs of gentrification and in the absence of interventions, these areas are likely to continue gentrifying. The existing zoning map concentrates higher density zones in neighborhoods vulnerable to displacement, contributing to the risk of gentrification in these neighborhoods. Broad zoning reforms that increase housing options in all or most zone districts are most likely to mitigate against the risk of displacement and put downward pressure on housing prices in all neighborhoods.

While new development can bring positive impacts, some of those impacts can be negative, such as more vehicular traffic, changes in the visual character of the neighborhood and other disturbances during construction. There is a clear and stark pattern of concentrated development activity in certain neighborhoods in Missoula. New development is more highly concentrated in lower income and more racially/ethnically diverse neighborhoods.

Equity Analysis: Growth Policy and Future Land Use Map

The zoning map and development code are not the only documents that influence the form of future land use. The land use recommendations and Future Land Use Map (FLUM) of the Our Missoula Growth Policy, adopted in 2015, also guides future development.

Therefore, the Growth Policy has potential to address some of the housing affordability and equity issues with the zoning code and map discussed in Section 3 of this report. This could be achieved incrementally as individual properties are rezoned or if broad areas are rezoned at one time to bring closer alignment between the zoning map and the FLUM.

Section 4 includes an evaluation of the positive and negative impacts on housing affordability and social equity of implementing the FLUM. The analysis identifies areas where there is a discrepancy between the maximum density between the existing zoning code and the land use designation of the FLUM. Increases in allowable densities generally have a positive impact on housing affordability and decreases in allowable densities generally have a negative impact.

Implementation of the FLUM would generally have a positive impact on housing affordability; however, the magnitude of the impact would be limited, and it would not fully address many of the equity issues identified in Section 3. There are many areas where implementing the FLUM would have significant positive impacts on affordability. However, there are many areas where implementation of the FLUM could result in a decrease in allowable density that would have a significant negative impact on housing affordability. On net, this could effectively offset much of the significant positive impacts on affordability that were identified in other areas.

While implementation of the FLUM could have some modest positive impacts on housing affordability in many areas, the map largely maintains a similar spatial distribution of density as the current zoning map. The existing patterns of segregation and exclusion that are linked with exclusive single-dwelling zones, described in Section 3 of this report, are unlikely to change if the FLUM were implemented.

Implementation of the FLUM is also unlikely to mitigate displacement risk in vulnerable areas because it calls for increased density in some vulnerable areas and very limited density increases in other neighborhoods across the city. It is not clear that implementing the FLUM would meaningfully reduce risk of displacement and gentrification.

Advancing Equity in Land Use

There are significant inequities in Missoula's zoning and land use regulations today. How can these inequities be redressed and a more equitable development pattern be advanced? There are six principles that should guide any zoning reform in Missoula in order to effectively advance equity.

- Distribute opportunities for affordable housing types broadly throughout the city.
- Enable density levels that open up the possibility for smaller units, which tend to be more affordable to moderate and low income households.
- Avoid concentrated upzoning in vulnerable neighborhoods.
- Provide zoning incentives for income-restricted affordable housing that are feasible and attractive for private developers to use.
- Focus regulations more on the form of buildings, less on the number of units in the building.
- Design reforms that increase opportunities for adding amenities and services within a walkable distance of all households.

Land use regulations are just one tool to address equity, and they are not an effective solution to many equity issues. Given the limited affordability of any new market rate housing, zoning reforms alone are insufficient to address the need for affordable housing for low income households. Publicly subsidized, income-restricted housing is necessary to meet this need. Areas with low economic or educational opportunity, or which lack walkable access to services and amenities, need public investments in infrastructure, education, and economic development beyond the scope of the Our Missoula project.

The next step in the Our Missoula project is to outline potential land use and zoning reforms that build on this analysis and community conversations about equity in land use.

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Background & Purpose

Purpose of the Our Missoula Project

Our Missoula looks to refresh Missoula's Growth Policy, Missoula's vision for future growth, and it looks to modernize one of its key tools for carrying out that vision - the zoning and development code. Missoula has undergone significant change since adopting the Growth Policy in 2015. The City recognizes the need to update its policies and priorities to be responsive to current challenges. These challenges include housing affordability, equity, climate change, and other issues.

Policy Basis: Why Focus on Equity?

In 2019, the City of Missoula adopted the citywide housing policy: A Place To Call Home: Meeting Missoula's Housing Needs. One action item in the policy is the commission of an Equity in Land Use audit. This audit was described as follows:

> *To provide a diversity of housing options at prices Missoulians can afford, and to avoid socioeconomic segregation, every neighborhood should participate in addressing Missoula's housing issues. A key consideration that the City should integrate into the design of the housing policy, as well as long-term land use planning and growth policy, is how current zoning impacts affordable housing and its geographic distribution…. The City should consider hiring a consultant to conduct a zoning audit that helps quantify how affordability is distributed geographically with the goal of increasing the amount and geographic distribution of land appropriately zoned to support affordable housing development. (pp. 37-38)*

In 2020, the City of Missoula adopted a Strategic Plan that prioritized the implementation of this audit report as one of several strategic goals related to community design and livability:

> ***Community Design and Livability, Strategic Goal 2:*** *Create understandable and reasonable regulation that supports sustainable and equitable development*
>
> *Conduct a zoning audit and assess how current zoning impacts affordable housing and its geographic distribution and prevents the development of inclusive, diverse and equitable housing in all neighborhoods.*

In 2021, the Missoula City Council adopted the Justice, Equity, Diversity, and Inclusion (JEDI) resolution, establishing the City's commitment to JEDI. The City is committed to supporting residents and local businesses through strong partnerships, collaboration, and the provision of services that create the greatest degree of equal opportunity. This is better achieved when working through an equity lens. The City adopted a definition of equity in the JEDI resolution. This is the conception of equity that will be used in this report:

> *Equity is the full and equal access to opportunities, power, and resources so that all people achieve their full potential and thrive. -Developed by King County*

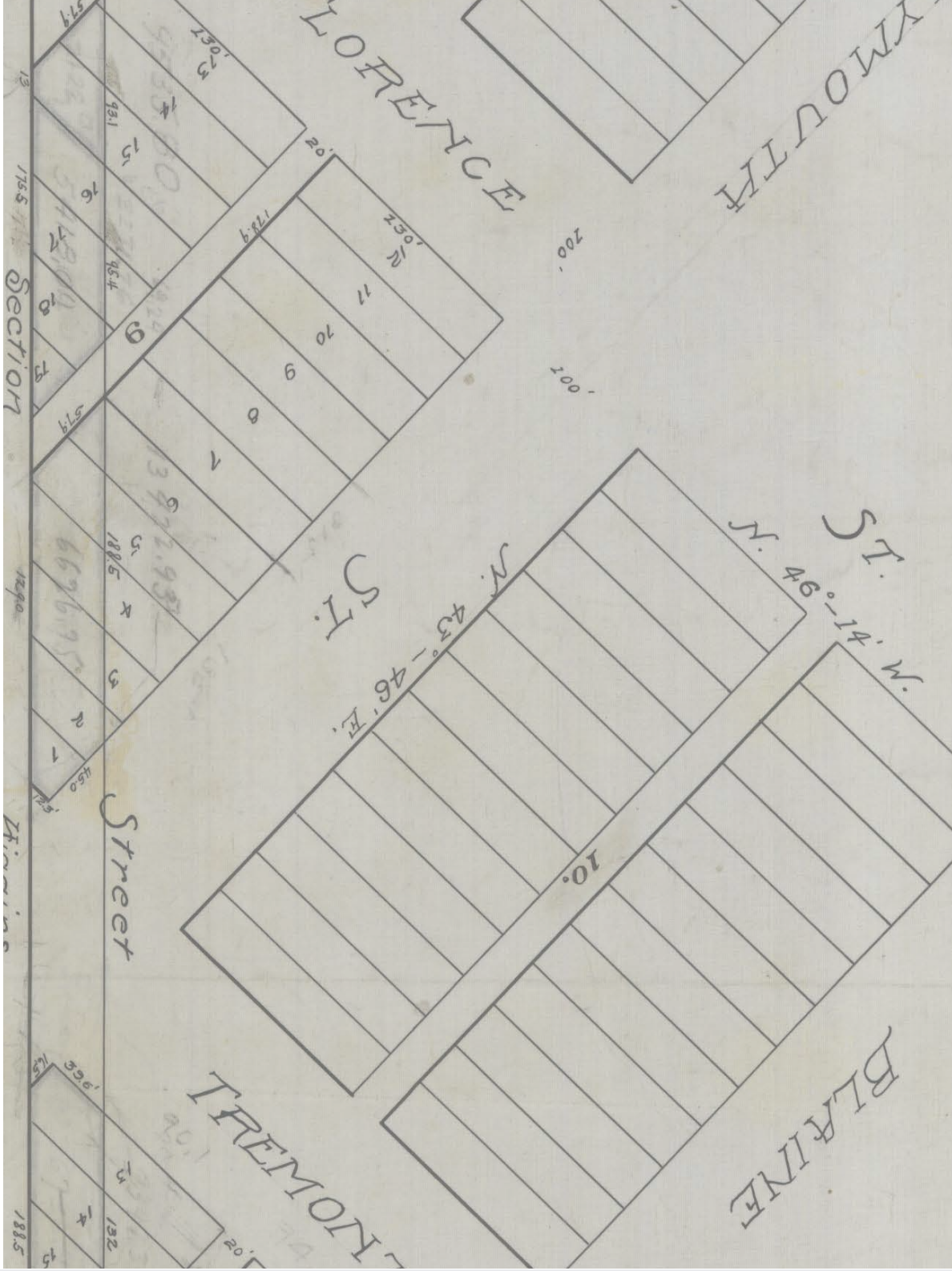
This report is one example of the City of Missoula applying an "equity lens" to City policies and programs.

2

Historical Context:

How Inequities of the Past Affect Missoula Today

> *If the most recent 10,000 years of tribal history...were condensed into one 24-hour day, the city of Missoula would not be established until 11:38 p.m.*
>
> *- Séliš-Qĺispé Culture Committee*[1]



Indigenous Land Use and Dispossession in What is Now Called the Missoula Valley

Thousands of Years of the Séliš & Qĺispé People

Since the beginning of human history, the area now known as the Missoula valley has been a place of great significance for the Séliš (pronounced SEH-leesh, anglicized as "Salish") and Qĺispé (pronounced Kah-lee-SPEH, also known as "Kalispel" or "Pend d'Oreille") nations.[1] Oral traditions and both Indigenous and non-Indigenous archeologists have documented a tribal presence in this region that reaches back to the last Ice Age – roughly 13,000 years ago. The period since the Lewis and Clark expedition in 1805 — often misunderstood by non-Indigenous people to signify the beginning of history in Montana and adjoining places — accounts for about 2% of human history in the area.[2]

The aboriginal lands of the Séliš encompassed a vast portion of what is known today as the state of Montana on both sides of the Continental Divide. The Séliš were originally organized in at least six large bands that were based in the areas that included places known in English as Butte, Three Forks, the Jefferson Valley, the Big Hole Valley, and Helena. Tribal territory reached west to encompass the Bitterroot Valley, where in recent centuries, the Séliš population was concentrated; hence they are commonly referred to as the "Bitterroot Salish."[3]

The Qĺispé were originally organized in at least twenty-seven bands based at locations throughout the drainage systems of the Flathead, Middle and Lower Clark Fork, and Pend Oreille Rivers across what is now western Montana, northern Idaho, and eastern Washington.[3,4]

An Ancient and Continuing Relationship with the Land[1]

For thousands of years, the Séliš and Qĺispé Nations' existence in the region was centered around a profound ethic of reciprocity between people and the land. This relationship was guided by the intentional stewardship of resources to provide for future generations.[3]

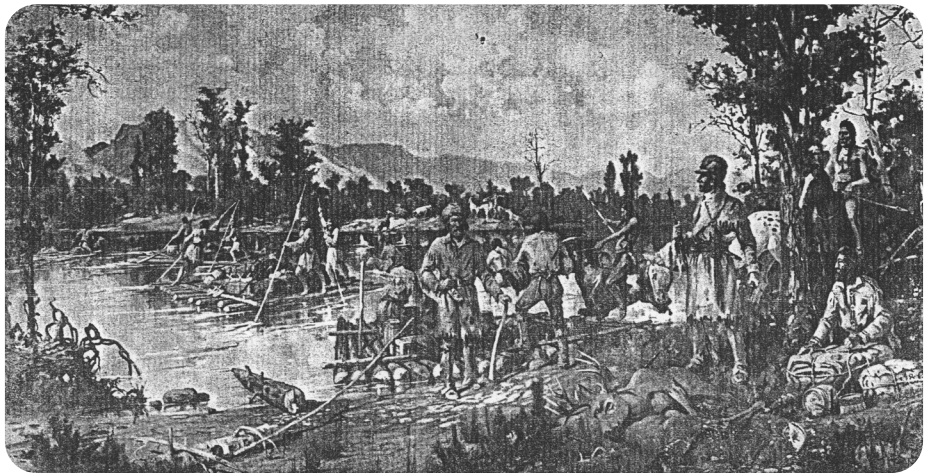
This ethic extended to relationships between tribes, which was based on a shared understanding of how to appropriately live with one another and with the earth. The Séliš and Qĺispé Tribes were parts of a larger, interwoven cultural and economic system of tribal nations. Individual tribes and bands occupied specific territories within the region, though sometimes overlapping and not always defined with rigid borders. Throughout this vast area, people often travelled beyond their own tribal territories by foot and by canoe for trading, visiting, and subsistence.[2,4]

Following a seasonal cycle, the Séliš and Qĺispé lived as hunters, gatherers, and fishers. They hunted animals such as bison, elk, deer, moose, antelope, bighorn sheep, mountain goat, a wide range of fish, and other animals for meat, and they harvested a variety of plants for food and medicine, including berries, bitterroot, and camas bulbs.[3] A core value of the tribal way of life was to take only what was needed and avoid waste. The tribes did not use agriculture to meet their needs. The primary tool for land management was the deliberate, highly skilled application of fire to sustain and augment the growth of berries and plants, create

easier paths for travel, and for many other reasons. One result of traditional fire practices—frequent, low-intensity fires set in certain places at certain times of year—was to reduce the frequency and intensity of larger wildfires, and create (and maintain) the open, park-like, old-growth forests that early non-Indian visitors observed in many of the lower elevation valleys of the Northern Rockies.[2]

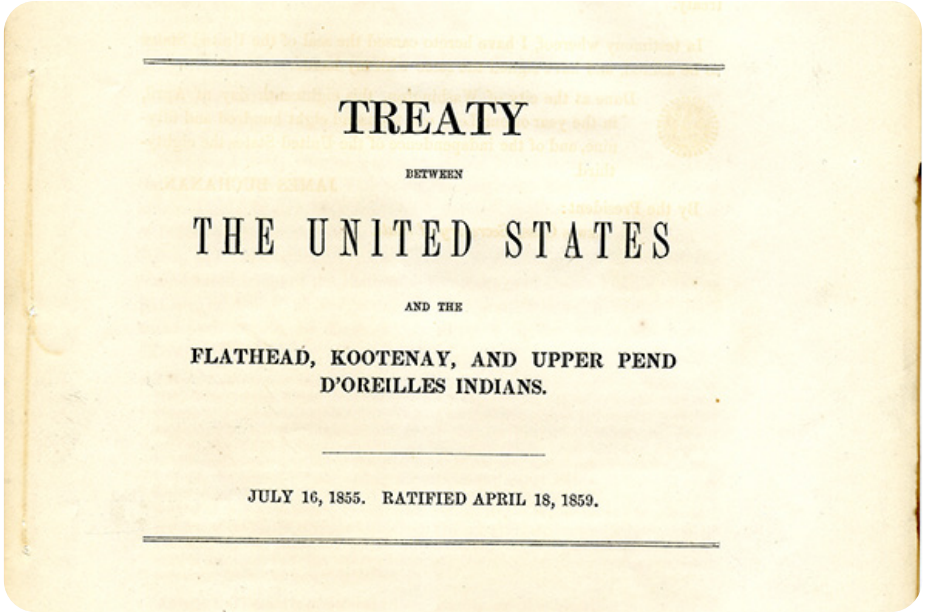
The arriving members of the Lewis and Clark expedition remarked on the abundance of resources but failed to see its connection to Indigenous ways of life. Like most non-Indigenous people at the time, Lewis and Clark thought of the western United States as "virgin wilderness," and did not understand that the environment they were seeing was "not the product of human absence, but the product of human presence."[2]

The area now known as Missoula was a particularly important source of natural resources. As the Séliš name for Missoula — Nłʔay, short for Nłʔaycčstm which translates to "Place of the Small Bull Trout" — implies, this area was abundant with bull trout that were fished and eaten by the tribes.[2]



The Missoula area also held significance for its plentiful supply of bitterroot. In the spring, the Séliš people would gather in many areas around Missoula to dig bitterroot, including the prairies surrounding what is now Fort Missoula and the Reserve Street area; near the base of Mount Jumbo and the entrance to Hellgate Canyon; the area that is now the Missoula Fairgrounds; the area near Miller Creek; and areas along the Clark Fork and Bitterroot Rivers.[2] This practice continued up until the 1960's, when development in the city made it more difficult to do so.[5] As the city grew in the late twentieth century — including the development of Interstate 90, the Eastgate Shopping Mall, the Montana Power Company, and the commercialization of Reserve Street in the 1990s — many of the places used for the harvest of bitterroot were paved over.[2] Not only were these sites, along with other areas in the city, vital for the subsistence they provided the tribes, but they also were culturally and spiritually important.

Today, tribal members continue to hunt, fish, and gather plants in off-reservation areas that remain undisturbed and open. As noted below in the discussion of the Hellgate Treaty of 1855, when the tribes ceded title to most of their lands, they reserved the right to continue these practices, as well as grazing, on open or unclaimed land.[6] However, a shifted social, physical, and legal environment creates obstacles for exercising these "reserved rights."



TREATY

BETWEEN

THE UNITED STATES

AND THE

FLATHEAD, KOOTENAY, AND UPPER PEND D'OREILLES INDIANS.

JULY 16, 1855. RATIFIED APRIL 18, 1859.

Non-Indigenous Newcomers and the "Great Changes"

While the Lewis and Clark expedition is often seen as the catalyst for changes to Indigenous life in the western United States, in the century preceding 1805, tribal people here were profoundly affected by the introduction of three products of Euro-American society: horses, nonnative diseases, and firearms.

The acquisition of horses by the tribes gave them positive benefits – increased mobility, improved access to foods and materials, and easier travel to other tribal territories – but also negative outcomes, like increased conflict and warfare between tribes. The introduction of horses was closely followed by the introduction of infectious diseases, including smallpox, against which native people had no immunity, causing a dramatic rate of death among tribal populations. Firearms, introduced through the fur trading industry, further exacerbated conflicts between tribes in the region and resulted in substantial (if temporary) changes in tribal occupancy and land use.[2,3]

In 1805, the members of the Lewis and Clark Expedition arrived in the upper Bitterroot Valley and met the Séliš who lived there. President Thomas Jefferson's stated objective of the expedition was "to explore the Missouri River and find the best water route to the Pacific Ocean for the purposes of commerce," (for fur trading in particular). Beneath this reasoning was a goal of turning the Indigenous people towards an agricultural and market-based economic system that would reduce their need for large tracts of land.[2]

Whereas the prevailing way of life of the Séliš and Qĺispé was one of reciprocity with the land, the way of life introduced by non-Indigenous people was one of industry, commerce, and profit. The newcomers brought forth fundamental changes that forced a new type of relationship with the land that was based on production, exchange, and commodification. The imposition of this new way of life created a trajectory of social, economic, and health disparities for Indigenous peoples for generations.

Missoula was established in 1866 as a lumber town and trading post bolstered by the arrival of the transcontinental railroad. The railroad provided the platform for industrial economic activity and the extraction of resources in Séliš and Qĺispé territories. As the transcontinental railroad inched westward, the demand for timber enabled markets for extraction and urbanization. The Missoula Valley and surrounding area was flush with hundreds of acres of

highly valuable old growth pine that was harvested and used for the construction of the railroad by non-Indigenous newcomers.

Sɬm̓xe Qʷoχʷqeys (Claw of the Small Grizzly—Chief Charlo), head translator Nkʷu Sxʷí (One Man Walking—Michel Revais), and other Séliš people with General Henry Carrington and U.S. Indian Agent Peter Ronan at St. Mary's Mission.

The Hellgate Treaty and the Dispossession of Tribal Land

In July 1855, Isaac Stevens, the governor and superintendent of Indian Affairs for Washington Territory, met with Chief Victor (Xʷeɬχƛćin, "Many Horses") representing the Séliš, Chief Alexander (Tmɬχƛćín, "No Horses") of the Qĺispé Tribe, and Chief Michelle representing a band of Kootenai people to negotiate the Hellgate Treaty. The tribal representatives attended this meeting with the understanding that the purpose was to formalize a friendship between the tribes and the non-Indigenous people. On the contrary, Stevens' purpose was for the United States to gain ownership of the tribal lands by concentrating multiple tribes into single reservations.

As a result, the negotiations and final document of the Hellgate Treaty did not represent the intentions of the Séliš, Qĺispé, or Kootenai leaders. Through the treaty, the United States took over twenty million acres of land from the tribes and established the "Jocko" or Flathead Indian Reservation from land not ceded by the tribes. The treaty provided the tribes with the right to continue using the ceded land for hunting, fishing, grazing, and gathering plants.

Nor did the tribes know that the United States would not stand by its agreement and that the reserved lands would subsequently be whittled down further. For more than a decade following the signing of the treaty, the Séliš were under the impression that they did not need to leave their homeland. However, the 1864 gold rush brought new incentives for non-Indigenous people to gain control of Séliš lands.[2]

In 1871, President Ulysses S. Grant signed an Executive Order requiring the Séliš to leave the Bitterroot Valley and go to the Flathead Reservation. The order falsely stated that a survey called for in the Hellgate Treaty had determined that the Flathead Reservation was "better suited to the wants and needs of the Flathead people."[1] In 1872, future President James Garfield was appointed by President Grant to secure an agreement with the Séliš Tribe for their removal to the Flathead Reservation. Under the terms of the agreement, the Séliš were to move from the Bitterroot Valley to the Flathead Reservation in exchange for $55,000, new

log houses, a side of beef for every family, and designated plots of land.[7]

Chief Victor's son, Chief Charlo (Słmx̣e Qʷoxʷqeys, "Claw of the Little Grizzly") refused to sign the agreement and remained in the Bitterroot with the Séliš people. However, United States officials forged Chief Charlo's "X" signature onto the copies of the official agreement that were presented to the United States Senate for the vote on ratification.[2]

In October 1891, the U.S. government forcibly removed Chief Charlo and the Séliš people from the Bitterroot Valley to the Flathead Reservation, a journey that became known as the "Séliš Trail of Tears." To make the sad trip as safe as possible for his people, Chief Charlo organized the Tribe into three groups, one of which passed through the Missoula area at what is now called Beartracks Bridge, some fording the Clark Fork River and others possibly crossing over the dilapidated bridge, then in the process of being rebuilt.[1]

Continued Resilience of the Séliš People

Even though the tribal people did not receive the promised housing, livestock, agricultural tools, and assistance that they were promised on the reservation, they managed to rebuild their lives. The government assured them that now they would be left in peace. However, in 1904—little more than a decade after the forced removal—Missoula Congressman Joseph Dixon pushed through Congress the Flathead Allotment Act, which would allow non-Indigenous people to own land on the reservation. This was in direct violation of the Hellgate Treaty, which stated that the reservation was guaranteed for the "exclusive use and benefit of

Image source: Séliš-Qĺispé Culture Committee, Confederated Salish and Kootenai Tribes. (2022). Sxʷúytis Smx̣e Nx̣lewś | Grizzly Bear Tracks Bridge: Beartracks Bridge Historical Background

said confederated tribes." Soon after 1910, non-Indigenous people comprised the majority within the reservation and owned much of the best agricultural and commercial land.

The Allotment Act and other policies of the federal and state governments during this time were explicitly aimed at destroying the tribal way of life as a functioning social, cultural, and economic system, and these initiatives did cause far-reaching damage to the Indigenous communities of the Flathead Reservation. Yet the Séliš, Qĺispé, and Kootenai cultures and languages continued in spite of these enormous challenges.

The passage of the Indian Reorganization Act (IRA) in 1934 marked the end of the Allotment Act and the beginning of new federal policies aimed at supporting rather than undermining tribal sovereignty. The Act allowed tribes to reconstitute themselves as

elected governments, replacing chiefs and traditional structures of leadership. The IRA thus had the contradictory effect of both furthering the loss of certain aspects of traditional culture, while at the same time more effectively advocating for their interests. In 1935, the tribal people of the Flathead Reservation became the first in the nation to adopt the provisions of the IRA; the new Tribal constitution established the Confederated Salish and Kootenai Tribes (CSKT). Among many other actions and initiatives since that time, the Tribal government has repurchased land that was previously lost, increasing their ownership of land on the reservation from 40% in the 1930s up to over 66% today.

In the mid-1970s, in response to rising concern from Tribal elders over the loss of cultural knowledge in the community, the Tribal Council of the Confederated Salish and Kootenai Tribes established the Flathead Culture Committee (which would later be renamed to the Séliš-Qĺispé Culture Committee) and the Kootenai Culture Committee, with the mission of preserving, protecting, and perpetuating the tribes' languages, cultures, and histories.[2,8]

Implications for Missoula's Land Use Policy Today

Any consideration of social equity in land use in the Missoula valley must be grounded in a shared understanding of the original inhabitants of the valley for millennia, their profoundly different relationship with the land, and the cultural significance of the land that remains today.

It is also important to acknowledge the injustices that were incurred by the Séliš and Qĺispé people. Non-Indigenous newcomers rationalized and executed the dispossession of tribal land based on a system of land ownership, resource extraction, and profit. This is a stark reminder that rules about how land can be used, and who can use land, can inflict immense harm.

Missoula's 2021 JEDI Resolution recognizes that the historic and systemic discrimination of indigenous communities continue to harm them today:

> *Indigenous residents are disproportionately affected by health disparities including but not limited to, chronic respiratory illnesses, cancer, substance misuse, depression, suicide, obesity, and a variety of other social determinants of health such as poverty and delayed health care that serve as barriers to accessing quality health services and ultimately contribute to poor health outcomes…and that these health disparities are due to institutionalized and systemic discrimination that is historic and contemporary…*

Today, the City of Missoula's land use policies and regulations do not explicitly and intentionally seek to subjugate or exclude entire groups of people. However, as will be demonstrated throughout this report, land use regulations need not be explicitly harmful in order to be inequitable. The impact of a land use regulation is more important than the intent.

