

**Testimony-SB 2139**  
**North Dakota House Finance & Tax Committee**  
**Neighborhood Zones**  
**Tony Grindberg**  
**March 17, 2021**

Good morning Chairman Headland and members of the Finance & Tax committee. I am Tony Grindberg, testifying as a resident of Fargo, ND and am pleased to offer my support for the concept contained in SB 2139.

The Neighborhood Zone concept targets post World War II era single family homes that have deteriorated in communicates across North Dakota. The neighborhood concept goals are similar to the highly successful Renaissance Zone legislation that was passed in 1999.

To illustrate, in 1999 the assessed value of the Renaissance Zone properties in Fargo was \$197,375,000. In 2017, the assessed property rose to \$546,331,600. Value of estimated improvements for projects from 1999 to January 2021 are \$297,850,617. *During the first 15 years of the program, the approximate increase in property tax collections exceeded \$15 million.* As one of the sponsors of the legislation, the results have far exceeded our expectations of stimulating investments benefiting from existing infrastructure and economic growth.

The Neighborhood Zone proposal includes establishing public/private funds in North Dakota. Further, the bill requires local political subdivision investment and private sector. I would expect to see financial institutions, non-profit organizations as well as individuals participating in a locally driven fund to restore single family homes and receiving a North Dakota tax credit in some cases.

Important points to keep in mind, the legislation targets remodeling of older homes. I could see new single-family homes being constructed in certain cases where existing homes would not make financial sense with a remodel option. Local political subdivisions are required to adopt a development plan to meet intent of legislation. It would be important to recognize what works for one community might not be the case for another. Thus, local decision authority should prevail for approvals of respective neighborhood zones.

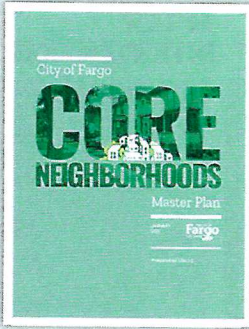
Data compiled by a recent CZB core neighborhood study suggests a range of \$35,000-\$75,000 per single family home in Fargo core neighborhoods would be a targeted amount to meet the intended outcomes/impact to rebuild single family homes. I would believe the same range would be applicable statewide as well. *I am providing a copy of CZB ROI analysis for your review.*

Below is a summary of other key CZB study findings:

- Over 1,500 single-family residential properties in the core neighborhoods (1 in 6) show visible signs of disinvestment (e.g. peeling paint, worn siding, a roof or porch in disrepair)
  - Based on 2020 visual survey
  - Assuming an average cost of \$35,000 to bring these homes into good repair—this would equate to over \$50 million in deferred maintenance in private housing stock in the core neighborhoods.
  - Higher levels of visible disinvestment correlate with smaller home configurations (e.g., 2 bed, 1 bath home), which are more commonly found in core neighborhoods.
- An estimated 16% of single-family homes in the core neighborhoods are absentee owned (about 1,200 out of 7,500 total houses).
  - On average, these absentee-owned houses are 10% smaller, have assessed values 17% lower, and higher levels of visual disinvestment than owner-occupied houses within the same neighborhoods.
  - “Once single-family homes decline to a certain price point in the core (generally below \$130,000, but higher closer to NDSU), their feasibility as investment properties rise and investors out-bit the owner-occupant competition”
  - Core Neighborhoods are unique in having single-family houses which front high-volume arterial streets. The Absentee-ownership rate for these houses, which front arterial streets is nearly double (31%) the overall rate of the core neighborhoods. Lower sales prices, assessed values, and property conditions also correlate with houses along these busy streets.
- *From 2020 to 2023, school enrollment is projected to decline by 1.2% within the core neighborhoods, while increasing by 4.7% outside of the core neighborhoods.*

Mr. Chairman and members of the committee, thank you for your consideration of SB 2139. I look forward to your questions and thoughts to move this legislation forward to benefit North Dakota communities, homeowners and school districts.





