

2023 SENATE FINANCE AND TAXATION

SB 2220

2023 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2220
1/23/2023

Relating to an allocation from the legacy earnings fund and eligible projects under the housing incentive fund; to provide an effective date; and to declare an emergency.
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9:30 AM Chairman Kannianen opens hearing.

Senators Present: **Kannianen, Weber, Patten, Rummel, Piepkorn, Magrum**

Discussion Topics:

- Housing Finance credit
- Project completion
- Return on Investment calculation
- Ownership rates
- Median Rent
- Housing Stock

9:30 AM Senator Kreun introduced bill.

9:48 AM Dave Flohr - HDHFA ND Housing Finance Agency - Executive Director, in favor.
#15087

10:19 AM Chairman Kannianen adjourns meeting.

Nathan Liesen, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

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SB 2220
1/23/2023

Relating to an allocation from the legacy earnings fund and eligible projects under the housing incentive fund; to provide an effective date; and to declare an emergency.
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10:27 AM Chairman Kannianen opens hearing.

Senators Present: **Kannianen, Weber, Patten, Rummel, Piepkorn, Magrum**

Discussion Topics:

- Development percentage
- Handicap accessibility
- Funding source
- Housing Finance credit
- Project completion
- Rent Controls
- Age average
- Return on Investment calculation

10:28 AM Dawn Mandt - Red River Regional Council - Executive Director, in favor #15206 #15207 #15208

10:36 AM Katie Jo Armbrust – Grand Forks Housing Authority, in favor #15516

10:41 AM Christiana Sambor - CEO at YWCA Cass Clay, in favor. #15352

10:54 AM Dan Gulya – Protection and Advocacy Project, in favor. (no written testimony)

10:57 AM Dan Madler – CEO of Beyond Shelter Inc. in favor #15019

Additional written testimony:

Erin Prochnow #14841

Nicole Crutchfield #14902

James Murphy #15023

Angelle French #15232

David Klein #15363

Lisa Rotvold #15375

11:03 AM Chairman Kannianen closed hearing.

Nathan Liesen, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2220
1/25/2023

relating to an allocation from the legacy earnings fund and eligible projects under the housing incentive fund; to provide an effective date; and to declare an emergency.
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2:41 PM Chairman Kannianen opens meeting.

Senators Present: **Kannianen, Weber, Patten, Rummel, Piepkorn, Magrum.**

Discussion Topics:

- Priority
- Previous funding
- Legacy fund streams

2:55 PM Chairman Kannianen adjourns meeting.

Nathan Liesen, Committee Clerk

2023 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

SB 2220
1/31/2023

relating to an allocation from the legacy earnings fund and eligible projects under the housing incentive fund; to provide an effective date; and to declare an emergency.
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10:58 AM Chairman Kannianen opens meeting.

Senator present: **Kannianen, Weber, Patten, Rummel, Piepkorn, Magrum.**

Discussion Topics:

- Funding
- Industrial Commissions budget

11:10 AM Senator Magrum motions a Do Not Pass.

11:10 AM Senator Rummel seconded.

Senators	Vote
Senator Jordan Kannianen	Y
Senator Mark F. Weber	Y
Senator Jeffery J. Magrum	Y
Senator Dale Patten	Y
Senator Merrill Piepkorn	Y
Senator Dean Rummel	Y

Motion passes 6-0-0

11:12 AM Senator Kannianen will carry.

11:13 AM Chairman Kannianen adjourns meeting.

Nathan Liesen, Committee Clerk

REPORT OF STANDING COMMITTEE

SB 2220: Finance and Taxation Committee (Sen. Kannianen, Chairman) recommends **DO NOT PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2220 was placed on the Eleventh order on the calendar. This bill does not affect workforce development.

TESTIMONY

SB 2220

JANUARY 23, 2023

YWCA CASS CLAY SUPPORTS SB 2220



Good morning, Mr. Chairman and members of the committee, my name is Erin Prochnow, CEO at YWCA Cass Clay.

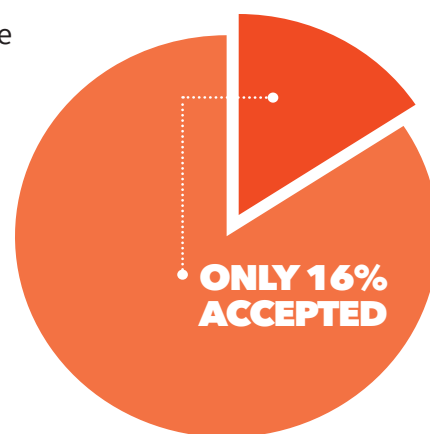
Our agency offers the largest Emergency Shelter for women and their children escaping domestic violence and homelessness in North Dakota and northwestern Minnesota. We have done so for 45 years. We also operate a sizeable Supportive Housing Program serving 80 households in Fargo and West Fargo, that, after emergency shelter, is the long-term solution for healing, stability, and independence - diminishing the likelihood women will return to abusive partners or homelessness.

North Dakota Housing Incentive Fund (HIF)

Affordable housing is a critical component of our infrastructure in North Dakota. Approval of SB 2220, inclusive of the provisions of the North Dakota Housing Incentive Fund (HIF) program at the recommended \$50 million, will greatly impact organizations like YWCA in providing affordable supportive housing to citizens of our state. In the case of YWCA, it will provide a pathway for women and children out of harm's way from dangerous abuse and homelessness. It will also deliver the highly effective strategy of affordable housing combined with human support from a housing caseworker.

Supportive Housing stabilizes families and prevents use of other more costly resources.

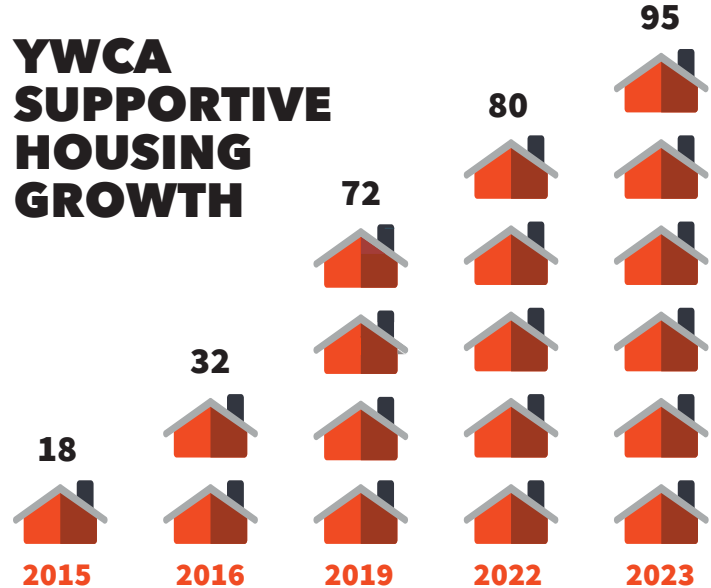
The solution to homelessness is housing. Investing in affordable rental housing is critical to the ideal of making homelessness rare, brief, and non-recurring. Despite the effectiveness of supportive housing, only a portion of the people who would benefit most actually receive it. In 2021, 292 women and children applied to gain access to our YWCA Supportive Housing Programs, but **only 46 women and children - 16% - were accepted.**



In 2015, YWCA saw a need for increased supportive housing because too often our caring advocates were witnessing survivors of violence returning to abusive partners because they had no other independent alternative. Often, an abuser's power and control traps domestic violence survivors economically - 99% of domestic violence survivors are victims of economic abuse.

YWCA set a bold goal in 2015 to significantly grow our supportive housing program. At that time, the agency supported 18 units of housing. That number is 80 today.

With the addition later this year of YWCA's new supportive housing initiative, Lantern Light (described in more detail on page 4), YWCA will provide supportive housing to more than 95 families. Tonight, 250 people will sleep in safe YWCA supported housing, children will be off to school, and survivors of violence will be able to hold steady jobs because of the stability and care provided through supportive housing.

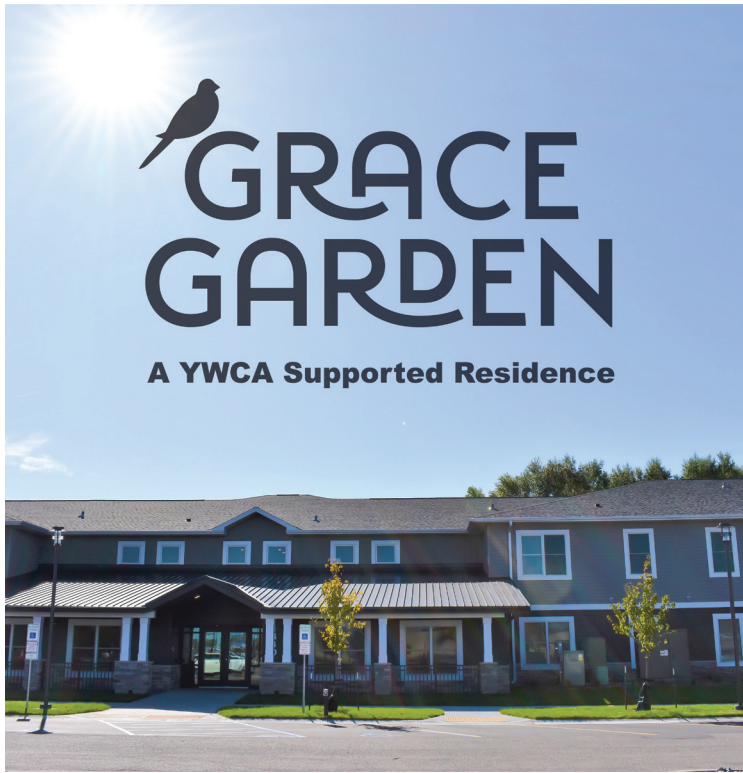


Even with expansion of YWCA's Grace Garden housing initiative through the help of NDHFA in 2019, **we simply don't have enough affordable homes to meet community need.** A large body of research shows that most people who live in supportive housing can remain stably housed in the community, making it the most cost-effective prevention to homelessness.

Our own numbers substantiate this fact: at YWCA, the cost of emergency shelter is \$66 per night while supportive housing at YWCA is \$18 per night. **It costs 72% less to provide supportive housing.** This economical resource is a path to safety and financial security for women, at the same time lessening use of emergency, health care and other resources.



YWCA can highlight two recent examples of the Housing Incentive Fund in action at Grace Garden which opened in 2019 and the YWCA's recent purchase of the Sisters of the Presentation of the Blessed Virgin Mary (Sisters) Sacred Heart Convent.



GRACE GARDEN

is a YWCA residence that opened in 2019 and serves individuals and families with its 30 one- to four-bedroom units. Onsite housing advocates readily support residents in their goals.

YWCA was approached by Lutheran Church of the Cross Pastor Joel Baranko in 2017 about vacant unused church property. He solicited the opinion of our agency in the how the land could best serve the community. Our answer was additional affordable supportive housing for those facing homelessness as a result of domestic violence.

YWCA applied for and received support from a variety of public and private partners to bring that 30-unit affordable housing initiative to reality.

AT GRACE GARDEN IN 2022:

27,211

nights of housing were provided

107

adults and children were housed

67%

increased their income level

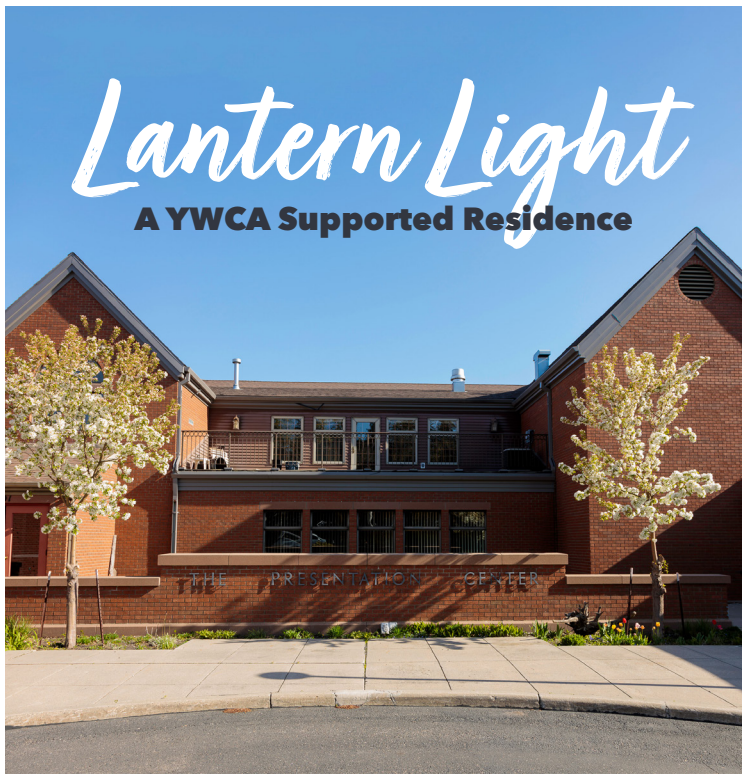
78%

reported a reduction in use of emergency services

Since Grace Garden opened in the fall of 2019 over 86,000 nights of safe housing have been provided to 381 individuals.

This \$7.1 million initiative was aided through the support of \$500,000 award through HIF to leverage over \$6.5 million in federal and state sources in 2017.

Grace Garden has been instrumental in solving a need of domestic violence victims, challenged in the past by lower prioritization for supportive housing because they weren't chronically homeless—instead homeless for the first time after leaving an abuser. Lutheran Church of the Cross and Gate City Bank were instrumental in making Grace Garden possible and generously continue their support.



YWCA CEO Erin Prochnow and Sister Mary Margaret Mooney

LANTERN LIGHT

YWCA Cass Clay's relationship with Sisters of the Presentation of the Blessed Virgin Mary was born out of proximity and grew through a united mission - serving women and children in need.

YWCA has partnered with the Sisters by leasing 16 units of supportive housing dating back to 2006 in three locations. In June, the Sisters of the Presentation agreed to YWCA purchasing their former Sacred Heart Convent adjacent to the Emergency Shelter.

YWCA is currently renovating the former convent into 23 affordable supportive housing apartments, named Lantern Light. Construction is underway with plans to open in the fall of 2023.

The one- to four-bedroom apartments at Lantern Light will be home for approximately 60 adults and children when the residence opens in the fall of 2023.

A recent Fargo Forum article from December 27, 2022, on this initiative is attached on page 7 of this testimony.

This \$8.3 million building renovation and acquisition was awarded \$1.1 million to leverage more than \$7 million in federal and state awards.

