

2013 HOUSE INDUSTRY, BUSINESS, AND LABOR

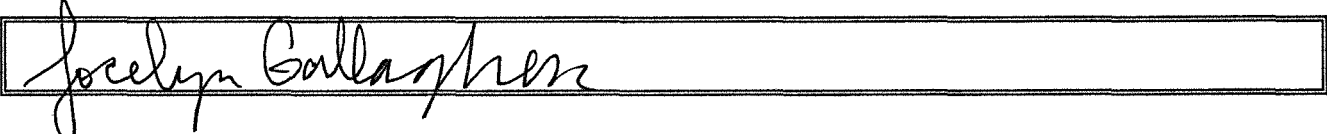
HB 1079

2013 HOUSE STANDING COMMITTEE MINUTES

House Industry, Business and Labor Committee
Peace Garden Room, State Capitol

HB 1079
January 14, 2013
Job 17184

Conference Committee



Explanation or reason for introduction of bill/resolution:

Relating to partnership in assisting community expansion program at the Bank of North Dakota and definition of business incentive

Minutes:

attached testimony 1, 2

Reconvened Industry, Business, and Labor Committee meeting.

Chairman Keiser: Opened hearing on HB 1079

Bob Humann, SVP of Lending, Bank of North Dakota: See written testimony, attachment 1. Elaborated slightly on written remarks.

(7:50) Summary of section 1

(8:20) Elaborated on first paragraph of 2nd page of written testimony.

(10:30) Elaborated on written testimony regarding Section 3. We are trying to get more dollars available to lengthen the incentive period.

(12:48) Elaborated on written testimony regarding Section 4.

(13:40) Recommendation.

Chairman Keiser: Questions?

Representative Louser: We referred to the developer often. Is this only new construction?

Humann: At this time, all we have seen is new construction

Representative Frantsvog: (15:10) Read area of testimony summarizing Section 1. Looking at section one in the proposed law, is what you quote in testimony is that specific in here some place?

Humann: No, its needs based, those are examples.

Representative Frantsvog: (16:35) Single parents working in fast food need assistance too. Do they fit into these criteria?

Humann: Yes, they do, it is all needs based. We have a program like this to incent developers to build in the area.

Representative Becker: Please clarify "interest buy down"?

Humann: (17:50) How that works is that once we've determined the dollar amount of the loan, we run an amortization schedule of 6% and 1%. The difference gets set aside in escrow account at BND for the state's share of 65% of the buy down that is going to be provided on 100% of that loan. The 35% would come from the community and would also come to that escrow account at BND. Billing would be 5% less than they normally would have to pay. The developer doesn't get the incentive up front, they have to create jobs and provide affordable rent over a period of time to earn the interest rate buy down.

Representative Kasper: (20:06) Could Mr. Humann prepare a chart on just what he said?

Humann: Yes, certainly.

Chairman Keiser: You may want to share about the fact that there is a lead bank in the community.

Humann: 50% retained by lead lender; 50 % of loan comes to BND. Entire 100% gets the interest buy down. The reason BND is involved is we have the escrow account and we can help provide some buy down funds. There is a lead bank involved and the community has to decide if their getting enough jobs created for the amount of benefits being provided and types of businesses they want to incent.

Representative Boschee: When asking for the increase of 300,000 up to 500,000 is once that buy down is complete, the property owner is no longer held to the affordable rent level?

Humann: Correct

Representative Boschee: (22:55) With the funding source, being a total of 22 billion is that from general funds or from reserves within BND?

Humann: 38 million will come from BND profits. There will not be a general fund appropriation.

Representative Louser: Bottom of 1st page of bill, who owns the land once the loans are paid?

Humann: (24:55) When the land is donated it would be conveyed to the developer at that time. In most cases for a lender to accept that as equity into a project there is going to have to be a deed transfer.

Chairman Keiser: (25:22) Is the problem there isn't enough incentive for them to get into this market?

