



Grand Forks

Strategic Priorities & Action Steps Housing Market Snapshot

City of Grand Forks Blue Ribbon Housing Commission

Grand Forks Housing

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Executive Summary

Over the past 18 months, Grand Forks residents have traded stories of fast-selling homes, rising prices for starter homes, and the increasing cost of rent in the community. Market data, extensive interviews with local stakeholders, and input from community members have provided further evidence supporting one keystone conclusion: demand for housing in Grand Forks is strong and it is real. Housing supply is not keeping pace, resulting in escalating housing costs and rent.

Housing is a complex, organic situation with many inputs and many stakeholders. There is **no one singular solution to creating available and affordable housing** in Grand Forks. The critical issue in Grand Forks housing is short supply in the face of strong demand, causing rental and purchase prices to increase beyond the means of many residents. This shortage spans all areas of housing in Grand Forks, including rental units, affordable single-family, and high-end homes.

Addressing Affordability and Availability

To ensure a high quality of life for Grand Forks residents, the community needs to increase its supply of a diverse housing stock. It is difficult to build new “affordable” single-family homes.

However, the community can enact a number of measures to help increase housing supply:

1. Continue to **explore adjustments to financing methods for new infrastructure.**
2. Continue **to adjust neighborhood design and engineering to save money** while maintaining construction quality and emergency access.
3. **Strengthen the partnerships started with the housing commission** to increase collaboration and information exchange. Focus particularly on the frequent exchange of current housing market data.
4. Encourage development of **housing with specific amenities for seniors and students.** New options aimed at these two concentrated groups should help free up more moderately priced housing homes and rentals.
5. **Prioritize land planning for future multi-family housing**, adjust the zoning change process to make it more efficient, and use online methods and signage to improve public communication and engagement for future developments.
6. **Continue inter-agency collaborations** to address housing for low- and moderate-income households. Continue strategic investments of federal and state funds for multi-family projects and support the Community Land Trust for single-family home building.

Local government is an important partner already involved in many facets of housing and serves a critical leadership role in maintaining quality of life in Grand Forks. However, the private sector must ultimately be the driving force in alleviating a supply shortage.

Housing is a complex, organic environment with many inputs and many stakeholders. City leaders must maintain the networks and structures to act quickly as the housing market evolves. Government leaders should keep processes as efficient as possible so as to not unnecessarily impede development and redevelopment.

Everyone involved with housing policy must be ready to compromise more often, including city council and staff, land owners, citizen homeowners, home builders and construction companies, apartment owners, and renters. Improving housing availability at all price levels benefits the entire community.

Summary of Key Market Research Findings

Over the past 18 months, Grand Forks residents have traded stories of fast-selling homes, rising prices for starter homes, and the increasing cost of rent in the community. These stories and examples are pervasive, and they are confirmed by economic, demographic, and housing data. Demand for housing in Grand Forks is strong and it is real. Housing supply is not keeping pace, resulting in escalating housing costs and rent.

Housing is a critical factor determining quality of life for Grand Forks citizens. An affordable housing stock helps maintain a sense of aspiration among residents, sustaining the feeling that Grand Forks is a good place to live. A region with poor weather and a thin labor market for some professions must maintain affordable housing as a competitive advantage for those considering moving to the community. Housing is just one of many factors considered when relocating, but every strike against a community makes a difference.

At the same time Grand Forks must maintain adequate and affordable options for its middle and lower income households. One cannot climb a ladder without the bottom rungs; a lack of affordable options will ultimately undermine the housing market at all levels. Affordable workforce and transitional housing becomes even more important as reports increase of workers from other areas of the country moving to Grand Forks in search of work.

In August 2012, the city government leaders formed the 21-member Blue Ribbon Commission on Housing to study the housing market and to produce recommendations to improve housing options for Grand Forks citizens.

This first section of the report contains summary the summary research findings of the report, followed by housing priorities and recommendations based upon input from the community and other housing stakeholders. The first section ends with an action plan on page 17. The second section of this report describes the commissions research findings in more depth, covering economic and demographic trends, an assessment of the current housing market, metrics defining affordability, and findings on the cost of housing and infrastructure inputs in Grand Forks.

A glossary of common terms follows the next section of key findings.

Population

Population growth is stable but slower than other major ND Cities. Outmigration is slowing, resulting in more young professionals, births are up 25% in the past decade, and we expect an increase in the maturing population (65+).

