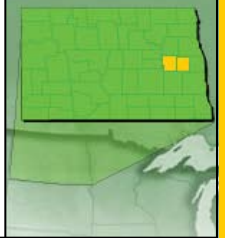




Creating Opportunities,  
Building for the Future



**Griggs-Steele  
Empowerment Zone**

**Housing Initiatives  
2005-2006**



**Griggs-Steele Empowerment Zone**

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## Griggs-Steele Empowerment Zone

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- II. Zone Policies
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# I. Empowerment Zone Housing Information

The Griggs-Steele Empowerment Zone (GSEZ) provided funding to research and complete a housing study that was conducted by Community Partners Research, Inc. in the summer of 2000 with the housing study completed in 2001. The North Dakota State Data Center prepared the ND Statewide Housing Needs Assessment 2004 Final Report that provides a lot of the same information from the Griggs-Steele Housing Study. The major housing issues were presented to the GSEZ Board of Directors and the Housing Committee.

- ❧ The current housing stock available in Griggs and Steele counties were built prior to 1940; with 44.9% in Steele County and 45.8% in Griggs County. A large percentage of these homes are in need of rehabilitation and/or demolition.
- ❧ The cost of building single family housing, senior housing and multi-family housing will face loss of equity and appraisal challenges for developers, lenders and homeowners.

The GSEZ Board of Directors felt that housing was one of six critical strategies in the Zone. A housing committee was appointed and began working on evaluating and developing policies. It is the mission of the housing committee and board of directors that by providing information and programs associated with affordable housing that Zone communities will have an opportunity to sustain and increase the number of housing stock available to returning or new people into the Zone thus increasing the economic well-being of each community in the Zone.

- ❧ Promote and access all programs that assist with home ownership.
- ❧ Provide policies to assist housing developers with gap financing for multi-family or senior housing in the Zone. (Nonprofits, city, private entity and/or individual.)
- ❧ Develop a demolition and/or rehabilitation policy for Zone communities.

Since the Empowerment Zone designation the communities have experienced positive and progressive leadership, diversified economic base and infrastructure and a decrease in housing availability within the Zone. The need to provide adequate housing and services to the young and the aging is important to fulfilling the vision and mission of the Griggs-Steele Empowerment Zone.



## II. Griggs-Steele Empowerment Zone Housing Policies to Date

### **Zone Housing Loan Policy**

*Approved 6/29/2004*

*Amended 9/15/2004*

**General Criteria:** Empowerment Zone eligible projects will be multi-family and senior housing with a Market Rate Unit income scheme. The eligible activity will consist of construction of new units. Any nonprofit, city, private entity or individual may qualify as an eligible applicant and would receive a permanent stage of finance.

**Loan Payments and Maturity:** Repayment of the loan will consist of monthly interest only payments until maturity at which time principal balance is due in full. Term of the loan will be 240 month balloon.

**Interest Rate:** Loans to nonprofits or cities will have an interest rate at 2%. Loans to for-profit individuals or entities will have an interest rate of 3%.

**Origination Fee:** A loan origination fee of 1% of the loan will be charged to the borrower.

**Equity Requirement:** A 10% minimum is required for an Equity Investment.

**Empowerment Zone Funding Level:** The Zone funding will not exceed 35% of the project for nonprofits or cities. The Zone funding will not exceed 25% of the project for other entities or individuals.

**Cash Flow Requirement:** The projected debt service coverage of 1.1 is required.

**Collateral:** Requirements for collateral will consist of second or junior mortgage on property.

**Other Requirements:** Project must be supported by a third party market survey or 75% of units must be pre-rented before funding from the Empowerment Zone.

### **III. Essential Function Bond Program**

Essential Function Bond Program are tax exempt bonds that are utilized to redevelop and/or develop affordable housing and can be used for various types of housing such as senior friendly 4-plexes, congregate care facilities, single family rental homes and assisted living facilities. The Essential Function Bond program is available to communities with a population less than 5,000 starting August 1st, 2005.