Humann: What we're trying to do as a state is to provide different tools in the tool box. He explained three tools. (27:28)

Representative Beadle: (28:20) Do you have data showing the number of developers or communities that have applied for Flex PACE? Are the banks more willing to invest and be the primary on those with state backing or is there still some difficulty getting the financing in those areas?

Humann: (29:05) We have committed to the seven projects. We have not denied any of them. If they come in and we see it is not working, we try to find a solution to make it work. For the second question, will lenders lend? If you want to build something here you bring your own bank, then we will hook you up with a local bank, and then BND will also participate in that loan, it's a three prong approach.

Representative Louser: Is there any type of provision or pre-payment penalty for a developer to sell prior to the loan being paid off?

Humann: We would allow PACE benefit to go to new owner as long as the same terms were met, the same rental rates were provided.

Representative Beadle: Is there any provisions to prevent Developer X, following the 3-prong approach, building the complex, leasing it out, paying off the note, and then flipping it over and now that real estate investment trust can charge whatever rents there are?

Humann: The interest buy-down is earned as the payments are made. There is no incentive if payments are stop being made and there will be no more rental assistance.

Representative Beadle: (33:35) Is there something to prevent the land becoming collateral?

Humann: (34:30) Talking about the donation part of things, he restates question saying those deals are taken care of up front.

Chairman Keiser: (35:05) City has to put cash in, currently, for this deal to work.

Representative Kasper: (35:20) Are out-of-state banks reluctant to put dollars into North Dakota in case the boom ends?

Humann: It takes a lot of work to education out-of-state banks but we have a lot of out-of-state banks providing financing in western ND.

Chairman Keiser: (36:25) I can't support this bill with one part in it. Are you willing to take out the strike on page 2, line 19? We are talking about a lot of money, and we need to be transparent. When we passed the reporting law, we wanted to know when is state

government and local communities giving money to any kind of project for economic development, if we took that out, could you live with it?

Humann: Yes, we could.

Chairman Keiser: Anyone else in support of 1079?

Dan Madler, COO of Beyond Shelter, Inc.: (38:40) Written testimony 2. He elaborated on written testimony.

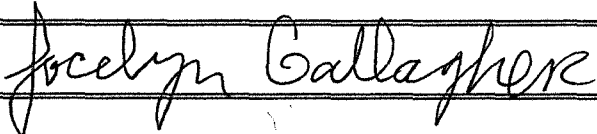
Chairman Keiser: Questions? Testify in support? In opposition? Neutral?
Hearing closed. I will ask for an amendment on that one section.

2013 HOUSE STANDING COMMITTEE MINUTES

House Industry, Business and Labor Committee
Peace Garden Room, State Capitol

HB 1079
January 22, 2013 pm
Job 17554

Conference Committee



Explanation or reason for introduction of bill/resolution:

Relating to partnership in assisting community expansion program at the Bank of North Dakota and definition of business incentive

Minutes:

Attachments 1, 2

Chairman Keiser: Opened bill 1079.

Representative Louser: (0:18- 3:40) Review bill HB 1079. Affordable housing matching contribution from local community and it expanded to change the date and outside oil and gas producing counties. Amendment references page 1, line 22 and 23. Talked with BND and they are aware this was being brought forward. (Attachment 1)

Chairman Keiser: Do we have a motion to adopt or do you want to have discussion first? A motion to adopt the amendment as proposed HB 1079, made by Representative Louser and seconded by Representative Beadle. Further discussion?

Representative N. Johnson: You didn't like that using the land or property but you removed then the direct cash loans and equity investments from the city or communities involvement too?

Representative Louser: That was already implied as the community's involvement; it would be direct cash as their contribution to the buy down.

Representative Kasper: The only community involvement is going to be cash or nothing?

Representative Louser: Yes

Representative Kasper: (6:02) Couldn't the community or developer still do the same thing, do everything you are fearful of with the community's cash, sell the property and get rid of the low financing as well? So what have we accomplished?

Representative Louser: All we have accomplished is not allowing for land to be given away or infrastructure to be included as a value that is already in place.