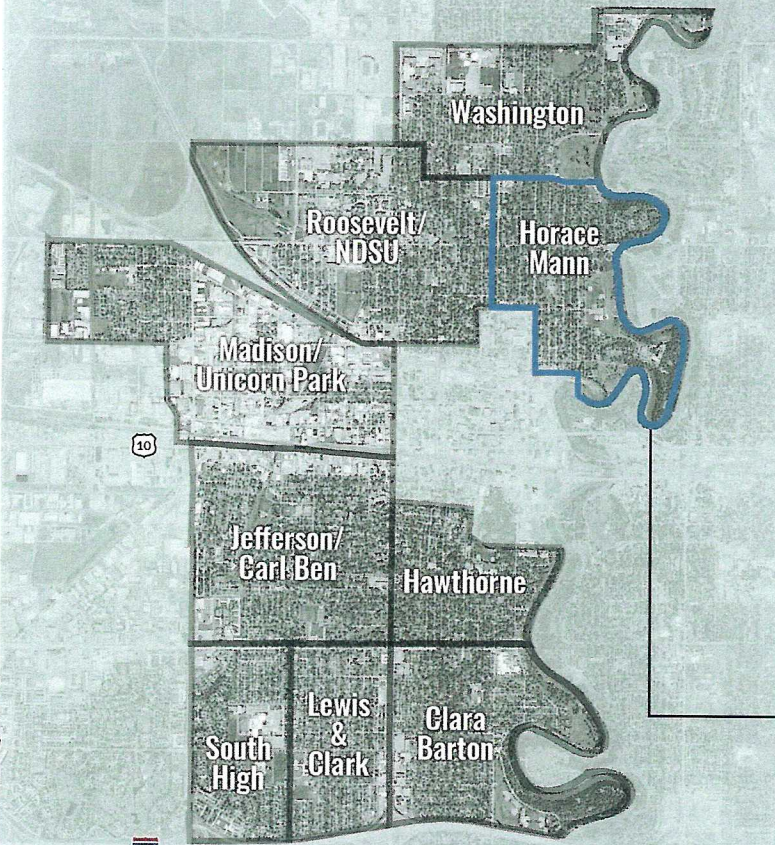
# City of Fargo CORE NEIGHBORHOODS MASTER PLAN

The City of Fargo recently completed a Core Neighborhoods Master Plan that recommends several tools to improve the condition and value of the existing housing stock. This focus on residential reinvestment was driven by analysis that found that 1 in 6 properties in the core neighborhoods showed visible signs of disinvestment in 2020—a proportion that is not yet overwhelming but could become so if not addressed over the next decade.

The plan’s most direct recommendation on this front is for the creation of new resources to partner with private property owners on improvements to aging properties, with a focus on improvements that will boost confidence in neighborhoods and set high standards for the core’s housing market. A key ingredient of this approach is public capital to leverage private dollars.

The current proposal to amend the North Dakota Century Code in order to create neighborhood zones would be one way to make public capital available for the purposes of residential reinvestment on designated blocks. **But what about the return on investment?**

To explore this question, czbLLC focused on the **Horace Mann neighborhood**, running a scenario to predict how investments in a small number of properties might impact housing conditions and the tax base.



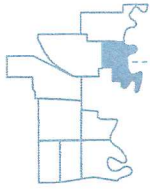
Read the full plan  
<https://fargond.gov/CoreNeighborhoodsPlan>



Prepared by  
czbLLC







# HORACE MANN NEIGHBORHOOD

BASELINE → INTERVENTION → AFTER INTERVENTION

RESIDENTIAL PROPERTY CONDITIONS	PROPERTIES			PROPERTIES	
	#	%		#	%
Slipping or distressed	139	15%	<p>20% of slipping or distressed properties (28) receive high-impact investments to elevate their condition to very good or excellent, at a cost ranging from \$75,000 to \$150,000 per property depending on existing condition.</p> <p>10% of average or good properties (43) receive high-impact investments to elevate their condition to very good or excellent, at a cost ranging from \$25,000 to \$50,000 per property depending on existing condition.</p>	111	12%
Average or good	431	45%		388	41%
Very good or excellent	378	40%		449	47%
<b>Aggregate Residential Assessed Value*</b>	<b>\$198.2 million</b>			<b>\$206.2 million</b>	

	Total Investment	\$4.1 million
	Number of Properties	71
	Average Cost Per Property	\$58,000

### Investment Capital by Source...

...on Blocks in a Neighborhood Zone		...on Other Blocks	
Property Owners and Private Lenders	33%	50%	Property Owners and Private Lenders
City of Fargo	33%		
Neighborhood Zone	33%	50%	City of Fargo

*\*This assumes that properties improved to very good or excellent condition will have their value increase to reflect the existing average value of very good or excellent properties*

### Estimated Return on Investment

**\$8.0 million gain** in total assessed residential value compared to \$4.1 million invested in property improvements

**Disruption of a gradual increase in slipping or distressed properties, as well as a reduction in average to good properties that would be vulnerable to slippage**

This estimate does not account for the following returns that would be likely to accompany this intervention:

- Investments made by property owners on their own, spurred by visible improvements elsewhere in the neighborhood
- Stabilization and growth in owner-occupancy rates due to the rising share of properties in very good or excellent condition