

# Initiative Advisory Committee

## Meeting 1 Summary – June 5, 2024

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### General Overview

The North Dakota Statewide Housing Initiative Advisory Committee held its first meeting on June 5, 2024 in the Pioneer Room of the North Dakota State Capitol.

The six-hour session was organized around providing an in-depth analysis of the macro-level factors and challenges confronting housing in North Dakota, the surrounding region, and throughout the nation. Two presentations were provided. The first presentation was by the AARP Public Policy Institute on the 'Future of Housing Megatrends.' The second presentation was provided by the Federal Reserve Bank of Minneapolis on 'Housing Affordability: Data, Principles, and Research.'

Following the presentations, all committee members participated in an exercise where they individually identified three questions they want answered regarding housing in North Dakota, the two outcomes they want to come from this initiative, and the one significant impact they want to see ten years in the future that resulted from the process. Members then shared their observations and key takeaways from the day's presentations and discussed next steps in the process.

### Overview of the Housing Initiative

The meeting began with a general overview of the statewide housing initiative. This initiative's purpose is to align efforts to implement a coordinated housing strategy that strengthens communities, prevents housing crisis, and paves the way for people to build their best life in our state. This work is rooted in an acknowledgement that housing is a local issue, but that the state has a role to play in facilitating attainable housing. The Advisory Committee will help determine the scope of such a role, which will, ideally, be able to leverage the strength of the private market to increase access to housing that is attainable for people living and working in North Dakota.

The initiative's process consists of three elements. The first is a series of listening sessions being conducted by Governor Doug Burgum and his office; these sessions are seeking input from key stakeholders in communities throughout the state. The second element is the collection of public input from an online survey that is open to all North Dakotans from May through August. The third element is the work of the Advisory Committee.

The Committee is comprised of experts and representatives from key stakeholder groups, which will study the issue, consider relevant data, and coalesce around a series of recommendations that can help inform discussions in various public forums, including the upcoming 2025-27 Legislative Session.

As shared with the Committee members, the driving factors behind this initiative are:

- **Workforce:** At its core, for North Dakota, housing is a workforce issue.
- **Economy:** North Dakota's economy is fundamentally very strong with the nation's highest real GDP growth year over year (+5.9 percent in 2023), the nation's lowest unemployment rate (2.0 percent in March 2024), and second in the nation for labor force participation (68.7 percent in March 2024).
- **Population:** North Dakota's economy is attracting people to the state, but this is compounding the trio of housing challenges: availability, affordability, and stability.

## AARP Presentation: ‘Future of Housing Megatrends’

Shannon Guzman, Director of Housing and Livable Communities, with the AARP Public Policy Institute, presented to the committee via video on [AARP’s seven megatrends that are shaping the future of housing](#).

### Changing Demographics and Community Challenges

- By 2034, for the first time in history, Americans 65 plus will outnumber those 18 and under.
- From 2010 to 2020 in North Dakota, those 65 and older living in their own home grew by 23 percent.
- Currently, 38 million Americans are family caregivers – this number will continue to grow.
- Less than one percent of U.S. homes have the recommended features that support aging.
- Nationally, communities are not prepared for the growing at-home aging population.

### What People Want

AARP’S 2021 Home and Community Preferences Survey found more than 50 percent of all U.S. adults and nearly 80 percent of those 50-plus want to stay in their communities and homes as they age. The data identified the top three features broken down by the following three age groups:

- **Top Three Features Among 18-49 Year Olds:** (1) Home modification and repair work with contractors who are trustworthy and affordable; (2) housing located near activities and key services; and (3) affordable housing options for people across all income levels.
- **Top Three Features Among 50-Plus:** (1) Home modification and repair work with contractors who are trustworthy and affordable; (2) housing located near activities and key services; and (3) services to help with home repair and yard maintenance for low-income and older Americans.
- **Top Three Features Among 65-Plus:** (1) Home modification and repair work with contractors who are trustworthy and affordable; (2) housing located near activities and key services; and (3) affordable housing options for people at all income groups.

