2013 HOUSE FINANCE AND TAXATION

HB 1029

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1029
January 14, 2013
Job # 17142

☐ Conference Committee

Committee Clerk Signature Mary Brucker

Explanation or reason for introduction of bill/resolution:

A Bill relating to a tax credit for contributions to the housing incentive fund; relating to a multifamily housing finance program and to the housing incentive fund and tax credits; to provide a continuing appropriation; to provide an effective date; and to provide an expiration date.

Minutes:

Attachments #1, 2, 3, 4, 5, 5a-5d, and 6.

Chairman Belter: Opened the hearing on HB 1029.

Mike Fladeland, Department of Commerce: Refer to attached testimony #1 written by Alan Anderson, Commissioner, North Dakota Department of Commerce.

Representative Froseth: In section 4 the extension of the tax credit for financial institutions in essence means that it's the banking decision to take that credit?

Mike Fladeland: Yes that is correct.

Representative Owens: In section 1 am I to understand that this means that they would get the 100% tax credit plus still retain ownership of some of the units?

Mike Fladeland: Yes that is correct.

Representative Owens: When this plan was first brought to us I recall it was about housing authorities building multi-family units for people to then rent out and recoup the money that way. This statement sounds like we're giving them 100% tax credit and then we're turning around and funding part of the construction so that they'll have a section of affordable housing.

Mike Fladeland: Yes. If I recall correctly it originally included provisions for affordability for low and moderate income. The issue is that we have a housing problem especially in northwest North Dakota in the oil and gas producing counties but a portion of that is the affordable housing issue. It is a problem especially for the people who aren't making the oil and gas related wages; Main Street, teachers, city employees, etc. It is difficult for those

people to find affordable housing so that has always been a part of the housing incentive fund from the very beginning.

Representative Owens: I do appreciate the need for affordable housing, I just asked the question to clarify and make sure that was the understanding about what those two paragraphs said.

Katie Walters, Director of Bakken Housing Partners, the developer of Wolf Run Village in Watford City: Refer to attached testimony #2.

Chairman Belter: Are you indicating that unless there is some type of incentive that free enterprise system will not or is incapable of building any...

Katie Walters: It is difficult. It is hard to convince investors that the oil is contributing to the need for the service workers. Personally my family and I live in a single wide trailer nearby some police workers and we consider ourselves incredibly lucky to have that. I think it's another way to insure that these service workers are able to find housing and serve the needs of their community.

Chairman Belter: Is there any housing being built without programs such as this?

Katie Walters: There are some but is it necessarily affordable for these service workers? At this point I personally have looked through some of the listings in Watford City and that average around $300,000 to $350,000. For a service worker who may not be making the oil and gas wages that some of these workers are it tends to get out of reach for them.

Mike Anderson, Executive Director of North Dakota Housing Finance Agency: See attached testimony #3.

Vice Chairman Headland: For occupancy in one of these housing units, what is the level of income that qualifies as low or moderate?

Mike Anderson: The statewide median right now is around $67,000. At the county level it could be $25,000 to $30,000 range depending on the county and family size. 80% of that would be low income and 50% of that would be very low income.

Vice Chairman Headland: What is the average stay for an occupier of one of these units?

Mike Anderson: Right now I cannot answer that. The expectancy is that these people would be there as long as they need that level of affordability.

Vice Chairman Headland: Is there any type of work requirement associated with the rental of one of these units?

Mike Anderson: There's nothing specific for that but their income would be based on their ability to work. We don't place a requirement on seniors who have a fixed income.

Representative Klein: You referred to a time limit for low income for a specific project. Did you say 15 years was the time limit that they had to reserve these low income units?

Mike Anderson: Yes, a minimum of 15 years. The actual requirement is the greater of 15 years or the turn of the first mortgage on that loan.

Representative Froseth: Will any of the changes in this bill affect the units that have already been built and are in service?

Mike Anderson: No. This wouldn't be a grandfather for existing projects. The relationship we have with those projects has already been established and we wouldn't go back and reinvent those.

Representative Drovdal: If the investors in the housing complex run into financial problems and have to sell at the end of 10 years, would that requirement go with the sale or would the new owners be permitted to do whatever they need to do?

Mike Anderson: No. We will place a lien on that property and that lien will pass on to the new owners. I would like to amend my response to Representative Froseth. This is not intended up front to automatically change the rules on existing projects. I will tell you that we want to make sure these projects are successful. As time progresses some of the provisions that they agreed to do such as who they rent to and things these projects cannot remain old so that the projects remain cash flow feasible. Those projects can come back to us and we can discuss alternatives so they stay feasible.

Representative Owens: You referred to reserving a portion of the units for occupancy when available and then you said that's over and above low income units and that it would be a maximum of 30% of their salary or their income as far as their rent or purchase, whatever the case may be. My question is in that case where you've taken the money from the organization and give them 100% tax credit and allow them to control x number of units. Who keeps the rent and/or payments for those units?

Mike Anderson: First of all it depends on the relationship of that private business and the developer of that project. They may or may not be obtaining an ownership interest in that project. With their contribution allocated to that project they would be entering into a relationship with that owner or developer to set aside those units for their employees for whatever that number may be. They would still be the owner of the project not necessarily the private investor into the fund. Those units would be rent restricted based on the income levels of those employees. In other words, if they could only afford $1,000 a month they couldn't charge $2,000 for those private sectors.

Representative Owens: I appreciate that but who would wind up getting the incentives?

Mike Anderson: The project owner. Not necessarily the developer. When you make a contribution you're not necessarily investing in the project, you're only consideration for the investment is the tax credits. However, if the developer is willing to accept that contribution on behalf of the project they can enter into a relationship with that employer.

Representative Owens: I am the organization. I give you $100,000 to help you with this particular housing project where I work and live. I'm going to ask to reserve the right of three units for my employees. I will not own those units and I will not get that rent but I have first choice for my employees to rent those units should I need them, is that correct?

Mike Anderson: That's correct.

Representative Klein: In those 15 years, does that rent stay constant over that period or does that change?

Mike Anderson: They could adjust that based on the income level. It still can't exceed 30% of the household income.

John Phillips, President of Economic Development North Dakota and Project Developer for Lutheran Social Services Housing: Refer to attached testimony #4.

Tom Alexander, Project Director at North Dakota Center for Persons with Disabilities at Minot State University: Refer to attached testimony #5.

Representative Marie Strinden: Are there any major housing organizations that aren't represented here?

Tom Alexander: Not that I know of.

Representative Marie Strinden: It seems like almost everyone is in favor of this bill?

Tom Alexander: Yes.

Josh Askvig, Associate State Director of Advocacy for AARP North Dakota: See attached testimony #6.

Jerry Hjelmsted, North Dakota League of Cities: In our meetings with city officials around the state, lack of housing is a concern not only in the west but is moving across the entire state and moving further east all the time. We see the housing fund as a way of dealing with this lack of housing. We encourage your support for HB 1029.

Susan Beehler, Mandan: I have been an activist on the property taxes in Mandan. I am a small business owner. I have lived in Mandan for over 20 years. One of the things that has come up with the housing finance Industry is that there isn't much transparency. If an out of state developer comes in and files for federal as a taxpayer you don't have access to what scope that project is and if they are following it. If you look at the federal financing agency they said that most frauds occur during the application process. In our state we have no transparency. If something comes up from a taxpayers stand we have no way to check that out. The other thing is affordable housing. Our lowest income people's needs are still not being met. Especially families that have children, these units are being dedicated to seniors but children working families, working poor still don't have a lot of options available. I don't know with this incentive if that would change or not but I would like you to look into this. When I was doing research Mandan had a lower income than

Bismarck yet we were thrown into the pot with Bismarck so our lower income people didn't qualify for these projects because they didn't make enough money to get affordable housing and they were working. Another thing is the effect on property taxes. Not only are they getting their risk taken away by getting investors from out of state and many of them now are being guaranteed 8-10% return on their investments into that project. They are also getting property tax in the form of an exemption. Many of them are TIF programs so basically all the risks have been taken out for that. I am a taxpayer and I am looking at ways that affect my taxpaying bill. I think it's only fair as a representative to look at what the affects have on the community too. Yes you provide the housing but then if you have the local government also tacking on other incentives that's going to cost the local people. I would like to see in there that if there's going to be a tax exemption given to this project along with the incentives from the state that you tack that on down to the local agency. Another issue is the homestead credit. These buildings that are not paying property taxes but yet the residents are getting a check back from our state for homestead credit. They aren't paying property taxes. The homestead credit if for property tax and they are paying rent. It doesn't make sense to me. If you want to give them a check for being a renter then that's another thing. But calling it a homestead credit and giving it to people that are on a 10 year property tax exemption for that building, to me is not right. Another thing is that the elderly are being charged $25 more each year in rent because it's based on that income thing. There's no set tax or protection. As a government body it would be nice if that was looked at; the transparency, the income levels, and getting a homestead credit for buildings that don't pay property taxes.

Chairman Belter: No further testimony. Closed hearing on HB 1029.

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1029
Job #17268
January 16, 2013

☐ Conference Committee

Committee Clerk Signature	Mary Brucker

Explanation or reason for introduction of bill/resolution:

A Bill relating to a tax credit for contributions to the housing incentive fund; relating to a multifamily housing finance program and to the housing incentive fund and tax credits.

Minutes: *Attached amendment #1, 2*

Chairman Belter: Opened hearing on HB 1029.

Vice Chairman Headland: I'd like to offer an amendment. Distributed amendment #1.

Vice Chairman Headland: Made a motion to move the amendment.

Representative Schmidt: Seconded.

Representative Kelsh: I think as we heard in the testimony the needs out there are very great and I think I'm going to oppose the amendment because I think we need to leave it at 50 and then come back and revisit it in two years and decide whether we need to make adjustments then.

Representative Zaiser: Representative Kelsh took the words out of my mouth but I feel the need to express the same because as we've heard the needs out there are dire. If for some reason we don't need all this money then I think we could revisit this. I think we owe the people that live on the land that is really making our bank accounts flush a good quality of life.

Representative Marie Strinden: I just want everyone to know that I spoke with the mayor's office in Grand Forks about this and they are really in support of this bill and I feel that dropping it to $20 million would take the benefits out of it by making it too small to make be a really effective program.

Vice Chairman Headland: The program in the past has been completely funded by tax credits. In this bill they reference a $30 million appropriation that is not in this bill. It's my belief that it should be in the bill if it wants to be part of the program. It's going to be handled in the industrial commission's budget. I think as the policy setting committee that is dealing with this I think we have to decide whether we want to start a new appropriation;

a new program essentially funded by the state of North Dakota. I don't believe that's the case therefore that is why I've offered the amendment.

Representative Trottier: If I put money into this, state taxable money, does that also come out of our income for the state so it's actually costing money on the state also?

Chairman Belter: It is allocating $20 million in tax forgiveness for the giver so if you have a $5,000 state tax then you have your choice of either putting it into this housing finance thing or you can write a check to the state. Either way the $5,000 is a cost to the state revenue.

Verbal vote taken on approving the amendments submitted by Vice Chairman Headland: 10 aye 4 nay: motion carried.

Chairman Belter: There are another set of amendments to review. See attached amendments #2.

Representative Froseth: I believe these amendments are from the housing industry. It puts the emergency clause on it and takes out the appropriation for biennium. On page 4 line 2 it changes it to $20 million period, not $20 million per biennium. After the $20 million is gone it would make a sunset on this and wouldn't be renewed again next biennium.

Chairman Belter: Do we want to move those amendments?

Representative Klein: Made a motion to move the amendments.

Representative Froseth: Seconded.

Verbal vote taken to approve the amendments: 14 aye 0 nay: motion carried.

Representative Drovdal: Made a motion for Do Pass as Amended.

Representative Marie Strinden: Seconded.

A roll call vote was taken: 13 yes 1 no: DO PASS AS AMENDED. Representative Froseth will carry the bill.

FISCAL NOTE
Requested by Legislative Council
12/19/2012

Amendment to: HB 1029

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			$(5,000,000)	$5,000,000		
Expenditures						
Appropriations						

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1029 provides income tax credits for contributions to the housing incentive fund.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 5 of HB 1029 increases the allowable income tax credits from $15 to $20 million in the 2013-15 biennium, for contributions to the housing incentive fund.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The first $15 million of allowable tax credits from contributions to the housing incentive fund were assumed in the forecast. An additional $5 million is made available in this bill, and is expected to result in a reduction in state general fund revenues and an increase in housing incentive fund revenues of $5 million during the 2013-15 biennium. The provisions of this bill that increase the allowable tax credits were contained in the executive budget.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name: Kathryn L. Strombeck
Agency: Office of Tax Commissioner
Telephone: 328-3402
Date Prepared: 01/11/2013

FISCAL NOTE
Requested by Legislative Council
12/19/2012

Bill/Resolution No.: HB 1029

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

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	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
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Expenditures						
Appropriations						

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	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
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C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name: Kathryn L. Strombeck
Agency: Office of Tax Commissioner
Telephone: 328-3402
Date Prepared: 01/11/2013

VK
1/16/13

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Title.05000

Adopted by the Finance and Taxation Committee

January 16, 2013

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1029

Page 1, line 6, remove "and"

Page 1, line 6, after the second "date" insert "; and to declare an emergency"

Page 2, line 5, replace "fifty" with "twenty"

Page 4, line 2, overstrike "per biennium"

Page 4, line 26, replace "Section" with "Sections"

Page 4, line 26, after "4" insert "and 5"

Page 4, line 26, replace "is" with "are"

Page 4, line 27, replace "is" with "are"

Page 4, after line 27, insert:

"SECTION 7. EMERGENCY. Sections 1 through 3 of this Act are declared to be an emergency measure."

Renumber accordingly

Date: 1-16-13
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1029

House Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☒ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By R. Headland Seconded By R. Schmidt

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter			Rep. Scot Kelsh		
Vice Chairman Craig Headland			Rep. Steve Zaiser		
Rep. Matthew Klein			Rep. Jessica Haak		
Rep. David Drovdal			Rep. Marie Strinden		
Rep. Glen Froseth					
Rep. Mark Owens					
Rep. Patrick Hatlestad					
Rep. Wayne Trottier					
Rep. Jason Dockter					
Rep. Jim Schmidt					

Total (Yes) No

Absent

Floor Assignment

If the vote is on an amendment, briefly indicate intent:

Yes 10

Opposed 4

Approve

Date: 1-16-13
Roll Call Vote #: 2

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1029

House Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☒ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By R. Klein Seconded By R. Froseth

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter			Rep. Scot Kelsh		
Vice Chairman Craig Headland			Rep. Steve Zaiser		
Rep. Matthew Klein			Rep. Jessica Haak		
Rep. David Drovdal			Rep. Marie Strinden		
Rep. Glen Froseth					
Rep. Mark Owens					
Rep. Patrick Hatlestad					
Rep. Wayne Trottier					
Rep. Jason Dockter					
Rep. Jim Schmidt					

Total (Yes) No

Absent

Floor Assignment

If the vote is on an amendment, briefly indicate intent:

Yea 14

Oppose 0

Motion carries

Date: 1-16-13
Roll Call Vote #: 3

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1029

House Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken: ☑ Do Pass ☐ Do Not Pass ☐ Amended ☐ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By R. Drovdal Seconded By R. Strinden

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter	✓		Rep. Scot Kelsh	✓	
Vice Chairman Craig Headland	✓		Rep. Steve Zaiser	✓	
Rep. Matthew Klein	✓		Rep. Jessica Haak	✓	
Rep. David Drovdal	✓		Rep. Marie Strinden	✓	
Rep. Glen Froseth	✓				
Rep. Mark Owens		✓			
Rep. Patrick Hatlestad	✓				
Rep. Wayne Trottier	✓				
Rep. Jason Dockter	✓				
Rep. Jim Schmidt	✓				

Total (Yes) 13 No 1

Absent Ø

Floor Assignment R. Froseth

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1029: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 1 NAYS, 0 ABSENT AND NOT VOTING). HB 1029 was placed on the Sixth order on the calendar.

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Page 1, line 6, after the second "date" insert "; and to declare an emergency"

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Renumber accordingly

2013 SENATE FINANCE AND TAXATION

HB 1029

2013 SENATE STANDING COMMITTEE MINUTES

Senate Finance and Taxation Committee
Lewis and Clark Room, State Capitol

HB 1029
3/13/2013
Job Number 19871

☐ Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact a new subsection to section 57-35.3-05 of the North Dakota Century Code, relating to a tax credit for contributions to the housing incentive fund; to amend and reenact subsection 3 of section 54-17-07.3 and sections 54-17-40, 54-17-41, and 57-38-01.32 of the North Dakota Century Code, relating to a multifamily housing finance program and to the housing incentive fund and tax credits; to provide a continuing appropriation; to provide an effective date; to provide an expiration date; and to declare an emergency.

Minutes: Testimony Attached

Chairman Cook opened the hearing on HB 1029.

Alan Anderson, Commerce Commissioner - See attached testimony 1 in favor of, and proposed amendments (attachment 2) for HB 1029.

Senator Oehlke - Did at least 25% of the fund get used in areas of the population of not more than 10,000?

Alan Anderson - I believe it did and I think housing finance is willing to go through where all of those projects were. (8:18)

Chairman Cook - Is the $30 million transfer still included in SB 2014?

Alan Anderson - It still is.

Mike Anderson, North Dakota Housing Finance Agency - See attached testimony 3 in favor of HB 1029.

Chairman Cook - When you talk about flexibility and you said that your flexibility would basically go before the industrial commission your rules and they would approve those rules, this is a policy or are they actually rules like administrative rules?

Mike Anderson - That is a policy within the agency under the industrial commission.

Chairman Cook - Do you have any idea what the policy is going to be?

Mike Anderson - At this point not completely. With respect to the income limit we would do like we do with our federal tax credit program. We offer scoring points for how many units are target at certain income levels and if they score better they are more likely going to get funded. (31:13)

Chairman Cook - You mentioned that there were others who were going to be prepared to speak on an issue, I think the issue is whether or not this should be expanded to the entire state or elsewhere in the state, is that correct?

Mike Anderson - We've had those conversations not only with a lot of the people that you will probably hear from but also with the governor and the industrial commission. I think there is recognition that there is a lot more need outside of oil country than we are able to serve with that 90/10 split.

Chairman Cook - My last question has to do with the amount, the percentage of these units that could be used by the employer in a partnership. I think it's 50% now.

Mike Anderson - We cap the amount of contribution at 30% of the project cost not to exceed a million dollars so we would require at least 30% of the units would be income and rent restricted. If a business were to make that entire 30% contribution at the end of this project they would not be able to have first come first serve on more than 30% of the units beyond the 30% that are income and rent restricted.

Jason Ness on behalf of **Pam Sharp**, OMB - See attached testimony 4 in favor of HB 1029.

Josh Askvig, AARP - See attached testimony 5 in favor of HB 1029.

Bill Shalhoob, Greater North Dakota Chamber - We are also supporting this bill and whatever level you can raise it to. In every meeting we went to in all parts of the state affordable housing was one of two things that were brought up in every place and not only in the oil patch but all over the state.

Tom Iverson, Highway Patrol - See attached testimony 6 in favor of HB 1029.

Daniel Kelly, McKenzie County Healthcare System - See attached testimony 7 in favor of HB 1029.

Mary Anderson, ABLE - See attached testimony 8 in favor of HB 1029.

Kurt Stoner on behalf of **Shelly Peterson's** testimony - See attached testimony 9 in favor of HB 1029.

Mike Sandel, Department of Transportation - The department of transportation stands in support of HB 1029, especially the restoration of the housing incentive fund back to its $50 million. The department as you know, employs many people in regions impacted by the oil activity, as of today I think 13 vacancies that I'm attempting to fill in the oil patch. One of the

major difficulties that we have in recruiting and retaining employees is the affordability and the availability of housing in those areas impacted. (50:43)

Matthew Kolling, City of Dickinson - I'm here to testify to the cities support for HB 1029. We still have tremendous unmet housing needs in western North Dakota.

Vickie Troftgruben, ND Center for Persons with Disabilities - I have a team of 4 people around the state, one in each quadrant looking for affordable accessible safe and decent housing for persons who may have disabilities or elderly people. Our team struggles to assist in the transitions from people from intermediate care facilities or nursing home facilities who may want to live independently within the communities throughout our state. My team has tried to develop wonderful housing relationships with our housing authorities and property managers throughout the state as well as develop the housing database. The biggest challenge that my team finds is the affordable housing piece. (55:57)

Lynn Fundingland, Executive Director of the Housing and Redevelopment Authority of Fargo - See attached testimony 10 in favor of HB 1029.

Michael Carbone, North Dakota Coalition for Homeless People - See attached testimony 11 in favor of HB 1029.

Terry Hanson, Grand Forks Housing Authority - See attached testimony 12 in favor of HB 1029.

Tom Pearson, Minot Housing Authority - See attached testimony 13 in favor of HB 1029.

Tom Alexander ND Center for Persons with Disabilities at Minot State University - See attached testimony 14 in favor of HB 1029.

Cal Klewin, Economic Development Association of ND - See attached testimony 15 in favor of HB 1029.

Doreen Riedman, ND Association of Builders - See attached testimony 16 & 17 in favor of HB 1029.

Greg Larson, Association of Realtors - We are here to tell you we are in full support of HB 1029 at the $50 million level.

See attached testimony 18-25 who were unable to attend but provided written testimony.

Chairman Cook closed the hearing on HB 1029.

2013 SENATE STANDING COMMITTEE MINUTES

Senate Finance and Taxation Committee
Lewis and Clark Room, State Capitol

HB 1029
3/27/2013
Job Number 20538

☐ Conference Committee

Committee Clerk Signature	Angela Rittmann

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A BILL for an Act to create and enact a new subsection to section 57-35.3-05 of the North Dakota Century Code, relating to a tax credit for contributions to the housing incentive fund; to amend and reenact subsection 3 of section 54-17-07.3 and sections 54-17-40, 54-17-41, and 57-38-01.32 of the North Dakota Century Code, relating to a multifamily housing finance program and to the housing incentive fund and tax credits; to provide a continuing appropriation; to provide an effective date; to provide an expiration date; and to declare an emergency.

Minutes: Testimony Attached

Chairman Cook opened discussion on HB 1029.

Jolene Kline, North Dakota Housing and Finance - See attachment 26.

Senator Miller - What about assistance to the individual renters? Is that in any way become a factor, say if they have fuel assistance type things?

Jolene Kline - If a tenant is receiving a tent based subsidy in the form of fuel assistant they could use fuel assistance on this project, however, the majority of the projects the owner pays the heat, the tenants do not pay the heat so there would be no, they wouldn't qualify for fuel assistance because they aren't paying fuel. (11:45)

Senator Miller - We were talking about needs and everyone wants to try to make sure that low income people, the scenario of elderly person getting kicked out of their apartment because rent went from $500 to $2,000 and I think the empathy of the people is that we want to keep that person in their house and I'm trying to understand how this program will do that because I hear things of allowing rent of $800-$1,500 and I'm trying to gauge more about that individual as opposed to the...

Jolene Kline - How that is going to help that individual in a community where there is escalating rents is it's going to create additional affordable units. It's going to provide options for that person. That person who was living in a project or in a unit that was privately owned where the owner has that ability to quadruple those rents just because there is market demand, now with this program we anticipate that a $50 million program

would create about 2,500 additional affordable units so it's adding units to the inventory. (16:13)

Chairman Cook - You said that a single person the HUD established fair rent for a voucher was $502 in Burleigh County. Can you tell me what it is in Williams County?

Jolene Kline - $496

Chairman Cook - So I'm 70 years old living in Williston, I'm on social security; I'm under that $13,560 in income. I have to find a place. I could go to the Housing Authority and get a voucher but then I have to find somebody who will rent me a place for $496 correct?

Jolene Kline - Correct

Chairman Cook - And the voucher I have will probably pay $400 of that $496.

Jolene Kline - The tenant is going to be paying 30% of their income toward that rent.

Chairman Cook - So they will be paying roughly $300.

Jolene Kline - Right

Chairman Cook - So now I'm that same person, I can't find an apartment in Williston that I can afford with that voucher and I'm trying to figure out how this program might help that single individual. This program would require, what, a rent of $605?

Jolene Kline - If it's at the 50% or less of income. If that developer applied for the maximum, the $1.5 million and they had some other units at that 30% of income then we would have 1 bedroom units with maximum rents of $363. Then they could take that voucher and rent one of those units at $363. So the county is putting out less money instead of having to subsidize up to the $496 level, they would be able to rent at $363.

Chairman Cook - Why don't the fair market rents here, why aren't they the same with the fair market rents set by HUD for the voucher program?

Jolene Kline - In setting the rent structure for this we utilized the same income limits or the same methodologies that's used for the federal low income housing tax credit program. The same methodology that would be used for a USDA world development project. They all work off of 30% of the HUD income limits because that is what the industry out there says that a household should be able to pay 30% of their gross income toward shelter costs. Is there a disconnect with the fair market rents? Obviously there is. (22:22)

Chairman Cook - In Mandan now and all housing authorities all the way to Stutsman County the vouchers are in the hands of low income people, the problem is they cannot find a renter who will have a rent such that they will accept the voucher. In Mandan it's somewhere between 50-60 vouchers on the street. I'm trying to find out if this bill as it's written will alleviate that problem and I'm coming to the conclusion that it will not.

Jolene Kline - I would disagree because we are creating additional units and we are creating units with those rents at that 30% area level.

Chairman Cook - So you think that will free up other units then that these people may be able to access?

Jolene Kline - Yes plus we are also creating units with that rent structure. (23:48)

Chairman Cook - You say a private entity participating in this program may reserve a proportionate share?

Jolene Kline - That's correct.

Chairman Cook - Can that change by project or is that going to be a fixed number for any project?

Jolene Kline - That would change on a project by project basis.

Vice Chairman Campbell - Are there enough developers and contractors that have an incentive to go to projects like this versus the free market where they can get a lot more rent?

Jolene Kline - I feel very strongly that we will be able to utilize the $50 million within the 2 year biennium without any problem. We have got a pipeline of projects already. (30:37)

Vice Chairman Campbell - You said there is roughly 3,700 a year, where are those people staying now?

Jolene Kline - A lot of those are going to be additional workforce that are projected to be needed to supplement the oil field people. For every well that is drilled there is an assumed 1 permanent job that is going to be needed to maintain that job. In addition to that one permanent oil field job there is going to be another 2.5 jobs created to help that person. The retail sector, hospitality sector, etc. (32:51)

Chairman Cook - Page 2 line 25, rental assistance, emergency assistance or targeted support services designated to prevent homeless. What does that mean to you?

Mike Anderson, North Dakota Housing and Finance - When this program was originally authorized last session those were some of the options in terms of utilization of this program, activities we can do. Also it was clear the legislative intent was new construction of mixed income, multifamily projects. With that in mind we did not precede to establish in our allocation plan activities such as line 25. (35:33)

Senator Miller - How much homelessness are we seeing that is a direct result of people that were housed and then were displaced and now are homeless versus people coming into our state that are homeless?

Michael Carbone, North Dakota Coalition for Homeless People - In a 2011 study we did ask people who were homeless whether or not they had come into the state within the last 12 months seeking work or with someone seeking work and 39.1% of our respondents indicated they had come from out of state seeking work which means that roughly 60% were longer term North Dakotans that were seeking assistance. We are working on updated data now. (39:35)

Chairman Cook - Mike, does your agency own any brick and mortar?

Mike Anderson - We do not own and multifamily projects.

Chairman Cook - Could you?

Mike Anderson - Yes, we have the authority to own multifamily. We could own it, we can operate it, we own it as a transition to keep it in the affordable inventory. Our capacity to acquire is limited because of our financial statement. If we had the capital resources to do it we could do it.

Chairman Cook - Can you bond?

Mike Anderson - Yes, we have bonding authority.

Mike Anderson then added his comments to follow up on some of the previous questions asked and handed out attachment 27. (roughly 45:00)

Chairman Cook closed discussion on HB 1029.

2013 SENATE STANDING COMMITTEE MINUTES

Senate Finance and Taxation Committee
Lewis and Clark Room, State Capitol

HB 1029
4/3/2013
Job Number 20839

☐ Conference Committee

Committee Clerk Signature Angela R. Smith

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact a new subsection to section 57-35.3-05 of the North Dakota Century Code, relating to a tax credit for contributions to the housing incentive fund; to amend and reenact subsection 3 of section 54-17-07.3 and sections 54-17-40, 54-17-41, and 57-38-01.32 of the North Dakota Century Code, relating to a multifamily housing finance program and to the housing incentive fund and tax credits; to provide a continuing appropriation; to provide an effective date; to provide an expiration date; and to declare an emergency.

Minutes:

Chairman Cook opened discussion on HB 1029.

Senator Miller - I'll move the amendment 13.0159.05002.

Seconded by **Senator Burckhard**.

Senator Miller - Currently the way this fund is set up they had a 50% requirement that this might not go to low or moderate income housing. That was taken out. I'm going to bump it up to 75%, not really sure if that is the right number but I guess when we are talking about government sponsored housing incentives I think the primary purpose of that should serve the poor and then the final definition on the end of the amendment would reference the federal fair market rent criteria that is set by HUD.

Senator Dotzenrod - Part of the problem in the impact areas it's giving the workers that are coming in there a kind of, the wages they are earning, everything is sort of driven up several notches, the cost of the housing is up, the cost of everything they do, their wages are up, I don't know if you can really find 75% poor people. A lot of people just can't find housing. (3:46)

Chairman Cook - I agree with you. We have to make sure we are all comfortable with what this thing will do as far as the balance we will receive with the low income people, moderate income people, and essential government employees.

Verbal Vote on Amendment 5-2-0

Senator Miller - I'll move a **Do Pass as Amended and re-refer to Appropriations**.

Seconded by **Senator Dotzenrod**.

Roll Call Vote 7-0-0

Carried by **Chairman Cook**.

FISCAL NOTE
Requested by Legislative Council
12/19/2012

Amendment to: HB 1029

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			$(5,000,000)	$5,000,000		
Expenditures						
Appropriations						

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1029 provides income tax credits for contributions to the housing incentive fund.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 5 of HB 1029 increases the allowable income tax credits from $15 to $20 million in the 2013-15 biennium, for contributions to the housing incentive fund.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The first $15 million of allowable tax credits from contributions to the housing incentive fund were assumed in the forecast. An additional $5 million is made available in this bill, and is expected to result in a reduction in state general fund revenues and an increase in housing incentive fund revenues of $5 million during the 2013-15 biennium. The provisions of this bill that increase the allowable tax credits were contained in the executive budget.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name: Kathryn L. Strombeck
Agency: Office of Tax Commissioner
Telephone: 328-3402
Date Prepared: 01/11/2013

FISCAL NOTE
Requested by Legislative Council
12/19/2012

Bill/Resolution No.: HB 1029

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

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Expenditures						
Appropriations						

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	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
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Cities			
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C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name: Kathryn L. Strombeck
Agency: Office of Tax Commissioner
Telephone: 328-3402
Date Prepared: 01/11/2013

13.0159.05002
Title.06000

Prepared by the Legislative Council staff for
Senator Miller

April 2, 2013

4-3-13

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1029

Page 2, line 13, remove the overstrike over "~~At least~~"

Page 2, line 13, after "~~fifty~~" insert "seventy-five"

Page 2, line 13, remove the overstrike over "~~percent~~"

Page 2, line 13, remove "A portion"

Page 2, line 13, replace "as determined" with "must be designated"

Page 2, line 14, overstrike "must" and insert immediately thereafter "to"

Page 2, line 16, after "income" insert "as defined by the most recently published federal fair market rent volume"

Renumber accordingly

Date: 4-3-13
Roll Call Vote #: 1

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1029

Senate Finance & Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 13.0159.05002

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☒ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Senator Miller Seconded By Senator Burckhard

Senators	Yes	No	Senator	Yes	No
Chariman Dwight Cook			Senator Jim Dotzenrod		
Vice Chairman Tom Campbell			Senator Connie Triplett		
Senator Joe Miller					
Senator Dave Oehlke					
Senator Randy Burckhard					

Total (Yes) 5 No 2

Absent 0

Floor Assignment

If the vote is on an amendment, briefly indicate intent:

Verbal Vote

Date: 4-3-13
Roll Call Vote #: 2

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1029

Senate Finance & Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken: ☒ Do Pass ☐ Do Not Pass ☒ Amended ☐ Adopt Amendment

☒ Rerefer to Appropriations ☐ Reconsider

Motion Made By Senator Miller Seconded By Senator Dotzenrod

Senators	Yes	No	Senator	Yes	No
Chariman Dwight Cook			Senator Jim Dotzenrod		
Vice Chairman Tom Campbell			Senator Connie Triplett		
Senator Joe Miller					
Senator Dave Oehlke					
Senator Randy Burckhard					

Total (Yes) 7 No 0

Absent 0

Floor Assignment Senator Cook

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1029, as engrossed: Finance and Taxation Committee (Sen. Cook, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1029 was placed on the Sixth order on the calendar.

