

**2013 SENATE FINANCE AND TAXATION**

**SB 2338**

# 2013 SENATE STANDING COMMITTEE MINUTES

## Senate Finance and Taxation Committee Lewis and Clark Room, State Capitol

SB 2338  
2/19/2013  
Job Number 19154

Conference Committee

Committee Clerk Signature



### Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact a new subsection to section 57-02-08 of the North Dakota Century Code, relating to a conditional exemption and payments in lieu of taxes for affordable rental residential property; to amend and reenact subsection 8 of section 57-02-08 of the North Dakota Century Code, relating to the property tax exemption for property owned by institutions of public charity; and to provide an effective date.

### Minutes:

Testimony Attached

**Chairman Cook** opened the hearing on SB 2338.

**Chairman Cook** introduced SB 2338 and handed out proposed amendment (attachment 1).

**Senator Oehlke** - I know what I consider utilities, but what does this bill consider utilities?

**Chairman Cook** - I would think you and I consider utilities the same, if we need a definition of utility costs we better ask Mr. Walstad if there is such a definition elsewhere or put one in here.

**Vice Chairman Campbell** - The pilot tax is that paid when the tax credits run off or is it paid to start off? Explain again when they start and stop the pilot tax.

**Chairman Cook** - They start paying the pilot tax immediately with the effective date of this bill and they will pay them continuously every year unless the legislature changes this bill.

**Senator Triplett** - Just to clarify, the amendments that you are proposing do not suggest any substantive change but just to sort of grammatically clear up so the math gets done in the right order, is that correct?

**Chairman Cook** - That's correct, and the amendments were brought to me by the folks in support of this bill.

**Jolene Kline, North Dakota Housing Finance Agency** - See attached testimony 2 in favor of SB 2338.

**Chairman Cook** - Just one comment for clarification, in your testimony you said SB 2049 approved during the 62<sup>nd</sup> legislative session eliminated the ability of local jurisdictions to grant property tax relief. I would argue that local jurisdictions can still grant property tax relief what it really eliminated is the ability of the owner to claim that state law said they get to have it for indefinitely. One little technicality that caught my eye.

**Senator Triplett** - You are in support of the bill and you think it adequately draws the line that Chairman Cook is looking for between private ownership and public ownership or are there any suggestions you would make for improving the bill?

**Jolene Kline** - I think this bill will work for everybody concerned. We were actively involved with Chairman Cook as well as the tax department in drafting the bill and we think that the language is solid and will provide for what we are looking for and that is property tax relief for affordable housing.

**Dwight Bader, Burleigh County Housing** - I'm here to bring testimony from Terry Hanson, Grand Forks Housing Authority - See attached testimony 3-4 in favor of SB 2338.

**Tom Pearson, Minot Housing Authority** - See attached testimony 5 in favor of SB 2338.

**Chairman Cook** - This is a relatively new challenge to the state of North Dakota, is it 3-4 years when this really started to show?

**Tom Pearson** - I started seeing a difference, about 2008; we started seeing a housing need. (33:42)

**Chairman Cook** - For assistance for these people you administer a voucher program. A lot of these folks on low income can get a voucher and live anywhere in town if the rent is affordable. We have no means of controlling that rent. That's really what has added to the problem, they are just about all being forced to move to a project, is that not correct?

**Tom Pearson** - What is happening in our community is our waiting lists are going way up. People are now waiting 16-18 months before they are able to get a voucher and if they do get a voucher, every month we are on average, anywhere between 50-75 people are given a voucher in our community and out of that if we get 5 people able to find a place to live, that's a good month. Our rents are just dramatically increasing. Part of that voucher program there's a maximum rent amount that we are allowed to pay. I've asked for every waiver I can possibly ask for and we still aren't able to meet the rents that are being demanded in our community. We aren't just Ward County we also have taken over Mountrail County; they're proposing a housing program over there which is even right in the middle of this. We also take care of McHenry and Peirce County. They have actually started to see a little light at the end of the tunnel so to speak, they are starting to be able to use their vouchers when in years past they weren't.

**Chairman Cook** - If we see an oil crash again we will have all kinds of housing.

**Tom Pearson** - Very true, but I still think that there are other things going on at least in our community that if that would happen I feel we would still be protected there a little bit.

**Senator Burckhard** - Less than a year ago the US Air force base housing allowance was increased in the Minot area by 45%, they had never given that large of an increase anywhere ever before. That just highlights the crisis we have for affordable housing in our city.

**Tom Pearson** - They had a significant increase and I believe they also came back with another pretty nice increase this past year also.

**Vice Chairman Campbell** - Why do you suppose in boom times there is a labor shortage in North Dakota, unemployment is 2% and in all actuality it's 0. In our area we have had to compete, the wages have gone up considerably. Why wouldn't the wages that have increased, in a perfect world why wouldn't the increases in salaries offset, why is it such an increase in people waiting for low cost housing?

**Tom Pearson** - To a point that will work but when you see the rents that we've seen dramatically increase. In 2008 there were units that were renting anywhere from \$400-\$500 and are now renting for \$1,200-\$1,300 in our community. The wages aren't keeping up with the increase in housing costs. You're still always going to have certain individuals, the disabled population, elderly population that can't afford living on a fixed income.

**Senator Burckhard** - Didn't FEMA start charging rent as of January 1<sup>st</sup> for those still in FEMA trailers?

**Tom Pearson** - Yes they did. They basically took the FMR's that established for HUD and that was what they were going to charge for the size of the units the families are living in. They are also looking at people who are appealing that asking if their income does not support that they are getting some reductions. I believe they are about half way through those appeals but I don't have exact numbers on how many people have been given or denied.

**Senator Miller** - Can you describe for me what assistance is available to the individual be it if they have a disability or they are elderly or something like that for housing.

**Tom Pearson** - We have a couple different programs they could apply for. One is the housing choice voucher program, which is rental assistance program. Second, we also have a public housing facility. We have 261 units in our community that we operate for HUD and again based on income.

**Senator Miller** - This \$150 per month increase how does that play into that?

**Tom Pearson** - That is actually a separate program. South Glen Village is a tax credit project that is where credits were given to help buy down the cost of the building, the construction of the project. It is owned by a nonprofit organization in the community of Minot and we are just doing the management for that organization to run it and it's a separate entity from the housing authority through the nonprofit organization.

**Chairman Cook** - We had a conversation over the word 'must'.

**Tom Pearson** - One thing I'm a little concerned with, part of the partnership agreement and I'm talking for that South Glen Village doesn't have the word must transfer at the end of the 15 year compliance period over to the nonprofit organization. What I'm a little concerned about, is how the partnership agreement and that particular one and most older partnership agreements it's a first right of refusal to the nonprofit organization to acquire that. That's the only thing I'm a little hesitant and concerned with is there is a possibility that someone might read into this that if it doesn't say must in the partnership agreement transfer to the nonprofit that we might have some problems going forward.

**Chairman Cook** - Who is the person who you see, might read that differently? You were thinking it would probably be the tax assessor. Would it not be state housing and finance?

**Tom Pearson** - That's what we are hoping it would be, through the State Housing and Finance Agency to make that determination.

**Marcy Dickerson, Tax Department** - I do not know who would make that determination. I guess it would be the local assessor's job to make sure that everything is in compliance so I guess it would be the local assessor's responsibility.

**Chairman Cook** - And you are responsible to make sure that every local assessor does it the same way is that right?

**Marcy Dickerson** - That is correct. Whether or not that actually occurs I can't promise you that.

**Chairman Cook** closed the hearing on SB 2338.

# 2013 SENATE STANDING COMMITTEE MINUTES

## Senate Finance and Taxation Committee Lewis and Clark Room, State Capitol

SB 2338  
2/19/2013  
Job Number 19203

Conference Committee

Committee Clerk Signature



### Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact a new subsection to section 57-02-08 of the North Dakota Century Code, relating to a conditional exemption and payments in lieu of taxes for affordable rental residential property; to amend and reenact subsection 8 of section 57-02-08 of the North Dakota Century Code, relating to the property tax exemption for property owned by institutions of public charity; and to provide an effective date.

### Minutes:

Committee Work

**Chairman Cook** opened discussion on SB 2338.

**Donnita Wald, Tax Department** went through proposed amendments for SB 2338 (attachment 6).

**Chairman Cook** - The original bill made it clear that the ownership interest must transfer to the nonprofit entity at a stated time without financial gain for the for profit entity. I don't see where in the new version that it's clear that the ownership must transfer.

**Donnita Wald** - The amendment that you provided me had that removed.

**Chairman Cook** - So it no longer must transfer.

**Donnita Wald** - At a stated time.

**Chairman Cook** - It could stay with the for profit and they would get the property tax exemption.

**Jolene Kline** - Your first sentence is going to take care of that because it says the property must be owned by a qualified nonprofit entity as defined in the code. Then it goes on to say that if a for profit such as a limited partner has an ownership interest in the property then when they vacate that they must offer the right of first refusal for their ownership interests. So the nonprofit has to have ownership interests starting from day one.

**Senator Triplett** - I still think that the grammar is a little rocky when you get to lines 23 and 24 and you are saying that the agreement must provide that the nonprofit entity must have the right of first refusal. Couldn't it just say must provide that the nonprofit entity has the right of first refusal?

