2023 SENATE STATE AND LOCAL GOVERNMENT

SB 2207

2023 SENATE STANDING COMMITTEE MINUTES

State and Local Government Committee
Room JW216, State Capitol

SB 2207
1/20/2023

Relating to license fees and license renewal fees for nonprofit construction contractors and relating to contractor licensing exceptions.

9:56 AM Chair Roers opened the hearing. Present: Chair Roers, Vice Chair Barta, Sen Cleary, Sen Estenson, Sen J Lee, and Sen Braunberger.

Discussion Topics:
- Habitat for Humanity
- High standards
- Safety and risk management

Sen Piepkorn, District 44, bill sponsor and testified in support with no written testimony.

Jim Nelson, Director of Lake Agassiz Habitat for Humanity testified in support #14462, #14461, 14463, #14516, #14517.

Marisa Sauceda, Director of Red River Valley Habitat for Humanity testified in support #14690, #14689, #14691, #14692.

Cristen Incitti, CEO and Pres of Habitat for Humanity Minnesota testified via Zoom in support #14528, #14529, #14530, #14531, #14532

Jim Nelson answered a question.

Marisa Sauceda commented on Jim's answer.

Kayla Pulvermacher, Assoc of Builders, testified opposed. No written testimony.

Additional written testimony:

Roxy Volk, Northern Lights Habitat in support #14636

Bill Colbeth, Habitat volunteer, in support #13873

Robbyn Rich, Owner, CHR Construction Services, LLC in support #14413

10:40 AM Chair Roers closed the hearing.

Pam Dever, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

State and Local Government Committee
Room JW216, State Capitol

SB 2207
1/20/2023

Relating to license fees and license renewal fees for nonprofit construction contractors and relating to contract or licensing exceptions.

11:01 AM Chair Roers opened committee work. Present: Chair Roers, Vice Chair Barta, Sen Cleary, Sen Estenson, Sen J Lee, and Sen Braunberger.

Discussion Topics:
- City level
- Standards

Sen Lee asked members to consider moving to city level.

11:06 AM Chair Roers adjourned the meeting.

Pam Dever, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

State and Local Government Committee
Room JW216, State Capitol

SB 2207
2/10/2023

Relating to contractor licensing exceptions.

11:17 AM Vice Chair Barta opened the meeting. Present: Vice Chair Barta, Sen Cleary, Sen Estenson, Sen J Lee, and Sen Braunberger. Chair Roers was absent.

Discussion Topics:
- Committee action

Sen Roers shared an Amendment via email #21024, #27897

Sen Lee moved to adopt Amendment LC 23.0066.01001.

Sen Braunberger seconded the motion.

Senators	Vote
Senator Kristin Roers	AB
Senator Jeff Barta	Y
Senator Ryan Braunberger	Y
Senator Sean Cleary	Y
Senator Judy Estenson	Y
Senator Judy Lee	Y

VOTE: YES – 5 NO – 0 Absent – 1 Motion PASSED

Sen Estenson moved a DO PASS as Amended.

Sen Lee seconded the motion.

Senators	Vote
Senator Kristin Roers	AB
Senator Jeff Barta	Y
Senator Ryan Braunberger	Y
Senator Sean Cleary	Y
Senator Judy Estenson	Y
Senator Judy Lee	Y

VOTE: YES – 5 NO – 0 Absent – 1 Motion PASSED

Sen Braunberger will carry the bill.

11:23 AM Vice Chair Barta closed the meeting.
Pam Dever, Committee Clerk

23.0066.01001
Title.02000

Prepared by the Legislative Council staff for the Senate State and Local Government Committee

February 10, 2023

PR
191
2-10-2023

PROPOSED AMENDMENTS TO SENATE BILL NO. 2207

Page 1, line 1, after "to" insert "create and enact a new subsection to section 43-07-07 of the North Dakota Century Code, relating to license fees and license renewal fees for nonprofit construction contractors; and to"

Page 1, after line 3, insert:

"**SECTION 1.** A new subsection to section 43-07-07 of the North Dakota Century Code is created and enacted as follows:

<u>A nonprofit entity that is constructing or rehabilitating a single-family dwelling that will be given to or sold below the appraised value to a low-income person, may not be charged a fee by the secretary of state for a license or renewal of license as described and required under this chapter.</u>"

Page 1, remove lines 14 through 16

Renumber accordingly

REPORT OF STANDING COMMITTEE

SB 2207: State and Local Government Committee (Sen. K. Roers, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (5 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2207 was placed on the Sixth order on the calendar. This bill does not affect workforce development.

Page 1, line 1, after "to" insert "create and enact a new subsection to section 43-07-07 of the North Dakota Century Code, relating to license fees and license renewal fees for nonprofit construction contractors; and to"

Page 1, after line 3, insert:

"**SECTION 1.** A new subsection to section 43-07-07 of the North Dakota Century Code is created and enacted as follows:

A nonprofit entity that is constructing or rehabilitating a single-family dwelling that will be given to or sold below the appraised value to a low-income person, may not be charged a fee by the secretary of state for a license or renewal of license as described and required under this chapter."

Page 1, remove lines 14 through 16

Renumber accordingly

2023 HOUSE INDUSTRY, BUSINESS AND LABOR

SB 2207

2023 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee
Room JW327C, State Capitol

SB 2207
3/28/2023

Relating to contractor licensing exceptions.

Chairman Louser called meeting to order 10:22 AM

Members Present: Chairman Louser, Vice Chairman Ostlie, Representatives Boschee, Dakane, Johnson, Kasper, Koppelman, Ruby, Schauer, Thomas, Tveit, Wagner, Warrey.

Member absent: Representative Christy

Discussion Topics:
- Profit
- Residency
- Partner families

In Favor:
Senator Merle Piepkorn, District 44, Fargo, ND (no written testimony)
Jim Nelson, Lake Agassiz Habitat for Humanity, #26818, #26889
Roxy Volk, Executive Director, Habitat for Humanity Northern Lights, Minot, ND, #26782
Marisa Sauceda, Executive Director, Red River Valley Habitat for Humanity, Grand Forks, ND, #26762
Kyla Pulvermacher, representing the ND Association of Builders (no written testimony)

Representative Ruby moved a do pass.
Representative Boschee seconded.

Roll call vote:

Representatives	Vote
Representative Scott Louser	Y
Representative Mitch Ostlie	Y
Representative Josh Boschee	Y
Representative Josh Christy	AB
Representative Hamida Dakane	Y
Representative Jorin Johnson	Y
Representative Jim Kasper	Y
Representative Ben Koppelman	AB
Representative Dan Ruby	Y
Representative Austen Schauer	Y
Representative Paul J. Thomas	Y
Representative Bill Tveit	Y
Representative Scott Wagner	Y
Representative Jonathan Warrey	Y

Motion passed 12-0-2

Representative Ostlie will carry the bill.

Chairman Louser adjourned the meeting 10:52 AM

Diane Lillis, Committee Clerk

REPORT OF STANDING COMMITTEE

SB 2207, as engrossed: Industry, Business and Labor Committee (Rep. Louser, Chairman) recommends **DO PASS** (12 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). Engrossed SB 2207 was placed on the Fourteenth order on the calendar.

TESTIMONY

SB 2207

Round To It Carpentry Services
Glyndon, MN

My name is Bill Colbeth and I own and operate a small business called Round To It Carpentry Services which is licensed in North Dakota #44506 and Minnesota #BC779670. I've worked with Habitat for Humanity for about 12 years. I've worked both on the volunteer builds and at the ReStore. The work that Habitat for Humanity does is a necessity for any community. They have always done a great job on the housing they build. The work they do with volunteer labor is amazing and it shows in the dedicated leadership they have running the builds. The homes they build always meet or exceed local building codes passing all inspections. The Habitat for Humanity homes are always so appreciated by the recipients.

CHR CONSTRUCTION SERVICES, LLC

1/18/2023

To: North Dakota Legislative Branch

RE: Testimony in support of Habitat for Humanity affiliates being exempt from traditional contractor licensing requirements and fees

My name is Robbyn Rich, Owner of CHR Construction Services LLC. (North Dakota license number 56880, Minnesota license number BC724660) I am also the former Executive Director and Construction Manager of Lake Agassiz Habitat for Humanity.

As an industry professional I am in support of Habitat for Humanity affiliates to being given an exemption to the annual contractor licensing requirements and fees in the state of North Dakota for the following reasons:

1. Habitat for Humanity is a low income, non-profit housing organization. With the rising cost of home building all costs/fees that can be saved can then be put back into low-income housing, which is greatly needed across the country including the State of North Dakota.

2. As the former Executive Director and Construction Manager of Lake Agassiz Habitat for Humanity I am intimately familiar with their construction practices. Although the homes primary labor force are volunteers those volunteers are overseen by individuals that are skilled and experienced in the home building trades.

3. Habitat for Humanity affiliates are still required to comply with all state and local jurisdiction practices as it pertains to meeting and/or exceeding all established building codes (including the energy code), plan submittal and review, inspections as well as builder insurance requirements. In my experience Habitat for Humanity affiliates, not only locally but across the nation, exceed established best building practices and residential building code. Lake Agassiz Habitat for Humanity for example has built numerous Energy Star rated homes as well as a LEED-gold certified house in the state of North Dakota

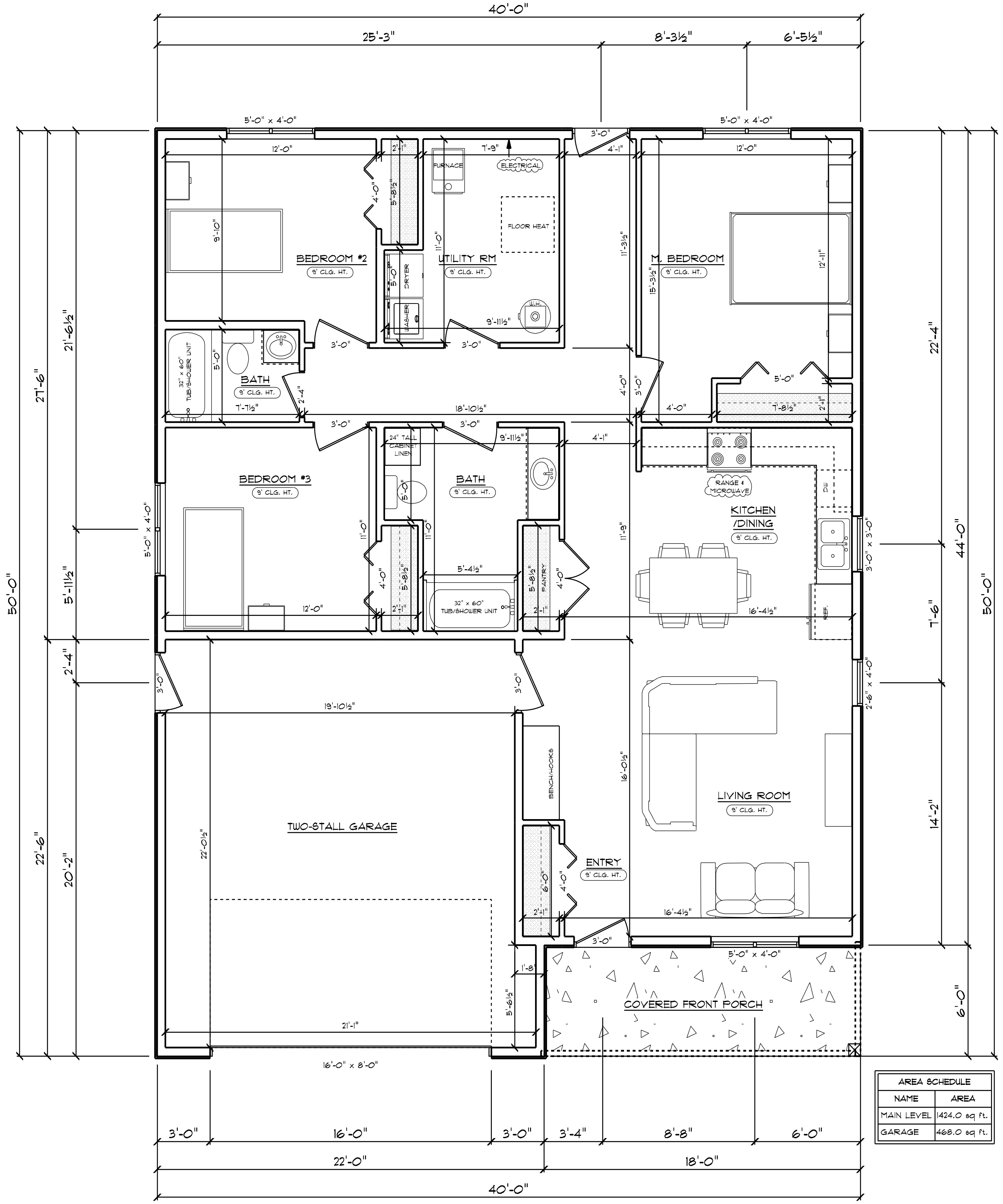
Habitat for Humanity affiliates are not asking to be exempt from the best practices and quality home building requirements of the state, simply the process and related costs to obtaining a contractor's license as a non-profit organization serving low-income families across the state.

#14461

CONSTRUCTION DRAWINGS

DATE: 1/16/2023

ANY CONSTRUCTION DOCUMENTS PRINTED BEFORE THIS DATE ARE VOID.



AREA SCHEDULE	
NAME	AREA
MAIN LEVEL	1424.0 sq ft.
GARAGE	468.0 sq ft.

MAIN LEVEL

SCALE: 1/8" = 1'-0"

REVISIONS
11.29.2022
12.05.2022
01.16.2023

BUILDERS FIRSTSOURCE
SALES: SHAWN NELSON
DRAWN BY: CLAIRE GRAVUNDER

1529 HABITAT HOUSE

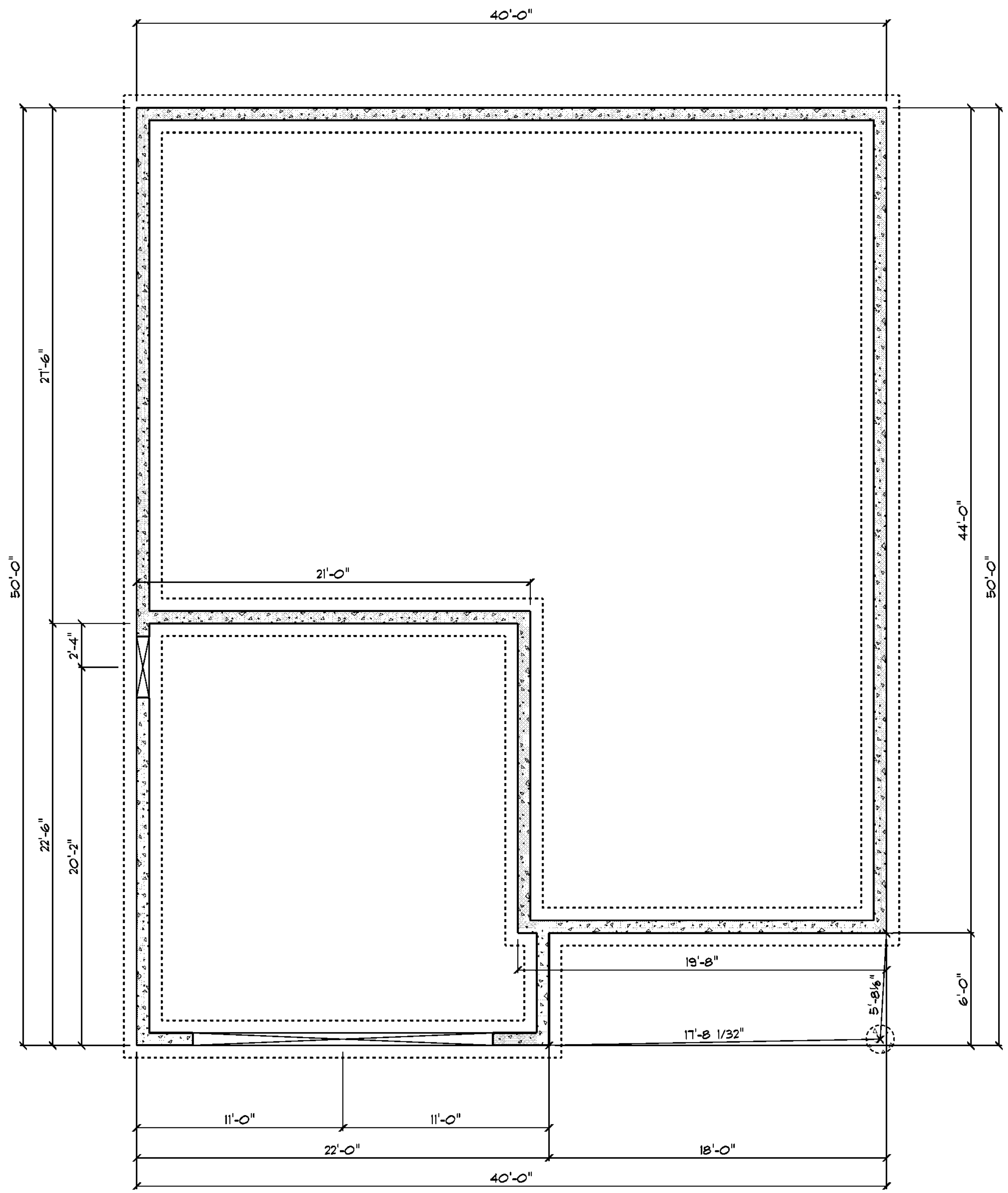
Builders FirstSource

A1

CONSTRUCTION DRAWINGS

DATE: 1/16/2023

ANY CONSTRUCTION DOCUMENTS PRINTED BEFORE THIS DATE ARE VOID.



FOUNDATION

SCALE: 1/8" = 1'-0"

11.29.2022
12.05.2022
01.16.2023

REVISIONS

BUILDERS FIRSTSOURCE
SALES: SHAWN NELSON
DRAWN BY: CLAIRE GRAVUNDER

1529 HABITAT HOUSE

Builders FirstSource

A2

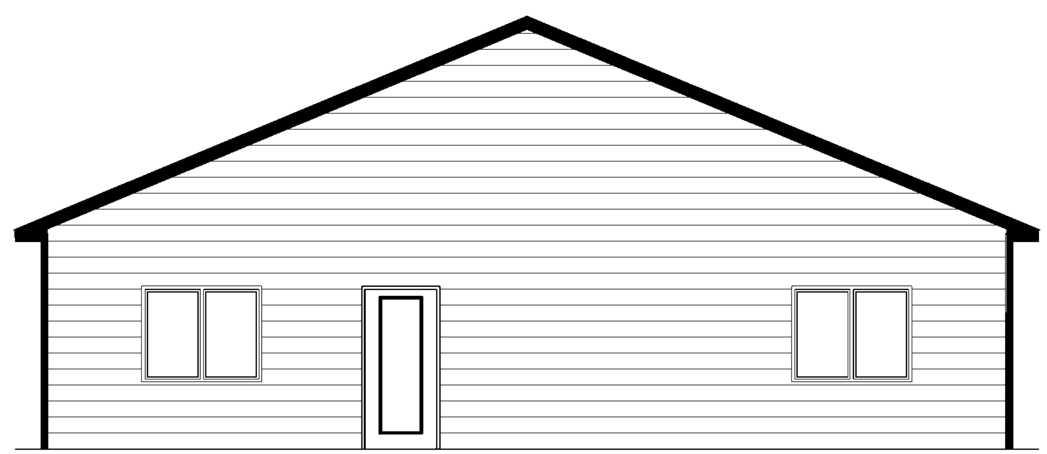
CONSTRUCTION DRAWINGS

DATE: 1/16/2023

ANY CONSTRUCTION DOCUMENTS PRINTED BEFORE THIS DATE ARE VOID.

