

Initiative Advisory Committee

Meeting 3 Summary – August 13, 2024

Summary By: Jason Matthews, JM Strategies, Committee Facilitator



General Overview

The North Dakota Statewide Housing Initiative Advisory Committee held its third and final in-person meeting on August 13, 2024 in the Pioneer Room of the North Dakota State Capitol from 10:00 AM to 3:15 PM (CDT).

The session's purpose was to build off the outcomes from the July 11th meeting, identifying ideas and recommendations on how the state might proceed in addressing the many challenges contributing to housing pressures in North Dakota.

The committee also met online on August 6th for a presentation by Heather Worthington a Principal at Urban3. Worthington presented on infill, effective land use models, maximizing potential of existing buildings and housing.

The session began with a brief message of gratitude from Governor Doug Burgum. Following the governor's remarks, Jessica Thomasson, Executive Director, Human Services Division, North Dakota Department of Health and Human Services (HHS), presented the findings from statewide online public survey and the Governor's roundtable discussions.

Members then held a group discussion to close out the session.

Remarks from Governor Doug Burgum

Governor Doug Burgum expressed his appreciation for the committee members' service and reiterated how housing is a workforce issue for North Dakota. A lack of attainable and affordable housing hampers the state's ability to attract capital and employers. The governor provided examples of how the issue is impacting state's workforce needs from an employer's, an employee's, and a community's perspective.

Governor Burgum also cited steps being taken across the country to strategically address this challenge at a state-by-state level.

Review of Findings from Statewide Forums and Public Input Survey

Committee member Jessica Thomasson, North Dakota HHS, provided the committee with a summary of observations gathered from public input received both from the Governor's roundtable discussions and from a statewide online public input survey.

Governor Burgum hosted a series of roundtable discussions to hear directly from people with a variety of perspectives, rooted in the unique experiences of communities across the state. Roundtable conversations occurred in Bismarck, Fargo, Williston, Harvey, and at the 'Government to Government' Conference. The discussions were held in May, June, and August.

North Dakota residents were invited to participate in a statewide online survey, which has been open all summer and is continuing to collect input through early September. The online survey is intended to provide an additional forum for residents to share their views.

Key Findings from the Governor's Roundtable Discussions

Thomasson provided a handout summary of each of the governor's roundtable discussions. She reported that the discussions affirmed the key themes that the Advisory Committee has been

considering, while also offering insight into local nuances. The following themes and issues stood out from the discussions:

- Attainable housing is essential for communities to fill workforce needs.
- Workforce shortages, childcare, and housing are top hurdles throughout North Dakota, especially in the state's largest cities.
- Overall, North Dakota is developer-friendly; it all comes down to what is economically possible. Still differing permitting and zoning process among municipalities are hurdles for developers.
- The pace of retirements in the construction industry is outstripping the number of people entering the industry by a wide margin. This delays projects, hampers growth, and drives up labor costs, which are passed down to the homebuyer or renter.
- Regulations and red tape, including code changes are a constant challenge. Ex. an upcoming electrical code change to accommodate charging for electric vehicles would add to costs.
- Several participants suggested the creation of a North Dakota specific building code to allow us as a state to be more selective in identifying code provisions relevant to our geography.
- Insurance is a major factor in affordability and growing in impact.
- When homeownership is delayed, people's expectations are higher with many not seeing themselves as 'first-time homebuyers.'
- Rehab costs sometimes exceed typical value considerations. This presents a challenge and may require some type of public subsidy to cover the difference.
- Excessive width of right-of-way and street paving expectations adds costs, but residents want wide streets to accommodate larger vehicles and the need for off-street parking; it can be hard to balance cost and expectations.
- Many housing units on Indian reservations need renovation but rehabilitation loans are hard to acquire, and workers are hard to attract.
- More dense housing is needed on Indian reservations.
- There is a growing trend of 'super-commuters' who drive more than one hour to work in the state's more rural communities because they cannot find a place to live where they work.
- Revitalizing rundown properties needs to be a priority.
- There is a lack of 'next step homes' for seniors throughout the state, which keeps them locked into their single-family homes.
- Patio homes are desirable and generally popular in both small towns and larger cities.

