

2011 HOUSE FINANCE AND TAXATION

SB 2210

2011 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee
Fort Totten Room, State Capitol

SB 2210
March 15, 2011
Job #15472

☐ Conference Committee

Committee Clerk Signature

May Main

Explanation or reason for introduction of bill/resolution:

A bill relating to a housing incentive fund and a financial institutions tax credit for investments in the fund; and to provide a continuing appropriation.

Minutes:

Recording starts in the middle of testimony – time 20:52 of job #15472.

Representative Wayne Trottier: the number of government agencies that testified here also. I think I run out at 6 and I just thought if we took some of the money from those departments not just federal, state such as economic development, North Dakota housing, McHenry County Housing Authority, project direct for North Dakota Medicaid, infrastructure grant, that money would go a long way in housing. There out supporting these here but there's a pile of money in those.

Representative Steven L. Zaiser: The gal from New Rockford was not from a government agency and they talked about making this program work.

Representative Lonny B. Winrich: I'm not sure whether Representative Trottier thinks Senator Wardner represents a government agency or not. I wouldn't consider it as such. The Vice President of the Economic Development Association of North Dakota does not represent a government agency. The ARC of Bismarck and Red River Valley are not government agencies.

Representative Glen Froseth: I guess what really got me worried about this bill a bit is the lady from New Rockford that testified on their success. Mr. Anderson from the housing agency noted in his testimony that if they lost one month's payment, they would be in a negative situation to pay off the project. That's cutting it pretty thin on the margin to keep that a viable or not. By this chart that he presented, on a 20 year payback, most of the rents are from \$800 to \$1100 so there not talking low income anymore. You're talking high end wage earners that are going to be able to afford to stay in these apartments. I don't know if it's solving a low income housing need. Maybe if you can get the people that can afford to pay that kind of rent into these units it will open up some older homes. I'm not sure.

Representative Patrick Hatlestad: If I understand what Mike Anderson said is that we would end up subsidizing low income housing. It costs a thousand a month to maintain it. Low income rent that you could charge would be under \$500 so someone's going to have to make up that additional money. I'm guessing we have rent subsidies that would have to be paid to keep the project viable.

Representative Steven L. Zaiser: I recognize that. It seems like we are in a dilemma here if the government or we the State wants to put too much money into help low income folks with their housing, then we complain about spending too much money on these poor people and yet we give tax breaks to many, many wealthy folks. If a program comes in where it's very tight, where it's hard to make a profit if it can even be seen and we criticize that because it's not viable enough. Where do we go? How do you provide housing for the people who just can't afford? Two people are on minimum wage. You tell me how they're going to make payments on a regular house. I'd like to see somebody describe to me how anybody can make it with two people on minimum wage, even an apartment to pay rent.

Representative Dave Weiler: The gal from New Rockford said they did these good things in New Rockford but they didn't use this program. It was eluted to that under this program, they've done some good things and that was not under this program. That was not under this program. That was under what the North Dakota housing finance agency is currently doing and they are doing a good job. I'd like Representative Zaiser to understand that we understand there are problems out there. This bill just does not do it. If you give me \$100,000 and I give you \$20,000 a year for 5 years, would you do that? This is not going to work. I hope that someday we can come up with something that will work. I think the North Dakota Housing Finance Agency is doing some good things out there. This bill just doesn't cut it.

Representative Shirley Meyer: That was a pilot project at New Rockford with the Housing Finance Agency to see if a program such as this would work on funding the appraisal gap. This would continue that project. She came forward because it has worked effectively and this would continue the program. There have been investors. In our area, if you can come up with any kind of solution, we have no housing. When you talk about government intervention, we have families that were living on a lake in a tent. These are families; Mothers with little kids. Guess who's on our county welfare rolls right now when it got cold. You can pay for it on the front end or the back end. It's not like it just goes away and we're going to save all this money till the free market comes in and builds apartments. Our welfare rolls in Stark County have tripled. In Dunn County, they've quadrupled. That's what our tax payers are faced with. If you have a housing project, we could alleviate some of that.

Representative Dave Weiler: From Ms. Wobbema's testimony, she says that this is how the funding came about. The Eddy County Housing Authority and New Rockford Area Betterment Corporation partnered in 2009 to develop four multifamily rental units in New Rockford. The rural housing investment incentive program, which is a pilot program administered by the North Dakota Housing Finance Agency, used \$50,000. This is the housing incentive fund. This is not that same fund.

Representative Shirley Meyer: That was a pilot project and it was my understanding that this piece of legislation was going to expand it. It's not identical but that was a pilot project to see, because the Housing Finance Agency was challenged that this wouldn't work, if it would work. Yes it did work. Whether it technically says it or not, this bill was supposed to expand this program to all areas of the state.

Representative Dave Weiler: This bill is to incentivizing banks and investors to help with this and that's not what was used in New Rockford.

Representative Lonny B. Winrich: I think there was additional funding in New Rockford that came from private sources. The \$50,000 that came from the Housing Finance Agency was gap funding, precisely the kind of gap funding that's addressed in here. Mr. Anderson testified that they used \$400,000 of their reserve in order to fund this pilot project. That \$400,000 leveraged 6.8 million dollars in construction. That means that it supported jobs and it also produced a fair amount of sales and use tax for the construction materials that we've argued about on other bills.

Representative Dave Weiler: The \$400,000 that was used to leverage and get the 6.4 million was not the New Rockford project. That is what they've done It's not!

Representative Lonny B. Winrich: \$50,000 of it was.

Representative Steven L. Zaiser: The word "gap" is sort of ironic because we're trying to fill a gap. There's very badly needed housing needs all over the State, not only in the oil patch but in rural North Dakota even on the eastern part of the State. Tell me what we're going to do for these people. We don't have any other programs. Let's have higher amounts of State funding then to build a program. What are we going to do? Like Representative Meyer indicated, are we going to pay on the front end or the back end? These people need help from the State in some other way. They're going to be on the welfare rolls. Nobody likes that.

Chairman Wesley R. Belter: This is a piece of legislation however well intended, it's absolutely unusable as written. I see no reason for anybody to invest in it

Representative Shirley Meyer: With the Keiser amendments?

Chairman Wesley R. Belter: That's a different situation. I haven't looked at the Keiser amendments that closely myself so I would suggest that people look at those tonight. I'll close this hearing.

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Mary Brucher

Explanation or reason for introduction of bill/resolution:

A bill relating to a housing incentive fund and a financial institutions tax credit for investments in the fund; and to provide a continuing appropriation.

Minutes:

See attached testimony #1, #2, #3, #4, #5, #6, #7, #8, #9 and proposed amendment.

Senator Wardner: Introduced bill. Please refer to attached testimony #1. This bill came into the senate and when we had it drafted it was a \$4 million direct appropriation from the general fund. It probably wouldn't have made it out of the senate written that way so with Senator Grindberg's help we came up with some creative financing and came up with this plan. I already know there is another amendment that you are going to be entertaining but if I explain this diagram to you it will help with the new amendments too. This is about helping lower to middle income people in the state of North Dakota. It was easy for me to become involved because out in the western part of the state we have a real issue, housing and affordable housing for people. Anything we can do to help I was interested. I'm not going to go through the bill and talk about all the criteria but I would like to go over this diagram so you know the general concept on how this would work. The way it starts out is I put down four banks and we set it up that banks would provide an investment to the investment fund. The investment fund that is on there would be operated by the Bank of North Dakota, they would facilitate this thing. For purposes of explaining I just said you had four banks and they all decided to invest \$1 million into this fund because at the end of the first year they could get a \$500,000 tax credit. They put in the money and the total would be \$4 million in the fund. Then I gave an example of how that would be used. In project 1 we are assuming that we have \$1 million construction cost. If you live in the smaller communities and that's where this housing is needed, communities of 800-1,500 in population but the minute you build a facility there it's not worth as much as it cost to build it. You build it for \$1 million and the appraiser says this apartment house is actually worth \$800,000. When you go to the bank they are not going to give you the full loan on the \$800,000, they usually give you 75% of the appraisal loan to value which is \$600,000. One thing that I didn't put in this is equity. Whoever is the sponsoring entity they need to have some skin in the game. Usually they need to put in 25% and in this example that would be \$250,000. You can get \$600,000 from the bank but then you have a gap and that is where you come with this gap funding. The gap in this case is \$150,000. To get the financing they go to any bank and they agree to a 5% rate on a \$600,000 bank loan. The sponsoring agent puts in their equity of \$250,000 and then you have this \$150,000 gap funding and

that comes from the investment fund. This is just an example for teaching purposes as no bank would loan you this money with the return. We are pretending that we have a 12 unit apartment and the rent is \$900 a month so we would end up getting \$10,800. The debt service on that, for example, I pay \$7,500 on my note to the bank each month and the \$250,000 equity would get \$2,500 which goes back to the sponsoring agent. The sponsoring agent could be a nonprofit, a housing authority, a for-profit, or anybody. The way we drafted this is that there would be a claw back provision or a payback on the gap funding and that would back into the investment fund. It could be re-appropriated but the way this is set up after 10 years the bank gets their \$1 million back and that is a stretch with my numbers here but this is just so you see the idea. The banks would put in \$1 million and let's say after 10 or 15 years, whatever worked out, and then they would get their \$500,000 tax credit. We thought that would entice them. From the time it has passed the senate until it came over here the Housing Authority and HAND have done some checking and also Senator Grindberg did some checking and the banks aren't real excited about this. That is why you will get a new amendment to this which will be similar but I will let the people who proposed the amendment explain that. All I ask is that you put a little elbow grease into this thing and see if you can make it work. The people in the industry are willing to work with you and try to come up with something. I know that it's not only in the oil areas that are looking for housing for lower income or middle income people and we could help out here.

Representative Dwight Wrangham: In your diagram when do the taxpayers of North Dakota get their \$2 million back?

Senator Wardner: They wouldn't as it is a tax credit and it would be a fiscal note to this. Instead of a direct appropriation of \$4 million we used \$2 million to leverage \$4 million. There is a fiscal note. The \$2 million that would go out in tax credits from the financial institution tax, the 7% and 2% goes to the state and 5% of it goes to the counties, it would come out of there. That would be their part in the game. I didn't mean to not mention it.

Representative Patrick Hatlestad: In the bill the loan can be up to \$200,000 at no interest but the bank gets to charge a fee. Why don't we charge a fee to cover that cost?

Senator Wardner: That is correct that the gap funding could be up to \$250,000, which would be the limit. These are people and you want to make the project go so that is why there is no interest on that. If you can't keep the cost down they are not going to be able to live in those places. The bank has a minimal fee for administration of it and that is the way things are because they need some kind of a fee for administering the fund. You're absolutely correct that there is no interest in the gap part of it to keep it as low income as you can. You're right; the \$2 million that would be the tax credit is kind of the key to keeping it here.

Vice Chairman Craig Headland: I was going over the fiscal note and it mentions that the language is not clear in whether the intent is to be \$4 million every year or a limit of \$4 million.

Senator Wardner: That is correct. The tax department sent me that same notice. If I knew it was going to stay I would have an amendment to correct that.

Vice Chairman Craig Headland: It would be your intent that it would be the \$4 million once?

Senator Wardner: That is correct.

Chairman Wesley R. Belter: Distributed proposed amendments.

Tom Alexander, Project Director of the ND Medicaid Infrastructure Grant with Minot State University: Support. Please refer to attached testimony #2. I believe the amendments that are being handed out reflect my testimony but I haven't seen the official hard copies yet. I think they came from the recommendations of the HAND members (Housing Alliance of ND) through Representative Kaiser.

Representative Shirley Meyer: Could you refresh my memory? How was the funding for the housing that happened last year in Williston accomplished?

Tom Alexander: I'm not sure what you are speaking of?

Representative Shirley Meyer: The Williston development and the apartments in the state of North Dakota partnered with them to build those apartments.

Tom Alexander: I think there are other people in the room who could answer that in detail because I wasn't involved with that.

Representative Glen Froseth: On page 1 subsection 2, it says 25% of the fund must be used to assist communities not more than 10,000 individuals and 50% of the fund must benefit households with not more than 50% of the median income. Is that low income in communities with less than 10,000 people or is that a separate category?

Tom Alexander: It's the same.

Representative Glen Froseth: In your testimony you said 50% of the targeted families with low income...these aren't going to be feasible to build unless there is some assistance to help pay the rent gap between what low income can pay and the cost of building these projects. Is housing assistance also available for these units?

Tom Alexander: The way it is structured if an entity builds a unit and folks with low to moderate income come in the folks that have skin in the game have certain amount of funds that need to be income on a monthly basis to pay the remaining back. By having this gap assistance it lowers that need for a higher set of income coming in on a monthly basis therefore, keeping rental prices down so that folks can afford them. I also have some testimony from John Phillips who couldn't be here today because of an energy conference (see attached testimony #3) and also from Doreen Riedman, ND Association of Builders (see attached testimony #4).

Cal Klewin, Economic Development Association of North Dakota: Support. Please refer to attached testimony #5 and #6 (Maria Hanson, McHenry County Jobs Development

Authority). I also want to mention another point; I am a practicing Real Estate Broker and I have a multi-family management company that I deal with and I think you want to recognize the definite need as I come from an oil producing county, Bowman County, and there is a certain need out there in these smaller communities for gap financing. I think this financing has to be recognized on multi-family and single family dwellings. However we can recognize that in the state and provide some type of assistance to assist developers in moving those issues forward is very important for our state to grow. There is a huge range of housing needs out there and a lot of the housing that is available in communities is inadequate for families. I just wanted to point that out for myself and practicing in real estate and also seeing that as economic development.

Amy Wobbema, Executive Director of the New Rockford Area Betterment Corporation: Support. Please refer to attached testimony #7.

Representative Steven L. Zaiser: First I want to commend you on making things happen. Now that you've got those four units are you intending to build more units?

Amy Wobbema: I believe that we are... (Speaker was turned off so the rest of her answer was inaudible).

Representative Glen Froseth: Have you checked with your bank in New Rockford to see if they participate in this program?

Amy Wobbema: I have not visited with them.

Representative Steven L. Zaiser: Would you need this gap funding to go ahead with these additional units?

Amy Wobbema: Yes, I believe we would. Any project that we build in New Rockford is going to have a gap because of the few new units that have been built. It will be an ongoing concern and need.

Representative Lonny B. Winrich: You said the gap funding for the existing project was provided a pilot program by the North Dakota Housing Finance Agency. Is that program terminated now?

Amy Wobbema: I believe that the North Dakota Housing Finance Agency plans to continue that program provided that SB 2210 passes then they would use proceeds from that fund to continue the program.

Veronica Zietz, Executive Director of the Arc of Bismarck: Support. Please refer to attached testimony #8.

Diane Sheppard, Executive Director of North Dakota: Support. I am aware of many elderly women in Larimore, Northwood, and Hatton who have worked their whole careers in these local nursing homes for barely more than minimum wage. Now they are widowed and elderly living on social security and in need of low income housing. They are no longer

able to keep up their homes that they shared with their husbands and I think this bill if it passes would definitely help a lot of these women that I am aware of.

Mike Anderson, Executive Director for ND Housing Finance Agency: Neutral testimony. Please refer to attached testimony #9. Housing isn't simple anymore it is a lot different than they were decades ago and it makes it more difficult to accomplish affordable housing in all income levels.

Representative Bette Grande: When somebody qualifies for this particular program how long does the investor need to hold the rent to the level for low and medium income before they can change it up to the higher levels making it unaffordable for those that initially qualified? It was stated earlier that there are housing areas where we had people that were qualified and now it is unaffordable housing. What happened and how can they be forced out of there subsidized housing?

Mike Anderson: The bill itself doesn't define "affordability period" but I will go back to what we've been doing with our tax credit programs. Federal tax credit programs could have an affordability period up to 30 years and they would have to stay affordable for that period of time if that were the case. I think you need to look at the level you are trying to target and what the need is then you establish the affordability period and you would lock that in either with debt or land use restriction agreement so that they couldn't raise their rents beyond an affordability level for those tenants.

Representative Steven L. Zaiser: Would you say this is one of your most flexible programs given the fact that you can tailor it to the various needs and niches?

Mike Anderson: Flexibility always helps on this side of the equation because the needs you have today may differ next year or the following year. With some flexibility it makes it easier for us to operate a program or its fund. The federal low income tax credits define broad parameters and they let the state define priorities within their state in terms of how they are going to use those. But you have to be comfortable if you're going to entrust us with your resources that we are also meeting your objectives.

Representative Lonny B. Winrich: You said that the \$400,000 that you used for the pilot project leveraged \$6.5 million in housing?

Mike Anderson: \$6.8 million.

Representative Lonny B. Winrich: Is that \$6.8 million for the costs of the projects?

Mike Anderson: That is correct.

Representative Patrick Hatlestad: What percent of your operation is federally funded and what percent is state?

Mike Anderson: All of our programs are either funded through federal funds or federal authorization through the tax code. Very little is self funded within our reserves so I would say 90% at least of our programs that we operate are funded on a federal basis. This late

summer or early fall there was a federal low income housing tax credit project that we allocated credits too.

Representative Scot Kelsh: In your brochure describing median home prices by city, does that include a rental cost to or is that just the average price of a single family unit or condominium?

Mike Anderson: The median price would be home ownership. When that report was done we used fair market rents in terms of rental affordability.

Joe Becker, ND Tax Department: Neutral testimony. Last week we had an opportunity to see a revised draft of the bill with the proposed amendments in place. Max Wetz of the Housing Finance Agency contacted me asking our office to look those over. We sent him a number of recommended changes assuming you were to adopt these amendments you were just given. I'm assuming that the amendments you have are going to do what we were looking at because my review indicates that is what they are going to do. I just wanted to let the committee know that assuming you proceed with this bill and adopt those amendments we would like to see some changes made as we think some are recommended.

Mike Anderson: I'm going to apologize as Max has been out of the office and I know that you had talked but I haven't seen those so we need to take a look at those and get together with Kaiser and Wardner and blend them in.

Representative Mark S. Owens: In going over the amendments I have a few questions on what you are saying; the credits that increase to 100% rather than 50% is geared to take up to 20% of the credit per taxable year which would suggest a five year but if you only take 10% there is no limit on a five year so it could extend to 10 years as it's allowed to be carried forward. The limit on the tax credit is now \$4 million instead of \$2 million and it's coming out of the general fund portion of the tax and not the financial institution tax, is that correct?

Joe Becker: Yes, but the amendments are also going to expand the credit into the income tax world and not just the financial institution world.

Representative Lonny B. Winrich: You said the amendments would expand the tax credit into the income tax credit?

Joe Becker: What I'm saying is that the amendments that were handed out this morning to change the bill are what we saw last week and they are going to expand it into the income chapter as well.

Representative Dwight Wrangham: Will we see a changed fiscal note with these amendments?

Joe Becker: Probably not. We are not sure to what extent taxpayers would put money into the fund so it is unknown.

Chairman Wesley R. Belter: No further testimony. Closed hearing on SB 2212.

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March 15, 2011
#15474

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Committee Clerk Signature

Mary Brucker

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A bill relating to a housing incentive fund and a financial institutions tax credit for investments in the fund; and to provide a continuing appropriation.

Minutes:

No attachments.

Representative Shirley Meyer: We are so desperate for housing in the western part of the state that we are to the place where we don't know what to do. I'm not saying that the state has to build homes but this has worked in Harvey and in other places. Unless we do some kind of incentive you aren't going to get an investor to come into Killdeer, North Dakota and build a fabulous place when they could be building in Palm Beach. We just can't get the financing to build it.

Representative Dave Weiler: I think the real problem with the housing out west is because of the increased money the people are making the rent levels are going up also because there is no room anywhere. The problem lies with the people who are on fixed incomes whether they are elderly or whatever. These people are getting kicked out of their apartments because they can't afford to keep up. I understand that there is a problem with housing however this bill does not get it done. This bill says if you give me a \$100,000 I will give you \$20,000 for five years. Is any investor in the world going to take that deal? In all honesty we could pass this bill but it will never get used. If I invest \$100,000 I don't even own part of a building. I'm investing \$100,000 to get \$20,000 a year for five years. That makes your 4% in the legacy fund look like a great deal.

Chairman Wesley R. Belter: You're absolutely right and that's why the Keiser amendments were brought forward to try and sweeten the pot so that banks might take a second look at it. That was the reason for the Keiser amendments. I don't necessarily agree with the amendments but that was the goal.

Representative Wayne Trottier: In looking what they did in New Rockford and those other places, they are about \$130,000 per apartment for the investment. How much are mobile homes now days? Are they ever thought of? Do people not want to live in a mobile home anymore? That person with the lower income would own the mobile home then and they aren't \$100,000 are they?

Representative Dave Weiler: They can be if you get a super deluxe double-wide but there are \$15,000 mobile homes as well.

Representative Roscoe Streyle: I can guarantee you that there is no bank that is going to do this because it makes absolutely no sense whatsoever. Furthermore, we finance stuff in small towns and all we say is put more money up and we'll finance it then they go out and find the investors and they do it if it makes economic sense, the free market will do it.

Representative Dwight Wrangham: Government manipulation of markets never works whether it's through interest rates or gap financing, there's always something that's going to come back and bite you. Fanny May Freddie Mac.

Chairman Wesley R. Belter: No further discussion.

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March 21, 2011
#15728

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Committee Clerk Signature

Mary Brucker

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A bill relating to a housing incentive fund and a financial institutions tax credit for investments in the fund; and to provide a continuing appropriation.

Minutes:

See attached amendments.

Vice Chairman Craig Headland: Distributed amendments from the North Dakota Housing Authority.

Representative Dave Weiler: As the bill came to us it had a 50% tax credit and there were some rumors of amendments from Representative Keiser that was going to change it to 100% and that's what I see on here. If I give this fund \$100,000 I get \$20,000 back for five years in a row. There is still no incentive for me to pay my taxes up front for a five year period. I'm wondering if there is somebody who drafted the amendments could explain these to me further.

Donnita Wald, General Counsel for Office of State Tax Commissioner: You are correct they do get their money back in what they invested in over a five year period of time. We hog housed the bill because we thought it would be a little bit easier for the committee to see exactly what you were passing. Reviewed amendments.

Representative Lonny B. Winrich: The limit here in subsection 5 and 6 is \$4 million a biennium and that's on the credit, correct?

Donnita Wald, General Counsel for Office of State Tax Commissioner: Yes, \$4 million in tax credit.

Representative Lonny B. Winrich: That's \$2 million a year and you can carry it forward 10 years so the maximum tax credit would be \$20 million, is that correct?

Donnita Wald, General Counsel for Office of State Tax Commissioner: No because the 20% is how you calculate the \$4 million. It wouldn't be 20% over five years; it is still that one 20%. You don't re-add the 20%. That \$4 million is not per year it could be used up in the first year of the biennium. You asked if the 20% is going to be over five years with it being \$20 million but that isn't how the carry it forward language works, it's just being

spread out over five years. The credit amount stays the same; the \$4 million per biennium will stay the same. We're just spreading it out past the biennium. It doesn't make that \$20 million.

Representative Lonny B. Winrich: Is there a maximum total tax credit?

Donnita Wald, General Counsel for Office of State Tax Commissioner: There is a \$4 million cap per biennium on the number of credits that can be claimed.

Representative Lonny B. Winrich: So it's not a cap on the individual credit but on the total credits claimed under this bill?

Donnita Wald, General Counsel for Office of State Tax Commissioner: Yes. That's a statewide cap per biennium. That \$4 million is not being split up; \$2 million in the first year and \$2 million in the second year.

Representative Dave Weiler: If we pass this bill and some individual donates \$10 million to this fund they are going to get \$2 million per year for five years. Does that take care of the cap?

Donnita Wald, General Counsel for Office of State Tax Commissioner: The \$2 million in tax credit would reduce the statewide cap by \$2 million so there would only be \$2 million left. That \$2 million would be split out over those five years. From a fiscal reporting standpoint that \$2 million would be taken out that first year, right now.

Representative Dave Weiler: If somebody donated \$10 million they would use up that \$2 million per year cap and nobody else could donate to the fund because the cap has already been reached.

Donnita Wald, General Counsel for Office of State Tax Commissioner: Someone could invest enough money to take up that whole \$4 million in this first year and that would be it for the biennium. It is not limited by fiscal year.

Representative Dave Weiler: It's \$4 million a biennium so they would have to donate \$8 million a biennium.

Donnita Wald, General Counsel for Office of State Tax Commissioner: On subsection 5 does yours read the aggregate amount of tax credit allowed to all eligible contributors is limited to \$4 million per biennium or do you have that for all years?

Vice Chairman Craig Headland: Per biennium.

Representative Dave Weiler: When Senator Wardner proposed this bill he had a chart and there were four banks and they all donated \$1 million and their tax credit was \$500,000 because it was at 50%. Now under these amendments it's a 100% tax credit. So these banks under this same scenario would donate \$1 million each and they would each get \$1 million tax credit which means \$200,000 a year for five years. The bank is basically loaning them to build the project so do they get a 5% rate of return on that loan? When I was

discussing this with someone else they said the bank doesn't actually own the building so they don't get money back on that loan. It's not like borrowing money to buy a house. All a bank is doing is giving \$1 million and they don't own the building.

Donnita Wald, General Counsel for Office of State Tax Commissioner: That is correct.

Representative Dave Weiler: If Representative Zaiser donates \$100,000 he doesn't own any part of the building.

Donnita Wald, General Counsel for Office of State Tax Commissioner: That's correct.

Representative Dave Weiler: And that has not changed with these amendments.

Donnita Wald, General Counsel for Office of State Tax Commissioner: The first bill as introduced used the word "investment" and because this isn't really an investment because they are not getting a return on their dollar we changed it to "contribution." Truly it is a contribution to the fund and the way we understand it there will be no return on the money to the investors. They may get a federal tax deduction for making a charitable contribution. We're not sure what the federal tax consequences of this are either.

Vice Chairman Craig Headland: Could you essentially say they are paying 100% of their taxes up front?

Donnita Wald, General Counsel for Office of State Tax Commissioner: I guess you could say that.

Representative Dwight Wrangham: On page 2 of the amendment it says "assistance from the fund may be used solely for..." Feasibly one entity could own the property today and after we pass this bill sell it to a sister entity and then they would be able to claim these credits, is that correct?

Donnita Wald, General Counsel for Office of State Tax Commissioner: I don't know. First of all you would have to qualify. That qualifier would be determined by the Housing Finance Agency. It's not an issue we discussed with them. I'm assuming they would try to prevent that type of situation from happening and then wouldn't qualify the investment for the tax credit.

Representative Glen Froseth: On page 1 subsection 1 the original bill says the loans may not bear interest but the Bank of North Dakota may retain and administer the administrative fee of not more than ½%. There is nothing in that section now. It says if interest can be charged or administration fee can be charged. On page 2 this bill started out as a tool for a method of financing new housing basically in western North Dakota. If you're going to leave subsection a in there about rehabilitation or requisitions that is not building new housing that is just giving straight off the tax deduction for an investment so that doesn't do anything for a new building. If we do pass this amendment I think we definitely need a sunset clause.

Donnita Wald, General Counsel for Office of State Tax Commissioner: I know the first bill had the Bank of North Dakota retaining an administration fee. Housing Finance Agency still may collect a reasonable fee for administration of the fund and that is on the top of page 2. I don't really have an answer for you on the rehabilitation and acquisition of that. The sunset would be something the committee would have to decide on.

Representative Shirley Meyer: Dickinson had a tornado that virtually wiped out all our low income housing on the south side of the city. With this there were looking at the multi family acquisition and it's not that they are trying to gain the system but if there were some dollars involved some of the multifamily projects that weren't low income could be used. I think that sentence there was trying to deal with the Dickinson situation when they lost all theirs to the tornado.

Representative Steven L. Zaiser: This creates the opportunity that if there were damage then it could be acquired and rehabilitated for low income purposes.

Vice Chairman Craig Headland: If the committee addresses this amendment and puts it on the bill there is no need to look at the Keiser amendment, right?

Donnita Wald, General Counsel for Office of State Tax Commissioner: Yes, that is correct. Representative Keiser's amendment is in this draft.

Representative Lonny B. Winrich: When a financial institution contributes to this fund that is a contribution they aren't investing in the properties. It's the Housing Finance Agency that administers the fund and decides if they are going to acquire another building or build something, is it not?

Donnita Wald, General Counsel for Office of State Tax Commissioner: That's correct. A contributor does not get an ownership interest in the fund or in the projects that are approved by the Housing Finance Agency.

Representative Lonny B. Winrich: So the scenario of buying something from one institution and then buying it from another institution and getting an additional tax credit couldn't happen.

Donnita Wald, General Counsel for Office of State Tax Commissioner: The bank could try and get an investment if that's where they thought the money was going but not the Housing Agency. You're right.

Representative Lonny B. Winrich: Under Senator Wardner's scenario he proposed with four banks contributing \$1 million each to this fund so they have a \$4 million fund. Are the tax credits a sign at the time the contribution is made?

Donnita Wald, General Counsel for Office of State Tax Commissioner: That is correct. That is one of the things that is very different in how this particular tax credit is administered. It is Housing Finance that will give the financial institution or the other investors a certificate showing their 20% and then have to attach that to the return. This

came in as only for financial institutions who could invest in that but that has been expanded to allow corporations and individuals to invest.

Representative Lonny B. Winrich: So basically a contribution to the fund then up to \$4 million a biennium generates this tax credit. That is essentially what the institution or the individual gets back on the basis of that contribution. It's not like making a loan and collecting interest plus principle, basically you get the principle back and that's it.

Donnita Wald, General Counsel for Office of State Tax Commissioner: That's correct. No interest on that.

Representative Dave Weiler: I will move the amendment.

Representative Bette Grande: Seconded.

A voice vote was taken: MOTION CARRIED.

Representative Dave Weiler: I am going to move a DO NOT PASS AS AMENDED. This bill should not pass in my opinion; however, if it does pass it's not going to make any difference because I don't know of any financial institution, corporation, or individual that would give somebody \$100,000 for a \$20,000 tax credit for five years. This is not an investment this is a gift. Under current law I don't believe there is anything to disallow someone to give any money to the North Dakota Housing Finance Agency.

Representative Glen Froseth: I would like to further amend this.

Vice Chairman Craig Headland: Would you withdraw your motion?

Representative Dave Weiler: Yes, I will withdraw my motion.

Representative Glen Froseth: I would like to further amend to add the two year sunset.

Representative Dwight Wrangham: Seconded.

A voice vote was taken: MOTION CARRIED TO FURTHER AMEND.

Representative Dave Weiler: I move a DO NOT PASS AS AMENDED ON SB 2210.

Representative Roscoe Streyle: SECONDED.

Representative Steven L. Zaiser: I think there are generous and good hearted people in this state that may be sensitive to what is going on particularly in the western part of the state and in rural areas of the state that would like to help and assist in getting housing in areas where needed for low income folks. So I don't think this is a big loss. If nobody invests then nobody invests. I don't see any harm here. In short of putting a lot of money into it this is another alternative.

Representative Dwight Wrangham: The person that does the investing may not be a winner but there are losers in this bill and those are the taxpayers of North Dakota. They are going to lose the revenue that they had coming in that income tax charge revenue due for five years or whatever it is. We are transferring money from the taxpayers of North Dakota to the housing fund. Do we need a housing fund? Maybe so but then let's do it straight up and not play these little games to take the money out of the citizens' pockets.

Representative Glen Froseth: I agree with part of the statement that Representative Wrangham made. I think a better incentive is to offer an interest buy down or an interest reduction on the money rather than an income tax credit.

