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**Housing Incentive Fund update
North Dakota Housing Finance Agency
Division of the State Industrial Commission
Jolene Kline, Acting Executive Director**

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Chairman Pollert and members of the Budget Section:

I reported to you in September on the status of the Housing Incentive Fund (HIF) and am here to give you an update following the final allocation round for the biennium.

As you will recall, NDHFA held the first allocation round at the end of June. Twenty-six applications requesting \$36.3 million were received. Eighteen projects were awarded conditional commitments of funds worth approximately \$20.4 million. Those projects are slated to create 494 housing units, 160 of which will be set aside for essential service workers; 168 will also be income and rent restricted for low- and extremely low-income households (80% and 30% of Area Median Income respectively). Those HIF dollars will spur \$79.6 million in housing construction activity in 13 communities across North Dakota.

A second allocation round closed at the end of September and 23 applications were received requesting \$31.3 million. Sixteen projects were awarded conditional commitments of \$16.5 million. A project in Mandan that was awarded a \$1.5 million conditional commitment of funds during the 2011-13 biennium was turned back recently and we reallocated those funds during this round, which explains the higher allocation amount. HIF was established with a continuing appropriation to create a revolving loan fund. This set of projects will produce 440 housing units with 60 set aside for essential service workers and 313 affordable for low- and extremely low-income households. The \$16.5 million in HIF funds will spur an additional \$73.2 million in housing construction activity in 12 communities across the state.

In total during this biennium, the Housing Incentive Fund will create 934 housing units with 220 set aside for essential service workers and 481 income and rent restricted to low- and extremely-low income households. The \$37 million in state funds will spur more than \$152.8 million in housing construction activity in Arnegard, Beach, Bismarck, Burlington, Crosby, Devils Lake, Dickinson, Dunn Center, Fargo, Grafton, Hettinger, Jamestown, Lignite, Mandan, Minot, New Rockford, Turtle Lake, Watford City, and Williston.

Please find attached the listing of the projects receiving conditional commitments to date.

On the capitalization side, HIF has received \$12,555,086 in contributions (as of Dec. 9) which leaves approximately \$7.4 million to raise before December 31, 2014. We are confident that the fund will be fully capitalized before that date.

Currently, the HIF account at the Bank of North Dakota includes the contributions received to date and the \$15.4 million appropriation made during the 63rd Legislative Assembly. There have been no disbursements as of yet, but we expect the first to be made before year end as two projects are now completed, five projects are under construction, and nine projects are in the pre-development stage.

The remaining 18 projects are still raising HIF contributions before construction activity begins. So that each project was on a level playing field, we required that they assist in raising 57 percent of their conditional commitment amount before construction could begin. This was the most equitable way to divide the appropriated funds and spread the fund raising responsibility over all the projects.

As I reported last time, while none of the projects funded to date reduce the number of existing publicly-owned housing units, the allocations will help prevent the need for public entities themselves to create more housing for their employees which was the overarching goal of the essential service worker priority.

The Housing Incentive Fund was recently recognized with an Award for Program Excellence by the National Council of State Housing Agencies. The program was selected as the winner in the "Encouraging New Production" subcategory of the Rental Housing division and I had the opportunity to share information on HIF with our sister state housing finance agencies across the country at the NCSHA Annual Conference in October. While it is heartening to have HIF be recognized as a best practice, what has been more satisfying is meeting the individuals and families that found new homes in the projects we have completed to date using the program.

Since the program's beginning in 2011, 1,541 housing units have been or will be created across the state utilizing \$49,610,056 and leveraging \$244,506,019 in housing construction activity.

The overwhelming demand for HIF funds demonstrates the ongoing pent up need for affordable housing units, not just for essential service workers, but also for low- and moderate-income families, disabled individuals and seniors. In less than six months of the biennium, we conditionally committed all \$35.4 million; had to reject another \$14.1 million in unduplicated funding requests that could have created an additional 463 new units; and have no funds available for the remainder of the biennium.

As the population continues to grow statewide and we see more and more temporary oil industry positions changing to permanent, the demand for housing is projected to remain at a heightened level across the state. The Statewide Housing Needs Assessment that we published in 2012 projects that the number of households in North Dakota will grow by about 83,000 or 30.2 percent between 2010 and 2025. Because many communities are experiencing near zero vacancy rates, these new households will in many cases translate directly into the need for additional housing units.

We feel strongly that HIF has demonstrated itself to be a successful tool to encourage new multifamily housing production with a focus on making units affordable. It has leveraged millions of dollars in private investment in housing; it is creating additional employment opportunities; and it is serving thousands of people in North Dakota who have struggled under great pressure to afford housing costs.

The affordable housing units that are being assisted by HIF are much needed and, in most cases, would not otherwise have come to fruition without this resource or would have been developed at much higher market rate rents. Without question, housing development is happening in many communities, but without tools like HIF to help bring down rent costs, the units would be unattainable for those we are seeking to house – essential service workers, seniors, special needs households and other low- and moderate-income people.