The continuing importance of these lands and their resources for the people of the Confederated Salish and Kootenai Tribes means that our continued efforts to protect our remaining open lands—and seeking opportunities to restore places already transformed or damaged by development—are perhaps the most powerful and meaningful ways we can rebuild relations of mutual respect between Missoula and the Confederated Salish and Kootenai Tribes.

Discriminatory Practices of the Real Estate Industry

Before we turn to evaluating the history of zoning and land use in Missoula, it is important to highlight some of the inequitable and discriminatory real estate practices used throughout the country in the early and middle parts of the 20th century. These practices often created insurmountable barriers to BIPOC individuals and families living in certain neighborhoods. Over time, these practices cemented segregation of neighborhoods by income and race/ethnicity.

Though there is substantial evidence of these practices occurring across the country, there is limited documentation available that these practices were widespread in Missoula; however, the lack of documentation should not imply that they were not influential in shaping where BIPOC households could live in Missoula and how rules and regulations changed over time.

Redlining Neighborhoods to Prevent Mortgage Lending to BIPOC Families

Discrimination in mortgage lending often influenced where, and whether, BIPOC families could own homes. The Home Owners' Loan Corporation (HOLC) was created by the US Congress in 1933 to refinance mortgages in default to prevent foreclosures, which were widespread due to the Great Depression.

In 1935 Federal Home Loan Bank Board asked HOLC to create "residential security maps" to indicate the level of security for real estate investments. The color red was used to delineate areas of least desirability and areas that were considered high risk. These areas were typically neighborhoods with higher concentrations of BIPOC populations and lower incomes.

Federal and private housing loan officers would use the HOLC's ratings to determine if they would provide a loan to prospective homebuyers. Residents living in "redlined" neighborhoods were commonly denied home loans and were cut off from the wealth-building opportunity of owning a home. This practice contributed to racial segregation and generational poverty[9,10].

There is no published residential security map that covers the City of Missoula. However, many private banks and lending institutions were known to maintain similar maps and use them to make lending decisions. One study from 1959 found anecdotal evidence of discriminatory lending practices in Missoula. The following story pertains to a loan to a relatively affluent Hawaiin family:

> *One of the prospective neighbors, however, had seen (the agent) show the Hawaiian family the empty house next door to him. He promptly contacted the real estate office and advised them to drop the deal, for he had no desire to have neighbors who were not "pure white Americans." The office, of course, refused. The local citizen, being quite influential, brought into play his connections among the leading citizenry and managed to have the bank renege on the deal. Such action from the bank made the transaction impossible, much to the chagrin and embarrassment of the real estate representative. The family never did settle in Montana[11].*

Steering BIPOC Families Away from White Neighborhoods

Housing discrimination in real estate practice led to the Fair Housing Act in 1968, which prohibits discrimination of people on the basis of race, color, national origin, and religion when selling or renting a home. The protected classes now also include sex, familial status and disability.

Steering is a form of discrimination. Real estate steering is when a realtor or leasing agent tries to steer a renter or buyer into living in a particular area based on any of the protected classes. In its most explicit form, racial and ethnic steering can look like a real estate agent showing BIPOC homebuyers homes only in neighborhoods that are predominantly BIPOC while showing white homebuyers homes in predominantly white neighborhoods.

Steering can take many forms and can be less obvious activities such as advertisements for housing that only include images of white residents or falsely reporting unit availability to protected classes. Steering preserves segregation and exclusion by guiding certain protected classes towards some neighborhoods and away from others[12,13].

The same study from 1959, quoted above, offers evidence that steering by real estate agents occurred in Missoula:

> *One real estate office in Missoula lists the most expensive properties and prides itself on catering to the "elite" or wealthier class of customers. It is the policy of this office to solicit the sentiments of the neighborhood before they lease or sell property to someone who belongs to a minority group and might encounter resistance. If the new family is acceptable to the neighborhood the office proceeds with the transaction.*
>
> *The manager of this office offered the opinion that persons belonging to the "out-group" would have difficulty obtaining a dwelling in certain areas of the city, mainly the so-called "high class" areas. He gave this as the reason for conducting an acceptance check before selling or leasing. The company policy is apparently a desire to lessen tensions and avoid embarrassment to either side.*

The study notes that some BIPOC households had noticed progress in lessening discrimination over time, but risk of racist resistance to their choice of neighborhood remained high:

> *Twenty years ago, for example, negroes found much difficulty in trying to rent or buy a house anywhere in the city. Now, they live anywhere they can afford to, provided they risk moving into traditionally white areas of the city.*

Deed Restrictions Preventing Sale to BIPOC Families

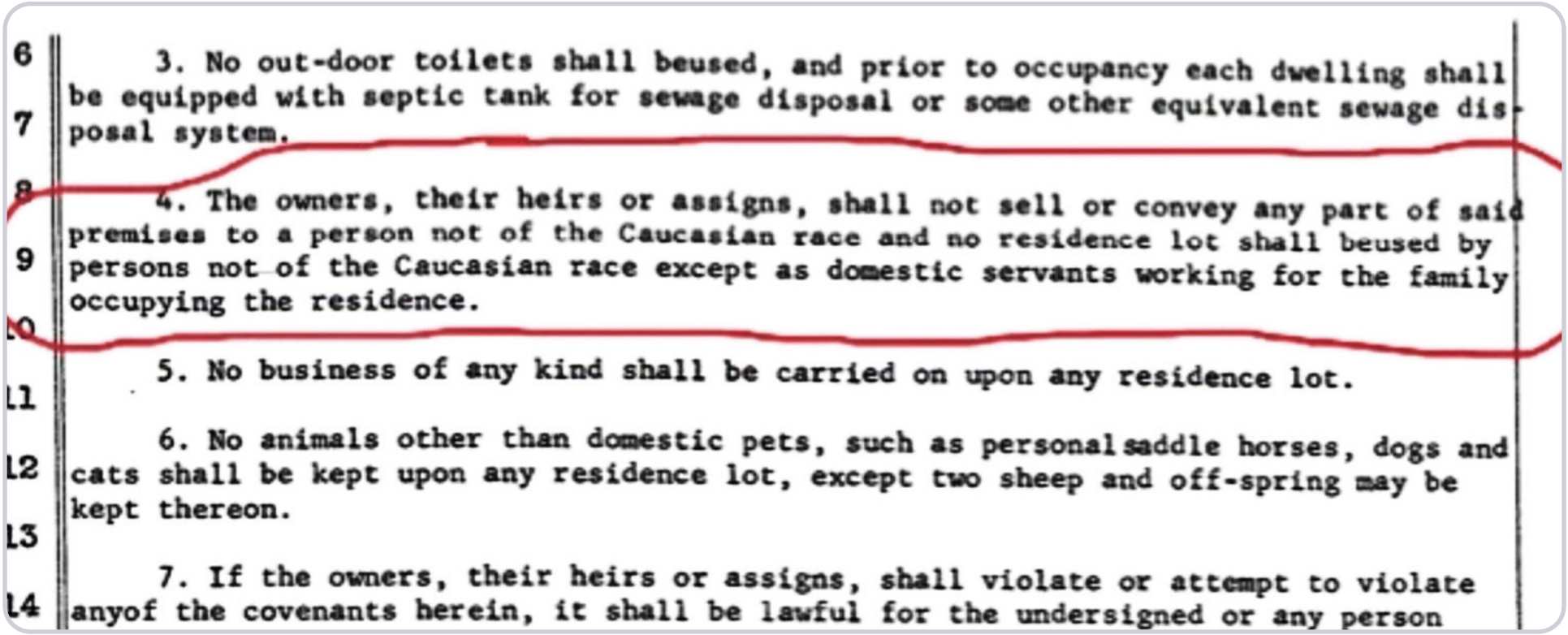
Racially restrictive covenants are another tactic used to preserve racial segregation. Private developers and property owners would write into the deed restrictions of property stating who can own or reside on the property based on race. These covenants were explicit and intentional stating very clearly which races were not allowed on the property. Many restrictive covenants had exceptions for housekeepers, further illustrating racial and economic divide. Although virtually unenforceable, there are racial covenants in many deeds to this day that set and maintain a cultural expectation

for those neighborhoods, further preserving segregation and exclusion[14,15].

The Missoulian published a story in 2008 of a man that discovered a racially restrictive covenant on his property in the Fairviews development in southeast Missoula. The restriction read as such:

> *No race or nationality other than the white race shall use or occupy any building on any lot, except domestic servants of a different race or nationality employed by an owner or tenant[16].*

The document also forbade construction of houses worth less than $12,500 in 1945 dollars ($210,000 in 2023 dollars). These types in minimum home value covenants were also commonly used across the country to institute class-based segregation.



3. No out-door toilets shall beused, and prior to occupancy each dwelling shall be equipped with septic tank for sewage disposal or some other equivalent sewage disposal system.

4. The owners, their heirs or assigns, shall not sell or convey any part of said premises to a person not of the Caucasian race and no residence lot shall beused by persons not of the Caucasian race except as domestic servants working for the family occupying the residence.

5. No business of any kind shall be carried on upon any residence lot.

6. No animals other than domestic pets, such as personal saddle horses, dogs and cats shall be kept upon any residence lot, except two sheep and off-spring may be kept thereon.

7. If the owners, their heirs or assigns, shall violate or attempt to violate anyof the covenants herein, it shall be lawful for the undersigned or any person

An example of a racially restrictive covenant commonly used in the early to middle of the 20th century in the United States (Austin, Texas)

Adoption of Zoning and Expansion of Exclusive Single-Dwelling Zoning

In 1932, during the same time period when the discriminatory practices discussed above were most widespread, the newly incorporated City of Missoula adopted its first zoning code. Development was expanding out from Missoula's downtown and close-in neighborhoods. Similar to many cities across the nation during this time period, the primary purpose of the original zoning code was to prevent business and industrial uses from negatively affecting residential areas. By separating residential and business uses into different districts, residential neighborhoods would be less impacted by noise, traffic, and air pollution.

The original zoning ordinance adopted four zone districts. Close to 75% of the city's residential land area was zoned to allow for the development of multifamily residential buildings. The most restrictive zone only allowed the development of single-dwelling homes and duplexes; this zone accounted for 15% of the city's residential land area at the time. No residential zone limited housing types to exclusively single-dwelling detached houses. A zoning amendment in 1948 slightly expanded the reach of these existing zone districts to account for the city's economic and population growth and added a new commercial zone.

Throughout the latter half of the 20th century, Missoula's zoning evolved from its primary purpose of separating incompatible business and residential uses to a more restrictive regulation of different types of residential uses. Similar changes occurred throughout the United States during this time frame.

The most significant change was the creation of zone districts that allowed only single-dwelling dwellings and no other housing types. Single-dwelling zone districts became the predominant type of zone district in Missoula by the late 20th century. By 2022, almost half (44%) of Missoula's residential land was restricted to zones that only allowed single-dwelling housing. Multi-dwelling zones did not expand at the same rate. In fact, the share of residential land zoned multi-dwelling and commercial mixed-use that allows the construction of more than two units went from 85% in 1932 to 36% in 2022. The distribution of zone types remains relatively unchanged today with single-dwelling zone districts accounting for a significant share of the residential land in the City.

> *By 2022, almost half (44%) of Missoula's residential land was restricted to zones that only allowed single-dwelling housing.*

The intent of exclusive single-dwelling zones was, and remains today, to foster a specific type of residential neighborhood that some people value and desire. However, as will be described in detail in the following sections of this report, this land use decision has also profoundly impacted where different types of households are able to live in Missoula. Given the cost of land and construction, this form of housing is simply not financially accessible for

households with lower incomes. And BIPOC communities are disproportionately represented among lower income households. Thus, although single-dwelling zoning does not directly or explicitly exclude certain people, it indirectly influences the social and racial makeup of neighborhoods.

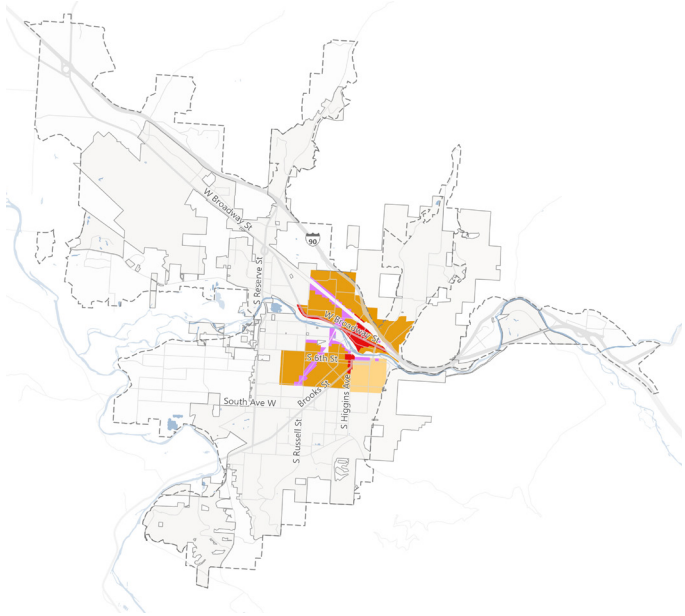
Figure 1 shows the evolution of zoning in Missoula at three points in time: 1932, 1948 and 2022. Figure 1 also shows the share of the land area by zone district type as it has evolved between 1932 and 2022. For the purposes of easily comparing each zoning map, zone districts were summarized into simplified zones, categorized by the type of housing they allow.

- Exclusive Single-Dwelling (ESD): this category captures all zones that only allow the development of a single detached house on one lot (also known as single-dwelling housing).
- Single-Dwelling and Duplex (DUP): this category captures all zones that only allow the development of single detached dwellings and duplexes.
- Multi-Dwelling (MD): this category captures all zones that allow the development of residential buildings with more than two attached units.
- Commercial/Mixed Use (COM): this category captures all zones that allow multi-dwelling residential development as well as commercial development.

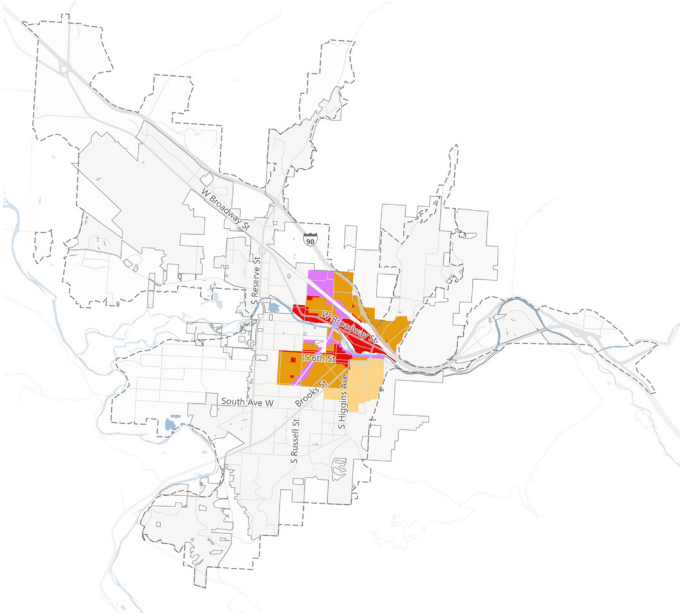
Historic Zoning Map of Missoula, 1948

FIGURE 1. HISTORICAL EVOLUTION OF MISSOULA'S RESIDENTIAL ZONING DISTRICTS, 1932-2022

1932 Zoning



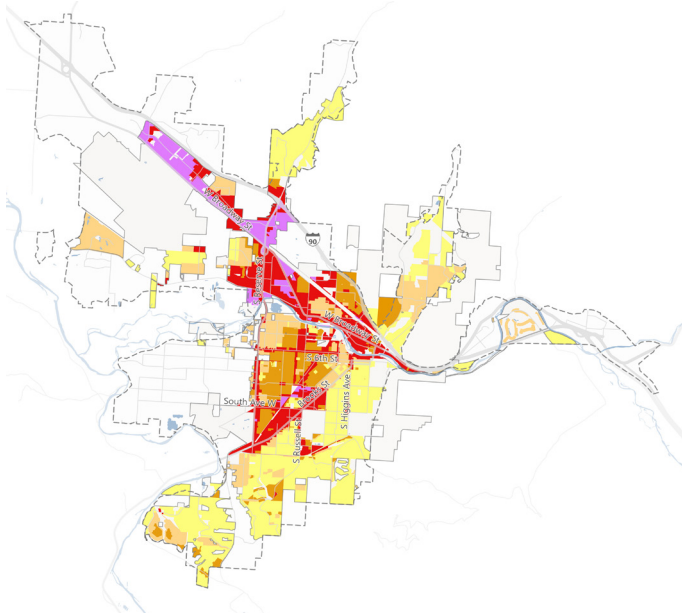
1948 Zoning



Zone Category

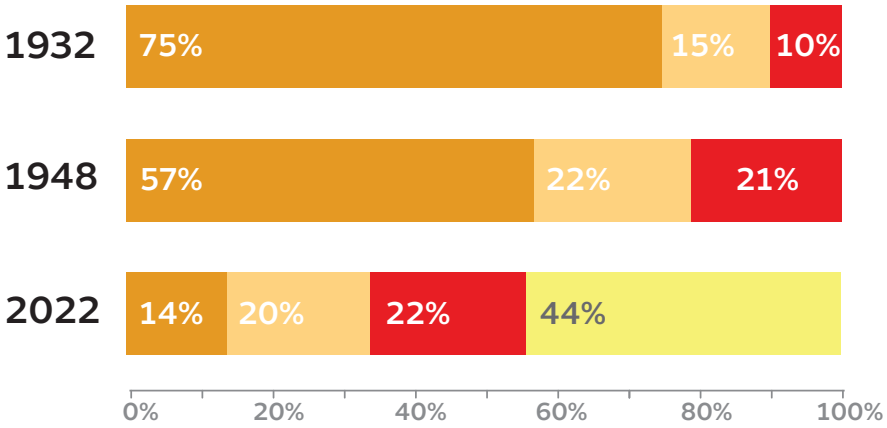
- Exclusive Single Dwelling
- Single Dwelling & Duplex
- Multi-Dwelling
- Commercial Mixed Use
- Industrial
- Utility Service Area
- City Limits

2022 Zoning



Percentage of Total Residential Land Area by Zone Category

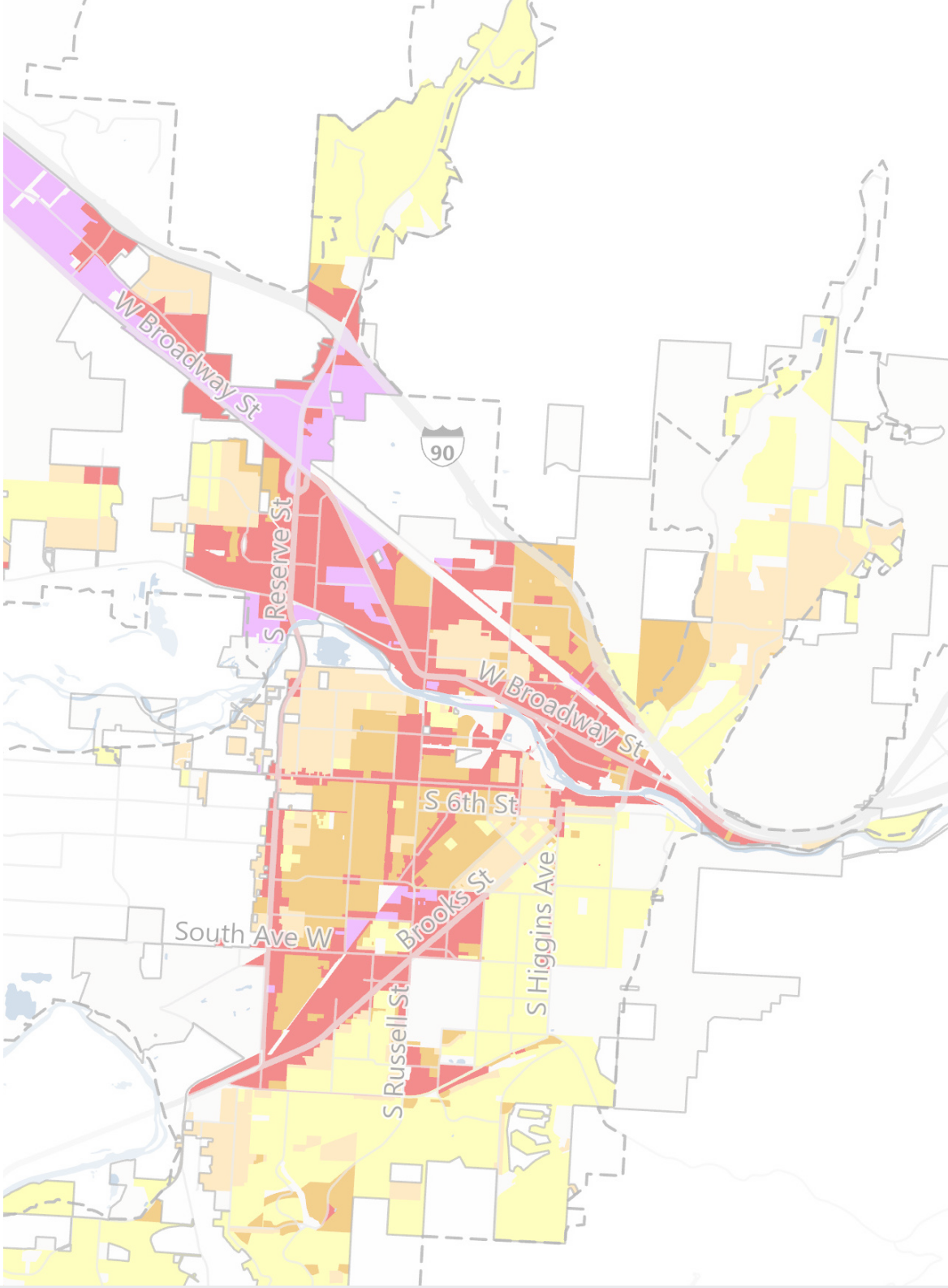
(excludes Industrial Category)



3

Equity Analysis:

Land Use and Zoning Regulations



Housing Affordability

Housing affordability is a critical equity issue

As defined in the City of Missoula's 2021 JEDI Resolution, equity is "…the full and equal access to opportunities, power, and resources so that all people achieve their full potential and thrive." Access to housing that is affordable at one's income level is one of the most critical resources needed for people to achieve their potential and thrive. The JEDI Resolution also recognized that the United Nations has named securing housing as a fundamental human right in the Universal Declaration of Human Rights.

Unfortunately, more and more Missoulians are unable to access housing that is affordable to them. The federal metric that defines unaffordability is when housing costs are more than 30 percent of one's income. The cost of housing has risen dramatically in recent years, far outpacing any increase in incomes that could offset the higher cost. The high cost of housing in Missoula is relatively undisputed. However, housing being unaffordable disproportionately impacts lower income households, BIPOC households, and other historically marginalized groups.

The City of Missoula's 2022 Housing Landscape Assessment[17] summarizes key indicators of the housing affordability crisis the community is facing:

- **Rental affordability remains a critical issue facing the community and is a problem that disproportionately impacts residents with the lowest incomes.** There are nearly 8,000 households earning less than $50,000 a year that are paying more than 30 percent of their income for housing. The problem increases greatly in the lower income segments, with a staggering 88 percent of cost burdened households earning less than $35,000 a year.
- **Missoulians who identify their ethnicity as Hispanic, or race as Black or African American are two groups most likely to experience cost burden in their housing.** Fifty-two percent of people who identify as Hispanic pay more than 30 percent of their income toward housing costs and 46 percent of people who identify as Black or African American pay more than 30 percent toward their housing. This contrasts with the 36 percent of white households that pay more than 30 percent toward housing costs.
- **Affordable homeownership is increasingly elusive for households with lower incomes.** Homeownership in Missoula is primarily reserved for households earning above $75,000 a year in combined income. In fact, there are more owners earning above $75,000 per year than all the other income categories combined. A significant 35 percent of homeowners earning below $75,000 a year are cost burdened.
- **The for-sale housing market has changed significantly in the last three years.** While there was an inventory spike in 2020, the number of for-sale homes has decreased to levels below the 2019 market. Despite the decrease in inventory, home sale prices continue to rise. The availability of homes for sale at or below $300,000 has decreased by 90 percent since 2019.

> *The availability of homes for sale at or below $300,000 has decreased by 90 percent since 2019.*

Land use regulations and housing affordability

If housing is unaffordable, to what extent are the City's land use and zoning regulations contributing to unaffordability? This is a complex question that requires examining the underlying causes of housing being unaffordable. There are two ways that land use regulations affect the cost of housing: (1) constraining the overall supply of housing and (2) encouraging development of larger, more expensive units.

Constraining overall housing supply

Housing prices are primarily influenced by the forces of supply and demand. When homes are scarce relative to the number of households looking to buy or rent, then the market favors those looking to sell or lease. They have market power over the consumer, who must compete with other households to acquire the housing.

Conversely, when homes are abundant relative to the number of households in the market to buy or rent, the market favors consumers. Households have many alternative options to choose from, lessening the competition between households which allows housing providers to lower prices. This dynamic is familiar to anyone who has attempted to rent an apartment or buy a home: housing prices are a function of competition between renters or buyers for a finite supply of housing units.

There is a broad consensus in academic research that restrictive land use regulations constrain the supply of housing and contribute to higher housing costs. Numerous national and regional studies have found a strong link between restrictive local land use regulations, less housing construction, and higher prices. One review of the research summarized it this way:

> *In sum, the preponderance of the evidence shows that restricting supply increases housing prices and that adding supply would help to make housing more affordable*[18].

How, specifically, do land use regulations constrain overall housing supply? There are three primary ways that land use regulations constrain housing supply:

- **Limiting the number of units produced with each new development.** Several regulations have the effect of limiting the number of units that can be produced with each new development, including minimum lot sizes, maximum density standards, and minimum

parking requirements. When each new development produces fewer units than it would in the absence of these limitations, this slows the rate of new housing that is added to the housing stock and can result in fewer units overall over time.