Representative Lonny B. Winrich: I'm going to resist the Do Not Pass. There are already incentives built into the tax code to encourage contributions to all sorts of people. In most cases those incentives reduce your taxable income, we call them deductions. I don't know anybody who files anything other than the very short income tax form and usually it has a list of the contributions they have made to various charitable organizations and so on. This gives a little bit stronger incentive in the form of a tax credit rather than simply reducing your taxable income. This would give you a tax credit for this kind of contribution. I don't see that is a great difference from what is going on now. It is certainly using the tax code in the same way that it has been used for years. We certainly had ample testimony as to the housing needs, not only in the western part of the state but throughout. This seems to be a reasonable way to address them. I would hope we could give some support to this bill.

Representative Patrick Hatlestad: To me this is not a contribution as you are getting all your money back. What have you contributed?

Representative Lonny B. Winrich: What have you gained? Nothing.

Representative Patrick Hatlestad: Where is this generous nature that you are actually helping somebody? You're getting all your money back. Where's the help?

Representative Lonny B. Winrich: People are already making contributions. I think virtually every corporation or every company in the state has some sort of fund that they administer for the benefit of the community or whatever they contribute to various organizations. That does happen for some people, they are pretty generous. In this case we are attempting to form public policy admittedly. It doesn't cost you anything but it doesn't profit you anything either, it simply allows some of the tax policy to be used in the direction of providing housing.

Representative Shirley Meyer: If we kill this bill then we have absolutely nothing. Housing is critical in Dickinson and other surrounding areas. If we kill this we have nothing to go to a conference committee with. An interest buy down might be a better idea. I would hope you could resist a Do Not Pass.

Representative Steven L. Zaiser: The general discussion a few weeks ago was why we would even want to have this bill because there is no reason to invest. Now we're saying

that there is too much in terms of a contribution. I think the good amendment is the sunset so we could look at it again in a few years. I would hope we could resist the Do Not Pass.

Representative Dave Weiler: This bill as it came to us didn't have a fiscal note but keep in mind this is a \$4 million fiscal note.

Vice Chairman Craig Headland: You are correct it could reduce revenues by up to \$4 million a biennium.

Representative Wayne Trottier: I understand low income and relatively cheaper housing for people but this doesn't create any kind of incentive for anybody to get out of low cost or low income housing. Maybe I'm naïve to think they could buy a \$50-60,000 mobile home and then be able to own it then be able to move up to something better to create an incentive for these people. I understand many people don't want to live in them but they own nothing and I thought this was part of the whole movement in the United States to get people in houses. They need to start with something they can own. I would be willing to look at a tax break for someone or an incentive for banks or financial institutions to support where they could own their own home but this does nothing for that.

**A roll call vote was taken: YES 9 NO 4 ABSENT 1
MOTION CARRIED FOR DO NOT PASS AS AMENDED.**

Representative Dwight Wrangham will carry SB 2210.

FISCAL NOTE
Requested by Legislative Council
03/24/2011

Amendment to: Engrossed
 SB 2210

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2009-2011 Biennium			2011-2013 Biennium			2013-2015 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engrossed SB 2210 with House Amendments creates a housing incentive fund that the ND Housing Finance Agency may use to assist with unmet housing needs. Sections 4 through 7 of the bill create a new tax credit for income and financial institution tax purposes for contributing to the fund.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Sections 4 through 7 of the bill create a new tax credit for income and financial institution tax purposes. With respect to the financial institution tax, the credit only offsets the state general fund portion of the tax.

The credit is equal to the amount contributed to the new housing incentive fund, but no more than 20 percent (or one-fifth) of the total credit may be used in any tax year. If the credit exceeds the tax for the year, the unused portion may be carried forward up to 10 tax years.

The bill sets a ceiling on the fiscal impact to the state general fund of \$4 million for 2011-13 biennium; however, the actual decrease, if any, in state general fund revenues cannot be determined because the extent to which taxpayers will contribute to the new housing incentive fund is not known.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency*

and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	03/25/2011

FISCAL NOTE
Requested by Legislative Council
02/22/2011

Amendment to: SB 2210

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2009-2011 Biennium			2011-2013 Biennium			2013-2015 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engrossed SB 2210 creates a housing incentive fund from which no-interest loans may be made, as directed by the ND Housing Finance Agency, for unmet housing needs or shortages. Section 4 of the bill creates a new tax credit against the financial institution tax for investments into the new fund.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 4 of the bill creates a new tax credit against the North Dakota financial institution tax under N.D.C.C. ch. 57-35.3. The credit is equal to 50 percent of the investments made during the tax year by a financial institution into the new housing incentive fund. While the bill's language places a \$4 million limit on the total amount of credits allowed, it is not clear from the language whether the limit is intended to be an annual limit or a limit for all years.

Note: The bill's language appears to indicate that the credit is intended to be allowed against both the state general fund and the financial institution distribution fund portions of the financial institution tax. Of the total 7 percent tax, current law distributes 2/7ths to the state general fund and 5/7ths to the financial institution distribution fund. The 5/7ths portion placed in the financial institution distribution fund is, in turn, distributed to the counties. Except for certain tax credits available under the North Dakota Renaissance Zone Program, tax credits currently allowed under the financial institution tax law are only allowed to offset the 2/7ths state general fund portion of the tax.

The potential decreases in the state general fund and in the county revenue from the financial institution tax attributable to the new tax credit (in Section 4 of the bill) cannot be determined as it is not known to what extent financial institutions will invest in the new housing incentive fund (created by Section 1 of the bill).

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	02/22/2011

March 22, 2011

VR
3/22/11
105

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2210

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact two new sections to chapter 54-17, a new subdivision to subsection 2 of section 54-60.1-01, a new subsection to section 57-35.3-05, a new section to chapter 57-38, and a new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating to a housing incentive fund and tax credits for contributions to the fund; to amend and reenact subsection 2 of section 54-17-07.2 and section 57-35.3-07 of the North Dakota Century Code, relating to the definition of multifamily housing facility and payment of the financial institutions tax; to provide a continuing appropriation; to provide an effective date; and to provide an expiration date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Subsection 2 of section 54-17-07.2 of the North Dakota Century Code is amended and reenacted as follows:

2. "Multifamily housing facility" means any facility containing ~~five~~^{four} or more residential dwelling units; provided, that at least twenty percent of the units in each facility must be held for occupancy by persons or families of low and moderate income for ~~such~~^{the} period of time as the industrial commission may determine and may include ~~such~~^{the} related public or private facilities intended for commercial, cultural, recreational, community, or other civic purpose as the commission may approve.

SECTION 2. Two new sections to chapter 54-17 of the North Dakota Century Code are created and enacted as follows:

Housing incentive fund - Continuing appropriation.

1. The housing incentive fund is created as a special revolving fund at the Bank of North Dakota. The housing finance agency may direct disbursements from the fund and a continuing appropriation from the fund is provided for that purpose.
2. After a public hearing, the housing finance agency shall create an annual allocation plan for the distribution of the fund. At least twenty-five percent of the fund must be used to assist developing communities with a population of not more than ten thousand individuals to address an unmet housing need or alleviate a housing shortage. At least fifty percent of the fund must be used to benefit households with incomes at not more than fifty percent of the area median income. The agency may collect a reasonable administrative fee from the fund.
3. The housing finance agency shall adopt guidelines for the fund so as to address unmet housing needs in this state. Assistance from the fund may be used solely for:

- a. New construction, rehabilitation, or acquisition of a multifamily housing project;
 - b. Gap assistance, matching funds, and accessibility improvements;
 - c. Assistance that does not exceed the amount necessary to qualify for a loan using underwriting standards acceptable for secondary market financing or to make the project feasible; and
 - d. Rental assistance, emergency assistance, or targeted supportive services designated to prevent homelessness.
4. Eligible recipients include units of local, state, and tribal government; local and tribal housing authorities; community action agencies; regional planning councils; and nonprofit organizations and for-profit developers of multifamily housing. Individuals may not receive direct assistance from the fund.
5. Except for subdivision d of subsection 3, assistance is subject to repayment or recapture under the guidelines adopted by the housing finance agency. Any assistance that is repaid or recaptured must be deposited in the fund and is appropriated on a continuing basis for the purposes of this section.

Report.

Upon request, the housing finance agency shall report to the industrial commission on the activities of the housing incentive fund.

SECTION 3. A new subdivision to subsection 2 of section 54-60.1-01 of the North Dakota Century Code is created and enacted as follows:

Assistance from the housing finance agency through housing incentive funds.

SECTION 4. A new subsection to section 57-35.3-05 of the North Dakota Century Code is created and enacted as follows:

There is allowed a credit against the tax imposed by sections 57-35.3-01 through 57-35.3-12 in an amount equal to the contribution to the housing incentive fund under section 2 of this Act. The taxpayer may not claim more than twenty percent of the credit for each separate contribution made in any taxable year. For the purposes of the credit allowed in this subsection, subsections 2 through 8 of section 6 of this Act apply.

SECTION 5. AMENDMENT. Section 57-35.3-07 of the North Dakota Century Code is amended and reenacted as follows:

57-35.3-07. Payment of tax.

Two-sevenths of the tax before credits allowed under section 57-35.3-05, less the ~~credit~~credits allowed under subsection 1 of section 57-35.3-05 and section 4 of this Act, must be paid to the commissioner on or before April fifteenth of the year in which the return is due, regardless of any extension of the time for filing the return granted under section 57-35.3-06. Five-sevenths of the tax before credits allowed under section 57-35.3-05, less the credit allowed under subsection 2 of section 57-35.3-05, must be

paid to the commissioner on or before January fifteenth of the year after the return is due. Payment must be made by check, draft, or money order, payable to the commissioner, or as prescribed by the commissioner under subsection 15 of section 57-01-02.

SECTION 6. A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

Housing incentive fund tax credit.

1. A taxpayer is entitled to a credit as determined under this section against state income tax liability under section 57-38-30 or 57-38-30.3 for contributing to the housing incentive fund under section 2 of this Act. The amount of the credit is equal to the amount contributed to the fund during the taxable year. The taxpayer may not claim more than twenty percent of the credit for each separate contribution made in any taxable year.
2. North Dakota taxable income must be increased by the amount of the contribution upon which the credit under this section is computed but only to the extent the contribution reduced federal taxable income.
3. The contribution amount used to calculate the credit under this section may not be used to calculate any other state income tax deduction or credit allowed by law.
4. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the excess may be carried forward to each of the ten succeeding taxable years.
5. The aggregate amount of tax credits allowed to all eligible contributors is limited to four million dollars per biennium. This limitation applies to all contributions for which tax credits are claimed under section 57-35.3-05 and this section.
6. Within thirty days after the date on which a taxpayer makes a contribution to the housing incentive fund, the housing finance agency shall file with each contributing taxpayer, and a copy with the tax commissioner, completed forms that show as to each contribution to the fund by that taxpayer the following:
 - a. The name, address, and social security number or federal employer identification number of the taxpayer that made the contribution.
 - b. The dollar amount paid for the contribution by the taxpayer.
 - c. The date the payment was received by the fund.
7. To receive the tax credit provided under this section, a taxpayer shall claim the credit on the taxpayer's state income or financial institutions tax return in the manner prescribed by the tax commissioner and file with the return a copy of the form issued by the housing finance agency under subsection 6.
8. Notwithstanding the time limitations contained in section 57-38-38, this section does not prohibit the tax commissioner from conducting an

examination of the credit claimed and assessing additional tax due under section 57-38-38.

9. A partnership, subchapter S corporation, limited partnership, limited liability company, or any other passthrough entity making a contribution to the housing incentive fund under this section is considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.

SECTION 7. A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Housing incentive fund tax credit under section 6 of this Act.

SECTION 8. EFFECTIVE DATE - EXPIRATION DATE. Sections 1, 2, and 3 of this Act are effective through June 30, 2013, and are thereafter ineffective. Sections 4, 5, 6, and 7 of this Act are effective for the first two taxable years beginning after December 31, 2010, and are thereafter ineffective."

Renumber accordingly

Date: 3-21-11
Roll Call Vote # 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2210

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. Weiler Seconded By Rep. Grande

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter			Scot Kelsh		
Vice Chair. Craig Headland			Shirley Meyer		
Glen Froseth			Lonny B. Winrich		
Bette Grande			Steven L. Zaiser		
Patrick Hatlestad					
Mark S. Owens					
Roscoe Streyle					
Wayne Trottier					
Dave Weiler					
Dwight Wrangham					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

VOICE VOTE
MOTION CARRIED.

Date: 3-21-11
Roll Call Vote # 2

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2210

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. Weiler Seconded By Rep.

** WITHDRAWN **

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter			Scot Kelsh		
Vice Chair. Craig Headland			Shirley Meyer		
Glen Froseth			Lonny B. Winrich		
Bette Grande			Steven L. Zaiser		
Patrick Hatlestad					
Mark S. Owens					
Roscoe Streyle					
Wayne Trottier					
Dave Weiler					
Dwight Wrangham					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Date: 3-21-11
Roll Call Vote # 2

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2210

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

*further amend
to add sunset clause*

Motion Made By Rep. Froseth Seconded By Rep. Wrangham

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter			Scot Kelsh		
Vice Chair. Craig Headland			Shirley Meyer		
Glen Froseth			Lonny B. Winrich		
Bette Grande			Steven L. Zaiser		
Patrick Hatlestad					
Mark S. Owens					
Roscoe Streyle					
Wayne Trottier					
Dave Weiler					
Dwight Wrangham					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

VOICE VOTE
MOTION CARRIED

Date: 3-21-11
Roll Call Vote # 3

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2210

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. Weiler Seconded By Rep. Streyle

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter	AB		Scot Kelsh		✓
Vice Chair. Craig Headland	✓		Shirley Meyer		✓
Glen Froseth	✓		Lonny B. Winrich		✓
Bette Grande	✓		Steven L. Zaiser		✓
Patrick Hatlestad	✓				
Mark S. Owens	✓				
Roscoe Streyle	✓				
Wayne Trottier	✓				
Dave Weiler	✓				
Dwight Wrangham	✓				

Total (Yes) 9 No 4

Absent 1

Floor Assignment Rep. Wrangham

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

REPORT OF STANDING COMMITTEE

SB 2210, as engrossed: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (9 YEAS, 4 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SB 2210 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact two new sections to chapter 54-17, a new subdivision to subsection 2 of section 54-60.1-01, a new subsection to section 57-35.3-05, a new section to chapter 57-38, and a new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating to a housing incentive fund and tax credits for contributions to the fund; to amend and reenact subsection 2 of section 54-17-07.2 and section 57-35.3-07 of the North Dakota Century Code, relating to the definition of multifamily housing facility and payment of the financial institutions tax; to provide a continuing appropriation; to provide an effective date; and to provide an expiration date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Subsection 2 of section 54-17-07.2 of the North Dakota Century Code is amended and reenacted as follows:

2. "Multifamily housing facility" means any facility containing ~~five~~four or more residential dwelling units; provided, that at least twenty percent of the units in each facility must be held for occupancy by persons or families of low and moderate income for ~~sueh~~the period of time as the industrial commission may determine and may include ~~sueh~~the related public or private facilities intended for commercial, cultural, recreational, community, or other civic purpose as the commission may approve.

SECTION 2. Two new sections to chapter 54-17 of the North Dakota Century Code are created and enacted as follows:

Housing incentive fund - Continuing appropriation.

1. The housing incentive fund is created as a special revolving fund at the Bank of North Dakota. The housing finance agency may direct disbursements from the fund and a continuing appropriation from the fund is provided for that purpose.
2. After a public hearing, the housing finance agency shall create an annual allocation plan for the distribution of the fund. At least twenty-five percent of the fund must be used to assist developing communities with a population of not more than ten thousand individuals to address an unmet housing need or alleviate a housing shortage. At least fifty percent of the fund must be used to benefit households with incomes at not more than fifty percent of the area median income. The agency may collect a reasonable administrative fee from the fund.
3. The housing finance agency shall adopt guidelines for the fund so as to address unmet housing needs in this state. Assistance from the fund may be used solely for:
 - a. New construction, rehabilitation, or acquisition of a multifamily housing project;
 - b. Gap assistance, matching funds, and accessibility improvements;

- c. Assistance that does not exceed the amount necessary to qualify for a loan using underwriting standards acceptable for secondary market financing or to make the project feasible; and
- d. Rental assistance, emergency assistance, or targeted supportive services designated to prevent homelessness.
- 4. Eligible recipients include units of local, state, and tribal government; local and tribal housing authorities; community action agencies; regional planning councils; and nonprofit organizations and for-profit developers of multifamily housing. Individuals may not receive direct assistance from the fund.
- 5. Except for subdivision d of subsection 3, assistance is subject to repayment or recapture under the guidelines adopted by the housing finance agency. Any assistance that is repaid or recaptured must be deposited in the fund and is appropriated on a continuing basis for the purposes of this section.

Report.

Upon request, the housing finance agency shall report to the industrial commission on the activities of the housing incentive fund.

SECTION 3. A new subdivision to subsection 2 of section 54-60.1-01 of the North Dakota Century Code is created and enacted as follows:

Assistance from the housing finance agency through housing incentive funds.

SECTION 4. A new subsection to section 57-35.3-05 of the North Dakota Century Code is created and enacted as follows:

There is allowed a credit against the tax imposed by sections 57-35.3-01 through 57-35.3-12 in an amount equal to the contribution to the housing incentive fund under section 2 of this Act. The taxpayer may not claim more than twenty percent of the credit for each separate contribution made in any taxable year. For the purposes of the credit allowed in this subsection, subsections 2 through 8 of section 6 of this Act apply.

SECTION 5. AMENDMENT. Section 57-35.3-07 of the North Dakota Century Code is amended and reenacted as follows:

57-35.3-07. Payment of tax.

Two-sevenths of the tax before credits allowed under section 57-35.3-05, less the credit credits allowed under subsection 1 of section 57-35.3-05 and section 4 of this Act, must be paid to the commissioner on or before April fifteenth of the year in which the return is due, regardless of any extension of the time for filing the return granted under section 57-35.3-06. Five-sevenths of the tax before credits allowed under section 57-35.3-05, less the credit allowed under subsection 2 of section 57-35.3-05, must be paid to the commissioner on or before January fifteenth of the year after the return is due. Payment must be made by check, draft, or money order, payable to the commissioner, or as prescribed by the commissioner under subsection 15 of section 57-01-02.

SECTION 6. A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

Housing incentive fund tax credit.

1. A taxpayer is entitled to a credit as determined under this section against state income tax liability under section 57-38-30 or 57-38-30.3 for contributing to the housing incentive fund under section 2 of this Act. The amount of the credit is equal to the amount contributed to the fund during the taxable year. The taxpayer may not claim more than twenty percent of the credit for each separate contribution made in any taxable year.
2. North Dakota taxable income must be increased by the amount of the contribution upon which the credit under this section is computed but only to the extent the contribution reduced federal taxable income.
3. The contribution amount used to calculate the credit under this section may not be used to calculate any other state income tax deduction or credit allowed by law.
4. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the excess may be carried forward to each of the ten succeeding taxable years.
5. The aggregate amount of tax credits allowed to all eligible contributors is limited to four million dollars per biennium. This limitation applies to all contributions for which tax credits are claimed under section 57-35.3-05 and this section.
6. Within thirty days after the date on which a taxpayer makes a contribution to the housing incentive fund, the housing finance agency shall file with each contributing taxpayer, and a copy with the tax commissioner, completed forms that show as to each contribution to the fund by that taxpayer the following:
 - a. The name, address, and social security number or federal employer identification number of the taxpayer that made the contribution.
 - b. The dollar amount paid for the contribution by the taxpayer.
 - c. The date the payment was received by the fund.
7. To receive the tax credit provided under this section, a taxpayer shall claim the credit on the taxpayer's state income or financial institutions tax return in the manner prescribed by the tax commissioner and file with the return a copy of the form issued by the housing finance agency under subsection 6.
8. Notwithstanding the time limitations contained in section 57-38-38, this section does not prohibit the tax commissioner from conducting an examination of the credit claimed and assessing additional tax due under section 57-38-38.
9. A partnership, subchapter S corporation, limited partnership, limited liability company, or any other passthrough entity making a contribution to the housing incentive fund under this section is considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.

SECTION 7. A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Housing incentive fund tax credit under section 6 of this Act.

SECTION 8. EFFECTIVE DATE - EXPIRATION DATE. Sections 1, 2, and 3 of this Act are effective through June 30, 2013, and are thereafter ineffective. Sections 4, 5, 6, and 7 of this Act are effective for the first two taxable years beginning after December 31, 2010, and are thereafter ineffective."

Renumber accordingly

8

2011 SENATE APPROPRIATIONS

SB 2210

2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

SB 2210
January 21, 2011
13215

☐ Conference Committee

Committee Clerk Signature

Rose Lanning

Explanation or reason for introduction of bill/resolution:

A bill requesting an appropriation relating to an affordable housing fund.

Minutes:

See attached testimony #1 - 14

Chairman Holmberg called the committee hearing to order on SB 2210.

Brady Larson - Legislative Council; Lori Laschkewitsch - OMB

Senator Wardner, District 37, Dickinson

Testimony attached - # 1. Testified on behalf of SB 2210.

This bill deals with housing and finding gap funding for housing. We have a shortage of affordable housing in the western part of the state and also throughout the state. I want to point out that the wrong version of the bill accidentally got printed so we're amending it. We've passed out the bill with the corrections on it. I have the amendments and I will let others explain the core of the bill.

Rep. Lonnie Winrich, District 18, Grand Forks

Testified on behalf of SB 2210.

I became interested in this issue in the last legislative session when I was contacted by the director of the Grand Forks Housing Authority and urged to support a similar bill that was introduced in the House by Rep. Kaiser. I did decide to support that bill and in the process of looking at those things, I discovered that there is a serious problem out there. We hear a lot about problems in western ND, but they exist throughout the state. Like Senator Wardner, I will defer to those people who will go through the details of the bill but I was pleased to be asked to sign on as a co-sponsor and I would urge you to recommend a do pass.

Tom Alexander, Project Director, ND Medicaid Infrastructure Grant.

Testimony attached - # 2. Testified in favor of SB 2210.

Reading from testimony –

Senator Grindberg asked if this bill was introduced in the last legislative session. He was told yes, that the bill was introduced on the House side in 2009.

Senator Grindberg: Couldn't the Bank of ND put a revolving loan fund in place?

Tom Alexander said the first draft of the bill was asking for \$10M from Bank of ND funds and it did not pass. It came out of committee as a do not pass.

Senator Grindberg: Do you know why or have an opinion as to why and **Tom Alexander** replied that he had no idea. He offered amendments to lower the amount of funds. Those amendments were not accepted.

Senator Grindberg asked if the Bank of ND opposed the bill and **Tom Alexander** said they were neutral.

Tom Alexander handed out list of organizations that support SB 2210.
Testimony attached - #3.

Senator Bowman asked if someone could take him through the process. Do you borrow the whole amount or is it a guarantee loan for the bank? He was told that there are several who will be testifying with the answers to his questions.

John Phillips, Vice President, Economic Development North Dakota
Testimony attached - # 4. Testified in favor of SB 2210.

Reading from testimony –

Cal Klewin, Economic Development of ND
Testimony attached - # 5 Testified in favor of SB 2210.

Reading from testimony -

Jessica Thomasson, Director, Lutheran Social Services Housing, Inc.
Testimony attached - # 6. Testified in favor of SB 2210.

Reading from testimony -

Senator Robinson – Is it also a factor that financial institutions are limiting the number of years they will amortize the loan. No longer are we looking at 20,25,or 30, but in some instances 7, 10 and 12 years. That must have a significant impact on the repayment schedule.

Jessica Thomasson said her experience may have been a little atypical because they come into the community with a very intentional long term commitment. They intend to run the projects into the foreseeable future. Most of the debt they have secured is in the 20 year range with rates that reset every 5 years. She's seen examples where a lender says I want to do this in 10. We'll balloon it and we'll see where we end up.

Jessica Thomasson: The debt has to be a significant part of all the projects. You're not going to get most of them done with 90% grant dollars. Having a local lender willing to partner with you on a project they believe in is one of the more important things in the evaluation of the community. We've been fortunate to pilot a project with the Bank of ND where they partnered with a local lender on one of our projects to take half the debt. The loan was too big for that local lender to do on their own, so the Bank of ND stepped in and partnered with them to be able to make the project go. There are a lot of creative ways to do this if you can bring in enough equity to make that project financially feasible.

Senator Bowman state that you come in and assist someone in developing a project and you put up X amount of dollars. How does the state get reimbursed back? Are they first on the list, second on the list, or are we last on the list when it comes to pay back to the state because we're putting part of the risk up for this venture?

Jessica Thomasson said part of the answer to your question is how the Housing Finance Agency structures that allocation plan and proceeded to explain the mechanics of the loans.

Senator Wanzek asked if most of these projects are multi unit dwellings or sometimes single units.

Jessica Thomasson said the pilot program also assists with single family developments but they just do multi-dwelling, not single dwelling units.

Veronic Zietz – Executive Director, The Arc of Bismarck, Lobbyist #99
Testimony attached - # 7. Testified in favor of SB 2210.

Reading from testimony –
Royce Schultze, Executive Director, Dakota Center for Independent Living, Inc.
Testimony attached - # 8. Testified in favor of SB 2210

Reading from testimony –

Neutral testimony –
Mike Anderson, Director, ND Housing Finance Agency
Testimony attached - # 9.

The ND Housing Finance Agency would be the administering agency for the Affordable Housing Fund. His testimony details the public hearing process as the annual allocation plan is developed and also describes the responsibilities of the Agency as it would manage the funds.

Senator Grindberg asked if there were any tax credits available. Has there ever been discussion on state income tax credit on an investment with a project like this? In a lot of the real estate deals, there might be a group of investors that front the money. To my knowledge, there's no program that allows them to capture an income tax credit on their investment on equity. Has that ever come up?

Mike Anderson: During the last legislative session, our agency proposed a state housing tax credit and it did not pass. Talking afterwards, they felt it was confusing and received cold reception. Since that session and now, we wonder if we should've tried to resurrect that and the decision was not to do that.

Doreen Riedman, Executive Officer, North Dakota Association of Builders
Testimony attached - # 10. Testified in favor of SB 2210.

Reading from testimony -

**Paul Ronningen, President, North Dakota Conference of Social Welfare,
Chairman, North Dakota Economic Security and Prosperity Alliance
State Coordinator, Children's Defense Fund**

(Paul Ronningen's testimony was read by **Amy Armstrong, Private Coordinator, Center for Persons with Disabilities, Minot State University**)
Testimony attached - # 11. Testified in favor of SB 2210.

Additional testimony received –

Jesse L. Quinn, Executive Director, Missouri Valley Habitat for Humanity
Testimony attached - # 12. Testified in favor of SB 2210.

Michael Carbone, Executive Director, North Dakota Coalition for Homeless People
Testimony attached - # 13. Testified in favor of SB 2210.

Amy Wobbema, Executive Director, New Rockford Area Betterment Corporation
Testimony attached - # 14 . Testified in favor of SB 2210

Chairman Holmberg closed the hearing on SB 2210.

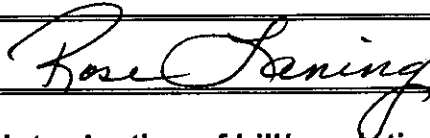
2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

SB 2210
February 18, 2011
Job # 14729 (Meter starting at 69:48)

☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A committee vote on SB 2210 relating to an affordable housing fund.

Minutes:

You may make reference to "attached testimony."

Chairman Holmberg opened the hearing on SB 2210.

Senator Wardner said this bill came directly to appropriations. It had a \$4M dollar direct appropriation for gap funding in housing. We found another way to fund this with an income tax credit.

Senator Wardner moved the amendments 11.0630.01004

Senator Grindberg seconded

A Roll Call vote was taken. Yea: 13 Nay: 0 Absent: 0

Senator Wardner moved Do Pass as Amended on SB 2210

Senator Warner seconded.

A Roll Call vote was taken. Yea: 13 Nay: 0 Absent: 0

Senator Wardner will carry the bill.

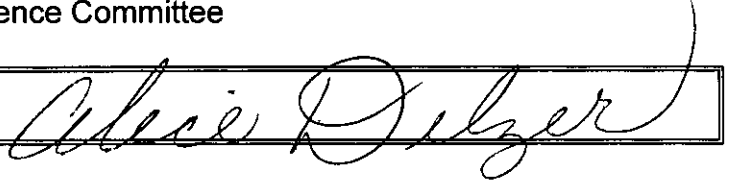
2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

SB 2210
03-31-2011
Job # 16206

☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A DISCUSSION ON AFFORDABLE HOUSING (CONCUR) Several other bills were discussed on this Job – SCR 4003, SB 2018, HB 1266.

Minutes:

You may make reference to "attached testimony."

Chairman Holmberg opened the discussion on SB 2210 regarding Affordable Housing. Lori Laschkewitsch, OMB and Becky J. Keller, Legislative council were also present.

Chairman Holmberg asked what the wishes are on SB 2210.

Senator Wardner: I will check with Mike Anderson in Housing Authority, but we are leaning towards concurring.

The discussion was closed on SB 2210.

PROPOSED AMENDMENTS TO SENATE BILL NO. 2210

Page 1, line 1, replace the second "and" with a comma

Page 1, line 2, after "54-60.1-01" insert ", and a new subsection to section 57-35.3-05"

Page 1, line 2. remove "an"

Page 1, line 3, replace "affordable" with "a"

Page 1, line 3, after "housing" insert "incentive"

Page 1, line 3, after "fund" insert "and a financial institutions tax credit for investments in the fund"

Page 1, line 3, replace "an appropriation" with "a continuing appropriation"

Page 1, line 7, replace "**Affordable housing**" with "**Housing incentive**"

Page 1, line 7, replace "**Appropriation**" with "**Continuing appropriation**"

Page 1, line 8, remove "affordable"

Page 1, line 8, after "housing" insert "incentive"

Page 1, line 8, after "special" insert "revolving"

Page 1, line 8, replace "in the state treasury." with "at the Bank of North Dakota. Loans may be made from the fund as directed by the housing finance agency and a continuing appropriation from the fund is provided for that purpose. Loans from the fund may be made in accordance with this section but a loan may not exceed two hundred thousand dollars for a qualifying housing project in this state. Loans may not bear interest, but the Bank of North Dakota may retain an administrative fee not exceeding one-half of one percent."

2."

Page 1, line 10, replace "seventy-five" with "twenty-five"

Page 1, remove line 11

Page 1, line 12, replace "the area median income" with "assist developing communities with a population of not more than ten thousand individuals to address an unmet housing need or alleviate a housing shortage"

Page 1, remove lines 14 and 15

Page 1, line 16, remove "needs."

Page 1, line 17, replace "2." with "3."

Page 1, line 17, replace "rules" with "guidelines"

Page 1, line 17, remove "affordable"

Page 1, line 18, remove "through loans, forgivable loans, grants, subsidies, guarantees, and"

Page 1, line 19, remove "credit enhancements"

Page 1, line 20, replace "an affordable" with "a"

Page 1, line 20, remove "or a"

Page 1, line 21, replace "single-family residence" with "housing project"

Page 1, line 22, after the underscored semicolon insert "and"

Page 1, line 23, replace "Single-family downpayment or gap" with "Gap financing"

Page 2, line 1, remove "If there is a profit from a sale, either a proportion or"

Page 2, remove lines 2 through 5

Page 2, line 6, replace "3." with "4."

Page 2, line 8, replace "affordable" with "multifamily"

Page 2, line 10, replace "4." with "5."

Page 2, line 10, remove "within the biennium the assistance was paid"

Page 2, line 11, remove "for the biennium in which it was"

Page 2, remove lines 12 and 13

Page 2, line 14, replace "earnings" with "on a continuing basis for the purposes of this section"

Page 2, line 18, replace "The" with "Upon request, the"

Page 2, line 19, after "the" insert "housing incentive"

Page 2, line 22, remove "affordable"

Page 2, line 22, after the second "housing" insert "incentive"

Page 2, replace lines 24 through 28 with:

"SECTION 4. A new subsection to section 57-35.3-05 of the North Dakota Century Code is created and enacted as follows:

There is allowed a credit against the tax imposed by sections 57-35.3-01 through 57-35.3-12 in an amount equal to fifty percent of the aggregate amount of investments made by the taxpayer during the taxable year in the housing incentive fund. Any unused credit may be carried forward for up to five taxable years. The total amount of credits allowable under this subsection is four million dollars."