FRONT ELEVATION

SCALE: 1/8" = 1'-0"



BACK SIDE ELEVATION

SCALE: 1/8" = 1'-0"

REVISIONS
11.29.2022
12.05.2022
01.16.2023

BUILDERS FIRSTSOURCE
SALES: SHAWN NELSON
DRAWN BY: CLAIRE GRAVUNDER

1529 HABITAT HOUSE

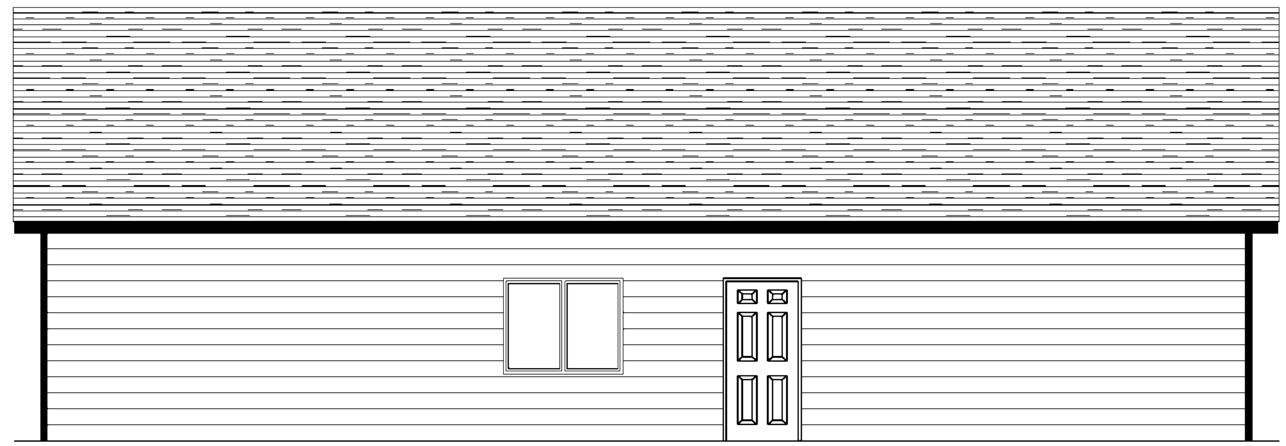
Builders FirstSource

A3

CONSTRUCTION DRAWINGS

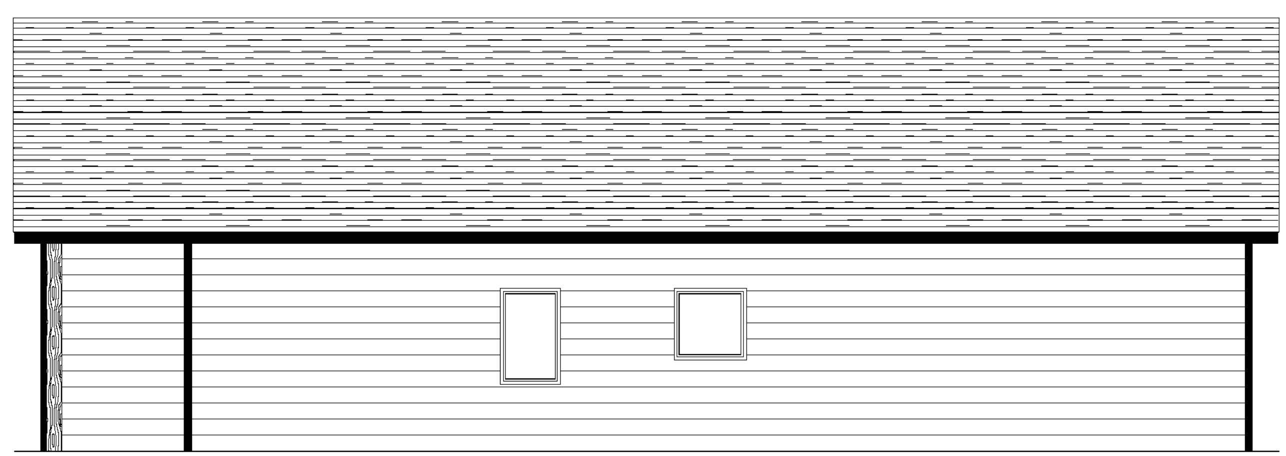
DATE: 1/16/2023

ANY CONSTRUCTION DOCUMENTS PRINTED BEFORE THIS DATE ARE VOID.



LEFT SIDE ELEVATION

SCALE: 1/8" = 1'-0"



RIGHT SIDE ELEVATION

SCALE: 1/8" = 1'-0"

11.29.2022	
12.05.2022	
01.16.2023	

REVISIONS

BUILDERS FIRSTSOURCE
SALES: SHAWN NELSON
DRAWN BY: CLAIRE GRAVUNDER

1529 HABITAT HOUSE

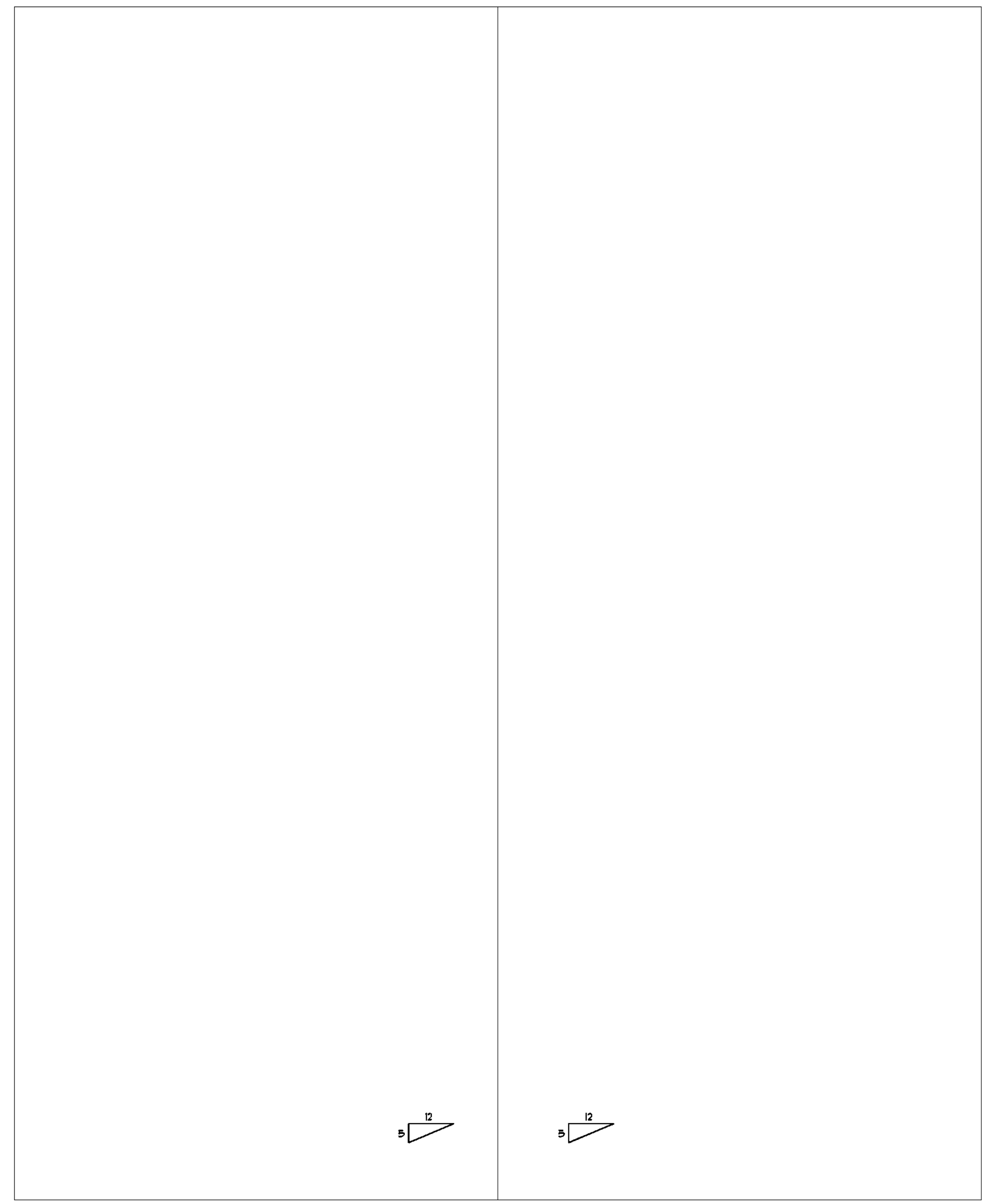
Builders FirstSource

A4

CONSTRUCTION DRAWINGS

DATE: 1/16/2023

ANY CONSTRUCTION DOCUMENTS PRINTED BEFORE THIS DATE ARE VOID.



16" O.H. @ ALL LOCATIONS

TOP VIEW ELEVATION

SCALE: 1/8" = 1'-0"

REVISIONS
11.29.2022
12.05.2022
01.16.2023

BUILDERS FIRSTSOURCE
SALES: SHAWN NELSON
DRAWN BY: CLAIRE GRAVUNDER

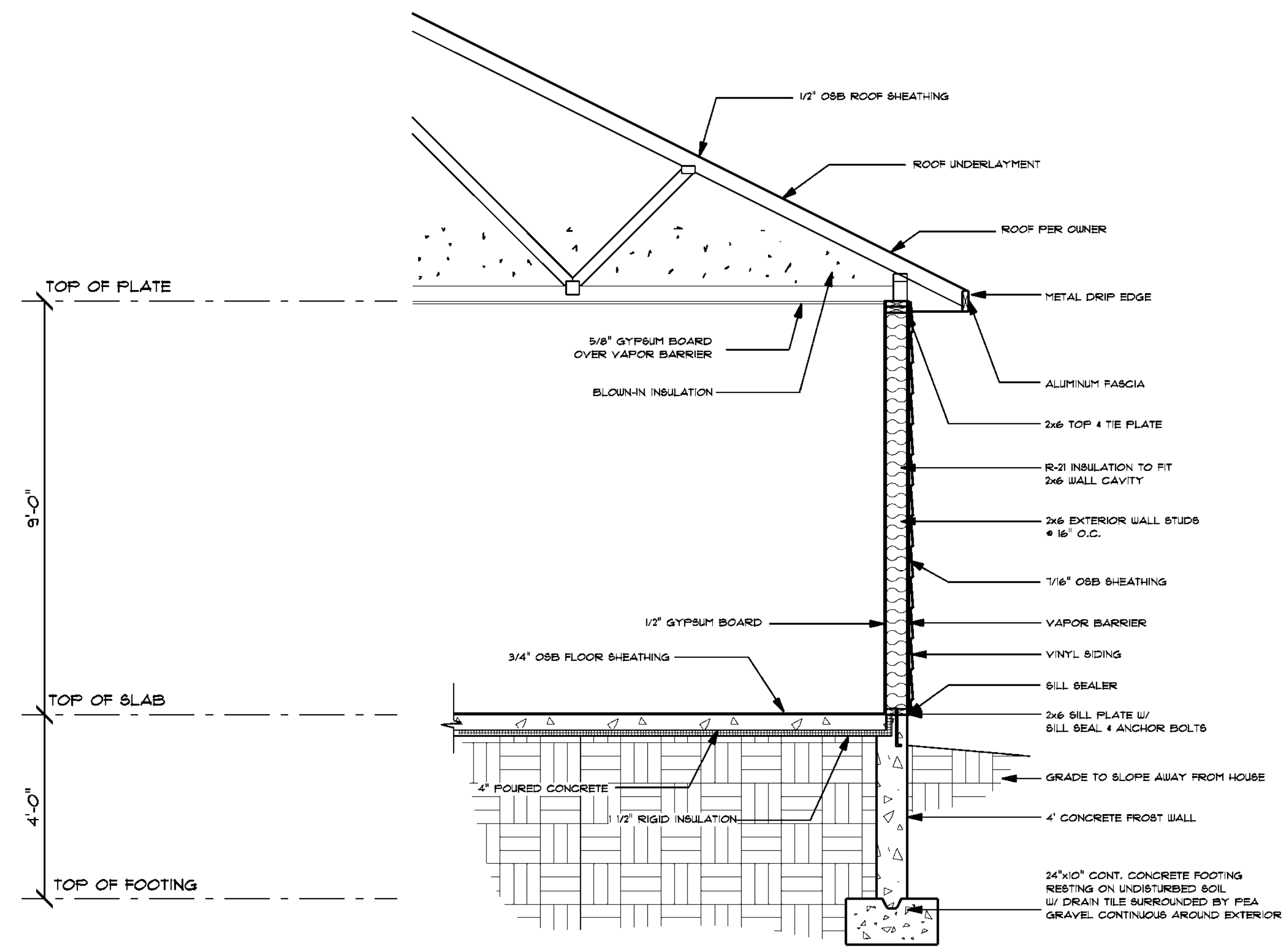
1529 HABITAT HOUSE

Builders FirstSource

CONSTRUCTION DRAWINGS

DATE: 1/16/2023

ANY CONSTRUCTION DOCUMENTS PRINTED BEFORE THIS DATE ARE VOID.



TYPICAL CROSS SECTION, SLAB ON GRADE

SCALE: 1/4" = 1'-0"

11.29.2022	
12.05.2022	
01.16.2023	

REVISIONS

BUILDERS FIRSTSOURCE
SALES: SHAWN NELSON
DRAWN BY: CLAIRE GRAVUNDER

1529 HABITAT HOUSE

Builders FirstSource

A6

January 20, 2023

To: Chair Roers and members of the Senate State and Local Government Committee

From: Jim Nelson, Executive Director of Lake Agassiz Habitat for Humanity

Topic: Testimony in Support of Senate Bill 2207

Good morning, Chair Roers, and members of the Senate State and Local Government Committee. Thank you for the opportunity to speak with you today on behalf of Senate Bill 2207 and Habitat for Humanity's work in North Dakota. My name is Jim Nelson and I am the Executive Director of Lake Agassiz Habitat for Humanity located in Fargo Moorhead. We serve both Cass County North Dakota and Clay County Minnesota. It's my great pleasure to speak to you this morning not only about contractor licensing exemptions, but to focus on the creation of affordable housing in the state of North Dakota. I'd like to begin by sharing a little bit of information about Habitat for Humanity, in the event that some of you might be new to Habitat.

Habitat for Humanity was founded in 1976 in Americus, GA as a Christian based ministry. At Habitat, we build strength, stability, self-reliance and shelter. I know of no better pay it forward program than Habitat for Humanity. If there is only one message that you receive this morning I want you to remember that Habitat homes are purchased through an affordable mortgage based on the homeowners income rather, they are not given away. Every mortgage payment received from our homeowners goes directly toward the creation of a new home.

Lake Agassiz Habitat for Humanity was created in 1991 and since then we've built 72 homes with roughly 60% of those homes being in North Dakota and 40% in Minnesota. We hired our first full time employee 10 years after opening; today we have 7 full time employees and 4 part-time employees. In 2006 we opened a thrift construction retail outlet called the Habitat ReStore where our prices range from 25% to 75% of full retail pricing. Further, we serve as a vocational training site for local adults while area youth fulfill community service requirements in our ReStore. In 2022 the ReStore served over 21,000 paying customers of which 75% indicate the reason they shop at the ReStore is because they cannot afford the full prices found in local big box retail stores.

Did you know that in North Dakota, one in every nine households is paying more than they can afford on housing? And, did you know our state has an affordable housing supply shortage of more than 15,000 units? That figure includes both rental and affordable homeownership opportunities. Habitat in North Dakota brings the community together to build more affordable homeownership opportunities so more families can afford their home and our local communities thrive. We want to continue to do this work and deepen our impact.

I’d like to introduce you to Family “C” and Family “J”; please refer to the 2-page Partner Family Information document. Family “C” is a single mom with 4 children, of which 1 relies on a wheel chair for mobility. Since moving into her Habitat home, mom has been able to start a new, better paying job and Heaven, the disabled child, is able to access all parts of her home as it was built to be fully accessible. Family “J” is a single mom with one child and since moving into their home mom has received 2 promotions at work, due to having stable housing, and has recently become a supervisor. Her daughter, Kyia, has gained self confidence from no longer renting and she’s begun to excel academically. I’m here today because Habitat in North Dakota wants to create more affordable homeownership opportunities for families like these and Senate bill 2207 can support keeping our costs low so we can do just that.

Senate bill 2207 focuses on creating a contractor license exemption for nonprofit entities involved in the creation of affordable housing. The cost of a contractors license in the state of North Dakota is $300 initially, and the renewal fee is $150 annually. While the cost appears minimal, it does impact our total cost to build, and in this work, every dollar matters.

Habitat for Humanity is in the business of creating affordable housing. That sets us apart from every other commercial contractor in the state. Habitat for Humanity builds a reputable and comparable product to our for-profit peers. An example that demonstrates this is that Lake Agassiz HFH built one of the first LEED certified homes in North Dakota. We’re proud of our product and the stability it provides for low-income families.

While we are producing comparable products, our clientele is very different. As I mentioned earlier we sell our products on an income based mortgage. We do not have the luxury of passing every cost onto our clients. In this particular case, I cannot pass the $300 fee on to my client rather, we have to absorb it. Of course, 2022 delivered unprecedented inflation in the construction industry. Our costs, in the Fargo Moorhead market, increased 50% from 2020 to 2022. More specifically, our house costs in 2020 were $180,000 and in 2022 the same house cost over $250,000. It's extremely difficult to provide affordable housing in a business environment where every year new costs are layered on top of existing requirements.

While housing costs escalated at unprecedented rates in 2022, my clients experienced minimal income increases as many of them work in the hospitality and service sector industry. This prohibits me from passing along seemingly minimal cost increases to my clientele. Approving this bill will cost the state nothing and it will support the creation of affordable housing in the Minot, Grand Forks, and Fargo metropolitan areas. Passing this bill will support a lowering of our costs, which means that we use that financial resource on the next affordable home for a North Dakota family.

There are 22 states that don't require a contractor’s license in the creation of single family homes, as follows:

1. (2) states provide exemptions, for Habitat for Humanity, by name: Minnesota, Virginia.
2. (4) States require business registration only: New Jersey, Rhode Island, Texas, Washington.

3. (14) states do not have state licensure requirements – all decisions are made at the municipal level: Colorado, Illinois, Indiana, Kansas, Kentucky, Maine, New Hampshire, New York, Oklahoma, Pennsylvania, South Dakota, Vermont, Wyoming.
4. (2) states provide a license without examination with at least five years of work in the field: Georgia, Missouri.

The Grand Forks and Fargo affiliates both work across the Red River into Minnesota. Since Minnesota already provides a contractors license exemption, naming Habitat for Humanity by name, a similar requirement for North Dakota would create a level playing field where the requirements are similar in both states. Habitat for Humanity International of which the Minot, Grand Forks and Fargo Habitat offices are affiliated with, require builders risk insurance and general liability insurance. If we choose to operate without the required minimum levels of insurance, Habitat for Humanity International will withdraw their affiliation with our organization meaning we can no longer use the name and the brand.

I'd like to show you a house plan and photos of the units we've built in Fargo.

