

FISCAL NOTE
Requested by Legislative Council
03/18/2015

Amendment to: SB 2257

- 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.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(30,000,000)	\$30,000,000		
Expenditures						
Appropriations						

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

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 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).*

SB 2257 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 3 of SB 2257 increases the allowable income tax credit from \$20 to \$30 million in the 2015-17 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.*

An additional \$10 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 \$10 million during the 2015-17 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Anita Hoffman

Agency: ND Housing Finance Agency

Telephone: 701-328-8076

Date Prepared: 03/18/2015

FISCAL NOTE
Requested by Legislative Council
02/24/2015

Amendment to: SB 2257

- 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.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(30,000,000)	\$30,000,000		
Expenditures						
Appropriations			\$(20,000,000)	\$20,000,000		

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

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 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).*

SB 2257 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 3 of SB 2257 increases the allowable income tax credit from \$20 to \$30 million in the 2015-17 biennium, for contributions to the housing incentive fund. Section 4 authorizes a \$20 million general fund transfer 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.*

An additional \$10 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 \$10 million during the 2015-17 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

A \$20 million general fund transfer to the housing incentive fund for the 2015-17 biennium. The provisions of this bill that increase the allowable tax credits were contained in the executive budget.

Name: Anita Hoffman

Agency: ND Housing Finance Agency

Telephone: 701-328-8076

Date Prepared: 01/21/2015

FISCAL NOTE
Requested by Legislative Council
01/19/2015

Revised
 Amendment to: SB 2257

- 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.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(30,000,000)	\$30,000,000		
Expenditures						
Appropriations						

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

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 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).*

SB 2257 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 3 of SB 2257 increases the allowable income tax credit from \$20 to \$30 million in the 2015-17 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.*

An additional \$10 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 \$10 million during the 2015-17 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Anita Hoffman

Agency: ND Housing Finance Agency

Telephone: 701-328-8076

Date Prepared: 01/21/2015

FISCAL NOTE
Requested by Legislative Council
01/19/2015

Bill/Resolution No.: SB 2257

- 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.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(10,000,000)	\$10,000,000		
Expenditures						
Appropriations						

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

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 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).*

SB 2257 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 3 of SB 2257 increases the allowable income tax credit from \$20 to \$30 million in the 2015-17 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.*

An additional \$10 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 \$10 million during the 2015-17 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 or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Anita Hoffman

Agency: ND Housing Finance Agency

Telephone: 701-328-8076

Date Prepared: 01/21/2015

SENATE FINANCE AND TAXATION

SB 2257

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB 2257
1/26/2015
Job # 22506

Subcommittee

Conference Committee

Committee Clerk Signature

David & Perez

Explanation or reason for introduction of bill/resolution:

To amend and reenact sections 54-17-40, 54-17-41, and 57-38-01.32 of the North Dakota Century Code, relating to extending the housing incentive fund program and tax credit and providing for use of the program to develop mobile home parks; to provide a continuing appropriation; to provide an effective date; and to provide an expiration date.

Minutes:

Attachments #1, 2, 3

Sen. Bekkedahl, District 1, Williams County, introduced SB 2257. The city of Williston asked me to put an amendment under the housing incentive fund program to allow for the development of mobile home parks, page 2 line 28 adds "or a mobile home park" as an eligible recipient. The rationale is that Williston could procure the property, apply to the housing incentive fund for infrastructure dollars to prepare the underground and surface improvements for that court thus keeping the rental costs down. An important factor, not listed in the bill, is that it would be made available by some type of formula (don't know if it will depend on state agencies) that first targets low income population, secondly targets the disabled and 3rdly targets those who have been forced out of their current residence. People who at some point leave and their mobile home is left in the park because they can't afford to move it), the housing incentive fund could be used as an allowable expenditure under the program, and they would not be forced out of the community. On page 3 line 24, the amount changed from \$20M to \$30M tax credits.

I received an e-mail from the Grand Forks Housing Authority. They have some questions and some amendments (see attachment #1). The answers to their questions are: 1) Yes the bill is to provide the infrastructure needed for the development of a mobile home park. 2) No, it is not to be used for the acquisition of manufactured homes to place in mobile home parks. 3) I don't know if it is to be used for the acquisition of an existing mobile home park. (3:46 -3:50)

Blake Crosby, Exec. Director of ND League of Cities, in support of this bill (Attachment #2) (5:23-7:07)

Nancy Willis, Government Affairs Director, ND Association of Realtors, our members asked us to **oppose** this bill. Although they understand the need for housing, they do not believe that the Housing Incentive Fund should be the funding mechanism. (7:34-8:00)

Senator Jessica Unruh: do you have an alternate suggestion for funding?

Nancy Willis, we didn't talk about that but I can get alternatives

Chairman Dwight Cook: Jolene, can you explain the \$30M fiscal note? How many other states have programs like ours where they offer tax credits for the construction of low income housing, low income voucher program?

Jolene Kline, Executive Director, North Dakota Housing Finance Agency (**NDHFA** (9:05-9:25), neutral, everything is working off the governor's baseline budget for this legislative session. The appropriation included in our budget last time was a onetime funding source that went away, so we are starting with 0 HIF funding coming into this biennium. The \$30M credit piece represents a \$30M increase from the baseline budget. I will get you the information about the tax credit and low income voucher program in other states. (Attachment # 3)

Senator Jim Dotzenrod: was it difficult finding buyers, people who could use the credits? If those credits disappeared relatively quickly, we can anticipate the dollar amount we have here will get used up quickly? (11:20)

Jolene Kline: The 2013 legislature re-authorized the HIF with \$35.4M, \$20M in state income tax credits and \$15.4M in general fund appropriation. We had more requests than we had dollars available. We held some money back for a second funding round just to give other developers a chance, we ran out of money Sept 30th, we had over \$60M in requests. Raising the credit piece of the bill, legislatively we could accept contributions into the fund in return for the credits. Thru 12/31/2014, we had received the \$20M in contributions by 12/31/2013. If we are going to have the same success with the \$30M depends on what you do with the income tax, we also benefitted significantly from the financial institution tax change, corporate contributions came in to the fund from oil companies and oil related companies. We don't really know if we are going to have that kind of success that quickly. The issue we have on the credit side is the money will come in at the end of the year, that is why the \$20M is jumpstart money. (12:00-14:59)

Chairman Cook: Are we monitoring the housing demand to make sure we are not overbuilding?

Jolene Kline: all indications are that we are not there yet. We are not creating affordable housing for people working in secondary service industries. (16:00-18:05)

Senator Triplett requested Ms. Kline be provided with copies of written testimony received and get her feedback on that.

Chairman Cook, there being no other questions or testimony, closed the hearing.

2015 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Lewis and Clark Room, State Capitol

SB2257
2/4/2015
Job #23163

- Subcommittee
 Conference Committee

Committee Clerk Signature

Alie Grove

Explanation or reason for introduction of bill/resolution:

Committee work

Minutes:

Chairman Cook opened the committee work on SB2257.

This is Senator Bekkedahl's bill. The gentleman with the challenge with mobile homes. I'd like to amend that out, if we could.

Senator Bekkedahl -- We've had some of those discussions and it is an issue with my city. I think we're pretty unique in that area. I've never heard anyone else have the situation that we have with the courts being bought up by out-of-state interests and they now own 90% of the market and the rentals have gone from \$250-\$300/month to \$1,250/month. And it's one company that has bought all those courts. They have established a monopoly in our community and displacements have occurred. It was our mayor's suggestion that we place this language in the bill to see if we could get some assistance to develop the infrastructure so that either the housing authority or the city could have the facility contract it's management out to somebody. That would bring the rates down low enough for people to move their trailers into this facility. And, low income, 65 years and older or disabled, so there is some criteria there that has to match as well. I've informed the chairman that if it has to come out of here to keep the language of \$30 million on line 23, on page 3, to get that tax credit through, which is important for us as well, that would be acceptable to me at this point. I'll seek other means for the infrastructure cost.

Senator Oehlke -- On SB2257 I make a motion to strike the areas relative to the housing incentive fund.

Chairman Cook -- Basically to remove the mobile home park.

Senator Unruh -- On line 2, on page 2, the word second is struck.

Senator Bekkedahl -- That's a reference that John Walstad removed just as clean-up language.

Seconded by Senator Unruh.

Senator Triplett -- If we're going to leave the clean-up language in, then essentially the motion is just to strike the words, over mobile home park, on lines 18 & 19 of page 2.

Chairman Cook -- Discussion?

When the bill is done the only changes will be the removal of the two words, second, on the bottom of page 1, and line 2 on page 2. The only other change would be changing the \$20 million to \$30 million on line 24, page 3. And then we're also changing the effective dates in the titles.

Senator Triplett -- We also need to -- providing for the use of the program to develop mobile home park in line 3 of the title.

Unanimous voice vote in favor of the motion. We have before us SB2257 as amended.

Senator Laffen -- I would move a do pass on SB2257 as amended.

Chairman Cook -- And rerefer to appropriations.

Seconded by Senator Unruh.

Discussion?

Senator Dotzenrod -- The bill we have left then, we've got that clean-up language about taking the word second out and then changing \$20 to \$30 million. These dates then that we see throughout the bill, page 3, line 5, page 3, lines 10 & 11. Do they have to stay in?

Chairman Cook -- Yes, they have to stay in.

Senator Dotzenrod -- What's left of the bill just changes the upper limit on the credits.

Chairman Cook -- That's correct. And we're extending the housing incentive fund for 2 more years. We're changing the credits from \$20 to \$30 million. We need a vehicle. Where that number ends up when we go home, I don't know.

Senator Triplett -- But it still is sunsetted. It's just for 1 more biennium. This is an emergency thing for meeting critical needs and it is not intended to be a long-term project of the state of North Dakota.

Senator Bekkedahl -- Just to piggyback on that, time is going to make this all better for us out there. That's why I agree with sunsets. We will get through this. It just takes a little more time.

Roll call vote: 7-0-0.

Carrier: Senator Bekkedahl.

February 4, 2015

TD
2/4/15

PROPOSED AMENDMENTS TO SENATE BILL NO. 2257

Page 1, line 3, remove "and providing for use of the program to develop mobile home parks"

Page 2, line 18, remove the "or"

Page 2, line 19, remove "mobile home park"

Page 2, line 28, remove "or a mobile"

Page 2, line 29, remove "home park"

Renumber accordingly

Date: 2-4-15

Roll Call Vote #: 1

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO 2257

Senate Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Motion to remove Mobile Home Park + other changes
 Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By Sen. Oehlke Seconded By Sen. Unruh

Unanimous voice vote to approve

Senators	Yes	No	Senators	Yes	No
Chairman Dwight Cook			Senator Jim Dotzenrod		
Vice Chairman Lonnie Laffen			Senator Connie Triplett		
Senator Brad Bekkedahl					
Senator Dave Oehlke					
Senator Jessica Unruh					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Date: 2-4-15

Roll Call Vote #: 2

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2257

Senate Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: _____

- Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By Sen. Laffen Seconded By Sen. Unruh

Senators	Yes	No	Senators	Yes	No
Chairman Dwight Cook	✓		Senator Jim Dotzenrod	✓	
Vice Chairman Lonnie Laffen	✓		Senator Connie Triplett	✓	
Senator Brad Bekkedahl	✓				
Senator Dave Oehlke	✓				
Senator Jessica Unruh	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Sen. Bekkedahl

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

REPORT OF STANDING COMMITTEE

SB 2257: 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). SB 2257 was placed on the Sixth order on the calendar.

Page 1, line 3, remove "and providing for use of the program to develop mobile home parks"

Page 2, line 18, remove the "or"

Page 2, line 19, remove "mobile home park"

Page 2, line 28, remove "or a mobile"

Page 2, line 29, remove "home park"

Renumber accordingly

2015 SENATE APPROPRIATIONS

SB 2257

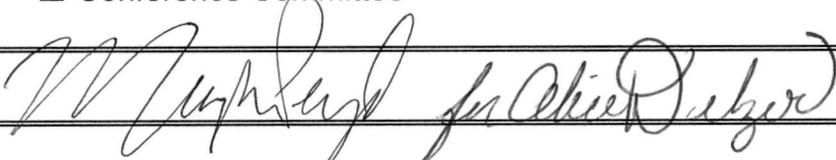
2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2257
2/17/2015
Job # 23968 (32:18)

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A bill relating to extending the housing incentive fund program and tax credit
ACTION: Do pass as amended

Minutes:

2 Attachments

Chairman Holmberg called the committee to order at 9:45am with all committee members present. Chris Kadrmas with Legislative Council and Becky Deichert with OMB were also present.

Brad Bekkedahl, District 1 Senator

Senator Bekkedahl: The Governor recommends that the tax credits for this program be increased from \$20 to \$30M. This bill does that on page 3 line 24.

Senator Carlisle: The Industrial Commission's budget is across the aisle, so why didn't you try to add that over there?

Senator Bekkedahl: I don't have an answer for that. It was placed in this bill by Legislative Council. They wanted the amendment in there to make sure that the tax credits were addressed somewhere in code.

Chairman Holmberg: One could argue that that is a policy decision as well. At the end of the day, it will all be combined together.

Jolene Kline, Executive Director of the ND Housing Finance Agency (*see attachment #1-2*)

Chairman Holmberg: Does this bill appropriate the money or is the money appropriated in HB 1014? Is there a duplicate appropriation currently? If there are two of them, we have to amend them at the end of the day.

Senator Carlisle: We can put an amendment on the surge bill right? If we are talking about the Emergency Commission, I assume the House wants to get it out for the Construction season.

Jolene Kline: The \$20M appropriation that died in the jump start bill, there is an amendment to put that into the surge bill. HB 1014 does not have the emergency clause attached to it for this bill.

Chairman Holmberg: We will need to have something pass with an emergency clause.

Senator Robinson: You are supporting a total package of how much for housing incentive for the next biennium?

Jolene Kline: My testimony is consistent with what the Governor's initial request was. That was for a \$50M fund. The request included it in two pieces: the \$30M tax credit piece in HB 1014 and the \$20M appropriation piece in the jump start bill.

(15:35) **Senator Krebsbach:** What is the status of HB 1014?

Jolene Kline: It is still in government operations.

Chris Kadrmas: HB 1014 is in government operations and there is no actual appropriation in that bill. It does have the same language in there, but there are no dollars being appropriated. There is SB 2220 that would appropriate \$70M with the same language in it. It also has an emergency clause on it for \$20M. That was introduced by Senator Mathern.

Chairman Holmberg: Where is that now?

Senator Mathern: It's over in the GVA committee, so that is available as a vehicle as well. What is the total amount of need throughout the state for the biennium that was expressed by all of the public housing directors?

Jolene Kline: My recollection from that testimony was that the housing authorities requested a funding level of \$100M.

Senator Carlisle: You mentioned the homeless. Didn't we put \$1M for homeless last time in the Industrial Commission budget?

Jolene Kline: My recollection is that \$1M came out of the housing incentive fund and went to commerce to help deal with the homeless population. However I believe that was for emergency temporary shelters as opposed to long-term support of housing.

Senator Carlisle: Two sessions ago, we doubled the housing incentive fund. We doubled last time and I think you were blown out of money in 7 weeks this time. The \$35M was gone in 2 months correct?

Jolene Kline: We went out with two quarterly funding rounds. You passed out the bill the end of April. We held a funding round June 30th and again on September 30th. We had over \$65M in requests for the \$35M in four month's time.

Senator Robinson: It is my understanding that the funding level, unless we add significant dollars, we can easily consume all of it in western North Dakota and still not address the needs out there let alone the rest of the state.

Jolene Kline: I would agree. We created 238 units of essential worker housing with \$35.4M. If we end up with \$50M, it would be great but it will not solve the issue because western North Dakota could consume all of that easily.

(20:40) **Kalvin Hullet**, President of Bismarck/Mandan Chamber of Commerce

Hullet: We are here in support of this bill. Affordable housing is a really challenge in this point in time not just in western North Dakota but I think all across the state. In our community, we have seen significant increases in demand for affordable housing. We also have the issue with affordable senior housing. We do support the Governor's recommendation of \$50M for this program and the \$30M in tax credits and also the \$20M in cash. If we could amend the \$20M into this bill and move it so we can take advantage of this construction season that would be very beneficial for these projects.

Senator Robinson: When we get through the March forecast, money will still be a concern. The question is to what extent? If we can chose between this program and income tax relief, what is the better return on our investment?

Hullet: Balance. It will be a question of making sure that you balance the needs that are going on in the state. Affordable housing and childcare will be in great demand. As we look at our state and the competitive stance of our state, how do we make sure that from a tax standpoint, that we maintain our position and continue to be able to compete to attract and retain talent? That is our key challenge.

Chairman Holmberg: How do you compete if you are already about the lowest in those tax rates?

Hullet: As you look at that question, it has dramatically improved in the last 3 bienniums with the changes we've seen in property tax relief in particular and also in the individual and corporate tax relief. We've made great strides in making North Dakota more competitive. Balance is the key.

(24:45) **Blake Crosby**, Executive Director for the North Dakota League of Cities

Crosby: We are in favor of all the bills that have to do with the Housing Incentive Fund. This housing incentive fund is a proven product. It works and works well for all of the communities regardless of their size. As you can tell from the burn rate of the \$30M plus from last session, there is a need out there for a public-private partnership. That is one of the most critical components of this particular bill. We ask for a do pass on 2257. We would like additional funds on this, but as you work through the process, that is something we an discuss later.

Chairman Holmberg closed the hearing on SB 2257.

(26:15) **Senator Carlisle** moved a do pass.
Senator Gary Lee seconded.

Senator Mathern: Could we make the emergency clause effective earlier?

Chairman Holmberg: If the bill passed it would be effective for the taxable years after the first of January.

Chris Kadrmas: As the bill reads it would be effective January 1, 2015.

Chairman Holmberg: so it's already effective.

Senator Mathern: I'm thinking a bonding company who wants to know that the bill is not the effective date of the tax credit, but that the bill can no longer be changed.

Jolene Kline: The appropriation piece needs the emergency clause on it in order to kick in before July 1 or August 1. The credit authority is for the taxable calendar year, but the program itself sunsets June 30, so we need the emergency clause so that we have a program prior to July 1, 2015. Without that emergency clause, we have no program until the next biennium.

Chairman Holmberg: Does that emergency clause have to be on this bill or on one of the other two vehicles that are floating around?

Jolene Kline: I believe it needs to be in this bill.

The motion was withdrawn.

Senator Wanzek: The way I am reading the bill, the appropriation does start January 1, 2015. As far as the authorization, it is law until June 30 currently. we are just extending the sunset date, but I don't see any harm in putting the emergency clause on it if we feel better about it.

Senator Carlisle moved the amendment to add an emergency clause.

V. Chairman Bowman seconded the motion.

The motion carries with a voiced vote.

Senator Carlisle moved a do pass as amended on SB 2257.

Senator Gary Lee seconded the motion.

A Roll Call vote was taken: Yea: 13; Nay: 0; Absent: 0.

The motion carries.

Senator Bekkedahl will carry the bill.

2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

SB 2257
2/18/2015
Job # 24093

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act relating to extending the housing incentive fund program and tax credit (Do Pass as Amended)

Minutes:

Attachment # 1

Chairman Holmberg called the committee to order on Wednesday, February 18, 2015 in regards to SB 2257. All committee members were present. Alan Knudson and Michael Johnson, Legislative Council and Lori Laschkewitsch, OMB and Becky Keller, OMB were also present.