Renumber accordingly

Date: 2-18-11
Roll Call Vote # 1

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2210

Senate Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 11.0630.01004

Action Taken: ☒ Do Pass ☐ Do Not Pass ☐ Amended ☒ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Wardner Seconded By Grindberg

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Warner	✓	
Senator Bowman	✓		Senator O'Connell	✓	
Senator Grindberg	✓		Senator Robinson	✓	
Senator Christmann	✓				
Senator Wardner	✓				
Senator Kilzer	✓				
Senator Fischer	✓				
Senator Krebsbach	✓				
Senator Erbele	✓				
Senator Wanzek	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment _____

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

Date: 2-18-11
Roll Call Vote # 2

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 22 10

Senate Appropriations 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 Wardner Seconded By Warner

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Warner	✓	
Senator Bowman	✓		Senator O'Connell	✓	
Senator Grindberg	✓		Senator Robinson	✓	
Senator Christmann	✓				
Senator Wardner	✓				
Senator Kilzer	✓				
Senator Fischer	✓				
Senator Krebsbach	✓				
Senator Erbele	✓				
Senator Wanzek	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment Wardner

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

REPORT OF STANDING COMMITTEE

SB 2210: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2210 was placed on the Sixth order on the calendar.

Page 1, line 1, replace the second "and" with a comma

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Page 1, line 2, remove "an"

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Page 1, line 8, after "special" insert "revolving"

Page 1, line 8, replace "in the state treasury." with "at the Bank of North Dakota. Loans may be made from the fund as directed by the housing finance agency and a continuing appropriation from the fund is provided for that purpose. Loans from the fund may be made in accordance with this section but a loan may not exceed two hundred thousand dollars for a qualifying housing project in this state. Loans may not bear interest, but the Bank of North Dakota may retain an administrative fee not exceeding one-half of one percent."

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Page 2, line 14, replace "earnings" with "on a continuing basis for the purposes of this section"

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Page 2, line 19, after "the" insert "housing incentive"

Page 2, line 22, remove "affordable"

Page 2, line 22, after the second "housing" insert "incentive"

Page 2, replace lines 24 through 28 with:

"SECTION 4. A new subsection to section 57-35.3-05 of the North Dakota Century Code is created and enacted as follows:

There is allowed a credit against the tax imposed by sections 57-35.3-01 through 57-35.3-12 in an amount equal to fifty percent of the aggregate amount of investments made by the taxpayer during the taxable year in the housing incentive fund. Any unused credit may be carried forward for up to five taxable years. The total amount of credits allowable under this subsection is four million dollars."

Renumber accordingly

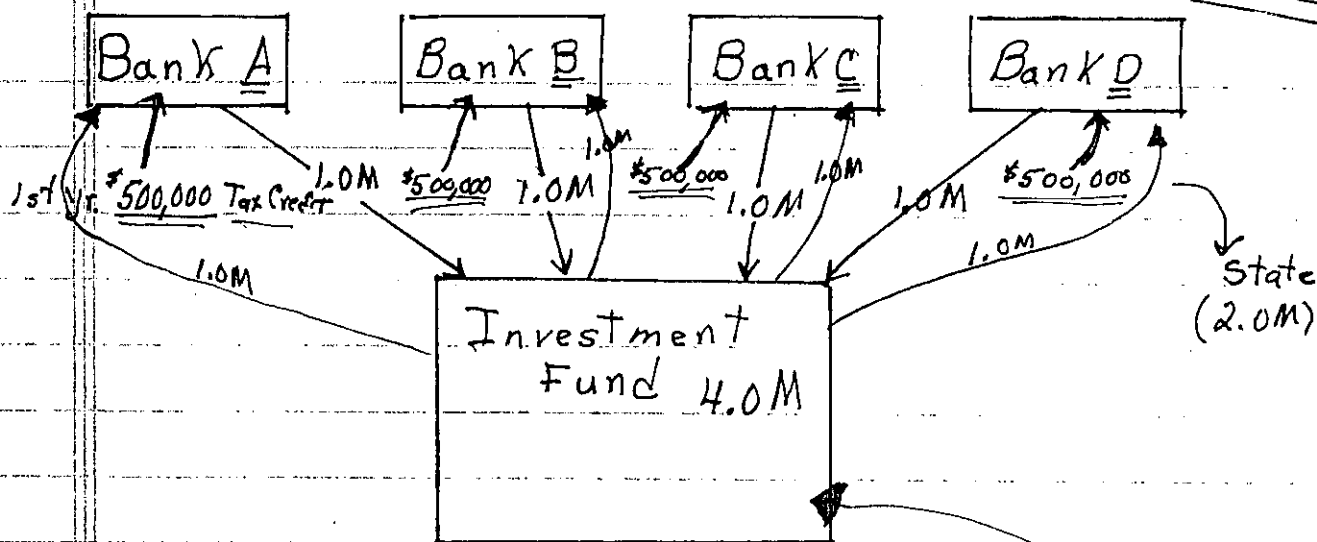
2011 TESTIMONY

SB 2210

Testimony
#1

SB 2210

Housing Bill Wardner



Project #1

Assumptions: 1.0M Construction Cost.

800,000 Appraisal

75% Loan to Value = \$600,000

Gap = \$150,000

Financing

\$600,000 Bank Loan (5% Rate) Bank
 \$250,000 (Equity) Sponsoring Agent
 \$150,000 Gap Funding Investment Fund
 \$1,000,000 Total

Bank D
 \$600,000 + \$165,000
 Interest

Project 12 units

Rent: 12 units x \$900 Per Month = \$10,800.00

Debt Service

\$600,000 Note \$7,500

\$150,000 Note \$800

250,000 Equity (Return on investment) \$2,500

Sponsoring Agent

Testimony
Senate Bill 2210 - Housing Incentive Fund
House Finance & Taxation
Representative Belter, Chairman
March 15, 2011

Chairman Belter, members of the House Finance & Taxation Committee, I am Tom Alexander, Project Director for the ND Medicaid Infrastructure Grant, a project of the North Dakota Center for Persons with Disabilities at Minot State University. I am providing testimony today in support of SB 2210 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 to identify and address the diverse unmet housing needs of North Dakotans. Some general principles which HAND operates from include the following:

- Works to promote the fact that housing is a basic human need;
- Works to make housing a top priority for all North Dakotans;
- Educate others to see that without housing all other activities, including work, are unattainable;
- Works to achieve the development and adoption of a uniform, statewide housing policy; and
- Works to encompass a full range of unmet housing needs for all populations, in all areas of the state.

(See HAND brochure for more information.)

A safe and decent place to live is the cornerstone of a high quality of life. North Dakota is a great place to live, but rehabilitation and replacement of aging housing stock will be key to maintaining livability in many North Dakota communities. New and refurbished housing adds to the value of the neighborhood and community and further enhances the quality of life for

everyone. Housing is an investment that yields returns and creates revenue at all levels—income taxes from construction jobs; sales taxes on materials; property taxes; and ongoing participation in the local economy by the new residents and those who are able to afford to continue living in a community. Investment in housing provides substantial financial benefits for a community as well as the basic benefit of having new and available housing options for families.

SB 2210 would establish a Housing Incentive Fund. The housing incentive fund is created as a special revolving fund at the Bank of North Dakota. Assistance may be disbursed from the fund as directed by the Housing Finance Agency and a continuing appropriation from the fund is provided for that purpose. After a public hearing the Housing Finance Agency shall create an annual allocation plan for the distribution of the fund. At least twenty-five percent of the fund must be used to assist developing communities with a population of not more than ten thousand individuals to address an unmet housing need or alleviate a housing shortage. At least fifty percent of the fund must be used to benefit households with incomes at not more than fifty percent of the area median income. The agency may collect a reasonable administrative fee from the fund.

The agency shall adopt guidelines for the fund so as to address unmet housing needs in this state. Assistance from the fund may be used solely for:

- a. New construction, rehabilitation, or acquisition of a multifamily housing project;
- b. Gap assistance, matching funds, and accessibility improvements;

- c. Assistance that does not exceed the amount necessary to qualify for a loan using underwriting standards acceptable for secondary market financing or to make the project feasible; and
- d. Rental assistance, emergency assistance, or targeted supportive services designated to prevent homelessness.

Eligible recipients include units of local, state, and tribal government; local and tribal housing authorities; community action agencies; regional planning councils; and nonprofit organizations and for-profit developers of multifamily housing. Individuals may not receive direct assistance from the fund.

With the exception of subdivision (d) of subsection 3 of this section, assistance is subject to repayment or recapture pursuant to the guidelines adopted by the agency. Any assistance that is repaid or recaptured must be deposited in the fund and is appropriated on a continuing basis for the purposes of this section.

Housing incentive fund tax credit.

1. A credit against state tax liability as determined under sections 57-35.3-01 through 57-35.3-12, 57-38-30, or 57-38-30.3 is allowed for investments in the housing incentive fund. The amount of the credit is equal to the amount invested in the fund during the taxable year. Not more than twenty percent of the credit may be claimed by the taxpayer in a taxable year. The amount of credit that can be claimed in any taxable year which exceeds a taxpayer's tax liability for the taxable year may be carried forward after the taxable year in which the investment was made.

2. A partnership, subchapter (S) corporation, limited partnership, limited liability company, or any other pass-through entity entitled to the credit under this section must be considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the pass-through entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the pass-through entity.
3. A taxpayer may not be delinquent in payment of any state and local tax liability to be eligible for a tax benefit under this section.
4. The aggregate amount of tax credits allowed under this section to all eligible investors is limited to four million dollars.
5. Within thirty days after the date on which an investment in the housing incentive fund is made, the Bank of North Dakota shall file with the tax commissioner and the director and provide to the investor completed forms prescribed by the tax commissioner which show as to each investment in the fund the following:

 - a. The name, address, and social security number or federal employer identification number of the taxpayer who made the investment.
 - b. The dollar amount paid for the investment by the taxpayer.
 - c. The date on which full consideration was received by the fund for the investment.

Upon request, the state housing finance agency shall report to the industrial commission on the activities of the housing incentive fund.

"Multifamily housing facility" means any facility containing four or more residential dwelling units; provided, that at least twenty percent of the units in each facility must be held for occupancy by persons or families of low and moderate income for such period of time as the industrial commission may determine and may include such related public or private facilities intended for commercial, cultural, recreational, community, or other civic purpose as the commission may approve.

Why do we need ND state funds for housing issues? Aren't there enough Federal programs to fund all of ND's needs? While it may appear that there are more than enough Federal funds available, many of these funds have restrictions on their use that makes them unavailable or limits the availability; some are one-time only funds; and the amount available to ND is generally the smallest portion (due to ND's small population). The need in energy-impacted areas of ND is pushing the ability of the state to respond: all Federal funds are in use and the tax credits are oversubscribed (of 14 applications, only 5 could be funded). Many Federal funds have matching requirements and ND State funds would extend the use of Federal dollars by being used as match.

Isn't this a hodge podge of unrelated items? The bill is crafted to allow the greatest flexibility in addressing the housing needs in ND and provides a list of tools to address needs as they change. Focusing on a single issue today could outdate the fund tomorrow.

What are the needs in ND? They range from workforce housing in the energy impacted areas of the west to the special needs populations across the state, and include the increasing homeless population as well as the increasing senior population.

Why doesn't the bill focus on the energy impacted areas of western ND?

All forms of housing are related: as demand increases, rents and housing prices rise, forcing lower income families and the elderly to seek other housing, which may not be available or suitable. Flexibility in the bill is key – housing needs change and this bill can accommodate those changes. The Housing Finance Agency has a great track record in developing allocation plans for distribution of tax credits that are responsive to the changing needs of the state. This bill would use this expertise to make sure the Housing Incentive Fund dollars are similarly targeted.

Why does the Fund target 50% to families with incomes less than 50% of Median Family Income (MFI)? The rising number of high-paying jobs, especially in western ND, is putting pressure on the number of units available for low income individuals, families and the elderly. These units are harder to build and maintain due to the lower rent structure and special building needs. By specifying a portion of the funds to be available for households with incomes not more than 50% of MFI, assistance will be available for this population.

Why do private and non-profit developers need public funds? Making public funds available encourages private and non-profit developers to develop housing that carries more risk: lower rents, elevators, accessibility features, and unusual configurations such as group homes.

Why do communities with populations of 10,000 or less need a set-aside?

Communities with higher populations attract goods and services with the net result of decreasing cost. Setting aside a portion of the funds for smaller communities should encourage these communities to become more viable.

Affordable housing should be a priority in public policy. Affordable housing options for all residents of our communities is needed so that no one has to choose between basic necessities like food or medication and housing. The elderly, people with disabilities, and disadvantaged are part of all communities and require certain services including appropriate housing choices. Housing policy should center on providing the opportunity for all to have access to safe, decent and affordable housing. Currently, ND does not have a public policy statement on housing (please see HAND Public Policy Platform).

Rural areas of the state face unique challenges in developing housing. Finding suitable housing in many rural North Dakota communities is a very difficult task. In some areas, it has been a generation since new homes or apartments were built. In that time, both the economy and the needs of the people have changed. In many rural communities, the cost to develop new housing or to refurbish existing housing often exceeds the final valuation of the home upon completion. Because of this valuation gap, there are few developers willing to speculate on new housing in rural communities without assistance. To ensure the affordability of housing, financial and technical support from government and non-profit organizations is needed in rural areas.

That concludes my testimony. On behalf of the HAND we encourage you to recommend a do pass on SB 2210. I would be happy to answer any questions that you have at this time.

SB 2210 - Housing Incentive Fund Organizational Support
AARP of ND
Abused Adult Resource Center
Beyond Shelter, Inc.
Centre, Inc.
Children's Defense Fund
Community Action Partnership - Dickinson/Williston
Community Action Partnership-Minot
Community Action Program Reg. VII - Bismarck
Community Action Region VI - Jamestown
Continental Homes - Grand Forks
Dakota Center for Independent Living
Dakota Prairie Community Action - Devils Lake
Eastern Dakota Housing Alliance
Economic Development of North Dakota
Fargo Housing and Redevelopment Authority
Fargo-Moorhead Coalition for Homeless Persons
Grand Forks Homes
Grand Forks Housing Authority
Homestead Place - Grand Forks
Interagency Program for Assistive Technology's Consumer Advisory Committee
Lutheran Social Services of North Dakota
Minot Area Homeless Coalition
Minot Housing Authority
Missouri Valley Habitat for Humanity
ND Council on Abused Women's Services
ND Homeless Coalition
ND Protection & Advocacy Project
North Dakota Association of Builders
North Dakota Association of Community Providers
North Dakota Association of Persons in Supported Employment
North Dakota Center for Persons with Disabilities
North Dakota Conference of Social Welfare
North Dakota Disabilities Advocacy Consortium
North Dakota Economic Security & Prosperity Alliance
North Dakota League of Cities
North Dakota Women's Network
Prairie Harvest Mental Health - Grand Forks
Red River Valley Community Action - Grand Forks
Region V Community Development Corporation, Fargo
Rehab Services, Inc. - Minot

#2 p. 9

Southeastern North Dakota Community Action Agency - Fargo
Youthworks



Housing Alliance of North Dakota (HAND) Mission:

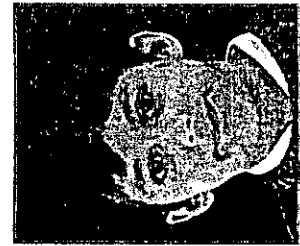
The Housing Alliance of North Dakota is a statewide network established to identify and address the diverse unmet housing needs in North Dakota.

HAND Vision:

A state where everyone has access to a decent, safe, affordable, accessible place to live.

HAND Values:

- Grassroots efforts with a local focus having statewide applicability;
- Address any and/or all unmet housing needs;
- Flexibility as needs and challenges change;
- Address both rural and urban issues; and
- Provide options that are based on need and offer choice.



HAND Organizational Structure:

- HAND is organized under the guidance of a steering committee. In addition the following HAND workgroups are in place:
Structure and Resource Development
Membership and Participation
Education and Marketing
Legislative and Partnership
- HAND is independent and private in its operation.

HAND Principles:

- Work to promote the fact that housing is a basic human need;
- Work to make housing a top priority for all North Dakotans;
- Educate others to see that without housing all other activities, including work, are unattainable;
- Work to achieve the development and adoption of a uniform, statewide housing policy; and
- Work to encompass a full range of unmet housing needs for all populations, in all areas of the state.

Who will benefit from HAND's work?

All North Dakotans will benefit.

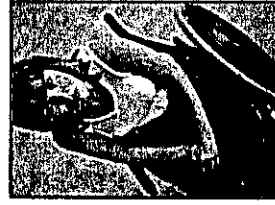
Why it is important:

As one of the basic needs of life, housing is important to all of us. In North Dakota, with our aging population, the diversity between urban and rural needs, economic stresses, weather extremes, limited resources, and the special needs of various groups, we must make every effort to ensure that all of the citizens of this state have access to decent, safe, affordable accessible housing.

Activities & Functions of HAND:

- Education and Advocacy;
- Assess and Identify Housing Needs and Data;
- Networking;
- Communication and Sharing; and
- Efficient and Effective Use of Resources.

#2 p. 10



This product was developed under the North Dakota Medicaid Infrastructure Grant, Award Number: 1QACMS300054/04; CFDA No. 93-768 from the U.S. Department of Health and Human Services Center for Medicare and Medicaid Services received by the North Dakota Center for Persons with Disabilities. However, these contents do not necessarily represent the policy of the U.S. Department of Health and Human Services and the North Dakota Center for Persons with Disabilities.

Become a member of HAND: *Who can belong?*

Any individual or organization that has a concern with housing issues in the state - whether those issues are homelessness, affordability/limited income, special needs/accessibility, availability, etc.

Benefits of joining HAND

- Increase awareness of housing opportunities for North Dakota citizens;
- Ensure every North Dakotan has access to decent, safe, affordable, accessible place to live;
- Positively impact Community Development and housing for North Dakota citizens;
- Build stronger and longer term housing relationships;
- Assist in the development of statewide housing policy; and
- Strengthen the link between housing and economic stability.

For more information or to become a member please contact:

Tom Alexander

Email: tom.alexander@minotstateu.edu

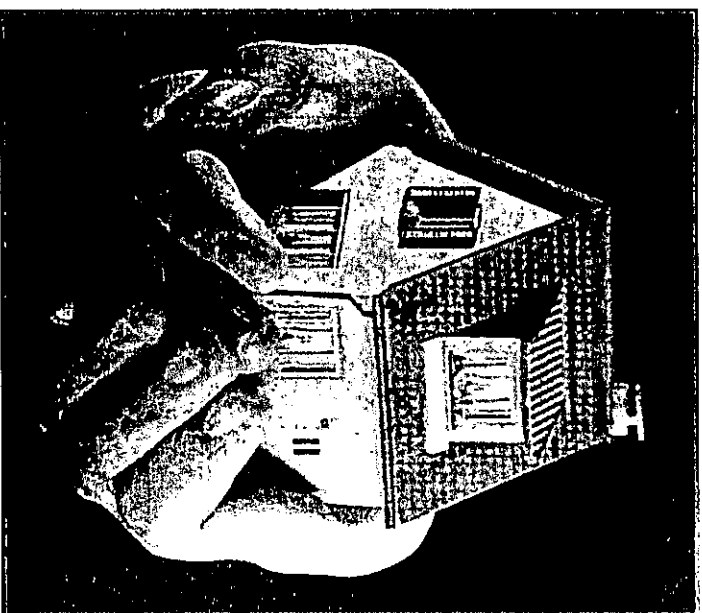
Phone: 1.800.233.1737

Or visit the HAND website at:

www.housingallianceofnd.org

Housing Alliance
of North Dakota

Available in Alternative Formats



Housing Alliance
of North Dakota

*Ensuring every North
Dakotan has access to a
decent, safe, affordable,
accessible place to live.*

HOUSE FINANCE & TAXATION COMMITTEE
TESTIMONY IN SUPPORT OF SB 2010: "Housing Incentive Fund"
Tuesday, March 15, 2011, 9:00 AM – Fort Totten Room

As a rural ND community developer I would like to address the housing needs communities are experiencing throughout the state.

I realize the housing needs in the oil impact area have been studied and are well defined but the needs are boarder. I think you will all recognize the availability of affordable housing is a fundamental element that provides North Dakota Communities the ability to sustain their community as well as stimulate economic development. With the present economic conditions in the state, a number of **"RURAL"** communities have been able to create economic activity thus creating jobs. But what are the limitations to further development and opportunities? Why do the rural communities so often get "passed over" by businesses relocating to the state or expanding? The primary question is **"WHERE WILL WE LIVE"? Without quality "AFFORDABLE" housing our communities have limited sustainability options, no growth opportunity, the rural areas continue to lose population, the schools close and the communities viability continues to expire.**

Throughout the state of North Dakota the existing housing inventory is aging and there is very limited new housing being constructed. In many of our meetings with economic developers, city councils and housing boards we continue to ask what are the problems to achieve housing development?

The problems that typically occur in the rural North Dakota communities are:

- ✓ Developers typically perceive there is greater risk building in a smaller community and do not enter those markets
- ✓ Size of projects limit the economic returns
- ✓ Building in rural communities can sometimes be more costly

- Limited availability to materials and labor
- ✓ Financing housing projects in rural communities typically present unique challenges
 - Comparable sales are limited or non-existent which creates a significant appraisal gap
 - Secondary Markets will not buy the loans
 - Loan to value ratio is often 30-40 percent which limits the lenders participation
- ✓ State and Federal programs that might be able to assist are often complex and developers/lenders will shy away from them.

It is critical we address this housing need. In many communities rental units are non-existent or if they are available they are very small income based units, typically dated and in need of renovation. Housing is critical to the future growth of the state.

This past year the North Dakota Housing Finance Agency established a pilot program to provide incentives intended for private sector investment in housing development within difficult to develop areas in the state. The program provided for housing project financing incentives. The consensus of developers and communities was it worked and provided opportunities for project development in rural communities that otherwise would not have been accomplished. This bill would provide the NDHFA funding to continue that model program.

Rural communities would encourage your support of SB 2010 that will provide "Dollars" for the "Housing Incentive Fund".

John Phillips, Vice President
Economic Development North Dakota



Testimony #4

NORTH DAKOTA ASSOCIATION OF BUILDERS

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Eddy Mitzel, Mandan

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xy Jacobson, President

xy Jacobson

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FORX BUILDERS ASSOCIATION

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Ralph Applegren, Senior Life Director

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Rusty Wysocki

Betty McDonald, Executive Officer

HOME BUILDERS ASSOCIATION OF

FARGO-MOORHEAD

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WILLISTON AREA BUILDERS ASSOCIATION

Ken Callahan, President

Barstad

xy Jacobson, Executive Officer

STAFF

Doreen Riedman, Executive Officer

Sandra Neiss, Administrative Assistant

Affiliated With



National
Association
of Home
Builders

Testimony on Senate Bill 2210 **Housing Finance & Taxation Committee** **March 15, 2011**

Doreen Riedman, Executive Officer
North Dakota Association of Builders

Chairman Belter and members of the House Finance & Taxation Committee, the North Dakota Association of Builders (NDAB) supports Senate Bill 2210, relating to a Housing Incentive Fund for our state.

The NDAB represents nearly 2,000 members statewide with employees numbering 46,589. We are affiliated with six local builders associations in Bismarck-Mandan, Dickinson, Fargo-Moorhead, Grand Forks, Minot, and Williston; and are all part of a larger federation, the National Association of Home Builders (NAHB), which has over 160,000 members.

We are proud members of the Housing Alliance of North Dakota, and believe this Housing Incentive Fund is a smart step in the right direction. It will assist with housing for low-income families, for housing in rural areas, providing gap financing for projects, and perhaps could be the last piece of the puzzle that will help ensure that housing projects go forward.

In addition, any profits will go back into the fund to help it working for future housing needs. Having the North Dakota Housing Finance Agency as the oversight agency makes this effort even stronger and more sensible.

We respectfully ask this committee to support Senate Bill 2210 to provide for a Housing Incentive Fund in our state.



Testimony of

Economic Development Association of North Dakota

SB 2210

March 15, 2011

Chairman Belter and members of the committee, my name is Cal Klewin. I am representing the Economic Development Association of North Dakota (EDND).

EDND is the voice of the state's economic development community and provides networking for its 80 members, which include development organizations, communities, businesses and state agencies. Our mission is to increase economic opportunities for residents of the state by supporting primary sector growth, professionalism among economic development practitioners and cooperation among development organizations.

EDND recognizes that the availability of housing, particularly affordable housing, is a fundamental element that provides North Dakota communities the ability to foster economic development. EDND supports the efforts of North Dakota communities and regions to advance legislation that will promote the development of affordable housing in areas where the lack of affordable housing is limiting primary sector growth.

EDND supports SB 2210.

**McHenry County
Jobs Development Authority**

PO Box 408 * Velva ND 58790 * 701-626-2551 * www.mchenrycountynd.com

**Testimony of Maria Effertz Hanson
McHenry County Jobs Development Authority
SB 2210
March 15, 2011**

Chairman Belter and members of the committee my name is Maria Effertz Hanson and I am here today supporting incentives that aid in housing development, in particular in rural areas of the state.

Housing development in rural North Dakota is at a critical need. This is especially true in the communities on or near the oil impacted areas, including McHenry County. We receive 3-4 phone calls a day looking for housing in most of my communities. We are missing an opportunity to find homes for the new families that are moving to our area, who will place students in our schools, provide the much needed labor and grow our region.

Although developers are busy in some parts of the state, stepping into the rural parts of our state is close to impossible for developers because of the gap in financing that is so large. The demand is there, but without assistance, the cost of building affordable housing is beyond the rate of return. In most of the communities in the county, the newest home was built 30+ years ago, which makes comparables another factor when they are assessed for home loans.

McHenry County is receiving the impact, yet our benefits at this time in terms of direct oil funds are non-existent. If we can build homes, add families to our county and increase our property values through new housing construction, we will have long-term benefits.

Thank you and I would be happy to answer any questions via phone or email.

Chairman Belter and Members of the House Finance & Tax Committee:

I am Amy Wobbema, Executive Director from the New Rockford Area Betterment Corporation in New Rockford. I am testifying in support of the Housing Incentive Fund bill, SB 2210. As a rural economic developer, I see firsthand the effects that lack of adequate housing has on economic development activities across the state.

Approximately 20 of my colleagues in economic/community development have convened several discussions in 2010 to identify the most pressing issues that affect a rural community's ability to attract business and workforce. Housing was one of four target areas we identified as statewide concerns.

A large number of North Dakota's communities have housing infrastructure that is aging, and therefore expensive to rehabilitate and/or replace. Since very few new housing units have been built in the last 20 years, appraisal values of newly constructed homes and multi-family properties are often lower than development costs. This leaves little room for public housing entities to cash flow rural projects, much less for developers to make a profit.

The Housing Incentive bill will provide much needed assistance to communities in their efforts to provide affordable housing for the state's workforce.

I would like to provide one example of how SB 2210 can help improve housing conditions across the state:

The Eddy County Housing Authority and New Rockford Area Betterment Corporation partnered in 2009 to develop four multi-family rental units in New Rockford. The Rural Housing Investment Incentive Program, a pilot program administered by the North Dakota Housing Finance Agency which could be funded through the Housing Incentive fund, provided \$50,000 to our project. Funds from this program were combined with a HOME program allocation through the Eastern Dakota Housing Alliance and essential function bonds purchased by a local bank. The Eddy County Housing Authority and NRABC both contributed local equity funds to the project. In addition, the county and city will forego taxes on the properties. As a result, construction has begun on the first multi-family rental properties built in New Rockford since 1980. Demand for the units has far exceeded expectations, as our waiting list has enough names on it to fill the units at least five times. Occupancy is not expected until July of this year.

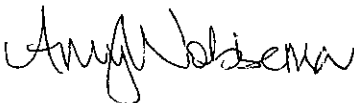
Just for some perspective, I offer to you the bottom line on the New Rockford Rental Project. The two-bedroom units will be rented at \$475 per month. The tenant will pay for heat and electricity, estimated at \$140 per month, based on HUD utility cost calculations. Therefore, the total housing cost is \$615. This is at the top of the affordability level for a household who works for average wages in New Rockford. The current average wage in Eddy County is \$11.78 per hour, or \$24,600 per year. This is considered very low income (50% of median) at the state level.

The residents who work for \$11.78 or less are servers in our restaurants, clerks at our grocery stores, and cooks and aides at our schools. We need these people in our communities to keep our economic engines running. Also, many senior citizens on social security also fall into this category. We also need them to stay in our small towns to support our local businesses, utilize local services, and pay sales tax to run city government. Therefore, I ask that the legislature remember these good citizens in your decision making and strongly consider ways to provide housing for them.

Private developers will not build affordable housing in New Rockford or most other small towns in North Dakota simply because it would be difficult, if not impossible, to cash flow at current financing terms and property tax rates. In fact, a private developer would need to charge at least \$900 per month to make the New Rockford Rental Project break even. A resident would need to have income of at least \$37,600 annually to afford the rent. Nearly half of Eddy County's residents are in households with incomes of less than that.

I strongly encourage you to support SB 2210, as relocation starts with a home. If we want to attract new people to our state, provide workforce for our growing economy, increase the enrollment at our public schools, and ultimately grow and sustain our communities, we need to offer housing that meets the needs of families across all income levels. The Housing Incentive Fund can and will be the catalyst for the construction of that housing.

Sincerely,



Amy Wobbema, Executive Director
New Rockford Area Betterment Corporation



P.O. Box 2081
Bismarck, ND 58502-2081
701.222.1854
veronica.zietz@thearcofbismarck.org
www.thearcofbismarck.org

**Testimony of Support Senate Bill 2210
House Finance & Tax Committee
March 15, 2011**

Good morning Chairmen Belter and members of the Finance & Tax Committee. My name is Veronica Zietz (#99); I am the Executive Director at The Arc of Bismarck and I'm here today representing both The Arc of Bismarck and The Arc of Cass County. The Arc is an organization that provides education and advocacy to people with disabilities to foster empowerment and full inclusion in the community.

The Arc supports Senate Bill 2210 which establishes an affordable housing fund within the state treasury. This fund would provide opportunities for low to moderate income families and individuals in North Dakota to obtain affordable housing. This will aid individuals, especially those with disabilities in the areas of gap assistance and accessibility improvements. This is necessary because people with disabilities often have difficulty finding affordable housing that meets their individual needs. For example, in 2008, the annual income of a single individual receiving SSI payments was \$8,016, that is equal to about 18 percent of the national median income for a one-person household and almost 30 percent below the 2008 federal poverty level of \$10,400. This gap between income and housing expense leads to many problems for people with disabilities; for instance, it leaves many people unable to live independently or leaves them living in substandard environments all of which lead to poor quality of life, increased health issues and dependency on government programs.

The Supreme Court Olmstead decision states that people with disabilities need to be in the least restrictive setting possible, this means that people need to be living independently in the community; one barrier to this federal mandate is a lack of affordable housing in North Dakota. A recent economic boom has pushed many locals including those with disabilities out of their homes, in order to accommodate transient workers with greater incomes. While the laws of supply and demand are obviously at work here, North Dakota residents need to have access to safe and affordable housing. I believe this bill could help remedy the problem of housing shortages and rising housing costs.

This bill will not only help people with disabilities obtain housing, but may also provide benefits to communities. First, this bill will provide local businesses and agencies the opportunity to develop affordable housing, which could boost job opportunities and enhance economic growth by employing local developers and contractors to build and refurbish housing. Second, this bill will also aid communities in dealing with problems such as homelessness and blight that can be seen in many of North Dakota's towns that have affordable housing shortages.