- **Rendering it economically infeasible to develop some sites.** In some cases, land use regulations can make it economically infeasible to build housing on a site. The form of housing that is permitted by the regulations may be unprofitable or too risky of an investment. Perhaps the regulations would result in units that are too small or there are too few units to offset the cost of buying the land. This mismatch between what is economically feasible and what is permitted under the regulations leaves some sites undeveloped.
- **Slowing the pace of development.** Land use regulations can also slow the rate of housing development by requiring lengthy approval processes of several months or even years. In periods of population growth and increased demand for housing, this means that the pace of housing production may not keep up with the pace of increasing demand. People are moving to a region or new households are forming faster than housing can be produced. This can contribute to a sustained "underproduction" of housing over time.

The degree to which Missoula's land use and zoning regulations could be causing these issues are discussed in the analysis section below.

Encouraging larger, more expensive units

The second way that land use regulations impact housing affordability is by encouraging development of larger (more expensive) units over smaller (less expensive) units. The cost of a housing unit is closely correlated with the size of the unit. While the price or rent of a larger unit may be less per square foot basis, the overall price of larger units is usually higher than smaller units.

Land use regulations can encourage larger units by limiting the economic benefits of building smaller units. For instance, consider a site in a single-dwelling zoning district that allows one unit per 5,000 square feet of lot area. The regulations do not directly regulate the size of the unit; it is possible to build either a 3,000 square foot house or a 1,500 square foot house on that lot and meet the zoning regulations. In this situation, it is almost always more profitable for a builder to build a larger home because the larger home is likely to sell for more than the smaller home. As a result, the smaller home will have a lower profit margin and overall rate of return.

However, if the zoning regulations allowed for multiple units on that lot—such as a duplex—then it may be more profitable to build two 1,500 square foot units than it is to build one 3,000 square foot unit. These two smaller units will be more affordable than the one, larger unit.

If there are not enough sites where building smaller units is encouraged or physically possible due to zoning standards, then land use regulations are effectively shifting the overall market towards providing larger, more expensive units.

The impact of Missoula's land use and zoning regulations on housing affordability

Housing affordability is a critical equity issue, and land use regulations can have a major influence on housing affordability. Now we turn to analyzing Missoula's land

use regulations and evaluating their impact on housing affordability.

Missoula's regulations that affect housing development are spread across multiple Titles of the Missoula Municipal Code, including Title 12 (Streets, Sidewalks, and Public Places), Title 13 (Public Services), Title 15 (Buildings and Construction), Missoula City Subdivision Regulations, and Title 20 (Zoning). However, the regulations that have the greatest impact on housing affordability are permitted housing types and density levels, and these are contained in Title 20 - Zoning.

Housing types and density levels vary by zoning district. There are a total of about 25 different zoning districts where residential uses are allowed. There are 16 different residential zoning districts, which allow for housing at a wide range of density levels. There are 6 business and commercial zone districts that are primarily intended for commercial uses but also allow for housing at a density level of 1,000-2,000 square feet of land area per unit. One industrial district (M1R - Limited Industrial-Residential) allows for housing.

Financial pro-forma analysis

A financial pro-forma analysis was conducted to assess the relative affordability of new housing development under Missoula's zoning regulations. A pro-forma is a financial model that estimates the potential return on investment of a real estate development project, based on a set of costs, revenues, and financing assumptions. Pro-formas are commonly used by housing developers to evaluate a potential project and determine whether to pursue development. The assumptions used for the pro-forma analysis were sourced from data collected for the Missoula Affordable Incentives Analysis, 2021. See Appendix A for more information.

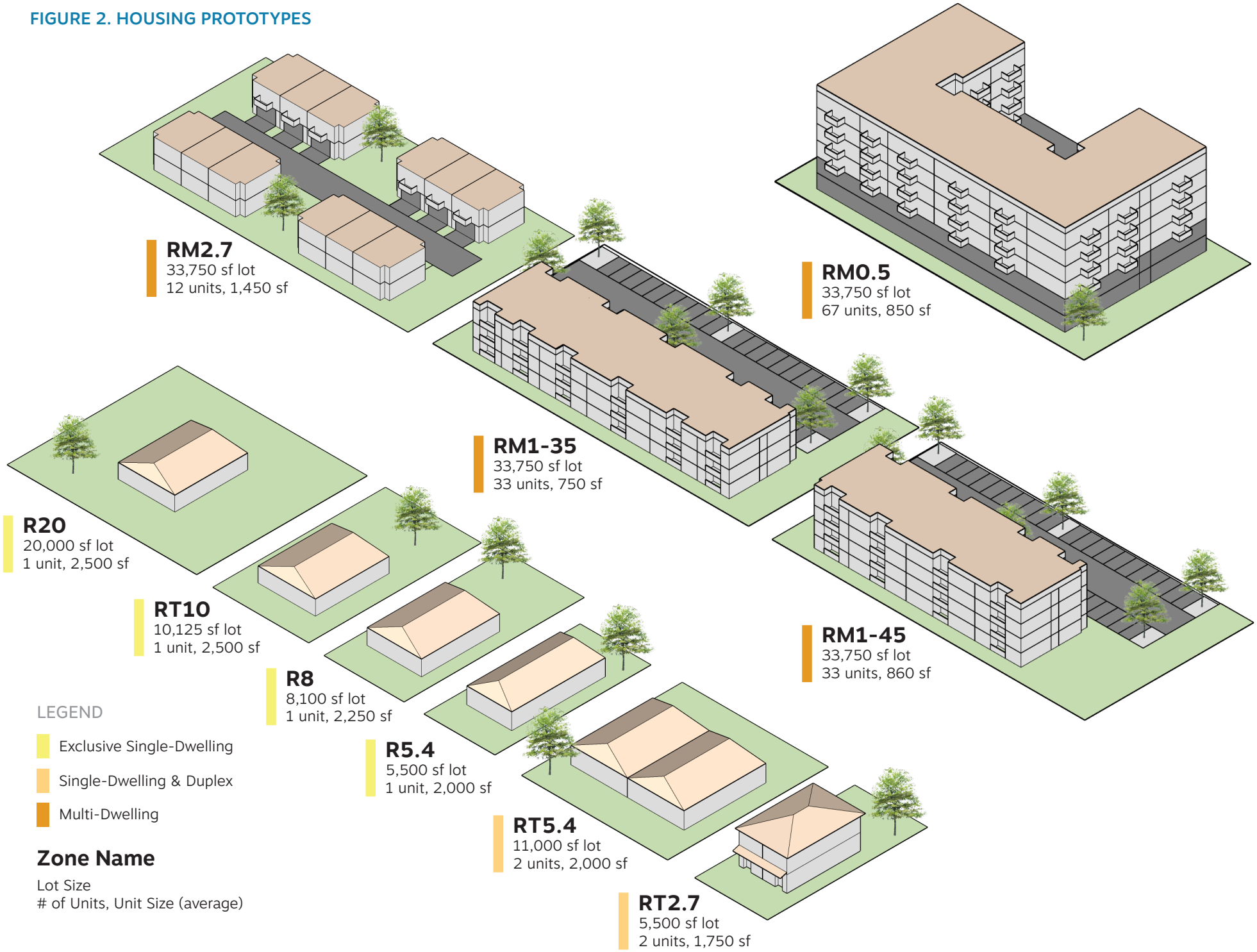
In this context, a pro-forma can be a useful tool for evaluating the impact of zoning and land use regulations on housing affordability. One pro-forma was created for each of ten different residential zone districts in Missoula. The ten zoning districts were selected because they account for nearly all (about 95%) of the land dedicated to residential zoning in the City and they represent a wide range of allowed density levels.

A hypothetical model of a development (or a "prototype") was created for each of the ten zone districts. The prototype represents the form of housing that is possible and most likely to be developed in that zone while meeting the confines of the zoning regulations. The prototypes are displayed and summarized in **Figure 2**. Four of the ten prototypes are detached houses on a single-lot, two are duplexes or two-unit townhouse buildings, and four are multi-dwelling buildings. **Figure 2** shows the estimated average unit size, number of units, and density level (square feet of land area per unit) of each prototype.

Cost of development

One way to assess the relative affordability of housing allowed in a zoning district is the total cost of development per unit. **Figure 3** shows the total cost of development for each zone prototype, including land acquisition, construction, fees, taxes, and other costs. The total cost of development on a per unit basis is significantly lower for the higher density zones than lower density zones. The cost to build one dwelling unit in the multi-dwelling zones is about 30-50% of the cost to build one unit in the single-dwelling zones.

FIGURE 2. HOUSING PROTOTYPES



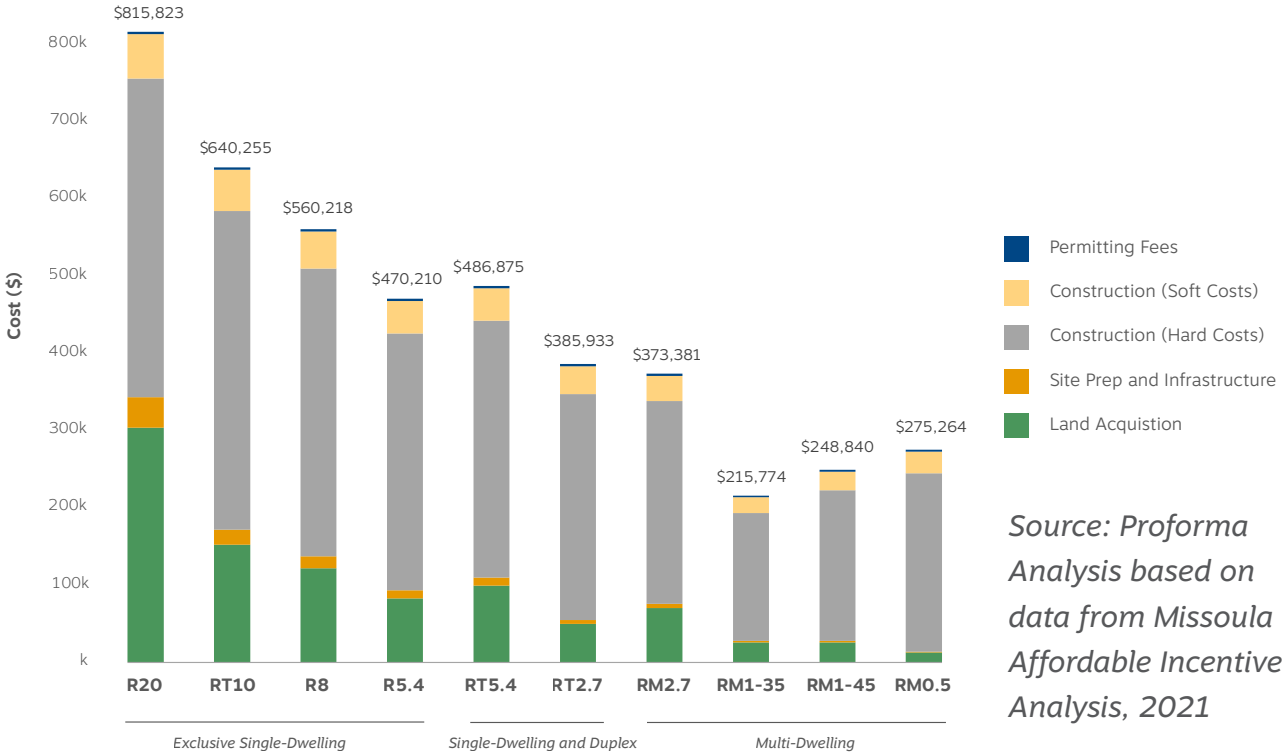
There are two reasons for this drop in the cost of development. The primary reason that development costs are lower in higher density zones is that the unit sizes are smaller. The estimated average unit size is about 980 square feet in the multi-dwelling zones, 1,875 square feet in the duplex zones, and 2,300 square feet in the single-dwelling zones. These unit sizes are based on averages of new development in the last 5 years, in combination with the limits imposed by existing zoning code standards such as minimum setbacks and maximum density.

The second reason that development costs per unit are lower in higher density zones is that land costs represent a smaller share of the overall cost of development. The density levels permitted on a site do have an impact on the cost of land, but the cost of land does not generally scale up proportionately with the number of units permitted on the site. Therefore, as higher densities are allowed by the zoning, the fixed cost of land can be spread across more units, reducing the average development cost per unit.

Unit sizes

Unit size is a key driver in affordability.

FIGURE 3. COST OF DEVELOPMENT PER UNIT BY ZONE DISTRICT



Source: Proforma Analysis based on data from Missoula Affordable Incentive Analysis, 2021

There is no ideal unit size, of course, because there is a wide range of household sizes and preferences across the community. However, Missoula's zoning regulations are likely influencing the size of units that are being developed.

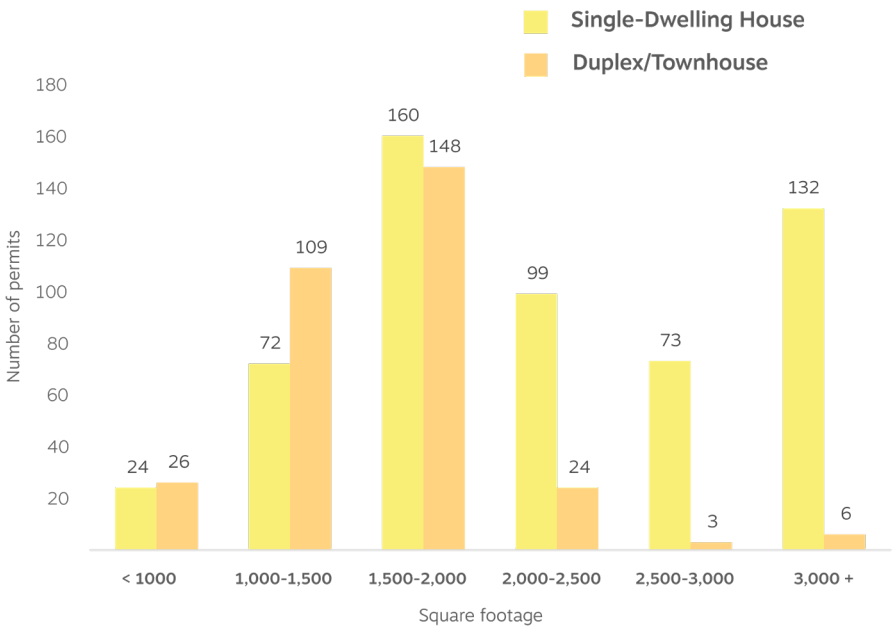
In single-dwelling and duplex zone districts, there is no incentive for a developer to build smaller units. If the units are smaller, less space on the site will be used but there is no option to add more units while meeting the maximum density of the code. Most developers will choose to build larger units because they are more profitable in general. Therefore, most new housing units in these zones will be between 1,500 and 2,500 square feet, and many units will be larger than 2,500 square feet.

There is a need for these larger, single-dwelling houses that must be met. However, it is important to consider that homes under 2,000 square feet are able to adequately provide functional and livable space for many households, including families with children. Many older homes, and some newer homes in Missoula, are 1,000 to 1,500 square feet but still have 3 bedrooms and 2 bathrooms. Driven in part by the incentive to build larger units in single-dwelling zones, only 17% of new single-dwelling houses built between 2017 and 2020 were less than 1,500 square feet (Figure 4).[19] Yet about 43% of new townhomes or duplex units built in this same timeframe were less than 1,500 square feet.

At the other end of the spectrum, in the multi-dwelling zones, the higher densities permitted in these zones encourage development of smaller units. Among multi-dwelling developments built between 2017 and 2020, the average unit size was about 880 square feet. About two-third of units fell between 500 and 1,000 square feet (Figure 5). These unit sizes are responding to the demand for rental units for smaller households, such as young families, couples, or singles.

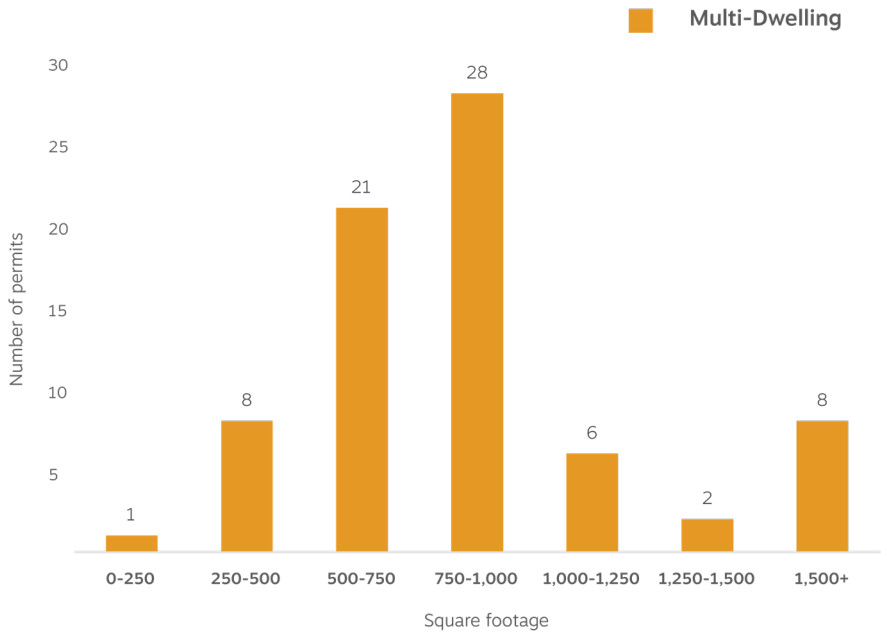
However, the multi-dwelling regulations do present significant barriers to meeting the demand for very small units. Just 11% of multi-dwelling units built between 2017 and 2020 were under 500 square feet. Units this small can be an economical

FIGURE 4. DWELLING UNIT SIZES, SINGLE-DWELLING AND TOWNHOUSE/DUPLEX DEVELOPMENTS, 2017-2020



Source: City of Missoula Residential Building Permits, 2017-2020

FIGURE 5. DWELLING UNIT SIZES, MULTI-DWELLING DEVELOPMENTS, 2017-2020



Source: City of Missoula Residential Building Permits, 2017-2020

and attractive option for single people and couples. Due to the maximum density standards and minimum parking requirements, it is not feasible to build a project with a high number of very small units. The project quickly runs up against the maximum density allowed in the multi-dwelling zones of 500-1,000 square feet per unit. Even if that maximum density standard were relaxed, then the minimum parking requirements would require a costly underground or multi-level parking structure. For this reason, many developers will build slightly larger units because it will be more profitable.

Minimum feasible prices/rents by zone district

Given the cost of development and projected unit sizes, we can estimate how affordable new, market rate housing could be in each zone district. **Figures 6 and 7** present the minimum sale price or rent needed for development of that housing prototype to be economically feasible ("minimum feasible sale price" or "minium feasible rent"). Minimum feasible prices/rents are significantly higher in the single-dwelling and duplex zone districts and generally are lower in the multi-dwelling zone districts. This pattern can be explained by the two factors discussed above in relation to the cost of development: smaller units built at a higher density have a lower cost of development, and therefore have potential to be more affordable.

There are some important exceptions to this trend, however. In some cases, a zone may allow greater density or a wider variety of housing types, but that does not translate into greater affordability. There are two examples in these prototypes:

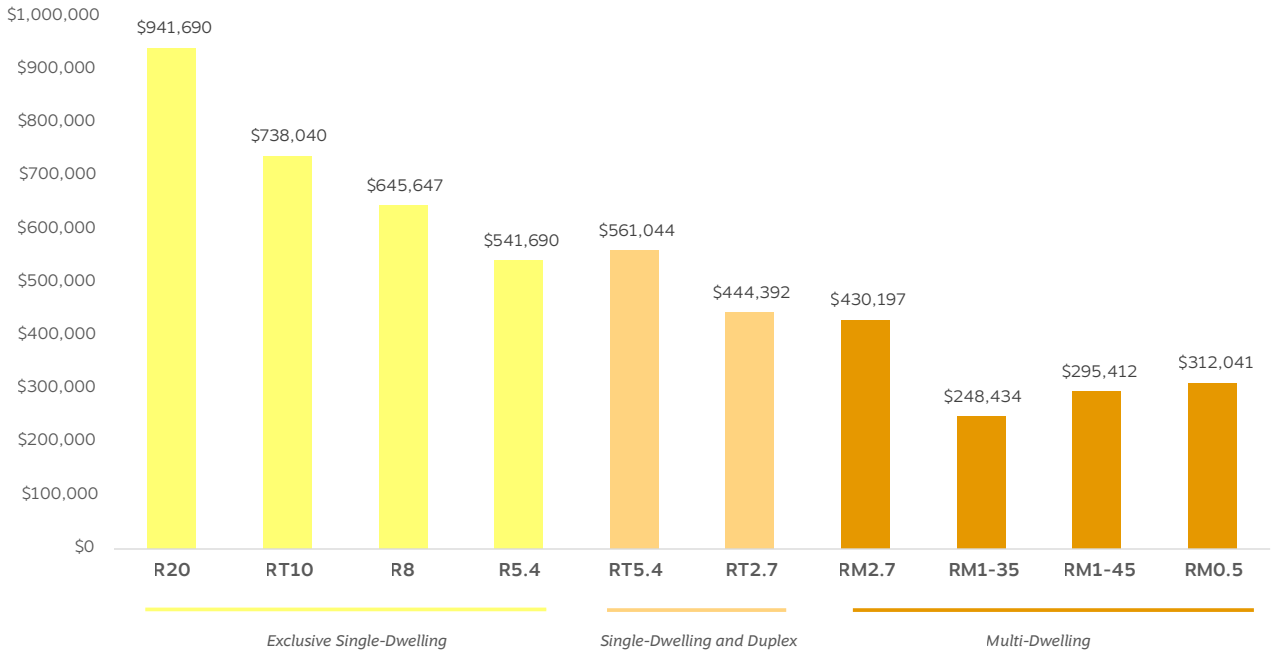
- **RT5.4 Duplex/Townhouse Prototype:** Given that this prototype is a duplex/townhouse, you would expect it to be more affordable than the single-dwelling house in the R5.4 zone. However, while the zone allows for duplexes and 2-unit townhouses, the maximum density standard of this zone is equivalent to the R5.4 zone (1 unit per 5,400 square feet). Slightly higher land costs are not offset by an increase in density, so the townhome/duplex units are estimated to be slightly less affordable than a single-dwelling house at the equivalent density.
- **RM0.5 Multifamily Prototype:** This is the highest density prototype, but it is less affordable than the RM1-35/45 prototype, which is half as dense. This is caused by minimum parking requirements. In order to build at the density of 1 unit per 500 square feet while meeting the minimum parking requirements, the building must include a structured parking garage. Buildings of this type (called a podium structure) are more costly to build than a wood-framed building with a surface parking lot. The benefit of increased density is offset by the higher construction costs associated with meeting the minimum parking requirements.

It is important to note that the minimum feasible sale price or rent is not the same as the price or rent level that may be sought in the market. The minimum feasible price/rent represents the absolute minimum sale prices or rents. New units must be sold/rented for at least this amount, or else a developer will not pursue the project because it would not generate an acceptable return on investment. If there is sufficient demand in the market, then a developer or property owner may seek to sell or rent units for more than the minimum feasible price.

Affordability by zone district

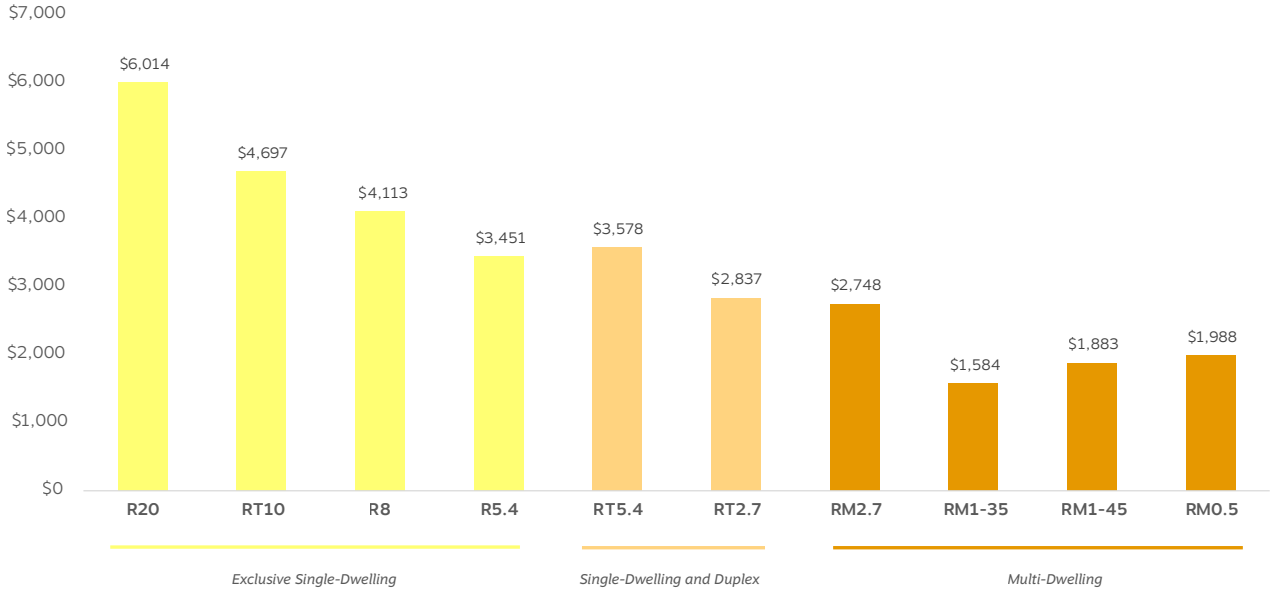
We can use the minimum feasible sale prices and rents to estimate the amount of income that would be needed for a housing

FIGURE 6. MINIMUM FEASIBLE SALE PRICE FOR NEW HOUSING BY ZONE DISTRICT



Source: Proforma Analysis based on data from Missoula Affordable Incentive Analysis, 2021

FIGURE 7. MINIMUM FEASIBLE RENT FOR NEW HOUSING BY ZONE DISTRICT



Source: Proforma Analysis based on data from Missoula Affordable Incentive Analysis, 2021

unit to be affordable in each zone district. "Affordable" is defined as spending no more than 30% of income on housing costs, including utilities, taxes, and insurance. **Figure 8** presents the minimum income needed to afford the sale price or rent of each zone prototype, the income needed as a percent of the Area Median Income (AMI) in Missoula, and an estimate of the percentage of households in Missoula that could afford that rent or sale price. The 2022 AMI in Missoula is $64,150 for a 2 person household and $80,200 for a 4 person household (2 adults, 2 children).