Representative Kasper: (6:02) Summarized what he heard as the situation ending with, I don't see where your amendment solves your problem.

Representative Louser: (6:44) In that case it is an interest buy down and so it's a loan that would have to be repaid. If contributing land, the land goes with the sale of the project. I don't think we can stop the developer from doing what has happened in other states. Rather than giving the land away, there is money into the loan and the unused portion would go back to the city.

Representative Kasper: (7:34) Couldn't you put some language in here that would stipulate the developer would have to keep the property as it is and this kind of low income housing for a number of years to avoid your concern as opposed to going through this method?

Representative Louser: (7:54) That is one method, we looked at that with the bank and they are concerned they are only looking at financing not disposition of the property. So that would be a requirement between the communities deeding the property to the developer. So we would be getting into that transaction as opposed to the financing of affordable housing.

Representative Kreun: (8:19) Did we not change the law on eminent domain, that you cannot take somebody's property and utilize it for financial gain?

Representative Louser: In this case it may be eminent domain taking a property that is not producing anything from an individual before they have a right to sell it and providing it to a developer.

Representative Kreun: The situation you are referring to was that through the FLEX PACE program?

Representative Louser: No.

Representative Kreun: Was there any loans involved as far as the state?

Representative Louser: Not that I am aware of.

Representative Kreun: I assume you mean city when you say community, wouldn't that be their responsibility to make sure that doesn't happen? Are we trying to regulate something through the state that should be regulated by the local community?

Representative Louser: That is a good point. In this case if you donate land to the project and you put an apartment complex on the land it is tough to separate the two upon sale. You can't separate the two if sold so you couldn't deed back the property to the city and sell the attachment.

Representative Kreun: That is the idea you tie them up so you can't separate the two.

Representative Kasper: (13:51) If amendment is adopted would we not have to also amend page 2 line 10 to get rid of the words contribution of property or infrastructure?

Chairman Keiser: (14:24) This would be different than the financing. I don't think it has to be eliminated. Further discussion, seeing none, the clerk will take the roll on the proposed amendment. Roll call taken.

Chairman Keiser: The motion to adopt the amendment fails, 5 to 9.

Chairman Keiser: Committee members this amendment goes to page 2, line 19. (Attachment 2, proposed amendment by Chairman Keiser). Rep. Kasper moves the adoption of the amendment, second by Rep. Kreun. Further discussion on the amendment?

Voice vote to adopt amendment. We have this amendment on the bill and 1079 is amended, what are the wishes of the committee? A motion by Rep. Sukut for a do pass as amended on HB 1079, seconded by Rep. Kreun, further discussion? I respect the issue Rep. Louser was raising, it is a concern. I do think they're asking for a little more flexibility. I think we need to monitor this and make sure there are no abuses of the curb but with any incentive program there are going to be abuses and I think there needs to be some flexibility. Further discussion?

Representative Becker: For the record I don't like this program, I don't like to see the expansion of this program and I will be voting accordingly.

Chairman Keiser: Further discussion? Seeing none, the clerk will take roll on a do pass as amended on HB 1079.

Motion for do pass carries 10 yes, 4 no, 1 absent.

Carrier: Rep. Sukut

January 22, 2013

1/23/13
TD

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1079

Page 1, line 1, replace the first comma with "and"

Page 1, line 1, remove the second comma

Page 1, line 2, remove "and subsection 2 of section 54-60.1-01"

Page 1, line 4, remove "and the definition of business incentive"

Page 2, remove lines 7 through 31

Page 3, remove lines 1 through 22

Renumber accordingly

Date: 1-22-2013 1-22-2013
 Roll Call Vote #: 1 R2

**2013 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1079**

House Industry, Business, and Labor Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider Consent Calendar

