

STATE OF NORTH DAKOTA

HOUSING INCENTIVE FUND, AN ARGUMENT FOR

Fund History

The North Dakota Housing Incentive Fund was created during the 2011 Legislative Session. Senate Bill 2210, Introduced by Senators Wardner, Lyson and Krebsbach and Representatives Hawken, Keiser and Winrich, was introduced January 13th 2011. Governor Dalrymple signed the legislation into law on April 26, 2011.

Funding for the Housing Incentive Fund has been accomplished two ways, through an Income Tax Credit and through Direct Appropriation from the General Fund. Through 2020 \$97.1 million of Housing Incentive Fund funding has been expended on \$507.5 million in residential multifamily projects. This funding was used to create a total of 2,898 units, of which 2,288 units are Housing Incentive Fund assisted. Of the total \$97.1 million allocated towards affordable housing units: \$28.4 million was expended in Region I; \$15.7 million was expended in Region II; \$3.8 million was expended in Region III; \$4.4 million was expended in Region IV; \$10.1 million was expended in Region V; \$5.3 million was expended in Region VI; \$14.2 million was expended in Region VII; and, \$15.2 million was expended in Region VIII. See graph (and supporting data) attached expressing Housing Incentive Funds expended within regions and selected cities in relation to total development costs.

Through the entire program, for every \$1.00 of Housing Incentive Funds expended \$4.23 of Federal and Private funds have been expended. For the select cities, for every \$1.00 of Housing Incentive Funds expended \$5.33 of Federal and Private funds have been expended.

Since inception, the average Housing Incentive Funds expended on each Housing Incentive Fund assisted unit has averaged less than \$43,000. (\$42,443.26)

Need

It is important to not “shelve” the housing study prepared for and presented to the State of North Dakota in November of 2016 by the Center for Social Research and the Department of Agribusiness and Applied Economics at North Dakota State University. At the time of publication of this document economic activity in the state had begun to decline and the study is written with this knowledge. Much of the study remains highly relative to the issue of affordable housing.

Following are excerpts from the **CONCLUSIONS AND IMPLICATIONS** of the **2016 NORTH DAKOTA STATEWIDE HOUSING NEEDS ASSESSMENT: POPULATION & HOUSING FORECAST**

“Population growth has been driven by strong in-migration as a result of employment opportunities in the state and from a substantial increase in the prime child bearing age cohort.” . . . “Economic growth is likely to continue to increase population statewide, albeit at more temperate rates.”

“Housing needs are projected to increase across nearly all age and household income categories. Housing needs will be especially acute for lower income households and elderly households. The number of households in the extremely low, very low, and low income categories are projected to increase by 23 percent or approximately 39,000 households through 2029. The need for elderly housing will increase substantially over the course of the study period as the number of elderly householders ages 65 and older are projected to increase by 54 percent or approximately 37,500 households as the last of the baby boom generation begins turning 65 in 2029.”

“The shift in householder characteristics is likely to continue to alter the mix of housing, acting to decrease the relative percentage of new single family housing and increase the relative percentage of rental housing.” . . . “Renter-occupied units as a percentage of total housing increased while owner-occupied housing as a percentage of total housing decreased. These historical trends will likely continue as a result of population growth in younger age cohorts and strong demand for elderly housing.” . . . “These trends may suggest a greater future demand for rental or multifamily housing units. The need for elderly housing will likely also impact the future mix of housing.”

“Housing affordability will be a key challenge for state and local policymakers. The projected increase in the need for low cost affordable housing is a critical consideration.” . . . “Affordable housing is a key consideration for attracting new residents and retaining young adults. Housing affordability will be an important component of continuing efforts to grow and diversify the state’s economy.”

. . . “However, one thing that is consistent across all regions is the need for affordable housing. First-time homebuyers and low income households are projected to increase in nearly every region of the state. The number of elderly households is projected to increase in every region of the state.” . . .

The complete study can be accessed here: https://www.ndhfa.org/wp-content/uploads/2020/07/NDSHNA_2016_Component1_Final_November.pdf

The North Dakota Housing Finance Agency has authored a number of informational documents that reflect the need for affordable housing and the Housing Incentive Fund, to include ‘North Dakota Affordable Housing Facts’, Housing Incentive Fund Impact on North Dakota’, Housing Incentive Fund Impact on Aging Populations’, and, Housing Incentive Fund Permanent Supportive Housing. Additional NDHFA publications, including Faces of Home, which are stories told by program beneficiaries and advocates, can be accessed here: <https://www.ndhfa.org/index.php/publications/>

As well, the National Low Income Housing Coalition, a Washington, DC organization focusing on the housing needs of extremely low income people, provides considerable data justifying the need for the continuing development of affordable housing in all states, including North Dakota. Provided herewith are this organization’s publications titled, ‘2020 North Dakota Housing Profile’, North Dakota’s ‘Congressional District Housing Profile’, and, ‘North Dakota – Out of Reach 2020’. This and other data can be accessed here: <https://nlihc.org/housing-needs-by-state/north-dakota>

Joint Center For Housing Studies of Harvard University - 2020 Select North Dakota Cities - Renters Burdened By Housing Costs

| MSA | Grand Forks | Fargo | Bismarck | Minot | North Dakota |
|--|-------------|----------|----------|----------|--------------|
| Share of Renter Households With Severe Cost Burden | 27.40% | 17.30% | 9.40% | 13.90% | 16.60% |
| Share of Renter Households With Cost Burden | 44.20% | 45.40% | 27.00% | 28.80% | 18.90% |
| Renter Households With Cost Burden | 7,207 | 17,923 | 4,830 | 4,163 | |
| Median Renter Household Income | \$35,000 | \$35,000 | \$42,000 | \$50,000 | |
| Median Renter Monthly Housing Costs | \$830 | \$800 | \$780 | \$810 | |

Severe Cost Burden: Household paying over 50% of its income towards housing.

Cost Burden: Household paying 30% to 50% of its income towards housing.

2021 Legislation

Legislation has been introduced to the 67th Legislative Assembly to amend and reenact section 54-17-40 of the ND Century Code, relating to the Housing Incentive Fund; and, to provide an appropriation. (See SB 2127)

The primary changes to the Housing Incentive Fund legislation are:

1. A reduction from 15% to 10% the amount of Housing Incentive Funds that must be allocated to assist developing communities to address housing needs.
2. At least 10% of the Housing Incentive Funds must be made available for rental assistance, emergency assistance, barrier mitigation, or targeted supportive services designated to prevent homelessness.
3. Adds preservation (of affordable housing) and barrier mitigation as eligible uses for Housing Incentive Funds.
4. Appropriates \$50 million from the general fund to the Housing Incentive Fund for the biennium beginning July 1, 2021.

Conclusion

Housing is infrastructure. Shelter is necessary.

The Housing Incentive Fund leverages private and Federal dollars.

The Housing Incentive Fund helps create employment, resulting in stabilizing population and increased tax revenue through sales and income taxes.

The Housing Incentive Fund increases the tax base, resulting in increased tax revenue through ad valorem real estate taxes.

The Housing Incentive Fund creates affordable, safe, and decent homes for the less fortunate citizens of the State of North Dakota.

The Housing Incentive Fund contributes to the stability, health and education of our citizens through the provision of stable and affordable housing.

The Housing Incentive Fund can replace funding for housing programs currently being provided through other appropriations to non-housing state agencies.