



SB 2014 Testimony Provided By:

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Grand Forks Community Land Trust & Minot Area Community Land Trust

March 20, 2025: Testimony in support of SB 2014, appropriating funds to the Housing Incentive Fund

Good Morning, Mr. Chairman and Members of the Committee:

I am Emily Contreras, Executive Director of Grand Forks Community Land Trust as well as Minot Area Community Land Trust. I'm here to testify in favor of the requested appropriation for the Housing Incentive Fund, specifically for single-family homeownership opportunities through community land trusts (CLTs). First, a thank you to those who were involved in making single-family homeownership an eligible use during the last Legislative session. In the 10 or so months since the single-family program launched, HIF has already been a gamechanger for our organizations. I'll touch on that in a moment, but first, a little context:

Homeownership has grown increasingly unaffordable in our state and incomes simply haven't kept pace. Looking at the market this week, there were only 2 single family homes on the market for under \$300,000 in Grand Forks, and just 7 in Minot (only 1 of which would not require substantial rehab upon acquisition). A \$300,000 mortgage requires annual household income of approximately \$115,000, leading to a monthly payment of about \$2,200. I'm sure we all know hard working households with full-time jobs that don't add up to an annual income of \$115,000. Over the years, my CLTs have sold homes to: a retail manager, an electrician and social worker, a Congressional aide, a University associate professor, a County worker, a City Sanitation worker, a medical coder, a direct service provider serving those with disabilities, a nurse and construction worker, restaurant workers... I think we can all agree that these jobs are essential to our communities and our economy, yet their buying power has been priced out of our current homeownership markets.

Supporting single-family homeownership through HIF allows us to not only make homes affordable for one of these families, but to make a home in our portfolio affordable from one owner to the next, perpetually. We all know the benefits: Homeowners are more likely to stay in our communities long-term, to support our schools, businesses, and nonprofits. Their children are our future workforce. Unfortunately, today, they're also people who are occupying rental units though they would prefer to put their own money to work owning and maintaining their own home. In addition to the obvious benefits to each CLT homeowner, investing in a CLT will also help relieve our highly competitive rental markets, taking pressure off the full spectrum of housing.

Community land trusts in North Dakota and nationwide have proven themselves as one of (if not THE most) responsible, effective and efficient ways to make homeownership affordable long-term in our communities, subsidizing each of our homes rather than individual homeowners.

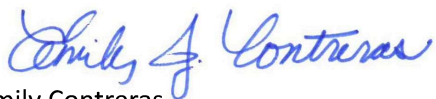
I can't thank you enough for opening up this pivotal resource for our programs. Though Federal subsidy has been available to CLTs, their regulatory requirements made the funding essentially unusable in our current market. Leveraging HIF allowed us to utilize Federal funding again. Unfortunately, HUD funding is limited to just \$500,000 statewide for CLTs, and annual allocations are unpredictable going forward. Over the last 10 months that we've been working with HIF, we've implemented the program successfully and we continue to work out the procedural details that come with creating a new program. As someone who regularly connects with dozens of CLT leaders throughout the US, I can tell you that our use of HIF for CLTs is already being admired by CLTs in other states. Thanks to the expertise and common sense involved in creating this program, I genuinely believe we have created something that CLTs will want to imitate throughout the nation.

This legislative session, we hope you'll increase the funding available to CLTs so we can prove the full potential of our organizations. To reach our ideal portfolio sizes, both Grand Forks and Minot's CLTs would add 8-12 homes to their portfolios annually for the next 8 years. We estimate this would take a total subsidy injection of \$1-\$1.5 million per CLT each year. Assuming national CLT averages hold true, each of these homes will serve at least 5 households before requiring additional subsidy, leading to a long-term per household subsidy average of under \$25,000. Whether your priority is affordable housing, economic development, or simply to improve the quality of life for working families, CLTs can be the answer. I thank you for your support last session, and look forward to working together with our phenomenal partners at NDHFA to help these programs reach their full potential going forward.

In addition to my testimony, I've provided a basic overview of community land trusts and our long-term impact. I'd be happy to run through this overview with you now, or simply leave this as a resource.

Thank you for the opportunity to be with you today.