Chairman Holmberg stated we have to call this bill back, and we're going to reconsider it after we have heard from Pam Sharp.

Pam Sharp, OMB The governor proposed \$20M in 2126, which was the jump start bill and once that bill died, this \$20M does not live anywhere. Given that, SB 2257 has the \$30M income tax incentive credit, it seems like the \$20M would probably would have a good home in this bill as well. So this amendment simply adds \$20M from the general fund, cash for the Housing Incentive Fund with an emergency Clause. See attachment # 1 - Proposed Amendment # 15.0646.04002. And that would complete the whole package that the governor has proposed for the Housing Incentive Fund, which is the \$30M in credits and the \$20M in cash so I would ask for your consideration of this amendment to SB 2257. (

Chairman Holmberg: is there duplication in these funds.

Ms. Sharp: I don't believe this is in the Surge Bill, so if that is correct there would be no duplication of the \$20M.

Senator Mathern: Isn't there still \$100M housing bill available and this \$20M is in there too?

There was discussion regarding SB 2220. It was stated that it is in Senate GVA.

Chairman Holmberg: We can certainly reconsider this and put this in and then get clarification. We would bring this bill today and if we need to we can bring it back again. Let's take a motion to reconsider our action by which we passed out this bill.

V. Chairman Krebsbach so moved.

Chairman Holmberg: We have a motion that we reconsider 2257. 2nd by Senator O'Connell. All in favor say aye. It carried. Now the bill is before us and what we need to consider is we would not take off the amendment because we put on the emergency clause.

V. Chairman Krebsbach: I believe the amendment presented today adds the emergency clause only for the \$20M additional dollars.

Chairman Holmberg: Section 4 has the effective date.

Ms. Sharp: This amendment does have an emergency clause for the \$20M. it is in the body of the amendment. This would bring it up to the \$50M that the governor proposed.

V. Chairman Krebsbach I would move the adoption of the amendment presented by OMB. 2nd by Senator Gary Lee.

Chairman Holmberg addressed Senator Dever regarding this issue stating we have found SB 2220 which is listed as in your committee which has \$100M in it and you still have it in committee. Our question was, Senator Mathern said "have you taken action on the bill?" we're dealing right now with 2257.

V. Chairman Krebsbach: He said it is still open.

Chairman Holmberg: Which came from Finance and Tax, that's the bill you are talking about but the computer says the bill is in your committee and hasn't been acted on. We have amended the bill. All in favor say aye. It carried. Now can we have a motion on 2257.

V. Chairman Krebsbach moved a Do Pass as Amended on 2257. 2nd by Senator Carlisle.

V. Chairman Krebsbach: I believe if we reconsidered our action because the other day we amended the bill to include the emergency clause on the original bill and if we reconsidered our action that would take that away. Don't we have to include that in this amendment as well. She was told it is in this amendment. She stated that is on Section 4 only and we were going to put the \$30M in emergency also

Chairman Holmberg: we didn't really need that because of the effective date for the taxable year is January 1st of this year.

Senator Mathern: It appears the other bill was drafted correctly and would have been proper but it had the wrong sponsors so it was redrafted in the night quickly to replace it with this bill and now we are correcting it and I hope we pass it.

Chairman Holmberg: We are ok because of the effective date for the credits. That was confirmed. So we have a motion for a Do Pass as Amended on SB 2257.

Chairman Holmberg: Would you call the roll again on a Do Pass as Amended on SB 2257.

A Roll Call vote was taken. Yea:13; Nay: 0; Absent: 0.

Senator Bekkadahl will carry the bill.

The hearing was closed on SB 2257.

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2257

Page 4, after line 14, insert:

"SECTION 4. APPROPRIATION - TRANSFER - GENERAL FUND TO HOUSING INCENTIVE FUND. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$20,000,000, or so much of the sum as may be necessary, which the office of management and budget shall transfer to the housing incentive fund, for the period beginning with the effective date of this Act, and ending June 30, 2017. The funding provided in this section is considered a one-time funding item.

SECTION 5. EMERGENCY CLAUSE. Section 4 of this Act is considered to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment appropriates \$20 million from the general fund to the housing incentive fund.

This appropriation is considered a one-time funding item.

M
2/24/15

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2257

Page 1, line 3, after the first semicolon insert "to provide an appropriation;"

Page 1, line 3, remove "and"

Page 1, line 4, after "date" insert "; and to declare an emergency"

Page 4, after line 14, insert:

"SECTION 4. APPROPRIATION - TRANSFER - GENERAL FUND TO HOUSING INCENTIVE FUND. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$20,000,000, or so much of the sum as may be necessary, which the office of management and budget shall transfer to the housing incentive fund, for the period beginning with the effective date of this Act, and ending June 30, 2017. The funding provided in this section is considered a one-time funding item."

Page 4, after line 17, insert:

"SECTION 6. EMERGENCY. Section 4 of this Act is declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment provides one-time funding of \$20 million from the general fund for a transfer to the housing incentive fund and provides an emergency clause.

Date: 2-17-15
Roll Call Vote #: 2

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2257

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: amendment to add emergency clause

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By Carlisle Seconded By Bowman

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg			Senator Heckaman		
Senator Bowman			Senator Mathern		
Senator Krebsbach			Senator O'Connell		
Senator Carlisle			Senator Robinson		
Senator Sorvaag					
Senator G. Lee					
Senator Kilzer					
Senator Erbele					
Senator Wanzek					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Voice Vote Carried

Date: 2-17-15
Roll Call Vote #: 3

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2257

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By Carlisle Seconded By Lee

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Heckaman	✓	
Senator Bowman	✓		Senator Mathern	✓	
Senator Krebsbach	✓		Senator O'Connell	✓	
Senator Carlisle	✓		Senator Robinson	✓	
Senator Sorvaag	✓				
Senator G. Lee	✓				
Senator Kilzer	✓				
Senator Erbele	✓				
Senator Wanzek	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment Senator Bekkedahl

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

Date: 2-18-15
Roll Call Vote #: 1

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2257

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: reconsider previous motion

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider

Motion Made By Krebsbach Seconded By O'Connell

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg			Senator Heckaman		
Senator Bowman			Senator Mathern		
Senator Krebsbach			Senator O'Connell		
Senator Carlisle			Senator Robinson		
Senator Sorvaag					
Senator G. Lee					
Senator Kilzer					
Senator Erbele					
Senator Wanzek					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

voice passed

Date: 2-18-15
Roll Call Vote #: 2

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2257

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: OMB amendment 15

- Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By Krebsbach Seconded By Lee

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg			Senator Heckaman		
Senator Bowman			Senator Mathern		
Senator Krebsbach			Senator O'Connell		
Senator Carlisle			Senator Robinson		
Senator Sorvaag					
Senator G. Lee					
Senator Kilzer					
Senator Erbele					
Senator Wanzek					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Date: 2-18-15
Roll Call Vote #: 3

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2257

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By Krebsbach Seconded By Carlisle

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Heckaman	✓	
Senator Bowman	✓		Senator Mathern	✓	
Senator Krebsbach	✓		Senator O'Connell	✓	
Senator Carlisle	✓		Senator Robinson	✓	
Senator Sorvaag	✓				
Senator G. Lee	✓				
Senator Kilzer	✓				
Senator Erbele	✓				
Senator Wanzek	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment Bekkedahl

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

REPORT OF STANDING COMMITTEE

SB 2257, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2257 was placed on the Sixth order on the calendar.

Page 1, line 3, after the first semicolon insert "to provide an appropriation;"

Page 1, line 3, remove "and"

Page 1, line 4, after "date" insert "; and to declare an emergency"

Page 4, after line 14, insert:

"SECTION 4. APPROPRIATION - TRANSFER - GENERAL FUND TO HOUSING INCENTIVE FUND. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$20,000,000, or so much of the sum as may be necessary, which the office of management and budget shall transfer to the housing incentive fund, for the period beginning with the effective date of this Act, and ending June 30, 2017. The funding provided in this section is considered a one-time funding item."

Page 4, after line 17, insert:

"SECTION 6. EMERGENCY. Section 4 of this Act is declared to be an emergency measure."

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment provides one-time funding of \$20 million from the general fund for a transfer to the housing incentive fund and provides an emergency clause.

2015 HOUSE FINANCE AND TAXATION

SB 2257

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2257
3/10/2015
24590

- Subcommittee
 Conference Committee

Committee Clerk Signature

Mary Brucher

Explanation or reason for introduction of bill/resolution:

A bill relating to extending the housing incentive fund program and tax credit.

Minutes:

Attachments #1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19

Chairman Headland: Opened hearing.

Senator Bekkedahl: Introduced bill. This bill was a vehicle for two purposes; to provide for an opportunity for housing incentive funds to be used for municipal entities to participate in mobile home park developments as needed for the growth some communities are experiencing and second to place \$30 million tax credit into legislation for the housing incentive fund for the next biennium. The bill was amended in the senate at the request of the Housing Finance Agency to keep the funding for multi-family essential worker and secondary purposes for low to moderate income workers as well and not be used for mobile home parks. So that language was amended out of the bill. The other changes that occurred in the senate are since the defeat of SB 2126 there was an appropriation in that bill of \$20 million from the general fund for the housing incentive fund and that went away. The senate appropriations then amended SB 2257 to add the \$20 million appropriation directly into this bill as well as to provide an emergency clause in section 6 which makes it effective on a faster basis with the governor's signature if passed by both bodies. SB 2257 is the housing incentive fund continued appropriation through the tax credit of now \$30 million as well as the \$20 million appropriation for the housing incentive fund from the general fund with the emergency clause added to that.

Representative Steiner: Is the total \$50 or \$30 million?

Senator Bekkedahl: The total is \$50 million; \$30 million tax credit as well as a \$20 million general fund appropriation.

Representative Steiner: The governor's budget was for \$30 million so you're asking for \$20 million more?

Senator Bekkedahl: The \$30 million from the governor's budget was for the tax credit portion. The \$20 million was also in the governor's budget in his jump start bill, SB 2126,

which was killed in the senate. That has been moved over here as a vehicle for both the general fund appropriation and the tax credit. It's the same dollar amount of \$50 million as the original request from the governor's office.

Chairman Headland: It is my understanding that at least in your neck of the woods that rents have come down dramatically due to the down turn in oil. Is there continued need for low income housing? Is there a danger of creating too much across the state?

Senator Bekkedahl: I would reserve some of those comments for the Housing Finance Agency. I've actually asked those questions. We're told that there is still an 80-85% occupancy rate in the apartments. Since 2010 the city of Williston has added 12,500 housing units in the community so that's still a pretty high occupancy rate. There's about 2,000 more being built as we speak. I've been told that the rents will come down on some of the units from a high of \$2,800 per unit to \$2,300-\$2,400 per unit. I think we are still outside the affordable range with that. Maybe this fall or next spring we might see it differently but I still see the need state wide for housing incentive funding.

Chairman Headland: We'll take support.

Jolene Klein, North Dakota Housing Finance Agency: Distributed testimony in support. See attachment #1. (Ended testimony at 13:51)

Chairman Headland: The rents are still exceeding the return on the investment for the construction of all these apartments at \$2,300, correct?

Jolene Klein: I'm guessing that you're correct. I've heard in many cases that private developers are amortizing their debt over a very short span of 5-7 years generally because they want to be able to get out of that project if the rents decline if something happens with that economy. I don't know what these rents will decline to but I would advocate that even though we have rents dropping in Williston now is the time to start looking other places in the state. Attached to my testimony is a copy of an article that appeared in the Jamestown Sun last weekend that talked about a senior citizen who had a rent increase from \$415 to \$625. When you talk about those rents compared to what they are getting in Williston they may seem very affordable but for somebody on a fixed income she was forced to go and get a part time job as a senior citizen. She said she feels sorry for the other older women in the community who aren't able to go out and find that employment to be able to afford that rent. (Jolene continued on with her testimony. Ended testimony at 18:21.)

Representative Schneider: What would you need to adequately address the needs of housing in this state?

Jolene Klein: I say that we are meeting about 20% of the projected need so it would be pretty easy to extrapolate and say that five times that funding level would be appropriate now. The governor recommended \$50 million and I'm here to support that \$50 million; I cannot advocate for anything more than that amount.

Vice Chairman Owens: I've heard stories of excessive origination fees for people who get these loans. Can you elaborate on what the people in your organization are doing in that realm please?

Jolene Klein: The language in the century code allows us either to charge an administrative fee out of the fund or charge that fee to the developer. During the 2011 biennium we charged that fee to the fund and we pull out a 5% administrative fee. Through a public hearings process we changed that to a developer paid fee so they can include the cost of that administrative fee in basis when they are layering this program with other federal programs that allow for that application or administrative fee to be in basis. When we came up with the 5% fee we did a very thorough analysis within our agency to make sure that was not an excessive fee. During our analysis our administrative costs on the front end which was the marketing of the credit piece, the underwriting of the applications through the development phase and the compliance monitoring on these projects for the next 15-20 years to make sure those owners are renting those units to income qualified people and that they are not charging excessive rent and making sure those units are habitable for the next 15-20 years. We've got a very long expense trail with it. The analysis we did showed that our actual costs are projected to be 5.3% so we are charging a 5% administrative fee and that is not an excessive fee.

Vice Chairman Owens: Five percent is within the norm for commercial loans but that's not the figure I heard.

John Phillips, Real Estate Development Manager for Lutheran Social Services Housing: Distributed testimony in support. See attachment #2. (Ended testimony at 27:45).

Chairman Headland: For generations we've seen the importance for a family owning their own home and creating equity within that home for their retirement. Are we going to create a generation of younger people who are living in subsidized housing and possibly never getting out of subsidized housing? What happens to them when they are ready to retire? It appears we are creating a monster that could lead to dependency from the start of a young person's adult employment life through the time when they pass. I'm concerned.

John Phillips: I'm not sure how you're defining subsidized housing. I don't think this is subsidized housing. How many educators or people having their first job are able to when coming out of college to buy their own home? I look at this as a stepping stone. I look at this rental housing opportunity as a 4-5 year opportunity and then moving for a building and equity position so they can buy a home with that. With the debt loads of people coming out of college there's just not that opportunity to buy their home right away. They have to have some place to live. I think there are some people on fixed incomes that really can't afford to live in a house because of the cost of living right now. I think the senior housing issue is a component that may become something that will be long lasting. There is a tremendous amount of people that have extremely low incomes and the cost of living continues increasing.

Chairman Headland: But at some point doesn't the market have to correct itself if costs are unaffordable today? If the market was allowed to work costs would be forced down at least over time.

John Phillips: I certainly agree with you and it does happen but until we can get that construction industry to reduce the cost of the building and supplies it's just not going to work like that. Right now we're looking at a construction cost of an apartment unit being \$120,000 to \$125,000 for about a 1,000 square foot two bedroom two bath unit.

Vice Chairman Owens: Who owns the multi-family units?

John Phillips: We do. We meet with the community, identify with the community what their need is, hire the architect to design the plan, hire the general contractor, and once the project is complete we own and manage them.

Representative Froseth: How do you determine the affordable rent in each community? Do you take the median income of that individual community?

John Phillips: Every community has the restricted rent with it so every county is different. Then it is determined at 50% of median income, 140% of median income and that's all pre-determined.

Representative Kading: When you build an apartment building you have restrictions to follow so does that increase the costs to build that apartment unit?

John Phillips: That's in the cost of construction. Every community has adopted the state building code. When we develop a plan with an architect we know what the standard building code is with that. It may increase but it's a building code and it's a safety feature.

Chairman Headland: Further testimony in support?

Kevin Strege, Bismarck-Mandan Chamber: Distributed testimony in support. See attachment #3.

Chairman Headland: What do you mean they decline the offer?

Kevin Strege: We have had multiple situations where someone out of state couldn't move here because housing was a factor. In Burleigh County alone we have 800 units defined as affordable with a 1,200 person waiting list. The need is there.

Chairman Headland: Where are those people living today?

Kevin Strege: It's all over the board whether they are multiple families in one unit, living in a RV, or whether they have job opportunities here that want to be here but haven't been able to find housing at their affordable level.

Chairman Headland: Are they employed here today?

Kevin Strege: I can't answer that. There are so many different situations. From a business standpoint it is a challenge; it's something within the community that is holding us back from going where we can go which generates economic activity that generates additional revenue opportunities and quality of life improvement with that. In a normal situation of steady growth the older units become the affordable housing. The demand has increased so rapidly that the percentage of apartment units that are 30 years old versus less than 10 years old is completely disproportionate so that affordable housing component in the apartments isn't keeping up with the demand and the balance of different income levels in the community. That is why there is such a push for affordable housing today is it's being driven by the disproportionate growth.

Chairman Headland: Are we creating a problem going the other direction in 20 years?

Kevin Strege: The market rate apartments are starting to meet demand. There is a balance coming. We are still higher occupancy than what is considered economic norms. I can't answer if there's going to be a problem in 20 years. It might mean that in 10-12 years we go through a phase of very little apartment buildings. The younger generation likes to be more mobile; they like to jump jobs so they are not jobs for life and they are not geography for life either. If a job comes up they want a nice apartment so there's no affordable housing for them but that is the difference in how some of the demographics drive that.

Chairman Headland: If we're allowing for this portability when you purchase a house you're tied down to that.

Kevin Strege: But this generation won't buy the house. It doesn't matter what we do as a community.

Chairman Headland: If there's nowhere else to live will they buy the house?

Kevin Strege: Tough sell. It's more likely they will locate elsewhere. People are driven by different decisions.

Chairman Headland: It sounds like a disaster to me.

Kevin Strege: We respectfully request your consideration to move this bill forward with the emergency clause so we can meet the 2015 session.

Representative Haak: Are businesses in the Bismarck-Mandan area taking on that additional cost of having to pay for the living expense of employees living in hotels or whatever they can find in order to fill the jobs that are needed?

Kevin Strege: It isn't as big of an impact in Bismarck as it was two to three years ago.

Keith Lund, Economic Development Association of North Dakota: Distributed testimony in support. See attachment #4.

Representative Trottier: What's the maximum that can come from the incentive fund?

Keith Lund: I can't answer that.

Representative Trottier: If I go build an apartment building and I want to use the tax incentive funds, what percentage of that total project can come from incentive funds?

Jolene Klein: Thirty percent of the total cost of the project can come from the housing project so 70% of it would need to be permanent debt.

Jeff Zarling, citizen of Williston and Dawa Solutions Group: We've been involved in activity in western North Dakota since moving our business there in 2002. As the activity ramped up our business shifted a bit to help meet the needs through publications and events such as the Bakken Construction News, The Bakken Housing Summit, and the investor conferences in Minot for three years. The number one challenge we faced through all this activity was housing. I believe strongly in the role of the private sector to meet market needs but given our unique challenges of increased employment and population growth the market takes time to meet those needs. How do municipalities and other central service providers compete in that market? I have the opportunity to raise my prices and expand other revenue generating activities my wages have tripled in what I pay my staff. Municipalities don't have that ability to relocate their business or increase their fees to triple their wages. The decision was made to pursue the housing incentive fund to meet the housing needs of essential service workers so that those entities could compete for labor. The majority of our housing incentive projects are public works employees, police officers, sheriffs, and I believe the market should solve this problem. We are seven years behind on this. What would happen in my community over the past seven years if we weren't able to double our police force? A study showed that we doubled our police force in Williston and Williams County; we have over 160 law enforcement officers now. Those people wouldn't be employed with those positions without the housing incentive fund.