I believe Senate Bill 2210 is an opportunity for all North Dakotans, especially people with disabilities. This bill holds many benefits for communities in our state by addressing the issue of affordable housing. I urge the committee to support Senate Bill 2210. Thank you for your time and consideration.



Michael A. Anderson Executive Director

INDUSTRIAL COMMISSION

Jack Dairymple Governor

Wayne Stenehjem Attorney General

Doug Goehring Agriculture Commissioner

SB 2210

March 15, 2011

North Dakota Housing Finance Agency
Division of the State Industrial Commission
Testimony by Michael Anderson, Executive Director
House Finance and Taxation Committee

Chairman Belter and members of the House Finance and Taxation Committee:

My name is Mike Anderson, executive director for the North Dakota Housing Finance Agency (Agency). SB 2210 names NDHFA as the administering agency for the Housing Incentive Fund (Fund). Therefore, I am here today to offer our perspective on the proposed Fund, as well as answer any questions.

The general goals and objectives of the Fund are consistent with our mission and statutory authority set forth in NDCC 54-17. That is to provide housing finance programs for persons and families of low- or moderate-income or to otherwise assist a developing community address an unmet housing need or alleviate a housing shortage.

Further, I can say with confidence that the Agency has the capacity to administer the Fund and carry out the activities contemplated in the bill with minimal cost and without the need of additional FTE authority at this time. We currently have internal program delivery systems in place that are compatible with the proposed processes of this legislation -- establishing an annual allocation plan, review and scoring of project proposals, and awarding and providing follow up monitoring on successful projects.

We have used these systems for annually allocating federal Low Income Housing Tax Credits, awarding Rural Housing Investment Incentive Pilot Program funds last year, as well as awarding Neighborhood Stabilization Program funds that were allocated to the Agency.

The bill requires the Fund proceeds be awarded through an annual allocation plan that is developed and scrutinized through a public hearing process. This process gives stakeholders, policy makers, and the general public the opportunity to provide input on how and where the Funds will be allocated. As we do with the aforementioned programs, we anticipate this process would include a review of a draft plan by our Advisory Board both before and after public hearings. The Advisory Board would then make a recommendation to the Industrial Commission for its final adoption.

In addition to the set aside requirements defined in the bill, an allocation plan for the Fund should further define the priorities for its use. These could be defined geographically, by housing type and tenure, by type of assistance, by population segments, or a combination of some or all of the above. The plan should also provide for a scoring mechanism for achieving these priorities and ultimately application selections.

We believe an allocation strategy could limit to projects in underserved areas and difficult to develop areas. Underserved could be rural areas or urban areas where there is not enough housing for low and very low income households. Difficult to develop would be anywhere where there is an appraisal gap. In any event, these would be areas where projects could not get done without the additional assistance. It is our philosophy that the amount of assistance should be limited to only what is necessary to make a project economically feasible for its targeted market. In other words, this Fund should be considered the last piece of the puzzle to make the project work.

An allocation plan should also include provisions for recapture or repayment whenever possible yet feasible. These provisions could be enforced utilizing soft debt with deferred payment or land use restriction agreements. We currently use both mechanisms for some of our programs.

The various strategies I mentioned have been employed by the Agency in its history of distributing public funds entrusted to it to administer. This system has transparency which leads to accountability, it maximizes leveraging of public funds, it spreads risk, and probably most importantly it incentivizes private investment.

We anticipate the Fund will be used to fill an appraisal gap, an affordability gap, or a combination of both. An appraisal gap will require additional equity by the developer in order to meet the lender requirements of traditional debt financing. An affordability gap will require the developer to secure additional equity in order to reduce debt service such that the project remains economically feasible while achieving its targeted lower rent stream.

Included with to my testimony are several spread sheets depicting economic scenarios for multi-family new construction models. They break down project construction costs, financing scenarios, and provide an abbreviated pro forma on operations cost. I believe they speak for themselves for the need for additional soft debt or equity.

A good example of how we envision an allocation plan for this Fund would be to mimic a pilot project our Agency conducted last year. The pilot goal was to demonstrate that you can incentivize private investment into housing in difficult to develop areas. The pilot, called the Rural Housing Investment Incentive Pilot Program (Pilot), utilized \$400,000 of the Agency's reserves to match local investment in housing projects. In response to our RFP we received thirteen applications requesting approximately \$1 million of matching funds. Seven were approved once it was determined in each case 1) a gap did exist; 2) the project would be feasible once the gap was filled; and 3) the project would not have been completed without the additional funding from the Agency. The Pilot limited matching funds to no more than 50% of the gap or 10% of project costs, whichever was less.

We believe the pilot proved its stated purpose and further demonstrated significant leveraging power. The \$400,000 of public funds generated \$6.8 million in housing related economic activity – approximately a 17 to 1 ratio. I reported the Pilot results to the Legislative Council Budget Section last December. That report concluded with the recommendation that the program should be replicated and expanded, however, a sustainable expansion of the program would require additional funding from outside of the Agency. A copy of that report was also handed out with my testimony.

SB 2210 has morphed from that introduced in the Senate from seeking an appropriation of general funds to authorizing a tax credit against the financial institutions tax. That is the version that passed the Senate by unanimous decision.

At the beginning of this hearing you were presented additional amendments to change the tax credit structure. These amendments change the tax credit from 50% of the investment that is claimed all at once with carryover provisions to a 100% tax credit that is claimed proportionately over five years. The changes also including expanding the tax credit to anyone or entity with a state income tax liability rather than limiting it to financial institutions only. These changes are being put forth for good reason.

For the Housing Incentive Fund to be successful its provisions need to be attractive on both sides of the equation. It needs to entice contributions into the Fund. And the terms of its utilization must work and make a difference in order to spur housing development. I believe the most current proposal accomplishes both more than any other version of the bill.

Following the bill passing the Senate, the group behind the bill reached out to Banking industry as to the viability of the proposed financial institutional tax credit and received lukewarm response. If contributions to the Fund were considered an investment, the return of the investment (10 years or longer), as well as return on the investment (zero interest loans) was not attractive enough to entice participation.

However, under the current scenario a contribution to the Fund by a tax payer would be offset by a corresponding amount of tax credits over a period of years and thus make the tax payer whole. I see the tax payer rationalizing he/she would be making a payment to the tax department to satisfy his/her tax liability or to the Fund and spur housing development. It's a contribution versus making an obligatory payment.

The latest proposal also adds a degree of flexibility for repayment, if any, to the Fund by the sponsor of the housing project. Since the contributor would be made whole independent of project operations, repayment terms could be commensurate with the targeted level of affordability of the project. The lower the income targeting the longer the project sponsor would have for repayment.

I am not advocating for or against this bill, but rather am providing to you the benefit of our experiences and information we have garnered by being on the ground so as to make this legislation a good investment for all parties, including the state. I believe the concept of this legislation is worthy of consideration and would be glad to work with the sponsors of the bill and members of this committee in improving the bill to make it an effective tool for our North Dakota communities.

New Tax Credit Rental Housing Construction Model

Rental Housing Project Development Costs			
Building Construction		Land Acquisition	
Average Square Feet Per Unit:	1,000	Land Acquisition:	Total
Number of Units:	24		
Construction per Sq Ft:	\$ 141.22	Grading*	\$ -
Contractor Fees:	\$ -	Graveling*	\$ -
Architect Fees (7% of hard cost):	\$ -	Paving*	\$ -
Other Construction Fees or Costs:	\$ -	Water & Sewer*	\$ -
Total Costs per Sq Ft:	\$ 141.22	Other*	\$ -
		Total Site Development: \$ 200,000.00	
		\$ 3,389,280.00	

Financing Scenario			
Grand Total Development Costs:	\$ 3,589,280.00	Projected Assessed Value:	\$ 1,435,712
Tax Credit Contribution Percentage:	60%	Projected Appraised Value:	\$ 2,871,424
Tax Credit Contribution in Dollars:	\$ 2,153,568.00	Property Tax as a % of Assessed Value:	1.750%
Required Debt Financing:	\$ 1,435,712.00	Target Debt Coverage Ratio:	1.2
Debt Interest Rate:	7.000%		

Expense Per Unit									
Term Scenarios	Monthly Debt Service	Administrative Expenses	Maintenance Expenses	Utility Costs	Property Tax	Hazard Insurance	Minimum Required Average Unit Rent	Annual Housing Cost	Annual Income Required to Afford Housing Costs (30%)
10 year payback	\$694.58	\$ 74.83	\$ 80.38	\$ 80.53	\$ 87.24	\$ 25.00	\$ 1,181.47	\$ 14,177.65	\$ 47,258.85
15 year payback	\$537.69	\$ 74.83	\$ 80.38	\$ 80.53	\$ 87.24	\$ 25.00	\$ 993.21	\$ 11,918.50	\$ 39,728.35
20 year payback	\$463.79	\$ 74.83	\$ 80.38	\$ 80.53	\$ 87.24	\$ 25.00	\$ 904.53	\$ 10,854.39	\$ 36,181.30
25 year payback	\$422.80	\$ 74.83	\$ 80.38	\$ 80.53	\$ 87.24	\$ 25.00	\$ 855.35	\$ 10,264.14	\$ 34,213.81
30 year payback	\$397.99	\$ 74.83	\$ 80.38	\$ 80.53	\$ 87.24	\$ 25.00	\$ 825.57	\$ 9,906.85	\$ 33,022.83

* Site development costs are calculated into the construction cost per square foot

Annual Operating Costs	21,551	23,149	23,193	25,125	7,200
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Income Limits (2bdrm/3 family):	60% AMI	50% AMI	30% AMI
Williams/McKenzie/Mounttrail	30,240	25,200	15,120
Ward	31,860	26,550	15,930
Stark	31,980	29,600	15,990
Maximum Rents (2 bdrm/3 family):	60% AMI	50% AMI	30% AMI
Williams/McKenzie/Mounttrail	756	630	378
Ward	796	663	398
Stark	799	666	399

New Rental Housing Construction Model **Essential Function Bond**

Project Development Costs	
Building Construction	
Average Square Feet Per Unit:	1,000
Number of Units:	4
Total Costs per Sq Ft:	\$ 131.50
	\$ 526,000.00

Financing Scenario	
Grand Total Development Costs:	\$ 526,000.00
Equity Contribution Percentage:	0.00%
Equity Contribution in Dollars:	\$ -
Required Debt Financing:	\$ 526,000.00
Debt Interest Rate***:	3.500%
	1.750%
	Debt Service Coverage Ratio:
	1.2

Expense Per Unit						
Term Scenarios	Monthly Debt Service	Administrative Expenses	Maintenance Expenses#	Property Tax****	Hazard Insurance	Minimum Required Average Unit Rent
15 year payback	\$ 940.07	\$ 59.47	\$ 97.91	\$ 69.04	\$ 41.66	\$ 1,396.16
20 year payback	\$ 762.65	\$ 59.47	\$ 97.91	\$ 69.04	\$ 41.66	\$ 1,183.25
25 year payback	\$ 658.32	\$ 59.47	\$ 97.91	\$ 69.04	\$ 41.66	\$ 1,058.06
30 year payback	\$ 590.49	\$ 59.47	\$ 97.91	\$ 69.04	\$ 41.66	\$ 976.67
						Annual Housing Cost
						\$ 16,753.95
						\$ 14,199.05
						\$ 12,696.74
						\$ 11,720.04
						Annual Income Required to Afford Housing Costs (30%)
						\$ 55,846.49
						\$ 47,330.16
						\$ 42,322.46
						\$ 39,066.80

*Lot Included in Total Development Costs

** Site development costs are calculated into the construction costs per square foot

***Interest rate typically resets every 5 years based on a bank index such as the 5-year US Treasury Note

****Payment in lieu of taxes

#Includes water & sewer

New Rental Housing Construction Model

Essential Function Bond with Equity Contribution

Project Development Costs	
Building Construction	
Average Square Feet Per Unit:	1,000
Number of Units:	4
Total Costs per Sq Ft:	\$ 131.50
	\$ 526,000.00

Financing Scenario	
Grand Total Development Costs:	\$ 526,000.00
Equity Contribution Percentage:	30.00%
Equity Contribution in Dollars:	\$ 157,800.00
Required Debt Financing:	\$ 368,200.00
Debt Interest Rate***:	3.500%
	Projected Assessed Value: \$378,720
	Projected Appraised Value: \$420,800
	Property Tax as a % of Assessed Value: 1.750%
	Debt Service Coverage Ratio: 1.2

		Expense Per Unit				Minimum Required Average Unit Rent	Annual Housing Cost	Annual Income Required to Afford Housing Costs (30%)
Term Scenario	Monthly Debt Service	Administrative Expenses	Maintenance Expenses#	Property Tax****	Hazard Insurance			
15 year payback	\$ 658.05	\$ 59.47	\$ 97.91	\$ 69.04	\$ 41.66	\$ 1,057.74	\$ 12,692.84	\$ 42,309.47
20 year payback	\$ 533.85	\$ 59.47	\$ 97.91	\$ 69.04	\$ 41.66	\$ 908.70	\$ 10,904.41	\$ 36,348.04
25 year payback	\$ 460.82	\$ 59.47	\$ 97.91	\$ 69.04	\$ 41.66	\$ 821.07	\$ 9,852.80	\$ 32,842.65
30 year payback	\$ 413.35	\$ 59.47	\$ 97.91	\$ 69.04	\$ 41.66	\$ 764.09	\$ 9,169.11	\$ 30,563.69

*Lot included in Total Development Costs

** Site development costs are calculated into the construction costs per square foot

***Interest rate typically resets every 5 years based on a bank index such as the 5-year US Treasury Note

****Payment in lieu of taxes



Michael A. Anderson Executive Director

INDUSTRIAL COMMISSION

Jack Dalrymple Governor

Wayne Stenehjem Attorney General

Doug Goehring Agriculture Commissioner

**North Dakota Housing Finance Agency
Agency of the North Dakota Industrial Commission
Testimony of Michael Anderson, Executive Director
Budget Section of ND Legislative Council
December 8, 2010**

Chairman Holmberg and members of the ND Legislative Council Budget Section Interim Committee, my name is Mike Anderson and I am Executive Director of the North Dakota Housing Finance Agency. I come before you today to provide a report on the Rural Housing Investment Incentive Pilot Program.

The Agency was directed in its 2009-2011 biennium budget, SB2014 section 17, to establish a pilot project using funds available at the Agency to provide an incentive for private sector investment in single-family and multifamily housing development in difficult to develop areas of the state. I am here today to report on the results and current status of the pilot project.

First, the purpose of the pilot was to demonstrate that by providing incentives for private sector investments in housing you can, in fact, spur housing development in difficult to develop areas of the state. The Agency committed \$400,000 of its own reserves to carry out the pilot.

A pilot program Request for Proposals (RFP) was developed and approved by the Agency's Advisory Board and the Industrial Commission in October of last year. The RFP was published in December of 2009 with a deadline of written proposals set for February 12, 2010. Some of the key program provisions of the RFP included:

- **Difficult to Develop Areas:** defined as communities with a population of 5,000 or less and who can demonstrate an unmet housing need or housing shortage.
- **Eligible Investors/Contributors:** includes individuals, corporations, financial institutions, municipal governmental entities.
- **Eligible Investments:** includes cash, donated land and infrastructure, buildings, property tax and other municipal incentives that would reduce the gap on the project.
- **Eligible projects:** new construction of single family or multifamily projects or substantial rehabilitation of existing uninhabitable structures that create additional housing units.
- **Matching Funds:** the Agency would provide a dollar for dollar match to help cover the projected gap between the cost of the project and its appraised value. The maximum combined eligible investment and matching funds could not exceed 20 percent of total project costs (50 percent of costs for substantial rehab projects).

Agency matching funds would be limited to a maximum of \$100,000 per project and no more than one award per community would be allowed. The Agency committed to using its best efforts to allocate 50 percent of the funds to single family projects and 50 percent to multifamily projects.

The matching funds would be subject to recapture. In the case of a single family project, if the sale price resulted in a lower than anticipated gap, the excess gap assistance will be repaid at the time of sale. Any remaining gap would be assumed by the home buyer and subject to repayment using a shared equity relationship with the Agency during the first five years of ownership that would be proportionately forgiven each year.

In the case of multifamily, a recapture could occur upon completion of the project if the final appraisal or cost certification resulted in a lower than the anticipated gap. Any remaining match will be structured as a deferred loan and become payable out of positive cash flows after appropriate reserves are fully funded.

All recapture provisions would be enforced through subordinate liens. The recapture provisions did not seem to deter applicants from applying for the funds.

The Agency received fourteen project proposals requesting \$1,063,634 of matching funds. Total projected project costs were \$22.3 million with a projected gap of \$4.177 million.

Ten proposals were for multifamily projects and four were single family projects. All single family proposals were new construction. Six of the multifamily proposals were new construction, three were rehab projects, and one was a combination of new construction and rehab.

Seven projects, one single family and six multifamily, were approved. Total project costs were \$6.7 million and the estimated gap on approved projects was \$3.2 million. Eligible matching equity and other local contributions totaled more than \$2.1 million. Attached to this report is a spreadsheet showing details of applications received and those funded.

- The value gap was clearly demonstrated in the proposals where, in some cases the gap was more than 50 percent of the project costs. All funded projects have at least a 20 percent gap.
- The average rents of the multifamily projects were decreased from \$27 to \$168 per month per unit as a result of the equity from the pilot and local matching funds.
- Project proposals were geographically dispersed around the state signaling gap issues and housing needs all across North Dakota.
- We received an assortment of applicant types including for-profit and non-profit entities, economic development corporations, local housing authorities, Native Americans, and local governments.
- Project proposals had a variety of focus including both single family and multifamily, market rate and income targeted housing, assisted living, senior friendly, and workforce housing.
- Funded projects created 65 new housing units through both new construction and major rehabilitation of existing structures.
- Local investment came from a variety of sources and in a number of forms including developer cash contributions and donated labor; tax abatements, donated land and infrastructure through local government; cash contributions from employers, economic development corporations, local housing authorities, and philanthropic organizations.
- Projects used a variety of debt financing instruments including bond financing, conventional loans from local banks, loan participations, and the NDHFA Rural Rehab Loan Program.

We believe the level of response to the pilot is indicative of not only the need for housing in rural North Dakota, but potential for housing development in these areas. We allowed only 45 days from publishing the RFP to submission of proposals and gave priority to projects that were shovel ready. So, most all of the project proposals were already on the drawing board and all they needed was that last infusion of capital for the projects to be feasible and for them to move ahead. Thus, the pilot did prove that providing an incentive for local investment can spur housing development in difficult to develop areas.

One of the things about the pilot that we heard consistently from participating developers and community leaders was their appreciation for the flexibility the program offered. Each of the communities that were awarded an allocation had a different housing need and this program was able to assist in meeting those needs. For example, the community of Maddock was in

need of rental housing for its growing workforce. Because their focus was workforce housing and federal housing programs typically have income restrictions, traditional federal programs did not work for Maddock. The pilot program, without income restrictions, was able to help in this case. The pilot program is flexible enough to help meet the gap needs that traditional funding sources cannot.

The pilot further demonstrated significant leveraging power. It utilized \$400,000 of public funds to generate \$6.8 million in housing related economic activity – nearly a 17 to 1 ratio. Therefore, it is my recommendation that the Rural Housing Investment Incentive Program should be replicated and expanded. However, a sustainable expansion of the program would require additional funding from outside of the Agency.

Rural Housing Investment Incentive Pilot Program (RHIP)

Funded Projects												
City	Applicant	Project Description	# Units	Total Project Cost	Projected Value Gap (Cost Minus Final Appraisal)	RHIP Funding Requested	RHIP Funding Awarded	Total Debt	Eligible Matching Equity Contribution	Other Equity Contribution	Sources of Debt Financing	Sources of Equity
Underwood	Building Innovations, LLC	Single Family New Construction	1	\$ 186,000	\$ 36,000	\$ 20,000	\$ 18,000	\$ 150,000	\$ 18,000	\$ -	Conventional local bank loan	Owner contributed City & local payment g
Veiva	Whitetail Properties, LLC	Multi-Family Rehabilitation	3	153,464	88,464	70,000	38,366	50,098	65,000	-	Personal loan from owners of the development company.	Owner contributed
Maddock	LSS Housing Maddock, LLC	Multi-Family Rehabilitation	8	371,900	180,900	50,000	50,000	271,900	50,000	-	Conventional local bank loan, NDHFA loan.	Cash contributed business
Parshall	LSS Housing Parshall, LLC	Multi-Family New Construction	20	2,344,000	1,344,000	100,000	100,000	1,500,000	100,000	644,000	Bond; Federal HOME Program, Local Housing Authority.	Local Housing and infras Owner contributed
Stanley	LSS Housing Stanley, LLC	Multi-Family Rehabilitation	17	2,004,700	1,100,000	100,000	100,000	909,700	510,000	485,000	Bond, Federal HOME Program, Local Housing Authority.	Local Housing Institution donors and HOME and
New Rockford	Eddy County Housing Authority	Multi-Family New Construction	4	525,000	225,000	100,000	50,000	415,000	60,000	-	Bond, Federal HOME Program.	Local Housing Economic Corporate
Beach	LSS Housing Beach, LLC	Multi-Family New and Rehabilitation	12	1,195,350	265,350	43,634	43,634	954,750	44,600	152,366	NDHFA loan, USDA-guaranteed loan.	Land from contributed USDA program
Total - Funded Projects:			65	\$ 6,780,414	\$ 3,239,714	\$ 483,634	\$ 400,000	\$ 4,251,448	\$ 847,600	\$ 1,281,366		

Unfunded Projects											
City	Applicant	Project Description	# Units	Total Project Cost	Projected Value Gap	RHIP Funding Requested	RHIP Funding Awarded	Total Debt	Eligible Matching Equity	Other Equity Contribution	Proposed Sources of Debt
Buffalo	City of Buffalo	Multi-Family New Construction	6	\$ 626,510	\$ 116,510	\$ 100,000	-	\$ 350,000	\$ 100,000	\$ 76,510	Conventional local bank loan.
Underwood	Building Innovations, LLC	Multi-Family New Construction	4	500,000	20,000	40,000	-	384,000	76,000	0	Conventional local bank loan.
Parshall	Fort Berthold Housing Authority	Single Family New Construction	40	7,625,464	Information was not provided in the application.	100,000	-	0	400,000	7,125,464	None indicated.
Hazen	Hazen Community Development	Multi-Family New Construction	20	1,951,000	801,000	100,000	-	850,000	800,000	201,000	Bond
Wishek	Wishek Home for the Aged	Multi-Family New Construction	8	1,400,000	0	100,000	-	600,000	700,000	0	Participatory loan from local bank and BND.
Underwood	Building Innovations, LLC	Single Family New Construction	2	420,000	0	40,000	-	350,000	30,000	0	Conventional local bank loan.
Garrison	3-Mile High LLC	Single Family New Construction	20	3,000,000	0	100,000	-	2,800,000	100,000	0	Unspecified
Total - Unfunded Projects:			100	\$ 15,522,974	\$ 937,510	\$ 580,000	\$ -	\$ 5,334,000	\$ 2,206,000	\$ 7,402,974	
Total All Applications:			165	\$ 22,303,388	\$ 4,177,224	\$ 1,063,634	\$ 400,000	\$ 9,585,448	\$ 3,053,600	\$ 8,684,340	

Continuation of L9 p. 10

Pilot Program (RHIP)

Amounting Funding Awarded	RHIFP Funding Awarded	Total Debt	Eligible Matching Equity Contribution	Other Equity Contribution	Sources of Debt Financing	Sources of Equity (Matching Equity in Bold)	Impact of RHIFP and Matching Funds
20,000	\$ 18,000	\$ 150,000	\$ 18,000	\$ -	Conventional local bank loan.	Owner contribution; Land from City & local EDC; City down payment grant.	Encourage speculative development by reducing value gap risk.
70,000	38,366	50,098	65,000	-	Personal loan from owners of the development company.	Owner contribution	Reduced debt allows average unit rent reduction of \$159, ensuring affordability for area median income households.
50,000	50,000	271,900	50,000	-	Conventional local bank loan; NDHFA loan.	Cash contributions from local business & EDC.	Reduced debt allows average unit rent reduction of \$88, enabling low-income occupancy.
100,000	100,000	1,500,000	100,000	644,000	Bond; Federal HOME Program; Local Housing Authority.	Local Housing Authority; Land & infrastructure from City; Owner contribution; Federal NSP Developer concession.	Reduced debt allows average unit rent reduction of \$119, enabling low-income occupancy.
100,000	100,000	909,700	510,000	485,000	Bond; Federal HOME Program; Local Housing Authority.	Local Housing Authority; Institutional Philanthropy; Local donors and investors; Federal HOME and CDBG Programs.	Reduced debt allows average unit rent reduction of \$58, enabling low-income occupancy.
100,000	50,000	415,000	60,000	-	Bond; Federal HOME Program.	Local Housing Authority; Local Economic Development Corporation.	Reduced debt allows average unit rent drop of \$126, enabling low-income occupancy.
43,634	43,634	954,750	44,600	152,366	NDHFA loan; USDA- guaranteed loan.	Land from City; Owner contribution; Federal HOME and USDA programs.	Reduced debt need helps keep required rents affordable.
483,634	\$ 400,000	\$ 4,251,448	\$ 847,600	\$ 1,281,366			
Funding Requested	RHIFP Funding Awarded	Total Debt	Eligible Matching Equity	Other Equity Contribution	Proposed Sources of Debt	Proposed Sources of Equity	
100,000	\$ -	\$ 350,000	\$ 100,000	\$ 76,510	Conventional local bank loan.	Owner contribution; Local investors; Land & tax abatement from City; Other unspecified assistance.	
40,000	-	384,000	76,000	0	Conventional local bank loan.	Land from Local Housing Authority; Local EDC grant; Unspecified private investor.	
100,000	-	0	400,000	7,125,464	None indicated.	Tribal business council; LIHTC; HUD first-time homebuyer programs; unspecified state and federal programs.	
100,000	-	850,000	800,000	201,000	Bond	Owner contribution; Local community development corporation; City contribution; Other unspecified sources.	
100,000	-	600,000	700,000	0	Participatory loan from local bank and BND.	Owner contribution; Local tax abatement.	
40,000	-	350,000	30,000	0	Conventional local bank loan.	Land from City; Local EDC down payment grant.	
100,000	-	2,800,000	100,000	0	Unspecified	Owner contribution of land.	
580,000	\$ -	\$ 5,334,000	\$ 2,206,000	\$ 7,402,974			
063,634	\$ 400,000	\$ 9,585,448	\$ 3,053,600	\$ 8,684,340			

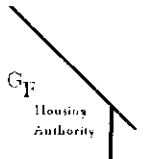
Testimony 49 (Pamphlet)

STATE OF AFFORDABLE HOUSING IN NORTH DAKOTA



2010 REPORT

Sponsored by:



EXECUTIVE SUMMARY

#96

North Dakota is showing positive growth in a variety of economic factors – the lowest unemployment rate in the country, home value increases among the highest in the nation, and overall increases in median income. We are seeing progress in closing our housing affordability gap, but work still needs to be done.

With steady growth in income and a moderation of home price increases, the affordability gap is flattening. Median home price expansion still outpaces the rise in median household income but at a slower rate than previous years.

In the energy-impacted areas of western North Dakota where housing demand exceeds supply, data provided by the North Dakota Association of Realtors shows significant price increases. As public and private investment in housing increases capacity, it is expected that market conditions should normalize.

Workers at all skill levels and in all wage ranges are needed in any community. And, job growth and economic development cannot happen without adequate housing. Communities need to have an adequate balance of housing stock including options for low- and moderate-income families to ensure that the community can grow and prosper.

Several common occupations – found in every community throughout the state – pay more than 30 percent of their income for housing, which is a commonly accepted guideline for housing affordability.

When looking at occupation incomes and the amount available to spend on housing costs found on Page 7, keep in mind that nearly 59 percent of households in North Dakota rely on one or fewer wage earners. For some occupations, this can push housing costs out of reach without a second earner.

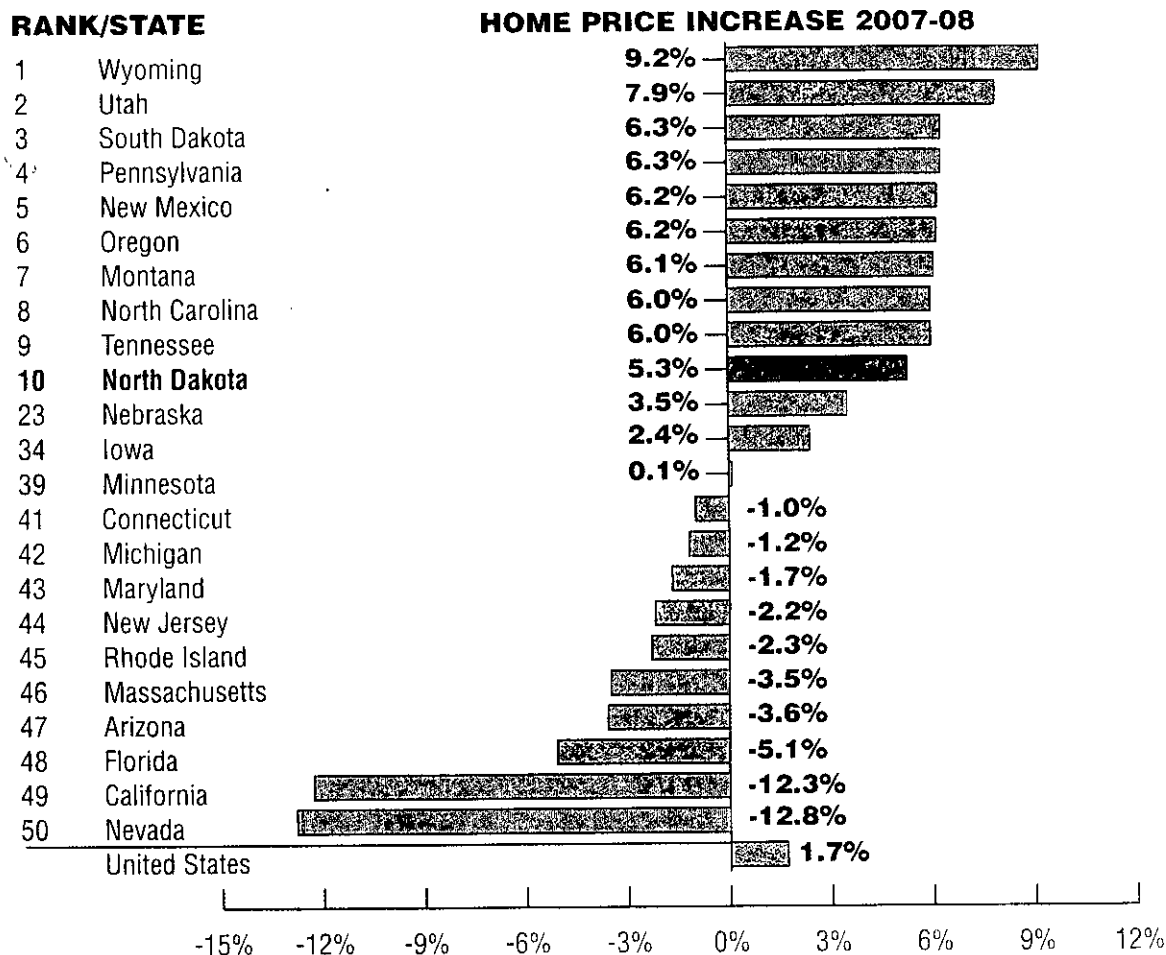
Much focus in the discussion of housing in North Dakota has been on shortages. This is a significant issue that needs a thorough discussion. However, the intent of this report is to provide a comparison between income and housing costs. While each community's level of demand is different, affordability is an issue that resonates throughout the state.