### Seven Megatrends in Housing

AARP has identified and summarized the following seven megatrends impacting the future of housing:

- 1) **Advances in Technology:** Advances in technology are changing the way housing is produced, marketed, sold, financed, managed, and lived in. This opens the door for improved efficiency, lower costs, and better features in housing, but it also can exacerbate existing inequalities.
- 2) **Affordability Gaps:** Rising housing costs, insufficient supply on different housing options, and growing income inequality are likely to persist, if not worsen, in the coming years. If left unaddressed, more people will struggle to live in housing that meets their needs and budget.
- 3) **Changing Demographics:** Americans are living longer, the 65 plus population is rapidly growing, and the country is becoming more racially and ethnically diverse. These demographic trends should factor into our perspectives on housing today and in the future.
- 4) **Local Government Influence:** Most housing decisions are made locally, allowing communities to make decisions that are tailored to their specific needs. However, some community voices may crowd out others in the decision-making process. This phenomenon has stymied housing production for decades and will continue to do so if not addressed.
- 5) **Shifts in Environmental Conditions:** The nation’s housing is ill-equipped to handle the frequency, intensity, and volatility of extreme weather events, and communities are not prepared to respond. Implementing effective housing solutions to mitigate the risk of harmful repercussions is crucial.

- 6) **Supply Mismatch:** There is a nationwide housing shortage, and nearly 2.5 million units are needed to close the gap. Additionally, housing that is suitable for a variety of circumstances is underproduced. This strains the market and leaves millions of people without appropriate housing solutions.
- 7) **Systemic Barriers:** People of color and those with disabilities continue to struggle to find and remain in housing that meets their needs. This is the result of past and present barriers to access that must be addressed to make housing available and accessible to all.

## **Presentation by the Federal Reserve Bank of Minneapolis: 'Housing Affordability: Data, Principles, and Research'**

Ben Horowitz and Libby Starling with the Community Development and Engagement Division of the Federal Reserve Bank of Minneapolis traveled to Bismarck for an in-person presentation to the Advisory Committee. Horowitz is a senior policy analyst and Starling is a senior community development advisor for the Federal Reserve Bank of Minneapolis.

- **The Good News:** Between 2010 and 2020, North Dakota experienced the fourth fastest population growth among the 50 states. As of 2023, North Dakota's population is 783,926 – up 22.1 percent since 2000. Of note, both Horowitz and Starling stressed the fact that the state is having conversations about housing affordability is a sign of a growing economy.
- **North Dakota's Housing Mix:** North Dakota has a homeownership rate of 65 percent, of which 59 percent are single-family detached homes. Almost 44 percent (43.6 percent) of rental housing is in larger multi-family homes. The state has a home vacancy rate of 12.2 percent, which includes units categorized as second homes in addition to vacated and unoccupied housing.
- **North Dakota Home Prices are Rising – But are Slower than Elsewhere in the Region:** The national average home price is \$358,734. North Dakota's home values are up nearly 20 percent since 2019 with a current average of \$257,599. In comparison to our three neighboring states, Montana's average is \$463,645, Minnesota's average is \$335,229, and South Dakota's average is \$302,826.
- **Rents are Rising:** Rents are rising across the state but at a slower rate compared to other states. Looking at North Dakota's six largest cities, rates have increased since 2019 by 3.0 percent in Jamestown, 18.1 percent in Minot, 23.1 percent in Grand Forks, 25.6 percent in Bismarck, 26.8 percent in Dickinson, and 27.4 percent in Fargo. Rates in Williston have jumped by 56 percent over the last five years.
- **A Surprising Data Point:** According to data, over the decade between 2010 and 2020, housing growth outpaced population growth in North Dakota: Population growth of 15.8 percent compared to housing unit growth of 16.7 percent. Many Committee members were surprised by these numbers as the data does feel counterintuitive to many, based on their perceptions of market needs.
- **Falling Affordability for Homeownership:** The Federal Reserve Bank's Housing Affordability Monitor (HOAM) offers insightful data. In 2019, all North Dakota markets had affordable homeownership but, over the last five years, are seeing falling affordability. As of today, homeownership is unaffordable (i.e., would create housing cost burden) for the median family in Bismarck, Dickinson, Fargo, and Grand Forks.
- **The Impact of Higher Interest Rates:** Nearly seven out of 10 mortgages in North Dakota have rates of 4 percent or below – the comparable national number is six in ten. Rising rates are making homeowners reluctant to put their homes on the market because moving would require a new mortgage at a higher interest rate.

