

2016 NORTH DAKOTA STATEWIDE HOUSING NEEDS ASSESSMENT: COMPONENT 2 - SPECIAL HOUSING TOPICS

Agribusiness & Applied Economics Report No. 758

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2016 North Dakota Statewide Housing Needs Assessment: Special Housing Topics

November 2016

The *Special Housing Topics* report is one of three components to the 2016 North Dakota Statewide Housing Needs Assessment study.

Component 1. Population & Housing Forecast

Component 2. Special Housing Topics

Component 3. Detailed Tables

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COMPONENTS OF THE 2016 NORTH DAKOTA STATEWIDE HOUSING NEEDS ASSESSMENT

An analysis of North Dakota's current and future housing needs was conducted in 2016 through a collaborative effort by researchers with the Department of Agribusiness and Applied Economics and the Center for Social Research at North Dakota State University. Study authors include Nancy Hodur, Assistant Research Professor and Director of the Center for Social Research; Karen Olson, Research Specialist with the Center for Social Research; and Dean Bangsund, Research Scientist with the Department of Agribusiness and Applied Economics. The results of the needs assessment are summarized in the following three components.

Component 1. 2016 North Dakota Statewide Housing Needs Assessment: Population & Housing Forecast

This report presents an overview of current socio-economic conditions and important trends affecting housing dynamics, and an analysis of population and housing need projections. In addition, the report includes a series of 10 profiles detailing population and housing information, organized by a) state and eight planning region totals, b) individual planning region and its associated counties and large cities, and c) four Native American Indian Reservations. This report is available at <http://www.ndhfa.org/> and <http://ageconsearch.umn.edu/>.

Component 2. 2016 North Dakota Statewide Housing Needs Assessment: Special Housing Topics

This report examines special topics with implications for future housing needs, including trends in special needs populations, subsidized housing, and housing costs. This report is available at <http://www.ndhfa.org/> and <http://ageconsearch.umn.edu/>.

Component 3. 2016 North Dakota Statewide Housing Needs Assessment: Detailed Tables

This report presents a series of data tables detailing a) population projections b) projected housing needs c) projected housing stock d) special populations e) housing conditions and f) housing costs. When applicable, data are presented for North Dakota and the eight planning regions, four Native American Indian Reservation areas, all 53 counties, and 12 cities with 6,500 residents or more. This report is available at <http://www.ndhfa.org/> and <http://ageconsearch.umn.edu/>.

EXECUTIVE SUMMARY

Special Populations

- Nearly half of householders ages 65 and older in renter-occupied units have housing cost burdens that exceed 30 percent of their household income. Nearly one-fifth of householders ages 65 and older in owner-occupied units have housing cost burdens that exceed 30 percent of their household income.
- A January 2016 count of homeless in North Dakota indicated there were 923 homeless people in the state, 17 percent of whom were children. One in four homeless in the count were unsheltered, the majority of whom were American Indian. Limitations to point-in-time estimates of homeless likely underestimate the number of homeless people in the state. In North Dakota, 2,283 public school children lacked a permanent residence in the 2015-16 school year, which was down from the prior year; however, it represents a 153 percent increase in homeless students from 2010-11. The dramatic increase correlates with the increase in oil and gas industry activity in the late 2000s and the subsequent decline in activity in 2015.
- In 2014, 11 percent of North Dakota's population or 72,674 people reported having a disability. Ambulatory difficulties such as difficulty walking or climbing stairs were the most prevalent disability. Disability rates are much higher among seniors, with nearly half of seniors ages 75 and older reported having a disability. Twenty-three percent of seniors ages 65 to 74 reported having a disability.
- Persons with disabilities are less likely to be employed. Accordingly, average earnings for non-institutionalized individuals ages 16 and older with a disability were \$22,377 compared to \$31,754 for persons without a disability. Poverty was also more prevalent among persons with disabilities; the poverty rate is approximately 2.5 times higher than for those with no disability. Consistent with projected statewide population growth, the number of persons with disabilities was also projected to increase. The number of persons ages 65 and older with a disability was projected to increase by 17,092, a 52 percent increase by 2029. However, future trends should be monitored. From 2010 to 2014, the number of people with a disability increased by 12 percent compared to a 9 percent increase in the number of persons without a disability.
- Individuals discharged from state institutions were identified as potential special needs populations that may not be represented in other estimates of special needs populations, such as self-reported American Community Survey estimates from the U.S. Census Bureau. While most individuals discharged from the state hospital were released to their homes or transferred to other group or intermediate care facilities, some individuals were discharged 'housing insecure'. It is likely that those individuals discharged 'housing insecure' may struggle to find adequate housing. Further research is needed to quantify the special needs of individuals discharged from the state hospital.

- Individuals released from correctional facilities potentially face a number of challenges to securing appropriate housing. Affordability, restrictive tenant service agreements that would disqualify individuals with a criminal record from even applying, and the stigma associated with a criminal record all can be problematic. These challenges are especially troublesome for sex offenders and individuals with a felony conviction. Over the past six years, the number of individuals released from North Dakota correctional facilities has increased substantially, and 11 percent of those released have registration requirements. While the North Dakota Department of Corrections and Rehabilitation has release planning programs in place, the increase in the number of releases and the known challenges of at least some previously incarcerated individuals suggests that individuals released from state correctional facilities may struggle to secure adequate housing.
- The North Dakota Department of Human Services administers multiple programs that support various special needs populations related to aging, autism, behavioral and developmental health, child and family services, economic assistance, medical services, and vocational rehabilitation. Many of the individuals served would likely be considered a special needs population for whom securing and retaining housing could be limited by a range of considerations. Data limitations and the complexity associated with participation across programs and divisions made an assessment of special needs populations served by the North Dakota Department of Human Services beyond the scope of this study. Further study is needed to better understand the number and characteristics of the special needs population served by North Dakota Department of Human Services programs.
- Clearly, several special needs populations in North Dakota face a wide range of challenges to securing and retaining adequate housing. Special needs populations will almost certainly increase over time as the state's total population grows and changes, especially considering the projected increase in the population over age 65. Individuals released from state correctional facilities also represent a population that faces challenges to securing adequate housing, especially given the increase in the number of releases in recent years. Families and individuals served by the North Dakota Department of Human Services would likely be considered special needs population as well; however, estimating the number and type of special needs populations served by the North Dakota Department of Human Services is beyond the scope of this study. Further study is needed to better understand the number and characteristics of all special needs populations in the state, and their specific housing challenges.

Housing Development Programs

- The USDA Rural Residential Housing Program (USDA RD) makes loans to qualified housing developers as an incentive to build multi-family rental properties that meet the needs of low income families, elderly, and individuals with a disability in communities with a population of 35,000 or less. In addition to low interest loans for property development, USDA also provides rental assistance for low income households. In 2015, the USDA RD had 2,477 housing units in 146 multi-family properties in 99 communities around the state. Three-fourths of USDA RD housing units receive rental assistance. Over the course of the projection period for the study (2014 to

2029), 635 units or 26 percent of USDA RD housing will reach maturity and no longer be enrolled in the program. While the number of properties set to expire appears to be relatively small, the loss of even a few low income housing units could have substantial impacts, especially in communities with small inventories of rental properties.

- The Low Income Housing Tax Credit program (LIHTC) provides federal income tax credits to individuals, partnerships, LLCs or other entities, such as housing authorities and other legal entities, for the construction or renovation of properties that serve the needs of low income households. Currently there are 5,683 housing units in the LIHTC program. Like USDA RD low income housing, a substantial portion of the LIHTC properties in North Dakota is also set to reach maturity by the end of the study period. Thirty-seven percent or 2,124 LIHTC units, will come to maturity by 2029. Most of the maturing properties are located in the state's largest cities. Given the projected increase in the number of low income households over the course of the study period in the state's five largest urban centers, the need for affordable housing for low income households is likely to increase making the potential loss of low income housing inventory problematic.
- The U.S Department of Housing and Urban Development (HUD) has four programs that are administered by either public housing agencies (PHA) in North Dakota or the North Dakota Housing Finance Agency.
 - The Housing Choice Voucher program administered by PHAs provides assistance for very low income families, the elderly, and individuals with a disability. During the first quarter of 2016, 6,514 housing units in North Dakota were supported by the program. Public Housing program projects are owned and managed by local public housing authorities and provide rental housing for eligible low income families, the elderly, and people with disabilities. There are 1,709 units of public housing in North Dakota managed by 15 public housing authorities.
 - The North Dakota Housing Finance Agency provides rental assistance with project-based programs also known as Section 8 Performance-Based Contract Administration (PBCA). Currently, NDHFA has project-based assistance contracts on 98 properties with a total of 2,964 housing units. When contracts expire, properties may opt out of the program. Four projects with a total of 111 housing units in North Dakota have opt-out dates between now and March 31, 2017. NDHFA also administers the HUD Moderate Rehabilitation (Mod Rehab) program. The program was repealed in 1991 and no new projects are allowed under the program. Once a property opts out of the Mod Rehab program, it cannot reapply. Currently 10 properties with 157 units participate in the Mod Rehab program in North Dakota. Because both programs are closed, properties in the PBCA program and the Mod Rehab program will likely decrease over time.
- The North Dakota Housing Incentive Fund was authorized by the North Dakota Legislative Assembly in 2011 and has become one of the largest creators of affordable housing in the state. It is the first and only state-funded housing program in North Dakota. Housing

units in the program are to benefit low and moderate income households (below 140 percent of area median family income). Like the Low Income Housing Tax Credit program, units are income and rent restricted to the target households. NDHFA has allocated more than \$89.6 million to 78 projects to support 2,467 new units in 26 communities across the state.

- State and federal programs provide assistance through various mechanisms to help meet the need for housing for low income households. Several programs in the state are project-based for finite periods. A substantial number of those housing units will come to the end of the program participation period during the study period. The potential loss of housing units in both rural and urban areas could present substantial challenges for low income households, especially considering the projected statewide increase in the number of low income households. Planning to address the effects of the potential loss of low income housing inventory will be critical to assuring that some of the state's most vulnerable citizens have adequate access to affordable housing.

Housing Costs

- Trends in housing costs were examined from 2003 to 2014 in the state's 12 largest cities using data from the North Dakota Assessment Sales Ratio Study. Increases in average verified prices for residential property were most dramatic in cities and counties heavily impacted by oil and gas industry activity. In Dickinson and Williston, average verified prices for residential property increased by at least 200 percent to \$242,365 and \$255,659, respectively. Price increases from 2003 to 2014 in Devils Lake, Bismarck, Valley City, Minot, and Mandan ranged from 74 percent in Devils Lake to nearly 100 percent in Mandan. Increases in average verified prices from 2003 to 2014 were more moderate in Fargo, Wahpeton, West Fargo, Grand Forks, and Jamestown ranging from 19 percent in Fargo to 50 percent in Jamestown.
- Trends in average prices were also examined in a sample of 10 rural counties. Trends in average prices for residential property were far less pronounced in rural counties with the exception of oil impacted counties, specifically McKenzie and Mountrail counties. Average prices of residential property increased by 409 percent in Mountrail County and 461 percent in McKenzie County from 2003 to 2014. Increases in Adams, Benson, Bottineau, and Sheridan counties were also substantial, ranging from 111 to 303 percent over the study period. While the percentage increases were substantial in Adams, Benson, Bottineau, and Sheridan counties, actual prices were relatively low in 2003 and remained low compared to the average prices of residential property in urban areas. Average changes in verified prices were more modest and variable throughout the study period in the remainder of the sample of rural counties; Cavalier, Emmons, Griggs, and LaMoure counties.
- Annual per capita expenditures for housing and utilities in North Dakota increased from \$4,008 in 2003 to \$5,980 in 2014, a 49 percent increase. Statewide per capita income increased by 47 percent.

- A comparison of change in per capita income to the change in the average verified prices of residential property would also suggest that, at least in some communities, per capita income has not increased at the same rate as prices for residential property. From 2003 to 2014, the percentage change in the average verified prices of residential property increased at a greater rate than per capita income in Bismarck, Grand Forks, Dickinson, Jamestown, and Minot. The percentage change in per capita income and average verified prices of residential property was approximately the same in Wahpeton and only in Fargo and Williston has the percentage change in per capita income been greater than the percentage change in the average verified prices of residential property.
- An examination of the change in per capita income and change in average verified prices of residential property in the sample of 10 rural counties would also suggest that per capita income has not increased at the same rate as prices for residential property. Of the 10 rural counties sampled, Griggs and LaMoure counties were the only counties where per capita income increased by a greater percentage than the average verified prices for residential property.
- The average cost of residential property increased in most communities; however, the rate of change varied considerably. Increases in average verified prices of residential property were most apparent in the state's urban centers, with dramatic increases in cities and counties impacted by oil and gas development. Trends in rural counties were variable. While there have been some substantial increases in some rural counties, other rural counties have not experienced similar increases. Caution is advised when interpreting increases in the average verified prices of residential property relative to changes in per capita income in small rural counties where historical prices for housing are low. In many rural counties, while the percentage change in average prices has increased substantially, average prices for residential property remain relatively low compared to prices in the state's larger cities and the other rural sample counties.

INTRODUCTION

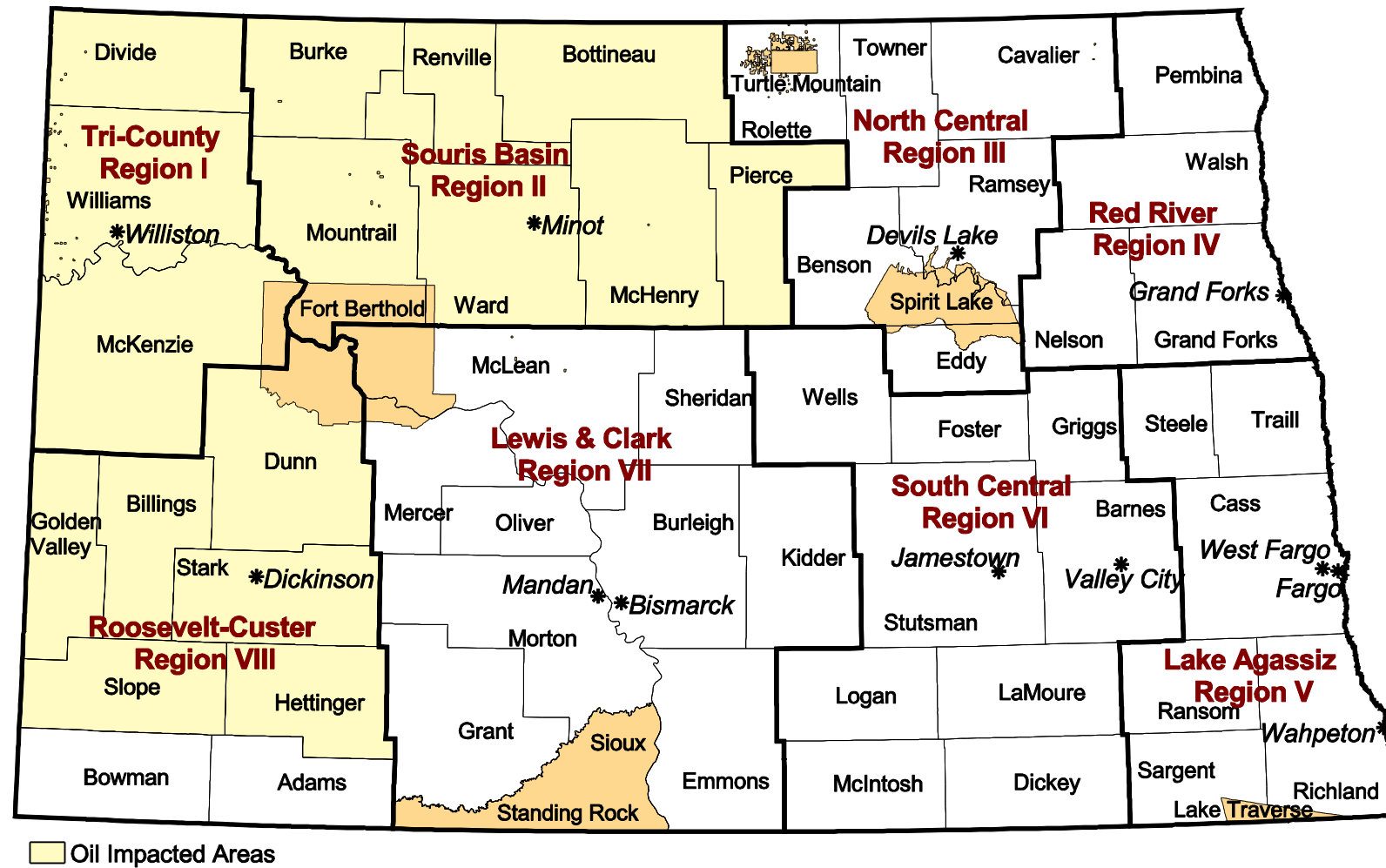
This 2016 study is an update to a Statewide Housing Needs Assessment conducted in 2012. There are three components to the study. The second component, *Special Housing Topics*, is the focus of this report and provides an overview of special needs populations, low income housing programs, and housing costs. The objective of the assessment is to better identify and quantify, to the extent possible given data limitations, populations that require supportive services or who have additional challenges securing affordable housing.