Page 2, line 13, remove the overstrike over "~~At least~~"

Page 2, line 13, after "~~fifty~~" insert "seventy-five"

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Renumber accordingly

2013 SENATE APPROPRIATIONS

HB 1029

2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee
Harvest Room, State Capitol

HB 1029
04-08-2013
Job # 20951

☐ Conference Committee

Committee Clerk Signature	Alice Delzer

Explanation or reason for introduction of bill/resolution:
A BILL relating to multifamily housing finance

Minutes:

You may make reference to "attached testimony."

Chairman Holmberg called the committee to order on Monday, April 08, 2013 at 8:30 am in regards to HB 1029. All committee members were present.

Becky J. Keller- Legislative Council
Joe Morrissette - OMB

Chairman Holmberg: we should have 1st engrossment and a fiscal note 12/19/2012

Senator Dwight Cook: District 34, Mandan, 1029 deals with the housing incentive fund, the amendments we put there are basically to make sure it gets into a conference committee. There is work that needs to be done between the House and the Senate. As introduced it created a $50M housing incentive fund, $30M was a general fund appropriation and $20M in tax credits you passed out the $30M, the House took that out, and that leaves the fund only at $20 M, all tax credits. That issue needs to be resolved as far as what amount of money the fund will have available. The other thing, the amendments language addresses how state housing and finance administers the program, gives them considerable flexibility. There were concerns about the amount of flexibility as far as whether or not it is going to truly address the low income housing issue, we have to work on it. Get this to conference committee and look how this is going to work, reconcile with House on the $30M I look forward to working with Housing and Finance, I hope it goes into conference committee

Senator Warner: I had concerns, with Senate amendment language at bottom of page 1 lines 21-24:" A private entity participating in this program may reserve a proportionate share of available units in the facility for occupancy by its workforce based on its financial participation in the facility, in addition to any units held for occupancy by individuals or families of low or moderate income." It seems we are giving them an accelerated depreciation schedule for things they would do otherwise. They would have to depreciate rather than take a credit for things. Is there any public interest in having them do that? Does that enhance low income housing in any way?

Senator Cook: those are the same questions we need to work through. We need to get them all resolved.

Mike Anderson: Executive Director ND Housing Finance Agency, we look forward to working with Senator Cook and his committee. We are aware of the changes he wants; we are on board with those it's just a matter of getting the proper language. Maybe I can address Senator Warner's questions, and then I have some comments regarding the size of this program at this point. What we are looking at here with the private sector getting involved is them not taking an ownership interest in this project to develop it themselves What we are looking at, is an industry or a business who is trying to attract additional employees that can do that because there is a lack of affordable housing in their area. We are trying to incentivize that business to make a contribution into the Housing Incentive Fund and obtain the credit, that is all they get, other than creating a relationship with the developer/ the landlord to say : I can reserve for my employees on a first come first serve basis a number of units beyond those that are being set aside for low income housing (income and rent restricted) these would be units that typically would not be rent or income restricted anyway , they would be able to reserve a portion of those other units for their business. In terms of getting any interest, benefit or profit out of this project they are not taking an ownership in the project. It's just to incentivize them to make a contribution into the fund.

Senator Warner: they don't get an equity position and their employees pay at market rates?

Mike: Yes, the relationship with the owner/developer of that project will set rent levels commensurate to the affordability for that employee; we will not require rent restrictions on it.

Senator Robinson: (9.01) In a scenario where we have 36 plots, and we have a business or industry that invests to earmark , whatever number and their employees do not fill that allotment, are those unfilled units available for general rental purposes?

Mike: Yes, they get first crack, those not rented are available for the general market. As was previously said this program came out of interim management committee with a $50M program, $20M in tax credits and $30M in general fund appropriation. The appropriation is in the Industrial Commission Appropriation Bill 2014, it passed the Senate. The House finance and taxation took the not to exceed amount for the program from $50M down to $20M, that coincided with the tax credits and that is where it stands today and what Senate Finance & Taxation is considering. The Industrial Commission budget bill 2014 is in front of House subcommittee on government operations. They are still considering as we speak, to try to keep that $30M in there, there was a proposal to ear mark, depending on who you talk to, between $2 and $5M of that appropriation to emergency shelters and homeless prevention, emphasis made, we don't oppose that, we believe the need is critical for the homeless community and they need some funding. They are looking at taking $2M minimum, and maybe up to $5M, we will know later today what House Appropriation is going to do with that. This committee when it considered the Department of Commerce budget SB 2018, it came out with an amendment to the Housing Incentive Program by bringing the cap back up to $50M, but also included child care facilities and child care needs as an eligible activity that we would use the program for. That bill is currently in the House Appropriations, Education and environment. It is my understanding late last week ,they amended your proposal down to a $30M total program, $15M in tax credits, $15M in

appropriation and the day care facility is still in there and they are proposing $3M dedicated to child care needs. Now we got a $30M program that is being considered depending on what committee and what bill it is in which a minimum of $5M is being targeted to non-housing brick and mortar and maybe as much as up to $8M depending on where the House settles on child care. We are not opposed to the child care situation, we don't have the expertise internally to underwrite these kinds of projects, and we certainly can acquire that and will work with that. The concern is that when we start looking at the $5 or $8M that is not going to brick and mortar. $5M in a $30M program is basically 17% of the total program will be going to daycare facilities and or homeless situation if that number for homeless if $5M then we got $8M, we are talking about 27% of the total program will be going to non-housing development, we will be willing to do that we will take directions from the legislative body. My concern is the impact we can have not only on the housing, but those two areas if the program stays down to the $30M, or $20M, depending on where we end up settling with that. Based on the $50M program, for every $1M that we don't get for housing it is about 50 units, $5M would be 250 units that we would not be able to do. $8M is 40 units. We believe the $50M program is appropriate based on the housing needs assessment that projected household growth of about 7-800 new households each year statewide. We also based it on the fact that we believe that this program should be more geographically equitably dispersed across the state; there is significant need elsewhere besides oil and gas area. Just a couple of examples, Fargo has high rise 248 units housing for disabled and elderly people, some of the most vulnerable citizens we have in terms of being appropriately housed. The Redevelopment and Housing Authority has been trying for more than 10 yrs. to figure out how to renovate or replace those units, they are deteriorating to the point where they spend a significant amount of their operation funds just repairing that building every year in terms of $70,000 a year. It is time to fix or make a major renovation of that project using traditional sources and even looking outside of the box in terms of our federal tax credit program. They are still seen whether it is new construction, replacement or major rehab a $5-7M gap that they have not figured out how to fill. We anticipate that at least some of that gap could be filled with the housing incentive fund, I am concerned about the size of the program, the impact it would have on that. (15.000

Senator Carlisle: roughly, if we do that, still 80% will go out west out of the 50%?

Mike: we don't' know what the distribution is. Right now we would let the allocation public hearing process to really nail down what that was. The $50M program was 90% targeted to oil or disaster impacted communities. We talked, internally, about what that might look like and in fact maybe even not having a geographic target and just let the market shovel ready projects dictate how those funds would go, would be distributed across the state. We still want to work with the $50M

Senator Robinson: we got commerce, the industrial commissions, this bill, that is all there is out there, right, in terms of housing incentives? (Yes) My question goes back to the level of funding. There is a serious problem in the east, Jamestown, Valley City we see a real crisis in the short term. We want to take care of our housing problem in the west, but we have a serious problem in the east. How do they respond, the concern is if the $50M would be sufficient.

Mike: we are well aware of Valley City and Jamestown. Another concern is Ward County's 2 to 300 FEMA trailer residents. The majority of those do not have a plan in terms of where their next permanent housing situation is going to be. We are working with FEMA, with HUD and the Governor's Office to get another short term extension of being able to keep those units intact there. Those are still temporary housing; we need to provide resources into Minot to replace the affordable interim housing for those individuals in the next year or so. That is just one of the examples I can talk about Grand Forks, Minewauken, it is all over the state. I heard this morning Commerce's announcement about job creations, since 2008 70,000 jobs have been created in the state, in 2012 alone 33, 000 jobs. Those jobs won't be filled if these people don't have a place to live.

Claus Lembke: ND Association of Realtors, we look at this program, it is very complicated, and this is the only program that in effect does something to affordable housing that people can participate in, that is why we support this bill.

Kelvin Hullet, President Bismarck-Mandan Chamber, supports this program. We like is the flexibility of the program, we concentrate a lot on out west. We pooled the number of houses available in the in Bismarck Mandan area under $200,000 the number is 8. Housing issue and child care are two of the factors that we see our businesses talking about and asking us to find solutions. The housing incentive fund is one of those solutions we really need to take advantage of. We would lend our support and ask you move this forward; we would support the $50M level.

Doreen Riedman, ND Association of Builders, in support of the $50M. Housing is the number one issue across the state. It is a great program.

Rick Clayburgh, President, and CEO of ND Bankers Association supports the bill at the Governor's recommendation of $50M.

Senator Warner: USDA rural development has similar projects going, can you address the issue of collaboration of risks, are there any areas we can expect a match for USDA funds.

Mike: first of all, to make affordable housing work, you need to leverage other programs; it is very hard to do that with a single program. Even though we are bringing equity to a project, this projects still require some debt , USDA, in terms of their financing is an expensive, their guarantees, and there are other programs that come into play in terms of equity if necessary.

Chairman Holmberg closed the hearing on HB 1029.

2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee
Harvest Room, State Capitol

HB 1029
April 9, 2013
Job # 21049

☐ Conference Committee

Committee Clerk Signature Rose Laning

Explanation or reason for introduction of bill/resolution:

This bill relates to tax credits for contributions to the housing incentive fund.

Minutes:

Legislative Council - Becky J. Keller
OMB - Lori Laschkewitsch

Chairman Holmberg opened the discussion on HB 1029. All committee members were present.

Chairman Holmberg: Even though the fiscal note is old, it is correct. The fiscal note follows what is presently in the bill. He said the tax credit did not change.

Senator Carlisle moved Do Pass on HB1029

Vice Chairman Bowman seconded the motion.

Senator Carlisle explained that this bill is just part of the total package of all the housing incentives in other bills. This relates to tax credits. Is that correct?

Becky J. Keller: They are amending the money in the Housing Incentive fund out of 2014 and putting it in the commerce budget bill. I am not sure what they are doing with the funding structure there.

Discussion followed on the appropriation and what agency the appropriation is in and how we get to the total of $50M.

Becky J. Keller: The $30M in 2014 was a transfer to the Housing Incentive fund from the general fund. Then they allowed up to $20M in credits and that would total $50M. I still don't know what they have done in Commerce but I am waiting for a response.

Chairman Holmberg asked the clerk to call the roll on a **Do Pass on HB 1029**.

A roll call vote was taken. Yea: 13 Nay: 0 Absent: 0

The bill goes to Finance & Tax and Senator Cook will carry the bill on the floor.

FISCAL NOTE
Requested by Legislative Council
12/19/2012

Amendment to: HB 1029

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3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

The first $15 million of allowable tax credits from contributions to the housing incentive fund were assumed in the forecast. An additional $5 million is made available in this bill, and is expected to result in a reduction in state general fund revenues and an increase in housing incentive fund revenues of $5 million during the 2013-15 biennium. The provisions of this bill that increase the allowable tax credits were contained in the executive budget.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name: Kathryn L. Strombeck
Agency: Office of Tax Commissioner
Telephone: 328-3402
Date Prepared: 01/11/2013

FISCAL NOTE
Requested by Legislative Council
12/19/2012

Amendment to: HB 1029

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			$(5,000,000)	$5,000,000		
Expenditures						
Appropriations						

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

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Name: Kathryn L. Strombeck
Agency: Office of Tax Commissioner
Telephone: 328-3402
Date Prepared: 01/11/2013

Date: 4-9-13

Roll Call Vote # 1

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 1029

Senate Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken ☐ Adopt Amendment ☑ Do Pass
☐ Do Pass as Amended ☐ Do Not Pass

Motion Made By Carlisle Seconded By Bowman

Senators	Yes	No	Senator	Yes	No
Chariman Ray Holmberg	✓		Senator Tim Mathern	✓	
Co-Vice Chairman Bill Bowman	✓		Senator David O'Connell	✓	
Co-Vice Chair Tony Grindberg	✓		Senator Larry Robinson	✓	
Senator Ralph Kilzer	✓		Senator John Warner	✓	
Senator Karen Krebsbach	✓				
Senator Robert Erbele	✓				
Senator Terry Wanzek	✓				
Senator Ron Carlisle	✓				
Senator Gary Lee	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment Heckaman & Tax Cook

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1029, as engrossed and amended: Appropriations Committee (Sen. Holmberg, Chairman) recommends **DO PASS** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1029, as amended, was placed on the Fourteenth order on the calendar.

2013 CONFERENCE COMMITTEE

HB 1029

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1029
April 19, 2013
Job #21330

☒ Conference Committee

Committee Clerk Signature Mary Brucker

Minutes: *Attached amendments #1.*

Chairman Owens: Could I get the senate to explain their changes?

Senator Cook: Distributed proposed amendments. See attached amendments #1. Senator explained his amendments. One of our concerns addressed the amount of housing units that would be available for low income people. We amended it to get it into conference committee to have discussion on what problems we want to see this housing incentive fund address. These amendments address a housing incentive fund for essential government employees, especially in the oil producing counties. The other challenge we have here is the fiscal note is at $15M and $15M. There is a $3M in childcare that comes out of that. There is also $2M that comes out of this for the homeless from 2018. We need to find out what the big picture is on this and where it is all going to be. I think it's possible that 1029 could disappear. I would like us to have a good discussion on the degree of flexibility that is in here and the degree at which we address low income, essential government employees, and the other needs out there.

Chairman Owens: When this first came up in 2011 session for the $4M it was briefed to us in committee that housing authorities were going to build apartment complexes and start government housing in North Dakota. I've seen this all over the country and they lease them out for $2 a day then they become drug havens and they need their own house authority police force so I had been against this one from the beginning. Since that time when we increased it from $4M to $15M there are some housing authorities putting it together and using it to subsidize and build low income housing. That was a much better application of the fund. I am concerned about schools building apartment complexes because that is going down that same path I didn't want to go down. Changing this to 75% from a portion got this in a conference committee. In some locations they may only need 20% so this is why we changed it to a portion rather than a specific percentage initially. I am a little concerned about doing anything on this bill if there is other action on 2018 until we have the whole picture and we understand what the ramifications are on other bills addressing this.

Senator Cook: I'm chairman of a housing authority and we don't own any brick and mortar; all we do is handle vouchers and they live in private homes. We follow HUD rules and we don't have any drug problems. If you're arrested for possession of drugs you are off the

housing assistance. There are some housing authorities who own brick and mortar but there are other projects that are mostly for low income and financed by state housing and finance. They are not there for $2 a day; the minimum rates they have to pay in Morton County are $25 a month. It is based on 30% of their income that will go to rent. These built here would mostly be owned by private ownership and part of those apartments would have to be available for low income. The people being displaced out there are mostly single elderly people that are living on assistance and their rent is going so high now that their voucher doesn't allow them to live there. We need to do what we can to assist them. We need to start with our role in this compared to the others and then pursue that role.

Chairman Owens: Various housing authorities are going the private route and to me that is doing it right. I don't want to see North Dakota become like any of the other cities I've seen. I'm very interested in this approach you proposed.

Representative Headland: The employees of the groups you listed here between the current rental rates are high enough where the rent for these types would be greater than 30% of their salaries?

Senator Cook: In order to get the incentives available here the project would be scored based on how many apartments was low income or moderate. They would be given a rent rate less than what they would get on market.

Representative Headland: Is there a danger of too many of these units being built?

Senator Cook: There is a danger of having too many single family houses built. If the industry goes south a whole lot of people are going to go with it.

Representative Haak: How did you come to 75 percent? Is that an average or is it some number you pulled out of the air?

Senator Cook: That was with great deliberation.

Chairman Owens: At this point we each need to find out what is happening with 2018 before we do anything with this one.

Senator Cook: That could be right. We need to know what our role is then pursue our role.

Chairman Owens: Meeting adjourned.

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1029
April 25, 2013
Job #21507

☒ Conference Committee

Committee Clerk Signature	Mary Brucker

Minutes: *Attachment #1*

Chairman Owens: Last time we left here with the intent on discovering what was going on with 2018.

Senator Cook: We met this morning with the senate appropriations members involved with 2018 and 2014. The money is going to leave 2018 and go to 2014 where it belongs. There was also discussion of where the language should be regarding the housing incentive fund and whether that should stay in 1029 or go to 2014. I would hope for now we would keep it in 1029. I distributed an email from Jolene Klein of the State Housing and Finance Agency. See attachment #1. We have also been communicating a lot about the degree that we have political subdivisions being forced to get involved with the housing industry to house essential government employees. This has been a big discussion point in 1358. I think the proper solution for fixing the need especially in western North Dakota regarding essential government employees and affordable housing for them should be accomplished through the housing incentive fund. I think that Jolene and Mike from the Housing and Finance Agency agree. They sent out a survey and it shows there are a lot of units, roughly 200, now that are being owned by political subdivisions and a need for another 100 units. I think we need to focus on leaving the $20M in credits there for now but focus our discussions on the language that would best enable this housing incentive fund administered by the Housing and Finance Agency to meet these needs of essential government employees. I think appropriations are in agreement with that; it's just a matter of finding the right amount of money and the right language that will balance how they set up their program to meet the needs of essential government employees and low and moderate income people. I'm looking for advice from the State Housing and Finance as to what type of language they need to accomplish that goal. We can sit down and have a conversation with them as we try to figure out the right language to put in this bill.

Chairman Owens: I've been concentrating on exactly my objection to the government housing and yet how we meet the criteria. Now that I understand what the current plan is I have a number of questions. I would certainly welcome a sit down with them if you would arrange that.

Senator Cook: I think that's a great idea.

Chairman Owens: As far as the money we are still waiting on 2014 and discussing the language. I would like to better understand some answers to my questions so I will adjourn this meeting.

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1029
April 29, 2013
Job #21591

☒ Conference Committee

Committee Clerk Signature

Minutes: *Attachment #1*

Members: Rep. Owens, Chair., Rep. Dockter, Rep. Haak, Senator Cook, Senator Campbell, Senator Dotzenrod. All present.

Chairman Owens: The senate was working on amendments.

Senator Cook: They are not here from legislative council but I have some from amendments that were written over the weekend by Jolene Kline.

Jolene Kline, North Dakota Housing Finance Agency: Reviewed attachment #1 Adequate Funding for the Housing Incentive Fund. Nontraditional landlords are school districts that own units; counties and cities that have been forced into becoming landlords. What you have in front of you is a fact sheet that outlines that we would provide funding to schools and government entities to get them out of the housing business and allow them to focus on their true mission and allow them to recruit and retain workforce. Under the second priority the very low income seniors; individuals with special needs and lower income workforce employers. We would work with those schools first on a one to one basis to try to figure out if they are willing to sell off those units off they currently own and put those units out in the market place to other buyers in the community or have a nonprofit or a fore profit come in and acquire those from those from those political jurisdictions and operate them as is or move them to different locations. Senator Cook had asked us to do a survey of these landlords and it showed 206 housing units are currently owned by 33 different nontraditional landlords such as schools, cities and counties with most of those located in Williams, Mountrail and McKenzie County. That would be our first focus to get those people out of the business. The amount needed is about $17.5 M. Our next need showed that those nontraditional landlords would need approximately 144 additional housing units over and above the 206 units that are currently owned to be able to allow them to recruit teachers or other county and city workers. In addition to that survey response indicated that they are providing rental subsidy for another 24 units. They are primarily within the DOT and Game and Fish to allow their employees to work in oil country. We would require a long term deed restriction on that property whether it is for units that we acquirer from that jurisdiction or for additional units created. Some legislatures are concerned there could be a housing bubble out there; particularly in the Williston, Tioga area. Additional funding needed is about $14,200,000. That survey did not take into account the need for affordable

housing for employees of long term care facilities or lower paid medical facility workers. We are not trying to provide housing for doctors or nurses in the hospitals. Second priority would be to house low income individuals and families accomplished again through a preference in our elocution plan to projects that benefit households with the lowest income and that have rent restrictions at or below fair market rents or section 8 housing payment standards. In terms of what is the need there I used the Statewide Housing Needs Assessment, which was published in October 2012 that showed an estimated 3700 new units are going to need to be created each year during the biennium and going forward to meet the low income needs. Just looking at half of those, if we had funding for them 1850 units I used an average of about $25,000 per unit subsidy based on historical data from the current HIF funding. We are up to about $77 M. so it supports the need for whatever funding this committee can offer to us.

Senator Cook: The way I had this envisioned is the state housing and finance agency would create a register of all of the units that are needed out there by city; they would make that a number one priority to remove the housing offered by nontraditional landlords for essential government employees. Second; priority would be low income people. They would report quarterly to the budget section as to their progress. Our goal is to get school districts, cities, counties out of the housing business.

Chairman Owens: I appreciate that. Are there any comments or questions?

Senator Campbell: What would you prioritize?

Jolene Kline: Our number one priority is the $17M; getting those landlords out of that business and getting those units into the hands of true housing developers. Then we need to shift some of that priority out of the existing $37 M to addressing the needs of low income people. That is what is holding back economic activity in those communities today. Williston can't expand there today because they cannot get employees into that community because of they can't afford to live there. We need to consider our people with disabilities also.

Chairman Owens: You mentioned 206 units.

Jolene Kline: Correct.

Chairman Owens: Are those planned?

Jolene Kline: They are currently owned and occupied by political jurisdictions. The 144 are the ones that we need to deal with in order to address future needs.

Chairman Owens: At the end of the last year the HIF sold all of its tax credits. How much of that is obligated and how much of that is obligated and how many units are obligated for that are not ready yet? Do we know?

Jolene Kline: All of those dollars have been allocated to projects. The projects that were funded last year are the ones that are starting construction right now. We created about 720 units with that $15 M fund. I don't have current numbers on how many of those are in

the pipeline today. Those units are currently owned. A portion of those 700 units that will be coming on line sometime later this year; they can address some of that need for the lower income population.

Chairman Owens: Of the ones still under construction and those that have been spoken for yet, are those included?

Jolene Kline: No. Under the previous HIF fund we used a mixed income model so even though there are 700 units coming on line; not all of those units are very low income targeted. The highest unit price we have coming on is one project in Williston where they have some rent projections about $1500/month. I would guess about 40% of those units are already on line.

Chairman Owens: That's what I was wondering about.

Senator Cook: I can't help but wonder if we had the foresight to do something like this two years ago when we first created the housing incentive fund; if we would see a survey that showed 206 units we probably would not. I think the key is the quarterly reporting to the budget section. This is an ever changing market so I think it is important that we watch it.

Senator Dotzenrod: You mentioned your priority would be first to work on the 206 units. They are units already existing and people living in them. Second would be to work on these newer units. Is doing it in the way you are suggesting going to delay the ability to get newer housing units built and available by having to deal with those that are already there first?

Jolene Kline: I think it will be happening simultaneously. We will develop an allocation plan and it will spell out our intended priorities. That goes through a public hearings process scheduled for May 10. It is approved by the Advisory Board and the Industrial Commission. June 28th we will solicitants our first round of applications indicating what our priority will be. Applicants can apply that second priority, but it means our efforts will be focused on getting those units out of the hands of those nontraditional landlords but it will be happening at the same time.

Senator Cook: Isn't it safe to say that a developer could come to you and apply for a 24 plex to be built in Watford City and 8 of them are going to be used for low income; 12 for essential government employees and 4 of them will be at market rent? You could approve that plan and they could build that project that would allow the school teachers that are living in modular homes owned by the school district to move into the new 24 plex and allow the school district to sell the modular homes and put that money back into the general fund where it belongs.

Jolene Kline: That's exactly how I envision this happening. I don't think we will be seeing a lot of projects where they will be 100% dedicated to essential service workers.

Senator Cook: You will score that by looking at your registry you will know what the needs are in a particular town for essential government employees continually. We want to reduce that number to zero.

Jolene Kline: I couldn't have said it any better.

Chairman Owens: Mike Anderson clarified what I considered to be a long term application review as opposed to a short term view. The methods of retiring the units to commercial activities are a perfect solution to that end too. How do we not overbuild on housing? If it is a 100% tax credit it is still government owned. I personally am classifying subsidized as government owned properties. What you presented altered my view of the program to be honest with you. Senator Cook if you will get your amendments prepared and sent down here I am going to review this in the context of the actual minutes and I will see if you think we can meet this afternoon.

Adjourned.

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1029
April 30, 2013
Job #21621

☒ Conference Committee

Committee Clerk Signature	Mary Brucker

Minutes:

Amendments #1

Chairman Owens: Senator Cook, will you explain your amendments please?

Senator Cook: Distributed amendments 13.0159.05004. See attachment #1. Priority one is for essential government employees and second priority is for low or moderate income. Section 6 is a contingency appropriation for every essential worker the housing and finance agency is able to remove from this register. They could request approval from the budget section authorized by the emergency commission a transfer of $85,000 from the strategic investment and improvements fund with a maximum transfer of up to $20M. They would have a register listing all the essential government employees housing units that are needed and continually work to reduce that number. As they show success and the dollars are gone they could request more money.

Chairman Owens: That's an additional appropriation of $20M?

Senator Cook: It's contingent.

Chairman Owens: Out of the $35.4M that's in 2014 this could be adding another $20M to that for $55.4M.

Senator Cook: It could. Certain things would have to happen to justify that. I think the key to this is as we try to eliminate this problem there is a fair amount of flexibility and certain conditions are met we can continue to make improvement on them.

Chairman Owens: I am interested in passing this bill with some of your policy but the house will kill this if they read it as a separate and new appropriation. I'll leave it to you if you want to leave this amendment like it is now but I'm inclined not to approve the amendment with section 6 in it for fear of that.

Senator Cook: Why don't we stop here then and reschedule for this afternoon and see if I can come up with something that is less offensive to the house.

Chairman Owens: In section 6 from yesterday I interpreted as a very innovative way of tracking and I assumed you were applying that to the amount of money that was already in

there. At that point I thought it was only $20M then I found out it was a little over $35M. I'm trying not to lose the whole bill right now.

Senator Cook: Let's remember from the number of essential government employees we have being housed by nontraditional landlords and the cost to eliminate these landlords is going to cost some money. I think it's wiser to have an agency responsible for housing dealing with housing rather than school boards and cities. It's costing us money either way.

Chairman Owens: I appreciate the numbers you're working with. I will reschedule for this afternoon.

Meeting adjourned.

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

HB 1029
April 30, 2013
Job #21632

☒ Conference Committee

Committee Clerk Signature	Mary Brucker

Minutes:

No attachments.

Senator Cook: **Made a motion for Senate Recede from Senate Amendments and Further Amend per amendment 13.0159.05004 minus section 4.**

Representative Dockter: Seconded.

Chairman Owens: Any discussion?

ROLL CALL VOTE: 6 YES 0 NO 0 ABSENT

MOTION CARRIED.

FISCAL NOTE
Requested by Legislative Council
12/19/2012

Amendment to: HB 1029

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Expenditures						
Appropriations						

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Cities			
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Name: Kathryn L. Strombeck
Agency: Office of Tax Commissioner
Telephone: 328-3402
Date Prepared: 01/11/2013

FISCAL NOTE
Requested by Legislative Council
12/19/2012

Amendment to: HB 1029

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Name: Kathryn L. Strombeck
Agency: Office of Tax Commissioner
Telephone: 328-3402
Date Prepared: 01/11/2013

13.0159.05005
Title.07000

Adopted by the Conference Committee

April 30, 2013

VK
4/30/13
1 of 2

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1029

That the Senate recede from its amendments as printed on pages 1515 and 1516 of the House Journal and page 1099 of the Senate Journal and that Engrossed House Bill No. 1029 be amended as follows:

Page 1, line 5, after the semicolon insert "to provide a report to the budget section;"

Page 2, line 4, after "**appropriation**" insert "**- Report to budget section**"

Page 2, line 5, remove "in an amount not to exceed twenty million dollars"

Page 2, line 13, remove "A portion"

Page 2, line 13, overstrike "of the fund"

Page 2, line 13, remove "as determined by the housing"

Page 2, line 14, remove "finance agency in the annual allocation plan"

Page 2, line 14, overstrike "must be used to benefit"

Page 2, line 15, remove "individuals and families of"

Page 2, line 16, remove "low or moderate"

Page 2, line 16, overstrike "income."

Page 2, after line 17, insert:

"The annual allocation plan must give first priority through its scoring and ranking process to housing for essential service workers. For purposes of this subsection, "essential service workers" means individuals employed by a city, county, school district, medical or long-term care facility, the state of North Dakota, or others as determined by the housing finance agency who fulfill an essential public service.

The second priority in the annual allocation plan must be to provide housing for individuals and families of low or moderate income. For purposes of this second priority, eligible income limits are determined as a percentage of median family income as published in the most recent federal register notice. Under this second priority, the annual allocation plan must give preference to projects that benefit households with the lowest income and to projects that have rent restrictions at or below department of housing and urban development published federal fair market rents or department of housing and urban development section 8 payment standards.

The housing finance agency shall 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. This register must also reflect those entities that are providing rent subsidies for their essential workers. The housing finance agency shall report quarterly to the budget section of the legislative management on the progress being made to

reduce the overall number of units owned, master leased, or subsidized by these entities. This report must include a listing of projects approved and number of units within those projects that provide housing for essential service workers."

