



HOUSING INCENTIVE FUND ALLOCATION PLAN

Single-Family Housing Program



Community Housing and Grants Management Division
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SECTION 1: INTRODUCTION

North Dakota Housing Finance Agency (NDHFA) is responsible for the administration of the Housing Incentive Fund program (HIF) for the State of North Dakota.

The program was established by the 62nd Legislative Assembly under chapter 54-17 of the North Dakota Century Code (NDCC).

In the 68th Legislative Assembly (2023), the legislature added the eligible activity new construction, rehabilitation, preservation, or acquisition of a single-family housing project in a developing community or a community land trust project.

NDHFA is responsible for developing guidelines for the use of HIF. These guidelines were developed with input from NDHFA partners and stakeholders and finalized through a formal public hearing process.

SECTION 2: DEFINITIONS

Developing Community: An incorporated city with a population less than 20,000 per the most recently available Annual Estimate of Residential Population for Incorporated Places provided by the U.S. Census Bureau.

Developing Rural Community: An incorporated city with a population less than 5,000 per the most recently available Annual Estimate of Residential Population for Incorporated Places provided by the U.S. Census Bureau.

Recipient: Eligible recipients include units of local, state, and tribal government; local and tribal housing authorities; community action agencies; regional planning councils; and registered nonprofit organizations. Individuals may not receive direct assistance from the fund.

Single-Family Project: New construction or rehabilitation of 1-4 family dwelling units. The dwelling unit must not be a residence (primary or secondary) of any interested party.

SECTION 3: GENERAL PROVISIONS

3.01 Amount of Funding

A total of \$5,000,000 has been made available.

3.02 Method of Allocation

Applications will be accepted on a first-come, first-served basis. Applications will be reviewed for financial feasibility, developer assistance gap analysis, experience, readiness to proceed, and market need. The amount of funding provided will be dependent on the developer subsidy analysis calculation. Funding will be provided in the form of a forgivable construction loan.

3.03 Additional Appropriation

Program availability and additional funding depends on legislative appropriation. Funding made available to the single-family development activities will be determined following legislative appropriations.

3.04 Eligible Project Costs

Funds may be used for rehabilitation or new construction costs of a Single-Family Project. Projects undertaken by an active Community Land Trust (CLT) may exclusively cover acquisition activities. The project must be in a developing rural community or be both owned and developed by an active community land trust.

3.05 Maximum Award

HIF single-family development awards will be determined based on a developer subsidy analysis. The maximum HIF award outstanding to any community at one time is \$500,000. The maximum award outstanding to a community land trust is \$750,000.

3.06 Maximum Developer Subsidy per unit

The maximum per unit funding may not exceed the lesser of the amount necessary to cover the calculated developer subsidy gap or \$120,000 per unit.

3.07 Maximum Developer Fee

Fees to developers that complete developments funded under HIF Single-Family may not exceed:

- New construction: 15% of the total development costs excluding the value of the land if acquisition funds are provided.
- Acquisition only: 5% developer fee.
- Acquisition/rehabilitation projects: 5% acquisition, 15% rehabilitation developer fee.

Maximum fee may be reduced if there is an identity of interest between the developer and the contractor working on the development.

3.08 Application Process

Application Deadline

Applications with relevant attachments must be submitted to NDHFA. Applications will be accepted on an ongoing basis until all funds are committed and will be evaluated on a first-come, first-served basis.

Application Requirements

New Construction and Rehabilitation Applications must provide the following:

1. General Information and Budget
 - a. Narrative description summarizing the project.
 - b. Floor plan and front exterior elevation for each proposed unit which reflects the exterior building composition.
 - c. Letters from local utility providers confirming each site has access to the following services: water and wastewater, sewer, electricity, garbage disposal and natural gas.
 - d. Documented site control of each proposed lot (recorded warranty deed and executed settlement statement) or contract option for the purchase of the lot that is valid for at least 120 days.
 - e. Real estate valuation. This valuation can be provided by a certified appraiser or a licensed Realtor. If rehabilitation, the valuation must be based on an as completed analysis.
 - f. Development Budget and Developer Subsidy Financial Calculation with the following required assumptions:
 - i. Total developer fee cannot exceed 15% of the total development costs for new construction.
 - ii. Total developer fee cannot exceed 5% of total development costs for acquisition only.
 - iii. Total developer fee cannot exceed 5% of acquisition, 15% rehabilitation costs for acquisition/rehabilitation.