Individuals who are homeless, as well as those with disabilities, were identified as special needs populations in the 2012 statewide housing needs assessment. However, the definition of individuals with special needs is likely broader and the number of individuals is likely larger than previously estimated. Housing professionals contend that limiting the discussion of the special needs population to estimates of people with disabilities obtained through the U.S. Census Bureau's data collection process does not adequately capture the special needs population in North Dakota. This report examines other potential special needs populations. While this study likely does not identify all special needs populations in the state, it does represent a first step in expanding the discussion to better quantify the size of the special needs population as well as identify some of the potential challenges faced by special needs populations. The goal was to expand the scope of the discussion beyond the limited context of people with disabilities as measured by the U.S. Census Bureau.

An examination of housing costs and low income housing programs were also new additions to the Statewide Housing Needs Assessment. Housing costs in North Dakota have increased substantially in recent years. Increased costs may affect affordability, the type of housing various populations choose, and home buying decisions. Housing costs for the 10 largest cities and a sample of rural counties were examined for this report. Recent trends in housing costs for all counties are included in Component 3, the 2016 Statewide Housing Needs Assessment: *Detailed Tables*. The need for affordable housing for low income households will increase based on projected population changes reported in Component 1: *Population & Housing Needs Forecast*. The number of low income households was projected to increase in nearly all regions of the state. A discussion of low income housing programs and an inventory of available low income housing units were added to this assessment.

The location of the state's 53 counties, 8 planning regions, 12 most populated cities, 5 Native American reservations, and 16 counties comprising the oil-impacted energy development activity in western North Dakota are shown in Figure 1.

Figure 1. North Dakota Geographic Locations and Boundaries used in the 2016 North Dakota Statewide Housing Needs Assessment



SPECIAL POPULATIONS

Cost Burdened Householders

The number of elderly householders is projected to increase substantially over the study period as result of the baby boom cohort aging forward into the next age category. Seniors on limited or fixed incomes can be vulnerable to becoming burdened by housing costs. Cost-burdened households are defined as households that spend 30 percent or more of their household income toward housing costs.

Table 1. North Dakota Elderly Householders Burdened by Housing Costs (30% or More of Income toward Housing Costs) by Tenure, 2000, 2010 and 2014

| | Owner-Occupied Households | | | Renter-Occupied Households | | |
|------------------------------------|---------------------------|--------|--------|----------------------------|--------|--------|
| | 2000 | 2010 | 2014 | 2000 | 2010 | 2014 |
| All householders ages 65 and older | 32,980 | 44,819 | 51,315 | 16,124 | 16,449 | 18,496 |
| Cost-burdened | 5,087 | 9,713 | 8,714 | 6,129 | 8,080 | 8,571 |
| Percent | 15.4% | 21.7% | 17.0% | 38.0% | 49.1% | 46.3% |

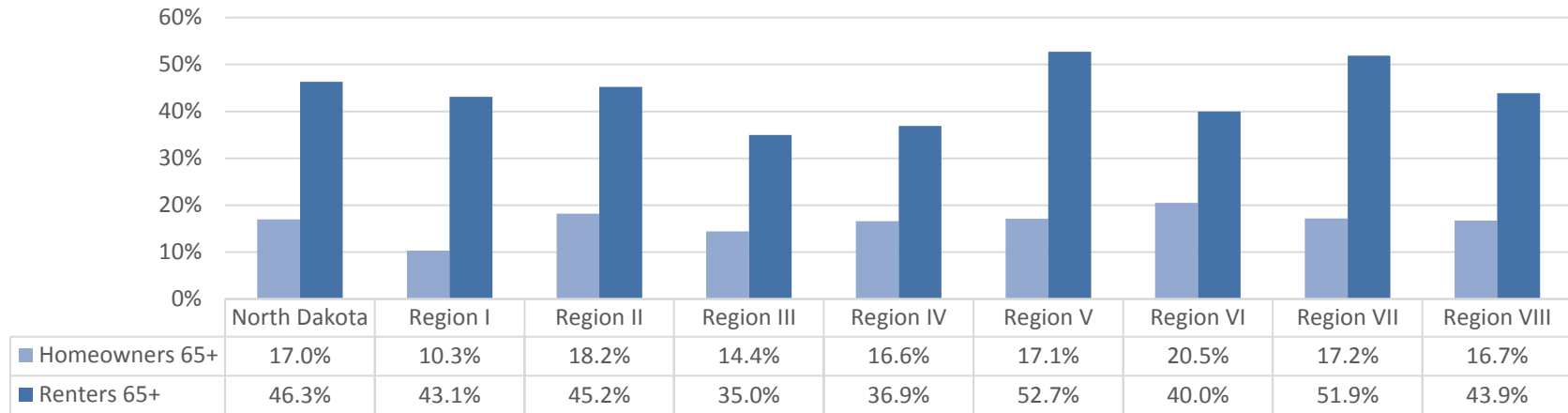
Source: U.S. Census Bureau

Nearly half of all renter-occupied householders ages 65 and older were cost-burdened in 2014 (46 percent) and 17 percent of owner-occupied householders ages 65 and older were cost-burdened. While the percentage of cost-burdened, elderly householders is down slightly from 2010, the percentages have increased since 2000 when 15 percent of the state's elderly householders living in owner-occupied housing and 38 percent living in renter-occupied housing were cost-burdened (see Table 1).

The percentage of householders 65 and older that are cost burdened varies somewhat by state planning region (see Figure 2). The highest percentage of cost burdened renter-occupied householders was in Region V and VII with 53 and 52 percent, respectively. The lowest percentage of householders 65 and older that were cost burdened was in Regions III and IV with 35 and 37 percent, respectively. The percentage of cost burdened renter-occupied householders in the remaining regions ranged from 40 percent in Region VI to 45 percent in Region II. The percentage of owner-occupied cost burdened householders age 65 and older was substantially less than for renter-occupied householders 65 and older. Rates range from 10 percent in Region I to 20 percent in Region VI. Clearly housing costs for many seniors in North Dakota is an issue. Housing costs and the number of cost burdened seniors will likely increase in the future given the projected increase in those ages 65 and older as a result of the continuation of the aging of baby boomers¹.

¹ Hodur, Nancy M. et al. (2016). 2016 North Dakota Statewide Housing Needs Assessment: Component 1 – Population & Housing Forecast.

Figure 2. North Dakota Householders Ages 65 and Older Spending 30% or more of Household Income Toward Housing Costs, by Tenure and by Planning Region, 2014



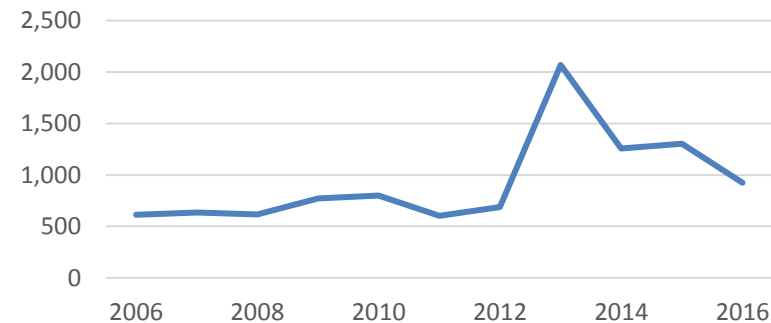
Source: U.S. Census Bureau

Homelessness

According to a January 28, 2016 Point-in-Time count of homeless people conducted by the North Dakota Coalition for Homeless People, there were 923 people identified as homeless throughout North Dakota². Approximately one-sixth of individuals in the 2016 point-in-time estimate were less than 18 years of age. Additionally, about one in four of the homeless counted in January were living in unsheltered situations, including 27 children. The number of homeless individuals in 2016 was down from its peak in 2013, but remains higher than it was 10 years ago (see Figure 3).

Quantifying the number of homeless in the state is challenging. The rural nature of the state and the difficulty in recruiting volunteers to

Figure 3. Homeless Persons in North Dakota, January 2006 to January 2016



Source: North Dakota Coalition for Homeless People, Point-in-Time counts

² North Dakota Coalition for Homeless People, Point-in-Time counts, <http://www.ndhomelesscoalition.org/new-page-2/>.

conduct a point-in-time count in all locations makes estimating an accurate count difficult. As a result, homeless populations have likely been undercounted in the state.

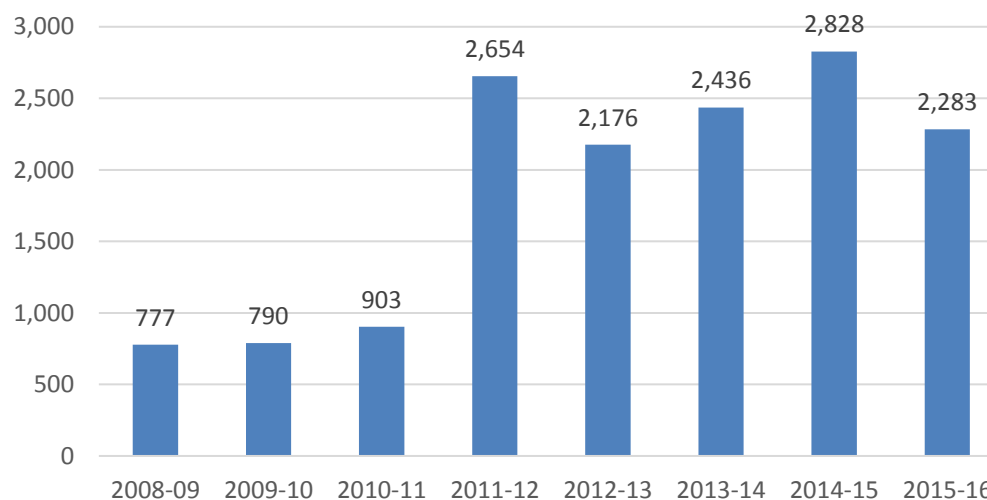
While white persons made up the majority of people in emergency and transitional shelters in the January 2016 count, American Indian and Alaska Natives comprised the majority of unsheltered homeless persons in the state. About two-thirds of the homeless population in North Dakota were males, with a quarter of them living in unsheltered situations. Homeless women in the state had a higher incidence of living in transitional shelters than men.

An individual with a disabling condition and that has been homeless for at least 12 months is described as chronic. In the January 2016 Point-in-Time count, there were 89 chronically homeless persons in North Dakota, about half of them living in unsheltered situations (54 percent). Approximately one-third of the chronically homeless in the state were veterans, with 85 percent living in unsheltered situations.

Severe mental illness and chronic substance abuse or co-occurring disorders are prevalent among the homeless population. In the 2016 Point-in-Time count, there were 113 individuals with a severe mental illness and 94 with chronic substance abuse issues; 228 individuals were victims of domestic violence.

In an effort to ensure that homeless children and youth are able to attend school, the McKinney-Vento Education of Homeless Children and Youth Assistance Act provides federal funding to states for the purposes of supporting district programs that serve homeless students. The McKinney-Vento Act uses a broad definition of homeless which includes children who lack a fixed, regular, and adequate nighttime residence. In addition to students living in shelters or in unsheltered situations, schools also report on the number of students in families living in motels, hotels, vehicles, camp grounds, and recreational vehicles (RVs). In North Dakota, 2,283 public school children lacked a permanent nighttime residence in the 2015-16 school year, which is down from the prior year; however, it represents a 153 percent increase in homeless students from 2010-11 (see Figure 4). The

Figure 4. Homeless Students Enrolled in North Dakota Public Schools, 2008-09 to 2015-16



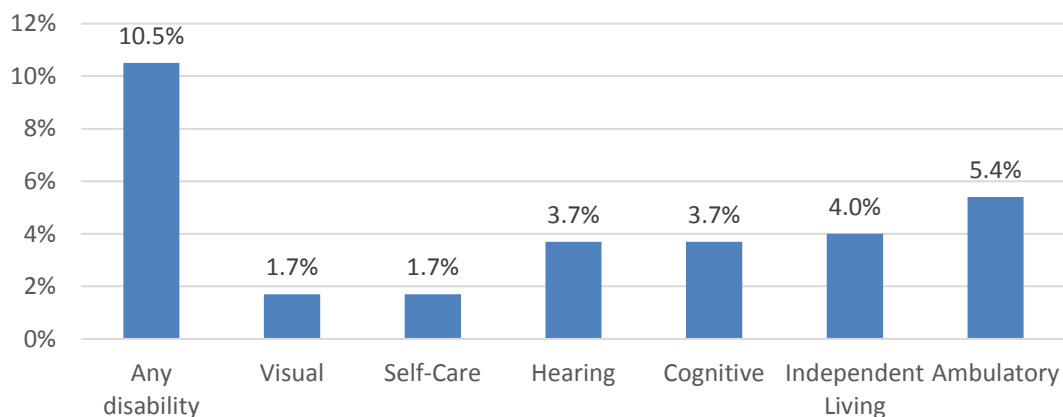
Source: North Dakota Department of Public Instruction, special request

large increase of homeless children in 2011-2012 correlates with the rapid expansion in the oil and gas industry in western North Dakota and the associated population increase. The lack of housing and the very high cost of housing resulted in many people living in non-traditional accommodations such as hotels, camp grounds, and RVs in western North Dakota. The decline in the number of homeless students in 2015-2016 also correlates with the timing of a rapid decline in the price of crude oil and the subsequent slow-down in industry activity which included a reduction in the number of jobs in the oil and gas industry. It is likely that some people that were living in non-traditional housing like hotels and RVs left the region as a result of the change in economic conditions and employment opportunities. Also, starting in 2014, the availability of housing improved and costs moderated which may have enabled some families that were defined as homeless according to the McKinney-Vento Act to secure adequate housing. While effects related to the oil and gas industry likely have been an influence on the increase in the number of homeless children and youth, it is not likely the only consideration. Further study is needed to identify factors driving the increase and the degree to which increases in statewide numbers were influenced by conditions in western North Dakota in recent years.

Populations with Disabling Conditions

In North Dakota, 11 percent of the population, or 72,674 people reported having a disability in 2014. Of the six types of disabilities identified by the U.S. Census Bureau's American Community Survey (ACS), the highest prevalence rate (5 percent) in North Dakota was for those with an ambulatory difficulty (i.e., having serious difficulty walking or climbing stairs) (see Figure 5).

Figure 5. Prevalence of Disability among Non-Institutionalized People of All Ages in North Dakota, 2014



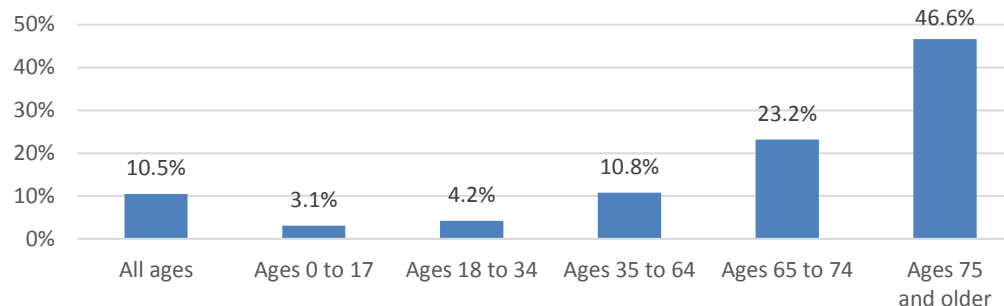
Source: U.S. Census Bureau, 2010-2014 American Community Survey 5-Year Estimates

Approximately 4 percent of people in North Dakota reported having a hearing difficulty (i.e., deaf or having serious difficulty hearing), a cognitive difficulty (i.e., because of physical, mental, or emotional causes, having difficulty remembering, concentrating, or making decisions), or an independent living difficulty (i.e., because of physical, mental, or emotional causes, having difficulty doing errands alone such as visiting a doctor's office or shopping). About 2 percent reported difficulties with vision (i.e., blind or having serious difficulty seeing even when wearing glasses) and caring for themselves (i.e., having difficulty bathing or dressing) (see Figure 5).

In 2014, nearly half of seniors ages 75 and older in North Dakota reported having a disability, twice the rate of adults ages 65 to 74 (see Figure 6). The disability rate was much lower for youth ages 0 to 17 and young adults ages 18 to 34, 3 percent and 4 percent, respectively. Approximately one in 10 adults ages 35 to 64 had a disability in 2014 (11 percent).