- The City of Grand Forks grew its population 7% between 2000-2010, in the midst of a flood recovery early in the decade and a military base downsizing later in the decade.
- The region has high concentrations of 15- to 29-year-olds and is dominated by 20- to 24-year-olds. The region lacks 35- to 45-year-olds compared to national average.
- Household income in the region is growing but still lags national levels. Households are distributed by income similarly to the nation, but the region acutely lacks households in the highest-income brackets.
- Outmigration from the region has slowed over the past decade, while in-migration has remained higher than most Great Plains metropolitan areas.
- Relatively low household income in Grand Forks is a key contributor to housing

affordability. Median household income in 2011 was \$46,718. That's 92.5% of the national median household income, up from 88.5% in 2005.

- Grand Forks is seeing a resurgence of young children. A separate analysis by Excensus, LLC shows a 25% increase in births in Grand Forks in 2010-2011 over 1999-2000. This translates to a projected growth in school enrollment of 25% in 2016-2017 over 2010-2011. Census 2010 data confirms that Grand Forks no longer suffers from a shortage of children under age 5.
- The city's senior population is expected to grow as the large baby boom generation ages. Anecdotal reports suggest seniors from surrounding small communities are considering relocation to Grand Forks for its amenities.

Economy

Regional economy is strong, especially compared to rest of the nation. However, Grand Forks median income is lower than peer ND cities and that affects housing affordability.

- Grand Forks County added 9.6% to its employment base since 2001. That growth is slower than some other areas of North Dakota, but more than four times the national growth rate.
- After a lull during the middle of the last decade, Grand Forks County has seen job growth of 3.7% since 2009, more than twice the national rate. The region is dominated by employment in many stable industries, including state universities, health care, and local government (particularly public schools), along with military employment. However the region has seen broader-based growth in several high-value private sector industries since 2009.

- Wages in the Grand Forks Metropolitan Area are most competitive for blue collar and middle-skill occupations, and least competitive for professional occupations requiring college degrees

Housing

Demand for housing is strong, supply is short and highest demand is in the \$150,000 to \$200,000 range. Housing has reached the point of unaffordability for many sectors of the population. Needs of renters are not being met due to high rental rates and availability of quality units.

- Housing demand in Grand Forks is strong. The median home price in Grand Forks in 2012 increased to \$169,900 from \$153,000 in 2009. The cost of rent in Grand Forks is at or above regional peer cities, while apartment vacancy hovers at 2.8% or below.
- Housing has reached the point of unaffordability in Grand Forks. The ratio of median home price to median household income reached 3.6 in 2012, above the affordability ceiling of 3.0. Fifty-one percent of Grand Forks renters pay more than 30% of their gross household income towards housing costs.
- Housing is in short supply. Average time on the market for home sales listed for sale has dropped, and roughly one-third as many homes are currently listed for sale as realtors report to be typical for Grand Forks. Buyers and renters report frustration finding adequate housing options based upon price and housing amenities.
- Demand for housing priced under \$200,000 is very strong. Homes priced \$105,000-150,000 move off the market the quickest, followed by homes priced between \$150,000 and 225,000 and \$225,000 and

300,000. Separate analyses of transaction data and assessed value data show rapid declines in sales share of homes priced under \$150,000 and increases in homes priced over \$150,000 since 2009.

- Grand Forks is not meeting the needs of low-income renters. According to a gap analysis in the recent Grand Forks Housing Authority housing study, approximately 5,100 renting households in the community make less than \$25,000 per year. Based upon the community's stock of private and public rental units and assistance vouchers, the study found that 2,700 of these sub-\$25,000 families are underserved.

Costs

Property taxes, special assessments and infrastructure costs are slightly higher than peer cities but not enough to adversely affect the housing market. Although on par with others, efforts to lower all these costs are critical. Size of development has an effect on costs.

- Property taxes and special assessments do not appear to be adversely affecting housing demand. Property tax rates in Grand Forks are some of the highest among similarly sized communities in the state, but are only slightly higher than in Fargo and West Fargo where market prices of comparable homes are 15% lower. Special assessments applied to individual lots comparable in Grand Forks to those seen in recent developments in Fargo and West Fargo.
- Infrastructure costs for new development are on par with or slightly higher in Grand Forks compared to North Dakota peer regions. Some cost premiums are driven by higher materials cost or specific design requirements caused by differing soil and climate conditions in the Grand Forks

region. Analysis is underway by Grand Forks leaders to reduce costs where possible using design and material changes.