As you can see, Lake Agassiz Habitat builds a quality product in our community and my peers around the state do too. We are thankful for the partnerships we have with volunteers, churches, schools, foundations, and corporations, who help us make this mission come to life. We are especially appreciative of the licensed contractors who support our work on key items like electrical, HVAC and plumbing, and we support their business and trade. We cannot do this work without the full community coming together to make **home** a reality for families like Families "C" and "J" that I mentioned earlier. And we look forward to continuing this ministry and mission in the Minot, Grand Forks and Fargo communities. We hope we earn your support of Senate Bill 2207.

In addition to me, there are two other people who will be providing testimony this morning on behalf of Habitat. Marisa Sauceda from Grand Forks, ND is joining me in person and Cristen Incitti, with Habitat for Humanity of Minnesota, who will be testifying virtually. Further, you will find written testimony from 2 contractors licensed in the state of North Dakota who support SB2207. Finally, I urge you to support SB2207! Approving this bill will demonstrate this legislative assembly's support for affordable housing in the state of North Dakota.

The C Family

1203 46th Ave. S. Moorhead, MN 56560

Year Built: 2021-2022

Words from the homeowner:

“For this house to be the faith build, it fit our family well. This past year (while the house was being built) has been very rocky. We have gone through so much, but our faith has been tested a lot, but us moving into our new house will help my kids mentally and physically. We are so thankful to everyone that volunteered and donated to make our house possible.”

“My oldest daughter is excited to finally have her own door for her bedroom, so that she can have privacy from her siblings. Our old trailer home couldn’t have a door because her wheelchair would not fit.”

The J Family
12 Marion St. Dilworth, MN 56529
Year Built: 2018-2019

Quote from daughter: "I am excited about my new room, my yard, and I'm excited to have friends come over to play. My new house is close to a park and friendly and helpful neighbors."

Quote from Mom: "This has been a very special journey for us. We are excited to move in, have a big yard to play in, and we feel really welcomed into the neighborhood."

The B Family

1529 10th Ave. S. Fargo, 58103

Year Built: 2021-2022

Words from the homeowner:

“The possibility of owning a home was a distant dream of mine…. The Habitat for Humanity home ownership program has allowed me to become a proud homeowner who is educated, who is responsible for a mortgage, and who is required to maintain the property.”

“Now we are going to have a place that is safe and stable; a living environment where I can watch my girls grow up. That is beyond value.”

“This has humbled me beyond words and has ignited a fire deep inside of me to pay it forward. My girls will grow up knowing the value of philanthropy. I’m going to teach them, and instill in them, the importance of giving back to our community.”

2022 Minnesota Statutes

326B.805 LICENSING REQUIREMENTS.
Subd. 6.**Exemptions.**

The license requirement does not apply to:

(1) an employee of a licensee performing work for the licensee;

(2) a material person, manufacturer, or retailer furnishing finished products, materials, or articles of merchandise who does not install or attach the items;

(3) an owner of residential real estate who builds or improves any structure on residential real estate, if the building or improving is performed by the owner's bona fide employees or by individual owners personally. This exemption does not apply to an owner who constructs or improves property for purposes of speculation if the building or improving is performed by the owner's bona fide employees or by individual owners personally. A residential building contractor or residential remodeler will be presumed to be building or improving for purposes of speculation if the contractor or remodeler constructs or improves more than one property within any 24-month period;

(4) an architect or professional engineer engaging in professional practice as defined by section 326.02, subdivisions 2 and 3;

(5) a person whose total gross annual receipts for performing specialty skills for which licensure would be required under this section do not exceed $15,000;

(6) a mechanical contractor;

(7) a plumber, electrician, or other person whose profession is otherwise subject to statewide licensing, when engaged in the activity which is the subject of that licensure;

(8) specialty contractors who provide only one special skill as defined in section 326B.802;

(9) a school district, or a technical college governed under chapter 136F; and

(10) Habitat for Humanity and Builders Outreach Foundation, and their individual volunteers when engaged in activities on their behalf.

To qualify for the exemption in clause (5), a person must obtain a certificate of exemption from licensure from the commissioner. A certificate of exemption will be issued upon the applicant's filing with the commissioner, an affidavit stating that the applicant does not expect to exceed $15,000 in gross annual receipts derived from performing services which require licensure under this section during the calendar year in which the affidavit is received. For the purposes of calculating fees under section 326B.092, a certificate of exemption is an entry level license. To renew the exemption in clause (5), the applicant must file an affidavit stating that the applicant did not exceed $15,000 in gross annual receipts during the past calendar year. If a person, operating under the exemption in clause (5), exceeds $15,000 in gross receipts during any calendar year, the person must immediately surrender the certificate of exemption and apply for the appropriate license. The person must remain licensed until such time as the person's gross annual receipts during a calendar year fall below $15,000. The person may then apply for an exemption for the next calendar year.

History:

1991 c 306 s 8; 1993 c 245 s 14,15; 1995 c 169 s 3; 1996 c 395 s 18; 1997 c 222 s 47; 2007 c 140 art 8 s 8,30; art 13 s 4; 2008 c 337 s 36; 2010 c 321 s 3; 2010 c 347 art 3 s 42,76; 2010 c 385 s 6; 2011 c 2 s 3

Code of Virginia
Title 54.1. Professions and Occupations
Subtitle II. Professions and Occupations Regulated by the Department of Professional and Occupational Regulation and Boards within the Department
Chapter 11. Contractors
Article 1. Regulation of Contractors

§ 54.1-1103. Necessity for license; requirements for water well drillers and landscape irrigation contractors; exemption

A. No person shall engage in, or offer to engage in, contracting work in the Commonwealth unless he has been licensed under the provisions of this chapter. The Board may waive any provision of this chapter for Habitat for Humanity, its local affiliates or subsidiaries, and any other nonprofit organization exempt from taxation under § 501(c)(3) of the Internal Revenue Code (26 U.S.C. § 501(c)(3)) for the purpose of constructing or rehabilitating single-family dwellings that will be given to or sold below the appraised value to low-income persons. Prior to a joint venture engaging in, or offering to engage in, contracting work in the Commonwealth, (i) each contracting party of the joint venture shall be licensed under the provisions of this chapter or (ii) a license shall be obtained in the name of the joint venture under the provisions of this chapter.

B. Except as provided in § 54.1-1117, the issuance of a license under the provisions of this chapter shall not entitle the holder to engage in any activity for which a special license is required by law.

C. When the contracting work is for the purpose of landscape irrigation or the construction of a water well as defined in § 32.1-176.3, the contractor shall be licensed, regardless of the contract amount, as follows:

1. A Class C license is required when the total value referred to in a single contract or project is no more than $10,000, or the total value of all such water well or landscape irrigation contracts undertaken within any 12-month period is no more than $150,000;

2. A Class B license is required when the total value referred to in a single contract is $10,000 or more, but less than $120,000, or the total value of all such water well or landscape irrigation contracts undertaken within any 12-month period is $150,000 or more, but less than $750,000; and

3. A Class A license is required when the total value referred to in a single contract or project is $120,000 or more, or when the total value of all such water well or landscape irrigation contracts undertaken within any 12-month period is $750,000 or more.

D. Notwithstanding the other provisions of this section, an architect or professional engineer who is licensed pursuant to Chapter 4 (§ 54.1-400 et seq.) shall not be required to be licensed or certified to engage in, or offer to engage in, contracting work or operate as an owner-developer in the Commonwealth in accordance with this chapter when bidding upon or negotiating design-build contracts or performing services other than construction services under a design-build contract. However, the construction services offered or rendered in connection with such contracts shall only be rendered by a contractor licensed or certified in accordance with this chapter.

E. Notwithstanding the other provisions of this section, any person licensed under the provisions of Article 4 (§ 9.1-138 et seq.) of Chapter 1 of Title 9.1 as a private security services business shall not be required to be licensed or certified to engage in, or offer to engage in, contracting work in the Commonwealth in accordance with this chapter when bidding upon or performing services to install, service, maintain, design or consult in the design of any electronic security equipment as defined in § 9.1-138 including but not limited to, low voltage cabling, network cabling and computer or systems integration.

F. Notwithstanding any other provisions of this section, persons bidding upon or performing services to design or undertake public works of art commissioned by the Commonwealth; a political subdivision of the Commonwealth, including any county, city, or town; or a nonprofit corporation exempt from taxation under § 501(c)(3) of the Internal Revenue Code shall not be required to be licensed or certified in accordance with this chapter. However, the installation of the artwork and related construction services offered or rendered in connection with such commission shall only be rendered by a contractor licensed or certified in accordance with this chapter.

Code 1950, § 54-128; 1972, c. 16; 1980, c. 634; 1988, c. 765; 1990, c. 911; 1992, c. 713; 1994, cc. 601, 754;1995, cc. 581, 771;1997, c. 885;1998, cc. 271, 754;1999, cc. 959, 977, 991;2002, c. 653; 2004, c. 190;2005, c. 348;2010, c. 62;2012, c. 308;2013, c. 298.

The chapters of the acts of assembly referenced in the historical citation at the end of this section(s) may not constitute a comprehensive list of such chapters and may exclude chapters whose provisions have expired.

January 20, 2023

To: Chair Roers and members for the Senate State and Local Government Committee

From: Cristen Incitti, CEO of Habitat for Humanity of Minnesota

Topic: Testimony in Support of Senate Bill 2207

Chair Roers and members for the Senate State and Local Government Committee, thank you for the opportunity to speak with you today on behalf of Senate Bill 2207 and Habitat for Humanity's work in North Dakota. My name is Cristen Incitti, and I am the CEO of Habitat for Humanity of Minnesota. Habitat for Humanity of Minnesota is an affiliate support organization for 25 Habitat for Humanity affiliates serving the state of Minnesota, including the two affiliates Mr. Jim Nelson and Ms. Marisa Sauceda lead. Affiliate Support Organizations are similar to trade or membership organizations, like the North Dakota Association of Home Builders. Through advocacy, collaboration, and leadership, Habitat Minnesota advances the work of the affiliates in our service area to create and preserve affordable homeownership. We do that through training, technical assistance, lending and grant programs, and public policy and advocacy support. Which is why I'm here today.

As Mr. Nelson noted, Minnesota has a statute that exempts Habitat for Humanity affiliates from needing a contractor license to build affordable homes in our communities. Senate Bill 2207 supports a similar exemption for the affiliates serving North Dakota. There are three affiliates serving North Dakota at this time, two of which also serve Minnesota, the two you've heard from today. Lake Agassiz Habitat in the Fargo-Moorhead area, Mr. Nelson's affiliate, and the Red River Valley Habitat affiliate in Grand Forks, North Dakota, led by Ms. Marisa Sauceda. The third affiliate is based in Minot, North Dakota, named Northern Lights Habitat for Humanity and led by Roxy Volk.

For background, it's important to share with the committee that Habitat for Humanity is a federated nonprofit, which means that we are connected through a formal legal nonprofit structure and affiliation agreements. So, while the affiliates are independent with their own nonprofit Boards of Directors, we are legally connected and required to follow national affiliation agreements, or we cannot operate under the Habitat brand.

I was asked to join you today to highlight some of the key building standards and insurance requirements all Habitat for Humanity affiliates must comply with through their affiliation agreement with our national office, Habitat for Humanity International. In addition to providing support, Habitat Minnesota helps affiliates navigate the various requirements they must meet to be an affiliate "In Good Standing" with Habitat International. Maintaining Good Standing status is critical to affiliate success and access to various resources provided by our international office. Without this status, affiliates lose their access to national resources such as Gift-in-Kind partnerships, like donated products from Whirlpool for appliances. Without those types of resources, delivering the Habitat mission becomes increasingly difficult for affiliates. So, maintaining Good Standing Status is a necessity and critical to affiliate success.

In your materials, you have a copy of the minimum insurance requirements all Habitat affiliates must maintain. Which includes a Commercial General Liability policy that has the minimum components:

- $2,000,000/occurrence (primary and/or excess/umbrella)
- Habitat for Humanity International must be added as an additional insured.
- Habitat affiliate subcontractors (performing construction work on affiliate behalf) must provide a Certificate of Liability for General Liability Coverage showing the affiliate as an additional insured.

Among other requirements, affiliates actively building or rehabbing a property must also hold Builders Risk insurance in an amount sufficient to cover completed values of the work in progress.

These minimum insurance policies are part of a comprehensive set of affiliate operations policies which include Policy 5 titles, Comprehensive Financial policy. This policy states that affiliates must follow the standards and guidelines set forth in the Affiliate Operations Manual: Financial Policies and Procedures specifically on the topic of financial controls, which includes insurance. Affiliates not in compliance with this policy would no longer be an affiliate in Good Standing.

In addition to these minimum insurance policies, Habitat International also states minimum construction standards for all affiliates. This is in Policy 7 and the policy states the following minimum standards:

- Affiliate builds to Habitat for Humanity International house design criteria, with exceptions for local and community requirements and ordinances.
- Affiliate builds to a minimum ENERGY STAR® and healthy indoor air quality standard.
- Affiliate builds to minimum durability standards that address local geographic, climatic and disaster issues.
- Affiliate adopts and implements a written safety policy.
- The affiliate utilizes a written construction management program.
- Affiliate provides construction, home operation and maintenance training.

This policy notes the house design criteria, and they are part of a 110-page set of US Construction Standards. These US Construction Standards cover four standards, which include Mission-Aligned Design, Accessibility, Durability, and Sustainability. We don’t have time for me to walk through each of these standards, but all affiliates participate in annual updates and training to these standards and Habitat Minnesota hosted three separate discussions on these topics in the past eighteen months.

The final compliance topic I will address is that all affiliates must have an OSHA-certified competent person registered with HFHI who has a current certification as a construction Competent Person. This registration is tracked within Habitat International affiliate reporting system and if the certification lapses, affiliates are immediately notified. Training is available in an e-learning platform, so it is readily available to maintain compliance. Additionally, Habitat International leads a safety initiative that prioritizes building safely and takes a proactive approach to safety and risk management, reducing losses and driving continuous improvement as part of our collective safety culture. There are several trainings and resources available to affiliates that support this cultural focal point in the construction process.

Should an affiliate fall out of good standing due to lacking insurance, safety issues, or not following the US Construction Standards, they would be notified and required to remedy the default as soon as possible.

Should that not be remedied in an appropriate amount of time, Habitat International has a department focused on tracking affiliates who are not in Good Standing and beginning the probation period, followed by dissolution if it is not remedied during the probation period. Essentially, Habitat for Humanity cares deeply about building and creating a quality product that communities and families can be proud of and own affordably for generations. We're in the business of breaking the cycle of generational poverty through creating affordable homeownership.

Thank you for the opportunity to join you virtually today on behalf of and in support of Senate Bill 2207. This bill will support cost savings for Habitat for Humanity affiliates in North Dakota and Habitat builds a quality product with several minimum insurance and construction standards in place through our national office.

Thank you again for your time and consideration of this bill.

#14529

2022 State of Home Affordability in North Dakota

Help Habitat make the #CostOfHome something we all can afford.

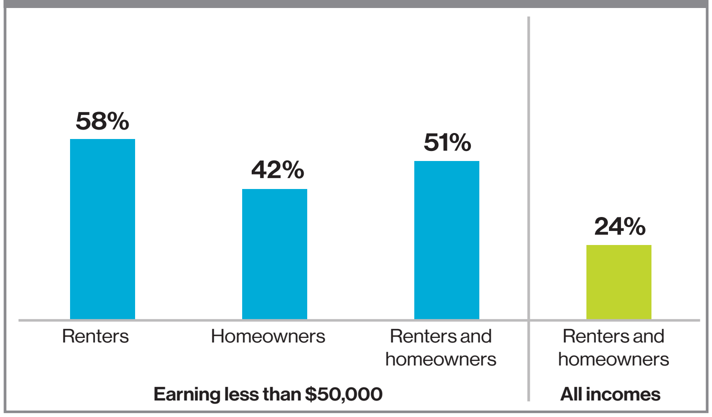
In North Dakota,

1 IN 9 HOUSEHOLDS

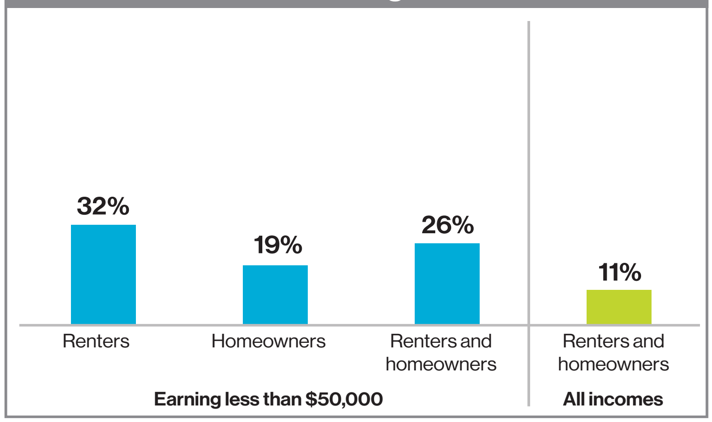
spend more than half of their income on housing.

Lower-income households are especially likely to have unaffordable housing costs, requiring more than 30% of their income. This includes many facing severe cost burdens, requiring more than 50% of their income.

Share of households paying over 30% of their income on housing[1]



Share of households paying over 50% of their income on housing[1]



The income needed to afford rent exceeds that of many workers.

$16.61/hour ($34,553 per year)[2]

Wage needed to afford fair market rent for a two-bedroom home in North Dakota, working 40 hours per week.

Minimum wage: $7.25/hour[2]

Increasingly, renters can't afford the typical home price.

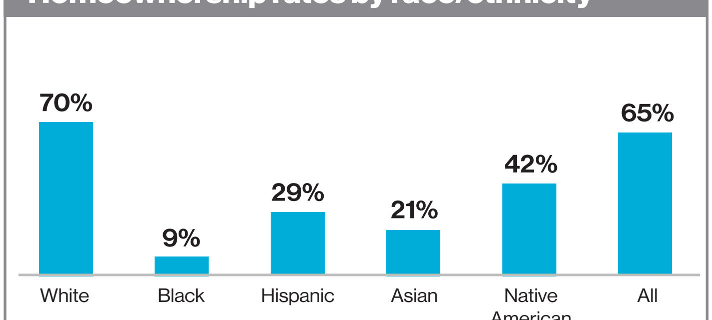
$49,328 per year[3]

Income needed to purchase a median-priced home in North Dakota.

Median income of renters in North Dakota: $40,000[4]

The underproduction of housing and the shortage of entry-level homes are driving up unaffordability and impeding efforts to close racial and ethnic gaps in homeownership.

Homeownership rates by race/ethnicity[5]



Shortage of homes for extremely low-income renters in North Dakota[6]

-15,271
(affordable and available)

Percentage of homes that were entry-level homes in North Dakota in 2019[7]

28%
(down from 41% in 1980)

Help Habitat make the #CostOfHome something we all can afford.

Cost of Home

Habitat for Humanity seeks a world in which everyone has a decent place to live. But too many in the United States still struggle to afford the cost of home. Soaring rents and home prices have led to a substantial rise in housing cost burdens. Many renters face having to choose between paying for housing or for food, medical care or other essential expenses. Aspiring homebuyers are increasingly priced out of the housing market, setting back efforts to close homeownership gaps for households of color.

Cost of Home is a five-year advocacy campaign through which local Habitat organizations, partners, volunteers and community members nationwide are working to increase home affordability for 10 million people. To fully address our nation's housing challenges, Habitat is advocating at all levels of government to advance policy solutions related to:

Supply and preservation

Access to credit

Land use

Communities of opportunity

More than halfway through the campaign, Cost of Home has been instrumental in helping an estimated 6.45 million people access stable, affordable homes through our advocacy to influence policies at the local, state and federal levels.