Motion Made By Louser Seconded By Beadle

Representatives	Yes	No	Representatives	Yes	No
Chairman George Keiser		✓	Rep. Bill Amerman		✓
Vice Chairman Gary Sukut		✓	Rep. Joshua Boschee		✓
Rep. Thomas Beadle	✓		Rep. Edmund Gruchalla		✓
Rep. Rick Becker	✓		Rep. Marvin Nelson	✓	
Rep. Robert Frantsvog					
Rep. Nancy Johnson		✓			
Rep. Jim Kasper		✓			
Rep. Curtiss Kreun		✓			
Rep. Scott Louser	✓				
Rep. Dan Ruby	✓				
Rep. Don Vigesaa		✓			

Total Yes 5 No 9
 Absent 1

Floor Assignment Louser

If the vote is on an amendment, briefly indicate intent:

As proposed by Rep Louser attachment 1
~~- line 1 page 21~~
 - page 1, line 21, remove "the"
 - page 1, remove lines 22+23
 (attachment 1)

Date: 1-22-2013 pm

Roll Call Vote #: 2

**2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1079**

House Industry, Business, and Labor Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider Consent Calendar

Motion Made By Kasper Seconded By Kreun

Representatives	Yes	No	Representatives	Yes	No
Chairman George Keiser			Rep. Bill Amerman		
Vice Chairman Gary Sukut			Rep. Joshua Boschee		
Rep. Thomas Beadle			Rep. Edmund Gruchalla		
Rep. Rick Becker			Rep. Marvin Nelson		
Rep. Robert Frantsvog					
Rep. Nancy Johnson					
Rep. Jim Kasper					
Rep. Curtiss Kreun					
Rep. Scott Louser					
Rep. Dan Ruby					
Rep. Don Vigesaa					

Total Yes _____ No _____
Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
attachment 2
- page 2, line 19 - add jobs creation requirement

Date: 1-22-2013 pm

Roll Call Vote #: 3

**2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1079**

House Industry, Business, and Labor Committee

Legislative Council Amendment Number 13.8091.01001

Action Taken: Do Pass Do Not Pass Amended⁹⁵ Adopt Amendment
 Rerefer to Appropriations Reconsider Consent Calendar

Motion Made By Sukut Seconded By Kreun

Representatives	Yes	No	Representatives	Yes	No
Chairman George Keiser	✓		Rep. Bill Amerman	✓	
Vice Chairman Gary Sukut	✓		Rep. Joshua Boschee	✓	
Rep. Thomas Beadle	✓		Rep. Edmund Gruchalla	✓	
Rep. Rick Becker		✓	Rep. Marvin Nelson	✓	
Rep. Robert Frantsvog					
Rep. Nancy Johnson	✓				
Rep. Jim Kasper		✓			
Rep. Curtiss Kreun	✓				
Rep. Scott Louser		✓			
Rep. Dan Ruby		✓			
Rep. Don Vigesaa	✓				

Total Yes 10 No 4

Absent 1

Floor Assignment Sukut

If the vote is on an amendment, briefly indicate intent:

-page 2, line 19, job creation requirement

REPORT OF STANDING COMMITTEE

HB 1079: Industry, Business and Labor Committee (Rep. Keiser, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (10 YEAS, 4 NAYS, 1 ABSENT AND NOT VOTING). HB 1079 was placed on the Sixth order on the calendar.

Page 1, line 1, replace the first comma with "and"

Page 1, line 1, remove the second comma

Page 1, line 2, remove "and subsection 2 of section 54-60.1-01"

Page 1, line 4, remove "and the definition of business incentive"

Page 2, remove lines 7 through 31

Page 3, remove lines 1 through 22

Renumber accordingly

2013 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1079

2013 SENATE STANDING COMMITTEE MINUTES

Senate Industry, Business and Labor Committee Roosevelt Park Room, State Capitol

HB 1079
February 20, 2013
Job Number

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to the partnership in assisting community expansion program at the Bank of North Dakota

Minutes:

Testimony and Amendment

Bob Humann, Senior VP of Lending for the Bank of North Dakota: Written Testimony Attached (1). (:30-12:00)

Senator Andrist: Asked if this was an interest rate buy down, it's not a loan you don't get

Bob: Said they set the interest rate buy down aside, that reduces the interest rate on the loan. (12:10-13:58)

Chairman Klein: Said so if they follow the rules it's a grant and if they don't you get the money back.

