

HOUSING INCENTIVE FUND IMPACT IN NORTH DAKOTA

The North Dakota Housing Incentive Fund (HIF) is an effective, locally-driven, rental housing financing tool created and authorized during the 2011 North Dakota legislative session. Community leaders, private developers, and nonprofit organizations have leveraged HIF to construct new or improve existing rental housing. Because of HIF, low- to moderate-wage workers, the state's aging population, individuals with disabilities, and persons experiencing homelessness have increased access to safe, decent and affordable housing.

Why HIF Works

Successful Track Record. Residents, businesses and the state invested \$89.8 million in gap financing to build and rehabilitate more than 2,500 rental units. Total development costs over the past seven years exceeded \$443 million.

Unmatched Flexibility. As a state-funded program, HIF is able to address changing housing market demands in both urban and rural communities. Federal programs are more restrictive.

Local Support. HIF applications must demonstrate community support for the project and document unmet housing needs. Ensuring community input and support prior to construction results in strong community buy-in for HIF projects.

Cost-Effective. Every \$1 of HIF resulted in \$4 of public and private investments totaling more than \$353 million in additional funding.

Gap Financing. HIF is a source of gap financing leveraged when an income restricted rental housing project will not cash flow with traditional financing. Minimal debt after construction or rehabilitation results in lower monthly rents and reduces the need for housing vouchers.

Targeted to Greatest Needs. By statute, HIF targets low- to moderate-income households, including seniors, people with disabilities, families with children, veterans, and people experiencing homelessness. HIF has helped thousands of residents that would have been priced out of the state's housing market. Of the 2,501 HIF units, 1,913 are rent restricted, requiring the households who live in these units to be income qualified.

Available in all Communities. To date, HIF funding has been used in 26 communities, rural and urban, across the state.

*North Dakota
Housing Incentive Fund
(2011-2018)*

*\$89.8 million
dollars invested*

*\$443 million
total development
investment*

*80
projects across
the state*

*150
funding applications
reviewed*

*2,501
units built
or rehabilitated*

*1,913
income-restricted
units*

Ongoing Need for HIF

Affordable housing is the foundation for robust communities supporting job creation and retention, health and wellness, educational development, and the ability to age in place. However, 39.9 percent of renter households in North Dakota are cost-burdened, paying 30 percent or more of their income towards this expense.¹

Building housing for low- or extremely low-income individuals and families is challenging. Traditional financing is based on anticipated property income, however, when rents are set to affordable levels, there is a gap between the money needed for construction and the money lenders and investors provide. Most affordable housing financing developments involve a mortgage, federal low-income housing tax credits and two or three other sources of money, yet it is not uncommon for developers to rely on upwards of 10 financing sources as they try to fill the gap. Federal funding is extremely scarce and difficult to qualify for, therefore, only 50 percent of qualified projects are funded.

If North Dakotans cannot afford housing or too much of their income is allocated to this one expense, it impacts their ability to maintain stability in their lives, advance economically, pursue educational opportunities, and be able to afford basic necessities such as food, utilities, transportation, childcare and medical coverage. Housing vouchers are another option, but only one in four persons who need a voucher receives one, and it can take years to obtain a voucher.

The upfront investment in HIF off-sets the socioeconomic costs communities and the state incur when people become desperate for a place to call home.

Financing Structure

HIF awards are structured as forgivable loans and are available to local housing authorities, tribal entities, and nonprofit or for-profit housing developers. The maximum award size varies depending on whether a project also receives federal funding. The award amount typically equals less than 30 percent of the total development cost, and no more than \$3 million. Awards are competitive and projects must meet strict scoring criteria.

Timeline

2011

- Created during the 2011 Legislative Session
- \$15 million in tax credit authority
- 21 out of 30 projects awarded
- 579 units constructed or improved
- 90 percent of funding set aside for energy and flood impacted communities

2013

- Reauthorized during 2013 Legislative Session
- \$20 million in tax credit authority and \$15.4 million general fund appropriation
- 29 out of 54 projects awarded
- 921 units constructed or improved
- Program priority for essential service workers in energy-impacted counties

2015

- Reauthorized during 2015 Legislative Session
- \$30 million in tax credit authority, \$5 million from Bank of North Dakota
- Additional \$5 million from Bank of North Dakota in 2016 for communities under 12,500
- 24 out of 50 projects awarded
- 862 units created or improved

2017

- Legislature removed a two-year sunset making HIF permanent in the ND Century Code
- No new funding was authorized
- NDHFA reallocated \$3.7 million from the 2015-17 biennium.
- 6 out of 16 projects awarded
- 239 units created or improved

2019

- Governor's proposed 2019-2021 budget includes \$20 million from the Strategic Investment and Improvement Fund (SIIF).

¹ U.S. Census Bureau. 2017 Decennial Census and American Community Survey.