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Testimony of Dawn Mandt in support of SB 2014 – with amendments

To the House Appropriations – Government Operations Division

Thursday, March 20, 2025

Rep. Monson and members of the Committee, my name is Dawn Mandt and I am a Grafton resident and executive director of the Red River Regional Council. The regional council is an economic and community development organization serving the four counties of Region 4 in northeast North Dakota for the past fifty years.

Today, we have an opportunity. An opportunity for transformational change in small towns.

Workforce Needs Fueling Housing Needs

Just a few years ago, we conducted 130 business interviews and revealed a great need for more people in our region. **At that time, we estimated the need for 1,500 new employees in our region, excluding the City of Grand Forks.**

We have a strong manufacturing sector with more than 25 manufacturing companies in Walsh and Pembina Counties alone with more than 1,200 employees and 90% of them have growth plans and need to replace retiring staff.

Our farmers are now also making great use of the H2A visa program and **in 2024, we had nearly 1,000 temporary farm workers in our region.** These numbers are not captured in the Census data.

Using a Nonprofit Development Organization to Revitalize Rural Markets

Two years ago, we resurrected the nonprofit Red River Community Housing Development Organization we first established in 1996 which had been dormant for approximately 15 years. We are working to address the complex issues related to rural housing to enable our people attraction efforts.

Our 2024 regional housing study forecasted the need for 4,800 housing units in our rural region based on job forecasts.

Our regional, rural population is 35,000 people – the size of West Fargo. This population is spread throughout 42 communities. Our people live, work and play within approximately an hour radius as many of our people have a connection to the land. They will remain disbursed. **We are also building a regional mindset and building collaborative relationships between communities – and building housing.**

HIF is the Tool Small Towns Need – With More Funding

HIF was established in 2011 to assist with rapid growth demanding new housing in the oil patch. The program was expanded statewide and there has been significant development supported in the state's largest communities.

Between 2011 and 2021, HIF:

- **assisted in building 3,143 housing units statewide – 94 or 3% of these units are in small towns outside the oil patch.**
- **of the \$105 million invested, \$6.3 million or 6%, was in small town outside the oil patch.**

In 2022, I convened the ND Rural Housing Task Force to study why there was so little new housing construction in small towns despite strong demand. The Housing Finance Agency, Bank of North Dakota, Department of Commerce, Beyond Shelter, Community Works of ND, and the Red River Regional Council.

We developed case studies and developed recommendations that would assist in addressing the stagnant small-town markets. We recommended HIF could be the tool to address the challenges – with some adjustments.

- In 2023, the legislature approved the use of HIF for single family development in small towns.
- Enable flexibility to address unique rural challenges.
- **Significantly increase HIF funding to \$50 million for five consecutive biennia to provide stable, predictable funding with annual funding cycles.** Past funding rounds were quickly exhausted before small towns could be prepared.
- HIF could replace federal funding tools such as Low-Income Housing Tax Credits which can only feasibly be used in 30+ unit developments. LIHTC equity funds 70 to 80% of total development costs in large communities.

The Housing Finance Agency has been an innovative, flexible and sincere partner as we have continued to develop workable, possible models to address rural housing needs. We are so grateful for the Legislative approval to assist with sparking single family development as well as recognizing one-size-does-not-fit-all when it comes to program design.

Given the strong needs we have in Region 4 alone, as well as willing partners in the regional council network to implement our models statewide, **I urge your consideration of a \$50 million appropriation.** And, we will actively put the money to use in new rooftops statewide.

Why Small Towns Need the Housing Incentive Fund

Since 2011 North Dakota's Housing Incentive Fund (HIF) has invested \$105 million to meet important workforce housing needs, producing 3,143 units across the state.

Only 3% of those units are in small towns outside the oil patch.

Adequate, Predictable Funding

a higher funding level is needed to include small town needs, and offer annual funding cycles

Greater Flexibility than Federal Funds

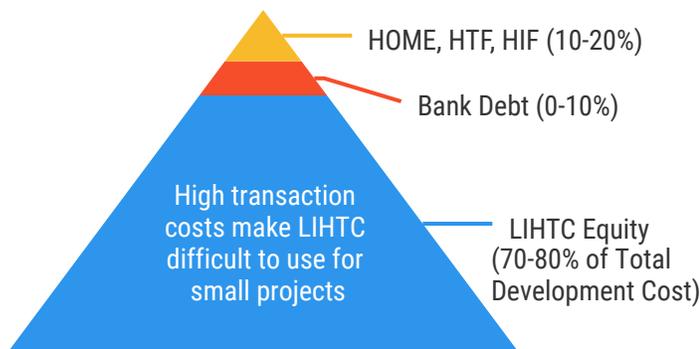
stagnant real estate markets have depressed home values in small towns, HIF can be used to spark new development

Increase in HIF funding to \$50,000,000 as a part of HB1014 (Industrial Commission Budget Bill)

Allow HIF to be used for single family development in small towns.

Small Towns Need HIF

Typical Funding Stack in Large Scale Development (30+ units)



Small affordable housing projects in small towns start with an 80% financing gap compared to larger projects using LIHTC.

Low Income Housing Tax Credits are the primary source of financing for new affordable housing development. High transaction costs for LIHTC developments make small projects extremely difficult to do.

HIF can replace LIHTC equity and enable small projects in small towns to be financially viable.



Without adequate housing in small towns, attracting new residents is difficult. Without new residents, new jobs and business expansion opportunities are going elsewhere.