Renumber accordingly

2013 HOUSE CONFERENCE COMMITTEE ROLL CALL VOTES

Committee: FINANCE AND TAXATION

Bill/Resolution No. 1029 as (re) engrossed

Date: 4-30-13

Roll Call Vote #: 1

Action Taken

- ☐ HOUSE accede to Senate amendments
- ☐ HOUSE accede to Senate amendments and further amend
- ☐ SENATE recede from Senate amendments
- ☒ SENATE recede from Senate amendments and amend as follows

House/Senate Amendments on HJ/SJ page(s) --

☐ Unable to agree, recommends that the committee be discharged and a new committee be appointed

((Re) Engrossed) _____ was placed on the Seventh order of business on the calendar

Motion Made by: Senator Cook Seconded by: Representative Dockter

Representatives	4-30 am	4-30 pm		Yes	No		Senators	4-30 AM	4-30 PM		Yes	No
Chairman Owens	✓	✓		✓			Sen Cook	✓	✓		✓	
~~Rep Headland~~ Dockter	✓	✓		✓			Sen Campbell	✓	✓		✓	
Rep Haak	✓	✓		✓			Sen Dotzenrod	✓	✓		✓	

Vote Count Yes: 6 No: 0 Absent: 0

House Carrier _____ Senate Carrier _____

LC Number _____ . _____ of amendment

LC Number _____ . _____ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

attached 13.0159.05004

- minus section 4

REPORT OF CONFERENCE COMMITTEE

HB 1029, as engrossed: Your conference committee (Sens. Cook, Campbell, Dotzenrod and Reps. Owens, Dockter, Haak) recommends that the **SENATE RECEDE** from the Senate amendments as printed on HJ pages 1515-1516, adopt amendments as follows, and place HB 1029 on the Seventh order:

That the Senate recede from its amendments as printed on pages 1515 and 1516 of the House Journal and page 1099 of the Senate Journal and that Engrossed House Bill No. 1029 be amended as follows:

Page 1, line 5, after the semicolon insert "to provide a report to the budget section;"

Page 2, line 4, after "**appropriation**" insert "**- Report to budget section**"

Page 2, line 5, remove "in an amount not to exceed twenty million dollars"

Page 2, line 13, remove "A portion"

Page 2, line 13, overstrike "of the fund"

Page 2, line 13, remove "as determined by the housing"

Page 2, line 14, remove "finance agency in the annual allocation plan"

Page 2, line 14, overstrike "must be used to benefit"

Page 2, line 15, remove "individuals and families of"

Page 2, line 16, remove "low or moderate"

Page 2, line 16, overstrike "income."

Page 2, after line 17, insert:

> "The annual allocation plan must give first priority through its scoring and ranking process to housing for essential service workers. For purposes of this subsection, "essential service workers" means individuals employed by a city, county, school district, medical or long-term care facility, the state of North Dakota, or others as determined by the housing finance agency who fulfill an essential public service.
>
> The second priority in the annual allocation plan must be to provide housing for individuals and families of low or moderate income. For purposes of this second priority, eligible income limits are determined as a percentage of median family income as published in the most recent federal register notice. Under this second priority, the annual allocation plan must give preference to projects that benefit households with the lowest income and to projects that have rent restrictions at or below department of housing and urban development published federal fair market rents or department of housing and urban development section 8 payment standards.
>
> The housing finance agency shall 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. This register must also reflect those entities that are providing rent subsidies for their essential workers. The housing finance agency shall report quarterly to the budget section of the legislative management on the progress being made to reduce the overall number of units owned, master leased, or subsidized by these entities. This report must include a

listing of projects approved and number of units within those projects that provide housing for essential service workers."

Renumber accordingly

Engrossed HB 1029 was placed on the Seventh order of business on the calendar.

2013 TESTIMONY

HB 1029

#1

DEPARTMENT OF COMMERCE TESTIMONY ON HOUSE BILL 1029
JANUARY 14, 2013, 9:00 A.M.
HOUSE FINANCE AND TAXATION COMMITTEE
FORT TOTTEN ROOM
REPRESENTATIVE WES BELTER, CHAIRMAN

ALAN ANDERSON – COMMISSIONER, ND DEPARTMENT OF COMMERCE

Good morning, Mr. Chairman and members of the committee, my name is Alan Anderson and I serve as the Commissioner for the North Dakota Department of Commerce. As Commerce Commissioner I also have the pleasure of serving as the chairman of the EmPower North Dakota Commission.

The EmPower North Dakota Commission was established by the 2007 legislative assembly and made permanent by the 2009 legislative assembly. Its members are appointed by the Governor. It is an industry lead effort that allows all of our energy industries, both renewable and traditional, to have a voice into the state's energy policy.

On behalf of the EmPower ND Commission, I am here today to speak in favor of House Bill 1029. This is a bill that was recommended by the Commission and approved by the interim Energy Development and Transmission committee. A complete list of bills recommended and supported by the Commission is below:

- House Bill No. 1029 – Housing Incentive Fund and Tax Credit.
- Senate Bill No. 2027 – Renewable Energy Development Fund & Value-Added Opportunities Study.
- Senate Bill No. 2028 – Employment Data Appropriation.
- Senate Bill No. 2029 – Oil and Gas Research Fund & Value-Added Opportunities Study.

House Bill 1029 extends the sunset on the Housing Incentive Fund and increases the amount of available tax credits to $20 million, the amount recommended by the governor in his budget. House Bill 1029 also makes some statutory changes that the EmPower ND Commission believes will improve the program.

Section 1 of the bill will allow the Housing Finance Agency to partner with a private company on a project in which the private company would be able to reserve a proportionate share of available units in exchange for a financial contribution to the project. This would be in addition to the units reserved for families that qualify as low or moderate income.

Section 2 references a $50 million Housing Incentive Fund. This includes the $20 million in available tax credits in section 5 of the bill, as well as a transfer of $30 million in general funds that was included in the Executive Budget Recommendation in Senate Bill 2014. Section 2 also provides flexibility to the Housing Finance Agency to determine appropriate program guidelines,

as well as the ability to charge a reasonable administrative fee to project developers, applicants, or grant recipients.

Section 4 extends the tax credit to the financial institutions tax. This section would be in effect for the 2013 and 2014 taxable years.

I have heard from community leaders, citizens, and industry representatives concerning the need for affordable housing. It is identified by many as the key challenge in attracting and retaining workers to the state. Without affordable housing options it makes it difficult for new families to relocate to the state and existing families to stay. This is especially true for people working on Main Street and not making the oil field wages.

Since it was launched two years ago, the Housing Incentive Fund program has demonstrated success at incentivizing private developers to include affordable housing in their construction plans. House Bill 1029 would allow this program to continue another two years and expand it to help affordable housing development catch up to demand.

Mr. Chairman and members of the Finance and Taxation Committee, I respectfully request your favorable consideration of House Bill 1029. That concludes my testimony and I am happy to entertain any questions.

#2

BAKKEN
HOUSING PARTNERS

My name is Katie Walters. I am a Director of Bakken Housing Partners, the developer of Wolf Run Village in Watford City, North Dakota. Wolf Run Village is an affordable housing complex for essential services personnel including police officers, teachers, emergency medical technicians and other public service workers. Also housed within the complex is the Wolf Pup Daycare Center.

The Wolf Run project has been in development since June of last year. It was created after months of discussing, exploring and generally worrying about what to do to solve the extraordinary housing crisis that is confronting our community. Although you may not have seen it personally, you undoubtedly know about this crisis from the reports on CNN, CNBC, CBS, the Wall Street Journal and many other publications. Foreign journalists have come to our town to marvel at the economic boom and the third-world living conditions this boom has fostered.

It's one thing to observe these conditions from the comfort of a well-heated home with a furnace, a fire place, triple glazed windows and plenty of insulation. It's quite another thing to live where many of these folks are living. Trailers, campers, RV's and mobile homes that were meant for summertime recreation are being used for winter residences for workers and their families. While many distant observers may be unsympathetic because they think the workers are making plenty of money, I can tell you that most of the public service workers in our community are not making plenty of money, but they, too, are living in places where ***you*** would not want to live.

100 Main Street, Watford City, ND 58854

#2

In McKenzie County, the source of 25 percent of the oil produced in the Bakken, sheriff's deputies and their wives and children are living in trailers because there is nowhere else for them. It's the same with teachers, city police and EMT's. As a result, city, county and school district leadership decided it was time to do something about it. They created a non-profit corporation sponsored by these agencies and began applying for grants, loans, gifts and any kind of contribution we could find. Watford City has committed to guaranteeing a bank loan; the county has committed some of its limited funds and so has the school district. The attorney general's LEPP program has committed funds, and we are pursuing corporate contributions.

We don't have all the funds as yet, but we have started on the project to ensure we can build beginning this Spring. While these units are to be subsidized in price, the fact is there is no housing available at any price in our community. Therefore, it is imperative that we continue to beat on every door we can find until we have all the money needed for the Wolf Run project. We know there are many potential contributors under a renewed and expanded Housing Incentive Fund program. HB 1029 could put us over the top. On behalf of the many public service workers and their families who will benefit, we urge everyone to support this bill.

#3

NORTH DAKOTA housing FINANCE AGENCY

Michael A. Anderson Executive Director

INDUSTRIAL COMMISSION
Jack Dalrymple Governor
Wayne Stenehjem Attorney General
Doug Goehring Agriculture Commissioner

HB 1029 **Monday, January 14, 2013**

North Dakota Housing Finance Agency
Division of the State Industrial Commission
Testimony by Michael Anderson, Executive Director
House Finance and Taxation Committee

Chairman Belter and members of the Finance and Taxation Committee, my name is Mike Anderson, executive director of the North Dakota Housing Finance Agency (Agency). I am here to speak in favor of House Bill 1029 which reauthorizes the Housing Incentive Fund (HIF) and corresponding state tax credits to capitalize the Fund.

The HIF, created to incentivize the development of affordable rental housing, was first authorized by the 62nd Legislative Assembly which also approved $4 million in state tax credits to capitalize it. During the special session in November 2011, the tax credit authority was raised to $15 million.

Since then, the Agency worked to develop a marketing campaign to encourage taxpayer contributions to the HIF, as well as develop an allocation plan to solicit and approve eligible projects. The $15 million in contributions were fully realized and the Agency allocated these funds to 26 housing projects in 16 communities across North Dakota and will result in 739 new affordable rental units in these communities. The aggregate amount of construction costs or investment in these 26 project totaled nearly $105 million or a 7 to 1 leverage of the state's commitment to the development of affordable rental housing. See Attachment 1 for a fact sheet detailing information on the contributions and the projects resulting from the program.

HB 1029 proposes an extension of the HIF sunset to June 30, 2015, and the total amount of the program not to exceed $50 million. This amount combines another $20 million in tax credits and a $30 million transfer from the general fund. This transfer is being requested in the Industrial Commission appropriations bill (SB2014). Using our experience from the current $15 million program, the $50 million should result in approximately 2,500 units and a total investment of approximately $350 million in additional affordable rental housing in the next two to three years.

While these numbers may seem significant for North Dakota, when you compare them to household growth projections sited in the Statewide Housing Needs Assessment published last fall (See attachment 2) and construction activity during recent years, those numbers are dwarfed by current needs. The assessment projects the average annual new household formations from 2010 through 2015 at 7,838 households. Of these new households, 3,647 will be considered low-income households – 80% of median family income or less. This compares to the average annual new housing units permitted from 2010 through 2012 of 5,526 units or 46% of the assessment projection. And our records show that the average annual units that were approved under existing affordable housing development programs, including HIF, during this same time frame was 517 units or less than 10% of the assessment projection. In other words, while there is a lot of housing construction going on, it is not near enough to solve the

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Ph: 701/328-8080 • Fax: 701/328-8090 • Toll Free: 800/292-8621 • 800/366-6888 (TTY)
www.ndhfa.org
info@ndhfa.org

problem especially when it comes to helping our most economically challenged households. We need to accelerate our efforts.

This bill is also recommending several changes to the current program. The first change in Section 1 of HB1029 would allow for a public-private partnership in which a private entity making a contribution to HIF could reserve a proportionate share of available units for occupancy by its workers. In the course of soliciting for eligible projects, we were approached by a couple of traditional industries - not necessarily oil related companies - who had a need to expand their business and corresponding workforce, but were unable to for the lack of affordable housing in their area. They were willing to produce or participate in the production of the necessary housing and wanted assistance from HIF. However, current North Dakota statutes require that if public funds/assistance is used, the project must be open to the general public on a first come basis. The change in Section 1 of this bill would make an exception to this public law with some limitations. Allowing this exception would help economic and business expansion even outside the oil and gas industry.

In the HIF allocation plan, we would ensure that allowing the business to set aside a proportionate number of units for its employees would not reduce the number of income- and rent-restricted units assisted under HIF. Today, we require income and rent restrictions on only those units that were assisted by HIF as determine by applying the ratio of HIF funds to the total project costs. If HIF provides 30% of the total project costs, 30% of the units must be income and rent restricted. In addition, these private business set aside units would also be rent restricted to no more than 30% of the employee's income, thus maintaining affordability.

There are three changes proposed in Section 2, subsection 2 of the bill. The first would eliminate the population number in defining developing communities in which at least 25% of HIF must be used. This was intended to be a threshold definition of a rural community. However, with accelerated population growth in a number of communities in western North Dakota, there are and will continue to be fewer and fewer communities eligible for this set aside, which could lead to an inability to fully use program funding at some point in time. It would be our intent to more specifically define developing communities in the allocation plan and it could be adjusted annually to be more commensurate to population status at that time. The Agency remains fully committed to assuring that rural communities in need of affordable rental housing can have access to the program. However, having this flexibility to redefine rural as needed would be necessary to ensure full program utilization.

Also proposed in subsection 2 is an elimination of the requirement at least 50% of the fund must be used to benefit households at 50% of area median income (AMI) or less. In order to ensure that the Agency complied with this statutory requirement, each project application had to comply with this limitation. However, we experienced several projects that wanted to use the program but found that based on their targeted tenant market they would not be able to comply. Simply, there were not sufficient households at this income level and thus the program may not work under HIF even though the project would substantially meet the intended purpose of the program.

The objective of HIF has been targeted to mixed income households - not only to serve low- and very low-income households, but also those employed on Main Street. Thus, not in all instances will a project be able to serve many, if any, at the 50% AMI level. But, the project will still be meeting the overall objectives of the program. Again, the Agency remains fully committed to assuring that the program serves as many lower income households for the longest affordability period as reasonably feasible in every case. This can be achieved through appropriate

#3

incentives and scoring in the program's allocation plan. The allocation plan is vetted by the Agency's Advisory Board, goes through the public hearing process, and finally approved by the Industrial Commission. Therefore, everyone's objectives of the program should not be compromised by removing specific targeting from the statutes while maintaining the general intent language.

Finally, subsection 2 would provide an option on how the Agency could collect any administrative fees under the program. Currently, the Agency can only collect administrative fees from HIF itself. As each project application is approved, an additional amount to cover the Agency's cost of application processing, construction monitoring, and ongoing compliance monitoring is set aside. In other words, not all of the contributions into HIF will go to project development. The Agency prefers to collect HIF administrative costs similar to how it's done under the federal Low Income Housing Tax Credit program. We charge the developer application and commitment fees sufficient to cover the costs of allocating program funding. Then we charge each project compliance monitoring fees as that activity occurs. The affordable multifamily development community is accustomed to this practice. And they can build these costs into their project development cost proposal and ongoing property management pro forma.

The balance of the amendments found in HB1029 deal with the tax credit side of the program. I will defer to the North Dakota Tax Department to address these.

Thank you and I would be happy to answer any questions.

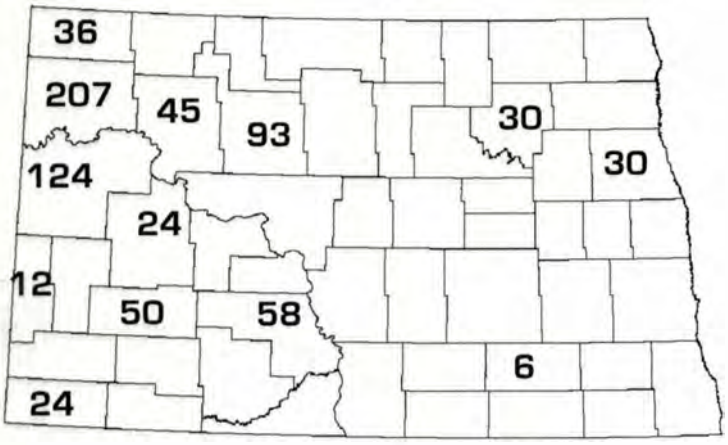
NORTH DAKOTA housing INCENTIVE FUND

2011-2013

Creating affordable housing for all North Dakotans—waitresses, bank tellers, cashiers, police officers, nurses, teachers, daycare providers, seniors, individuals with disabilities.

Projects

739 units - 26 projects - 16 communities



172 units targeted to lower-income households.

Average Rent

$462.67

All HIF-assisted units are rent and income restricted to be affordable to low & moderate-income households.

615 units in the oil-impacted communities of

Beach	Belfield
Bowman	Crosby
Dickinson	Kenmare
Killdeer	Minot
Parshall	Ray
Watford City	Williston

Total project costs

Each HIF $ committed leveraged another $7 in housing activity.

$104M

HIF Contributors

Individuals vs. businesses

Taxpayers making a contribution to HIF receive a tax credit equal to their contribution.

60 contributions from businesses & financial institutions—$9,568,576

+

542 contributions from individuals—$5,431,424

=

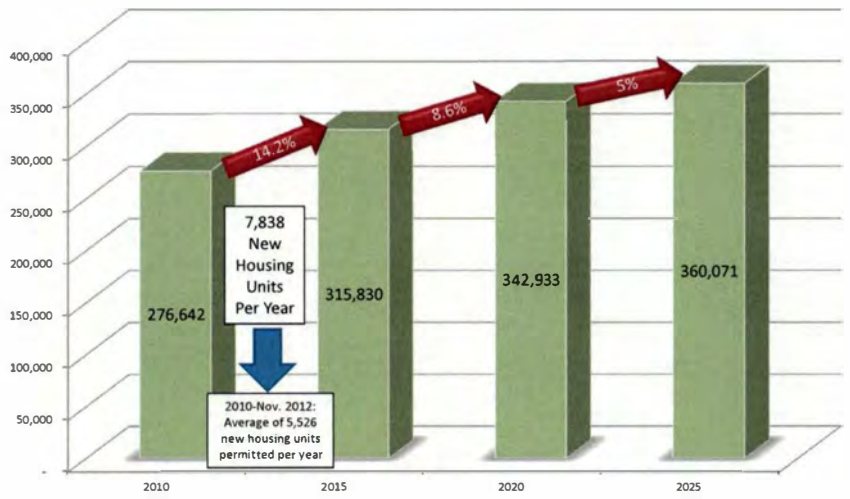
$15M

Average Contributions:
Businesses—$159,476
Individuals—$10,021

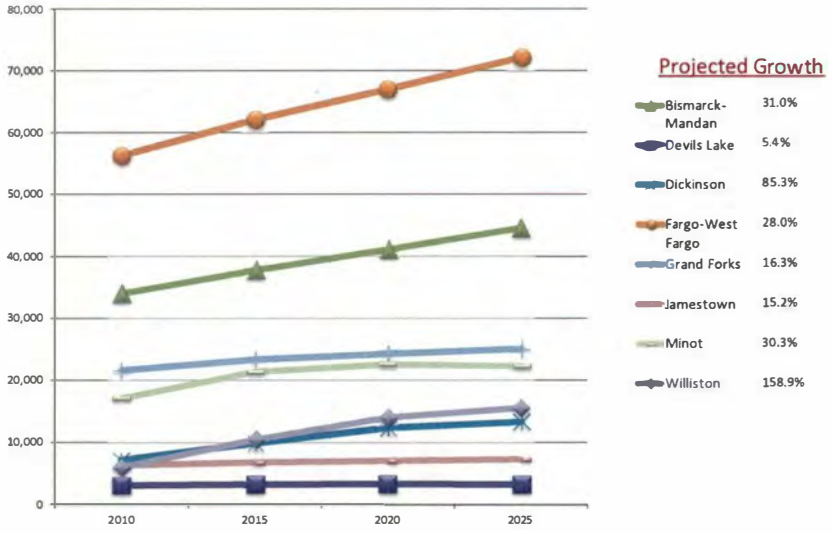
www.ndhousingincentivefund.org • 800/292-8621 • 701/328-8080

HOUSING DEMAND

The number of households in North Dakota is projected to increase by 83,429 or 30.2% from 2010 to 2025

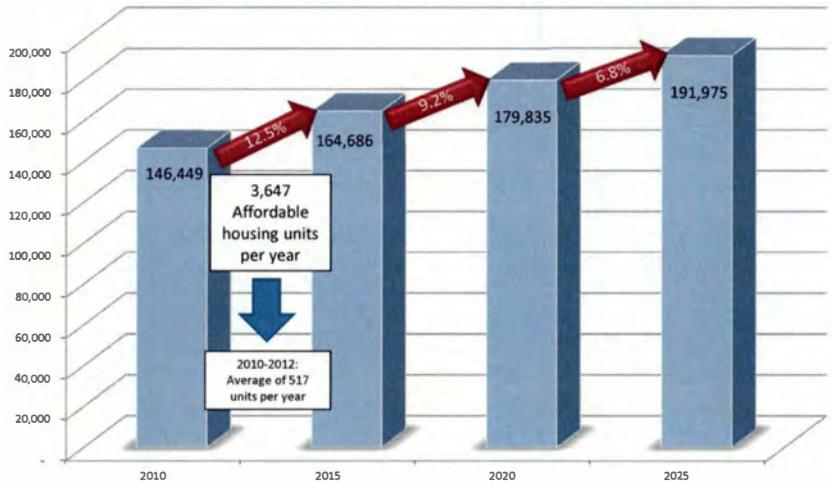


HOUSING DEMAND – Major Cities

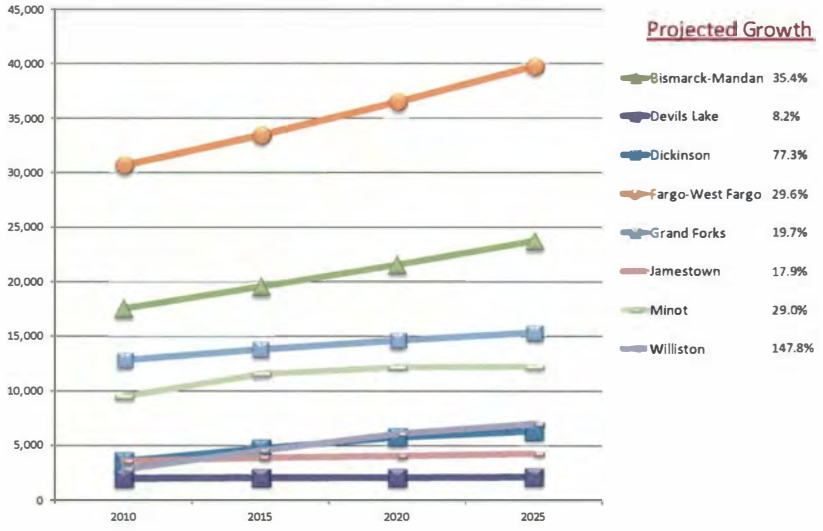


AFFORDABLE HOUSING

Low-income households are projected to increase by 45,526 or 55% of total household growth in the state from 2010 to 2025

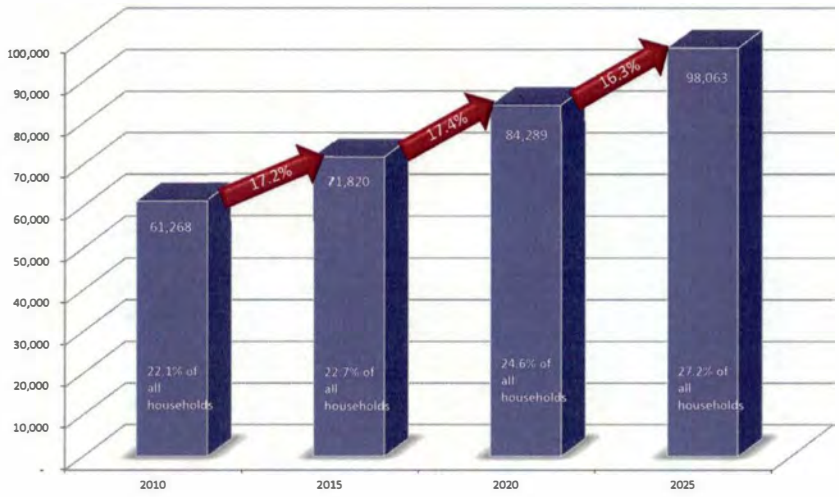


AFFORDABLE HOUSING – Major Cities



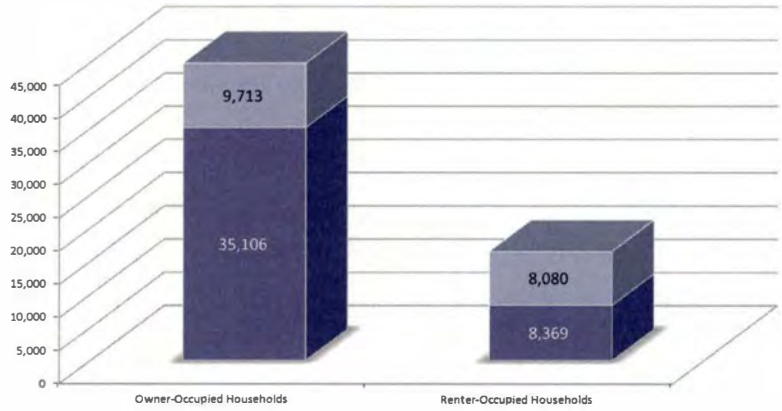
HOUSEHOLDS – 65+

The number of senior households is projected to increase by 36,795 or 60.1%



HOUSEHOLDS – 65+

In 2010, 21.7% of senior homeowners and 49.1% of senior renter households were cost-burdened – spending more than 30 percent of their income on housing costs



#4

HOUSE FINANCE & TAXATION COMMITTEE
TESTIMONY IN SUPPORT OF HB 1029: "Housing Incentive Fund"

Representative Belter and Committee Members. I am John Phillips President of Economic Development ND and also work for Lutheran Social Services Housing as a project developer.

I realize the housing needs in the oil impact counties have been studied and are well defined but the needs are broader as has been documented in a state wide study. I think you will all recognize the availability of affordable housing is a fundamental element that provides North Dakota Communities the ability to sustain their community as well stimulate economic development. With the present economic conditions in the state, a number of **"Rural"** communities have been able to create economic activity, thus creating jobs. But what are the limitations to further development and opportunities? Why do the rural communities so often get "passed over" by businesses relocating or expanding to the state? The primary questions **"WHERE WILL WE LIVE"? Without quality "AFFORDABLE" housing our communities have limited sustainability options, no growth opportunity, the rural areas continue to lose population, and the communities viability continues to expire.**

There seems to be a simple answer: Workers can't work without housing and without housing families can't relocate and make the community their home! With the economic success in the state why do we need to talk about affordable housing? Won't the market just take care of the needs? Unfortunately the market can't address affordable housing in a significant way without assistance. It doesn't work in urban areas and it won't work in the present fruitful economic times in North Dakota rural communities.

Throughout the state's rural communities the existing housing inventory is aging and there is very limited new housing being constructed. In many of our meetings with economic developers, city councils and housing authorities, we continue to ask what are the problems to achieve housing development?

The recurring response seems to typically be:

- ✓ Developers typically perceive there is a greater risk building in a smaller market.
    - Construction costs can be more costly than building in larger cities
    - Proximity to labor and materials is somewhat limited, which can drive up costs

#4

- ✓ Size of projects limit the economic returns
  - Smaller projects often makes it difficult to take advantage of economies of scale
- ✓ Economic returns and economies of scale tend to be better elsewhere
  - Consequently the risk/reward ratio does not entice most larger developers to enter rural markets.
- ✓ Financing housing projects in rural communities typically present unique challenges
  - National secondary markets seldom understand rural real estate project value
  - Appraisal standards make it difficult to identify "acceptable" comparable sales.
  - Lenders struggle to meet loan to value guidelines because of the appraisal valuation gaps
- ✓ State and Federal programs that might be ale to assist are often complex and developers/lenders will shy away from them

Who needs affordable housing?

The popular perception of oil country in western ND is one of instant millionaires and widespread prosperity. I suppose this is true in a limited sense. Fortunes have turned for many families because of oil revenues and energy-related employment. But for others, the rapid change in the housing market has caused financial hardship and thrown them into personal economic crisis.

1. Housing units that had previously been "affordable" to low and moderate income wage earners and retirees may suddenly become unavailable because they are sold to new owners and re-purposed to meet other housing needs. These families are then required to move and search for housing that often does not exist.

2. Even if physical displacement does not occur, economic displacement often does. Rents are rising in many housing projects that were previously affordable. While there is no doubt that some market adjustment was probably warranted (because rents were too low to be sustainable before), the extreme changes in price seen in many energy sector communities has caused significant financial hardship for low and moderate income households.
3. Housing demand has far outstripped housing supply in most western ND communities. As such, many families who have moved to ND to work are forced to live in marginal conditions, often homeless while waiting for suitable housing to become available.

#4

4. This issue doesn't just affect new arrivals. Individuals who lose housing because they can no longer afford market rents can be thrown into homelessness or an otherwise precarious housing situation because they have no viable options.

The question we need to ask ourselves when making a decision whether or not to support HB 1029 is, if we built more market rate housing would the problem be solved? Certainly more housing takes the pressure off the supply side of the market. But since the market will only produce units it can afford to produce, can we expect this housing to serve everyone's needs? I think the answer will be no! In a market like the one we are seeing in western ND, without housing that is tied to affordability requirements, market pressure will eliminate any affordability.

Very simply the answer to the hearing today is that housing markets in North Dakota have been stressed by the economic success of the state. Increased development of affordable rental housing in North Dakota is important for continued business and community sustainability by providing for employee and most important family housing. The Housing Incentive Fund passed in the last session was a success and many individuals and families were able to secure housing in the state but much more is needed. We would encourage your support of HB 1029.

John Phillips
LSS Housing

#5

Testimony
House Bill 1029 - Housing Incentive Fund
House Finance & Taxation
Representative Belter, Chairman
January 14, 2013

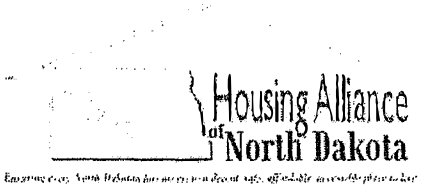
Chairman Belter, members of the House Finance & Taxation Committee, I am Tom Alexander, Project Director at North Dakota Center for Persons with Disabilities at Minot State University. I am providing testimony today in support of HB 1029 as Chair of the Housing Alliance of North Dakota (HAND) board of directors.

The Housing Alliance of ND is a statewide network (please see a list of current HAND members) established 2010 to identify and address the diverse unmet housing needs of North Dakotan's. The HAND advocated for and strongly supported the Housing Incentive Fund during the 2011 legislative session. In the interim, HAND promoted the Housing Incentive Fund to individual tax payers and corporations encouraging them to contribute and receive a dollar for dollar state income tax credit.

NDHFA has conditionally committed HIF dollars to 26 projects to create 739 new units scattered across ND creating over 100 million in construction costs. The demand for affordable housing goes without saying. The overwhelming success of the HIF has been shown by individual tax payers and corporations contributing to the fund and developers submitting applications to NDHFA.

The HAND strongly supports reauthorization of the HIF along with the recommended changes identified by the NDHFA to HB 1029. Mr. Chairmen and members of the Finance and Taxation Committee, HAND encourages a Do Pass recommendation. Thank you for time and I'd be happy to answer any questions.