Chairman Headland: Where are these public works employees living?

Jeff Zarling: In these apartments.

Chairman Headland: And there's a growing need for more?

Jeff Zarling: Yes. While we are seeing a market correction we're still not where we need to be. I don't see that happening in the foreseeable future because of some other market dynamics people might not be aware of.

Blake Crosby, North Dakota League of Cities: Distributed testimony in support. See attachment #5.

Chairman Headland: Do you see the need for the housing incentive fund to lessen in the future or are we always going to have requests for \$100 million with the appropriations and credits?

Blake Crosby: I believe that all markets correct themselves over a period of time. We just don't know what the period of time is; we are not there yet. We will possibly need housing

incentive funds over the next 4-5 biennium depending on oil prices. Eventually the market will correct itself but it's not going to happen in the next 5-6 years. The amount of funds may vary but it depends on the cost of doing business and service.

Michael Carbone, North Dakota Coalition for Homeless People: Distributed testimony in support. See attachment #6.

Laney Herauf, Greater North Dakota Chamber: Distributed testimony in support. See attachment #7.

Laurie Baker, Fargo-Moorhead Coalition for Homeless Persons: Distributed testimony in support. See attachment #8.

Nancy Willis, Government Affairs Director for the North Dakota Association of Realtors: Distributed testimony. See attachment #9. We are in support of SB 2257 and we urge a do pass. We are seeing that if people remain in North Dakota when they start a family they look for housing and plan to buy a house.

Vice Chairman Owens: This deals with multi-family all the time. I hadn't looked at it that way before so thank you.

Representative Trottier: I've noticed young people don't look for starter homes anymore. They want as good a house as their parents had.

Nancy Willis: It depends on the individual who is buying the property. We see very few individuals who are handy now so they want to move in to houses that are ready to move in.

Daniel Kelly, Chief Executive Director of the McKenzie County Healthcare Systems, Inc.: Distributed testimony. See attachment #10.

Vice Chairman Owens: The essential worker portion was done just last session. You said you're building a 24 unit? So you're organization will own this unit? So if the prices come down back to that \$300 over time are you still going to maintain that building at the lower rates? Are you looking at the possibility of becoming a landlord?

Daniel Kelly: Yes that is correct. The last thing I wanted to do as an administrator was to operate an apartment building. As a person that lives in Watford City I don't see the demand decreasing any time soon. By 2025 studies have said that we will be a community of 25,000. Given the fact that we own this building I designed it such that if we can ever move out of the apartment business I would convert that to senior living.

Representative Trottier: Have you established your rental rates yet?

Daniel Kelly: The rates we set are established by the housing incentive fund. I may be off by a little bit but a one bedroom apartment in our unit will be approximately \$750 per month. That is really affordable housing for an individual making \$13 or so per hour.

Shelly Peterson, North Dakota Long Term Care: Distributed testimony. See attachment #11.

Representative Schneider: Would you consider putting your testimony in writing with the figures you mentioned? What was the cost of hiring temporary workers?

Shelly Peterson: Yes I would. It was two to three times higher to hire temporary workers. In 2011 facilities spent \$6.1 million and last year they spent over \$15 million.

Mark Heinert, Homeless Programs Manager at Youthworks: Distributed testimony. See attachment #12.

Dan Madler, Chief Executive Officer of Beyond Shelter: Distributed testimony. See attachment #13.

Tom Alexander, Executive Director of the Minot Housing Authority: Distributed testimony. See attachments from Minot Housing Authority, Grand Forks Housing Authority, Fargo Housing Redevelopment Authority, and North Dakota Housing Authority Directors Association #14, 15, 16, and 17.

Representative Steiner: Is Minot catching up now? Are the flood issues going behind you in affordable housing?

Tom Alexander: We've seen the market rents drop a little bit. If the rents come down we will be able to help more people.

Representative Strinden: We've got people on the waiting list, people in the HIF project housing, and people that go to a market apartment. There was concern earlier that this may be de-incentivizing people to purchase a home in the future. I'm guessing we're not seeing a lot of people on the waiting list skipping over that and buying homes and going to market share apartments, correct?

Tom Alexander: I see the baby boomers moving to apartments but I also see, as part of our family self-sufficiency program, they build equity. Our number one goal within the forty some people that are participating is to build equity to buy a home someday.

Representative Schneider: I want to thank you for all your work.

Dwight Barden, Executive Director of the Burleigh County Housing Authority: Distributed testimony. See attachment #18.

Vice Chairman Owens: Is there further testimony in support? Is there any opposition? Seeing none we will close the hearing on SB 2257.

Written testimony was distributed from **Royce Schultze, Executive Director of Dakota Center for Independent Living, Inc.** in support. See attachment #19.

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2257
3/16/2015
24877

- Subcommittee
 Conference Committee

Committee Clerk Signature

Mary Brucker

Explanation or reason for introduction of bill/resolution:

A bill relating to extending the housing incentive fund program and tax credit.

Minutes:

No attachments

Chairman Headland: Does anyone have any amendments they would like to propose? I'm not going to take a motion on the bill right now.

Representative Schneider: I requested an amendment that would increase the expenditure depending on the amount that was in the general fund at a certain point which was \$250 million in the general fund that another \$20 million would kick in. That was at the request of a couple of the speakers from the city of Fargo.

Vice Chairman Owens: Are you asking for an amendment when the general fund gets to \$250 million or when the general fund gets to \$250 million as derived from oil income? The general fund will get to \$250 million.

Representative Schneider: I was trying to make it more consistent with other bills that have had that same language in it. I'm guessing it's the oil part.

Vice Chairman Owens: Are you increasing the appropriation from \$20 million to \$70 million or are you increasing the taxable credit or is it a combination of both?

Representative Schneider: I asked legislative council to take a look at that as well. I'll get you that amendment as soon as I receive it.

Chairman Headland: We'll set this bill aside and wait for amendments.

2015 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2257
3/17/2015
25015

- Subcommittee
 Conference Committee

Committee Clerk Signature

Mary Brucker

Explanation or reason for introduction of bill/resolution:

A bill relating to extending the housing incentive fund program and tax credit.

Minutes:

Attachments 1, 2

Chairman Headland: There are two sets of amendments being offered. Let's look at amendments 05001 first.

Representative Schneider: Distributed proposed amendments 15.0646.05001. See attachment #1. With the testimony we had on the housing incentive bill the amounts needed were so far out from the appropriation. This would provide a contingent appropriation should we get rich again. It's patterned after other provisions that are in appropriations now where if the Office of Management and Budget determines that the actual general fund revenues for the biennium exceed estimated general fund revenues for the biennium by \$250 million at the end of any month during 2015-17 we would have an additional appropriation of \$20 million. This is still a fraction of what the testimony showed was indicated and this was a request from one of the housing folks in Fargo.

Chairman Headland: I'm going to reject the amendment. The bill as it stands is very generous. I think we'll find that we may be making a reduction even to that.

Representative Strinden: Made a motion for adopt the amendment 05001.

Representative Haak: Seconded.

Representative Klein: I was under the impression that we were going to take \$20 million out of there with this wording back in.

Chairman Headland: We'll vote on this one first and then we'll see what the next amendment offers.

Voice vote: Motion fails.

Representative Froseth: Distributed proposed amendments 15.0646.05002. See attachment #2. On page 2 line 18 it will take the word "multi-family" out and on line 27 take the word "multi-family" out. In the oil fields there are a lot of apartment buildings that have been built but what really is needed is single family housing units. I think that should be the concentration for the next biennium to build single family units. With the revenue situation the amendment also takes out section 4 on page 4, the \$20 million appropriation that was in the governor's budget. This housing incentive fund on page 3 line 24 will raise it from the present \$20 million to \$30 million. **Made a motion to adopt the amendment 05002.**

Representative Trottier: Seconded.

Representative Froseth: This might not seem the right direction to take at this point of the session but the revenue forecast is coming tomorrow and if it's positive this bill will more than likely go into conference committee. The end result will be determined based on what the revenue forecast tomorrow shows. It's not saying that extra \$20 million might not go back in but at this point in the session I think we should have this bill alive and have something to work on after the revenue forecast is up.

Chairman Headland: I agree with you. The current draft of the bill would send it down to house appropriations. When they are looking for \$400 million this \$20 million isn't going to be one of their top priorities. I think it's the right thing to do now to keep the bill alive and I agree with the amendment.

Representative Hatlestad: With all due respect I disagree. The need in the west is significant and to take the money away would be a serious mistake in my opinion.

Representative Haak: I agree with Representative Hatlestad. It's not just an east versus west issue. In Jamestown we're seeing businesses renting hotel rooms to ensure their employees' needs are met. This bill had support from all sectors and I was really hoping that we could keep this alive.

Chairman Headland: That's what we're trying to do. We understand what you're saying. This isn't much of a reduction from what the current level is. I believe it was \$30 million last biennium as well.

Voice vote: Motion carried.

Representative Froseth: Made a motion for a do pass as amended.

Representative Klein: Seconded.

Roll call vote: 11 yes 3 no 0 absent

Motion carried for a do pass as amended.

Representative Froseth will carry this bill.

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2257

Page 1, line 3, after the third semicolon insert "to provide a contingent appropriation;"

Page 4, after line 20, insert:

"SECTION 5. CONTINGENT APPROPRIATION - TRANSFER - GENERAL FUND TO HOUSING INCENTIVE FUND. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$20,000,000, or so much of the sum as may be necessary, which the office of management and budget shall transfer to the housing incentive fund, for the biennium beginning July 1, 2015, and ending June 30, 2017. The funding provided in this section is available only if the office of management and budget determines that actual general fund revenues for the biennium to date exceed estimated general fund revenues for the biennium to date by at least \$250,000,000 at the end of any month during the 2015-17 biennium. For purposes of this section, "general fund revenues" excludes the unobligated general fund balance on July 1, 2015, and transfers to the general fund from the strategic investment and improvements fund, property tax relief fund, the lottery, the mill and elevator, and gas tax administration. The funding provided in this section is considered a one-time funding item."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment adds a contingent transfer of \$20 million from the general fund to the housing incentive fund if actual general fund revenues exceed estimated general fund revenues by at least \$250 million during the 2015-17 biennium.

AC
3/17/15

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2257

Page 1, line 3, remove "to provide an appropriation;"

Page 1, line 4, after the first semicolon insert "and"

Page 1, line 4, remove "; and to declare an emergency"

Page 2, line 18, overstrike "multifamily"

Page 2, line 27, overstrike "multifamily"

Page 4, remove lines 15 through 20

Page 4, line 22, after "2017" insert ", and are thereafter ineffective"

Page 4, remove line 24

Renumber accordingly

Date: 3-17-15
Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2257

House Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: 15.0646.05001

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By Rep. Strinden Seconded By Rep. Haak

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN HEADLAND			REP HAAK		
VICE CHAIRMAN OWENS			REP STRINDEN		
REP DOCKTER			REP MITSKOG		
REP TOMAN			REP SCHNEIDER		
REP FROSETH					
REP STEINER					
REP HATLESTAD					
REP KLEIN					
REP KADING					
REP TROTTIER					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
Voice Vote = Motion failed.

Date: 3-17-15
Roll Call Vote #: 2

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2257

House Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: 15.0646.05002

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
Other Actions: Reconsider _____

Motion Made By Rep. Froseth Seconded By Rep. Trottier

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN HEADLAND			REP HAAK		
VICE CHAIRMAN OWENS			REP STRINDEN		
REP DOCKTER			REP MITSKOG		
REP TOMAN			REP SCHNEIDER		
REP FROSETH					
REP STEINER					
REP HATLESTAD					
REP KLEIN					
REP KADING					
REP TROTTIER					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Voice vote = Motion carries.

Date: 3-17-15
 Roll Call Vote #: 3

**2015 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 2257**

House Finance and Taxation Committee

Subcommittee

Amendment LC# or Description: 15.0646.05002

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Rep. Froseth Seconded By Rep. Klein

Representatives	Yes	No	Representatives	Yes	No
CHAIRMAN HEADLAND	✓		REP HAAK	✓	
VICE CHAIRMAN OWENS	✓		REP STRINDEN	✓	
REP DOCKTER	✓		REP MITSKOG	✓	
REP TOMAN	✓		REP SCHNEIDER	✓	
REP FROSETH	✓				
REP STEINER		✓			
REP HATLESTAD		✓			
REP KLEIN	✓				
REP KADING	✓	✓			
REP TROTTIER	✓				

Total (Yes) 11 No 3

Absent 0

Floor Assignment Rep. Froseth

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

REPORT OF STANDING COMMITTEE

SB 2257, as reengrossed: Finance and Taxation Committee (Rep. Headland, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (11 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). Reengrossed SB 2257 was placed on the Sixth order on the calendar.

Page 1, line 3, remove "to provide an appropriation;"

Page 1, line 4, after the first semicolon insert "and"

Page 1, line 4, remove "; and to declare an emergency"

Page 2, line 18, overstrike "multifamily"

Page 2, line 27, overstrike "multifamily"

Page 4, remove lines 15 through 20

Page 4, line 22, after "2017" insert ", and are thereafter ineffective"

Page 4, remove line 24

ReNUMBER accordingly

2015 TESTIMONY

SB 2257

#1



**GRAND FORKS
HOUSING AUTHORITY**

**WRITTEN TESTIMONY PROVIDED TO
ND SENATE
FINANCE AND TAXATION COMMITTEE
DURING THE 64th LEGISLATIVE ASSEMBLY
ON JANUARY 26TH, 2015
IN SUPPORT OF
SB 2257
WITH SUGGESTED AMENDMENTS**

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

I write today to ask for your consideration of the following amendments to SB 2257 as this bill is before you today. As I see it, this bill, as written, is introducing two major changes to the Housing Incentive Fund program. First, in Section 1 it is amending the eligible uses of the HIF program to include mobile home parks. Second, in Section 3, it is increasing the amount of tax credit allowed from \$20 million to \$30 million.

It is well accepted that manufactured housing does provide an affordable housing solution. I would dare to say that one or more of the committee members had as their first home a manufactured home located either in a mobile home park or on a single lot in their home community. The bill, as written, is unclear as to what the use of the HIF program funds would be. Is it to provide the infrastructure needed for the development of a mobile home park? Is it to assist in the acquisition of manufactured homes to place in a mobile home park? Or, is it to be used for the acquisition of an existing mobile home park? I believe this issue needs to be clarified prior to passage of SB 2257. I also question whether the HIF program is the proper program through which to support this form of affordable housing. Presuming that the intended use of HIF program funds would be the installation of infrastructure to support a mobile home park I question if there is not a better source of funding for such activity, one that already assists in infrastructure installation.

However, since this bill is before you today, I ask that you **consider amendments** to SB 2257 that expand even further the scope of eligible projects that the HIF program supports.



1405 – 1st Avenue North, Grand Forks, ND 58203
(701)746-2545(office) (701)787-9437(direct) (701)740-6738(cell)
(701)746-2548(fax) TDD 711 tnhanson@grandforksgov.com



1.2
1-26-15

Eligible Projects:

I respectfully request that the Finance and Taxation Committee consider amending SB 2257, as presented, by striking the term multifamily from page 2 line 18.

Section 1 of SB 2257 amends and reenacts NDCC 54-17-40. Subsection 3.a. states that Assistance from the fund may be used solely for: “New Construction, rehabilitation, or acquisition of a **multifamily** housing project or mobile home park;” (emphasis added) The restriction of the funds to multifamily housing projects prohibits this resource to be used in any project that has 3 or fewer units per structure. It also implies that these funds can only be used for rental property as this is typically what the term “multi-family” refers to. It was immediately evident, upon the creation of the HIF program by the 62nd Legislative Assembly, that the term multifamily created a problem as to what type of structures and projects were eligible. So much so that the 63 Legislative Assembly, with the passage of HB 1083, redefined the term multifamily to include a facility containing four or more residential dwelling units rather than the national standard of five or more units, just so “4-plexes” could be funded with HIF program dollars.

The removal of the term multifamily from NDCC 54-17-40. § 3.a. would allow the HIF program to be used for any size of housing project to include single family dwelling units. As well, it would allow the housing finance agency to consider including single family, owner occupied units as eligible projects during its development of the “annual allocation plan.”

Funding:

Governor Dalrymple’s proposed budgeted amount of \$50 million for the HIF fund falls far short of what is needed to address the affordable housing needs across the state. Over the past two biennium’s \$49.610 million of HIF funding has been allocated to housing projects having total development costs of \$251.508 million for the creation of 1,521 units. To illustrate how woefully insufficient \$50 million is to addressing the housing needs of the state, a Housing Needs Assessment for the City of Grand Forks released in July of 2012 stated: **“The city has a current shortage of 2,339 units to serve renters who need units priced less than \$405/month.”** To date, the HIF allocations of the past two legislative sessions have been enough to cover only 65% of the needs of the City of Grand Forks, let alone the remaining State’s needs.

A minimum funding level of \$150 million would be more appropriate just to keep up with needs. **A \$250 million funding level would,** perhaps, allow the state to start getting ahead of the ever increasing demand/need and still be at a level that can be sufficiently administered state wide.

Allocations:

January 26, 2015

1.3
SB 2257
1-26-15

To date all appropriations to the HIF fund have been used for the development of new units. While new units are sorely needed, there remains a need for rehabilitation/preservation of existing units as well as assistance provided to households to enable them to remain in the home they currently occupy at rents that they can afford. To address these additional state wide needs the following allocations are suggested, assuming a total appropriation of \$150 million:

New unit development (current program):	\$100 million
Rehabilitation/Preservation of existing units:	\$ 35 million
Tenant Based Rental Assistance (TBRA)	\$ 15 million

Across the nation HUD estimates that there exists some \$28 billion in deferred maintenance of public, assisted housing. As a result of this deferred maintenance thousands of units of affordable housing are lost annually. North Dakota is not immune from the results of deferred maintenance of affordable housing. There exist today housing projects, large and small, located in the largest cities of the state as well as the smallest communities, that are on the verge of failing due to many years of neglect as the result of insufficient financial resources. **\$35 million** would begin to address these deferred maintenance needs.

As well, there are many families today, across the entire state of North Dakota, that are paying in excess of 30% of household income towards their housing needs. The ND Housing Authority Directors Association has proposed a TBRA demonstration program whereby households, primarily “essential service workers”, are provided assistance to reduce their housing burden to under 40% of household income. A **\$15 million** appropriation will assist an estimated 500 to 750 households for the suggested five year period of the program with assistance ranging from \$300 to \$500 per unit per month.

Please do not hesitate to contact me with any questions you may have regarding any of the above suggested amendments to SB 2257 and the other program enhancements requested.

Thank you in advance for your support in increasing the State’s allocation to the HIF Program and to expand the use of these funds to address additional needs within already authorized uses and Thank You for all you do.

Respectfully submitted,

Terry Hanson
Executive Director

January 26, 2015

SENATE FINANCE AND TAXATION COMMITTEE
HB 2257

CHAIRMAN COOK AND MEMBERS OF THE COMMITTEE

For the record my name is Blake Crosby. I am the Executive Director of the North Dakota League of Cities representing the 357 cities across the State.