Funding for renovation was secured through HOME, ARP, North Dakota Housing Incentive Fund, National Housing Trust Fund, and the Affordable Housing Program.

YWCA's Supportive Housing Program is a proven solution. A woman who participates in the program earns more money, is healthier, and is better equipped to maintain housing and create an environment for her children to thrive. A compassionate and trained YWCA team walking alongside survivors makes life transformations possible.

Through Lantern Light: A YWCA Supported Residence, the legacy of Sisters of the Presentation and their foundress, Nano Nagle, will live on and be honored with a lasting tribute.

HIF dollars provide a companion tool to federal resources to make affordable housing possible for new construction such as the case of Grace Garden, in remodel projects such as Lantern Light, and also to help make certain that existing affordable supportive housing units are preserved.

On average, a woman stays in the YWCA Supportive Housing Program just 18 months. It's a short time in which families break the cycles of poverty and violence. A woman who participates in the YWCA Supportive Housing Program earns more money, is healthier, and better equipped to live independently and create an environment for her children to thrive.

In 2022:

- **50% of participants increased their education or income level**
- **83% of participants reduced their use of emergency services**
- **75% of participants obtained stable housing upon exiting the program**

Recently, a woman named Jessica served by YWCA at Grace Garden said, *"I really don't think I could have made it this far without you. I appreciate everything you guys do. Sometimes I still feel like I'm in a dream. I never imagined that I could have made it this far in this little amount of time. I'm very thankful."*

[**Click to listen to Jessica's story >**](#)



When a woman, like Jessica, arrives at the YWCA, she often lacks the building blocks to independence: a living wage, adequate credit, childcare, and transportation. Our comprehensive programs and services help women overcome these barriers.

In 2022, the average stay at our Emergency Shelter was 50 days. While women can make significant progress in this time, this is typically not enough time to gain enduring financial security and self-reliance. Women must recover physically and mentally from abuse. She may have a disability, or need to attend school, or be working hard to regain credit history and financial footing.

Supportive Services

The HIF requires 10% of the fund be set aside to provide necessary and life-changing supportive services. YWCA Advocates provide stability and a light hand of support to help women troubleshoot and problem-solve setbacks in life. **Supportive services help vulnerable people** who have histories of trauma, chronic health conditions, poverty or other struggles come to thrive in the community. In our experience, beyond rental assistance, survivors gain a YWCA housing advocate as their human support.

YWCA Advocates are difference-makers who help women gain jobs and education, overcome obstacles related to childcare, car breakdowns, health setbacks and more. They skillfully use an empowerment approach that helps women summon their own courage and grow in problem-solving and resolve. Women are guided to set concrete goals. They gain caring encouragement that helps them stay focused on convictions they've set.

As women grow in personal autonomy, they avoid the paths of returning to abusers, substance dependency, or interaction with costly social systems like emergency care, law enforcement, the foster system, and more. Tenants grow abilities to stay housed. **They become healthier and reconnect to the community.** In 2022, 83% of supportive housing participants reduced their need for emergency services such as law enforcement and ambulance usage.

They lead lives on paths of their own choosing. **Supportive services are a proven and cost-effective way to reduce shelter occupancy and the homeless population, breaking the cycles of poverty and violence.**

In both initiatives described, YWCA sought or is seeking local private funding to provide life-changing supportive services onsite. These dollars are difficult to raise and are critically important. In the case of Grace Garden, a local bank provided 12 years of supportive service support through a \$1.5 million pledge. At Lantern Light, YWCA is currently in a capital campaign to build an endowment fund to secure supportive services into the future, the goal on this private campaign is over \$6 million.

Wherever a woman may be on her journey, together we must walk alongside her to ensure she has access to the tools and resources necessary to heal, reach her goals and ultimately, build a future free from violence for their family.

LOCAL NEWS

A2 | TUESDAY, DECEMBER 27, 2022 | THE FORUM

▶▶▶ INFORUM.COM



Ryan Longnecker / WDAY TV

Erin Prochnow, CEO of YWCA of Cass-Clay, walks through the remodeling of the former Sacred Heart Convent in south Fargo. The site will now become "Lantern Light." It will provide apartment living for those women and children escaping violence in the home.

YWCA making progress on convent remodel for Lantern Light

By Kevin Wallevand
WDAY
Fargo

For years, Fargo's Presentation Sisters used their convent on the city's south side to launch projects for helping the poor and those without housing.

But now, a familiar face is at the convent months after the sisters moved from there.

The YWCA plans to remodel the convent and provide safe, affordable housing for families escaping domestic violence.

"Eventually, on the first floor will be a two-bedroom, handicap-accessible unit," said Erin Prochnow, YWCA

Cass Clay CEO, as she toured the convent now undergoing a huge, multimillion-dollar renovation project.

Prochnow knows housing. As the YWCA's longtime CEO, she knows what survivors of domestic violence need.

"We are going to create, like a hotel, a business center. There will be a business center with laptops so women can apply for jobs and to seek out other opportunities. That is what we have identified as a need, along with classrooms," Prochnow said.

That is why she is so excited about Lantern Light, a YWCA-supported residence now under construction.

"We know the answer to

homelessness is affordable, supportive housing, which the YWCA has worked to grow," she said. "We have expanded from 19 units in 2015 to 95 units by the end of next year throughout the community, in addition to operating the region's largest shelter serving women and children adjacent to here. It will be a campus-like environment for women facing violence."

What for so many years was the Presentation Sisters' convent will now be the safe home for 23 families who are survivors of domestic violence and often homeless.

The irony of this new project: the name Lantern Light. A way to honor the

years of ministry of the Presentation Sisters in Fargo. Through their founder Nano Nagle who, although rich, was known to carry a lantern through the streets of Cork, Ireland, helping impoverished women and children.

"We have partnered with the Presentation Sisters for so long. It is repurposing something and honoring their legacy, and something we care so strongly about," Prochnow said.

The bottom line: The YWCA's shelter is full.

"Seventy-three today, 37 of whom are children," Prochnow said, referring to the number of people at the shelter nightly this week in

Fargo. This new building will not be a shelter, but housing. More efficient, cheaper.

"When they walk into this apartment when it is done, they will have a place to call home, they will be safe and have an environment for their children to thrive and not live in fear. That is absolutely what it is about," Prochnow said.

Millions of dollars have been secured for the project, but the YWCA is now raising nearly \$4 million to get the project done. An endowment is also in the works.

To support the mission, go to the YWCA's website at www.ywcacassclay.org.

Testimony Presented on SB 2220 to the
Senate Finance and Taxation Committee
Senator Jordan L. Kannianen, Chairman

by

Nicole Crutchfield, Planning Director
City of Fargo

January 21st, 2023

This statement expresses the support of the Fargo City Commission to Senate Bill 2220, relating to an allocation from the legacy earnings fund and eligible projects under the Housing Incentive Fund.

SB 2220 proposes to amend subsection 4 of section 21-10-13 by adding subsection (c) to allocate fifty million dollars (\$50 million) to the Housing Incentive Fund for eligible housing projects under section 57-10-40. SB 2220 also proposes to amend subsections 3a and 4 of section 54-17-40 to eliminate the requirement that assistance from the fund be used only for multifamily housing projects, and to allow assistance from the fund be used for single-family housing rehabilitation and rural housing projects. Thus, a greater variety of housing projects would be eligible to receive assistance from the fund.

Resources to close the financial gap for new housing throughout North Dakota helps everyone and is a critical component of a healthy economy. The amendments address a variety of housing situations plaguing the State and curtails the projections that both the state, regional and local housing studies are estimating including:

- workforce housing shortages;
- lack of ability for older individuals to age-in-place within their local communities—the population of individuals age 65 and older is projected to grow by 24 percent by 2025 with many of these households being lower income;
- vulnerable populations without housing to address their unique needs-- largest population growth projections by household income are in the extremely low- to moderate-income populations; and
- too few housing opportunities for families with children.

The proposed amendment relating to single-family housing rehabilitation recognizes the reality that 56% of the State's housing built before 1980 requires significant rehabilitation or replacement. Fargo's 2021 Core Neighborhoods Master Plan outlined a need for Housing Reinvestment Tools to support at minimum 250 homes and 10 apartments that need repair or updating in order to be safe and contribute to the quality of the neighborhoods. The proposed amendments in SB 2220 can reinforce identified needs in Fargo.

Fargo, West Fargo and Horace metropolitan region has added nearly 23,000 jobs in the last 10 years and new housing unit production has not kept pace with job growth at a ratio of 1.5 jobs to units compared to 1.3 nationwide. Housing is a critical component to continue to grow North Dakota's economy, as noted in the 2022 Fargo-Moorhead Regional Housing Needs and Strategies draft plan.

The significant increase in construction costs, labor shortage and limited availability of contractors has challenged our ability to build new and rehabilitate existing housing in the pace needed to keep up with demand. More housing is needed across all housing types and price points to support the anticipated growth in North Dakota. The proposed amendment supports an identified shortage of affordable housing supply for the lower earning renter and owner, which is the metro's most pressing need.

An example project in Fargo includes gap financing with Housing Incentive Funds of \$3 million to make possible a \$23 million 120 unit senior housing project. These State housing funds provided access to millions in Low Income Housing Tax Credits, property tax exemptions, and bonding. Without the Housing Incentive Funds, access to other tax credits, federal grant funds and bonding would not have been feasible.

These amendments are significant and increase the Housing Incentive Fund's flexibility to address housing shortages for a growing population. The State's commitment to provide a variety of housing opportunities are a critical component to assure North Dakotans have access to housing throughout the state. By adding the amendments, more opportunity will exist to efficiently combine federal, state and local funds to resolve the State's housing needs.

The City of Fargo strongly encourages your committee to recommend "Do Pass" for this bill.

Testimony in Support of SB 2220
Senate Finance and Taxation
 Chairman: Senator Jordan Kannianen
 January 23, 2023

Submitted by: Dan Madler, Chief Executive Officer - Beyond Shelter, Inc.
 701-730-2734, dmadler@beyondshelterinc.com, Lobbyist #30

Chairman Kannianen and members of the Committee, my name is Dan Madler, I live in ND District 27, and I am the CEO of Beyond Shelter, Inc., a mission driven North Dakota nonprofit developer of affordable housing. I would like to express my support for Senate Bill 2220.

Let's move the needle and Invest in things that work, and the Housing Incentive Fund works:

- It provides a positive return on investment
- It is a great tool for Community and Economic Development
- It supports an increase in the availability of affordable housing options within North Dakota communities, which is essential to attracting, retaining, and developing a diverse, productive workforce and which allows North Dakota communities to be **competitive** and **"fire on all cylinders"** (Note – **South Dakota** is looking to invest **\$200M** for workforce housing and **Minnesota** is looking to invest a total **\$719.5M** over the next 3-years)
- Investing in Affordable Housing is **foundational** as it is connected to other outcomes (i.e., health, education, employment, childcare, transportation, wealth creation, public safety – these are all inter-related and without Housing, nothing else works. Housing Matters.)

The data and evidence are clear, the need for HIF is absolute:

- **33 plus-years** to meet the current demand. The 2020-2025 Statewide Housing Needs Assessment indicates approximately 9,000 new housing units are needed to be built by 2025 to meet demand. Utilizing existing resources and funding programs, the North Dakota Housing Finance Agency was able to fund/support 266 affordable housing units for development in 2023. All things being equal, at that rate, it would take 33 plus-years to meet the expected 2025 demand. **The need for HIF is absolute**

To Note: In uncertain and challenging financial conditions, a stable funding source as proposed in SB 2220 would help provide the financial security to move eligible housing projects forward.

In closing, I request your support for SB 2220 and the \$50M allocation investment from the legacy earnings fund to eligible projects under the Housing Incentive Fund. **Let's move the needle.**

Thank you for your time and consideration.



January 20, 2023

Senator Kannianen, Chair
Finance & Taxation Committee
ND Capitol Building
Bismarck, ND 50504

Senator Kannianen and the Finance & Taxation Committee,

Thank you for taking a few minutes to read this letter of support for Senate Bill 2220. I appreciate your time and consideration in listening to my input on this matter.

I am the executive director for the Traill County Economic Development Commission. My job revolves around working with cities in Traill County (Mayville, Portland, Hatton, Hillsboro, etc.) to help position them for success. Two key components for present and future success are population growth and increasing housing inventory for workers.

Demographically, Traill County's average age is 41 years of age. There are 3,276 households with an average household income of \$73, 113. The average single-family home price has increased, but the 2020 U.S. census shows average valuation of \$152,700. New construction, of course, cannot match existing home prices. In other words, it will cost much more than \$152,000 per household to grow available housing inventory.

The partnership between private capital investment and the State of North Dakota's assistance would help our rural communities increase and improve their housing inventories. An absolute must for these communities to retain these kids when they graduate, or to attract similarly aged people (people who can work in our schools, universities, manufacturing plants, etc.) is housing that is available and affordable.

If you have questions or concerns you can contact me via email: (director@traillcountyedc.com), on my office phone at (701) 636-4746 or even on my cell at (701) 430-1644.