#5



AARP of ND
Arc Upper Valley
Beyond Shelter, Inc.
Centre Inc.
Dakota Center for Independent Living
Domestic Violence and Rape Crisis Center
ND APSE
Hettinger County JDA
Independence, Inc.
Lutheran Social Services Housing
Mental Health America of ND
Money Follows the Person Housing Program
North Dakota Association of Builders
North Dakota Association of Community Providers
North Dakota Coalition for Homeless People, Inc.
North Dakota Center for Persons with Disabilities
North Dakota Council on Abused Women's Services
North Dakota Department of Human Services
North Dakota Disabilities Advocacy Consortium
North Dakota Economic Security & Prosperity Alliance
Prairie Harvest Mental Health
North Dakota Protection & Advocacy Project
Red River Human Services
Region V Community Development Corporation
Rural Collaborative of ND
Salvation Army
Urban Development Department City of Grand Forks
USDA Rural Development
Youthworks
YWCA Cass Clay

#5
2

Testimony
House Bill 1029 - Housing Incentive Fund
House Finance & Taxation
Representative Belter, Chairman
January 14, 2013

Chairman Belter, members of the House Finance & Taxation Committee, I Tom Pearson, Executive Director of the Minot Housing Authority. I am providing written testimony today in support of HB 1029.

NDHFA has conditionally committed HIF dollars to 26 projects to create 739 new units scattered across ND creating over 100 million in construction costs. The Minot Housing Authority was successful in applying and is receiving HIF funds to rebuild one of the flooded out apartment complexes in our community. The HIF funds played a significant part in being able to finance the rebuild of this property. The overwhelming success of the HIF has been shown by individual tax payers and corporations contributing to the fund and developers submitting applications to NDHFA.

The Minot Housing Authority supports the reauthorization of the HIF program and is in support of the recommend changes identified by NDHFA to HB 1029. Mr. Chairman and members of the Finance and Taxation Committee, Minot Housing Authority is encouraging for a Do Pass on this House Bill.

#5b

National Association of Housing and Redevelopment Officials - North Dakota Chapter

MOUNTAIN PLAINS

Regional Council

WRITTEN TESTIMONY PROVIDED TO
ND HOUSE OF REPRESENTATIVES
FINANCE AND TAXATION COMMITTEE
DURING THE 63RD LEGISLATIVE ASSEMBLY
ON JANUARY 14TH, 2011
IN SUPPORT OF
HB 1029
REGARDING THE
HOUSING INCENTIVE FUND

Chairman Belter
Vice Chairman Headland
Members of the Finance and Taxation Committee

Housing, primarily affordable housing, is a basic need that is in high demand in the State of North Dakota. The recent Housing Needs Assessment prepared for the City of Grand Forks by BBC Research and Consulting as well as the 2012 North Dakota Statewide Housing Needs Assessment prepared by Center for Social Research at North Dakota State University both show an increased demand and a resulting shortage in housing over the next 10 to 15 years, especially housing for the elderly, the disabled, and low income families.

To address the extensive need for housing the 62nd Legislative Assembly passed land mark legislation creating the Housing Incentive Fund. In less than one year after this program's release, The North Dakota Housing Finance Agency received applications exceeding the $15 million allocated for the program. I understand that the program was fully funded through tax credit contributions as of the close of business Friday, December 28th, 2012. Per NDHFA's news release dated January 2nd of this year NDHFA has conditionally committed HIF dollars to 26 projects that will create 739 new housing units in 16 different communities throughout the state. These 26 projects will generate $104 million of much needed, new, residential rental property for the citizens of North Dakota.

Today, through HB 1029, this committee is considering the extension of this program. On behalf of the North Dakota Chapter of the National Association of Housing and Redevelopment Officials, I am writing today to request your full support of the Housing Incentive Fund Program, as well as all programs that contribute to the development of affordable housing for the citizens of this great state. As the studies have shown, we are behind the curve when it comes to housing development in this state. The HIF program goes a long way towards addressing the housing needs of today and the years to come.

Thank you in advance for you favorable consideration of HB 1029 and thank you for all you do.

Respectfully submitted,
Terry Hanson
President
NDNAHRO

NAHRO

Serving the Nation's Housing and Community Development Needs

Testimony on HB 1029
House Finance and Taxation Committee
Chairman Wesley R. Belter
January 14, 2013

Submitted by: Lynn Fundingsland – Executive Director - Fargo Housing and Redevelopment Authority, C.E.O - Beyond Shelter Inc.

Chairman Belter and members of the Committee, thank you for the opportunity to be heard.

As a housing practitioner and affordable housing provider serving in the public sector for the past 30 odd years, I have never seen the need for affordable housing as great as it is in North Dakota today. We (housing practitioners) applaud the Governor and the legislature for instituting the Housing Incentive Fund (HIF) at the last session.

The need continues to grow however, and we trust that our elected officials recognize that and, that the infrastructure and community development investment that the fund leverages provides an enduring benefit that is both social and economic. Scaling the HIF up to further meet the need is good legislation that will provide good returns.

Thank you for your consideration and your support of HB 1029.

#5

Michael Carbone
North Dakota Coalition for Homeless People
4023 State St N.
Bismarck ND 58503
701-390-1629
director@ndhomelesscoalition.org

HB1029

Homelessness in North Dakota has reached unprecedented levels. Point in Time studies conducted by the North Dakota Coalition for Homeless People show that on any given day there are as many as 1700 homeless people in North Dakota. Many are unsheltered, staying in cars, storage buildings and other places not meant for human habitation. A third of our homeless people are children. Veterans are represented in the homeless population at more than double the per capita rate of veterans in the general population. That homelessness in North Dakota should be rising so precipitously at a time when it is diminishing in much of the country should be alarming to all of us, especially considering the prosperity we enjoy.

The traditional causes of homelessness – mental illness, disability, chemical dependency, domestic violence—are certainly factors in our current homeless problem. However, we have other factors that are contributing to our homeless problem. Because of the high demand for workforce housing, rents have skyrocketed, vacancy rates are at 0% and affordable housing is not available. Simply put, many low and fixed income North Dakotans are being priced out of the housing market.

The Housing Incentive Fund has helped to alleviate the problem, but has not yet done enough. The North Dakota Coalition for Homeless People strongly urges the passage of HB 1029 so that the Housing Incentive Fund can continue to bring needed housing to North Dakotans who need an affordable place to live. The Coalition is in favor of the proposed funding mechanisms and with the administrative changes the bill would bring.

The legislature has the opportunity to lead the way home for thousands of people who wish to lead productive lives and to enjoy the quality of life North Dakota has been known for.

#6

HB1029- SUPPORT
Monday January 14, 2013
House Finance and Taxation Committee
Josh Askvig- AARP-ND
jaskvig@aarp.org or 701-989-0129

Chairman Belter, members of the House Finance and Taxation Committee, I am Josh Askvig, Associate State Director of Advocacy for AARP ND. We stand in support of HB1029.

Dr. Ethel Percy Andrus, a retired educator and AARP's founder, became an activist in the 1940's when she found a retired teacher living in a chicken coop because she could afford nothing else. Dr. Andrus couldn't ignore the need for health and financial security in America and set the wheels in motion for what would become AARP. We are a nonprofit, nonpartisan membership organization with nearly 88,000 members in North Dakota and 37 million nationwide. We understand the priorities and dreams of people 50+ and are committed to helping them live life to the fullest, including here in North Dakota.

As referenced in the story above about how AARP was founded, having a safe and adequate place to live is crucial in living a fulfilling life. HB1029 continues the efforts the 2011 Legislative Assembly and the 2011 Special Session started towards a statewide housing trust fund to provide housing assistance for low to moderate income residents in North Dakota. AARP ND is a member of the Housing Alliance for North Dakota, which has long sought a state housing trust fund.

While a lot of North Dakotans have seen rising incomes and economic success, the rapid growth North Dakota is seeing does have a negative impact on some. You have all seen the stories and headlines about rapidly rising rents and home prices, especially in Western, ND. This economic trend has been most directly felt by those on fixed incomes, specifically elderly living on Social Security. Providing incentives to developers to include low to moderate income set aside units in their developments is one way to promote affordable housing.

Additionally, AARP Policy supports the tenants of Housing Incentive Fund (HIF). Specifically, there are two AARP Policy Principals that call for a program like HIF:
"Promote affordable housing options. *Ensure that land use and other policies support the private and public sectors in providing a variety of housing sizes and types. Promote funding and policy for programs that lead to an adequate supply of affordable rental and ownership options integrated with the community to meet the needs of people of all ages, family compositions, and incomes.*

#6

Increase capacity for public-private partnerships. *Reauthorize or create programs and policies at the federal, state, and local levels to ensure that the private sector has the capacity and tools to effectively partner with governmental agencies to increase the range of housing choices available to older people."*

The increase in this fund from $15 million to $50 million is needed to ensure that individuals who may not be feeling the economic boom or at least not at the same rate of success as others can still stay in the communities they call home.

We support HB1029 and encourage you to give it a DO PASS RECOMMENDATION.

#1

13.0159.04001
Title.

Prepared by the Legislative Council staff for
Representative Headland
January 15, 2013

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1029

Page 2, line 5, replace "fifty" with "twenty"

Renumber accordingly

From
Industrial
Commission

#
4

Prepared for the
House Finance and
Taxation Committee
January 15, 2013

PROPOSED AMENDMENTS TO HOUSE BILL 1029

Page 1, line 6, remove "and"

Page 1, line 6, after the second "date" insert "; and to declare an emergency"

Page 4, line 2, overstrike "per biennium"

Page 4, line 26, replace "Section" with "Sections"

Page 4, line 26, after "4" insert "and 5"

Page 4, line 26, replace "is" with "are"

Page 4, line 27, replace "is" with "are"

Page 4, after line 27, insert:

> "**SECTION 7. EMERGENCY.** Sections 1, 2, and 3 are declared to be an emergency measure."

Renumber accordingly

DEPARTMENT OF COMMERCE TESTIMONY ON HOUSE BILL 1029
MARCH 13, 2013, 10:30 A.M.
SENATE FINANCE & TAXATION COMMITTEE
LEWIS & CLARK ROOM
SENATOR DWIGHT COOK, CHAIRMAN

ALAN ANDERSON – COMMISSIONER, ND DEPARTMENT OF COMMERCE

Good morning, Mr. Chairman and members of the committee, my name is Alan Anderson and I serve as the Commissioner for the North Dakota Department of Commerce. As Commerce Commissioner I also have the pleasure of serving as the chairman of the EmPower North Dakota Commission.

The EmPower North Dakota Commission was established by the 2007 legislative assembly and made permanent by the 2009 legislative assembly. Its members are appointed by the Governor. It is an industry lead effort that allows all of our energy industries, both renewable and traditional, to have a voice into the state's energy policy.

On behalf of the EmPower ND Commission, I am here today to speak in favor of House Bill 1029. This is a bill that was recommended by the Commission and approved by the interim Energy Development and Transmission committee.

House Bill 1029 extends the sunset on the Housing Incentive Fund and increases the amount of available tax credits to $20 million, the amount recommended by the governor in his budget. House Bill 1029 also makes some statutory changes that the EmPower ND Commission believes will improve the program.

Section 1 of the bill will allow the Housing Finance Agency to partner with a private company on a project in which the private company would be able to reserve a proportionate share of available units in exchange for a financial contribution to the project. This would be in addition to the units reserved for families that qualify as low or moderate income.

As introduced, section 2 referenced a $50 million Housing Incentive Fund. This included the $20 million in available tax credits in section 5 of the bill, as well as a transfer of $30 million in general funds that is included in Senate Bill 2014. Section 2 also provides flexibility to the Housing Finance Agency to determine appropriate program guidelines, as well as the ability to charge a reasonable administrative fee to project developers, applicants, or grant recipients. The House has amended the cap to $20 million, presumably to include just the $20 million in tax credits in this bill. We are recommending that this limit either be increased to the original $50 million or be removed all together.

Section 4 extends the tax credit to the financial institutions tax. This section would be in effect for the 2013 and 2014 taxable years.

I have heard from community leaders, citizens, and industry representatives concerning the need for affordable housing. It is identified by many as the key challenge in attracting and retaining workers to the state. Without affordable housing options it makes it difficult for new families to relocate to the state and existing families to stay. This is especially true for people working on Main Street and not making the oil field wages.

Since it was launched two years ago, the Housing Incentive Fund program has demonstrated success at incentivizing private developers to include affordable housing in their construction plans. House Bill 1029 would allow this program to continue another two years and expand it to help affordable housing development catch up to demand.

Mr. Chairman and members of the Finance and Taxation Committee, I respectfully request your favorable consideration of House Bill 1029. That concludes my testimony and I am happy to entertain any questions.

2

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1029

Page 2, line 5, remove "in an amount not to exceed twenty million dollars"

Page 4, remove the overstrike over "per biennium"

Renumber accordingly

3a

NORTH DAKOTA housing FINANCE AGENCY

Michael A. Anderson Executive Director

INDUSTRIAL COMMISSION
Jack Dalrymple Governor
Wayne Stenehjem Attorney General
Doug Goehring Agriculture Commissioner

HB 1029 **March 13, 2013**
North Dakota Housing Finance Agency
Division of the State Industrial Commission
Testimony by Michael Anderson, Executive Director
Senate Finance and Taxation Committee

Chairman Cook and members of the Committee, my name is Mike Anderson, executive director of the North Dakota Housing Finance Agency (Agency). HB 1029 will reauthorize the Housing Incentive Fund (HIF). The HIF, created to incentivize the development of affordable rental housing, was first authorized by the 62nd Legislative Assembly. The program was initially capitalized by $4 million in state tax credits. Then it was increased to $15 million during the November 2011 special session.

The $15 million in funds were allocated to 26 projects in 16 communities across North Dakota and when completed will result in 739 new affordable rental units. The aggregate amount of construction costs or investment in these 26 projects totaled nearly $105 million or a 7 to 1 leverage of the state's commitment to the development of affordable rental housing. The Agency conditionally committed the entire $15 million in less than a year. Since the close of the final HIF funding round, Agency staff has responded to inquiries about funding for more than 1,250 units in more than 20 communities. (See Attachment 1 for a fact sheet on the program.)

Developments of single-family, for-sale homes are not eligible for this program. HIF awards made to developers of rental housing are structured as loans with repayment terms based on what it takes to make the project feasible. A Land Use Restriction Agreement (LURA) is filed to ensure that the income and rent restrictions stay in place on the HIF assisted units for the term of the permanent debt but never less than 15 years. If a project pays off their mortgage early, the LURA guarantees that the HIF units stay affordable for the amount of time that the developers had originally proposed.

The current Allocation Plan generally limits the amount of HIF assistance available to any multifamily building to the lesser of 30 percent of total project cost or $1 million. (Buildings serving very low income households requiring permanent supportive services, such as homeless persons, would qualify for slightly more HIF assistance.) If 30 percent of the project is funded with HIF assistance, then 30 percent of the total units have mandatory income and rent restrictions. The HIF model relies on the rent stream from the remaining market rent units to help cash flow the building. A typical 12 unit project with unit sizes from one to three bedrooms would have rents ranging from $500 to $1,400 per month.

On the fund capitalization side, the $15 million in contributions were fully realized in December 2012 and the Agency had to turn away nearly $2 million in additional contributions because the

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www.ndhfa.org
info@ndhfa.org

maximum threshold had been reached. Because taxpayers really only begin to examine their income tax situation at the end of their tax year, December 2011 and 2012 were by far the most productive months for raising contributions. In those two months, nearly $10.2 million or 68 percent of the $15 million was raised.

In the original version of HB 1029, the proposed total amount of the program was not to exceed $50 million. This amount combines $20 million in tax credits and a $30 million transfer from the general fund. The transfer is not in this bill. It is being requested in the Industrial Commission appropriation bill (SB2014) which was approved by the Senate before crossover. Given the aforementioned taxpayer timing consideration, we are confident that, as more taxpayers become familiar and comfortable with the housing tax credits, we will be able to raise the $20 million in contributions barring major changes in the income and financial institutions tax structure during this legislative session.

Using our experience from the current $15 million program, the $50 million should result in approximately 2,500 additional affordable rental housing units and a total direct investment of approximately $350 million in the next two to three years in our local communities.

The House amended HB1029 reducing the total amount of the fund not to exceed $20 million – see page 2, line 5. We are asking this committee to reconsider this action by amending the House version to restore the amount to $50 million. We believe the reauthorized program needs to be greater than the House engrossed version to better address the significant affordable housing needs of the state.

The Statewide Housing Needs Assessment, published last fall, projects average new household growth of 7,838 each year from 2010 through 2015 (See attachment 2). Of these new households, 3,647 or 46 percent will be considered low-income households – defined as 80 percent or less of median family income. Based on census data, the average annual new housing units permitted from 2010 through 2012 was 6,040 units or 77 percent of the assessment's annual projection of 7,838. However, our records show that an average of only 517 affordable units were approved each year during this same period utilizing federal and state resources, including HIF. This is only 15 percent of the projected 3,647 affordable units needed annually. In other words, while there is considerable housing construction occurring, it is not near enough to address the needs of our most economically challenged households. We have fallen behind the past three years. We need to significantly accelerate our efforts.

There recently have been some observations that the workforce needs in oil-impacted areas have peaked. While I cannot confirm or deny this, there is plenty of evidence, in addition to the assessment numbers, to suggest that not only have we not caught up with the existing demand for affordable permanent housing since the boom started, but the demand for more will continue to grow in the ensuing years.

According to a report last year from the Department of Mineral Resources, each new oil well translates to the need for one permanent full-time employee to operate and maintain it during its

production years. The report estimated an additional 30,000 to 35,000 wells were still to be drilled. Thus, the oil and gas related workforce in western North Dakota will transition from temporary, transient workers to a more permanent workforce. These new permanent workers will come from both the current temporary workforce and new workers coming to the state. In either case, many of these workers will be seeking a permanent housing situation. The result will be a transition from the inventory of crew camp and extended stay facilities to the more traditional housing structures of single family homes and multifamily projects.

An economic impact analysis of the oil and gas industry in North Dakota completed by NDSU economists shows that for every permanent oil industry employee, another 2.5 jobs are required to support them in the communities where they choose to live. These are the workers who will be employed on main street and provide essential services in those communities.

Because these non-oil industry workers are also challenged to find and retain affordable housing, we have contemplated targeting, through the program's allocation plan, a portion of the fund to benefit essential service workers like law enforcement, emergency responders, road maintenance workers, teachers and medical support staff. This targeting would be difficult to achieve or at least have much impact with a program at the $20 million level.

I've talked a lot about the needs for affordable housing development in western North Dakota, but the housing issues are not confined to the west. Non-oil impacted communities are not only experiencing their own economic expansion, but are also seeing their current stock of affordable housing being consumed by those leaving the oil patch, as well as new residents moving there seeking employment opportunities. The state's elderly population also continues to rise as the Baby Boom generation ages. Projections show a 60 percent increase in the number of North Dakotans over the age of 65 from 2010 to 2025. Along with this increase comes a growing demand for alternative housing that is appropriate and affordable for these seniors that are part of every community in the state.

There are several others from different parts of the state who are prepared to speak specifically to their affordable housing issues and I will yield to them.

There are those who subscribe to the supply and demand doctrine and believe that eventually private development will catch up with the need and prices will begin to moderate. While I concur with this theory during normal situations, today we are experiencing unprecedented times. There are two important questions that we must ask ourselves: When will we reach the tipping point when prices begin to moderate – two years, three years, or longer? And more importantly, what do we do with our low- and moderate-income citizens in the mean time?

Considering the assessment projections and current construction activity, clearly a $50 million program is not going to solve the problem in the next two to three years. However, it will be a giant step closer to reaching that tipping point. The sooner we get there, the sooner housing costs can begin coming in line with affordable levels.

Restoring the fund cap to include both tax credits and an appropriation is also important from a timing standpoint. As I said, the majority of the funds resulting from taxpayer contributions aren't anticipated until December. This would prevent projects from breaking ground and taking advantage of this year's construction season. By supplementing the tax credit authority with an appropriation, we can get more affordable projects built quicker.

To further enhance our ability to get started, the bill contains an Emergency Clause. This will allow the Agency to adopt the allocation plan and begin soliciting and approving eligible projects as soon as the bill is approved by the Legislature and signed by the Governor. Thus, project developers will be able to take advantage of this year's construction season. Without the Emergency Clause, we likely would not be able to approve new projects before early fall and jeopardize construction starting before next spring.

The Housing Incentive Fund was created to help people who are struggling with having decent, safe, and affordable housing. North Dakota, as you know better than most, has undergone incredible change and the ability to afford housing has been one consequence of that change. I recall an article last fall in the Tioga Tribune about two women, Linda (60) and Cynthia (53), both considered all but homeless. Linda was living in a home with no running water when an infection landed her in the hospital. She was at the end of her rope and thought there was no place to go but down. Cynthia spent the better part of a year living mostly out of her car and going from friend to friend hoping they had a place for her to sleep. Fortunately for both, an affordable housing project opened where they were currently living. Without the housing resources that are being made possible through HIF, more people like Linda and Cynthia will continue to face very difficult choices – Do they live with severe housing cost burdens and compromise on other necessities of life like food, clothing, and health care? Or do they move away from their community to find something more affordable?

In addition to reauthorizing the program and tax credits, HB1029 is also recommending several changes to the current program to enhance its efficiency and effectiveness. The first change in Section 1 would allow for a public-private partnership in which a private entity making a contribution to HIF could reserve a proportionate share of the available market-rate units for occupancy by its workers. In the course of soliciting for eligible projects, we were approached by a couple of traditional industries - not necessarily oil related companies - who had a need to expand their business and corresponding workforce, but were unable to for the lack of affordable housing in their area. They were willing to participate in the development of the necessary housing but, in order for this housing to be affordable to its employees, requested assistance from HIF. However, current North Dakota statutes require that if public funds/assistance is used, the project must be open to the general public on a first come, first served basis. The change in Section 1 of this bill would make an exception to this public law with some limitations. Allowing this exception would help traditional economic and business expansion where shortages of affordable housing stand in the way of attracting employees.

In the HIF allocation plan, we would ensure that allowing the business to enter into an agreement with the HIF assisted project to set aside a proportionate number of units for its

employees would not reduce the number of income- and rent-restricted units assisted under HIF. The business entering into the agreement, by virtue of its contribution to the HIF, would not be receiving any ownership interest in the project and would realize no financial benefit from the project. They simply would have first chance at some of the units for their employees.

There are three changes proposed in Section 2, subsection 2 of the bill. The first would eliminate the population number of 10,000 in defining developing communities in which at least 25 percent of HIF must be used. This was intended to be the threshold for defining rural communities. However, with accelerating population growth in a number of communities in western North Dakota, there are and will continue to be fewer communities eligible for this set aside. It would be our intent to more specifically define developing communities in the allocation plan and it could be adjusted annually to be more commensurate to population status at that time. The Agency remains fully committed to assuring that rural communities in need of affordable rental housing can have access to the program.

Also proposed in subsection 2 is an elimination of the requirement that at least 50 percent of the fund must be used to benefit households at 50 percent of area median income (AMI) or less. Our concern here is similar to defining rural communities. HUD published AMIs are not necessarily reflective of real wages being paid in oil country. The Agency remains committed to serving as many of our lowest income households as possible. We will continue to do this through appropriate incentives and scoring in the allocation plan. Removal of the mandatory requirement will allow the Agency more flexibility to meet the unique needs on a community by community basis.

Finally, subsection 2 would provide an option on how the Agency could collect any administrative fees under the program. Currently, the Agency can only collect reasonable fees from HIF itself. The Agency prefers to collect HIF administrative costs similar to how it's done under the federal Low Income Housing Tax Credit program. The developer pays an application fee and monitoring fees and builds these costs into their project pro forma. The affordable multifamily development community is accustomed to this practice and this ensures that all of the HIF funds can go directly to the project.

Thank you and I would be happy to answer any questions.

3

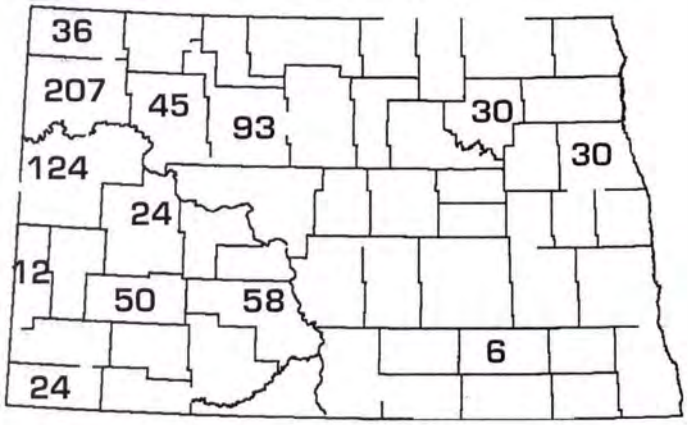
2011-2013

NORTH DAKOTA housing INCENTIVE FUND

Creating affordable housing for all North Dakotans—waitresses, bank tellers, cashiers, police officers, nurses, teachers, daycare providers, seniors, individuals with disabilities.

Projects

739 units - 26 projects - 16 communities



172 units targeted to lower-income households.

Average Rent

$462.67

All HIF-assisted units are rent and income restricted to be affordable to low & moderate-income households.

615 units in the oil-impacted communities of

Beach	Belfield
Bowman	Crosby
Dickinson	Kenmare
Killdeer	Minot
Parshall	Ray
Watford City	Williston

Total project costs

Each HIF $ committed leveraged another $7 in housing activity.

$104M

HIF Contributors

Individuals vs. businesses

Taxpayers making a contribution to HIF receive a tax credit equal to their contribution.

60 contributions from businesses & financial institutions—$9,568,576

+

542 contributions from individuals—$5,431,424

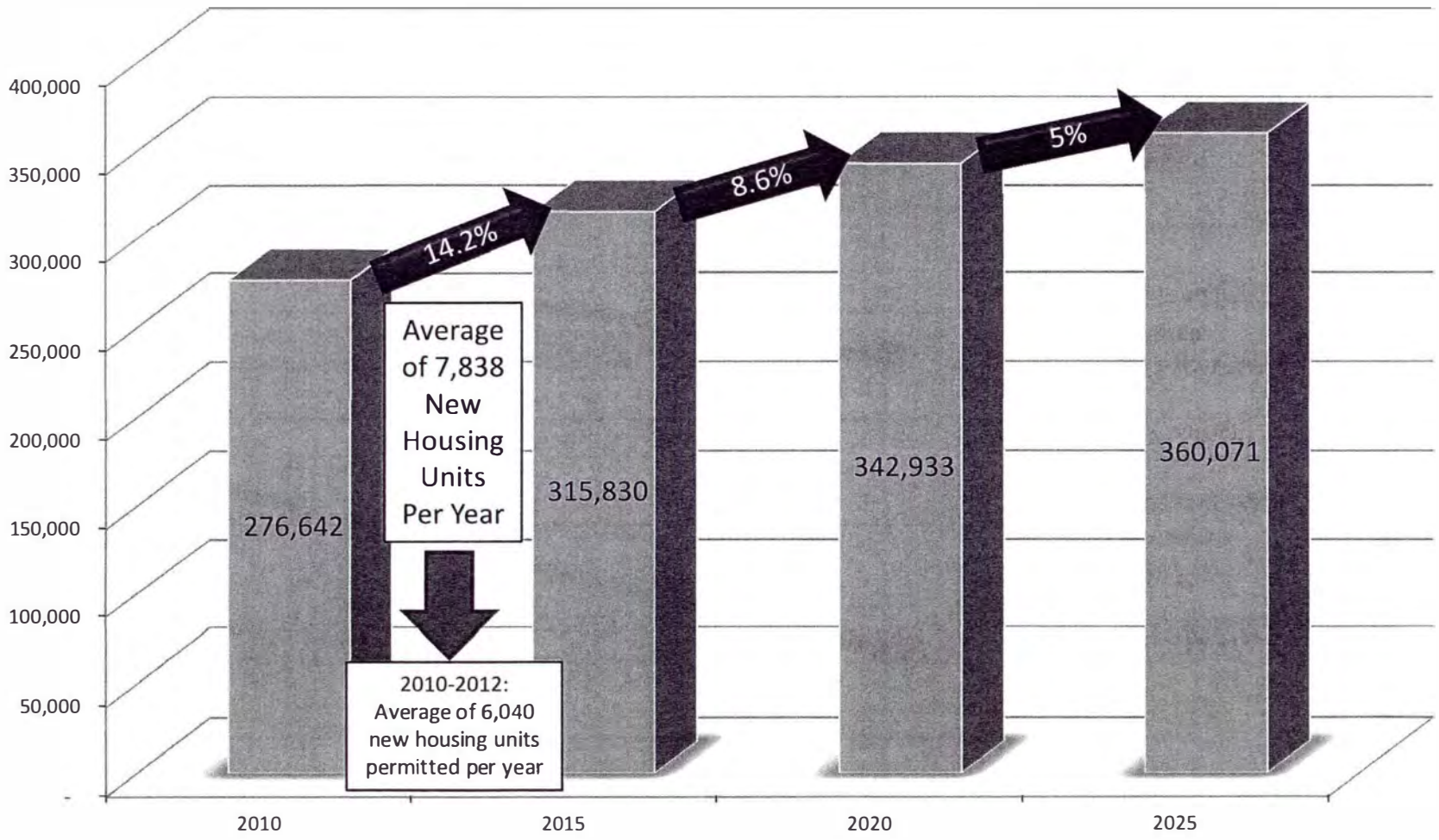
=

Average Contributions:
Businesses—$159,476
Individuals—$10,021

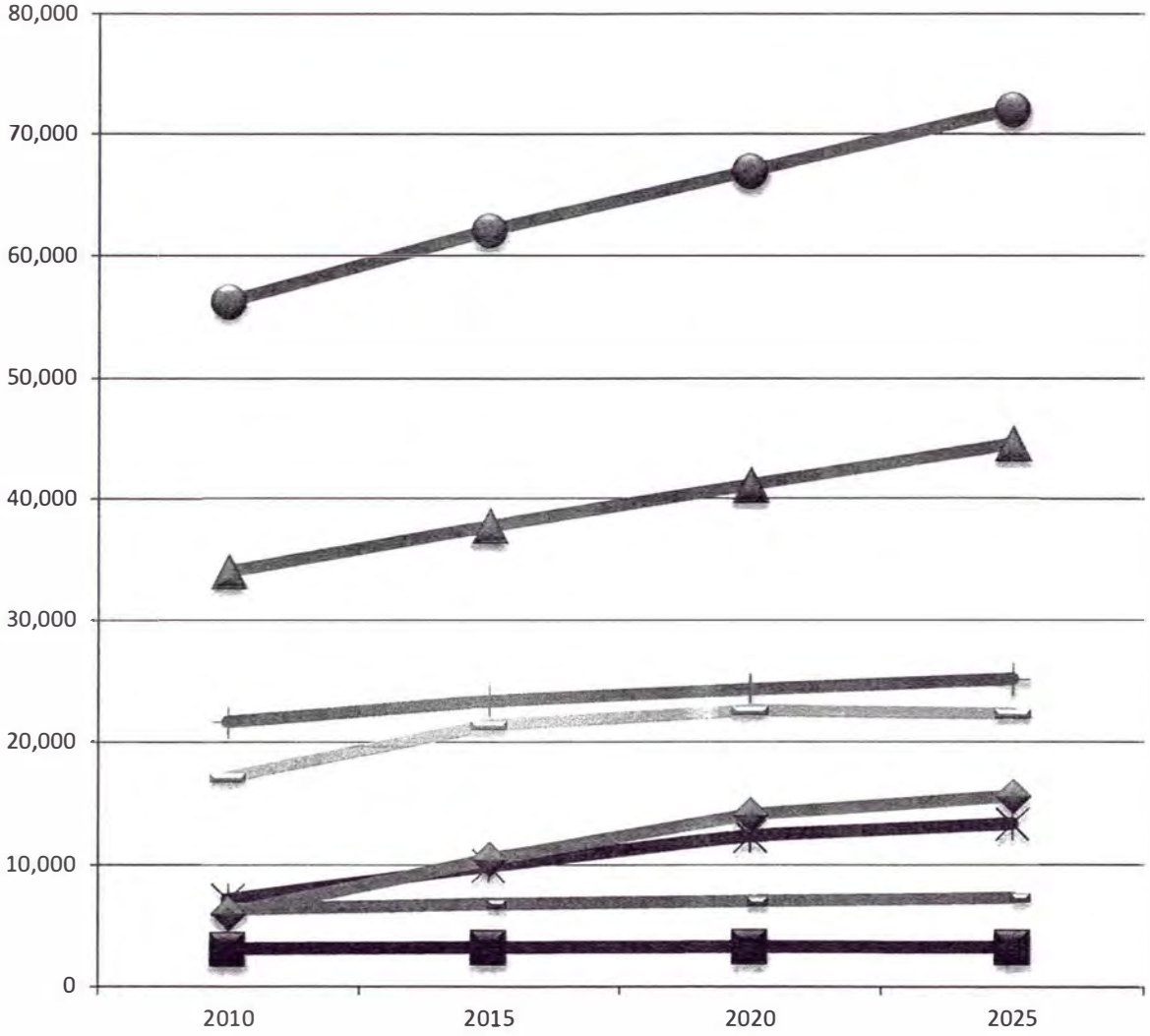
www.ndhousingincentivefund.org • 800/292-8621 • 701/328-8080

