



December 27, 2024

Dave Carlsrud, President  
City of Valley City  
254 – 2<sup>nd</sup> Avenue NE  
Valley City, ND 58072

RE: Single Family Housing Pilot Program – Request for Funds

Dear Dave:

The Valley City-Barnes County Development Corporation is requesting the following items be approved to assist with the establishment of a Single-Family Housing Pilot Program. We fully understand this is the initial discussion with the City Commission and program establishment would be a work-in-progress in collaboration with the City:

1. Approve \$10,000 per new home that meets the program guidelines sourced from City funds.
2. Approve waiver of water and sanitary sewer tap fees including temporary meter charges.
3. Approve \$118,750 sourced from the City Sales Tax dedicated to economic development.
4. Fund six (6) homes initially.

The Development Corporation supports this request for several reasons:

1. Lack of housing inventory negatively impacts population, community, and business growth.
2. The goal is to increase housing inventory by focusing on new construction.
3. Existing homes would be placed on the market making them available to purchase at a price that would be lower than building new.
4. Funding would need to be at the levels shown to be competitive.
5. The Pilot Program's effectiveness would be evaluated and adjusted as needed.

#### Housing Survey:

A housing survey was distributed to realtors, banks, our membership, and published in our newsletter and online by us and the media. Key takeaways from the survey:

- 1) Lack of housing inventory and purchase price account for 73% of responses
- 2) Cost of upgrades needed/required is a major concern.
- 3) Demographics-75% of the respondents are 18-44 years old.
- 4) Of the recent homebuyers or those looking to purchase, 85% are comfortable with homes under \$300,000 based on their current income.
- 5) The flood plain is a deterrent to home purchases.
- 6) Timeline to purchase a home: 46% in the next year, 29% in the next 2 years (75% total)
- 7) Job opportunities-higher paying jobs are needed.
- 8) Respondents-want to keep children in local schools and maintain stability for their families.

9) Community-important are restaurants, grocery store, things for families/children to do.

**Research:**

Additional research conducted include contacted ND Housing Finance Agency, reviewed USDA Programs, CDBG, Rural Workforce Housing Grant, RWISH (Rural Workforce Incentive to Support Housing), Bank of ND, State Tax Incentives, Dream Fund and Dream Fund II, Richland County, McKenzie County Job Development Authority, Dunn County JDA, City of Milnor, Hazen, Grafton, Bowman County, Cavalier, Northwood, Spark Build 2024 through Red River Community Housing Development Organization, Watford City and Jamestown.

We believe the Single-Family Housing Pilot Program and the natural gas extension will decrease the cost to homeowners and meet the goals of the program. A meeting with MDU is pending; this is in relation to the natural gas extension under the Interstate by 8<sup>th</sup> Avenue SE. Key Items are to ensure the line is large enough to serve the area from the housing development to the east interchange; and ensure notification of existing residential and commercial properties.

Please review the attached Program summary for discussion and approval. We plan to engage in an initial discussion with the Barnes County Commission as well. Our goal is to secure \$118,500 sourced from the Barnes County Economic Development Fund and discuss how the County may participate otherwise.

Please approve the funds as requested. Thank you.

Respectfully,

  
Jennifer Reist  
Director of Development

**Valley City-Barnes County Housing Pilot Program - Proposed**

**December 27, 2024**

Based on recent data collected from a housing survey, the majority of responses indicated lack of housing inventory was an issue. The lack of inventory caused potential home buyers to either not purchase a home or purchase one elsewhere. To address the lack of inventory, the DC Board feels it is important to focus on the supply side, which meets program goals.

**Program Goals:**

- 1) Increase population
- 2) Increase tax base
- 3) Increase housing inventory
- 4) Increase homeownership
- 5) Increase employee base

**Eligible Properties:**

- 1) New home construction by new or current residents.
- 2) Existing homes constructed prior to this program and not previously owned and occupied.
- 3) Single family homes
- 4) Twin homes
- 5) Town homes
- 6) Manufactured home
- 7) Spec homes
- 9) Row Houses

**Criteria:**

- 1) Must be owner-occupied
- 2) Primary residence only that is subject to property taxes.
- 3) Contingent on bank financing approved
- 4) Contingent on all other financing being in place
- 5) The program can only be reused once by the homeowner.
- 6) Rental properties are not eligible (refer to Flex PACE for MFH and MFH rehab)
- 7) Housing assistance is capped at \$40,000.
- 8) Down payment is based on the appraised value or purchase price, whichever is lower.