This analysis demonstrates the depth of the affordability challenge that Missoula faces. Even the zones that allow the highest density levels and lowest minimum feasible prices/rents for new housing are only affordable to about 30-40% of households in Missoula. These are households earning slightly above the median income, or about 100-130% of AMI.

This means that 60-70% of households in Missoula will likely not be able to afford any new market-rate housing that is built in any zone district. While it is common for lower income households to not be able to afford new housing in most cities, Missoula stands out as having a dire affordability challenge for these households. While zoning reforms could help make new housing closer to more affordable for some of the households on the upper end of this range, other City policies and programs will be necessary to create new housing for most households that earn below the median income.

At the other end of the income spectrum, this analysis demonstrates that new, low density, single-dwelling housing will only be affordable to a select few households. A household must earn about 2 to 3 times the median income in order to afford to purchase a new single-dwelling home built in one of the low density, single-dwelling zones. These homes will likely only be affordable to 10-15% of households in Missoula.

Zoning map analysis

Figure 9 presents the affordability estimates alongside a simplified zoning map that categorizes zones into four categories. This graphic helps to contextualize the affordability of each zone district with data on how much area is dedicated to each district.

It is estimated that about 44% of Missoula's land that is zoned to allow residential uses is dedicated to exclusive single-dwelling zones, which are only affordable to 10-15% of all households. This is a significant social equity issue with implications that will be explored further in this report.

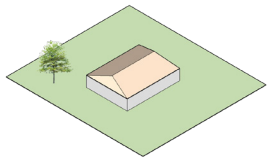
Another 20% of Missoula's residential land area is dedicated to single-dwelling/duplex zones. However, the density levels of these zones are not significantly higher than exclusive single-dwelling zones. They are estimated to be affordable to 10-30% of households, depending on the specific zone.

Taking these two zone categories together, this means that almost two-thirds (64%) of the City's residential land is dedicated to low density residential zoning that is unlikely to provide any new housing that is affordable to at least 70% of households.

The remaining 36% of the residential land area is in a multi-dwelling or commercial zone. The commercial zones allow similar levels of density as the multi-dwelling zones, so it can be estimated that new housing in these zones would also be affordable to about 30-40% of households.

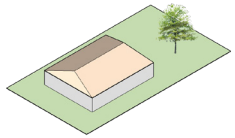
FIGURE 8. AFFORDABILITY OF NEW HOUSING BY ZONE DISTRICT

R20



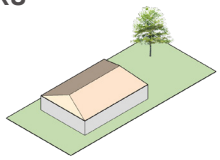
Minimum Feasible Sale Price	$941,690
Minimum Feasible Rent Price	$6,014
Minimum Income Needed to Afford	$253,000-222,000
Estimated % of Households that Can Afford	< 10%

RT10



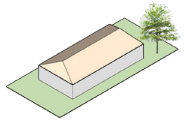
Minimum Feasible Sale Price	$738,040
Minimum Feasible Rent Price	$4,697
Minimum Income Needed to Afford	$200,000-220,000
Estimated % of Households that Can Afford	< 10%

R8



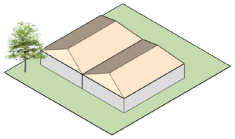
Minimum Feasible Sale Price	$645,647
Minimum Feasible Rent Price	$4,113
Minimum Income Needed to Afford	$177,000-194,000
Estimated % of Households that Can Afford	< 10%

R5.4



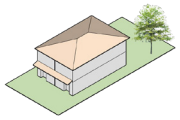
Minimum Feasible Sale Price	$541,690
Minimum Feasible Rent Price	$3,451
Minimum Income Needed to Afford	$150,000-164,000
Estimated % of Households that Can Afford	10-15%

RT5.4



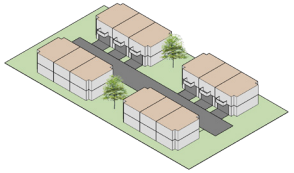
Minimum Feasible Sale Price	$561,044
Minimum Feasible Rent Price	$3,578
Minimum Income Needed to Afford	$155,00-170,000
Estimated % of Households that Can Afford	10-15%

RT2.7



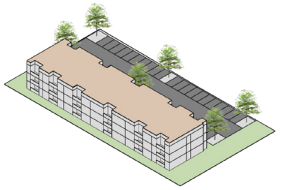
Minimum Feasible Sale Price	$444,392
Minimum Feasible Rent Price	$2,837
Minimum Income Needed to Afford	$126,000-137,000
Estimated % of Households that Can Afford	15-30%

RM2.7



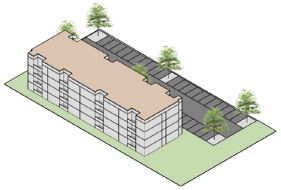
Minimum Feasible Sale Price	$430,197
Minimum Feasible Rent Price	$2,748
Minimum Income Needed to Afford	$118,000-143,000
Estimated % of Households that Can Afford	15-30%

RM1-35



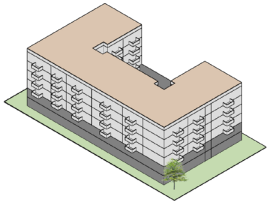
Minimum Feasible Sale Price	$248,434
Minimum Feasible Rent Price	$1,584
Minimum Income Needed to Afford	$71,000-79,000
Estimated % of Households that Can Afford	30-60%

RM1-45



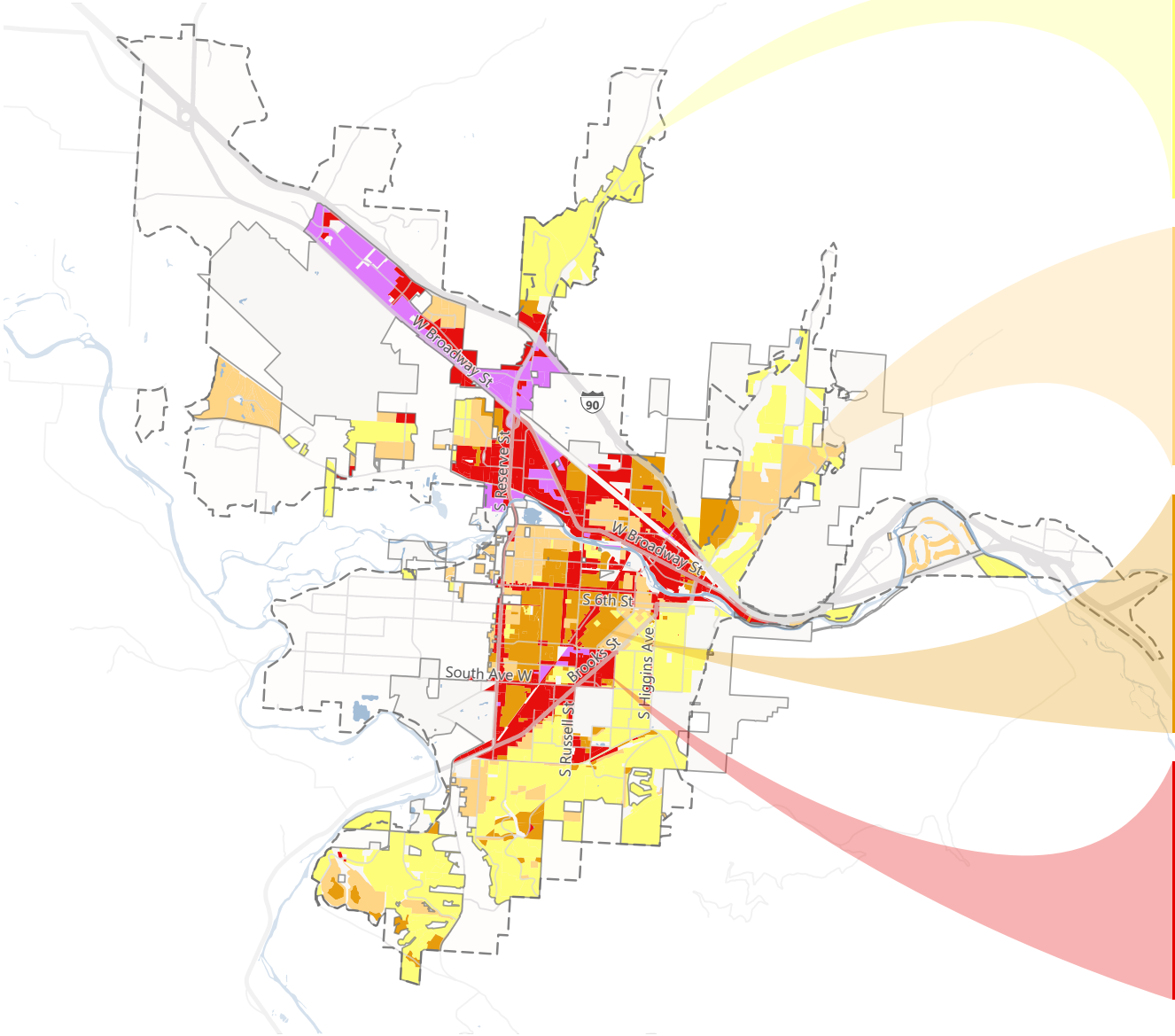
Minimum Feasible Sale Price	$295,412
Minimum Feasible Rent Price	$1,883
Minimum Income Needed to Afford	$83,000-88,000
Estimated % of Households that Can Afford	30-40%

RM0.5



Minimum Feasible Sale Price	$312,041
Minimum Feasible Rent Price	$1,988
Minimum Income Needed to Afford	$88,000-89,000
Estimated % of Households that Can Afford	30-40%

FIGURE 9. ZONE DISTRICT MAP WITH AFFORDABILITY ESTIMATES



Exclusive Single-Dwelling
- 44% of land area
- Affordable to 10-15% of households.

Single-Dwelling and Duplex
- 20% of land area
- Affordable to 10-30% of households

Multi-Dwelling
- 14% of land area
- Affordable to 15-60% of households

Commercial/Mixed Use
- 22% of land area
- Affordable to 15-60% of households

Zone Category

- Exclusive Single Dwelling
- Single Dwelling & Duplex
- Multi-Dwelling
- Commercial Mixed Use
- Industrial
- City Limits
- Utility Service Area

Segregation and Exclusion

The discussion of housing affordability in the previous section pertained to new housing development built at today's land and construction costs. However, the actual makeup of neighborhoods is formed over time as new residents move in and some residents move out. One might perceive that the cost of housing development would have been significantly lower in the past, and therefore single-dwelling zones would have been more accessible than they are today.

The reality is that owning or renting a single-dwelling house has been out of reach for many moderate and low income households in Missoula for many years. As a result, the zoning map and land use regulations have contributed to systemic residential segregation in Missoula.

Segregation occurs when neighborhoods across a city are stratified by income, class, race, ethnicity, national origin, or religion. Some neighborhoods may have a disproportionate share of either affluent or poorer residents compared to the city as a whole. Due to the effects of institutionalized racism, segregation by class or income is often highly correlated with segregation by race or ethnicity.

Historically, segregation was actively and explicitly promoted in a number of ways. In some parts of the country, early zoning codes explicitly promoted segregation by race/ethnicity and class. In 1917, a supreme court case out of Kentucky (Buchanan v. Warley, 245 U.S. 60) ruled that overt government-instituted racial segregation of neighborhoods was unconstitutional. However, there is evidence that these zoning laws continued to be upheld by local authorities, despite being deemed unconstitutional.

Because people of color are historically denied access to wealth-building opportunities like homeownership, segregation by wealth and economic status has effectively resulted in racial segregation. After the adoption of zoning by many cities across the county in the early and mid 20th century, there was an increase in overall segregation by class[20,21,22].

There is no evidence that zoning was or has been promoted explicitly as a tool to segregate neighborhoods by income or race/ethnicity in Missoula. However, regardless of intent, exclusive single-dwelling zoning can have a similar impact in that it creates barriers to entry for lower income households and thus fosters segregation by income or race/ethnicity.

Segregation may not appear inequitable at face value. In fact, some households choose to live near people of the same race/ethnicity or class. This is especially evident among recent immigrants, who often choose to live in neighborhoods that have culturally-specific services and amenities. Yet, these choices are not usually freely made. They are often pre-determined by the affordability of housing in different neighborhoods, which is closely linked to zoning regulations.

Exclusion is a closely related idea to segregation. Exclusion occurs when more affluent neighborhoods have greater access to resources, amenities, services, and other opportunities compared to less affluent

neighborhoods. While segregation can appear less harmful, it is often accompanied by exclusion.

Segregation and exclusion have far-reaching impacts on health, education, and economic opportunity:

Research shows that housing is directly linked to health and that many housing types outside of single-dwelling homes are located near high pollution commercial and industrial uses. Those excluded from high-quality neighborhoods are more prone to negative health impacts[23].

Neighborhoods with larger and more expensive homes produce more property tax revenues and typically have well-funded schools, while areas with higher concentrations of low-income households produce far less property tax revenue. As a result, zoning that segregates people based on the type of housing they can afford can also exclude lower income households from access to quality education[24].

When housing costs are a barrier to moving to different neighborhoods, economic mobility is impaired. People are often faced with long commutes to work and the inability to find work in their neighborhood, or paying exorbitant housing costs to be near work[25].

The following maps investigate how zoning might be contributing to segregation and exclusion in Missoula.

Segregation by Income

Neighborhoods in Missoula are clearly segregated by income. Figure 10 uses 2020 ACS 5-year data to show Missoula's median household income by Census tract. Tracts with median incomes below the citywide median income are generally constrained to central neighborhoods and the west side/north side. Tracts with median incomes higher than the citywide median income are generally found in the neighborhoods on the periphery of Missoula, with the highest income tracts found in the neighborhoods on the south end of Missoula.

Figure 11 shows the relationship between zoning type and median household income. Neighborhoods with higher median incomes are predominantly zoned in exclusive single-dwelling districts. One exception is the University District/Rose Park/

Lewis and Clark neighborhoods, which have median incomes below the citywide average. This may be related to the presence of University of Montana students or a higher percentage of retirees that live in these neighborhoods. Multi-Dwelling and Commercial Mixed Use zones are disproportionately mapped to tracts with lower median incomes.

This pattern is consistent with the findings of the housing affordability analysis. Lower income households are generally unable to afford to buy/rent single-dwelling detached houses. As a result, these households are concentrated in zone districts that allow for multi-dwelling buildings. Missoula's zoning map and regulations are clearly contributing to a pattern of neighborhoods that are starkly segregated by income.

Segregation by Race and Ethnicity

Figure 12 shows the percentage of the population in each Census tract that identifies as a community of color. This includes households classified by the US Census as African American, Hispanic and Latino (non-white), Asian American/Pacific Islander, and American Indian/Alaska Native.

The general citywide pattern is closely correlated with the median household income map, with more diverse neighborhoods (higher share of communities of color) concentrated in central neighborhoods and the west side/ north side.

The same spatial patterns can be seen in Figure 14 showing Missoula's population share of those that identify as American Indian/Alaska Native. Exceptions are seen in some south and east side neighborhoods that are less diverse (lower share of communities of color) but have a high share of individuals that identify as two races: white and American Indian/Alaska Native. These neighborhoods, especially Franklin to the Fort neighborhood, are some of the lower income neighborhoods highlighted in the median income map.

In general, less diverse neighborhoods are more likely to be found on the periphery of Missoula. Missoula exhibits a pattern of segregation by race/ethnicity.

Figure 13 and Figure 15 relates these patterns to zone district types. Similar to the median household income maps, neighborhoods with exclusive single-dwelling zones are disproportionately less diverse than neighborhoods that allow multi-dwelling buildings.

FIGURE 10. MEDIAN HOUSEHOLD INCOME, 2020

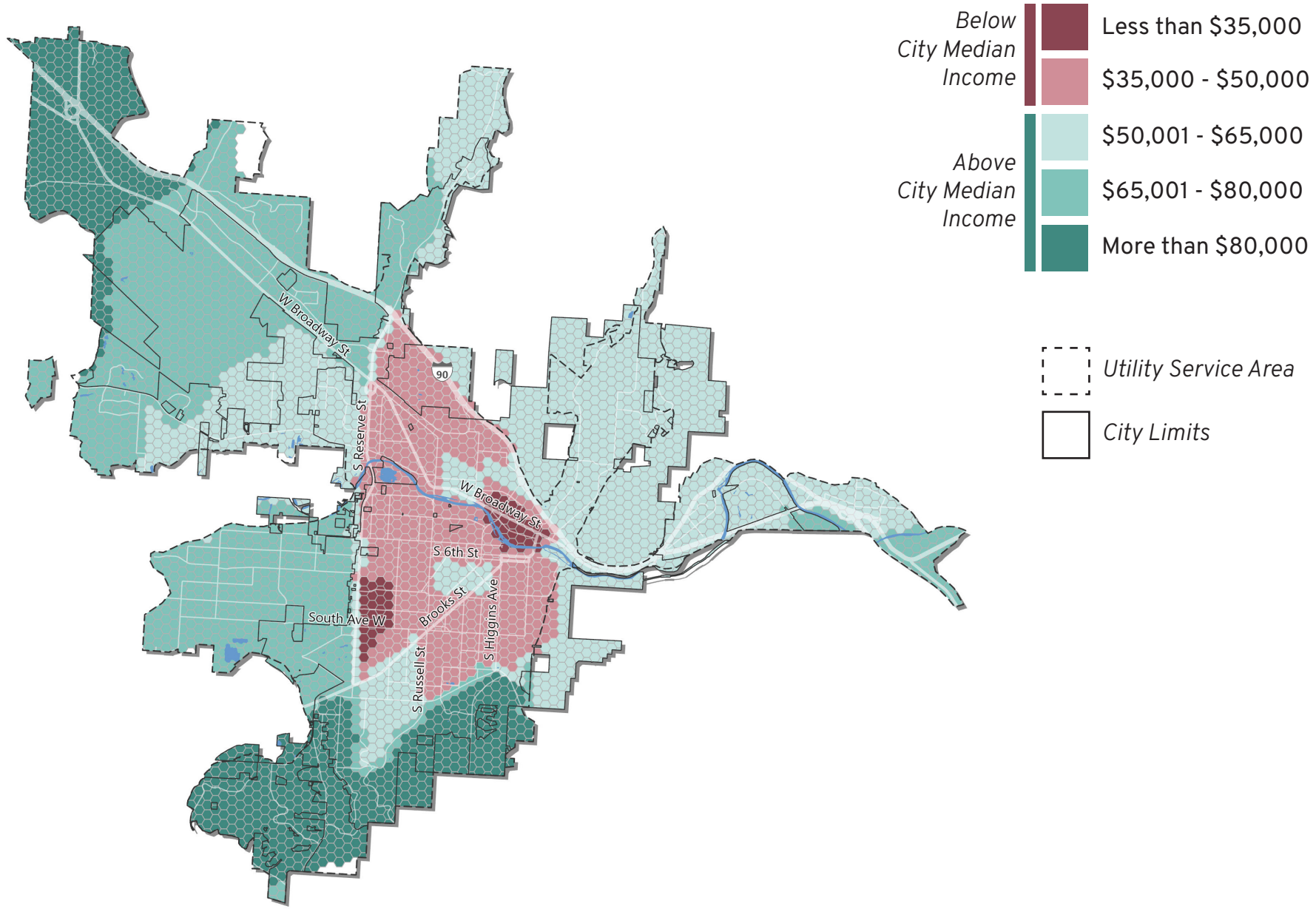
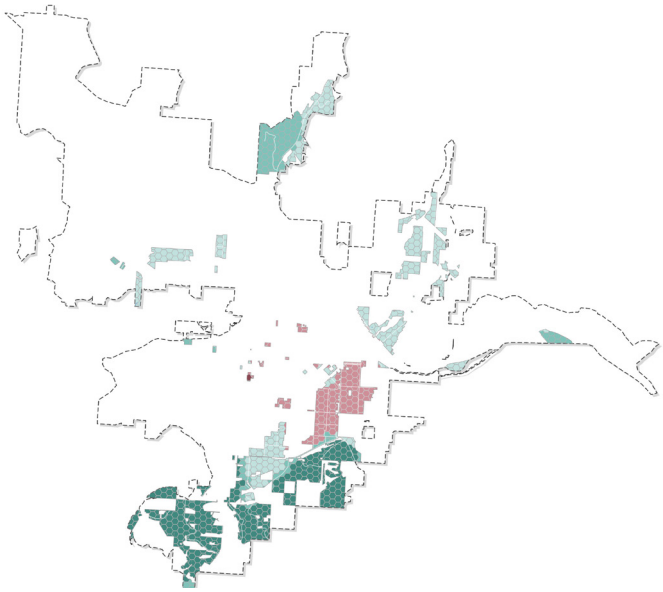
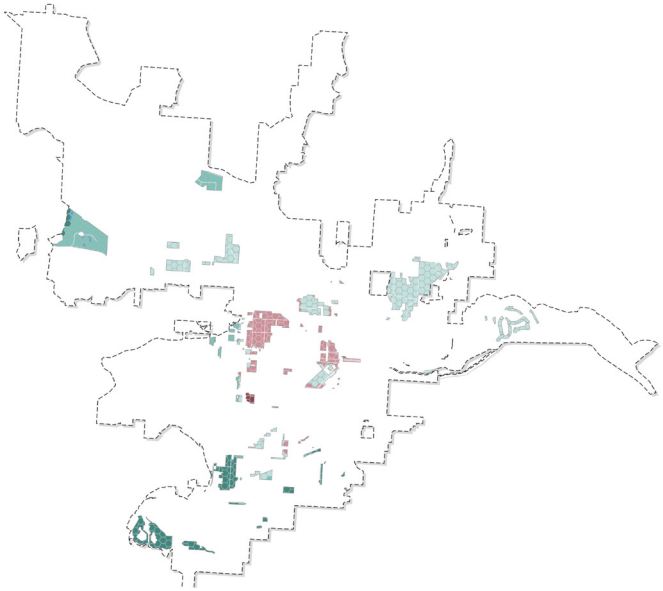