**Donnita Wald** - You could write it that way.

**Senator Triplett** - Is there any value in clarity, do you think in saying at the end of line 27 where it says that it must provide that any transfer of the ownership must be without financial gain. I guess your only talking about the transfer at that point, but the financial gain has already been accomplished by the tax credits right? If you said must be without financial gain over and above tax credits already taken for something like that. What if they've got credits that they are still doing on a carry forward basis or something? Sort of like, say it is okay that they got their tax credits but then the actual transfer doesn't have any gain.

**Donnita Wald** - The carry forward is not considered financial gain. There is one more amendment and this was brought to my attention by Ms. Kline, and brought to her attention by Legislative Council and that is on page 3 subdivision d lines 8 and 10. There is a math problem here that if you took 5% of the total rents collected and then subtracted the utility costs, or you took the balance of the total rents and subtracted utility cost you could come up with 2 different numbers. I did the math using very small numbers and she was right. Council suggested adding 'balance of the' and then removing 'and'. That was an amendment I added and was not something Chairman Cook directed me to do.

**Chairman Cook** - Is there a motion to move these amendment?

**Senator Miller** - So moved

Seconded by **Senator Burckhard**.

**Verbal Vote on Amendment 7-0-0**

**Senator Burckhard** - I'll move a **Do Pass as Amended**.

Seconded by **Senator Triplett**.

**Roll Call Vote 7-0-0**

Carried by **Chairman Cook**.

## **FISCAL NOTE STATEMENT**

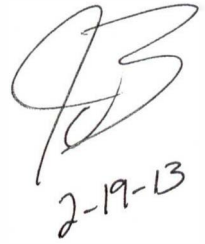
Senate Bill or Resolution No. SB 2338

This bill or resolution appears to affect revenues, expenditures, or fiscal liability of counties, cities, school districts, or townships. However, no state agency has primary responsibility for compiling and maintaining the information necessary for the proper preparation of a fiscal note regarding this bill or resolution. Pursuant to Joint Rule 502, this statement meets the fiscal note requirement.

Becky Keller  
Senior Fiscal Analyst



February 19, 2013



Handwritten signature and date: 2-19-13

PROPOSED AMENDMENTS TO SENATE BILL NO. 2338

Page 2, line 8, replace "The exemption under this section applies to residential rental property if," with "The property is exempt under this section if the housing finance agency certifies to the county director of tax equalization that"

Page 2, line 9, after the second underscored comma insert "or thereafter,"

Page 2, line 9, after the first "the" insert "residential rental"

Page 2, line 9, replace "is in compliance" with "complies"

Page 2, line 12, replace "must be" with "is"

Page 2, line 13, after "If" insert "under a partnership agreement or other legally enforceable instrument,"

Page 2, line 15, replace "under a partnership" with "the"

Page 2, line 15, remove "or other legally enforceable instrument, the"

Page 2, replace lines 16 and 17 with "must provide that the nonprofit entity must have the right of first refusal in any transfer of the ownership interest in the property. The partnership agreement or other legally enforceable instrument also must provide that any transfer of the ownership interest by the for-profit entity must be without financial gain; and"

Page 2, line 29, after "the" insert "balance of the"

Page 2, line 31, remove "and"

Page 3, line 8, after "through" insert "a"

Page 3, line 9, replace "program(s)" with "program"

Re-number accordingly

Date: 2-19-13  
Roll Call Vote #: 1

2013 SENATE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 2338

Senate Finance & Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number 13.8258.01003 title 02000

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

Motion Made By Senator Miller Seconded By Senator Burckhard

Senators	Yes	No	Senator	Yes	No
Chairman Dwight Cook			Senator Jim Dotzenrod		
Vice Chairman Tom Campbell			Senator Connie Triplett		
Senator Joe Miller					
Senator Dave Oehlke					
Senator Randy Burckhard					

Total (Yes) 7 No 0

Absent 0

Floor Assignment \_\_\_\_\_

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

Verbal vote

Date: 2-19-13  
Roll Call Vote #: 2

2013 SENATE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 2338

Senate Finance & Taxation 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 Burckhard Seconded By Senator Triplett

Senators	Yes	No	Senator	Yes	No
Chariman Dwight Cook			Senator Jim Dotzenrod		
Vice Chairman Tom Campbell			Senator Connie Triplett		
Senator Joe Miller					
Senator Dave Oehlke					
Senator Randy Burckhard					

Total (Yes) 7 No 0

Absent 0

Floor Assignment Senator Cook

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

**REPORT OF STANDING COMMITTEE**

**SB 2338: Finance and Taxation Committee (Sen. Cook, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2338 was placed on the Sixth order on the calendar.

Page 2, line 8, replace "The exemption under this section applies to residential rental property if," with "The property is exempt under this section if the housing finance agency certifies to the county director of tax equalization that"

Page 2, line 9, after the second underscored comma insert "or thereafter,"

Page 2, line 9, after the first "the" insert "residential rental"

Page 2, line 9, replace "is in compliance" with "complies"

Page 2, line 12, replace "must be" with "is"

Page 2, line 13, after "If" insert "under a partnership agreement or other legally enforceable instrument,"

Page 2, line 15, replace "under a partnership" with "the"

Page 2, line 15, remove "or other legally enforceable instrument, the"

Page 2, replace lines 16 and 17 with "must provide that the nonprofit entity must have the right of first refusal in any transfer of the ownership interest in the property. The partnership agreement or other legally enforceable instrument also must provide that any transfer of the ownership interest by the for-profit entity must be without financial gain; and"

Page 2, line 29, after "the" insert "balance of the"

Page 2, line 31, remove "and"

Page 3, line 8, after "through" insert "a"

Page 3, line 9, replace "program(s)" with "program"

Renumber accordingly

**2013 HOUSE FINANCE AND TAXATION**


**SB 2338**

# 2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee  
Fort Totten Room, State Capitol

SB 2338  
March 13, 2013  
Job #19852

Conference Committee



## Explanation or reason for introduction of bill/resolution:

A Bill relating to a conditional exemption and payments in lieu of taxes for affordable rental residential property; relating to the property tax exemption for property owned by institutions of public charity.

## Minutes:

*Attached testimony #1, 2, 3, 4, 5, 6*

**Chairman Belter:** Opened hearing on SB 2338.

**00:20 Senator Kreun:** Introduced bill. This bill puts a tool in the tool box of the affordable housing provider and developers.

**02:28 Chairman Belter:** Further testimony in support?

**02:46 Jolene Kline, Director of the Planning and Housing Development:** See attached testimony #1. Explained why property tax relief is a necessary component of affordable housing.

**10:10 Representative Strinden:** This bill would require them to give that exemption, correct?

**10:29 Jolene Kline:** That is correct.

**11:14 Representative Strinden:** Why the "shall" wording instead of the "may" wording?

**11:35 Jolene Kline:** It is trying to develop a consistent method throughout the state.

**12:00 Representative Zaiser:** These non-profit housing groups would have to provide for emergency services. Is that correct?

**12:21 Jolene Kline:** That is what the 5% of the rents minus the utilities would be to cover.

**12:49 Representative Kelsh:** With regard to the for profit entity, what is the timeframe to go back to the non-profit and is it before that entity can collect this or see a gain from this property tax relief or is it at that time?

**13:14 Jolene Kline:** That transfer to the for-profit typically occurs at the end of the initial 15 year compliance period on the federal tax credit projects.

**13:52 Vice Chairman Headland:** Can you give us an idea as to why it appears that the need for this subsidized housing is growing faster than our population?

**14:09 Jolene Kline:** The best answer I can give is because of the dramatic increase in the population.

**15:11 Representative Klein:** Could you give me some idea of how many units there are in the state?

**15:18 Jolene Kline:** There are about 39 projects around the state owned by non-profits.

**15:43 Representative Klein:** How many units?

**Jolene Kline:** Average size is 30 units. About 900 units are financed with federal tax credits affect by this.

**16:07 Representative Froseth:** Is LSS a qualified non-profit that participates in this?

**16:13 Jolene Kline:** Yes, Lutheran Social Services Housing would be one of the organizations that are affected by this.

**Chairman Belter:** Further

**17:42 Terry Hanson, Executive Director of Grand Forks Housing Authority and President of North Dakota Chapter of National Association of Housing and Redevelopment Officials:** See attached testimony #2. Also distributed written testimony from Michael Carbone, Executive Director for North Dakota Coalition for Homeless People, testimony #3. Many tools are needed to accomplish this task. Provide another tool for the toolbox for affordable housing for the elderly. Provides relief from the current tax burden.

**28:01 Representative Schmidt:** In your estimation if I were to put up low income housing and charge \$420.00 a month, how many years would I keep that consistent? Would I have to raise it after 5 or 10 years?

**28:27 Terry Hanson:** Through experience rents go up every year.

**28:50 Chairman Belter:** Further testimony in support?

**29:13 Tom Pearson, Executive Director of the Minot Housing Authority:** See attached testimony #4. Local smaller communities will be able to take advantage of this.

**31:50 Representative Klein:** How many units are in South Glen Village?

**Tom Pearson:** 48.

**Representative Klein:** What are you charging for rent?

**Tom Pearson:** Two bedroom rents are now \$650.00.

**32:16 Representative Klein:** If you took \$150.00 off for utilities that leaves \$500.00 that would be multiplied by the 5% for taxes?

**Tom Pearson:** We're estimating it will be between \$30,000-35,000.

**33:01 Chairman Belter:** Further testimony in support?

**33:23 Dan Madler, Chief Operating Officer of Beyond Shelter, Inc.:** See attached testimony #5. Testifying on behalf of the Board of Commissioners and the Executive Director of the Fargo Housing and Redevelopment Authority and the Board of Directors of Beyond Shelter, Inc. This bill allows for a level of relief that many households will need. It will keep our communities safe and healthy.