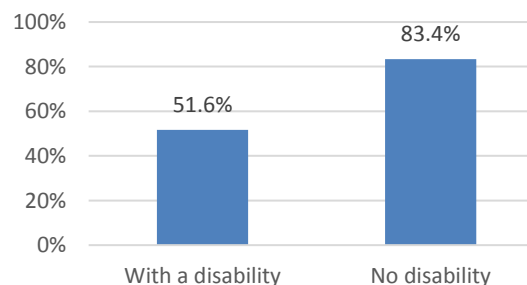
The employment rate for persons with a disability is much lower than for those without a disability in North Dakota. Among the non-institutionalized population ages 18 to 64 in North Dakota, about 83 percent without a disability were employed in 2014 compared to half of persons with a disability (see Figure 7). The disparity in employment between individuals with a disability and those without is illustrated by the difference in mean annual earnings. In 2014, mean annual earnings for the non-institutionalized population ages 16 and older with a disability in North Dakota was \$22,377 compared to \$31,754 for persons without a disability (see Figure 8). Considering the lower rates of employment and lower mean annual earnings among individuals with a disability in North Dakota, the higher prevalence of poverty among those with a disability is not unexpected. In North Dakota, individuals with a disability were more than twice as likely to be living in poverty as individuals without a disability. Twenty-four percent of persons with a disability lived in poverty in 2014 compared to 10 percent of persons without a disability (see Figure 9).

Figure 6. Prevalence of Disability among Non-Institutionalized People by Age in North Dakota, 2014



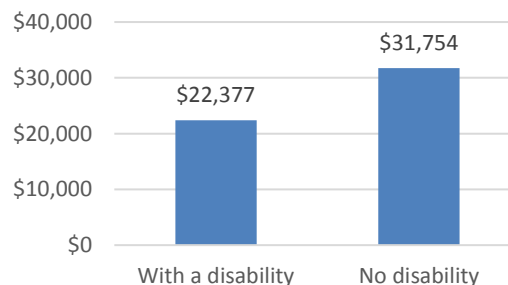
Source: U.S. Census Bureau, 2010-2014 American Community Survey 5-Year Estimates

Figure 7. Employment Rates by Disability Status among Non-Institutionalized Population Ages 18 to 64 in North Dakota, 2014



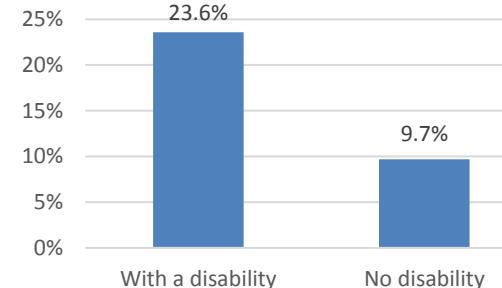
Source: U.S. Census Bureau, 2010-2014 American Community Survey 5-Year Estimates

Figure 8. Mean Annual Earnings by Disability Status among Non-Institutionalized Pop Ages 16 and older in North Dakota, 2014



Source: U.S. Census Bureau, 2010-2014 American Community Survey 5-Year Estimates

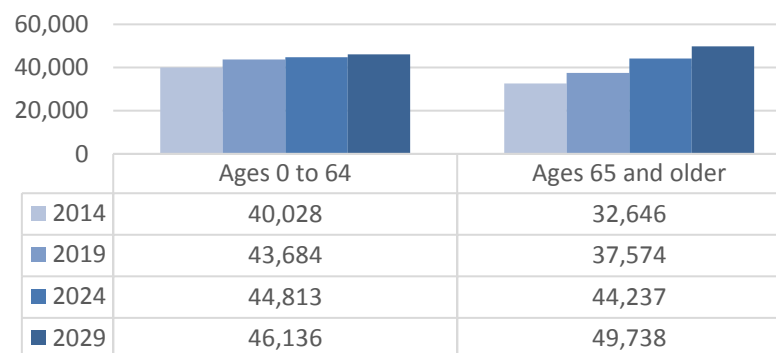
Figure 9. Poverty Rates by Disability Status in North Dakota, 2014



Source: U.S. Census Bureau, 2010-2014 American Community Survey 5-Year Estimates

The current ratio of persons with a disability to total population was applied to population projections reported in Component 1 of the *2016 Statewide Housing Needs Assessment* to gauge the future number of persons with disabilities. Projections were limited to two age categories as the population projections by age cohort reported in Component 1 did not match the age ranges provided by the ACS data on the number of persons with disabilities. As the population of North Dakota increases, the number of individuals with a disability will also likely grow. Persons less than 65 years old with disabilities are projected to increase by 6,108 by 2029, a 15 percent increase. The number of individuals with a disability ages 65 and older is projected to increase by 17,092, a 52 percent increase by 2029 (see Figure 10). Disability rates were assumed to remain the same over the entire projection period, 6.7 percent for the 0 to 64 age category and 34.4 percent for the 65 and older age group. However, future trends on the proportion of the population with a disability should be monitored. In recent years the number of people with a disability increased faster than the increase in the number of people without a disability. From 2010 to 2014, the number of people with a disability increased by 12 percent compared to a 9 percent increase for persons without a disability.

Figure 10. Projected Number of People with a Disability by Age in North Dakota, 2014 to 2029



Source: U.S. Census Bureau and the Center for Social Research at NDSU

Institutions in North Dakota

Individuals discharged from state institutions were identified as potential special needs populations.

North Dakota State Hospital

The North Dakota State Hospital provides inpatient and residential care for substance abuse and serious mental illness. Individuals served by the North Dakota State Hospital often have multiple needs and diagnoses; they may struggle with both mental illness and substance abuse. They may also have other disabilities such as developmental or cognitive disabilities, traumatic brain injuries, or other conditions that render them unable to care for themselves. Most patients treated at the North Dakota State Hospital were discharged to their regular residence. Nearly all other patients were discharged to some other type of group quarters or institution. Of all discharges from 2010 to 2014, 60 percent were discharged to a personal residence, 14 percent were discharged to intermediate care facilities, 13 percent to correctional facilities, and 12 percent to another inpatient facility. While a majority of state hospital patients were discharged to known locations, a small percentage of discharges were classified as ‘housing insecure’. Examples of ‘housing insecure’ discharge types include ‘homeless shelters’, ‘left against medical advice’, ‘discharged after court appearance’, and ‘unknown’. The number of ‘housing insecure’ discharges have increased since 2010. In 2010, 12 discharges were categorized as ‘housing insecure’. In 2015 the number of ‘housing

insecure' discharges had doubled, increasing to 24 'housing insecure' discharges per year. Put into another context, in 2015, on average, 2 discharges per month were 'housing insecure' discharges (see Table 2).

To what degree housing insecure discharges are captured in other estimates of special needs populations such as point-in-time homeless counts and American Community Survey (ACS) estimates of person with disabilities is unknown. Shortcomings associated with point-in-time homeless studies were discussed in the section on homelessness. ACS estimates are also not without shortcomings. ACS estimates are self-reports of physical

and cognitive difficulties that may result from physical, mental, or emotional causes. If mental illness was to cause an individual to be unable to care for oneself then he/she would be included in the ACS definition of persons with disabilities. However, individuals that struggle with mental illness or substance abuse may not self-report having a disability, especially if the disability results in homelessness.

While the absolute number of 'housing insecure' discharges is small and represents a very small percentage of all State Hospital discharges, individuals discharged from the State Hospital without known and secure housing represent a special needs population and likely face numerous challenges to securing adequate housing.

North Dakota Department of Corrections and Rehabilitation

The North Dakota Department of Corrections and Rehabilitation operates three correctional and rehabilitation facilities in the state: two in Bismarck and one in Jamestown, which combined house up to approximately 1,071 male inmates. In addition, the North Dakota Department of Corrections and Rehabilitation contracts with other correctional facilities, including a contract to house female inmates in a facility in New England and housing agreements with six transitional facilities at various locations throughout the state.

Housing for individuals released from incarceration is a long standing problem for corrections agencies³. Studies suggest that among a myriad of other challenges faced by inmates upon release, securing adequate housing can be one of the most significant^{4,5}. The lack of appropriate housing places those recently released from a correctional facility at medium or high risk of homelessness and of recidivism.

Table 2. Number of Patients Released from the North Dakota State Hospital by Discharge Type, 2010 to 2015

| Discharge Type | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|------|------|------|------|------|------|
| Personal residence | 526 | 499 | 534 | 544 | 560 | 517 |
| Another inpatient hospital or provider | 104 | 105 | 83 | 98 | 86 | 152 |
| Intermediate care facility, group home, skilled nursing | 162 | 112 | 112 | 85 | 178 | 134 |
| Correctional facility | 87 | 72 | 112 | 128 | 147 | 126 |
| Housing insecure | 12 | 15 | 19 | 13 | 28 | 24 |
| Deceased | 2 | 1 | 4 | 5 | 5 | 3 |

Source: North Dakota State Hospital

³ Erhardt, Thomas. SW District Program Manager, Parole and Probation Services, North Dakota Department of Corrections and Rehabilitation. Personal conversation on August 30, 2016

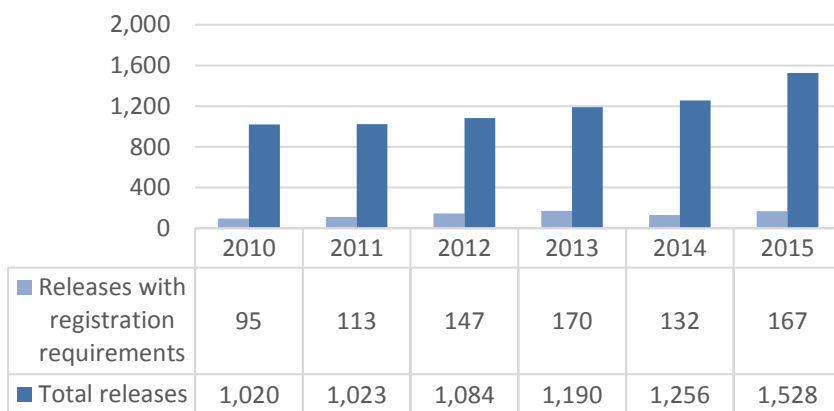
⁴ Fontaine, Jocelyn and Jennifer Biess. 2012. Urban Institute. "Housing as a Platform for Formerly Incarcerated Persons", What Works Collaborative. <http://urbi.is/2c9yYBk>

⁵ Metraux, Stephen, Caterina G. Roman, Richard S. Cho. 2007. "Incarceration and Homelessness". A paper developed for the National Symposium on Homelessness Research held on March 1-2, 2007. Available at <https://www.huduser.gov/publications/pdf/p9.pdf>

In 2010, the North Dakota Department of Corrections and Rehabilitation reported that if an individual had their own residence upon release, their revocation rate was approximately 20 percent, which is nearly half the overall revocation rate statewide. Challenges to securing appropriate housing include affordability, restrictive tenant service agreements that would disqualify individuals with a criminal record or a specific criminal record from even applying for a lease or rental agreement, and the stigma associated with a criminal record. This is especially problematic for sex offenders and individuals with a felony conviction. The inability to secure and retain employment, mental health issues or impairments, disabilities, substance abuse, and social challenges often associated with a criminal record can all compound the difficulties of individuals to secure housing upon release from correctional facilities.

Over the past six years, the number of individuals released from North Dakota correctional facilities, transitional programs, and county jails has increased substantially, from 1,020 releases in 2010 to 1,528 in 2015, a 50 percent increase. Approximately one in 10 offenders released from North Dakota facilities have registration requirements, meaning they are sex offenders or violent offenders against children. The number of registered offenders released from North Dakota facilities has increased from 95 in 2010 to 167 in 2015, a 76 percent increase (see Figure 11).

Figure 11. Individuals Released from North Dakota Correctional Facilities, Transitional Programs, and County Jails by Registration Status, 2010 to 2015



Source: North Dakota Department of Corrections and Rehabilitation

Data on the total number of releases and the number of releases that require registration do not suggest to what degree inmates released from incarceration are unable or challenged to find appropriate housing. The North Dakota Department of Corrections and Rehabilitation has case management staff to provide assistance to inmates in planning for re-entry, and release planning occurs throughout an inmate's incarceration⁶. Also, the North Dakota Department of Corrections and Rehabilitation received a grant in 2004 for participation in a statewide Transition from Prison to Community Initiative to transition inmates back to the community. Housing (i.e., accommodations) is one of the risk factors that is assessed as part of the development of case plans for inmates through the initiative. Regardless, based on the increase in the number of releases and in the number of releases that require inmates to register with local law enforcement, the magnitude of the

potential problem formerly incarcerated individuals face securing housing has likely grown since 2010 and may grow in the future as the state population increases. While the North Dakota Department of Corrections and Rehabilitation does have the Transition from Prison to

⁶ Bertsch, Leann K, Director, North Dakota Department of Corrections and Rehabilitation. Personal conversation, 2016.

Community Initiative and other release planning programs in place, further research into the degree to which release planning mitigates challenges of previously incarcerated individuals is needed. Clearly individuals released from correctional facilities may face numerous challenges to securing adequate and appropriate housing.

North Dakota Department of Human Services Programs

The North Dakota Department of Human Services administers a range of programs aimed at supporting various special needs populations including programs related to aging, autism, behavioral and developmental health, child and family services, economic assistance, medical services, and vocational rehabilitation. For example, from FY 2010 to 2015, the Vocational Rehabilitation division has provided rehabilitation counseling, training, and career planning to 30,628 individuals with disabilities⁷. The program is aimed at helping those with disabilities such as a hearing or visual impairment, learning disability, cognitive impairment, brain injury, orthopedic disability, or the loss of a limb to secure gainful employment. The Developmental Disabilities Services division also provides services for children and adults and their families with developmental disabilities. In FY 2014, 6,331 individuals were served by the Development Disabilities Services division⁸. The Behavioral Health Services division also provides services and administers programs for children, adults, and families with emotional disorders, mental illness, and substance abuse. The above represents a small sample of the type of services offered and populations served by programs administered by the North Dakota Department of Human Services.

Upon examination of the breadth and range of programs offered and populations served, it became evident that using data from programs offered by the North Dakota Department of Human Services to further estimate the number of people with disabilities or other special needs was beyond the scope of this study. Many of the individuals served by the North Dakota Department of Human Services would likely represent a special needs population, where securing and retaining appropriate housing could be limited by a range of considerations. However, quantifying and describing the number and characteristics of individuals or households that would meet that criteria would involve a substantial effort. In some cases, individuals may be served by a single program, while others may be served by multiple programs. Further, some individuals may receive services or participate in a program only one time, others may participate annually or for longer periods. Also evident was that while individual programs within the North Dakota Department of Human Services have a good understanding of their clientele, data to clarify the characteristics of program participants across programs and divisions were limited and would require substantial primary data collection and analysis. A better understanding of the clientele served by the North Dakota Department of Human Services represents a potential avenue for better understanding the number and characteristics of the special needs population in North Dakota and the potential implications and challenges faced by those individuals in securing housing. Further research is needed to understand and quantify special needs populations served by the North Dakota Department of Human Services.

⁷ North Dakota Department of Human Services, Division of Vocational Rehabilitation, 2010 to 2015 Annual Reports. Available at <http://www.nd.gov/dhs/dvr/policies/annual.html>

⁸ North Dakota Department of Human Services, 2013-2015 Biennial Report. Available at <https://www.nd.gov/dhs/info/pubs/docs/13-15-biennial-report.pdf>

Conclusions and Implications

Clearly there are special needs populations in North Dakota where securing and retaining adequate housing can be problematic. The challenges individuals face can be related to economic limitations, physical disabilities, mental health, substance abuse, criminal record and other previous institutionalization, or a combination of considerations. The number of individuals with special housing needs will likely increase as the state's population increases and changes. The substantial increase in the number of seniors ages 65 and older projected in Component 1 of the Housing Needs Assessment⁹ clearly has implications related to special needs due to the prevalence of persons with disabilities and cost burdened elderly households. Addressing issues related to homelessness is challenged by lack of good data and an understanding of the number of individuals who are homeless and chronically homeless. Limitations associated with point in time studies likely result in an underestimate of the number and characteristics of homeless individuals; however, the extent is unknown. The number of homeless children and youth without a fixed regular and adequate nighttime residence has increased dramatically in recent years. While the number of homeless K-12 students declined in 2015-2016, numbers are 2.5 times large than in 2010. Numerous factors may be driving recent increases in the number of homeless children, including but not limited to, rapid population growth combined with housing shortages in western North Dakota. Further research is needed to better describe what is influencing the increase in the number of homeless children and to better understand if the problem is more prevalent in certain regions of the state.