- The small scale of new development projects is a significant contributor to higher infrastructure costs in Grand Forks compared to peer communities, according to analysis by City of Grand Forks staff.

New development

Higher lot prices in GF than Fargo seem to be driven by market forces and not development costs (see above). New development is constrained by unavailability of lots. Cooperation between public and private sector partners is good but there room for improvement and a great desire for more public engagement with long-term planning.

- An analysis of a sample of 15 lot sales occurring between April and September 2012 in each market shows that the average vacant lot sale price in Grand Forks was 30% higher than in Fargo, and the median sale price was 35% higher in Grand Forks than Fargo. The 30-35% Grand Forks price premium includes several sold lots with little to no current special assessment costs, making it conceivable that the ultimate cost to Grand Forks buyers is even higher. New development in the region is constrained by geography and because relatively few landowners hold developable land adjacent to the city. Some aversion to new development risk among developers may still be lingering from the overbuilding and subsequent bust of the 1980s in Grand Forks.
- There is a reasonable level of cooperation among public and private sector partners in the new development process. However, there is room for more active collaboration amongst partners in the planning and implementation process to ensure that the

shared values of developers and the community are aligned. A great deal of online public discussion centered on the need and desire for more integrated long-range, larger-scale planning for new development.

Critical Housing Demand Drivers

Demand is strong due to strong community fundamentals (schools, parks, amenities, aesthetics, services, etc.). Specific demand niches include: maturing population (single level), GFAFB personnel (affordable rentals, apt/duplex, that are pet friendly with garages), career professionals (high end rental and ownership), 1st time homebuyers (\$150,000), and 2nd time homebuyers (\$225,000).

- Strong community fundamentals. Grand Forks has strong schools, community amenities and institutions, city services, safety, university amenities, and a flood protection system.
- Grand Forks has added jobs at twice the national rate since 2009 and four times the national rate since 2001.
- The region has a highly educated young workforce.
- The Grand Forks Air Force Base is now adding personnel after a period of decline. A decision by the U.S. Air Force to add a mission at the GFAFB would spur considerable local housing demand. The GFAFB was recently named one of four finalists to be the site of the U.S. Air Force's new tanker mission.
- As a region, Americans are moving to the Great Plains from other regions. The Grand Forks out-migration rate is dropping and its in-migration rate is higher than most Great Plains metropolitan areas. Grand Forks gained migrants from the Twin Cities region on a net basis in 2010.
- Locally-oriented business is growing. Growth in city sales tax collections has accelerated in recent years, often setting new records. The increasing commercial activity is an indirect indicator of the community's improved economic health following the severe economic trauma of the late 1990s.
- A recent housing survey indicates that 39% of renters hope to buy a home in Grand Forks, most of them within three years. This projects to a total of 841 renters with a household income of more than \$35,000 per year hope to purchase a home in Grand Forks.
- Grand Forks is seeing a resurgence of young children and its population of seniors is expected to grow.
- Recent University of North Dakota enrollment growth has generated housing demand in the region. The university is the largest employer in the community, and its presence creates a stable job base in the region.
- The Grand Forks region is currently under consideration by the Federal Aviation Administration to become the only region in the nation for legal flight testing of commercial unmanned aircraft systems.
- Low mortgage rates are increasing buying power of Grand Forks home buyers. Dropping rates have contributed to price increases, as buyers are able to afford to stretch their budgets for housing costs. However tighter lending standards and high local rents counteract demand caused by lower interest rates.
- The Grand Forks Region is a talent producer. Its 25- to 44-year-old workforce is more educated than national average.

Grand Forks Housing Priorities & Action Steps

Addressing the issue of housing affordability and availability is important to local citizens and the Blue Ribbon Housing Commission, and it should be a priority for local policymakers. Grand Forks should prepare itself now to ensure that potential future growth occurs in a positive and balanced manner and does not induce unnecessary strain on the city's citizens, businesses, and infrastructure.

Housing is a complex, organic situation with many inputs and many stakeholders. There is no one singular solution to creating available and affordable housing in Grand Forks.

Supply not Meeting Demand

The critical issue in Grand Forks housing is short supply in the face of strong demand, causing rental and purchase prices to increase beyond the means of many residents. This shortage spans all areas of housing in Grand Forks, including rental units, affordable single-family, and high-end homes.

