



Jolene Kline Executive Director

INDUSTRIAL COMMISSION

Jack Dalrymple Governor

Wayne Stenehjem Attorney General

Doug Goehring Agriculture Commissioner

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

September 29, 2016

Chairman Lee and members of the Budget Section:

North Dakota Century Code requires that the housing finance agency maintain a register reflecting the number of housing units owned or master leased by cities, counties, school districts, or other employers of Essential Service Workers (ESW). This register must also reflect those entities that are providing rent subsidies for their essential workers. I am here to provide a quarterly report on progress being made in reducing those numbers.

North Dakota Housing Finance Agency surveyed public entities and medical facilities on the register in June. Below are the results of that survey broken down by employer type:

Type of Respondent	Number of Units Owned	Number of Units Master Leased	Number of Rent Subsidies Provided
City	29	88	179
County	34	0	3
First Responder*	15	0	20
Medical**	98	37	0
School Districts	224	4	0
Total	400	129	202

*Includes law enforcement, emergency medical services and fire departments

** Includes nursing facilities, hospitals and basic care facilities

We have not conducted a subsequent survey so those numbers stand, to the best of our knowledge, as the accurate levels for public entities.

As I reported last time, we do expect some changes to occur in the next two years with the City of Williston ending rent subsidies for about half of their employees by the end of 2016 and the other half by the end of 2017. The North Dakota Highway Patrol plans to end their rental subsidies by July 1, 2017, or sooner depending on funding. For master leased units, the City of Williston will be ending their leases in 2018 and others plan not to renew leases as they expire. On the ownership side, a large majority of housing unit owners do not plan to divest themselves of the housing and report that the housing is used to recruit and retain staff.

The Housing Incentive Fund has or will help develop 225 units of ESW housing in the current biennium and 226 units in the previous biennium for a grand total of 451 units that are income- and rent-restricted to ESWs.

According to our 2016 Statewide Housing Needs Assessment, North Dakota is projected to grow by 20.5 percent in the next 15 years, which will mean an increase in housing need of 76,490 housing units between 2014 and 2029. While population will increase across all income categories, more than 35 percent of total household growth will be among extremely low-income (30 percent of Area Median Income and below) and very low-income households (31-50 percent of AMI). The number of seniors is also expected to increase by 52.4 percent or 54,971 people. These populations are the most likely to face continued housing challenges and having affordable, appropriate housing for them will be critical to the overall health of our communities and state.

At stakeholder forums NDHFA held in every region in North Dakota just last week, we heard repeatedly about the value of the Housing Incentive Fund in creating affordable housing for ESWs and low- and moderate-income households. I would like to thank all of the members of the Legislative Assembly who were able to join us at these meetings and I hope that they were as helpful to you in further understanding our housing situation in North Dakota as they were to me.

While you may have heard about higher vacancy rates and lowered rents in market rate units in some western oil patch areas, the need for the Housing Incentive Fund still exists to create the kind of housing that will allow businesses to expand, keep seniors in their communities, and provide a stable platform to deliver supportive services to people with disabilities or behavioral health issues. All across the state, business and community leaders expressed concern at their ability to attract and retain employees due to insufficient access to affordable housing options. They view affordable housing as critical infrastructure to move their economies forward. We remain committed to putting the right housing in the right places to help those most in need.

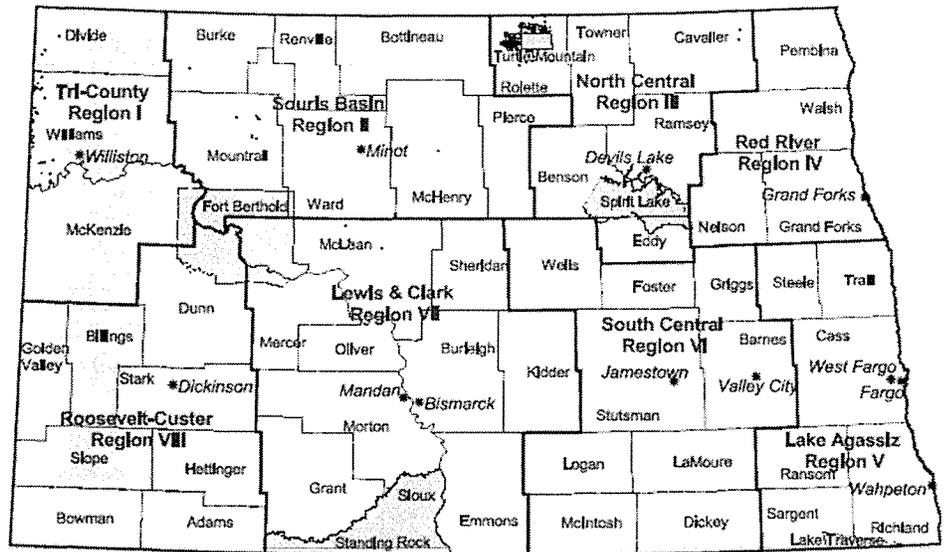
With a very large Baby Boom generation aging and exiting the workforce, the need for senior-friendly housing will only grow. By being able to provide the type and price of housing seniors need, it will help our second fastest growing age group (prime childbearing age households) to more easily purchase their first home. It is easy to think about HIF and multifamily housing only affecting certain populations or income categories, but our 78 HIF projects have proven the tremendous impact affordable housing has on all facets of our communities.