**37:18 Chairman Belter:** Further testimony in support of SB 2338?

**37:30 Tom Alexander, Minot State University:** See attached testimony #6. (Need copy)

**38:33 Representative Froseth:** Mrs. Kline, our town has some units that are income based and at a regular rate. According to this bill we would have to offer these at 5% level and would these units be prorated?

**39:11 Jolene Kline:** If that housing is owned by a nonprofit, if it's subject to income and restrictions by some program, and if there is a lenders restriction agreement filed on there, and then yes, they have met all 3 of those criteria.

**40:52 Chairman Belter:** Any other testimony?

Hearing closed.



# 2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee  
Fort Totten Room, State Capitol

SB 2338  
March 13, 2013  
Job #19865

Conference Committee

Committee Clerk Signature *Mary Bruner*

**Minutes:**

**Chairman Belter:** This is the affordable housing bill that we heard today. What are the committee's wishes?

**Representative Zaiser: Made a motion for a Do Pass.**

**Representative Kelsh: Seconded.**

**Representative Schmidt:** If we're offering a property tax exemption why isn't there some sort of fiscal note with this?

**Vice Chairman Headland:** Showed him the fiscal note.

**Chairman Belter:** It's undeterminable.

**Representative Froseth:** Why don't we consider making this permissive for the counties so if the counties want to offer or set this type of taxation on that property then it's up to them and not the state to set the policy?

**Representative Zaiser:** This program is really about the people that need that housing and if the county were to decide they didn't want to do it the citizens of that county would be the ones that would get a loss and that is what the focus of the bill is from my perspective.

**Representative Dockter:** Can we look at it as them being responsible for 25% or 50% of the property tax and come halfway if we want an amendment. That's a lot of money going from \$74,000 down to \$12,000.

**Representative Trottier:** We didn't hear anything from the counties. I understand these people need help but it's going to be at the help of the local taxpayer. I think we should keep it local. We are mandating something that is going to cost the counties and the taxpayers.

**Representative Drovdal:** Did anybody testify as to what percentage of the people living in low income housing are getting housing subsidy and if that subsidy comes from the state or federal government?

**Chairman Belter:** I don't recall. I believe it is 30 percent.

**Representative Drovdal:** If only 30% of those are low income and we're dropping the property tax on all of them then aren't we giving them too much of a break?

**Chairman Belter:** In order to be eligible to live in this housing then no more than 30% of your income can go towards rent. That's your eligibility requirement.

**Representative Schmidt:** If I'm going to vote on legislation that gives them the legal right not to pay property tax I would like to know how many dollars I'm talking about.

**Chairman Belter:** They can't give you that.

**Representative Schmidt:** Can they give me an idea?

**Chairman Belter:** Apparently not because that's what their note said.

**Representative Klein:** The only one that I had figures on was the one from Minot where the taxes were \$73,000. It comes out to about \$12,000 and that they would pay the 5% after the deduction for utilities and a percentage of their rent.

**Chairman Belter:** I'm hearing a lot of apprehension and a desire to put an amendment on. We have a motion.

**Vice Chairman Headland:** I will vote against the bill unless we amend it to make it permissive.

**Chairman Belter:** Representative Zaiser, do you want to withdraw your motion and does somebody want to draft amendments so we can work on it next week?

**Representative Zaiser:** I will withdraw.

**Representative Klein:** You're referring back to an amendment that Representative Froseth talked about to give the county the say?

**Representative Froseth:** I don't know if that can be done.

**Chairman Belter:** For those of you who are apprehensive the way it is then get some amendments.

**Representative Schmidt:** As I was listening to Terry Hanson and based on what Representative Klein says that comes from one business, is there any reason why we couldn't have a gradual reduction in property tax rather than right away they get a \$50,000

deduction. I think that is too much on a local community right off the bat especially a small community.

**Representative Klein:** I asked how many of these projects there were in North Dakota and how many units. They said there are 39 projects and roughly 900-1000 units so as they keep adding that would continue to add to the non-tax operation.

**Representative Drovdal:** We have tax breaks for people donating to keep this down too plus not all these people are low income. I'd like to call Mike Anderson and some others and ask what percentage is low income and what are not. I would like to postpone the vote until I get more information.

**Chairman Belter:** We will do that.

# 2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee  
Fort Totten Room, State Capitol

SB 2338  
March 26, 2013  
Job #20459

Conference Committee

Committee Clerk Signature

*Mary Brucker*

**Minutes:**

*Attached amendments .02001 #1.*

**Representative Dockter:** Distributed amendments .02001 and explained. See attached #1. **Made a motion to accept the amendments.**

**Representative Klein: Seconded.**

**VOICE VOTE: MOTION CARRIED.**

**Representative Dockter: Made a motion for a Do Pass as Amended.**

**Representative Froseth: Seconded.**

**ROLL CALL VOTE: 11 YES 3 NO 0 ABSENT**

**Representative Dockter will carry this bill.**

# 2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee  
Fort Totten Room, State Capitol

SB 2338  
March 27, 2013  
Job #20577

Conference Committee

Committee Clerk Signature

*Mary Brucker*

**Minutes:**

**Chairman Belter:** Is there a motion to reconsider our actions?

**Vice Chairman Headland:** Made a motion to reconsider our actions.

**Representative Dockter:** Seconded.

**VOICE VOTE: MOTION CARRIED.**

**Representative Dockter:** After receiving additional information after passing this amendment 25% would have an adverse effect on the housing authority so I would like to make a motion for a new amendment. On page 3 line 2 replace "twenty-five" with "six."

**Representative Klein:** Seconded.

**VOICE VOTE: MOTION CARRIED.**

**Chairman Belter:** What are your wishes on 2338?

**Representative Klein:** Made a motion for a Do Pass as Amended.

**Representative Owens:** Seconded.

**ROLL CALL VOTE: 10 YES 3 NO 1 ABSENT**

**Representative Dockter will carry this bill.**

## **FISCAL NOTE STATEMENT**

Senate Bill or Resolution No. SB 2338

This bill or resolution appears to affect revenues, expenditures, or fiscal liability of counties, cities, school districts, or townships. However, no state agency has primary responsibility for compiling and maintaining the information necessary for the proper preparation of a fiscal note regarding this bill or resolution. Pursuant to Joint Rule 502, this statement meets the fiscal note requirement.

Becky Keller  
Senior Fiscal Analyst

13.8258.02001  
Title.03000

Prepared by the Legislative Council staff for  
Representative Dockter

March 19, 2013

VK  
3/26/13

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2338

Page 3, line 2, replace "five" with "twenty-five"

Renumber accordingly

13.8258.02002  
Title.04000

Adopted by the Finance and Taxation  
Committee

March 27, 2013

VR  
3/27/13

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2338

In lieu of the amendments as printed on page 1064 of the House Journal, Engrossed Senate Bill No. 2338 is amended as follows:

Page 3, line 2, replace "five" with "six"

Renumber accordingly



Date: 3-13-13  
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 2338

House Finance and Taxation Committee

Check here for Conference Committee

WITHDRAWN

Legislative Council Amendment Number \_\_\_\_\_

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

Motion Made By Rep. Zaiser Seconded By Rep. Kelsh

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter			Rep. Scot Kelsh		
Vice Chairman Craig Headland			Rep. Steve Zaiser		
Rep. Matthew Klein			Rep. Jessica Haak		
Rep. David Drovdal			Rep. Marie Strinden		
Rep. Glen Froseth					
Rep. Mark Owens					
Rep. Patrick Hatlestad					
Rep. Wayne Trottier					
Rep. Jason Dockter					
Rep. Jim Schmidt					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment Rep.

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

Date: 3-26-13  
 Roll Call Vote #: 1

**2013 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 2338**

House Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken:  Do Pass  Do Not Pass  Amended  Adopt Amendment  
Rep. Dockter .02001  
 Rerefer to Appropriations  Reconsider

Motion Made By Rep. Dockter Seconded By Rep. Klein

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter			Rep. Scot Kelsh		
Vice Chairman Craig Headland			Rep. Steve Zaiser		
Rep. Matthew Klein			Rep. Jessica Haak		
Rep. David Drovdal			Rep. Marie Strinden		
Rep. Glen Froseth					
Rep. Mark Owens					
Rep. Patrick Hatlestad					
Rep. Wayne Trottier					
Rep. Jason Dockter					
Rep. Jim Schmidt					

VOICE VOTE =  
MOTION CARRIED

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

Date: 3-26-13  
Roll Call Vote #: 2

2013 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 2338

House Finance and Taxation 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 Rep. Darter Seconded By Rep. Froseth

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter	✓		Rep. Scot Kelsh	✓	
Vice Chairman Craig Headland	✓	✓	Rep. Steve Zaiser	✓	
Rep. Matthew Klein	✓		Rep. Jessica Haak	✓	
Rep. David Drovdal	✓		Rep. Marie Strinden	✓	
Rep. Glen Froseth	✓				
Rep. Mark Owens	✓				
Rep. Patrick Hatlestad	✓				
Rep. Wayne Trottier		✓			
Rep. Jason Dockter	✓	✓			
Rep. Jim Schmidt		✓			

Total (Yes) 11 No 3

Absent 0

Floor Assignment Rep. Darter

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

Date: 3-27-13  
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 2338

House Finance and Taxation 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 Rep. Headland Seconded By Rep. Dockter

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter			Rep. Scot Kelsh		
Vice Chairman Craig Headland			Rep. Steve Zaiser		
Rep. Matthew Klein			Rep. Jessica Haak		
Rep. David Drovdal			Rep. Marie Strinden		
Rep. Glen Froseth					
Rep. Mark Owens					
Rep. Patrick Hatlestad					
Rep. Wayne Trottier					
Rep. Jason Dockter					
Rep. Jim Schmidt					

VOICE VOTE -  
MOTION CARRIED

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

Date: 3-27-13  
Roll Call Vote #: 2

2013 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 2338

House Finance and Taxation Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

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

Motion Made By Rep. Dockter Seconded By Rep. Klein

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter			Rep. Scot Kelsh		
Vice Chairman Craig Headland			Rep. Steve Zaiser		
Rep. Matthew Klein			Rep. Jessica Haak		
Rep. David Drovdal			Rep. Marie Strinden		
Rep. Glen Froseth					
Rep. Mark Owens					
Rep. Patrick Hatlestad					
Rep. Wayne Trottier					
Rep. Jason Dockter					
Rep. Jim Schmidt					

VOICE - MOTION  
VOTE - CARRIED

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

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

Replace 25% to 6%.

