

Testimony in Support of SB 2220 – Housing Incentive Fund

Finance and Taxation Committee Hearing – January 23, 2023

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Good morning, Chairman Kannianen and members of the Committee. I appreciate the opportunity to appear before you this morning in support of SB 2220. I am Dawn Mandt - the Executive Director of the Red River Regional Council serving Region 4 – four counties in northeastern North Dakota



– with our headquarters in Grafton. I am also the current Chairwoman of the ND Rural Development Council. I have spent the past 30 years working in rural community and economic development in North Dakota.

Over the past two years, our office received supplemental funding from the US Department of Commerce Economic Development Administration to support economic resiliency planning. One of the projects we undertook was a regional business retention and expansion project – which included **one-on-one business interviews with 130 businesses** – large and small in our region (outside the city of Grand Forks).

These interviews revealed **the need for upwards of 1,500 new employees over the next five years** ranging from main street businesses, healthcare, teaching, and manufacturing and more. **90% of these businesses are in growth mode.** Key barriers to this growth include **lack of adequate workforce, housing, and childcare** – three themes you’re undoubtedly hearing much about in this session.

These barriers are beginning to have a negative impact.

We are seeing our companies expand elsewhere in North Dakota or out of state.

We are seeing growth plans tempered.

We are seeing companies relocate – such as Motor Coach Industries – which is leaving a 209,000 sq ft facility that they’ve occupied in Pembina since 1963 vacant and 200 employees to

relocate to Minnesota.

We are also cultivating strong private and public partnerships to address these needs. We have established a regional workforce attractive initiative. We are resurrecting the Red River Community Housing Development Organization as our nonprofit housing development group. And we have allocated \$1 million from the Regional Workforce Impact Program to childcare expansion projects.

In January 2022, I asked several partners to participate on a Rural Housing Development Task Force. The intent of this task force was to study the impediments holding back housing development in rural North Dakota despite strong demand and need. Most importantly, we aimed to develop a set of recommendations to solve these issues so we can begin to move the needle on new housing development in rural communities. Members of this task force included several leaders from the ND Housing Finance Agency, Bank of North Dakota, ND Department of Commerce as well as a couple of nonprofit housing developers – Beyond Shelter and Community Works North Dakota.

Collectively, this Task Force has 200+ years of experience related to housing and community development. This Task Force held numerous meetings, conducted research, and reached numerous conclusions – as highlighted in the attached one-page summary as well as the full report that has been included online as a part of this testimony.

A few of our conclusions:

- rural projects are more expensive (as much as 25% more than urban communities)
- developers are not attracted to rural communities due to the lack of scale more commonly found in our urban centers.
- existing housing stock is old and often doesn't fit the demand or lacking supply.
- rural projects often have an appraisal gap – market value is less than construction cost – as well as a have a lack of comparable properties needed to secure financing.
- Urban projects often couple low-income housing tax credits with the Housing Incentive Fund. Generally, rural projects would not attract the necessary investors for the low-income housing tax credits due to lack of sizable projects of under \$2 million.

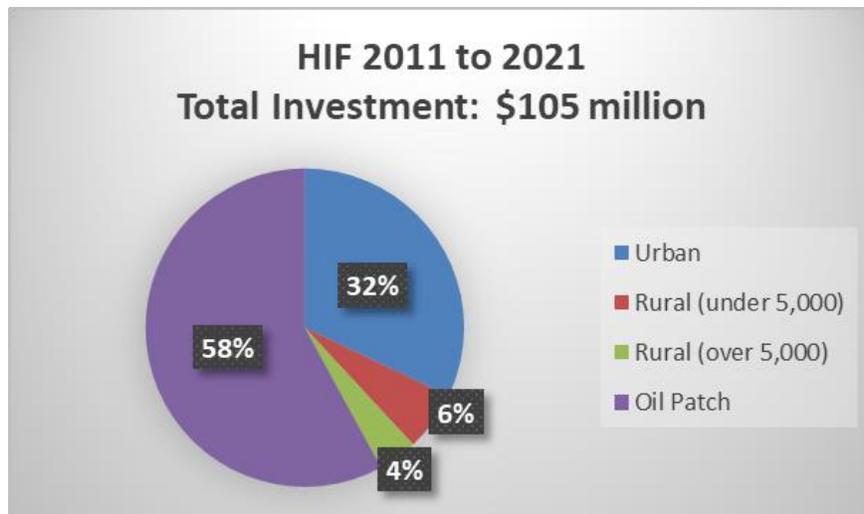
- The cost of construction would lead to rents that are generally unaffordable in most rural areas – in excess of \$1,200 per month for a two bedroom, 1.5 bath, and double garage in a duplex.
- The Housing Incentive Fund has been significantly underfunded to address the housing shortages across the state. The program typically only has one round of applications each biennia due to the high demand and lack of funding.
- Rural projects require multiple sources of funding and typically take more time to develop.

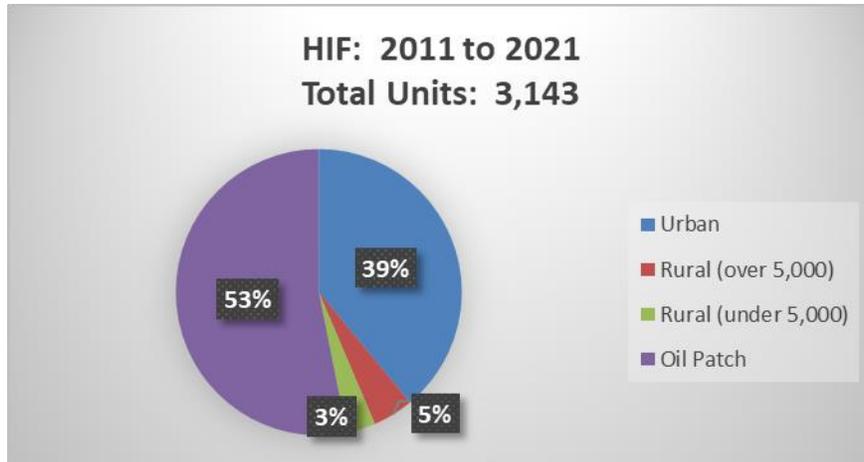
Creating the Housing Incentive Fund back in 2011 has proven to be a wise decision, producing 88 housing project with over 3,000 new rental units to date. The HIF program has a successful track record of impact.

We still need HIF.

There are still many communities that need that state support to grow.

The following graphs provide a breakdown of where the HIF program funds have been invested as well as the number of units per geography.





Our task force report included several recommended solutions and resources at all levels – city, county, and the state as well as private sector partnerships with large employers.

HIF is ideal for helping rural communities finance smaller-scale development, by filling financing gaps and allowing for a greater mix of incomes. These factors allow projects to be scaled for a community’s specific needs. HIF has successfully helped communities in the oil patch to meet their housing needs. It has been used to finance a variety of housing projects in our larger communities. It can do the same in my region. We need HIF now to retain employers, workers, seniors, and more to keep our region strong.

Significantly, we recommended a substantial increase to the Housing Incentive Fund program – and thank you to Sen. Kreun for leading this bill. **We recommended a \$50 million biennial appropriation to address the needs of both urban and rural communities.**

HIF needs to be permanently funded.

HIF needs to be funded at this higher level to give rural communities access and opportunity.

HIF can also be a valuable tool to jump-start single-family development in rural areas.

I strongly encourage you to support SB 2240.