HIF Project Awards (2013-15)

| Project Name | Location | Applicant / Developer | Tenant Type | Project Activity | Total Units | Essential Service Worker Units | Total Development Cost | HIF Funds Committed |
|---|--------------|---|-------------------|--------------------|-------------|--------------------------------|------------------------|---------------------|
| June 28, 2013 Application Round: | | | | | | | | |
| Collins Place | Mandan | Dakota Commercial & Development | Family/ Senior | New Construction | 29 | 0 | \$3,885,000 | \$1,100,000 |
| McKenzie Ranger District Station Apts | Watford City | Joseph M and Margaret Ann Girard Family Trust | Workforce | Adaptive Reuse | 9 | 9 | \$2,426,615 | \$725,000 |
| Rolling Ridge Estates | Minot | SW Design Build | Workforce/ Family | New Construction | 48 | 24 | \$7,500,000 | \$2,250,000 |
| WSC Housing-Phase II | Williston | Dakota Commercial & Development | Workforce/ Family | New Construction | 74 | 43 | \$10,000,000 | \$3,000,000 |
| Independence Pointe | Bismarck | Independence Pointe, LP | Disabled | New Construction | 24 | 0 | \$3,800,563 | \$425,000 |
| Loretto Bay 7 | Beach | Loretto Bay 7 | Workforce/ Family | New Construction | 12 | 6 | \$1,833,433 | \$350,000 |
| Agassiz Circle Phase II | Devils Lake | Agassiz Properties, LLLP | Family | New Construction | 8 | 0 | \$1,287,599 | \$385,269 |
| McKenzie Healthcare Systems Employee Housing | Watford City | McKenzie County Healthcare Systems | Workforce/ Family | New Construction | 24 | 18 | \$3,600,000 | \$1,200,000 |
| North Sky I | Fargo | Beyond Shelter, Inc. | Senior | New Construction | 24 | 0 | \$2,855,460 | \$1,142,184 |
| Sullivan Apartments | Dickinson | Sullivan Properties | Family/ Disabled | New Construction | 30 | 0 | \$4,794,132 | \$1,416,837 |
| North 19th Street 4-Plex | Bismarck | Community Homes of Bismarck, Inc | Disabled | New Construction | 5 | 0 | \$1,205,610 | \$361,683 |
| Wolf Run Village | Watford City | Wolf Run Village, Inc | Workforce/ Family | New Construction | 42 | 10 | \$6,721,699 | \$1,483,231 |
| Heritage Hills | Dickinson | Heritage Hills I LLLP | Senior | New Construction | 42 | 0 | \$8,194,643 | \$200,000 |
| Lignite Housing Project | Lignite | Lignite Investments, LLC | Workforce/ Family | New Construction | 28 | 9 | \$4,564,060 | \$1,265,000 |
| Turtle Lake Community Housing | Turtle Lake | Turtle Lake Housing Authority | Family | New Construction | 8 | 0 | \$1,503,126 | \$450,938 |
| Dunn Center Apartments | Dunn Center | LSS Housing, Inc. | Workforce/ Family | New Construction | 18 | 6 | \$2,324,200 | \$700,000 |
| Courtside Village | Hettinger | LSS Housing, Inc. | Workforce/ Family | New Construction | 24 | 12 | \$3,062,500 | \$932,400 |
| Renaissance on Main | Williston | Renaissance Station LLC | Workforce/ Family | New Construction | 45 | 23 | \$10,014,069 | \$3,000,000 |
| Totals for June 28, 2013 Funding Round: | | | | | 494 | 160 | \$79,572,709 | \$20,387,542 |
| September 30, 2013 Application Round: | | | | | | | | |
| Independence Living | Bismarck | Independence Living LLC | Disabled | New Construction | 14 | 0 | \$1,665,802 | \$483,045 |
| Crosby Municipal Building | Crosby | City of Crosby | Workforce/ Family | New Construction | 12 | 6 | \$2,543,300 | \$762,990 |
| Prairieview Apartments | Grafton | Dakota Commercial & Development | Workforce/ Family | Adaptive Reuse | 12 | 3 | \$1,816,801 | \$545,000 |
| McKenzie Healthcare 5-Plex | Watford City | McKenzie County Healthcare Systems | Workforce/ Family | Retirement of Debt | 5 | 3 | \$550,000 | \$136,950 |
| Arrowhead Estates | Arnegard | Big Mountain Development | Workforce/ Family | New Construction | 16 | 8 | \$3,580,215 | \$1,021,000 |
| Second Avenue Apartments | New Rockford | Lesmeister Enterprises, LLC | Workforce/ Family | New Construction | 8 | 3 | \$800,000 | \$240,000 |
| Jamestown Court Rowhomes | Jamestown | Jamestown Rowhomes LP | Family/ Senior | New Construction | 24 | 0 | \$4,716,588 | \$600,000 |
| Garden Hills II | Jamestown | Hometown Living LLC | Senior | New Construction | 37 | 0 | \$4,114,584 | \$421,349 |
| ParkRidge Townhomes | Williston | ParkRidge Townhomes LLC | Workforce/ Family | New Construction | 36 | 18 | \$6,827,414 | \$2,048,224 |
| 714 Place | Williston | Envision Land & Development | Workforce/ Family | Retirement of Debt | 5 | 2 | \$1,125,000 | \$315,000 |
| The Willows | Burlington | Beyond Shelter, Inc. | Workforce/ Family | New Construction | 40 | 8 | \$8,108,500 | \$3,000,000 |
| Fieldcrest | Minot | Beyond Shelter, Inc. | Workforce/ Family | New Construction | 42 | 9 | \$7,700,000 | \$2,310,000 |
| Cook's Court | Minot | Beyond Shelter, Inc. | Senior | New Construction | 40 | 0 | \$6,830,000 | \$600,000 |
| North Sky II | Fargo | Beyond Shelter, Inc. | Senior | New Construction | 30 | 0 | \$4,197,100 | \$600,000 |
| Heritage Hills II | Dickinson | Beyond Shelter, Inc. | Senior | New Construction | 39 | 0 | \$7,900,000 | \$600,000 |
| Boulevard Ave Community Center | Bismarck | Ruth Meiers Hospitality House | Homeless | Adaptive Reuse | 80 | 0 | \$10,752,617 | \$3,000,000 |
| Totals for September 30, 2013 Funding Round: | | | | | 440 | 60 | \$73,227,921 | \$16,683,558 |
| Totals for All Funding Rounds: | | | | | 934 | 220 | \$152,800,630 | \$37,071,100 |