Thomasson said many participants in the discussions are wondering what possible new approaches the state may take to address the housing challenge. There is a desire for simplicity in the building process, but most understand how daunting it is to tackle the issue. Many said homeowners feel stuck due to interest rates and rising costs, which has a psychological effect on the owners and potential buyers.

Key Findings from Public Input Survey

Thomasson provided the committee with a preliminary overview of the public input survey responses collected so far. As of August 12, more than 1,800 responses were received from North Dakota residents.

Respondents came from every county but six counties – Billings, Logan, Ransom, Sheridan, Slope,

Towner. Not surprisingly, the counties recording the highest number of survey participants are Cass (586), Burleigh (235), Williams (174), Ward (159), and Grand Forks (135).

- More than 50 percent of survey respondents have spent more than 20 years living in North Dakota.
- More than 60 percent of survey respondents identify as renters with more than 30 percent living in an apartment building with more than four units.
- When it comes to the greatest housing issues facing respondents, the raw data is as follows: affordability (1,215 respondents), availability (647), quality (613), homelessness (509), housing options available (506), and features (192).
- Overall, more than 30 percent identify as single-person households. Additional data on household types by living arrangement finds 82 percent of single-family households with children under 18 are renters compared to 53 percent of married couples with children under 18 who own their home.
- Almost 60 percent of respondents identify as working full-time with approximately 12 percent working part-time. Around five percent identified as retired. Slightly less than 20 percent identified as not working.
- Survey respondents were asked to calculate their total monthly housing costs by dividing their total monthly household income before taxes. Based on this standard, respondents shared the percentage of their total household income going to housing costs as follows:

By Household Type:

- Single head of household with children younger than 18 years of age: 45.2 percent
- Single person household (no children): 35.9 percent
- Married couple with children younger than 18 years of age: 35.2 percent
- Married couple with no children younger than 18 years of age: 29.8 percent

By Employment Status:

- Student: 47.5 percent
 - Part-time worker: 42.5 percent
 - Retired: 41.4 percent
 - Full-time worker: 35.4 percent
- More than 70 percent are not satisfied with the range of housing options available in their community. In fact, when asked to rate the current availability of housing options affordable to moderate income working people in their community, more than 40 percent selected 'poor' with approximately 25 percent selected 'very poor,' another 25 percent selected 'average.' Only five percent selected 'good' and approximately three percent chose 'excellent.'
 - When asked what specific types of housing is most needed in their area, respondents overwhelming cited affordable for-rent housing and starter homes priced less than \$250,000 as their top responses.
 - Approximately 65 percent responded that they are thinking of moving within the next one to three years. Of the 35 percent who responded that they were not thinking of moving, almost 40 percent shared that there's probably nothing they can afford to move.

Thomasson reminded the committee that this is not a statistically valid survey as it was not a controlled sample but rather open to anyone interested in responding; she also noted that the summary shared is preliminary as the survey will remain open until early September. With that stated, Thomasson expressed the view that the data is consistent with the information collected through the Governor's roundtables and validates information provided in the presentations that have been made to the Advisory Committee. On this point, the Committee agreed. Several members spoke up after Thomasson's presentation to elaborate on broader points including some brainstorming on possible policy solutions.

Thomasson concluded the discussion by announcing that committee members would receive the link to the survey. She encouraged members to share the survey link with others.