Habitat organizations are propelling a wide range of policy solutions at all levels of government, including:

- Dedicating funding for the production and repair of affordable homes for homeownership and rent.
- Increasing access to down payment assistance, especially for those facing the greatest barriers.
- Improving zoning to lower the cost of building affordable homes.
- Incentivizing investment in economically distressed neighborhoods while ensuring housing stability for lower-income renters and homeowners.
- Increasing the availability and mobility of housing choice vouchers for very low-income families while improving their workability for landlords.

To learn more about Cost of Home, visit **habitat.org/costofhome**.

Habitat for Humanity

Driven by the vision that everyone needs a decent place to live, Habitat for Humanity found its earliest inspirations as a grassroots movement on an interracial community farm in south Georgia. Since its founding in 1976, the Christian housing organization has grown to become a leading global nonprofit working in local communities across all 50 states in the U.S. and in more than 70 countries. Families and individuals in need of a hand up partner with Habitat for Humanity to build or improve a place they can call home. Habitat homeowners help build their own homes alongside volunteers and pay an affordable mortgage. Through financial support, volunteering or adding a voice to support affordable housing, everyone can help families achieve the strength, stability and self-reliance they need to build better lives for themselves. Through shelter, we empower. To learn more, visit **habitat.org.**

Sources:

1. IPUMS (2020 ACS 1-Year Estimates, experimental weights).

2. National Low Income Housing Coalition (Out of Reach, 2022).

3. Assumes 10% down payment, 28% payment-to-income ratio, 3.0% interest rate (the median in 2020), nationally typical mortgage insurance and homeowners' insurance, and state-specific property taxes (Sources: St. Louis Federal Reserve's FRED database, NAHB's Priced-Out Estimates for 2021, Census Bureau's 2020 and 2019 ACS 1-Year Estimates).

4. IPUMS (2020 ACS 1-Year Estimates, experimental weights).

5. IPUMS (2020 ACS 1-Year Estimates, experimental weights).

6. National Low Income Housing Coalition (The Gap: A Shortage of Affordable Homes, 2022).

7. "Entry-level" homes are smaller than 1,400 square feet (Source: Freddie Mac and CoreLogic, "How Many Starter Homes Are Being Built in Your State?" 2021).

Habitat for Humanity®

285 Peachtree Center Ave. NE, Suite 2700, Atlanta GA 30303-1220 USA
(800) 422-4828 fax (229) 928-8811 publicinfo@habitat.org habitat.org
GOVERNMENT RELATIONS AND ADVOCACY 1310 L St. NW, Suite 350 Washington, DC 20005-4595 USA

Minimum Insurance Requirements for Affiliates and ASOs

Nill Toulme
Dep General Counsel

Published 10/6/2022

Adequate insurance is an essential tool for management of risk for affiliates and affiliate support organizations (ASOs). The following minimum coverages are required at all times, regardless of whether or not the affiliate or ASO is actively building homes. (See Standard 6, Quality Assurance Checklist Standards.)

Please note that these are *minimum requirements*. Higher limits and other coverages such as property insurance may be advisable in addition to the above, depending on the affiliate's or ASO's particular circumstances.

All current non-Lockton insurance documents should be uploaded to the Affiliate Document Center on MyHabitat.

Certificates may also be sent to our Insurance Specialist at insurance@habitat.org.

Although affiliates and ASOs may choose their own insurance carriers, HFHI has negotiated affordable group Habitat coverage through Lockton Affinity.

Contact by phone at (888) 553-9002 or through its website at hfhaffiliateinsurance.com.

Commercial General Liability

General liability protects affiliates and ASOs against general litigation claims.

- $2,000,000/occurrence (primary and/or excess/umbrella)
- **Habitat for Humanity International must be added as an additional insured.**
- Your subcontractors (performing construction work on your behalf) should provide you with a Certificate of Liability for General Liability Coverage showing your affiliate or ASO as an additional insured.

Employment Practices Liability

Employment Practices Liability protects affiliates and ASOs against employment-related litigation and claims.

- $1,000,000/occurrence (primary and/or excess/umbrella)
- **Habitat for Humanity International must be added as an additional insured.**

Special Events Liability

- $2,000,000/occurrence (primary and/or excess/umbrella)
- **Habitat for Humanity International must be added as an additional insured.**
- Must include coverage for both participants and spectators.
- Your subcontractors (for example, a subcontractor providing alcoholic beverages at your event) should provide you with a Certificate of Liability showing your affiliate as an Additional Insured.

Business Automobile Liability

Auto liability protects affiliates against vehicle-related claims (if the affiliate or ASO owns or leases any vehicles).

- $2,000,000/occurrence (primary and/or excess/umbrella) **
- If the affiliate or ASO has no vehicles, the Commercial General Liability policy must include hired/non-owned auto liability coverage.

** A non-Lockton auto policy for limits under $2M per occurrence requires a separate non-Lockton umbrella policy to be HFHI compliant. A Lockton umbrella policy is unable to “sit” over the non-Lockton auto policy and will not extend the affiliate’s non-Lockton auto coverage.

Volunteer Accident

Volunteer Accidental Medical provides no-fault medical insurance coverage if a volunteer is injured.

- $5,000 Volunteers Accidental Death & Disability
- $250,000 Excess Medical Expense
- $10,000 Medicare or Eligible for Medicaid
- $50,000 Tricare or Eligible for Tricare

Directors and Officers Liability

Directors and officers liability insurance provides liability coverage for board members and corporate officers.

- $1,000,000 (including Employment Practices Liability if the affiliate or ASO has employees).

Workers Compensation

If the affiliate or ASO has paid staff, in such amounts as required by statute in states in which you operate.

- Your subcontractors should provide you with proof of insurance coverage.

Builders Risk (if the affiliate is actively building or rehabilitating homes)

Builders risk is a form of property insurance that covers property owners and builders for projects under construction, renovation or repair.

- Amount sufficient to cover completed values of work in progress

U.S. AFFILIATED ORGANIZATION POLICY 5

Comprehensive Financial

Habitat for Humanity®

Adopted: October 2007
Last reviewed: March 2022

1.0 Purpose

The purpose of this policy is to set standards for affiliate financial management.

2.0 Policy

Affiliates must follow the standards and guidelines set forth in the **Affiliate Operations Manual: Financial Policies and Procedures** specifically on the topic of financial controls:

- Cash
- Bank accounts
- Credit cards
- Payables
- Excess cash
- Monthly/annual reports
- Independent audits
- Insurance

3.0 Rationale

This policy covers the protection of assets and includes everything from ensuring that funds aren't misappropriated to protecting inventory from being stolen, to maintaining insurance coverage against these risks. Steps to minimize risks to an affiliate's financial stability must be put in place to protect assets.

The rationales for protecting affiliate funds are both vitally important and varied:

- Every dollar lost because of theft is a dollar that is taken away from building houses.
- Habitat for Humanity is entrusted with donated funds in order to carry out our mission. Our donors expect us to be good stewards of those funds and to make sure they are used in an appropriate manner.
- Habitat for Humanity has pledged that the house payments each homeowner makes will be used to help other people in need of shelter. If there is a failure to protect those funds, then the pledge and partnership with homeowners is broken.

SUPPORTING RESOURCES:

Affiliate Operations Manual: Financial Policies and Procedures

22-84250/PDF/L/08-2022/ARS

U.S. AFFILIATED ORGANIZATION POLICY 7

Construction Standards

Habitat for Humanity®

Adopted: October 2007

1.0 Purpose

To set the basic requirements for construction practices for Habitat for Humanity affiliates.

2.0 Policy

- Affiliate builds to Habitat for Humanity International house design criteria, with exceptions for local and community requirements and ordinances.
- Affiliate builds to a minimum ENERGY STAR® and healthy indoor air quality standard.
- Affiliate builds to minimum durability standards that address local geographic, climatic and disaster issues.
- Affiliate adopts and implements a written safety policy.
- Affiliate utilizes a written construction management program.
- Affiliate provides construction, home operation and maintenance training.

3.0 Rationale

As stated in the Covenant, construction practices should reflect the Habitat philosophy of building simple and decent houses. Affiliate construction practices and procedures should follow the examples and processes described in the Affiliate Operations Manual: Construction.

SUPPORTING RESOURCES:

Design Criteria (chapter 5 of the Affiliate Operations Manual: Construction)
U.S. Construction Standards

#14636

Habitat for Humanity®
Northern Lights

Building houses, building hope

618 3rd St NE
Minot, ND 58703
(701) 852-9799

January 19, 2023

To: ND Senate State and Local Government Committee

From: Roxy Volk, Executive Director of Habitat for Humanity Northern Lights

Re: Support of SB No. 2207, Contractor Licensing Exceptions

Hello ND legislators,

I'm writing on behalf of Minot's Habitat for Humanity to ask for your support of Senate Bill No. 2207 relating to contractor licensing exceptions.

As you may or may not know, non-profits are required to hire a General Contractor or must have a contractor license to build affordable houses in our state. Being a small Habitat affiliate with a small budget, it's difficult to incur this added expense. Even if we apply and receive a ND contractor license, the annual renewal expense is unaffordable when we only build or rehabilitate a house every few years when our budget allows.

We hope you will support this bipartisan bill with the common goal of helping solve the problem of providing simple, decent and affordable housing for low-income families in North Dakota. Please know the passage of this bill doesn't change our requirements to comply with all building codes, we still enjoy numerous visits from multiple local building inspectors!

If you have any questions, please feel free to contact me at minot.habitat@hotmail.com or Jim in Fargo at jim@lakeagassizhabitat.org or Marisa in Grand Forks at marisa@rrvhabitat.com.

We thank you in advance!

Roxy Volk

Roxy Volk
Executive Director
Habitat for Humanity Northern Lights
Minot.habitat@hotmail.com

NOTICE: The federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program; or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. The federal agency that administers compliance with this law concerning this creditor is the Federal Trade Commission, Washington, D.C. 20580.

EQUAL HOUSING OPPORTUNITY

We are pledged to the letter and spirit of U.S. policy for the achievement of equal housing opportunity throughout the nation. We encourage and support an affirmative advertising and marketing program in which there are no barriers to obtaining housing because of race, color, religion, sex, handicap, familial status, or national origin.

STABLE, AFFORDABLE HOUSING AND ITS EFFECTS ON HUMAN CAPITAL

(WEALTH, HEALTH, AND EDUCATION)

A Paper
Submitted to the Graduate Faculty
of the
North Dakota State University
of Agriculture and Applied Science

By

Marisa Sauceda

In Partial Fulfillment of the Requirements
for the Degree of
MASTER OF ARTS

Major Program:
Community Development

December 2020

Fargo, North Dakota

North Dakota State University
Graduate School

Title

STABLE, AFFORDABLE HOUSING AND ITS EFFECTS ON HUMAN CAPITAL (WEALTH, HEALTH, AND EDUCATION)

By

Marisa Sauceda

The Supervisory Committee certifies that this ***disquisition*** complies with North Dakota State University's regulations and meets the accepted standards for the degree of

MASTER OF ARTS

SUPERVISORY COMMITTEE:

Christopher Whitsel
Chair

Dane Mataic

Ellen Rubinstein

Approved:

12/22/2020	Christopher Whitsel
Date	Department Chair

ABSTRACT

This paper was written with the intent to inform or persuade policymakers and state and local officials on the topic of affordable housing. The guiding question in the below research asks what the effect stable, affordable housing has on three categories of human capital; Health, Wealth, and Education. The introduction reviews the history of housing including housing policy, the housing market, and the housing gap minorities face in America. Following the introduction is a literature review detailing the effects stable, affordable housing, or lack thereof, has on a household financial stability and wealth, physical and mental health, and education. Housing may be used as a catalyst for community change. The conclusion discusses policy recommendations that can affect that change by increasing access to affordable housing, closing the housing gap, and allowing low-income and minority households to build wealth and pursue opportunities for success.

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CHAPTER 1. INTRODUCTION

The supply of affordable, available homes is shrinking and no state in America has an adequate supply of affordable homes for low-income households (NLIHC, 2020). As prices rise faster than incomes, low-income families who are unable to pay higher rents face eviction and forced relocation. Homeownership is decreasing as American households stretch their budget to make ends and young adults report lacking financial resources to enter homeownership (Lee, Kilduff, and Mather, 2020). High rental prices can also prevent a household from being able to save for a down payment on a starter home. For example, in 2018 North Dakota had only 51 available, affordable housing options for every 100 extremely low-income households (households earning at or below 30% of the area median income), and 66% of low-income households (earning at or below 80% of the area median income) are left with mostly cost burdening housing options (NLIHC, 2020). Statewide, there is currently a shortage of 12,941 affordable rental units for low-income and extremely low-income households.

This paper examines the relationship between stable, affordable housing and human capital by looking at wealth and financial stability, physical and mental health, and education. Housing and its effects on health, poverty, and education have been a central policy issue in America since the mid 1800's. The first housing policy, the New York Housing Act of 1879, sought to improve living conditions for New Yorkers because "there can be no question that the three great scourges of mankind - disease, poverty, and crime - are in large measure due to bad housing," observed the New York Commissioner of the Tenement Housing Department in 1879 (Martens, 2009).

Affordable housing is typically defined using the national affordability standard of 30% of the household's annual income for mortgage/rent, insurance, and taxes. The home should also be safe, meet city code requirements, and have suitable space relative to the size of the household. However, Bratt, Stone, and Hartman (2006) suggest that the measurement of 30% of income is too generous and can be a stretch for larger households. This is addressed briefly in section 2.2 but is not used as the standard definition of affordability nationally or for this discussion.

A low-income household is defined by the Department of Housing and Urban Development as a household earning a gross income of 80% or less of the area median income in the community the household resides in, relative to household size (NLIHC, 2020). For example, a 4-person household in North Dakota making $100,778.33 is considered to be earning 100% of the area median income. A low-income 4-person household in North Dakota would be earning $80,622.66 or less annually (nd.gov, 2020). An extremely low-income 4-person household, making 30% or less of the area median income, would be earning $30,233.50 or less annually.

The definition of stable housing was developed using information gathered from existing literature as well as professional knowledge I have obtained while working for Habitat for Humanity. For this discussion, it is defined as housing that is available to the household for as long as they wish to live there, the household does not fear eviction or foreclosure, and the monthly cost of the mortgage/rent stays affordable.

The paper starts with an overview of the housing market to explain how housing filters through income categories. This leads to an overview of the housing gap and housing inequality in America, including how we got there and who it effects. The importance of human capital and how inadequate housing effects a community’s human capital closes the introduction, leading to the guiding question of the paper. Does stable, affordable housing have an effect on human capital?

Following the introduction is a literature review that explores the guiding question in the areas of Wealth and Financial Stability, Mental and Physical Health, and Education. After discussing the findings of the literature review, the paper concludes with research gaps and policy recommendations for affordable and equitable housing in America.

1.1. The Housing Market

The housing market is like any other, driven by supply and demand. Housing prices change based on the amount of supply in proportion to the current demand for housing. New housing is subject to a cycle of values decreasing over time because of wear and tear if not updated, then filtering down to low-income housing. What was once high-income housing may be low-income rentals 100 years after it was built. Houses filter through income categories as they get older and depreciate in value.

There are two main types of housing options, rental housing and owner-occupied housing. An owner-occupied home is a house that is owned by the occupant. The occupant may be making mortgage payments each month or may own the home without any liens. A rental home is a house owned by one person(s) but occupied by another person(s). The occupant pays a monthly fee to the owner and the agreement is generally settled by a contract outlining the amount of time the occupant may reside in the home. Renting is ideal for young households such as university students or those saving for a down payment to purchase a home, highly mobile professionals, and temporary residents. This paper examines both areas of housing as there are many barriers to ownership for low-income households, detailed in the next section, that force low-income households into rental homes.

The housing market directly impacts the affordable housing gap. There are housing options built specifically for high-income households, middle-income households, or low-income households. Each income category experiences a level of demand proportionate to the number of buyers in that income range at any one time. Each home constructed by development companies for the purposes of making a profit is built with the intent of selling to a particular income group. Low-income housing will have less square footage, less amenities, and will generally be in a neighborhood with cheaper property values such as the inner city. High-income housing will be more luxurious with more amenities, space, and is often in suburban areas. Developers invest more money into building moderate- and high-income homes than low-income homes because they make a larger profit from moderate- and high-income households.

Currently, there is one incentive for developers to build affordable housing options. The Low-Income Housing Tax Credit (LIHTC) was introduced in 1987 and provided a set amount of credits to each state relative to its population. State officials then funnel the credits to communities in their state based on the need for affordable housing. The credits are given to developers who construct or rehabilitate affordable housing options to offset the low profit margin. As of 2019, 30% of the US affordable housing market was constructed or rehabbed using LIHTC (ProPublica, 2019). However, over 30 years after the program began, disparate impacts from the allocation of the tax credits have become a concern. Many state officials were found to have concentrated the majority of LIHTC in poorer communities with high minority populations. This results in the majority of affordable housing options being clumped into one low-income neighborhood in a low-opportunity area.

As of July 2019, there were 380,173 available housing units for the 314,903 households in North Dakota, 62% of which are owner-occupied (census.gov), and a shortage of almost 13,000 affordable rental units in the entire state (NLIHC, 2020). The median cost of a home in North Dakota in 2018 was $185,000. The state of North Dakota is largely rural with only three urban city centers, defined as having a population of 50,000 or greater, Bismarck, Grand Forks, and Fargo (usda.gov) housing 33% of the state's population. The residents of these cities pay a median $198,000-$235,000 to purchase a home, exceeding the national average of $205,000 (census.gov). Currently, there are 114 available affordable housing options for every 100 low-income households but only 51 available affordable housing options for every 100 extremely low-income households in North Dakota (NLIHC, 2020).

1.2. The Housing Gap Today

When discussing the history of housing in America, it's important to note that there are many instances of racist policy and practices that led to a wealth gap between white households and minority households, the effects of which are still experienced today by not only minority households, who are more likely to be housing cost burdened (NLIHC, 2020) but low-income households of all racial backgrounds. As a result of discriminatory lending and lack of access to credit, 73% of white households own their homes while only 47% of Latino households and 45% of black households own their homes (Sullivan et al, 2015; Lee, Parrott and Ahn, 2012). The effects of redlining, described below, allowed white homeowners to accrue wealth easier than minorities and pass that wealth from generation to generation. Today, there is a wealth gap of $102,798 for Latino families and $104,033 for black families compared to white families (Sullivan et al 2015).

Housing inequities began in the 30's with the practice of redlining. The formation of the Federal Housing Administration was intended to increase housing options, but the administration's programs benefitted mostly white middle-class households. Redlining allowed banks to deny mortgage loans to black households looking to buy property in white neighborhoods but also stated that disadvantaged (primarily African American) neighborhoods were a bad credit risk (Sullivan et al 2015; Rothstein, 2013) and the Federal Housing Authority subsidized housing development in white neighborhoods but not in black neighborhoods. The IRS gave tax incentives to churches operating in white neighborhoods (Rothstein, 2013) and city policy allowed delayed waste collection and electric and water companies to refuse service in black neighborhoods. This created the illusion that black neighborhoods were deteriorating and poorly maintained because of the black residents' lack of responsibility rather than the city's (Rothstein, 2013) and white, high income households were more likely to move away from these neighborhoods because of fear of declining property value and safety (Owens, 2015). Furthermore, the US Housing Act of 1937 allowed resources for low-income, affordable housing to be constrained and resources for middle- and high-income housing to flow through the market more abundantly with fewer restrictions and regulations (Martens, 2009). This forced low-income housing development to be located in separate communities, segregating classes. The Civil Rights Act of 1968 included the Fair Housing Act which was intended to eliminate unfair housing practices and discrimination based on protected characteristics, including race.