- **The Bottomline:** Based on available data, the scale of North Dakota’s housing challenge is more manageable than it is in most other states. While this does not minimize the criticality of the issues, it does offer meaningful opportunity to move the needle in a positive direction.

### Affordability and the Workforce

Analysis on what is affordable by looking at a sampling of some of the most common occupational classifications provided the following insights:

- **Service Sector, Education Paraprofessionals, Home Health Care and Personal Care Aides:** North Dakotans currently employed in these occupations have an average wage range of \$37,000 or less. For this group, an affordable monthly rent or mortgage is \$1,100 or less.
- **Transportation, Teachers, Trade Laborers, Administrative Support:** The average wage range is \$37,001 to \$59,000 and this group’s affordable monthly rent or mortgage is between \$1,100 to \$1,500.
- **Health Care Providers, Professionals, Energy, Electricians, Plumbers, Construction Supervisors, Heavy Equipment Operators:** The average wage range is \$59,201 to \$89,000. An affordable monthly rent or mortgage is \$1,500 to \$2,200.

### Three Approaches That Work Together

Obviously, no single strategy can address all challenges as different places need a different mix of approaches. Still, as reinforced by the data and experience throughout the country, the presenters identified three approaches that work together, including examples of specific tools relevant to each approach.

- **Support Affordability:**
  - **For Renters:** Rental assistance, financial incentives to property owners to limit rents
  - **For Homeowners:** Tax credits for homesteaded property, downpayment assistance, financial assistance for housing rehabilitation, financial counseling to reduce mortgage costs, shared equity models (cooperatives, community land trusts, etc.), foreclosure prevention
- **Increase Supply:** Focus must be on increasing supply at all price points.
  - Increase supply of more types of housing in more places
  - Provide financial assistance to support housing construction (Low Income Housing Tax Credit, NDHFA funding)
  - Limitations on short-term rentals
  - Reduce costs of new housing construction
  - Preserve the viability and livability of existing housing

Based on interviews conducted with market-rate and affordable multifamily owners, both for-profits and non-profits, the Federal Reserve identified a series of common challenges for apartment owners as they work to protect the viability of existing housing supply:

- Rising staffing costs amidst labor shortages, especially among maintenance workers
- Inflation driving up subcontracting expenses (snow removal, yard maintenance, janitorial contracts) and raw material costs (i.e., appliances)
- Fewer banks willing to lend to multifamily real estate and those lenders that do have higher underwriting standards

Additionally, Rising Property Insurance Costs are presenting a significant danger to supply. Across America, multifamily housing is seeing significant property insurance increases. At the same time, many home insurers are pulling out of markets or increasing rates, premiums, and requiring larger

deductibles. The result is more multifamily and single-family homeowners are paying more for less coverage.

- **Streamline Processes and Rules:** The interplay between local government and developers is essential to housing development. Processes and timelines should be evaluated and efficiencies, where possible, should be identified. A more collaborative, rather than adversarial, approach is necessary to relieve common pain points for both developers and local governments.
  - What types of housing are allowed by right vs. what projects require political approvals?
  - Increase predictability in the development processes will help minimize the risk to developers of projects not moving forward.
  - Evaluate the range of local requirements that can or could increase construction costs.
  - Are there opportunities to streamline mortgage application processes?
  - Look for strategies to proactively support property owner / renter relationships.
  - Consider interplay between state and local governments to support more housing production.

## Putting It All Together

The last third of the meeting was devoted to assessment, identification, and discussion on what was learned and determining a focus for the committee's work.

### 3–2–1 Exercise Responses

Committee members were asked to provide written responses to the following prompts. The members' responses are listed below.