Bob: Said that's correct.

Discussion and questions continued (14:54-22:47)

Connie Spryncynatyk, Executive Director of the North Dakota League of Cities: Said that every city has been reporting that housing is the number one issue, affordable housing in particular. This will be an important tool for communities to meet needs that are going unmet at this point.

Chairman Klein: Closed the hearing.

Senator Laffen: Moved to adopt the amendment.

Senator Andrist: Seconded the motion.

Roll Call Vote: Yes - 7 No - 0

Senator Laffen: Moved a do pass as amended.

Senate Industry, Business and Labor Committee
HB 1079
February 20, 2013
Page 2

Senator Unruh: Seconded the motion.

Roll Call Vote: Yes - 7 No - 0 Absent - 0

Floor Assignment: Senator Laffen

13.8091.02001
Title.03000

Adopted by the Industry, Business and Labor
Committee

February 20, 2013

JB
2/20/13

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1079

Page 1, line 4, after "Dakota" insert "; and to declare an emergency"

Page 1, line 11, remove the overstrike over "period"

Page 1, line 11, remove "biennium"

Page 1, line 11, remove the overstrike over "~~with the~~"

Page 1, line 12, remove the overstrike over "~~effective date of this Act~~"

Page 1, line 12, remove "July 1, 2013,"

Page 2, after line 6, insert:

"SECTION 4. EMERGENCY. This Act is declared to be an emergency measure."

Renumber accordingly

**2013 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1079**

Senate Industry, Business, and Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Senator Laffen Seconded By Senator Andrist

Senators	Yes	No	Senator	Yes	No
Chairman Klein	x		Senator Murphy	x	
Vice Chairman Laffen	x		Senator Sinner	x	
Senator Andrist	x				
Senator Sorvaag	x				
Senator Unruh	x				

Total (Yes) 7 No 0

Absent 0

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

**2013 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1079**

Senate Industry, Business, and Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Senator Laffen Seconded By Senator Unruh

Senators	Yes	No	Senator	Yes	No
Chairman Klein	x		Senator Murphy	x	
Vice Chairman Laffen	x		Senator Sinner	x	
Senator Andrist	x				
Senator Sorvaag	x				
Senator Unruh	x				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Senator Laffen

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1079, as engrossed: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1079 was placed on the Sixth order on the calendar.

Page 1, line 4, after "Dakota" insert "; and to declare an emergency"

Page 1, line 11, remove the overstrike over "~~period~~"

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Page 1, line 12, remove the overstrike over "~~effective date of this Act~~"

Page 1, line 12, remove "July 1, 2013,"

Page 2, after line 6, insert:

"SECTION 4. EMERGENCY. This Act is declared to be an emergency measure."

Renumber accordingly

2013 TESTIMONY

HB 1079

①
1-14-2013

HB 1079

TESTIMONY TO THE
HOUSE INDUSTRY, BUSINESS AND LABOR COMMITTEE
HOUSE BILL 1079
BOB HUMANN – SVP OF LENDING
BANK OF NORTH DAKOTA
JANUARY 14, 2013

House Bill 1079 addresses amendments to the Bank of North Dakota's (BND) Partnership in Assisting Community Expansion (PACE) program. For background information, there is a regular PACE Loan Program that provides up to \$300,000 in the state's share of interest buydown to primarily manufacturers that create jobs. Flex PACE was created to expand interest buydown to businesses without a jobs creation requirement with the local community deciding the type of business that they wanted to provide an incentive to. Examples are grocery stores, drug stores, and restaurants in smaller communities where the business is essential to the community. The maximum interest buydown amount available under Flex PACE per project is currently \$100,000.