Another critical housing issue facing our state, is an aging housing stock. Many of the housing projects that have served our communities for years are nearing the end of their affordability periods or, worse yet, their useful life. Thousands of units of housing that are currently part of USDA Rural Development, HUD or NDHFA programs will be in need of rehabilitation in the next 15 years. Without programs like HIF to help rehabilitate those, they are at serious risk of being lost from the affordable ranks.

I am attaching to this report, a summary of the Statewide Housing Needs Assessment. Much more detailed information about the state's housing needs can be found on our website at www.ndhfa.org.

2016 North Dakota Statewide Housing Needs Assessment Summary

Projected Population Change The state's population is expected to grow by 20.5 percent from 2014 to 2029, reaching an estimated 891,268 people. The highest percentage of growth is projected to be in the heart of the energy development area with McKenzie, Williams, Mountrail, Stark and Dunn counties leading the way. McKenzie and Williams are expected to grow by 86.8 and 62.9 percent respectively. The state's largest cities are projected to see robust growth.



Projected Housing Need Based on population projections, housing need is expected to increase by 21 percent or by 76,490 housing units from 2014-2029. Housing need in Region I will increase 67.9 percent (18,054 units) led by McKenzie County which is expected to need more than double the housing stock available in 2014. Half of the counties in the state are projected to show increased need, but the pace of growth is expected to be more moderate than the past several years.

Age Distribution Residents aged 65 and older are projected to increase by 52.4 percent (54,971) while the cohort they are aging out of (45 to 64) will shrink by 2.5 percent statewide (4,540). Residents ages 25 to 44, considered the prime childbearing age, is projected to increase by 29.5 percent (56,000).

Household Composition As the Baby Boom generation ages, it is having an effect on household composition with a shift to more married couples without children and persons living alone. In 2014, 39 percent of all households were non-family households, 80 percent of which were persons living alone. Thirty-four percent of those living alone were elderly.

Household Income and Affordability Extremely low-income and very low-income households (at or below 50 percent of Median Family Income) are projected to increase by 24,591 or 35.6 percent of total household growth. Currently 15.4 percent of owner-occupied units and 27.9 percent of renter-occupied units are affordable for extremely low-income households (30 percent of MFI or below). For very low-income households (31-50 percent of MFI), 22.1 percent of owner-occupied units and 69.8 percent of renter-occupied units are affordable. For all households that are renting, 35.7 percent are currently cost-burdened (spending more than 30 percent of their gross income on housing); and 13.9 percent of all homeowners are cost-burdened.

The full 2016 North Dakota Statewide Housing Needs Assessment, including Population and Housing Forecast, Regional Profiles and Detailed Tables may be found online at www.ndhfa.org.

Population and Household Changes in Five-Year Increments

Projected Population and Housing Need Change

Between 2014 and 2019, the state’s population is expected to grow by 10 percent or 73,800 people. Housing needs in North Dakota are projected to increase by 10.3 percent or by 37,623 households from 2014-2019. Following is the regional breakdown showing both the numeric and percentage changes:

	Population		Housing Need	
	Numeric Change	Percent Change	Numeric Change	Percent Change
Region I	16,694	36.6%	9,600	36.1%
Region II	12,256	12.1%	5,991	11.9%
Region III	1,162	2.8%	294	1.5%
Region IV	3,521	3.9%	2,001	4.6%
Region V	20,889	10.3%	11,282	11.8%
Region VI	-213	-0.4%	-380	-1.3%
Region VII	11,927	7.7%	5,496	7.4%
Region VIII	7,564	16.2%	3,341	14%

The state’s four Native American Indian Reservations will grow 4.9 percent in population or by 1,212 people. The number of housing units needed will grow 5.7 percent or by 549 households.