I am here in support of SB 2257 which allows the Housing Incentive Fund (HIF) to be used to develop mobile home parks and increases the tax credit to \$30 million. As you are aware there are several bills related to HIF (SB 2220, SB 2126 and HB 1014) which underscores the importance of this funding source for essential service workers and low to moderate income wage earners.

I would respectfully request that you consider blending the \$30 million tax credit and the addition of developing mobile home parks as in SB 2257 with the general fund appropriation of \$70 million (\$20 million as an emergency measure) as in SB 2220.

THANK YOU FOR YOUR TIME AND CONSIDERATION. I will try to answer any questions.



Jolene Kline Executive Director

INDUSTRIAL COMMISSION

Jack Dalrymple Governor

Wayne Stenehjem Attorney General

Doug Goehring Agriculture Commissioner

January 26, 2015

TO: Senate Finance and Taxation Committee
FROM: Jolene Kline, Executive Director
North Dakota Housing Finance Agency
Division of the State Industrial Commission
Re: SB 2257

Chairman Cook and members of the Senate Finance and Taxation Committee:

As requested, I am writing to provide input on the testimony of Terry Hanson of the Grand Forks Housing Authority and the additional information you requested of me at the hearing on Jan. 26. Because there are several bills dealing with the Housing Incentive Fund, the North Dakota Housing Finance Agency is taking a neutral position on Senate Bill 2257, but I did want to provide you with answers to the questions which were asked.

There are 16 states that provide a state-funded tenant-based rental assistance program: Alaska, Connecticut, Delaware, Illinois, Kentucky, Maryland, Massachusetts, Minnesota, New York, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, South Dakota and Texas.

Besides North Dakota, there are 16 states that provide state tax credits for affordable housing development: Arkansas, California, Connecticut, Georgia, Hawaii, Illinois, Massachusetts, Missouri, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Oregon, Utah, and Vermont.

Additionally, there are 38 states that provide state funding for affordable housing through a variety of mechanisms including state appropriations, unclaimed property funds, real estate transfer fees, document recording fees, taxes on smokeless tobacco, interest earned on trust accounts held by title insurers and real estate brokers, and impact drilling fees.

In his written testimony, Mr. Hanson proposed increasing the size of the Housing Incentive Fund to \$150 million with \$100 million being targeted to new construction, \$35 million being used for

rehabilitation/preservation of existing housing units and \$15 million for tenant-based rental assistance.

I feel strongly that the Housing Incentive Fund has proven to be an effective program in assisting with the development of rental housing in communities across North Dakota for essential service workers and low- and moderate-income households. The level of funding stated in Mr. Hanson's suggested amendments would allow the state to make substantial strides in addressing the unmet housing needs currently being experienced.

To provide background on the program, HIF was first authorized by the 62nd Legislative Assembly in 2011 which also approved \$4 million in state income tax credits to capitalize it. The tax credits are issued on a dollar-for-dollar basis in exchange for contributions by taxpayers into the fund. During the special session in November 2011, the tax credit authority was raised to \$15 million. HIF was reauthorized in 2013 with \$20 million in tax credit authority and a \$15.4 million general fund transfer.

In the 2013-15 biennium, NDHFA raised the entire \$20 million in contributions by Dec. 31, 2013, a year ahead of the deadline. NDHFA held two allocation rounds in 2013 in which 34 projects were awarded conditional commitments, exhausting the \$35.4 million in HIF funds for the biennium. Due to lack of infrastructure availability, complications with other financing and unforeseen obstacles during the course of development, four of those projects and two from the previous biennium were unable to come to fruition and returned their conditional commitments. Under our continuing appropriation authority, NDHFA used the returned funds to supplement commitments to projects that were unable to be fully funded initially or experienced significantly increased construction costs. The Agency opened a third allocation round in September 2014 to award the remainder of the money; one project in Watford City was approved.

In total during this biennium, the Housing Incentive Fund has or will create 942 housing units with 238 set aside for Essential Service Workers, 476 income and rent restricted to low- and extremely low-income households and 253 restricted to moderate-income households. The \$37.7 million in state funds will spur more than \$157.6 million in housing construction activity in Arnegard, Bismarck, Burlington, Devils Lake, Dickinson, Dunn Center, Fargo, Hettinger, Jamestown, Lignite, Mandan, Minot, New Rockford, Watford City, and Williston.

Within the first six months of the biennium, the Agency had requests for more than twice the amount of the HIF dollars available for the full biennium.

Our analysis of the unmet housing needs in North Dakota shows that there is a significant number of affordable housing units that are needed today and will be necessary to meet the growth in the state in the coming biennium.

The Statewide Housing Needs Assessment commissioned by our Agency in 2012, showed an average of 5,562 housing units would be needed each year between 2010 and 2015 to keep pace with household growth projections. The study further showed more than 50 percent of these, or 3,035 units annually, must be affordable to low-income households. From 2010 to 2014, the state of North Dakota was able to assist in the creation of 555 affordable housing units per year, less than 20 percent of the projected need.

Projections from North Dakota State University's Department of Agribusiness and Applied Economics, which have been included in the North Dakota Oil and Gas Industry Impacts Study 2014-2019 commissioned by Legislative Management, show sustained population growth in oil-impacted areas in the next two years, while the rest of the state exceeded projections for 2015 two years ahead of time and is expected to continue to grow. Correspondingly, the number of housing units will need to increase to accommodate the growth. According to the HUD Office of Policy Development and Research, the rental housing inventory in Ward, Williams and Mountrail counties increased by 1,100 units between 2010 and 2013, but the number of renter households increased by 2,025 leading the rental vacancy rate to decline from 3.5 percent in 2010 to less than 1 percent in 2013. This is not isolated to the oil-impacted areas, however. Rental vacancy rates are very low across the state.

According to the most recently available American Community Survey data from 2012, North Dakota is short 11,400 units of housing that is both affordable and available for extremely low-income households.

The number of homeless persons (living in emergency or transitional shelter or unsheltered) in North Dakota in 2014 was 1,258. The number of people precariously housed who are at risk of literal homelessness are not included in the above number. In 2014, 1,049 people were precariously housed and it is estimated that there are many more who went uncounted. The Interagency Council on Homelessness identified a goal of creating 50 permanent supportive

housing units per year for homeless individuals in its 10 Year Plan to End Homelessness, but the state has fallen short of that goal which was set in 2008 so there is a substantial backlog of units needed.

At the end of 2014, NDHFA conducted a survey of Essential Service Worker employers concerning their needs. We asked respondents the number of units they felt would be needed to accommodate their workers in the near term, within the next year and within two years. The following shows the needs indicated from the 218 respondents:

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

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

There were concerns identified by survey respondents about the increased costs of housing for employees. Without adequate supply of affordable housing, recruitment and retention of ESWs will continue to be a challenge for public entities, respondents said.

The Housing Incentive Fund has been used successfully to provide affordable housing options for residents statewide. Whether it was a household being forced out of their mobile home in Williston due to a tripling of the lot rent; a resident being displaced in Minot due to the flood and needing alternative accessible housing; a police officer needing affordable housing in Watford City; or a young adult in Bismarck looking for an independent living option to allow her to leave a group setting, HIF is making a difference in people's lives. Success stories like these are significant but more work needs to be done. Fixed income seniors are struggling with rising rents; community leaders are struggling with the recruitment and retention of essential workers; long term care facilities are facing ongoing difficulties in hiring staff to care for the elderly and the lack of affordable housing is restricting business expansion. The state is facing loss of existing affordable housing units due to market pressures and needed rehabilitation. The baby boom

1/26/15

generation is aging out of the workforce and will need affordable housing options to address declining household incomes.

Mr. Hanson also suggested removing the word "multifamily" from the eligible uses, which would open up the Housing Incentive Fund program to single-family housing development as well. Individuals are prohibited from benefiting directly from the fund so any single-family program would strictly be for development purposes. While I know there are substantial hurdles to creating affordable housing options of all kinds, I am concerned about diluting the power of HIF by drawing the bounds too broadly. If the proposed amendment were adopted, additional funds would be necessary for the program to be successful in meeting the unmet housing needs cited above.



Jolene Kline Executive Director

INDUSTRIAL COMMISSION

Jack Dalrymple Governor

Wayne Stenehjem Attorney General

Doug Goehring Agriculture Commissioner

SB 2257

**North Dakota Housing Finance Agency
Division of the State Industrial Commission
Testimony of Jolene Kline, Executive Director
Senate Appropriations Committee**

February 17, 2015

#1

SB 2257
2-17-15

Chairman Holmberg and members of the Senate Appropriations Committee:

My name is Jolene Kline, executive director of the North Dakota Housing Finance Agency.

I am here in support of Senate Bill 2257 which will reauthorize the Housing Incentive Fund (HIF) for the coming biennium and provide \$30 million in income tax credit authority for the HIF program. The language of SB 2257, as it stands today, is the same as proposed by the Governor in House Bill 1014 (the Industrial Commission budget). I believe this bill also presents an opportunity to bring all of the pieces of the fund together and move it out quickly so that our development partners may take full advantage of the 2015 construction season.

As you may recall, the Governor included a general fund transfer of \$20 million to HIF with an emergency clause in Senate Bill 2126 (his Jump Start bill), which failed in the Senate. That proposal was to be complementary to HB 1014 to bring HIF to \$50 million total.

Using our experience from the current program, the \$50 million the Governor has proposed for HIF should result in approximately 1,200 additional affordable rental housing units and a total direct investment of approximately \$210 million in the next two to three years in our local communities.

During the hearing for SB 2126, I provided you the background on HIF and statistics regarding unmet needs for affordable housing so I won't repeat that information, but I do want to highlight why the funds are important. I am also attaching a copy of my testimony from Jan. 16 on SB 2126 for your reference.

1.1

Many communities across North Dakota have experienced incredible amounts of growth over the past five years and several have been among the fastest growing micropolitan areas in the country. The housing stock in many communities, not just in the oil patch but statewide, was quickly overwhelmed and prices have risen dramatically. We have seen low- and moderate-income individuals and families priced out of the market and struggling to afford the increased housing costs. According to the 2013 American Community Survey data, 42.6 percent of renter households in the state were cost burdened – putting more than 30 percent of their income toward housing costs. That is up 7.4 percent from the 35.2 percent of cost-burdened renter households the year before.

We have been diligently watching the projections being made about growth in the coming years. The modeling developed for our Statewide Housing Needs Assessment has been the basis for other projections including the Oil and Gas Industry Impacts Study by KLJ and the Western North Dakota Energy Project done in conjunction with Vision West research. Those projections show continued growth in the oil regions along with consistent population gains in all regions of the state.

While oil development plays a part in those projections, we are not focused on the short-term. All of our projections have been for permanent population.

Because of the extremely low vacancy rates in most communities, new population equates to the need for additional housing units. There has been significant construction of market rate apartments in western North Dakota during the past few years. Market rate rents are not affordable to lower income wage earners or people on fixed income. The construction costs are the same whether developing market rate or affordable housing. In order to bring the rents down to an affordable level, there needs to be a reduction in costs through lower cost of land; infrastructure or an infusion of equity to reduce debt service. The Housing Incentive Fund has been highly successful in lowering rents by significantly reducing debt service payments. Without those dollars, the projects we have funded would not be possible or, in the very least, would not be affordable for lower-income households.

In the 2011-13 biennium, 90 percent of HIF was committed to the oil patch and, in the 2013-15 biennium, 73 percent went to the oil patch. We have made progress in helping to produce affordable units for essential service workers and other lower income households in energy

impacted areas but a recent survey of ESW employers shows we still have a long way to go. To date we have funded 238 units for ESWs and the October 2014 survey of ESW employers shows 774 additional units are still needed for their employees

With the strong focus in the oil patch, production of affordable housing units in the rest of the state has been flat or declined between 2010 and 2013 despite the growing needs. These growing needs are attributable to economic growth, people aging out of the workforce and a loss of existing affordable housing stock from projects opting out of their Section 8 contracts in favor of higher market rates. To keep North Dakota's diversified economy growing, it will be very important that we have adequate affordable housing options in our communities throughout the state. As the Baby Boom generation ages, we will also see a markedly increased need for senior-friendly housing options that are affordable for those fixed-income households.

Prior to the Housing Incentive Fund, the federal Low Income Housing Tax Credit (LIHTC) was the only major affordable housing development program. North Dakota receives the small state minimum which can fund four to five projects or approximately 150-175 units per year. The number of affordable housing units receiving assistance from NDHFA has more than tripled since 2010 due to the implementation of HIF, but certainly there is more that needs to be done.

The Housing Incentive Fund has been a model of public-private partnership in developing affordable housing options in North Dakota. It has had a significant impact in developing new housing and we are very proud of what we have accomplished in a short amount of time, however it is evident that the need for affordable housing is as strong as ever.

In order for HIF to continue to have a positive impact on North Dakota's affordable housing needs, it is essential that we not lose the 2015 construction season. By including the \$20 million appropriation which was lost from SB 2126 and including an emergency clause, we would be able to hold a funding round much sooner. That will be helpful in getting projects moving much quicker this year.

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

1.3



Jolene Kline Executive Director

INDUSTRIAL COMMISSION

Jack Dalrymple Governor

Wayne Stenehjem Attorney General

Doug Goehring Agriculture Commissioner

SB 2126

North Dakota Housing Finance Agency

Division of the State Industrial Commission

Testimony of Jolene Kline, Executive Director

Senate Appropriations Committee

January 16, 2015

2
2-17-15
SB 2257

Chairman Holmberg and members of the Senate Appropriations Committee:

My name is Jolene Kline, executive director of the North Dakota Housing Finance Agency, and I am asking for your favorable consideration for Section 4 of Senate Bill 2126, which transfers \$20 million from the General Fund to the Housing Incentive Fund.

Reauthorization of the Housing Incentive Fund for the coming biennium and a provision for \$30 million in income tax credit authority for the HIF program is contained in House Bill 1014, the Agency's budget bill which was heard yesterday morning.

Using our experience from the current program, the \$50 million the Governor has proposed for HIF should result in approximately 1,200 additional affordable rental housing units and a total direct investment of approximately \$210 million in the next two to three years in our local communities.

HIF, created to incentivize the development of affordable rental housing, was first authorized by the 62nd Legislative Assembly in 2011 which also approved \$4 million in state income tax credits to capitalize it. The tax credits are issued on a dollar-for-dollar basis in exchange for contribution by taxpayers into the fund. During the special session in November 2011, the tax credit authority was raised to \$15 million. HIF was reauthorized in 2013 with \$20 million in tax credit authority and a \$15.4 million general fund transfer.

In the 2013-15 biennium, NDHFA raised the entire \$20 million in contributions by Dec. 31, 2013, a year ahead of the deadline. NDHFA held two allocation rounds in 2013 in

2.1

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

In total during this biennium, the Housing Incentive Fund has or will create 942 housing units with 238 set aside for Essential Service Workers, 476 income and rent restricted to low- and extremely low-income households and 253 restricted to moderate-income households. The \$37.7 million in state funds will spur more than \$157.6 million in housing construction activity in Arnegard, Bismarck, Burlington, Devils Lake, Dickinson, Dunn Center, Fargo, Hettinger, Jamestown, Lignite, Mandan, Minot, New Rockford, Watford City, and Williston.

The Agency had requests for twice the amount of the HIF dollars available in the biennium. While that shows continued interest in the program by developers, the real demonstration of need comes from the number of families struggling to afford housing. According to the most recently available American Community Survey data from 2012, North Dakota is short 11,400 units of housing that is both affordable and available for extremely low-income households.

In addition, HUD Housing Choice Vouchers, which provide rental assistance to very low-income households, have not been able to keep pace with the changing housing markets in North Dakota, especially in the western part of the state. Dramatically increased rents have led to a lack of units where vouchers can be used. Market rate rents have escalated well beyond HUD-imposed payment standards in many communities. Watford City Mayor Brent Sanford reported that current market rate rent for a two-bedroom apartment in that community ranges from \$2,000 to \$3,400 per

month. The payment standard under the voucher program for McKenzie County for a two-bedroom unit, however, is \$881. The budget authority of the public housing authorities, which administer the vouchers, also has not grown with the demand meaning more resources are required to support each unit. Without rent-restricted units like those being developed under HIF, families receiving vouchers will continue to struggle to find units they can afford and the housing authorities will be pressed financially.

To further demonstrate the needs, waiting lists with some public housing authorities are extremely long or have been closed – the wait list in Fargo is more than 1,400 people long and the Burleigh County Housing Authority stopped taking new names and has more than 1,200 on the list; others, like Stark County, may have shorter wait lists, but only because potential users are unable to secure housing units that work under the voucher program.

The number of homeless persons (living in emergency or transitional shelter or unsheltered) in North Dakota in 2014 was 1,258. It is felt this is a conservative number as it is suspected that more homeless people in rural areas were not counted and that there is movement of homeless persons across state borders. The number of people precariously housed who are at risk of literal homelessness are also not included in the above number. In 2014, 1,049 people were precariously housed and it is estimated that there are many more who went uncounted. Housing being developed under HIF, like the Ruth Meiers Hospitality House Boulevard Avenue project, is helping to house these vulnerable populations, but clearly more is needed. The Interagency Council on Homelessness identified a goal of creating 50 permanent supportive housing units per year for homeless individuals in its 10 Year Plan to End Homelessness, but the state has fallen short of that goal which was set in 2008 so there is a substantial backlog of units needed. Development of these types of projects are also much more complicated than market rate or even regular affordable housing because the extremely low incomes of the tenants requires more equity and less debt to bring down rent costs to an affordable level. HIF is a critical piece of the development puzzle for supportive housing projects.

Affordable housing needs will continue with expected population growth across the state. Projections from North Dakota State University's Department of Agribusiness and Applied Economics show sustained growth in oil-impacted areas in the next two years, while the rest of the state exceeded population projections for 2015 two years ahead of time and is expected to continue to grow. Correspondingly, the number of housing units will need to increase to accommodate the growth. According to the HUD Office of Policy Development and Research, the rental housing inventory in Ward, Williams and Mountrail counties increased by 1,100 units between 2010 and 2013, but the number of renter households increased by 2,025 leading the rental vacancy rate to decline from 3.5 percent in 2010 to less than 1 percent in 2013. This is not isolated to the oil-impacted areas, however. Rental vacancy rates are very low across the state.

The reauthorization language of this program in HB 1014 is identical to the previous biennium including a priority for housing for essential service workers (ESW). At the end of 2014, NDHFA conducted a survey of ESW employers concerning their needs. We asked respondents the number of units they felt would be needed to accommodate their workers in the near term, within the next year and within two years. The following shows the needs indicated from the 218 respondents:

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

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

It is also important to understand that in working to address the rapid growth of our communities, many ESW employers have added staff. According to a report from the North Dakota Association of Oil and Gas Producing Counties, McKenzie County staffing

increased by 76 since 2010 with 14 in the past years, Mountrail County grew by 35 with 13 last year, Williams County has added 96 employees with 30 in the past year, the City of Minot added 68 with 10 in the past year, the City of Dickinson 65.5 with 26.5 last year, the City of Williston 98 with 18 in the past year and Watford City plans to hire at least 15 new employees this year.