For continued and sustainable economic growth throughout North Dakota, housing must be a priority. The state needs to establish a comprehensive public policy that addresses housing demands while also prioritizing affordability. This report seeks to provide reliable information to facilitate that discussion.

The data provided in this report is the most current information available at the time of printing. Much has been happening in the state since this information was collected. More data being gathered will continue the evolution of this multi-faceted discussion on housing in North Dakota.

NORTH DAKOTA HOME PRICES VS. OTHER STATES

North Dakota is enjoying greater increases in home prices than a majority of the nation. The American Community Survey estimate currently ranks the state at tenth up from 16th the year before. North Dakota has placed in the top twenty since 2005.



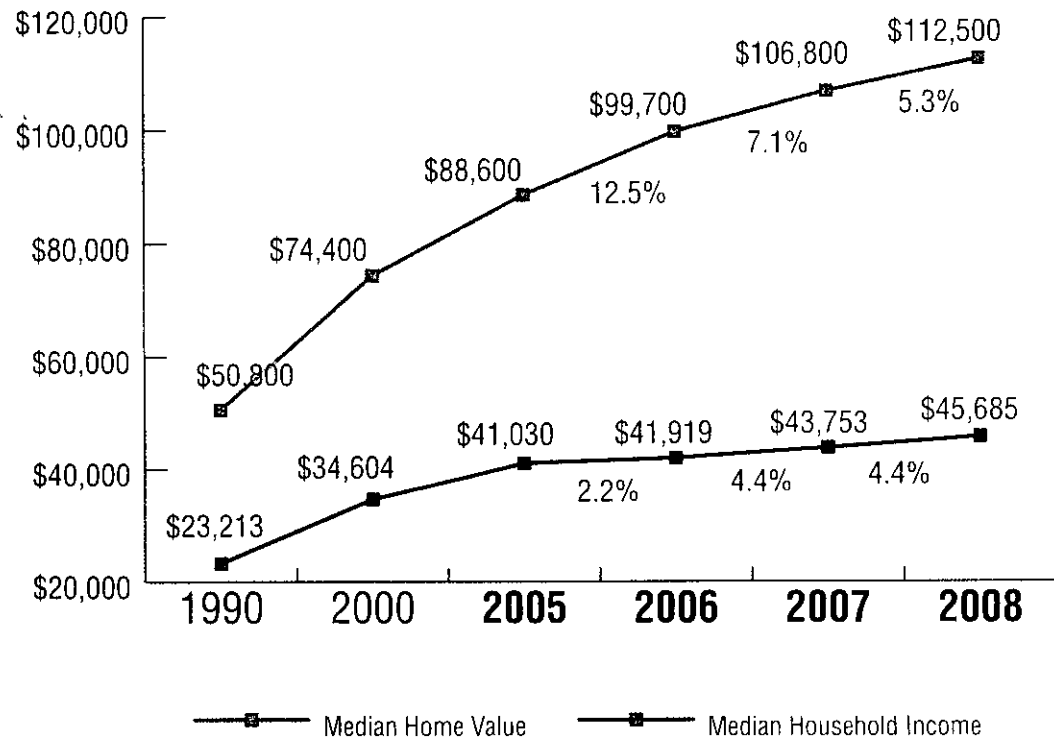
Source:

U.S. Census Bureau. 2005-2008. American Community Survey 1-Year Estimates, "R2510. Median Housing Value of Owner-Occupied Housing Units."

#9d.

MEDIAN HOME VALUES VS. MEDIAN HOUSEHOLD INCOME

The American Community Survey estimates that the rate at which North Dakota's median home values change has moderated and household income is steadily increasing. While income is still growing at a slower pace than home values, more equitable increases help reduce the housing affordability gap.



Source:

U.S. Census Bureau. 2005-2008. American Community Survey 1-Year Estimates, "R1901. Median Household Income (In Inflation-Adjusted Dollars)" and "R2510. Median Housing Value of Owner-Occupied Housing Units."

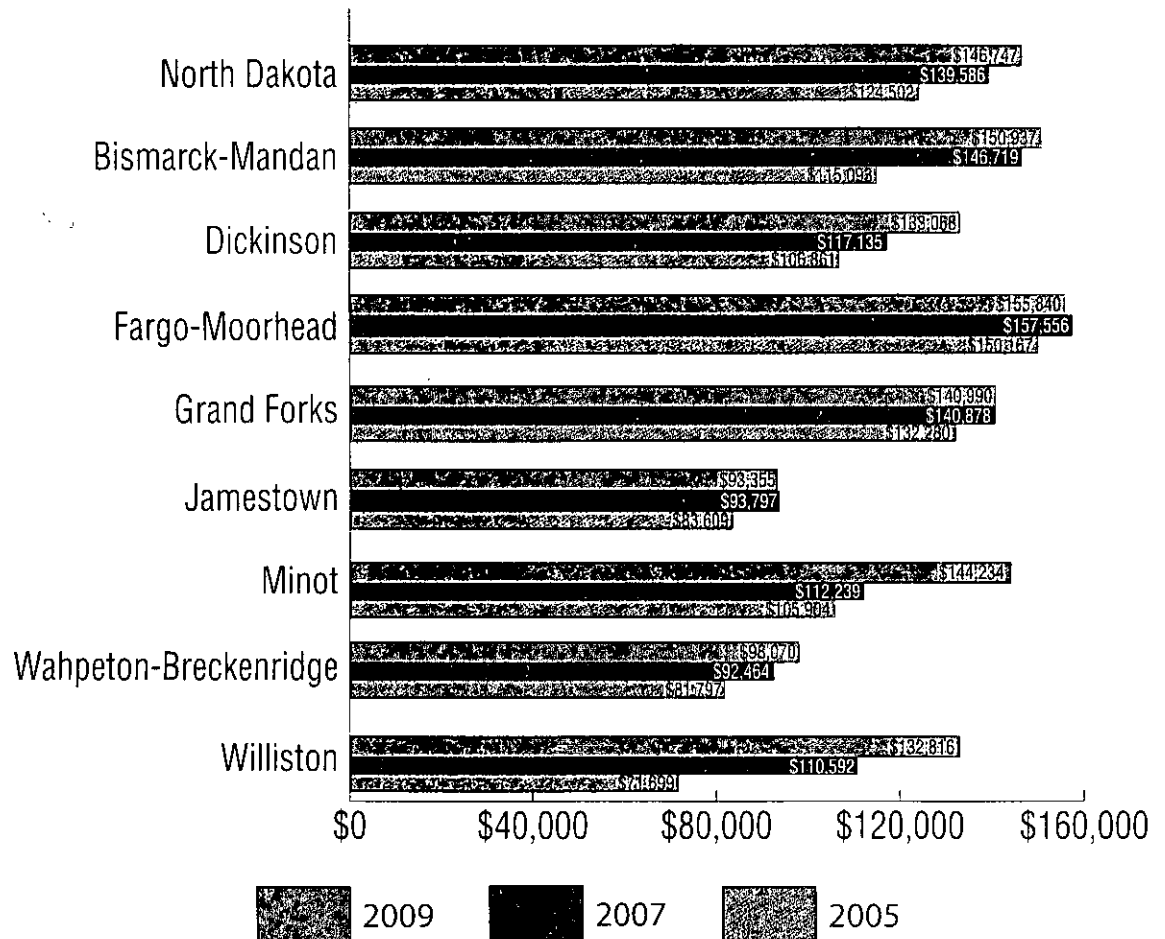
U.S. Census Bureau. 2000. Decennial Census, "DP-3. Profile of Selected Economic Characteristics" and "DP-4. Profile of Selected Housing Characteristics."

U.S. Census Bureau. 1990. Decennial Census, "H0238. Median Value" and "P080A. Median Household Income."

#9e.

AVERAGE HOME PRICES BY CITY

Eastern North Dakota communities have experienced relatively unremarkable price changes over the past five years. The marketplaces seeing large price increases have all been in the west, particularly in energy-impacted areas, where housing demand continues to exceed the supply.



Note:

In the energy-impacted areas, the availability of housing appears to be affecting affordability. Private and public investment in housing is continuing to increase housing capacity. As communities work to return housing demand to a reasonable level, it is expected that market conditions will normalize.

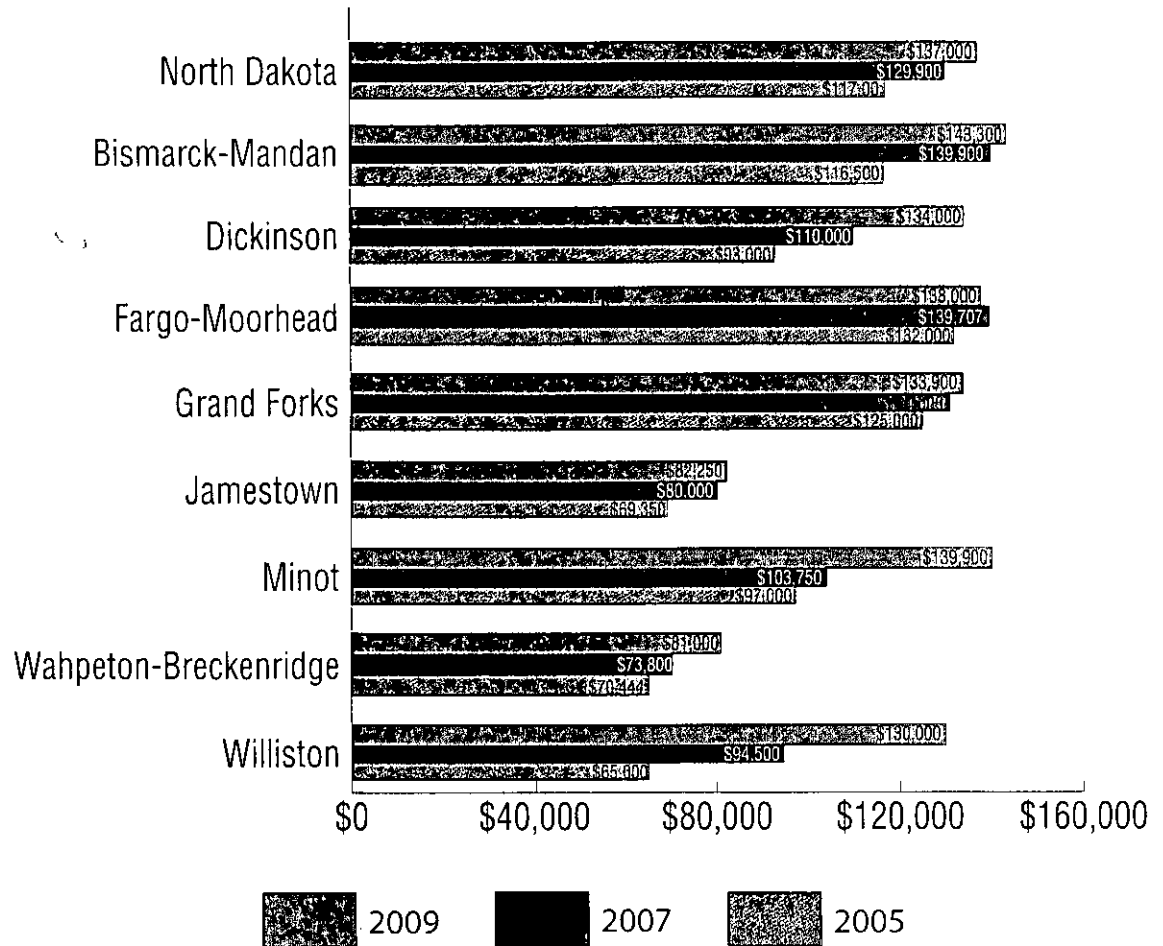
The average home price displayed on the graph will differ from the 2008 report due to a change in the manner that the Multiple Listing Service (MLS) data is gathered. In previous years the information was manually submitted by the local real estate boards. Now it is gathered directly from the MLS providers and their programs.

Source:

North Dakota Association of Realtors. 2005-2009. "Multiple Listing Service."

MEDIAN HOME PRICES BY CITY

From 2007 to 2009, the median home prices rose more quickly than the averages with the exceptions of Bismarck-Mandan and Fargo-Moorhead. This trend suggests that the housing market is becoming more normalized with a greater balance between high-cost and low-cost housing.



Notes:

In the energy-impacted areas, the availability of housing appears to be affecting affordability. Private and public investment in housing is continuing to increase housing capacity. As communities work to return housing demand to a reasonable level, it is expected that market conditions will normalize.

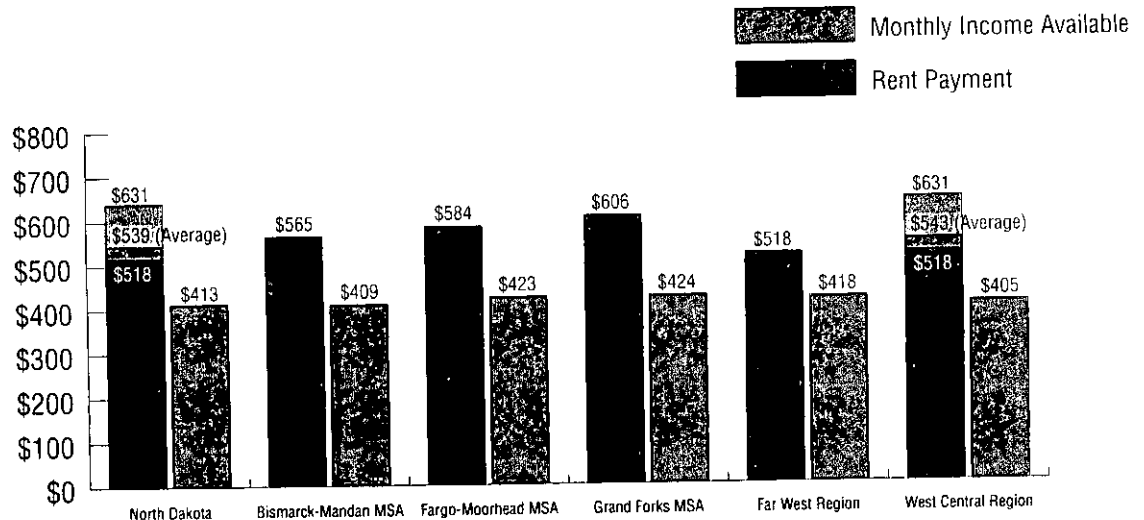
Source:

North Dakota Association of Realtors. 2005-2009. "Multiple Listing Service."

RENTAL AFFORDABILITY (CASHIER/MEDIAN WAGE)

A commonly accepted guideline for housing affordability is costs that are no more than 30 percent of household income. In North Dakota, the American Community Survey estimated that 37.1 percent of renter households, like the Cashier illustrated below, have to put 31 percent or more of their income toward housing.

It should be noted that the rental information shown uses the Fair Market Rent published by the US Department of Housing and Urban Development to represent current rent levels.



Notes:

- Median typical monthly wage was derived from the 2009 Occupational Employment Statistics typical median annual wage, by dividing by 12 (not seasonally adjusted). True median monthly wage information was not available.
- Metropolitan Statistical Areas (MSA) have at least one urbanized area of 50,000 or more population, plus adjacent territory that has a high degree of social and economic integration with the core as measured by commuting patterns.
- The Far West Region consists of Adams, Billings, Bowman, Divide, Dunn, Golden Valley, Hettinger, McKenzie, Slope, Stark, and Williams counties; it also includes the cities of Williston and Dickinson. All counties in the Far West Region have an FMR of \$518 for a 2-bedroom apartment.
- The West Central Region consists of Bottineau (\$539), Burke (\$539), Burleigh (\$565), Emmons (\$539), Grant (\$518), McHenry (\$539), McLean (\$539), Mercer (\$518), Morton (\$565), Mountrail (\$539), Oliver (\$518), Pierce (\$539), Renville (\$539), Sheridan (\$539), Sioux (\$518), and Ward (\$631) counties. FMRs for a 2-bedroom apartment in these counties are shown in parentheses. The Bismarck-Mandan MSA is excluded from the West Central Region's wage data.

Sources:

Job Service North Dakota. 2009. "Occupational Employment Statistics."
U.S. Department of Housing & Urban Development. 2010. "The Final FY 2010 North Dakota Fair Market Rent Summary."

HOUSING AFFORDABILITY BY OCCUPATIONS (MEDIAN WAGE)

The 10 occupations with the highest number of employees represent more than 20 percent of the North Dakota's workforce. While these positions are essential to our economy, some occupations don't pay enough to adequately cover housing costs.

NORTH DAKOTA					
Occupation	Number of Persons	Single Income		Dual Income	
		Median Typical Monthly Wage	Amount Available for Housing	Monthly Wage with 2nd Earner	Amount Available for Housing
Retail Salespersons	11,230	\$1,706	\$512	\$3,074	\$921
Cashiers	10,850	\$1,375	\$413	\$2,475	\$743
Heavy Truck Drivers	7,620	\$3,092	\$928	\$5,561	\$1,670
Waiters & Waitresses	6,910	\$1,321	\$396	\$2,378	\$713
Nursing Aides, Orderlies & Attendants	6,720	\$1,464	\$589	\$2,981	\$1,061
Bookkeeping, Accounting, & Auditing Clerks	6,650	\$2,490	\$747	\$4,464	\$1,345
Janitors & Cleaners	6,580	\$1,675	\$563	\$3,375	\$1,013
Combined Food Prep & Serving Workers	6,380	\$1,400	\$422	\$2,625	\$759
Registered Nurses	6,260	\$4,491	\$1,329	\$7,976	\$2,393
Elementary School Teachers	5,510	\$3,515	\$1,055	\$6,925	\$1,899
Retired Workers	75,205	\$1,074	\$322	\$1,993	\$580

The number of North Dakota's retired workers who have another source of income besides Social Security benefits and the number who are alone in their household are unknown. If Social Security is a retired worker's only source of income, it will be challenging to pay monthly housing costs.

2010 Fair Market Rent Range for 2-bedroom apartment for North Dakota: \$518-\$631 (\$539 Average)

2009 Monthly Payment on Median Priced Home for ND: \$985

Notes:

- The percent of ND labor force is derived from the 2009 Local Area Unemployment Statistics North Dakota civilian labor force statistic of 364,970 (not seasonally adjusted).
- The monthly wage for retired workers is an average, not a median.
- Assumes second earner's wage to be 80% of the primary's wage
- Assumes 5% down payment, 5.5% interest rate on a 30-year, fixed-rate mortgage, plus allocation of 25% of the monthly payment to property taxes, insurance and other costs such as PMI. Number based on Multiple Listing Service data.
- Just over one-third, 36.4%, of all households had only one wage earner in 2008; 22.3% had no workers (retired workers, receiving benefits other than regular wages, or unemployed); 35.4% had two wage earners; and 5.7% had three or more wage earners.

Sources:

U.S. Department of Housing & Urban Development. 2010. "The Final FY 2010 North Dakota Fair Market Rent Summary."
 North Dakota Association of Realtors. 2009. "Multiple Listing Service."
 Job Service North Dakota. 2009. "Occupational Employment Statistics" and "Local Area Unemployment Statistics."
 Social Security Administration: Office of Retirement and Disability Policy. 2009. "Annual Statistical Summary: Old Age, Survivors, and Disability Insurance, Benefits in Current Payment Status, Geographic Data."
 U.S. Census Bureau. 2008. American Community Survey 1-Year Estimates, "B08202. Household Size by Number of Workers in Household."
 Institute for Women's Policy Research. 2010. "Fact Sheet: The Wage Gap: 2009"

#9 K.

HOUSING AFFORDABILITY BY OCCUPATIONS APPENDICES

FARGO MSA					
Occupation	Number of Persons	Single Home		Dual Home	
		Median Typical Monthly Wage	Amount Available for Housing	Monthly Wage with Payroll Tax	Amount Available for Housing
Retail Salespersons	4,180	\$1,657	\$497	\$2,989	\$895
Cashiers	3,000	\$1,411	\$423	\$2,540	\$762
Heavy Truck Drivers	2,300	\$3,120	\$936	\$3,615	\$1,685
Waiters & Waitresses	2,290	\$1,835	\$401	\$2,405	\$721
Nursing Aides, Orderlies, & Attendants	1,490	\$2,004	\$601	\$3,607	\$1,082
Bookkeeping, Accounting & Auditing Clerks	1,950	\$2,592	\$778	\$4,666	\$1,400
Janitors & Cleaners	2,020	\$1,668	\$551	\$3,003	\$993
Combined Food Prep & Serving Workers	3,100	\$1,595	\$419	\$2,613	\$754
Registered Nurses	1,230	\$4,310	\$1,443	\$8,555	\$2,597
Elementary School Teachers	1,170	\$3,941	\$1,182	\$7,094	\$2,128

2010 Fair Market Rent for 2-bedroom apartment for Fargo MSA: \$584
 2009 Monthly Payment on Median Priced Home for Fargo: \$992

Note:

- Metropolitan Statistical Areas (MSA) have at least one urbanized area of 50,000 or more population, plus adjacent territory that has a high degree of social and economic integration with the core as measured by commuting patterns.

Source:

Job Service North Dakota. 2009. "Occupational Employment Statistics."

U.S. Census Bureau. 2008. American Community Survey 1-Year Estimates, "PUMS File."

U.S. Department of Housing & Urban Development. 2010. "The Final FY 2010 North Dakota Fair Market Rent Summary."

North Dakota Association of Realtors. 2009. "Multiple Listing Service."

Social Security Administration: Office of Retirement and Disability Policy. 2009. "Annual Statistical Summary: Old Age, Survivors, and Disability Insurance, Benefits in Current Payment Status, Geographic Data."

Institute for Women's Policy Research. 2010. "Fact Sheet: The Wage Gap: 2009"

HOUSING AFFORDABILITY BY OCCUPATIONS APPENDICES

Amount Available for Housing
\$895
\$762
\$1,685
\$721
\$1,082
\$1,400
\$993
\$754
\$2,597
\$2,128

GRAND FORKS MSA					
Occupation	Number of Persons	Single Income		Dual Income	
		Median Priced Monthly Wage	Amount Available for Housing	Monthly Wage with 240-hour	Amount Available for Housing
Retail Salespersons	1,870	\$1,819	\$486	\$2,814	\$874
Cashiers	1,520	\$1,413	\$424	\$2,418	\$763
Heavy Truck Drivers	960	\$2,734	\$826	\$4,957	\$1,487
Waiters & Waitresses	1,250	\$1,350	\$408	\$3,450	\$735
Nursing Aides, Orderlies & Attendants	930	\$1,979	\$594	\$3,562	\$1,069
Bookkeeping, Accounting & Auditing Clerks	820	\$2,481	\$745	\$4,489	\$1,341
Janitors & Cleaners	1,030	\$1,607	\$542	\$3,253	\$976
Combined Food Prep & Serving Workers	1,240	\$1,470	\$441	\$2,646	\$794
Elementary School Teachers	690	\$3,432	\$1,036	\$6,214	\$1,864

2010 Fair Market Rent for 2-bedroom apartment for Grand Forks MSA: \$606

2009 Monthly Payment on Median Priced Home for Grand Forks: \$963

Notes:

- Due to confidentiality in this region, no information was available from the OES regarding registered nurses.
- Metropolitan Statistical Areas (MSA) have at least one urbanized area of 50,000 or more population, plus adjacent territory that has a high degree of social and economic integration with the core as measured by commuting patterns.

Source:

Job Service North Dakota. 2009. "Occupational Employment Statistics."

U.S. Census Bureau. 2008. American Community Survey 1-Year Estimates, "PUMS File."

U.S. Department of Housing & Urban Development. 2010. "The Final FY 2010 North Dakota Fair Market Rent Summary."

North Dakota Association of Realtors. 2009. "Multiple Listing Service."

Social Security Administration: Office of Retirement and Disability Policy. 2009. "Annual Statistical Summary: Old Age, Survivors, and Disability Insurance, Benefits in Current Payment Status, Geographic Data."

Institute for Women's Policy Research. 2010. "Fact Sheet: The Wage Gap: 2009"

HOUSING AFFORDABILITY BY OCCUPATIONS APPENDICES

FAR WEST REGION					
Occupation	Number of Persons	Single Income		Dual Income	
		Median Typical Monthly Wage	Amount Available for Housing	Monthly Wage with 2nd Earner	Amount Available for Housing
Retail Salespersons	790	\$1,366	\$470	\$2,917	\$845
Cashiers	1,210	\$1,394	\$418	\$2,500	\$753
Heavy Truck Drivers	1,520	\$2,369	\$1,020	\$5,104	\$1,835
Waiters & Waitresses	540	\$1,538	\$400	\$2,899	\$720
Nursing Aides, Orderlies, & Attendants	630	\$2,660	\$618	\$3,710	\$1,113
Bookkeeping, Accounting & Auditing Clerks	760	\$2,521	\$756	\$4,588	\$1,361
Janitors & Cleaners	670	\$1,573	\$562	\$3,971	\$1,011
Combined Food Prep & Serving Workers	690	\$1,514	\$454	\$2,725	\$818
Registered Nurses	560	\$4,488	\$1,330	\$7,979	\$2,394
Elementary School Teachers	580	\$3,658	\$1,097	\$6,684	\$1,975

2010 Fair Market Rent for a 2-bedroom apartment for Far West Region: \$518

2009 Monthly Payment on Median Priced Home for the Dickinson Region: \$964

2009 Monthly Payment on Median Priced Home for the Williston Region: \$935

Notes:

- In the energy-impacted areas, the availability of housing appears to be affecting affordability. Private and public investment in housing is continuing to increase housing capacity. As communities work to return housing demand to a reasonable level, it is expected that market conditions will normalize.
- The Number of Persons is the sum of the labor forces of the counties within the Far West Region.
- The Far West Region consists of Adams, Billings, Bowman, Divide, Dunn, Golden Valley, Hettinger, McKenzie, Slope, Stark, and Williams counties; it also includes the cities of Williston and Dickinson. All counties in the Far West Region have an FMR of \$518 for a 2-bedroom apartment.
- Assumes second earner's wage to be 80% of the primary's wage.

Source:

Job Service North Dakota. 2009. "Occupational Employment Statistics."

U.S. Census Bureau. 2008. American Community Survey 1-Year Estimates, "PUMS File."

U.S. Department of Housing & Urban Development. 2010. "The Final FY 2010 North Dakota Fair Market Rent Summary."

North Dakota Association of Realtors. 2009. "Multiple Listing Service."

Social Security Administration: Office of Retirement and Disability Policy. 2009. "Annual Statistical Summary: Old Age, Survivors, and Disability Insurance, Benefits in Current Payment Status, Geographic Data."

Institute for Women's Policy Research. 2010. "Fact Sheet: The Wage Gap: 2009"

HOUSING AFFORDABILITY BY OCCUPATIONS APPENDICES

Amount Available for Housing
\$845
\$753
\$1,835
\$720
\$1,113
\$1,361
\$1011
\$818
\$2,394
\$1,975

WEST CENTRAL REGION					
Occupation	Number of Persons	Single Income		Dual Income	
		Median Typical Monthly Wage	Amount Available for Housing	Monthly Wage with Employer	Amount Available for Housing
Retail Salespersons	1,790	\$1,649	\$495	\$2,968	\$890
Cashiers	1,960	\$1,350	\$405	\$2,424	\$729
Heavy Truck Drivers	1,050	\$2,886	\$850	\$5,100	\$1,530
Waiters & Waitresses	1,380	\$1,296	\$388	\$2,631	\$699
Nursing/Aides, Orderlies & Attendants	820	\$1,888	\$565	\$3,990	\$1,017
Bookkeeping, Accounting & Auditing Clerks	990	\$2,450	\$737	\$4,424	\$1,327
Janitors & Cleaners	1,070	\$1,858	\$557	\$3,344	\$1,003
Registered Nurses	930	\$4,762	\$1,429	\$8,571	\$2,571
Elementary School Teachers	1,100	\$3,419	\$1,026	\$6,154	\$1,846

2010 Fair Market Rent Range for a 2-bedroom apartment for West Central Region: \$518-\$631 (\$543 Average)
 2009 Monthly Payment on Median Priced Home for the Minot Region: \$1,006

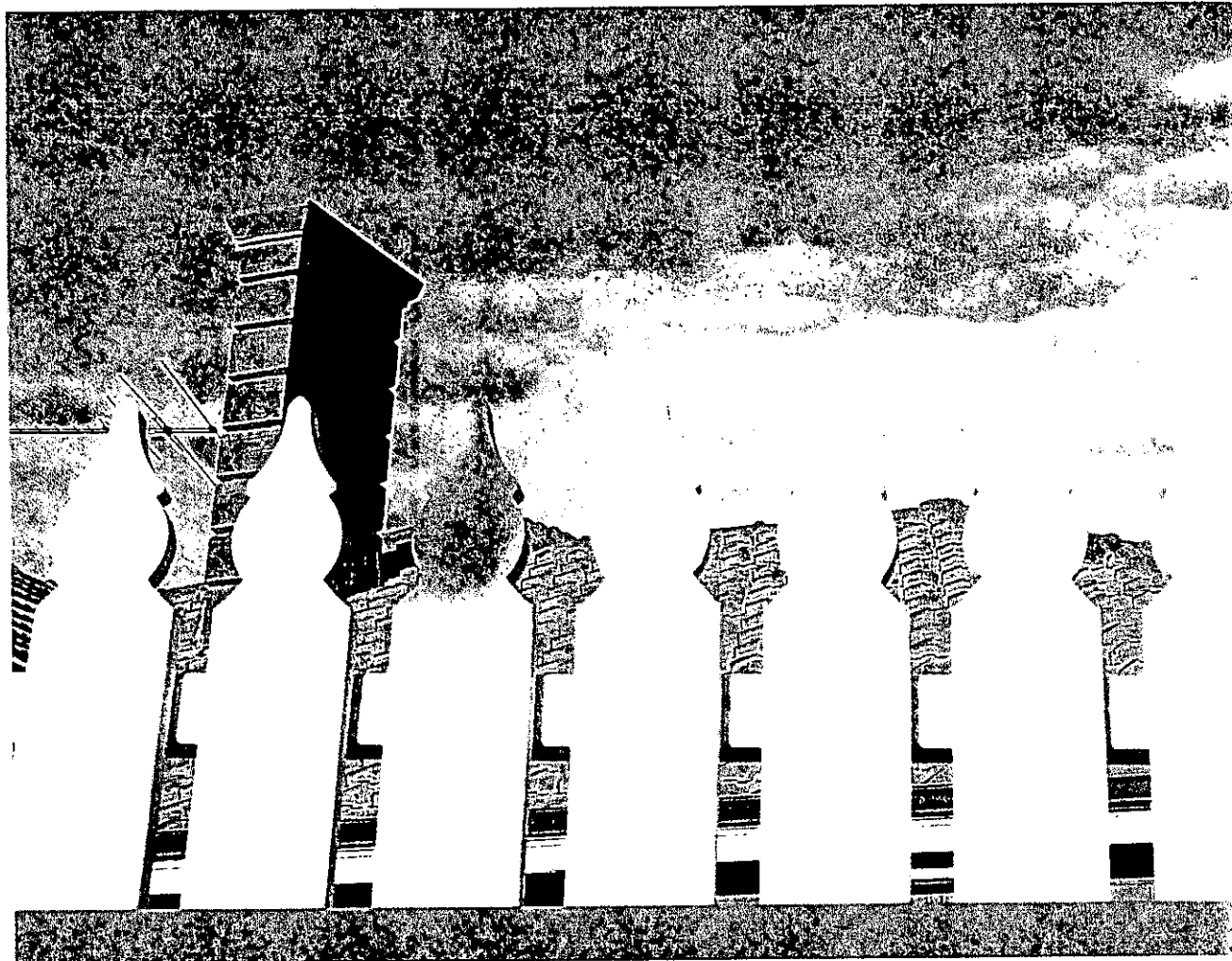
Notes:

- In the energy-impacted areas, the availability of housing appears to be affecting affordability. Private and public investment in housing is continuing to increase housing capacity. As communities work to return housing demand to a reasonable level, it is expected that market conditions will normalize.
- The Number of Persons is the sum of the labor forces of the counties within the West Central Region.
- No data from the DES regarding combined food prep and serving workers was available for the West Central Region.
- The West Central Regions consists of Bottineau (\$539), Burke (\$539), Burleigh (\$565), Emmons (\$539), Grant (\$518), McHenry (\$539), McLean (\$539), Mercer (\$518), Morton (\$565), Mountrail (\$539), Oliver (\$518), Pierce (\$539), Renville (\$539), Sheridan (\$539), Sioux (\$518), and Ward (\$631) counties. FMRs for a 2-bedroom apartment in these counties are shown in parentheses.

