



North Dakota Housing Finance Agency

Rural Housing Investment Incentive Pilot Program

Purpose:	To encourage investment in housing in Difficult to Develop Areas (DDA) of North Dakota.
Difficult to Develop Areas:	Communities with a population of 5,000 or less and who can demonstrate an unmet housing need or housing shortage.
Application:	Agency will hold an RFP competitive process. Applications will be judged on financial feasibility, impact on a DDA, demonstrated need, and project readiness to proceed including applicant's demonstrated ability to raise capital. The applicant must be able to demonstrate that this project would not have been feasible (built) without this assistance.
Eligible Applicant:	City, County, or Tribal Housing Authorities; Non-profit or for-profit developers; or any entity or individual acting in a developer role.
Eligible Housing Projects:	New construction of Single Family and Multi-Family housing. Substantial Rehab of structures that create additional housing units.
Eligible Investors/Contributors:	Individuals; corporations; financial institutions; municipal governmental entities; and other businesses.
Eligible Investment/Contributions:	Cash, donated land and infrastructure improvements; buildings; property tax incentives, and other municipal incentives that reduces the gap on project feasibility.
Maximum/Minimum Project Investment:	For new construction, the Agency will match, on a dollar for dollar basis, the eligible investment/contribution up to a combined total of the lesser of 1) the gap between cost of construction and appraised value; or 2) 20% of the cost of construction. For purposes of determining agency match, cost of construction is defined as site acquisition, hard construction costs, associated soft costs and acceptable profit margins. Recognizable construction costs for new single family homes will be capped at \$190,000 and at \$125,000 per unit for multifamily properties. For rehabilitation, the Agency will match private investment up to a combined total of 50% of the hard construction cost of the rehabilitation. Rehabilitation must meet a minimum level of \$40,000 in hard construction costs per unit to be eligible. For purposes of determining the match, hard construction costs for rehabilitation will be capped at \$100,000 per unit for both single and multi-family units. Profit margins of 10% or less for combined builder profit, builder overhead and general requirements and 15% or

less for developer fees will be considered reasonable. These limitations will be applied against hard construction costs when determining reasonableness.

Recapture

Single family homeownership units will be subject to full recapture by the Agency using a shared equity relationship during the first five years of ownership with a phase out of recapture over the next five years (forgiveness of 20% each year). Agency funds in a multifamily project will be structured as deferred loans payable out of positive cash flow after appropriate reserves are fully funded.

Available Funds:

Agency will commit up to \$400,000 of reserves and will use best efforts to allocate 50% for multi-family and 50% for single-family development. Multi-family projects will be limited to no more than \$100,000 per project. A community will be limited to no more than 25% of the total available funds.

Processing Fees:

\$500 due at application, 1% of amount of Agency investment in project due upon award.

Eligible Costs:

New Construction: Pre-development costs including site acquisition, hard and normal soft costs associated with new construction as well as financing costs are eligible.

Rehabilitation: Only hard construction costs will be eligible.