Another growing special needs population is previously institutionalized individuals. For some individuals discharged from the State Hospital, securing adequate housing is problematic. While most individuals released from the State Hospital are discharged to their home or another type of care facility, some are not. Individuals released from the state corrections system, especially sex offenders and those with felony convictions also face numerous challenges to securing adequate housing. While programs are in place to address housing issues upon release, given the increase in the number of releases in recent years, individuals released from correctional facilities will likely represent a segment of the population that may face numerous challenges to securing adequate housing. Releases from North Dakota correctional facilities have increased by 50 percent since 2010.

The North Dakota Department of Human Services serves individuals and families across the state that likely would be considered special needs populations. However, further study is needed to better understand the number and characteristics of special needs populations served by the North Dakota Department of Human Services. Like other special needs populations examined in this study, a clear understanding of the scope and nature of the problems faced by special populations is needed before adequate solutions can be developed and implemented.

⁹ Hodur, Nancy M. et al. (2016). 2016 North Dakota Statewide Housing Needs Assessment: Component 1 – Population & Housing Forecast.

NORTH DAKOTA HOUSING DEVELOPMENT PROGRAMS

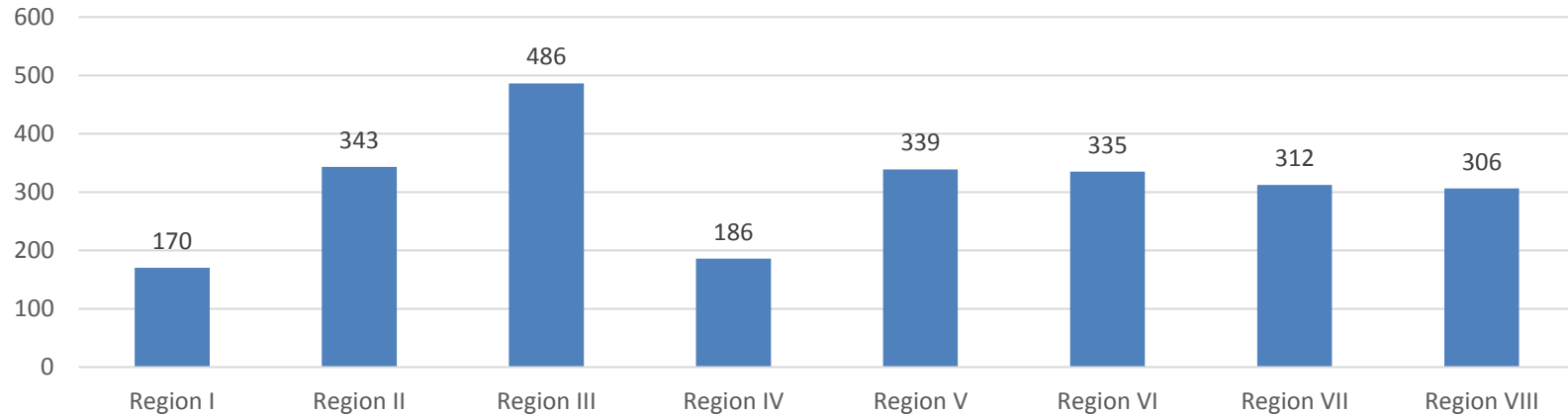
This section provides a review of the largest federal and state programs aimed at addressing the need for affordable multi-family rental housing. Program objectives are to ensure that safe and affordable housing is available in North Dakota for very low, low, and moderate income families, elderly, and individuals with a disability.

USDA Rural Residential Housing (Section 515)

Affordable housing for people with low or moderate incomes or disabilities is often not widely available in rural areas of the country. North Dakota is no exception. Even though a greater percentage of the states' population lives in urban areas, the need for affordable housing in rural areas remains and will likely increase due in part to baby boomers aging into the 65 years and older cohort and the projected increase in the number of low income households. To help meet the needs for affordable rental housing in rural communities, the United States Department of Agriculture (USDA) provides assistance through programs directed at developers as well as by providing rental assistance to tenants.

The USDA Rural Residential Housing Program (USDA RD) makes loans to qualified housing developers as an incentive to build multi-family rental properties that meet the needs of very low, low, and moderate income families, elderly, and individuals with a disability. USDA makes loans with interest rates as low as 1 percent with 30-year repayment periods. Loans are available to individuals, trusts, local public agencies, consumer cooperatives, Native American tribes, and for-profit or non-profit agencies. While most loans support new construction of multi-family rental housing, loans can also support the purchase and rehabilitation of existing structures, congregate housing, or group homes for persons with disabilities. Projects supported by Section 515 USDA loans must be located in rural communities with a population of 35,000 or less. Every community in the state meets the population eligibility requirement except for Bismarck, Fargo, Grand Forks, Mandan, Minot, and West Fargo. Rental rates are budget driven and set to cover the cost of construction, operations, maintenance, and financing at 1 percent for the term of the 30 year note. Tenants in projects supported by Section 515 USDA loans must have very low, low, or moderate household incomes. Very low income is defined as income up to 50 percent of area median household income; low income is defined as 51 to 80 percent of area median income; and moderate income is defined as 81 to 115 percent of area median income.

Figure 12. Housing Units in the USDA Rural Residential Housing Program, North Dakota by Planning Region, 2016



Source: North Dakota Housing Finance Agency

In addition to low interest loans for property development, USDA also provides rental assistance for tenants. The USDA Rural Rental Assistance Program (Section 521) (USDA RA) provides a subsidy to tenants in Section 515 housing with incomes too low to pay the RD rental rates. Tenants who have very low or low household incomes are eligible for rental assistance if the RD rent is greater than 30 percent of their monthly income. The rental assistance program pays the difference between the tenant's contribution of 30 percent of their monthly income and the monthly RD rent. Properties that have tenants with rental assistance will continue to receive funding as long as the RA property has a mortgage with USDA.

In 2015, the USDA RD had 2,477 housing units in 146 multi-family properties in 99 communities around the state (see Table 3, Figure 12). The number of units per county ranged from a low of four in Griggs County to 244 in Stark County. Most RD housing is located in Region III, with 486 units or 20 percent of all RD housing units in the state. It is not unexpected that a substantial number of rural development properties are located in Region III. In 2014, poverty rates in the region were the highest of any planning region in the state and the median household income was the lowest among the eight planning regions. The fewest number of RD units are located in Region I and Region IV with 170 and 186, respectively, approximately 7 percent each of all RD housing units in the state. The remaining regions have from 306 to 343 units, approximately 13 percent each of all RD housing units in the state (see Figure 12). There is at least one RD property in every county in the state except Adams, Billings, Golden Valley, McIntosh, McKenzie, Oliver, Sioux, Slope, and Towner counties. Three-fourths of RD housing in North Dakota, 1,836 units, receive rental assistance. The number of RD units in North Dakota and maturing date for each county and planning region are detailed in Table 3.

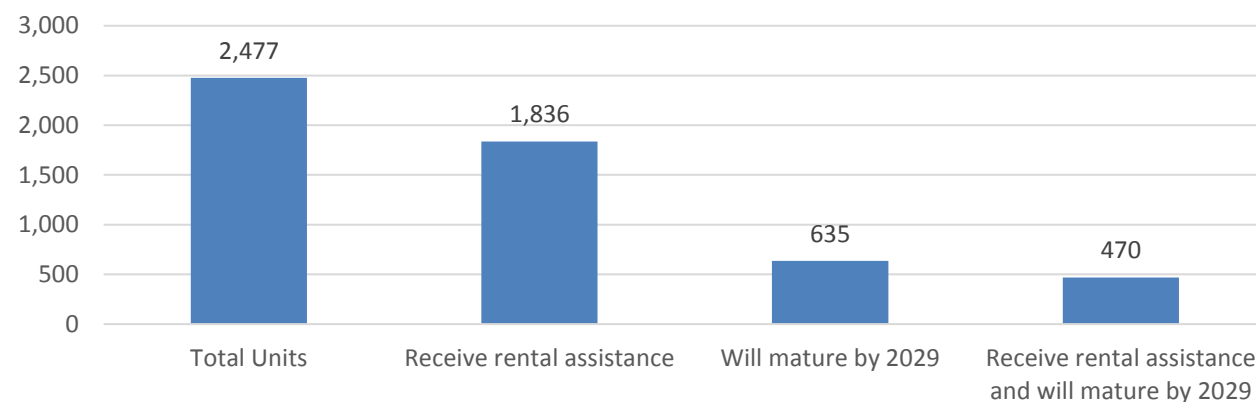
Table 3. Number of Housing Units in the USDA Rural Residential Housing Program by Maturity Date, in North Dakota by County and Planning Region

| County and Region | Total Housing Units | Maturity Date | | | | County and Region | Total Housing Units | Maturity Date | | | |
|-------------------|---------------------|---------------|-----------|-----------|-----------|-------------------|---------------------|---------------|-----------|-----------|-----------|
| | | 2015-2019 | 2020-2024 | 2025-2029 | 2030-2069 | | | 2015-2019 | 2020-2024 | 2025-2029 | 2030-2069 |
| North Dakota | 2,477 | 144 | 240 | 251 | 1,842 | Mountrail | 60 | 0 | 0 | 0 | 60 |
| Adams | 0 | 0 | 0 | 0 | 0 | Nelson | 38 | 12 | 0 | 0 | 26 |
| Barnes | 79 | 8 | 0 | 0 | 71 | Oliver | 0 | 0 | 0 | 0 | 0 |
| Benson | 63 | 0 | 24 | 10 | 29 | Pembina | 10 | 0 | 0 | 4 | 6 |
| Billings | 0 | 0 | 0 | 0 | 0 | Pierce | 20 | 0 | 0 | 0 | 20 |
| Bottineau | 56 | 4 | 0 | 0 | 52 | Ramsey | 231 | 0 | 0 | 0 | 231 |
| Bowman | 16 | 0 | 0 | 0 | 16 | Ransom | 17 | 0 | 0 | 0 | 17 |
| Burke | 45 | 0 | 16 | 8 | 21 | Renville | 32 | 0 | 0 | 0 | 32 |
| Burleigh | 8 | 0 | 0 | 0 | 8 | Richland | 85 | 0 | 0 | 0 | 85 |
| Cass | 56 | 4 | 20 | 8 | 24 | Rolette | 146 | 0 | 8 | 47 | 91 |
| Cavalier | 38 | 0 | 0 | 0 | 38 | Sargent | 50 | 0 | 20 | 16 | 14 |
| Dickey | 24 | 0 | 24 | 0 | 0 | Sheridan | 24 | 0 | 24 | 0 | 0 |
| Divide | 32 | 0 | 0 | 0 | 32 | Sioux | 0 | 0 | 0 | 0 | 0 |
| Dunn | 18 | 0 | 0 | 0 | 18 | Slope | 0 | 0 | 0 | 0 | 0 |
| Eddy | 8 | 0 | 0 | 8 | 0 | Stark | 244 | 0 | 0 | 58 | 186 |
| Emmons | 78 | 0 | 22 | 10 | 46 | Steele | 41 | 0 | 0 | 0 | 41 |
| Foster | 8 | 0 | 0 | 0 | 8 | Stutsman | 159 | 0 | 0 | 0 | 159 |
| Golden Valley | 0 | 0 | 0 | 0 | 0 | Towner | 0 | 0 | 0 | 0 | 0 |
| Grand Forks | 12 | 0 | 0 | 0 | 12 | Traill | 90 | 32 | 8 | 10 | 40 |
| Grant | 36 | 24 | 0 | 12 | 0 | Walsh | 126 | 24 | 0 | 0 | 102 |
| Griggs | 4 | 0 | 0 | 0 | 4 | Ward | 76 | 0 | 4 | 8 | 64 |
| Hettinger | 28 | 4 | 0 | 24 | 0 | Wells | 41 | 0 | 0 | 0 | 41 |
| Kidder | 34 | 0 | 12 | 8 | 14 | Williams | 138 | 0 | 4 | 20 | 114 |
| LaMoure | 8 | 8 | 0 | 0 | 0 | Region I | 170 | 0 | 4 | 20 | 146 |
| Logan | 12 | 0 | 0 | 0 | 12 | Region II | 343 | 20 | 38 | 16 | 269 |
| McHenry | 54 | 16 | 18 | 0 | 20 | Region III | 486 | 0 | 32 | 65 | 389 |
| McIntosh | 0 | 0 | 0 | 0 | 0 | Region IV | 186 | 36 | 0 | 4 | 146 |
| McKenzie | 0 | 0 | 0 | 0 | 0 | Region V | 339 | 36 | 48 | 34 | 221 |
| McLean | 92 | 0 | 28 | 0 | 64 | Region VI | 335 | 16 | 24 | 0 | 295 |
| Mercer | 32 | 0 | 8 | 0 | 24 | Region VII | 312 | 32 | 94 | 30 | 156 |
| Morton | 8 | 8 | 0 | 0 | 0 | Region VIII | 306 | 4 | 0 | 82 | 220 |

Source: North Dakota Housing Finance Agency

From 2014 to 2029, 635 units or 26 percent of USDA RD housing will reach maturity and no longer be enrolled in the program (see Figure 13). When properties mature as a result of completing the terms of the mortgage, the property owner is free to change the rent and is no longer obligated to offer housing at the USDA approved rate. The properties may also be nearing the end of the buildings lifecycle and in need of renovation. Further, because the property is no longer in the rural residential housing program, tenants may no longer be eligible for rental assistance. Considering 74 percent of all USDA RD housing tenants receive rental assistance, 470 low and very low income households currently in rural residential housing program properties set to mature and receive rental assistance could lose access to affordable housing by 2029.

Figure 13. Housing Units in the USDA Rural Residential Housing Program by Rental Assistance and Maturity Status, North Dakota, 2016



Source: North Dakota Housing Finance Agency

While the number of properties set to expire appears to be a relatively small number, the loss of even a few low income housing units could have substantial impacts. For example, in some rural counties, the number of rental units at any price is small and the loss of even a few low income housing units could have substantial implications. For example, in Sargent County, in 2014, there were only 386 renter-occupied housing units in the county¹⁰. Currently there are 50 RD housing units in the county, 36 of which are set to mature by 2029. Those 36 units represent 9 percent of all renter-occupied housing units in the county and 72 percent of all RD housing units in the county. A loss of that magnitude would likely have a noticeable effect on low income householder's access to affordable housing. The loss of properties that participate in USDA programs aimed at affordable housing for low income families, elderly, and disable could also contribute to further decline in population of small rural communities as seniors and others are forced to move in search of affordable housing. The potential need for property renovation may also be a consideration.

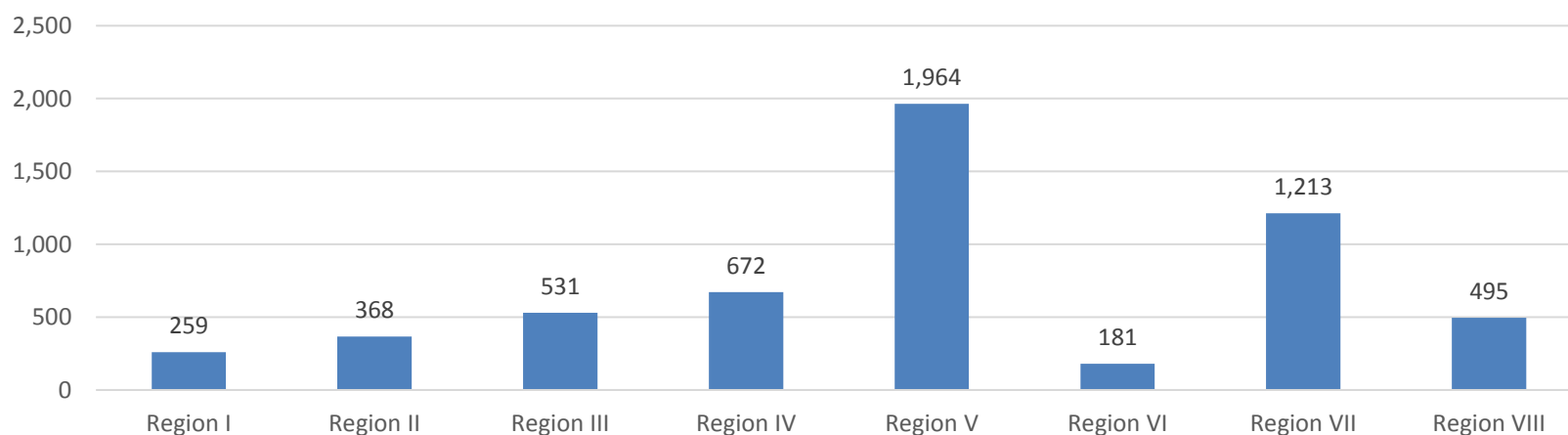
¹⁰ Hodur, Nancy M. et al. (2016). 2016 North Dakota Statewide Housing Needs Assessment: Component 1 – Population & Housing Forecast.