Sincerely,

Jim Murphy (Sig)

Jim Murphy
Executive Director, Traill County Economic Development Commission



Senate Finance and Taxation Testimony on Senate Bill 2220

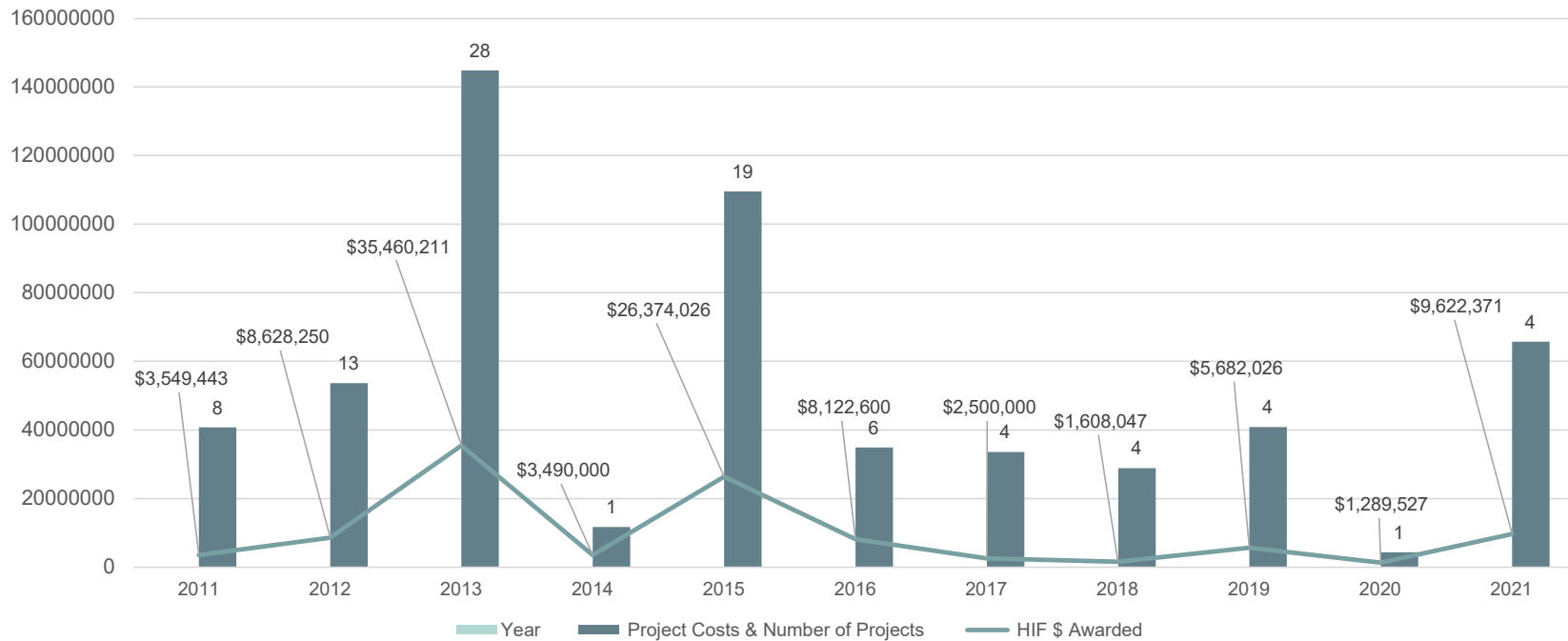
Dave Flohr
Executive Director
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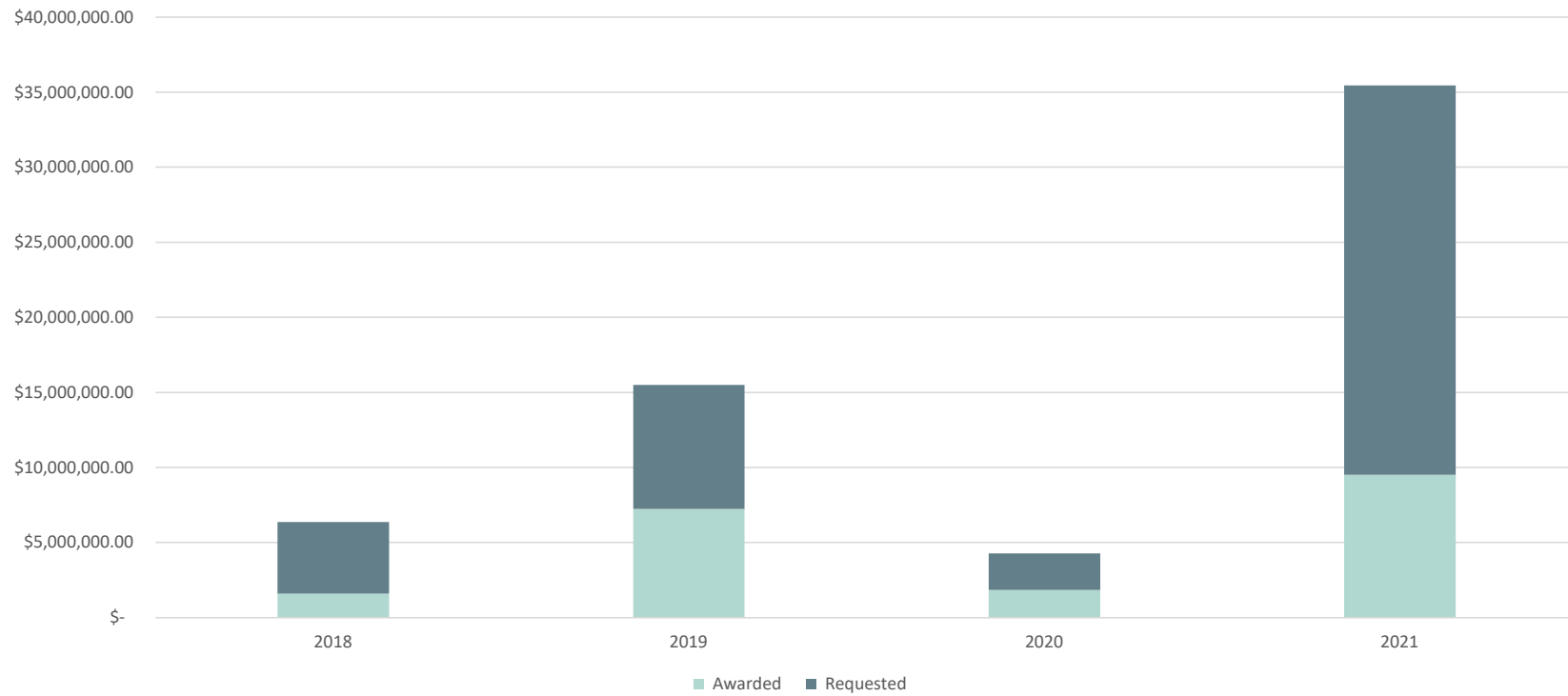
HOUSING INCENTIVE FUND TIMELINE



HIF INVESTMENTS - TOTAL DEVELOPMENT COSTS - # OF UNITS



HIF DEMAND

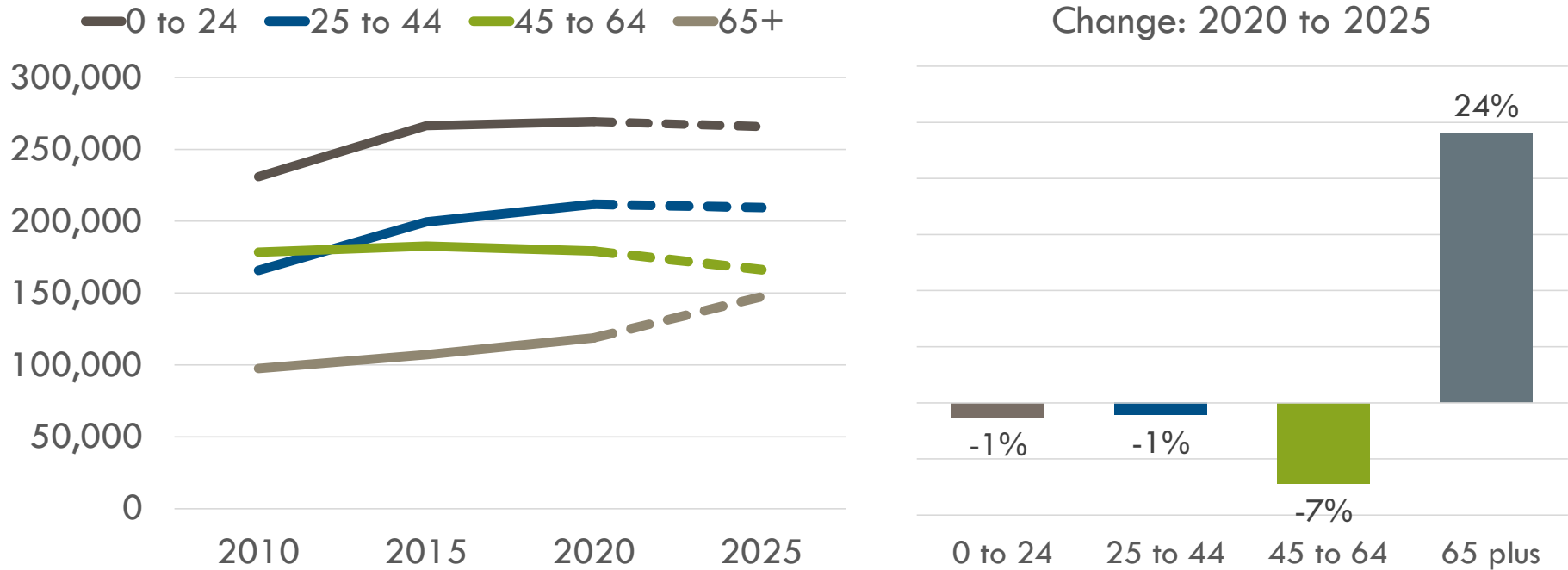


RETURN ON INVESTMENT

- High 19.83
- as low as 1 to 1 (rural project)
- Rural projects
- Gap filler

TOTAL STATE POPULATION BY AGE

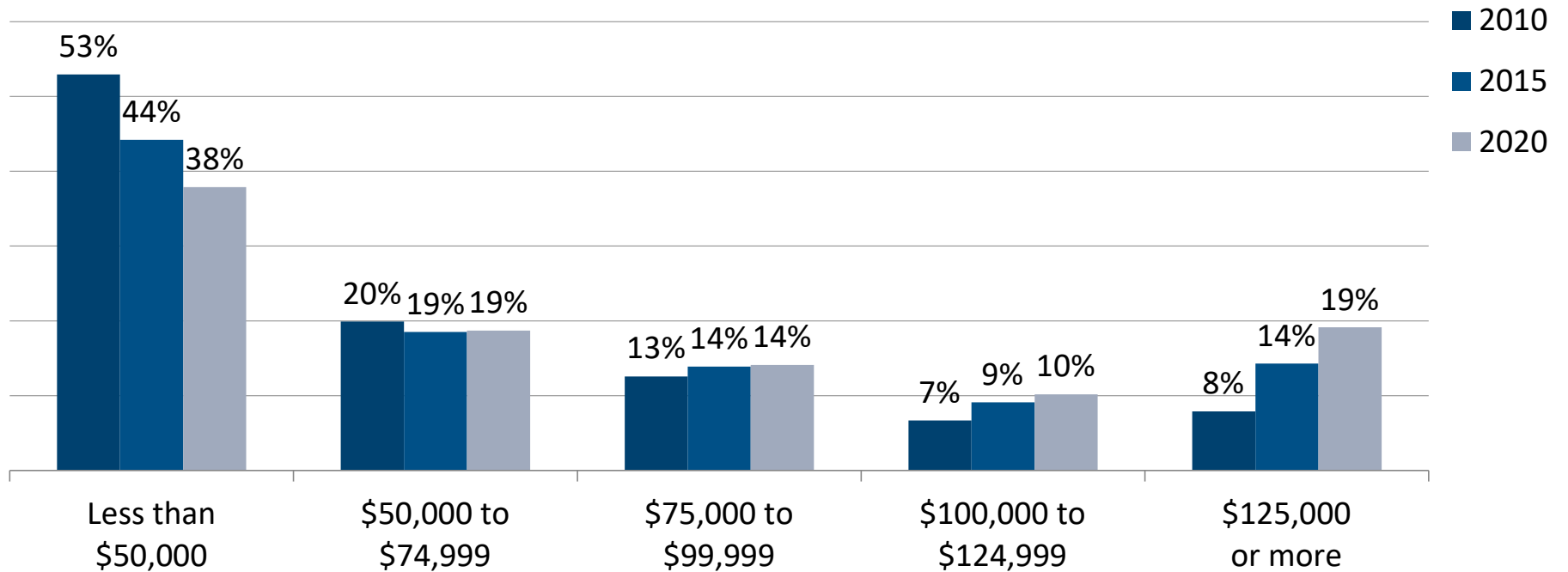
2010-2020, 2025 PROJECTION – AND PERCENT CHANGE FROM 2020 TO 2025



Source: U.S. Census Bureau and the Center for Social Research (2022b)

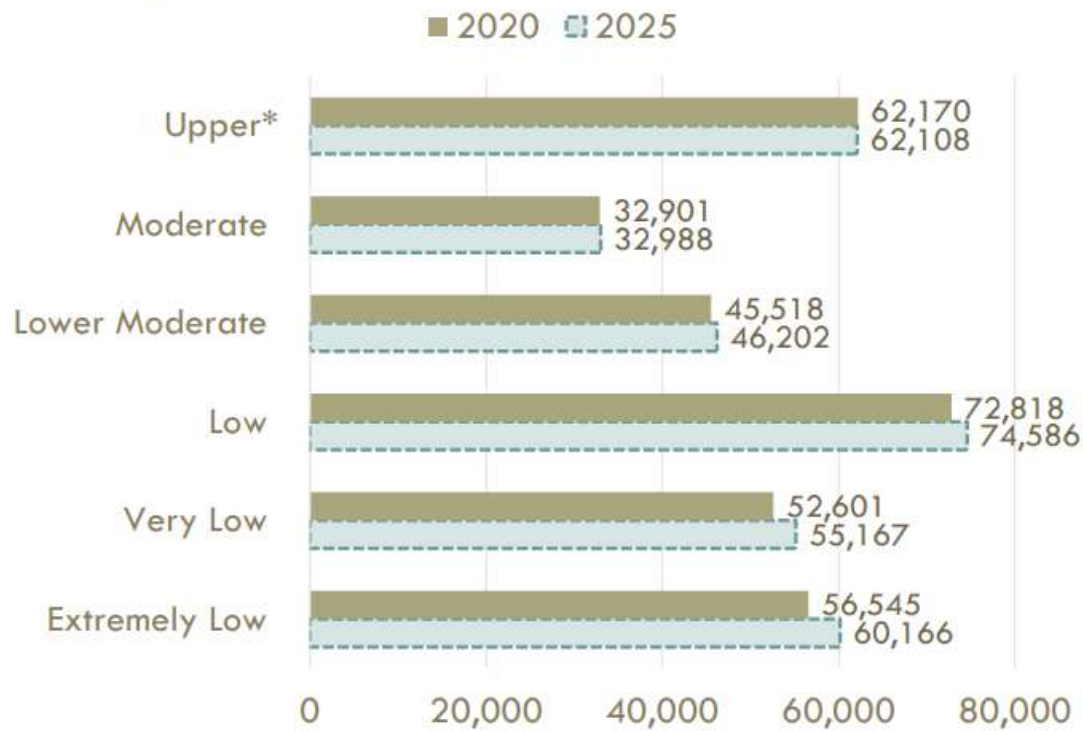
HOUSEHOLD INCOME IN NORTH DAKOTA

North Dakota Households by Household Income Level, 2010, 2015, and 2020



Source: U.S. Census Bureau (2021c)

PROJECTED CHANGE IN HOUSEHOLDS BY INCOME



Source: Center for Social Research (2022b)