FIGURE 11. MEDIAN HOUSEHOLD INCOME AND ZONE DISTRICT CATEGORIES, 2020

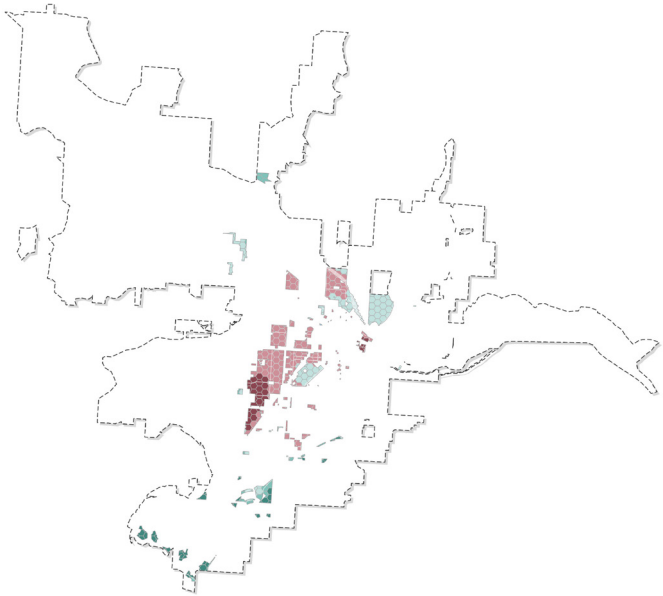
Exclusive Single-Dwelling Zones



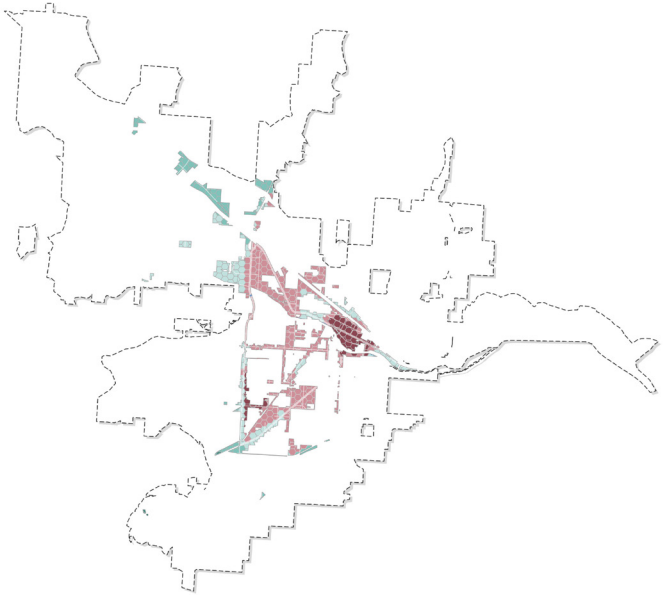
Single-Dwelling & Duplex Zones



Multi-Dwelling Zones



Commercial/Mixed Use Zones



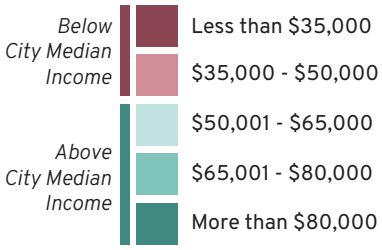


FIGURE 12. COMMUNITIES OF COLOR AS PERCENT OF TOTAL POPULATION, 2020

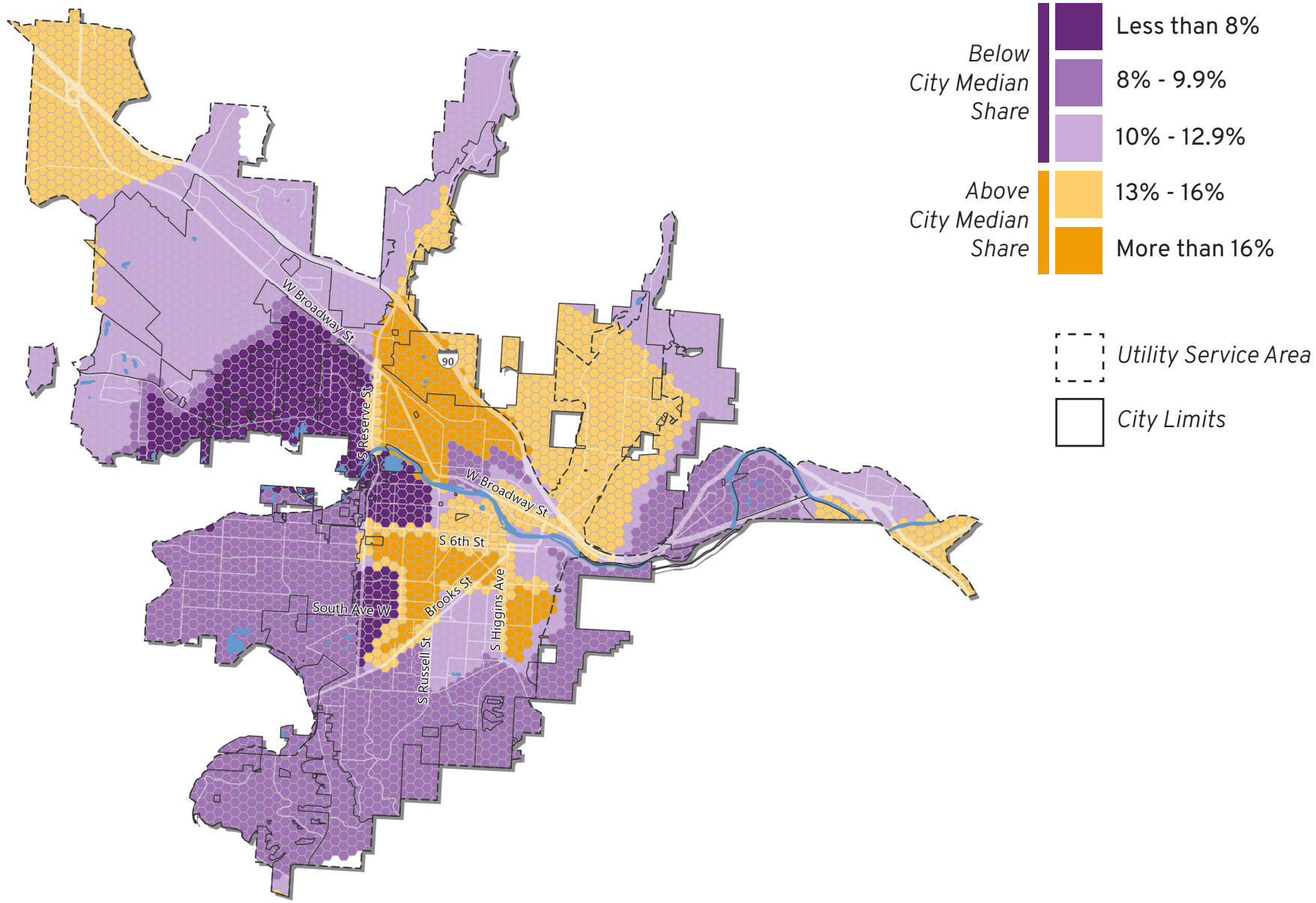
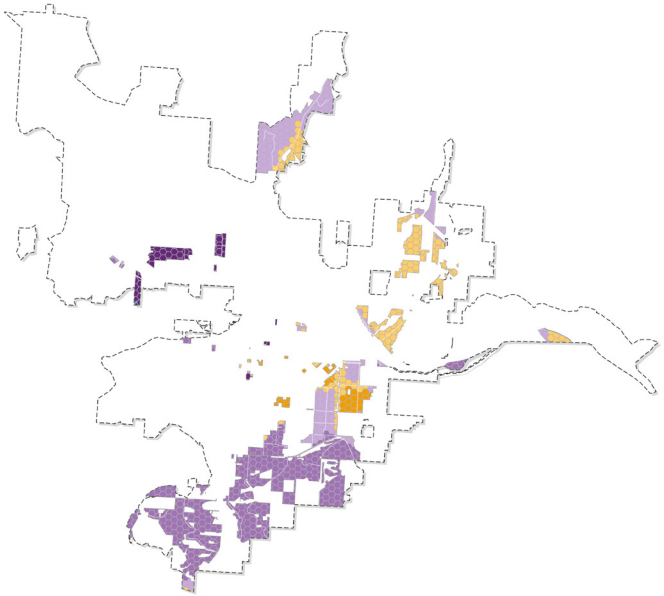
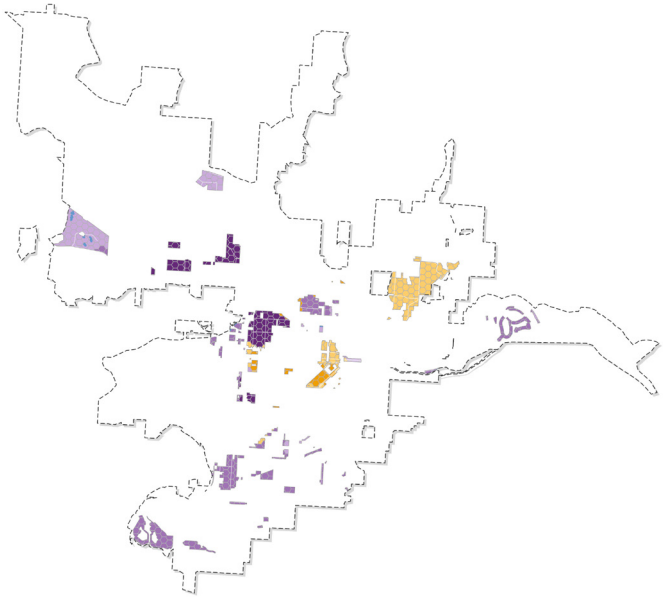


FIGURE 13. COMMUNITIES OF COLOR AS AS PERCENT OF TOTAL POPULATION BY ZONE DISTRICT CATEGORIES, 2020

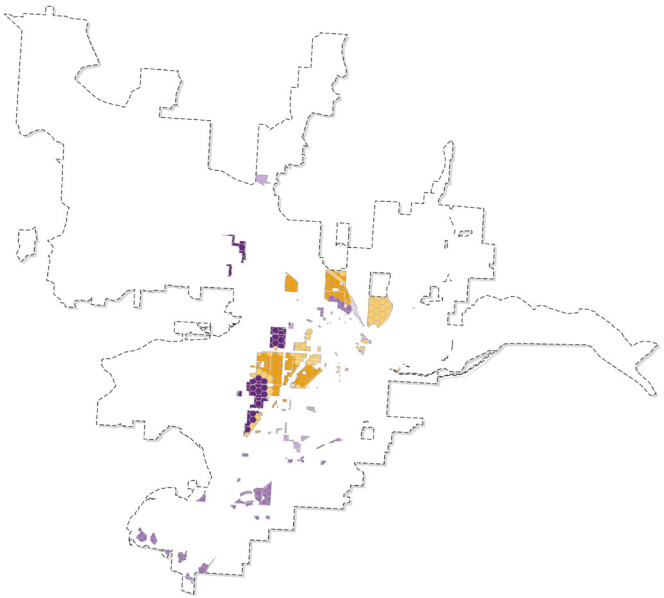
Exclusive Single-Dwelling Zones



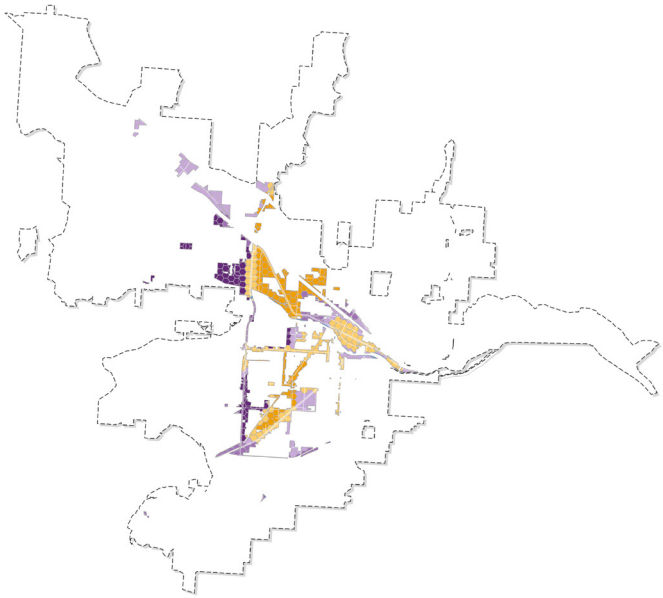
Single-Dwelling & Duplex Zones



Multi-Dwelling Zones



Commercial/Mixed Use Zones



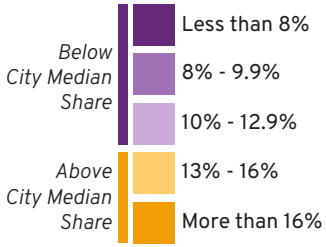


FIGURE 14. AMERICAN INDIAN OR ALASKA NATIVE AS PERCENT OF TOTAL POPULATION, 2020

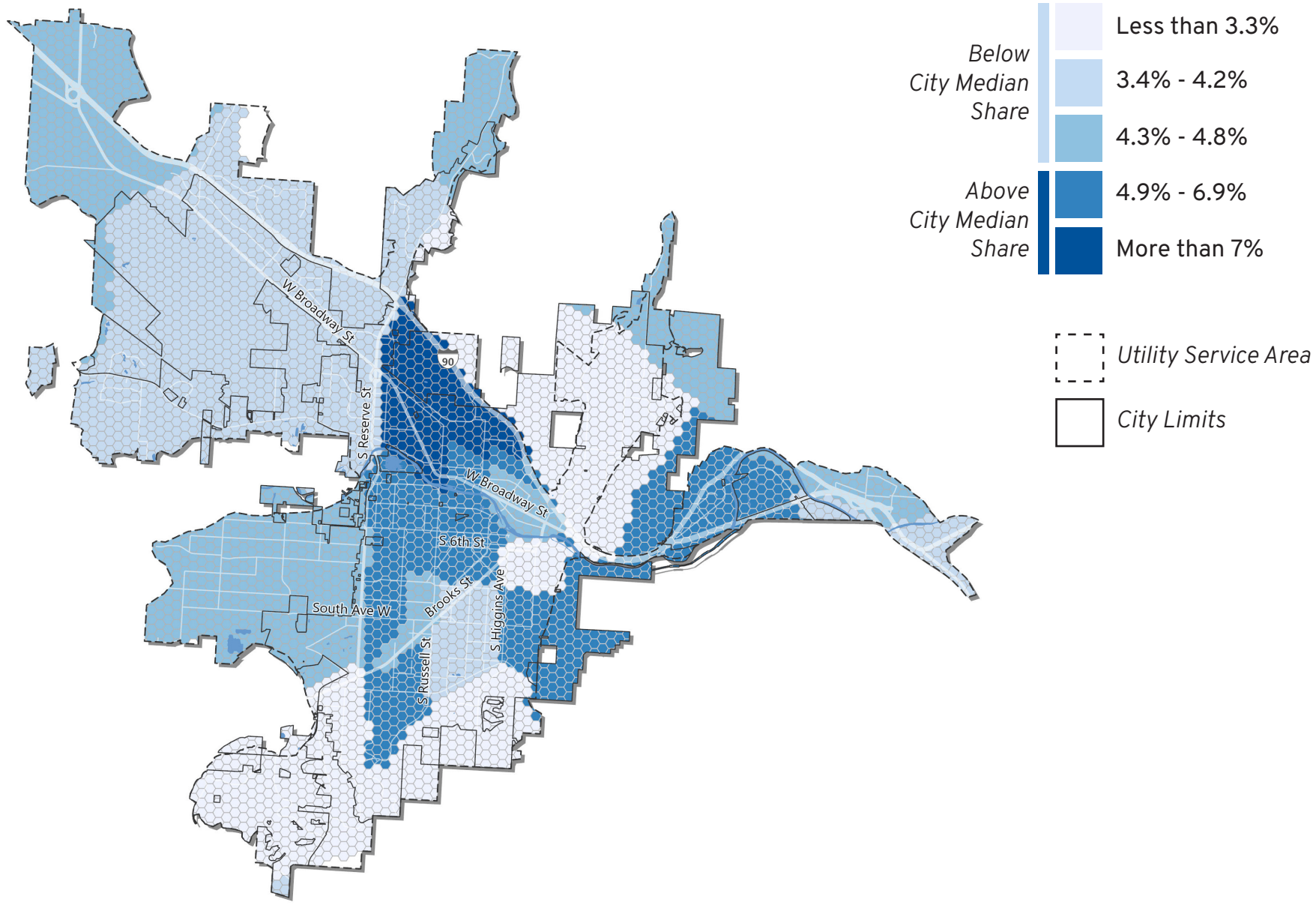
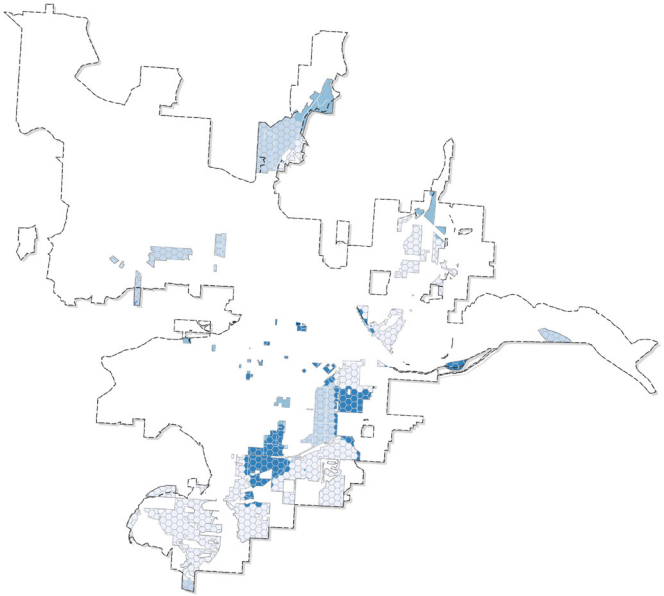
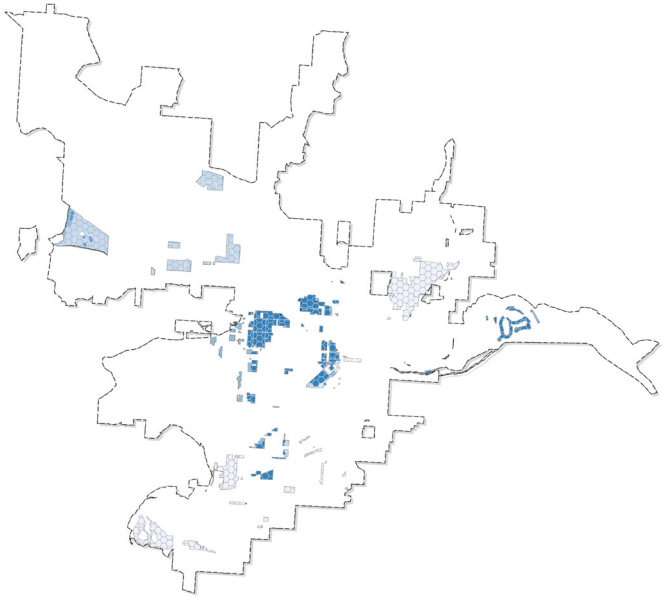


FIGURE 15. AMERICAN INDIAN OR ALASKA NATIVE AS PERCENT OF TOTAL POPULATION BY ZONE DISTRICT CATEGORIES, 2020

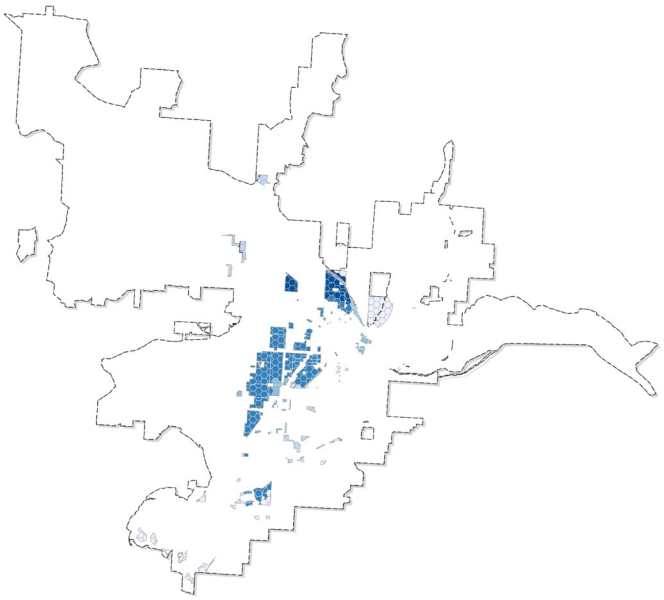
Exclusive Single-Dwelling Zones



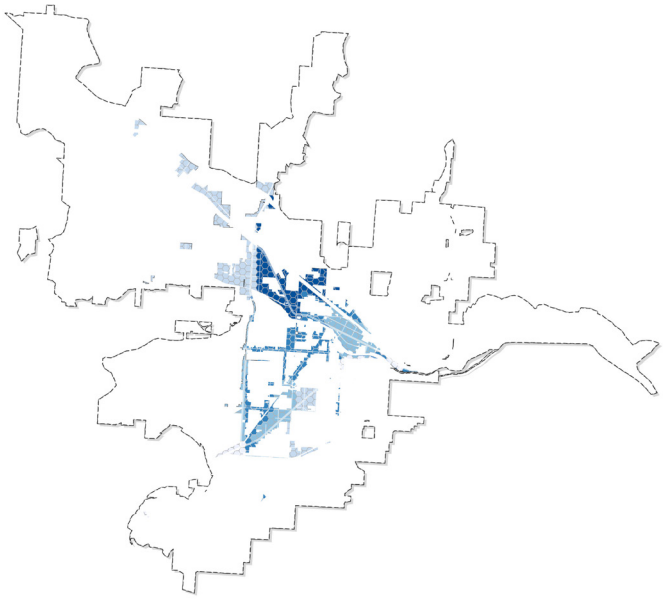
Single-Dwelling & Duplex Zones

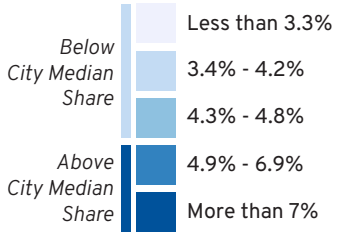


Multi-Dwelling Zones



Commercial/Mixed Use Zones





Livability and Health

In addition to perpetuating segregation, zoning may also result in inequitable access to livable, high quality neighborhoods. Neighborhoods vary greatly with regards to their access to parks, trails, shops, services, healthy food, and transportation options.

Being able to walk, bike, or have a short drive to these amenities not only contributes to a high quality of life; these amenities directly affect health outcomes of residents. There is a substantial body of research showing that access to amenities like these within walking distance of one's home has a positive impact on health outcomes like obesity, diabetes, and heart disease. An equitable zoning map and regulations would be supportive of providing opportunities for all households, regardless of their income, race/ethnicity, or other life circumstances, to live within walking distance of these amenities.

Suitability Index (Methodology)

In order to evaluate the Missoula zoning map and regulations through the lens of livability and health, we employ a "suitability index" that has been used by the City since 2018. The index is used to monitor whether new housing units are being developed in areas that are most suitable for residential development. The suitability index is divided into five tiers that describe different levels of suitability for residential development. The higher the number, the more suitable a location is for development.

The most basic requirement for land to be considered suitable is access to water and sewer infrastructure - land must be within 500 feet of public sewer or water mains. If the area satisfies the basic requirement, the suitability tier is determined by the area's proximity to services and amenities that contribute to high quality of life and positive health outcomes. Those include commercial service areas, grocery stores, transit stops, commuter trails, parks or schools. Below is a definition of each suitability tier:

Tier 1: "Minimally Suitable" hexagons are within 500 feet of public sewer and water. Infrastructure costs can be a burden on development, so developing where infrastructure already exists helps lower construction overhead and should translate to improved affordability. This tier is primarily found along the city's fringe.

Tier 2: "Fairly Suitable" hexagons are within a quarter mile distance of any two of the previously listed suitable services and amenities.

Tier 3: "Suitable" hexagons are within a quarter mile distance of three or more suitable services and amenities.

Tier 4: "Very Suitable" hexagons are within a quarter mile of a commercial service area, a grocery store, a commuter trail, and a transit stop. These strict criteria show the top tier of suitability inside the core.

Tier 0: "Future Potential" hexagons have future suitability in either Tier 2 or 3 once they receive sewer, water, or both. A large area of Tier 0 can be found near the Fort Missoula regional park where added sewer and services would increase the area's tier level to Suitable.

Suitability Index

Figure 16 shows the citywide map of the suitability index. Suitability is generally highest (Tier 4) in downtown Missoula and the immediately surrounding neighborhoods. There are many areas centered on the historic core of Missoula that are ranked as Tier 3 (Suitable), meaning they generally have good access to

amenities and services. With the exception of a few pockets of higher suitability, neighborhoods on the periphery of the City are ranked as Tier 2 (Fairly Suitable), then transitioning to Tier 1 (Minimally Suitable) on the edges of the City.

Figure 17 shows the relationship between zoning type and areas suitable for new development. All zone types overlap with areas that are suitable for new development. Zones that encourage higher density such as the multi-dwelling and commercial mixed use zones are primarily found in the Downtown area, neighborhood cores and adjacent to major corridors, making them inherently more walkable and close to essential services and amenities. As a result, these zones tend to overlap with areas very suitable for new development.

Exclusive single-dwelling zones, on the other hand, are often minimally suitable for new development since they are commonly found around the periphery of the city, where residents are further from services and amenities and are dependent on their cars to commute to essential destinations.

While Missoula's north and south single-dwelling neighborhoods fit this description, some single-dwelling zones still exist in more central areas that are ranked as Tier 3 or Tier 2, such as the University District, Rose Park, Lewis and Clark, and Southgate Triangle neighborhoods. New housing development in these neighborhoods that is affordable to a wide range of income levels would be highly supportive of equity goals.

FIGURE 16. RESIDENTIAL SUITABILITY INDEX

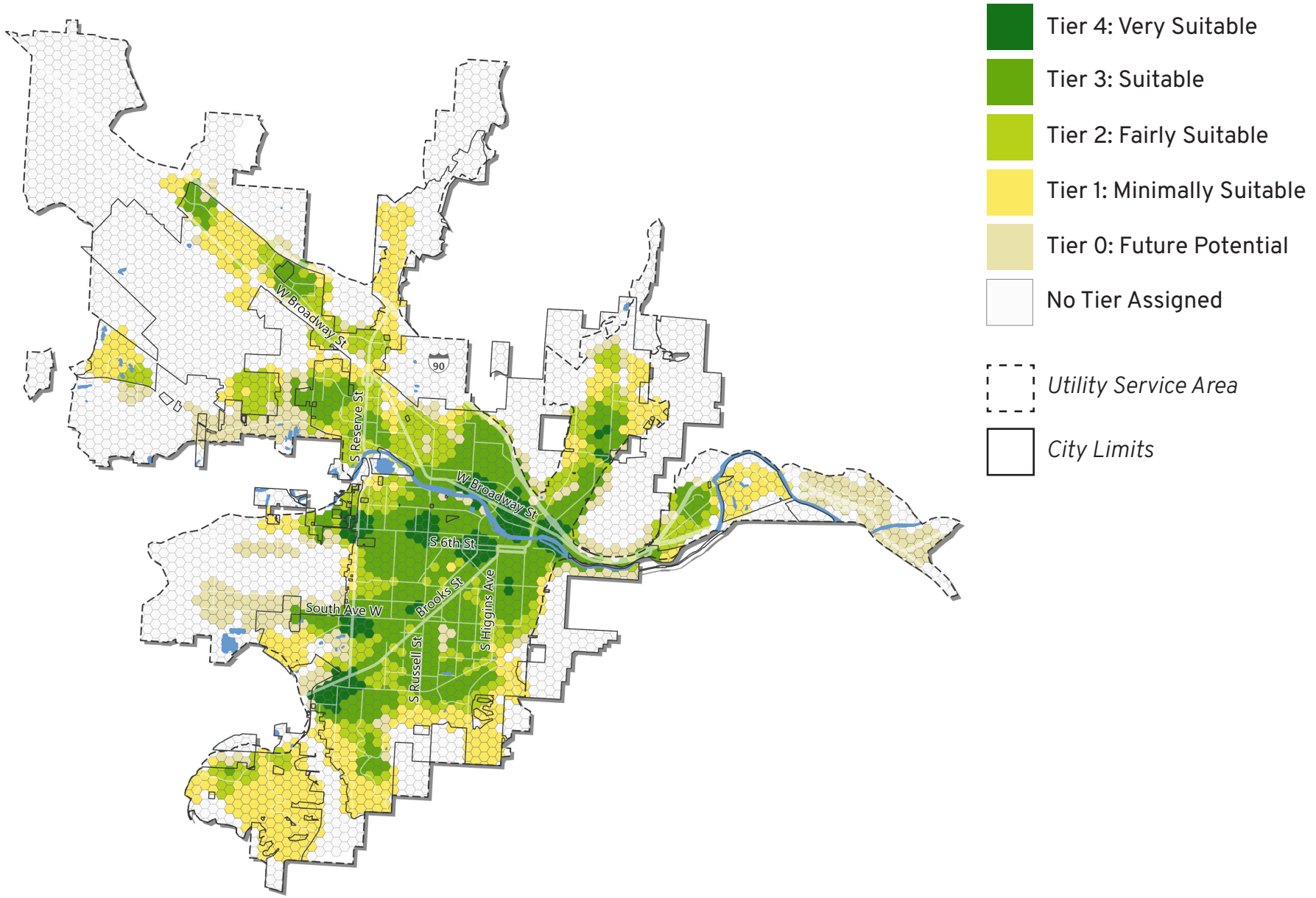
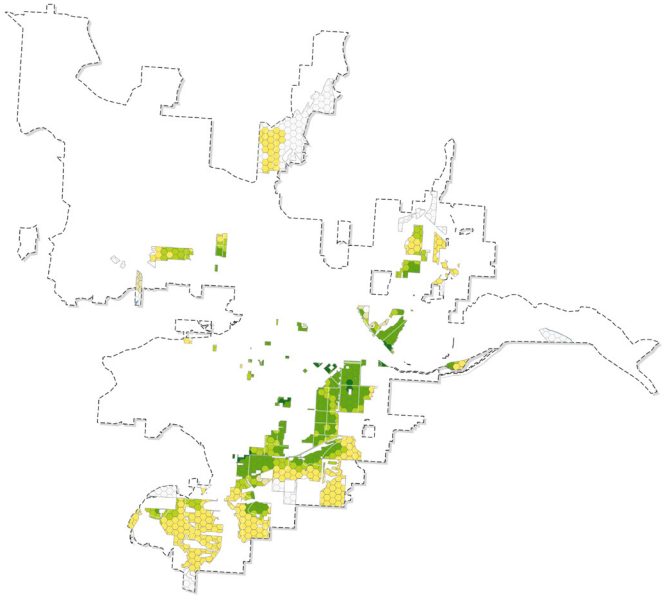
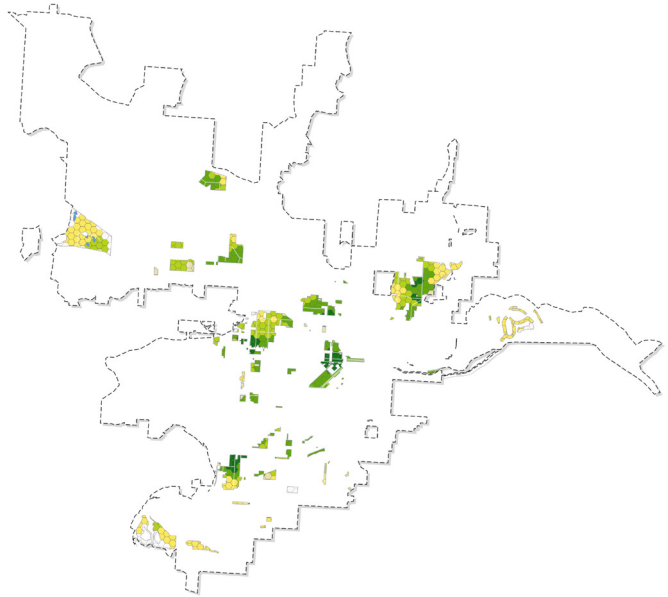