Group Discussion on Ensuring Action is Taken

Committee members began their final large group discussion by reviewing the three priority areas they identified in the July meeting. During that discussion, members worked together to identify three high priority areas the state must address as well as the issues tied to each priority area. The Committee compiled the following list:

Affordability Gaps

- Property taxes and special assessments
- Interest rates, including the feasibility of a Bank of North Dakota (BND) homebuyer interest buydown program
- Homeowners' insurance
- Construction costs
- Comparables and appraisal gaps
- Assistance bridges / gap financing for lower-income renters and homebuyers
- Financial literacy for renters and homebuyers

Government Influences

- Reviewing Century Code language for needed updates
- Zoning considerations
- Building regulations and building and fire codes
- Reviewing and identifying differences in permitting processes and timelines across the state
- Providing incentives and considering opportunities to risk share
- Taxes and tax abatements, including TIF districts for housing and Payment in Lieu of Taxes (PILOT)
- Providing a centralized system for information on housing valuations in North Dakota

Supply Mismatch

- Identifying different solutions that address unique issues in both rural and urban communities
- Developing solutions and approaches to bridge the gap for low-income and very low-income households
- Strategies to understand and support Aging in Place
- Filling the 'Missing Middle':
 - Rentership and homeownership
 - Addressing housing obsolescence
 - Financing
 - Note: Consider approaches from other states (examples: Montana and Utah)
- Setting realistic goals

Upon review, committee members agreed to add three other issues to the list: **Unused or vacant stock** to Affordability Gaps; **stranded infrastructure assets** to Government Influences; and **asset retention** to supply mismatch.

Identifying 'Pebbles,' 'Bricks,' and 'Boulders'

With those additions, the facilitator then guided them through an exercise where participants went through each issue and identified them as:

- **Pebbles:** Issues that can be resolved relatively easily. Pebbles are easy wins.
- **Bricks:** Issues that are interconnected with other issues.
- **Boulders:** Big issues that can be resolved only by going over, going around, or blowing up.

Participants reviewed the priority areas and issues and individually categorized everything before sharing their findings with the entire group.

- **Boulders:** The Committee was in consensus the following issues are ‘boulders’ that will be the most challenging and time-consuming for the state to effectively address:
 - ‘Missing Middle’ housing
 - Construction costs
 - Building codes
 - Property taxes
 - Homeowners/multi-family insurance
 - The costs and feasibility of any potential interest buydown program through BND

The Committee discussed the topic of construction costs and building codes, including some back and forth about how changes in building codes might also have impacts on insurance, appraisals and financing. ND is currently consistent with most international building codes, including energy codes; even when there is good intention behind a code provision, compliance with these codes can be costly and are an important factor in continued increases in housing costs.

- **Pebbles and Bricks:** In comparison to identifying the ‘boulders,’ there was little consensus on what qualified as a ‘brick’ or a ‘pebble.’ Only two issues were clearly categorized as ‘pebbles’: **partnerships and collaborations** along with **considering other approaches**. Overall, committee members found the following issues to be interconnected with at least one other issue. As such, the following can rightly be categorized as ‘bricks’:
 - Aging in place
 - Financial literacy
 - Centralized system for valuations
 - Investments tied to outcomes – incentivizing construction
 - Property taxes, special assessments, abatements, HIFs, and PILOT
 - Obsolescence of housing
 - Appraisal gaps
 - Century Code changes
 - Comparables and appraisal gaps
 - Financial literacy
 - Gap financing for low-income buyers
 - Infrastructure investments – stranded infrastructure assets
 - Land use and zoning
 - Permitting processes and local codes
 - Second homes
 - Simplifying program design

Regardless of where an issue was categorized by committee members, the following issues and/or themes were *frequently cited and/or received greatest agreement* throughout the discussion:

- Address ‘Missing Middle’ housing, including tackling with obsolescence of existing housing stock
- Promote and require financial literacy for homebuyers and renters
- Address cost drivers wherever possible, incentivize construction, the potential impact if state voters vote to eliminate property taxes, and explore what’s possible through TIFs and PILOTs
- Try to address, or be prepared to address, issues within the homeowners’ insurance industry
- Allow for aging in place for older adults
- Create a statewide centralized system for valuations