City funds that are not economic development funds are used for new homes constructed in City limits only.

County funds that are not economic development funds are used for new homes constructed in the County only.

City and County economic development funds are used for homes constructed in the City and County and funded at the same levels.

The homeowner's down payment requirement is 5% to 10% as shown below.

At 20%, mortgage insurance is not required.

**CITY OF VALLEY CITY - IN CITY LIMITS**

Program Start - 2025		PILOT Program - Down Payment Contribution		Homeowner's Down Payment		Total Down Pmt.	Funding Split - City		
# of Homes	Appraised Value	Percent	Amount	Percent	Amount	Amount	City Funds (not City ED Funds)	City ED Funds	Check DP Contrib.
1	\$ 250,000	15.0%	\$37,500	5.0%	\$12,500	\$50,000	\$ 10,000	\$ 27,500	\$ 37,500
2	\$ 275,000	14.5%	\$40,000	5.5%	\$15,125	\$55,125	\$ 10,000	\$ 30,000	\$ 40,000
3	\$ 300,000	13.5%	\$40,000	6.5%	\$19,500	\$59,500	\$ 10,000	\$ 30,000	\$ 40,000
4	\$ 350,000	11.5%	\$40,000	8.5%	\$29,750	\$69,750	\$ 10,000	\$ 30,000	\$ 40,000
5	\$ 375,000	10.8%	\$40,000	9.2%	\$34,500	\$74,500	\$ 10,000	\$ 30,000	\$ 40,000
6	\$ 400,000	10.0%	\$40,000	10.0%	\$40,000	\$80,000	\$ 10,000	\$ 30,000	\$ 40,000
					\$151,375	\$388,875	\$ 60,000	\$ 177,500	\$ 237,500
					\$388,875		\$237,500		

In addition, we are requesting the City waive water and sanitary sewer tap fees and charges for temporary meters.

**BARNES COUNTY - RURAL**

Program Start - 2025		PILOT Program - Down Payment Contribution		Homeowner's Down Payment		Total Down Pmt.	Funding Split - County		Check DP Contrib.
# of Homes	Appraised Value	Percent	Amount	Percent	Amount	Amount	County (not County ED Funds)	County ED Funds	
7	\$ 250,000	11.0%	\$27,500	5.0%	\$12,500	\$40,000		\$ 27,500	\$ 27,500
8	\$ 275,000	10.9%	\$30,125	5.5%	\$15,125	\$45,250		\$ 30,000	\$ 30,000
9	\$ 300,000	10.0%	\$29,500	6.5%	\$19,500	\$49,000		\$ 30,000	\$ 30,000
10	\$ 350,000	8.6%	\$29,750	8.5%	\$29,750	\$59,500		\$ 30,000	\$ 30,000
11	\$ 375,000	8.0%	\$29,687	9.2%	\$34,500	\$64,187		\$ 30,000	\$ 30,000
12	\$ 400,000	7.5%	\$30,000	10.0%	\$40,000	\$70,000		\$ 30,000	\$ 30,000
					\$151,375	\$327,937		\$ 177,500	\$ 177,500
					\$328,875		\$177,500		

Utilize two-year property tax exemption, Renaissance Zone (RZ) or other State and Federal programs with this program.  
 The RZ allows up to 5 years and up to \$300,000 for property and/or income tax exemption. If home is not in the RZ, the homeowner is eligible for a property tax exemption on the first \$150,000 of home value for two years.  
 Used appraised value instead of purchase price. Banks-lesser of purchase price or appraised value.  
 The incentive remains with the homeowner.