#### **Advantages of the Essential Function Bond Program**

1. New construction of affordable rental housing units is promoted through the program with the lower interest bond financing, and lower tax rate on the project, allowing rents to be \$200.00 to \$250.00 per unit less.
2. One-level housing units, with attached garages, private entrances, laundry hookups in each unit, and appliances furnished are being built with this program. A typical unit is no less than 2-bedroom consisting of 1178 square feet of living space, plus a 300 square foot attached garage.
3. The housing projects built with the program are locally owned by the HRA (Housing Redevelopment Authority) locally financed and locally managed all contributing to the local economy.
4. Local contractors in each city are encouraged to bid the projects. The goal is to leave as much of the construction economic value of the project in the community as possible.
5. The housing units are “senior friendly, but not senior exclusive.” The large majority of tenants are retired members of the community and surrounding area. However, the units have also provided transitional type housing for the newly hired teacher, law enforcement officer, manager or professional in the community who would like to rent before buying or building a home in the community.
6. At a time when it is becoming increasingly difficult to increase industry in our communities, many community leaders view adding new housing stock as a form of economic development to maintain the population base, and attract population growth.
7. Although various types of housing are needed in every community, this program addresses a market-rate type of housing, for which there is a high demand and for which the demand has not been met by the private sector. Housing experts predict the demand for this type of housing will only increase in the future as the “baby boomer” generation retires. The clientele served by the housing will move to where it is provided.

8. After building over 1000 units in dozens of communities using the Essential Function Bond program, none of the projects developed by a management company have considered exercising the Debt Service Agreement. In fact, our experience is that all of our projects are 100% occupied, and the projects are building cash flow reserves.
9. In evaluating housing programs available at this time the Essential Function Bond program provides the optimal housing value in terms of the type of housing built using the program, the clientele the housing serves, and in terms of economic return to the community.
10. By offering the units for sale to the private sector once the principal balance on the bonds is paid sufficiently to cash flow them at affordable rent levels (approx. 10 year period), the HRA bond debt is paid in full, and the projects are placed on the local tax rolls.
11. Construction and interest costs will continue to increase the cost of housing units. The sooner the units are built, the lower the costs and the less rents will be required to cash flow the project.

***Contact your local city council office for additional information.***

## **Breaking New Ground Program**

Lake Agassiz Regional Development Corporation (LARDC) offers the “Breaking New Ground” program that assists housing contractors utilizing IRP funds to build spec homes in rural communities with a local match of 25% within the Zone.

The process is as follows:

1. The Breaking New Ground program will provide 75% of the total project cost at a rate lower than traditional construction interest rate with the Empowerment Zone providing the remaining 25% match of the construction loan.
2. The Breaking New Ground terms are no principle or interest for the first six months. Accrued interest is due after the first six months with total payment due at the end of twelve months.
3. Contractors must obtain the Breaking New Ground application and submit to LARDC. Application is then processed and submitted to the LARDC Loan Committee for approval.
4. Once approved by LARDC the application is submitted to the Empowerment Zone for ratification.

***Contact the Lake Agassiz Regional Development Corporation at 701-235-1197.***

# **DREAM Fund**

**Griggs-Steele Empowerment Zone DREAM Fund** is a revolving loan fund that will assist Zone residents the ability to buy, build, repair, or modify their homes. The **DREAM** fund is established through contributions and grants from lenders; local, state, and federal governments; utility companies and economic development organizations. The principle activities of the fund are:

- D**own payment and closing cost assistance
- R**ehabilitation
- E**mergency repairs
- A**nd other related loans, including construction costs
- M**ortgage assistance

The **DREAM** fund is not intended to be a lower-cost alternative to traditional financing. Instead it offers financing that traditional lending programs cannot provide. First and second mortgage loans can assume risks from conventional lenders, blend low-cost rates, and fill other gaps that prevent worthy borrowers from receiving loans. This program is available to borrowers earning up to 120% of the area median income (Steele County \$64,680.00—Griggs County \$57,000.00 or less.) Borrowers must demonstrate the character and capacity to make their loan payment in order to qualify. Potential homeowners must first contact the participating bank and then contact the Lewis & Clark CommunityWorks office at 701-255-4591.

*Contact the Griggs-Steele Empowerment Zone for the list of participating lenders within the Empowerment Zone 701-524-2240.*

## **IV. Renaissance Zone Program**

**The Renaissance Zone Act** was created in North Dakota to make it possible for communities to apply to the state and create a Renaissance Zone within their jurisdiction. The size of the defined geographical area is based on population and public buildings with the zone boundaries; which consist of residential and commercial properties that need to be revitalized and redeveloped to attract businesses and residents. The Act provides for certain types of tax exemptions and credits to encourage investment in these properties. Incentives are in the form of five year property tax exemptions; state income tax exemptions and historic tax credits.