HOUSING DEMAND

The number of households in North Dakota is projected to increase by 83,429 or 30.2% from 2010 to 2025



HOUSING DEMAND – Major Cities

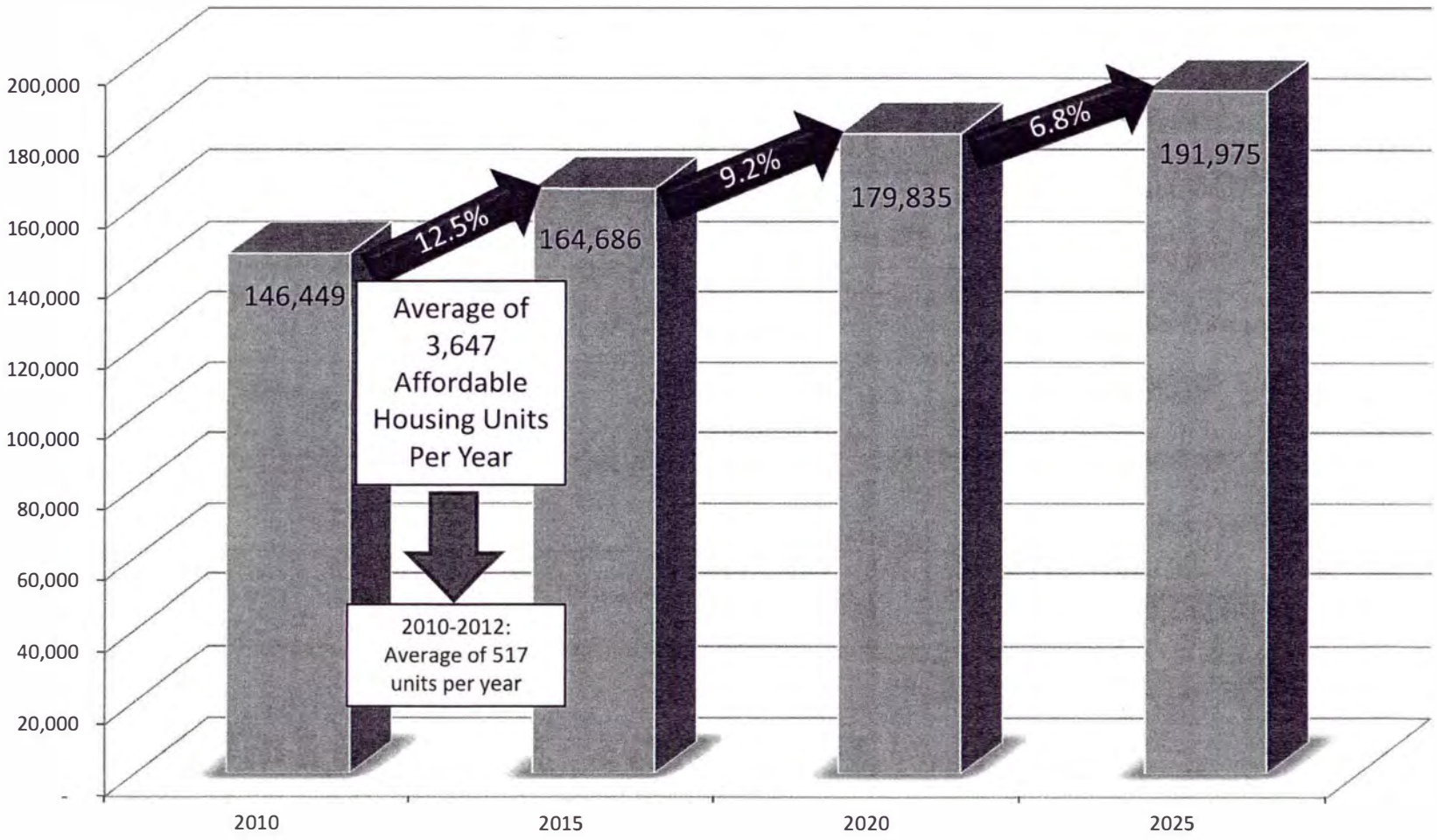


Projected Growth

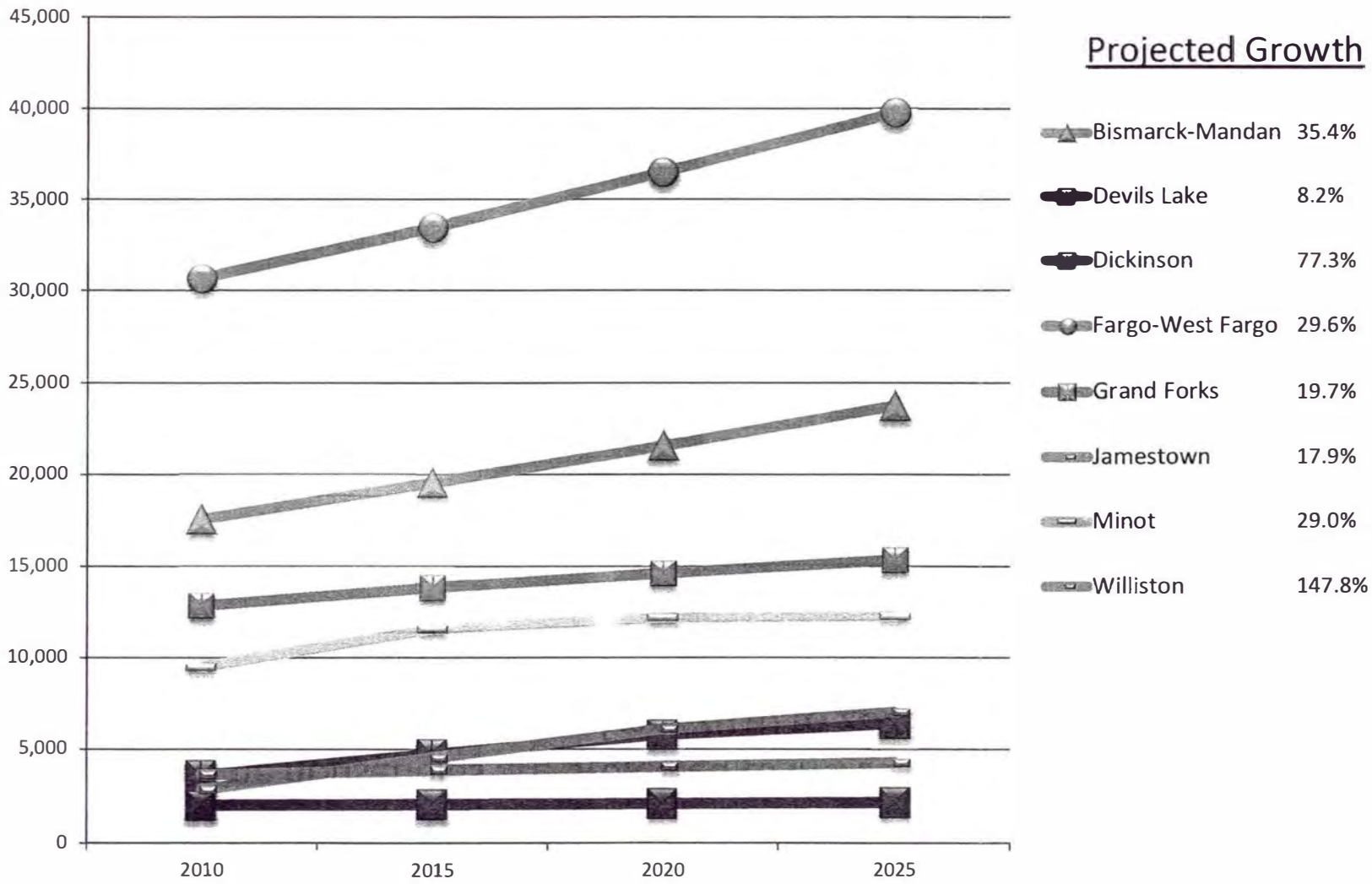
Bismarck-Mandan	31.0%
Devils Lake	5.4%
Dickinson	85.3%
Fargo-West Fargo	28.0%
Grand Forks	16.3%
Jamestown	15.2%
Minot	30.3%
Williston	158.9%

AFFORDABLE HOUSING

Low-income households are projected to increase by 45,526 or 55% of total household growth in the state from 2010 to 2025

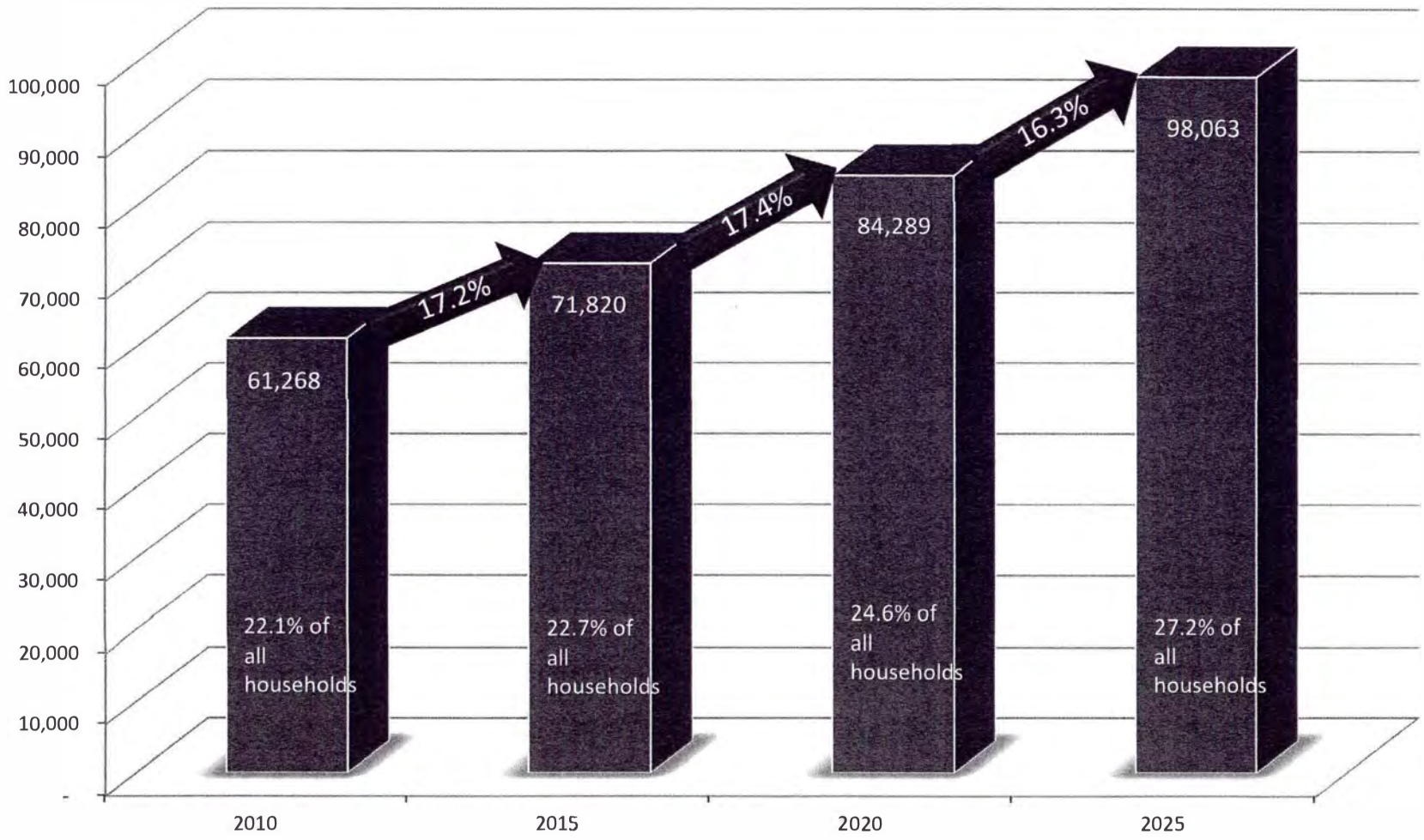


AFFORDABLE HOUSING – Major Cities



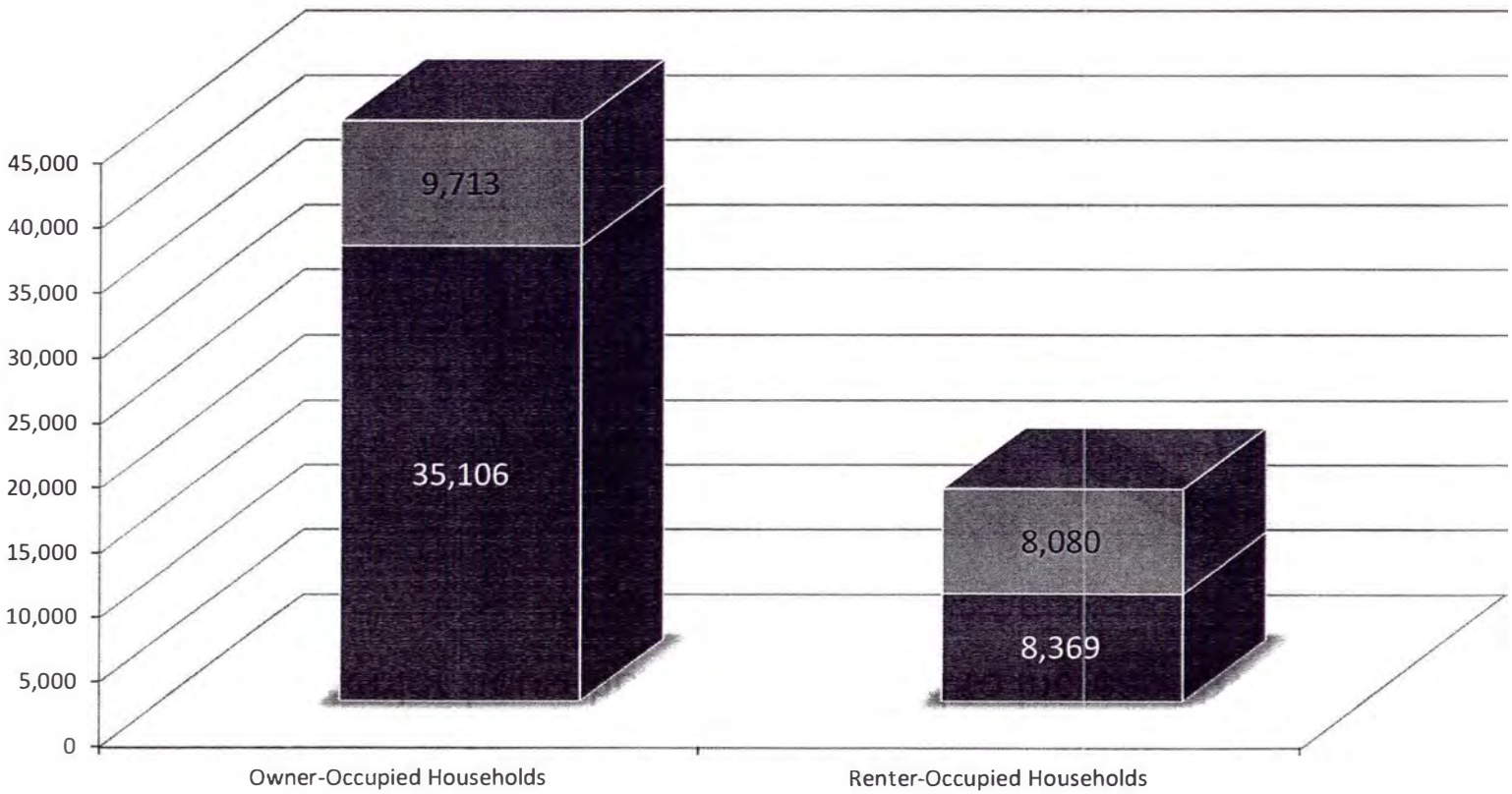
HOUSEHOLDS – 65+

The number of senior households is projected to increase by 36,795 or 60.1%



HOUSEHOLDS – 65+

In 2010, 21.7% of senior homeowners and 49.1% of senior renter households were cost-burdened – spending more than 30 percent of their income on housing costs



Engrossed House Bill 1029

Pam Sharp

On behalf of Governor Dalrymple, I am testifying in support of Engrossed House bill 1029, however, our request is that the housing incentive fund be capped at the $50 million that has been provided for in the Governor's Budget.

House Bill 1029 originally had a cap of $50 million, however that cap was changed to $20 million by the House.

The Governor's budget provides for a $30 million transfer from the general fund to the Housing incentive fund as well as tax credits in the amount of $20 million, which totals $50 million for the fund.

This fund at the $50 million level is critically important for housing in North Dakota and I urge your support of this bill at the $50 million cap.

HB1029- SUPPORT
Wednesday, March 13, 2013
Senate Finance and Taxation Committee

Josh Askvig - AARP North Dakota
jaskvig@aarp.org or 701-989-0129

Chairman Cook, members of the Senate Finance and Taxation Committee, I am Josh Askvig, Associate State Director of Advocacy for AARP North Dakota. We stand in support of HB1029 and urge you to restore the Bank of North Dakota's contribution.

Dr. Ethel Percy Andrus, a retired educator and AARP's founder, became an activist in the 1940s when she found a retired teacher living in a chicken coop because she could afford nothing else. Dr. Andrus couldn't ignore the need for health and financial security in America and set the wheels in motion for what would become AARP. We are a nonprofit, nonpartisan membership organization with nearly 88,000 members in North Dakota and 37 million nationwide. We understand the priorities and dreams of people 50+ and are committed to helping them live life to the fullest, including here in North Dakota.

As referenced in the story above about how AARP was founded, having a safe and adequate place to live is crucial in living a fulfilling life. HB1029 continues the efforts the 2011 Legislative Assembly and the 2011 Special Session started towards a statewide housing incentive fund to provide housing assistance for low- to moderate- income residents in North Dakota. AARP ND is a member of the Housing Alliance of North Dakota, which has long sought a permanent state housing trust fund.

While a lot of North Dakotans have seen rising incomes and economic success, the rapid growth North Dakota is seeing does have a negative impact on some. You have all seen the stories and headlines about rapidly rising rents and home prices, especially in Western, ND. This economic trend has been most directly felt by those on fixed incomes, specifically elderly living on Social Security. Providing incentives to developers to include low to moderate income set aside units in their developments is one way to promote affordable housing.

Additionally, AARP Policy supports the tenants of Housing Incentive Fund (HIF). Specifically, there are two AARP Policy Principles that call for a program like HIF:

"Promote affordable housing options. *Ensure that land use and other policies support the private and public sectors in providing a variety of housing sizes and types. Promote funding and policy for programs that lead to an adequate supply of affordable rental and ownership options integrated with the community to meet the needs of people of all ages, family compositions, and incomes.*

Increase capacity for public-private partnerships. *Reauthorize or create programs and policies at the federal, state, and local levels to ensure that the private sector has the capacity and tools to effectively partner with governmental agencies to increase the range of housing choices available to older people."*

The House increase in this fund to $20 million is a good start. However, the Bank of North Dakota $30 million is needed to ensure that individuals who may not be feeling the economic boom or at least not at the same rate of success as others can still stay in the communities they call home. We support HB1029 and encourage you to reinstate the Governor's budget request of the additional funding through the Bank of North Dakota.

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Testimony – House Bill 1029
Senate Finance and Taxation Committee
Submitted by
Tom Iverson, NDHP

March 13, 2013

Good morning, Mr. Chairman, and members of the Senate Finance and Taxation Committee. My name is Tom Iverson, safety and education officer of the North Dakota Highway Patrol. I am here today to testify in support of House Bill 1029.

The North Dakota Highway Patrol has explored numerous avenues for housing of our troopers. The different ideas explored include FEMA trailers, apartments, mobile home parks, and man camps. Finding affordable quality housing for law enforcement is a concern shared by all law enforcement agencies in western North Dakota.

We believe the Housing Incentive Fund will have a positive impact on our current troopers looking to secure affordable housing and will also be beneficial with recruiting and hiring. Affordable quality housing in North Dakota is a top concern among applicants. Showing our efforts toward obtaining affordable housing through the Housing Incentive Fund will help alleviate some of those concerns and aid in the successful recruiting of troopers.

Mr. Chairman, members of the committee, this concludes my testimony. I would be happy to answer any questions you may have.

Testimony In Favor of House Bill 1029
Senate Finance and Taxation Committee
March 13, 2013

Chairman Cook and members of the Finance and Taxation Committee, I thank you for the opportunity to speak in favor of House Bill 1029. My name is Daniel Kelly, and I am the Chief Executive Officer of the McKenzie County Healthcare Systems, Inc. in Watford City, North Dakota. The McKenzie County Healthcare Systems, Inc. consists of the Critical Access Hospital, Skilled Nursing Facility, Basic Care Facility, Assisted Living Facility, Rural Health Clinic and the Connie Wold Wellness Center.

Healthcare systems in general and the McKenzie County Healthcare System specifically are facing the following operational challenges:

Staff Recruitment and Retention
Increased Staffing Expense
Housing
Increased Utilization of Emergency Services
Increased Emergency Room Provider Costs
Significant Rise in Bad Debt
A Lack of Day Care

I will speak briefly to our issue of the current lack of affordable housing.

Housing- There is a shortage of affordable apartments and/or homes to purchase. Apartments easily rent for $1500.00 and those few homes that are listed for sale have asking prices of in excess of $250,000.00. Our service level employees making $12.00 an hour simply cannot afford the market rate of $1,500.00 for an apartment let alone the $250,000.00 price tag of a home. I currently have staff that have accepted an employment offer but have not started working given they cannot find an affordable place to live.

As you are well aware, the ability to borrow money at a lower interest rate lowers the cost of a construction project. House Bill 1029 would allow the healthcare system the opportunity to build an apartment building for our employees with rent at less than $800.00 per month. The healthcare system would have proceeded with this project but the current allotments of Housing Incentive Funds were spoken for. My concern is that the $20,000,000.00 afforded this program will not be enough to address the need which currently exists and time if of the essence. My simple requests are that you approve House Bill 1029 but restate funding at $50,000,000.00 which seems to be in line with current need.

I would be happy to explain any of these items further or to answer any questions the committee may have.

Daniel Kelly, CEO
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TESTIMONY
House Bill 1029– Regarding Housing Incentives
Senate Finance and Taxation
Senator Cook, Chairman
March 13, 2013

Chairman Cook, members of the Senate Finance and Taxation Committee, I am Mary Anderson, Executive Director of ABLE, Inc. of Dickinson, Bowman and Hettinger. I am providing testimony on HB 1029 regarding housing incentive funds.

Earlier this morning you heard me testify on behalf of the downside of oil impact. Now I will talk about the excitement and positive results of what you did last session. In 2007, I met with Jolene Kline, Director of Planning and Housing Development Division and a host of other people in a roundtable discussion to see how we could create a different housing arrangement for 8 clients that ABLE, Inc. supports in Bowman. At the end of the day we could not find a way to move 8 people from a group home setting where people share everything including bedrooms into an affordable apartment setting.

In 2011, ABLE, Inc. took a leap of faith and purchased four land lots in Bowman, hoping we could capitalize on some sort of federal housing program. In 2012, through Jolene and her crew we learned about Neighborhood Stabilization Funds and something called Housing Incentive Funds. Our research indicated that ABLE, Inc. could apply for these funds. Our hopes grew more optimistic! However, it was Ashley Alderson, Economic Development Director in Bowman, who suggested we contact Lutheran Social Services who is in the housing business. She talked about the community also needing housing that extended beyond ABLE, Inc.'s needs, in fact, housing is Bowman Counties number one priority. Because we had the land, LSS had the experience and we are both nonprofits, they looked like a good match for ABLE, Inc. AND the Community of Bowman.

So fast forward, I am pleased to announce that LSS will be breaking ground in Bowman this spring with a 24 unit apartment building! ABLE, Inc. clientele will rent 9 units and the rest of the apartments will be available to the community with affordability in mind. Note that Bowman's number one priority is affordable housing. This project has the potential to help them recruit nurses, teachers, police and other essential service workers.

Let me introduce to you two people who will benefit from this project. On the last page of your document you will find a picture of George. George lived all of his life in his own home with his parents until they passed away. He continued living in his childhood home until one day he made a significant social blunder. This landed George into court and subsequently in an ABLE, Inc. home that provided greater supervision. George is happy as a lark with his employment in Bowman. However, he does not like living with seven other people and having a tiny corner of a bedroom. Every evening, before George leaves work, his support team checks his blood pressure. You see, George's blood pressure raises just the thought of his return home, a home that is not a pleasant or soothing for George. He thanks you for this project.

The other picture is of Faye. Every day Faye drives her motorized scooter to work and once at work, you will see her diligently using her modified sewing machine. Recently Faye experienced a 20 pound weight loss, a weight loss that she could not afford, because her home life was turned upside down. Faye's "soon to be 90" mother, Sophie broke her hip. Sophie has taken care of Faye all her life. So when Sophie can't take care of her, Faye has to go to a nursing home. Faye dreaded going to the nursing home so much that she couldn't eat. Her mother's concern prompted her to quickly start walking on her new hip so she could return home so Faye could stay out of a nursing home. This apartment complex includes a specially

designed unit for Faye; one that is WC accessible and has a ceiling track lift to assist her. Faye thanks you for this project.

ABLE, Inc. thanks you. The Community of Bowman thanks you. You created this opportunity! You made a difference in people's lives. I can't wait to show you the completed project next session.

However, we must press on and bring housing developments like this to other communities. Earlier this morning I told you about how oil impact has negatively affected ABLE, Inc. in Dickinson. *As Paul Harvey would say, here is the rest of the story.* As an administrator for ABLE, Inc., I used to look at housing only for how it affected clients like the people in Bowman. Now I have to look at how it affects clients AND how it affects employees.

I want to direct you to ABLE, Inc. housing/wage comparisons since 2009.

ABLE, Inc. Dickinson Housing/Wage Comparison Table

YEAR	STARTING HOURLY WAGE DSP's	STARTING ANNUAL WAGES	GROSS MONTHLY WAGES	ESTIMATED MONTHLY RENT IN DICKINSON		% OF MONTHLY WAGES TOWARDS HOUSING	
				ONE BEDROOM	TWO BEDROOM	ONE BEDROOM	TWO BEDROOM
2009	$ 9.75	$20,280	$1,690	$ 350	$ 464	21%	27%
2010	$10.65	$22,152	$1,846	$ 500	$ 750	27%	41%
2011	$11.75	$24,440	$2,037	$ 850	$1,000	42%	49%
2012	$12.65	$26,312	$2,193	$1,200	$1,600	55%	73%
2013	$12.65	$26,312	$2,193	$1,250	$1700	57%	78%
Gross Starting Wages Needed to Get to 2009 Starting Wage to Housing Ratio							
2013	$34.00	$71,427	$5,952	$1,250	$1,700	21%	29%

❖ DSP's are Direct Support Professionals (supports people with intellectual disabilities).

One of our local Senators, Senator Armstrong, asked me to provide housing information, so in February, we conducted a survey of all our employees. First of all, what is the definition of

housing affordability? A 2006 US Census Bureau tries to answer that question. Here is what they had to say.

> **Housing expenditures that exceed 30% of household income have historically been viewed as an indicator of a housing affordability problem; costs at 30% or higher are labeled as "burdensome." (Source: Mary Schwartz and Ellen Wilson US Census Bureau "Who Can Afford To Live in a Home?")**

Senators, using the 30% measuring stick, in 2013, ***82% of ABLE, Inc. employees* are in the "Burdensome" category!** (Source: February 2013 ABLE, Inc. survey… of 85 employees surveyed, 15 employees were in the category of 0-30% of income going toward housing). Please note from our previous table, that was not the case in 2009.

Here are some additional statistics from our survey of 92 participants in Dickinson;

- 67% of our employees experienced a housing increase over the last 2-3 years.
- 37% reported increases of over $300 per month.
- 15% reported housing increases of over $500 per month.
- 8 % (seven) employees have had housing increases of over $700/ month.

I have heard people talking about the housing crisis catching up. We do not see the evidence. And why the importance on being persistent, being diligent? Here is why….In the survey we asked ABLE, Inc. employees if they are planning on moving out of western ND

- 18 of 94 respondents said "affirmatively yes"
- 49 of 94 employees said "maybe".
- **Only 29 employees indicated that they are staying.**

In summary, I thank you for seeing the problem in the 2011 legislative session. ABLE, Inc. clientele are excited to be beneficiaries of your foresight. Again, please do not stop pressing

forward! I am asking that you restore the funding level for housing to the $50 million level. We need housing stabilization today post haste.

Thank you for providing me this opportunity to speak to you on behalf of George, Faye, our 164 ABLE, Inc. employees, 100 clients, their family members and all the affected oil impacted communities.

GEORGE

Bowman, North Dakota

FAYE

Bowman, North Dakota

Testimony on HB 1029
Senate Finance & Taxation Committee
March 13, 2013

Good morning Chairman Cook and members of the Senate Finance & Taxation Committee. I am unable to be in attendance for the hearing on HB 1029 so wish to submit comments for your consideration. My name is Shelly Peterson, President of the North Dakota Long Term Care Association (NDLTCA). The NDLTCA represents 207 assisted living, basic care and nursing facility providers in North Dakota. NDLTCA is in strong support of HB 1029. We encourage you to restore the funding for housing to $50 million, as recommended by Governor Dalrymple.

Affordable/available housing is a top issue facing long term care facilities in the energy producing counties. All nursing facilities in northwestern North Dakota utilize contract nursing agencies to provide daily resident care, because permanent staff are unattainable. If facilities find a way to recruit staff, they certainly can't find them an affordable place to live. Two long term care facilities have closed in this energy producing area in the past three months.

Sufficient staffing, available/affordable housing and day care are the top three issues facing long term care facilities in the energy producing counties. HB 1029 will provide funding for the critical need of "having a place to live." We urge your support and funding of housing as a top priority.