The City of Grand Forks saw modest growth over the past decade in the face of significant economic headwinds of disaster recovery and air force base realignment. Yet, even after modest growth signs of housing shortages in Grand Forks are evident. A persistent shortage of housing will impede future economic development efforts and quality of life.

Because the region has a short construction season and new development takes time, Grand Forks leaders must be prepared to act if growth accelerates. More importantly policy must be proactive and not reactive. Reactive measures result in piecemeal development done to minimum standards.

Collaboration Must Increase to Ensure Supply Meets Demand

The local housing economy is not hierarchical; there is no command and control structure to carry out policy and development. Traditional approaches to strategy execution will not work. Members of the housing development network have little power to tell one another what to do, rather members must develop sufficient trust in order to undertake complex projects and to create partnerships.

Grand Forks should work to improve its relational and cooperative infrastructure regarding housing development and re-development. City leaders must put the networks and structures in place to identify challenges early, to react to emerging trends nimbly, and to enable quick and effective city action as these changes occur.

Housing strategy must constantly evolve to address changing conditions. Collaboration must be explicit. Everyone involved with housing policy must be ready to compromise more often, including city council and staff, land owners, citizen homeowners, home builders and construction companies, apartment owners, and renters.

How Many Housing Units Does Grand Forks Need?

Adhering to a hard and fast projection of future housing unit needs may not be the best approach for Grand Forks. A model for projection is based on assumptions that may not hold true over time. Grand Forks leaders and home builders should constantly monitor a set of key metrics and constantly adjust tactics.

Rather, community leaders should use an "adjustment from baseline" approach. Combining knowledge of the current market situation with an understanding the number of new units built under

the growth conditions of the recent past will allow the community to adjust up or down from that recent baseline as conditions merit.

Housing Baselines (Source)

Total City Population Growth, 2000-2010 (U.S. Census)	7.1%
Total County Employment Growth, 2001-2012 (EMSI)	9.6%
Owned Housing Unit Growth, 2000-2010 (U.S. Census)	4.7%
Rented Housing Unit Growth, 2000-2010 (U.S. Census)	19.7%
Single Family Housing Building Permit Annual Average, 2002-2012 (City Inspections Dept.)	87
Approved Multi-family Housing Unit Annual Average, 2002-2012 (City Planning Dept.)	180
Single Family Permits, Jan-Oct 2012 (City Inspections Dept.)	93
Approved Multi-family Housing Units, 2012 estimate (City Planning Dept.)	475

To accommodate 10-year 7% population growth, Grand Forks built an average of 87 single family units and 180 multifamily units per year over the past decade. However, this home building rate has resulted in increasing prices in 2012, indicating a shortage.

Example Baseline Adjustment: Single family building permits in Grand Forks increased to 93 (as of October) above the 10 year baseline of 87, yet prices are still increasing. This is an indication that the current baseline growth is not meeting demand and Grand Forks could accommodate 100 or more housing starts in 2013. However the projected number of multi-family units for 2012 and 2013 are more than twice the 10-year average. Anecdotal reports suggest that new apartments are filling very quickly and vacancy remains low while rents

continue to rise. Housing professionals should actively monitor vacancy rates and prices over the short term to determine how the new units affect the market.

Grand Forks leaders should be constantly monitoring key locally-sourced housing metrics, such as price, time on the market, current inventory, and vacancy. This data should be distributed, constantly updated, and centrally available as a “Housing Dashboard.” If prices continue to rise while vacancy and inventory remains low, this is a strong indication that the Grand Forks market can handle more units. The target number of new units should be based upon an adjustment from the recent trend in building based on city data. The number should not be based upon a projection of what the future might hold.

Guiding Principles for Housing Based on Community Input

1. The community views housing affordability and availability as a critical issue.
2. A persistent shortage of housing units across all price ranges and unit types will impede future economic development efforts and quality of life.
3. There is no one singular solution to increasing available and affordable housing.
4. Local government is an important partner already involved in many facets of housing, but the private sector must ultimately be the driving force in alleviating a supply shortage
5. Grand Forks must continue to improve its partnerships and increase the level of trust among all parties involved in local housing.

General Housing Priorities

Collaboration and Partnerships Collaboration among housing stakeholders is important to address the housing needs of the community. After the Blue Ribbon Commission concludes, city staff, elected leaders, private developers, social service agencies, university and Air Force officials, and other stakeholders should continue to explicitly and openly share information about housing issues.

Sharing Data Accurate and timely data about the housing market, the local economy, and demographics is an important tool for making good decisions about housing policy in Grand Forks.