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

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

The Housing Incentive Fund has been a model of public-private partnership in developing affordable housing options in North Dakota. It has had a significant impact in developing new housing and we are very proud of what we have accomplished in a short amount of time, however it is evident that the need for affordable housing is as strong as ever. In order for HIF to continue to have a positive impact on North Dakota's affordable housing needs, it is essential that it receive the \$20 million appropriation in Section 4.

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

2.5

1
2-18-15

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2257

Page 1, line 3, after the first semicolon insert "to provide an appropriation;"

Page 1, line 3, remove "and"

Page 1, line 4, after "date" insert "; and to declare an emergency"

Page 4, after line 14, insert:

"SECTION 4. APPROPRIATION - TRANSFER - GENERAL FUND TO HOUSING INCENTIVE FUND. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$20,000,000, or so much of the sum as may be necessary, which the office of management and budget shall transfer to the housing incentive fund, for the period beginning with the effective date of this Act, and ending June 30, 2017. The funding provided in this section is considered a one-time funding item."

Page 4, after line 17, insert:

"SECTION 6. EMERGENCY. Section 4 of this Act is declared to be an emergency measure."

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment provides one-time funding of \$20 million from the general fund for a transfer to the housing incentive fund and provides an emergency clause.



SB 2257
3-10-15
#1 p.1
Jolene Kline Executive Director

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

SB 2257
North Dakota Housing Finance Agency
Division of the State Industrial Commission
Testimony of Jolene Kline, Executive Director
House Finance and Taxation Committee

March 10, 2015

Chairman Headland and members of the House Finance and Taxation Committee:

My name is Jolene Kline, executive director of the North Dakota Housing Finance Agency.

I am here in support of Senate Bill 2257 which will reauthorize the Housing Incentive Fund (HIF) for the coming biennium, provide \$30 million in income tax credit authority and provide a \$20 million general fund transfer for the HIF program.

The reauthorization and tax credit pieces of SB 2257 (Sections 1-3) may look familiar as they are the same as approved by the House of Representatives in House Bill 1014 (the Industrial Commission budget) before crossover. This bill, however, pulls all of the pieces of HIF together.

For background on the HIF proposal this session, the Governor recommended a total of \$50 million and put the reauthorization and tax credit language in HB 1014. He also included a general fund transfer of \$20 million to HIF with an emergency clause in Senate Bill 2126 (his Jump Start bill), which failed in the Senate. Separately, Senator Bekkedahl introduced SB 2257 to include mobile home park development as an eligible use of HIF, but pulled that provision out and the Senate Appropriations committee added the \$20 million general fund transfer and emergency clause to this bill. SB 2257 passed the Senate unanimously.

To be clear, this is not an additional \$50 million from what the House approved on February 24. Because both 1014 and 2257 amend the same sections of current Century Code identically, the only difference is the general fund transfer.

The Housing Incentive Fund has proven to be an effective program in assisting with the development of rental housing in communities across North Dakota for essential service workers and low- and moderate-income households.

HIF was first authorized by the 62nd Legislative Assembly in 2011 which also approved \$4 million in state income tax credits to capitalize it. The tax credits are issued on a dollar-for-dollar basis in exchange for contributions by taxpayers into the fund. During the special session in November 2011, the tax credit authority was raised to \$15 million. HIF was reauthorized in 2013 with \$20 million in tax credit authority and a \$15.4 million general fund transfer.

In total during this biennium, the Housing Incentive Fund has or will create 942 housing units with 238 set aside for Essential Service Workers, 476 income and rent restricted to low- and extremely low-income households and 253 restricted to moderate-income households. The \$37.7 million in state funds will spur more than \$157.6 million in housing construction activity in Arnegard, Bismarck, Burlington, Devils Lake, Dickinson, Dunn Center, Fargo, Hettinger, Jamestown, Lignite, Mandan, Minot, New Rockford, Watford City, and Williston.

Within the first six months of the biennium, the Agency had requests for more than twice the amount of the HIF dollars available for the full biennium.

Our analysis of the unmet housing needs in North Dakota, shows that there is a significant number of affordable housing units that are needed today and will be necessary to meet the growth in the state in the coming biennium.

We have been diligently watching the projections being made about growth in the coming years. The modeling developed for our 2012 Statewide Housing Needs Assessment has been the basis for other projections including the Oil and Gas Industry Impacts Study by KLJ and the Western North Dakota Energy Project done in conjunction with Vision West research. Those projections show continued growth in the oil regions along with consistent population gains in all regions of the state.

The Statewide Housing Needs Assessment showed an average of 5,562 housing units would be needed each year between 2010 and 2015 to keep pace with household growth projections. The study further showed more than 50 percent of these, or 3,035 units annually,

must be affordable to low-income households. From 2010 to 2014, the state of North Dakota was able to assist in the creation of 555 affordable housing units per year, less than 20 percent of the projected need.

According to the HUD Office of Policy Development and Research, the rental housing inventory in Ward, Williams and Mountrail counties increased by 1,100 units between 2010 and 2013, but the number of renter households increased by 2,025 leading the rental vacancy rate to decline from 3.5 percent in 2010 to less than 1 percent in 2013. This is not isolated to the oil-impacted areas, however. Rental vacancy rates are very low across the state.

Because of those extremely low vacancy rates in most communities, new population equates to the need for additional housing units. There has been significant construction of market rate apartments in western North Dakota during the past few years. However, market rate rents, despite reports of declines, are still not affordable to lower income wage earners or people on fixed incomes and the market alone will not accommodate these needs. It is the reality of housing development that land, site infrastructure, labor and materials cost the same for an affordable project as for a market rate one. What brings down the rents in an affordable housing project is an infusion of equity and that's the extremely valuable resource HIF contributes. By putting that upfront funding into a project, it allows the developer to take out less debt which, in turn, means the rents required to service that debt can be at a lower level that is affordable to our target populations.

Many communities across North Dakota have experienced incredible amounts of growth over the past five years and several have been among the fastest growing micropolitan areas in the country. The housing stock in many communities, not just in the oil patch but statewide, was quickly overwhelmed and prices have risen dramatically. We have seen low- and moderate-income individuals and families priced out of the market and struggling to afford the increased housing costs. According to the 2013 American Community Survey data, 42.6 percent of renter households in the state were cost burdened – putting more than 30 percent of their income toward housing costs. That is up 7.4 percent from the 35.2 percent of cost-burdened renter households the year before.

North Dakota is also short 16,459 units of housing that is both affordable and available for extremely low-income households, according to the 2013 ACS. That number is up by more than 5,000 from the previous year.

The number of homeless persons (living in emergency or transitional shelter or unsheltered) in North Dakota in 2014 was 1,258. The number of people precariously housed who are at risk of literal homelessness are not included in the above number. In 2014, 1,049 people were precariously housed and it is estimated that there are many more who went uncounted. The Interagency Council on Homelessness identified a goal of creating 50 permanent supportive housing units per year for homeless individuals in its 10 Year Plan to End Homelessness, but the state has fallen short of that goal which was set in 2008 so there is a substantial backlog of units needed.

At the end of 2014, NDHFA conducted a survey of Essential Service Worker employers concerning their needs. We asked respondents the number of units they felt would be needed to accommodate their workers in the near term, within the next year and within two years. The following shows the needs indicated from the 218 respondents:

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

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

There were concerns identified by survey respondents about the increased costs of housing for employees. Without adequate supply of affordable housing, recruitment and retention of ESWs will continue to be a challenge for public entities, respondents said.

In the 2011-13 biennium, 90 percent of HIF was committed to the oil patch and, in the 2013-15 biennium, 73 percent went to the oil patch. We have made progress in helping to produce

affordable units for essential service workers and other lower income households in energy impacted areas but we still have a long way to go.

With the strong focus in the oil patch, production of affordable housing units in the rest of the state has been flat or declined between 2010 and 2014 despite the growing needs. These growing needs are attributable to economic growth, people aging out of the workforce and a loss of existing affordable housing stock from projects opting out of their Section 8 contracts in favor of higher market rates. To keep North Dakota's diversified economy growing, it will be very important that we have adequate affordable housing options in our communities throughout the state. As the Baby Boom generation ages, we will also see a markedly increased need for senior-friendly housing options that are affordable for those fixed-income households.

The Housing Incentive Fund has been used successfully to provide affordable housing options for residents statewide. Whether it was a household being forced out of their mobile home in Williston due to a tripling of the lot rent; a resident being displaced in Minot due to the flood and needing alternative accessible housing; a police officer needing affordable housing in Watford City; or a young adult in Bismarck looking for an independent living option to allow her to leave a group setting, HIF is making a difference in people's lives. Success stories like these are significant but more work needs to be done.

Using our experience from the current program, the \$50 million contained in SB 2257 should result in approximately 1,200 additional affordable rental housing units and a total direct investment of approximately \$210 million in the next two to three years in our local communities.

In order for HIF to continue to have a positive impact on North Dakota's affordable housing needs, it is essential that we not lose the 2015 construction season. By passing this bill with the \$20 million appropriation and its emergency clause, we will be able to hold a funding round much sooner. That will be helpful in getting projects moving much quicker this year.

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

The Jamestown Sun

Rents rising for some; When the rent goes up, what do you do?

By Chris Olson
Jamestown Sun

Editor's note: This is the first story in a four-part series on housing issues in the Jamestown area.

Toni Pirkl of Jamestown has been living in the same two-bedroom apartment for 12 years.

"When I first rented this apartment, the rent was \$350 a month," she said.

Last year, Pirkl's rent was \$415 a month. The rent covers water, snow removal and garbage. She pays for her electricity, which is also the heating source for her apartment.

In August, Pirkl said her landlord stopped by with a lease and told her the rent on her apartment was increasing to \$625 a month starting in October.

"I said, 'What?'" she said.

Housing in demand

Finding affordable rental housing in Jamestown and the surrounding area is becoming more of a challenge for people living in and moving to the area.

With a vacancy rate of 1.3 percent, according to the Stutsman County Housing Authority, just finding an apartment or house of any size is a challenge.

David Klein, Stutsman County Housing Authority executive director, said his agency is hearing more stories about rents increasing anywhere from \$200 to \$300 a month as property owners and landlords anticipate having more renters than available housing.

"We're seeing a lot of people who have had to deal with rent increases," he said.

Rent increases

Pirkl said there had been some improvements made to the exterior of the apartment building, so she wasn't surprised a rent increase was coming.

"I was thinking it would go up \$50 in small increments, like \$10 this month, \$20 the next month," she said.

Pirkl said the landlord said she had options, like finding a new place to live or applying for rent assistance from the Stutsman County Housing Authority.



Toni Pirkl sits at the kitchen counter in her two-bedroom apartment. Pirkl had to take on a part-time job when her rent increased more than \$200 a month to \$625 in October. John M. Steiner/The Sun

Pirkl said she knew almost immediately that she wasn't going to move. When the landlord suggested moving to a different apartment, Pirkl's response was "Where would I go?"

"I had lived there for 12 years, so it wasn't just 'Gee, yeah, let me just pack up and walk out the door,'" she said.

Pirkl did speak with Stutsman County Housing Authority officials about its rent assistance program. She said she could fill out the application and find out if she was eligible. If she was, she would be put on a waiting list.

Pirkl said she did what any able-bodied person would do, she found a part-time job to supplement her retirement income. She is working as a secretary for the First Congregational United Church of Christ. Between her retirement income and the part-time work, Pirkl said she is able to pay all her bills.

"It's tight, but doable," she said.

Pirkl said she was able to lower her monthly expenses by changing her supplement insurance provider. Medicare is her primary health insurance provider and by switching to a different supplement insurance plan and drug coverage, Pirkl said she was able to cut those expenses by quite a bit.

Pirkl said she considers herself fortunate that she is still able to work a part-time job and supplement her income.

"It's not so horrible," she said about her situation. "I actually worry more about people, like older women, who can't go to work and can't get that income over and above what they receive from Social Security."

What goes into a rent increase

Scot Nething, co-owner of Hometown Property Management along with Jim Vagneur, said the decision to increase the rent on an apartment or house is made by the

owner with input from the landlord or property management service. Hometown Property Management doesn't manage Pirkli's apartment.

"It's a tough process," Nething said about determining when and by how much the rent on an apartment or house should increase. "There is no specific formula."

Nothing said factors he would look at in determining if a rent increase is due include what is the going rate, when was the last time the rent was increased, and have the costs for property gone up.

"It (deciding to raise the rent) is like predicting the weather," he said, meaning there are a number of items that go into the decision to increase rents.

Nothing said the rent on some of the units Hometown Property Management supervises has gone up recently, but nothing in the \$100 range. He said he agrees that the rental and housing market in general in Jamestown is tight.

"We have four units that are currently available," he said when reached for comment Wednesday.

Building affordable housing

Klein said the Stutsman County Housing Authority has noted the increase in rents for apartments and houses around Jamestown. While increasing rents impact everyone from renters to businesses needing to attract more workers to the area, Klein said some rents need to go up to make Jamestown attractive to developers.

"There have been cases of excess," he said. "But developers, if they've historically seen rents at \$300, but they need \$700 a month to break even on a project, they're not going to come here."

Klein said historically Jamestown has had low rents because it has had low wages. Jamestown has only recently shown any sign of population increases in the last two census.

"This whole region hasn't seen a growth spurt since the 1970s," he said.

"The population has stayed flat, maybe plus or minus 100 to 200 people, but it (Jamestown's population) hasn't really changed in 60 years."

Klein said even with the growth in commercial and industrial businesses in and around Jamestown, developers have an easier time making money building in Fargo, Bismarck and out west in the Oil Patch.



David Klein

Using Fargo as an example, Klein said Fargo has no problem attracting companies because the area can provide primary and secondary wage jobs for spouses.

"A person can rent a two-bedroom apartment in Fargo for \$1,200 because they have a good primary job, or his or her spouse can find a good primary job," he said. "In Jamestown, a person may have to work two jobs to afford that same apartment."

Developers know that if they build in Fargo or Bismarck, they will be able to charge high enough rents and see a good return on their investment. Klein said Jamestown is not there yet, but is getting there with increasing rents and wages.

Impact on the homeless

Michael Carbone, executive director of the North Dakota Coalition for Homeless People Inc., said he considers the population that he and the coalition serves as the "canaries in the coal mine," when it comes to availability of affordable housing.

"They're the first to suffer when there is a shortage of housing," he said.

A lack of affordable housing means there is more competition for the affordable units and that can contribute to rents going up for "market rate" rental housing. Market rate means the rental unit is rented at its regular rate, not discounted.

One tool that homeless advocates use to help the homeless find housing is rent assistance vouchers from the U.S. Department of Housing and Urban Development. Carbone said the problem with using these rent

assistance vouchers is that HUD regulations prevent them from being used for market rate rental housing.

Carbone said the lack of affordable housing also clogs up the emergency response system.

"When we don't have enough affordable housing, we can't move people out of the emergency shelters," he said. "We can't move them out of transitional housing. It affects everything."

More need

Klein said with more people moving to Jamestown, some people come more prepared than others to deal with short-term housing needs. People who aren't prepared tend to end up needing help, like the rental assistance program offered by the Stutsman County Housing Authority.

Klein said currently there are about 12 on the waiting list for rent assistance. He said since October the agency has moved 130 people onto and off the list, but was only able to house 32 of them due to the lack of available housing. The other people on the list either found a place on their own or left the area.

Klein said he keeps track as best as he can of how many rental units are available for rent each month. He estimates there are 3,310 market rate rental units in Stutsman County, which includes Jamestown. Through Feb. 20, there were 43 units available to rent, which gives Stutsman County a vacancy rate of 1.3 percent. He said a healthy vacancy rate nationally is considered 5 to 7 percent, but if Stutsman County had a vacancy rate of 5 percent, that would be good. Klein said he thinks ultimately the market will correct itself, but may need some help from federal and state government programs, like the North Dakota Housing Incentive Fund, to get more housing, including affordable housing, built in Jamestown and Stutsman County.

Saturday: Part 2 in the series, a look at the local housing market.

Sun reporter Chris Olson can be reached at 701-952-8454 or by email at colson@jamestownsun.com

SB 2257
3-10-15
#2 p.1

Testimony re: SB 2257
Finance & Taxation Committee
Tuesday March 10, 2015

Chairman Headland and Members of the Committee

My name is John Phillips, I am here today as the Real Estate Development Manager for Lutheran Social Services Housing and to testify in favor of SB 2257, the continuing funding for the Housing Incentive Fund.

Lutheran Social Services Housing is a non-profit organization established in 2008 to work with communities across the state of North Dakota developing affordable housing projects that have been identified as a need by the city / community. LSS Housing is the developer that works with the smaller communities in North Dakota to assist them with the housing needs they have identified when all their other local efforts have been exhausted.

You are all aware of the statistics NDHFA has presented in numerous testimonies regarding the success of the HIF program and the project application numbers when a grant round is announced. Along with a number of other housing projects that have been completed with HIF Funding as part of the financing package I think LSS Housing has been a model for utilizing the HIF program to create affordable housing. Below are several project examples:

- **Williston**, historic renovation of a former school into senior (55+) affordable housing. Monthly rents ranging from \$335 to \$785
- **Bowman**, partnered with ABLE Inc., to create affordable apartment units that had built in special features for people with developmental disabilities that now can allow them to live independently and move away from the group home living concept. The 26 unit project also provides for 18 market rate units. Monthly rents range from \$408 to \$1,100.

- **Hettinger**, the 24 unit multi-unit rental project focus is to provide “affordable housing” for essential service workers. Courtside Village will provide affordable rental housing for 12 essential service workers from the hospital, the nursing home, the school district and the county. 50% of the units in this project are income restricted to the 140% level with rents ranging from \$750 to \$1050.
- **Watford City / Prairie Heights**, the largest multi-family rental project LSS Housing has done to date. The project concept is to better support workers wanting to bring their families to the workplace. Prairie Heights includes 12 buildings that house 12 affordable rental units. The mixed income project consists of 98 units that have a rent range of \$995 - \$1,375 depending on the number of bedrooms in the unit. There are 10 units that are income qualified at 140% of median income and have rents that range from \$700 - \$950 again depending on the number of bedrooms and, something no other developers are providing in Watford City, 16 units that have rent income restrictions at 50% of AMI with rents ranging from \$540 - \$729. There is a waiting list for all units at this project that is anticipated to be a minimum of 2 years.
- **Dunn Center**, this is a planned 18 unit project that will provide affordable rental housing for 6 essential service workers from the City, Nursing Home and County. Plans are to break ground early summer.

Anyone actively working with any construction projects in the “Bakken” area quickly experiences the high cost of construction, primarily because of the high cost of living and support services that are the norm in the area. Having worked with project development in this area first hand for the last several years, I can say with certainty that, without HIF financing, it would be extremely difficult to create affordable rental projects in those locations and even throughout the state, considering the equity requirements of affordable housing projects and the cost of “money” to use private investor financing.

LSS Housing’s goal is to create housing that is as affordable as we can make it to help give our tenants their best chance at making a stable life and finding ways to thrive.

Construction costs are what they are. It doesn't matter how much rent you charge – the building costs are the same to construct. So for us to keep rents affordable, we need to reduce the amount of debt the project has to carry to cover costs of development. When HIF Funds are available to a project, that gap is filled and it is possible to offer tenants lower rents. Without HIF, a project needs to raise donated funds or utilize federal dollars to help lower the amount of debt needed to complete a project. Federal Funds even if they are available, are not always a good fit for on-the-ground economics that affect labor markets in many North Dakota Communities.