From 2019 to 2024, the state’s population growth is projected to be 4.8 percent or by 39,333 people. The number of housing units needed in the state is projected to increase by 5 percent or by 20,015 units.

	Population		Housing Need	
	Numeric Change	Percent Change	Numeric Change	Percent Change
Region I	7,462	12%	4,397	12.1%
Region II	5,310	4.7%	2,641	4.7%
Region III	420	1%	-54	-0.3%
Region IV	1,122	1.2%	568	1.2%
Region V	11,852	5.3%	6,525	6.1%
Region VI	-1,006	-1.8%	-663	-2.2%
Region VII	11,159	6.7%	5,074	6.4%
Region VIII	3,014	5.6%	1,527	5.6%

The Reservations will increase in population by 4.5 percent or 1,160 people. Reservation housing needs will grow 4.4 percent or by 451.

From 2024 to 2029, North Dakota’s population will grow by 4.5 percent or by 38,653 people. The number of housing units needed in the state is projected to increase by 5 percent or by 17,138.

	Population		Housing Need	
	Numeric Change	Percent Change	Numeric Change	Percent Change
Region I	6,201	8.9%	4,057	10%
Region II	4,343	3.7%	2,158	3.7%
Region III	75	0.2%	-162	-0.8%
Region IV	2,897	3%	152	0.3%
Region V	13,319	5.7%	6,528	5.8%
Region VI	-1,017	-1.9%	-663	-2.3%
Region VII	10,476	5.9%	4,959	5.8%
Region VIII	2,359	4.1%	1,823	6.3%

The Reservations will increase in population by 3.9 percent or 1,049 people. The number of housing units needed on the Reservations will grow 4.2 percent or by 443 households.

Population and Household Change in the 12 Largest Communities

From 2014 to 2019

	Population		Housing Need	
	Numeric Change	Percent Change	Numeric Change	Percent Change
Bismarck	5,933	8.6%	2,962	8.9%
Devils Lake	135	1.9%	22	0.6%
Dickinson	4,539	20.3%	2,049	18.3%
Fargo	14,897	12.9%	8,414	14.9%
Grand Forks	2,688	4.8%	1,757	6.7%
Jamestown	-18	-0.1%	-133	-1.8%
Mandan	940	4.5%	458	4.7%
Minot	5,655	11.8%	3,170	13.2%
Valley City	174	2.6%	49	1.5%
Wahpeton	482	6.1%	123	3.5%
West Fargo	2,144	6.7%	1,233	8.8%
Williston	7,121	29%	3,871	27.1%

From 2019 to 2024

	Population		Housing Need	
	Numeric Change	Percent Change	Numeric Change	Percent Change
Bismarck	6,519	8.7%	3,593	9.9%
Devils Lake	57	0.8%	50	1.4%
Dickinson	1,599	6%	770	5.8%
Fargo	7,711	5.9%	4,414	6.8%
Grand Forks	780	1.3%	761	2.7%
Jamestown	-261	-1.7%	-51	-0.7%
Mandan	1,071	4.9%	505	4.9%
Minot	2,652	4.9%	1,552	5.7%
Valley City	-239	-3.5%	-80	-2.3%
Wahpeton	-191	-2.3%	88	2.4%
West Fargo	2,614	7.7%	1,343	8.9%
Williston	3,117	9.8%	1,441	7.9%