**Clawback Provisions**

- 1) Implement a 5-year clawback; if the homeowner does not live in the home for 5 years, then funds must be repaid on a prorated basis of 20% per year.
- 2) Consider taking a second mortgage on the home; settle up when home is sold.
- 3) Execute a contract with the homeowner.

**Notes/Additional Resources**

- 1) Provide technical assistance to developers to access State and/or Federal funds for housing construction, infrastructure, etc. This may include grants through the State Water Commission, ND Housing Finance Agency, ND Dept. of Commerce, Bank of ND, etc.
- 2) Property Taxes/Land - Limit property taxes to the amount before improvements are made for a period not to exceed 5 years or until the land is sold, whichever occurs first. After 5 years, the property will be taxed at its then True and Full Value.
- 3) Property Taxes/Home - Limit property taxes on a home constructed for speculative purposes for 5 years or until the home is sold whichever occurs first. After 5 years, the property will be taxed at its then True and Full Value.

**Data to collect to determine effectiveness of the program and make future decisions.**

- 1) Do you work in VCBC?
- 2) Do you commute outside of VCBC for work?
- 3) Why are you choosing to purchase a home in VCBC?
- 4) Do you currently live in VCBC?
- 5) Is this program a deciding factor in your decision to live in Valley City or Barnes County?
- 6) Are you bringing your business here?
- 7) Do you have a spouse/significant other who is looking for employment?
- 8) Do you have children? How many and ages?

## **Bridging The Housing Divide: Solutions for a Thriving Community**

No new single-family homes were built in Valley City in 2023. Like many communities across the country, Barnes County is facing significant housing challenges. Over the past five years, an average of 11 new single-family housing units have been constructed annually in rural Barnes County, with an average of only five new homes built each year in Valley City. Increased construction and labor costs, combined with high mortgage rates, have contributed to this decline in new construction.

Recruiting new residents to the community is difficult when housing is scarce. While some current residents express reservations about increasing the population and bringing in new people, we all strive to be part of a vibrant, thriving community. A growing population is essential to support our healthcare, manufacturing, retail, food service, and other local businesses. Achieving this requires affordable housing options for families to call home.

To address these housing challenges, the Corporation has established the following goals:

- **Increase the housing inventory**
- **Expand the tax base**
- **Grow the population**

In October 2024, the Corporation released the VCBC Housing Survey, which garnered over 120 responses and provided valuable data for informed decision-making. With 75% of survey respondents planning to purchase a home within the next two years, the VCBCDC recognizes the urgency for immediate action. Among survey respondents, 75% were between the ages of 18 and 44, with 86% identifying their ideal price range for a home as \$300,000 or less, based on their current income. Key barriers to housing included:

- Limited availability of homes in affordable price ranges
- The need for significant repairs or upgrades to existing homes
- High purchase prices and mortgage costs

Respondents identified the most impactful actions as expanding housing inventory, offering financial assistance programs, and improving infrastructure. Data shows Barnes County's median household income is \$70,230 (US Census, 2023), which translates to a typical household being able to afford a monthly mortgage payment of approximately \$1,755. This aligns with the survey's findings that homes priced under \$300,000 are considered affordable. Local real estate data revealed that, of 115 homebuyers between 2021 and July 2024, 33.04% purchased homes priced between \$150,001 and \$250,000, while 27.83% purchased homes priced between \$50,000 and \$150,000. To address both issues of limited inventory and a price range of under \$300,000, the Corporation is proposing a Single-Family Housing Pilot Program.

The Corporation's highest priority is to increase the single-family housing inventory to stimulate movement within the housing market. The proposed Single-Family Housing Pilot Program aims to address financial barriers to construction by providing financial assistance for new homes built in Valley City and Barnes County. As new home construction occurs, existing lower-priced homes would become available with a certain percentage of them under \$300,000. This program requires funding approval from the City and County Commissions before implementation. As a pilot program, it will undergo regular evaluations to ensure its effectiveness, with adjustments made as needed.

There is no single solution to the housing challenges we face. However, by taking a series of strategic actions, we can begin to shift the tide and move our community in a positive direction.