Shelly Peterson, President
North Dakota Long Term Care Association
1900 North 11th Street • Bismarck, ND 58501 • (701) 222-0660
Cell (701) 220-1992 • www.ndltca.org • E-mail: shelly@ndltca.org

HB 1029

Senate Finance and Taxation Committee

Chairman Cook and members of the Committee, thank you for the opportunity to provide testimony on this bill today.

North Dakota (and most other states and larger cities in the country) recognizes that local resources are needed to help resolve the affordable housing problem. We see that the Housing Incentive Fund is critical to sustaining the economic and social well being of the state. We believe that the Governors budgeted amount of $50 million for the biennium is a sensible and right-sized investment and, that it will realize returns for many years. The HIF will leverage other capital needed to make a meaningful impact on the unprecedented sizable and critical affordable housing shortage we are currently experiencing. We ask that you support HB 1029 and, that you support it at the originally proposed level of $50 million for the biennium.

Although housing construction in the state is once again booming, the construction and preservation of housing that is affordable to low and moderate income households is nowhere near on pace with the demand. Waiting lists for affordable housing are getting longer and homelessness is becoming more common. There are several reasons which contribute to the current dilemma. The most obvious is the huge influx of oil and gas workers to the state which has caused a housing supply shortage. The new demand has pushed rents to a point where they are not affordable to households in the low and moderate income brackets. Workers at the lower end of the pay scale are being pushed out and so are seniors and others who are on fixed incomes. HB 1029 can help to reverse this trend that is so damaging to our communities and state.

A big key to making new rental housing affordable is to get it produced with as little debt as possible so it can operate with the reduced income associated with 'affordable' rents. Unit size and quality of construction also play into this, as does land cost, interest rates, tax and utility rates etc. Most of these major costs (land, construction materials and labor, interest and utilities) are similar for any type of construction so, a financial subsidy of some type is the variable that can make a rental unit affordable.

The limited Federal programs that can subsidize housing are already being used to the maximum in the state and, most of these programs are now facing budget reductions. There is just not enough out there to meet the explosive need we are facing today in North Dakota. HB 1029 allows public investment into affordable housing - which arguably is as or more important

as many other parts of our community infrastructure such as roads, water and sewage treatment, public buildings, law enforcement and education.

Cass County alone is projected to have more than 10,000 additional new low and very low income households in the next several (12) years. An additional approximately 3,500 moderate income households are projected. To meet the need for even 1 in 10 of these new households means adding a minimum inventory of about 110 affordable units per year. In addition, Fargo has the largest affordable apartment building in the state (a 250 unit public housing high-rise) which is in urgent need of essential repairs. At some point, without the needed investment in preservation, the building will likely face condemnation due to health and safety violations. The tenants of this building are extremely low income.

Affordable senior housing is the greatest housing need today in Fargo and the metro area and, the number of senior households there is expected to more than double in the next 12 years. There is a rapidly growing need for the shrinking federal resources that are available. Two years ago a 32 unit affordable senior housing project was opened in Fargo and, with no marketing whatsoever, over 160 applications were received.

The most important affordable housing resource we have today is the federal Low Income Housing Tax Credit program, which helps to produce about 150 units per year state wide. Our latest statewide population projection anticipates 37,300 new households that will qualify for this program in the next 12 years. That's over 3,000 new households a year potentially competing for the approximately 150 units of affordable housing annually produced (or preserved) with assistance from this limited resource – it's clear that it isn't enough to meet our unprecedented growth and affordable housing needs. A fully funded HB 1029 will provide a meaningful needed supplement to the federal resources and, will go a long ways towards assuring that our communities remain healthy and sustainable. Thank you for the consideration and support.

With respect, the Board of Commissioners and the Executive Director of the Housing and Redevelopment Authority of Fargo:

Karen Moore – Chair
Ken Krajsa – Vice Chair
Tonna Horsley – Commissioner
Bryce Alme Johnson – Commissioner
Michael Leier – Commissioner
Thomas Jefferson – Commissioner
Lynn Fundingsland – Secretary, Executive Director

//

Michael Carbone
Executive Director
North Dakota Coalition for Homeless People
4023 State St N
Bismarck ND 58503
director@ndhomelesscoalition.org
701-390-1629

1029 Testimony

Chairman Cook, committee members, thank you for the opportunity to testify on behalf of the North Dakota Coalition for Homeless People (NDCHP) in support of 1029 reauthorizing the Housing Incentive Fund. NDCHP represents about 70 service providers across the state whose shared mission is the housing and basic needs of the most vulnerable among us. Collectively we provide a continuum of services that include emergency shelter, housing and supportive services. NDCHP is the lead agency for HUD's homeless programs and brings over 1.8 million per year in funding into the state. Some of our responsibilities in this process include an annual Point in Time Count of Homeless Persons, a Housing Inventory Chart of beds designated for people who are homeless and a Gaps Analysis identifying homeless bed needs.

In July of 2011 we began conducting the Point in Time Count twice a year so we could track the quick pace of change in our homeless population. That count represents a tipping point in North Dakota's history. This is the first time that the number of homeless people who were unsheltered was greater than the numbers who were in our shelter system—and our shelter system was full. There were 1773 homeless people in North Dakota: 966 were outside, in a tent or car, or some other place not meant for human habitation. Our most recent Point in Time in January 2013 indicates there were 1431 unsheltered people in North Dakota on the night of January 23; eighty-two right here in the capital city. It was 26 below zero that night. In addition to those who were literally homeless, we identified over 1300 people who were doubled up in unsustainable conditions. The count is certainly higher. Although

not a number that we actively track, we know of at least three people who have frozen to death while homeless over the past few months.

Many of those experiencing the hardships and heartaches of homelessness are people who have come into our state seeking an opportunity to share in our state's strong job market. Others are long term residents who have been priced out of their housing. Regardless of the reason for their homelessness, the solution to homelessness is homes. All the people we serve need affordable housing; some of them need supportive housing. Our most recent Gaps Analysis identifies a need for 660 units of supportive housing in North Dakota. These data are included in the state's housing needs analysis by Dr. Rathge. The Housing Incentive Fund represents the state's most powerful tool in the creation of those housing types.

In addition to the creation of housing, 1029 contains another provision that is critical to the mitigation of homelessness in North Dakota. Section 2, paragraph 3 contains a provision for services designed to prevent homelessness. Despite this language these activities were never actualized in the 2011 allocation plan. I believe North Dakota Housing Finance Agency felt that the legislative intent in regards to homeless prevention was not clear enough.

In 2011, North Dakota had federal dollars for homeless prevention that were administered by the ND Department of Commerce in the Homeless Prevention and Rapid Rehousing Program. This temporary program was successful in helping participants remain in housing about three-fourths of the time. The program included short term financial assistance and case management that addressed barriers to housing stability. The program has proven successful in deterring homeless families from shelter, preserving valuable resources and preventing families from the stigma that sadly accompanies homelessness. A similar state funded program called the Family Homeless Prevention and Assistance Program is administered by the Minnesota Housing Finance Agency that has an equal success rate. In

fact, Governor Pawlenty was so impressed with the cost effectiveness of the program he recommended a large increase in funding in 2007 while other programs were being cut. NDCHP requests that you reaffirm the homeless prevention language in 1029 and provide clear legislative intent that NDHFA should use a small portion of the Housing Incentive Fund for homeless prevention activities.

Because of the need to create housing opportunities for all who reside in our state and because of the need to prevent North Dakota households from falling into the downward spiral of homelessness we respectfully urge funding of the Housing Incentive Fund at 50 million.

National Association of Housing and Redevelopment Officials - North Dakota Chapter

MOUNTAIN PLAINS

Regional Council

ORAL/WRITTEN TESTIMONY PROVIDED TO
ND SENATE
FINANCE AND TAXATION COMMITTEE
DURING THE 63RD LEGISLATIVE ASSEMBLY
ON MARCH 13TH, 2013
IN SUPPORT OF
HB 1029
REGARDING THE
HOUSING INCENTIVE FUND

Chairman Cook
Vice Chairman Campbell
Members of the Finance and Taxation Committee

Good Morning. My name is Terry Hanson and I am a resident of Grand Forks. I speak to you today not only as the Executive Director of the Grand Forks Housing Authority but also as the current President of the North Dakota Chapter of the National Association of Housing and Redevelopment Officials and as a Commissioner of the City of Grand Forks Blue Ribbon Housing Commission.

I am here today to testify in support of HB 1029, the Housing Incentive Fund Program, and to respectfully ask that this committee not only recommend a DO PASS to the full Senate but that you introduce an amendment to this legislation that restores the program to the fifty million dollar level as it was first introduced. A fifty million dollar program is needed to more adequately address the housing needs of this state.

Housing, primarily affordable housing, is a basic need that is in high demand across the State of North Dakota. The recent Housing Needs Assessment prepared for the City of Grand Forks by BBC Research and Consulting as well as the 2012 North Dakota Statewide Housing Needs Assessment prepared by Center for Social Research at North Dakota State University both show an increased demand and a resulting shortage in housing over the next 10 to 15 years, especially housing for the elderly, the disabled, and low income families. As relayed to the Blue Ribbon Commission, BBC's study states that, "Grand Forks is not meeting the needs of low-income renters." The study estimates that, "approximately 5,100 renting households in the Grand Forks community make less than $25,000 per year." and "that 2,700 of these sub-$25,000 families are underserved" in their housing needs. These figures confirm the need for the development of new affordable housing in Grand Forks as well as the preservation of the affordable housing we already have. And, these studies confirm that our housing needs are not only in the energy producing counties but throughout the entire rest of the state as well.

To address the extensive need for housing, the 62nd Legislative Assembly passed land mark legislation creating the Housing Incentive Fund. For this I commend you. In less than one year after this program's release, The North Dakota Housing Finance Agency received applications exceeding the $15 million allocated for the program. The agency's news release, dated January 2nd of this year, stated that they had conditionally committed HIF dollars to 26 projects that will create 739 new housing units in 16 different communities throughout the state. These 26 projects will generate $104 million of much needed, new, residential rental property for the citizens of North Dakota, leveraging the HIF dollars six to one.

Think about this. Using the unit costs and the same level of leveraging I just described and providing new development for only one-third of the 2,700 underserved families reported to the Blue Ribbon Commission, Grand Forks alone has need for over $18 million of HIF funding and we haven't even begun to consider the local housing needs if the Grand Forks Air Force Base expands its mission, as it has a good chance of doing.

Today, through HB 1029, this committee is considering the continuation of this much needed program. I have little doubt that the HIF program will continue. To begin to address the needs of the entire state, however, the program needs to be funded at a level greater than what is currently provided in 1029. The program needs to be funded at the fifty million dollar level as was originally requested when this bill was first introduced to the House. As the studies have shown, we are behind the curve when it comes to housing development in this state. A fifty million dollar HIF program will only start to address the housing needs of today and the years to come.

Thank you in advance for you favorable consideration of HB 1029 and its additional funding and thank you for all you do. I look forward to answering any questions you may have.

Respectfully submitted,

Terry Hanson
President

Testimony
HB 1029
Senate Finance & Taxation
Senator Cook, Chairman
March 13, 2013

Chairman Cook, members of the Senate Finance & Taxation Committee, I am Tom Pearson, Executive Director of the Minot Housing Authority. I am providing written testimony today in support of HB 1029.

Many people assume that affordable housing is for people who are on welfare or people who don't work. Often they don't realize that affordable housing is a serious concern for many people that they deal with every day. In Minot, over 11,900 people live in households that spend more than 30% of their monthly income for housing. These individuals range from these police officers, firefighters, retired individuals and individuals that are working in the service industry in our community who all have concerns about the cost of living in our community. Affordable housing is an issue for people in any income bracket, but it is particularly challenging for low and moderate income people, they have few options. In Minot today, with the rapidly increasing demand for housing and the dramatically cost for housing, there are fewer affordable housing options than ever before. In some respects this is a challenge facing all of North Western North Dakota communities, but in Minot the challenges are unique and they are as follows:

- The 2011 flood damaged an area of our community that provides the highest percentage of affordable housing in the entire city. Many of the homeowners have repaired their homes and returned to their own neighborhoods, but renters, the elderly and low-income families are still displaced. As of March 12, there were still approximately 400 FEMA trailers being occupied by residents of our community. 150 are homeowners that are still working and repairing their homes. The remaining 250 residents are renters from our community.
- A substantial percentage of our military personnel at the Minot Air Force Base live off base housing and has substantial number of airmen living in Minot. The military has significantly increased the Base Housing Allowance for the past several years to enable military personnel to find suitable housing in our community.

- As a regional trade center, Minot attracts a higher percentage of the employment in the retail trade, professional services and health care and other services that are used by people throughout the region. Many of these service sector jobs have an average annual wage resulting in their incomes below 80% of the area median income for Minot. These individuals are extremely important to our economy, but they are challenged to find affordable housing.
- 48% of Minot households could not afford the median rent for a two-bedroom apartment unit and 70% cannot afford the median rent for a three bedroom apartment unit, based on the rental rates that were available units in late 2012. In late 2012 analysis available apartment units in Minot found to have an average rent for two bedroom unit was $1,313, the average rent for a three bedroom unit was $1,887 and a four bedroom unit was $2,238.

As this committee reviews all the written testimony and listening to the oral presentations that supports HB 1029. This committee needs to realize that the state HIF program needs to continue and increase the funding to $50 million level to meet the need of affordable housing for the entire state. Every community in the state of North Dakota that has done some type of housing study or analysis shows that there is a definite need in their community to provide and develop more affordable housing in their communities.

The Minot Housing Authority supports House Bill 1029. Mr. Chairman and members of the Finance and Tax Committee, Minot Housing Authority strongly encourages Do Pass on House Bill 1029.

Testimony
House Bill 1029 - Housing Incentive Fund
Senator Cook, Chairman
March 13 , 2013

Chairman Cook, members of the Senate Finance & Taxation Committee, I am Tom Alexander, Project Director at North Dakota Center for Persons with Disabilities at Minot State University. I am providing testimony today in support of HB 1029 as Chair of the Housing Alliance of North Dakota (HAND) board of directors.

The Housing Alliance of ND is a statewide network (please see a list of current HAND members) established 2010 to identify and address the diverse unmet housing needs of North Dakotan's. The HAND advocated for and strongly supported the Housing Incentive Fund during the 2011 legislative session. In the interim, HAND promoted the Housing Incentive Fund to individual tax payers and corporations encouraging them to contribute and receive a dollar for dollar state income tax credit.

NDHFA has conditionally committed HIF dollars to 26 projects to create 739 new units scattered across ND creating over 100 million in construction costs. The demand for affordable housing goes without saying. The overwhelming success of the HIF has been shown by individual tax payers and corporations contributing to the fund and developers submitting applications to NDHFA.

The HAND strongly supports reauthorization of the HIF along with the recommended changes identified by the NDHFA to HB 1029. Mr. Chairmen and members of the Finance and Taxation Committee, HAND encourages a Do Pass recommendation. Thank you for time and I'd be happy to answer any questions.

Tom Alexander #448

Housing Alliance of North Dakota

Ensuring every North Dakotan has access to a decent, safe, affordable, accessible place to live.

AARP of ND
Arc Upper Valley
Beyond Shelter, Inc.
Centre Inc.
Dakota Center for Independent Living
Domestic Violence and Rape Crisis Center
ND APSE
Hettinger County JDA
Independence, Inc.
Lutheran Social Services Housing
Mental Health America of ND
Money Follows the Person Housing Program
North Dakota Association of Builders
North Dakota Association of Community Providers
North Dakota Coalition for Homeless People, Inc.
North Dakota Center for Persons with Disabilities
North Dakota Council on Abused Women's Services
North Dakota Department of Human Services
North Dakota Disabilities Advocacy Consortium
North Dakota Economic Security & Prosperity Alliance
Prairie Harvest Mental Health
North Dakota Protection & Advocacy Project
Red River Human Services
Region V Community Development Corporation
Rural Collaborative of ND
Salvation Army
Urban Development Department City of Grand Forks
USDA Rural Development
Youthworks
YWCA Cass Clay

ECONOMIC DEVELOPMENT ASSOCIATION OF NORTH DAKOTA
ED ND
PO BOX 2639 · BISMARCK, NORTH DAKOTA 58502

Testimony of

Economic Development Association of North Dakota

HB 1029

March 13, 2013

Chairman Cook and members of the committee, my name is Cal Klewin. I am representing the Economic Development Association of North Dakota (EDND).

EDND is the voice of the state's economic development community and provides networking for its 80 members, which include development organizations, communities, businesses and state agencies. Our mission is to increase economic opportunities for residents of the state by supporting primary sector growth, professionalism among economic development practitioners and cooperation among development organizations.

EDND is in full support of HB 1029, the Housing Incentive Fund (HIF) reauthorization which includes $20 million in tax credit authority.

HIF was first implemented in the 2011 Legislative session with skepticism of its success. It did take time, but as the business and private taxpaying community were educated on the benefits and realized of how HIF was to be used as a financial tool to assist North Dakota's lack of affordable housing within the entire state, the fund was capitalized late in this Biennium. The public is more aware of the HIF program and HIF can be a real asset to housing development projects.

As we move forward to enhance the state's economy in all business sectors and in all parts of the state, housing needs have become more prevalent.

The funding level in HB 1029 providing $20 million in tax credits combined with the $30 million proposed in SB 2014 for the 2013-2015 Biennium, will give housing development projects a financing mechanism and adequate funding to move affordable housing projects forward in North Dakota communities.

Thank you. I would be happy to answer your questions.

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NORTH DAKOTA ASSOCIATION OF BUILDERS

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Jason Eid, Fargo-Moorhead
1ST VICE PRESIDENT
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Testimony on House Bill 1029

Senate Finance & Taxation Committee
March 13, 2013

Doreen Riedman, Executive Officer
North Dakota Association of Builders

Chairman Cook and members of the Senate Finance & Taxation Committee, the North Dakota Association of Builders (NDAB) encourages your support of House Bill 1029 and the restoration of the additional $30 million, which will continue and enhance the state's Housing Incentive Fund.

The NDAB represents nearly 2,000 members statewide with employees numbering 46,589. We are affiliated with six local builders associations in Bismarck-Mandan, Dickinson, Fargo-Moorhead, Grand Forks, Minot, and Williston; and are all part of a larger federation, the National Association of Home Builders (NAHB), which has over 140,000 members.

We recognize the extreme need for housing in our state, and for affordable housing projects that would be supported by the Housing Incentive Fund (HIF). The HIF is a valuable piece of the funding package for projects desperately needed in communities across the state. It has proven to be effective, and it should be expanded upon. We all know that **housing is <u>the</u> issue** here in our state, and we need to do much more to move affordable housing forward.

The North Dakota Association of Builders asks you to support House Bill 1029 and the Housing Incentive Fund, and to restore the additional $30 million that was proposed by Governor Dalrymple and removed by the House.

1720 Burnt Boat Drive, Suite 207 ♦ Bismarck, ND 58503-0801 ♦ 701/222-2401 ♦ Fax: 701/222-3699 ♦ www.ndbuild.com

Coldwell Banker 1st Minot Realty
219 S Main St. Minot, ND 58701
Phone: (701) 852-0136
Fax: (701)839-7508
bruce@coldwellbanker.com

Senate Finance & Taxation Committee:

The Housing Incentive Fund (HIF) is a critical part of North Dakota's future. As we have economic expansion across the state, a very important factor is adequate housing. The private/public partnership developed by the HIF program is a great way to meet this demand for affordable housing.

By providing the total of $50 million for the program, it will enable the entire state to have the opportunity to address the needs for additional housing. The fact that the program requires a match by private investors is a great way to get commitment from the private sector.

It appears from the past two years that $20 million would not be enough, and that by providing the additional $30 million we can address the potential projects we have.

In Minot, we are just getting organized to provide the much needed affordable housing after our flood of 2011 and the demand that is here because of the energy economy.

I would ask you to support the Housing Incentive Fund, and expand the pool of funds for housing to a total of $50 million.

Thank You,

Bruce Walker

Bruce Walker, President
Coldwell Banker/1st Minot Realty

Information for testimony to the Legislative Committee regarding HB 1029 – submitted by Deb Kantrud, Executive Director; and Becky J Meidinger, Small Business Development Consultant, of the South Central Dakota Regional Council

Employers are demanding housing to bring the needed employees to Jamestown, Valley City, Harvey, Oakes and the other communities of South Central, North Dakota. This is being confirmed in a study being facilitated by South Central Dakota Regional Council.

The study shows the region needs more than 2,600 housing units within five years to meet the demands of present manufacturers and agricultural service businesses, and the projected growth of businesses such as John Deere, Cenex Harvest States and Great River Energy.

Due to the expansions or new development of several large business projects in the region, which were announced after the statewide housing study was completed by Dr. Richard Rathge last fall, it has been determined by the regional representatives that Region VI needs to consider there may be more growth than the statewide study suggested. The assessment that is being completed is providing the tools necessary for the local governments to make informed decisions about their own local growth.

The Statewide Housing Assessment utilized Model 1 of Dr. Rathge's findings, which is based on historical information. For Region VI, Model 1 showed an overall decline in housing needs of -2.1%. He also developed an additional model, Model 2 that forecasted the population growth. Using Model 2, Dr. Rathge forecasted a 7.5% growth in housing needs for the region between 2010 and 2025.

Maxfield Research group reviewed Dr. Rathge's numbers, census data, building permits, and other information in Phase 1 of the regional study. This initial phase projects growth to be closer to Model 2 of Dr. Rathge's study, but the growth will happen five (5) years sooner. The housing demand for Region VI will be a total of 2,676 additional housing units that will be needed by 2020. Due to the various business projects within our region such as Cenex Harvest States, expansion of John Deere, Dakota Spirit Ag Energy, various wind farms in the region, several business expansions in the region just to name a few, the entire region is looking at a serious shortage of housing over the next 15 years. There will be many employees looking to move to the region, and we have a very short supply of adequate and affordable housing.

There continues to be a large demand for senior friendly housing, and the need for additional rental housing for all income levels. This will only increase as the new employees move into the region. According to Maxfield Research group, by 2020, the region is expected to add approximately 934 households. This does not take into consideration the aging housing stock and how much of it needs to be either rehabilitated or demolished. There were an estimated

19,350 households in 2012 that were income-qualified for rental housing (based on the median gross rent of $470) and by 2020, that total income-qualified population is projected to increase over 4.0% according to the Maxfield research.

Their research shows that approximately 3025 workers are living outside the region, but currently work in the region and are driving on a daily basis. They are living in Grand Forks, Fargo, Aberdeen, Bismarck and even Minot or in the surrounding areas around these communities, but still living outside the region. If quality, affordable housing was available in our region, these workers might consider moving into the region to avoid the expense of driving every day.

One of the primary issues holding development back is the infrastructure costs. Maxfield has determined that for the newer subdivisions in the areas around Jamestown and Valley City, the price for new construction is over $140 per square foot. Therefore, the average house of 1,200 square foot is $168,000, and many of the existing and new jobs do not pay enough to allow for a home mortgage on a home priced at this amount.

The South Central Dakota Regional Council, comprised of the nine counties of Wells, Foster, Griggs, Stustman, Barnes, LaMoure, Dickey, McIntosh and Logan, has undertaken a comprehensive housing assessment for the region. This assessment includes an overview of the region to identify common housing issues and priorities, and a more in-depth study which will cover individual community and county needs.

Maxfield Research Inc. from Minneapolis, MN, was chosen by the regional representatives to provide the completed assessment. Their staff has experience working with other housing assessments in North Dakota and is approved as a qualified consultant by the North Dakota Housing Finance Agency for housing studies within the state. The assessment will be completed in two phases with the first phase having been recently completed. The final phase will be completed by the middle of April of 2013 and will encompass a detailed look at the local level issues and needs.

SENATE FINANCE AND TAXATION
TESTIMONY IN SUPPORT OF HB 1029

Senator Cook and Committee members. I am John Phillips President of Economic Development ND and also work for Lutheran Social Services Housing as a real estate project developer.

I realize the housing needs in the oil impact counties have been studied and are well defined but the needs are broader as has been documented in a state wide study. I think you will all recognize the availability of affordable housing is a fundamental element that provides North Dakota Communities the ability to sustain the service sector, law enforcement, educators and health care professionals of the community as well stimulate economic development. With the present economic conditions in the state, a number of **"Rural"** communities have been able to create economic activity, thus creating jobs. But what are the limitations to further development and opportunities? Why are communities not able to grow their retail, service and industry sectors by businesses looking to relocate or expand into the state? The primary questions **"WHERE WILL WE LIVE"? Without quality "AFFORDABLE" housing our communities have limited sustainability options and no growth opportunity.**

There seems to be a simple answer: Workers can't work without housing and without housing families can't relocate and make the community their home! With the economic success in the state why do we need to talk about affordable housing? Won't the market just take care of the needs? Unfortunately the market can't address affordable housing in a significant way without assistance.

Throughout the state's cities and more rural communities the existing housing inventory is aging, there has been limited new housing constructed in the last 10 years and new construction is not keeping pace with the favorable economy and job creation throughout the state. In many of our meetings with industry and businesses, economic developers, city councils and housing authorities, we continue to ask what the problem to achieve affordable housing development is.

The recurring response seems to typically be:

- ✓ Developers typically perceive there is a greater risk building in a smaller market.
  - Construction costs can be more costly than building in larger cities
  - Proximity to labor and materials is somewhat limited, which can drive up costs
- ✓ Size of projects limit the economic returns
  - Smaller projects often makes it difficult to take advantage of economies of scale
- ✓ Economic returns and economies of scale tend to be better elsewhere
  - Consequently the risk/reward ratio does not entice larger developers to enter rural markets.

- ✓ Financing housing projects in rural communities typically present unique challenges
  - National secondary markets seldom understand rural real estate project value
  - Appraisal standards make it difficult to identify "acceptable" comparable sales.
  - Lenders struggle to meet loan to value guidelines because of the appraisal valuation gaps
- ✓ State and Federal programs that might be ale to assist are often complex and developers/lenders will shy away from them

Who needs affordable housing?

The popular perception of oil country in western ND is one of instant millionaires and widespread prosperity. I suppose this is true in a limited sense. Fortunes have turned for many families because of oil revenues and energy-related employment. But for others, the rapid change in the housing market has caused financial hardship and thrown them into personal economic crisis.

1. Housing units that had previously been "affordable" to low and moderate income wage earners and retirees may suddenly become unavailable because they are sold to new owners and re-purposed to meet other housing needs or the owner now sees the opportunity to increase the rents to maximize profits. These families are then required to move and search for housing that often does not exist. Following the media one only gets a small perception of how many people have been displaced from the impact areas. Those are individuals that were born and raised in that community, were productive citizens and now they can't afford to live there
2. Even if physical displacement does not occur, economic displacement often does. Rents are rising in many housing projects that were previously affordable. While there is no doubt that some market adjustment was probably warranted (because rents were too low to be sustainable before), the extreme changes in price seen in many energy sector communities has caused significant financial hardship for low and moderate income households.
3. Housing demand has far outstripped housing supply in most western ND communities. As such, many families who have moved to ND to work are forced to live in marginal conditions, often homeless while waiting for suitable housing to become available.
4. This issue doesn't just affect new arrivals. Individuals who lose housing because they can no longer afford market rents can be thrown into homelessness or an otherwise precarious housing situation because they have no viable options.

The question we need to ask ourselves when making a decision whether or not to support HB 1029 is, if we built more market rate housing would the problem be solved? Certainly more

housing takes the pressure off the supply side of the market. But since the market will only produce units it can afford to produce, can we expect this housing to serve everyone's needs? I think the answer will be no! In a market like the one we are seeing in western ND, without housing that is tied to affordability requirements, market pressure will eliminate any affordability.

Very simply the answer to the hearing today is that housing markets in North Dakota have been stressed by the economic success of the state. Increased development of affordable rental housing in North Dakota is important for continued business and community sustainability by providing for employee and most important family housing. The Housing Incentive Fund passed in the last session was a success and many individuals and families were able to secure **"AFFORDABLE"** housing in the state. A testament I can reference is what Lutheran Social Services Housing has accomplished with the HIF Tax Credit program.

- ✓ 12 Townhouse Units 2 and 3 bedroom - that will rent under $1,000 per month in Belfield
- ✓ 44 Income based Senior living units in Williston
- ✓ 124 Affordable Units in Watford City – 16 Units reserved for 50 and 60 % of median income/2 bedroom units renting under $1,000
- ✓ 24 Unit complex will break ground this spring in Bowman w/9 Units reserved for ABLE workshop residents (Individuals with disabilities)
- ✓ 12 Townhouse Units 2 and 3 bedroom will break ground in Beach 2013

Projected Projects for 2013

- ✓ 24 Affordable Units in Hettinger
- ✓ 30 Affordable Units in Killdeer (School System, Farmers Union and County has identified a critical need for affordable housing for teachers and employees)
- ✓ 12 Affordable Units in Dunn Center

Even with what has been accomplished with the HIF funds (630 units w/387 rent restricted) much more is needed. We would encourage your support of HB 1029.

John Phillips
Chairman EDND
LSS Housing, Real Estate Project Developer

March 13, 2013

Testimony on the Housing Incentive Fund Bill (HB 1029)
Before the Senate Finance and Taxation Committee
Honorable Chairman Dwight Cook

Mr. Chairman and Members of the Committee:

I apologize I am unable to join you for this very important hearing today. I have lived in North Dakota for 29 years and operate Yegen Development Corporation out of District 42 in Grand Forks, ND. My company is renovating the former Mandan Junior High School into 62 mixed income apartment units, which exists within District 34. Upon completion, 75% of the complex will be set aside for individuals and families who fall into the "low income" category, including 15% reserved for those families who are at the "very low" and "extremely low" income levels. We've agreed to cap our rents at a reduced rate, tied to income levels, in exchange for partial funding from the Housing Incentive Fund (HIF) through the North Dakota Housing Finance Agency (NDHFA).

Bottom Line Up Front: These low income housing units would not be possible without the HIF contribution we received in 2012.

At present, the total project cost is $7.2 million: private investors are contributing $1.4 million, the HIF is lending $584,000, and private banks are lending a portion of the remainder. Still, the high costs of construction have created many challenges for the project, and the commitment to cap rents at rates below what the market supports drastically reduces the returns investors demand. Additionally, a lower net operating income and a long term commitment to supporting low income housing reduce the appraisal value of the property and the amount of funds we can borrow from financial institutions. Finding investors willing to fill the gap has been difficult.

It is fair to note that the house action to approve a $20 million dollar reauthorization is appreciated, but capping the fund at $20 million risks the availability of the industrial commission to transfer the $30 million dollar general fund allocation into the Housing Incentive Fund. I believe the general fund allocation to be critical for two reasons: 1) to balance out the necessary

fundraising efforts associated with tax credit contributions, and 2) to support the demand for affordable housing statewide at the appropriate levels.

Under the 2011-2012 program, the HIF allocation was subject to the availability of contributions from businesses and private individuals for equivalent tax credits. Raising the money was not easy and required me to make "cold call" appearances at area merchants and high net worth individuals to explain the process and ask them to pre-pay their tax liability: I was met with rejection or quickly dismissed 14 out of 15 times.

At the last minute, the combined efforts of private developers and the NDHFA were able to fully capitalize the fund. Unfortunately, much of the money had already been committed and my project was only able to be funded at 35% of the amount we were eligible for, and needed: a result of the incredible demand for affordable housing in the state and the program's cap of $15M.

I would like to encourage you to support the HIF program as a whole, but specifically the $30M general fund allocation. I do not believe the $20M tax credit authorization alone is enough to support the needs in North Dakota, but more importantly I believe the $30M allocation is necessary to compliment the tax credit. Without the right funding in place for incentives, private developers will be not be able to provide low income housing when there are plenty of other higher yielding alternatives.