Low Income Housing Tax Credit Program

The Low Income Housing Tax Credit program (LIHTC) was created in 1986 by the U.S. Congress as an incentive for the provision of rental housing for low income households. The program provides federal income tax credits to individuals, partnerships, LLCs or other entities, such as housing authorities and other legal entities, for the construction or renovation of properties that will serve the needs of low income households. The program requires that the properties reserve a minimum of 20 percent of property housing units for tenants with incomes of less than 50 percent of the area median income or reserve 40 percent of property housing units for tenants with incomes of less than 60 percent of the area median income. Projects are eligible for tax credits for 10 years and must be maintained as low income properties for an initial 15-year period with the option to extend participation for an additional 15 years. Rents for participating properties vary by county and are set by the U.S Department of Housing and Urban Development (HUD) based on annual income limits published by HUD. The LIHTC program is administered by the North Dakota Housing Finance Agency. The LIHTC program does not have a restriction on the size of communities where eligible projects can be located.

Currently, 5,683 housing units are in the LIHTC program. The housing units are largely concentrated in the state's urban communities with 80 percent or 4,562 units in 11 of the 12 largest communities. There are no LIHTC properties in Valley City. Thirty-one percent of the housing units are located in Fargo and Bismarck, with 1,088 and 680 housing units, respectively. While the participating properties are largely concentrated in the state's largest communities, there are properties in each of the state's planning regions (see Figure 14). In all, 51 communities in North Dakota have LIHTC housing.

Figure 14. Housing Units in the Low Income Housing Tax Credit Program, North Dakota by Planning Region, 2016



Source: North Dakota Housing Finance Agency

Like USDA RD low income housing, a substantial portion (2,124 units or 37 percent) of the LIHTC properties in North Dakota will reach program maturity by 2029 (see Figure 15). Consistent with the distribution of the properties statewide, most of the maturing properties are located in the state’s largest cities. Of the 2,124 properties maturing by 2029, 57 percent are located in Fargo, Bismarck, and Grand Forks with 489, 409, and 305 units, respectively. While only 141 housing units statewide are set to mature in the next three years, 1,107 units are scheduled to mature from 2020 to 2024.

In smaller communities throughout the state, 264 LIHTC housing units are scheduled to mature by 2029. Fortunately, most of the properties in smaller communities that are scheduled to mature by 2029 do not begin to phase out of the program until 2025 (see Figure 16). The total number of LIHTC housing units in North Dakota are detailed in Table 4 by maturity date, and by county and planning region.

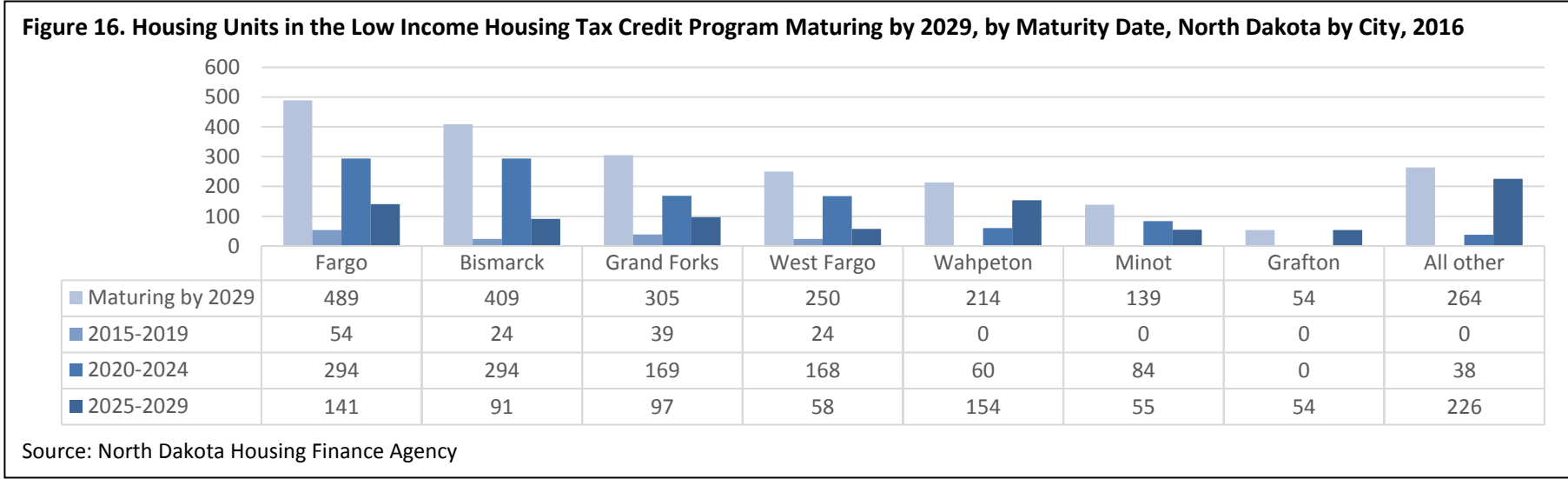
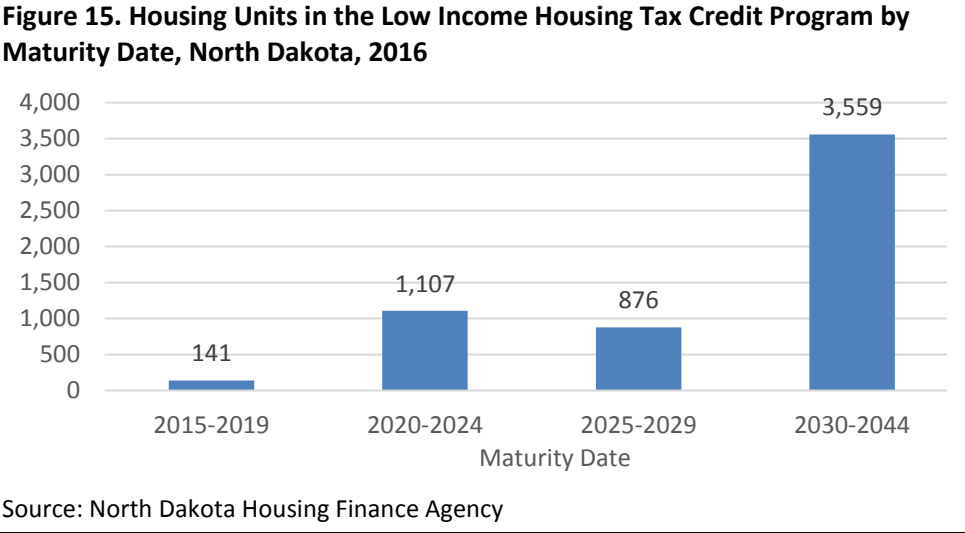


Table 4. Number of Housing Units in the Low Income Housing Tax Credit Program, by Maturity Date, in North Dakota by County and Planning Region

| County and Region | Total Housing Units | Maturity Date | | | | County and Region | Total Housing Units | Maturity Date | | | |
|-------------------|---------------------|---------------|-----------|-----------|-----------|-------------------|---------------------|---------------|-----------|-----------|-----------|
| | | 2015-2019 | 2020-2024 | 2025-2029 | 2030-2044 | | | 2015-2019 | 2020-2024 | 2025-2029 | 2030-2044 |
| North Dakota | 5,683 | 141 | 1,107 | 876 | 3,559 | Mountrail | 55 | 0 | 0 | 0 | 55 |
| Adams | 0 | 0 | 0 | 0 | 0 | Nelson | 0 | 0 | 0 | 0 | 0 |
| Barnes | 0 | 0 | 0 | 0 | 0 | Oliver | 0 | 0 | 0 | 0 | 0 |
| Benson | 36 | 0 | 0 | 36 | 0 | Pembina | 30 | 0 | 30 | 0 | 0 |
| Billings | 0 | 0 | 0 | 0 | 0 | Pierce | 0 | 0 | 0 | 0 | 0 |
| Bottineau | 0 | 0 | 0 | 0 | 0 | Ramsey | 276 | 0 | 0 | 0 | 276 |
| Bowman | 0 | 0 | 0 | 0 | 0 | Ransom | 23 | 0 | 0 | 15 | 8 |
| Burke | 0 | 0 | 0 | 0 | 0 | Renville | 0 | 0 | 0 | 0 | 0 |
| Burleigh | 680 | 24 | 294 | 91 | 271 | Richland | 309 | 0 | 60 | 226 | 23 |
| Cass | 1,564 | 78 | 470 | 199 | 817 | Rolette | 187 | 0 | 0 | 0 | 187 |
| Cavalier | 32 | 0 | 0 | 0 | 32 | Sargent | 46 | 0 | 0 | 34 | 12 |
| Dickey | 0 | 0 | 0 | 0 | 0 | Sheridan | 0 | 0 | 0 | 0 | 0 |
| Divide | 0 | 0 | 0 | 0 | 0 | Sioux | 295 | 0 | 0 | 0 | 295 |
| Dunn | 0 | 0 | 0 | 0 | 0 | Slope | 0 | 0 | 0 | 0 | 0 |
| Eddy | 0 | 0 | 0 | 0 | 0 | Stark | 487 | 0 | 0 | 0 | 487 |
| Emmons | 20 | 0 | 0 | 20 | 0 | Steele | 0 | 0 | 0 | 0 | 0 |
| Foster | 0 | 0 | 0 | 0 | 0 | Stutsman | 158 | 0 | 0 | 0 | 158 |
| Golden Valley | 8 | 0 | 0 | 8 | 0 | Towner | 0 | 0 | 0 | 0 | 0 |
| Grand Forks | 555 | 39 | 169 | 97 | 250 | Traill | 22 | 0 | 0 | 22 | 0 |
| Grant | 0 | 0 | 0 | 0 | 0 | Walsh | 87 | 0 | 0 | 54 | 33 |
| Griggs | 0 | 0 | 0 | 0 | 0 | Ward | 313 | 0 | 84 | 55 | 174 |
| Hettinger | 0 | 0 | 0 | 0 | 0 | Wells | 23 | 0 | 0 | 0 | 23 |
| Kidder | 0 | 0 | 0 | 0 | 0 | Williams | 239 | 0 | 0 | 19 | 220 |
| LaMoure | 0 | 0 | 0 | 0 | 0 | Region I | 259 | 0 | 0 | 19 | 240 |
| Logan | 0 | 0 | 0 | 0 | 0 | Region II | 368 | 0 | 84 | 55 | 229 |
| McHenry | 0 | 0 | 0 | 0 | 0 | Region III | 531 | 0 | 0 | 36 | 495 |
| McIntosh | 0 | 0 | 0 | 0 | 0 | Region IV | 672 | 39 | 199 | 151 | 283 |
| McKenzie | 20 | 0 | 0 | 0 | 20 | Region V | 1964 | 78 | 530 | 496 | 860 |
| McLean | 39 | 0 | 0 | 0 | 39 | Region VI | 181 | 0 | 0 | 0 | 181 |
| Mercer | 28 | 0 | 0 | 0 | 28 | Region VII | 1213 | 24 | 294 | 111 | 784 |
| Morton | 151 | 0 | 0 | 0 | 151 | Region VIII | 495 | 0 | 0 | 8 | 487 |

Source: North Dakota Housing Finance Agency

Other Federal Programs

The U.S Department of Housing and Urban Development (HUD) has four programs that are administered by either public housing agencies (PHA) in North Dakota or the North Dakota Housing Finance Agency. The Housing Choice Voucher program and the Public Housing program are administered by PHAs while the Project-Based Contract Administration program and the Moderate Rehabilitation program are administered by the North Dakota Housing Finance Agency.

The Housing Choice Voucher program provides assistance for very low income families, the elderly, and individuals with a disability. The state's local housing authorities receive federal funds and pay the housing subsidy directly to landlords on behalf of the tenant. Program participants pay 30 percent of their income and the voucher covers the difference between the tenant's contribution and the payment standard set by the housing authority. If the rent charged is more than the payment standard, the tenant is also responsible for paying this amount. Payment standards are based on HUD's Fair Market Rent, which is 40 percent of the cost of the average moderately-priced dwelling unit in the local market. The local housing authority determines program eligibility based on standards set by HUD. Generally, participant's income may not exceed 50 percent of the median area income. Seventy-five percent of vouchers must go to extremely low income participants, those with incomes that do not do not exceed 30 percent of the area median income. Program participants may choose any housing and are not limited to housing units in properties subsidized by other programs; however, the housing authority must approve the unit and determine if the rent is appropriate and reasonable. As long as the participants are eligible, they may continue to receive voucher assistance even if they move to a different city or state. Housing authorities may choose to use 20 percent of their voucher budget authority on project-based vouchers, meaning the rental assistance is tied to particular units and is not portable by the tenant. Thirty-four local public housing authorities administer the Housing Choice Voucher program in North Dakota. They receive a monthly budget authority from HUD and the number of households that can be supported depends on the amount spent. In 2016, HUD calculated 8,343 households per month could be supported by the budget authority; however, 2016 first quarter usage data showed that only 6,514 housing units in North Dakota were supported by the dollars provided. Many of the housing authorities have extensive wait lists for the program.

Local housing authorities also administer the Public Housing program, a federal program started in 1937. Public Housing projects are owned and managed by local public housing authorities and provide rental housing for eligible low income families, the elderly, and people with disabilities. Tenants pay 30 percent of their household income or a minimum rent if they have little or no income. The public housing authorities receive operating funds from the U.S. Department of Housing and Urban Development (HUD) to assist in funding the operating and maintenance expenses of their projects. North Dakota has 1,709 units of public housing managed by 15 public housing authorities. Average occupancy rates of public housing units in North Dakota range from 61 to 98 percent; however, for 9 of the 15 public housing authorities, average occupancy rates were over 90 percent. Differences in occupancy rates are due to location and the condition of the housing units. The number of Public Housing Program housing units and average occupancy rates are detailed in Table 5.

Table 5. Housing Units Administered by the Public Housing Program, North Dakota, 2016

| Public Housing Authority (PHA) | PHA Code | Vacant Units | Habitable Units | Avg. Occupancy Rate |
|--|----------|--------------|-----------------|---------------------|
| Housing Authority of Cass County | ND001 | 21 | 174 | 88.9% |
| Housing Authority of the City of Williston | ND002 | 13 | 115 | 90.6% |
| Rolette County Housing Authority | ND003 | 8 | 60 | 88.2% |
| Towner County Housing Authority | ND009 | 6 | 20 | 74.4% |
| Ramsey County Housing Authority | ND013 | 5 | 81 | 92.6% |
| Fargo Housing and Redevelopment Authority | ND014 | 14 | 563 | 95.6% |
| Mercer County Housing Authority | ND015 | 2 | 38 | 94.2% |
| Minot Housing Authority | ND017 | 14 | 247 | 95.4% |
| Traill County Housing Authority | ND019 | 0 | 28 | 97.6% |
| Burleigh County Housing Authority | ND021 | 8 | 280 | 96.7% |
| Barnes County Housing Authority | ND022 | 0 | 50 | 97.3% |
| Benson County Housing Authority | ND030 | 12 | 13 | 61.3% |
| McIntosh County Housing Authority | ND039 | 1 | 7 | 87.5% |
| Emmons County Housing Authority | ND054 | 5 | 10 | 71.1% |
| Nelson County Housing Authority | ND058 | 2 | 23 | 92.0% |
| Total | | 111 | 1,709 | 92.0% |

Source: North Dakota Housing Finance Agency

The North Dakota Housing Finance Agency (NDHFA) provides rental assistance with project-based assistance known as Section 8 Performance-Based Contract Administration (PBCA). The program was approved by Congress in 1974. The NDHFA, on behalf of HUD, contracts with property owners to provide rental assistance for a fixed period of time for low income families. Like the Housing Choice Voucher program, assistance payments are made directly to the landlord. Participants, who may only have incomes below 80 percent of area median income, pay 30 percent of their adjusted gross income and the NDHFA issues a voucher to the property owner for the remainder of the contract rent. Currently, NDHFA has project-based assistance contracts on 98 properties with a total of 2,964 housing units. As contracts expire, properties may opt out of the program. Because the PBCA program was closed and no new projects are allowed under the program, if a

project opts out of its contract, the project-based rental assistance is also lost. Four projects with a total of 111 housing units in North Dakota with opt-out dates in 2016 and 2017 are shown in Table 6. The PBCA program was closed when LIHTC program was authorized in the 1980s. Because the program is closed, the number of housing units in the PBCA program will likely decline over time potentially representing a reduction in the number of housing units available for low income households.

