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**Essential Service Worker housing update
North Dakota Housing Finance Agency
Division of the State Industrial Commission
Jolene Kline, Executive Director**

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Chairman Pollert and members of the Budget Section:

Subsection 2 of North Dakota Century Code 54-17-40 requires the North Dakota Housing Finance Agency (NDHFA) to report to the Budget Section on progress being made in reducing the number of housing units owned or master leased by cities, counties, school districts and other employers of Essential Service Workers (ESW). This report was required in the context of the priority within the Housing Incentive Fund (HIF) for ESW housing.

I reported to you last December following the second allocation round of HIF and am here to update you on the status of that program and ESW housing units.

In 2013, NDHFA held two allocation rounds in which 34 projects were awarded conditional commitments, exhausting the \$35.4 million in HIF funds for the biennium. Due to lack of infrastructure availability, complications with other financing and unforeseen obstacles during the course of development, four of those projects and two from the previous biennium were unable to come to fruition and returned their conditional commitments. NDHFA used the returned funds to supplement commitments to projects that were unable to be fully funded initially or experienced significantly increased construction costs. The Agency opened a third allocation round in September 2014 to award the remainder of the money; one project in Watford City was approved.

In total during this biennium, the Housing Incentive Fund will create 942 housing units with 238 set aside for Essential Service Workers and 476 income and rent restricted to low- and extremely-low income households. The \$37.7 million in state funds will spur more than \$157.6 million in housing construction activity in Arnegard, Bismarck, Burlington, Devils Lake, Dickinson, Dunn Center, Fargo, Hettinger, Jamestown, Lignite, Mandan, Minot, New Rockford, Watford City, and Williston.

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

In April 2013, as the Legislative Assembly was considering the ESW priority, NDHFA surveyed ESW employers. We again conducted a survey in October 2014 and found that of the entities that responded to both surveys, law enforcement agencies indicated two more owned units and other ESW employers including schools indicated 31 more owned units.

We also asked respondents the number of units they felt would be needed to accommodate their workers in the near term, within the next year and within two years. The following shows the number owned and needs indicated from the 218 respondents:

October 2014 Survey Results

| Type of Respondent | Number of units owned by entity | Needs Indicated | | | |
|--|---------------------------------|-----------------|-------------|----------------|----------------|
| | | Total | Immediately | Next 12 Months | Next 24 Months |
| City | 39 | 132 | 13 | 74 | 45 |
| County | 48 | 120 | 13 | 78 | 29 |
| First Responder* | 14 | 99 | 16 | 45 | 38 |
| Medical** | 157 | 170 | 37 | 80 | 53 |
| School Districts | 228 | 253 | 40 | 102 | 111 |
| Totals | 486 | 774 | 119 | 379 | 276 |
| * Includes Police, Sheriff, EMS, Fire Department | | | | | |
| ** includes nursing facilities, hospitals, basic care facilities | | | | | |

The numbers above show a dramatic increase over the responses in April 2013 when respondents said 215 units were needed.

Currently, in addition to the 486 owned units, 401 units are master leased by ESW employers and several entities provide rental subsidies for employees not living in owned or master leased units. The City of Williston, for example, provides a housing subsidy to 107 of their employees at \$350 per employee per month. The North Dakota Highway Patrol currently has 12 employees who are utilizing a rental reimbursement program at an average of \$337.

NDHFA made efforts to discuss the HIF program with ESW employers and acquisition of existing publicly-owned housing for ESW was the highest scoring criteria in the Allocation Plan with new housing for ESW as the second highest criteria. Under the Housing Incentive Fund, projects must have demonstrated support from ESW employers before they were awarded points for ESW units.

As I reported last time, while none of the HIF projects directly reduce the number of existing publicly-owned housing units, the ESW units being created will help prevent the necessity of public entities themselves to create more housing for their employees which was the overarching goal of the ESW priority.

The housing needs identified are substantial and while housing construction is happening at high rates, there were concerns identified by survey respondents about the increased costs of housing for employees. Without adequate supply of affordable housing, recruitment and retention of ESWs will continue to be a challenge for public entities.

It is also important to understand the increased numbers of Essential Service Workers. In working to address the influx of people, many ESW employers have added staff. According to a report from the North Dakota Association of Oil and Gas Producing Counties, McKenzie County staffing increased by 14 from 2013 to 2014, Mountrail County by 13, Williams County 30, the City of Minot by 10, the City of Dickinson by 26.5 and the City of Williston by 18.

Schools have also seen an increased need for staff as enrollment continues to grow. McKenzie County Public School District #1 has hired 44 new teachers and administrators over the past two years. In McKenzie County, enrollment increased 15.6 percent from the 2012-13 to 2013-14 school years; Stark County saw a 9 percent K-12 enrollment increase; and Williams County experienced a 13 percent increase in enrollment.