- Higher income households are expected to hold steady
- Lower income households are expected to increase by 2025

Household Income	% Change 2020 - 2025
Extremely Low (less than) \$26,070)	6.4%
Very Low (\$26,070-\$43,450)	4.9%
Low (\$43,451-\$69,520)	2.4%
Lower Moderate (\$69,521-99,935)	1.5%
Moderate (\$99,936-\$121,660)	0.3%
Upper (greater than \$121,661)	-0.1%

HOUSING STOCK

Prior to 1960 = 29%

1960 to 1979 = 27%

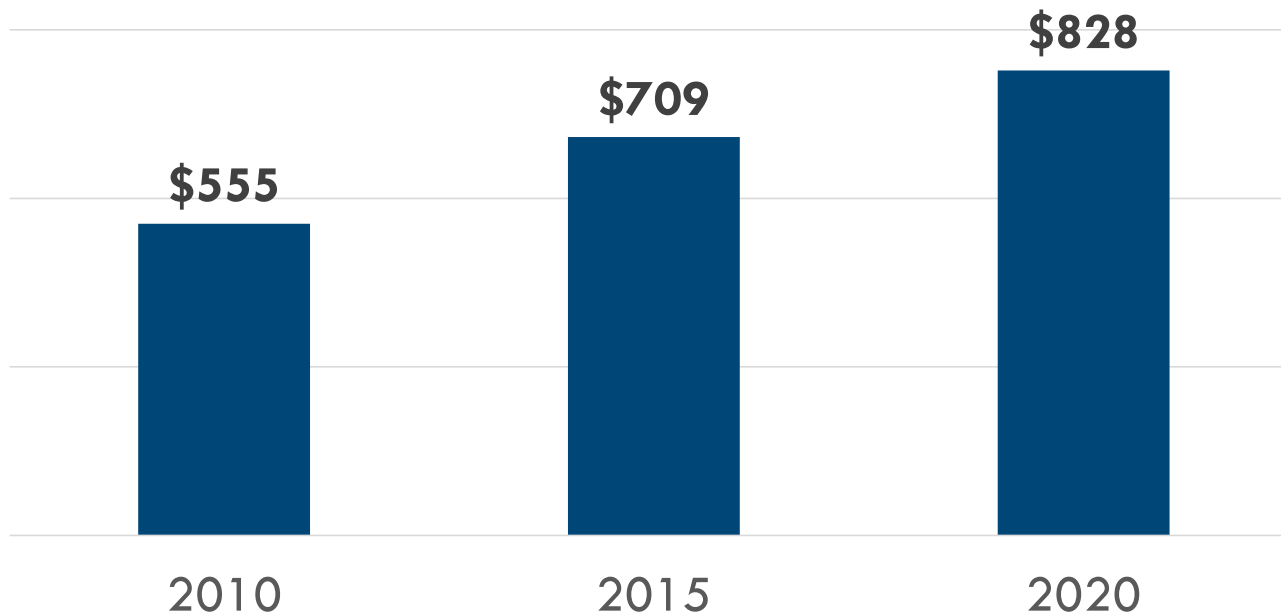
1980 to 1999 = 20%

Since 2000 = 24%



STATEWIDE CHANGE IN MEDIAN RENT

Median Monthly Gross Rent in North Dakota



Median rent in North Dakota was less than \$600 just 10 years ago - that's a 49% increase in 10 years.

2020 ACS Data

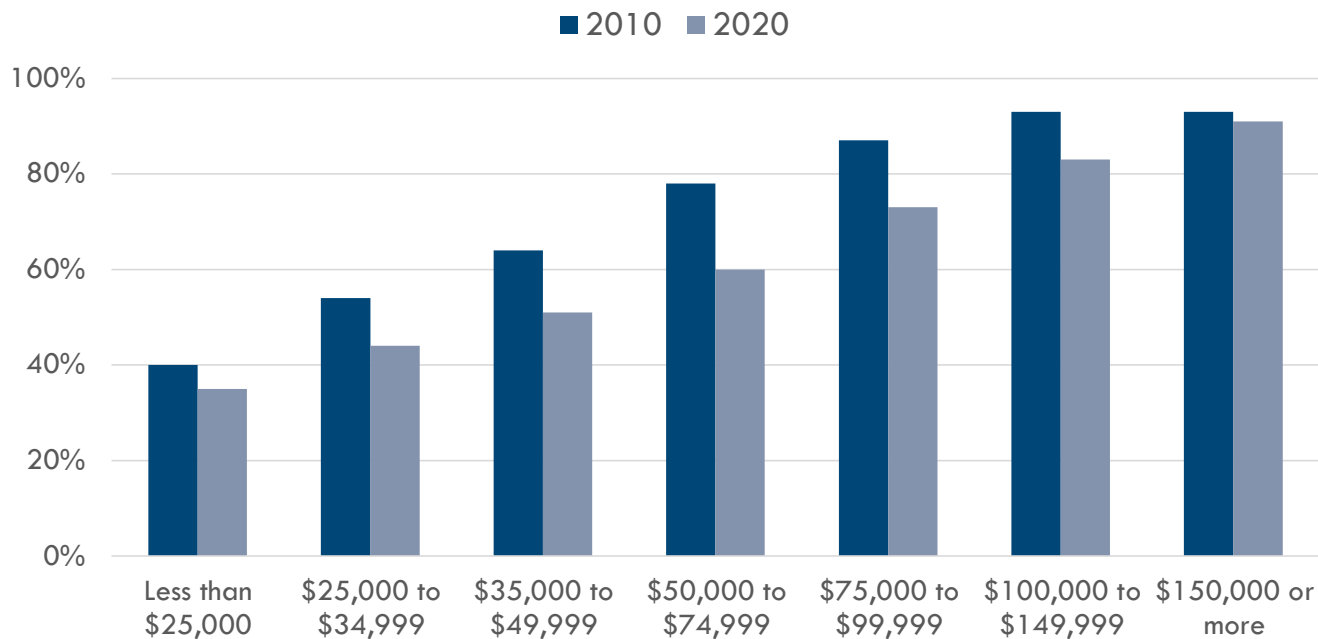
Efficiency: \$628
1-bedroom: \$690
2-bedroom: \$826
3-bedroom: \$1,118
4-bedroom: \$1,327

RENTAL AFFORDABILITY BY HOUSEHOLD INCOME, 2020

Household Income Category	Income Limits based on the 2020 MFI of \$86,900 in North Dakota defined by HUD	Total Households that Meet the HUD Income Limit Thresholds	Affordable Monthly Housing Costs
Extremely Low	Less than \$26,070	56,545	\$652
Very Low	\$26,070 - \$43,450	52,601	\$1,086
Low	\$43,451 - \$69,520	72,818	\$1,738
Lower Moderate	\$69,521 - \$99,935	45,518	\$2,498
Moderate	\$99,936 - \$121,660	32,901	\$3,042
Upper	\$121,661 or more	62,170	\$3,650

TREND IN HOME OWNERSHIP RATES BY INCOME

Home Ownership Rates by Household Income in North Dakota

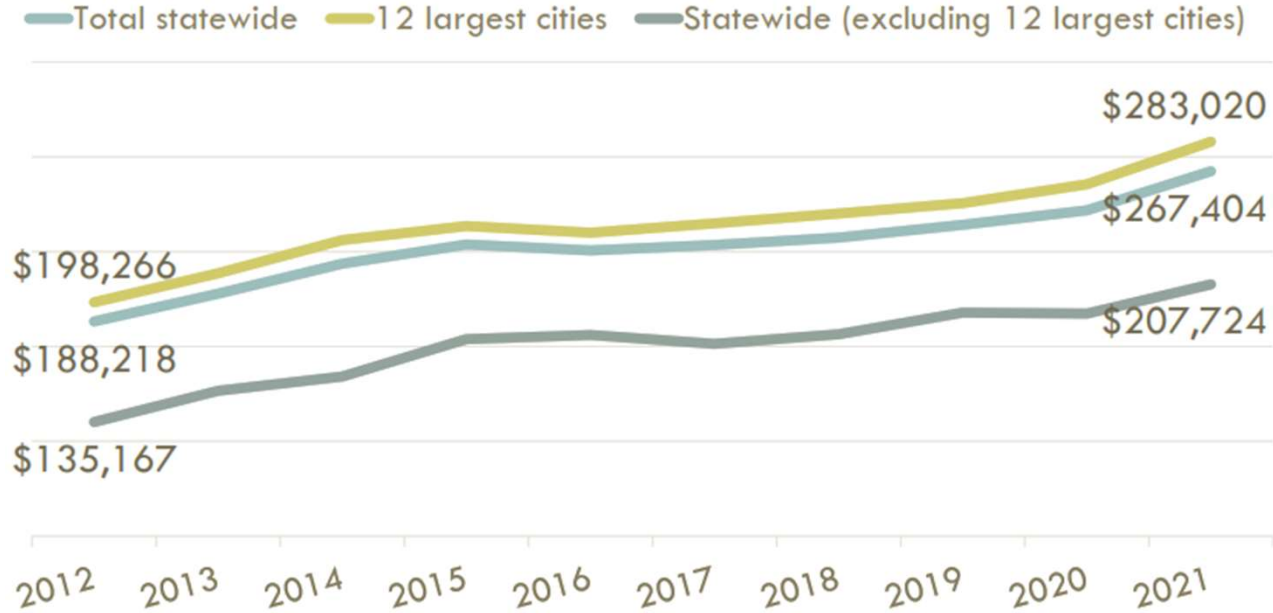


Household Income	% Change 2010 - 2020
Less than \$25,000	-12.5%
\$25,000 to \$34,999	-18.5%
\$35,000 to \$49,999	-20.3%
\$50,000 to \$74,999	-23.1%
\$75,000 to \$99,999	-16.1%
\$100,000 to \$149,999	-10.8%
\$150,000 or more	-2.2%

Source: U.S. Census Bureau (2021C)

AVERAGE PRICE OF RESIDENTIAL HOMES SOLD

MLS DATA

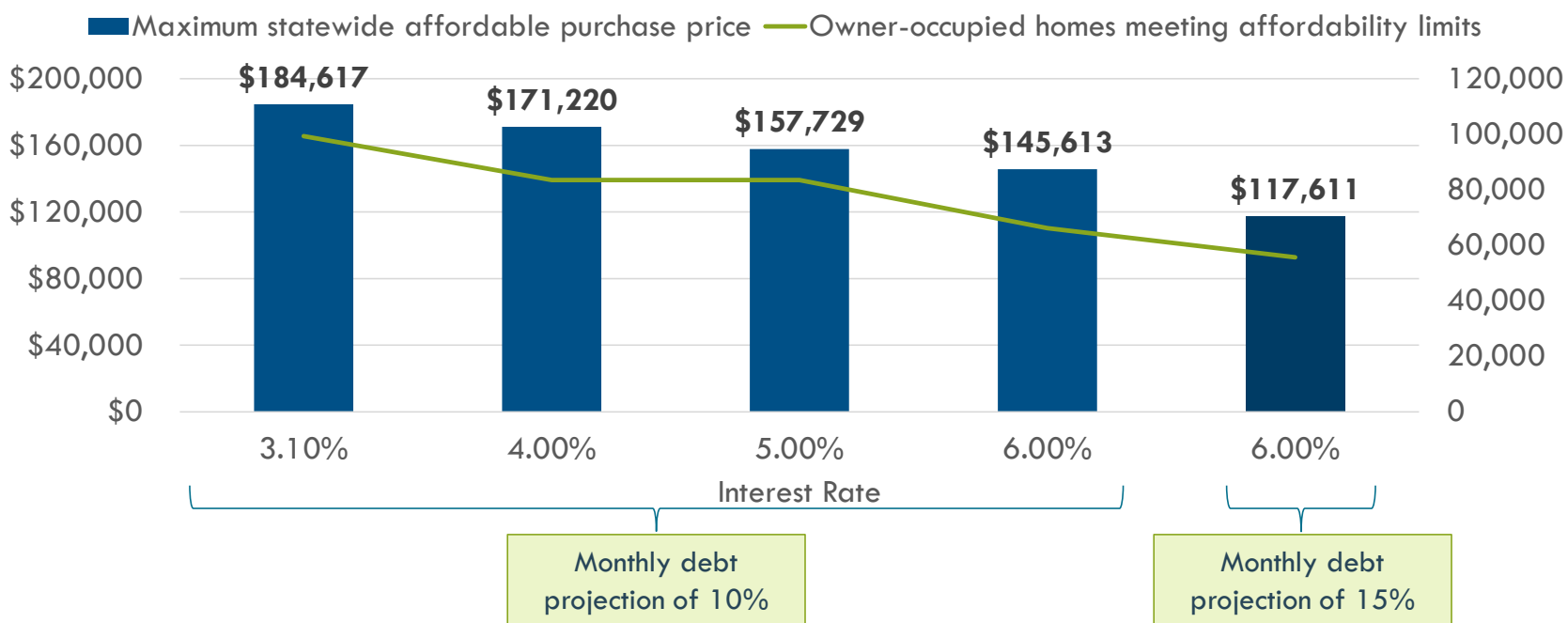


Since 2012 Average Prices have:

- Increased by 42% statewide
- Increased by 54% in rural ND
- Increased by 12% in 12 largest cities

Source: Multiple Listing Services of North Dakota (2022)

AFFORDABILITY EXAMPLE: IMPACT OF HIGHER INTEREST RATES ON LOWER INCOME HOUSEHOLDS (EARNING LESS THAN \$52,140)