Date: 3-27-13  
 Roll Call Vote #: 3

**2013 HOUSE STANDING COMMITTEE  
 ROLL CALL VOTES  
 BILL/RESOLUTION NO. 2338**

House Finance and Taxation 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 Rep. Klein Seconded By Rep. Owens

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter	✓		Rep. Scot Kelsh	✓	
Vice Chairman Craig Headland		✓	Rep. Steve Zaiser	✓	
Rep. Matthew Klein	✓		Rep. Jessica Haak	✓	
Rep. David Drovdal		✓	Rep. Marie Strinden	✓	
Rep. Glen Froseth	✓				
Rep. Mark Owens	✓				
Rep. Patrick Hatlestad	AB				
Rep. Wayne Trottier		✓			
Rep. Jason Dockter	✓				
Rep. Jim Schmidt	✓				

Total (Yes) 10 No 3

Absent 1

Floor Assignment Rep. Dockter

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

**REPORT OF STANDING COMMITTEE**

**SB 2338, as engrossed: Finance and Taxation Committee (Rep. Belter, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (11 YEAS, 3 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2338 was placed on the Sixth order on the calendar.

Page 3, line 2, replace "five" with "twenty-five"

Renumber accordingly

**REPORT OF STANDING COMMITTEE**

**SB 2338, as engrossed: Finance and Taxation Committee (Rep. Belter, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (10 YEAS, 3 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SB 2338 was placed on the Sixth order on the calendar.

In lieu of the amendments as printed on page 1064 of the House Journal, Engrossed Senate Bill No. 2338 is amended as follows:

Page 3, line 2, replace "five" with "six"

Renumber accordingly



**2013 CONFERENCE COMMITTEE**

**SB 2338**

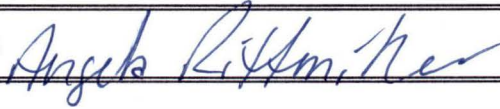
# 2013 SENATE STANDING COMMITTEE MINUTES

## Senate Finance and Taxation Committee Lewis and Clark Room, State Capitol

SB 2338  
4/16/2013  
Job Number 21186

Conference Committee

Committee Clerk Signature



### Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact a new subsection to section 57-02-08 of the North Dakota Century Code, relating to a conditional exemption and payments in lieu of taxes for affordable rental residential property; to amend and reenact subsection 8 of section 57-02-08 of the North Dakota Century Code, relating to the property tax exemption for property owned by institutions of public charity; and to provide an effective date.

### Minutes:

Conference Committee

Present: Senator Cook  
Representative Klein, Representative Schmidt, Representative Haak

**Senator Cook** opened the conference committee on SB 2338.

**Senator Cook** - I think there is a very simple difference here. It was introduced at a 5% pilot.

**Representative Klein** - Yes that is the only difference but we had discussed a possible drop dead date to take a look and see how this thing works out because I'm sure there will be changes or additions to this group as we go along. One thing we thought about is let's look at this thing for 4 years and see. I'm sure there will be some other groups that will want to enter this similar situation or some of the other outfits that want to get in on this.

**Representative Schmidt** - One of the reasons at least in my mind for a 4 year sunset was the fact that this is not being done now at all. Since it's something new there may even be a situation where we go from whatever it is we have now to a lesser percent because of participation or whatever the case may be. Because of lack of information from previous years we kind of thought the sunset would give us some flexibility.

**Senator Cook** - Is it in your mind that these properties that are having their property tax status changed have been paying property tax for years?

**Representative Schmidt** - No

**Senator Cook** - These properties, a lot of them were considered tax exempt prior to last session. They were given that consideration based on an Attorney General's opinion that was done on an issue in Minot where the Attorney General said they were charitable and therefore didn't have to pay taxes. Mandan gave a few of them based on that Attorney General's opinion and what would happen is the properties the ownership of them would raise the issue to the taxing jurisdiction that they should be tax exempt. (2:54)

**Senator Cook** went on to tell about a case that went to the Supreme Court.

**Representative Schmidt** - I was my impression that this was the first time they were paying it, but it's not.

**Representative Klein** - The way I understand it the different cities, different areas did it different ways so what you were trying to do is to standardize it.

**Senator Cook** - My biggest concern is, and this is the other thing that they will be doing that they weren't doing before and I think its good is the pilot. They understand that they need to pay taxes. This is a tax increase on the property in Minot and in Grand Forks they are going to be paying a pilot now, so I think our only question is what a fair pilot is. And working with the individuals, they are the ones that came up with 5%, not me. They thought 5% was a fair pilot to pay for it and I see no flaw in the argument. (7:40)

**Representative Klein** - What caused us to look at it is we started looking at figures as to how much would be passed on to the other property owners and that is when we came up with some of the higher figures. We said, this is just a method of passing it on.

**Chairman Cook** - If they are nonprofits they are tax exempt and what we are talking about here is properties that have a for profit ownership but it's only for a limited period of time. (8:45)

Discussion followed on some numbers and figures.

Committee adjourned.

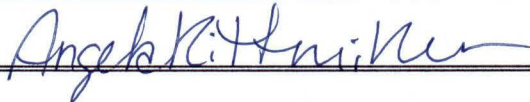
# 2013 SENATE STANDING COMMITTEE MINUTES

## Senate Finance and Taxation Committee Lewis and Clark Room, State Capitol

SB 2338  
4/19/2013  
Job Number 21335

Conference Committee

Committee Clerk Signature



### Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact a new subsection to section 57-02-08 of the North Dakota Century Code, relating to a conditional exemption and payments in lieu of taxes for affordable rental residential property; to amend and reenact subsection 8 of section 57-02-08 of the North Dakota Century Code, relating to the property tax exemption for property owned by institutions of public charity; and to provide an effective date.

### Minutes:

Conference Committee

Present: Senator Cook, Senator Burckhard, Senator Triplett  
Representative Klein, Representative Schmidt, Representative Haak

**Senator Cook** opened the conference committee on SB 2338.

**Representative Klein** - I would move the House recede from its amendment and further amend.

**Representative Schmidt** - The amendment would include that on line 29 adding 'local comma' between through and state and then second part of the amendment would be with reference to page number 3 line 12 where it says receiving assistance through a, and then we would add 'local comma' state or federal affordable housing. Then with respect to page 3 line 2 instead of 6 it would be 5.

Seconded by **Senator Triplett**.

**Roll Call Vote 6-0-0**

Committee adjourned.

## **FISCAL NOTE STATEMENT**

Senate Bill or Resolution No. SB 2338

This bill or resolution appears to affect revenues, expenditures, or fiscal liability of counties, cities, school districts, or townships. However, no state agency has primary responsibility for compiling and maintaining the information necessary for the proper preparation of a fiscal note regarding this bill or resolution. Pursuant to Joint Rule 502, this statement meets the fiscal note requirement.

Becky Keller  
Senior Fiscal Analyst

April 19, 2013

VR  
4/20/13

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2338

That the House recede from its amendments as printed on page 1013 of the Senate Journal and page 1117 of the House Journal and that Engrossed Senate Bill No. 2338 be amended as follows:

Page 2, line 29, after "through" insert "local."

Page 2, line 29, after "state" insert an underscored comma

Page 3, line 12, after "a" insert "local."

Page 3, line 12, after "state" insert an underscored comma

Renumber accordingly

Date 4-19-13

Roll Call Vote # 1

**2013 SENATE CONFERENCE COMMITTEE  
ROLL CALL VOTES**

BILL/RESOLUTION NO. 2338 as (re) engrossed

Senate Finance & Taxation Committee

- Action Taken**
- SENATE accede to House Amendments
  - SENATE accede to House Amendments and further amend
  - HOUSE recede from House amendments
  - HOUSE recede from House amendments and amend as follows
  - Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: Rep Klein Seconded by: Sen. Triplett

Senators	4/16	4/19	Yes	No	Representatives	4/16	4/19	Yes	No
Senator Cook	✓	✓	✓		Representative Klein	✓	✓	✓	
Senator Burckhard		✓	✓		Representative Schmidt	✓	✓	✓	
Senator Triplett		✓	✓		Representative Haak	✓	✓	✓	
Total Senate Vote					Total Rep. Vote				

Vote Count Yes: 6 No: 0 Absent: 0

Senate Carrier Cook House Carrier Klein

LC Number 13.8258 . 02003 of amendment

LC Number \_\_\_\_\_ of engrossment

**REPORT OF CONFERENCE COMMITTEE**

**SB 2338, as engrossed:** Your conference committee (Sens. Cook, Burckhard, Triplett and Reps. Klein, Schmidt, Haak) recommends that the **HOUSE RECEDE** from the House amendments as printed on SJ page 1013, adopt amendments as follows, and place SB 2338 on the Seventh order:

That the House recede from its amendments as printed on page 1013 of the Senate Journal and page 1117 of the House Journal and that Engrossed Senate Bill No. 2338 be amended as follows:

Page 2, line 29, after "through" insert "local."