The HIF program, you established in the legislature, having identified the affordable housing need, by all indications from data NDHFA has presented is making a significant difference to families, to seniors, and to communities across the state is making an affordable place to live a reality for them. I encourage you to support the re-authorization of this program and encourage you to allocate funding at a level that will allow communities across the state an opportunity to access this resource.

Submitted by:

John Phillips, Lutheran Social Services Housing, 793-1999, jphillips@lssnd.org



SB 2257
3-10-15
3

Testimony
Kevin Strege
Representing The Bismarck-Mandan Chamber
SB 2257

Mr. Chairman and members of the Committee, I am Kevin Strege, here today representing the Bismarck-Mandan Chamber and the 1,400 members of our organization in support of Senate Bill 2257. As everyone is aware, one of the biggest challenges in North Dakota is to provide affordable housing as we strive to attract and retain workers. HIF provides for additional multi-family rental housing units that are affordable to individuals; families; essential service workers; main street employees and fixed-income households.

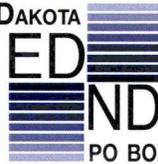
In the last legislative session, the Bismarck-Mandan Chamber was a strong supporter of the Housing Incentive Fund. The results and use of the fund over the last interim confirmed our support of this initiative. There was strong support from across the state for utilization of the \$20m in tax credits. Financial institutions contributed \$11.3m; 378 individuals contributed \$5.1m and business in general contributed \$3.6m.

After authorization in the 2013 legislative session, the \$35m in Housing Incentive Funds were depleted by November 2013. The first round of funding in June of 2013 saw \$36.3m in requests. The second round in September drew 23 applications totaling \$31.3m. The \$35m provided to this fund last session resulted in \$150m in construction financing.

Mr. Chairman and members of the Committee, while we are making progress, we know there is substantial work ahead of us. Across North Dakota, the demand for affordable housing is pressing. In our community, employers tell us they recruit and hire qualified employees who then decline jobs based on the lack of housing. In Burleigh County alone, there are 1,200 people on the waiting list for affordable housing with only 800 units available.

Today, we stand in support of Senate Bill 2257. We note that SB2257 is a stand-alone bill that provides for the \$20m appropriation from the general fund and \$30m from tax credits. This approach is different from previous sessions when the HIF was incorporated into other funding bills or departmental budgets. We respectfully request the legislature to consider and move this bill in a timely manner to allow for the funding can be available for this 2015 construction season.

Mr. Chairman, we thank you and the committee for your attention to this pressing matter and we ask for reauthorization of the HIF and for support of the Governor's recommendation of \$50 million dollars in funding for this program.



SB 2257
3-10-15
#4

**Testimony of Keith Lund, President
Economic Development Association of North Dakota
In Support of SB 2257
March 10, 2015**

Chairman Headland and members of the House Finance and Taxation Committee, I'm Keith Lund, vice president of the Grand Forks Region Economic Development and president of the Economic Development Association of North Dakota (EDND). On behalf of EDND, I would like to express our support for SB 2257.

EDND represents more than 80 state economic development organizations on the front line of economic development efforts throughout North Dakota. The primary purpose of the organization is to support the creation of new wealth and the diversification of North Dakota's economy.

SB 2257 includes a \$20 million appropriation and \$30 million in tax credits, totaling \$50 million, for the Housing Incentive Fund. The bill also extends the fund for two years and includes an emergency clause. Supporting funding for the Housing Incentive Fund is on EDND's legislative agenda and the board has agreed to support HIF funding up to \$100 million based on housing needs in the state. While EDND believes the allocation and tax credits included in SB 2257 are a strong start in supporting this fund, we feel a more appropriate funding total for the Housing Incentive Fund is \$100 million, if revenue projections permit. This increased level of funding would allow the HIF to not only support the development of new affordable housing units, but also preserve existing units and create a tenant-based rental assistance program.

EDND believes communities and, in turn, businesses and local economies can't grow without places for the state's vital workforce to live, and the Housing Incentive Fund has demonstrated its effectiveness in creating affordable housing in communities across the state. We ask for your consideration in increasing the funding amount for the Housing Incentive Fund in this bill to \$100 million and urge the committee's support of SB 2257.

March 10, 2015

SB 2257
3-10-15
5

HOUSE FINANCE AND TAXATION COMMITTEE
SB 2257

CHAIRMAN HEADLAND AND MEMBERS OF THE COMMITTEE

For the record my name is Blake Crosby. I am the Executive Director of the North Dakota League of Cities representing the 357 cities across the State.

The Housing Incentive Fund has been a critically important tool for cities impacted all across the state by the oil boom. There is the need to accommodate those persons displaced by the changes in the housing market, the need to provide affordable housing for city workers as city service demands increase, and the need to provide housing for essential services workers in law enforcement, fire protection, emergency medical services, nurses, and CNAs. Affordable housing is the very foundation of addressing those needs.

There is also a great amount of concern and discussion about retaining existing workforce as the State faces the variability in the price of the oil commodity. We know the price will come back up and that we will need that workforce. If those workers have found housing for themselves and their families it will increase their retention rate.

Last session HIF had access to a total of \$35.4 million in tax credit authority and general funds. SB 2257 would provide \$50 million for the upcoming biennium. The burn rate on the \$35.4 million was about 8 months and there were total requests of around \$68 million. I would presume when communication was made public about the funds being depleted, there were projects on the drawing board that were not submitted. We need to get this funding out there before we miss a construction season.

On behalf of the North Dakota League of Cities, I ask for a Do-Pass on SB 2257.

THANK YOU FOR YOUR TIME AND CONSIDERATION. I will try to answer any questions.

SB 2257
3-10-15
6 p.1

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

SB 2257 Testimony

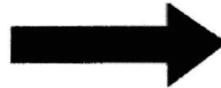
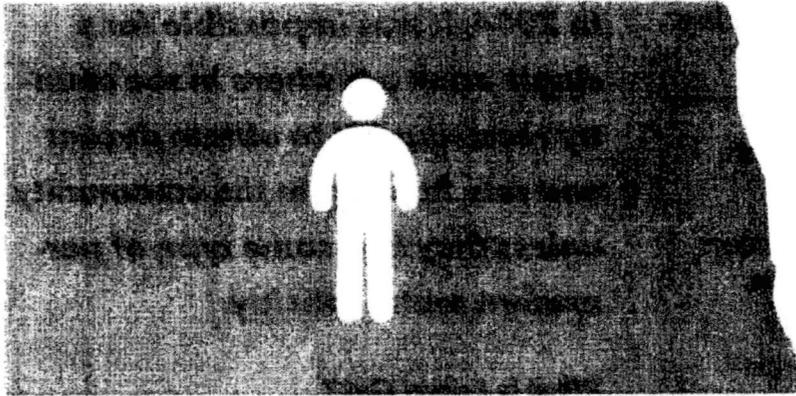
Representative Headland, committee members, thank you for this opportunity to testify in favor of SB 2257. I am Michael Carbone, the executive director of the North Dakota Coalition for Homeless People (NDCHP). NDCHP is a membership organization that has about 70 members who are providers of emergency shelter, transitional and supportive housing as well as supportive service providers designed to prevent and end homelessness. We thank the legislature for the Housing Incentive Fund (HIF) which has proven to be one of our most powerful tools in mitigating homelessness in North Dakota. Our policy priorities calls for renewal of the HIF at 100 million dollars and for the establishment of a dedicated revenue stream for the HIF. While we recognize that these requests are not likely, at a minimum the HIF should be renewed at the Governor's request of 50 million funded by a combination of tax credits and an appropriation.

Homelessness in ND reached an all-time high in 2013 with 2069 North Dakotans experiencing homelessness during the last week of January. 1395 of these people were unsheltered. The temperature was in excess of 20 below zero (NDCHP annual Point in Time Count 2013). The 2014 count showed that we made some progress by reducing the number of homeless to 1258. While it is important to remember the Point in Time (PIT) is a snapshot in time, it seems to indicate that some progress has been made even though the number of homeless is still more than double what it was before the energy boom came to ND. The 2011 PIT shows 603 homeless in the state. The HIF can be credited with helping to turn the corner on this unprecedented rise in homelessness.

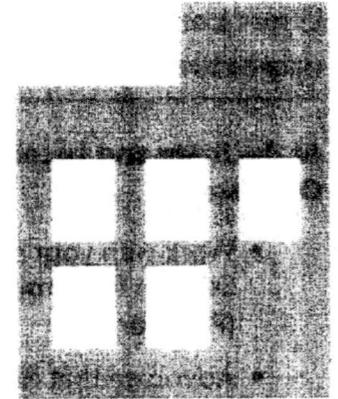
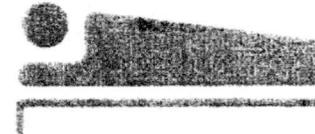
Although the housing situation in ND seems to be turning the corner, now is not the time to relent on the progress we have made. According to the 2014 PIT, 92.4% of respondents reported that affordable housing was the number one thing they needed to end their homelessness. They are not looking for a handout, but rather, an affordable place to live. People experiencing homelessness generally face two types of barriers—personal barriers and systemic barriers. As hard as a household tries to end their homelessness by confronting their personal barriers, it takes policy makers to change the systemic barriers. For these reasons the NDCHP urges passage of SB 2257 at a minimum of 50 million dollars as per the Governor's request. If the committee really wanted to make a deep impact on the issue of homelessness the bill would be amended to 100 million.

Priced Out in North Dakota

I am a person with a disability



It's no wonder that there are...



My only income is **\$721** per month from Supplemental Security Income (SSI)

There are **5,755** people like me in North Dakota

The average monthly rent for a basic one-bedroom apartment is **\$582**

That is more than **81%** of my monthly income

I have only **\$32** per week left for food, transportation, clothing, and other things I need

886 homeless individuals living in shelters on any single night

+ 464 unsheltered

Too many people stuck in expensive institutions at a cost of **\$237 - \$454** per person per day

#6 p.d

The system is broken

This is not affordable

See *Priced Out 2014* at www.tacinc.org to learn more about these alarming statistics



How can we fix it?

#6p.3
The shortage of affordable housing, including permanent supportive housing (PSH), is the primary barrier to helping people with disabilities move from expensive institutions to the community and to ending homelessness. As documented in the forthcoming *Priced Out in 2014*, communities across the country face the same crisis.

What can we do to end homelessness and provide people with disabilities opportunities to live integrated in their community?

At the State and Local level, use *Priced Out* data to:

- Work with your state to apply for Section 811 Project Rental Assistance (PRA) funds;
- Advocate that National Housing Trust Fund funds be targeted to extremely low income (ELI) people with disabilities;
- Inform plans to end homelessness through Continuums of Care;
- Advocate for voucher and public housing preferences for people with disabilities in Public Housing Authority Plans;
- Advocate for targeting ELI people with disabilities in the state's Qualified Allocation Plan; and
- Demonstrate the need for housing for people with disabilities in state and local Consolidated Plans.

At the National Level, use *Priced Out* data to:

- Support efforts to fund the Section 811 PRA Program in every state;
- Support and protect efforts to fund the National Housing Trust Fund; and
- Support the President's Fiscal Year 2016 HUD Budget Request which restores 67,000 vouchers, provides for new funding for Section 811 PRA and increases PSH resources to end homelessness.

For more information, see *Priced Out in 2014* at www.tacinc.org

In 2014, it was impossible for a single adult anywhere in the country receiving SSI to obtain decent and safe housing in the community unless they had some type of permanent rental subsidy.

What is *Priced Out*?

Produced with the Consortium for Citizens with Disabilities with the support of the Melville Charitable Trust, *Priced Out in 2014* is the 9th edition of the biennial national housing study documenting the severity of the housing affordability crisis experienced by the lowest-income people with disabilities. This analysis is informed by data from HUD and the Social Security Administration as well as state level data reported on homelessness and institutionalization. The Technical Assistance Collaborative, Inc. (TAC) is a national non-profit organization that advances proven solutions to the housing and community support services needs of low-income people with disabilities and people who are homeless. See more at www.tacinc.org or call (617) 266-5657 ext. 119.



SB 2257
3-10-15
#7

Testimony of Laney Herauf
Greater North Dakota Chamber of Commerce
SB 2257
March 10, 2015

Mr. Chairman and members of the committee, my name is Laney Herauf; I am the Government and Regulatory Affairs Specialist for the Greater North Dakota Chamber. GNDC is working on behalf of our more than 1,100 members, to build the strongest business environment in North Dakota. GNDC also represents the National Association of Manufacturers and works closely with the U.S. Chamber of Commerce. As a group we stand in support of House Bill 2257.

Along with its blessings, North Dakota has seen its fair share of setbacks surrounding the oil industry. All across the state, citizens are feeling its positive and negative impacts. Finding affordable housing isn't as easy as it was ten years ago and in 2011 this legislative body, including many of you, established the Housing Incentive Fund.

At its simplest, the Housing Incentive Fund is working. We see the benefit in offering the continued appropriation toward this project. Further, we see the benefit in continuing to offer tax credits to those who contribute to this fund. These contributions will help keep the fund alive and the tax credit incentive will keep the contributions coming to the state.

The 2011 legislature recognized the need for housing and housing assistance in the state. Those needs haven't changed. We respectfully request a DO PASS recommendation on SB 2257.



PO Box 2639 P: 701-222-0929
Bismarck, ND 58502 F: 701-222-1611

www.ndchamber.com

SB 2257
3-10-15
#8

Laurie Baker
Executive Director
Fargo Moorhead Coalition for Homeless Persons
701-200-0855
directorfmchp@gmail.com
1202 Westrac Drive, Suite 302,
Fargo ND 58105-5653

SB 2257 Testimony

Chairman Headland, thank you for the opportunity to testify in support of SB 2257. I am the executive director of the Fargo-Moorhead Coalition for Homeless Persons and chair the board of the ND Coalition for Homeless People. The F-M Coalition is a partnership organization whose mission is to prevent, reduce and end long-term homelessness in the F-M area by developing permanent solutions. We maintain the reauthorization of the HIF at a minimum of 50 million is both the right thing to do and the smart thing.

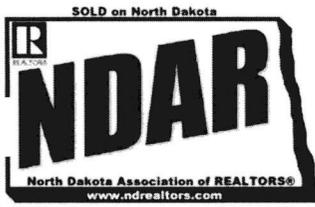
On any given day there are 886 people (NDCHP 2014 PIT) in emergency shelter at a cost between 237 and 454 dollars per day (Technical Assistance Collaborative 2015). This is far more expensive than providing basic but safe, supportive housing. We are seeing so many more families with children in our shelters. Nationally 35.2% of the homeless are children and there is clear correlation between the trauma of childhood homelessness and long-term damage to their potential. Poverty and the lack of affordable housing are the principal causes of family homelessness.

Numerous studies show that providing supportive housing for those with chronic needs costs far less than emergency shelter and produces better outcomes. Among these studies is one from Cooper House in Fargo that was conducted by Eide Bailey, an independent evaluator.

The HIF is a valuable tool in developing affordable housing and also supportive housing. While some households can end their homelessness by accessing affordable housing, others have disabilities that require ongoing supports, and the HIF is the state's most powerful tool in providing both affordable and supportive housing. Shelter is not the solution to homelessness—it is a symptom, and an expensive one at that. Affordable and available housing with and without supports is the solution to homelessness.

The FM Coalition for Homeless Persons strongly urges passage of 2257 at or above the level of the governor's request.

Thank you for your time and attention and for the conscientious work you do on behalf of all the people of North Dakota.



North Dakota Association of REALTORS®

318 West Apollo Avenue – Bismarck, ND 58503-1404
Phone: 701-355-1010 or 800-279-2361 – Fax: 866-665-1011
www.ndrealtors.com info@ndrealtors.com

SB 2257
3-10-15
#9

2015 BOARD OF DIRECTORS

PRESIDENT
Greg Larson, GRI

PRESIDENT ELECT
Cindy Harvey, ABR, CRS, ePro, SRES

VICE PRESIDENT
Lyn Dwyer, GRI

DIRECTOR AT LARGE
Lorrie Nannt, ABR, SFR

PAST PRESIDENT
Vicki Roller, CRS, GRI

NATIONAL DIRECTORS
Daryl Braham, CRB, GRI
Dewey Uhlir, ABR, CRS, GRI

REGIONAL VICE PRESIDENT
Jeff Nelson

LOCAL BOARD REPS
Badlands:
Shirley Dukart, CRS, GRI
Ninetta Wandler, ABR, CRS, GRI

Bismarck-Mandan:
Bob Johnson, GRI
Amy Hullet
Kristin Oban, GRI, SFR
Mary Shelkey Miller, SFR, GRI, SRES, ABR

Fargo-Moorhead:
Todd Anhorn
Kevin Fisher, CRS, GRI
Peggy Isakson, ABR, CRS
Bob Lee, ePRO, GRI, SFR
Ben Schroeder
Jeff Shipley, GRI
Jodi Tollefson, GRI

Grand Forks:
David Blumkin, ABR, CRS, GRI
Phil Vanyo

Jamestown:
Brandon Culver

Minot:
Joyce Kuntz
Brad Livesay

Wahpeton-Breckenridge:
Steve Diederick, GRI, CRS

Williston:
Kassie Gorder

STAFF:
Jill Beck, *Chief Executive Officer*
Jill@ndrealtors.com
Jane Marum, *Admin/Membership Services Director*
jane@ndrealtors.com
Robyn O'Gorman, *Admin Assistant*
robyn@ndrealtors.com
Nancy Willis, *Gov't Affairs Director*
nancy@ndrealtors.com

TESTIMONY IN SUPPORT OF SB 2257

Chairman Headland and members of the House Finance and Taxation Committee, my name is Nancy R. Willis and I am the Government Affairs Director for the ND Association of REALTORS®.

NDAR represents 1600 REALTOR® and 250 affiliate members statewide.

We urge a Do Pass on Senate Bill 2257. The housing incentive fund is vital for providing affordable housing to North Dakota citizens and has been very successful in funding housing that addresses unmet housing needs and alleviating housing shortages.

It also has been a vital tool for communities in providing housing for essential service workers, which helps to address the staffing shortages that exist in many areas of our state.

We strongly support the housing incentive fund tax credits. Many of our REALTOR® members have personally contributed in support of affordable housing.

We support the increase in the allowable income tax credit from \$20 to \$30 million and would support an even greater amount, in light of how quickly the amount appropriated was used up in the last biennium.

We also support the additional \$20 million in general funds for the housing incentive fund, but would defer to the ND Housing Finance Agency on the appropriations needed to adequately support the fund.

We would hope that the Legislature would recognize the effectiveness of this housing incentive fund and appropriate a sufficient number of dollars to allow it to continue the good work that it accomplishes for the citizens of North Dakota, especially those most in need.

I would be happy to answer any questions.



SB 2257
3-10-15
#10

**Testimony In Favor of Senate Bill 2257
House Finance and Taxation Committee
March 10, 2015**

Chairman Headland and members of the House Finance and Taxation Committee, I thank you for the opportunity to speak in favor of Senate Bill 2257. 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
- Lack of Affordable 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. One bedroom apartments easily rent for \$2000.00 and those few homes that are listed for sale have asking prices of in excess of \$250,000.00. Our service level employees making \$13.00 an hour simply cannot afford the market rate of \$2,000.00 for an apartment let alone the \$250,000.00 price tag of a home. I have staff that have accepted an employment offer but have not started working given they cannot find an affordable place to live.