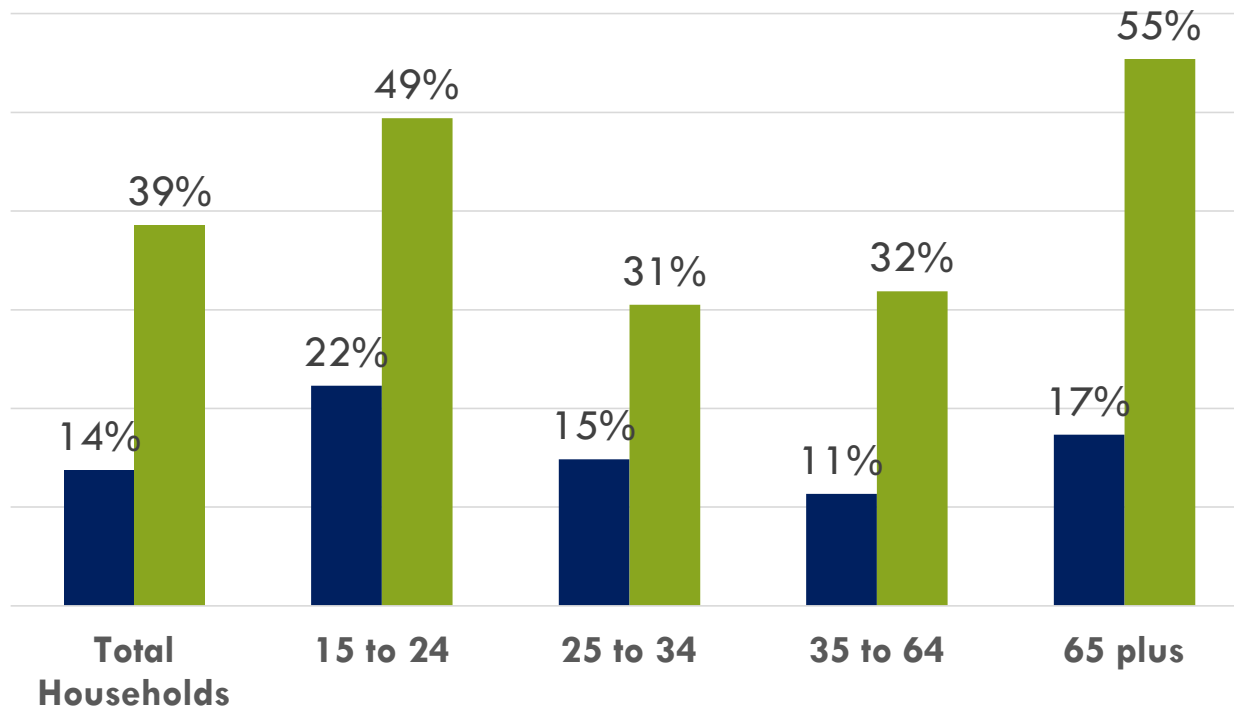


Assumptions: 30-year loan fixed, property taxes at 1% of the loan, property insurance at 1% of the loan, front-end debt-to-income ratio at no more than 28%, back-end ratio including all monthly debts at no higher than 36%

Note: Lower income households are defined as those households earning less than \$52,140 in 2020 (i.e. up to 60% MFI)

HOUSING COST-BURDENED HOUSEHOLDS IN NORTH DAKOTA, BY AGE OF HOUSEHOLDER, 2020

■ Owner ■ Renter



Source: U.S. Census Bureau (2021C)

HEADWINDS

- Aging baby boomers will be a significant demographic driver of housing needs.
- Projections suggest an increase in the number of lower income households which suggests the need for affordable housing to meet needs of lower income households and seniors.
- Projections suggest more than 9,000 housing units (single- and multifamily) are needed by 2025.
- Age of housing stock – ability to produce new housing limited – rehab existing

NDHFA SOLUTIONS

- Homeownership – below market rate loans and purchase assistance, NDHFA funded
- Single family rehab programs – funded with NDHFA assets
- Rural Construction Loan Guarantee – funded with NDHFA assets
- Rural Housing Development Loan Program – funded with NDHFA assets
- Administration of federal housing programs – new construction and rehab
- Housing Incentive Fund – legislative appropriated funds

CONTACT INFORMATION

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**Testimony in Support of SB 2220 – Housing Incentive Fund
Finance and Taxation Committee Hearing – January 23, 2023**

Dawn Mandt, Executive Director, Red River Regional Council (Region 4)
Chairwoman, ND Rural Development Council
Chairwoman, ND Association of Regional Councils
dawn@redriverrc.com / 701-520-0487 / www.redriverrc.com

Good morning, Chairman Kannianen and members of the Committee. I appreciate the opportunity to appear before you this morning in support of SB 2220. I am Dawn Mandt - the Executive Director of the Red River Regional Council serving Region 4 – four counties in northeastern North Dakota



– with our headquarters in Grafton. I am also the current Chairwoman of the ND Rural Development Council. I have spent the past 30 years working in rural community and economic development in North Dakota.

Over the past two years, our office received supplemental funding from the US Department of Commerce Economic Development Administration to support economic resiliency planning. One of the projects we undertook was a regional business retention and expansion project – which included **one-on-one business interviews with 130 businesses** – large and small in our region (outside the city of Grand Forks).

These interviews revealed **the need for upwards of 1,500 new employees over the next five years** ranging from main street businesses, healthcare, teaching, and manufacturing and more. **90% of these businesses are in growth mode.** Key barriers to this growth include **lack of adequate workforce, housing, and childcare** – three themes you’re undoubtedly hearing much about in this session.

These barriers are beginning to have a negative impact.

We are seeing our companies expand elsewhere in North Dakota or out of state.

We are seeing growth plans tempered.

We are seeing companies relocate – such as Motor Coach Industries – which is leaving a 209,000 sq ft facility that they’ve occupied in Pembina since 1963 vacant and 200 employees to

relocate to Minnesota.

We are also cultivating strong private and public partnerships to address these needs. We have established a regional workforce attractive initiative. We are resurrecting the Red River Community Housing Development Organization as our nonprofit housing development group. And we have allocated \$1 million from the Regional Workforce Impact Program to childcare expansion projects.

In January 2022, I asked several partners to participate on a Rural Housing Development Task Force. The intent of this task force was to study the impediments holding back housing development in rural North Dakota despite strong demand and need. Most importantly, we aimed to develop a set of recommendations to solve these issues so we can begin to move the needle on new housing development in rural communities. Members of this task force included several leaders from the ND Housing Finance Agency, Bank of North Dakota, ND Department of Commerce as well as a couple of nonprofit housing developers – Beyond Shelter and Community Works North Dakota.

Collectively, this Task Force has 200+ years of experience related to housing and community development. This Task Force held numerous meetings, conducted research, and reached numerous conclusions – as highlighted in the attached one-page summary as well as the full report that has been included online as a part of this testimony.

A few of our conclusions:

- rural projects are more expensive (as much as 25% more than urban communities)
- developers are not attracted to rural communities due to the lack of scale more commonly found in our urban centers.
- existing housing stock is old and often doesn't fit the demand or lacking supply.
- rural projects often have an appraisal gap – market value is less than construction cost – as well as a have a lack of comparable properties needed to secure financing.
- Urban projects often couple low-income housing tax credits with the Housing Incentive Fund. Generally, rural projects would not attract the necessary investors for the low-income housing tax credits due to lack of sizable projects of under \$2 million.

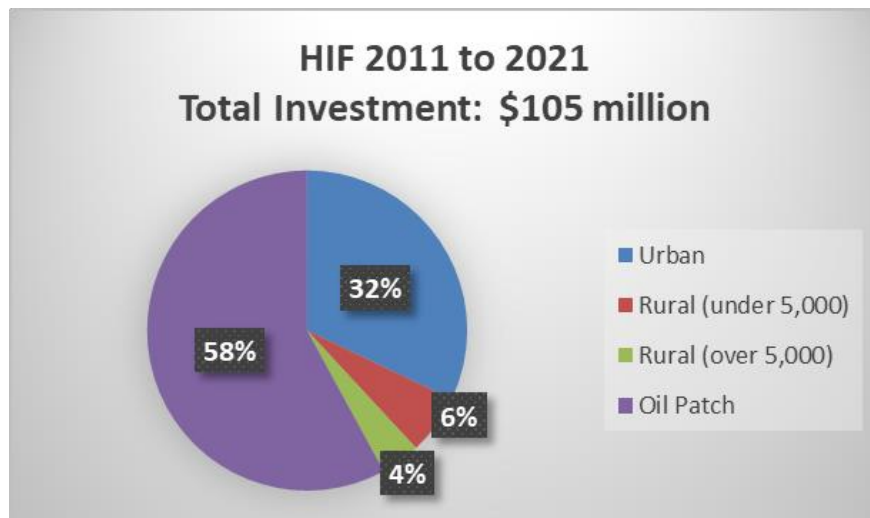
- The cost of construction would lead to rents that are generally unaffordable in most rural areas – in excess of \$1,200 per month for a two bedroom, 1.5 bath, and double garage in a duplex.
- The Housing Incentive Fund has been significantly underfunded to address the housing shortages across the state. The program typically only has one round of applications each biennia due to the high demand and lack of funding.
- Rural projects require multiple sources of funding and typically take more time to develop.

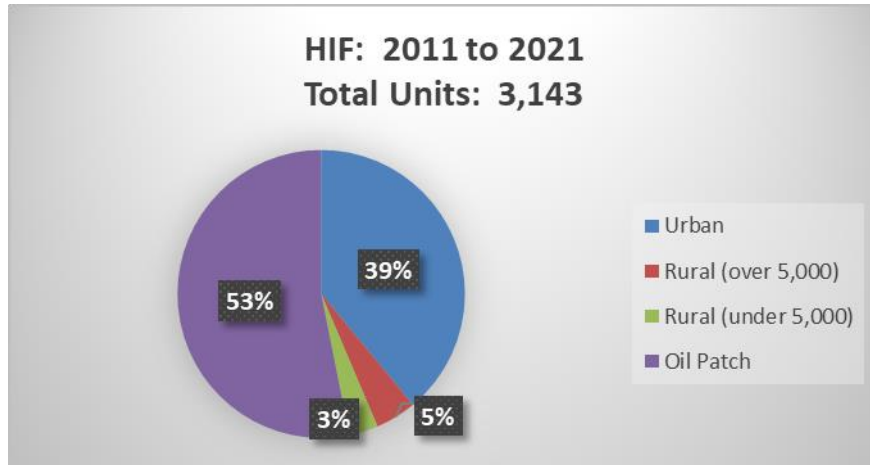
Creating the Housing Incentive Fund back in 2011 has proven to be a wise decision, producing 88 housing project with over 3,000 new rental units to date. The HIF program has a successful track record of impact.

We still need HIF.

There are still many communities that need that state support to grow.

The following graphs provide a breakdown of where the HIF program funds have been invested as well as the number of units per geography.





Our task force report included several recommended solutions and resources at all levels – city, county, and the state as well as private sector partnerships with large employers.

HIF is ideal for helping rural communities finance smaller-scale development, by filling financing gaps and allowing for a greater mix of incomes. These factors allow projects to be scaled for a community’s specific needs. HIF has successfully helped communities in the oil patch to meet their housing needs. It has been used to finance a variety of housing projects in our larger communities. It can do the same in my region. We need HIF now to retain employers, workers, seniors, and more to keep our region strong.

Significantly, we recommended a substantial increase to the Housing Incentive Fund program – and thank you to Sen. Kreun for leading this bill. **We recommended a \$50 million biennial appropriation to address the needs of both urban and rural communities.**

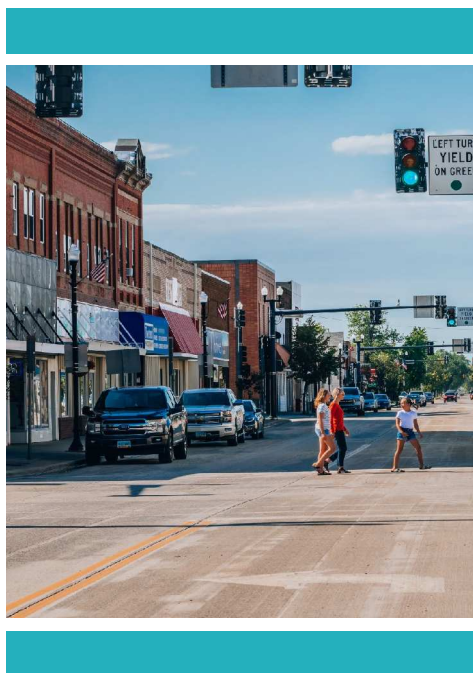
HIF needs to be permanently funded.

HIF needs to be funded at this higher level to give rural communities access and opportunity.

HIF can also be a valuable tool to jump-start single-family development in rural areas.

I strongly encourage you to support SB 2240.

Addressing the Critical Housing Shortage in Rural North Dakota



Without new housing investment, rural communities are not able to grow or recruit workforce and newcomers.

Rural communities are beginning to see companies relocate to urban centers and other states.



ND Rural Housing
Development Task Force
Report and Recommendations
December 2022

ND Rural Housing Development Task Force

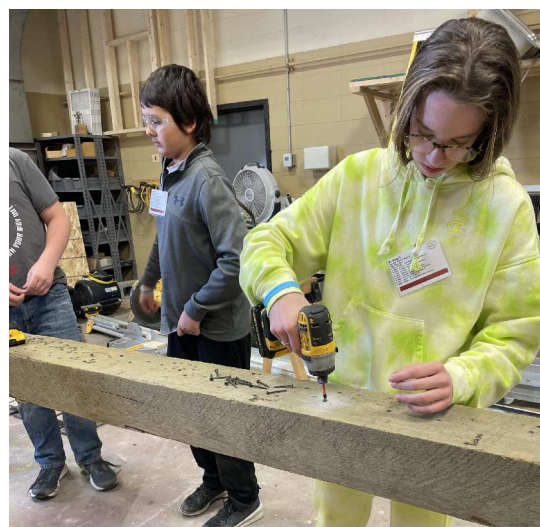
The Task Force was initiated in early 2022 to:

- Establish a small task force that would review existing programs and identify gaps
- Identify specific policies that are current impediments in small communities and rural locations
- Identify the role nonprofit real estate developers could play as a catalyst for additional private sector development
- Develop programmatic and policy recommendations

- Dawn Mandt, Red River Regional Council, Chair
- Shawn Kessel and Rikki Roehrich, ND Dept of Commerce
- David Flohr and Jennifer Henderson, ND Housing Finance Agency
- Craig Hanson, Bank of North Dakota
- Brent Ekstrom, Community Works of ND
- Lisa Rotvold, Beyond Shelter

Impediments to rural housing development identified

1. Typical rent in rural areas won't support enough debt to build new
2. The cost of construction is higher than in urban communities.
3. Generally, there is a shortage of trades professionals - builders, plumbers, electricians.
4. Lack of "ready to move" or modular home builders in North Dakota. Comparatively, Manitoba has numerous builders. Modular homes have production efficiencies and can convene skilled labor to a single location.
5. Urban centers have strong housing growth which is more profitable and less risky than rural communities. For-profit developers have ease of development and scalability in urban areas. Developers generally favor large-scale projects that are not viable in small towns.
6. A larger return on investment is more easily achieved in urban communities due to large scale projects and the availability of contractors to mobilize.
7. Lack of variety of housing options to enable movement in the rural market such as single level, family, entry-level, or contemporary options such as micro-homes/villages. Stagnation in home improvements has left available housing stock aged and not appealing to newcomers or relocation.
8. Rural housing often has an "appraisal gap" - cost exceeds appraised value. Also lack of adequate number of appraisers.
9. Lack of housing development expertise and capacity in nonprofit or community levels.
10. Wage disparities between rural and urban communities decrease affordable rural rental rates and profitability.
11. "Cheap housing" has left housing market undervalued making comparable properties for appraisals hard to find. There is a need for development to "prove up" the rural markets as viable construction areas.