Page 2, line 29, after "state" insert an underscored comma

Page 3, line 12, after "a" insert "local."

Page 3, line 12, after "state" insert an underscored comma

Renumber accordingly

Engrossed SB 2338 was placed on the Seventh order of business on the calendar.



**2013 TESTIMONY**

**SB 2338**

13.8258.01002  
Title.

Prepared by the Legislative Council staff for  
Senator Cook

February 15, 2013

PROPOSED AMENDMENTS TO SENATE BILL NO. 2338

Page 2, line 29, remove "five percent of"

Page 2, line 30, replace ", minus" with "reduced by"

Page 2, line 31, after the second "property" insert ", and then multiplied by five percent"

Renumber accordingly



Michael A. Anderson Executive Director

**INDUSTRIAL COMMISSION**

Jack Dalrymple Governor

Wayne Stenehjem Attorney General

Doug Goehring Agriculture Commissioner

SB 2338

February 19, 2013

**North Dakota Housing Finance Agency  
Division of the State Industrial Commission  
Testimony by Jolene Kline, Director of Planning and Housing Development  
Senate Finance and Taxation Committee**

Chairman Cook and members of the Committee, my name is Jolene Kline. I am the director of the planning and housing development division at the North Dakota Housing Finance Agency (Agency).

SB 2338 would provide property tax relief for affordable rental residential housing if certain conditions are met. My testimony today will focus on why property tax relief is a necessary component of affordable housing and what conditions would need to be met to qualify for relief under this bill.

Affordable housing is generally defined as housing costs that do not exceed 30% of the household's gross income. A household earning \$5000 per month should be able to afford \$1500 for housing; a household living on Social Security benefits of \$1400 per month should be able to pay \$420 towards housing each month.

The cost of constructing a rental unit is the same whether you are setting the rent at \$420 or at \$1500. The operating costs such as property taxes, maintenance, insurance, and utilities are the same whether offering rents at \$420 or at \$1500.

There are two primary ways to achieve affordable rents:

- 1) Reduction of debt (lower principal and interest payments)
- 2) Reduction of operating expenses (or some combination of these)

A reduction of debt requires an offsetting source of equity. This is typically accomplished with federal funding such as the federal low income housing tax credit program (LIHTC) or state funding through the Housing Incentive Fund (HIF). Sources of equity are limited so developers must next look for ways to cut operating costs in order to achieve affordable rents. The single largest operating cost on a per unit basis is most often property taxes. Some local taxing jurisdictions have recognized the value of affordable housing in their communities and have granted some form of property tax relief such as a payment in lieu of taxes (PILOTS). Senate Bill 2049 approved during the Sixty-second legislative session eliminated the ability for a local jurisdiction to grant property tax relief to an affordable housing property if that property also received federal LIHTCs. SB 2338 would reverse that action and provide guidance to the local taxing jurisdictions as to when property tax relief should be offered.

SB 2338 would provide for a PILOT equal to the sum of five percent of the total rents collected minus any utilities paid by the owner if all of the following requirements are met:

- 1) Property must be operated as "affordable housing" defined as either eligible for or receiving assistance through a state or federal affordable housing program
- 2) Property must be subject to and in compliance with a land use restriction agreement that defines mandatory rent and household income restrictions
- 3) Property must be owned or controlled by a qualified nonprofit entity
  - a. The general partner or other ownership entity must be owned or controlled by a nonprofit or a political subdivision
  - b. If a for-profit entity such as a limited partner has an ownership interest in the property, then under a partnership agreement or other legally enforceable instrument, the ownership interest must provide for transfer to the non-profit at a stated time without financial gain to the for-profit entity

If the property contains some rental units that are not subject to income and rent restrictions (market rate units), then the property tax reduction is calculated as a percentage of affordable units divided by total units in the property.

NDHFA would be responsible for providing notice to the local director of tax equalization and the state supervisor of assessment on an annual basis of any non-compliance with these requirements that would result in a loss of partial or all tax exemption.

An existing project funded with LIHTCs that was adversely affected by SB 2049 suddenly faced a tax bill of \$74,000 for 2012. This required the non-profit owner to increase the rents by an average of \$140 per month on a 47 unit building just to pay property taxes. Consider the impact to a low-income household living in one of these units when your rent is increased by almost 20% and you have no other alternative in a community where demand greatly exceeds supply. If the additional tax burden cannot be passed along to the tenant due to rent caps mandated by a funding source, long term project viability can be affected as an owner may be forced to defer normal maintenance or deplete capital replacement reserves in an effort to "balance the books".

Non-profit owners that have recently benefited from PILOTS offered by local taxing jurisdictions indicate they are realizing an average reduction in property taxes of about \$100 per unit per month. If not for this reduction, rents would need to be increased in a like amount or the non-profit owner would have to find additional up-front equity to lower the debt service payment in a like amount. The additional up-front equity requirement on a 32 unit without the \$3200 per month tax savings would be in excess of \$350,000. (This number is based on the amount of debt a project can support at 6.5% for 15 years with a monthly increase of \$3200 in operating expenses.)

Developing housing that is affordable to people on fixed income and our lower wage earners is critical and it takes multiple players, including local government as well as state and federal programs. In an environment of stagnant or shrinking federal resources, it is vital that the state and local jurisdictions assume a greater role.

Property tax relief is a critical component of providing affordable housing and passage of SB 2338 is requested.

Thank you and I will try to answer any questions.

**MOUNTAIN PLAINS**

Regional Council

ORAL/WRITTEN TESTIMONY PROVIDED TO

**ND SENATE****FINANCE AND TAXATION COMMITTEE**DURING THE 63<sup>RD</sup> LEGISLATIVE ASSEMBLYOn February 19<sup>th</sup>, 2013, 9:00 AM**IN SUPPORT OF****SB 2338**

REGARDING THE

**CONDITIONAL EXEMPTION AND PAYMENTS IN LIEU OF TAXES FOR  
AFFORDABLE RENTAL RESIDENTIAL PROPERTY**

Chairman Cook

Vice Chairman Campbell

Members of the Finance and Taxation Committee

My name is Terry Hanson of Grand Forks, North Dakota. I am before you today representing the Grand Forks Housing Authority as its Executive Director, as an officer of a number of non profit affordable housing providers and also as the current President of the North Dakota Chapter of the National Association of Housing and Redevelopment Officials, an association consisting primarily of all housing authorities in the State of North Dakota.

I want to start today by expressing my personal gratitude to Chairman Cook and to Senator Schneider for their initiative, leadership and foresight in the preparation of this legislation. Also, I wish to thank Senators Hogue and Laffen as well as Representatives Bellew and Kreun for their understanding of the need for tax relief for affordable housing and for their support of SB 2338.

I am before this esteemed body today to request your unanimous **DO PASS** recommendation for this much needed and vital legislation for the less fortunate citizens of this state.

The other day I was watching the animated series SpongeBob SquarePants with my granddaughter. In the episode we were watching, Plankton, wishing to develop a piece of beach property but not having much success, made the obvious revelation and stated to all listening, "I am small." "I need someone big . . ." "I need SpongeBob!" When it comes to the operation and development of the affordable housing needs of this great state, I too am small, as are my colleagues, many of which are with us today. So, we are here today before this Committee, before our State Assembly, requesting your assistance by providing another tool to our tool box, asking you to be our "SpongeBob."

As I know you are all aware, housing, especially affordable housing, is becoming an increasingly more prevalent and pressing issue for the citizens of this state. Today the

**NAHRO**

*Serving the Nations Housing and  
Community Development Needs*

problem is huge, tomorrow, if nothing is done, the problem will only get worse. As shown by Dr. Rathge in the 2012 North Dakota Housing Needs Assessment, this state will need an additional 90,469 housing units by the year 2025. This is a 28.9% increase over the housing stock available in the state in 2010. To meet this need, over 6,000 housing units are needed to be constructed every year for the next fifteen years. As a reference, only 2300 housing units have been constructed annually over the past decade. These numbers represent all housing, owner occupied and rental. Today we want to talk about affordable, rental housing and the assistance needed to meet its current and future demand, assistance that will be provided, in part, by SB 2338. Of the more than ninety thousand housing units described as needed above, over thirty thousand will be needed by households earning 60% or less of the States Median Family Income. These are the families that affordable housing providers and developers provide for. Of this amount over seventeen thousand households will be of extremely low income (30% or below of MFI).

Who are these families? Who are the people for whom these additional housing units must be operated and developed? Dr. Rathge's study shows that the population of North Dakota is projected to grow by 169,229 persons to 841,820 by 2025 – a 25.2% increase over the population of 2010. The projected population increase is divided among four age groups. A modest increase is expected in the under 25 age group with a 17.9% increase (41,395); the second largest increase is expected in the 25 to 44 year old age group with a 41.8% increase (69,279); a small increase is expected in the 45 to 64 year old age group with a 4.5% increase (7,972); and the largest increase is expected in the 65 and older age group, the baby boomers, with a 51.9% increase (50,583).