The McKenzie County Healthcare Systems, Inc. is the current recipient of Housing Incentive Fund assistance. We anticipate occupying our 24 unit employee apartment building in July of 2015.

I can state emphatically that without the assistance of the Housing Incentive Fund, the McKenzie County Healthcare Systems, Inc. would not be able to build the employee apartment building. More so, it is my strong belief that without this employee apartment building we would have limited ability to hire much needed employees.

#10 p. 2

Senate Bill 2257 would allow others the opportunity to build apartment buildings for their employees with rent at less than \$800.00 per month. My simple requests are that you approve Senate Bill 2257.

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

Daniel Kelly, CEO
McKenzie County Healthcare Systems, Inc.
516 North Main Street
Watford City, North Dakota 58854
(701) 842-3000

Email: dkelly@mchsnd.org

SB 2257
3-10-15
#11
p.1

Testimony on SB 2257
House Finance & Taxation Committee
March 10, 2015

Good morning Chairman Headland and Members of House Finance & Taxation committee. My name is Shelly Peterson, President of North Dakota Long Term Care Association. I attended the hearing on SB 2257 regarding the Housing Incentive Fund and was asked to follow up my comments with written testimony. Thank you for the opportunity to testify on this important issue.

SB 2257 is a top priority of our Association. Staff recruitment and retention is the number one issue facing our members. We represent 211 Assisted Living, Basic Care and Nursing Facilities. Together they employ over 15,000 individuals and on an annual basis provide care and services to 19,000 individuals. Individuals who are unable to care for themselves and need assistance to dress, eat, toilet, tasks we take for granted every day.

Sufficient staffing is the number one concern of all Long Term Care facilities. We cannot solve our workforce issues if staff does not have access to affordable housing. All 15,000 individuals are part of the essential workforce definition and include nurse assistants, cooks, maintenance staff, activity staff, nursing staff, medical records staff, and transport drivers.

The average entry wages in November 2014 include:

Certified Nursing Assistant (CNA)	\$13.29
Cook	\$12.76
Housekeeper	\$11.35
Dietary Aid	\$11.10

Workforce Data:

- CNA turnover is 56% annual
- Our oldest employee is 91 yrs. old
- 70% of Nursing Facilities use contract agencies because they can't recruit enough Nurses and CNA's
- The annual cost of contract nursing in June 2011 was \$6.1 Million and in June 2014 Nursing Homes spent \$ 15.5 Million.

SB 2257
3-10-15
#11 p. 2

We can't recruit a workforce without having affordable housing available, especially in Western, North Dakota.

We can't offer housing stipends to staff, to help with the cost of housing, as it is determined to be an unallowable cost.

In Bethel Lutheran Nursing & Rehabilitation Center in Williston from 2010 to 2014 they hired 908 individuals and today only 141 are still employed. During this same period of time 943 individuals quit or were dismissed from their employment. Bethel Lutheran Average 265 employees, however they also use contract staff, as they don't have enough employees to deliver daily resident care.

Bethel Lutheran Home Foundation contributed \$250,000 toward a HIF project and that secured for them 28 affordable apartments. One of the qualifications to have an affordable apartment is you must be employed with the Nursing Home. If you quit employment you must vacate your apartment within 30 days. This is helping and is already making an impact. It already appears individuals who were fortunate to get one of these apartments are staying in their jobs vs the quit rate of those without affordable housing. Over time this will be monitored and measured.

I have brought a few of our 2015 Facts & Figures booklets on Long Term Care. Should you have any questions on my testimony or on the booklet, please don't hesitate to contact to contact me. We request your support of SB 2257, it will make a positive impact.

Shelly Peterson, President
North Dakota Long Term Care Association
1900 North 11th Street
Bismarck, ND 58501
(701) 222-0660
www.ndltca.org

SB 2257
3-10-15
#12

Mark Heinert
Homeless Programs Manager
YouthWorks
221 W Rosser Ave.
Bismarck, ND 58501
701.255.6909
Heinert_yworks@midconetwork.com

SB 2257 Testimony

Chairman Headland, thank you for the opportunity to testify on SB 2257. I am Mark Heinert, the Homeless Programs Manager at Youthworks, which serves runaway and homeless youth in Bismarck and Fargo. I am involved in North Dakota and West Central Minnesota's Coordinated Access Referral and Evaluation System (CARES) for the homeless, serving as the chair of the governing board. I am also a member of the Missouri Valley Coalition for Homeless People and the North Dakota Coalition for Homeless People.

As providers coordinate housing and services for the homeless, the most vulnerable in our population are served first. This includes the elderly, victims of domestic violence, trafficking victims, former foster youth, people with disabilities, and all children.

One of our biggest challenges is exiting people out of homeless programs into stable housing. The lack of affordable and available housing diminishes the capacity of our case managers to exit people from homeless programs into housing—anything short of that represents failure to end the homelessness experienced by the household.

Across our state, expensive rents are weakening the homeless response system. Clients who are ready to exit programs are not finding housing to exit to. As shelters become congested with people who are ready to get out but are not able to find suitable and affordable housing, the length of stay increases and less people are able to access emergency and transitional housing. This bottleneck is causing programs that were at one time very successful in ending homelessness one household at a time to become less effective and for program participants to feel a sense of hopelessness as housing opportunities evaporate before their eyes. The free market no longer offers affordable housing for North Dakotans. Below is the average monthly rent for entry-level apartments in a sampling of cities across America and in our state:

Williston, N.D.,	\$2,394	San Francisco-Oakland-Fremont, Calif.,	\$1,776
Dickinson, N.D.,	\$1,733	Boston-Cambridge-Quincy, Mass.-N.H.,	\$1,537
Minot, ND.,	\$1,237	Los Angeles-Long Beach-Santa Ana, Calif.,	\$1,411

(Apartment Guide, 2014)

Let's make sure the "Good Life" that we are advertising to entice out of state workers is available to our current residents who are the most vulnerable. Affordable housing for all is the solution to homelessness. I urge passage of SB 2257.

Testimony in Support of SB 2257
Finance and Taxation
Chairman: Representative Craig Headland
March 10, 2015

SB 2257
3-10-15
#13 p.1

Submitted by: Dan Madler, Chief Executive Officer - Beyond Shelter Inc. (BSI), 701-730-2734, Lobbyist #161

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

My name is Dan Madler and I am the CEO of Beyond Shelter, Inc. (BSI), a North Dakota nonprofit developer of affordable housing.

Since the HIF's inception and through today, BSI has closed on the financing of 281 HIF units, providing quality affordable housing to Essential Service Worker, Law Enforcement, Elderly, and Physically Disabled households, living in the communities of Dickinson, Minot, Burlington, and Fargo.

I have found the HIF to be a great tool for Community and Economic Development and its design to be very nimble. BSI has been able to put the money to work quickly, leveraging approximately \$9.8M in HIF's to produce \$49.5M in quality affordable housing assets. Essentially for every \$1 of HIF, BSI has been able to produce \$5 in affordable housing assets.

In regards to the need for affordable housing, the need is ongoing, even with the decrease in the price of oil, and the need is statewide. Per the recently released 2015 Business Conditions Survey conducted by The Chamber of Fargo, Moorhead, and West Fargo, when Businesses were asked "If FM-WF Infrastructure is Not Adequate, What Improvements are Needed" the number one response by the Business Community (63.6%) was the Expansion of Affordable Housing.

Because of this ongoing statewide need, I join with the Housing Authority Directors Association in advocating for an increase to a \$100M funding level for the Housing Incentive Fund.

Funding the HIF at \$100M would be an investment in North Dakota communities and in the State of North Dakota. If a community and state want to be strong economically, they need to provide a balance of housing stock to its residents. There needs to be housing for all income levels. The HIF program helps ND communities and the State of ND provide this balance.

In closing, I respectfully request your support for SB 2257 and advocate increasing the \$20M appropriation to \$70M with \$20M being funded under an emergency clause. Funding of the HIF would be a continued investment in ND communities, offering great financial leverage, while providing quality affordable housing options that will enable local families, longtime residents, and those on fixed incomes to affordably live in the ND community that they call home.

Thank you for your time and consideration and I stand for any questions that you may have.

SB 2257
3-10-15
#14

**ND HOUSE OF REPRESENTATIVES
Finance and Taxation Committee
64th LEGISLATIVE ASSEMBLY
March 10, 2015
SB 2257**

Chairman Headland and members of the Committee my name is Tom Alexander and I am the Executive Director of the Minot Housing Authority. I am here today, in support of SB 2257.

In Minot we have over 500 households on a waiting list for housing assistance and the list continues to grow. The community of Minot is still trying to recover from the double impact related to the June 2011 Flood Event and Western ND Energy Development. Per community meetings/surveys completed in December 2014, the identified top 3 unmet needs in Minot are: 1) Flood Mitigation & River Management, 2) Transportation & Infrastructure, and 3) Affordable Housing.

At the same time that the demand for affordable housing has increased, market pressures have pushed rents up in Minot and in other parts of ND. With that, there are fewer affordable privately owned units on the market. We have also lost numerous subsidized units due to private owners converting the units to market rate as it is more profitable. For example, our average HAP payment per landlord is \$546 compared to \$290 in 2008. We are helping less people today than we were in 2008.

MHA was approached by Beyond Shelter, a nonprofit affordable housing developer in Fargo in 2012/13 to partner on a variety of projects to create affordable housing in the Minot area. To date, this partnership has completed a two phase 64 unit affordable town home project called Washington Town Homes.

Currently, we have 3 projects in the works, Fieldcrest (NE Minot – 42 units), Cooks Court (north of Kmart – 40 units) and The Willows (Burlington – 40 units) which will create over 100 affordable units for essential workers, seniors and low income. Additionally, BSI and MHA will develop a two phase 74 unit project in NW Minot called Sunset Ridge.

A recently completed January 2015 Housing Market Study indicated that there is strong demand in the Minot area for affordable 1, 2, & 3 bedroom units. The Market Study shows that demand for 1-bedroom units restricted at 60% Area Median Income (AMI) or below is 1,068-units, demand for 2-bedroom units restricted at 60% AMI or below is 940-units and demand for 3-bedroom units restricted at 60% AMI or below is 372-unit. The Market Study also indicated the vacancy rate for 1-bdrm units is 1%, 2-bdrm units is 2% and 3-bdrm units is 4%; this is a very tight rental market.

Having said that, the Housing Incentive Fund has been instrumental in putting the funding together to ensure that the rents remain affordable.

The proposed level of Housing Incentive Fund is greatly appreciated but it is not enough to meet the serious and immediate needs of the entire state - the Housing Authority Directors Association advocates for a \$100,000,000 funding level for HIF, State Voucher Program and maintenance of current public housing units that are in need of modification.

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

Tom Alexander – Minot Housing Authority

#14 p.3

Demand Estimate, 1-Bedroom, Restricted, 60% of AMI

In this section we estimate demand for the 1-Bedroom / Restricted / 60% of AMI units at the subject property. Our analysis assumes a total of 4 units, 4 of which are anticipated to be vacant on market entry. This demand estimate utilizes the basic assumptions and data found below:

Unit Details	
Target Population	Family Households
Unit Type	1-Bedroom
Rent Type	Restricted
Income Limit	60% of AMI
Total Units	4
Vacant Units at Market Entry	4

Minimum Qualified Income	
Net Rent	\$581
Utilities	\$27
Gross Rent	\$608
Income Qualification Ratio	35%
Minimum Qualified Income	\$1,737
Months/Year	12
Minimum Qualified Income	\$20,846

Renter Households, by Income, by Size

		2016							
2015	\$	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7+ Person	
\$0	to	\$9,999	1,050	189	63	76	31	9	6
\$0	to	\$19,999	2,124	453	168	110	47	13	9
\$0	to	\$29,999	3,120	775	268	149	96	26	17
\$0	to	\$39,999	3,605	1,212	506	190	115	32	21
\$0	to	\$49,999	3,901	1,494	596	249	167	46	30
\$0	to	\$59,999	4,007	1,568	695	297	199	55	36
\$0	to	\$69,999	4,097	1,692	781	370	222	61	40
\$0	to	\$79,999	4,189	1,812	866	439	246	67	45
\$0	or	more	4,357	2,035	1,023	566	290	79	53

Maximum Allowable Income

	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7+ Person
Maximum Allowable Income	\$27,960	\$31,920	\$35,940	\$39,900	\$43,140	\$46,320	\$49,500

Size Qualified

	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7+ Person
Size Qualified	Yes	Yes	No	No	No	No	No

Demand Estimate

	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7+ Person
HH Below Maximum Income	2,871	841	0	0	0	0	0
HH Below Minimum Income	2,174	470	0	0	0	0	0
Subtotal	697	371	0	0	0	0	0

Demand Estimate

1,068

Our analysis suggests demand for a total of 1,068 size- and income-qualified units in the market area.

Please note: This unit-level demand estimate does not account for income band overlap with other units. Project-level demand estimates taking these factors into consideration will be developed later.

* 14 p. 4

Demand Estimate, 2-Bedroom, Restricted, 60% of AMI

In this section we estimate demand for the 2-Bedroom / Restricted / 60% of AMI units at the subject property. Our analysis assumes a total of 17 units, 17 of which are anticipated to be vacant on market entry. This demand estimate utilizes the basic assumptions and data found below:

Unit Details	
Target Population	Family Households
Unit Type	2-Bedroom
Rent Type	Restricted
Income Limit	60% of AMI
Total Units	17
Vacant Units at Market Entry	17

Minimum Qualified Income	
Net Rent	\$640
Utilities	\$33
Gross Rent	\$673
Income Qualification Ratio	35%
Minimum Qualified Income	\$1,923
Months/Year	12
Minimum Qualified Income	\$23,074

Renter Households, by Income, by Size									
2016									
2015	\$	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7+ Person	
\$0	to	\$9,999	1,050	189	63	76	31	9	6
\$0	to	\$19,999	2,124	453	168	110	47	13	9
\$0	to	\$29,999	3,120	775	268	149	96	26	17
\$0	to	\$39,999	3,605	1,212	506	190	115	32	21
\$0	to	\$49,999	3,901	1,494	596	249	167	46	30
\$0	to	\$59,999	4,007	1,568	695	297	199	55	36
\$0	to	\$69,999	4,097	1,692	781	370	222	61	40
\$0	to	\$79,999	4,189	1,812	866	439	246	67	45
\$0	or	more	4,357	2,035	1,023	566	290	79	53

Maximum Allowable Income								
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7+ Person	
Maximum Allowable Income	\$27,960	\$31,920	\$35,940	\$39,900	\$43,140	\$46,320	\$49,500	

Size Qualified							
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7+ Person
Size Qualified	Yes	Yes	Yes	No	No	No	No

Demand Estimate							
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7+ Person
HH Below Maximum Income	2,871	841	399	0	0	0	0
HH Below Minimum Income	2,423	550	198	0	0	0	0
Subtotal	448	291	201	0	0	0	0

Demand Estimate

940

Our analysis suggests demand for a total of 940 size- and income-qualified units in the market area.

Please note: This unit-level demand estimate does not account for income band overlap with other units. Project-level demand estimates taking these factors into consideration will be developed later.

#14p.5

Demand Estimate, 3-Bedroom, Restricted, 60% of AMI

In this section we estimate demand for the 3-Bedroom / Restricted / 60% of AMI units at the subject property. Our analysis assumes a total of 7 units, 7 of which are anticipated to be vacant on market entry. This demand estimate utilizes the basic assumptions and data found below:

Unit Details	
Target Population	Family Households
Unit Type	3-Bedroom
Rent Type	Restricted
Income Limit	60% of AMI
Total Units	7
Vacant Units at Market Entry	7

Minimum Qualified Income	
Net Rent	\$782
Utilities	\$38
Gross Rent	\$820
Income Qualification Ratio	35%
Minimum Qualified Income	\$2,343
Months/Year	12
Minimum Qualified Income	\$28,114

Renter Households, by Income, by Size

		2016							
2015	\$	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7+ Person	
\$0	to	\$9,999	1,050	189	63	76	31	9	6
\$0	to	\$19,999	2,124	453	168	110	47	13	9
\$0	to	\$29,999	3,120	775	268	149	96	26	17
\$0	to	\$39,999	3,605	1,212	506	190	115	32	21
\$0	to	\$49,999	3,901	1,494	596	249	167	46	30
\$0	to	\$59,999	4,007	1,568	695	297	199	55	36
\$0	to	\$69,999	4,097	1,692	781	370	222	61	40
\$0	to	\$79,999	4,189	1,812	866	439	246	67	45
\$0	or	more	4,357	2,035	1,023	566	290	79	53

Maximum Allowable Income

	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7+ Person
Maximum Allowable Income	\$27,960	\$31,920	\$35,940	\$39,900	\$43,140	\$46,320	\$49,500

Size Qualified

	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7+ Person
Size Qualified	Yes	Yes	Yes	Yes	Yes	No	No

Demand Estimate

	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7+ Person
HH Below Maximum Income	0	841	399	188	131	0	0
HH Below Minimum Income	0	711	248	141	86	0	0
Subtotal	0	130	151	47	45	0	0

Demand Estimate

372

Our analysis suggests demand for a total of 372 size- and income-qualified units in the market area.

Please note: This unit-level demand estimate does not account for income band overlap with other units. Project-level demand estimates taking these factors into consideration will be developed later.



Our research suggests the following occupancy levels for the 309 stabilized elderly units in this market area:

- 0-Bedroom, not applicable (0 units in survey)
- 1-Bedroom, 100 percent (301 units in survey)
- 2-Bedroom, 100 percent (8 units in survey)
- 3-Bedroom, not applicable (0 units in survey)
- 4-Bedroom, not applicable (0 units in survey)

309

Our research suggests the following occupancy levels for the 2,361 stabilized family units in this market area:

- 0-Bedroom, 99 percent (107 units in survey) *1% = ~ 2-units*
- 1-Bedroom, 99 percent (614 units in survey) *1% = ~ 7-units*
- 2-Bedroom, 98 percent (1312 units in survey) *2% = ~ 27-units*
- 3-Bedroom, 96 percent (316 units in survey) *4% = ~ 13-units*
- 4-Bedroom, 92 percent (12 units in survey)

Vac. Rate

2361

Top 3 unmet needs

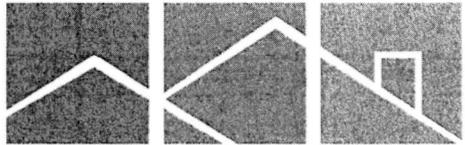
- 1) Learn Flood Protection
- 2) Infrastructure
- 3) Affordable Hsg.

Council for Community and Economic Research (C2ER)
Cost of Living
2014 Annual Report

	Minot, ND	Bismarck, ND	Fargo/ Moorhead— Metro	Denver, CO	Minneapolis, MN	Pierre, SD
Composite Index	107.4	N/A	94.0	107.5	107.9	102.3
Groceries	104.5	N/A	101.7	98.5	104.1	111.3
* Housing	<u>121.5</u>	N/A	83.5	124.4	115.4	113.5
Utilities	86.9	N/A	92.1	97.7	92.6	89.9
Transportation	109.5	N/A	96.6	101.5	103.7	91.0
Health Care	105.8	N/A	111.3	103.8	100.8	95.0
Misc. Goods	102.3	N/A	97.2	102.5	110.4	97.7

Minot's cost of living measured at 107.4%, 7.4% higher than the national average for 2014. U.S. Average Composite Index 100% The cost of living index is published by the American Chamber of Commerce Researchers Association (ACCRA). The ACCRA Cost of Living Index measures differences between areas in the cost of consumer goods and services, excluding taxes and non-consumer expenditures. It is based on 100,000 data points, for which prices are collected quarterly by the Minot Area Chamber of Commerce and 288 other urban areas across the nation.