The Department of Housing and Urban Development (HUD) has implemented many policies and initiatives to undo the effects of redlining and racist policy but usually fall short and end up continuing the cycle (Tegeler, Haberle and Gayles, 2013; Owens, 2015). The Section 8 Housing Choice Voucher Program, implemented in the 1970's and still used today, was designed to give participants a choice of where they live. But the parameters often pushed them to low-opportunity areas (Tegeler, Haberle and Gayles, 2013). The Fair Market Rent System often limits voucher holders from moving to high opportunity areas and steers them towards high poverty areas (Tegeler, Haberle and Gayles, 2013). No incentives are offered to Public Housing Authorities (PHA's) to help families move to higher opportunity areas and HUD prioritizes quick utilization of vouchers which many PHA's have interpreted as getting families housed as quickly as possible without regard to location (Tegeler, Haberle and Gayles, 2013). At the same time, The Administrative Fee System disincentivizes PHA's from helping families make opportunity moves. If the process takes a long time and families move out of the PHA's jurisdiction, the PHA loses part of its administrative fee (Tegeler, Haberle and Gayles, 2013). In 2015, only one in four households eligible for HUD housing subsidies were receiving assistance (Ellen and Glied, 2015).

A rising problem in metropolitan areas of the US is new temporary rental apps and services such as Airbnb. Densely populated cities like New York, NY experienced landlords evicting tenants to have space available for tourists and temporary renters who can pay more than long term renters (Monroe, 2014). This problem caused rental markets in cities with already rising prices to jump and displace low-income renters. This is because temporary lodging and housing, two goods traditionally bought on different markets, are now competing (Monroe, 2014).

1.3. Human Capital

A goal of this paper is to study the link between housing and wealth, health, and education, which are components of Human Capital (Emery and Flora, 2006). There are seven categories of the Community Capitals Framework, natural, built, financial, political, social, cultural, and human capital. Each of the seven capitals are essential to successful community development. A community's human capital is its resident base. Human capital encompasses the skills and talents of the residents as well as their desire and ability to lead and participate in community events and development initiatives (Emery and Flora, 2006). Greater financial opportunity for a community's human capital opens the door to greater educational opportunities, and greater financial security and knowledge lead to better mental and physical health. This assertion leads to the guiding question that will be used when analyzing the available literature. Does housing have an effect on specific areas of opportunity for households? How do those effects change as housing situations change?

1.4. Guiding Question

I write this as a professional in the housing industry, working as an executive officer for an American Habitat for Humanity affiliate located in the Red River Valley of North Dakota. Habitat for Humanity's program is designed to help program recipients pull themselves out of poverty by assisting them in securing stable, affordable housing. I noticed that many Habitat for Humanity applicants cite medical bills for existing medical conditions, and lack of financial capital (perhaps because of a lack of higher education valued in the employment sector today) as reasons why they are unable to enter into homeownership on their own. In my work and studies, lack of stable, affordable housing for low-income households has appeared to correlate with negative impacts on financial stability, education, and physical and mental health. With human capital being an essential element to community success, the greater the opportunity for community residents to be successful, the greater benefit it will have on the community. The below literature review explores the effects stable, affordable housing, or lack thereof, has on each category; Wealth and Financial Stability, Physical and Mental Health, and Education.

This guiding question developed not because it is refuted that stable, affordable housing impacts human capital, but because there seems to be a lack of incentive for developers to build affordable housing and build it in high opportunity neighborhoods with high rates of homeownership (the benefits of these neighborhoods are explained in Chapter 2). The Department of Housing and Urban Development implemented the Low-Income Housing Tax

Credit (LIHTC) for developers building affordable housing, but this incentive has not produced the desired effect. According to Tegeler, Haberle and Gayles (2013), the program failed to define or enforce discrimination guidelines and eligible neighborhood requirements for builders. The information in this paper can be used to understand the need for and importance of stable, affordable housing and develop housing policy that is fair and effective for households of all demographics and income levels.

CHAPTER 2. LITERATURE REVIEW

The three components of human capital this paper examines in relation to stable, affordable housing were chosen as areas of needs that must be met in order to support successful human capital in a given community. Without financial stability and the opportunity to build wealth, households cannot fully participate in their community's economy or make ends meet. Risking physical or mental health in substandard housing keeps households from reaching economic potential and may impair the ability to contribute to a community's social capital. Lack of education and opportunities for higher education also keeps households from reaching their economic potential and effects financial stability, wealth accruement, and ability to properly care for their mental or physical health. This literature review explores each category as it relates to stable, affordable housing and the effects lack of adequate housing has on each category.

2.1. Wealth and Financial Stability

Across the majority of literature reviewed, it was noted by many authors and researchers that housing is the single greatest expense for most American households. 38 million US households struggle with housing costs (Aspen Institute, 2020). 1 in 3 US households rent rather than own, and renters are twice as likely to be cost burned by housing expenses. Over 12% (16 million) of households pay 50% or more of their income on housing costs and over 1.4 million children experience homelessness (Aspen Institute, 2020). Low-income households spend a higher percentage of their income on housing than middle- or high-income households and the majority of minority households cannot afford to spend 30% or more of their income on housing (Lee, Parrott and Ahn, 2012). In 2011, 87.8% of low-income households were cost burdened by their housing expenses with many paying more than 50% of their income to rent or mortgage (Ellen and Glied, 2015). In 2020, 66% of low-income households in North Dakota are cost burdened by housing expenses. Unaffordable housing leaves little opportunity for households to invest, save for their future, and build wealth.

Homeownership provides access to wealth for long term homeowners as their property values appreciate. The national average yearly increase in home values is $6,800 (Killewald and Bryan, 2016). And the median return on investment in the US housing market is $14,000 (Wang et al., 2019). However, homes located in poverty neighborhoods are less likely to appreciate in value. In 2017, the average worth of a homeowner in America was $231,000 and only $5,000 for renters (Wang et al., 2019) because monthly rent payments do not build equity for the tenant. Housing wealth can be passed down to the household's children for education and home buying opportunities.

Wealth is defined as a household's total income and assets less any debts, also referred to as net worth. Wealth allows for financial security and greater opportunities for a household's future and its children's future. 60% of wealth held by the American middle class is in the form of home equity (Shapiro, 2006). The practice of redlining in the 30's and 40's unequally distributed homeownership opportunities between minority households and white households. The ability for white households to enter homeownership in the 40's and then continue to pass down wealth accrued through home equity from generation to generation gives white households an economic advantage today, even though housing discrimination is outlawed and less common. Before the civil rights movement, minorities had limited access to wealth and even today, there are still barriers to wealth accumulation for minorities. Making wealth harder to access for minorities now ensures future inequality as white households pass their wealth to their children while minority households cannot. The worth of the average white household is $73,000 more than that of the average black household (Shapiro, 2006). That breaks down to just one dime in wealth for a black household, for every dollar in wealth a white household has. Because of the ability to pass wealth from generation to generation, white households can afford to enter homeownership at a younger age than minorities. Nearly half of white homeowners report receiving significant financial help from family while 90% of black homeowners report financing their home all on their own (Shapiro, 2006).

Low-income households struggle to transition to homeownership because of lack of funds for a down payment or closing costs, or credit barriers such as a low credit score. The higher the household income, the more likely they are to enter into homeownership. Wealth is calculated as a household’s assets less its debts. In US households with wealth over $500, for every $5,000 in wealth they accrue, their chances of entering into homeownership increase by 2.9% (Di and Liu, 2007). Low-income households that participate in programs that provide a path to homeownership are more likely to pull themselves out of poverty. Homeownership forces households to save money by amortizing principle mortgage payments, this is done by dividing the total cost of the purchase amount, including annual interest, over the course of the loan period. For example a $200,000 home with a 3% interest rate and 30-year repayment period would result in a $843.21 monthly payment with an increasing portion of the payment going towards the principle of the loan the longer they own the home. The principle portion of the payment results in savings in the form of equity. The longer the household owns the home, the more equity it builds. Homeownership also saves the household money by generally reducing housing costs associated with inadequate rental housing such as increased heating costs for dilapidated windows and doors, increased water costs for running toilets and inadequate plumbing, and remediation supplies for small cases of mold and mildew; high rent costs; and homeowners receive tax benefits. This savings in reduced housing expenses when transitioning to homeownership is just under $2,100 per year (Killewald and Bryan, 2016). Grinstien-Weiss et al. (2011) studied homeowners and renters with similar socio-economic statuses over a three-year period and found that homeowners' net worth increased by $12,000 compared to renters. They even found that low- and middle-income households in owner-occupied housing can better withstand an economic downturn than renters because of greater financial security.

The financial benefits of homeownership are a great incentive for households to create a goal of one day owning a home, whether that means saving for a down payment, pursuing programs that increase access to homeownership for low-income households, or both. However, Boehm and Schlottmann (2008) found that minority households still face challenges in accessing this type of investment, even though they need it the most. Boehm and Scholttmann observed 5000 households in median- or low-income brackets from 1984-1992 as they entered into homeownership or continued renting, to determine the role homeownership plays in wealth accumulation. They found that Minority households in owner-occupied housing rely more on their housing asset for wealth than white households. This is because on average, white households see annual increases of $1000-$2000 in non-housing wealth where minority households' annual non-housing wealth increases are $0 on average. Boehm and Schlottmann also discovered what they call the housing hierarchy, discussed later in this section, that enables homeowners to capitalize on their accrued home equity by selling their home and purchasing a more expensive home. Thus, allowing the household to continue building wealth as property values increase and they move up the housing hierarchy.

In addition to challenges faced by low-income minority households because of lack of funds, they are also 7% less likely to enter homeownership than similarly economically situated white households because of greater wealth requirements for minority loan applicants (Di and

Liu, 2007). Black homebuyers are 60% more likely than white homebuyers to be denied credit for purchasing a home and when approved, face a higher interest rate, costing black homebuyers about $12,000 more for a similarly priced 30 year mortgage held by a white homebuyer (Shapiro, 2006). Further, the wealth benefits of homeownership are 20% ($2,000) lower for black homeowners and, black and Hispanic households are more likely to exit homeownership and return to renting (Killewald and Bryan, 2016; Boehm and Schlottmann, 2008).

Greater access to affordable housing reduces reliance on government assistance programs, improves education and job prospects, improves employment stability, and improves financial stability so households are better able to pay other bills and spend money at local businesses (Aspen Institute, 2020). Homeowners experience lower rates of unemployment, public assistance use, and poverty compared to similarly economically situated renters. Net worth and liquid assets are higher among homeowners as homeownership yields greater financial benefit (Grinstien-Weiss et al., 2011).

Children in owner-occupied housing tend to complete higher levels of education providing greater economic opportunity (Retsinas and Belsky, 2002). The likelihood of a child owning a home is greater if they grew up in owner-occupied housing. Children who grew up in rental housing or other housing situations are less likely to enter homeownership because they do not perceive homeownership as beneficial because of lack of experience with homeownership (Retsinas and Belsky, 2002). Low-income households who attempt to improve their housing situation by using public assistance, in any form, produce children who earn more income as adults than low-income households not receiving public housing assistance (Andersson et al., 2018). For low-income households receiving housing assistance, they were more likely to find better employment opportunities and/or increased earnings and own a home in the future compared to low-income households not receiving housing assistance (Verma, Riccio, and Azurdia, 2003).

Homeownership also has indirect benefits to wealth growth. For example, the equity a household has in its home can be leveraged to pursue income generating capital such as small business loans or student loans for educational and skill advancement (Di and Liu, 2007). Also, homeownership reduces rates of divorce and married households enjoy higher levels of wealth on average (Killewald and Bryan, 2016).

Bratt, Stone, and Hartman (2006) go one step further in the affordability discussion to suggest that the national affordability standard of 30% of a household’s income does not account for household size and thus, may be unaffordable to larger households. They argue that although a family may not fall into the cost-burdened category, they may still be “Shelter Poor” because after paying the monthly housing expenses, there is not enough disposable income leftover to cover other necessary expenses. When comparing a married couple with no children to a family of four with the same income and housing costs, the couple without children will have more funds leftover after paying housing expenses and other necessary costs for material items such as a down payment for a new car, high end clothing, or just for saving. The family of four will need to purchase more food than the couple without kids and will have other expenses for children such as clothing, childcare, toys, diapers, school supplies, etc.

Boehm and Schlottmann (2008) study what they call, the housing hierarchy. This is explained as an opportunity for households to continue to build wealth as they move from one owned home to another. The idea is that after entering homeownership for the first time and seeing an increase in the property value, households cash in on their investment by selling the home for a profit and use their increase in wealth to purchase a higher value home. What they found was that as households work their way up the housing hierarchy, wealth increases as well, and the return on investment is larger each time. However, low-income households, especially minorities, are less likely to be able to move up the hierarchy even after attaining homeownership for the first time.

It is important to note (and this will be a theme in each section of this chapter), that across the literature, there is a question of whether housing is the cause of, in this case, greater wealth or whether having greater wealth makes a household more likely to own their residence. Homeownership is an investment that requires money up front for a down payment, insurance, closing costs, and other possible fees for purchasing a property. This can be hard to achieve for low-income households with little savings. However, with persistent savings, housing assistance, or other programs such as Habitat for Humanity, low-income households that are able to enter into homeownership, experience financial benefit.

2.2. Physical and Mental Health

Low-income families experience higher rates of housing instability and are 2.2 times more likely to live in substandard housing (Krieger and Higgins, 2002) which can cause psychological distress in adults and socioemotional problems in children (Evans, 2003). And lack of safe affordable housing options may lead parents to settle for units with unsafe qualities such as toxins that alter brain chemistry or improper fire detection. There is a correlation between undesirable living conditions and negative health outcomes for children and adults (Ellen and Glied, 2015). However, much of the literature questions whether negative health is a product of inadequate housing or whether household with pre-existing medical conditions and predisposition to health issues may be choosing unhealthy housing because of its affordability, allowing the household to save for medical expenses. This section will expand on the physical and mental effects of unstable housing and inadequate affordable housing.

2.2.1. Physical Health

The negative side effects of unhealthy housing are a central concern to policy makers. Many regulations have created healthier living conditions for households in the past 150 years such as banning the use of lead paint or asbestos insulation and flooring, creating standard bedroom sizes, requiring proper plumbing, windows, fire detection and occupancy limits, and proper heating and ventilation (HVAC) systems. The policies and codes have reduced the chances of passing along infectious diseases, injury or accidental death, and other physical health hazards. But houses built before some or all of these policies were enacted risk occupants' safety if not properly cared for and updated as city building codes change. These older, unremedied houses will go down in value the longer they sit un-updated, becoming low-income housing as the price goes down. This poses a greater risk to low-income households as healthy housing may be out of their price range.

Inner-city households are more likely to be exposed to housing related neurotoxicants and pests such as cockroaches or mice and rats (Breysse et al., 2004). 17% of low-income children have blood lead levels higher than normal because of the greater risk of exposure to lead based paint (Breysse et al., 2004). Lead poisoning can negatively affect the brain, and neurodevelopment in children by changing synapse formation. Lead may also disrupt the child's ability to self-regulate behavior such as controlling emotional responses and focusing on tasks (Breysse et al., 2004; Ellen and Glied, 2015; Evans, 2003; Krieger and Higgins, 2002). Allergens such as pesticides, mold, mildew, and dust can increase the chances of developing or exacerbate existing asthma in children (Breysse et al., 2004; Ellen and Glied, 2015; Morrow, 2015; Krieger and Higgins, 2002).

Pests such as bugs and rodents are harmful to health for many reasons (Breysee et al. 2004; Bonnefoy, 2007; Krieger and Higgins, 2002). They can potentially carry disease and parasites that can be transmitted to the members of the household. They carry in dust and dirt that can exacerbate asthma or respiratory illnesses. Poisonous or harmful bugs can cause skin irritation, illness, or allergic reactions. Pests can also contaminate food and water supply with their excrement or fluids. Pests are found more frequently in low-income housing because of dilapidation such as improper drainage systems, leaking roofs, windows that do not shut correctly, and poor ventilation systems (Bonnefoy, 2007).

Accidental falls are the leading type of residential injury in children, an estimated 3 million children visit the emergency department per year due to accident falls (Breysse et al., 2004). The primary cause of residential falls are lack of safety and city code requirements in residential buildings such as lack of grab bars on stairs, window guards, structural defects, or insufficient lighting (Breysse et al., 2004). Accidental residential injuries occur more frequently in low-income households because of substandard conditions and lack of resources to make repairs (Krieger and Higgins, 2002). Housing options affordable to low-income households may lack routine safety and city building code inspections (Krieger and Higgins, 2002), therefore these households must choose between healthy housing and affordable housing (Breysse et al., 2004; Morrow, 2015).

In addition to settling for unhealthy housing, cost burned households, those paying more than 30% of their income for monthly housing expenses, have less money available to spend on nutritious food and comprehensive healthcare (Ellen and Glied, 2015). Homeless and unstably housed households also face higher healthcare costs because of the negative health effects of living in substandard housing or homelessness (Bailey, 2020). One link that Bailey (2020) found was that highly mobile households face increased risk of disease, lack of security seeking shelter in unsafe places, and psychological distress that may lead to substance abuse resulting in the need for expensive emergency care.

Substandard housing tends to clump together (ProPublica, 2019). Entire neighborhoods can be dilapidated low-income housing, pushing less advantaged socioeconomic households to one area. The lack of resources allocated to these neighborhoods also effects households health simply because of the location of the housing unit. Disadvantaged neighborhoods with high concentrations of low-income occupants often lack proper outdoor space for recreation or walkability, lack of shopping and dining options with nutritious food and abundant fast food options, result in higher rates of obesity and related health problems (Bonnefoy, 2007; Morrow, 2015, Ellen and Glied, 2015; Krieger and Higgins, 2002).

2.2.2. Mental Health

Americans spend more time in their home than any other setting, children spend 80%-90% of their time indoors (Breysse et al., 2004, Evans et al., 2000, Evans, 2003) and apartment and multi-family dwellings restrict families' ability to play outside the housing unit even more (Evans et al., 2000). This also limits the household's ability to make social connections with neighbors resulting in feelings of social isolation and loneliness. Young mothers and their children in particular, suffer higher rates of psychological distress when living in high rise buildings, with low-income households experiencing psychological distress at higher rates than other income brackets (Evans, 2003). Parental depression, psychological distress and other mental health problems can have negative impacts on children as well, including behavioral problems, poor social development, and other mental health issues (Bailey, 2020). Haurin, Parcel, and Haurin (2001) examined the link between homeownership and a child's success later in life. Part of the study accounted for cognitive and emotional development in the household's children. They found that stable homeownership increases cognitive function by 23% and emotional support by 13% in children and decreases behavioral problems by 3%.

As with physical health, exposure to chemicals such as manganese, lead, and other heavy metals have consequences for mental health. These chemicals inhibit brain development in children and can cause anxiety and depression in adults (Breysse et al., 2004, Evans, 2003). Households aware of their exposure to unsafe chemicals that lack the resources or landlord support to fix the problem reported distress and feelings of helplessness.