- iv. Sales price of homes to be calculated based on appraised value or maximum available construction loan commitment from a local lender for properties located in Developing Communities or Developing Rural Communities. OR
- v. For Community Land Trust applications, the sales price of the home as determined by the maximum allowable mortgage capacity of a borrower whose income is at or below 120% AMI.

This section should describe all sources of public and private funds that will be used to finance the project. Applicants must provide a gap calculation to support the HIF Single-Family funding request. Total HIF funding may not exceed \$120,000 per unit.

- 2. Capacity and Experience
 - a. Experience narrative and resume.
 - b. Organizational structure documentation including 501c3 status.
- 3. Need
 - a. Describe the current housing conditions of the community.

Acquisition Only Applications (CLT ONLY)

- 1. Narrative of the project indicating the total amount requested with an estimated number of homes to be purchased and sold with the revolving line of credit.
- 2. Capacity and Experience
 - a. Experience narrative and resume.
 - b. Organization structure documentation including 501c3 status.

A non-refundable application fee of \$250 payable to North Dakota Housing Finance Agency is due at the time of application.

Application Review Process

Applications will be reviewed by NDHFA to determine completeness. All applicants must respond to NDHFA clarification requests within five (5) business days from receipt. Failure to meet this deadline will cause the application to be deemed incomplete and the application will not be reviewed further.

Applications will then be reviewed to determine if the application meets the minimum threshold requirements and eligibility requirements. Applications will be awarded on a first-come, first-served basis. If multiple applications are received at the same time the following priority status will be given:

- 1. Developing Rural Community proposal
- 2. Non-Profit Developer
- 3. Community Land Trust

Timeframe for Commencement and Completion of Activities

All HIF Single-Family awards must be expended within 24 months of the financial award start date. Project completion is defined as all construction and rehabilitation activities being completed, all activity funds are expended, and all final inspections have been completed. A certificate of occupancy is generally required for a new construction project, unless the local jurisdiction in which the property resides does not issue such a certificate then a New Construction Certificate is required.

SECTION 4: PROPERTY STANDARDS

At minimum, properties must meet NDHFA Minimum Rehabilitation and Property Standards applicable to single-family developments. <https://www.ndhfa.org/wp-content/uploads/2024/09/MinimumRehabilitationPropertyStandards.pdf>.

SECTION 5: FORM OF AWARD

New Construction/Rehabilitation Awards: Awards will be provided to a developer in the form of a forgivable construction loan. The construction loan will carry zero (0) percent interest. A mortgage will be filed against each property. Upon completion of the unit and sale to a subsequent homebuyer, for use as their principal residence, the portion of the mortgage related to the sold property will be satisfied. At the time of the subsequent sale, the developer subsidy gap calculation will be recalculated to determine if any HIF repayment is required at sale.

The award will be a straight line of credit. Additional units and awards must be applied for separately.

Community Land Trust Acquisition Only Awards: Awards will be provided in the form of a revolving line of credit. Program income earned from the sale of acquired homes may be retained by the recipient but must be used for HIF Single-Family eligible activities.

SECTION 6: ACCESS TO FUNDS

Applicants must provide a signed, written draw request, which includes the amount requested and invoice documentation. Five percent (5%) of the per unit subsidy will be held and released in the final draw with submission of project completion certifications.

Community Land Trust Acquisition Only projects must provide a purchase agreement with an estimated closing date and amount of funds needed. Funds will be provided at acquisition settlement.

SECTION 7: DISCLAIMER OF NDHFA LIABILITY

NDHFA seeks to allocate sufficient HIF assistance to make a project economically feasible. Such decision shall be made solely at the discretion of NDHFA, but in no way represents or warrants to any applicant, investor, lender, or others that the property is feasible, viable, or of investment quality.

No member, officer, agent, or employee of NDHFA shall be personally liable concerning any matters arising out of, or in relation to, the allocation of HIF assistance.

SECTION 8: MODIFICATION OF THE PLAN

The NDHFA Executive Director may make minor modifications deemed necessary to facilitate the administration of HIF or to address unforeseen circumstances. Further, the Executive Director is authorized to waive any conditions on a case-by-case basis for good cause shown. As a matter of practice, NDHFA will document any waivers from the established priorities and selection criteria of the Plan and will make this documentation available to the public, upon request.