SB 2257
3-10-15
#15 p.1



GRAND FORKS
HOUSING AUTHORITY

WRITTEN TESTIMONY PROVIDED TO
ND HOUSE OF REPRESENTATIVE
FINANCE AND TAXATION COMMITTEE
DURING THE 64th LEGISLATIVE ASSEMBLY
ON MARCH 10TH, 2015
IN SUPPORT OF
SB 2257
WITH SUGGESTED AMENDMENTS

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

I write today to ask for your support and consideration of the following amendment(s) to SB 2257 as this bill is before you today. As I see it, this bill, as written, is introducing two major changes to the Housing Incentive Fund program. First, in Section 3 it is amending the amount of authorized tax credit for the HIF program by increasing to \$30 million the aggregate amount of tax credits allowed. Second, in Section 4, SB 2257 is appropriating \$20 million from the general fund to the HIF program. Both actions thereby making the HIF a \$50 million program.

I ask that you **consider amendments** to SB 2257 that expand even further the scope of eligible projects that the HIF program supports.

Eligible Projects:

I respectfully request that the Finance and Taxation Committee consider amending SB 2257, as presented, by striking the term multifamily from page 2 line 18.

Section 1 of SB 2257 amends and reenacts NDCC 54-17-40. Subsection 3.a. states that Assistance from the fund may be used solely for: "New Construction, rehabilitation, or acquisition of a **multifamily** housing project or mobile home park;" (emphasis added) The restriction of the funds to multifamily housing projects prohibits this resource to be used in any project that has 3 or fewer units per structure. It also implies that these funds can only be used for rental property as this is typically what the term "multi-family" refers to. It was immediately evident, upon the creation of the HIF program by the 62nd Legislative Assembly, that the term multifamily created a problem as to what type of structures and projects were eligible. So much so that the 63 Legislative Assembly, with



1405 – 1st Avenue North, Grand Forks, ND 58203
(701)746-2545(office) (701)787-9437(direct) (701)740-6738(cell)
(701)746-2548(fax) TDD 711 tnhanson@grandforksgov.com



the passage of HB 1083, redefined the term multifamily to include a facility containing four or more residential dwelling units rather than the national standard of five or more units, just so “4-plexes” could be funded with HIF program dollars.

The removal of the term multifamily from NDCC 54-17-40. § 3.a. would allow the HIF program to be used for any size of housing project to include single family dwelling units. As well, it would allow the housing finance agency to consider including single family, owner occupied units as eligible projects during its development of the “annual allocation plan.”

Funding:

Governor Dalrymple’s proposed budgeted amount of \$50 million for the HIF fund falls far short of what is needed to address the affordable housing needs across the state. Over the past two biennium’s \$49.610 million of HIF funding has been allocated to housing projects having total development costs of \$251.508 million for the creation of 1,521 units. To illustrate how woefully insufficient \$50 million is to addressing the housing needs of the state, a Housing Needs Assessment for the City of Grand Forks released in July of 2012 stated: **“The city has a current shortage of 2,339 units to serve renters who need units priced less than \$405/month.”** To date, the HIF allocations of the past two legislative sessions have been enough to cover only 65% of the needs of the City of Grand Forks, let alone the remaining State’s needs.

A minimum funding level of \$150 million would be more appropriate just to keep up with needs. **A \$250 million funding level would,** perhaps, allow the state to start getting ahead of the ever increasing demand/need and still be at a level that can be sufficiently administered state wide.

Allocations:

To date all appropriations to the HIF fund have been used for the development of new units. While new units are sorely needed, there remains a need for rehabilitation/preservation of existing units as well as assistance provided to households to enable them to remain in the home they currently occupy at rents that they can afford. To address these additional state wide needs the following allocations are suggested, assuming a total appropriation of \$150 million:

New unit development (current program):	\$100 million
Rehabilitation/Preservation of existing units:	\$ 35 million
Tenant Based Rental Assistance (TBRA)	\$ 15 million

Across the nation HUD estimates that there exists some \$27 billion in deferred maintenance of public, assisted housing. As a result of this deferred maintenance thousands of units of affordable housing are lost annually. North Dakota is not immune

#15 P-3

from the results of deferred maintenance of affordable housing. There exist today housing projects, large and small, located in the largest cities of the state as well as the smallest communities, that are on the verge of failing due to many years of neglect as the result of insufficient financial resources. **\$35 million** would begin to address these deferred maintenance needs.

As well, there are many families today, across the entire state of North Dakota, that are paying in excess of 30% of household income towards their housing needs. The ND Housing Authority Directors Association has proposed a TBRA demonstration program whereby households, primarily “essential service workers”, are provided assistance to reduce their housing burden to under 40% of household income. A **\$15 million** appropriation will assist an estimated 500 to 750 households for the suggested five year period of the program with assistance ranging from \$300 to \$500 per unit per month.

Please do not hesitate to contact me with any questions you may have regarding any of the above suggested amendments to SB 2257 and the other program enhancements requested.

Thank you in advance for your support in increasing the State’s allocation to the HIF Program and to expand the use of these funds to address additional needs within already authorized uses and Thank You for all you do.

Respectfully submitted,

Terry Hanson
Executive Director



SB 2257
3-10-15
#16 p 1

P.O. Box 430 • Fargo, ND 58107 • (701) 293-6262 • Fax (701) 293-6269 • www.fargohousing.org



SB 2257

Chairman Headland

Vice Chairman Owens

Members of the Finance and Taxation Committee

I write today to ask your support of SB 2257. As we are all aware, North Dakota is experiencing an extreme shortage of affordable housing. The impact of this falls particularly hard on fixed income senior citizens, persons with disabilities that limit their earning capacity and, the 'working poor' who are filling those needed but low paying jobs in the service sector and trying to support a family on those low wages. A softening of rents due to the current work slowdown in the Bakken does not translate to rents that are affordable to these households, many of whom are living on annual incomes of less than \$15,000. Too, we recognize that the private sector cannot deliver housing that is affordable to our low and moderate income households, without some level of subsidy.

In 2012 the U.S. Bureau of the Census identified a shortage of 11,400 units of affordable housing in the state. Across the state – housing providers, businesses, elected officials and average citizens are all aware of the need for affordable housing. As our population grows so does the need. The number of senior citizens (and retirements) in the state is projected to double in the next 10 years, many of these individuals and households are rent burdened now even while they are still working. In Fargo the Housing Authority has a waiting list of over 1,000 households needing assistance. There are long lists across the state. When a new affordable unit is made available there are typically over 10 applications for each available unit. In the west even those lucky few householders who are awarded a Section -8

#16p.2

rent voucher are often unable to use it due to they can't find an apartment with a rent low enough to qualify for the program.

Most states and larger metropolitan communities have some version of a Housing Incentive Fund. North Dakota is fortunate to be one of only a handful of states with an increasing population and, more fortunate still, with revenues that can allow funding a housing program without borrowing the capital to do it - as other states are needing to do.

The Governor's proposed funding of the HIF program at a level of \$50 million is helpful but is clearly inadequate to meet the need. This level of funding is estimated to leverage about 450 units of affordable housing. The Housing Authority Directors in the State are advocating for a minimum level of \$100 million which is a quite doable production number for the biennium and, will generate or preserve approximately 900 units of the over 11,000 identified as needed.

This is to encourage you to not only support the bill but to also fund it at the higher recommended level with an authorized appropriation of \$70 million and an authorized tax credit level of \$30 million. It seems far more pragmatic to convert revenues to infrastructure and assets that provide current benefits to citizens and the general economy - than to bank them for future use. Especially when considering the healthy level of the Legacy Fund.

With Respect,

A handwritten signature in black ink, appearing to read 'Lynn Fundingsland', with a large, sweeping flourish extending to the right.

Lynn Fundingsland, Executive Director

Fargo Housing and Redevelopment Authority

SB 2257
3-10-15
#17 p. 1

North Dakota Housing Authority Directors Association

Regarding the N.D. Housing Incentive Fund (HIF) for the 2015-17 Biennium

North Dakota's Housing Authority Directors recommend and support the authorization of a HIF program for the coming biennium at a level of \$100 million to be used for new construction of affordable housing and the preservation (or replacement) of currently subsidized affordable housing that is at risk. As supported by the data summarized here, the Governor's request of \$50 million is woefully inadequate to meet the growing and increasing urgent needs of North Dakotans – which are due in part to housing market pressures created by the oil-play.

The Directors also recommend authorization for and creation of a state-wide Tenant Based Rental Assistance program additionally funded at a level of \$15 million.

New construction and preservation or replacement

Background

- Projections show growth between 29,000 and 44,000 more people in oil-impacted areas in the next two years (NDSU Ag Economics Dept)
- New housing in the oil-impact area is projected at 12,000 to 15,000 units in the next two years
- The balance of the state is exceeding population projections and will continue to grow
- For the balance of the state the housing production projection is 3,400 in the next 2 years (this number is from the 2012 statewide housing needs assessment and is now considered to be conservative)
- Per the 2013 American Communities survey - 11.8% of North Dakotans (82,398 individuals) are below the poverty level
- 35% of, or 23,600 households are renters – 23% are extremely low income (30% of area median income)
- 28% of renters are cost burdened – spending more than 30% of their income on housing

Need

- In 2012, according to the US Census Bureau, the state-wide **shortage** of housing both affordable and available to extremely low income households was **11,400 units**
- There are currently less than 25 units for every 100 needed
- A January 2014 census counted 1,258 homeless and 1,049 precariously housed people in the state – the consensus is that there are many more who were not counted

- A cost-benefit analysis of Cooper House in Fargo demonstrated significant cost savings to communities to house the homeless in supportive housing over working with this population on the streets (arrests, incarceration, emergency shelter costs, detox, emergency room and hospital stays, judiciary costs etc.)
- Due to age and condition issues, 248 units of public housing for low-income residents (Lashkowitz high-rise in Fargo) are in danger of becoming uninhabitable without major renovation or replacement of units.
- Federally subsidized Farmers Home projects are being lost and others are at risk in rural communities across the state
- Public entities have identified a need for 774 additional essential service workers in the next two years – where will they be housed, especially in our western communities with sky high rents?
- Federal development programs are unable to keep pace with needs - The Federal Low Income Housing Tax Credit program produces affordable housing but is limited to about 4 projects or approximately 160 units per year statewide
- The \$50 million level of funding proposed in the Governor's budget will leverage approximately 450 units of affordable housing
- The \$100 million the Directors advocate for will fund approximately 900 units which is still seen as considerably short of what is needed but, which can realistically be put on the ground in the next biennium

Tenant Based Rental Assistance Program (TBRA)

- The shortage of housing in the State has given cause for substantial increases in rental rates
- Increased rental rates affect low income elderly, disabled and other households disproportionately as these households are generally on fixed incomes
- There have been many stories in the news regarding these households being forced to move from their homes because they can no longer afford the increased rents
- Within HIF program legislation there already exists the authority for TBRA, i.e. NDCC 54-17-40.3.d. **"Assistance from the (HIF) fund may be used solely for: . . . Rental**

assistance, emergency assistance, or targeted supportive services designated to prevent homelessness.”

- As with current HIF programs, the proposed HIF-TBRA Program will have oversight by the Industrial Commission, program development and funding allocation administration by the Housing Finance Agency with final administration by the existing state housing authorities through an application process
- A \$15 million appropriation will assist an estimated 500 to 750 households for the suggested five year period with assistance ranging from \$300 to \$500 per unit per month
- Suggested TBRA program requirements include:
 - HVP funds will be made available to households experiencing an extreme housing burden, i.e. those paying in excess of 40% of their monthly household income towards housing costs.
 - Seventy-five percent (75 %) of the HVP funding will be used to assist households whose income exceeds 50% of AMI for that locale
 - Twenty-five percent (25%) of the HVP funding will be used to assist households whose income is below 50% of AMI for that locale
 - At least fifty percent (50%) of the HVP funding will be directed towards ‘essential service workers’ defined as “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
 - Assistance can be provided to any one household for a maximum of five years or until such time that housing assistance is no longer needed, assistance through the federal HCV program is obtained or until funding is no longer available, whichever is shorter
 - The monthly housing assistance will be based on an incremental flat rate in increments of \$100. The amount of assistance provided to a family will be at an amount sufficient enough to reduce the housing burden of the family to 40% or less of household income, (e.g. if a \$200 increment amount of assistance will bring the household housing burden down to 41%, then \$300 of assistance will be provided)
 - Households receiving assistance under the HVP need to have earned income or be elderly or be disabled
- The TBRA Program will be considered an emergency program and will sunset each biennium. Funds appropriated toward the program will remain in the program until committed

SB 2257
3-10-15
#18 p.1

SB 2257 March 10, 2015 testimony

Chairman Headland and members of the House Finance and Taxation Committee

My name is Dwight Barden and I am the Executive Director of the Burleigh County Housing Authority.

We currently have 289 Public Housing units; we manage a 96 unit multi-family project and have developed 45 units for the special needs population. We also have a contract with HUD to administer the Housing Choice Voucher program where the tenant finds a unit in the private sector and the tenant pays about 30% of their income for their portion of the rent. Our contract is for 1075 units but with the current funding available and high rents, we are only able to assist 780 families. We have 15 VASH Vouchers for Veterans and about 30 Shelter Plus Care vouchers for the Homeless.

You may consider this a lot of affordable housing but it does not meet the current needs. Our current waiting list for the Voucher Program is closed as we have 1200 on the waiting list. At current attrition rates it would take 7 to 10 years to get to the bottom of the waiting list. Even if HUD were to fund our Voucher Programs at 100%, it would not meet the needs of our State as most apartments have gone to market rate rents and they are too high to qualify for the Voucher Program. Due to the high rents there are many elderly, special needs, veterans, homeless and youth transitioning from foster care that is or will be homeless. Also, essential workers generally make just enough money so they do not income qualify for HUD programs.

The private sector is developing more market rate units, but these rents are not affordable and in most cases not assessable. In previous testimony you heard that the US Census Bureau identified a shortage of 11,400 affordable housing units statewide in 2012. This is why the North Dakota Housing Authority Directors Association advocates for an increase of the Governor's Budget to \$100,000,000 in the HIF program. This level of funding does not solve the affordable housing shortage nor is it intended to replace the Federal dollars that have been cut back, but it would make a significant impact on the needs in our state. In fact there was about \$30,000,000 of unfunded projects from the last funding cycle.

As you are aware our testimony has been addressing the additional need for affordable rental housing. We have not even discussed the need for affordable homeownership.

I would like to thank you for your time and consideration. Also for the previous funding of the HIF program as we will be leasing up a 4-plex for special needs as we speak.

I would be happy to answer any questions that you may have.

Dwight Barden
Executive Director
701-255-2540
Dwight@bchabis.com

SB 2257
3-10-15
#19 p.1

Testimony

Senate Bill 2257-Housing Incentive Fund

House Finance and Taxation Committee

Representative Headland, Chairman

March 10, 2015

Chairman Headland and members of the House Finance and Taxation Committee, my name is Royce Schultze, Executive Director of Dakota Center for Independent Living, Inc.. We provide services to people with disabilities in 18 counties in South Central and South Western North Dakota. I am here today to provide testimony in favor of SB 2257 to appropriate \$50,000,000 in tax credits and general funds into the Housing Incentive Fund. One of the services we provide is assisting people with disabilities in finding decent, affordable, and accessible housing and another is transitioning individuals from nursing facilities back into the community of their choice. The current cost of housing is making it more and more difficult to find decent, affordable, and accessible housing for people with disabilities. We have had individuals that had to stay in a nursing facility longer than needed because there was no affordable housing available which in turn costs the state more money. Some individuals have moved to smaller communities that had affordable housing but lacked necessary services. With the current price of rental units it makes section 8 vouchers useless, because rents are so much higher than what the vouchers will cover. In September, the average rent for an available one bedroom apartment in Williston was \$2003.00, and in Dickinson, \$1683.00 which is well over section 8 voucher limits. The apartments that do fall within section 8 voucher limits and are vacant are

#19 p.2

often in such poor condition that anyone in this room would never consider moving into them.

The high cost of rent isn't just staying in the Western part of the state, it is moving east.

Although Bismarck and the surrounding communities are not seeing the rent increases the West is having it is still extremely difficult to find affordable accessible housing for low to moderate income individuals. This past September Dakota Center for Independent Living hosted a public forum on affordable housing to get input from those affected by the housing issues and by also hearing from service providers on what they are dealing with. Some of the issues/comments include: mobile home lot rents being raised from \$300 to \$850 per month and residents moving somewhere affordable and leaving their mobile homes behind because they can't afford to move it, poor quality/decency issues in lower cost units, and one third of cases handled by Legal Services of North Dakota are now housing related, and evictions went from 15 per year to over 100 last year in Williams County. By increasing the Housing Incentive Fund, we can increase the number of decent, accessible, and affordable housing units available for people with disabilities and their families. So in closing, I encourage you to support SB 2257 and appropriate the necessary funds into the Housing Incentive Fund in order to provide safe, decent, affordable, and accessible housing to those that need it most. Thank you!

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

20 2015 /
3-17-15
#1

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2257

Page 1, line 3, after the third semicolon insert "to provide a contingent appropriation;"

Page 4, after line 20, insert:

"SECTION 5. CONTINGENT APPROPRIATION - TRANSFER - GENERAL FUND TO HOUSING INCENTIVE FUND. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$20,000,000, or so much of the sum as may be necessary, which the office of management and budget shall transfer to the housing incentive fund, for the biennium beginning July 1, 2015, and ending June 30, 2017. The funding provided in this section is available only if the office of management and budget determines that actual general fund revenues for the biennium to date exceed estimated general fund revenues for the biennium to date by at least \$250,000,000 at the end of any month during the 2015-17 biennium. For purposes of this section, "general fund revenues" excludes the unobligated general fund balance on July 1, 2015, and transfers to the general fund from the strategic investment and improvements fund, property tax relief fund, the lottery, the mill and elevator, and gas tax administration. The funding provided in this section is considered a one-time funding item."

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment adds a contingent transfer of \$20 million from the general fund to the housing incentive fund if actual general fund revenues exceed estimated general fund revenues by at least \$250 million during the 2015-17 biennium.

15.0646.05002
Title.

Prepared by the Legislative Council staff for
Representative Froseth

March 17, 2015

SB 2257
3-17-15

#2

PROPOSED AMENDMENTS TO REENGROSSED SENATE BILL NO. 2257

Page 1, line 3, remove "to provide an appropriation;"

Page 1, line 4, after the first semicolon insert "and"

Page 1, line 4, remove "; and to declare an emergency"

Page 2, line 18, overstrike "multifamily"

Page 2, line 27, overstrike "multifamily"

Page 4, remove lines 15 through 20

Page 4, line 22, after "2017" insert ", and are thereafter ineffective"

Page 4, remove line 24

Renumber accordingly