In addition to the increased population, affordable housing providers also need to serve the current residents of this state. Information provided with Dr. Rathge's study shows that there were approximately 92,525 renter households in the state in 2010. Of this number, 36.75% (34,010 households) were rent burdened – paying 30% or more household income towards rent. Again, there are four age categories that these households are divided among. Of the 22,432, 15 to 24 year old household age group, 48.6% (10,899) are cost burdened; of the 22,618, 25 to 34 year old household age group, 25.9% (5,856) are cost burdened; of the 31,026, 35 to 64 year old household age group, 29.6% (9,175) are cost burdened; and of the 16,449, 65 and older household age group, 49.1% (8,080) are cost burdened.

Last, but certainly not least, are the disabled persons residing in the state. Information provided with the study shows that of the 637,844 residents of the state in 2010, 71,309 of us (11.2%) were a person with a disability. Children under the age of 18 accounted for over thirty-eight hundred of this number.

Did I happen to mention, "I am small." I apologize for presenting all of this data, but I believe it is necessary for everyone to have an awareness of the magnitude of the affordable housing needed in this state. This information is required to enable all of us to make sound decisions as we address our housing issues. The young households just starting their careers, the disabled citizens who may be either limited in their earning capacity or are on a fixed income, and the elderly, on fixed incomes, who Dr. Rathge states

make up a “significant portion of low-income” households, these are the residents of this state that I am representing today.

Historically, starting in 1937, affordable housing has been provided primarily through federal programs such as the Department of Housing and Urban Development’s (HUD) Public Housing programs; or HUD’s Project Based Section 8 programs, or the Tenant Based Certificate and Housing Choice Voucher programs; the HOME and CDBG programs; or Rural Development’s Section 515 Multifamily Development Program and the Federal Home Loan Bank’s Affordable Housing Program; or, beginning in 1986, the Department of Treasury’s Low Income Housing Tax Credit program which is administered by the Housing Finance Agency.

The state has also provided programs for affordable, rental, multi-family housing, the most significant of which was the Housing Incentive Fund program passed by the 62<sup>nd</sup> Legislative Assembly as well as the Flex PACE program. Both of these programs have major legislation under consideration during this Legislative Session and I encourage your continued support for expansion of both of these programs.

Unfortunately, the above cited programs are not enough to address the affordable housing needs of this state. We all know that the federal government is having its fiscal problems. Everyone present today can testify to a continued reduction in funding for our federal programs. HUD and Rural Development have reduced their funding levels on a consistent basis over the past years and with the potential of sequestration they are looking at an additional five percent reduction. In addition, the Low Income Housing Tax Credit program, the primary program for affordable housing for many years, has now been put in jeopardy as the Congress looks at revising the Internal Revenue Service Tax Code.

The affordable housing developer/operator needs many tools in their tool box in order to provide a successful and sustainable affordable housing development. SB 2338, the bill being considered today, is yet another tool. One that the nonprofit affordable housing developer/provider can use to continue the housing developments this state so desperately needs. I have always said that in order to have affordable housing for our most vulnerable citizens, there must be subsidies, subsidies that either contribute to the reduction of the cost of the housing, thereby reducing the required debt service, or subsidies that reduce the ongoing operating costs of the development. Senate Bill 2338 addresses the later.

Across the state, jurisdictions have provided various levels of tax exemption for affordable housing by interpreting existing laws to meet their specific needs. SB 2338 clarifies for local jurisdictions the exemption of affordable housing owned and/or controlled by non-profit agencies while also providing for a Payment In Lieu of Taxes to cover the cost of local emergency services. For the non-profit, SB 2338 provides a stable and consistent method of computing its ongoing operating costs while also providing much needed relief of their current tax burdens. Finally, SB 2338 distributes some of the responsibility of the provision of affordable housing to the local, jurisdictional level.

Chairman Cook, Vice Chairman Campbell, Members of the Committee, I am small. I cannot, we cannot, continue to provide the affordable housing this state needs without additional tools in our tool box. I am here today to ask that you be our "SpongeBob" and to provide us with one more tool that we can use to produce affordable housing for North Dakota.

Thank you in advance for your favorable consideration of SB 2338 and Thank You for all you do. I look forward to answering your questions.

Respectfully submitted,

Terry Hanson

President  
NDNAHRO

Executive Director  
Grand Forks Housing Authority



**TESTIMONY OF BRET WEBER, PhD**

**CITY OF GRAND FORKS, NORTH DAKOTA, CITY COUNCIL MEMBER  
CO-CHAIR, GRAND FORKS' CITY LEGISLATIVE COMMITTEE  
FORMER PRESIDENT OF THE GRAND FORKS COMMUNITY LAND TRUST**

**IN SUPPORT OF SENATE BILL 2338**

**FINANCE AND TAXATION COMMITTEE**

**SENATOR DWIGHT COOK, CHAIRMAN**

**TUESDAY, FEBRUARY 19, 2013**

Senator Cook and Members of the Senate Finance and Taxation Committee, my name is Bret Weber. I offer this written testimony as an individual Grand Forks City Council representative, co-chair of our city's legislative committee, and as a founder, ongoing board member, and former President of the Grand Forks Community Land Trust, which builds affordable housing in our city and county. I am writing as an individual and not as an official spokesperson for the city. I ask that you accept this testimony in support of Senate Bill 2338.

Included in our city's legislative priority list is support of legislation that addresses affordable housing issues. Like so many communities across our great state including those in the oil patch, those on the periphery, and those seemingly far removed from that activity, Grand Forks faces an ongoing challenge to provide affordable housing. This challenge existed before the oil boom, has been exacerbated by it, and will likely continue for some time. There is no single solution or silver bullet that will solve all of our housing issues. While the private sector must play a key role in helping to address housing supply it is clear that our non-profit businesses and charitable organizations represent an important partner in addressing the complex issues related to housing.

In relation to SB 2338, one of the specific challenges that Grand Forks has wrestled with is the lack of clarity regarding the tax status of the non-profit businesses and charitable organizations that provide affordable housing. I encourage the members of this committee to vote in favor of a 'do pass' recommendation for SB 2338, as its passage will provide clarity, equity, and a more predictable environment for the necessary combination of private and public sectors needed to address housing related issues across the state.

Testimony of Bret Weber, City of Grand Forks  
House Education Committee  
House Bill 1317  
January 28, 2012  
Page 2

North Dakota has a proud tradition of self-reliance that bristles at outside interference and control. While we understandably resist federal interference, we must simultaneously recognize the corresponding need to assume local responsibility. Consistent with that recognition, the people have spoken through the instrument of the State Constitution to make it clear that not-for-profit businesses and charitable organizations should be tax exempt. This expression of community support and shared responsibility is consistent with our shared cultural value of self-reliance and willingness to help those in need including the elderly, persons with disabilities, others on fixed incomes, and the young families that represent our future.

Thank you for your service to our state and the opportunity to offer this statement of support for SB 2338. I hope you will join me in supporting this opportunity to advance our shared future. We all prosper and live in stronger communities when the most vulnerable among us have ready access to affordable housing.



**Bret A. Weber, PhD.**  
Assistant Professor, University of North Dakota  
Grand Forks City Council Representative, Ward 3  
Northern Dakota Behavioral Center for Research, Room 310-A  
Office 701 777-3767 Fax 701 777-4257

**Testimony**  
**Senate Bill 2338**  
**Senate Finance & Taxation**  
**Senator Cook, Chairman**  
**February 19, 2013**

Chairman Cook, members of the Senate Finance & Taxation Committee, I am Tom Pearson, Executive Director of the Minot Housing Authority. I am providing written testimony today in support of SB 2338.

In the 2011 North Dakota Legislative session, Senate Bill 2049 was implemented to impose real estate property tax charges to nonprofit organizations that own and operate federal low - income housing income tax credit properties. The Minot Housing Authority manages and operates a low income tax credit project (South Glen Village) for a local nonprofit organization Neighborhood Development Enterprises (NDE). NDE is a general partner and has made a significant financial contribution to this project. South Glen Village is now required to pay \$74,026.94 in property taxes for the first time in 2012.

This new property tax expense to the project is the single largest expense that is incurred in a calendar year. South Glen Village was able to increase rents to low income families in our community by approximately \$150 per month to cover the new property tax expense. Under the federal low income tax credit regulations, there is a maximum amount of rent that can be charged to the tenant. South Glen Village by increasing their rents is very near these maximum rents that are allowed by federal law. Increasing the rent by an additional \$150 per month puts undo financial hardship on these low-income families in our community. Senate Bill 2338 would allow nonprofit organizations that own and operate federal low income tax credit properties to pay a PILOT payment in lieu of property taxes. By doing this it would significantly lower the financial hardship on low-income families in our community.

The Minot Housing Authority supports Senate Bill 2338. Mr. Chairman and members of the Finance and Taxation Committee, Minot Housing Authority strongly encourages a Do Pass on this Senate Bill 2338.

PROPOSED AMENDMENTS TO SENATE BILL NO. 2338

Page 2, line 8, replace “The exemption under this section applies to residential rental property if,” with “If the housing finance agency certifies to the county director of tax equalization that”

Page 2, line 9, after the second comma insert “or thereafter.”

Page 2, line 9, after the first “the” insert “residential rental”

Page 2, line 9, replace “is in compliance” with “complies”

Page 2, line 9, after “following” insert “, the property is exempt under this section”

Page 2, line 13, after “If” insert “under a partnership agreement or other legally enforceable instrument.”