Sincerely,



Emily Contreras

Executive Director

Grand Forks Community Land Trust &
Minot Area Community Land Trust

GRAND FORKS & MINOT AREA COMMUNITY LAND TRUSTS: AN OVERVIEW

Community Land Trusts make homeownership affordable to those who have been priced out of our markets, while ensuring homes remain affordable from one owner to the next. We accomplish this through two steps:

- 1. First Mortgage Principal Reduction Subsidy:** Similar to other downpayment assistance programs, this subsidy reduces the buyer's mortgage payment. *This step makes the home affordable for the first buyer.*
- 2. Land Retention & the Shared-Equity Resale Formula:** The CLT retains ownership of the land while buyers purchase the structure and improvements. A CLT Ground Lease is signed at closing, which includes a shared-equity resale formula. This allows CLTs to provide significantly more subsidy, keeping the subsidy within the home at each resale rather than allowing the homeowner to profit off of the subsidy. *This step makes the home affordable from one buyer to the next, for generations to come.*

GFCLT & MACLT serve households earning up to 120% area median income, $\frac{3}{4}$ of which must earn under 80% AMI. Today, we receive funding from the Housing Incentive Fund (HIF) and the HUD HOME program. HOME funds are limited to households earning under 80% AMI, (approximately \$58k for an individual, \$83k for a family of 4). CLT sales prices are set based on homebuyers paying 20-30% of their gross monthly income toward their monthly mortgage payment. Buyer's need to meet typical credit and debt-to-income ratio requirements. CLT homeowners in North Dakota have financed through Alerus Financial, Benchmark Mortgage, Bremer Bank, First International Bank & Trust, Gate City, and US Bank, and the NDHFA has been an essential secondary market partner for both CLTs.

Initial Purchase Market-Rate vs. CLT

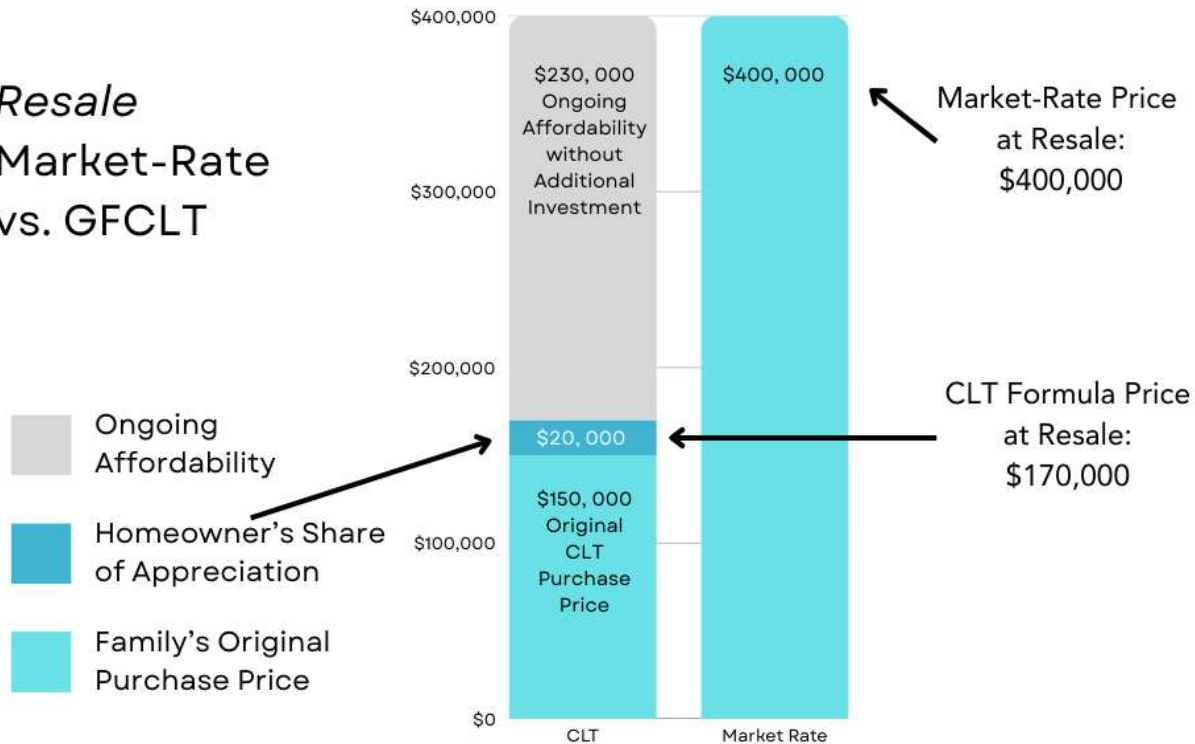


Once a CLT home is subsidized to provide affordability, **it will not need additional subsidy until the home's structure itself requires substantial repair**, or if the CLT makes the home affordable to a lower income group.