Unstably housed households facing displacement report feelings of anxiety and depression increasing. 37% of the American homeless population is displaced families (Samuels et al., 2015). Rates of depression, substance use, and other mental illness were higher among homeless single mothers compared to housed single mothers, when controlled for other characteristics (Samuels et al., 2015). In Samuels et al.'s 2015 study, at baseline the homeless mothers studied were experiencing mental illness symptoms at a rate of between 73% to 77%. After relocating to stable housing, the rate of mental illness decreased to between 38% to 43% among the group studied.

Households that struggle to find housing may move in with other households and crowd two or three families into a single-family home (Morrow, 2015). In 2018, over 14% of children in America were living in overcrowded conditions (kidsdata.org), defined as more than 1 persons per room (HUD, 2007). This includes bedrooms, bathrooms, living and common areas such as family rooms, dining rooms, kitchens, storage rooms, and enclosed porches. Overcrowding in the home and excessive noise from the neighborhood environment can cause increased aggression, stress, social isolation, and helplessness (Aiello, Nicosia, and Thompson, 1979; Evans, 2003;

Ellen and Glied, 2015; Krieger and Higgins, 2002). Aiello, Nicosia, and Thompson (1979) specifically studied the effects of overcrowding in children by comparing body temperature and emotional state after spending 30 minutes in either crowded or uncrowded spaces. When controlled for age, gender, race, and ability level, they found that the children, particularly males, that were in the crowded spaces reported higher levels of annoyance, frustration, and anger after just a 30-minute experience.

Households living in apartment buildings or multi-family units have less control over their residential environment as they share recreational, entrance, and common areas with neighbors. Increased noise from neighbors and visitors, lack of privacy, and inadequate sense of ownership resulting in feelings of detachment from the home can cause or exacerbate psychiatric or emotional disorders (Evans, 2003; Bonnefoy, 2007). And apartment buildings with units that open out onto exposed walkways with outdoor staircases have the largest effect on mental health than any other home type. Overall lack of control over one's living environment teaches helplessness (Evans, 2003).

In low- and moderate-income households moving from poor quality housing to better quality housing, not only did the psychological well-being and physical health of the household members improve (Evans et al., 2000; Dunn 1999, Krieger and Higgins, 2002, Bailey, 2020), but social relations and children's school performance improved as well. Housing quality is a significant predictor of psychological distress and physical wellness, and as housing quality increases, symptoms of psychological distress and physical ailments decrease (Evans et al., 2000, Krieger and Higgins, 2002, Bailey, 2020).

2.3. Education

The effect housing has on education is multi-faceted. This section is broken into three subsections, Homeownership; Public Assistance, Rental Housing, and Mobility; and Neighborhood Characteristics. Each subsection has a different effect on education with homeownership having the largest impact on education. It is important to note that the casual relationship between housing and education is hard to determine. There is evidence that as housing situations improve, educational attainment improves. But there is also evidence that the higher the education of the household, the more likely they will be able to enter into homeownership and choose to take on the financial responsibility of investing in a home.

Homeownership provides neighborhood stability for children (Gyourko and Linneman, 1997). Homeowners stay in their home for an average of 13 years while renters only stay in their home for an average of 2.5 years (Kutty, 2008). Residential stability allows children to continue education in one school district. Continuity and the ability to make and maintain social connections with classmates is better for educational outcomes (Whelan, 2017). The stability homeownership provides also allows parents to be more involved in their kids' academics, leading to greater academic achievement (Aaronson 1999) because the parents do not need to worry about moving, finding new housing options, working extra hours to make ends meet, or experiencing high levels of housing related stress. Homeowners also feel a greater responsibility to their neighborhoods and will invest more in community programs, opportunities, and businesses in their area (Whelan, 2017).

Unaffordable housing hinders the household's ability to pay for education expenses, extra-curricular activities, post-secondary education, and tutoring if needed (Kutty, 2008). Stress from high housing costs including the need to work more hours rather than supporting children's schooling (helping with homework, enforcing a homework schedule, attending parent teacher conferences, setting expectations for school performance) also impacts children's educational outcomes negatively (Kutty, 2008).

Children in owner-occupied housing receive better math and reading scores, are more likely to graduate from high school, and have better jobs (Whelan, 2017). When controlling for socio-economic variables, Haurin, Parcel, and Haurin, (2001a) found that children in owner-occupied housing preform 9% better in math skills than children of renters, reading skills are increased by 7%, and are 3% less likely to develop behavioral or cognitive problems that can hinder school performance. In addition, Harkness and Newman (2003) found that children of homeowners are 13% more likely to graduate from high school and 6% more likely to attend post-secondary education institutions than children of renters. Galster et al. (2007) further found that the more years a child lived in owner-occupied housing, the greater the chance they will graduate from high school, obtain a college degree, and own their own home, specifically 5% more likely to obtain a college degree and 2% more likely to own a home. Low-income homeowners experience the most benefit from homeownership because the financial discipline required to enter into homeownership with limited resources is indicative of value for and investment in human capital, including education (Whelan, 2017).

As mentioned earlier in this section, education may affect likelihood of homeownership rather than homeownership affecting the likelihood of attaining a higher education (Gyourko and Linneman, 1997). Homeownership is associated with better decision-making and parenting styles that influence greater educational attainment in children (Whelan, 2017). There is a significant correlation between parental homeownership and later educational and homeownership attainment of children. However, this correlation may be due to higher levels of education in the parents resulting in the ability to enter into homeownership rather than homeownership affecting education (Galster et al., 2007).

Households that own their homes can utilize the equity to pay for their children to attend college (Conley, 2001; Harkness and Newman, 2003; Whelan, 2017). For every $10,000 in equity earned by homeowners, the likelihood of their children attending college increases by .7 percentage points (Whelan, 2017). Overall, homeowners are wealthier than renters and can afford better education opportunities for their children and have a greater interest in investing in their community and its education institutions (Aaronson, 1999).

While homeowners benefit from increases in the housing market, it can be a detriment to renters because of rising rental costs (Whelan, 2017) and unaffordability is the main cause of mobility (Kutty, 2008). High rates of mobility reduce children's chances of high school graduation, especially when moving across state lines (Aaronson 1999). Highly mobile children are more likely to change schools which means changing teachers, curricula, and classmates. This effects education because low-income households usually move from one underfunded school to another (Crowley, 2003). The more times a child moves during the school year, the more class they miss and do not learn prerequisites with which to build on for future lessons (Crowley, 2003).

As established in the previous sections of this chapter, rental housing affordable to low-income households may come with safety and health risks. Poor quality housing negatively effects high school graduation and health issues caused or exacerbated by unsafe and unhealthy housing affect attendance at school and ability to pay attention in class because of the child's preoccupation with health issues or family stress (Kutty, 2008). To keep housing costs affordable, some housing units are filled with more than one household and overcrowded.

Overcrowding is a detriment to physical and mental health which can lead to lower levels of academic success. Children in overcrowded households do not have a quiet place of their own to study and do not get enough sleep, making it difficult to focus in class (Conley, 2001; Kutty, 2008). Overcrowding negatively correlates with high school graduation and reading scores, and can hinder cognitive development in children (Kutty, 2008). In addition to overcrowding, low-income households in inner city neighborhoods risk living in a district with underfunded schools because of the high rate of rentals in the area (Conley, 2001). Children from low-income households are also less likely to participate in after school or summer activities that advance social connections beneficial to academic performance (Rothstein, 2013).

Schwartz, Stiefel and Chalico (2007) followed students in New York City school districts from 1st through 8th grade. Approximately 50% of the students studied changed schools because of residential moves, the majority of which were black or Hispanic households. They found that students with high mobility rates received lower reading scores and the more frequent the student switched schools, the lower the reading scores. The more schools the student attends, the lower their overall academic performance by the 8th grade.

Chetty, Hendren, and Katz (2016) compared eligible households who received HUD section 8 housing vouchers to improve their housing situation to eligible households who did not receive section 8 housing vouchers. They found that the voucher recipients produced children that were 2.5% more likely to attend college as a young adult. The controlled groups were more likely to attend a better-quality post-secondary school, measured by tuition costs, by an almost $700 margin. The younger the child was when moving to improved housing using the HUD voucher, the more likely they were to attend college immediately following high school graduation whereas older children in the control group were more likely to wait a year or more before enrolling, if enrolling at all.

Harkness and Newman (2003) believe neighborhood (census tract) characteristics are more indicative of higher educational attainment than is housing type. For example, educational resources in the neighborhood such as libraries and museums have an indirect positive effect on children's education (Kutty, 2008). The benefit of improved social capital, the connections made between community members and organizations that form to develop social connection, in neighborhoods with a high homeownership rate also indirectly benefits children's educational outcomes (Harkness and Newman, 2003). Neighborhood stability increases the chances of households (parents and children) making stronger social connections with neighbors which is connected to greater educational attainment for children because of social capital bonding and the choices others around the children are making (i.e. if they are educated, if they value education, if they send their kids to post-secondary schools) (Galster et al., 2007). Living in a neighborhood with the majority of residents attaining high levels of education serve as role models for children and set an example of academic achievement (Kutty, 2008).

Children in disadvantaged neighborhoods tend to be less successful in school than their middle-class peers because of lack of health care access, undereducated parents, and inadequate housing causing them to move more frequently (Rothstein, 2013). Children in neighborhoods with higher poverty rates tend to have poorer performance in math and reading skills. Conversely, low-income children living in high opportunity neighborhoods were less likely to experience the negative effects of family poverty compared to low-income residents in low opportunity neighborhoods (Brandeis University, 2014). Children in high opportunity neighborhoods are also more likely to attend preschool and graduate from high school than children in low opportunity neighborhoods (Brandeis University, 2014). High opportunity neighborhoods with abundant job opportunities are safer because residents do not have to resort to illegal activities to generate income (Kutty, 2008).

Neighborhoods with high homeownership rates are more likely to have better funded schools. Schools are funded through the property taxes in the school's district. Taxes are assessed by calculating a set percentage of the property's overall value. The percentage varies between communities. Neighborhoods with high numbers of rental units have lower property value and therefore, are assessed lower taxes. This is because rental units are often neglected because of the lack of emotional investment in the home by both tenants and landlords, or because they are located in a part of the community undesirable to homebuyers such as the inner city with limited outdoor space. Because of the emotional investment the majority of residents have in high homeownership neighborhoods that compel them to care for and maintain their property, the higher the tax assessed value, which allows more funding for schools (Harkness and Newman, 2003). Schools with a high number of disadvantaged students have a hard time working with each student to overcome personal barriers to learning. Teachers have a harder time challenging their students or working one on one to evaluate strengths and weaknesses. Even with the best resources, racially and economically segregated schools have a hard time overcoming their failures because of the student's living conditions (Rothstein, 2013).

CHAPTER 3. CONCLUSION AND POLICY RECOMMENDATIONS

3.1. Conclusion

All categories of human capital increase substantially as housing security rises. Households receiving public housing assistance have a greater positive correlation than households in slum housing, homeowner's have a greater positive correlation than households renting or receiving public housing assistance, and homeowner's with more equity in their home have greater positive correlations than homeowner's with less equity in their home.

It is important to note a challenge observed in many of the reviewed literature is that households cannot be randomly assigned to housing therefore, the question of causation cannot be completely answered. Are barriers to financial stability, healthy housing, and educational attainment the cause of the housing available to the household or is their limited income, predisposition to health problems, and lower educational achievement the cause for their poor housing situation? In my professional opinion, the question of causation is abstract. I believe there are instances where the household's financial, health, or education challenges effects their ability to secure stable, affordable housing, but there are also instances where a household's housing is effecting their wealth, health, and/or education. Regardless, improving a household's ability to find and obtain stable, affordable housing will still benefit each of the three categories of human capital.

A household has the ability to increase its wealth through homeownership with the forced savings of mortgage amortization and equity (Killewald and Bryan, 2016; Grinstien-Weiss et al., 2011). The equity earned in a home can be used for other investments such as education, business ventures, or just a security blanket. Renters that are able to find affordable, adequate housing options are better able to save money for a down payment on a future home or for their education. Whereas cost burdened households struggle to afford the monthly rent/mortgage and have very little money left over for savings or investment.

Households that compromise safety and condition of housing for an affordable price are likely to suffer adverse health effects such as asthma, lead poisoning, or mental health issues like depression and anxiety (Breysse et al., 2004; Ellen and Glied, 2015; Morrow, 2015; Krieger and Higgins, 2002). Housing instability can exacerbate mental health issues and expose the household to unsafe conditions such as homelessness. Affordable homeownership provides stability which has shown to reduce mental health issues (Samuels et al., 2015) and allow households to mitigate unsafe hazards without barriers. The financial benefit of homeownership may also allow households to fund medical care better than cost burdened renters.

Housing stability also effects education. Stable housing ensures continued attendance in the same school district for a child (Kutty, 2008). Frequent moves reduce the child's ability to focus in school and learn prerequisites with which to build on for future lessons (Kutty, 2008). Neighborhood stability allows children to make social connections that benefit a child's emotional and cognitive development resulting in greater success in school (Whelan, 2017). Neighborhoods with high homeownership rates also have well-funded schools because of the higher property value (Conley, 2001). This allows the district to provide supplies and learning materials that enhance the child's education. Children of homeowners are also more likely to go onto post-secondary education (Harkness and Newman, 2003).

All three categories examined are related. Wealth and financial stability allow households to fund college education for their children or pay medical expenses without worry. Education allows a household to find better job opportunities and build wealth. Well educated households are able to make more informed health decisions and nutritional food choices. Households with greater wealth can afford nutritional foods and preventative healthcare. All three categories of human capital are essential for successful community members. Because of the benefits housing has on all three categories of human capital, it can be leveraged as a catalyst for change or development. The following federal policy recommendations outline starting points for improving housing affordability and homeownership access for all households, but especially for low-income minority households.

3.2. Policy Recommendations

Housing affordability should be a right for all Americans (Bratt, Stone, and Hartman, 2006). Neighborhood revitalization should include low-income housing units, including affordable properties for sale. Current and past policies that have tried to revitalize low-income neighborhoods resulted in gentrification and rising prices in the housing market, forcing out the income group the revitalization was intended to help (Ellen and Glied, 2015). Schools are funded mainly through the property taxes paid in the district the school is located in. Because of this, schools in neighborhoods with low property values and low homeownership rates are often underfunded. Perhaps the biggest change proposed in this paper is that school funding come from elsewhere, somewhere stable, such as a government bureau.

Lastly, greater access to proper home buyer education is important for successful homeowners. Currently, there are many ways to obtain a HUD approved home buyer education but it is not required by all lenders and is not easily accessible. Home buyer education teaches households how to protect their investment, the cost of buying and owning a home, how to care for and maintain a home, and how make informed decisions when buying and borrowing money. All Habitat for Humanity affiliates in America require partner families to complete a HUD approved homebuyer education before purchasing their Habitat home. This provides great results as many Habitat homeowners are inexperienced with homebuying and homeownership. In my Habitat affiliate's history of 31 years, only two homeowners have gone through foreclosure and none have reported the need for major home repairs that they cannot fix themselves. In other words, less than 1% of our affiliate's partner families have been unsuccessful in the Habitat for Humanity program. This is in part because the homebuyer education adequately prepares households for homeownership.

The following list details recommended policies that will improve housing affordability and stability for households of all income levels nationally.

- State housing finance agencies should regulate the renting and sale of revitalized housing units to ensure middle-and high-income households looking for cheap and decent housing in a new neighborhood do not push out the intended beneficiaries.
- Reorienting the Low-Income Housing Tax Credt (LIHTC) program to include specific building instructions and neighborhood requirements for developers to evenly distribute low-income housing options through all neighborhoods.
- Breysse et al. (2004). Suggests that rather than treating side effects of unhealthy housing, policy should eliminate safety loopholes for builders and landlords and educate homebuyers and renters about safety precautions and prevention.
- The Department of Housing and Urban Development or the Department of Education, or both, can allocate funds to each state for public school funding. Additional grant opportunities are also recommended for schools. In addition, property tax revenue can still be used for schools but rather than staying in the neighborhood, property taxes should be distributed evenly amongst school districts in the county to ensure equal education opportunities for all children regardless of race or income.

- Increased incentives for lenders offering low interest rates to low-income home buyers with a small or no down payment required will make financing a home more accessible to low-income households.
- Although there are many responsible lending laws for banks and other lenders, stricter lending laws and banishment of subprime lending will reduce the instance of cost burdened homeowners (Shapiro, 2006; Grinstien-Weiss et al., 2011).
- In addition, it is recommended that renters receive stronger protections against eviction to promote housing stability. The department of Housing and Urban Development has the ability to mobilize neighborhoods through state housing finance agencies, local housing authorities, and local governments, to form renters unions which it can fund through grants and provide information and resources to.
- It is recommended that policy require home buyer education before receiving a mortgage and require the education to be free with flexible options for completing the course (in person, online, or a combination).
- Boehm and Schlottmann (2008) also suggest policy or programs that allow or encourage incentives for households that move up the housing hierarchy after so many years of homeownership in the same house, to promote wealth accruement.

I further recommend continuing research on this topic by studying the question of causation more closely. This can be done by taking on an international scope by analyzing the housing market, healthcare, education, and financial status of households in countries with policies that differ from America's. It is also recommended that future research analyze the possible benefits middle- and high-income households may experience as a result of neighborhood integration and neighborhoods with mixed income classes. It is unfair that income status is indicative of the household's (and children's) future success. Further research on the topic may quell the "Not in My Backyard" push back affordable housing developers face when attempting to build housing options for low-income households in high opportunity areas.

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January 20, 2023

To: Chair Roers and members of the Senate State and Local Government Committee

From: Marisa Sauceda, Executive Director of Red River Valley Habitat for Humanity

Topic: Testimony in Support of Senate Bill 2207

Chair Roers and members of the Senate State and Local Government Committee, thank you for the opportunity to speak with you today regarding Senate Bill 2207 and Habitat for Humanity. My name is Marisa Sauceda and I am the Executive Director of the Red River Valley Habitat for Humanity located in Grand Forks. We serve both Grand Forks County North Dakota and Polk County Minnesota. The Red River Valley affiliate was established in 1989 and has slowly but steadily worked towards the mission of bringing people together to build homes, communities, and hope. In our 32 years of existence we've built as many houses and served as many low-income households on their way to achieving the American dream of homeownership.

My colleague, Jim, has given a great overview of our organization. I'd like to expand on the benefits of our program for Habitat homeowners to demonstrate why our program is essential and more specifically, how this bill that saves us time and money can help us increase our capacity to serve. There's additional information regarding the effects of safe, stable, affordable housing included in the supplemental materials titled STABLE, AFFORDABLE HOUSING AND ITS EFFECTS ON HUMAN CAPITAL.

As I note in my research beginning on page , the purchase of a home is the single largest purchase most Americans will ever make. Low-income households spend a higher percentage of their income on housing than middle- or high-income households. In 2020, 66% of North Dakota low-income households were housing cost burdened. This leaves little money leftover for savings or investment opportunities. As many of you know, homeownership is an investment. Property values see a general increase over a ten year period. Further, since Habitat homes are sold at a reduced price based on income, Habitat homeowners receive a larger return on their investment. Habitat for Humanity programs not only allow low-income households to reduce their cost burden, but at the same time, give them a path to wealth accrual. Habitat for Humanity believes that homeownership can be used as a tool to pull households out of poverty and break the poverty cycle for children by giving homeowners a long term investment opportunity with the potential to create generational wealth. Additionally, homeowners experience lower rates of unemployment, public assistance use, and poverty compared to similarly economically situated renters. Also noted in my research is the fact that low-income households struggle to transition to homeownership because of lack of funds for a down payment or closing costs. But low-income households that participate in programs that provide a path to homeownership, like Habitat for Humanity, are more likely to pull themselves out of poverty.

