

Novogradac Journal of Tax Credits

News, Analysis and Commentary On Affordable Housing, Community Development and Renewable Energy Tax Credits

November 2013, Volume IV, Issue XI

Published by Novogradac & Company LLP

State Incentives Fund Affordable Housing for Local Police Officers

By Teresa Garcia, Staff Writer, Novogradac & Company LLP

North Dakota's oil boom has attracted thousands of jobseekers from around the country, requiring the expansion of local police forces to serve the growing population. However, state housing experts say that police departments in these boomtowns have difficulty finding recruits housing because of high rental prices and limited housing stock. The North Dakota Housing Finance Agency (NDHFA) worked with the state attorney general's office and the state industrial commission in 2011 to develop a tool to address this challenge. The agencies established the Law Enforcement Pilot Program (LEPP) to help fund affordable rental housing for law enforcement workers in oil and gas impacted counties and one of its first developments is the Patterson Heights Apartments in Dickinson.

Patterson Heights Apartments, which is also one of the LEPP's largest recipients, officially opened its doors in August. Financed in part by the LEPP and the North Dakota Housing Incentive Fund (HIF), the 24-unit affordable housing property reserves eight units for local law enforcement personnel. Those units have no tenant income restrictions, but rent levels correspond to households earning 60 percent of the area median income (AMI). The remaining 16 units at the property are available to households earning between 30 percent and 140 percent of the AMI, with 19 of the units available under Section 8 assistance.

Developed by Beyond Shelter Inc., the \$3.4 million property consists of six one-bedroom units, 12 two-bedroom units and six three-bedroom units. Amenities include appliances, in-unit laundry facilities and a security entrance. An elementary school, high school, Dickinson State University,



Photo: Courtesy of Beyond Shelter Inc.

The \$3.44 million Patterson Heights Apartments development received \$1.376 million from the North Dakota Housing Incentive Fund (HIF) and \$744,000 from the state's Law Enforcement Pilot Program Fund (LEPP).

the West River Community Center and a proposed new hospital are all within one mile of the property.

Dickinson Housing Market

Dickinson's population grew from 16,000 residents in 2010 to more than 26,000 today. Shawn Kessel, Dickinson city administrator, said the city's population is expected to reach 42,000 by 2020. Alongside the population boom, limited housing availability and high-paying oil industry jobs have caused property values to triple in the past five years. "Market-rate rents are starting to come down a bit, but they're still well beyond the affordability of the people we're trying to serve," said Jolene Kline, NDHFA's acting executive director.

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Photo: Courtesy of Beyond Shelter Inc.
Patterson Heights Apartments in Dickinson, N.D. sets aside eight of its 24 units for law enforcement personnel.

Others agreed. "Over the past couple of years, there was a large influx of people with higher oil field wages, but many residents' wages are well below those earned in the oil field," said Julie Fritz of the Dickinson-based American Bank Center. Many "essential services" workers such as police officers, firefighters and teachers have difficulty finding affordable housing because those with higher paying jobs continue to support high market prices, said Lynn Fundingsland, Beyond Shelter's CEO.

Developers try to keep pace with growing housing demand, but building in western North Dakota comes with several challenges, such as the expense and shortage of available land, infrastructure, building material and construction crews. For Patterson Heights, a local general contractor brought in workers from eastern North Dakota and had to find temporary housing for them. Fundingsland said these added costs make it 20 to 25 percent more expensive to develop in oil country than in the eastern part of the state.

Financing

Affordable housing is particularly difficult to develop because of a shortage of federal incentives. North Dakota's population is relatively small, so its annual allocation of low-income housing tax credits (LIHTCs) is only about \$2.6 million. Beyond Shelter was one of 10 developers that applied to NDHFA for federal LIHTCs in 2012. Although Patterson Heights didn't receive LIHTC in that round, NDHFA worked with Beyond Shelter to keep plans for the development alive. Kline said Patterson Heights is a model development because it was built even without federal resources.

After Beyond Shelter reconfigured rents and shifted income requirements for Patterson Heights, it applied for and received a \$1.376 million award from the HIF, a fund for which contributing taxpayers receive credit against their state income tax liability. Awarded applicants typically receive up to 30 percent of

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ISSN 2152-646X

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development costs, but, as was the case with Patterson Heights, NDHFA can increase the funds to 40 percent if the developer adjusts the number of units targeted at very low-income households or if it provides permanent supportive housing.

Houston-based Marathon Oil Corporation has operations in the Dickinson area and has contributed \$3.5 million to the HIF since 2011, with a portion of the contribution set aside specifically for Dickinson developments. "Marathon Oil is committed to being a positive force not only in the lives of those that work for the company, but for the individuals and families in the communities in which we operate," said Terry Kovacevich, regional vice president for Marathon Oil's North Dakota operations, when Marathon Oil presented its third check to the HIF in September.

In addition to HIF and LEPP funding, Patterson Heights received \$180,000 in community development block grants (CDBGs) from the North Dakota Department of Commerce. American Bank Center provided construction and permanent financing, and Beyond Shelter deferred its developer fee of \$300,000. Stark Development Corporation also facilitated an \$827,000 permanent loan from the Bank of North Dakota through Flex PACE, the state's interest buy-down program, said Gaylon Baker, Stark Development Corporation's executive vice president.

At the local level, the City of Dickinson approved a property tax reduction for Patterson Heights through 2034 on the improvements or structures that will be built on the property. Other Patterson Heights partners included Roers' Development Inc., Roers West LLC, the Housing Authority of Stark County and Roosevelt-Custer Regional Council for Development.

Patterson Heights' partners said that state and local funding sources are critical to making new oil country developments feasible. "A majority of legislators seem convinced that housing is a private sector issue. They're coming around to realizing that there's a segment of the population that won't be served by the private sector – they need some local help," said Fundingsland, referring to resources such as HIF and the LEPP. He said the return is that people can fill service sector jobs in the communities that need them the most. ❖

This article first appeared in the November 2013 issue of the Novogradac Journal of Tax Credits.

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