With such large increases in the number of Essential Service Workers, the fact that there were not more units owned by ESW employers speaks to the effectiveness of the Housing Incentive Funds' priority for ESWs. The needs, however, continue to be great and we remain committed to working with public entities to help address affordable workforce housing needs.

HIF Project Awards (2013-15)

| Project Name | Location | Applicant / Developer | Tenant Type | Project Activity | Total Units | Income Targeting | Essential Service Worker Units | Total Development Cost | HIF Award |
|--|--------------|------------------------------------|-------------------|--------------------|-------------|---|--------------------------------|------------------------|--------------|
| June 28, 2013 Application Round: | | | | | | | | | |
| Collins Place | Mandan | Dakota Commercial & Development | Family/ Senior | New Construction | 29 | 80%: 9 140%: 20 | 0 | \$3,885,000 | \$1,100,000 |
| McKenzie Ranger District Station Apts | Watford City | Girard Family Trust | Workforce | Adaptive Reuse | 9 | 140%: 9 | 9 | \$2,426,615 | \$725,000 |
| Rolling Ridge Estates | Minot | SW Design Build | Workforce/ Family | New Construction | 48 | 80%: 15 140%: 9 Market: 24 | 24 | \$7,500,000 | \$2,250,000 |
| WSC Housing-Phase II | Williston | Dakota Commercial & Development | Workforce/ Family | New Construction | 74 | 80%: 23 140%: 20 Market: 31 | 43 | \$10,000,000 | \$3,000,000 |
| Independence Pointe | Bismarck | Independence Pointe, LP | Disabled | New Construction | 24 | 30%: 6 80%: 17 Market: 1 | 0 | \$3,800,563 | \$425,000 |
| Agassiz Circle Phase II | Devils Lake | Agassiz Properties, LLLP | Family | New Construction | 8 | 140%: 8 | 0 | \$1,287,599 | \$385,269 |
| McKenzie Healthcare Systems Employee Housing | Watford City | McKenzie County Healthcare Systems | Workforce/ Family | New Construction | 24 | 80%: 4 140%: 14 Market: 6 | 18 | \$6,098,517 | \$1,830,000 |
| North Sky I | Fargo | Beyond Shelter, Inc. | Senior | New Construction | 24 | 30%: 5 80%: 19 | 0 | \$2,855,460 | \$1,142,184 |
| Sullivan Apartments | Dickinson | Sullivan Properties | Family/ Disabled | New Construction | 30 | 30%: 3 80%: 6 Market: 21 | 0 | \$4,794,132 | \$1,416,837 |
| North 19th Street 5-Plex | Bismarck | Community Homes of Bismarck, Inc | Disabled | New Construction | 5 | 80%: 5 | 0 | \$1,205,610 | \$361,683 |
| Wolf Run Village | Watford City | Wolf Run Village, Inc | Workforce/ Family | New Construction | 42 | 140%: 10 Market: 32 | 10 | \$6,721,699 | \$1,483,231 |
| Heritage Hills | Dickinson | Heritage Hills I LLLP | Senior | New Construction | 42 | 30%: 9 80%: 33 | 0 | \$8,194,643 | \$200,000 |
| Lignite Housing Project | Lignite | Lignite Investments, LLC | Workforce/ Family | New Construction | 28 | 80%: 8 140%: 1 Market: 19 | 9 | \$4,564,060 | \$1,265,000 |
| Dunn Center Apartments | Dunn Center | LSS Housing, Inc. | Workforce/ Family | New Construction | 18 | 140%: 9 Market: 9 | 6 | \$2,324,200 | \$700,000 |