Source:

Job Service North Dakota. 2009. "Occupational Employment Statistics."
 U.S. Census Bureau. 2008. American Community Survey 1-Year Estimates, "PUMS File."
 U.S. Department of Housing & Urban Development. 2010. "The Final FY 2010 North Dakota Fair Market Rent Summary."
 North Dakota Association of Realtors. 2009. "Multiple Listing Service."
 Social Security Administration: Office of Retirement and Disability Policy. 2009. "Annual Statistical Summary: Old Age, Survivors, and Disability Insurance, Benefits in Current Payment Status, Geographic Data."
 Institute for Women's Policy Research. 2010. "Fact Sheet: The Wage Gap: 2009

#90.



NORTH DAKOTA
housing
FINANCE AGENCY

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PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2210

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact two new sections to chapter 54-17, a new subdivision to subsection 2 of section 54-60.1-01, a new subsection to section 57-35.3-05, a new section to chapter 57-38, and a new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating to a housing incentive fund and tax credits for contributions to the fund; to amend and reenact subsection 2 of section 54-17-07.2, and section 57-35.3-07 of the North Dakota Century Code, relating to the definition of multifamily housing facility and payment of the financial institutions tax; to provide an effective date; and to provide a continuing appropriation.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Subsection 2 of section 54-17-07.2 of the North Dakota Century Code is amended and reenacted as follows:

2. "Multifamily housing facility" means any facility containing ~~five~~ four or more residential dwelling units; provided, that at least twenty percent of the units in each facility must be held for occupancy by persons or families of low and moderate income for ~~such~~ the period of time as the industrial commission may determine and may include ~~such~~ the related public or private facilities intended for commercial, cultural, recreational, community, or other civic purpose as the commission may approve.

SECTION 2. Two new sections to chapter 54-17 of the North Dakota Century Code are created and enacted as follows:

Housing incentive fund - Continuing appropriation.

1. The housing incentive fund is created as a special revolving fund at the Bank of North Dakota. Assistance may be disbursed from the fund as directed by the housing finance agency and a continuing appropriation from the fund is provided for that purpose.
2. After a public hearing the housing finance agency shall create an annual allocation plan for the distribution of the fund. At least twenty-five percent of the fund must be used to assist developing communities with a population of not more than ten thousand individuals to address an unmet housing need or alleviate a housing shortage. At least fifty percent of the fund must be used to benefit households with incomes at not more than fifty percent of the area

- b. Gap assistance, matching funds, and accessibility improvements;
 - c. Assistance that does not exceed the amount necessary to qualify for a loan using underwriting standards acceptable for secondary market financing or to make the project feasible; and
 - d. Rental assistance, emergency assistance, or targeted supportive services designated to prevent homelessness.
- 4. Eligible recipients include units of local, state, and tribal government; local and tribal housing authorities; community action agencies; regional planning councils; and nonprofit organizations and for-profit developers of multifamily housing. Individuals may not receive direct assistance from the fund.
 - 5. Except for subdivision d of subsection 3, assistance is subject to repayment or recapture under the guidelines adopted by the housing finance agency. Any assistance that is repaid or recaptured must be deposited in the fund and is appropriated on a continuing basis for the purposes of this section.

Report.

Upon request, the housing finance agency shall report to the industrial commission on the activities of the housing incentive fund.

✓ **SECTION 3.** A new subdivision to subsection 2 of section 54-60.1-01 of the North Dakota Century Code is created and enacted as follows:

Assistance from the housing finance agency through housing incentive funds.

✓ **SECTION 4.** A new subsection to section 57-35.3-05 of the North Dakota Century Code is created and enacted as follows:

There is allowed a credit against the tax imposed by sections 57-35.3-01 through 57-35.3-12 in an amount equal to the contribution to the housing incentive fund under section 2 of this Act. The taxpayer may not claim more than twenty percent of the credit for each separate contribution made in any taxable year. For the purposes of the credit allowed in this subsection, subsections 2 through 8 of section 6 of this Act apply.

SECTION 5. AMENDMENT. Section 57-35.3-07 of the North Dakota Century Code is amended and reenacted as follows:

57-35.3-07. Payment of Tax.

Two-sevenths of the tax before credits allowed under section 57-35.3-05, less the ~~credit~~credits allowed under subsection 1 of section 57-35.3-05 and section 4 of this Act, must be paid to the commissioner on or before April fifteenth of the year in which the return is due, regardless of any extension of the time for filing the return granted under 57-35.3-06. Five-sevenths of the tax before credits allowed under section 57-35.3-05, less the credit allowed under subsection 2 of section 57-35.3-05, must be paid to the commissioner on or before January fifteenth of the year after the return is due. Payment must be made by check, draft, or money order, payable to the commissioner, or as prescribed by the commissioner under subsection 15 of section 57-01-02.

✓ **SECTION 6.** A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

57-35.3-07. Payment of Tax.

Two-sevenths of the tax before credits allowed under section 57-35.3-05, less the credit credits allowed under subsection 1 of section 57-35.3-05 and section 4 of this Act, must be paid to the commission on or before April fifteenth of the year in which the return is due, regardless of any extension of the time for filing the return granted under 57-35.3-06. Five-sevenths of the tax before credits allowed under section 57-35.3-05, less the credit allowed under subsection 2 of section 57-35.3-05, must be paid to the commissioner on or before January fifteenth of the year after the return is due. Payment must be made by check, draft, or money order, payable to the commissioner, or as prescribed by the commissioner under subsection 15 of section 57-01-02.

SECTION 6. A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

Housing incentive fund tax credit.

1. A taxpayer is entitled to a credit as determined under this section against state income tax liability under section 57-38-30 or 57-38-30.3 for contributing to the housing incentive fund under section 2 of this Act. The amount of the credit is equal to the amount contributed to the fund during the taxable year. The taxpayer may not claim more than twenty percent of the credit for each separate contribution made in any taxable year.
2. North Dakota taxable income shall be increased by the amount of the contribution upon which the credit under this section is computed but only to the extent the contribution reduced federal taxable income.
3. The contribution amount used to calculate the credit under this section may not be used to calculate any other state income tax deduction or credit allowed by law.
4. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the excess may be carried forward to each of the ten succeeding taxable years.
5. The aggregate amount of tax credits allowed to all eligible contributors is limited to four million dollars per biennium. This limitation applies to all contributions for which tax credits are claimed under section 57-35.3-05 and this section.
6. Within thirty days after the date on which a contribution to the housing incentive fund is made, the housing finance agency shall file with each contributing taxpayer, and a copy with the tax commissioner, completed forms that show as to each contribution to the fund by that taxpayer the following:
 - a. The name, address, and social security number or federal employer identification number of the taxpayer who made the contribution.

Housing incentive fund tax credit under section 6 of this Act.

SECTION 8. EFFECTIVE DATE-EXPIRATION DATE. Sections 1, 2 and 3 of this Act are effective through June 30, 2013, and are thereafter ineffective. Sections 4, 5, 6, and 7 of this Act are effective for the first two taxable years beginning after December 31, 2010, and are thereafter ineffective.

Renumber accordingly

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2210

Sunset → Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to create and enact two new sections to chapter 54-17, a new subdivision to subsection 2 of section 54-60.1-01, a new subsection to section 57-35.3-05, a new section to chapter 57-38, and a new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code, relating to a housing incentive fund and tax credits for contributions to the fund; to amend and reenact subsection 2 of section 54-17-07.2, and section 57-35.3-07 of the North Dakota Century Code, relating to the definition of multifamily housing facility and payment of the financial institutions tax; to provide an effective date; and to provide a continuing appropriation. *to provide an expiration date*

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Subsection 2 of section 54-17-07.2 of the North Dakota Century Code is amended and reenacted as follows:

2. "Multifamily housing facility" means any ^{in which} facility containing ~~five~~ four or more residential dwelling units; ~~provided, that~~ ^{in which} at least twenty percent of the units in each facility must be held for occupancy by persons or families of low and moderate income for ~~such~~ the period of time as the industrial commission may determine and may include ~~such~~ the related public or private facilities intended for commercial, cultural, recreational, community, or other civic purpose as the commission may approve.

SECTION 2. Two new sections to chapter 54-17 of the North Dakota Century Code are created and enacted as follows:

Housing incentive fund - Continuing appropriation.

1. The housing incentive fund is created as a special revolving fund at the Bank of North Dakota. Assistance may be disbursed from the fund as directed by the housing finance agency and a continuing appropriation from the fund is provided for that purpose.
2. After a public hearing the housing finance agency shall create an annual allocation plan for the distribution of the fund. At least twenty-five percent of the fund must be used to assist developing communities with a population of not more than ten thousand individuals to address an unmet housing need or alleviate a housing shortage. At least fifty percent of the fund must be used to benefit households with incomes at not more than fifty percent of the area

may direct disbursement from the fund

#9 i.

HOUSING AFFORDABILITY BY INDUSTRY (AVERAGE WAGE)

The average employee in nearly every industry in North Dakota can afford to pay the rent on a two-bedroom apartment. Less than half of households with a single-wage earner can manage homeownership.

NORTH DAKOTA					
	2009 Population	Average Monthly Wage (Single Income)	Monthly Rent Available as Specimen Housing	Average Monthly Wage (Dual Income)	Monthly Amount Available to Buy or Rent
All Industries	355,169	\$3,259	\$978	\$5,866	\$1,950
Accommodation and Food Services	30,389	\$1,049		\$1,888	\$566
Administrative & Waste Services	12,350	\$2,123	\$637	\$3,821	\$1,146
Agriculture, Forestry, Fish & Hunting	4,132	\$3,350	\$1,005	\$6,030	\$1,899
Arts, Entertainment & Recreation	7,289	\$1,469		\$2,644	\$793
Construction	22,641	\$4,221	\$1,267	\$7,598	\$2,279
Educational Services	34,539	\$2,968	\$890	\$5,342	\$1,608
Finance & Insurance	16,643	\$4,117	\$1,235	\$7,411	\$2,228
Health Care & Social Assistance	54,177	\$3,458	\$1,037	\$6,224	\$1,867
Information	7,533	\$3,974	\$1,192	\$7,153	\$2,146
Management of Companies & Enterprises	4,251	\$5,382	\$1,615	\$9,688	\$2,906
Manufacturing	23,512	\$3,878	\$1,168	\$6,980	\$2,094
Mining	7,138	\$6,626	\$1,980	\$11,927	\$3,578
Other Services, Except Public Administration	11,673	\$2,054	\$616	\$3,697	\$1,109
Professional & Technical Services	13,167	\$4,567	\$1,370	\$8,221	\$2,466
Public Administration	21,227	\$3,592	\$1,078	\$6,466	\$1,940
Real Estate & Rental Leasing	3,979	\$2,990	\$897	\$5,382	\$1,615
Retail Trade	44,208	\$2,106	\$632	\$3,791	\$1,187
Transportation & Warehousing	12,436	\$3,714	\$1,114	\$6,685	\$2,006
Utilities	3,626	\$6,617	\$1,985	\$11,911	\$3,573
Wholesale Trade	20,259	\$4,619	\$1,366	\$8,314	\$2,494

Cannot Afford to Buy or Rent

Can Only Afford to Rent

Can Afford to Rent or Buy

2010 Fair Market Rent Range for 2-bedroom apartment for North Dakota: \$518-\$631 (\$539 Average)

2009 Monthly Payment on Average Priced Home for North Dakota: \$1055

Employment Growth and Housing Affordability by Industry data by Metropolitan Statistical Areas and Planning Regions is available on the North Dakota Housing Finance Agency's website, www.ndhfa.org.

Notes:

- The average industrial employment represents the number of positions, not the number of people employed.
- Due to there being only average wage data available for industries in North Dakota, not median, the average home prices were used to display housing costs.
- Assumes second earner's wage to be 80% of the primary's wage.

Sources:

Job Service North Dakota. 2007-2009. "Quarterly Census of Employment & Wages."

North Dakota Association of Realtors. 2009. "Multiple Listing Service."

U.S. Department of Housing & Urban Development. 2010. "The Final FY 2010 North Dakota Fair Market Rent Summary."

Institute for Women's Policy Research. 2010. "Fact Sheet: The Wage Gap: 2009."

HOUSING AFFORDABILITY BY OCCUPATIONS APPENDICES

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BISMARCK MSA					
Occupation	Number of Persons	Single Income		Dual Income	
		Median Wage/ Monthly Wage	Amount Available for Housing	Monthly Wage with 2nd Person	Amount Available for Housing
Retail Salespersons	1,980	\$1,965	\$589	\$3,930	\$1,061
Cashiers	1,850	\$1,965	\$409	\$3,930	\$736
Heavy Truck Drivers	890	\$2,885	\$880	\$5,770	\$1,585
Waiters & Waitresses	6,910	\$1,362	\$406	\$2,724	\$730
Nursing Aides, Orderlies & Attendants	1,490	\$2,012	\$604	\$4,024	\$1,086
Bookkeeping, Accounting & Auditing Clerks	1,100	\$2,665	\$775	\$5,330	\$1,396
Janitors & Cleaners	940	\$1,163	\$631	\$2,326	\$1,136
Combined Food Prep & Serving Workers	880	\$1,820	\$414	\$3,640	\$745
Registered Nurses	1,970	\$4,134	\$1,258	\$8,268	\$2,265
Elementary School Teachers	810	\$3,554	\$1,108	\$7,108	\$1,995

2010 Fair Market Rent for 2-bedroom apartment for Bismarck MSA: \$565
 2009 Monthly Payment on Median Priced Home for Bismarck-Mandan: \$1,031

Cannot Afford to Buy or Rent

Can Only Afford to Rent

Can Afford to Rent or Buy

North Dakota Housing

Note:

- Metropolitan Statistical Areas (MSA) have at least one urbanized area of 50,000 or more population, plus adjacent territory that has a high degree of social and economic integration with the core as measured by commuting patterns.
- Assumes second earner's wage to be 80% of the primary's wage.

Source:

Job Service North Dakota. 2009. "Occupational Employment Statistics."
 U.S. Census Bureau. 2008. American Community Survey 1-Year Estimates. "PUMS File."
 U.S. Department of Housing & Urban Development. 2010. "The Final FY 2010 North Dakota Fair Market Rent Summary."
 North Dakota Association of Realtors. 2009. "Multiple Listing Service."
 Social Security Administration: Office of Retirement and Disability Policy. 2009. "Annual Statistical Summary: Old Age, Survivors, and Disability Insurance, Benefits in Current Payment Status, Geographic Data."
 Institute for Women's Policy Research. 2010. "Fact Sheet: The Wage Gap: 2009"

median income. The agency may collect a reasonable administrative fee from the fund.

3. The housing finance agency shall adopt guidelines for the fund so as to address unmet housing needs in this state. Assistance from the fund may be used solely for:
- a. New construction, rehabilitation, or acquisition of a multifamily housing project;
 - b. Gap assistance, matching funds, and accessibility improvements;
 - c. Assistance that does not exceed the amount necessary to qualify for a loan using underwriting standards acceptable for secondary market financing or to make the project feasible; and
 - d. Rental assistance, emergency assistance, or targeted supportive services designated to prevent homelessness.
4. Eligible recipients include units of local, state, and tribal government; local and tribal housing authorities; community action agencies; regional planning councils; and nonprofit organizations and for-profit developers of multifamily housing. Individuals may not receive direct assistance from the fund.
- Except for 5.2* With the exception of subdivision d of subsection 3, assistance is subject to repayment or recapture under the guidelines adopted by the housing finance agency. Any assistance that is repaid or recaptured must be deposited in the fund and is appropriated on a continuing basis for the purposes of this section.

Report.

Upon request, the housing finance agency shall report to the industrial commission on the activities of the housing incentive fund.

SECTION 3. A new subdivision to subsection 2 of section 54-60.1-01 of the North Dakota Century Code is created and enacted as follows:

Assistance from the housing finance agency through housing incentive funds.

SECTION 4. A new subsection to section 57-35.3-05 of the North Dakota Century Code is created and enacted as follows:

There is allowed a credit against the tax imposed by sections 57-35.3-01 through 57-35.3-12 in an amount equal to the contribution to the housing incentive fund under section 2 of this Act. The taxpayer may not claim more than twenty percent of the credit for each separate contribution made in any taxable year. For the purposes of the credit allowed in this subsection, subsections 2 through 8 of section 6 of this Act apply.

SECTION 5. AMENDMENT. Section 57-35.3-07 of the North Dakota Century Code is amended and reenacted as follows:

57-35.3-07. Payment of Tax.

Two-sevenths of the tax before credits allowed under section 57-35.3-05, less the credit credits allowed under subsection 1 of section 57-35.3-05 and section 4 of this Act, must be paid to the commission on or before April fifteenth of the year in which the return is due, regardless of any extension of the time for filing the return granted under 57-35.3-06. Five-sevenths of the tax before credits allowed under section 57-35.3-05, less the credit allowed under subsection 2 of section 57-35.3-05, must be paid to the commissioner on or before January fifteenth of the year after the return is due. Payment must be made by check, draft, or money order, payable to the commissioner, or as prescribed by the commissioner under subsection 15 of section 57-01-02.

SECTION 6. A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

Housing incentive fund tax credit.

1. A taxpayer is entitled to a credit as determined under this section against state income tax liability under section 57-38-30 or 57-38-30.3 for contributing to the housing incentive fund under section 2 of this Act. The amount of the credit is equal to the amount contributed to the fund during the taxable year. The taxpayer may not claim more than twenty percent of the credit for each separate contribution made in any taxable year.
2. North Dakota taxable income shall be increased by the amount of the contribution upon which the credit under this section is computed but only to the extent the contribution reduced federal taxable income.
3. The contribution amount used to calculate the credit under this section may not be used to calculate any other state income tax deduction or credit allowed by law.
4. If the amount of the credit exceeds the taxpayer's tax liability for the taxable year, the excess may be carried forward to each of the ten succeeding taxable years.
5. The aggregate amount of tax credits allowed to all eligible contributors is limited to four million dollars per biennium. This limitation applies to all contributions for which tax credits are claimed under section 57-35.3-05 and this section.
6. Within thirty days after the date on which a contribution to the housing incentive fund is made, the housing finance agency shall file with each contributing taxpayer, and a copy with the tax commissioner, completed forms that show as to each contribution to the fund by that taxpayer the following:
 - a. The name, address, and social security number or federal employer identification number of the taxpayer who made the contribution.

- b. The dollar amount paid for the contribution by the taxpayer.
- c. The date the payment was received by the fund.
7. To receive the tax credit provided under this section, a taxpayer ^{shall} must claim the credit on the taxpayer's state income or financial institutions tax return in the manner prescribed by the tax commissioner and file with the return a copy of the form issued by the housing finance agency under subsection 6.
8. Notwithstanding the time limitations contained in section 57-38-38, this section does not prohibit the tax commissioner from conducting an examination of the credit claimed and assessing additional tax due under section 57-38-38.
9. A partnership, subchapter S corporation, limited partnership, limited liability company, or any other passthrough entity making a contribution to the housing incentive fund under this section ~~(must be considered to be the taxpayer for~~ ^{shall be} purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.

SECTION 7. A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Housing incentive fund tax credit under section 6 of this Act.

SECTION 8. EFFECTIVE DATE. ^{- EXPIRATION DATE} Sections 4, 5, 6, and 7 of this Act are effective for ^{the first two taxable years} taxable years beginning after December 31, 2010.

Renumber accordingly

^{and are thereafter} ^{Sections 1 through 3 of} ^{this Act are effective} ^{through June 30, 2013, and} ^{are thereafter} ^{ineffective} ^{in effect}

Section 9. Two year ~~interim~~ sunset

~~This Act is effective through July 31, 2013 and after that date is ineffective~~

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2210

Page 1, line 1, replace "two" with "four"

Page 1, line 2, after "new" insert "subdivision to"

Page 1, line 2, replace "to section 57-35.3-05" with "7 of section 57-38-30.3"

Page 1, line 3, remove "a financial institutions"

Page 1, line 3, replace "credit" with "credits"

Page 1, line 4, after the semicolon insert "to amend and reenact subsection 2 of section 54-17-07.2 and section 57-35.3-07 of the North Dakota Century Code, relating to the definition of multifamily housing facility and payment of the financial institutions tax;"

Page 1, after line 5, insert:

"SECTION 1. AMENDMENT. Subsection 2 of section 54-17-07.2 of the North Dakota Century Code is amended and reenacted as follows:

2. "Multifamily housing facility" means any facility containing ~~five~~four or more residential dwelling units; provided, that at least twenty percent of the units in each facility must be held for occupancy by persons or families of low and moderate income for such period of time as the industrial commission may determine and may include such related public or private facilities intended for commercial, cultural, recreational, community, or other civic purpose as the commission may approve."

Page 1, line 6, replace "A" with "Four"

Page 1, line 6, replace "section" with "sections"

Page 1, line 6, replace "is" with "are"

Page 1, after line 7, insert:

"Definitions.

As used in section 2 of this Act:

1. "Agency" means the industrial commission of North Dakota acting as the state housing finance agency.
2. "Director" means the director of the state housing finance agency.
3. "Eligible investor" means a person as defined in section 57-38-01, an exempt organization as described in subsection 1 of section 57-38-09 subject to the tax described in subsection 2 of section 57-38-09, or a financial institution as defined in subsection 2 of section 57-35.3-01 making an eligible investment in the housing incentive fund.
4. "Tax commissioner" means the state tax commissioner."

Page 1, line 10, replace "Loans" with "Assistance"

Page 1, line 10, replace "made" with "disbursed"

Page 1, line 11, remove "Loans from"

Page 1, remove lines 12 through 15

Page 1, line 23, remove the second "the"

Page 1, line 24, after "needs" insert "in this state"

Page 1, line 24, replace "These forms of assistance" with "Assistance from the fund"

Page 2, line 2, remove the second "and"

Page 2, line 3, replace "Gap financing assistance" with "Assistance"

Page 2, line 5, after "financing" insert "or to make the project feasible; and

d. Rental assistance, emergency assistance, or targeted supportive services designated to prevent homelessness"

Page 2, line 10, after the underscored period insert "With the exception of subdivision d of subsection 3, assistance is subject to repayment or recapture under the guidelines adopted by the agency."

Page 2, line 10, replace "returned" with "recaptured"

Page 2, after line 11, insert:

"Housing incentive fund tax credit.

1. A credit against state tax liability as determined under sections 57-35.3-01 through 57-35.3-12, 57-38-30, or 57-38-30.3 is allowed for investments in the housing incentive fund. The amount of the credit is equal to the amount invested in the fund during the taxable year. The taxpayer may not claim more than twenty percent of the credit in any taxable year. The amount of credit that may be claimed in any taxable year which exceeds the taxpayer's tax liability for the taxable year may be carried forward after the taxable year in which the investment is made.
2. A partnership, subchapter S corporation, limited partnership, limited liability company, or any other passthrough entity entitled to the credit under this section must be considered to be the taxpayer for purposes of this section, and the amount of the credit allowed must be determined at the passthrough entity level. The amount of the total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity.
3. A taxpayer may not be delinquent in payment of any state and local tax liability to be eligible for a tax benefit under this section.
4. The aggregate amount of tax credits allowed under this section to all eligible investors is limited to four million dollars.
5. Within thirty days after the date on which an investment in the housing incentive fund is made, the Bank of North Dakota shall file with the tax

commissioner and the director and provide to the investor completed forms prescribed by the tax commissioner which show as to each investment in the fund the following:

- a. The name, address, and social security number or federal employer identification number of the taxpayer who made the investment.
- b. The dollar amount paid for the investment by the taxpayer.
- c. The date on which full consideration was received by the fund for the investment."

Page 2, remove lines 12 and 13

Page 2, replace lines 21 through 27 with:

"SECTION 4. AMENDMENT. Section 57-35.3-07 of the North Dakota Century Code is amended and reenacted as follows:

57-35.3-07. Payment of tax.

Two-sevenths of the tax before credits allowed under section 57-35.3-05, less the ~~credit~~credits allowed under subsection 1 of section 57-35.3-05 and section 2 of this Act, must be paid to the commissioner on or before April fifteenth of the year in which the return is due, regardless of any extension of the time for filing the return granted under section 57-35.3-06. Five-sevenths of the tax before credits allowed under section 57-35.3-05, less the credit allowed under subsection 2 of section 57-35.3-05, must be paid to the commissioner on or before January fifteenth of the year after the return is due. Payment must be made by check, draft, or money order, payable to the commissioner, or as prescribed by the commissioner under subsection 15 of section 57-01-02.

SECTION 5. A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Housing incentive fund tax credit under section 2 of this Act."

Renumber accordingly

Become a member of HAND: *Who can belong?*

Any individual or organization that has a concern with housing issues in the state - whether those issues are homelessness, affordability/limited income, special needs/accessibility, availability, etc.

Benefits of joining HAND

- Increase awareness of housing opportunities for North Dakota citizens;
- Ensure every North Dakotan has access to decent, safe, affordable, accessible place to live;
- Positively impact Community Development and housing for North Dakota citizens;
- Build stronger and longer term housing relationships;
- Assist in the development of statewide housing policy; and
- Strengthen the link between housing and economic stability.

For more information or to become a member please contact:

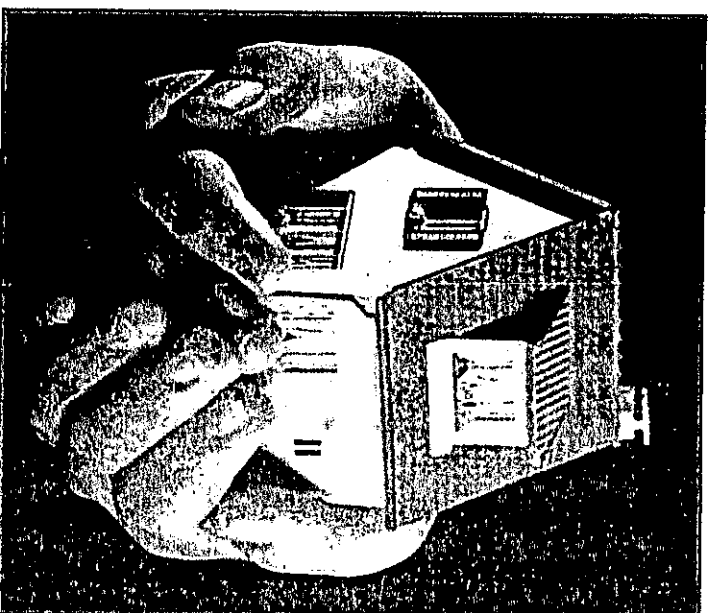
Tom Alexander
Email: tom.alexander@minotstaten.du
Phone: 1.800.233.1737

Or visit the HAND website at:
www.housingallianceofnd.org

Available in Alternative Formats

Housing Alliance
of North Dakota

Housing Alliance
of North Dakota



*Ensuring every North
Dakotan has access to a
decent, safe, affordable,
accessible place to live.*

Housing Alliance of North Dakota (HAND) Mission:

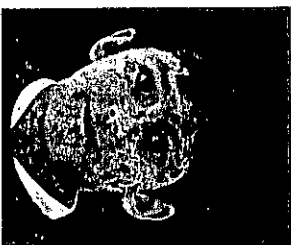
The Housing Alliance of North Dakota is a statewide network established to identify and address the diverse unmet housing needs in North Dakota.

HAND Vision:

A state where everyone has access to a decent, safe, affordable, accessible place to live.

HAND Values:

- Grassroots efforts with a local focus having statewide applicability;
- Address any and/or all unmet housing needs;
- Flexibility as needs and challenges change;
- Address both rural and urban issues; and
- Provide options that are based on need and offer choice.



HAND Organizational Structure:

- HAND is organized under the guidance of a steering committee. In addition the following HAND workgroups are in place:
Structure and Resource Development
Membership and Participation
Education and Marketing
Legislative and Partnership
- HAND is independent and private in its operation.

HAND Principles:

- Work to promote the fact that housing is a basic human need;
- Work to make housing a top priority for all North Dakotans;
- Educate others to see that without housing all other activities, including work, are unattainable;
- Work to achieve the development and adoption of a uniform, statewide housing policy; and
- Work to encompass a full range of unmet housing needs for all populations, in all areas of the state.

Who will benefit from HAND's work?

All North Dakotans will benefit.

Why it is important:

As one of the basic needs of life, housing is important to all of us. In North Dakota, with our aging population, the diversity between urban and rural needs, economic stresses, weather extremes, limited resources, and the special needs of various groups, we must make every effort to ensure that all of the citizens of this state have access to decent, safe, affordable accessible housing.

Activities & Functions of HAND:

- Education and Advocacy;
- Assess and Identify Housing Needs and Data;
- Networking;
- Communication and Sharing; and
- Efficient and Effective Use of Resources.



Testimony
Senate Bill 2210 - Housing Incentive Fund
Senate Appropriations
Senator Holmberg, Chairman
January 21, 2011

Chairman Holmberg, members of the Senate Appropriations Committee, I am Tom Alexander, Project Director for the ND Medicaid Infrastructure Grant, a project of the North Dakota Center for Persons with Disabilities at Minot State University. I am providing testimony today in support of SB 2210 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 to identify and address the diverse unmet housing needs of North Dakotans. Some general principles which HAND operates from include the following:

- Works to promote the fact that housing is a basic human need;
- Works to make housing a top priority for all North Dakotans;
- Educate others to see that without housing all other activities, including work, are unattainable;
- Works to achieve the development and adoption of a uniform, statewide housing policy; and
- Works to encompass a full range of unmet housing needs for all populations, in all areas of the state.

(See HAND brochure for more information.)

A safe and decent place to live is the cornerstone of a high quality of life. North Dakota is a great place to live, but rehabilitation and replacement of aging housing stock will be key to maintaining livability in many North Dakota communities. New and refurbished housing adds to the value of the neighborhood and community and further enhances the quality of life for

everyone. Housing is an investment that yields returns and creates revenue at all levels—income taxes from construction jobs; sales taxes on materials; property taxes; and ongoing participation in the local economy by the new residents and those who are able to afford to continuing living in a community. Investment in housing provides substantial financial benefits for a community as well as the basic benefit of having new and available housing options for families.

SB 2210 would establish a Housing Incentive Fund. The fund would create a special revolving fund in the state treasury of \$4 million for the biennium. After a public hearing, the Housing Finance Agency would create an annual allocation plan for the distribution of the Housing Incentive Fund. At least twenty-five percent of the fund would be used to benefit communities with a population of ten thousand individuals or less, regardless of the incomes of the households benefited. At least fifty percent of the fund would be used to benefit households with incomes at not more than fifty percent of the area median income. The agency may collect a reasonable administrative fee from the fund.

The Housing Finance Agency shall adopt rules for the fund to address the unmet affordable housing needs through loans, forgivable loans, grants, subsidies, guarantees, and credit enhancements. These forms of assistance may be used solely for:

- a. New construction, rehabilitation, or acquisition of an affordable multifamily or a single-family residence;
- b. Gap assistance, matching funds, and accessibility improvements;
- c. Single-family down payment or gap assistance that does not exceed the amount necessary to qualify for a loan using underwriting standards acceptable for secondary market financing. If there is a profit from a sale,

either a proportion or the entire amount of single-family down payment or gap assistance is subject to recapture based on the level of assistance and household income; and

- d. Rental assistance, emergency assistance, or targeted supportive services designated to prevent homelessness.