- **What three questions do you want answered regarding housing in North Dakota?**
  - Can we provide incentives to senior housing product developments that open other housing needs to younger families?
  - How can we maximally leverage federal resources with state resources to stimulate more housing units development?
  - How do we manage urban/rural development needs to benefit all?
  - How can we continue to make North Dakota attractive for business development, both small and large, with current workforce issues?
  - How can we better allocate funds that are currently available to our state to avoid homelessness and affordability issues without burdening taxpayers?
  - How can investors and property owners combat rising insurance premiums?
  - What can the state, as a whole, do to address housing as an issue?
  - What can we do locally to address and/or enhance what the state may do to address the housing issue?
  - How can we lower the cost of housing statewide and make it equitable amongst a diverse state with various rural and urban communities?
  - How do we prioritize with all the unique needs across communities, incomes, etc.?
  - How do we ensure that development is done sustainably for our communities (i.e., infill, not edge development)?
  - How do you balance risk and regulation?
  - What types of housing can be financed in rural North Dakota affordably?
  - What areas of the state are in most need?
  - What are some creative housing solutions from across the U.S. that can be applied to North Dakota?
  - What does "affordable housing" mean to North Dakota?
  - How do we encourage new entities to enter the housing development game to benefit the consumer?
  - Incentives. Which are the right ones to use and when?
  - Where do new people to the state want to live? (Not where do they live now.) And in what kind of housing?
  - What are our businesses and city/county governments doing right now to push/promote/communicate existing housing options?
  - Statistically valid survey of current housing – including are people happy with where they live? How much do they want to spend on housing costs, etc.?
  - What can we do to make housing in North Dakota more sustainable?

- What can we do to reduce red tape?
- How can we help cities/counties of rural areas that have less staff make needed changes?
- Best fiscal recommendations specific to monetary contributions into the system by the state.
- Best regulation reductions, both state and local.
- Although we hate regulation, recommendations for improvements to help housing.
- How can we match up projected/current housing needs with available housing stock? How do we engage the community/residents in the process?
- What are ways we can “get ahead” of what’s coming?
- How can we promote, incentivize, encourage builders, developers, and others to build ‘the missing middle’?
- What innovative strategies or successful examples from other regions can be adopted?
- How can we leverage public/private partnerships to increase affordable housing?
- How can the committee ensure equitable and inclusive housing solutions?
- What can we, collaboratively, address/propose to the legislature to make a significant impact in the housing shortage and affordability issue?
- How do we ensure we are representing the needs of rural communities in our recommendations?
- Who will champion the housing issues moving forward?
- What can we do to encourage a healthy balance of new and existing housing in North Dakota markets?
- What are the top five non-value-add drivers of cost that we can address through change in rules/procedures?
- How can we support more varied housing in our local markets?
- How do we increase supply of homes, across the continuum, in rural North Dakota?
- How do we decrease the regulations to allow construction to occur and a lower cost but protect public safety?
- How do we increase workforce in construction related positions (roofers, cement, electricians, plumbers, etc.) across North Dakota with an emphasis in rural North Dakota?
- How do we ensure rural communities have equitable access to resources for housing development?
- How can we educate local leaders on the process, so they don’t fear the risk and are willing to take on the projects?
- How can we overcome infrastructure limitations?
- Who will “own” this process in perpetuity?
- Do buyers and renters already know about programs available – education?
- How does mental health and addiction support services (organizations) play a role in this?
- What state policies need to change to impact an increase in housing?
- Are there any incentives that could attract an abundant amount of residential construction capital?
- How much housing is needed to capture the growing business opportunities in our state?
- What is the effect of insurance costs on housing in North Dakota?
- How would further property tax reform effect the cost of housing in North Dakota?
- What is the current level of “middle housing” stock in North Dakota and how do we increase this for more affordable solutions?
- What is affordable or attainable housing? (Is there a dollar number to be attached to the purchase price or monthly rental?)
- What areas is the state most likely to have in alleviating North Dakota’s housing issues? (Property tax buydowns, Bank of North Dakota loans at better interest rate, etc.)
- What type of housing does North Dakota need the most help on?
- How can we lower the cost of a home?
- What are five things we can tell people to do to help get more houses built?
- What can state leaders do to help get more people into long-term, stable homes?
- What are the easy things to help with no state investment?
- What zoning/building codes can be changed to spur supply?
- Can the Legacy Fund investment be used for housing investment?
- Is the state of North Dakota able to help with the housing shortage?
- If so, what is the timeline proposed?
- What areas of focus will be targeted first?
- How to lower percentage rates on single- and multi-family homes?
- How can rural markets create market rate home builds?
- How can existing homes be incentivized for “flips” or remodels?
- How do we bridge the gap between rural and urban areas?
- Are there programs in other states that have worked that we can use as a model?
- What should the incentives be (state and local) for developers to build moderate- to low-income housing?