FIGURE 17. RESIDENTIAL SUITABILITY INDEX BY ZONE DISTRICT CATEGORIES

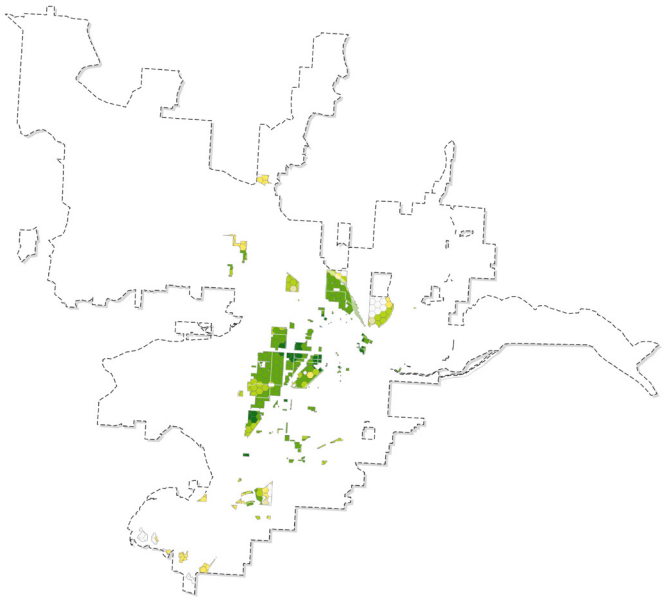
Exclusive Single-Dwelling Zones



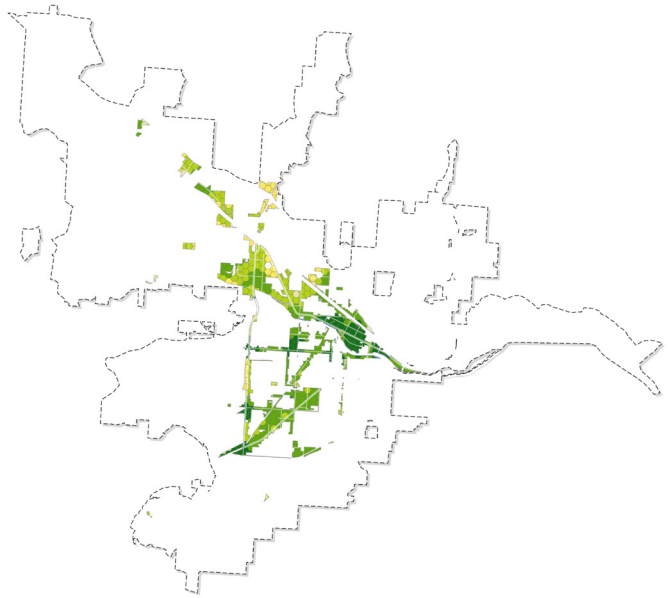
Single-Dwelling & Duplex Zones

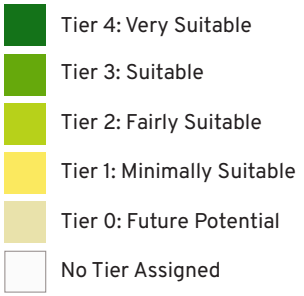


Multi-Dwelling Zones



Commercial/Mixed Use Zones





Economic and Educational Opportunity

A wide body of research in recent years has demonstrated that the neighborhood that a child grows up in has a significant influence on economic outcomes in adulthood. For example, moving from a below-average to an above-average neighborhood in terms of upward mobility (a measure of economic and educational opportunity in a neighborhood) would increase the lifetime earnings of a child growing up in a low-income family by $200,000[26]. Positive economic impacts for low income adults that move to higher opportunity neighborhoods has also been observed by research.

Economic and educational opportunity by neighborhood is complex to measure. There are many different potential indicators of opportunity, each with different relationships to long-term economic outcomes of residents. However, this form of analysis is useful because it can highlight potential areas where adding new housing units that are affordable to a wide range of income levels may have positive economic benefits, and these benefits would accrue to historically disadvantaged populations. Considering economic and educational opportunity as it varies across neighborhoods can directly advance social equity.

Economic and Educational Opportunity Index (Methodology)

The methodology used for measuring economic and educational opportunity is based on a methodology employed in California to inform allocation of funding low-income housing. The California State Treasurer's Tax Credit Allocation Committee (TCAC) creates a set of Opportunity Maps. The TCAC analysis focuses on well-studied indicators from census data and school district data linked to life outcomes for low-income families, such as education and income.

TCAC methods use the following indicators to create two types of opportunity categories - economic and educational opportunity:

Economic opportunity indicators	Data Sources
Poverty rates	Census data
Rates of educational attainment	
Employment rates	

Educational opportunity indicators	Data Sources
High school graduation rates	Growth and Enhancement of Montana Students (GEMS)
4th grade proficiency in English	
4th grade proficiency in math	

All six indicators are normalized on a 1-10 scale, 10 indicating high opportunity, giving equal weight to each indicator. Scores for each indicator are then summarized to individual locations and evenly distributed across the city to create a single index, combining both economic and educational opportunity indicator scores. Individual locations are then classified into four levels of opportunity:

- **Highest opportunity:** top 20% of locations with the highest relative index score
- **High opportunity:** next 20% of locations with the highest relative index score
- **Moderate opportunity:** next 30% of locations with the highest relative index score
- **Low opportunity:** last 30% of locations with the highest relative index score

Economic and Educational Opportunity Index

Figure 18 shows the citywide map of the economic and educational opportunity index. The purpose of this map is to identify areas with socioeconomic characteristics that better support the economic and educational success of residents, particularly children that grow up in that neighborhood. Using these measures, educational and economic opportunity is highest in neighborhoods on the south and east sides of Missoula, as well as the Rattlesnake Valley. Educational and economic opportunity is lowest in west side and north side neighborhoods.

New housing development in the University District, Rose Park, Lewis and Clark, and Southgate Triangle that is affordable to a wide range of income levels would be highly supportive of equity goals.

Figure 19 shows the relationship between the educational and economic opportunity index and zone district types. Exclusive single-dwelling zones are significantly more likely to be mapped to neighborhoods with high or highest levels of opportunity per the index. This indicates that these neighborhoods have low rates of poverty, high rates of employment, high educational attainment among adults, high test scores among current students, and high high school graduation rates. The exclusive nature of these zones may be one cause of some of these measures; neighborhoods that are more affluent tend to have more well-educated adults and higher performing local schools. Conversely, areas zoned for multi-dwelling buildings tend to score lower on the educational and economic opportunity index.

There are two primary implications from this analysis. First, research shows that providing opportunities for lower income households to live in areas of high educational and economic opportunity has a significant positive impact on economic outcomes for those households. In terms of zoning regulations, this implies that providing opportunities for a wider range of housing types and density levels would advance equity on economic grounds. However, given the limited depth of affordability of any new market rate housing, zoning reforms alone are unlikely to provide opportunities for lower income households to live in these neighborhoods. Publicly subsidized, income-restricted housing is more likely to achieve this effect.

The second implication is that areas with low opportunity need additional investment in order to improve the educational and economic outcomes of residents who currently live in those areas and are unlikely to be able to move. Zoning is not an appropriate solution in this case; public investment in schools, economic development programs, and other similar interventions are more effective solutions.

FIGURE 18. ECONOMIC AND EDUCATIONAL OPPORTUNITY INDEX

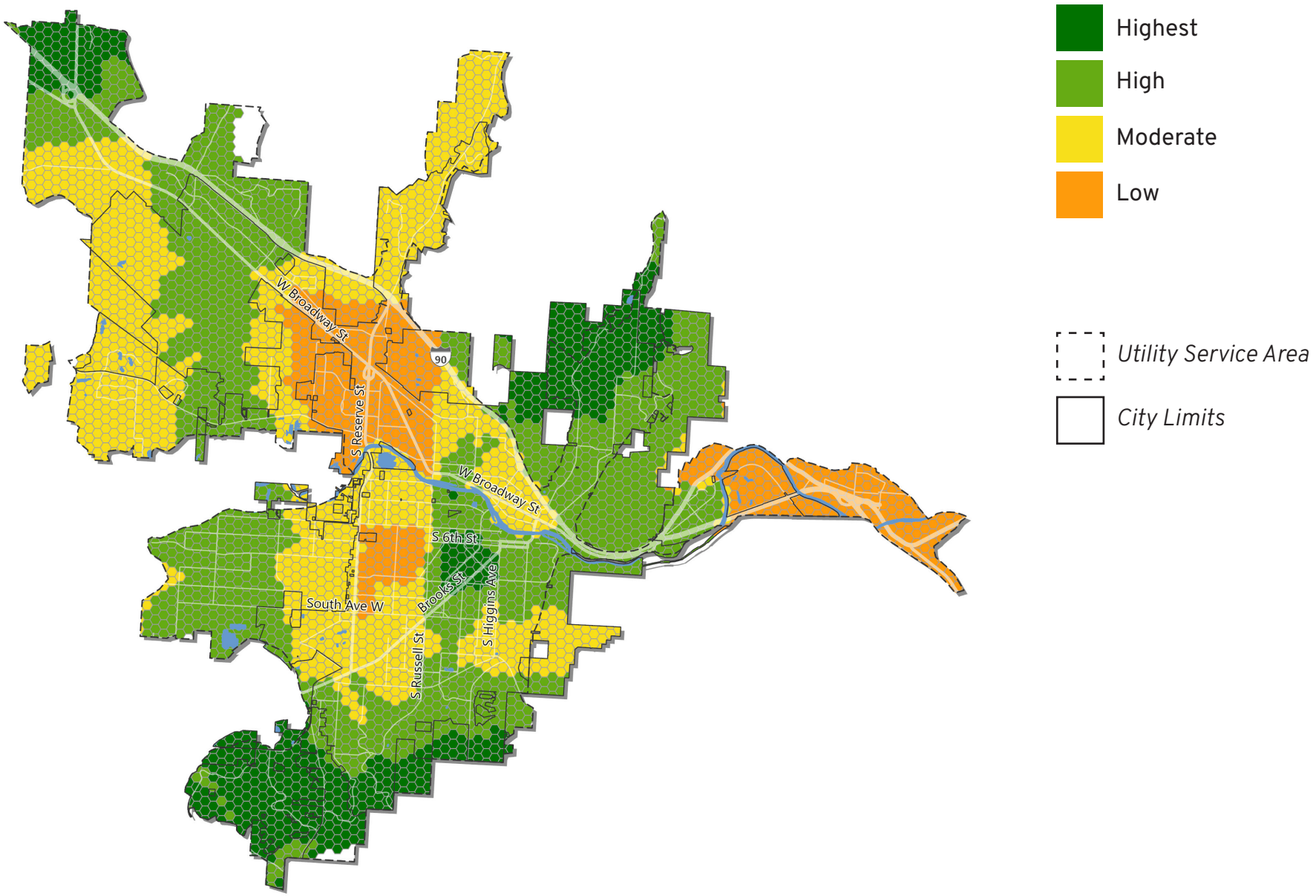
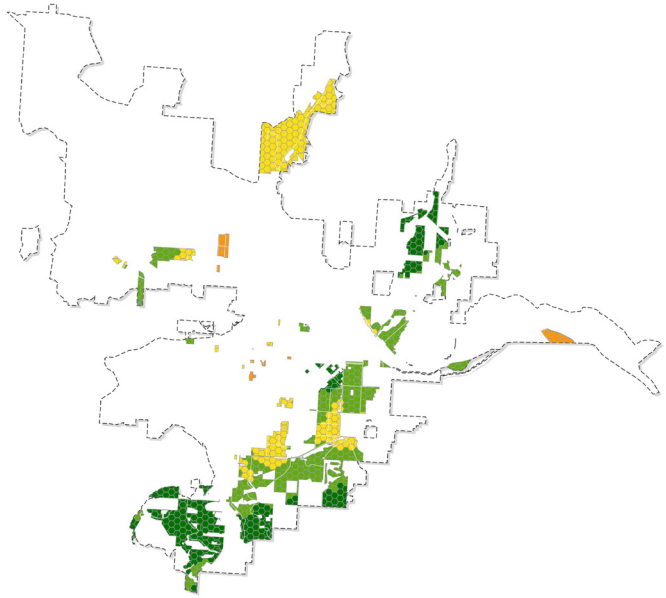
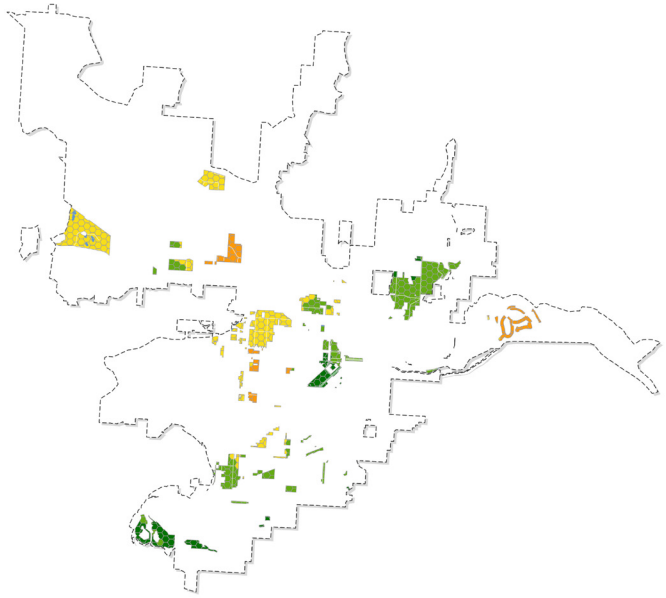


FIGURE 19. ECONOMIC AND EDUCATIONAL OPPORTUNITY INDEX BY ZONE DISTRICT CATEGORIES

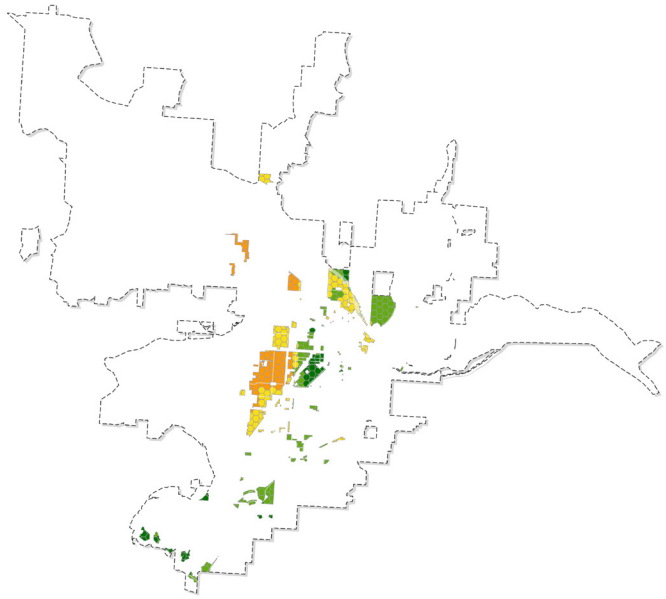
Exclusive Single-Dwelling Zones



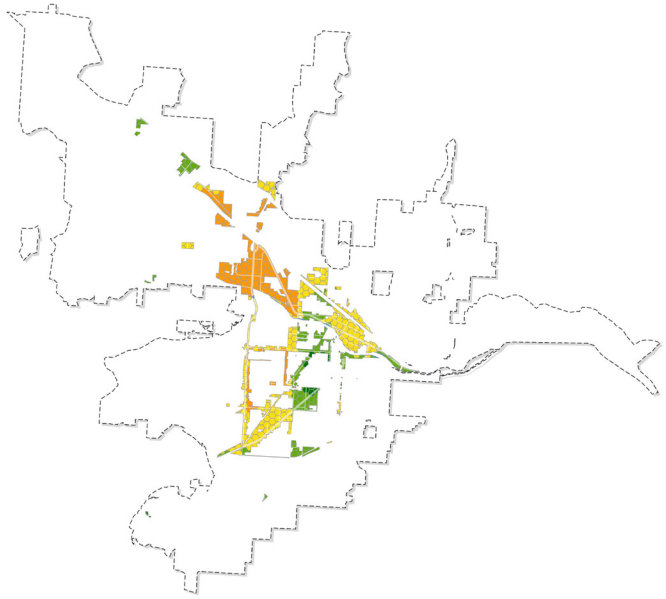
Single-Dwelling & Duplex Zones

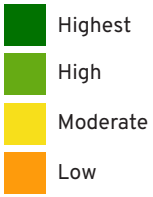


Multi-Dwelling Zones



Commercial/Mixed Use Zones





Displacement and Gentrification

The preceding section on segregation and exclusion focused on evaluating how the zoning map and regulations support people's ability to move to neighborhoods that improve quality of life, health, and economic success. In short, it focused on providing opportunities for mobility and choice of neighborhood in order to advance equity.

However, zoning regulations can not only affect a people's options for where they can live, they also impact whether someone can stay in a neighborhood they currently live in. Neighborhoods are not static; people are constantly moving in and out. In some cases, the decision to move out of a neighborhood is not freely made; it is necessitated by economic realities. When someone is forced to move out of their housing unit or their neighborhood as a result of rising rents, this is known as displacement. When displacement is associated with a broader pattern of demographic and housing market changes across a neighborhood, this is known as gentrification.

The core driver of gentrification is the influx of more affluent households into historically disinvested, low-income neighborhoods, which usually have attractive qualities such as proximity to jobs, transit, or burgeoning commercial districts. Over time, these qualities can increase the demand for housing, generating new development and economic activity that can make the neighborhood even more attractive and amenity rich. In some cases, public investment can also catalyze gentrification.

While some argue that the effects of gentrification are purely positive, it is becoming more widely understood that gentrification can bring harmful consequences and in fact exacerbate existing inequities and disparities. The high demand for housing in a gentrifying neighborhood can often lead to rising property values and housing costs, which can displace longtime low to moderate income residents and small local businesses by way of forced evictions or significant rent increases.

When these households are displaced, they may lose access to important community resources, such as schools, healthcare facilities, and cultural institutions. Displacement can also lead to social and economic isolation, as people are forced to move to areas with fewer job opportunities and social networks. In addition, gentrifying neighborhoods may see a loss in low-cost housing due to the area's price appreciation or housing deterioration and demolition, further limiting access to affordable housing options for low income households[27].
In summary, the negative outcomes of gentrification disproportionately affect the livelihoods of low-income and marginalized communities.

Cities engaging in zoning reforms have to grapple with these inequitable impacts of gentrification and displacement. There are two primary considerations. First, how might the existing zoning pattern contribute to fostering gentrification and displacement? Second, if the zoning map or regulations are changed, could they cause or accelerate gentrification and displacement? To answer these questions, one must untangle the complex relationship between zoning,

new development, and gentrification/ displacement.

A foundational idea to understand is that neighborhood-level housing conditions are inextricably linked to citywide or regional housing conditions. In markets similar to Missoula, where growth pressures and a housing shortage have driven up housing prices, the research has found that increasing overall housing supply at the regional level generally improves affordability. Further, research that has evaluated the impact of broad, citywide "upzoning" (or increases in maximum density) has found that it makes housing in a region more affordable to low- and moderate income families and is in fact a necessary (though not sufficient) condition for affordability[28].

However, studies on the localized effects of upzoning and new market rate development at the neighborhood level, rather than the regional level, find conflicting results. The majority have found that new market rate housing generally puts downward pressure on rents of nearby rental units[29]. These downward pressures are generally understood to result from landlords needing to compete against one another for the limited pool of renters interested in the area. New housing also potentially serves existing renters through the process of filtering - as new market-rate housing is built, higher-income households move into them, leaving behind older and naturally more affordable housing stock for lower-income households to move into. All the while, new evidence suggests that new market rate development may in some instances lead to increased rents of older, more affordable housing units that cater to low-income renters and seems to slightly increase local outmigration - in other words, displacement - of low to middle income residents[30,31]. This does not mean housing development should be stopped, but it does suggest that some disproportionate impacts may need to be mitigated as cities seek to rapidly address the housing criss through increased supply.

There are several implications of this rapidly evolving research for this project:

- **Consider changing zoning patterns if they result in concentrating development in vulnerable neighborhoods.** Gentrification and displacement are more likely if development activity is concentrated in neighborhoods with populations vulnerable to displacement. Existing zoning maps and regulations may have the effect of concentrating development.
- **Avoid concentrating zoning reforms in vulnerable neighborhoods.** If upzones are being contemplated, avoid only implementing the upzones in neighborhoods with populations vulnerable to displacement
- **Pursue broad zoning reforms to improve affordability in all neighborhoods.** This type of zoning reform is least likely to worsen gentrification and displacement and has potential to improve affordability across all neighborhoods.
- **Implement anti-displacement programs and policies alongside zoning reforms.** Studies recommend that cities consider appropriate anti-displacement measures such as just cause eviction policies to mitigate the displacement effect of new market-rate construction in vulnerable and gentrifying neighborhoods[32].

Neighborhood Gentrification Typology

The neighborhood gentrification typology illustrated in Figure 20 identifies the different stages of gentrification that neighborhoods in Missoula are experiencing. According to this measure, neighborhoods more vulnerable to displacement in Missoula are generally not actively gentrifying and remain relatively stable and have lower housing costs relative to other neighborhoods in the city. These neighborhoods include the West Side, North Side, Riverfront, Rose Park, and Lewis and Clark.

There are two important exceptions; two areas are experiencing early signs of gentrification: downtown Missoula and the northern end of the Franklin to the Fort neighborhood. These areas have higher than average rates of residents vulnerable to displacement and are facing fast appreciating rents and sale prices but have yet to experience significant demographic change indicative of displacement. Gentrification may be occurring and likely to continue in these areas in the absence of interventions.

Figure 21 shows the relationship between zoning type and the different stages of gentrification. Areas identified as vulnerable or showing early signs of gentrification primarily exist in zones that allow higher density development. When cities experience significant population growth, these more permissive residential zones that allow multi-dwelling and mixed use development tend to absorb the mounting pressures of housing demand and, as a result, are more likely to experience accelerating rates of neighborhood change that trigger or exacerbate gentrification.

This analysis implies the following considerations for zoning reform in Missoula:

- The existing zoning map, which concentrates higher density zones in neighborhoods vulnerable to displacement, is contributing to the risk of gentrification in these neighborhoods.
- Any zoning reforms that increase density only in multi-dwelling or commercial zone districts are likely to contribute to gentrification and displacement by further concentrating development activity in vulnerable neighborhoods.
- Broad zoning reforms that increase density in all or most zone districts and neighborhoods are most likely to mitigate against the risk of displacement in vulnerable neighborhoods and put downward pressure on housing prices in all neighborhoods.

Neighborhood Gentrification Typology (Methodology)

The methodology used to create the neighborhood gentrification typology comes from the Anti-Displacement and Gentrification Toolkit authored by Portland State University researchers Dr. Lisa Bates, Dr. Marisa Zapata and Seyong Sung.

This typology is assessed by measuring neighborhood vulnerability, housing markets and demographic change at the Census tract level. Tract income profiles, rates of vulnerable people, rates of precarious housing, housing market activity and rates of demographic change are evaluated against city average thresholds. These evaluations determine if tracts meet criteria for any of the six neighborhood gentrification types. Tracts that do not meet criteria for any of the six types are considered '**Unassigned**', meaning that, as of 2020, these tracts have not experienced any significant change in demographics or housing markets and remain relatively stable. This does not indicate that these neighborhoods are relatively affordable. All data is directly drawn from the US Census Bureau American Community Survey, except for low income households rates, which is drawn from the US Department of Housing and Urban Development.

	Indicator*	Thresholds
Income Profile	- Rate of low income households - Median household income	Tracts are designated as low-income if they have **both** a higher share of low income households than the citywide share and a`lower than city average median income.
Vulnerable People	- Rate of BIPOC - Rate of households with limited English proficiency - Rate of persons with disabilities - Rate of female headed households - Rate of person 65 years and older	Tracts are designated as vulnerable if they have higher than citywide average rates of **two or more** vulnerability indicators.
Precarious Housing	- Rate of multifamily housing - Rate of housing units built before 1970	Tracts are designated as having precarious housing if they have **either** higher than citywide average rates of multifamily housing or higher than citywide average rates of housing built before the 1970s.
Housing Market Activity	- Median rent - Median home value	Tracts are designated as having a hot housing market if **three or more** of the following is true. • Tract has higher than citywide average rents • Tract has higher than citywide home values • Tract experienced above citywide average change of median rent between 2010 and 2020. • Tract experienced above citywide average change of median home value between 2010 and 2020.
Neighborhood Demographic Change	- Rate of BIPOC - Rate of education attainment - Rate of homeownership - Median household income	Tracts are designated as experiencing demographic change if they experience above citywide average change of **three or more** demographic change indicators between 2010 and 2020.