NDHFA also administers the HUD Moderate Rehabilitation (Mod Rehab) program. Like the PBCA program, the Mod Rehab program is a federal program that provides project-based rental assistance to low income families through a housing assistance payment contract between the property owner and HUD. The program was repealed in 1991 and no new projects are allowed under the program. Once a property opts out of the Mod Rehab program, it cannot reapply. However, expiring Mod

Table 6. Housing Units Administered by PCBA with Opt-out Dates through March 2017, North Dakota

| Property | Location | Total Units | Opt-out Date |
|---------------------|-----------|-------------|--------------|
| The Village | Hettinger | 24 | 10/31/2016 |
| Westview Apartments | Jamestown | 25 | 11/12/2016 |
| The Village | Harvey | 32 | 12/14/2016 |
| Pleasant Manor | Bowman | 30 | 3/31/2017 |

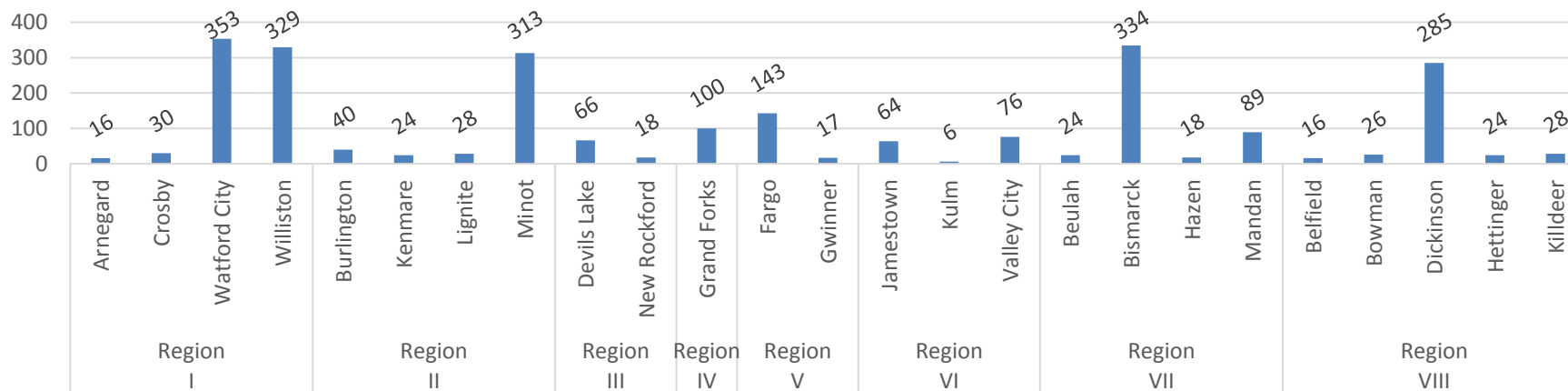
Source: North Dakota Housing Finance Agency

Rehab projects that have at least four dwelling units are eligible for renewal. Very low income families (with incomes up to 50 percent of the area median family income) and low income families (with incomes from 51 to 80 percent of the area median income) are eligible for the program. Participants in the Mod Rehab program pay 30 percent of adjusted gross income towards rent. The remainder of the rent is paid by HUD directly to the property owner. Currently, 10 properties with 157 units participate in the Mod Rehab program in North Dakota. Like the properties in the PBCA program, because the program was repealed, properties in the Mod Rehab program will likely decrease over time reducing the number of housing units available for low income households.

North Dakota Housing Incentive Fund

The North Dakota Housing Incentive Fund (NDHFA) was authorized by the North Dakota Legislative Assembly in 2011. The NDHFA is the first and only state-funded housing program in North Dakota and has become one of the largest creators of affordable housing in the state. Since the beginning of the program, NDHFA has allocated more than \$89.6 million to 78 projects to support 2,467 new units in 26 communities across the state. The number and location of North Dakota Housing Incentive Fund housing units is detailed in Figure 17. Housing units in the program benefit low and moderate income households (below 140 percent of area median family income). Like the Low Income Housing Tax Credit program, units are income and rent restricted to the target households. Units must remain affordable for at least 15 years. Considering the potential for a reduction in housing inventory for low income households as a result of properties in other programs maturing out of their respective programs, the North Dakota Housing Incentive Fund may be a critical component to help the state address the need for affordable multi-family rental housing for low income families, elderly, and individuals with a disability.

Figure 17. Housing Units Included in Projects Receiving Assistance through the North Dakota Housing Incentive Fund, by Community and Planning Region, 2011-2017



Source: North Dakota Housing Finance Agency

Conclusions and Implications

Several state and federal programs provide assistance to help meet the needs for affordable housing for low income households, elderly, and individuals with a disability. Some programs are directed at incentives for developers and others provide assistance directly to households. USDA programs are concentrated in rural communities while housing units in the LIHTC programs are more concentrated in state's larger urban communities. Regardless of the support mechanism, most of the programs highlighted in this report are for a finite period of time and a substantial portion of those programs' housing units are approaching the end of the program participation period. The potential implication is the loss of low income housing units. The implications of losing subsidized housing for low and very low income households are significant. As properties age and come to program maturity, not only may they no longer meet the housing needs of low income residents as a result of the lost subsidy, but they may be nearing the end of the building's lifecycle and may be in need of replacement or renovation. The potential loss of housing for low income households, especially in small rural communities, puts some of the state's most vulnerable citizens at risk and may contribute to further depopulation of rural communities as people move in search of affordable housing. Because of limited inventories of low income housing, small changes in inventory may result in a substantial decline in the number of available low income housing units. The loss of even a small number of subsidized housing units can have a substantial impact on low income households' access to safe, adequate, and secure housing. Projected growth in population ages 65 and older and the projected increase in the number of low income households suggest the need for affordable housing will not diminish in the future. In areas of the state where the economy and population are growing, housing costs have also increased, further straining low income households. Planning efforts should begin now to address the potential loss of housing units participating in housing development programs. As the state's only program aimed at supporting the state's need for affordable housing, the North Dakota Housing Incentive Fund may be a critical component to help the state address the need for affordable multi-family rental housing for low income families, elderly, and individuals with a disability.

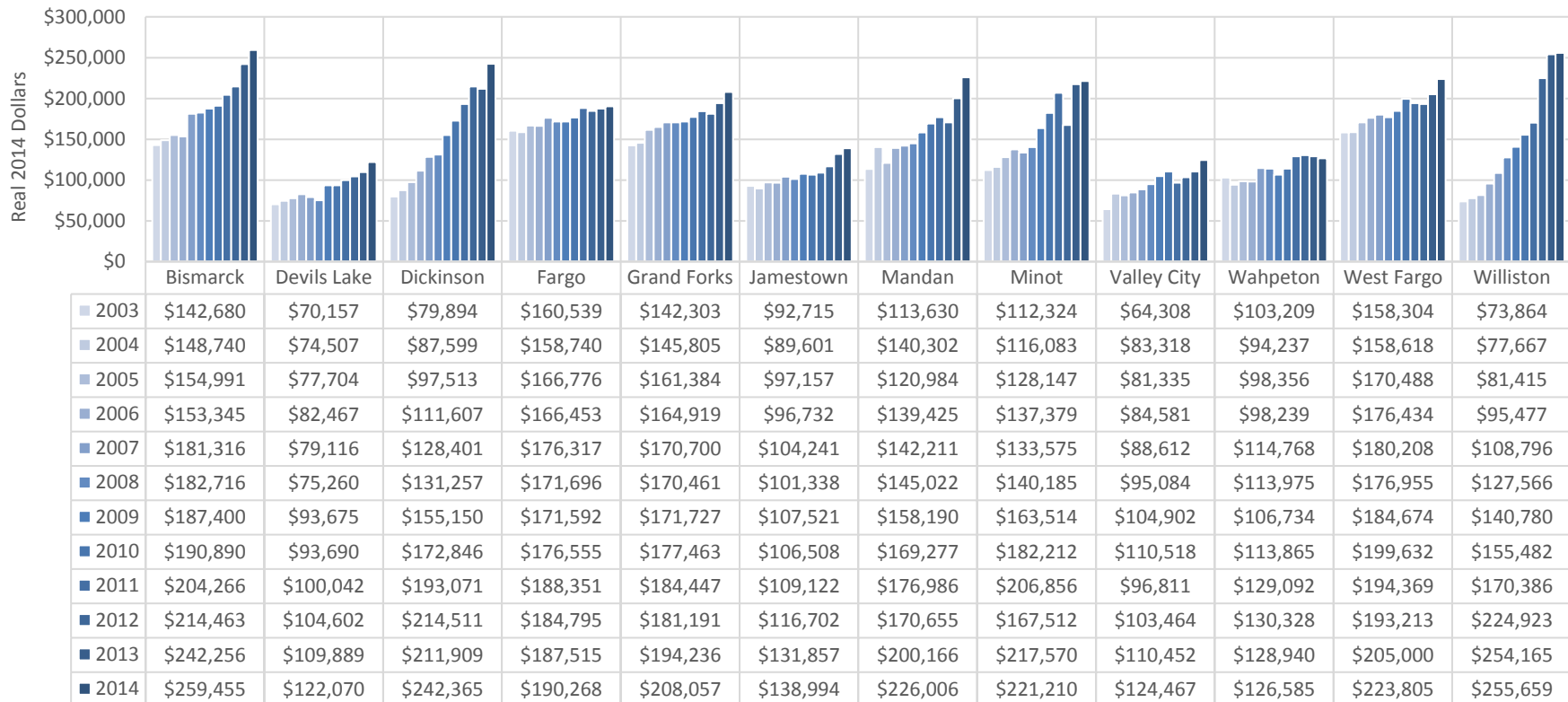
HOUSING COSTS

Favorable economic conditions, population growth, increased costs for materials and labor, and in some communities, loss of housing stock as a result of flooding have all contributed to increased housing costs in recent years. Gauging and quantifying housing costs can be difficult, because various characteristics, such as age, size, amenities, location, and the general condition of homes affect value and sales prices. However, the Office of State Tax Commissioner, as directed by the North Dakota Century Code, conducts the annual Assessment Sales Ratio Study. The primary aim of the Sales Ratio Study relates to the assessment of real property. The study is intended to support local assessment officials and to provide information on the real value of property in order to facilitate recommendations to the Tax Commissioner on potential adjustments to be made by the State Board of Equalization during the equalization process. The Office of State Tax Commissioner collects data from local jurisdictions on the true and full value of all useable sales for six property categories: agricultural, commercial, vacant lots, residential, lakeshore, and mobile homes. Useable sales are defined in the North Dakota Century Code but generally are defined as all arms-length transactions of real property. Certain property transactions are excluded, such as property owned or used by public utilities, personal property, estate settlements, or sales to or from charitable or non-profit organizations. Partial valuations of uncompleted new construction are also excluded from the Sales Ratio Study. While the primary aim of the study is to ensure assessed property values are in line with true and full values, the study also provides insight into trends in the average prices of real estate transactions and provides a consistent time series of residential property sales. While the Sales Ratio Study reports average prices of real estate transactions for six property categories, this assessment will only examine residential property transactions. Data are available by county and for the 12 largest cities in the state. For counties that are home to the 12 largest cities, county data do not include useable sales transactions from the city located within the county. Average values are calculated as a simple average of the cumulative value of useable sales divided by the total number of useable sales. A minimum of 30 sales or 10 percent of the total number of properties is required for all jurisdictions. If a sufficient number of transactions were not available in a study year, sales from previous years are used to supplement the sales data. Average verified prices for useable residential real estate sales as defined by the Sales Ratio Study for each of the 12 largest cities and a sample of 10 rural counties from 2003 to 2014 were collected and analyzed to identify trends in housing costs. Values were adjusted to reflect real 2014 dollars. For more information on the North Dakota Assessment Sales Ratio Study see <https://www.nd.gov/tax/data/upfiles/media/taxationmanual-section-s.pdf?20160113062453> and <https://www.nd.gov/tax/data/upfiles/media/sales-ratio-2014.pdf?20160616215932>.

Average verified prices for residential property in 2003 ranged from a low of \$64,308 in Valley City to a high of \$160,539 in Fargo. Average prices have increased in all communities since 2003 and in some cases have increased dramatically. In Dickinson and Williston, average verified prices have increased by at least 200 percent since 2003 to \$242,365 and \$255,659, respectively. Prices have been substantially influenced by dramatic growth in the oil and gas industry and the resulting acute housing shortages. Prices increased by nearly 100 percent from 2003 to 2014 in Mandan (from \$113,630 to \$226,006), Minot (\$112,324 to \$221,210), and Valley City (\$64,308 to \$124,467). Average verified prices grew by 82 percent in Bismarck from \$142,680 in 2003 to \$259,455 in 2014 and by 74 percent in Devils Lake

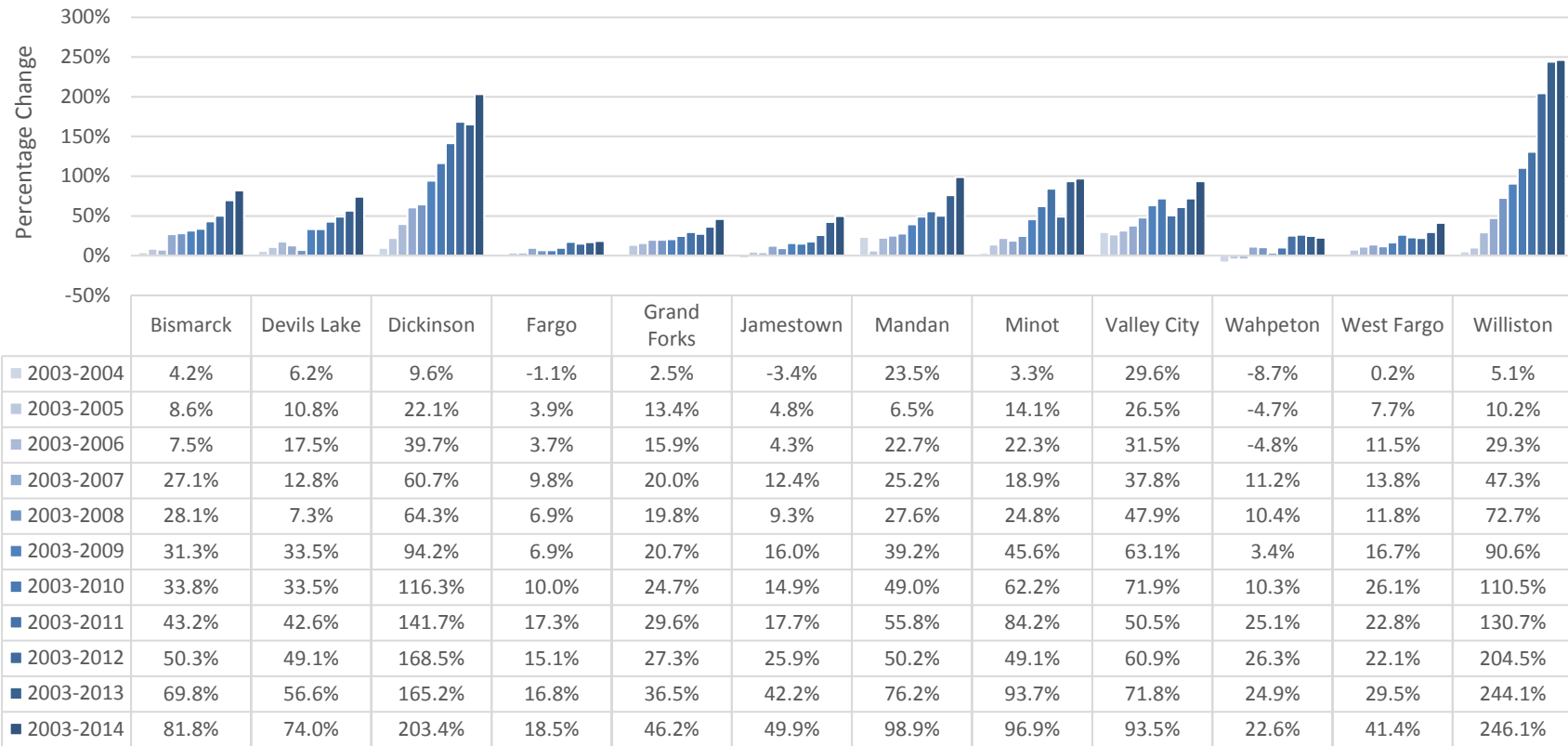
increasing from \$70,157 to \$122,070. Price increases were more moderate in Fargo and Wahpeton with increases in the average verified prices of residential property sales from 2003 to 2014 of 19 and 23 percent, respectively. Average verified prices in Fargo increased from \$160,539 in 2003 to \$190,268 in 2014. The average verified prices in Wahpeton increased from \$103,209 in 2003 to \$126,585 in 2014. Increases in average verified prices of residential property from 2003 to 2014 in Grand Forks, Jamestown, and West Fargo ranged from 41 to 50 percent. For most communities, the trend of increasing prices was fairly consistent from year to year with a few exceptions. For example, in half of the state's 12 largest communities, average verified prices decreased in 2008. This coincides with the national recession where real estate values dropped substantially in many areas of the country. Another exception to consistent increases was Valley City and Minot. Increases in average verified prices in 2010 for Valley City and in 2011 for Minot were followed by a decline in prices the following year. The drop in average verified prices was likely due to the effects of major flooding in both communities. Average verified prices and cumulative percentage change in average verified prices for the 12 largest North Dakota cities are detailed in Figures 18 and 19.