An amendment as follows would remove the uncertainty surrounding full funding of the Housing Incentive Fund as called for in the Governor's Budget:

Page 2, Line 5, replace "twenty" with "fifty"

I would be more than happy to provide additional information or personal experience upon request. Thank you for your support.

Sincerely,

Jordan Schuetzle
President, Yegen Development Corporation

March 12, 2013

There are many challenges facing us during this time of unprecedented growth and opportunity. If you had to name just one as the most significant issue, you would most likely single out "housing" and more specifically "affordable housing."

It may be the most passionately discussed issue among residents and new comers alike. We have seen many letters to the editor of local papers and other stories complaining of the lack of housing, the price of rents, calls for property owners to hold rents down, cries to city leaders to control rents, and demands for state leaders to do something about it.

Housing and infrastructure development is the cornerstone to the continued and sustainable development of our energy as well as economic diversification.

City and state leaders have invested hundreds of millions of dollars in infrastructure to spur housing development and increase housing supply which will eventually reduce pricing pressure. But the time it takes for the market to adjust to sustainable levels doesn't help the immediate needs of affordable housing for essential service, healthcare, education and other service sector employees whose wages don't support the elevated market rates.

While rent controls are not legal in North Dakota, the HIF program provides grant dollars to multi-family developers in return for guaranteed rents on selected project units.

The HIF program has funded 26 projects accounting for 739 total apartment units. There are three projects in Williston totaling 183 apartments. Not all of the projects are in the oil impacted counties as there are projects in Kulm, Grand Forks, Devils Lake and Mandan accounting for 124 apartment units.

Rents for the guaranteed units are based on area median income and target formulas of the program. An example project presented by the North Dakota Housing Finance Agency (NDHFA), the agency responsible for the program, shows rents ranging from $576 - $692 for the 50% median income group and $900 - $1,200 for the 140% median income group.

The program has proven to be successful in meeting the needs for people in positions that cannot support the current market rates including healthcare workers, emergency services personnel, teachers, and other positions that are critical to the stability of our communities.

Our company has produced the Bakken Investor Conference and the Bakken Housing Summit and I have spoken on the topic of real estate finance in the Williston Basin at conferences from Minneapolis and Chicago, to New York and Arizona. One of the topics I touch on is the Housing Incentive Fund and have presented that information to hundreds of developers and investors.

There is a significant level of interest and I'm finding that the developers and investors see it as a way to reduce the extremely high perceived level of risk in making a longer term commitment in Western North Dakota while at the same time providing a community benefit.

I am committed to supporting and promoting the $20 million Housing Incentive Fund. I contributed to the fund last year and plan to contribute again this year when or if the program is available. I have also created a website to promote the program and encourage others to give at www.HIFSupport.org. Our business interacts with hundreds of other businesses through our professional services and the events and conferences we produce. We will also be using these communication platforms to promote the program and encourage contribution.

I urge your continued support of the HIF program and specifically request funding the $30 million that Governor Dalrymple proposed in his budget for directly funding the program. Doing so will enable immediate access to the capital needed to provide more affordable housing units as soon as possible. Together we will move closer to a more sustainable level of growth and development to benefit all North Dakotans.

Respectfully,

Jeffrey S Zarling

HB 1029
Senate Finance and Taxation Committee
Senator Dwight Cook, Chairman
March 13, 2013

Good morning Chairman Cook and members of the Senate Finance and Taxation Committee. My name is Royce Schultze, Executive Director of Dakota Center for Independent Living, Inc. (DCIL) in Bismarck. DCIL serves 18 counties in South Central and South Western North Dakota. I am writing to ask your support in reauthorizing HB 1029.

DCIL is a private nonprofit agency that assists individuals with disabilities become as independent as they want to be. One of the services we provide is finding affordable, accessible housing for individuals with disabilities and needless to say this has been and continues to be a very difficult task. Currently, we have 3 individuals in nursing facilities and intermediate care facilities they could move back into the community if they had affordable, accessible housing. The rents in our service area are way beyond what any Section 8 Voucher will assist with and a large majority of individuals with disabilities cannot afford the market rents in Bismarck, Dickinson and all areas in-between. What this means for these 3 individuals is that they stay in these facilities until housing becomes available thus costing tax payers more money by them living in facilities longer then needed because they have no place to go. This is only one example of housing issues facing individuals with disabilities. Others include homelessness and living in substandard housing.

Lack of affordable, accessible housing will be huge problem until there are enough units available for individuals with disabilities. This is why Dakota Center for Independent Living, Inc. supports the reauthorization of HB 1029 and I would encourage you to do the same.

Thank You for your time.

Royce Schultze
Executive Director
Dakota Center for Independent Living, Inc.
701 222-3636

Divide County
Jobs Development Authority

Phone: 701-965-6006 -- PO Box 297 -- Crosby, ND 58730 – Email: dcjda@nd.gov

HB 1029 **Wednesday, March 13, 2013**

Divide County Jobs Development Authority
Testimony by KayCee Lindsey, Executive Director
Senate Finance and Taxation Committee

Mr. Chairman and members of the committee, my name is KayCee Lindsey, executive director of the Divide County Jobs Development Authority (DCJDA). I am providing this written testimony in favor of House Bill 1029 to share the importance of affordable housing to the economic development initiatives of our state and how the Housing Incentive Fund is an important tool in growing our communities.

In my role as the executive director of the DCJDA, I work every day with our local business owners to continue to expand the economy of our communities as well as bring new job opportunities to help grow Divide County. With oil development, we have seen a lot of success, but our businesses are also facing some large challenges. Chief among those is the difficulty in finding employees which ultimately results from the extreme rarity of affordable rental housing in the Western area of the State. We have seen exponential growth in the past few years, adding an estimated 300-500 people into the City of Crosby. Also, a recent study by NDSU shows our expected growth to almost triple in Divide County by 2036; even if this is partially correct, we are looking at a large need for housing in the near and long term future. With an expanded population base, we will more than likely be adding additional small businesses, of which they will be needing employees that will not be able to afford market rate rents ($1,500+). This will increase our demand for affordable housing. There currently is a list of 11 completed applications on file for our low income housing units operated through the Crosby Housing Authority; they also have a list of 72 names of people looking for apartments /housing for rent in the community.

Crosby was the first HIF project to open this past July, providing six of the twelve units to teachers, county employees, as well as employees of our main street businesses at an affordable rent level.

Without the use of the Housing Incentive Fund, our businesses and local governments would have had an even harder time finding employees that could afford "market rate" rents. This would have also caused our local businesses, local governments, & school district a major hardship of either paying "oil field" wages to their employees so they could afford the $1,500+ rent or closing their doors early due to lack of help.

The Crosby Hospital Foundation has also been awarded $1 million for another project utilizing the HIF to provide affordable housing options for support staff at the hospital. Twelve of the twenty-four units in that project will provide housing to low and moderate income level families. These units again, will help our local businesses be able to have an affordable place for their employees to live. Without this project, it will be hard to continue to provide the best care to the members of the community due to a lack of employees.

The hospital is currently in the works of taking over the Good Samaritan Society Nursing Home. The nursing home, hospital & clinic have always been looking for help, whether it be nurses, cooks, maintenance workers, doctors, or in administration. They are not able to pay "competitive wages", making it harder for potential employees to find affordable housing.

While the projects in Crosby have and will help meet the needs of our community, there is a lot more work to be done with the addition of affordable housing in the state, therefore, additional commitment to affordable housing in North Dakota is necessary.

Thanks for your time and feel free to contact me at the information provided in the letterhead with any questions or concerns.

KayCee Lindsey

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PRAIRIE WEST DEVELOPMENT FOUNDATION

P.O. BOX 784 55 1ST ST. SE BEACH, ND 58621 701-872-3121

Written Testimony

Prairie West Development Foundation

HB 1029

Mr. Chairman and members of the Committee, my name is Debra Walworth, executive director of Prairie West Development Foundation. I am writing to voice my support for maintaining the funding for HB 1029 to the maximum amount of $50 million.

It is very difficult to get affordable housing built in communities like Beach. Dakota Farm Equipment and West Plains Implement both call me to help find housing for their diesel mechanics, as a matter of fact, they have lost a mechanics because he and his wife with two small children were living in a camper waiting for housing to open up and the wife said "enough". Home On The Range tries to find housing before hiring staff; and have given thought to trying to build their own. LaPlaya struggles to get staff for their restaurant. People come looking for a job, get hired, but then have no place to live. The Beach School District Business Manager calls our office regarding housing because they can't find places for teachers to live. She tells me "heaven forbid we hire a teacher with a family, we can't find a place for a single teacher."

First State Bank of Golva, with a branch located in Beach, was the first to provide funds in the HIF program recognizing the need for housing in the Beach area.

Since Beach isn't getting mowed over by the oil industry like Stanley, Parshall, or Tioga, developers aren't coming to build housing in here because they need to charge $1,000 a month for rent to cash flow. Beach wages don't accommodate those types of rent. When the oil impact does reach Beach, we will *still* need housing for our wait staff, mechanics, teachers, Sheriff's Deputies and grocery store clerks. We need affordable housing now and will continue to need affordable housing in the future.

The ND Housing Finance Agency, as an organization, is a good steward of tax payer's dollars and will turn the funds into much needed housing for North Dakota citizens and future growth.

Please consider allocating the full $50 million to the Housing Incentive Fund.

Thank you for your consideration of this issue hitting each North Dakota community. I would be happy to answer any of your questions regarding our support to this bill's funding.

Debra Walworth (701) 872-3121 or prairiewest@midstate.net.

Email: prairiewest@midstate.net website: www.beachnd.com

This institution is an equal opportunity provider and employer

HETTINGER COUNTY
JOB DEVELOPMENT AUTHORITY

Hettinger County Courthouse

PO Box 157 ~ 336 Pacific Avenue

Mott, ND 58646

701-824-4205

HB 1029 March 13, 2013

Senate Finance and Taxation Committee

Senator Dwight Cook, Chair

Senator Cook and Committee Members:

I would like to take this opportunity to address the Housing Incentive Fund as administered by the North Dakota Housing Finance Agency. Here on the fringe of the oil impact area, we are experiencing a marked increase in the demand for permanent workforce housing. As housing supplies have tightened and rental rates have risen in Dickinson, a flood of workers have sought living space in Hettinger County, and particularly in the city of New England. Especially affected have been the women's correctional facility and the local manufacturing plant. Many of those workers simply can't afford rents in the $2000 to $3000 range, and have been forced to seek alternatives. A few have even been forced to seek other employment, or have left the area!

The tax credits used to capitalize the HIF program have been difficult to "sell" in our area, as we lack major corporations, and the accounting required discourages many smaller potential contributors. The proposed $30 million transfer from the general fund would greatly benefit rural areas such as ours which are experiencing similar circumstances.

Thank you for your consideration:

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NORTH DAKOTA housing FINANCE AGENCY

Amended

2011-12 HOUSING INCENTIVE FUND ALLOCATION PLAN

North Dakota Housing Finance Agency
2624 Vermont Avenue
PO Box 1535
Bismarck, ND 58502-1535

800/292-8621 or 701/328-8072
800/366-6888 (TTY)
www.ndhfa.org · info@ndhfa.org

Equal Housing Opportunity

Revised 11/21/2011

Housing Incentive Fund Tax Credit

Annual Allocation Plan

Introduction

The North Dakota Housing Finance Agency (the Agency) is dedicated to maximizing housing opportunities for all North Dakotans and proactively addressing the housing needs of low and moderate income households.

The North Dakota Sixty-second Legislative Assembly authorized the creation of a Housing Incentive Fund (HIF) under chapter 54-17 of the North Dakota Century Code (NDCC) and named the Agency as its administering Agency. Chapter 57-38 and Section 57-35.3-05 of NDCC were amended to allow for a credit against state income and financial institution taxes equal to the contribution to the HIF. The 2011 special legislative session amended the NDCC to allow a taxpayer to claim a credit equal to the amount contributed into the fund in the year of the contribution. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the excess may be carried forward to each of the 10 succeeding taxable years. Contributions into the HIF are held at the Bank of North Dakota (BND). Eligible contributors into the HIF include any taxpayer with a North Dakota state income or financial institution tax liability. The aggregate amount of tax credits allowed to all eligible contributors was increased to $15,000,000 for the biennium during the 2011 special legislative session.

Within thirty days after the date on which a taxpayer makes a contribution to the HIF, the Agency will issue a Tax Credit Certificate (Certificate) to the taxpayer and a copy to the State Tax Commissioner. Information contained on the Certificate will include the name, address and social security number or federal taxpayer identification number of the taxpayer that made the contribution; the dollar amount of the contribution; and the date the payment was received by the HIF.

Contributions into the HIF may be made on a project-specific basis or on a general pool basis to be used to fund projects statewide. Once a contribution is made and a Certificate issued to the taxpayer and State Tax Commissioner, the contribution is irrevocable. Contributors wishing to make project-specific contributions are advised that if the project ultimately is not completed, that their contribution will be allocated to another project in the state in the sole discretion of the Agency.

A partnership, subchapter S corporation, limited partnership, limited liability company, or any other passthrough entity making a contribution to the HIF is considered to be the taxpayer and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity. Potential investors are advised to consult with their tax counsel and/or accountant prior to making a contribution to the HIF.

The Agency is responsible for developing guidelines for use of the HIF. These guidelines were developed with input from our partners and stakeholders and finalized through a public hearing process and are hereafter referred to as the "Annual Allocation Plan" (the Plan).

Definitions

Cost of construction is defined as total costs to include site acquisition and site improvements; hard construction costs; associated normal soft costs including financing costs and acceptable profit margins. Recognizable total costs will be capped at $160,000 per unit for new construction and $100,000 for substantial rehabilitation for purposes of determining gap assistance from the HIF. The Agency in its sole discretion, may waive these cost caps due to, for example, size of units, high construction cost area, etc. Profit margins for combined builder profit, builder overhead and general requirements cannot exceed 12% of the hard construction costs. A developer fee cannot exceed 12% of the hard construction costs.

Difficult to develop areas are defined as those developing communities with a population of not more than 10,000 individuals and can demonstrate an unmet housing need or housing shortage.

Eligible applicants are defined as units of local, state, and tribal government; local and tribal housing authorities; community action agencies; regional planning councils; and nonprofit organizations and for-profit developers. Individuals are not eligible to receive direct assistance from the HIF.

Eligible contributors are defined as individuals; corporations; financial institutions; and any business with a potential for a North Dakota state income or financial institution tax liability.

Eligible projects are defined to be a) new construction of multifamily housing rental units, b) substantial rehabilitation of existing uninhabitable multifamily buildings; c) substantial rehabilitation of existing uninhabitable units when a minimum of 50 percent of the units in the building are uninhabitable due to flooding or other natural disaster or d) adaptive reuse of existing non-residential buildings that create additional housing units. Rehabilitation expenditures must meet a minimum level of $40,000 in hard construction costs to be eligible.

Extremely Low Income is defined as households with incomes of not more than 30 percent of area median income (AMI).

HIF Assisted Unit is defined as a housing unit that benefits from financial assistance from the HIF. The number of HIF assisted units in a project will be calculated in proportion to the amount of HIF assistance in relation to the cost of construction. For example, if a 10 unit project has a total cost of $1,000,000 and receives $200,000 in HIF assistance, then 20 percent of the units, or 2 units, are considered to be HIF assisted.

Low Income is defined as households with incomes of not more than 80% of AMI.

Moderate Income is defined as households with incomes of not more than 140% of AMI.

Multifamily is defined as any facility that has four or more residential rental units and at least twenty percent of the units restricted for occupancy by persons or families of low and moderate income.

Net Allocation is defined as the gross amount of allocation contained in the conditional commitment less the amount of administration fee listed in the conditional commitment.

Rent Restricted is defined as rent, including utilities, that does not exceed 30 percent of the qualifying median income (not 30 percent of the particular family's income, but 30 percent of 30 percent, 50 percent, 80 percent or 140% of median, as applicable) and is calculated based on an assumed 1.5 persons per bedroom (single person in an efficiency).

Very Low Income is defined as households with incomes of not more than 50 percent of AMI.

Available Funds

A maximum of $15,000,000 in tax credits will be available in the two taxable years beginning after December 31, 2010. All contributions to the HIF must be received by December 31, 2012. A minimum of twenty-five percent of the contributions into the HIF must be used to assist difficult to develop areas. At least fifty percent of the contributions into the HIF must be used to benefit very low income households.

General Provisions

Eligible uses of assistance from the HIF are limited to:

1) New construction, rehabilitation or acquisition of a multifamily housing project;
2) Gap assistance, matching funds or accessibility improvements;
3) Assistance that does not exceed the amount necessary to qualify for a loan using underwriting standards acceptable for secondary financing or to make the project feasible; or
4) Rental assistance, emergency assistance, or targeted supportive services designated to prevent homelessness.

Generally, Net Allocations from the HIF for a single eligible project (comprised of one or more buildings) and that receives no other equity under the 9 percent federal Low Income Housing Tax Credit program (4 percent federal Low Income Housing Tax Credit projects would be eligible) or the federal Historic Preservation Tax Credit program will be limited to the lesser of a) the equity required to secure project financing and make the project feasible; or b) $1,000,000. Projects with a minimum of 10% of the total units both income and rent restricted for households at or below 30 percent of AMI are eligible to be considered for a boost in credits up to the lesser of $1,500,000 or 40% of cost of construction. Projects designed to serve populations requiring permanent supportive services are also eligible for this boost.

If the project is benefiting from either the 9 percent federal Low Income Housing Tax Credit or the federal Historic Preservation Tax Credit programs then the maximum award from HIF will be the lesser of a) the equity required to secure project financing and make the project feasible or b1) $200,000; b2) $300,000 if the project is located in a difficult to develop area with a demonstrable appraisal gap; or b3) $400,000 if the project is designed to serve populations requiring permanent supportive services. In any of these three scenarios, the maximum assistance from the HIF will be limited to not more than 30 percent of the cost of construction.

Priority will be given to projects that can demonstrate a reasonable ability to utilize HIF contributions within the required timeframe. Applicants are encouraged to make preliminary contacts with potential contributors prior to making an application for the HIF.

Mandatory Set-Asides

Under the HIF, a minimum of 25 percent of the contributions must be used to assist developing communities with a population of not more than 10,000 individuals to address an unmet housing need or alleviate a housing shortage. A minimum of 50 percent of the contributions must be used to benefit households with incomes at not more than 50 percent of the area median income. These mandatory

set-asides will be applied in each funding round. If insufficient applications are received in any given funding cycle to fill these mandatory set-asides, funding will cease and applicants will be advised to re-submit in a future round.

Ninety percent (90%) of the fund ($13,500,000) is set-aside for new construction or substantial rehabilitation projects located in a federally declared disaster area with individual assistance or in any of the 17 oil and gas impacted counties. Eligible areas within the disaster designation include Barnes, Benson, Burleigh, McHenry, Morton, Ramsey, Renville, Richland, and Ward counties and the Spirit Lake Reservation. Eligible counties considered and herein referred to as Energy Impacted Areas include Divide, Burke, Williams, Mountrail, McKenzie, Golden Valley, Billings, Dunn, Stark, Slope, Hettinger, Bowman, Adams, Renville, Bottineau, Ward or McLean (herein, Impacted Area). Applications received will be separated into two categories: a) Impacted Area; and b) general pool. The Agency will use best efforts to meet this set-aside requirement in each quarterly funding round. If it appears that an insufficient number of projects are being proposed in Impacted Areas, unused Impacted Area credits will shift to the general pool following the June 30, 2012 funding round. Mandatory set-asides and minimum threshold points of 130 points (See Scoring Criteria.) will be maintained in both categories.

Application Process

Applicants must apply (using Agency forms) to receive a conditional commitment of state tax credits under the HIF program. Applications will be solicited and evaluated for possible funding on a quarterly basis. The complete application, including a $500 processing fee, must be received by 5:00 PM (Central Time) on the closing date to be eligible for consideration in the funding round. If the proposed project ultimately receives a disbursement from the HIF, the processing fee will be reimbursed. The application rounds will be as follows or until the $15,000,000 maximum has been obligated:

		Maximum Amount of Credits Available
Round 1:	September 30, 2011	Up to $2,000,000 providing both mandatory set-asides are met
Round 2:	December 31, 2011	Balance of available credits
Round 3:	March 31, 2012	
Round 4:	June 30, 2012	
Round 5:	September 30, 2012	
Round 6:	December 31, 2012	

Administrative Fees

The Agency is allowed to charge a reasonable fee for administration of the HIF and has set this fee at 10% of the allocation. The fee will be assessed at the point of the initial draw from the HIF. If a project is determined to need $200,000 for financial feasibility, contributions of $220,000 will be required to be made into the HIF.

Evaluation Process

Proposals received by the due date will be reviewed and ranked within an approximate 30 day timeframe. Successful proposals will be issued a 60 day conditional commitment of financial

assistance from the HIF. Applicants will be required to reach certain benchmarks during this timeframe such as obtaining commitments for contributions into the HIF, construction and permanent loan commitments and other items identified in the Agency's conditional commitment letter. A 60 day extension of the conditional commitment period may be granted, at the sole discretion of the Agency, if it appears that the applicant has reached all other benchmarks and is making progress in soliciting contributions into the HIF. Upon satisfactory review of these items, a financial award will be issued. The financial award will terminate 180 days from the date of the initial conditional commitment, if sufficient contributions are not made into the HIF for the project, so that the Agency is able to re-obligate the contributions within the biennium.

In the event of a tie between two or more projects when insufficient contributions remain to fund each one, the first tie breaker will be for the project(s) that fall into one of the mandatory set-asides; the second tie-breaker will be the percentage of total units in the project that are income and rent-restricted for extremely low, very low, and low income households.

Ineligible Projects

Projects under construction or in the pipeline that have existing commitments of funding from the Agency or other similar funding sources are generally not eligible for consideration unless the applicant can adequately demonstrate a change in circumstances such that funding from HIF is now needed.

Threshold Requirements

When an application is received, it shall first be reviewed for eligibility to be scored and ranked. In order to be eligible for scoring and ranking, the application must be complete and include the following information, unless waived by the Agency for good cause:

A. **Demonstrated Site Control:** Evidence that the Applicant has, and will maintain from the start of the application review process until the land is acquired, direct site control. This will also include a sketch plan of the site as the site would look when developed.

B. **Zoning Availability:** Evidence that the appropriate zoning will be available must be provided (i.e. a letter from a city official stating that appropriate zoning is in place or forthcoming.)

C. **Financial Projections:** A 15-year pro forma financial projection for the property shall accompany the application using the income, expenses, and debt service as represented in the application. The rental income should reflect the vacancy rate as stated in the application.

   The reasonableness of development and operating costs in relation to other similar developments will be assessed in evaluating the financial feasibility of applications.

D. **Capital Needs Assessment:** A Capital Needs Assessment (CNA) must be submitted with an application package involving rehabilitation. The CNA must be completed by a competent, independent third party acceptable to the Agency, such as a licensed architect or engineer. The assessment will include a site visit and a physical inspection of the interior and exterior of all units and structures. The assessment will consider the presence of environmental hazards such as asbestos, lead paint and mold on the site. The assessment will include an opinion as to the proposed budget for recommended improvements and should identify critical building systems or components that have reached or exceeded their expected useful lives. If the

remaining useful life of any component is less than 50 percent of the expected useful life, immediate rehabilitation will be required unless capitalized.

E. **Ability:** The Applicant must demonstrate that all members of the development team have the ability and financial capacity, in their respective roles, to undertake, comply, maintain and manage the property. Misrepresentation of any information about the experience or financial capacity of any property team member will be grounds for denial.

F. **Appraisal:** An application package involving acquisition costs, which exceed 15 percent of the total property costs, must include an appraisal of the subject property, completed within 6 months of the date of the application by a state Certified General Real Property Appraiser, that supports the amount of acquisition

An applicant may request a waiver to allow submission of the CNA/and or appraisal at a later date if there are other funding sources in the project which would otherwise require the applicant to incur additional costs for multiple reports because of timing issues. In all cases, the CNA and appraisal will be required prior to issuance of a financial award.

Scoring Criteria

Each application meeting the threshold requirements will be reviewed and assigned points according to the following selection criteria. Applications must achieve a minimum score of 130 points to be considered for funding. Applications will be placed in one of two categories for funding purposes; 1) targeted set-aside and 2) general pool. Based on ranking, projects will be selected for a conditional commitment. Once a property is selected, the Agency will determine the amount of HIF to be awarded, which may not equal the amount requested in the application.

A. Serves Extremely Low Income Households — 10 points

10 points will be awarded to properties with a minimum of 10 percent of all units both income and rent restricted for households at or below 30% of area median income. Elections made in this category will be incorporated into the Land Use Restrictive Agreement and will be binding, at a minimum, for the term of the HIF loan.

B. Serves Very Low Income Households — 25 points

25 points will be awarded to properties with all HIF assisted units both income and rent restricted for households at or below 50% of area median income. Elections made in this category will be incorporated into the Land Use Restrictive Agreement and will be binding, at a minimum, for the term of the HIF loan.

C. Addresses Housing Needs of Individuals of Moderate Income — 5-25 points

A minimum of 20 percent of the total units in each multifamily project must be held for households of low and moderate income defined as 140% or less of area median income. Projects with 100 percent of the units both income and rent restricted for occupancy at this level will receive 25 points. Projects with at least 75 percent of the units serving low and moderate income households will receive 15 points. Projects with at least 50 percent of the total units restricted at this level will receive 5 points. A maximum of 25 points will be awarded in this category.

D. Addresses Housing Shortage in Developing Community with populations of 10,000 or less **25 points**

25 points will be awarded to projects located in communities under 10,000 population and that can demonstrate an unmet housing need or shortage. An unmet housing need or shortage can be substantiated by reference to a third party housing needs analysis; a locally completed housing needs survey; or by letters from local community leaders, trade organizations or major employers supporting the need for additional housing units.

E. Need for Public Funds **Range of 0-30 points**

The applicant must be able to demonstrate, as part of the application package, that the project would not be feasible without financial assistance from the HIF. This will be evaluated in terms of the gap between cost of construction and amount of debt the project can reasonably obtain and support. Applicant must have provided information outlining both the short and long term financial feasibility of the project based on the maximums as set forth in the General Provisions section. A 15 year financial pro-forma must accompany the application. Project proposals will be underwritten to achieve a target debt service coverage ratio of 120%. Points will be awarded, at the sole discretion of the Agency.

F. Readiness to Proceed **Range of 0-25 points**

Applicant must have provided a timeline for completion of the project. Points awarded in this category are based on earliest achievable completion of the activity. Such things as letters of interest for both construction and permanent financing; ownership of the land; and availability of infrastructure will be considered in the award of points.

G. Generation of Private Capital Contribution **Range of 0-30 points**

Applicant must have demonstrated the ability to raise capital through private contributions. Priority will be given to those proposals that have letters of interest or commitments from contributors for all or a part of the requested funding from the HIF. Special consideration will be given to those applicants who can demonstrate commitments for contributions into the HIF in excess of the total amount requested.

H. New Construction **25 points**

Proposals for the new construction of multifamily rental housing units will be awarded 25 points in this category.

I. Rehabilitation of Existing Uninhabitable Structures **20 points**

Proposals involving the rehabilitation of existing uninhabitable structures and requiring a minimum of $40,000 per unit in hard construction costs will receive 20 points.

J. Special Needs **5-18 points**

Properties in which units are set aside and rented to persons with special needs will receive up to 12 points. These special needs include:

(1) Chronic or persistent mental illness,
(2) Drug dependency,
(3) Developmental disabilities,
(4) Physical disabilities (accessible units),
(5) Homeless, or
(6) Frail Elderly.

10 percent of the total units..... 5 points
15 percent of the total units..... 10 points
More than 15 percent of the total units..... 15 points

To earn points in the Special Needs category serving residents with mental illness, drug dependency, developmental disabilities, who are homeless, or are frail elderly, a property must provide documentation that it meets the following requirements:

(1) A need for the special type of housing based on market demand, the applicable *Consolidated Plan*, and the findings of the local social service agency;
(2) Third-party verification of the services appropriate to the targeted population; and
(3) A commitment from a service agency to provide on-going services consistent with the needs of the targeted population.

To earn points in the Special Needs category serving residents with physical disabilities, a property must provide documentation that it meets the following requirements:

(1) A need for the special type of housing based on market demand, the applicable *Consolidated Plan*, and the findings of the local social service agency;
(2) Evidence that the unit/building configurations meet the specific needs of the targeted population; and
(3) Certification from an architect or Applicant that the accessible units and common areas meet or exceed Federal Fair Housing Accessibility Guidelines.

Applicants who receive points under this category will receive 1 additional point for each physically accessible unit that is a two-bedroom unit or larger, up to a maximum of 3 points. As an example, an applicant who designates more than 15 percent of the total units to serve a special needs category, 3 of which are two-bedroom or larger and meet the definition of physically accessible will receive a total of 18 points.

K. Addresses Flood-Related Housing Needs in Ward County **25 points**

In order to address the flood-related need for affordable housing in Ward County, 25 points will be added to the total score achieved in scoring categories A through J for projects located in Ward County until a total of three projects are issued conditional commitments of financial assistance from the fund. If a tie results such that more than three projects would be funded, the first tie breaker will be for the project(s) that meets the mandatory set-aside for serving

households at or below 50 percent of AMI; the second tie-breaker will be the percentage of total units in the project that are income and rent-restricted for extremely low, very low, and low income households. After three projects are funded in Ward County, the 25 points will no longer be applied and subsequent Ward County projects will compete with other impacted-area projects.

Use of Funds

Draws against a financial award can be made on a reimbursement basis commensurate with other funding sources such as construction financing. A mortgage with recapture provisions and deed restriction must be in place prior to release of any HIF funds.

Repayment or Recapture of Funds

All HIF contributions will be structured as a loan with repayment terms determined on a project specific basis as necessary to achieve project feasibility. Income targeting and rent restriction requirements will remain on the project for the term of the loan and will be enforced through a deed restriction on the land. A recapture of the HIF funds from the borrower will occur at any time during the term of the loan if the borrower fails to abide by the representations made in the application. In the event of a prepayment of the loan, the deed restriction will ensure the income and rent restrictions remain in place for the remainder of the term of the initial loan.

Modification to the Allocation Plan

The Executive Director may make minor modifications deemed necessary to facilitate the administration of the HIF or to address unforeseen circumstances. Further, the Executive Director is authorized to waive any conditions on a case by case basis for good cause shown. As a matter of practice, the Agency will document any waivers from the established priorities and selection criteria of the Plan and will make this documentation available to the public, upon request.