Homeowners stay in their home for an average of 13 years while renters only stay in their home for an average of 2.5 years. Residential stability improves cognitive function in children and allows children to continue education in one school district. Continuity in curriculum and social connections with classmates is better for educational outcomes. Children of homeowners are more likely to graduate high school, go onto college, and be able to make greater contributions to the North Dakota and community economy.

Given the benefits mentioned above and the many benefits I don't have time to list, adopting a bill that will increase Habitat for Humanity's capacity to serve will increase the number of households that we can help achieve these benefits. Without the requirement to obtain a contractor's license, the North Dakota Habitat affiliates will save time and resources. Although obtaining a contractor's license does not seem like an onerous task, a non-profit is unique in that we have limited resources and do not receive a return on our work. We rely on contributions from the community to fund our operations. The more resources we can allocate to direct construction, the quicker we can produce affordable housing, and the greater the contribution our donor has made to the community.

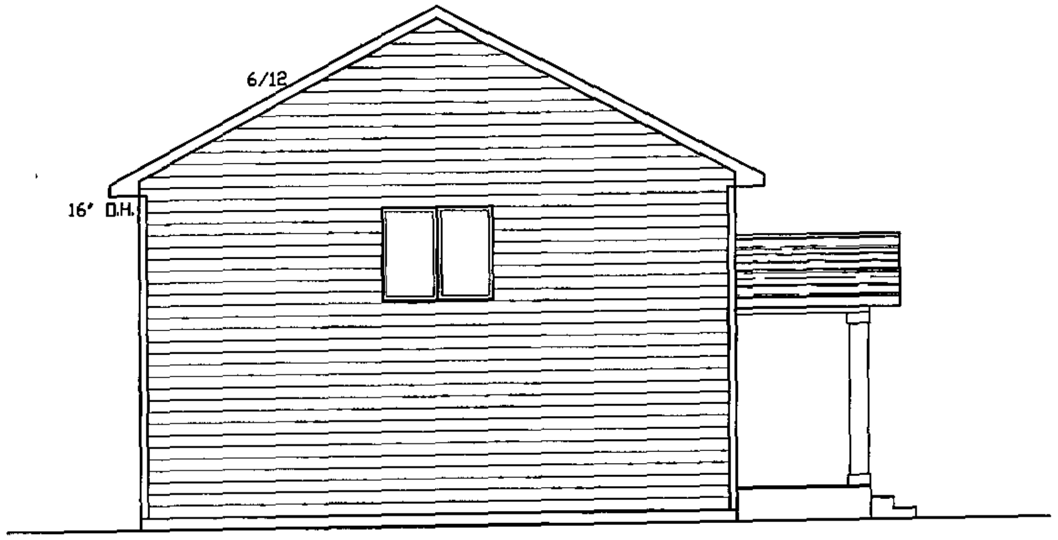
Since North Dakota Habitat for Humanity affiliates operate at a lower capacity than other states' affiliates, any measures our state can take now to increase North Dakota Habitats' capacity would be immensely helpful in adding to the state's supply of affordable housing. We would no longer need to rely on outside contractors to manage our projects and would be able to work with subcontractors directly. This increases our autonomy and sustainability allowing us to serve the state and our respective communities longer.

The pandemic led to a sharp rise in the cost of housing as well as materials to build housing. Income for low-income households has not risen at a commensurate rate. The past two years have shown that the need for affordable housing is increasing and Habitat for Humanity's ability to fill those needs should increase as well. Any small actions that our government can take to support our mission demonstrates a support for affordable housing throughout the state.

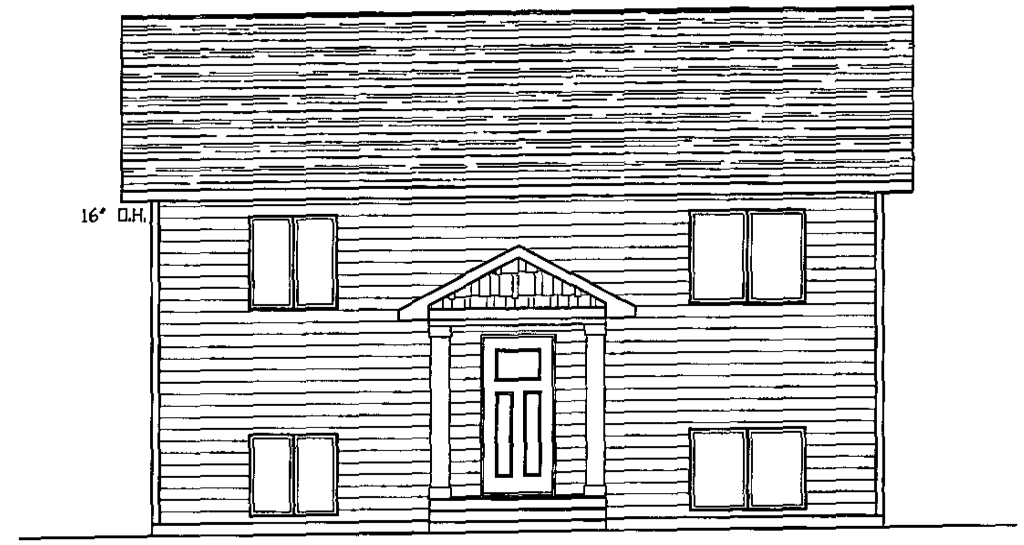
Like my colleague, I’ve submitted an example of a floorplan we’ve used and a story from one of our partner families.

Thank you again for the opportunity to discuss affordable housing and how our state can support our mission to provide a path to homeownership for low-income residents.

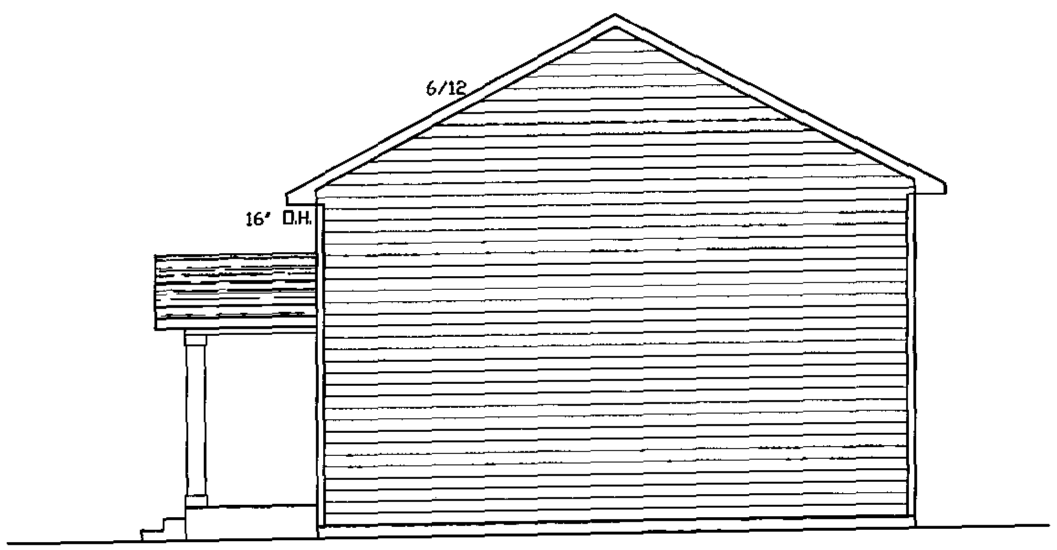
#14691



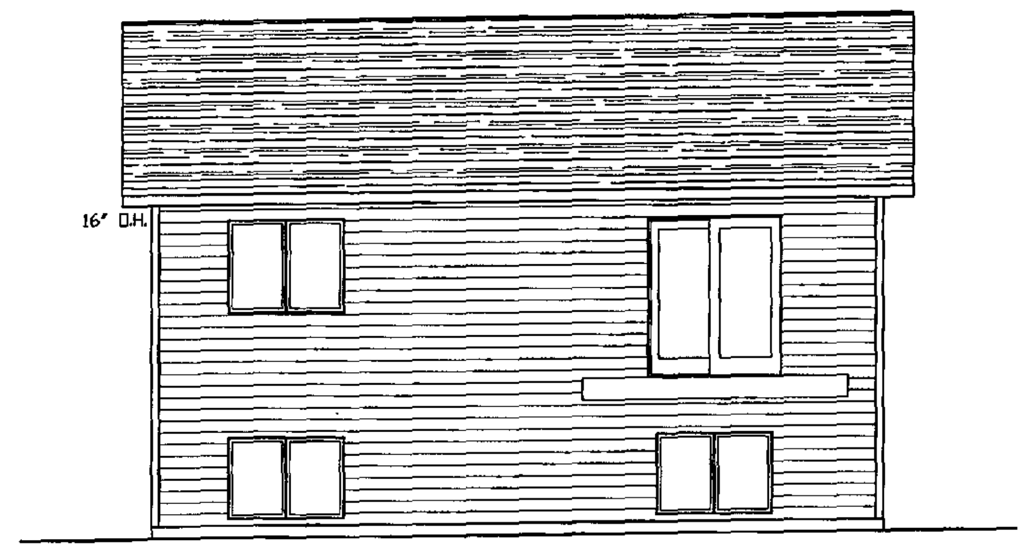
1 LEFT ELEVATION
1/8" = 1'-0"



2 FRONT ELEVATION
1/8" = 1'-0"



3 RIGHT ELEVATION
1/8" = 1'-0"

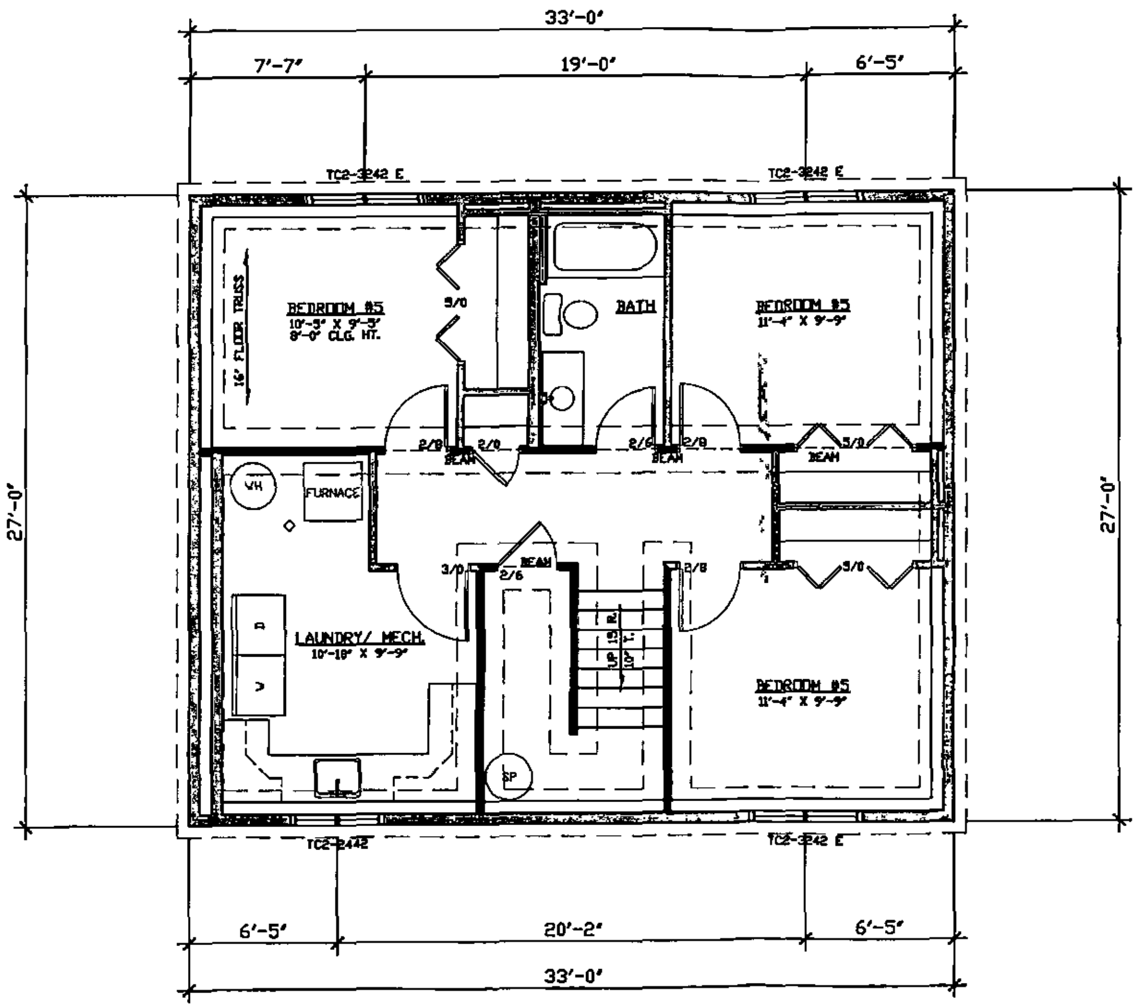


4 REAR ELEVATION
1/8" = 1'-0"

Lumber Mart Inc.
3551 S. 20TH ST. GRAND FORKS, ND 58201 PHONE: 701.772.1152 WWW.LUMBERMARTINC.COM
1910 BUSINESS HWY 2 EAST, EAST GRAND FORKS, MN 56721 PHONE: 218.773.1151 WWW.LUMBERMARTINC.COM

VILLAGE HOMES
HABITAT FOR HUMANITY
ADDRESS

DATE: 8-26-22
REVISED DATE: XX-XX-XX
JOB NUMBER: XXXXXX
DRAWN BY: NP
SHEET: 1



1 FOUNDATION PLAN

1/8" = 1'-0"

Lumber Mart Inc.

3551 S. 20TH ST. GRAND FORKS, ND 58201 1910 BUSINESS HWY 2 EAST, EAST GRAND FORKS, MN 56721
PHONE 701.772.1152 WWW.LUMBERMARTINC.COM PHONE: 218.773.1151 WWW.LUMBERMARTINC.COM

VILLAGE HOMES
HABITAT FOR HUMANITY
ADDRESS

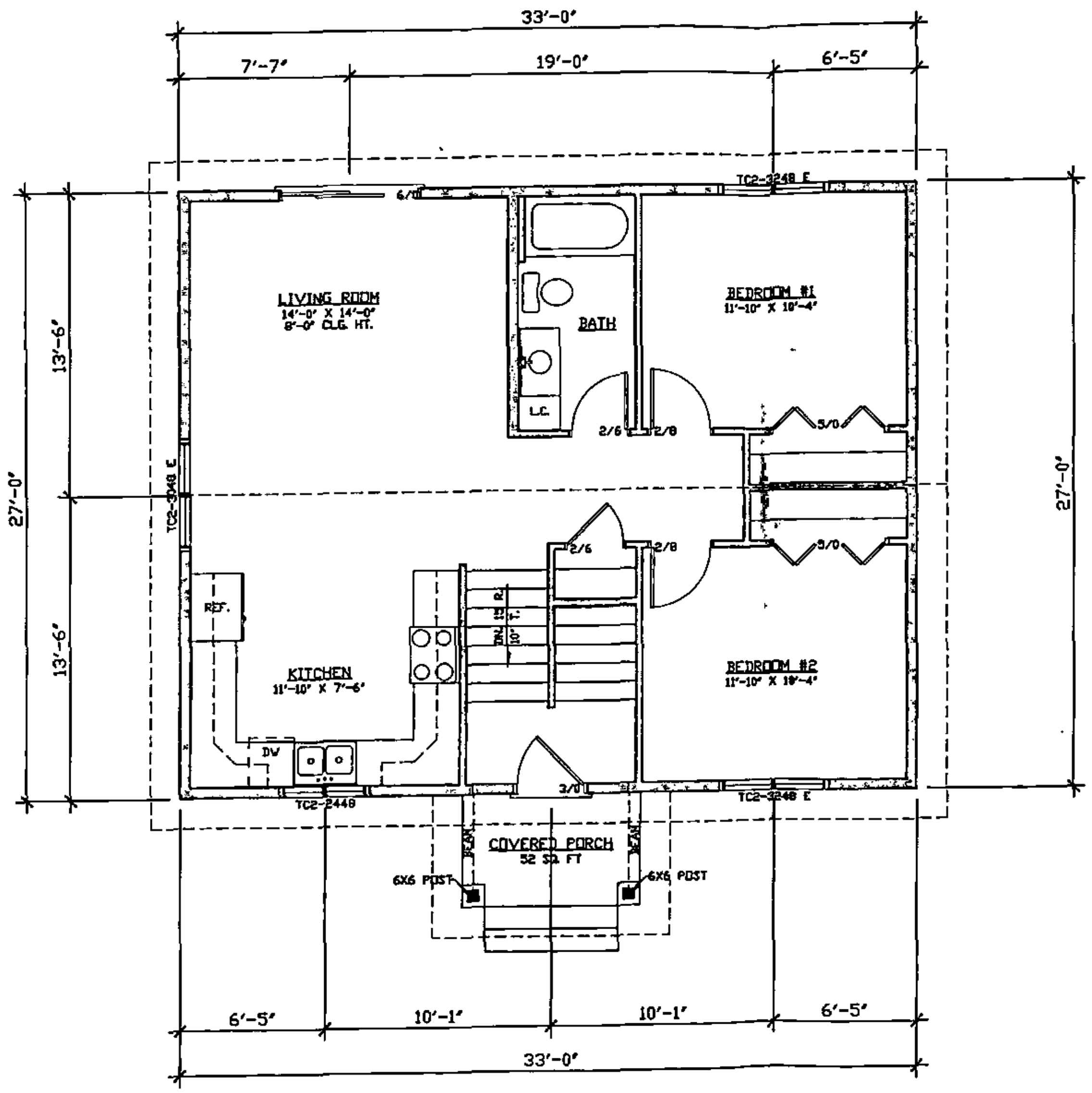
DATE: 8-26-22

REVISED DATE: XX-XX-XX

JOB NUMBER: XXXXXX

DRAWN BY: NP

SHEET: 2



SQUARE FOOTAGES	
FLOORS	AREAS
BASEMENT:	891 SF
MAIN FLOOR:	891 SF
TOTAL HEATED:	1782 SF

1 MAIN FLOOR PLAN
1/8" = 1'-0"

Lumber Mart Inc.
3551 S. 20TH ST. GRAND FORKS, ND 58201
PHONE 701.772.1152 WWW.LUMBERMARTINC.COM
1910 BUSINESS HWY 2 EAST, EAST GRAND FORKS, MN 56721
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VILLAGE HOMES
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JOB NUMBER: XXXXXX
DRAWN BY: NP

SHEET: 3

Cortez Family
617 N 24th Street
Grand Forks, ND
2020

Ms. Cortez is a single mother of four boys. Upon becoming a single mother, she decided to outline personal goals for herself to improve the life of her sons. Her first goal was to obtain her GED, her second goal was to obtain an associate's degree, her third goal was to reduce her debt, her fourth goal was to obtain a career in law enforcement, and her fifth goal was to become a homeowner.

When Ms. Cortez came to us, she had achieved her first three goals and had a job application pending with the Polk County Sheriff's office. At that time, we had just completed rehabilitating a water damaged home. Habitat for Humanity requirements don't allow affiliates to waste square footage by giving a large house to a household with not enough people for each bedroom. The rehabbed house was large, containing 5 bedrooms. We were worried we wouldn't find a family large enough as none of our applicants were larger than three families. Ms. Cortez was unsure if she would qualify for our program but took a shot and reached out anyway. It was fate!