Page 2, line 15, replace “under a partnership” with “the”

Page 2, line 15, remove “or other legally enforceable instrument, the”

Page 2, replace lines 16 through 17 with:

“must provide that the nonprofit entity must have the right of first refusal in any transfer of the ownership interest in the property. The partnership agreement or other legally enforceable instrument must also provide that any transfer of the ownership interest by the for-profit entity must be without financial gain.”

Page 2, line 29, after “the” insert “balance of the”

Page 2, line 31, remove “and”

Re-number accordingly

SB 2338

March 13, 2013

**North Dakota Housing Finance Agency  
Division of the State Industrial Commission  
Testimony by Jolene Kline, Director of Planning and Housing Development  
House Finance and Taxation Committee**

Chairman Belter and members of the Committee, my name is Jolene Kline. I am the director of the planning and housing development division at the North Dakota Housing Finance Agency (Agency).

SB 2338 would provide property tax relief for affordable rental residential housing if certain conditions are met. My testimony today will focus on why property tax relief is a necessary component of affordable housing and what conditions would need to be met to qualify for relief under this bill.

Affordable housing is generally defined as housing costs that do not exceed 30% of the household's gross income. A household earning \$5000 per month should be able to afford \$1500 for housing; a household living on Social Security benefits of \$1400 per month should be able to pay \$420 towards housing each month.

The cost of constructing a rental unit is the same whether you are setting the rent at \$420 or at \$1500. The operating costs such as property taxes, maintenance, insurance, and utilities are the same whether offering rents at \$420 or at \$1500.

There are two primary ways to achieve affordable rents:

- 1) Reduction of debt (lower principal and interest payments)
- 2) Reduction of operating expenses (or some combination of these)

A reduction of debt requires an offsetting source of equity. This is typically accomplished with federal funding such as the federal low income housing tax credit program (LIHTC) or state funding through the Housing Incentive Fund (HIF). Sources of equity are limited so developers must next look for ways to cut operating costs in order to achieve affordable rents. The single largest operating cost on a per unit basis is most often property taxes. Some local taxing jurisdictions have recognized the value of affordable housing in their communities and have granted some form of property tax relief such as a payment in lieu of taxes (PILOTS). Senate Bill 2049 approved during the Sixty-second legislative session eliminated the ability for a local jurisdiction to grant property tax relief to an affordable housing property if that property also received federal LIHTCs. SB 2338 would reverse that action and provide guidance to the local taxing jurisdictions as to when property tax relief should be offered.

SB 2338 would provide for a PILOT equal to the sum of five percent of the total rents collected minus any utilities paid by the owner if all of the following requirements are met:

- 1) Property must be operated as "affordable housing" defined as either eligible for or receiving assistance through a state or federal affordable housing program
- 2) Property must be subject to and in compliance with a land use restriction agreement that defines mandatory rent and household income restrictions
- 3) Property must be owned or controlled by a qualified nonprofit entity
  - a. The general partner or other ownership entity must be owned or controlled by a nonprofit or a political subdivision
  - b. If a for-profit entity such as a limited partner has an ownership interest in the property, then under a partnership agreement or other legally enforceable instrument, the ownership interest must provide for transfer to the non-profit at a stated time without financial gain to the for-profit entity

If the property contains some rental units that are not subject to income and rent restrictions (market rate units), then the property tax reduction is calculated as a percentage of affordable units divided by total units in the property.

NDHFA would be responsible for providing notice to the local director of tax equalization and the state supervisor of assessment on an annual basis of any non-compliance with these requirements that would result in a loss of partial or all tax exemption.

An existing project funded with LIHTCs that was adversely affected by SB 2049 suddenly faced a tax bill of \$74,000 for 2012. This required the non-profit owner to increase the rents by an average of \$140 per month on a 47 unit building just to pay property taxes. Consider the impact to a low-income household living in one of these units when your rent is increased by almost 20% and you have no other alternative in a community where demand greatly exceeds supply. If the additional tax burden cannot be passed along to the tenant due to rent caps mandated by a funding source, long term project viability can be affected as an owner may be forced to defer normal maintenance or deplete capital replacement reserves in an effort to "balance the books".

Non-profit owners that have recently benefited from PILOTS offered by local taxing jurisdictions indicate they are realizing an average reduction in property taxes of about \$100 per unit per month. If not for this reduction, rents would need to be increased in a like amount or the non-profit owner would have to find additional up-front equity to lower the debt service payment in a like amount. The additional up-front equity requirement on a 32 unit without the \$3200 per month tax savings would be in excess of \$350,000. (This number is based on the amount of debt a project can support at 6.5% for 15 years with a monthly increase of \$3200 in operating expenses.)

Developing housing that is affordable to people on fixed income and our lower wage earners is critical and it takes multiple players, including local government as well as state and federal programs. In an environment of stagnant or shrinking federal resources, it is vital that the state and local jurisdictions assume a greater role.

Property tax relief is a critical component of providing affordable housing and passage of SB 2338 is requested.

Thank you for your favorable consideration of SB 2338.

#2



**GRAND FORKS**  
HOUSING AUTHORITY

**ORAL/WRITTEN TESTIMONY PROVIDED TO  
ND HOUSE OF REPRESENTATIVES  
FINANCE AND TAXATION COMMITTEE  
DURING THE 63<sup>RD</sup> LEGISLATIVE ASSEMBLY  
ON MARCH 13<sup>TH</sup>, 2013, 10:30 AM  
IN SUPPORT OF  
SB 2338  
REGARDING THE  
CONDITIONAL EXEMPTION AND PAYMENTS IN LIEU OF TAXES FOR  
AFFORDABLE RENTAL RESIDENTIAL PROPERTY**

**Chairman Belter  
Vice Chairman Headland  
Members of the Finance and Taxation Committee**

**My name is Terry Hanson and I reside in Grand Forks. I am before you today representing not only the Grand Forks Housing Authority as its Executive Director, but also as an officer of a number of nonprofit affordable housing providers and also as the current President of the North Dakota Chapter of the National Association of Housing and Redevelopment Officials, an association consisting primarily of all housing authorities in the State of North Dakota.**

**I want to start today by expressing my personal gratitude to Senator Cook and Senator Schneider for their initiative, leadership and foresight in the preparation of this legislation. Also, I wish to thank Senators Hogue and Laffen as well as Representatives Bellew and Kreun for their understanding of the need for tax relief for affordable housing and for their support of SB 2338.**

**I am before this esteemed body today to request your unanimous DO PASS recommendation for this much needed and vital legislation for the less fortunate citizens of this state.**

**When it comes to the operation and development of the affordable, rental housing needs of this great state, many forms of assistance, many tools, are needed to accomplish the task. So, I and my colleagues are here today before this Committee, before our State Assembly, requesting your assistance by providing another tool to our tool box.**



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As I know you are all aware, housing, especially affordable housing, is becoming an increasingly more prevalent and pressing issue for the citizens of this state. Today the problem is huge, tomorrow, if nothing is done, the problem will only worsen. As shown by Dr. Rathge in the 2012 North Dakota Housing Needs Assessment, this state will need an additional 90,469 housing units by the year 2025. This is a 28.9% increase over the housing stock available in the state in 2010. To meet this need, over 6,000 housing units are needed to be constructed every year for the next fifteen years. As a reference, only 2300 housing units have been constructed annually over the past decade. These numbers represent all housing, owner occupied and rental. Today we want to talk about affordable, rental housing and the assistance needed to meet its current and future demand, assistance that will be provided, in part, with the passage of SB 2338. Of the more than ninety thousand housing units described as needed above, over thirty thousand will be needed by households earning 60% or less of the States Median Family Income. These are the families that affordable housing developers and operators provide for. Of this amount over seventeen thousand households will be of extremely low income (30% or below of Median Family Income).

Who are these families? Who are the people for whom these additional housing units must be operated and developed? Dr. Rathge's study shows that the population of North Dakota is projected to grow by 169,229 persons to 841,820 by 2025 – a 25.2% increase over the population of 2010. The projected population increase is divided among four age groups. A modest increase is expected in the under 25 age group with a 17.9% increase (41,395); the second largest increase is expected in the 25 to 44 year old age group with a 41.8% increase (69,279); a small increase is expected in the 45 to 64 year old age group with a 4.5% increase (7,972); and the largest percentage increase is expected in the 65 and older age group, the baby boomers, with a 51.9% increase (50,583). I and probably one or more members of this committee are included in this last group.

In addition to the increased population, affordable housing providers also need to serve the current residents of this state. Information provided with Dr. Rathge's study shows that there were approximately 92,525 renter households in the state in 2010. Of this number, 36.75% (34,010 households) were rent burdened – paying more than 30% of household income towards rent. Again, there are four age categories that these households are divided among. Of the 22,432, 15 to 24 year old household age group, 48.6% (10,899) are cost burdened; of the 22,618, 25 to 34 year old household age group, 25.9% (5,856) are cost burdened; of the 31,026, 35 to 64 year old household age group, 29.6% (9,175) are cost burdened; and of the 16,449, 65 and older household age group, 49.1% (8,080) are cost burdened. These numbers reflect the dire need for additional development of affordable housing as well as enforce the need of additional relief such as the reduced operating costs that will be provided with passage of SB 2338.



Last, but certainly not least, are the disabled persons residing in the state. Information provided with the study shows that of the 637,844 residents of the state in 2010, 71,309 of us (11.2%) were a person with a disability. Children under the age of 18 accounted for over thirty-eight hundred of this number.