In the special session of the 2011 legislative assembly, legislation was approved to expand the Flex PACE program to assist in financing of affordable multifamily housing units for individuals in areas of North Dakota affected by oil and gas development. BND currently provides \$300,000 of the state's share of interest buydown per project with a maximum of \$25,000 per unit. During this biennium, BND has committed \$1.8 million to 7 projects that will provide interest buydown on loans totaling \$18.9 million. The 7 projects had total project costs of \$26.5 million and created 164 affordable rental units. BND has funds committed to 3 projects in Dickinson, 2 in Williston, 1 in Crosby and 1 in Killdeer. This special feature of Flex PACE will expire on June 30, 2013.

Section 1 will remove the requirement that the affordable multifamily housing unit be located in an area of North Dakota affected by oil and gas development. This special feature of Flex PACE will be available statewide as affordable housing demands have spread across the state due to strong economic activity. The interest buydown is used as an incentive for multifamily housing developers to provide affordable rents to essential community employees such as law enforcement, teachers and medical aides. The local community housing authority or economic development entity establishes the parameters for affordable rental rates in their area. The Executive Budget provides for \$12 million in Flex PACE interest buydown for affordable multifamily units. Section 1 will also extend the affordable multifamily housing feature of Flex PACE through the 2013-2015 biennium.

On all Regular PACE and Flex PACE loans, the local community's economic development group is required to provide between 20-35% of the total interest buydown amount. For example, if a project hits the state's maximum of \$100,000 and the community has 35% factor as determined by economic activity, the community would be required to provide \$50,000. Section 2 would allow the community to count other project contributions such as the donation of land or infrastructure towards the community's portion of interest buydown. Many North Dakota communities are experiencing rapid expansion and they are challenged to provide enough funds to cover both infrastructure and interest buydown costs. A number of smaller communities also have limited sales tax activity to generate matching funds.

Section 3 will increase the maximum buydown amount provided by state funds from \$300,000 to \$500,000. It is BND's intent to allow usage of the \$500,000 maximum for affordable multifamily housing projects and to keep the regular PACE loan program limited to \$300,000 per BND Loan Policy. This increase is being requested to provide a larger incentive to multifamily housing developers to provide more affordable housing units. With the current maximum of \$25,000/unit the \$300,000 maximum provides incentives for 12 units. The increase to \$500,000 will provide lower rents on 20 units. The increase will also provide more flexibility to allow for the below market rental rates for a longer time period.

Section 4 will provide a change to the Accountability tracking by clarifying that reporting would only be required by recipients of direct interest buydown incentives provided by BND with a jobs creation requirement. It does not make sense to require multifamily housing developers to track jobs and employee benefits on an apartment complex where jobs are not created. The benefit provided is affordable rental rates as determined by each community.

Your approval of the proposed changes are recommended.

(2)

HB 1079
1-14-2013

Testimony on HB 1079
Industry, Business and Labor Committee
Chairman: Representative George J. Keiser
January 14, 2013

Submitted by: Dan Madler, Chief Operating Officer - Beyond Shelter Inc.

Chairman Keiser and members of the Committee, thank you for the opportunity to be heard.

As a housing practitioner and affordable housing provider serving in the public sector for the past 20 years, I have never seen the need for affordable housing as great as it is in North Dakota today. I applaud the Governor and the legislature for instituting the Flex PACE Affordable Housing Program (Flex Program).

In 2012, Beyond Shelter, Inc. (BSI) partnered with the Stark Development Corporation and Bank of North Dakota and utilized the Flex Program for it Patterson Heights Project providing 24-units of affordable housing to the community of Dickinson, ND. BSI brook ground in August 2012 and expects to be moving its first tenants in their new home in March 2013. Patterson Heights will also provide 8-units for Law Enforcement Personnel.

Working through the Flex Program for the first time, I observed a few things that I think would improve on the Flex Program making it more effective and efficient. My observations are as follows:

1. I support the extension of the program beyond its sunset date of 6/30/2013;
2. I support the expansion of the program to all corners and communities of the State;
3. Structure the program within BND to compliment other affordable housing programs:
 - a. term - 15 year fixed rate, 30 year amortization to compliment the HIF and LIHTC programs;
 - b. allow the loan to be non-recourse;
 - c. allow the BND to match the interest rate being offered by the Permanent Lender;
4. Lower the Community's required match to the buydown.