| Courtside Village | Hettinger | LSS Housing, Inc. | Workforce/ Family | New Construction | 24 | 140%: 12 Market: 12 | 12 | \$3,062,500 | \$932,400 |
| Renaissance on Main | Williston | Renaissance Station LLC | Workforce/ Family | New Construction | 30 | 140%: 15 Market: 15 | 15 | \$10,014,069 | \$3,000,000 |
| | | | | | 459 | 30%: 23 80%: 139 140%: 127 Market: 170 | 146 | \$78,734,667 | \$20,216,604 |
| September 30, 2013 Application Round: | | | | | | | | | |
| Independence Living | Bismarck | Independence Living LLC | Disabled | New Construction | 14 | 80%: 14 | 0 | \$1,665,802 | \$483,045 |
| McKenzie Healthcare 5-Plex | Watford City | McKenzie County Healthcare Systems | Workforce/ Family | Retirement of Debt | 5 | 80%: 1 140%: 2 Market: 2 | 3 | \$550,000 | \$136,950 |
| Arrowhead Estates | Arnegard | Big Mountain Development | Workforce/ Family | New Construction | 16 | 80%: 5 140%: 3 Market: 8 | 8 | \$3,673,093 | \$1,021,000 |
| Second Avenue Apartments | New Rockford | Lesmeister Enterprises, LLC | Workforce/ Family | New Construction | 8 | 80%: 3 140%: 5 | 3 | \$800,000 | \$240,000 |
| Jamestown Court Rowhomes | Jamestown | Jamestown Rowhomes LP | Family/ Senior | New Construction | 24 | 30%: 5 80%: 19 | 0 | \$4,716,588 | \$600,000 |
| Garden Hills II | Jamestown | Hometown Living LLC | Senior | New Construction | 40 | 30%: 4 80%: 7 140%: 29 | 0 | \$4,995,084 | \$1,497,625 |
| ParkRidge Townhomes | Williston | ParkRidge Townhomes LLC | Workforce/ Family | New Construction | 36 | 140%: 18 Market: 18 | 18 | \$6,827,414 | \$2,048,224 |
| 714 Place | Williston | Envision Land & Development | Workforce/ Family | Retirement of Debt | 5 | 80%: 2 Market: 3 | 2 | \$1,125,000 | \$315,000 |
| The Willows | Burlington | Beyond Shelter, Inc. | Workforce/ Family | New Construction | 40 | 30%: 8 80%: 32 | 8 | \$8,257,000 | \$3,000,000 |
| Fieldcrest | Minot | Beyond Shelter, Inc. | Workforce/ Family | New Construction | 42 | 30%: 9 80%: 33 | 9 | \$8,278,959 | \$2,310,000 |
| Cook's Court | Minot | Beyond Shelter, Inc. | Senior | New Construction | 40 | 30%: 8 80%: 32 | 0 | \$6,830,000 | \$600,000 |
| North Sky II | Fargo | Beyond Shelter, Inc. | Senior | New Construction | 30 | 30%: 6 80%: 13 140%: 11 | 0 | \$4,197,100 | \$600,000 |
| Heritage Hills II | Dickinson | Beyond Shelter, Inc. | Senior | New Construction | 39 | 30%: 8 80%: 31 | 0 | \$7,138,819 | \$600,000 |
| Boulevard Ave Community Center | Bismarck | Ruth Meiers Hospitality House | Homeless | Adaptive Reuse | 84 | 30%: 16 80%: 52 140%: 16 | 0 | \$9,518,500 | \$2,855,500 |
| | | | | | 423 | 30%: 64 80%: 244 140%: 84 Market: 31 | 51 | \$68,573,359 | \$16,307,344 |
| September 30, 2014 Funding Round: | | | | | | | | | |
| McKenzie Park Apartments | Watford City | G.A. Haan Development | Family | New Construction | 60 | 30%: 0 80%: 6 140%: 41 Market: 13 | 41 | \$10,258,686 | \$1,247,173 |
| | | | | | 60 | 30%: 0 80%: 6 140%: 41 Market: 13 | 41 | \$10,258,686 | \$1,247,173 |
| | | | | | 942 | 30%: 87 80%: 389 140%: 252 Market: 214 | 238 | \$157,566,712 | \$37,771,121 |