Figure 18. Average Verified Prices for Residential Property in Real 2014 Dollars for Top 12 Cities in North Dakota, 2003 to 2014



Source: North Dakota Assessment Sales Ratio Study, 2003 to 2014

Figure 19. Cumulative Percentage Change in the Average Verified Prices for Residential Property in Real 2014 Dollars for Top 12 Cities in North Dakota, 2003 to 2014



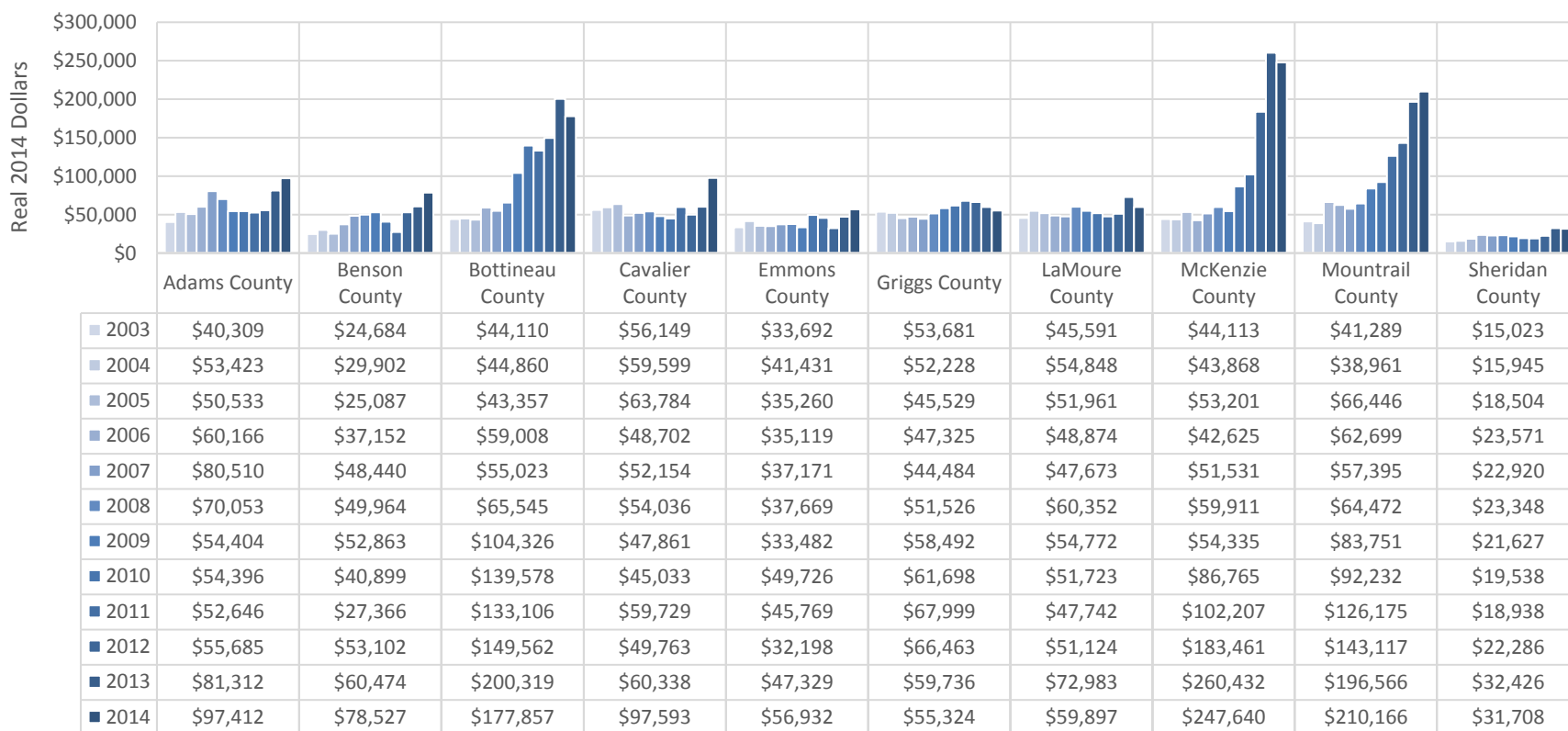
Source: North Dakota Assessment Sales Ratio Study, 2003 to 2014

Trends in average prices for residential property were far less pronounced in rural counties with the exception of oil impacted counties, specifically McKenzie and Mountrail Counties. Average prices of residential property increased by 409 percent in Mountrail County and 461 percent in McKenzie County, from \$41,289 to \$210,166 in Mountrail County and from \$44,113 to \$247,640 in McKenzie County. Increases in Adams, Benson, Bottineau, and Sheridan counties were also substantial, ranging from 111 to 303 percent over the study period. While the percentage increases were substantial in Adams, Benson, Bottineau, and Sheridan counties, the actual prices were relatively low in 2003 and remained low compared to the average prices of residential property in urban areas. In 2003 average prices were \$15,023 in Sheridan County, \$24,684 in Benson County, \$40,309 in Adams County and \$44,110 in Bottineau County. In 2014,

average prices were \$31,708 in Sheridan County, \$78,527 in Benson County, and \$97,412 in Adams County and \$177,857 in Bottineau County.

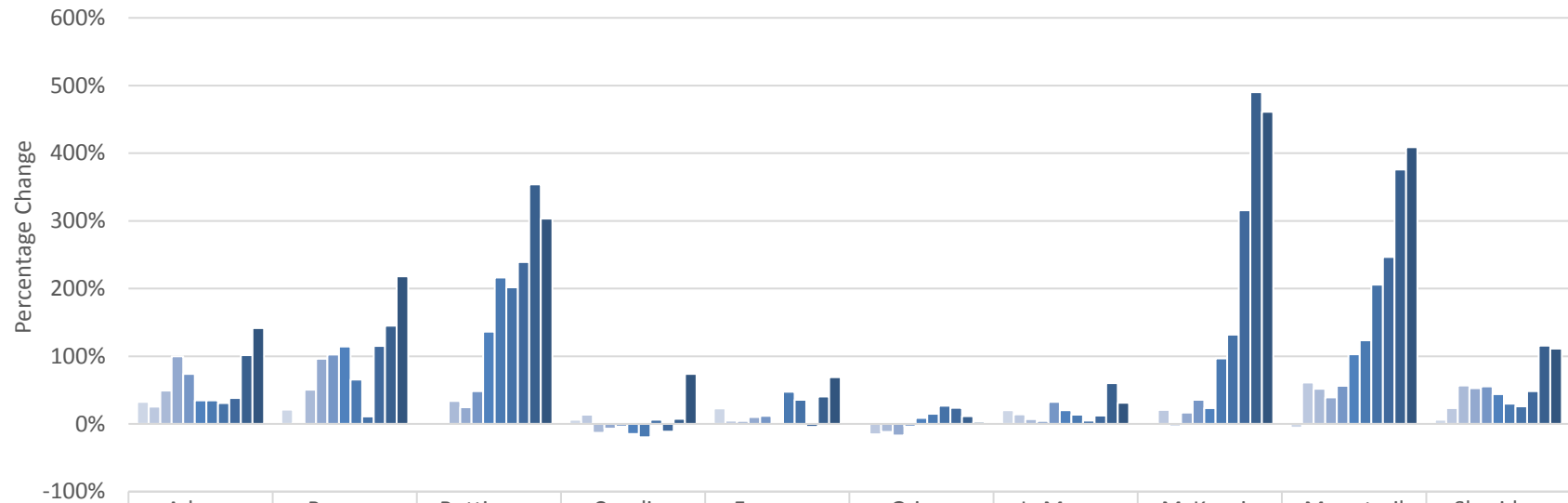
Average changes in verified prices from 2003 to 2014 in the remainder of the sample of rural counties, Cavalier, Emmons, Griggs, and LaMoure counties were more modest with increases of 74, 69, 3 and 31 percent, respectively. Rural sample counties had more annual variability than the 12 largest cities. Year to year variability of average verified prices in the sample rural counties was likely a function of the relatively small number of sales per year and that a small number of either very high or very low priced transactions can have an undue impact on overall annual averages. Average verified prices and cumulative percentage change in average verified prices for the 10 sample rural counties are detailed in Figures 20 and 21.

Figure 20. Average Verified Prices for Residential Property in Real 2014 Dollars for Selected Rural Counties in North Dakota, 2003 to 2014



Source: North Dakota Assessment Sales Ratio Study, 2003 to 2014

Figure 21. Cumulative Percentage Change in the Average Verified Prices for Residential Property in Real 2014 Dollars for Selected Rural Counties in North Dakota, 2003 to 2014

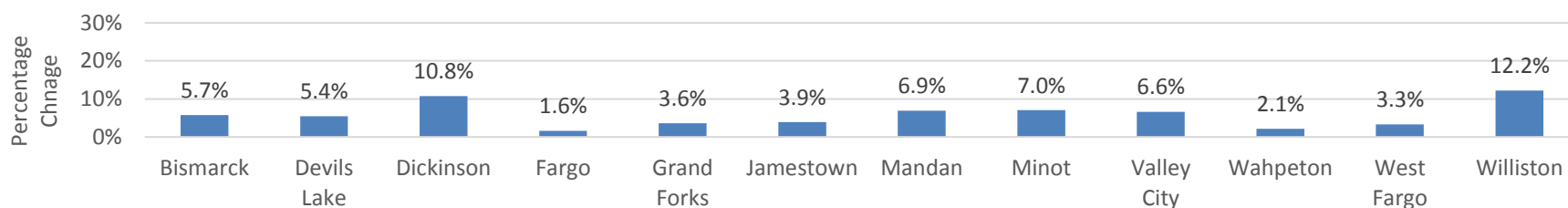


| | Adams County | Benson County | Bottineau County | Cavalier County | Emmons County | Griggs County | LaMoure County | McKenzie County | Mountrail County | Sheridan County |
|-------------|--------------|---------------|------------------|-----------------|---------------|---------------|----------------|-----------------|------------------|-----------------|
| ■ 2003-2004 | 32.5% | 21.1% | 1.7% | 6.1% | 23.0% | -2.7% | 20.3% | -0.6% | -5.6% | 6.1% |
| ■ 2003-2005 | 25.4% | 1.6% | -1.7% | 13.6% | 4.7% | -15.2% | 14.0% | 20.6% | 60.9% | 23.2% |
| ■ 2003-2006 | 49.3% | 50.5% | 33.8% | -13.3% | 4.2% | -11.8% | 7.2% | -3.4% | 51.9% | 56.9% |
| ■ 2003-2007 | 99.7% | 96.2% | 24.7% | -7.1% | 10.3% | -17.1% | 4.6% | 16.8% | 39.0% | 52.6% |
| ■ 2003-2008 | 73.8% | 102.4% | 48.6% | -3.8% | 11.8% | -4.0% | 32.4% | 35.8% | 56.2% | 55.4% |
| ■ 2003-2009 | 35.0% | 114.2% | 136.5% | -14.8% | -0.6% | 9.0% | 20.1% | 23.2% | 102.8% | 44.0% |
| ■ 2003-2010 | 34.9% | 65.7% | 216.4% | -19.8% | 47.6% | 14.9% | 13.5% | 96.7% | 123.4% | 30.1% |
| ■ 2003-2011 | 30.6% | 10.9% | 201.8% | 6.4% | 35.8% | 26.7% | 4.7% | 131.7% | 205.6% | 26.1% |
| ■ 2003-2012 | 38.1% | 115.1% | 239.1% | -11.4% | -4.4% | 23.8% | 12.1% | 315.9% | 246.6% | 48.3% |
| ■ 2003-2013 | 101.7% | 145.0% | 354.1% | 7.5% | 40.5% | 11.3% | 60.1% | 490.4% | 376.1% | 115.8% |
| ■ 2003-2014 | 141.7% | 218.1% | 303.2% | 73.8% | 69.0% | 3.1% | 31.4% | 461.4% | 409.0% | 111.1% |

Source: North Dakota Assessment Sales Ratio Study, 2003 to 2014

While change in average verified prices for residential property was not linear from 2003 to 2014, average annual change from 2003 to 2014 help illustrate not only the magnitude of the change, but also the variability in change among the 12 largest cities. The rate of change was greatest in Williston and Dickinson with double digit average annual change in the average price of residential property, 12 and 11 percent, respectively. Substantial annual increases since 2008 have affected the average annual increases over the 11-year period. Average annual price changes pre- and post-oil and gas industry activity would reflect different trends. Average annual change in average verified prices was also strong in Mandan, Minot, and Valley City each with an average annual change of 7 percent over the study period. Average annual prices in Bismarck and Devils Lake increased by 6 and 5 percent, respectively. More modest average annual change was observed in Grand Forks, Jamestown, Wahpeton, and West Fargo with average annual change in the prices of residential property ranging from 2 to 4 percent. The smallest average annual change was observed in Fargo with an average annual change of 1.6 percent (see Figure 22).

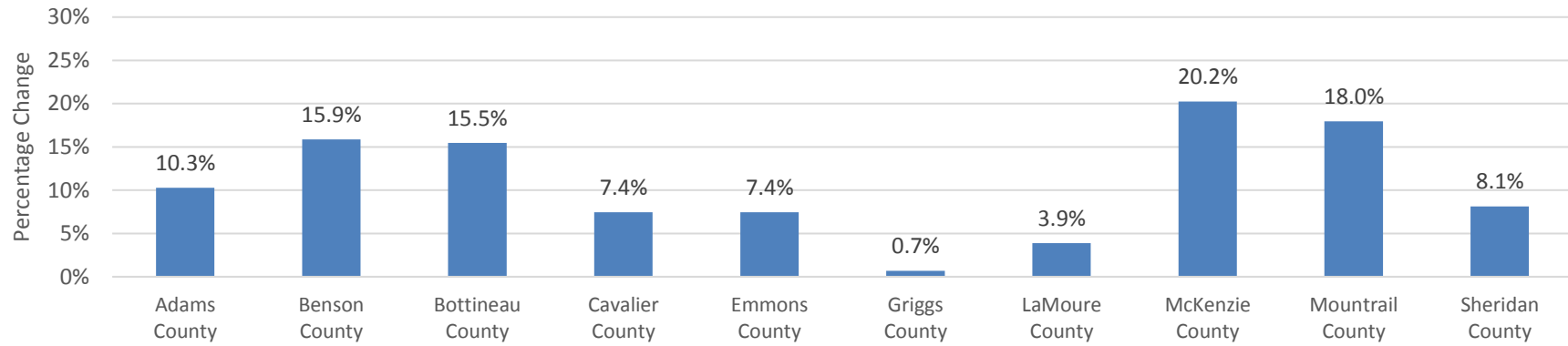
Figure 22. Average Annual Percentage Change in the Average Verified Prices for Residential Property in Real 2014 Dollars for Top 12 Cities in North Dakota, 2003 to 2014



Source: North Dakota Assessment Sales Ratio Study, 2003 to 2014

Like Williston and Dickinson, the oil impacted counties of McKenzie and Mountrail experienced the greatest average annual change, 20 and 18 percent, respectively, from 2003 to 2014. Benson, Bottineau, and Adams counties also had double digit average annual increases, 16 percent for Benson and Bottineau counties and 10 percent for Adams County. Like Williston and Dickinson, recent substantial price increases have a significant impact on the calculation of the average annual change for those counties with double digit average annual change. Average annual change for Cavalier, Emmons, and Sheridan counties ranged from 7 to 8 percent, while LaMoure County had a 4 percent average annual increase. Griggs County was mostly unchanged with a less than a 1 percent average annual change in the average price of residential property from 2003 to 2014. Consistent with the variability in residential property prices in the state's metro and micro areas, substantial variability in the average annual change in prices of residential property was also observed in the rural counties examined (see Figure 23).