Housing Incentive Fund (HIF)

The Housing Incentive Fund (HIF) is a state-funded gap financing program used with federal and private dollars to create affordable multi-family housing in urban and rural communities. The North Dakota Housing Finance Agency (NDHFA) administers the program on behalf of the state of North Dakota. Leveraged as an upfront, one-time investment, HIF ensures rental homes in the supported projects will be affordable for a minimum of 15 years.

The North Dakota Legislative Assembly created HIF in 2011 to address workforce housing needs in western North Dakota. The program has evolved over the past decade into a flexible funding resource to construct and rehabilitate multifamily housing in communities across the state. Funding is dependent upon legislative approval.

Currently, no HIF funding is available.

FINDINGS

- Rural projects can require 50% equity investment or more to be financially feasible and maintain affordable rents
- Popular Federal programs for multi-family development work best for larger projects (24 to 42 units) that are often too big for rural areas.
- **Underfunded** - 2020 to 2022 Biennium, \$9.5M appropriated for HIF, was overprescribed by \$16M without consideration of smaller, rural projects.
- Urban projects have been further along in planning when HIF funds become available one time in each biennium, so more shovel ready, so more competitive. The sporadic availability of HIF funds has hindered rural projects.
- Highly flexible source of funding that can be used to meet unique rural challenges.

SUGGESTIONS

- Redefine "rural" as cities under 5,000.
- Create rural set aside for single and multi-family housing rehabilitation and new construction.
- Allow rural project to exceed existing 30% total development costs HIF investment.
- Modify underwriting standards to enable vacancy rate up to 15% (typically 7%).
- Allow HIF to be used for homeownership in rural communities

LEGISLATIVE ACTION

- Increase biennial funding to no less than \$50M for five biennia.
- Create stable, long-term funding source to enable planning and project development time for rural areas.
- Modify century Code to allow HIF to be used for homeownership activities in rural communities.



Rural Renewal Workforce Housing

This concept program would target workforce housing using displaced, blight and unsafe properties to promote the effective re-use of existing infrastructure for in-fill housing development. The cost to construct is lower by eliminating lot acquisition and demolition costs and utilities are in place. Any housing type from tiny homes, single family homes to 8-plexes and mixed-use properties could be eligible. Businesses located in properties that were part of the program would be eligible for an additional grant award of up to \$10,000 if they are “workforce friendly”. Workforce-friendly businesses may include child care facilities and restaurants.

- Step One: The city, with grant assistance, conducts a housing study with a focus on workforce housing needs while identifying all blighted property and vacant lots in the community.
- Step Two: The city also must identify private sector partner(s) who are willing to build the properties.
- Step Three: City prioritizes the type of housing and prioritizes the properties on the blighted list that are best suited to build the prioritized housing or to best accommodate the identified need.
- Step Four: Grant funds acquire the property (if needed), remediate any hazards, remove the blighted structure, unless it has historical significance to the community. If there is historical significance, the adaptive reuse of the structure will be reviewed.
- Step Five: Land is gifted to the private sector partner to build housing prioritized by the city to sell/rent at a not-to-exceed price OR gifted to a person who does not currently live in ND and is willing to build a home and work full-time in the community or within 30 miles of the community.

Up to 10% of the properties on the blighted properties list could be razed to create a vacant lot to meet a community need such as a pocket park, veterans memorial or other community betterment need.

Community match would be in-kind, in the form of property, city staff time to coordinate, and other related activities.

City population	# cities targeted	# properties per city / total statewide	Average cost per property	Housing study subsidy	Total cost	Estimated impact
Tier 1: up to 999 (307)	25	5 / 125	\$25,000	n/a	\$3.125M	\$19.25M
Tier 2: 1,000 to 2,499 (32)	20	12 / 240	\$35,000	\$10,000	\$8.6M	\$61.62M
Tier 3: 2,500 to 20,000 (9)	6	20 / 120	\$55,000	\$15,000	\$6.9M	\$42.07M

FINDINGS

- Rural communities have numerous slum and blighted properties that could be used for infill housing development.
- Infill would enable reuse of existing infrastructure and revitalize a community.

SUGGESTIONS

- Create a statewide website of available sites and community incentives

LEGISLATIVE ACTION

- Appropriate \$18.625M for a two-biennia program
- Appropriate \$736k for two temp FTEs to manage program for four years

Renaissance Zone

Income and property tax incentives are available to taxpayers for engaging in qualifying zone projects or for investing in a renaissance fund organization set up to provide financing to projects in a North Dakota renaissance zone. A zone project generally consists of a purchase, lease, or improvement to real estate located in the zone.

LEGISLATIVE ACTION

- Modify statute to enable tax credits to be set aside for developers or builders limited to rural communities to increase return on investment to market rates.

Housing Developers

There is a lack of housing developers willing and able to create new housing in rural areas. New development is needed to prove market potential. Nonprofit housing developers could fill this niche, yet there is a lack of capacity across the state.

SUGGESTIONS

- Provide start-up capital to launch new nonprofit development organizations.
- Support training and capacity building.

Community Recommendations

Communities have a number of ways to encourage housing development which include:

- Create an inventory of existing lots with dilapidated properties that could be cleaned up for housing.
- Create program information for contractor/developer conversations.
- Provide PACE matching funds for multi-family development (duplexes to apartments).
- Provide free or low-cost lots.
- Offer two-year tax abatement on new construction.
- Extend infrastructure.
- Access housing study matching funds through ND Housing Finance Agency to assess needs and develop a plan to address needs.

Advocacy

- Support ND Appraiser's Association changes to enable training of new appraisers to fill gaps.
- Develop messaging to address gaps in skill trades and entrepreneurship opportunities in partnership with Career and Technical Education, ND Workforce Development Council, Greater ND Chamber, Governor's Office.



MULTI-FAMILY - 4-Plex Scenarios

The following case studies demonstrate the impact of the programmatic recommendations within this report. The multi-family scenario is an 4-plex, **1,100 sq ft per unit, and \$225/sq ft development cost. 2-bedroom, 2-bath, garage.**

Scenario 1: No subsidies. \$2,293/month rent which would require an annual household income of \$99,700K (\$48/hour for single-earner) to be "affordable" based on 30% standard. The owner investment required is \$257K (25%) with an ROI of 8% (8-12% would be the range for-profit developers seek).

SCENARIO #1: 4-Plex - no subsidies		
Affordability	Annual Operations	Development
4 units, 1,100 sq ft	\$110,040 rental income	\$863,260 max debt capacity (1.2 DCR)
\$2,293 monthly rent	(\$18,000) operating expense (\$4,500/unit - taxes, insurance, maintenance, property mgmt)	\$722,500 max loan based on (75% LTV)
\$200 monthly utilities	(\$11,004) 10% vacancy	\$247,500 cost per unit
\$99,700 min. household annual income for affordability (\$48/hour)	(\$60,430) annual debt service	\$1,030,000 total development cost (TDC) - inc. \$40K land cost
	\$20,606 annual profit/owner return	\$257,500 owner equity (25% of TDC)
		\$722,500 actual debt, 5%, 25 years (75%)
		8% ROI

Scenario 2: with HIF subsidy. \$1,000/month rent which would require an annual household income of \$48K (\$23/hour for a single earner) to be "affordable" based on 30% standard. Owner investment required is \$63K (6%) with an ROI of 8% (8-12% would be the range for-profit developers seek).

SCENARIO 2: 4-Plex with HIF		
Affordability	Annual Operations	Development
4 units, 1,100 sq ft	\$48,00 rental income	\$268,450 max debt capacity (1.2 DCR)
\$1,000 monthly rent	(\$18,000) operating expense	\$257,500 max loan based on 75% LTV
\$200 monthly utilities	(\$4,800) 10% vacancy	\$247,500 cost per unit
\$48,000 min. household annual income for affordability	(\$20,143) annual debt service	\$1,030,000 total development cost (TDC) - inc. \$40K land cost
	\$5,057 profit	\$63,200 owner equity (6% of total TDC)
		\$194,300 subsidized equity/grant/HIF (19% of TDC)
		\$257,500 actual debt, 5%, 25 years (25% of TDC)
		\$515,000 Gap (HIF) est. \$115K/unit (50% of TDC)
		8% ROI

** All assumptions provided here are for discussion purposes only and do not reflect a specific development

MULTI-FAMILY - 8-Plex Scenarios

Scenario #3: No subsidies. Rental rate is \$2,274/month which requires an annual household income of \$99,960 (\$48/hour for single earner). Owner equity at 25%. ROI is 8%.

Scenario #3: 8-Plex, no subsidies, 25% owner equity		
Affordability	Annual Operations	Development
8 units, 1,100 sq ft	\$218,304 rental income	\$1,709,493 max debt capacity based on 1.2 DCR
\$2,274 monthly rent	(\$36,000) operating expense	\$1,530,000 max loan based on 75% LTV
\$200 monthly utilities	(\$21,830) 10% vacancy	\$247,500 cost per unit
\$99,960 min. household annual income for affordability	(\$40,787) debt service	\$2,040,000 total development cost (TDC) - inc. \$60K land cost
	\$40,787 profit	\$510,000 owner equity (25% of TDC)
		\$1,530,000 actual debt, 5%, 25 years (75% of TDC)
		8% ROI

Scenario #4: with HIF subsidy. Rental rate is \$1,000/month which requires an annual household income of \$48,000 (\$23/hour for single earner). Owner equity at 7%. HIF subsidy of \$113,750/unit or \$910,000 total (50%). ROI is 8%.

Scenario #4: 8-Plex with 50% HIF, 7% owner equity		
Affordability	Annual Operations	Development
8 units, 1,100 sq ft	\$96,000 rental income	\$536,901 max debt capacity based on 1.2 DCR
\$1,000 monthly rent	(\$36,000) operating expense	\$510,000 max loan based on 75% LTV
\$200 monthly utilities	(\$9,600) 10% vacancy	\$247,500 cost per unit
\$48,000 min. household annual income for affordability	(\$39,896) debt service	\$2,040,000 total development cost (TDC) - inc. \$60K land cost
	\$10,8504 profit	\$131,300 owner equity (6% of TDC)
		\$378,700 subsidized equity/grant/HIF (19% of TDC)
		\$510,000 actual debt, 5%, 25 years (25% of TDC)
		\$1,020,000 Gap (HIF) est. \$113,750k/unit (50% of TDC)
		8% ROI

** All assumptions provide here are for discussion purposes only and do not reflect a specific development.

Conclusions

- Without a subsidy, such as HIF, rent is unaffordable in most rural communities on small projects such as a 4-or 8-plex.
- The return on investment (ROI) is too low without a subsidy to attract a for-profit developer. Generally, developers will seek an 8 to 12% ROI.
- Gap funding is required to reduce bank debt and achieve marketable rents - grant, not debt.
- A shared equity subsidy can increase ROI to make it a worthwhile investment. Again, grant, not debt, as there often is not adequate cash flow to support repayment.

Suggestions

- Soft financing could be serviced from available cash flow beyond an 8-10% ROI to the owner through the term of the loan and forgiven at maturity.
- Subsidized equity could stay with the project and get repaid upon the future sale of the property from sales proceeds.



The lack of available and variety of housing stock is limiting our ability to attract new residents and workforce. With a forecasted need of 1,000+ new employees in rural Region 4 in the next five years, this is a significant economic development issue.

Dawn Mandt, Executive Director
Red River Regional Council

Questions

- What is a reasonable rent in rural communities? What are people willing or able to pay?
- Should the community have skin in the game?
- Should state investment be tied to economic development?
- Could a non-profit developer be an owner with lower ROI expectation?
- Is there workforce capacity in the trades to build the housing?
- Is there property management capacity in rural areas?
- Is there maintenance capacity in rural areas?
- What can the state do to increase workforce capacity?
- Can the state assist Section 3 eligible workers to start new businesses that can fill some of the workforce gaps in the state (both rural and urban)?

EVERYONE CAN PLAY A PART

Potential Tools to Incentivize Rural Housing Development	Who
Interest rate buydown and subordinated debt for multifamily loans	BND
Builder/Developer tax incentives for new construction in rural communities	Legislature
Modify underwriting for rural rental projects - allow higher vacancy rates	BND, NDHFA, Local Banks
Guarantees for multi-family perm loans and single family construction loans in developing rural communities	BND, NDHFA
Travel incentives to travel to rural communities - flat fee payment upon completion of construction? tax credit?	NDHFA, Cities, Legislature
Low cost financing for cities to help with water/sewer/street extensions to lot lines	BND, RD

Other Opportunities - housing development is intertwined with:	Who
Economic Development	
What can employers in need of workers bring to the table? What is the labor shortage costing them? Can that be monetized and invested?	Employers
Workforce/Wages/Housing conversations - we can meet your workforce and housing needs if wages are right	Employers
Small scale off site single family home production - this is a business opportunity	Entrepreneurs
Renaissance Zone tax credits to incentivize new construction of workforce housing	BND, NDHFA

Education	Who
Promote education in the trades - construction, electrical, plumbing - scholarships	State, School District, NDHFA, BND, ND Career Builders
Encourage high school shop programs to teach trades, build a house, or tiny home to learn skills and increase interest - source start-up funding (curriculum, materials)	State, School District, NDHFA, BND

Community Development	Who
Would community benefit from a tiny/micro home village neighborhood - lots for owners	City, entrepreneur
Offer the two year tax incentive for newly constructed homes - you will come out ahead	City
Show the math - market reality check - many people can afford to pay the cost of new modern housing but they are conditioned to expect small towns should cost less	Economic developer, city, employers
Encourage local lenders to participate in NDHFA financing programs & FHLBDM membership to access resources to help buyers afford new construction	Economic developer, city, employers
Offer vacant city owned lots for development of new housing; assist with cost of demo for people purchasing dilapidated properties to redevelop for housing	City, state matching grant
Consider changing zoning and other local restrictions (setbacks, lot size, street widths in new development areas)" to allow all housing types (manufactured, modular, small homes on small lots, accessory dwelling units)	City
Evaluate taxable value increase from new development - what can be done to make it happen?	City

What's next?