HIF Project Awards (2011-13)

| Project Name | Location | Applicant / Developer | Project Type | Construction Type | Total Units | Income Targeting | Total Development Cost | HIF Net Assistance Awarded |
|---|-------------------------------|-------------------------------|---------------------|-------------------|-------------|---|------------------------|----------------------------|
| September 30, 2011 Application Round: | | | | | | | | |
| Divide Vista Apartments | Crosby (2nd St SE) | DCEDC | Family | New | 12 | 50%: 3 140%: 3 Market: 6 | \$1,200,000 | \$240,000 |
| Mainstreet Artspace Lofts | Minot (25 S Main) | Minot Artspace Lofts LP | Family and Disabled | New | 34 | 30%: 4 50%: 14 140%: 14 Market: 2 | \$7,480,422 | \$200,000 |
| | | | | | | 30%: 4 50%: 17 140%: 17 Market: 8 | \$8,680,422 | \$440,000 |
| Totals for September 30, 2011 Funding Round: | | | | | 46 | | | |
| December 31, 2011 Application Round: | | | | | | | | |
| Greenfield Heights | Belfield (Makaruk Addn ~ NW) | LSS Housing Belfield LLC | Family | New | 12 | 140%: 6 Market: 6 | \$1,551,650 | \$225,000 |
| Cherrywood Village | Grand Forks (Cherry St S) | Valley Homes and Services | Senior | New | 30 | 30%: 4 50%: 26 | \$5,235,244 | \$454,545 |
| Kenmare CDC Housing 12 plex | Kenmare (618 Division St SE) | Kenmare Development Corp | Family | New | 12 | 50%: 1 140%: 5 Market: 6 | \$1,350,000 | \$240,000 |
| Kenmare Gooseneck Equipment 12 plex | Kenmare (524 Division St SE) | Moure Equipment LLP | Family | New | 12 | 50%: 1 140%: 5 Market: 6 | \$1,350,000 | \$240,000 |
| Legacy at Central Place | Williston (Old Jr High) | LSS Housing Williston LLC | Senior | Adaptive Reuse | 44 | 30%: 9 140%: 35 | \$12,482,215 | \$611,161 |
| WSC Foundation Residences | Williston (WSC Campus) | WSC Foundation | Workforce / Family | New | 74 | 50%: 8 140%: 48 Market: 18 | \$10,000,000 | \$1,000,000 |
| | | | | | | 30%: 13 50%: 36 140%: 99 Market: 36 | \$31,969,109 | \$2,770,706 |
| Totals for December 31, 2011 Funding Round: | | | | | 184 | | | |
| March 31, 2012 Application Round: | | | | | | | | |
| Patterson Heights | Dickinson (700 Dakota Blvd) | Beyond Shelter, Inc. | Family | New | 24 | 30%: 5 50%: 7 140%: 12 | \$3,440,008 | \$1,376,003 |
| South Main Apartments | Dickinson | AK Investments LLP | Family | Adaptive Reuse | 10 | 50%: 1 140%: 9 | \$1,526,502 | \$410,852 |
| Prairie Heights Phase I | Watford City (Southwest) | LSS Housing Watford City LLC | Workforce / Family | New | 58 | 50%: 8 140%: 4 Market: 46 | \$8,277,730 | \$1,000,000 |
| Prairie Heights Phase II | Watford City (Southwest) | LSS Housing Watford City LLC | Workforce / Family | New | 66 | 50%: 8 140%: 6 Market: 52 | \$8,878,413 | \$1,000,000 |
| The Landing | Bowman (3rd Ave & E Divide) | LSS Housing Bowman LLC | Disabled / Family | New | 24 | 50%: 8 140%: 1 Market: 15 | \$3,120,880 | \$936,264 |
| Minot Place Rowhomes | Minot (18th Ave & 13th St SE) | MetroPlains LLC | Family | New | 30 | 30%: 6 140%: 24 | \$6,525,150 | \$200,000 |
| | | | | | | 30%: 11 50%: 38 140%: 62 Market: 125 | \$31,768,683 | \$4,923,119 |
| Totals for March 31, 2012 Funding Round: | | | | | 212 | | | |
| June 30, 2012 Application Round: | | | | | | | | |
| Oakwood Court | Minot | Minot Housing Authority | Disabled | Rehabilitation | 7 | 50%: 7 | \$389,000 | \$155,600 |
| Prairie Gold Apartments | Killdeer | Prairie Gold Real Estate, LLC | Family | New | 24 | 50%: 7 140%: 5 Market: 12 | \$3,300,000 | \$1,000,000 |
| Belfield Law Enforcement Housing | Belfield | HA for City of Belfield | Workforce / Family | New | 4 | 50%: 2 140%: 2 | \$744,484 | \$96,000 |
| Loretto Bay Six, LLC | Crosby | Northern Lights Apartments | Family | New | 18 | 50%: 5 140%: 4 Market: 9 | \$3,979,127 | \$1,000,000 |
| Agassiz Circle Phase 2 | Devils Lake | Agassiz Properties LLLP | Family | New | 10 | 140%: 10 | \$1,388,341 | \$333,333 |
| Mercy Heights | Williston | Dakota Commercial | Family | New | 66 | 50%: 7 140%: 13 Market: 46 | \$10,959,000 | \$1,000,000 |
| | | | | | | 50%: 28 140%: 34 Market: 67 | \$20,759,952 | \$3,584,933 |
| Totals for June 30, 2012 Funding Round: | | | | | 129 | | | |
| August 31, 2012 Application Round: | | | | | | | | |
| Bel Tower Apartments | Kulm | BEL Tower LLC | Family | Adaptive Reuse | 6 | 50%: 2 140%: 4 | \$527,473 | \$120,198 |
| | | | | | | 50%: 2 140%: 4 | \$527,473 | \$120,198 |
| Totals for August 31, 2012 Funding Round: | | | | | 6 | | | |
| Totals for All Funding Rounds: | | | | | 577 | 30%: 28 50%: 115 140%: 210 Market: 224 | \$93,705,639 | \$11,838,956 |