- **What two outcomes do you want to come out of this process?**

- A measurable plan to provide affordable housing to transition renters to owners.
- A truly diverse set of items in our toolbox, so that cities and counties have tools that can work (understandably that not all tools will work for everybody but hoping that most tools will work for a vast majority of situations and actions).
- Access to help from the state in all areas of housing, not just low income.
- Affordable workforce housing options across North Dakota that the buyer is proud to own.
- Agreement on recommendations to the Legislature.
- An ongoing housing task force for the state.
- Clear and concise ideas with legislative recommendations that would have the possibility of passing.
- Collaboration between stakeholders to address housing as a workforce issue, including support from the Legislature. Heartfelt and intentional awareness and commitment from partners.
- Consensus on next steps to improve housing affordability.
- Development of actionable items/recommendations that have a meaningful impact.
- Establishing a functional coalition statewide to drive strategic housing development.
- Forward progress toward meaningful change through recommendations that can be implemented and utilized by communities to appropriately address the needs of its residents and future residents.
- Good recommendations for city and county governments to be a part of the solution by streamlining planning, zoning, and building codes and reducing and removing obstacles to getting housing done.
- Housing availability increased.
- Housing solutions to keep up with a growing economy and even drive a growing economy.
- Incentives for local communities that will increase supply.
- Incentives to help drive growth in the state and attract more industries that will inject money into the communities to attract interest.
- Include local and state action driven by data to address housing needs.
- Increased density of North Dakota's larger cities so they are taking full advantage of existing infrastructure.
- Increased level of housing stock for sale.
- Increased school enrollment in all counties versus only seven counties in the past 30 years.
- Infill the rental availability housing with rapid response housing for homeless or those in danger of homelessness.
- Lower overall cost of ownership of housing.
- More access to affordable housing for renters and buyers.
- More housing money from the State for lower income housing.
- More opportunities for local housing champions (i.e., small developers and builders) to preserve and reinvigorate housing in their community.
- More people and groups (businesses, nonprofits, governments) understand the current stat of housing in their region – and how it can be improved.
- More rural housing builds.
- Municipal confidence – courage from local elected leaders to make well-informed decisions on the best projects to address these issues.
- Provide an adequate supply of low-cost housing.
- Recommendations for all entities that may help them move forward in an efficient manner no matter how large or small the locale (city, county) is.
- Recommendations for policy and finding to incentivize construction and preservation of housing needs.
- Recommendations for streamlining the building of home process – especially where it may reduce the soft costs.
- Reducing “unnecessary” red tape that burdens the process in order to reduce soft costs.
- Several state and local incentive recommendations to boost housing starts and attract private capital.
- Some metrics to measure success/failure of ideas.
- Something to bring to the state legislature to act on.
- Strategic plan to help with affordable housing and inventory supply.
- Targeted resources to bridge affordability gaps for people whose income will make it hard for the housing market to serve on its own.
- That a successful public-private collaboration is achieved.
- That North Dakota becomes the most attractive state for young families to move to and be successful.
- That the challenges small communities and rurals face are recognized and addressed
- Unleashing the small builder/developer to create housing.
- Updated zoning codes that allow and encourage better land use that matches what community wants and needs.