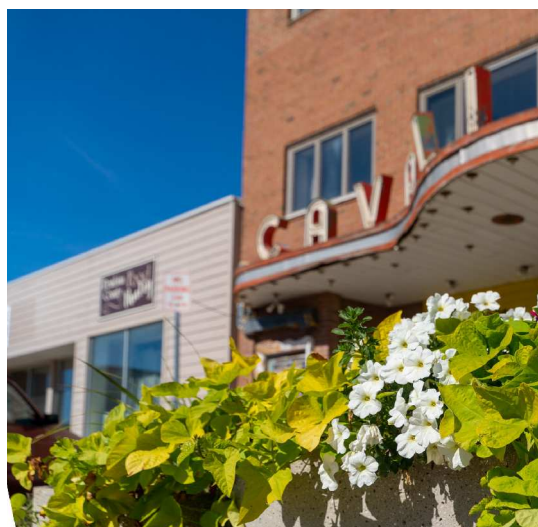
Rural America is poised for a renaissance with more and more Americans recognizing the wonderful quality of life available in small towns. Technology is allowing workers to live where they choose. As this task force did research on the challenges and solutions we realized North Dakota is not alone, all of rural America has an opportunity.

The North Dakota legislature continues to invest in rural connectivity, making our small towns technology enabled. The state's workforce development efforts are starting to pay dividends. For many years, there has been very little investment in housing in many of our rural communities. **Now is the right time for our state to invest in rural places, to help meet the growing changing needs of our rural communities, to build on the momentum created by ongoing workforce development, and place making efforts.**

Rural communities are rolling up their sleeves and working to retain population and grow. Businesses want to grow, jobs are plentiful, people want to live here. **The Rural Housing Development Task Force concluded that a stable source of funding for the HIF program, and a long-term commitment to the program is the number one priority in helping rural communities meet their diverse housing needs.** HIF is a highly flexible funding source with a proven track record around the state.

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Notes:





RURAL HOUSING TASK FORCE RECOMMENDATION RURAL OPPORTUNITY



Opportunity is passing rural North Dakota communities by

Without new housing investment, rural communities are less equipped to welcome back those who want to return home, and attract the newcomers needed to keep the economy growing.

Challenges:

- Slow real estate markets, less activity, fewer comparable sales
- Wage disparities between rural and urban centers
- Cost of construction often exceeds appraised value
- Appraisal challenges and slow market make speculative development too risky for private developers
- Stagnation in home improvements has left existing housing stock outdated and unappealing to newcomers
- Lack of housing development and capacity in local non-profits

Solution: **Housing Incentive Fund (HIF)**

- Proven to be a highly effective and successful state funded program
- Flexibility to support the unique housing needs of our rural communities
- Fills financing gaps in developments that do not fully align with requirements of federally funded programs (smaller scale, wider band of incomes served) to make the economics of practical development work in rural communities
- Lighter compliance burden for small projects

LEGISLATIVE RECOMMENDATIONS

1. **Identify stable long term funding source** to ensure program stability and offer consistent funding opportunities to plan for suitable development
2. **Increase biennial funding** of HIF to no less than \$50,000,000 for 5 biennia.
3. Allow use of HIF for **homeownership activities in rural areas.**

EXAMPLE: PARK RIVER

An existing development of rental twin homes in Park River is experiencing strong occupancy and demand. The owner also owns a lot next to the property that can accommodate four additional twin homes. The following example illustrates how HIF can be used to jump start this much needed development.

Assumptions

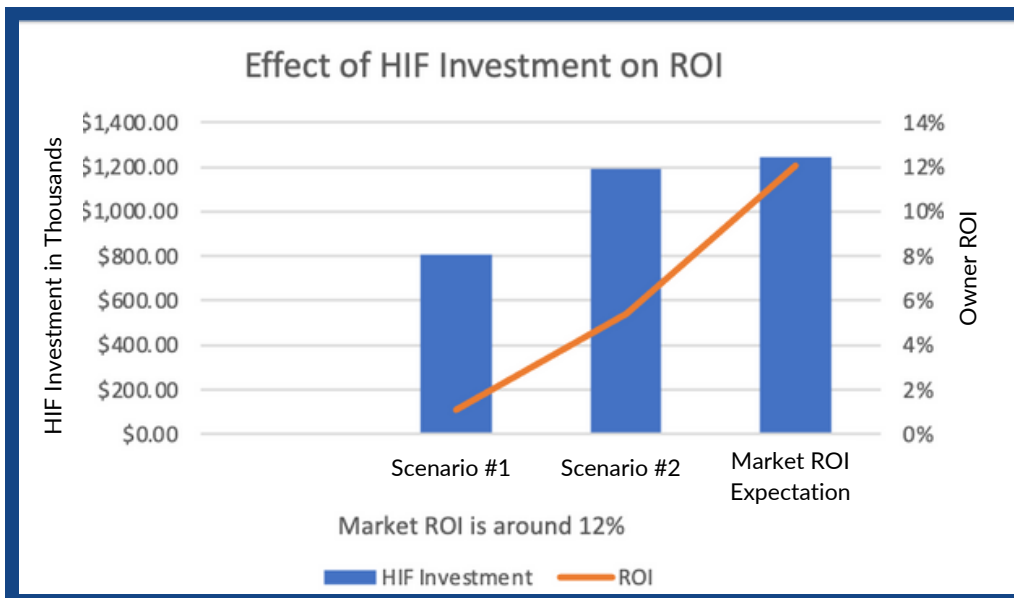
- 8 units (2 one BR, 4 two BR, 2 three BR) with attached garages
- Rents of \$750, \$1,000, and \$1,250
- Underwriting with a 15% vacancy (given small deal size)
- Presuming bank loan with DCR of 1.2, and interest rate of 6% for 20 years
- Annual operating expenses of \$5,250

Total Development Cost (TDC): \$1,600,000

Sources of Funding

Sources of Funding - Scenario #1 Private Developer		
Owner equity (30%)	\$480,000	30%
Bank Loan	\$311,408	20%
HIF Funding	\$808,592	50%
TOTAL	\$1,600,000	100%

Sources of Funding - Scenario #2 Non-Profit Developer		
Owner equity (30%)	\$100,000	10%
Subsidized equity (HIF)	\$380,000	20%
Bank Loan	\$311,408	20%
HIF Funding	\$808,592	50%
TOTAL	\$1,600,000	100%



A development opportunity of this nature could be pursued by a private developer or a non-profit developer, as reflected in the two scenarios.

***All numbers and assumptions presented in the examples are examples for discussion purposes only.*

For small, rural developments, where Low Income Housing Tax Credits (LIHTC) aren't feasible, HIF is essential as a substitute for the dollars leveraged from that federal program.

Investing in economic and housing development in rural communities supports the urban-rural ecosystem that drives North Dakota's healthy and diverse economy

Name: Angelle French, Executive Director, Walsh County Job Development Authority

City, County: Grafton, Walsh County

Bill Number: SB2220 – North Dakota Housing Incentive Fund

January 23, 2023, 9:30 am. Finance and Taxation Committee Hearing

This testimony is IN SUPPORT of SB 2220

The current housing stock in our community is aging and it is lacking. It is imperative that we find a way to invest in new housing development to meet the needs of our communities. Our businesses need more workers however, we have very limited housing options for them – if any. We cannot expand our community, reversing our declining population if there is no where to live. Not just that, but we also need to have housing that is not income-based to be able to attract professionals and skilled technical labor. In a recent business retention and expansion project completed by the Red River Regional Council, we’ve estimated the need for as many as 1,500 new employees in rural Region 4 in northeastern North Dakota.

It is extremely difficult to compete for housing development funding in rural areas as our projects are often smaller scale, we are unable to attract developers seeking economies of scale, and our projects often have an appraisal gap (market value is less than construction cost).

Creating the Housing Incentive Fund back in 2011 has proven to be a wise decision, producing 88 housing developments comprising over 3,000 new rental homes to date. There are still many communities that need state support to grow. HIF needs to be permanently funded and at this higher level, \$50,000,000, to give rural communities access and opportunity to this funding. HIF can also be a valuable tool to jump starting single-family development in rural areas.

HIF is ideal for helping rural communities finance smaller scale development, by filling financing gaps (caused by appraisal gaps), and allowing for a greater mix of incomes. HIF has successfully helped communities in western North Dakota meet their housing needs. It has also been used to finance a variety of low- and moderate-income housing projects in our larger communities. It can do the same in our rural communities. With the modifications proposed in SB 2220, we will be enabled to begin to address our housing needs in northeastern North Dakota.

If you have questions or concerns you can contact me via email (walshcountyjda@nd.gov) or by phone at (701) 352-2171.

I strongly encourage you to support SB 2220.

JANUARY 23, 2023

YWCA CASS CLAY SUPPORTS SB 2220



Good morning, Mr. Chairman and members of the committee, my name is Erin Prochnow, CEO at YWCA Cass Clay.

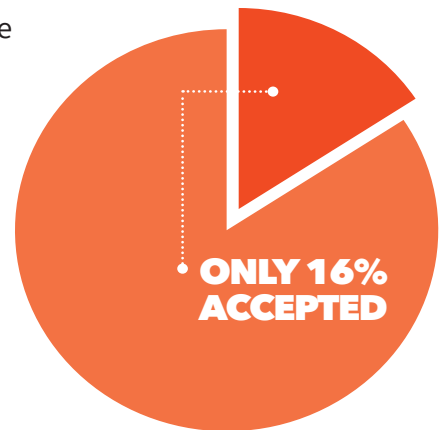
Our agency offers the largest Emergency Shelter for women and their children escaping domestic violence and homelessness in North Dakota and northwestern Minnesota. We have done so for 45 years. We also operate a sizeable Supportive Housing Program serving 80 households in Fargo and West Fargo, that, after emergency shelter, is the long-term solution for healing, stability, and independence - diminishing the likelihood women will return to abusive partners or homelessness.

North Dakota Housing Incentive Fund (HIF)

Affordable housing is a critical component of our infrastructure in North Dakota. Approval of SB 2220, inclusive of the provisions of the North Dakota Housing Incentive Fund (HIF) program at the recommended \$50 million, will greatly impact organizations like YWCA in providing affordable supportive housing to citizens of our state. In the case of YWCA, it will provide a pathway for women and children out of harm’s way from dangerous abuse and homelessness. It will also deliver the highly effective strategy of affordable housing combined with human support from a housing caseworker.

Supportive Housing stabilizes families and prevents use of other more costly resources.

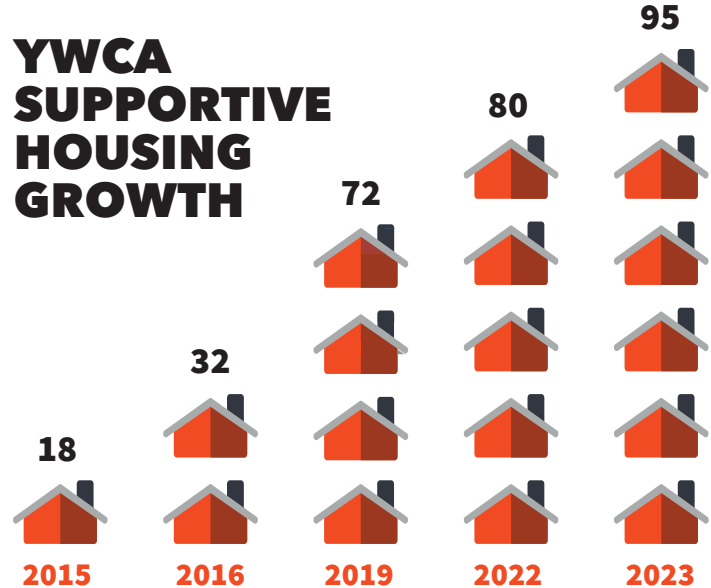
The solution to homelessness is housing. Investing in affordable rental housing is critical to the ideal of making homelessness rare, brief, and non-recurring. Despite the effectiveness of supportive housing, only a portion of the people who would benefit most actually receive it. In 2021, 292 women and children applied to gain access to our YWCA Supportive Housing Programs, but **only 46 women and children – 16% - were accepted.**



In 2015, YWCA saw a need for increased supportive housing because too often our caring advocates were witnessing survivors of violence returning to abusive partners because they had no other independent alternative. Often, an abuser’s power and control traps domestic violence survivors economically - 99% of domestic violence survivors are victims of economic abuse.

YWCA set a bold goal in 2015 to significantly grow our supportive housing program. At that time, the agency supported 18 units of housing. That number is 80 today.

With the addition later this year of YWCA's new supportive housing initiative, Lantern Light (described in more detail on page 4), YWCA will provide supportive housing to more than 95 families. Tonight, 250 people will sleep in safe YWCA supported housing, children will be off to school, and survivors of violence will be able to hold steady jobs because of the stability and care provided through supportive housing.

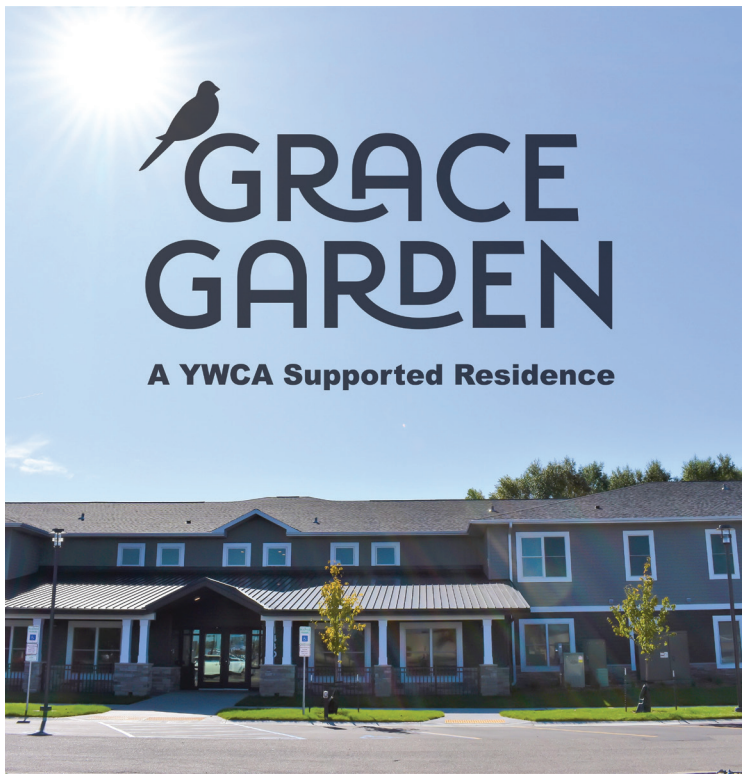


Even with expansion of YWCA's Grace Garden housing initiative through the help of NDHFA in 2019, **we simply don't have enough affordable homes to meet community need.** A large body of research shows that most people who live in supportive housing can remain stably housed in the community, making it the most cost-effective prevention to homelessness.