Neighborhood Gentrification Type	Description of Type	*Income Profile*	*Vulnerable people*	*Precarious Housing*	*Housing Market Activity*	*Neighborhood Demographic Change*
Affordable and Vulnerable	This type identifies areas with high rates of residents vulnerable to displacement living in precarious housing where the housing market remains stable and affordable. These areas are not experiencing demographic change.	Low	Yes	Yes	No	No
Early Gentrification	This type identifies areas with high rates of residents vulnerable to displacement living in precarious housing where the housing market is appreciating. These areas are not yet experiencing demographic change.	Low	Yes	Yes	Yes	No
Active Gentrification*	This type identifies areas with high rates of residents vulnerable to displacement living in precarious housing where the housing market has substantially changed and is experiencing relatively high housing costs. These areas are experiencing gentrification related demographic change.	Low	Yes	Yes	Yes	Yes
Late Gentrification*	This type identifies areas with lower rates of residents vulnerable to displacement. Their housing market exhibits high housing prices with high appreciations as they have a relatively low share of precarious housing. These areas experienced significant gentrification related demographic change.	High	Yes	No	Yes	Yes
Becoming Exclusive*	This type identifies areas with high rates of high income households where the housing market is still appreciating. The area's population is no longer vulnerable to gentrification but is still experiencing gentrification related demographic change.	High	No	No	Yes	Yes
Advanced Exclusive*	This type identifies areas with high rates of high income households where home values and rents are higher than the city average but appreciation is relatively slower. These areas have no residents vulnerable to gentrification and are not experiencing demographic change.	High	No	No	Has higher home value and rent	No

*Note that the last four types of neighborhood gentrification were not identified in Missoula.

FIGURE 20. NEIGHBORHOOD GENTRIFICATION TYPOLOGY

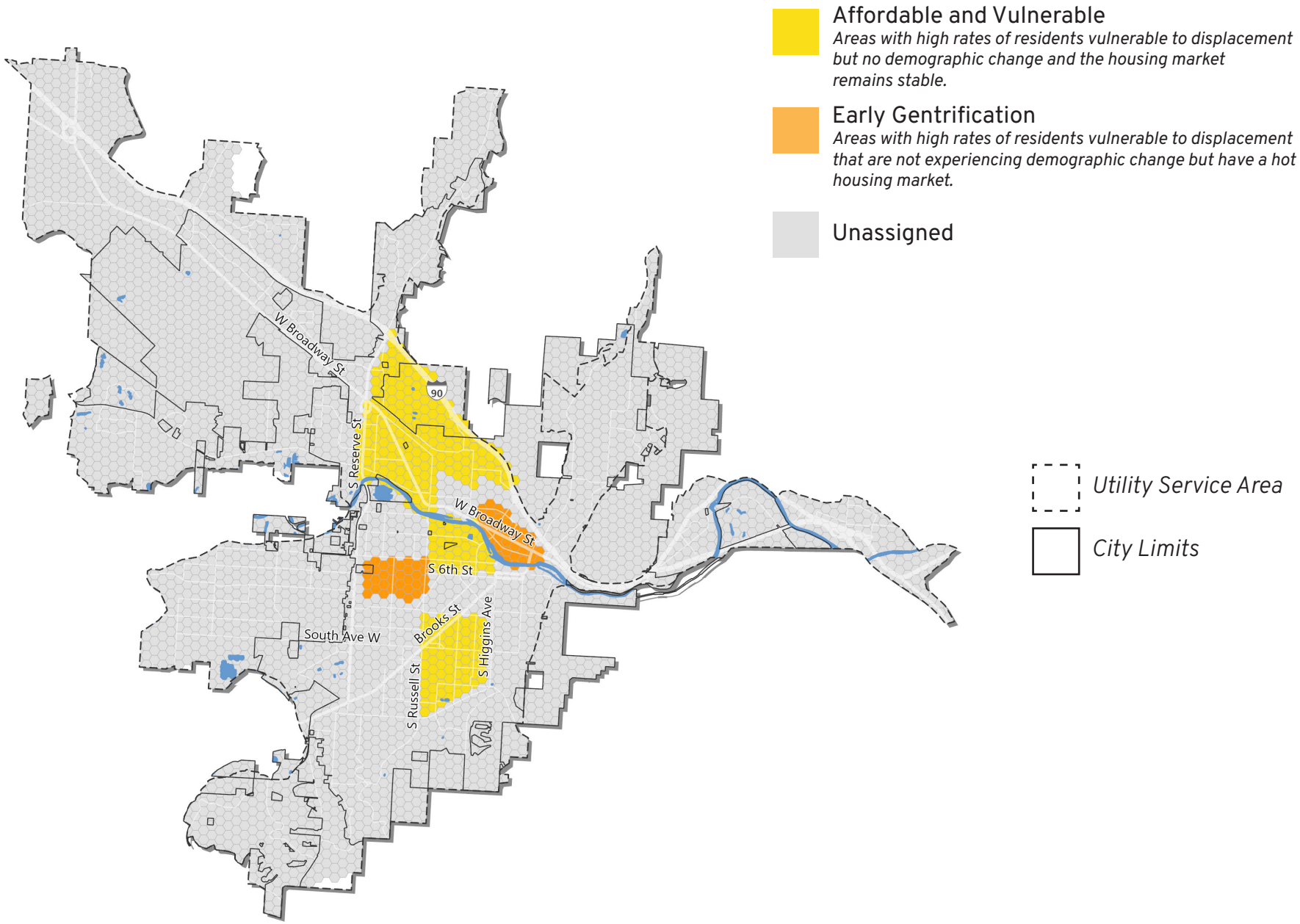
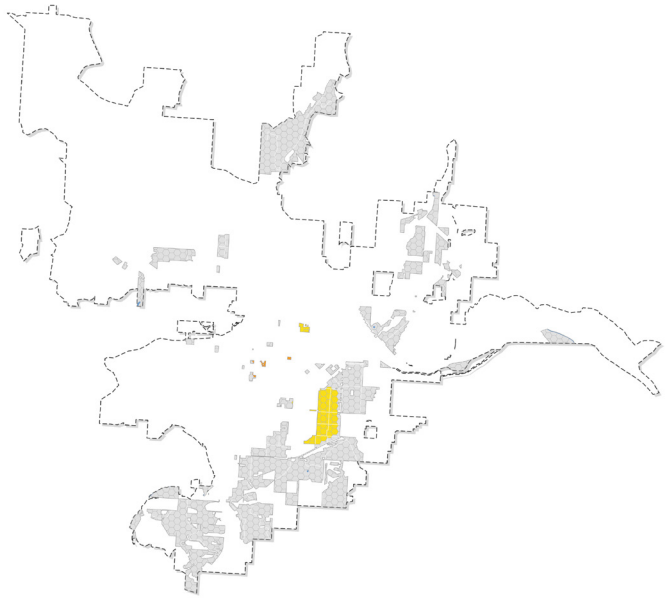
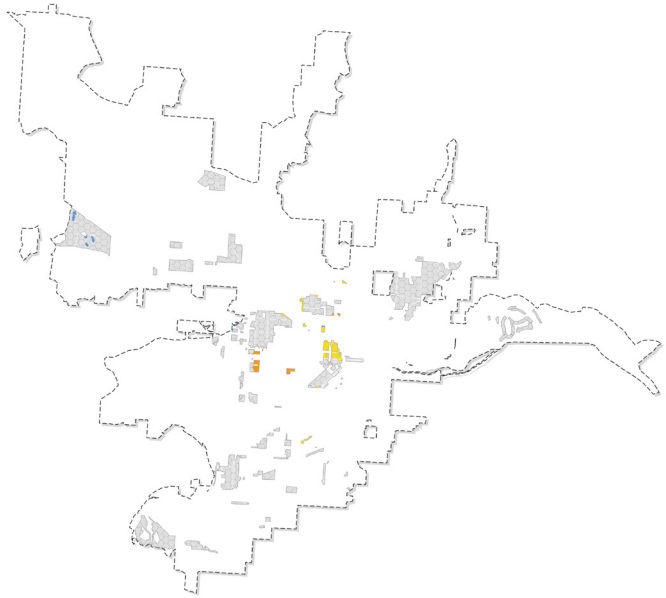


FIGURE 21. NEIGHBORHOOD GENTRIFICATION TYPOLOGY BY ZONE DISTRICT CATEGORIES

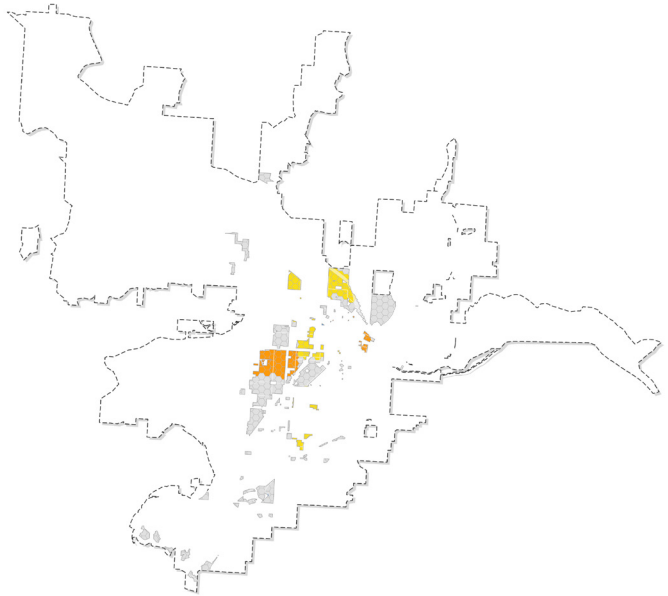
Exclusive Single-Dwelling Zones



Single-Dwelling & Duplex Zones



Multi-Dwelling Zones



Commercial/Mixed Use Zones

Affordable and Vulnerable

Early Gentrification

Unassigned

Development Activity

As discussed, another indicator of potential gentrification and displacement is how new development activity is distributed across neighborhoods. Where new development is concentrated only in certain neighborhoods, it can add to the local supply of amenities, and in turn accelerate housing demand. This increased housing demand can foster gentrification and displacement.

Additionally, beyond any potential for causing displacement, new development activity has impacts on existing residents. While new development can bring positive impacts, some of those impacts can be negative, such as more vehicular traffic, changes in the neighborhood's culture and visual character and noise and other disturbances during construction.

Figure 22 shows the spatial distribution of new residential development between 2018 and 2021. There is a clear and stark pattern of concentrated development activity in certain neighborhoods. The Northside, Westside, and Franklin to the Fort neighborhoods have seen the highest rate of new dwelling units constructed in recent years. Note the these areas are experiencing high concentrations of new

infill development while other areas, like the Sxwtpqyen area, are experiencing a high concentration of new greenfield development. The latter does not correlate to displacement and gentrification risk because these new neighborhoods do not have any existing residents.

Figure 23 shows the relationship of new residential development to zone district categories. It is clear that new development is more highly concentrated in the multi-dwelling and commercial zone districts. This reflects the demand for new housing in more centrally located neighborhoods. However, it also reflects the underlying zoning pattern, which limits the density of new development in exclusive single-dwelling zones and likely constrains new development more than the higher density zones.

This analysis further supports the implications for risk of gentrification and displacement. Concentrated development is occurring in neighborhoods vulnerable to displacement. If a broad zoning reform that encourages development in other neighborhoods and zone districts is not implemented, then existing lower income residents of these neighborhoods are more likely to be displaced.

FIGURE 22. CONCENTRATION OF NEW DWELLING UNITS ACCORDING TO BUILDING PERMIT DATA, 2018-2021

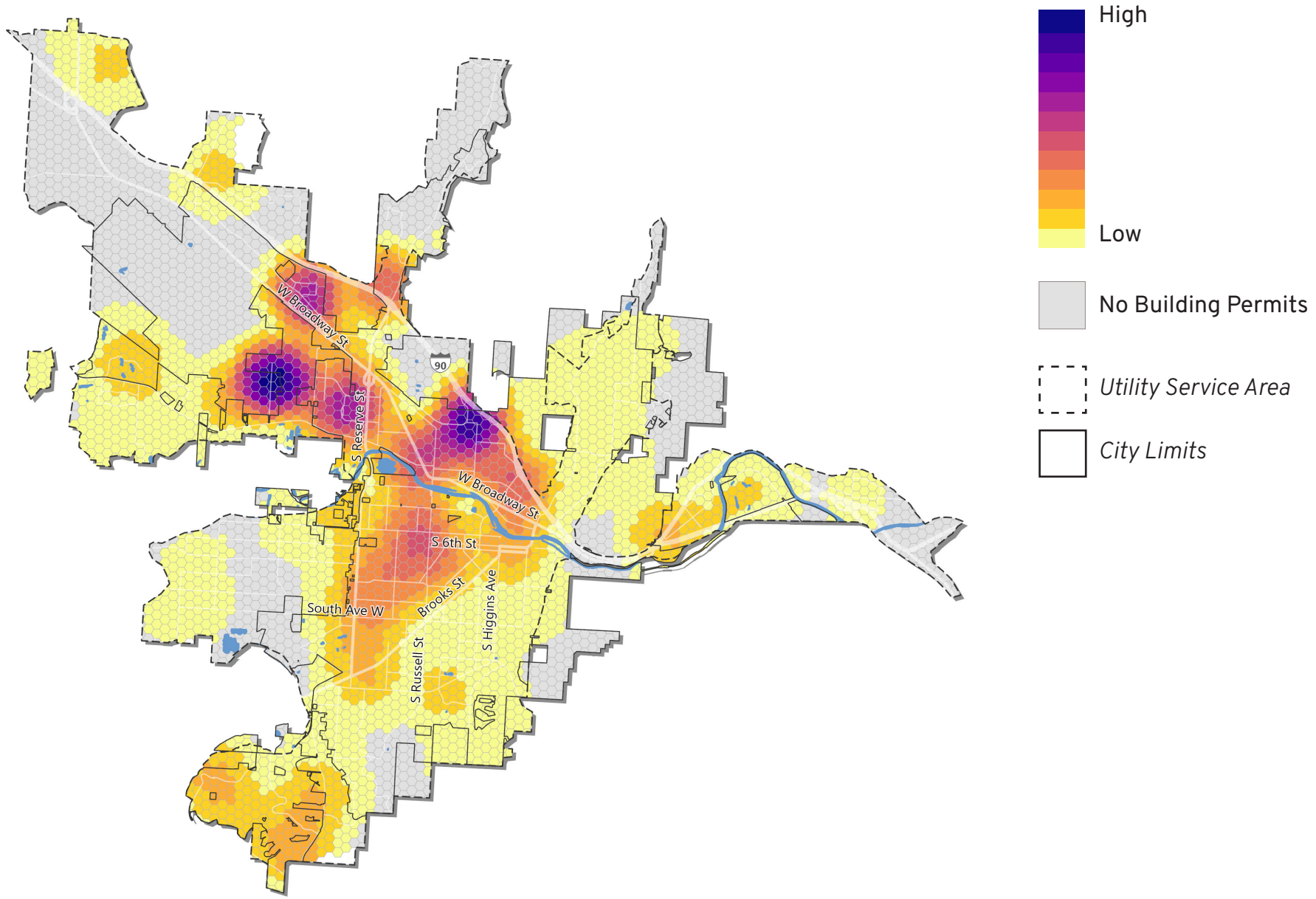
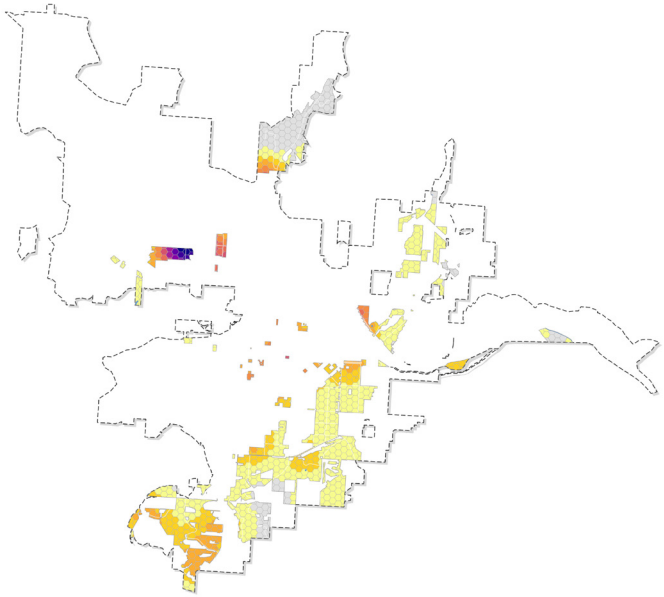
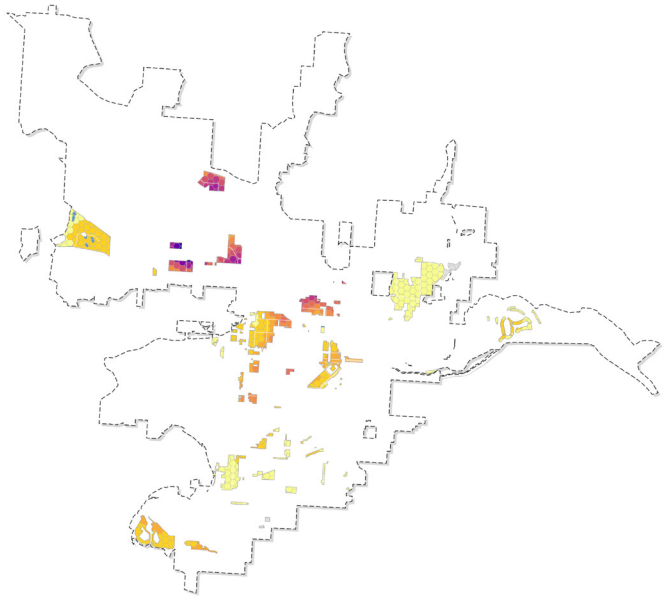


FIGURE 23. CONCENTRATION OF NEW DWELLING UNITS ACCORDING TO BUILDING PERMIT DATA BY ZONE DISTRICT CATEGORIES

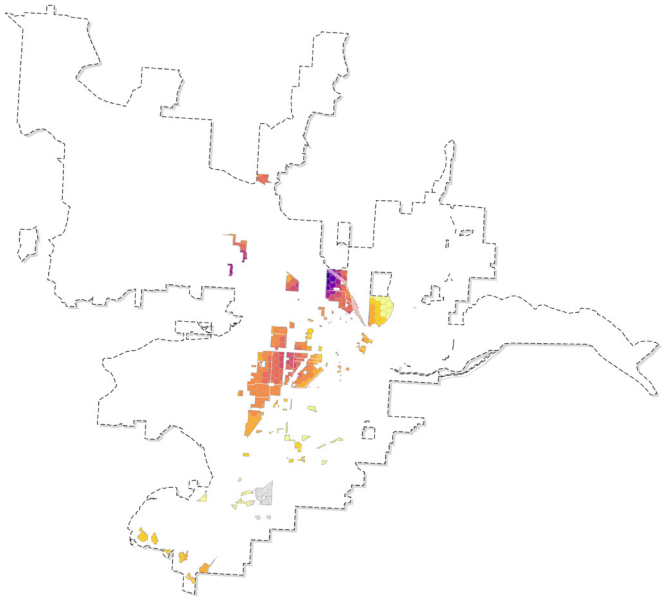
Exclusive Single-Dwelling Zones



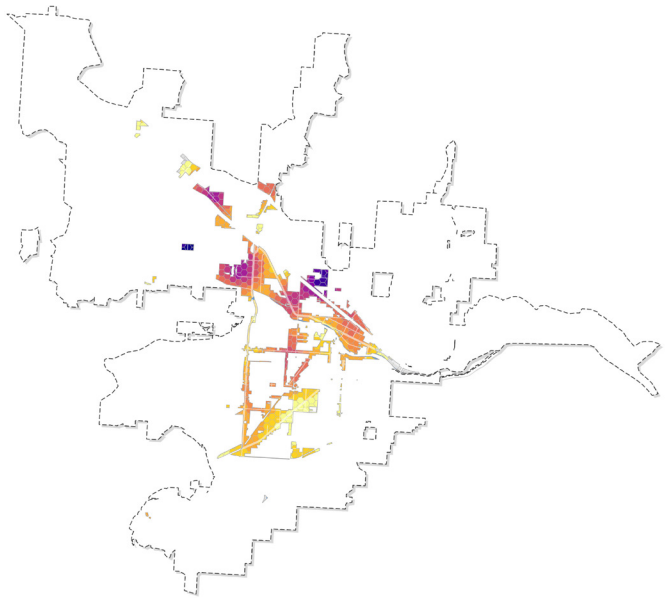
Single-Dwelling & Duplex Zones

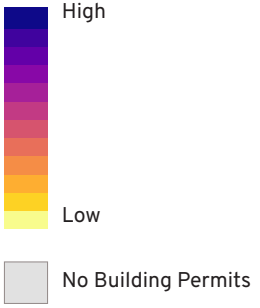


Multi-Dwelling Zones



Commercial/Mixed Use Zones

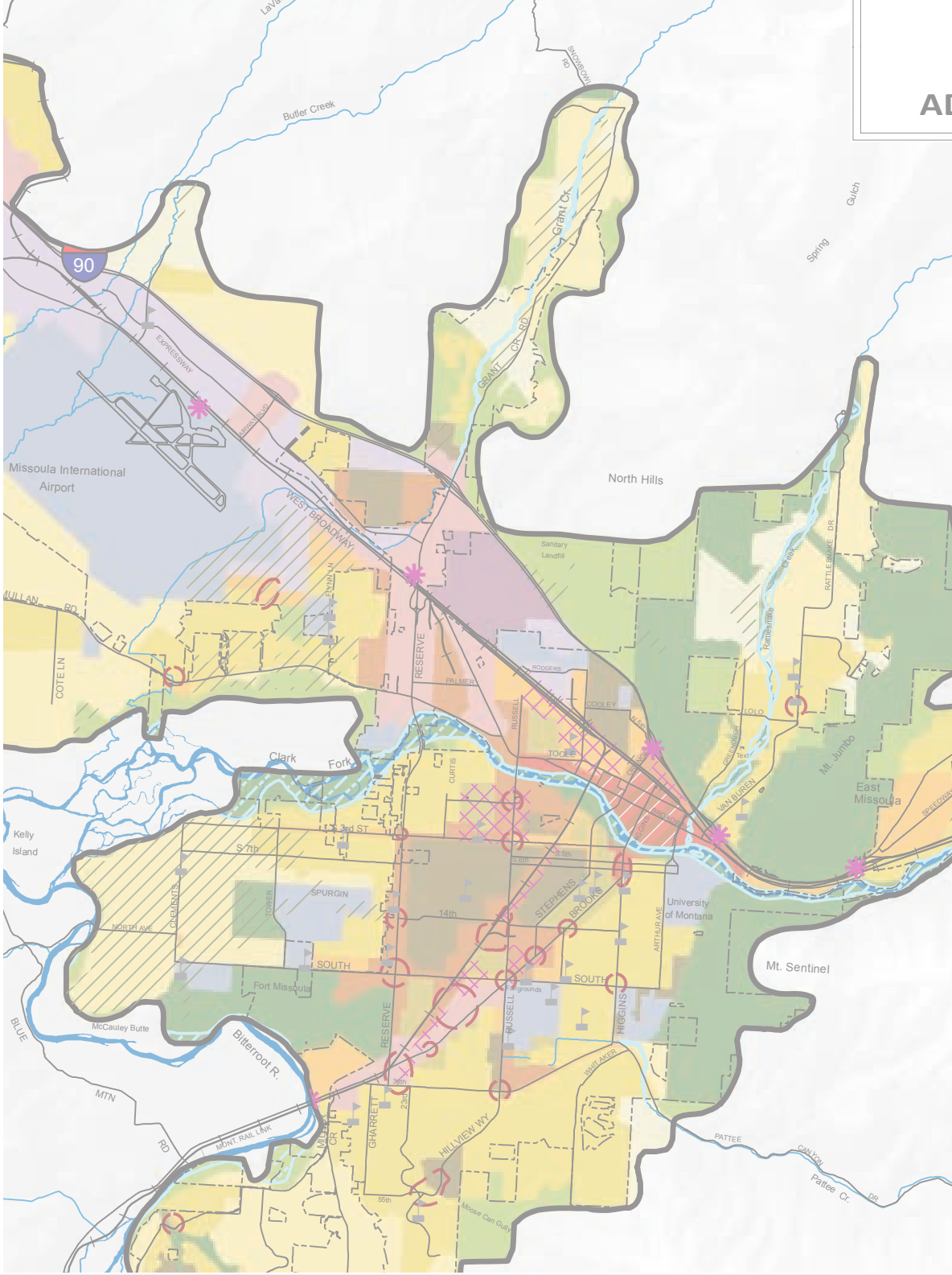




4

Equity Analysis:

Growth Policy and Future Land Use Map



Growth Policy and Future Land Use Map

The zoning map and development code are not the only documents that influence the form of future land use and development. The land use recommendations and Future Land Use Map (FLUM) of the Our Missoula Growth Policy, adopted in 2015, also guides future development. The FLUM applies land use designations to set a broad understanding for the types and intensities of land use for different areas. The Growth Policy summarizes the relationship between zoning and land use designations as such:

> *Land use designations are general in nature and serve as a guide; they do not carry the same force of law as zoning. The guiding land use recommendations are intended to help set up future considerations for zoning but do not change zoning districts (locations or descriptions).Zoning is a private property development right that requires a separate public process for changes.*

While the Growth Policy land use designations do not establish a legal right to use a property in a certain manner, they do set some critical guidelines on the types of zone changes that can be approved for any property.

When the Growth Policy was adopted in 2015, the City did not initiate rezoning of any properties where the land use designation was substantially different from the underlying, existing zoning. Property owners and developers are left to initiate rezonings through an application process, which must be approved by City Council.