North Dakota Housing Incentive Fund Program
Maximum Income and Rent Limits at 30% of Median Income
Limits as of: 12/11/2012

	Maximum Income Limits								Maximum Rent Limits				
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person	0 BR	1 BR	2 BR	3 BR	4 BR
Adams	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
Barnes	13,620	15,570	17,520	19,440	21,000	22,560	24,120	25,680	340	364	438	505	564
Benson	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
Billings	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
Bottineau	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
Bowman	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
Burke	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
Burleigh	15,840	18,090	20,340	22,590	24,420	26,220	28,020	29,820	396	424	508	587	655
Cass	15,510	17,730	19,950	22,140	23,940	25,710	27,480	29,250	387	415	498	576	642
Cavalier	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
Dickey	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
Divide	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
Dunn	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
Eddy	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
Emmons	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
Foster	13,620	15,570	17,520	19,440	21,000	22,560	24,120	25,680	340	364	438	505	564
Golden Valley	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
Grand Forks	14,220	16,260	18,300	20,310	21,960	23,580	25,200	26,820	355	381	457	528	589
Grant	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
Griggs	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
Hettinger	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
Kidder	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
LaMoure	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
Logan	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
McHenry	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
McIntosh	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
McKenzie	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
McLean	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
Mercer	15,540	17,760	19,980	22,200	24,000	25,770	27,540	29,310	388	416	499	577	644
Morton	15,840	18,090	20,340	22,590	24,420	26,220	28,020	29,820	396	424	508	587	655
Mountrail	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
Nelson	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
Oliver	15,540	17,760	19,980	22,200	24,000	25,770	27,540	29,310	388	416	499	577	644
Pembina	13,800	15,780	17,760	19,710	21,300	22,890	24,450	26,040	345	369	444	512	572
Pierce	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
Ramsey	13,620	15,570	17,520	19,440	21,000	22,560	24,120	25,680	340	364	438	505	564
Ransom	13,620	15,570	17,520	19,440	21,000	22,560	24,120	25,680	340	364	438	505	564
Renville	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
Richland	14,430	16,500	18,570	20,610	22,260	23,910	25,560	27,210	360	386	464	535	597
Rolette	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
Sargent	13,620	15,570	17,520	19,440	21,000	22,560	24,120	25,680	340	364	438	505	564
Sheridan	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
Sioux	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
Slope	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
Stark	13,980	15,960	17,970	19,950	21,570	23,160	24,750	26,340	349	374	449	519	579
Steele	13,620	15,570	17,520	19,440	21,000	22,560	24,120	25,680	340	364	438	505	564
Stutsman	13,620	15,570	17,520	19,440	21,000	22,560	24,120	25,680	340	364	438	505	564
Towner	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
Traill	13,620	15,570	17,520	19,440	21,000	22,560	24,120	25,680	340	364	438	505	564
Walsh	13,620	15,570	17,520	19,440	21,000	22,560	24,120	25,680	340	364	438	505	564
Ward	13,620	15,570	17,520	19,440	21,000	22,560	24,120	25,680	340	364	438	505	564
Wells	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561
Williams	13,560	15,480	17,430	19,350	20,910	22,470	24,000	25,560	339	363	435	503	561

ny utilities are paid directly by the tenant, the maximum rent must be reduced by the applicable utility allowance amount.

North Dakota Housing Incentive Fund Program
Maximum Income and Rent Limits at 50% of Median Income
Limits as of: 12/11/2012

	Maximum Income Limits								Maximum Rent Limits				
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person	0 BR	1 BR	2 BR	3 BR	4 BR
Adams	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
Barnes	22,700	25,950	29,200	32,400	35,000	37,600	40,200	42,800	567	608	730	842	940
Benson	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
Billings	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
Bottineau	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
Bowman	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
Burke	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
Burleigh	26,400	30,150	33,900	37,650	40,700	43,700	46,700	49,700	660	706	847	979	1,092
Cass	25,850	29,550	33,250	36,900	39,900	42,850	45,800	48,750	646	692	831	960	1,071
Cavalier	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
Dickey	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
Divide	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
Dunn	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
Eddy	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
Emmons	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
Foster	22,700	25,950	29,200	32,400	35,000	37,600	40,200	42,800	567	608	730	842	940
Golden Valley	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
Grand Forks	23,700	27,100	30,500	33,850	36,600	39,300	42,000	44,700	592	635	762	880	982
Grant	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
Griggs	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
Hettinger	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
Kidder	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
LaMoure	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
Logan	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
McHenry	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
McIntosh	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
McKenzie	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
McLean	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
Mercer	25,900	29,600	33,300	37,000	40,000	42,950	45,900	48,850	647	693	832	962	1,073
Morton	26,400	30,150	33,900	37,650	40,700	43,700	46,700	49,700	660	706	847	979	1,092
Mountrail	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
Nelson	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
Oliver	25,900	29,600	33,300	37,000	40,000	42,950	45,900	48,850	647	693	832	962	1,073
Pembina	23,000	26,300	29,600	32,850	35,500	38,150	40,750	43,400	575	616	740	854	953
Pierce	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
Ramsey	22,700	25,950	29,200	32,400	35,000	37,600	40,200	42,800	567	608	730	842	940
Ransom	22,700	25,950	29,200	32,400	35,000	37,600	40,200	42,800	567	608	730	842	940
Renville	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
Richland	24,050	27,500	30,950	34,350	37,100	39,850	42,600	45,350	601	644	773	893	996
Rolette	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
Sargent	22,700	25,950	29,200	32,400	35,000	37,600	40,200	42,800	567	608	730	842	940
Sheridan	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
Sioux	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
Slope	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
Stark	23,300	26,600	29,950	33,250	35,950	38,600	41,250	43,900	582	623	748	865	965
Steele	22,700	25,950	29,200	32,400	35,000	37,600	40,200	42,800	567	608	730	842	940
Stutsman	22,700	25,950	29,200	32,400	35,000	37,600	40,200	42,800	567	608	730	842	940
Towner	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
Traill	22,700	25,950	29,200	32,400	35,000	37,600	40,200	42,800	567	608	730	842	940
Walsh	22,700	25,950	29,200	32,400	35,000	37,600	40,200	42,800	567	608	730	842	940
Ward	22,700	25,950	29,200	32,400	35,000	37,600	40,200	42,800	567	608	730	842	940
Wells	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936
Williams	22,600	25,800	29,050	32,250	34,850	37,450	40,000	42,600	565	605	726	838	936

If any utilities are paid directly by the tenant, the maximum rent must be reduced by the applicable utility allowance amount.

Effective 12/11/2012

Printed 12/18/2012

North Dakota Housing Incentive Fund Program
Maximum Income and Rent Limits at 140% of Median Income
Limits as of: 12/11/2012

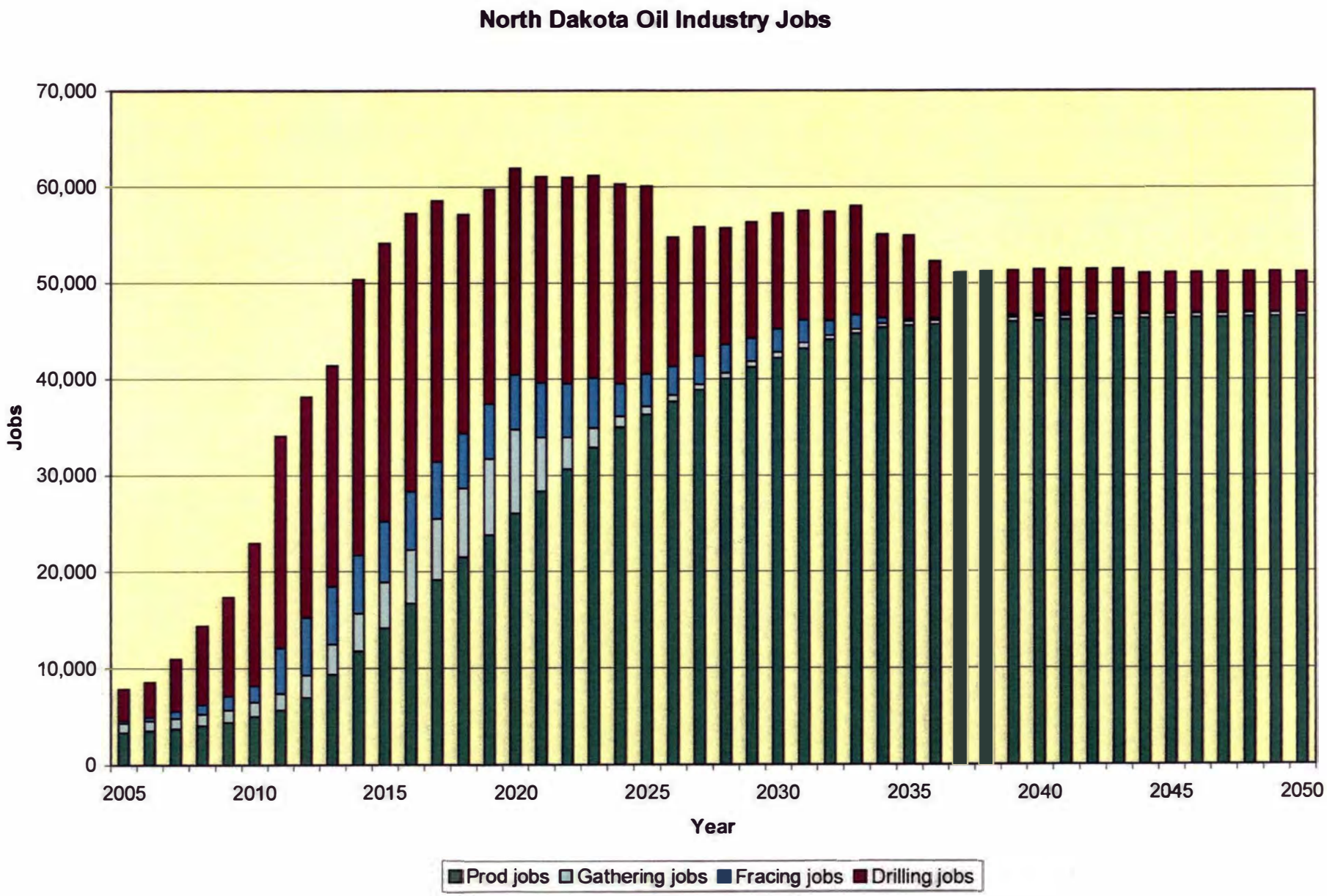
	Maximum Income Limits								Maximum Rent Limits				
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person	0 BR	1 BR	2 BR	3 BR	4 BR
Adams	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
Barnes	63,560	72,660	81,760	90,720	98,000	105,280	112,560	119,840	1,589	1,702	2,044	2,359	2,632
Benson	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
Billings	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
Bottineau	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
Bowman	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
Burke	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
Burleigh	73,920	84,420	94,920	105,420	113,960	122,360	130,760	139,160	1,848	1,979	2,373	2,742	3,059
Cass	72,380	82,740	93,100	103,320	111,720	119,980	128,240	136,500	1,809	1,939	2,327	2,688	2,999
Cavalier	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
Dickey	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
Divide	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
Dunn	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
Eddy	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
Emmons	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
Foster	63,560	72,660	81,760	90,720	98,000	105,280	112,560	119,840	1,589	1,702	2,044	2,359	2,632
Golden Valley	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
Grand Forks	66,360	75,880	85,400	94,780	102,480	110,040	117,600	125,160	1,659	1,778	2,135	2,465	2,751
Grant	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
Griggs	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
Hettinger	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
Kidder	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
LaMoure	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
Logan	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
McHenry	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
McIntosh	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
McKenzie	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
McLean	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
Mercer	72,520	82,880	93,240	103,600	112,000	120,260	128,520	136,780	1,813	1,942	2,331	2,695	3,006
Morton	73,920	84,420	94,920	105,420	113,960	122,360	130,760	139,160	1,848	1,979	2,373	2,742	3,059
Mountrail	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
Nelson	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
Oliver	72,520	82,880	93,240	103,600	112,000	120,260	128,520	136,780	1,813	1,942	2,331	2,695	3,006
Pembina	64,400	73,640	82,880	91,980	99,400	106,820	114,100	121,520	1,610	1,725	2,072	2,392	2,670
Pierce	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
Ramsey	63,560	72,660	81,760	90,720	98,000	105,280	112,560	119,840	1,589	1,702	2,044	2,359	2,632
Ransom	63,560	72,660	81,760	90,720	98,000	105,280	112,560	119,840	1,589	1,702	2,044	2,359	2,632
Renville	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
Richland	67,340	77,000	86,660	96,180	103,880	111,580	119,280	126,980	1,683	1,804	2,166	2,500	2,789
Rolette	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
Sargent	63,560	72,660	81,760	90,720	98,000	105,280	112,560	119,840	1,589	1,702	2,044	2,359	2,632
Sheridan	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
Sioux	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
Slope	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
Stark	65,240	74,480	83,860	93,100	100,660	108,080	115,500	122,920	1,631	1,746	2,096	2,422	2,702
Steele	63,560	72,660	81,760	90,720	98,000	105,280	112,560	119,840	1,589	1,702	2,044	2,359	2,632
Stutsman	63,560	72,660	81,760	90,720	98,000	105,280	112,560	119,840	1,589	1,702	2,044	2,359	2,632
Towner	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
Traill	63,560	72,660	81,760	90,720	98,000	105,280	112,560	119,840	1,589	1,702	2,044	2,359	2,632
Walsh	63,560	72,660	81,760	90,720	98,000	105,280	112,560	119,840	1,589	1,702	2,044	2,359	2,632
Ward	63,560	72,660	81,760	90,720	98,000	105,280	112,560	119,840	1,589	1,702	2,044	2,359	2,632
Wells	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621
Williams	63,280	72,240	81,340	90,300	97,580	104,860	112,000	119,280	1,582	1,694	2,033	2,348	2,621

ny utilities are paid directly by the tenant, the maximum rent must be reduced by the applicable utility allowance amount.

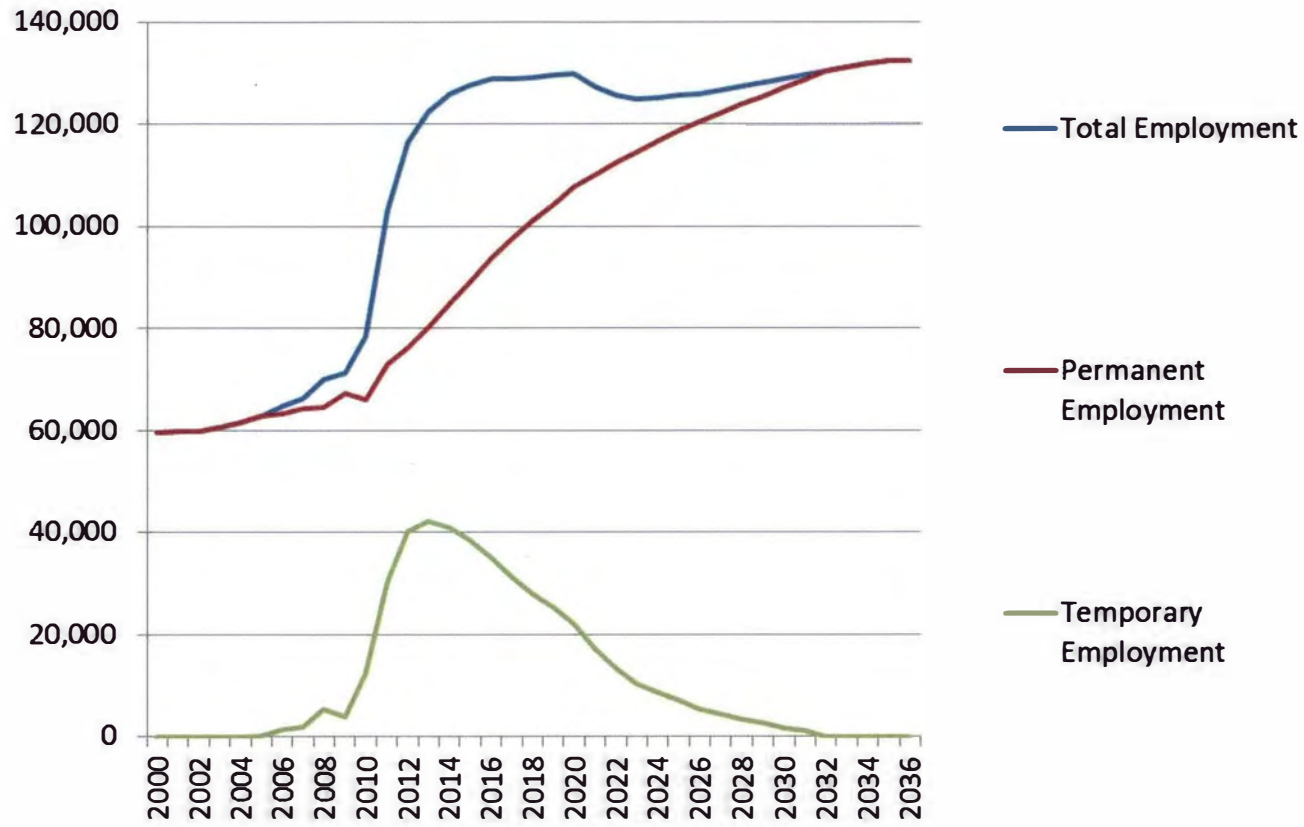
fective 12/11/2012

Printed 12/18/2012

Expected Case



Employment Projections for Oil-Impacted Counties in North Dakota: 2000 to 2036



Source: North Dakota State University, Department of Agribusiness and Applied Economics

11

North Dakota Department of Mineral Resources
Oil & Gas Division

District Field Office Housing Survey (Completed March 1, 2013)

Dickinson	2006	2012	Current	Comments
Housing Cost	$75,000	$150,000	$150,000	
New Construction	$170,000	$177,000	$222,000	
Apartment Rental	$600 per mo.	$3,000 per mo.	$2,400 per mo.	
Hotel Rates	$69 per night	$189 per night	$165 per night	Government rates rarely available.
Anecdotal Notes: Hired an engineer in 2006, moved into apartment complex built in 1980 with rent at $690 per month. Rent currently jumped to $1,325 per month with any new renters moving in paying $2,450 per month in the same complex. Two more employees hired in 2011, rent so high they had to purchase condos or home.				
Williston	**2006**	**2012**	**Current**	**Comments**
Housing Cost	$78,000	$155,000	$170,000	
New Construction	$150,000	$256,000	$290,000	
Apartment Rental (old\existing)	$450	$1,100	$1,500	
Apartment Rental (new)	$600	$2,450	$3,000	
Hotel Rates	$65 per night	$165 per night	$132 per night	Government rates rarely available.
Minot	**2006**	**2012**	**Current**	**Comments**
Housing Cost	$127,000	$176,000	$185,000	
New Construction	$149,860	$207,680	$218,300	
Apartment Rental	$670	$965	$1,250	
Hotel Rates	$70 per night	$118 per night	$107 per night	Government rates rarely available.
Anecdotal Notes: One employee pays $400 per month for a bedroom with no kitchen, shared living quarters and bathrooms. Department of Defense housing allowances for a married Second Lieutenant in Minot increased 145% from $708 per month in 2007 to $1,737 per month in 2012.				

HIF Project Awards

Project Name	Location	Applicant / Developer	Project Type	Construction Type	Total Units	Total Development Cost	HIF Funds Requested	HIF Funds Committed
September 30, 2011 Application Round:								
Divide County Economic Development Council 12 Plex	Crosby	DCEDC	Family	New	12	$1,200,000	$300,000	$240,000
Mainstreet Artspace Lofts	Minot	Minot Artspace Lofts LP	Family and Disabled	New	32	$7,480,422	$200,000	$200,000
				Totals for September 30, 2011 Funding Round:	44	$8,680,422	$500,000	$440,000
December 31, 2011 Application Round:								
Plum Tree Point	Beach	LSS Housing Beach LLC	Family	New	12	$1,321,250	$268,000	$268,000
Belfield Apts	Belfield	LSS Housing Belfield LLC	Family	New	12	$1,551,650	$225,000	$225,000
Cherrywood Village	Grand Forks	Valley Homes and Services	Senior	New	30	$4,753,682	$454,545	$454,545
Kenmare CDC Housing 12 plex	Kenmare	Kenmare Development Corp	Family	New	12	$1,350,000	$240,000	$240,000
Kenmare Gooseneck Equipment 12 plex	Kenmare	Moure Equipment LLP	Family	New	12	$1,350,000	$240,000	$240,000
Legacy at Central Place	Williston	LSS Housing Williston LLC	Senior	Adaptive Reuse	44	$8,453,707	$200,000	$200,000
WSC Foundation Housing-College and City	Williston	WSC Foundation	Workforce / Family	New	74	$10,000,000	$1,000,000	$1,000,000
				Totals for December 31, 2011 Funding Round:	196	$28,780,289	$2,627,545	$2,627,545
March 31, 2012 Application Round:								
Ray CDC Housing 12-plex Phase I	Ray	SW Design Build	Family	New	12	$1,500,000	$350,000	$350,000
Ray CDC Housing 12-plex Phase II	Ray	SW Design Build	Family	New	12	$1,500,000	$350,000	$350,000
Patterson Heights	Dickinson	Beyond Shelter, Inc.	Family	New	24	$3,440,008	$1,376,003	$1,376,003
161 S. Main	Dickinson	AK Investments LLP	Family	Adaptive Reuse	10	$1,369,507	$410,852	$410,852
Prairie Heights Phase I	Watford City	LSS Housing Watford City LLC	Workforce / Family	New	58	$8,277,730	$1,000,000	$1,000,000
Prairie Heights Phase II	Watford City	LSS Housing Watford City LLC	Workforce / Family	New	66	$8,878,413	$1,000,000	$1,000,000
The Landing	Bowman	LSS Housing Bowman LLC	Disabled / Family	New	24	$3,120,880	$936,264	$936,264
Minot Townhomes	Minot	MetroPlains LLC	Family	New	30	$6,525,150	$400,000	$200,000
				Totals for March 31, 2012 Funding Round:	236	$34,611,688	$5,823,119	$5,623,119
June 30, 2012 Application Round:								
Oakwood Court	Minot	Minot Housing Authority	Disabled	Rehabilitation	7	$389,000	$155,600	$155,600
KMM Affordable Housing	Killdeer	Prairie Gold Real Estate, LLC	Family	New	24	$3,300,000	$1,000,000	$1,000,000
Belfield Law Enforcement Housing	Belfield	HA for City of Belfield	Workforce / Family	New	4	$744,484	$96,000	$96,000
Crosby St. Luke's Hospital and Foundation 24-Plex	Crosby	Crosby St Luke Community Hospital and Foundation	Family	New	24	$3,600,000	$1,000,000	$1,000,000
Agassiz Circle Phase 2	Devils Lake	Agassiz Properies LLLP	Family	New	10	$1,434,283	$333,333	$333,333
Williston Heights	Williston	Dakota Commercial	Family	New	66	$10,959,000	$1,000,000	$1,000,000
				Totals for June 30, 2012 Funding Round:	135	$20,426,767	$3,584,933	$3,584,933
August 31, 2012 Application Round:								
Bel Tower Apartments	Kulm	Bruce and Emery Lindgren	Family	Adaptive Reuse	6	$501,875	$112,500	$112,500
The Highlands of Parshall	Parshall	Highlands of Parshall LLC	Family	New	45	$5,451,000	$400,000	$400,000
Great Plains Apartments	Mandan	Yegen Development Corporation	Family	Adaptive Reuse	62	$6,527,901	$1,500,000	$1,250,859
				Totals for August 31, 2012 Funding Round:	113	$12,480,776	$2,012,500	$1,763,359
				Totals for All Funding Rounds:	724	$104,979,942	$14,548,097	$14,038,956

#1

Page 2, line 16, after "income" insert a period

Page 2, line 16, replace "as defined by the most recently published" with "For purposes of this section, eligible income limits are determined as a percentage of median family income as published in the most recent federal register notice. The annual allocation plan must give priority to projects that benefit households with the lowest income and to projects that have rent restrictions at or below published federal fair market rent limits. At least twenty-five percent of the fund may be set-aside by the housing finance agency in the annual allocation plan to benefit essential service workers. "Essential service workers" is defined as individuals employed by:

a. A municipality or county;
b. A school district;
c. A medical or long term care facility;
d. The state of North Dakota; or
e. Others as determined in the annual allocation plan to fulfill an essential public service"

Page 2, line 17, remove "federal fair market rent volume"

Renumber accordingly

#1

Cook, Dwight C.

From: Jolene Kline <jkline@ndhfa.org>
Sent: Wednesday, April 24, 2013 1:45 PM
To: Cook, Dwight C.
Cc: Anderson, Mike A.
Subject: RE: Survey of Government Owned Housing for Essential Workers

Good Afternoon Senator Cook,

First of all, I wanted to provide you with updated numbers from the surveys that have come in lately. We are now at 196 units that are currently owned by schools and other political jurisdictions and that another 115 units will be needed soon. Under the Law Enforcement Pilot Program (LEPP) funded with the state's portion of the mortgage servicer settlement fund, we utilized $2.9 million dollars to create 34 units of housing for law enforcement officers. After discussions with the State Highway Patrol office staff as well as other local sheriffs and police chiefs, we determined that we needed to provide enough subsidy on a per unit basis to bring the rents down to the $725 range for a one bedroom unit and $875 for a two bedroom unit (inclusive of all utilities). This required, on average, a LEPP subsidy of just under $85,295 per unit with the range from $64,000 to $104,000 per unit depending on cost of construction.

If we were to use a similar approach, it would take about $16.7 million (195 units X $85,295) of HIF $$ to replace the existing 195 units and another $9.8million to address the anticipated need for 115 additional units. Just addressing the essential government worker scenario could absorb almost all of a $30 million fund and that would leave little for long term care/medical facility workers, the needs of the elderly and households with special needs as well as the general population of lower paid workers.

During this morning's committee hearing on SB 2014, Senator Carlisle brought up the possibility of increasing the fund back to $50m. There was also a discussion about $3m coming out to fund child care initiatives and another $2m to fund homeless initiatives. Later, we visited with Senator Grindberg about the possibility of removing HIF language from SB 2018 and bringing it back to SB 2014 and/or HB 1029. **Mike and I will be back up at the capitol this afternoon for a 3:30 hearing on SB 2018. Do you have a few minutes to visit with us either before or after this hearing to discuss options?**

Thank you.

Jolene

Jolene Kline, Director
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From: Cook, Dwight C. [mailto:dcook@nd.gov]
Sent: Tuesday, April 23, 2013 1:09 PM
To: Kline, Jolene A.
Subject: Re: Survey of Government Owned Housing for Essential Workers

Thanks. It certainly verifies what I have been hearing and shows a need for us to find a better solution.

On Apr 23, 2013, at 11:42 AM, "Jolene Kline" <jkline@ndhfa.org> wrote:

Senator Cook,

Last week Thursday, you requested that we conduct a survey to determine how many housing units are currently owned by non traditional landlords; i.e. political jurisdictions or schools for the purposes of housing their workforce due to the lack of other affordable housing options. We prepared a survey and utilized our partners such as the ND League of Cities, ND Association of School Boards, EDND, ND Association of Counties, ND Association of Oil Producing Counties and other direct solicitations to disseminate the survey to their members. A deadline of Friday, April 26th was set for submitting responses.

A very preliminary response from 45 entities reveals that 172 units are currently owned by these non-traditional landlords; another 6 units are master leased such that the political jurisdiction is subsidizing the rent for the employee; and that an additional 102 units will need to be under their control in the near future to house additional employees. We anticipate those numbers to grow by the end of the week.

We cannot provide a statistic on how many surveys were actually sent out by the different organizations.

I hope this information will be helpful in your efforts to restore the HIF funding level to $50m.

Please let me know if you have questions.

Jolene

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#1

Adequate Funding for the Housing Incentive Fund will:

1. Provide funding to get schools and governmental entities out of the housing business and allow them to focus on their true mission.
2. Provide adequate affordable housing to allow them to recruit and retain needed workforce.
3. Offer affordable housing to our state's aging population (senior citizens), persons with disabilities, the homeless and the working poor.
4. Allow NDHFA to work with developers of market rate rental housing units in the pipeline to convert units to affordable housing.

- First priority will be given to housing for essential service workers (defined as individuals employed by a municipality, county, state of ND, school, or medical or long term care facility).
    - A recent survey showed 206 housing units currently owned by 33 non-traditional landlords such as schools, cities and counties. The majority of these are in Williams, Mountrail and McKenzie counties. NDHFA will focus its efforts (give priority through a scoring and ranking system in the HIF Allocation Plan) on finding traditional housing developers to purchase these units from the political jurisdictions with a deed restriction requiring long term affordable rental rates for essential government workers.
        - Anticipated HIF funding for this activity: $17,510,000

    - The survey showed a future need for an estimated 144 additional housing units for essential government workers to meet needs during the next biennium. This same survey revealed that political jurisdictions are providing rental subsidies for another 24 employees due to rental rates that are beyond the affordability of their employees. NDHFA will give priority, through a scoring and ranking system in the HIF Allocation Plan, to traditional housing developers who agree to reserve units within a housing project for essential service workers. This commitment will be enforced through a deed restriction assuring long term affordable rental rates for essential service workers.
        - Anticipated HIF funding for this activity: $14,280,000

    - This survey did not take into account the need for affordable housing for employees of long term care facilities or the lower paid medical facility employees.
        - Anticipated HIF funding for this activity: Unknown at this time

- The second priority will be given to low income individuals and families. This will be accomplished by giving preference in the HIF Allocation Plan to projects that benefit households with the lowest income and to projects that have rent restrictions at or below HIF published federal fair market rents or HUD section 8 payment standards. Data from the Statewide Housing Needs Assessment published in October 2012 shows that an estimated 3,700 new units will need to be created during each year of the next biennium and going forward to meet the housing needs of low income households in the state. Considering just one-half of this need or 1,850 units:
        - Anticipated HIF funding for this activity: $46,250,000

13.0159.05004
Title.

Prepared by the Legislative Council staff for
Senator Cook
April 29, 2013

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1029

That the Senate recede from its amendments as printed on pages 1515 and 1516 of the House Journal and page 1099 of the Senate Journal and that Engrossed House Bill No. 1029 be amended as follows:

Page 2, line 4, after "**appropriation**" insert "**- Report to budget section**"

Page 2, line 5, remove "in an amount not to exceed twenty million dollars"

Page 2, line 13, remove "A portion"

Page 2, line 13, overstrike "of the fund"

Page 2, line 13, remove "as determined by the housing"

Page 2, line 14, remove "finance agency in the annual allocation plan"

Page 2, line 14, overstrike "must be used to benefit"

Page 2, line 15, remove "individuals and families of"

Page 2, line 16, remove "low or moderate"

Page 2, line 16, overstrike "income."

Page 2, after line 17, insert:

> "The annual allocation plan must give first priority through its scoring and ranking process to housing for essential service workers. For purposes of this subsection, "essential service workers" means individuals employed by a city, county, school district, medical or long-term care facility, the state of North Dakota, or others as determined by the housing finance agency who fulfill an essential public service.
>
> The second priority in the annual allocation plan must be to provide housing for individuals and families of low or moderate income. For purposes of this second priority, eligible income limits are determined as a percentage of median family income as published in the most recent federal register notice. Under this second priority, the annual allocation plan must give preference to projects that benefit households with the lowest income and to projects that have rent restrictions at or below department of housing and urban development published federal fair market rents or department of housing and urban development section 8 payment standards.
>
> The housing finance agency shall 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. This register must also reflect those entities that are providing rent subsidies for their essential workers. The housing finance agency shall report quarterly to the budget section of the legislative management on the progress being made to reduce the overall number of units owned, master leased, or subsidized by

these entities. This report must include a listing of projects approved and number of units within those projects that provide housing for essential service workers."

Page 4, after line 25, insert:

"**SECTION 6. CONTINGENCY APPROPRIATION - BUDGET SECTION APPROVAL.** For every essential worker housing unit that the housing finance agency is able to finance and remove from the register established in section 2 of this Act, the housing finance agency may request from the emergency commission, with approval by the budget section, a transfer of $85,000 from the strategic investment and improvements fund to the housing incentive fund, up to a maximum transfer of $20,000,000 during the biennium July 1, 2013, through June 30, 2015."

Renumber accordingly