Thank you for your consideration and your support of HB 1079.

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1079

Page 1, line 21, remove "The"

Page 1, remove lines 22 and 23

Renumber accordingly

①

1-22-2013

pm

HB 1079

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1079

(Z)

1-22-2013

Ph

Page 2, line 19, remove "with a jobs creation requirement"

Renumber accordingly

TESTIMONY TO THE
SENATE INDUSTRY, BUSINESS AND LABOR COMMITTEE
SENATE BILL 1079
BOB HUMANN – SVP OF LENDING
BANK OF NORTH DAKOTA
FEBRUARY 20, 2013

House Bill 1079 addresses amendments to the Bank of North Dakota's (BND) Partnership in Assisting Community Expansion (PACE) program. For background information, there is a regular PACE Loan Program that provides up to \$300,000 in the state's share of interest buydown to primarily manufacturers that create jobs. Flex PACE was created to expand interest buydown to businesses without a jobs creation requirement with the local community deciding the type of business that they wanted to provide an incentive to. Examples are grocery stores, drug stores, and restaurants in smaller communities where the business is essential to the community. The maximum interest buydown amount available under Flex PACE per project is currently \$100,000.

In the special session of the 2011 legislative assembly, legislation was approved to expand the Flex PACE program to assist in financing of affordable multifamily housing units for individuals in areas of North Dakota affected by oil and gas development. BND currently provides \$300,000 of the state's share of interest buydown per project with a maximum of \$25,000 per unit. During this biennium, BND has committed \$1.8 million to 7 projects that will provide interest buydown on loans totaling \$18.9 million. The 7 projects had total project costs of \$26.5 million and created 164 affordable rental units. BND has funds committed to 3 projects in Dickinson, 2 in Williston, 1 in Crosby and 1 in Killdeer. This special feature of Flex PACE will expire on June 30, 2013.

Section 1 will remove the requirement that the affordable multifamily housing unit be located in an area of North Dakota affected by oil and gas development. This special feature of Flex PACE will be available statewide as affordable housing demands have spread across the state due to strong economic activity. The interest buydown is used as an incentive for multifamily housing developers to provide affordable rents to essential community employees such as law enforcement, teachers and medical aides. The local community housing authority or economic development entity establishes the parameters for affordable rental rates in their area. The Executive Budget provides for \$12 million in Flex PACE interest buydown for affordable multifamily units. Section 1 will also extend the affordable multifamily housing feature of Flex PACE through the 2013-2015 biennium.

On all Regular PACE and Flex PACE loans, the local community's economic development group is required to provide between 20-35% of the total interest buydown amount. For example, if a project hits the state's maximum of \$100,000 and the community has 35% factor as determined by economic activity, the community would be required to provide \$50,000. Section 2 would allow the community to count other project contributions such as the donation of land or infrastructure towards the community's portion of interest buydown. Many North Dakota communities are experiencing rapid expansion and they are challenged to provide enough funds to cover both infrastructure and interest buydown costs. A number of smaller communities also have limited sales tax activity to generate matching funds.

Section 3 will increase the maximum buydown amount provided by state funds from \$300,000 to \$500,000. It is BND's intent to allow usage of the \$500,000 maximum for affordable multifamily housing projects and to keep the regular PACE loan program limited to \$300,000 per BND Loan Policy. This increase is being requested to provide a larger incentive to multifamily housing developers to provide more affordable housing units. With the current maximum of \$25,000/unit the \$300,000 maximum provides incentives for 12 units. The increase to \$500,000 will provide lower rents on 20 units. The increase will also provide more flexibility to allow for the below market rental rates for a longer time period.

The attached amendment will add a Section 4 that will declare an emergency on all sections previously covered. The emergency clause will allow developers to get a jump on plans for construction of affordable multifamily housing units.

Your approval of the proposed changes are recommended.