*Contact your local city council for additional information about the Renaissance Zone program.*

# USDA Rural Development Housing Programs

**Rural Housing Home Loan Programs** are available to residents who live in a rural area or a community with a population of 20,000 or less. A family's adjusted income cannot exceed 80% of median county income. Applications are filed with USDA Rural Development area office in Valley City. Loans may be made to purchase existing housing or new construction. Repairs can also be added into the loan. Loans may be made up to 100% financing of the appraised value so no down payment is required. In addition to this, there is no requirement to carry costly mortgage insurance. The interest-rate is fixed for the life of the loan with mortgages from 33 to 38 years. If a family needs additional assistance based on their income, they may qualify for payment assistance which would lower their house payment. Loans may also be made to purchase new manufactured homes from approved dealers. The loan term for this type of loan is 30 years.

**Guaranteed Rural Housing Loans** for moderate-income families in rural communities with less than 20,000 population. These loans are also 100% financing, available to purchase existing dwellings or construct new dwellings and again, there is no requirement to carry mortgage insurance. To apply for these loans, you would visit your local lender and request information about the Rural Housing Service (RHS) Rural Development Guaranteed loan or contact the number listed below.

**504 Loan/Grant Program:** Rural Development also administers a loan and/or grant program to assist very low income families to repair their existing dwellings. The maximum loan a family can receive is \$20,000 at 1% for up to 20 years repayment. Grants up to \$7,500 are available to senior citizens (62 years or older) who would not be able to repay a loan. The grant portion can only be used to remove health and safety hazards or to make a dwelling handicap accessible.

**Rural Rental Housing Program (Section 15):** Rural Rental Housing Loans are direct competitive mortgage loans to provide affordable multi-family rental housing for very low moderate-income families including the elderly and persons with disabilities. Loans can be amortized up to 50 years at an effective 1% interest rate. A current rate is used for the promissory note; thereafter the current rate is used only to determine maximum rent payments.

Loans are funded in communities identified in the list of designated places identified in the Notice of Fund Availability (NOFA) published annually in the Federal Register.

For existing rural rental housing funded by Rural Development subsequent loans are available on a competitive basis for major repairs and rehabilitation.

**Rural Rental Housing Guaranteed Program (Section 538):** The Guaranteed Rural Rental Housing program is intended to fund construction, acquisition, or rehabilitation of rural multi-family housing for low-income occupants.

Residents of the completed housing facility must be very low to moderate income households including elderly or persons with disabilities; with income not in excess of 115% of the median income of the surrounding area.

The terms of the loans guaranteed may be up to 40 years and loans must be fully amortized. Interest rates must be fixed as negotiated between lender and borrower; within the maximum established under the Notice of Fund Availability (NOFA) published annually in the Federal Register.

*For more information or to apply for one of these programs, contact the Rural Development area office in Valley City at 1-800-688-2293 Ext. 4.*

## **North Dakota Roots Program**

The ND Housing and Finance Agency has a program to assist new and returning North Dakotan's achieving their American Dream through the ND Roots Program. To qualify for this program the new or returning homebuyer must meet the following criteria:

- ☞ Must be a new or returning North Dakotan employed by a primary sector business.
- ☞ Must purchase their principal residence with six months of their employment date in North Dakota.
- ☞ Household income may not be more than 140 percent of the greater of the statewide or county median income.
- ☞ Borrowers must meet standard credit underwriting criteria.

*Contact the ND Housing and Finance Agency for additional information at 1-800-292-8621.*



## V. Other Community Housing Incentives

City councils have the authority to offer housing incentives to residents for the purchase of an existing home, building a new home or remodeling an existing home within city limits. The home has to be of permanent construction, meeting federal housing authority standards. Examples of housing incentives:

- ④ Rebate on real estate taxes (up to two years).
- ④ Free water, sewer and garbage (for one year).
- ④ Building permit fee waived.
- ④ The value of the incentive is determined on the amount spent in remodeling costs with taxable materials bought within the Zone.

The Griggs-Steele Empowerment Zone will continue to explore additional opportunities associated with housing within the Zone. Future updates will be made and sent to participating lenders, agencies, city councils and others requesting a copy of the housing programs. We are an “Equal Opportunity Provider.”

If you have additional questions and/or ideas please feel free to contact the Zone office at 701-524-2240 or go to [www.griggs-steeleez.org](http://www.griggs-steeleez.org)



## **Griggs-Steele Empowerment Zone**

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