As a result, each significant injection of subsidy is likely to serve 5-8 households over the course of 35-50 years before additional subsidy is needed.

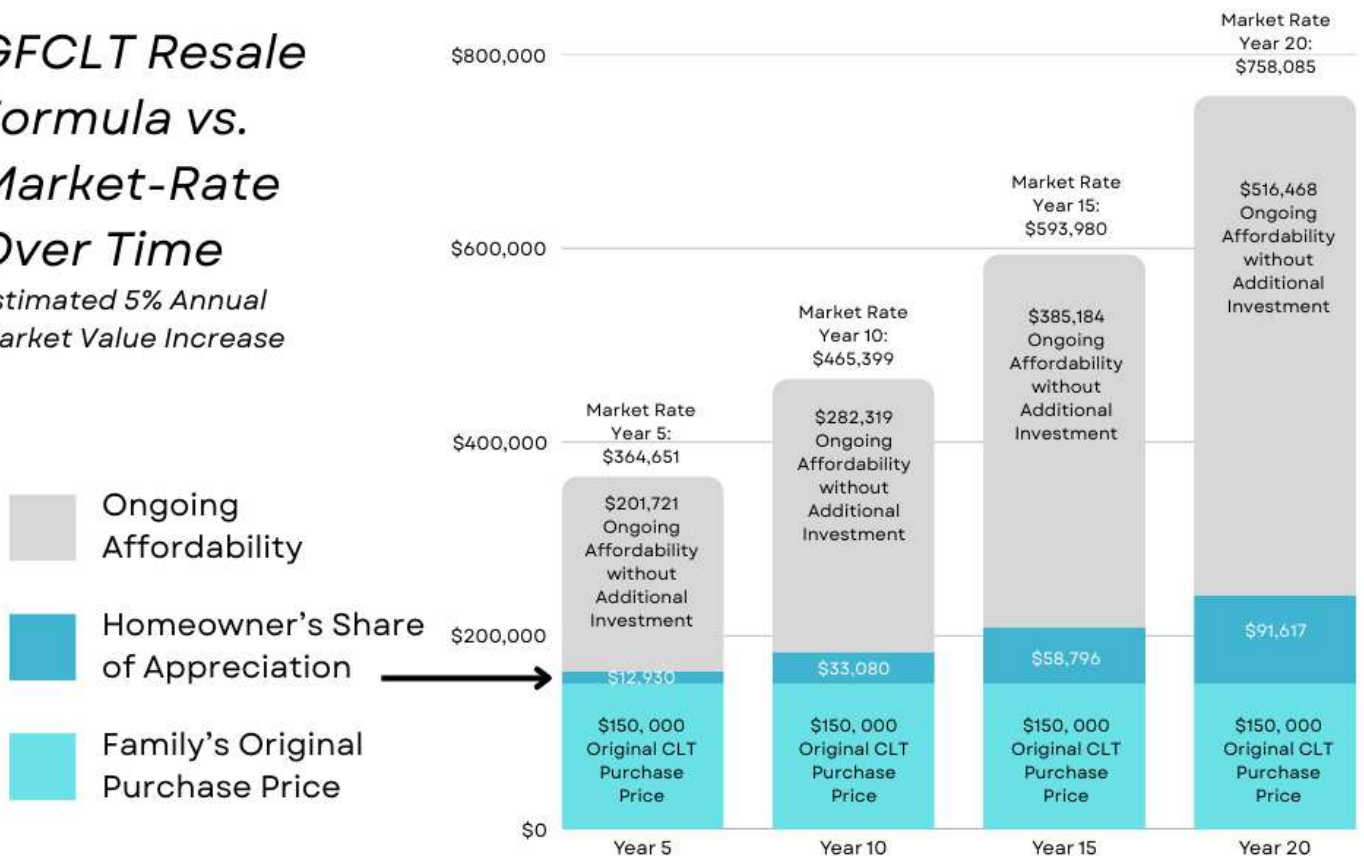
While resale formulas vary slightly, CLT homeowner's receive approximately 20-30% of the home's total appreciation at resale, exhibited in the next graphic.

Resale Market-Rate vs. GFCLT



GFCLT Resale Formula vs. Market-Rate Over Time

Estimated 5% Annual
Market Value Increase



Above Graphics Based On:

- Market Value at Initial Purchase: \$300,000
- Combined Subsidy at Initial Purchase Totaling \$150,000
- CLT Buyer Initial Purchase Price: \$150,000