

January 20, 2023

To: Chair Roers and members of the Senate State and Local Government Committee

From: Jim Nelson, Executive Director of Lake Agassiz Habitat for Humanity

Topic: Testimony in Support of Senate Bill 2207

Good morning, Chair Roers, and members of the Senate State and Local Government Committee. Thank you for the opportunity to speak with you today on behalf of Senate Bill 2207 and Habitat for Humanity's work in North Dakota. My name is Jim Nelson and I am the Executive Director of Lake Agassiz Habitat for Humanity located in Fargo Moorhead. We serve both Cass County North Dakota and Clay County Minnesota. It's my great pleasure to speak to you this morning not only about contractor licensing exemptions, but to focus on the creation of affordable housing in the state of North Dakota. I'd like to begin by sharing a little bit of information about Habitat for Humanity, in the event that some of you might be new to Habitat.

Habitat for Humanity was founded in 1976 in Americus, GA as a Christian based ministry. At Habitat, we build strength, stability, self-reliance and shelter. I know of no better pay it forward program than Habitat for Humanity. If there is only one message that you receive this morning I want you to remember that Habitat homes are purchased through an affordable mortgage based on the homeowners income rather, they are not given away. Every mortgage payment received from our homeowners goes directly toward the creation of a new home.

Lake Agassiz Habitat for Humanity was created in 1991 and since then we've built 72 homes with roughly 60% of those homes being in North Dakota and 40% in Minnesota. We hired our first full time employee 10 years after opening; today we have 7 full time employees and 4 part-time employees. In 2006 we opened a thrift construction retail outlet called the Habitat ReStore where our prices range from 25% to 75% of full retail pricing. Further, we serve as a vocational training site for local adults while area youth fulfill community service requirements in our ReStore. In 2022 the ReStore served over 21,000 paying customers of which 75% indicate the reason they shop at the ReStore is because they cannot afford the full prices found in local big box retail stores.

Did you know that in North Dakota, one in every nine households is paying more than they can afford on housing? And, did you know our state has an affordable housing supply shortage of more than 15,000 units? That figure includes both rental and affordable homeownership opportunities. Habitat in North Dakota brings the community together to build more affordable homeownership opportunities so more families can afford their home and our local communities thrive. We want to continue to do this work and deepen our impact.

I'd like to introduce you to Family "C" and Family "J"; please refer to the 2-page Partner Family Information document. Family "C" is a single mom with 4 children, of which 1 relies on a wheel chair for mobility. Since moving into her Habitat home, mom has been able to start a new, better paying job and Heaven, the disabled child, is able to access all parts of her home as it was built to be fully accessible. Family "J" is a single mom with one child and since moving into their home mom has received 2 promotions at work, due to having stable housing, and has recently become a supervisor. Her daughter, Kyia, has gained self confidence from no longer renting and she's begun to excel academically. I'm here today because Habitat in North Dakota wants to create more affordable homeownership opportunities for families like these and Senate bill 2207 can support keeping our costs low so we can do just that.

Senate bill 2207 focuses on creating a contractor license exemption for nonprofit entities involved in the creation of affordable housing. The cost of a contractors license in the state of North Dakota is \$300 initially, and the renewal fee is \$150 annually. While the cost appears minimal, it does impact our total cost to build, and in this work, every dollar matters.

Habitat for Humanity is in the business of creating affordable housing. That sets us apart from every other commercial contractor in the state. Habitat for Humanity builds a reputable and comparable product to our for-profit peers. An example that demonstrates this is that Lake Agassiz HFH built one of the first LEED certified homes in North Dakota. We're proud of our product and the stability it provides for low-income families.

While we are producing comparable products, our clientele is very different. As I mentioned earlier we sell our products on an income based mortgage. We do not have the luxury of passing every cost onto our clients. In this particular case, I cannot pass the \$300 fee on to my client rather, we have to absorb it. Of course, 2022 delivered unprecedented inflation in the construction industry. Our costs, in the Fargo Moorhead market, increased 50% from 2020 to 2022. More specifically, our house costs in 2020 were \$180,000 and in 2022 the same house cost over \$250,000. It's extremely difficult to provide affordable housing in a business environment where every year new costs are layered on top of existing requirements.

While housing costs escalated at unprecedented rates in 2022, my clients experienced minimal income increases as many of them work in the hospitality and service sector industry. This prohibits me from passing along seemingly minimal cost increases to my clientele. Approving this bill will cost the state nothing and it will support the creation of affordable housing in the Minot, Grand Forks, and Fargo metropolitan areas. Passing this bill will support a lowering of our costs, which means that we use that financial resource on the next affordable home for a North Dakota family.

There are 22 states that don't require a contractor's license in the creation of single family homes, as follows:

1. (2) states provide exemptions, for Habitat for Humanity, by name: Minnesota, Virginia.
2. (4) States require business registration only: New Jersey, Rhode Island, Texas, Washington.

3. (14) states do not have state licensure requirements – all decisions are made at the municipal level: Colorado, Illinois, Indiana, Kansas, Kentucky, Maine, New Hampshire, New York, Oklahoma, Pennsylvania, South Dakota, Vermont, Wyoming.
4. (2) states provide a license without examination with at least five years of work in the field: Georgia, Missouri.

The Grand Forks and Fargo affiliates both work across the Red River into Minnesota. Since Minnesota already provides a contractors license exemption, naming Habitat for Humanity by name, a similar requirement for North Dakota would create a level playing field where the requirements are similar in both states. Habitat for Humanity International of which the Minot, Grand Forks and Fargo Habitat offices are affiliated with, require builders risk insurance and general liability insurance. If we choose to operate without the required minimum levels of insurance, Habitat for Humanity International will withdraw their affiliation with our organization meaning we can no longer use the name and the brand.

I'd like to show you a house plan and photos of the units we've built in Fargo.

As you can see, Lake Agassiz Habitat builds a quality product in our community and my peers around the state do too. We are thankful for the partnerships we have with volunteers, churches, schools, foundations, and corporations, who help us make this mission come to life. We are especially appreciative of the licensed contractors who support our work on key items like electrical, HVAC and plumbing, and we support their business and trade. We cannot do this work without the full community coming together to make home a reality for families like Families "C" and "J" that I mentioned earlier. And we look forward to continuing this ministry and mission in the Minot, Grand Forks and Fargo communities. We hope we earn your support of Senate Bill 2207.

In addition to me, there are two other people who will be providing testimony this morning on behalf of Habitat. Marisa Saucedo from Grand Forks, ND is joining me in person and Cristen Incitti, with Habitat for Humanity of Minnesota, who will be testifying virtually. Further, you will find written testimony from 2 contractors licensed in the state of North Dakota who support SB2207. Finally, I urge you to support SB2207! Approving this bill will demonstrate this legislative assembly's support for affordable housing in the state of North Dakota.