Not only was Ms. Cortez eligible for our program, but her family size fit the size of the home. With a job offer as a Sheriff's deputy and pre-employment orientation underway, Ms. Cortez officially became a homeowner in February 2020. Demonstrating strength, stability, and self-reliance to her four young boys, Ms. Cortez is a great example of a Habitat for Humanity homeowner.

Shern Family
958 Thames Court
Grand Forks, ND 2022

Ms. Shern is a pillar of the Grand Forks community. She is a loyal employee of a local business, dedicated churchgoer, caring friend, and loving mother. Ms. Shern and her kids had rented all their lives. While the apartment they rented was large enough for them, the climbing cost of rent was becoming unaffordable.

A friend mentioned Habitat to Humanity to Ms. Shern one day but she was sure she was not eligible. After discussing the program with one of our board members, Ms. Shern realized she was eligible and quickly applied. Upon selection, our affiliate received an influx of volunteer registrations from friends and fellow church members of Jen's.

Jen's luck compounded with a wonderful donation of 100% of the construction funds from the Engelstad Foundation and our new partnership with Village Homes' owner and contractor who secured discounted bids from local subcontractors eager to help. Construction took one year. The Shern family has been living in their home for six months, just recently celebrating their first Holiday in their Habitat home. Jen will officially become a homeowner when the sale takes place next Tuesday January 24th.

23.0066.01001

Sixty-eighth
Legislative Assembly
of North Dakota

SENATE BILL NO. 2207

Introduced by

Senators Piepkorn, Burckhard, Sickler, Sorvaag

Representatives Cory, Hanson

A BILL for an Act to create and enact a new subsection to section 43-07-07 of the North Dakota Century Code, relating to license fees and license renewal fees for nonprofit construction contractors; and to amend and reenact section 43-07-08 of the North Dakota Century Code, relating to contractor licensing exceptions.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new subsection to section 43-07-07 of the North Dakota Century Code is created and enacted as follows:

A nonprofit entity that is constructing or rehabilitating a single-family dwelling that will be given to or sold below the appraised value to a low-income person, may not be charged a fee by the secretary of state for a license or renewal of license as described and required under this chapter.

SECTION 2. AMENDMENT. Section 43-07-08 of the North Dakota Century Code is amended and reenacted as follows:

43-07-08. Exceptions.

This chapter does not apply to:

1. Any authorized representative ~~or representatives~~ of the United States government, the state of North Dakota, or any county, municipality, irrigation district, reclamation district, or other political corporation.
2. Any person ~~who~~that furnishes any fabricated or finished product, material, or article of merchandise ~~which~~that is not incorporated into or attached to real property by such person so as to become affixed thereto.
3. ~~3. A nonprofit entity, approved by the registrar, that is constructing or rehabilitating a single-family dwelling that will be given to or sold below the appraised value to a low-income person.~~

March 28, 2023

To: Chair Louser and member of the House Industry, Business, and Labor Committee

From: Marisa Sauceda, Executive Director of Red River Valley Habitat for Humanity

Topic: Testimony in Support of Senate Bill 2207

Chair Louser and member of the House Industry, Business, and Labor Committee, thank you for the opportunity to speak with you today regarding Senate Bill 2207 and Habitat for Humanity. My name is Marisa Sauceda and I am the Executive Director of the Red River Valley Habitat for Humanity located in Grand Forks. We serve both Grand Forks County North Dakota and Polk County Minnesota. The Red River Valley affiliate was established in 1989 and has slowly but steadily worked towards the mission of bringing people together to build homes, communities, and hope.

My colleague, Jim, has given a great overview of our organization. I'd like to expand on the benefits of our program for Habitat homeowners to demonstrate why our program is essential and more specifically, how this bill that saves us money can help us increase our capacity to serve.

The purchase of a home is the single largest purchase most Americans will ever make. Low-income households spend a higher percentage of their income on housing than middle- or high-income households. In 2020, 66% of North Dakota low-income households were housing cost burdened. This leaves little money leftover for savings or investment opportunities. As many of you know, homeownership is an investment. Property values see a general increase over a ten year period. Further, since Habitat homes are sold at a reduced price based on income, Habitat homeowners receive a larger return on their investment. Habitat for Humanity programs not only allow low-income households to reduce their cost burden, but at the same time, give them a path to wealth accrual. Habitat for Humanity believes that homeownership can be used as a tool to pull households out of poverty and break the poverty cycle for children by giving homeowners a long term investment opportunity with the potential to create generational wealth. Additionally, homeowners experience lower rates of unemployment, public assistance use, and poverty compared to similarly economically situated renters. Low-income households struggle to transition to homeownership because of lack of funds for a down payment or closing costs. But low-income households that participate in programs that provide a path to homeownership, like Habitat for Humanity, are more likely to pull themselves out of poverty.

Given the benefits mentioned above and the many benefits I don't have time to list, adopting a bill that will increase Habitat for Humanity's capacity to serve will increase the number of households that we can help achieve these benefits. Without the payment requirement to obtain a contractor's license, the North Dakota Habitat affiliates will save resources that can be used for construction and mortgage loan origination. Although the license fee does not seem like a huge cost, a non-profit is unique in that we have limited resources and do not receive a return on our work. We rely on contributions from the community to fund our operations. The more resources we can allocate to direct construction, the quicker we can produce affordable housing, and the greater the contribution our donor has made to the community.

Since North Dakota Habitat for Humanity affiliates operate at a lower capacity than other states' affiliates, any measures our state can take now to increase North Dakota Habitats' capacity would be immensely helpful in adding to the state's supply of affordable housing.

The pandemic led to a sharp rise in the cost of housing as well as materials to build housing. Income for low-income households has not risen at a commensurate rate. The past two years have shown that the need for affordable housing is increasing and Habitat for Humanity's ability to fill those needs should increase as well. Any small actions that our government can take to support our mission demonstrates a support for affordable housing throughout the state.

Thank you again for the opportunity to discuss affordable housing and how our state can support our mission to provide a path to homeownership for low-income residents. My colleague Cristen will discuss the success of North Dakota Habitat affiliates as a whole and touch on our construction and insurance requirements.

March 28, 2023

To: Chair Louser and members of Industry, Business and Labor committee

From: Roxy Volk, Executive Director of Habitat for Humanity Northern Lights

Re: Support of SB No. 2207, Contractor Licensing Exceptions

Chair Louser and members of Industry, Business and Labor committee, thank you for allowing us to speak this morning regarding Senate Bill No. 2207, I will be brief. My name is Roxy Volk and I am the Executive Director of Minot's Habitat for Humanity Northern Lights established in 1997.

As you know, non-profits are required to hire a General Contractor or must have a contractor license to build affordable houses in our state. Being a small Habitat affiliate with a small budget, it's difficult to incur this added expense. Even if we apply for a ND contractor license, the annual renewal expense is unaffordable when we only build or rehabilitate a house every few years as budget allows.

We hope you will support this bipartisan bill with the common goal of helping solve the problem of providing simple, decent and affordable housing for low-income families in North Dakota. Please know the passage of this bill doesn't change our requirements to comply with all building codes, we still enjoy numerous visits from multiple local building inspectors.

Thank you again for your time, we would appreciate your support of this bill.

We also have two other colleagues joining us virtually this morning to provide testimony. Ms. Marisa Sauceda, Executive Director of Red River Valley Habitat for Humanity and Ms. Cristen Incitti, CEO of Habitat for Humanity of Minnesota, which is our affiliate support organization.

March 28, 2023

To: Chair Louser and member of the House Industry, Business, and Labor Committee

From: Jim Nelson, Executive Director of Lake Agassiz Habitat for Humanity

Topic: Testimony in Support of Senate Bill 2207

Good morning, Chair Louser and members of the House Industry, Business, and Labor Committee. Thank you for the opportunity to speak with you today on behalf of Senate Bill 2207 and Habitat for Humanity's work in North Dakota. My name is Jim Nelson and I am the Executive Director of Lake Agassiz Habitat for Humanity located in Fargo Moorhead. We serve both Cass County North Dakota and Clay County Minnesota.

Habitat for Humanity was founded in 1976 in Americus, GA as a Christian based ministry. At Habitat, we build strength, stability, self-reliance and shelter. I know of no better, pay it forward program, than Habitat for Humanity. If there is only one message that you receive this morning I want you to remember that Habitat homes are purchased through an affordable mortgage based on the homeowner's income rather, they are not given away. Every mortgage payment received from our homeowners goes directly toward the creation of a new home. Habitat is the lender, the mortgage originator and the builder.

Lake Agassiz Habitat for Humanity was created in 1991 and since then we've built 72 homes with roughly 60% of those homes being in North Dakota and 40% in Minnesota. In 2006 we opened a thrift construction retail outlet called the Habitat ReStore where our prices range from 25% to 75% of full retail pricing. Revenue from the ReStore is used to offset our overhead costs meaning that 100% of donor contributions go toward our mission.

Did you know that in North Dakota, one in every nine households is paying more than they can afford on housing? And, did you know our state has an affordable housing supply shortage of more than 15,000 units? That figure includes both rental and affordable homeownership opportunities. Habitat in North Dakota brings the community together to build more affordable homeownership opportunities so more families can afford their home and our local communities thrive. We want to continue to do this work and deepen our impact.

Senate bill 2207 focuses on waiving the initial fee, and renewal fee, for a contractors license for nonprofit entities involved in the creation of affordable single family homes. The cost of a ND contractors license is $300 initially, and the annual renewal fee is $150. While the cost appears minimal, it DOES impact our total cost to build, and in this work, every dollar matters.

Habitat for Humanity is in the business of creating affordable housing. That sets us apart from every other commercial contractor in the state. Habitat builds a reputable and comparable product to our for-profit peers. For example, did you know that Lake Agassiz Habitat built one of the first LEED certified homes in North Dakota? Did you know that Habitat for Humanity was the nation's 27th largest single family home builder in 2022, as stated by BuilderOnline.com? We're proud of our product and the stability it provides for low-income families.

While we produce comparable products as commercial builders, our clientele is different. As I mentioned earlier, we sell our products using an income based mortgage. We don't have the luxury of passing every cost onto our clients. In this particular case, we cannot pass the $300 fee on to our client rather, we have to absorb it. Of course, 2022 delivered unprecedented inflation in the construction industry. Our house costs, in the Fargo Moorhead market, increased 50% from 2020 to 2022, increasing from $180,000 to $250,000. It's extremely difficult to provide affordable housing in a business environment where every year new costs are layered on top of existing requirements.

Approving this bill demonstrates your support of affordable housing in the Minot, Grand Forks, and Fargo metropolitan areas. Passing this bill will support a lowering of our costs, which means we can use that financial resource on the next affordable home for a North Dakota family.

As you can see, Lake Agassiz Habitat and my peers around the state have created a significant impact in our respective communities.

Affiliate	**Location**	**New House Construction**	**Remodels**	**Repairs**	**Families Served**	**Years in operation**
Northern Lights Habitat	Minot	14	0	11	25	26
Red River Valley Habitat	Grand Forks/East Grand Forks	30	0	1	31	34
Lake Agassiz Habitat	Fargo/Moorhead	71	1	2	74	32
TOTAL		**115**	**1**	**13**	**130**	

We are thankful for the partnerships we have with volunteers, churches, schools, foundations, and corporations, who help us make this mission come to life. We are especially appreciative of the licensed contractors who support our work on key items like electrical, HVAC and plumbing, and we support their business and trade. We cannot do this work without the full community coming together to make **home** a reality for North Dakota families. We hope we earn your support of Senate Bill 2207.

In addition to me, there are two other people providing testimony this morning on behalf of Habitat. Roxy Volk, Executive Director of the Minot based North Star Habitat who is here in person and Marisa Sauceda, Executive Director of Red River Valley Habitat, from Grand Forks. Marisa will be testifying virtually. Further, you will find written testimony online in support of SB 2207. Finally, I urge you to support SB2207! Approving this bill will demonstrate this legislative assembly's support for affordable housing in the state of North Dakota.

#26889

Habitat for Humanity®

2022 State of Home Affordability in North Dakota

Help Habitat make the #CostOfHome something we all can afford.

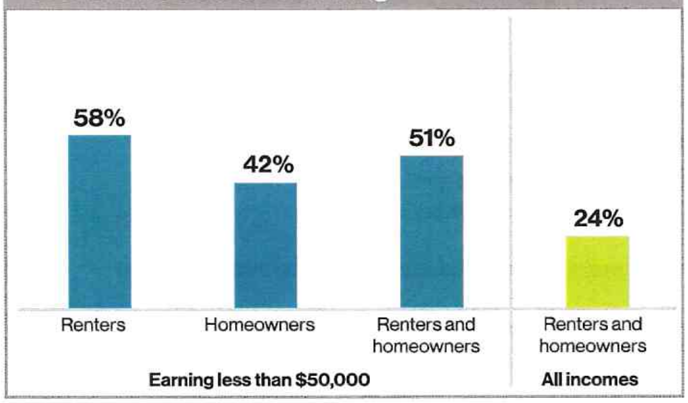
In North Dakota,

1 IN 9 HOUSEHOLDS

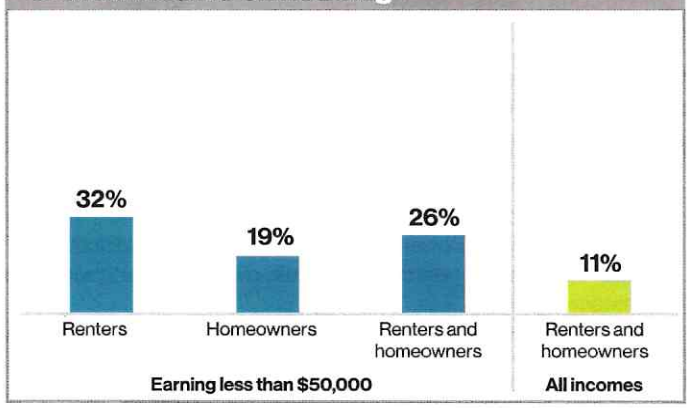
spend more than half of their income on housing.

Lower-income households are especially likely to have unaffordable housing costs, requiring more than 30% of their income. This includes many facing severe cost burdens, requiring more than 50% of their income.

Share of households paying over 30% of their income on housing[1]



Share of households paying over 50% of their income on housing[1]



The income needed to afford rent exceeds that of many workers.

$16.61/hour ($34,553 per year)[2]
Wage needed to afford fair market rent for a two-bedroom home in North Dakota, working 40 hours per week.

Minimum wage: $7.25/hour[2]

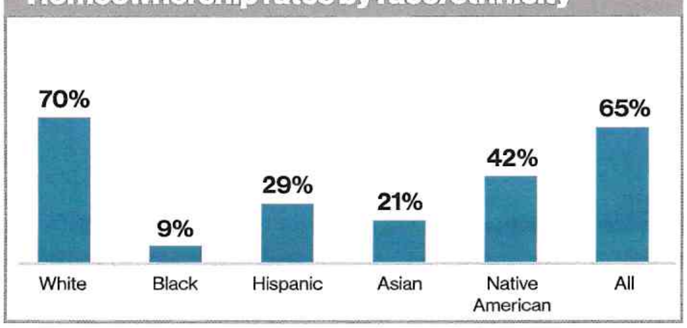
Increasingly, renters can't afford the typical home price.

$49,328 per year[3]
Income needed to purchase a median-priced home in North Dakota.

Median income of renters in North Dakota: $40,000[4]

The underproduction of housing and the shortage of entry-level homes are driving up unaffordability and impeding efforts to close racial and ethnic gaps in homeownership.

Homeownership rates by race/ethnicity[5]



Shortage of homes for extremely low-income renters in North Dakota[6]

-15,271
(affordable and available)

Percentage of homes that were entry-level homes in North Dakota in 2019[7]

28%
(down from 41% in 1980)

@habitat @Habitat_org @CostOfHome @habitatforhumanity

Help Habitat make the #CostOfHome something we all can afford.

Cost of Home

Habitat for Humanity seeks a world in which everyone has a decent place to live. But too many in the United States still struggle to afford the cost of home. Soaring rents and home prices have led to a substantial rise in housing cost burdens. Many renters face having to choose between paying for housing or for food, medical care or other essential expenses. Aspiring homebuyers are increasingly priced out of the housing market, setting back efforts to close homeownership gaps for households of color.

Cost of Home is a five-year advocacy campaign through which local Habitat organizations, partners, volunteers and community members nationwide are working to increase home affordability for 10 million people. To fully address our nation's housing challenges, Habitat is advocating at all levels of government to advance policy solutions related to:

Supply and preservation | **Access to credit** | **Land use** | **Communities of opportunity**

More than halfway through the campaign, Cost of Home has been instrumental in helping an estimated 6.45 million people access stable, affordable homes through our advocacy to influence policies at the local, state and federal levels.

Habitat organizations are propelling a wide range of policy solutions at all levels of government, including:

- Dedicating funding for the production and repair of affordable homes for homeownership and rent.
- Increasing access to down payment assistance, especially for those facing the greatest barriers.
- Improving zoning to lower the cost of building affordable homes.
- Incentivizing investment in economically distressed neighborhoods while ensuring housing stability for lower-income renters and homeowners.
- Increasing the availability and mobility of housing choice vouchers for very low-income families while improving their workability for landlords.

To learn more about Cost of Home, visit **habitat.org/costofhome.**

Habitat for Humanity

Driven by the vision that everyone needs a decent place to live, Habitat for Humanity found its earliest inspirations as a grassroots movement on an interracial community farm in south Georgia. Since its founding in 1976, the Christian housing organization has grown to become a leading global nonprofit working in local communities across all 50 states in the U.S. and in more than 70 countries. Families and individuals in need of a hand up partner with Habitat for Humanity to build or improve a place they can call home. Habitat homeowners help build their own homes alongside volunteers and pay an affordable mortgage. Through financial support, volunteering or adding a voice to support affordable housing, everyone can help families achieve the strength, stability and self-reliance they need to build better lives for themselves. Through shelter, we empower. To learn more, visit **habitat.org.**

Sources:

1. *IPUMS (2020 ACS 1-Year Estimates, experimental weights).*
2. *National Low Income Housing Coalition (Out of Reach, 2022).*
3. *Assumes 10% down payment, 28% payment-to-income ratio, 3.0% interest rate (the median in 2020), nationally typical mortgage insurance and homeowners' insurance, and state-specific property taxes (Sources: St. Louis Federal Reserve's FRED database, NAHB's Priced-Out Estimates for 2021, Census Bureau's 2020 and 2019 ACS 1-Year Estimates).*
4. *IPUMS (2020 ACS 1-Year Estimates, experimental weights).*
5. *IPUMS (2020 ACS 1-Year Estimates, experimental weights).*
6. *National Low Income Housing Coalition (The Gap: A Shortage of Affordable Homes, 2022).*
7. *"Entry-level" homes are smaller than 1,400 square feet (Source: Freddie Mac and CoreLogic, "How Many Starter Homes Are Being Built in Your State?" 2021).*

Habitat for Humanity®

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(800) 422-4828 fax (229) 928-8811 publicinfo@habitat.org habitat.org
GOVERNMENT RELATIONS AND ADVOCACY 1310 L St. NW, Suite 350 Washington, DC 20005-4595 USA

23.0066.01001

Sixty-eighth
Legislative Assembly
of North Dakota

SENATE BILL NO. 2207

Introduced by

Senators Piepkorn, Burckhard, Sickler, Sorvaag

Representatives Cory, Hanson

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