Eligible recipients include units of local, state, and tribal government; local and tribal housing authorities; community action agencies; regional planning councils; and nonprofit organizations and for-profit developers of affordable housing.

Individuals may not receive direct assistance from the fund.

Any assistance that is repaid or returned must be deposited in the fund and appropriated on a continuing basis. Upon request, the ND Housing Finance Agency shall report to the Industrial Commission the activities of the Housing Incentive Fund.

Why do we need ND state funds for housing issues? Aren't there enough Federal programs to fund all of ND's needs? While it may appear that there are more than enough Federal funds available, many of these funds have restrictions on their use that makes them unavailable or limits the availability; some are one-time only funds; and the amount available to ND is generally the smallest portion (due to ND's small population). The need in energy-impacted areas of ND is pushing the ability of the state to respond: all Federal funds are in use and the tax credits are oversubscribed (of 14 applications, only 5 could be funded). Many Federal funds have matching requirements and ND State funds would extend the use of federal dollars by being used as match.

Why 4 million dollars? The housing needs in ND range from low-income to market rate apartments, from moderate homeownership to barrier-free homes and apartments, from special needs housing to workforce housing. The amount requested is a small portion, spread over two years that would help the housing providers (both developers and service providers) leverage existing funds to create and maintain low and moderate income housing.

Isn't this a hodge podge of unrelated items? The bill is crafted to allow the greatest flexibility in addressing the housing needs in ND and provides a list of tools to address needs as they change. Focusing on a single issue today could outdate the fund tomorrow.

What are the needs in ND? They range from workforce housing in the energy impacted areas of the west to the special needs populations across the state, and include the increasing homeless population as well as the increasing senior population.

Why doesn't the bill focus on the energy impacted areas of western ND? All forms of housing are related: as demand increases, rents and housing prices rise, forcing lower income families and the elderly to seek other housing, which may not be available or suitable. Flexibility in the bill is key – housing needs change and this bill can accommodate those changes. The Housing Finance Agency has a great track record in developing allocation plans for distribution of tax credits that are responsive to the changing needs of the state. This bill would use this expertise to make sure the Housing Incentive Fund dollars are similarly targeted.

Why does the Fund target 50% to families with incomes less than 50% of Median Family Income (MFI)? The rising number of high-paying jobs, especially in

western ND, is putting pressure on the number of units available for low income individuals, families and the elderly. These units are harder to build and maintain due to the lower rent structure and special building needs. By specifying a portion of the funds to be available for households with incomes not more than 50% of MFI, assistance will be available for this population.

Why do private and non-profit developers need public funds? Making public funds available encourages private and non-profit developers to develop housing that carries more risk: lower rents, elevators, accessibility features, and unusual configurations such as group homes.

Why do communities with populations of 10,000 or less need a set-aside?

Communities with higher populations attract goods and services with the net result of decreasing cost. Setting aside a portion of the funds for smaller communities should encourage these communities to become more viable.

Affordable housing should be a priority in public policy. Affordable housing options for all residents of our communities is needed so that no one has to choose between basic necessities like food or medication and housing. The elderly, people with disabilities, and disadvantaged are part of all communities and require certain services including appropriate housing choices. Housing policy should center on providing the opportunity for all to have access to safe, decent and affordable housing. Currently, ND does not have a public policy statement on housing (please see HAND Public Policy Platform).

Rural areas of the state face unique challenges in developing housing. Finding suitable housing in many rural North Dakota communities is a very difficult task. In some areas, it has been a generation since new homes or

apartments were built. In that time, both the economy and the needs of the people have changed. In many rural communities, the cost to develop new housing or to refurbish existing housing often exceeds the final valuation of the home upon completion. Because of this valuation gap, there are few developers willing to speculate on new housing in rural communities without assistance. To ensure the affordability of housing, financial and technical support from government and non-profit organizations is needed in rural areas.

That concludes my testimony. On behalf of the HAND we encourage you to recommend a do pass on SB 2210. I would be happy to answer any questions that you have at this time.



Ensuring every North Dakotan has access to a decent, safe, affordable, accessible place to live.

Housing Alliance of ND - Membership

**AARP - North Dakota
Centre, Inc.
Dakota Center for Independent Living
Domestic Violence and Rape Crisis Center
ND APSE
Hettinger County JDA
Independence, Inc.
Interagency Program for Assistive Technology (IPAT)
Mental Health America of ND
Missouri Valley Coalition for Homeless People, Inc.
ND Association of Builders
ND Coalition for Homeless People, Inc.
North Dakota Center for Persons with Disabilities
North Dakota Council on Abused Women's Services
North Dakota Department of Human Services
North Dakota Disabilities Advocacy Consortium
North Dakota Economic & Prosperity Alliance
North Dakota Housing Finance Agency
Prairie Harvest Mental Health
Protection & Advocacy Project
Red River Human Services
Rural Collaborative
Salvation Army
Urban Development Department City of Grand Forks
USDA Rural Development
Youthworks
YWCA Cass Clay
Jim Moench
Linda Wright**



Ensuring every North Dakotan has access to a decent, safe, affordable, accessible place to live.

PUBLIC POLICY PLATFORM

The Housing Alliance of North Dakota (HAND) is a statewide organization of individuals and housing and client service professionals. HAND's mission is to ensure every North Dakotan's access to a decent, safe, affordable, accessible place to live. Government bodies (local, state and national) play a critical role in establishing the legal and social environment within which services are provided to the residents of North Dakota. Recognizing the importance of government to its membership, HAND maintains an active public policy platform.

HAND advocates for government policies that:

- Reflect a philosophy that all North Dakotans have access to a decent, safe, affordable and accessible place to live.
- Recognize affordable housing as a necessary component of economic development.
- Adhere to the "housing first" doctrine.
- Direct state and local resources to meet the housing needs of the state.
- Foster development of affordable housing for all communities across the state, both rural and urban.
- Support independent living by creating opportunities, encouraging choices, and advancing equal access for all people.

With regard to the actions of government bodies in the policy areas listed above, HAND shall:

- Advocate for the adoption of a formal State housing policy that ensures decent, safe, affordable, accessible housing.
- Promote legislation that addresses the housing needs of citizens in North Dakota.
- Elevate awareness of executive and legislative actions and initiatives at the federal, state and local level.
- Inform decision-makers on the need for decent, safe, affordable, accessible housing.
- Provide timely updates to the membership on critical issues and actions.
- Orchestrate membership voices to influence action.
- Develop cooperative relationships with other like-minded organizations to ensure every North Dakotan's access to a decent, safe, affordable, accessible place to live.

SB 2210 - Housing Incentive Fund
Organizational Support
AARP of ND
Abused Adult Resource Center
Children's Defense Fund
Community Action Partnership - Dickinson/Williston
Community Action Partnership-Minot
Community Action Program Reg. VII - Bismarck
Community Action Region VI - Jamestown
Dakota Prairie Community Action - Devils Lake
Fargo Housing and Redevelopment Authority
Fargo-Moorhead Coalition for Homeless Persons
Interagency Program for Assistive Technology's Consumer Advisory Committee
Lutheran Social Services of North Dakota
Minot Area Homeless Coalition
Minot Housing Authority
Missouri Valley Habitat for Humanity
ND Council on Abused Women's Services
ND Homeless Coalition
North Dakota Conference of Social Welfare
North Dakota Disabilities Advocacy Consortium
Prairie Harvest Mental Health - Grand Forks
Red River Valley Community Action - Grand Forks
Region V Community Development Corporation, Fargo
Southeastern North Dakota Community Action Agency - Fargo
North Dakota Association of Persons in Supported Employment
North Dakota Center for Persons with Disabilities
North Dakota Economic Security & Prosperity Alliance
North Dakota Women's Network
ND Protection & Advocacy Project
Grand Forks Homes
Rehab Services, Inc. - Minot
Dakota Center for Independent Living
North Dakota League of Cities
Homestead Place - Grand Forks
Continental Homes - Grand Forks
Grand Forks Housing Authority
North Dakota Association of Builders
Economic Development of North Dakota

SENATE APPROPRIATIONS COMMITTEE
TESTIMONY IN SUPPORT OF SB 2010: "Housing Incentive Fund"
January 21, 2011, 10:15 AM – Harvest Room

As a rural ND community developer and a board member of EDND I would like to address the housing needs communities are experiencing throughout the state.

I realize the housing needs in the oil impact area have been studied and are well defined but the needs are broader. I think you will all recognize the availability of affordable housing is a fundamental element that provides North Dakota Communities the ability to sustain the community as well as stimulate economic development. With the present economic conditions in the state, a number of "RURAL" communities have been able to create economic activity thus creating jobs. But what are the limitations to further development and opportunities? Why do the rural communities so often get "passed over" by businesses relocating to the state or expanding? The primary question is **"WHERE WILL WE LIVE"? Without quality affordable housing our communities have limited sustainability options, no growth opportunity, the rural areas continue to lose population, the schools close and the communities viability continues to expire.**

Throughout the state of North Dakota the existing housing inventory is aging and there is very limited new housing being constructed. In many of our meetings with economic developers, our city councils and housing boards that have been established in the cities we continue to ask what are the problems to achieve housing development?

The problems that typically occur in the rural North Dakota communities are:

- ✓ Developers typically perceive there is greater risk building in a smaller community and do not enter those markets
- ✓ Size of projects limit the economic returns
- ✓ Building in rural communities can sometimes be more costly

- Limited availability to materials and labor
- ✓ Financing housing projects in rural communities typically present unique challenges
 - Comparable sales are limited or non-existent
 - Secondary Markets will not buy the loans
 - Loan to value ratio is often 30-40 percent which limits the lenders participation
- ✓ State and Federal programs that might be able to assist are often complex and developers/lenders will shy away from them.

It is critical we address this need “Constructing New Housing (both single family and multi-family) or do Substantial Rehab to Existing Homes That Already Exist But are in Poor Condition” that could provide additional housing units at a lesser cost.

This past year the North Dakota Housing Finance Agency established a pilot program to provide incentives for private sector investment in housing development in difficult to develop areas in the state. The program provided for housing project financing incentives. The consensus of developers and communities was it worked and provided opportunities for project development in rural communities that otherwise would not have been accomplished. This bill would provide the NDHFA funding to continue that model program.

Rural communities would encourage your support of SB 2010 that will provide “Dollars” for the “Housing Incentive Fund”.

John Phillips, Vice President
Economic Development North Dakota



North Dakota Housing Finance Agency

Rural Housing Investment Incentive Pilot Program

Purpose:	To encourage investment in housing in Difficult to Develop Areas (DDA) of North Dakota.
Difficult to Develop Areas:	Communities with a population of 5,000 or less and who can demonstrate an unmet housing need or housing shortage.
Application:	Agency will hold an RFP competitive process. Applications will be judged on financial feasibility, impact on a DDA, demonstrated need, and project readiness to proceed including applicant's demonstrated ability to raise capital. The applicant must be able to demonstrate that this project would not have been feasible (built) without this assistance.
Eligible Applicant:	City, County, or Tribal Housing Authorities; Non-profit or for-profit developers; or any entity or individual acting in a developer role.
Eligible Housing Projects:	New construction of Single Family and Multi-Family housing. Substantial Rehab of structures that create additional housing units.
Eligible Investors/Contributors:	Individuals; corporations; financial institutions; municipal governmental entities; and other businesses.
Eligible Investment/Contributions:	Cash, donated land and infrastructure improvements; buildings; property tax incentives, and other municipal incentives that reduces the gap on project feasibility.
Maximum/Minimum Project Investment:	For new construction, the Agency will match, on a dollar for dollar basis, the eligible investment/contribution up to a combined total of the lesser of 1) the gap between cost of construction and appraised value; or 2) 20% of the cost of construction. For purposes of determining agency match, cost of construction is defined as site acquisition, hard construction costs, associated soft costs and acceptable profit margins. Recognizable construction costs for new single family homes will be capped at \$190,000 and at \$125,000 per unit for multifamily properties. For rehabilitation, the Agency will match private investment up to a combined total of 50% of the hard construction cost of the rehabilitation. Rehabilitation must meet a minimum level of \$40,000 in hard construction costs per unit to be eligible. For purposes of determining the match, hard construction costs for rehabilitation will be capped at \$100,000 per unit for both single and multi-family units. Profit margins of 10% or less for combined builder profit, builder overhead and general requirements and 15% or

less for developer fees will be considered reasonable. These limitations will be applied against hard construction costs when determining reasonableness.

Recapture

Single family homeownership units will be subject to full recapture by the Agency using a shared equity relationship during the first five years of ownership with a phase out of recapture over the next five years (forgiveness of 20% each year). Agency funds in a multifamily project will be structured as deferred loans payable out of positive cash flow after appropriate reserves are fully funded.

Available Funds:

Agency will commit up to \$400,000 of reserves and will use best efforts to allocate 50% for multi-family and 50% for single-family development. Multi-family projects will be limited to no more than \$100,000 per project. A community will be limited to no more than 25% of the total available funds.

Processing Fees:

\$500 due at application, 1% of amount of Agency investment in project due upon award.

Eligible Costs:

New Construction: Pre-development costs including site acquisition, hard and normal soft costs associated with new construction as well as financing costs are eligible.

Rehabilitation: Only hard construction costs will be eligible.

North Dakota Housing Finance Agency Rural Housing Investment Incentive Program Pilot Program Activity Summary



INTRODUCTION

The North Dakota Housing Finance Agency (the Agency) is dedicated to maximizing housing opportunities for all North Dakotans and proactively addressing the housing needs of low and moderate income households.

During the past legislative session, the Agency was directed to establish a pilot program to provide incentives for private sector investment in housing development in difficult to develop areas of the state. This directive was provided by amendment to SB 2014 (section 14) of the Agency's budget bill and authorized the use of Agency reserves for the program. The purpose of the pilot program is to demonstrate that private or local investment can spur housing development in difficult to develop areas. The Agency has committed up to \$400,000 of its reserves for this pilot program.

AWARD SUMMARY

In December 2009, a Request for Proposals (RFP) was issued for interested parties to be considered for funding under this pilot program, named the Rural Housing Investment Incentive Program (RHIP). Eleven applications for thirteen activities requesting a total of \$970,000 were received in response to the RFP. A selection committee comprised of the Executive Director, the Planning Division Director, and a Planning Division staffer evaluated and issued awards based on the following criteria:

- Did the applicant provide clear evidence of an unmet housing need or housing shortage in a community of less than 5000 population?
- Was the applicant able to clearly demonstrate that the proposed activity would address this need?
- Was the applicant able to demonstrate that the proposed activity would not be feasible without the investment of Agency Pilot funds?
- Did the applicant provide evidence of both short and long term feasibility of the project based on an Agency investment of \$100,000 or less?
- Did the applicant provide a reasonable timeline for start and completion of the activity? Priority was given to the earliest achievable completion dates.
- Was the applicant able to demonstrate the ability to raise capital through private investment?

The following projects best fulfilled these criteria, and were therefore awarded funding in accordance with RHIP program parameters:

<u>Applicant</u>	<u>Activity Location</u>	<u>Amount Awarded</u>
Underwood Area Economic Development	Underwood	\$18,000
Lutheran Social Services Housing, Inc.	Maddock	\$50,000
Eddy County Housing Authority	New Rockford	\$50,000
Lutheran Social Services Housing, Inc.	Parshall	\$100,000
Whitetail Properties, LLC	Velva	\$38,366
Lutheran Social Services Housing, Inc.	Stanley	\$100,000
Lutheran Social Services Housing, Inc.	Beach	<u>\$43,634*</u>
	Program Total:	\$400,000

**One project received a conditional approval based on their initial application packet. However, upon review of significant changes contained within the final application, the loan committee determined the project no longer required RHIP funding in order to be feasible. An RFP was reissued in July, and the remaining funds were awarded in August to LSS Housing for a project in Beach.*

PROJECTS IN DETAIL

Underwood ~ \$18,000 Award

- ***Applicant:*** Underwood Area Economic Development Corporation
- ***Purpose:*** New construction of 1 single family home for speculative resale.
- ***Total Project Cost:*** \$186,000
- ***Anticipated Value Upon Completion:*** \$150,000
- ***Projected Value Gap:*** \$36,000
- ***Sources of Private or Local Matching Investment:***
 - \$10,000 in owner equity from the developer, Building Innovations
 - \$2,000 in land from the City of Underwood
 - \$3,000 in land from the Underwood Economic Development Corporation
 - \$5,000 in the form of a forgivable loan from the City of Underwood
- Without RHIP funding, and the required matching investment generated by it, the gap between cost of construction and appraised value would render construction of this home not cost-effective.

Maddock ~ \$50,000 Award

- ***Applicant:*** Lutheran Social Services Housing, Inc.
- ***Purpose:*** Major rehabilitation of a foreclosed and abandoned building into 8 units of rental housing.
- ***Total Project Cost:*** \$371,900
- ***Anticipated Value Upon Completion:*** \$180,000
- ***Projected Value Gap:*** \$191,900
- ***Sources of Private or Local Matching Investment:***
 - \$20,000 cash contribution from local major employer Summers Manufacturing;
 - \$30,000 cash contribution from the Maddock Economic Development Corporation.
- Without RHIP and matching equity funding, \$100,000 in additional debt would be required in the project. The increased project income needed to service that additional debt would require rents to be, on average, \$87.58 higher than currently projected.

New Rockford ~ \$50,000 Award

- ***Applicant:*** Eddy County Housing Authority
- ***Purpose:*** New construction of 4 units of rental housing.
- ***Total Project Cost:*** \$525,000
- ***Anticipated Value Upon Completion:*** \$300,000
- ***Projected Value Gap:*** \$225,000
- ***Sources of Private or Local Matching Investment:***
 - \$50,000 owner cash contribution from Eddy County Housing Authority;
 - \$10,000 cash contribution from the New Rockford Area Betterment Corp.
- Without RHIP and matching equity funding, \$100,000 in additional debt would be required in the project. The increased project income needed to service that additional debt would require rents to be, on average, \$126.66 higher than

currently anticipated. At that rent level, the units may be unaffordable to some low-income households.

Parshall ~ \$100,000 Award

- *Applicant:* Lutheran Social Services Housing, Inc.
- *Purpose:* New construction of 20 units of rental housing.
- *Total Project Cost:* \$2,344,000
- *Anticipated Value Upon Completion:* \$1,000,000
- *Projected Value Gap:* \$1,344,000
- *Sources of Private or Local Matching Investment:*
 - \$21,000 in land from the City of Parshall;
 - \$10,000 in infrastructure from the City of Parshall;
 - \$25,000 in a soft note from Mountrail County Housing Board;
 - \$44,000 in owner cash contribution from LSS Housing, Inc.
- Without RHIIP and matching equity funding, \$200,000 in additional debt would be required in the project. The increased project income needed to service that additional debt would require rents to be, on average, \$119.02 higher than currently anticipated. At that rent level, the units would be unaffordable for very low income households. Several units in this project will be set aside for very-low income households (those with incomes at or below 50% of area median).

Velva ~ \$38,366 Award

- *Applicant:* Whitetail Properties LLC
- *Purpose:* Major rehabilitation of 3 uninhabitable units of rental housing.
- *Total Project Cost:* \$153,464
- *Anticipated Value Upon Completion:* \$65,000
- *Projected Value Gap:* \$88,464
- *Sources of Private or Local Matching Investment:*
 - \$13,000 in building equity from the owner Whitetail Properties;
 - \$26,000 in donated improvements from the owner Whitetail Properties.
- Without RHIIP and matching equity funding, \$76,732 in debt would be required in the project. It is estimated that the increased project income needed to service that debt would require rents to be, on average, \$168.80 higher than currently anticipated. At that level, rents would be well in excess of the HUD-published fair market rents for McHenry County.

Stanley ~ \$100,000 Award

- *Applicant:* Lutheran Social Services Housing, Inc.
- *Purpose:* Major rehabilitation of a former hospital into 17 units of rental housing.
- *Total Project Cost:* \$2,000,000
- *Anticipated Value Upon Completion:* \$900,000
- *Projected Value Gap:* \$1,100,000
- *Sources of Committed Private or Local Matching Investment:*
 - \$50,000 in a soft note from Mountrail County Housing Board;
 - \$50,000 cash contribution from the American Lutheran Church;
 - \$50,000 cash contribution from the Otto Bremer Foundation.
- RHIIP funding, and the matching equity investment generated by it, helps reduce the massive value gap seen in this project. Without the infusion of a large amount of equity, the project would not be cost-effective.

Beach ~ \$43,634 Award

- *Applicant:* Lutheran Social Services Housing, Inc.
- *Purpose:* Creation of 12 additional units of rental housing through the major rehabilitation of 6 uninhabitable units, and the new construction of 6 senior-friendly units.
- *Total Project Cost:* \$1,032,550
- *Anticipated Value Upon Completion:* \$660,000
- *Projected Value Gap:* \$372,550
- *Sources of Committed Private or Local Matching Investment:*
 - \$12,400 in donated infrastructure from the City of Beach;
 - \$40,000 owner equity contribution from Lutheran Social Services.
- RHIP funding, and the matching equity investment generated by it, helps reduce the massive value gap seen in this project. Without the infusion of a large amount of equity, the project would not be cost-effective.

ECONOMIC DEVELOPMENT ASSOCIATION OF NORTH DAKOTA



PO BOX 2639 • BISMARCK, NORTH DAKOTA 58502

Testimony of

Economic Development Association of North Dakota

SB 2210

January 21, 2011

Chairman Holmberg and members of the committee, my name is Cal Klewin. I am representing the Economic Development Association of North Dakota (EDND).

EDND is the voice of the state's economic development community and provides networking for its 80 members, which include development organizations, communities, businesses and state agencies. Our mission is to increase economic opportunities for residents of the state by supporting primary sector growth, professionalism among economic development practitioners and cooperation among development organizations.

EDND recognizes that the availability of housing, particularly affordable housing, is a fundamental element that provides North Dakota communities the ability to foster economic development. EDND supports the efforts of North Dakota communities and regions to advance legislation that will promote the development of affordable housing in areas where the lack of affordable housing is limiting primary sector growth.

EDND supports SB 2210.

TESTIMONY PRESENTED TO ND SENATE APPROPRIATIONS COMMITTEE
IN SUPPORT OF SB2210: "Housing Incentive Fund"

January 21, 2011, 10:15 a.m.

Lutheran Social Services Housing is a non-profit housing developer that was established in 2008 to help address North Dakota housing challenges, primarily in rural communities. We **accomplish our work** both by trying to **preserve existing affordable housing** that is at risk of being lost because of issues related to capital investment and/or management challenges, and also by engaging in the **construction of new housing** in communities where supply is lacking. Our units serve both today's workforce and retirees, depending on community needs.

Housing issues affect all corners of the state, albeit with different economic drivers and varying degrees of urgency. For some communities, their greatest housing challenge is an aging housing stock that, without reinvestment, will become unlivable and, essentially be lost from the inventory of housing units. For others, economic drivers have created housing market forces that make it very difficult for people to find safe, decent, affordable places to live.

The question I always ask myself is, if the need exists, why is a particular community's housing need not being met? Why isn't development happening?

I believe the answer is that, from a purely economic perspective, the **ratio of risk to reward is out of balance**. I would like to make two points as illustration.

1. The perceived risk of rural housing development is higher.
 - a. In communities with historically inactive, untested markets, it is hard to find comparable projects that have succeeded and/or failed by which you can gauge how a new project will be accepted by the market.
 - b. A smaller population base means housing projects have to be able to capture a relatively larger share of a smaller market to succeed.
 - c. The relatively small size of the housing market makes it difficult to maintain appropriate market share.
2. Economic returns are usually greater elsewhere.
 - a. The cost to build in smaller communities is the same or higher than it is in larger communities, and the capacity for rent is typically lower.
 - b. Smaller projects make it hard to achieve cost savings generated from economies of scale.
 - c. Appraisal gaps require larger equity investment than would be required in markets where cost and values track more closely to each other.

So how does Lutheran Social Services Housing do what it does, which is to develop affordable mixed income rental housing in rural ND? We:

1. Identify communities ready to tackle housing challenges and develop partnerships. We truly believe that together we can do more than any of us can do alone.
2. Define a project that will work in the community (new construction v preservation, tenant mix, location, etc).
3. Develop, own and manage the property as a long-term community partner, in the end creating a community asset that will contribute to long-term community success.

Developing a project that can overcome the issues noted above requires us as a developer to mix several funding sources to help make a project financeable. A typical project for us will include five to eight separate funders that are secured during a 12-18 month-long advance process, often including:

- City/County economic and job development authorities
- ND Housing Finance Agency loan products
- Federal funds passed through the Department of Commerce to Regional Councils and regional housing development organizations
- Private philanthropic partners (churches, individuals, foundations)
- Bank financing (via tax exempt bonds, guaranteed debt, or conventional commercial loans)

Regardless of the financing sources, **every project is essentially financed the same way: with a combination of debt** (money you pay back) **and equity** (money you are not required to pay back).

On average, to make project financing work and to help keep rents as affordable as we can, we need to raise 35-50% of the total development cost in project equity. Why? If a "typical" multifamily project can be financed with 20-25% equity, why does it take so much more to develop affordable housing in rural communities?

The short answer is that you design a project with a particular balance of equity and debt for two reasons: to help keep rents affordable and to deal with loan-to-value lending requirements.

1. **Affordable Rents.** The more equity you can bring to a project, the less debt you will need. Less debt means a smaller loan payment for the project. And a smaller loan payment means that you need less income to make the pro forma work. Bottom line: you can charge people lower rents.
2. **LTV Requirements.** In the current bank examining environment, most banks cannot make loans with a loan-to-value ratio in excess of 70-75%. A simple example illustrates the impact this LTV requirement has on a project's ability to borrow money for development. In the example below, we assume that the property appraises for 20% less (\$200,000) than it cost to develop.

Project cost to develop	=	\$1 million
Project value (as per appraisal)	=	\$800,000

The maximum borrowing ability as per bank requirements is a 75% Loan-to-Value (LTV). In other words, the size of loan cannot exceed 75% of property value.

75% of total development cost	=	\$750,000
But...		
75% of value (as per appraisal)	=	\$600,000

In the end, even if the project income can support the payments on a larger loan, you can only borrow \$600,000 toward the development of the project. The remaining \$400,000 of the total \$1 million development cost will have to be secured by the developer as an up-front equity investment.

So instead of having to bring in 25% equity (which would be the case if the development cost and appraised value were equal), a developer now has to bring in 40% equity. The difference between the two (in this case, \$150,000) is the gap commonly referred to as the "appraisal gap".

The Housing Incentive Fund that is being proposed in SB2210 can provide an **important source of equity for housing projects across the state of North Dakota**. The incentive is designed to encourage the development of housing that is needed to serve a variety of kinds of North Dakota households, it leverages other resources that are already being devoted to the creation of affordable housing, and in my opinion, is an effective way to help communities with a critical concern, which is making sure they have suitable housing available to people who want to call their communities home.

Lutheran Social Services Housing is committed to helping North Dakota communities succeed by providing housing. We support the Housing Incentive Fund outlined in SB2210, and believe that a resource like this could truly help support continued economic growth in communities across North Dakota.

Respectfully submitted by:

Jessica Thomasson, Director
Lutheran Social Services Housing, Inc.
A 501c3 subsidiary of Lutheran Social Services of North Dakota

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Housing powers the gears of growth.



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**Testimony of Support Senate Bill 2210
Appropriations Committee
January 21, 2011**

Good morning Chairmen Holmberg and members of Appropriations Committee. My name is Veronica Zietz (#99); I am the Executive Director at The Arc of Bismarck and I'm here today representing both The Arc of Bismarck and The Arc of Cass County. The Arc is an organization that provides education and advocacy to people with disabilities to foster empowerment and full inclusion in the community.

The Arc strongly supports Senate Bill 2210 which establishes an affordable housing fund within the state treasury. This fund would provide opportunities for low to moderate income families and individuals in North Dakota to obtain affordable housing. This will aid individuals, especially those with disabilities in the areas of gap assistance, rental assistance and accessibility improvements. This is necessary because people with disabilities often have difficulty finding affordable housing. For example, in 2008, the annual income of a single individual receiving SSI payments was \$8,016, that is equal to about 18 percent of the national median income for a one-person household and almost 30 percent below the 2008 federal poverty level of \$10,400. This gap between income and housing expense leads to many problems for people with disabilities; for instance, it leaves many people unable to live independently or leaves them living in substandard environments all of which lead to poor quality of life, increased health issues and dependency on government programs.

The Supreme Court Olmstead decision states that people with disabilities need to be in the least restrictive setting possible, this means that people need to be living independently in the community; one barrier to this federal mandate is a lack of affordable housing in North Dakota. A recent economic boom has pushed many locals including those with disabilities out of their homes, in order to accommodate transient workers with greater incomes. While the laws of supply and demand are obviously at work here, North Dakota residents need to have access to safe and affordable housing. I believe this bill could help remedy the problem of housing shortages and rising housing costs.

This bill will not only help people with disabilities obtain housing, but will provide many benefits to communities. First, this bill will provide local businesses and agencies the opportunity to develop affordable housing, which could boost job opportunities and enhance economic growth by employing local developers and contractors to build and refurbish homes. Second, this bill will also aid communities in dealing with problems such as homelessness and blight that can be seen in many of North Dakota's communities that have affordable housing shortages.

I believe Senate Bill 2210 is a wonderful opportunity for all North Dakotans, especially people with disabilities. This bill holds many benefits for communities in our state by addressing the issue of affordable housing. I urge the committee to support Senate Bill 2210. Thank you for your time and consideration.

Testimony**Senate Bill 2210 – Housing Incentive Fund****Senate Appropriations****Senator Holmberg, Chairman****January 21, 2011**

Chairman Holmberg, members of the Senate Appropriations Committee, my name is Royce Schultze, Executive Director of Dakota Center for Independent Living, Inc. I am here today to provide testimony in favor of SB 2210.

One of the services we provide to people with disabilities is to assist them in finding affordable, accessible housing. We also provide nursing facility transitions thru the Money Follows Person Project. In providing these services, our biggest challenge is finding affordable, accessible housing. There is a huge need for accessible apartments and it's nearly impossible to find an accessible single family home, this I know from personal experience. Of our transitions of individuals from nursing facilities only one has been able to use a Section Eight Voucher. The rest have had to move into a Section Eight Project Based building where the population is mostly elderly (transition ages are 20's-70's) or move in with family members which should be by choice and not because they don't have anywhere else to go. This severely limits choices for people with disabilities in choosing where like want to live independently and these needs to be addressed. I think SB 2210 will alleviate a portion of this. In conclusion, I support SB 2210 and would encourage you to do same. I would be happy to answer any questions. Thank You.



9
Michael A. Anderson Executive Director

INDUSTRIAL COMMISSION

Jack Dalrymple Governor

Wayne Stenehjem Attorney General

Doug Goehring Agriculture Commissioner

SB 2210

January 21, 2011

**North Dakota Housing Finance Agency
Division of the State Industrial Commission
Testimony by Michael Anderson, Executive Director
Senate Appropriations Committee**

Chairman Holmberg and members of the Senate Appropriations Committee, my name is Mike Anderson, executive director for the North Dakota Housing Finance Agency (Agency). Since SB 2210 names the Agency as the administering agency for the Affordable Housing Fund (Fund) I am here today to offer the Agency's perspective on administering the Fund, as well as answer any questions.

However, before I do that I want to let you know that the Fund and the proposed activity do fall within the Agency's authorized activities as defined in NDCC 54-17. While our assigned Assistant Attorney General is still reviewing this bill and that review could lead to some recommended technical changes, we do know that the general goals and objectives of the Affordable Housing Fund are consistent with our intended mission set forth in ND Century Code to provide housing finance programs for persons and families of low or moderate income or to otherwise assist a developing community address an unmet housing need or alleviate a housing shortage.

