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SB 2225

The Housing Crisis in Rugby:

Rugby, like many rural communities in North Dakota, faces a significant housing shortage, which is hindering population growth, economic strength, and local business success.

1. **Personal Experience:** In 2024, I moved to Rugby with my wife and two young children. Despite wanting to rent a home in Rugby, we found no available rental properties. As a result, I commuted 3.5 hours each way for three months until a rental became available. This highlights how a lack of housing nearly prevented a young, college-educated family from moving to Rugby.
2. **Local Hospital Challenges:** Our brand-new hospital, despite its excellent reputation and facilities, still faces struggles to recruit staff. One of the leading struggles to recruit staff is the lack of housing. Even with a great work environment, potential employees have been forced to decline offers because they have no place to live.
3. **Manufacturing Plant Issues:** Our local plant, which produces a high-demand product, does not meet the full demand of their product due to workforce struggles. Again, the largest struggle to satisfy their workforce needs is housing. The company loses millions of dollars in potential sales because potential workers can't find housing.

Efforts to Address the Issue:

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1. Our first attempt was to build and sell twin homes. However, it quickly became clear that with a budget of \$500,000, the JDA couldn't fund the project alone. We realized we would need a non-profit organization to help finance and manage the development. We explored state programs for subsidies, but even with those, the construction costs—after accounting for subsidies and developer fees—still exceeded what the market could support. In short, building homes for sale wasn't financially feasible due to the low housing prices in Rugby.
 2. My next step was to focus on rental housing, using available subsidy options. I calculated that with subsidies, market rents could cover 60% of the construction costs at a low interest rate. Essentially, if someone contributed 40% in cash and financed the remaining 60%, renters would pay off the loan. This model showed a projected return on investment of about 9% annually, factoring in loan repayment and expected appreciation over the next 20 years. When I presented this plan to private investors, their response

was consistent: the return wasn't enough to justify managing tenants without monthly cash flow before the property was sold. This led to our third key lesson: we needed investors who didn't require immediate cash flow.

3. Armed with this knowledge, we reached out to various non-profit developers, and after much effort, we connected with one who agreed to partner with us. We are now hoping to move forward with the development of 8 row homes, that can house workforce-level employees who will support local businesses like our hospital and manufacturing plant. Finding a partner who is willing to develop in Rugby is a great first step, the project is still dependent the financial feasibility of construction and development. Subsidy will be necessary to make this project help solve our housing crisis.

What Can Help:

To make housing projects viable in Rugby, subsidies are essential—especially flexible ones that address infrastructure costs like dirt work, concrete, and utility hookups. Unlike traditional infrastructure funding that focuses on roads and main lines, these types of funds would directly lower construction costs, making housing developments more feasible. Additionally, this funding would support local businesses and strengthen the community economy.

In conclusion, addressing Rugby's housing crisis requires substantial, flexible subsidy funding for infrastructure, ensuring that future projects can thrive and support the growth of our community.