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This testimony is in support of SB 2220.

First and foremost, I want to say thank you, thank you, thank you for the Housing Incentive Fund.

I have worked as a non-profit developer of affordable housing in North Dakota, South Dakota, and Minnesota over the past 29 years, in both rural settings and urban areas. Developing small projects right sized for rural areas is difficult. Construction costs in rural areas are often higher than in our urban centers due to smaller volumes, greater transportation costs, and a shortage of trades people. Rents in rural areas are generally low, in part because incomes are low, but also because the housing stock is old. Very little new construction has occurred in the past 20+ years. High costs and low rents do not balance out so new development is not happening. Federal funding programs for housing development like the Low-Income Housing Tax Credit, Housing Trust Fund, and HOME program have rigid rules, and are designed for larger scale projects, mostly too big to be viable in rural communities. USDA Rural Development receives little funding for new housing development.

The Housing Incentive Fund (HIF) on the other hand has proven to be a highly flexible source of funding for housing development. HIF can be more nimble, and used to finance projects that are right sized and meet current needs. HIF was essential in helping to meet housing needs in western North Dakota during the rapid expansion of oil production. HIF has also been an important part of developing supportive housing for extremely low-income people in our urban settings. However, very few small projects in rural communities in the rest of the state have benefitted from these precious state dollars.

HIF can also help on the single-family side of development in rural communities. Because of the slow pace of rural real estate markets, good comparable sales are harder to find, resulting in appraisal gaps. The result being that only the wealthy can afford to build new homes. Rural communities with employers wanting to expand are in serious need of new development, including starter homes for young workers who can afford a house payment but not an appraisal gap. HIF can be used to spark development of new single-family housing in rural areas. More steady development will provide a stream of comparable sales that could eliminate appraisal gaps.

Increasing funding for the Housing Incentive Fund to \$50,000,000 per biennium will open the door for rural communities to start investing in much needed new housing. Rural North Dakota needs this funding to spark development activity desperately needed to meet the housing demands of employers, families, and elderly residents wanting to stay in the communities they built. A consistent long-term commitment to funding will add stability and allow communities to plan for a bright future.

Thank you.