Therefore, the Growth Policy could serve to address some of the housing affordability and equity issues with the zoning code and map discussed in Section 3 of this report. This could be achieved incrementally as individual properties are rezoned or if broad areas are rezoned at one time to bring closer alignment between the zoning map and the FLUM.

We refer to this action as “implementation of the FLUM” in this section of the report. The remainder of this section discusses our methodology and findings of evaluating the equity and affordability impacts of implementing the FLUM.

Methodology

The purpose of this analysis was to evaluate the positive and negative impacts on housing affordability and social equity of implementing the FLUM. We used a data set prepared by the City that identifies properties where there is a discrepancy between the maximum density, measured in dwelling units per acre (DUs per acre), between the existing zoning code and the land use designation of the FLUM.

The discrepancy analysis determines how many acres of land would experience an increase in allowable housing densities (where growth policy maximum densities are higher than existing maximum zoning densities), a decrease in allowable housing densities (where growth policy maximum densities are lower than existing zoning maximum densities), or no change in allowable housing densities if growth policy maximum densities were adopted.

As described in Section 3 of this report, density is closely linked to housing affordability. This analysis defines increases in allowable densities as having a positive impact on housing affordability and decreases in allowable densities as having a negative impact on housing affordability. Within those two categories, the magnitude of change in density, whether an increase or a decrease, was manually assigned into the

three following levels of impact to housing affordability.

- **Marginal impact to housing affordability:** the change in allowable housing density with the implementation of the FLUM has a marginal impact on the affordability of new housing. These areas would experience a change in density ranging from 0.025 to 3 DUs per acre.
- **Moderate impact to housing affordability:** the change in allowable housing density with the implementation of the FLUM has a moderate impact on the affordability of new housing. These areas would experience a change in density ranging from 5 to 11 DUs per acre.
- **Significant impact to housing affordability:** the change in allowable housing density with the implementation of the FLUM has a significant impact on the affordability of new housing. These areas would experience a change in density ranging from 15 to 64 DUs per acre.

An additional category 'Planned for parks, open space and resource lands' identifies areas where implementing the FLUM would remove entitlements altogether for the purpose of preserving existing parks, open space and resource lands.

Evaluating the Impacts of Implementing the Future Land Use Map

Based on this analysis, implementation of the FLUM would generally have a positive impact on housing affordability; however, the magnitude of the impact would be limited and it would not fully address many of the equity issues identified in Section 3.

Figure 24 summarizes the number of acres of land by the estimated impact on housing affordability of implementing the FLUM. The level of impact is broken down into three categories as described in the methodology section above. Figure 25 and 26 shows the spatial distribution of these impacts and how it relates to the underlying zoning category.

FIGURE 24. ACRES OF LAND BY LEVEL OF AFFORDABILITY IMPACT OF FLUM IMPLEMENTATION

Positive Impacts on Affordability

There are many acres of land where implementing the FLUM would have a marginal positive impact on affordability. In these instances, the increase in allowable densities is not significant enough to enable deeper housing affordability. A common example of this scenario are areas currently zoned in a very low density single-dwelling zone, such as R40, that are designated on the FLUM as Residential Low Density. Allowable density would increase in these areas from 1 to 2 dwelling units per acre. This density level is unlikely to encourage smaller, more affordable units compared to the existing zoning.

There are also many acres of land where implementing the FLUM would have a moderate positive impact on affordability. In these cases, the increase in allowable density is more likely to encourage smaller, more affordable units. Examples include areas zoned RT10 or R8 that are designated Residential Medium Density. Allowable density would increase from 4-5 dwelling units per acre to 11 dwelling units per acre.

Most importantly, there are many areas where there would be significant positive impacts on affordability from implementing the FLUM. These areas primarily fall into three categories of types of change between the zoning and land use designation:

- Unzoned to Residential Medium-High or High (629 acres)
- R5.4 to Residential Medium-High or High (180 acres)
- RM2.7 or RT2.7 to Residential High (337 acres)

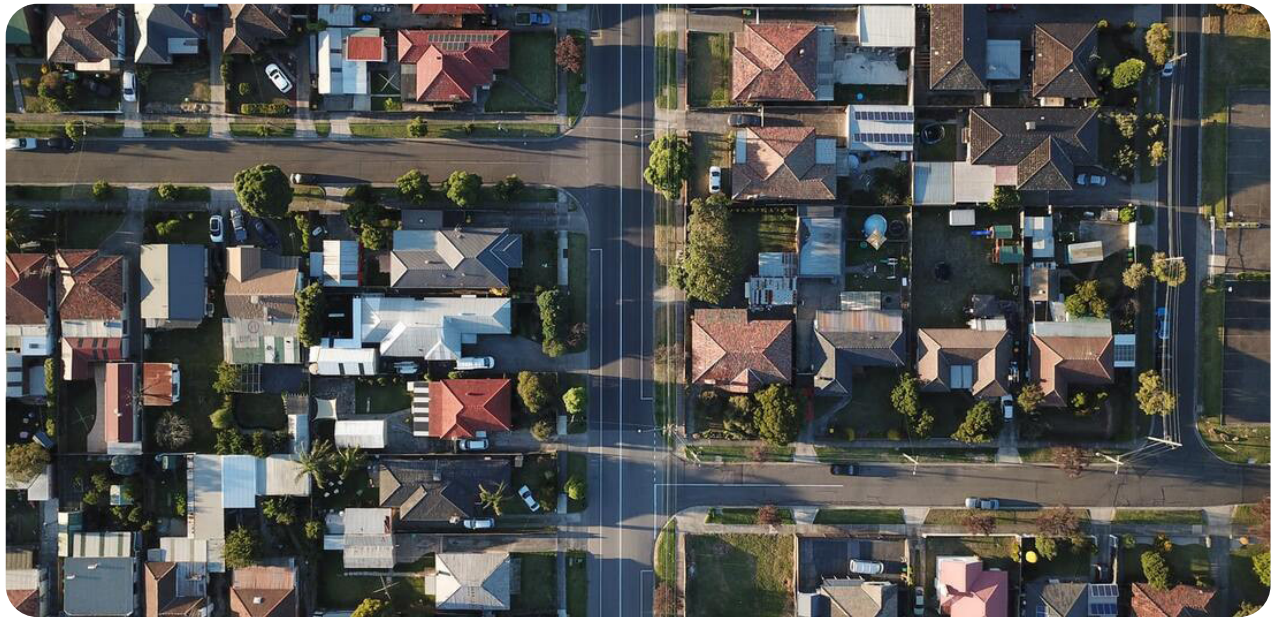
Negative Impacts on Affordability

If the FLUM were implemented and allowable densities were modified to match the land use designations, then there would also be potential negative impacts on housing affordability. As Figure 22 shows, there are very few areas where the FLUM would have a marginal or moderate negative impact. In general, the FLUM did not propose modest decreases in allowable density in the same manner it proposed modest increases in allowable density in many areas.

There are, however, many areas where implementation of the FLUM could result in a decrease in allowable density that would have a significant negative impact on housing affordability. There are approximately 1,400 acres of land where implementation of the FLUM would have this impact. On net, this would effectively offset much of the significant positive impacts on affordability that were identified in other areas. Implementation of the FLUM would still have some positive impacts on affordability coming from areas that were designated for modest or moderate increases in density.

The areas where a significant negative impact is projected are primarily in higher density multi-dwelling or commercial mixed use zones that currently allow densities running from 43 to 87 units per acre. Examples of these zones are B zones, C zones, RM0.5, RM1-35, RM1-45. The areas within these zones where the FLUM would have a significant negative impact on affordability are planned for the following land use designations, which have a much lower maximum density:

- Neighborhood Mixed Use (max 23 units/acre)
- Regional Commercial and Services (max 23 units/acre)
- Residential Medium High (max 23 units/acre)
- Residential Medium (max 11 units/acre)



Spatial Equity Impacts

While implementation of the FLUM could have some modest positive impacts on housing affordability in many areas, the map largely maintains a similar spatial distribution of density as the current zoning map. As such, it is unlikely to fully address the equity issues described in Section 3 of this report.

Though the exclusive single-dwelling and single-dwelling/duplex zones in the neighborhoods primarily on the south and east ends of Missoula would have opportunities for slightly higher density housing, the increase in allowable densities is unlikely to result in a substantially wider segment of the population being able to afford to live in a new development in these areas. Thus, the existing patterns of segregation and exclusion that are linked with these zones, described in Section 3 of this report, are unlikely to change.

Implementation of the FLUM would have a mixed impact on the areas that were found to be vulnerable to displacement or undergoing gentrification in Section 3. In general, the most significant changes in allowable densities are concentrated in these areas, primarily on the north and west sides of Missoula.

Many of these areas are projected to see a significant decrease in allowable density. As discussed in Section 3, there is not strong evidence to suggest the decreasing allowable density or otherwise limiting new housing production in areas vulnerable to displacement is likely to mitigate displacement. There is stronger evidence to suggest that increasing allowable density citywide, both within and outside vulnerable areas, will mitigate displacement. Yet there are very few areas outside the areas of vulnerability where the FLUM plans for a significant increase in density.

In sum, implementation of the FLUM is unlikely to mitigate displacement risk in vulnerable areas because it calls for increased density in some vulnerable areas and very limited density increases in other neighborhoods across the city. It is not clear that implementing the FLUM would meaningfully reduce risk of displacement and gentrification.

FIGURE 25. LEVEL OF AFFORDABILITY IMPACT OF FLUM IMPLEMENTATION

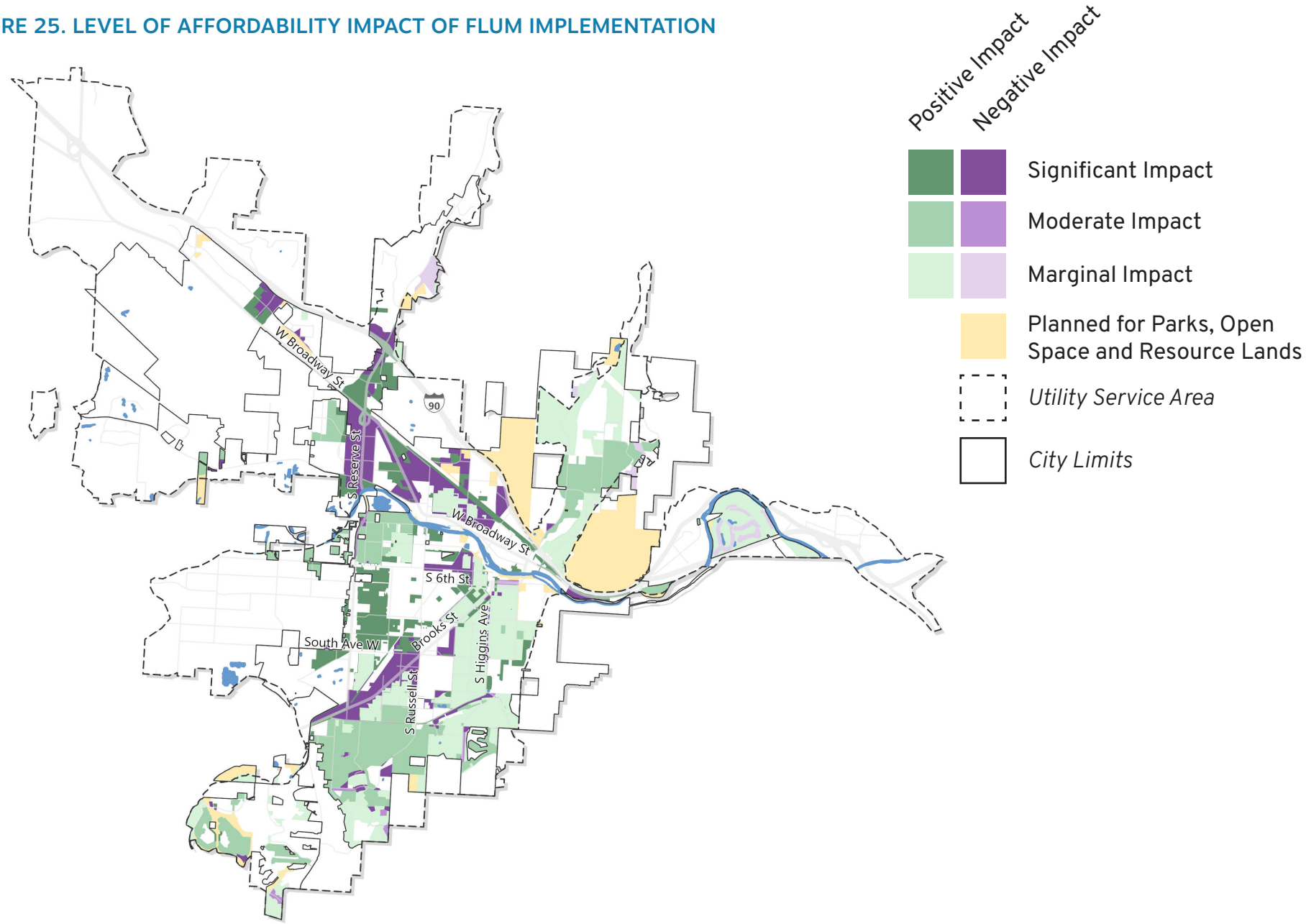
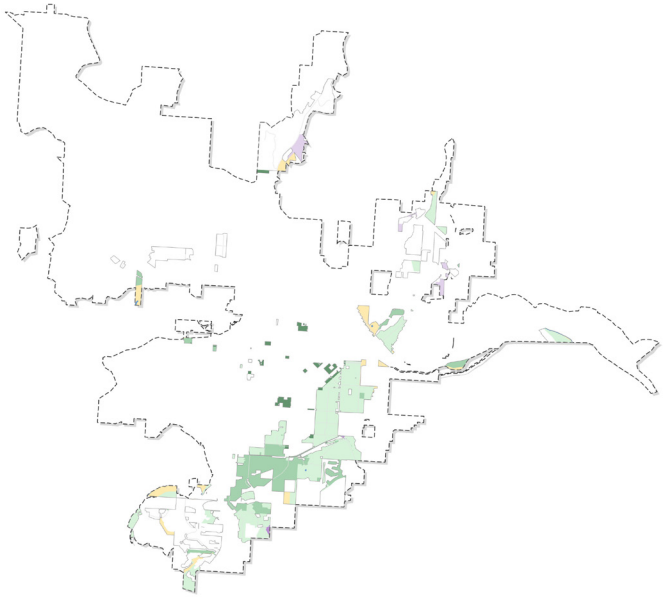
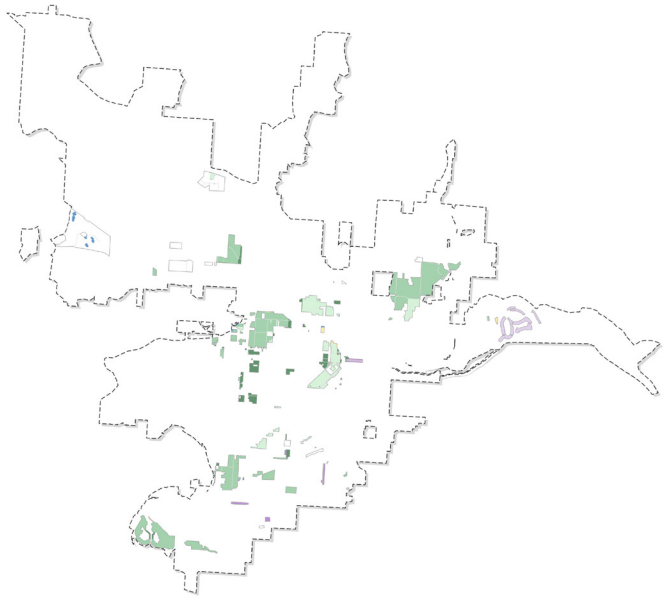


FIGURE 26. LEVEL OF AFFORDABILITY IMPACT OF FLUM IMPLEMENTATION BY ZONE DISTRICT CATEGORIES

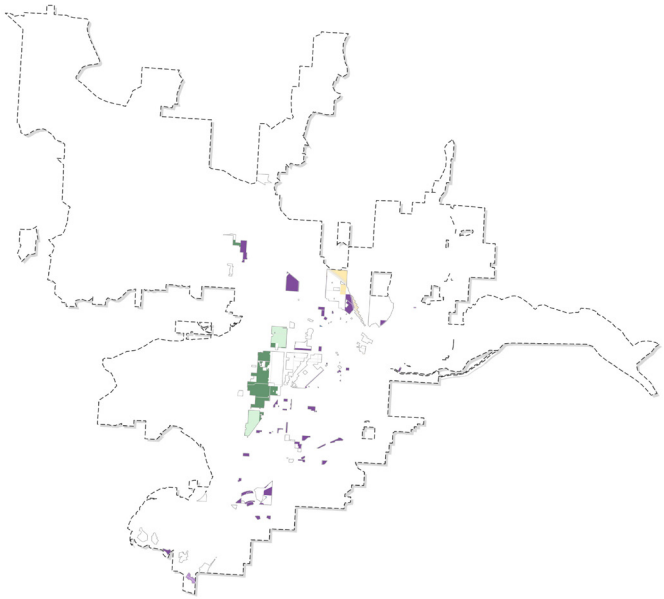
Exclusive Single-Dwelling Zones



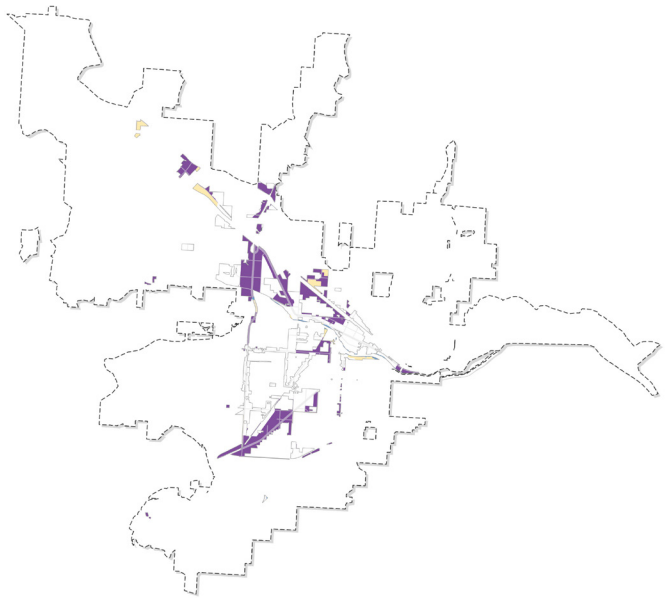
Single-Dwelling & Duplex Zones

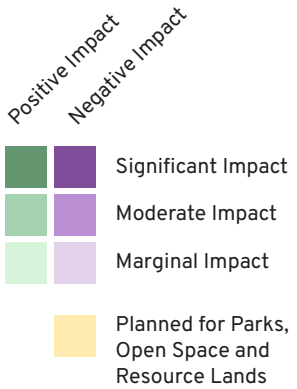


Multi-Dwelling Zones



Commercial/Mixed Use Zones





5

Advancing Equity in Land Use

Advancing Equity in Land Use

This report has evaluated Missoula's zoning and land use regulations and policies through the lens of social equity, defined as:

> *Equity is the full and equal access to opportunities, power, and resources so that all people achieve their full potential and thrive.*

In the context of land use, access to opportunities and resources is largely mediated through access to housing. In order to use land, one must be able to live on it. Access to housing is mediated through the market, which distributes housing according to each household's ability to pay. Thus, the ability to afford housing in different locations across the City is the lynchpin to equitable land use.

There are significant inequities in Missoula's zoning and land use regulations today. There are four major inequities that must be addressed to effectively advance equity in land use:

- A high share of land is reserved for low density, exclusive single-dwelling housing that is unaffordable to all but the most affluent households.
- A very small share of land allows housing at density levels high enough to deliver housing affordable to middle and lower income households.
- This spatial distribution of zone districts has contributed to, and perpetuates, segregation along lines of class and race and exclusion of lower income households from neighborhoods with high economic and educational opportunity.
- This spatial distribution of zone districts has also concentrated

lower income households in the same neighborhoods where new development activity is concentrated, contributing to a higher risk of gentrification and displacement of lower income households in those neighborhoods.

How can these inequities be redressed and a more equitable pattern of land use and development be advanced? There are many different ways to design a zoning reform to advance equity in land use. Alternative options will be evaluated in the next phase of the Our Missoula project. However, there are certain principles which any land use reform must adhere to in order to effectively advance equity. These six principles are as follows.

- **Distribute opportunities for affordable housing types broadly throughout the city.** The cornerstone of equitable land use policy is enabling opportunities for households of all income levels to choose the neighborhood they live in. This requires allowing a diversity of housing types and density levels in all neighborhoods. Broad areas dedicated to exclusive single-dwelling zone districts are incompatible with equitable land use policy.

- **Enable density levels that open up the possibility for smaller units, which tend to be more affordable to moderate and low income households.** Where multi-dwelling and other housing types are allowed, they must be allowed at relatively high density levels in order to be affordable for moderate or lower income households.
- **Avoid concentrated upzoning in vulnerable neighborhoods.** The current zoning map leaves lower income households vulnerable to displacement and gentrification by concentrating development potential in those neighborhoods. Further increases in density in these neighborhoods that are not paired with broader increases in density in other neighborhoods would exacerbate this inequity.
- **Provide zoning incentives for income-restricted affordable housing that are feasible and attractive for private developers to use.** As other City studies have found, current zoning incentives for private developers to include income-restricted units in their developments are ineffective. As this report has shown, even very high density market rate developments are unlikely to be affordable to lower income households. To provide more housing for these households in private developments, the incentives must, at a minimum, offset the cost of providing the income-restricted units. Ideally, the incentives would enable a development that is more economically attractive than development possible under the base zoning.
- **Focus regulations more on the form of buildings, less on the number of units in the building.** Allowing for higher density does not mean giving up any regulation of the intensity of development. Density is an imprecise tool for regulating the form and intensity of development. A fourplex with 2,000 square foot units looks very different from one with 500 square foot units, though they can be equivalent in density. Increases in allowed density can be paired with new limits on the form and size of buildings. This allows smaller and more affordable units within a building size that is in keeping with the scale and character of neighboring buildings.
- **Design reforms that increase opportunities for adding amenities and services within a walkable distance of all households.** Improving access to amenities and services that contribute to high quality of life and positive health outcomes need not only be achieved by allowing households to move to amenity-rich areas. Amenity-deficient areas can be improved by designing a fine-grained and flexible zoning pattern which allows for infill of non-residential uses (shops, restaurants, parks) broadly throughout the city, not only on major commercial corridors.

The next step in the Our Missoula project is to outline potential land use and zoning reforms that build on this analysis and community conversations about how to advance equity in land use.

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Appendix

Methodology & Assumptions

A. Proforma Modeling - Market Inputs

Cascadia Partners applied a real estate pro forma modeling process to assess the market feasibility and affordability of a range of housing types in a range of zone districts across the city. A real estate pro-forma is a financial model that estimates the return-on-investment of a hypothetical development project given a set of inputs.

These inputs include the physical development program (number of units or square footage, unit or space types and sizes) as well as financial inputs for the costs and revenues associated with the project. The output of the model can be an estimate of the profitability of the project, the minimum sale price or rent rate needed to meet a target level of profitability, or the maximum cost of land acquisition to meet a target level of profitability.

Hard Costs	Rate	Basis
Single Family Detached	$160	Gross SF
Townhouse/Attached	$160	Gross SF
Wood Frame - 3-4 stories	$175	Gross SF
Podium/Mixed Use - 5+ stories	$190	Gross SF

Land and Site Dev Costs	Rate	Basis
Land - SF zones	$15	Land SF
Land - DUP zones	$18	Land SF
Land - MF zones	$25	Land SF
Site development	$1.25	Land SF
Infrastructure	$0.70	Land SF

Property Taxes	Res.	Com.
Tax Rate	1.30%	1.30%
Assessment Ratio	100%	100%

Permit and Impact Fees	Rate	Basis
Impact Fees	$2,000	Unit
Building Permit Fees	0.25%	Hard Costs

Sale Prices - Market Rate	Price/sf	Unit Size	Sale Price
Single Family Detached - Average	$330	2,000	$660,000
Single Family Detached - Small	$330	1,750	$577,500
Townhouse/Duplex - Average	$330	1,750	$577,500
Townhouse/Duplex - Small	$330	1,500	$495,000
Condo - Average	$330	900	$297,000

Rents - Market Rate	Rent/sf	Unit Size	Monthly Rent	Mix
Single Family Detached	$1.40	2,000	$2,800	--%
Townhouse/Duplex	$1.40	1,750	$2,450	--%
3 BR Apartment	$1.60	1,200	$1,920	25%
2 BR Apartment	$1.65	1,000	$1,650	25%
1 BR Apartment	$1.75	800	$1,400	25%
Studio	$1.85	600	$1,110	25%

Target Returns	
IRR	10%
Project Rate of Return	15%

Cap Rate - Rental	
Going in	5.5%
Terminal	6.0%

Area Median Income	AMI	80% AMI	50% AMI
AMI - 2 Person HH	$64,150	$52,250	$32,600
AMI - 4 Person HH	$80,200	$65,300	$40,800

Mortgage Terms	
Broker Fees	5%
Loan Term (months)	360
Upfront UFMIP ◊	1.75%
Down Payment ◊	5.00%
Interest Rate	5%
Mortgage Insurance	0.85%

Affordable Sale Price Calculator	AMI - 2 Person HH			AMI - 4 Person HH		
	AMI	80% AMI	50% AMI	AMI	80% AMI	50% AMI
Gross annual income	$64,150	$52,250	$32,600	$80,200	$65,300	$40,800
Gross monthly income	$5,346	$4,354	$2,717	$6,683	$5,442	$3,400
Max front end debt (30% of GMI)	$1,604	$1,306	$815	$2,005	$1,633	$1,020
Market Sale Price	$297,000	$297,000	$297,000	$605,000	$605,000	$605,000
Taxes	$300	$300	$300	$300	$300	$300
Homeowners Insurance	$210	$210	$210	$210	$210	$210
Max Loan Amount	$203,676	$148,257	$56,746	$278,421	$209,031	$94,934
Max Purchase Price	**$214,395**	**$156,060**	**$59,733**	**$293,075**	**$220,033**	**$99,930**

Utilities	
Single-Family/Townhouse	$300
Apartments	$200

Source: 2021 Missoula Affordable Incentive Analysis