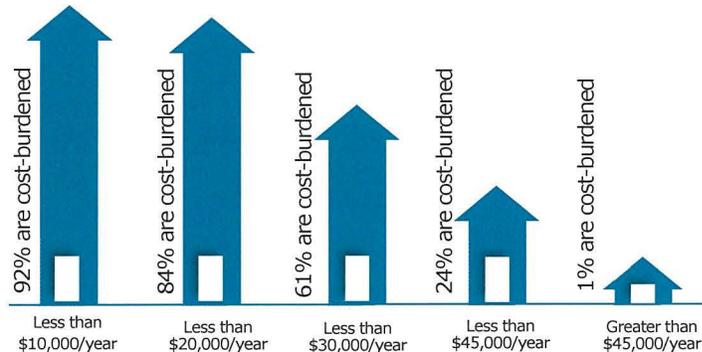
From 2024 to 2029

	Population		Housing Need	
	Numeric Change	Percent Change	Numeric Change	Percent Change
Bismarck	7,106	8.7%	3,804	9.5%
Devils Lake	125	1.7%	85	2.3%
Dickinson	1,218	4.3%	812	5.8%
Fargo	9,803	7.1%	5,024	7.2%
Grand Forks	2,507	4.2%	340	1.2%
Jamestown	-41	-0.3%	-20	-0.3%
Mandan	688	3%	430	4%
Minot	2,279	4%	1,089	3.8%
Valley City	-122	-1.8%	-27	-0.8%
Wahpeton	-25	-0.3%	10	0.3%
West Fargo	2,140	5.9%	977	5.9%
Williston	2,780	8%	1,335	6.8%

One third of North Dakota households live in rental housing.¹ It can be a convenient and economic choice for individuals and families when rents are **affordable**.

Housing is defined as affordable if its occupants pay **no more than 30 percent of their income** on rent. If they pay more than 30 percent, that cost-burdened household has less money to pay for other necessities like food, clothing, healthcare, childcare and education.

Cost-Burdened Households by Income Level in 2014²



\$15.66 The hourly wage needed for a single adult to rent an affordable two-bedroom apartment in North Dakota, costing \$814, based on HUD's fair market rents.

North Dakota occupations that pay less than \$15.66/hr.³

	Daycare Provider	\$9.88		Ambulance Driver	\$11.70
	Waiter/Waitress	\$10.13		Office Assistant	\$12.95
	Grocery Checker	\$10.65		Bank Teller	\$13.57
	Pharmacy Clerk	\$11.21		Dietary Technician	\$14.28

What About Seniors?

For fixed-income households, affordable rent is even more important. On average, North Dakota **seniors receive \$1,152 per month⁴** in social security benefits. If social security is their only source of income, these individuals cannot afford rent greater than \$345 per month.

How are Communities Impacted?

Low-wage earners and seniors help make up an **economically, well-rounded and socially healthy community**. Without affordable housing, jobs remain unfilled, stores close, school districts suffer, we lose our volunteer base, existing businesses are unable to expand and new businesses are unable to open.

¹American Community Survey, 2014; ²National Low Income Housing Coalition tabulations of 2014 American Community Survey;

³Labor Market Information, Job Service North Dakota, 2015; and ⁴www.aarp.org.

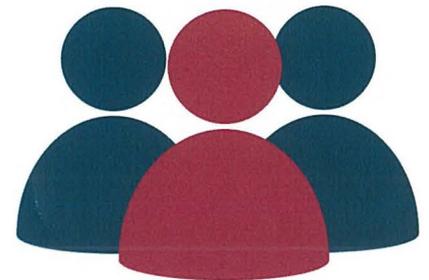
Where we live is a vital part of our day-to-day lives. A home gives us shelter and keeps us safe and so it is understandable the profound affects affordable housing has on health, education and even our local economy.

WHAT IS AFFORDABLE?

Housing is defined as affordable if its occupants pay no more than 30 percent of their income on rent.



1 in 3 North Dakota renters are cost burdened¹



IMPACT ON HEALTH

Lack of affordable housing influences a families' ability to pay for other expenses. High housing costs may force households to make trade-offs when it comes to making rent payments, buying food, scheduling regular medical care, filling prescriptions or immunizing children.

Affordable housing frees up resources for food and healthcare.

IMPACT ON EDUCATION

Those who are cost-burdened are more likely to move more frequently due to rent increases or eviction. This instability is linked to emotional, behavioral and academic problems among children. In families that spend more than half their household income on housing, kids' reading and math abilities suffered.²

Affordable housing helps create a stable environment leading to improved educational outcomes.

IMPACT ON LOCAL ECONOMIES

According to the National Association of Home Builders, the construction of 100 affordable housing units through the Low Income Housing Tax Credit program can lead to the creation of more than 120 jobs during a project's construction phase. After the homes are occupied, the ripple effect from residents of these new units can support as many as 30 new jobs in many industries including retail, healthcare, local government, etc.

Affordable housing helps fill jobs in our communities and brings in revenue through permit fees, zoning and utilities.

¹2016 Statewide Housing Needs Assessment

²Housing affordability and child well-being, Sandra J. Newman