Six Points of Consensus

In many ways, the most important takeaway from this third meeting was identifying what actions must be taken to ensure the state successfully addresses the housing challenge. Several members referred to the priorities and issues throughout this discussion, blending issues and priorities with specific approaches. The discussion was valuable in identifying the following six points of consensus for state policymakers to consider as they address North Dakota's housing challenge:

- 1) **Build Upon What is Available Now:** Build off existing programs to create momentum. Specifically, maximize and – if possible – expand the capacity of tools like the state's Housing Incentive Fund (HIF). The state's Career and Technical Education (CTE) programs can play a key role in training carpenters, electricians, plumbers, and other laborers necessary to meet the state's homebuilding workforce needs.
- 2) **Conduct Interim Legislative Studies:** Complexity will prevent the next legislative assembly from addressing every issue related to housing. Some of the most complex elements of the state's housing strategy may require further study by interim legislative committees. Additional expert testimony and legislative research will result in interim reports that will be submitted to the entire Legislature for consideration. Ideally, this will lead to additional legislative action.
- 3) **Look to Other States:** Look at what other states have done on housing. Based on applicability, iterate on various approaches and solutions that may have relevance to North Dakota's specific challenges.
- 4) **Private Partnerships:** It is important that policies and actions be in keeping with North Dakota's policy approach, which leans heavily on public-private partnerships and the intersection between public and private sector actions. This includes a strong focus on reducing regulations as much and as is practical and/or possible and focus on adopting strategies that work.
- 5) **Adopting a Regional Approach:** Accept differences among the regions, urban and rural markets, and utilize existing place-based infrastructure (ex., regional development councils) in undertaking region-specific actions to meet these needs.
- 6) **Prioritize Senior Housing:** There is broad support to prioritize strategies that address senior housing needs throughout the state. This area of opportunity could be a central element within an overall 'Missing Middle' housing strategy that creates a range of housing types in the middle price range and would necessarily address both modification of existing housing as well as construction of new housing in communities of all sizes. There was consensus amongst committee members that a stronger focus on housing that acknowledges the preferences of people entering older adulthood could contribute to greater movement in all segments of the housing market, opening up single-family homes for new owners.

Maintaining Momentum

The session concluded by asking members to agreeing to what must be done to ensure broad support for the eventual package of proposals that will result from this process. Members expressed willingness to stay involved. Some volunteered to provide testimony before the legislature. Almost all agreed or expressed a willingness to talk to legislators throughout the process. While the Committee's membership was designed to ensure broad representation of key stakeholder groups, members acknowledged that other groups should be engaged moving forward into the legislative session. Among the groups mentioned were:

- Regional Development Councils (RDCs)
- Planning associations, city planners, planning and zoning commissioners, Renaissance Zone boards, traffic engineers
- Appraisers
- North Dakota Association of Counties (NDACo), county tax accessors

- North Dakota League of Cities (NDLC)
- Homeless coalitions and advocates for homeless persons

Next Steps

This meeting represented the official end of the Committee's work in-person. As the facilitator noted, it is not so much an ending as the end of the beginning. The process now moves into its next phase where the Governor, together with legislators, will develop and propose a set of recommendations for consideration in the 2025 legislative session. These recommendations will be developed in consideration of the advice provided by the Committee, information provided by subject matter experts during the Committee's June and July sessions, along with input collected from the online survey and the Governor's roundtable forums.

The plan is to publicly introduce the recommendations in a report sometime in September. Committee members will be provided copies of the report and encouraged to stay involved as the process moves forward. Depending on the nature of the recommendations, the Committee may be reengaged informally to support those proposals that directly impact the groups they represent and/or are of particular interest to them.

Attachments:

'Public Input Survey Responses: Preliminary Overview As of August 12, 2024,' PowerPoint. Jessica Thomasson, Executive Director, Human Services Division, North Dakota Health & Human Services (HHS).

'City Building Diagnostic,' PowerPoint. Heather Worthington, Principal, Urban3.