- We should not grow just to grow. It has to make sense.
- Work closely with developers to get their input?
- **When looking back on the Statewide Housing Initiative ten years from now, what is the one significant impact you want to see result from this endeavor?**
  - A great balance of supply and demand of residential housing that will meet the needs of North Dakota's growing economy.
  - Affordable housing for first time homebuyers along with affordable replacement housing for seniors who may be more limited due to fixed income levels, both in larger communities and smaller towns.
  - Affordable housing for low- and moderate-income families across North Dakota.
  - Changes in the trajectory of housing needs. Seeing a reduction in the housing gap which started from the initiatives proposed by this committee. We should be the catalyst of change.
  - Continued population gain.
  - Created a streamlined, long-lasting process that addresses housing needs now and in the future. Adapt and change with time, needs, and market. Affordable and accessible housing for all.
  - Equal access to housing across the state for all income levels.
  - Healthy, vibrant communities with smart and efficient infrastructure, a strong and modern workforce, and economically diversified.
  - If someone experiences homelessness there is enough housing supply to ensure they will have a home quickly.
  - Impact on homes built or updated to meet needs of seniors – making them easier to attain or more available.
  - Increased economic stability in rural areas due to higher quality, affordable housing options.
  - More affordability having stock for upper lower class and lower middle class across the state.
  - More available housing in the State.
  - More homes. Fair price.
  - More housing which hopefully will lower costs to allow for more workforce to fill the amazing opportunities we have in front of us.
  - More mixed-use, infill, and redevelopment of underutilized properties to support continued investment in the community's core neighborhoods and a way to bolster homeowner investments into older residential neighborhoods – these are the 'starter neighborhoods' for young families and neighborhoods.
  - More single-family and multi-family housing. An increase in K-12 enrollment in more counties.
  - North Dakota can continue to be a state that is open for business and attractive place for people to live, work, and pursue the American Dream.
  - Population increases in the counties with declining populations.
  - Reduced rate of cost burden for working families of lower and more modest incomes.
  - Supply and demand balance in North Dakota's housing market that provides stability and availability
  - That all sectors have seen results and that homeless, low-income, workers, and aged have seen gains.
  - Trending data that reflects North Dakota is number one in the nation in sustained affordable housing – resulting in workforce prosperity to expand our current commerce.
  - Young families can afford to own a home in North Dakota. Measured by an increased level of homeowners in a demographic age of less than 35 years old.

## Common Themes from Committee Discussion

To conclude the session, each Committee member shared what stood out to them from the day. The following themes emerged from this discussion.

- **The Sense of the Committee:** Overall, there was a sense of general optimism that North Dakota's housing challenges can be realistically addressed with thoughtful, coordinated action. All acknowledge there is no silver bullet but there are several practical steps that can be taken that, when done in tandem, can significantly move the needle on housing.
- **Some Common Concerns about the Housing Industry:** The challenges within the appraisal industry, the rising costs of home insurance and the number of insurers leaving the market, impact of interest rates, construction labor shortages, and the 'missing middle.'



- **Data Disconnect:** A common concern that the data on housing construction outpacing population gain does not comport with what Committee members are hearing and seeing across the state. There is a need to better understand this data to further discussion on possible sources of mismatch between supply and demand.
- **Wants:** Further examination of regulations, identifying the types of housing most needed and the locations for such housing in both urban and rural markets, and identifying what the state and local governments in collaboration with the private market can do so there is naturally occurring affordable housing throughout North Dakota.

## The Key Takeaway Moving Forward

Committee members noted how much of the Federal Reserve’s data, especially the ‘three approaches that work together’ – **affordability**, **supply**, and **streamlining processes** – complemented and connected with much of the information presented by AARP.

In reviewing the seven housing megatrends, members identified and ranked the three most significant megatrends impacting North Dakota as: (1) **supply mismatch**, (2) **affordability gaps**, and (3) **local government influence**.

Taken together, these three approaches and three megatrends provide a framework for the committee’s future work.

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### Attachments:

*‘Future of Housing Megatrends: A National Perspective on Housing Trends and Solutions to Expand Housing for People of All Ages,’* PowerPoint. Shannon Guzman, AARP.

*‘Housing Affordability: Data, Principles, and Research,’* PowerPoint. Ben Horowitz and Libby Starling, Federal Reserve Bank of Minneapolis.

*‘North Dakota Housing Initiative Overview,’* PowerPoint. State of North Dakota.