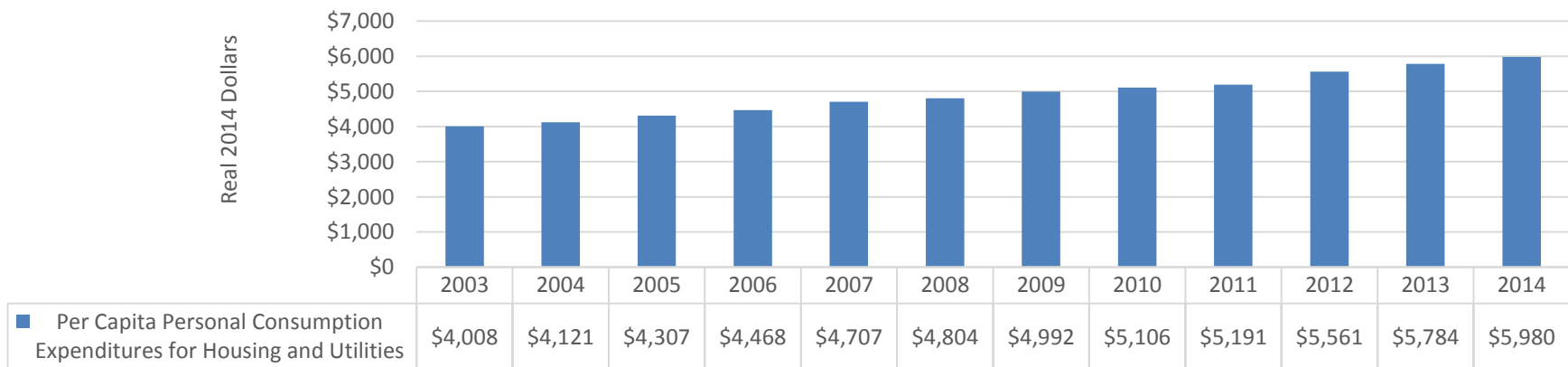
Figure 23. Average Annual Percentage Change in the Average Verified Prices for Residential Property in Real 2014 Dollars for Selected Rural Counties in North Dakota, 2003 to 2014



Source: North Dakota Assessment Sales Ratio Study, 2003 to 2014

Another indicator of trends in cost of housing is statewide per capita expenditures for housing and utilities available from the U.S. Bureau of Economic Analysis. Available only at the state level of geography, annual per capita expenditures for housing and utilities in North Dakota increased from \$4,008 in 2003 to \$5,980 in 2014, a 49 percent increase (see Figure 24). Annual increases were fairly consistent ranging from a low of 2 percent from 2007 to 2008, to 7 percent from 2011 to 2012. Average annual change from 2003 to 2014 in per capita expenditures for housing and utilities in North Dakota was 3.7 percent.

Figure 24. Per Capita Personal Consumption Expenditures for Housing and Utilities in North Dakota, 2003 to 2014



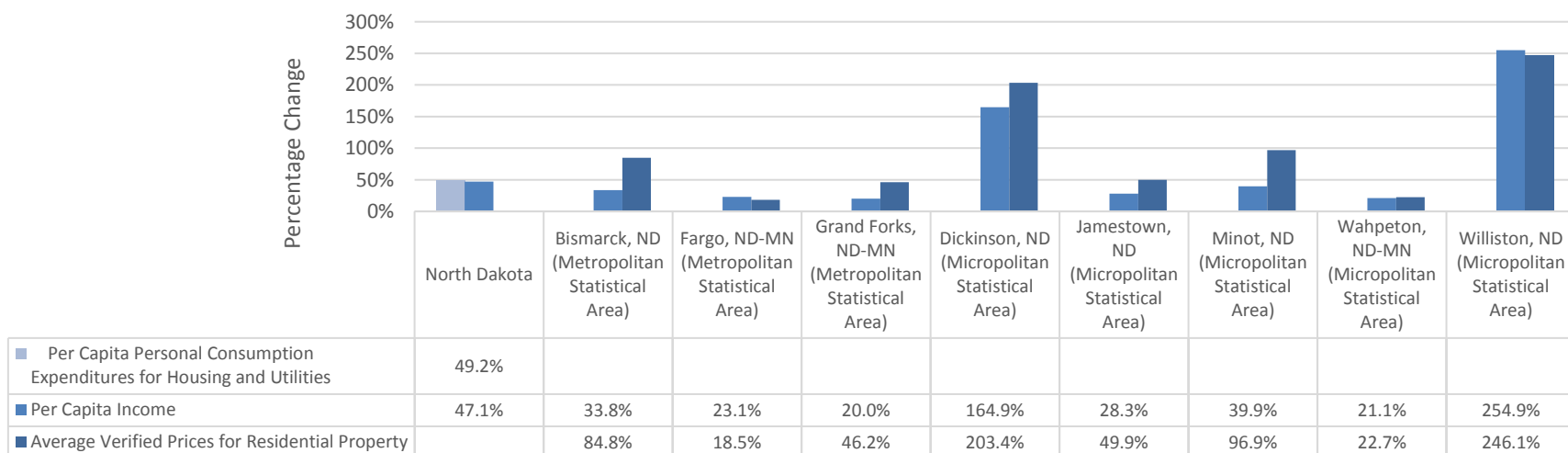
Source: U.S. Bureau of Economic Analysis

To gauge if change in income has kept pace with the change in expenditures for utilities and housing, the percentage change in per capita income was compared to the percentage change in per capita expenditures for utilities and housing. As previously reported, from 2003 to 2014 statewide per capita expenditures for housing and utilities in North Dakota increased by 49 percent. The increase in statewide per capita income was similar, increasing by 47 percent over the same period.

Change in statewide per capita income was also compared to change in per capita income in the state's metro and micropolitan areas. Change in per capita income was substantially higher than the statewide average in Williston and Dickinson, where per capita incomes have increased dramatically, 255 percent and 165 percent. Changes in per capita income in the state's other metro and micropolitan areas were lower than the statewide average. Per capita income has increased by approximately 20 percent in Grand Forks, 21 percent in Wahpeton, 23 percent in Fargo, 28 percent in Jamestown, 34 percent in Bismarck, and 40 percent in Minot from 2003 to 2014 (Figure 25).

A comparison of the change in per capita income to the change in the average verified prices of residential property would suggest that, at least in some communities, per capita income is not increasing at the same rate as prices for residential property. From 2003 to 2014, average verified prices of residential property increased at a greater rate than the change in per capita income in Bismarck, Grand Forks, Dickinson, Jamestown, and Minot. For example, in Bismarck, per capita income increased by 34 percent while average verified prices of residential property increased by 85 percent. The percentage change in per capita income and average verified prices of residential property were similar in Wahpeton, and only in Fargo and Williston has the percentage change in per capita income been greater than the

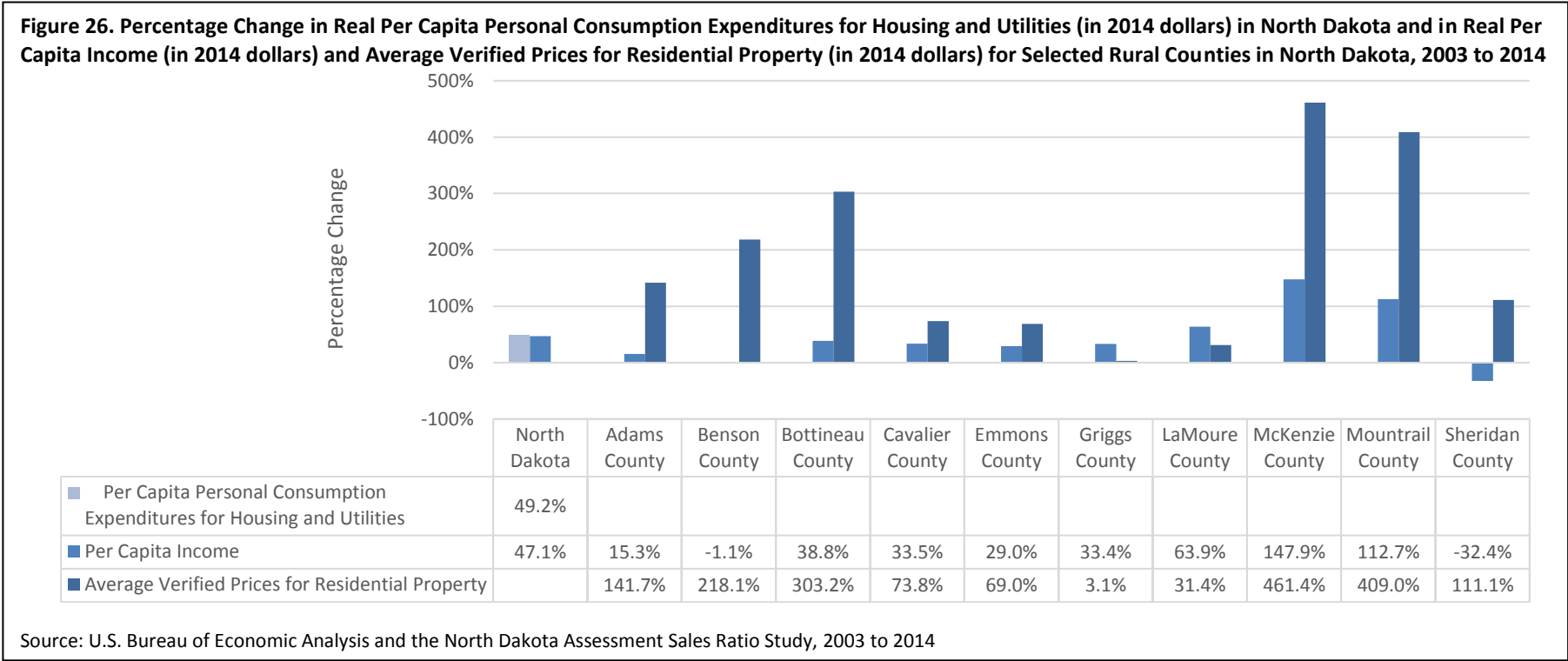
Figure 25. Percentage Change in Real Per Capita Personal Consumption Expenditures for Housing and Utilities (in 2014 dollars) in North Dakota, in Real Per Capita Income (in 2014 dollars), and in Average Verified Prices for Residential Property (in 2014 dollars) for Metro and Micro Areas in North Dakota, 2003-2014



Source: U.S. Bureau of Economic Analysis and the North Dakota Assessment Sales Ratio Study, 2003 to 2014

percentage change in the average verified prices of residential property. Change in average annual per capita income and average verified prices of housing for each of the study cities are detailed in Figure 25.

An examination of the change in per capita income and change in average verified prices of residential property in the 10 sample rural counties would also suggest that per capita income has not increased at the same rate as prices for residential property. Of the 10 sample rural counties, Griggs and LaMoure counties were the only counties where per capita income increased by a greater percentage than the average verified prices for residential property (see Figure 26). LaMoure County had a 64 percent increase in per capita income compared to a 31 percent increase in average verified prices for residential property. Griggs County had a 33 percent increase in per capita income and a 3 percent increase in average verified prices for residential property. While McKenzie and Mountrail counties had more than 100 percent growth in per capita income, average verified prices for residential property increased by more than 400 percent. Increases in per capita income in Bottineau, Cavalier, and Emmons counties ranged from 29 to 39 percent, while per capita income decreased by 32 percent in Sheridan County, stayed about the same in Benson County with a 1 percent decrease, and increased by 15 percent in Adams County. Increases in the average verified prices for residential property in Adams, Benson, Bottineau, Cavalier, Emmons, and Sheridan counties ranged from 69 to 303 percent.



Caution is warranted when interpreting increase in the average verified prices of residential property in small rural counties where historical prices for housing were low. For example, the average verified prices for residential property in Emmons County in 2003 was \$33,692, in Mountrail County, \$41,289 and Benson County was only \$24,684. In many rural counties while the average prices have increased substantially, average prices for residential property remain relatively low. With the exception of oil and gas impacted counties of McKenzie, Mountrail, and Bottineau, average verified prices for residential property were still less than \$100,000 ranging from a low of \$31,708 in Sheridan County to \$97,593 in Cavalier County (see Figure 20).

Conclusions and Implications

The examination of changes in the average verified prices of residential property reveals that, generally speaking, the average cost of residential property increased in most communities; however, the rate of change varied considerably. Increases in average verified prices of residential property were most apparent in the state's urban areas, with dramatic increases in cities and counties impacted by oil and gas development. Changes in the cities of Williston and Dickinson, and in McKenzie and Mountrail counties were reflective of the substantial change that has occurred in those communities in a very short period of time as a result of rapid expansion in the oil and gas industry. Increases in the state's other urban communities have been more modest and trends in rural counties were mixed. While there have been some increases in the average verified prices of residential property in some rural counties, other counties have not experienced similar increases. This is consistent with other socio-economic indicators which illustrate that while some areas of the state have had substantial increases in population and per capita income, other areas of the state have not experienced similar growth. Caution is warranted when interpreting increases and year to year change in the average verified prices of residential property in small rural counties. In some of the sample counties the percentage change would suggest there has been a substantial increase in prices. However, historical prices for housing were low and even though the percentage increases may be substantial, actual prices may still be relatively low compared to other areas of the state.

The comparison of the statewide percentage changes in per capita expenditures for utilities and housing and the change in per capita income suggests that, on average, per capita income has increased by approximately the same rate as expenditures for utilities and housing. However, a comparison of the change in per capita income and the change in average verified prices of residential property suggests that in most of the communities and counties examined average prices for residential property have increases at rates greater than per capita income.

The data used to estimate average change in verified prices for residential property have a number of limitations. The value is a simple average of the cumulative value of useable sales for a year divided by the number of transactions in that year. Annual changes, especially in small counties and communities with few total sales, can be impacted by a few high or low priced transactions. The exclusion of new housing with only partial valuations at the time of assessment may also impact average values as a result of the exclusion of those new,

higher priced properties. However, that exclusion should have little effect on longer-term trends. Further, the data do not offer any insight into if or how price increases of residential property have affected the availability of various types of housing, such as housing for low or moderate income households or first-time homebuyers. The data also do not provide insights as to what type of property may be driving price increases or if average increases are uniform across various types of housing and housing price points. Further study is needed to provide additional insight into trends on housing costs and the potential impacts of the increased cost of housing, and detailed sales data would allow a more thorough examination of changes in housing costs.

OVERALL CONCLUSIONS

The objective of the expanded assessment of special topics was to better identify and quantify populations that may require supportive services or face challenges securing affordable housing, include an assessment of low income housing programs, and examine recent trends in housing costs. Clearly the special needs population is greater than what was included in previous statewide housing needs assessments. In addition to individuals with a disability and those without permanent housing, a small subset of individuals released from the State Hospital would fall into the special needs classification. Individuals released from state correctional facilities face known challenges to securing housing upon release. Finally, individuals and families served by the North Dakota Department of Human Services likely would qualify as special needs populations. However, data limitations prevented further examination of the number and characteristics of individuals and families served by the North Dakota Department of Human Services that may have special needs in securing adequate housing. The expanded discussion of special needs has identified additional special needs populations; however, further study is needed to better quantify the number and characteristics of those special needs populations.

The study also examined key state and federal low income housing programs aimed at ensuring the availability of safe and affordable housing for low income families, elderly, and individuals with a disability. Some of the programs examined have finite participation periods and a substantial number of housing units currently enrolled in those programs are maturing and nearing the end of the program participation period. The potential loss of inventory of subsidized housing for low income households, elderly, and individuals with a disability is significant. In rural communities the loss of even a few housing units can have a substantial impact on individuals' access to affordable housing. In urban areas, increases in housing costs have further strained low income households. Planning efforts should begin to address the potential loss of housing units currently enrolled in housing development programs. As the state's only program aimed at supporting the state's need for affordable housing, the North Dakota Housing Incentive Fund has supported the development of 2,467 affordable multi-family rental housing for low income families, elderly, and individuals with a disability. Going forward the NDHIF may be a critical program to help address the need for affordable housing for low income household, elderly and individuals with a disability.

The examination of changes in the average verified prices of residential property reveals that, generally speaking, the average cost of residential property increased in most communities; however, the rate of change varied considerably. Changes in the cities of Williston and Dickinson, and in McKenzie and Mountrail counties were reflective of the substantial change that has occurred in a very short period of time as a result of rapid expansion in the oil and gas industry in the region. Increases in the state's other urban communities were more modest. Trends in rural counties were variable. While there have been some increases in the average verified prices of residential property in some rural counties, other counties have not experienced similar increases. While the examination of averaged verified prices of residential property provides some insight into trends in housing costs, it is important to keep in perspective the data limitations related to average verified prices for residential property, especially in small communities where a few high or low-priced transactions can have a substantial impact on overall averages. The data also do not provide any insight as to what type of property may be driving price increases

or if average increases are uniform across various types of housing and housing price points. Further study is needed to provide additional insight into trends on housing costs and the potential impacts of the increased cost of housing. Further study is also needed to address potential changes in the cost of rental properties. This assessment was limited only to a discussion of sales prices of owner occupied residential property.

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