Our own numbers substantiate this fact: at YWCA, the cost of emergency shelter is \$66 per night while supportive housing at YWCA is \$18 per night. **It costs 72% less to provide supportive housing.** This economical resource is a path to safety and financial security for women, at the same time lessening use of emergency, health care and other resources.



YWCA can highlight two recent examples of the Housing Incentive Fund in action at Grace Garden which opened in 2019 and the YWCA's recent purchase of the Sisters of the Presentation of the Blessed Virgin Mary (Sisters) Sacred Heart Convent.



GRACE GARDEN

is a YWCA residence that opened in 2019 and serves individuals and families with its 30 one- to four-bedroom units. Onsite housing advocates readily support residents in their goals.

YWCA was approached by Lutheran Church of the Cross Pastor Joel Baranko in 2017 about vacant unused church property. He solicited the opinion of our agency in the how the land could best serve the community. Our answer was additional affordable supportive housing for those facing homelessness as a result of domestic violence.

YWCA applied for and received support from a variety of public and private partners to bring that 30-unit affordable housing initiative to reality.

AT GRACE GARDEN IN 2022:

27,211

nights of housing were provided

107

adults and children were housed

67%

increased their income level

78%

reported a reduction in use of emergency services

Since Grace Garden opened in the fall of 2019 over 86,000 nights of safe housing have been provided to 381 individuals.

This \$7.1 million initiative was aided through the support of \$500,000 award through HIF to leverage over \$6.5 million in federal and state sources in 2017.

Grace Garden has been instrumental in solving a need of domestic violence victims, challenged in the past by lower prioritization for supportive housing because they weren't chronically homeless—instead homeless for the first time after leaving an abuser. Lutheran Church of the Cross and Gate City Bank were instrumental in making Grace Garden possible and generously continue their support.



YWCA CEO Erin Prochnow and Sister Mary Margaret Mooney

LANTERN LIGHT

YWCA Cass Clay's relationship with Sisters of the Presentation of the Blessed Virgin Mary was born out of proximity and grew through a united mission - serving women and children in need.

YWCA has partnered with the Sisters by leasing 16 units of supportive housing dating back to 2006 in three locations. In June, the Sisters of the Presentation agreed to YWCA purchasing their former Sacred Heart Convent adjacent to the Emergency Shelter.

YWCA is currently renovating the former convent into 23 affordable supportive housing apartments, named Lantern Light. Construction is underway with plans to open in the fall of 2023.

The one- to four-bedroom apartments at Lantern Light will be home for approximately 60 adults and children when the residence opens in the fall of 2023.

A recent Fargo Forum article from December 27, 2022, on this initiative is attached on page 7 of this testimony.

This \$8.3 million building renovation and acquisition was awarded \$1.1 million to leverage more than \$7 million in federal and state awards.

Funding for renovation was secured through HOME, ARP, North Dakota Housing Incentive Fund, National Housing Trust Fund, and the Affordable Housing Program.

YWCA's Supportive Housing Program is a proven solution. A woman who participates in the program earns more money, is healthier, and is better equipped to maintain housing and create an environment for her children to thrive. A compassionate and trained YWCA team walking alongside survivors makes life transformations possible.

Through Lantern Light: A YWCA Supported Residence, the legacy of Sisters of the Presentation and their foundress, Nano Nagle, will live on and be honored with a lasting tribute.

HIF dollars provide a companion tool to federal resources to make affordable housing possible for new construction such as the case of Grace Garden, in remodel projects such as Lantern Light, and also to help make certain that existing affordable supportive housing units are preserved.

On average, a woman stays in the YWCA Supportive Housing Program just 18 months. It's a short time in which families break the cycles of poverty and violence. A woman who participates in the YWCA Supportive Housing Program earns more money, is healthier, and better equipped to live independently and create an environment for her children to thrive.

In 2022:

- **50% of participants increased their education or income level**
- **83% of participants reduced their use of emergency services**
- **75% of participants obtained stable housing upon exiting the program**

Recently, a woman named Jessica served by YWCA at Grace Garden said, *"I really don't think I could have made it this far without you. I appreciate everything you guys do. Sometimes I still feel like I'm in a dream. I never imagined that I could have made it this far in this little amount of time. I'm very thankful."*

[**Click to listen to Jessica's story >**](#)



When a woman, like Jessica, arrives at the YWCA, she often lacks the building blocks to independence: a living wage, adequate credit, childcare, and transportation. Our comprehensive programs and services help women overcome these barriers.

In 2022, the average stay at our Emergency Shelter was 50 days. While women can make significant progress in this time, this is typically not enough time to gain enduring financial security and self-reliance. Women must recover physically and mentally from abuse. She may have a disability, or need to attend school, or be working hard to regain credit history and financial footing.

Supportive Services

The HIF requires 10% of the fund be set aside to provide necessary and life-changing supportive services. YWCA Advocates provide stability and a light hand of support to help women troubleshoot and problem-solve setbacks in life. **Supportive services help vulnerable people** who have histories of trauma, chronic health conditions, poverty or other struggles come to thrive in the community. In our experience, beyond rental assistance, survivors gain a YWCA housing advocate as their human support.

YWCA Advocates are difference-makers who help women gain jobs and education, overcome obstacles related to childcare, car breakdowns, health setbacks and more. They skillfully use an empowerment approach that helps women summon their own courage and grow in problem-solving and resolve. Women are guided to set concrete goals. They gain caring encouragement that helps them stay focused on convictions they've set.

As women grow in personal autonomy, they avoid the paths of returning to abusers, substance dependency, or interaction with costly social systems like emergency care, law enforcement, the foster system, and more. Tenants grow abilities to stay housed. **They become healthier and reconnect to the community.** In 2022, 83% of supportive housing participants reduced their need for emergency services such as law enforcement and ambulance usage.

They lead lives on paths of their own choosing. **Supportive services are a proven and cost-effective way to reduce shelter occupancy and the homeless population, breaking the cycles of poverty and violence.**

In both initiatives described, YWCA sought or is seeking local private funding to provide life-changing supportive services onsite. These dollars are difficult to raise and are critically important. In the case of Grace Garden, a local bank provided 12 years of supportive service support through a \$1.5 million pledge. At Lantern Light, YWCA is currently in a capital campaign to build an endowment fund to secure supportive services into the future, the goal on this private campaign is over \$6 million.

Wherever a woman may be on her journey, together we must walk alongside her to ensure she has access to the tools and resources necessary to heal, reach her goals and ultimately, build a future free from violence for their family.

LOCAL NEWS

A2 | TUESDAY, DECEMBER 27, 2022 | THE FORUM

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Ryan Longnecker / WDAY TV

Erin Prochnow, CEO of YWCA of Cass-Clay, walks through the remodeling of the former Sacred Heart Convent in south Fargo. The site will now become "Lantern Light." It will provide apartment living for those women and children escaping violence in the home.

YWCA making progress on convent remodel for Lantern Light

By Kevin Wallevand
WDAY
Fargo

For years, Fargo's Presentation Sisters used their convent on the city's south side to launch projects for helping the poor and those without housing.

But now, a familiar face is at the convent months after the sisters moved from there.

The YWCA plans to remodel the convent and provide safe, affordable housing for families escaping domestic violence.

"Eventually, on the first floor will be a two-bedroom, handicap-accessible unit," said Erin Prochnow, YWCA

Cass Clay CEO, as she toured the convent now undergoing a huge, multimillion-dollar renovation project.

Prochnow knows housing. As the YWCA's longtime CEO, she knows what survivors of domestic violence need.

"We are going to create, like a hotel, a business center. There will be a business center with laptops so women can apply for jobs and to seek out other opportunities. That is what we have identified as a need, along with classrooms," Prochnow said.

That is why she is so excited about Lantern Light, a YWCA-supported residence now under construction.

"We know the answer to

homelessness is affordable, supportive housing, which the YWCA has worked to grow," she said. "We have expanded from 19 units in 2015 to 95 units by the end of next year throughout the community, in addition to operating the region's largest shelter serving women and children adjacent to here. It will be a campus-like environment for women facing violence."

What for so many years was the Presentation Sisters' convent will now be the safe home for 23 families who are survivors of domestic violence and often homeless.

The irony of this new project: the name Lantern Light. A way to honor the

years of ministry of the Presentation Sisters in Fargo. Through their founder Nano Nagle who, although rich, was known to carry a lantern through the streets of Cork, Ireland, helping impoverished women and children.

"We have partnered with the Presentation Sisters for so long. It is repurposing something and honoring their legacy, and something we care so strongly about," Prochnow said.

The bottom line: The YWCA's shelter is full.

"Seventy-three today, 37 of whom are children," Prochnow said, referring to the number of people at the shelter nightly this week in

Fargo. This new building will not be a shelter, but housing. More efficient, cheaper.

"When they walk into this apartment when it is done, they will have a place to call home, they will be safe and have an environment for their children to thrive and not live in fear. That is absolutely what it is about," Prochnow said.

Millions of dollars have been secured for the project, but the YWCA is now raising nearly \$4 million to get the project done. An endowment is also in the works.

To support the mission, go to the YWCA's website at www.ywcacassclay.org.



Great Plains Housing Authority

Serving Dickey, Eddy, Foster, Logan, Sargent, Stutsman, and Wells Counties

Great Plains Housing Authority supports SB 2220 and the Housing Incentive Fund. North Dakota needs affordable housing to attract and retain workers.

GPHA also supports setting aside HIF funds to help in rural areas and creating community land trusts to help with for sale development. Rural areas need to grow and rehab and can only do that with new housing that meets the needs of today and tomorrow's households.

Funds should be split into urban – over 35,000, small 5,000 – 25,000, and rural at under 5,000 to help bring in the proper developments and equity assistance.

This supports bringing in more developers and diversifying HIF participants.

Mailing address: 300 2nd Ave NE – Suite 200, Jamestown, ND 58401

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Phone: 701-252-1098

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Web: www.greatplainsha.com

Email: office@greatplainsha.com

Locations: Carrington, Ellendale, Jamestown, New Rockford



Name: Lisa Rotvold

City, County: Hillsboro, Traill County

Bill Number: SB2220 – North Dakota Housing Incentive Fund

January 23, 2023, 9:30am Finance and Taxation Committee hearing

This testimony is in support of SB 2220.

First and foremost, I want to say thank you, thank you, thank you for the Housing Incentive Fund.

I have worked as a non-profit developer of affordable housing in North Dakota, South Dakota, and Minnesota over the past 29 years, in both rural settings and urban areas. Developing small projects right sized for rural areas is difficult. Construction costs in rural areas are often higher than in our urban centers due to smaller volumes, greater transportation costs, and a shortage of trades people. Rents in rural areas are generally low, in part because incomes are low, but also because the housing stock is old. Very little new construction has occurred in the past 20+ years. High costs and low rents do not balance out so new development is not happening. Federal funding programs for housing development like the Low-Income Housing Tax Credit, Housing Trust Fund, and HOME program have rigid rules, and are designed for larger scale projects, mostly too big to be viable in rural communities. USDA Rural Development receives little funding for new housing development.

The Housing Incentive Fund (HIF) on the other hand has proven to be a highly flexible source of funding for housing development. HIF can be more nimble, and used to finance projects that are right sized and meet current needs. HIF was essential in helping to meet housing needs in western North Dakota during the rapid expansion of oil production. HIF has also been an important part of developing supportive housing for extremely low-income people in our urban settings. However, very few small projects in rural communities in the rest of the state have benefitted from these precious state dollars.

HIF can also help on the single-family side of development in rural communities. Because of the slow pace of rural real estate markets, good comparable sales are harder to find, resulting in appraisal gaps. The result being that only the wealthy can afford to build new homes. Rural communities with employers wanting to expand are in serious need of new development, including starter homes for young workers who can afford a house payment but not an appraisal gap. HIF can be used to spark development of new single-family housing in rural areas. More steady development will provide a stream of comparable sales that could eliminate appraisal gaps.

Increasing funding for the Housing Incentive Fund to \$50,000,000 per biennium will open the door for rural communities to start investing in much needed new housing. Rural North Dakota needs this funding to spark development activity desperately needed to meet the housing demands of employers, families, and elderly residents wanting to stay in the communities they built. A consistent long-term commitment to funding will add stability and allow communities to plan for a bright future.

Thank you.

Senate Bill 2220 - Testimony In Favor
North Dakota Senate Finance and Taxation Committee
January 23rd, 2023

Chairman Kannianen and members of the committee,

My name is Katie Jo Armbrust and I work for the Grand Forks Housing Authority. Our organization is the primary provider of affordable housing in Region 4, supporting over 2,200 households every day with housing assistance, of which 30 were created from the first year of funding the Housing Incentive Fund (HIF). Those units were added in Grand Forks thanks to the development of Cherrywood Village in 2014, a project serving individuals 62 years of age and older with 1 bedroom/1 bathroom apartments. The Grand Forks Housing Authority supports the addition of a HIF allocation from legacy earnings fund in Senate Bill 2220, specifically for the amount of \$50 million per biennium in order to provide consistency for North Dakota communities to reliably plan for, and address, the increasing need for housing in every part of our state.

The recent Statewide Housing Needs Assessment clearly outlines the affordable housing needs, in particular: from 2010 to 2020 the annual median income for a household increased from \$61,500 to \$86,900, while 57% of the state's households still earn less than \$75,000, of which 38% earn less than \$50,000 per year. Additionally, the poverty rate remained relatively the same from 12% in 2010 to 11% in 2020, with anticipation for almost 8,000 additional low to extremely-low income households by 2025. Families living in poverty are considered to be earning incomes too low to cover basic living expenses; these are not projections that would generally indicate a reduction in the demands on economic resources for people living in North Dakota, but by investing in affordable housing we can provide the foundation for stability and opportunities for families to improve their future.

Additionally, as we all know, the staffing of North Dakota businesses in every sector has become a major issue for the state. Adequate, affordable housing plays a major role in attracting families to this great state. We must be prepared for this if we wish to see our state continue to grow and prosper.

Please support North Dakota's current and future housing needs by voting yes on Senate Bill 2220.

Respectfully submitted,

Katie Jo Armbrust