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The Need for Housing in Rugby:

Rugby, like many rural communities across North Dakota, is facing a significant housing crisis. I want to share three examples that illustrate the real impacts of this crisis on our community.

The first example is a personal one of my own. My wife and I graduated from Trinity Bible College and have two young children, Jeremiah and Zane. In March of 2024, I was offered a job in Rugby which I gladly accepted. At the time, we were renting a house in Ellendale and wanted to rent one in Rugby as well. Since we had two young kids, we did not want to rent an apartment. Unfortunately, there were no homes available to rent in Rugby, and I was forced to commute 3.5 hours each way to work. Thankfully, my employer was flexible and allowed me to work two days a week in Rugby and three days remotely. I would drive 3.5 hours to Rugby, stay in a friend's spare bedroom for the night, and then drive 3.5 hours back home. This continued for three months until a rental home finally became available. In this situation, Rugby almost missed out on a young, college-educated family moving to town, simply because of the lack of available housing.

The second example involves our local hospital. In 2024, we were fortunate enough to open a brand-new hospital, which has a thriving reputation, exceptional administration, fantastic HR, and state of the art facilities. The single biggest issue the hospital faces is being fully staffed. Despite the great work environment and brand-new facilities, the hospital struggles to recruit enough employees due to the question, "Where will I live?" There is some success in recruiting, but there are still employees that decide to not work here for the sole reason of not having a place to live. Due to the struggles of filling its workforce, the hospital has turned towards bringing in foreign nurses to help fill positions. Yet again, the question remains, "where will these nurses stay when they get here?" Sadly, that question is still being asked. Having adequate housing would significantly help alleviate the staffing challenges at the hospital.

Finally, I want to highlight our manufacturing plant, which produces a high-quality product in high demand. The plant's biggest challenge is its inability to fulfill all the orders it receives due to a lack of workforce. In fact, the company loses millions of dollars in potential sales because it cannot keep up with demand. This lost revenue would make monumental impacts in a town the size of Rugby, North Dakota. When asked why they're unable to meet demand, the answer is simple: the company cannot find enough workers because there is nowhere for them to live.

The housing crisis in Rugby is hindering the town's population growth, economic strength, and the success of local businesses.

The Issues Behind Housing Developments in Rugby:

After I was able to move to Rugby and begin working full-time in person, my number one priority became clear: I needed to help solve our housing issue. The first project I attempted was to build and sell twin homes. It didn't take long to realize that, with a budget of half a million dollars, the JDA could not fund the project on its own. We quickly understood that we would need to involve a non-profit organization to help fund and manage the project.

We then explored the possibility of utilizing state programs to subsidize the project. However, it didn't take long to realize that even with subsidies, the cost to build—minus the available subsidy—plus developer fees, still didn't result in a market-rate sale price. Simply put, the cost to build was significantly higher than what the market could support, even after applying subsidies.

So, we learned two key lessons: we must rely on outside funds, and building homes to sell won't work in Rugby due to the low market rate of housing prices.

My next attempt was to take the information we had—what it cost to develop row homes and what type of subsidy was available—and calculate both the potential market rents and how housing prices could appreciate over time. I created a spreadsheet to organize this information and, from there, found a potential solution.

If we built new housing to rent and applied subsidies, the market rent could cover 60% of the remaining construction cost at a low interest rate. In simple terms, if someone applied subsidy to a new build and contributed 40% in cash to the project, financing the other 60%, renters would essentially pay off the loan. Based on these calculations, the projected return on investment was approximately 9% annually, factoring in both the repayment of the development loan and the expected appreciation over the next 20 years after the property was sold.

I presented this solution to private investors, but the response was consistent: the return wasn't sufficient to justify the sweat equity of managing tenants without generating monthly cash flow before the property was sold.

From this, we learned a third key lesson: we need investors who don't require monthly cash flow to make the project viable.

With this information in hand, we decided to contact every non-profit developer we could find and ask if they would be interested in developing rental housing units in Rugby. After a lot of hard work, we successfully connected with a non-profit developer who has committed to helping us build in Rugby! We are now moving forward with the development of 8 row home units that will be rented to workforce-level employees who can support businesses such as our hospital and manufacturing plant.

Through significant discussions with our developer, it has become very clear that when the cost to build—minus available subsidies—is divided into a 30-year loan, the mortgage payments will be extremely close to the market rental rate. The only way this project will not proceed is if the cost to build cannot be sufficiently subsidized to meet the market rental rate. Although the non-profit does not need to make a profit from the cash flow of rents, there is still a very real risk that this project may be too expensive to build.

What Can Help:

It is abundantly clear that, to make a housing development work in a rural town like Rugby, subsidy is absolutely essential. More importantly, the subsidy must be large enough and flexible enough to make the project viable. The best way to apply sufficient and flexible subsidy would be through infrastructure. This approach ensures that the funding goes directly to the project, rather than being absorbed by developer fees.

However, the challenge with traditional infrastructure funding is that it is often too narrowly defined. Traditional infrastructure funding goes towards roads, curbs, gutters, and main water lines. In Rugby, and many other rural towns, this type of funding would not help. We have developed ready to build land readily available. Traditional infrastructure funding would not benefit a project like I have described.

If we can more flexibly define infrastructure to include dirt work, concrete work, and water and electrical hookups from the main lines to the individual units, it would have a dramatic impact. Every new development requires these infrastructure elements, and this type of funding is flexible enough to support all necessary projects.

Moreover, by funding infrastructure, the impact extends beyond the project itself. Infrastructure work is typically contracted to local businesses, which means the funding stays within the community, directly supporting our local economy. This approach will ultimately help achieve the goal of lowering construction costs, making projects viable.