

Testimony in Support of
Housing Incentive Fund (HIF) funding included in HB 1014
Senate Appropriations Committee – Education and Environment
Wednesday March 1, 2023

My name is Lisa Rotvold. I live in Hillsboro. I have worked in the field of affordable housing and community development in North Dakota, South Dakota, and Minnesota for nearly 30 years.

I serve on the NDHFA Advisory Board, and the Lake Agassiz Regional Housing Corporation. I previously served on the board of the Hillsboro Economic Development Corporation, and the Sanford Hillsboro Medical Center Advisory Board. These experiences have shown me first-hand the close ties between strong communities, economic development, and housing, from multiple perspectives.

It is my honor to submit the following comments in support of the Housing Incentive Fund (HIF), included in HB1014, as a vital resource to meeting North Dakota's affordable housing needs.

1. The shortage of affordable rental housing is impacting communities all over the state, large and small. NDHFA's Statewide Housing Needs Assessment published last October made that very clear.
2. Employers in small communities are desperate to attract an adequate workforce, hiring people who must commute long distances for lack of suitable housing. Teachers, healthcare workers, and manufacturing workers to name a few.
3. Federal resources such as Low-Income Housing Tax Credits, HOME Program, and Housing Trust Fund are effectively assisting in the financing of affordable housing in our urban centers.
4. These programs, operated by the Department of Housing and Urban Development, are governed by rigid rules and regulations that don't mesh well with the small-scale development needed in small communities, and add cost that these smaller developments can't absorb.
5. To effectively develop rental housing in small communities we either need to do small projects targeted to low-income households, or slightly larger projects that can serve a wider range of income levels to gain economies of scale.
6. Either way, market rents in small towns are low and do not support adequate debt to cover the cost of new development. Gap funding is needed.
7. HIF can help with both small scale development and serve a wider range of incomes when the Federal programs do not.
8. USDA Rural Development receives very little funding for new development, directing most of their resources to preserving the housing in their existing portfolio.
9. One of the many reasons HIF is so effective is that NDHFA has the flexibility to modify the allocation plan each biennium, based on public input for how HIF funds can best be deployed around the state.
10. Past appropriations of HIF have been allocated in one funding round in the first year of the biennium due to high demand.

11. Larger scale developers who are continually working on new developments in the urban centers have been poised and ready to apply and put HIF dollars to work.
12. With funding uncertainty, smaller communities generally don't have a development cued up and ready to go in short order, fewer developers are interested in working on small projects when they can make more money on large projects.
13. Since HIF's creation in 2011, only six percent (6%) of HIF funding has been invested in communities with population of 5,000 or less, outside of the oil patch.
14. A larger appropriation to HIF can support an annual funding cycle, rather than every two years (following each legislative session), giving small towns time to plan and have projects lined up when funding rounds are held.
15. Non-profit development organizations focusing on rural communities are stepping up to do the small developments that don't make economic sense for private developers.
16. The narrative about rural North Dakota is changing. Small towns are investing in themselves, and businesses are growing. Today we have the jobs, and we need people, and they will not come without good housing options.
17. Small town housing markets have been slow for a long time. The market forces at work in larger communities, that support the value of new construction, are not there in small towns. New investment (from HIF) can spark those markets, produce new housing, and start to correct this disparity.
18. A Rural Housing Development Task Force met throughout last year to focus on impediments and solutions to increase production of affordable housing in rural communities. In addition to a variety of local actions, HIF funding was identified as the most important resource available for small-scale development.
19. HIF has proven to be an effective financial tool to meet housing needs in the oil patch, and in our urban centers. In order to also include small scale development in cities with populations of 5,000 and less, more HIF funds are needed.
20. The Governor's budget including \$25 million for HIF will give North Dakota's thriving small towns an opportunity, while continuing to be an important component of some large-scale developments targeting extremely low-income households in the population centers.

A bolder and welcome show of support would be to fund HIF at \$25 million annually as reflected in SB 2220's proposed \$50 million for HIF. Thank you for your consideration.

Respectfully submitted by Lisa Rotvold, District 39