Further, I can say with confidence that, at the onset, the Agency has the capacity to administer the Fund with minimal cost to the Agency and without the need of additional FTE authority. We currently have internal systems in place that are compatible with the proposed process for establishing a plan for distribution and monitoring the Fund proceeds. I am referring to the development of an annual allocation plan, review and scoring of project proposals, and awarding and monitoring successful proposals.

This system has been used by us for awarding federal Low Income Housing Tax Credits, last year's Rural Housing Investment Incentive Pilot Program, and a portion of the Neighborhood Stabilization Program.

The bill requires the Fund proceeds be awarded through an annual allocation plan that is developed and scrutinized through a public hearing process. This process gives stakeholders, policy makers, and the general public the opportunity to provide input on how and where the Funds will be allocated. As we do with an existing process for the aforementioned programs, we anticipate this process would include a review of a draft plan by our Advisory Board both before and after public hearings. The Advisory Board would then make a recommendation to the Industrial Commission for its final adoption.

In addition to the set aside requirements defined in the bill, the allocation plan should further define the priorities for use of the Fund. These could be defined geographically, by housing type and tenure, by type of assistance, by population segments, or a combination of some or all of the above. The plan should also provide for a scoring mechanism for achieving these priorities and ultimately application selections.

In order to leverage the Fund as much as possible, we would anticipate the allocation plan would include a requirement for some form and level of match to be eligible. We believe an allocation strategy should limit funding to only what is necessary to make a project feasible. And finally, it is our philosophy that whenever feasible in achieving the overall goals of the Fund and allocation plan, some form of repayment or recapture provision is appropriate.

These strategies have been employed by the Agency in its history of distributing public funds entrusted to us to administer. This system has transparency which leads to accountability, it maximizes leveraging of public funds, it spreads the risk, and it also incentivizes private investment.



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Testimony on Senate Bill 2210
Senate Appropriations Committee
January 21, 2011

Doreen Riedman, Executive Officer
North Dakota Association of Builders

Chairman Holmberg and members of the Senate Appropriations Committee, the North Dakota Association of Builders (NDAB), supports Senate Bill 2210, relating to a Housing Incentive Fund for our state.

The NDAB represents nearly 2,000 members statewide with employees numbering 46,589. We are affiliated with six local builders associations in Bismarck-Mandan, Dickinson, Fargo-Moorhead, Grand Forks, Minot, and Williston; and are all part of a larger federation, the National Association of Home Builders (NAHB), which has over 160,000 members.

We are proud members of the Housing Alliance of North Dakota, and believe this Housing Incentive Fund is a smart step in the right direction. It will assist with housing for low-income families, for housing in rural areas, providing gap financing for projects, and perhaps could be the last piece of the puzzle that will help ensure that housing projects go forward.

In addition, any profits will go back into the fund to help it working for future housing needs. Having the North Dakota Housing Finance Agency as the oversight agency makes this effort even stronger and more sensible.

We respectfully ask this committee to support Senate Bill 2210 to provide for a Housing Incentive Fund in our state.

11

Senate Appropriations
SB 2210
January 21, 2011

Chairman Holmberg and members of the Senate Appropriations Committee. I am Paul Ronningen, President of the North Dakota Conference of Social Welfare, Chair of the North Dakota Economic Security and Prosperity Alliance and also the State Coordinator for the Children's Defense Fund – North Dakota. I have asked that my testimony be entered into the record since I am not able to attend due to multiple conflicts.

I am presenting this testimony on behalf of these three organizations listed above. Housing in our state has become a difficult issue for some North Dakotans living not only in western North Dakota but also **throughout the state**. The news media has done a superb job of capturing the sights and sounds of the camps in western North Dakota where workers are unable to find suitable housing and where rents have been doubled and tripled, forcing people on fixed incomes out of their living quarters.

However, housing issues for North Dakotan's is not a new problem as illustrated on Attachment A, dated December 18, 2008. This chart shows that the number of Individuals on Waiting list for Public Housing Authority (PHA) by community/county: The results of this survey were:

<u>City/County</u>	<u>Individuals on a waiting List</u>
Fargo	950
Burleigh County	747
Grand Forks	500
Cass County	350
Williston	25

According to the National Low Income Housing Coalition (NLIHC) 85% of all extremely low income renter households pay more than half of their income for their homes.

According to a study in 2008 by NLIHC, a North Dakotan must make \$10.40/ hour to afford a two-bedroom apartment. While a study by NDSU (Making Ends Meet in North

Dakota, May 2010) indicates that a single mother of two children ages 4 and 6 must earn \$20.95/hour to stay off of public assistance and pay her bills. To pay her taxes her hourly income needs to be \$25.75/hour. Needless to say, **many of the homeless are children.** (Attachment B)

Dr. Maslow (1947) indicated in his Hierarchy of needs that housing is a **basic need** in life...much like air, food, drink, warmth and sleep. (Attachment C)

SB 2210 begins to put structures in place to address these issues. This bill provides flexibility in addressing the housing needs in North Dakota and provides the tools to address the rapidly changing needs of our state. Thus, the housing issues of the west can be dealt with along with the increasing homeless population and the needs of our seniors, statewide.

Therefore, the Children's Defense Fund, the North Dakota Conference of Social Welfare and the North Dakota Economic Security and Prosperity Alliance wholeheartedly support the passage of SB 2210 which will help address the multiple housing issues facing North Dakota.

Thank You!

North Dakota Affordable Housing Fund

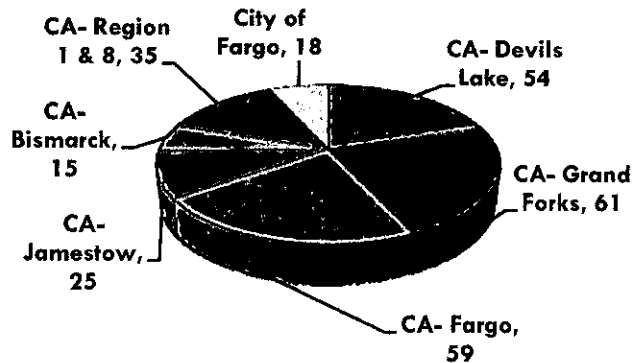
Dedicated to the establishment of a statewide Affordable Housing Fund to assist communities with their unmet housing needs.



Individuals on Waiting List for Housing Rehab using HOME Funds

Grand Total = 328

*CA = Community Action



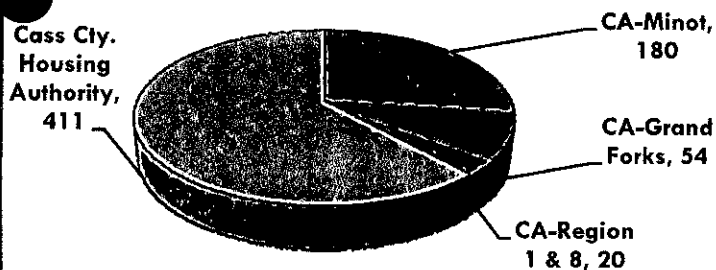
Cass County & Stutsman County Housing Auth. - NA

- Average cost per individual in housing rehab = **\$25,000**
- Total estimated cost of individuals on waiting list for housing rehab ($\$25,000 \times 328$) = **\$8,200,000**

Individuals on Waiting List for Security Deposits using HOME Funds

Grand Total = 665

*CA = Community Action



CA- Bismarck & Devils Lake - 0
CA - Jamestown & Fargo - NA

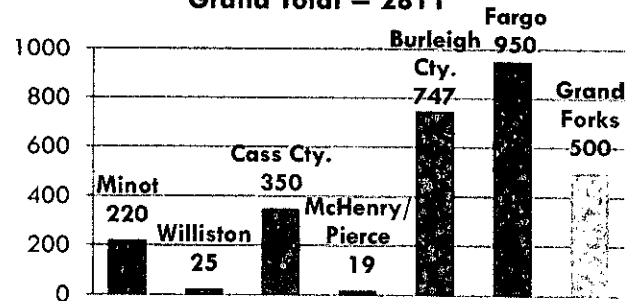
- Average security deposit cost = **\$150.00/housing unit**
- Total estimated cost for security deposits of individuals on waiting list ($\$150.00 \times 665$) = **\$99,750**

2008 Annual Median Income (AMI) in ND	\$57,872	which can afford a monthly rent of	\$1,446
Very Low income earners are at 50% AMI or	\$28,936	which can afford a monthly rent of	\$723
Extremely Low Income earners are at 30% AMI or	\$17,361	which can afford a monthly rent of	\$434
The Estimated Median hourly Wage in ND is	\$ 9.75	which can afford a monthly rent of	\$507
mean 2 bedroom rent across the state of ND is \$541/ month			

National Low Income Housing Coalition.

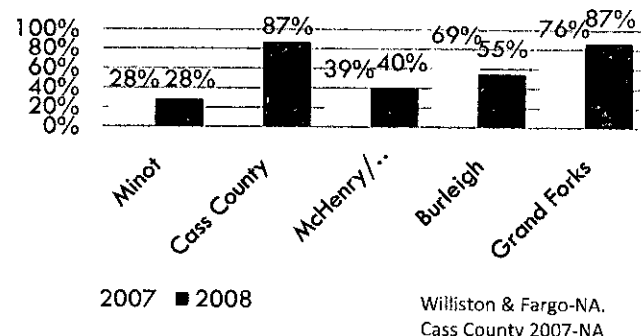
Individuals on Waiting list for Public Housing Authority (PHA) Vouchers/Month

Grand Total = 2811



- All Public Housing Authorities (PHA) noted that the street rents far exceed the Fair Market Rate (FMR); the wait list time is anywhere from 4 months to a year; and placement rates are dropping (lack of rentals at voucher levels).
- The additional voucher funding needed per month is estimated by taking the difference between the current 2 Bedroom FMR and the rent a family of 2 with 30% Adjusted Median Income (HUD definition) could pay, and multiplying by the wait list.
- Estimated total statewide cost of additional PHA vouchers needed is **\$559,397/month**.

Public Housing Authority Voucher Utilization Rates 2007 & 2008



2007 ■ 2008

Williston & Fargo-NA.
Cass County 2007-NA

Energy-impacted areas are finding it difficult for vouchers to be used due to the high demand for apartments driving up rents above the limit for voucher use.

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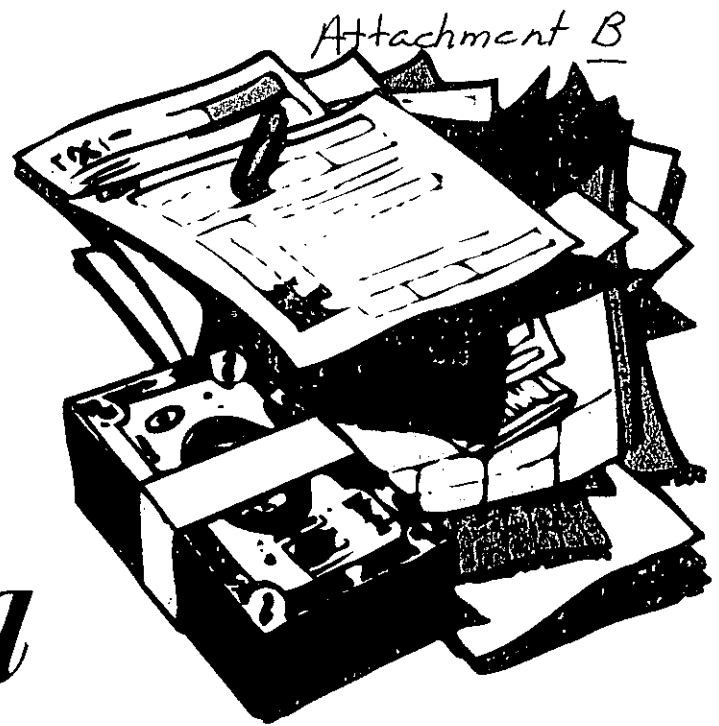
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December 18, 2008

Making Ends Meet in North Dakota



Debra Pankow, family economics specialist • Marina Serdiouk, graduate student

What would an employed mother with two children need to earn to meet her monthly bills in North Dakota without relying on government assistance?

Welfare reform has mandated the dual challenges of moving recipients off public assistance into employment and limiting access to public assistance for a lifetime total of only 60 months. However, these changes in the social safety net assume not only that enough jobs will be available, but they will pay sufficiently to end any further need for assistance.

So two questions need to be answered: What is the amount of monthly income necessary to support a family without having to fall back onto public assistance? And, is North Dakota's economy producing the kinds of full-time employment opportunities that will eliminate the need for assistance?

Calculating a Cost-of-living Budget

Since the beginning of this century, researchers have made efforts to determine the minimum costs of meeting a family's monthly needs. Typically, these efforts were based on actual household spending (frequently urban households) as reported in surveys or diaries.

Today, the discussion of a living wage arises in part from the inability of the current minimum wage to provide an income adequate for a family to live above the poverty line. These debates are about whether businesses applying for government grants or subsidies should be paying a wage sufficient to keep their workers above the poverty line, eliminating the need for their employees to seek further government assistance.

A living wage is the amount of earnings necessary for a family to meet minimum monthly costs. Typically included in this are the costs for housing and utilities, food, child care, transportation, and basic household and personal care items. Not typically included are costs for items such as entertainment, birthday or other gifts, toys, tobacco products or alcohol.

Existing models figure these costs to calculate what a family must earn to meet a minimum monthly budget.

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May 2010

Typically, advocacy groups calculate these for urban areas, especially those with upcoming or pending living-wage legislation. However, because costs are not the same in rural and urban areas, the results cannot be generalized across the geographic spectrum.

Differences in the local cost of living vary not only by region but also by rural and urban residence. In urban areas, public transportation is available not only for getting to and from work, but also for grocery shopping, visiting a doctor or many other purposes. But in rural areas, public transportation is rare. The only way for an individual to get around in most rural communities is by personal transportation, whether that's owning one's own vehicle or sharing a ride with someone who does.

Further evidence of this disparity can be found in the 2008 Consumer Expenditure Survey. Transportation costs were 16.7 percent of urban but 21.2 percent of rural monthly household expenditures. Utilities are 7.1 percent of urban but 8.6 percent of rural household costs. Health-care costs consume just more than 5.7 percent of the average urban household's expenditures, but nearly 8 percent of rural households' expenditures.

What, then, would an employed mother (age 24) with two children (age 4 and 6) need to earn to meet her monthly bills in North Dakota without relying on government assistance?

The information designated * are costs associated with essential living items that were collected through research in the Fargo-Moorhead area. In instances where local data were not available, reasonable estimates were derived from the 2006 Consumer Expenditure Survey for the Midwest region. Food costs were taken from the Official USDA Food Plans: Cost of Food at Home at Four Levels, U.S. Average, Thrifty Food Plan, August 2008, for a female age 19 to 50 and two children, age 4 and 6.

The estimated cost of living for an employed single mother with two children in North Dakota is \$838 a week, \$3,633 a month or \$43,596 a year. To meet her monthly cost of living, a single mother must earn a take-home wage of \$20.95 an hour.

Adding OASDI (Old Age, Survivors and Disability Insurance) and Medicare taxes (6.2 percent and 1.45 percent), as well as income taxes (15 percent),

Item	Monthly Cost
* Housing (rent, insurance, utilities)	830
* Phone	35
Food	401
* Child care	993
Household, personal care items and clothing	328
Transportation (car payments, gas, repairs, insurance, etc.)	811
Health care (insurance, prescriptions, etc.)	235
Total per month	3,633
Total per year	43,596
* Based on local information	

the necessary minimum monthly income needed to generate the net income to make ends meet would rise to approximately \$4,464, or \$53,570 per year. This would require an hourly wage of \$25.75 per hour for full-time work for a year to both meet a minimum monthly budget and pay these taxes.

Opportunities in North Dakota's Economy

In the last decade, North Dakota's economic news has been mixed. Unemployment rates have dropped from 4.3 percent in 1989 to 3.6 percent in August 2008, placing North Dakota's unemployment rate considerably below the 6.1 percent national rate. The state has had an increase in the availability of jobs, yet the per-capita income for North Dakotans in 2007 was \$34,846, compared with the national per-capita income of \$38,611. Given this, what are the prospects of low-income North Dakotans enrolled in Temporary Assistance to Needy Families (TANF) achieving economic self-sufficiency, the stated goal of the program?

According to the U.S. Bureau of Labor Statistics, the median weekly income for females employed full time in 2007 was \$614, or \$15.35 per hour. The median weekly income is the point where half of all weekly incomes are more and half less than the median figure. Median income for men was \$766 a week, or \$19.15 per hour.

Relying on an average wage masks the earning differences for men and women by educational level and employment sector. In 1990, the median hourly wage of all North Dakota women employed full time

was \$8.70 an hour, compared with \$12.13 for men. These figures rose to \$10.15 for women and \$13.45 for men in 1995. In 2000, the median wage for a woman in North Dakota was \$10 an hour, while for men it was \$13.90. In 2004, median weekly earnings for men in North Dakota rose to \$622, or \$15.55 an hour, while median weekly earnings for women were \$467, or \$11.67 an hour. In 2007, median weekly earnings for men in North Dakota rose to \$ 589.2, or \$ 14.73 an hour, while median weekly earnings for women in North Dakota rose to \$373.3\$, or \$9.3 an hour.

The 2007 American Community Survey shows the four largest types of employers in North Dakota are services, retail trade, agricultural and manufacturing. Women are more likely than men to be employed in services and retail trade than in agriculture and manufacturing. In 2006, the national median weekly earnings for the accommodation and food service industries was \$371:\$355 for females (\$ 8.88 per hour) and \$389 for males (\$ 9.73 per hour). It was \$538 (\$13.45 per hour) for females and \$ 696 for males (\$17.40 per hour) employed in sales (Highlights of Women's Earnings in 2006, U.S. Bureau of Labor Statistics September 2007).

The federal minimum wage is set at \$6.55 an hour. If a single mother worked 2,080 hours a year at the current minimum wage, she would earn only \$13,624 a year before taxes. If this single mother had two dependent children, these wages would not bring her and her children above \$17,600 a year, the current poverty threshold for a family of three. This means that to meet the basic cost of living in North Dakota for a family of three, a single working mother would need to earn an additional \$19.20 an hour (\$3,328 a month or \$39,936 a year) on top of minimum wage. At the current minimum wage, our single mother does not have enough extra hours to work every week just to meet the most basic monthly cost-of-living budget without further assistance.

If the employer offered health insurance or other benefits, the monthly cost of living for this family would decrease significantly – more than \$200 a month if health insurance were provided. And arrangements may be available for child care that cost much less than the average of \$993 a month for two children. Food stamps are another resource that can extend the earnings of limited-resource individuals and families.

In addition, housing costs may be much lower in rural areas, but food and transportation may be higher. For this analysis, we have chosen to highlight the Fargo-Moorhead area because it is the largest community in the state where jobs are available.

Conclusions

How much does an employed single mother with two dependent children living in North Dakota need to earn to meet her family's monthly needs? And how likely is this mother to find employment that meets this monthly budget without also needing government assistance? This analysis demonstrates that even presuming employment opportunities in North Dakota, a significant gap is likely between earnings and the actual cost of meeting a monthly household budget for the typical family receiving public assistance (for example, a single mother with two dependent children not receiving child support).

North Dakota's labor market is heavily weighted toward the services sector, which has a high proportion of minimum- to low-wage jobs. These are jobs unlikely to provide wages at the \$25.75 an hour before taxes necessary for a single mother with two dependent children to live without additional assistance. Yet the opportunity for welfare recipients to move into jobs with adequate pay is the key assumption upon which the success of welfare reform depends.

North Dakota adults receiving public assistance who are required to move into the labor force as quickly as possible face a labor market where jobs, when they can be found, likely will be at or just above minimum wage. Yet, because the majority of TANF cases are single-parent families – typically single mothers – they will need to find employment that pays enough wages to meet their monthly costs of living.

This analysis indicates that with welfare reform, North Dakota's employed single mothers living in rural areas are facing even greater challenges in meeting their families' minimum needs. The analysis also highlights an unanswered question: If individuals are employed full time but still do not earn enough to meet their families' monthly costs of living, how do they close the gap between earnings and monthly costs, especially after exhausting their 60-month lifetime limit of assistance?

2008 HHS Poverty Guidelines

People in Family or Household	48 Contiguous States and D.C.	Alaska	Hawaii
1	\$10,400	\$13,000	\$11,960
2	14,000	17,500	16,100
3	17,600	22,000	20,240
4	21,200	26,500	24,380
5	24,800	31,000	28,520
6	28,400	35,500	32,660
7	32,000	40,000	36,800
8	35,600	44,500	40,940
For each additional person, add	3,600	4,500	4,140

SOURCE: Federal Register, Vol. 73, No. 15, Jan. 23, 2008, pp. 3971-3972

Sampling of programs in which eligibility is partially based on federal poverty guidelines:

• Head Start	100 percent of poverty or below
• Food stamps	Gross income less than 130 percent of poverty
• Free school breakfast and/or lunch	130 percent of poverty or below
• Reduced-price school breakfast and/or lunch	130 to 185 percent of poverty
• Medical Assistance	133 percent of poverty or below*
• WIC (Women, Infants and Children)	185 percent of poverty or below
• Healthy Steps (children's health insurance program)	140 percent of poverty or below*

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- 1) Regional and State Employment and Unemployment Summary: August 2008. Bureau of Labor and Statistics. Link: www.bls.gov/news.release/laus.nr0.htm
- 2) Household Data Annual Averages Link: <ftp://ftp.bls.gov/pub/special.requests/lfaat39.txt>
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- 8) Consumer Expenditure Survey 2006
- 9) Median earnings in the past 12 months by sex. 2007 Community Survey. Link: <http://factfinder.census.gov/>
- 10) Population and Housing Narrative Profile: 2007. American Community Survey 1-year Estimates. Link: <http://factfinder.census.gov/>

For more information on this and other topics, see: www.ag.ndsu.edu

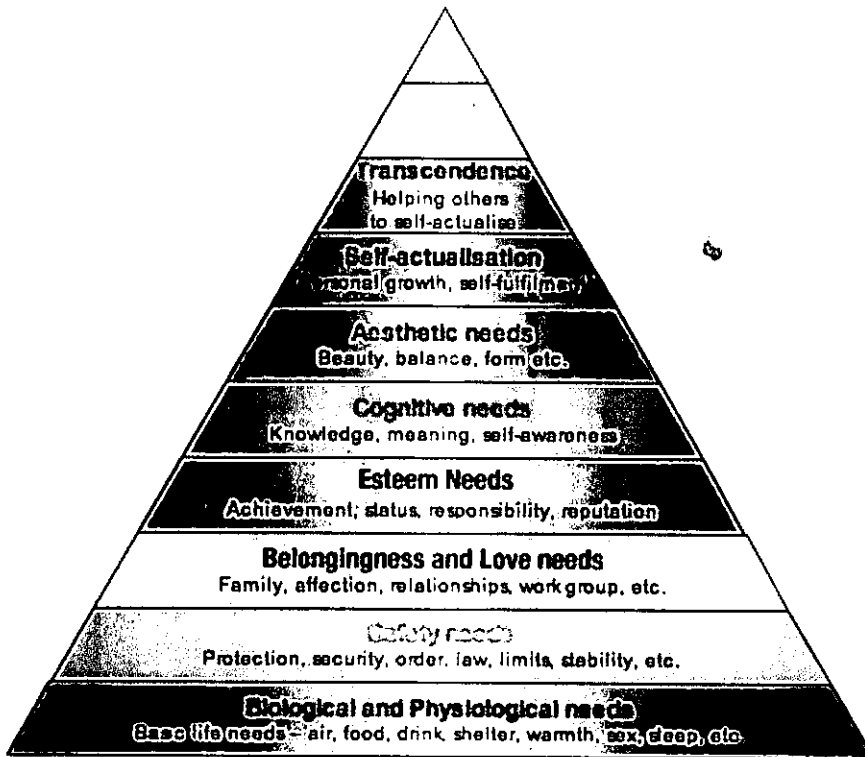
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3M-3-02; Web-10-06; 2M-5-10

Attachment C



Maslow's Hierarchy of Needs

Dear Members of the Senate Hearing Committee:

Thank you for this opportunity to voice an opinion regarding SB 2210.

As executive director of Missouri Valley Habitat for Humanity for nine years, I have witnessed many changes in the housing industry. Our small non-profit organization has constructed eighteen homes in the Bismarck-Mandan area. We have relocated over forty adults and nearly seventy children from substandard housing to simple, decent and affordable homes during this time.

You may be aware of how our program works through an application process. Only working families who fall between 30-60% of the median average income are qualified for a Habitat home. Among other requirements, their credit scores must be fairly good, must be employed, show proof they are able to pay a reasonable monthly mortgage and commit to providing "sweat equity" in building their own Habitat homes or another Habitat project. Property and all building materials are purchased through donations, grants, and local business in-kind gifts. All labor, with the exception of concrete, electrical and plumbing is donated by volunteers from these communities. It takes approximately 1,000 hours of volunteer time to construct one Habitat

home. The homes, when completed, are then sold to the successful applicant based on a 30 year mortgage at 0% interest.

In 2002, our Habitat affiliate could purchase property for \$7,000-\$9,000. Today that same property sells for \$20,000. The cost to build a home at that same time was \$52,000. Today it costs \$100,000, no matter how hard we try to reduce that cost.

We receive nearly one hundred applications in any given year.

Unfortunately, 90% of those applicants do not meet the income requirements for a Habitat home. It's not because their income is too high...unfortunately, their income is far too low for even Habitat standards.


Grant programs have dramatically reduced awards in recent years and competition for these same grants have become ever more competitive. Small businesses are struggling to survive and are not likely to provide the same level of support as they once did. Our mission to eliminate poverty housing in these communities has become so difficult we have debated closing the doors on more than one occasion. There is simply not enough financial support to provide housing for those in need, facing ever increasing odds against us.

Funding made possible, through SB 2210, would provide at least one more avenue of financial support for Habitat for Humanity and others in the affordable housing industry. This bill, as I understand it, would create a fund for new construction and allow this organization, and others like us, to continue to provide our services to those in need.

On behalf of Missouri Valley Habitat for Humanity, the board of directors, and those families in need of affordable homes, I fully support this bill. I sincerely believe it is one step to a better North Dakota and better lives for its citizens. It is important for all of us to remember there good, deserving families in our state who work hard to provide for their families but are unable to move from their incredibly poor living conditions due to circumstances beyond their control. Many of the families who do qualify for Habitat homes work two and sometimes three jobs to make ends meet. They don't want a hand out—they need a hand up. Please vote for SB 2210 and offer your hand.

Thank you!


Jessie L. Quinn, Executive Director
Missouri Valley Habitat for Humanity




Michael Carbone
Executive Director
North Dakota Coalition for Homeless People
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Testimony in Support of SB2210

Chairman Holmberg and members of the Senate Appropriations Committee, my name is Michael Carbone and I am the executive director of the North Dakota Coalition for Homeless People. I am writing in support of SB2210.



Homelessness is a serious and growing problem throughout the United States and, in spite of North Dakota's prosperity we are no exception. The rate of increase in North Dakota is below the national average but the number of people meeting HUD's restrictive definition of homelessness rose by 18% in 2008 and by 14% in 2009. The North Dakota Coalition for Homeless People will be conducting its annual Point in Time Survey of Homeless Persons on January 27th of 2011 and a similar increase is expected. According to the January 27, 2010 study, on any given day 799 people fit HUD's definition. Using HUD's annualization formula this means that approximately 7100 North Dakotans experienced homelessness at least once during 2010. It is important to note that one of the leading indicators of homelessness is the presence of a disabling condition such as mental illness, chemical dependency, and developmental and physical disabilities. Domestic violence and veteran's status also increase the likelihood of experiencing homelessness.



Treating the condition of homelessness through emergency services such as shelters, detox, emergency rooms and other services is expensive and does not provide a solution to homelessness. The only solution to homelessness is basic, safe housing. This housing comes in various forms. For some it is as simple as affordable housing in the form of low cost rental units; for others it may mean supportive housing in the form of housing subsidies and supportive services to enable the person to become stable in housing and improve their lives while becoming productive. There are programs that exist to provide this type of housing combined with supportive services and this bill does not duplicate that. From the perspective of the North Dakota Coalition for Homeless People, SB2210 provides a tool for North Dakota Housing Finance Agency to provide gap financing to nonprofit providers who need to develop supportive housing for their clients.

Financing the development of supportive housing often requires several layers of funding including some combination of federal, state and local sources, foundations, and private investors and donors. There are several organizations in North Dakota who are skilled at putting together these packages, but the last 10 to 15% of the funding is often very difficult to achieve and many projects have experienced delays because of that difficulty. Cooper House in Fargo is an example. Additionally, most supportive housing grants have match requirements and gap financing from the Housing Incentive Fund would be helpful in leveraging funding from other sources.

The North Dakota Coalition for Homeless People is responsible for the state's combined application to HUD's Continuum of Care Competitive grant program bringing approximately \$1.8 million in to North Dakota each year to help fund

housing for people with disabilities (primarily mental illness), victims of domestic violence and others who would be experiencing the heartbreak of homelessness without these programs. Part of our responsibility in that regard, is to work to coordinate the development of new supportive housing that is in alignment with North Dakota's Consolidated Plan, North Dakota's 10 Year Plan to End Long Term Homelessness, and with the eight ending long term homelessness plans from each of the state's planning regions. SB2210 provides North Dakota Housing Finance Agency with a tool that would enable them to assist the state's homeless service providers as we work toward the objectives in these plans.

I have described how this bill would help us in reaching the objectives iterated by the state relative to homelessness; however, the bill contains enough flexibility to allow the North Dakota Housing Finance Agency to apply the funding to the state's varied housing needs, including workforce housing, senior housing and others.

For these reasons, the North Dakota Coalition for Homeless People strongly urges you to support SB2210.

SB 2210 Committee Members:

I am writing in support of the Housing Incentive Fund bill, SB 2210. As a rural economic developer, I see firsthand the effects that lack of adequate housing has on economic development activities across the state.

Approximately 20 of my colleagues in economic/community development convened several discussions in 2010 to identify the most pressing issues that affect a rural community's ability to attract business and workforce. Housing was one of four target areas we identified. Below is the position statement we adopted from our discussions.

Primary Message: A large number of North Dakota's communities have housing infrastructure that is aging, and therefore expensive to rehabilitate and/or replace. Since very few new housing units have been built in the last 20 years, appraisal values of newly constructed homes and multi-family properties are often lower than development costs. This leaves little room for public housing entities to cash flow rural projects, much less for developers to make a profit.

The Housing Incentive bill will provide much needed assistance to communities in their efforts to provide affordable housing for the state's workforce.

One example of how SB 2210 can help improve housing conditions across the state:

The Eddy County Housing Authority and New Rockford Area Betterment Corporation partnered in 2009 to develop two duplex housing properties (four units) in New Rockford. The RHIIP (Rural Housing Investment Incentive Program) from the North Dakota Housing Finance Agency, one pilot program which would be funded through SB 2210, provided \$50,000 in funds to our project. Funds from this program were combined with HOME funds through the Eastern Dakota Housing Alliance and essential function bonds. The project would not have been developed without programs such as RHIIP. As a result, construction has begun on the first multi-family rental properties built in New Rockford since 1980. Demand for the units has far exceeded expectations, as our waiting list has enough names on it to fill the units at least four times.

I strongly encourage you to support SB 2210, as "[relocation] starts with a home". If we want to provide workforce for our growing economy and to increase the enrollment at our public schools, we need to offer housing that meets the needs of families across all income levels. The Housing Incentive Fund bill can and will be the catalyst for the construction of that housing.

Sincerely,

Amy Wobbema, Executive Director
New Rockford Area Betterment Corporation