I apologize for presenting all of this data, but I believe it is necessary for everyone to have an awareness of the magnitude of the need for affordable housing in this state. This information is necessary to enable all of us to make sound decisions as we address our housing issues. The young households just starting their careers, the disabled citizens who may be either limited in their earning capacity or are on a fixed income, and the elderly, on fixed incomes, who Dr. Rathge states make up a "significant portion of low-income" households, these are the residents of this state that I am representing today.

Historically, affordable housing has been provided primarily through federal programs administered through agencies such as HUD, Rural Development, the Federal Home Loan Bank and the US Treasury. The state has also provided programs for affordable, rental, multi-family housing, the most significant of which was the Housing Incentive Fund program passed by the 62<sup>nd</sup> Legislative Assembly as well as the Flex PACE program. Both of these programs have major legislation under consideration during this Legislative Session and I encourage your continued support for expansion of both of these programs.

Unfortunately, the above cited programs are not enough to address the affordable housing needs of this state. We all know that the federal government is having its fiscal problems. Everyone present today can testify to a continued reduction in funding for our federal programs. HUD and Rural Development have reduced their funding levels on a consistent basis over the past years and with sequestration having taken effect on March 1<sup>st</sup>, these agencies are looking at an additional five percent reduction. In addition, the Low Income Housing Tax Credit program, the primary program for affordable housing for many years, has now been put in jeopardy as the Congress looks at revising the Internal Revenue Service Tax Code.

The affordable housing developer/operator needs many tools in their tool box in order to provide a successful and sustainable affordable housing development. SB 2338, the bill being considered today, is yet another tool. One that the nonprofit, affordable housing developer/provider can use to continue the housing developments this state so desperately needs. I have always said that in order to have affordable housing for our most vulnerable citizens, there must be subsidies, subsidies that either contribute to the reduction of the cost of the housing, thereby reducing the required debt service, or subsidies that reduce the ongoing operating costs of the development. Senate Bill 2338 provides the latter.

Across the state, jurisdictions have provided various levels of tax exemption for affordable housing by interpreting existing laws to meet their specific needs. SB 2338 clarifies for local jurisdictions the exemption of affordable housing owned and/or controlled by non-profit agencies while also providing for a Payment In Lieu of Taxes to cover the cost of local emergency services. For the non-profit, SB 2338 provides a stable and consistent method of computing its ongoing operating costs while also providing much needed relief from their current and future tax burdens. Finally, SB 2338 distributes some of the responsibility of the provision of affordable housing to the local, jurisdictional level. Everyone should share the responsibility of providing decent, safe and affordable housing for the elderly, disabled and less fortunate families of this great state.

Chairman Belter, Vice Chairman Headland, Members of the Committee, the developers and operators of affordable housing cannot continue to provide the affordable housing this state needs without additional tools in our tool box. I am here today to ask that you provide us with one more tool that we can use to produce affordable housing for North Dakota.

Thank you in advance for you favorable consideration and your DO PASS recommendation of SB 2338 and Thank You for all you do. I look forward to answering your questions.

Respectfully submitted,

  
Terry Hanson  
Executive Director

#3

Michael Carbone  
Executive Director  
North Dakota Coalition for Homeless People  
4023 State St N  
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SB 2338

Chairman Belter and committee members, thank you for the opportunity to provide testimony on behalf of the North Dakota Coalition for Homeless People (NDCHP) relative to SB 2338 which provides tax relief for nonprofits providing low income housing. NDCHP is a coalition of service providers with 68 paid members, some of which provide low income housing.

Homelessness in North Dakota is at an all time high. On any given day there are as many as 1700 homeless people in North Dakota. A third of them are children. Veterans, victims of domestic violence and people of color are all over represented in the homeless population. Our July 2011 Point in Time count indicated that there were more people unsheltered than were sheltered in some type of emergency or transitional housing.

As important as emergency shelter is, the real solution to homelessness for many is available and affordable housing. This is surely the case in North Dakota where we have an influx of people seeking employment opportunities. The result has been inflated rents and plummeting vacancy rates. The lack of available and affordable housing is the leading factor driving homelessness in North Dakota.

SB 2338 provides a much needed tool to encourage the development of affordable housing and also promotes the sustainability of that housing. SB 2338 does not provide a benefit to for profit

developers. The true beneficiaries of the tax relief are the low and fixed income tenants of affordable housing projects owned and operated by non-profit entities.

The cost of homelessness is quite high when people who are experiencing the heartbreak of homelessness access emergency shelter and use other emergency resources. Although not quantifiable in terms of dollars and cents, the cost of homelessness in terms of lost human dignity and human potential is more than our society should be willing to bear.

For these reasons the NDCHP urges passage of SB 2338.

#4

**Testimony  
Senate Bill 2338  
House Finance & Taxation  
House Belter, Chairman  
March 13, 2013**

Chairman Belter, members of the House Finance & Taxation Committee, I am Tom Pearson, Executive Director of the Minot Housing Authority. I am providing written testimony today in support of SB 2338.

In the 2011 North Dakota Legislative session, Senate Bill 2049 was implemented to impose real estate property tax charges to nonprofit organizations that own and operate federal low - income housing income tax credit properties. The Minot Housing Authority manages and operates a low income tax credit project (South Glen Village) for a local nonprofit organization Neighborhood Development Enterprises (NDE). NDE is a general partner and has made a significant financial contribution to this project. South Glen Village is now required to pay \$74,026.94 in property taxes for the first time in 2012.

This new property tax expense to the project is the single largest expense that is incurred in a calendar year. South Glen Village was able to increase rents to low income families in our community by approximately \$150 per month to cover the new property tax expense. Under the federal low income tax credit regulations, there is a maximum amount of rent that can be charged to the tenant. South Glen Village by increasing their rents is very near these maximum rents that are allowed by federal law. Increasing the rent by an additional \$150 per month puts undo financial hardship on these low-income families in our community. Senate Bill 2338 would allow nonprofit organizations that own and operate federal low income tax credit properties to pay a PILOT payment in lieu of property taxes. By doing this it would significantly lower the financial hardship on low-income families in our community.

The Minot Housing Authority supports Senate Bill 2338. Mr. Chairman and members of the Finance and Taxation Committee, Minot Housing Authority strongly encourages a Do Pass on this Senate Bill 2338.

## **SB 2338**

### HOUSE FINANCE AND TAXATION COMMITTEE

Testimony submitted by: The Board of Commissioners and the Executive Director of the Fargo Housing and Redevelopment Authority and, the Board of Directors of Beyond Shelter Inc.

Chairman Belter and members of the committee, thank you for the opportunity to provide testimony on this bill.

We believe SB 2338 allows a level of relief that for many households will mean having a roof over their head or not and, that it is an important part of the safety net needed to prevent homelessness. Passage of this bill will make North Dakota's economic and social fabric stronger and more sustainable.

Here and throughout the rest of the country, we recognize that not every household can afford full market rate rents. This is due to a combination of modest incomes from low wage jobs, or living on a small fixed retirement or disability income and, market rate rents that eat up more than a third or greater of that income. This is especially true today in North Dakota with the enormous rent pressures caused by the oil/gas boom.

By policy we continually try to mitigate the problem and level the playing field through assorted federal, state and local means in order that those with more modest incomes can continue to live in our communities. To make rents affordable to the lowest income households we see that federal subsidies only are not always enough to bridge the affordability gap.

The most powerful and common tool available at the local level is property tax abatement or reduction - which can affect rents as much as \$90 to \$150 per month. This is a very meaningful amount to a single working parent or a senior on social security with an after tax income of \$1,500 or less a month, which is common. With transportation, food, medical costs, day care, clothing and incidentals, budgets are already quite stressed and rents of \$800 or \$1,000 or \$1,500 are obviously unworkable. The answer for many is to move to somewhere where rents are more affordable or, in some cases, the result is homelessness. SB 2338 is important to a lot of lives.

Thank you for your consideration and support.

Fargo HRA Board of Commissioners

Beyond Shelter Inc.

Board of Directors

Karen Moore – Chair

Bev Rohde – Chair

Ken Krajsa – Vice Chair

Ken Krajsa – Vice Chair

Thomas Jefferson – Commissioner

Jim Nelson – Director

Tonna Horsley – Commissioner

Philip Nolan – Director

Michael Leier – Commissioner

Karen Moore - Director

Bryce Alme Johnson – Commissioner

Brad Stedmann - Director

Lynn Fundingsland – Secretary – Executive Director

#16

Testimony  
Senate Bill 2338  
Representative Belter, Chairman  
March 13, 2013

Chairman Belter and members of Finance and Taxation Committee, I am Tom Alexander, Project Director at North Dakota Center for Persons with Disabilities at Minot State University. I am providing testimony today in support of SB 2338 as Chair of the Housing Alliance of North Dakota (HAND) board of directors.

The Housing Alliance of ND is a statewide network (please see a list of current HAND members) established in 2010 to identify and address the diverse unmet housing needs of North Dakotans.

HAND fully supports any effort that creates opportunities for increased affordable housing in ND. The recommended changes identified in SB 2338, provide that opportunity. Mr. Chairman and members of the Committee, HAND encourages a Do Pass recommendation. Thank you for time and I'd be happy to answer any questions.

Tom Alexander

#448



13.8258.02001  
Title.

Prepared by the Legislative Council staff for  
Representative Dockter  
March 19, 2013

#  
/

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2338

Page 3, line 2, replace "five" with "twenty-five"

Renumber accordingly