Growth and Design Grand Forks residents have a generally positive view of growth in the community. However many are becoming more sensitive to the quality of the built environment, and are very aware of emerging unaffordability of renting prices and home buying. Grand Forks must remain a city of aspiration for its residents.

Household Income Income is an important factor in housing affordability. The City of Grand Forks Urban Development Department should continue to collaborate with the Greater Grand Forks Economic Development Corporation to continue to attract and grow high-wage jobs in primary sector industries.

Planning Code Grand Forks could benefit from a “rewards-based” or “incentive-based” ordinance in its planning code. When city planning regulations state only minimum requirements for development, new development tends to default to that lowest common denominator. This can result in monotonous, less desirable developments that may not stand the test of time. Incentive-based code would allow for a developer for public benefit such as park land, trail systems, or low income housing, in exchange for relaxation of other requirements. It provides for this exchange as part of policy,

potentially avoiding excessive variances and confrontational committee meetings. Increased flexibility in zoning can help the community create neighborhoods with more varied housing options, meeting current and emerging resident demands.

Federal Housing Funds Grand Forks City Council should make it a priority to continue to invest federal housing assistance funds (such as HOME and the Neighborhood Stabilization Program) into projects for low income families. As home and rental prices in Grand Forks escalate, many lower income and special needs families are falling through the cracks.

Recommendations for Action	Key Participants
After the Blue Ribbon Commission concludes, coordinate regular meetings of housing professionals in order to share information about ongoing projects and concerns in an environment outside of specific project meetings. Coordinate communication between the University of North Dakota, Grand Forks Air Force Base, private developers, and others about ongoing changes in housing demand.	Mayor’s office, Grand Forks Air Force Base Office of Coordinating Responsibility
As state funds for housing are allocated for the next biennium, use the housing data in the Blue Ribbon Commission Snapshot report to make a concerted effort to present the need for state housing assistance in the Grand Forks Region.	Mayor’s office, other city staff
Support or lead an effort to create a statewide housing infrastructure revolving loan fund at the Bank of North Dakota to help finance new infrastructure for housing across the state.	Mayor’s Office, City Council

Recommendations for Action	Key Participants
Consider participating in or leading a coalition of cities in northeast North Dakota to provide a “unified front” to state leaders regarding the housing supply shortage and the need for infrastructure investment in Northeast North Dakota.	Mayor’s office
Review existing planning and zoning code to consider implementing a rewards-based ordinance. This flexible zoning technique permits a trade-off between land use regulations and changes desired by citizens. It allows for relaxation of minimums or other changes in exchange for increased amenities that would benefit the community, such as sustainable practices, walkability, or increased park space. Assess current planning and zoning code to ensure it does not preclude mixed-use development or other attractive development concepts.	City Planning Department, Planning and Zoning Commission
Designate an organization to collect and disseminate basic housing market information “dashboard” on a regular basis for the benefit of housing stakeholders and the community at large. Focus on median home prices, the median-multiple affordability metric, rental market vacancy rates, the share of households overpaying for housing, sales tax trend data, and basic employment trends.	Mayor’s office, City Public Information Department, Greater Grand Forks Economic Development Corporation
Combine the City Urban Development and Planning Departments to streamline processes related to housing and new development, and to improve overall efficiency in city government.	Urban Development, City Planning Department, Mayor’s office

Home Ownership Priorities

Affordable Housing Affordable housing options should be available to Grand Forks residents of all income levels. Grand Forks should strive to reduce its ratio of median home price to median household income to below 3.0.

Housing Assistance Housing assistance programs can be most effective when combined. As Community Development Block Grant and other federal funding sources diminish, local housing assistance agencies and other social service agencies must look for areas in which to partner and even to share expenses. Funding for this work may increasingly come from local sources.

Community Land Trust As an affordable housing strategy, the Community Land Trust (CLT) is preferable to direct buyer incentive programs because it ensures that homes remain affordable in perpetuity. Home owners lease the land from and share the home equity appreciation with the CLT. Home owners are required to sell the home to another income-eligible family, ensuring that – once built – a CLT home remains a part of the affordable housing stock for future buyers.

Recommendations for Action	Key Participants
Create an official collaborative of agencies serving at risk or low to moderate income households in Grand Forks to share program and client information, and to look for opportunities to “stack programs” to benefit local families. Look for operational efficiencies created by new partnerships or savings from co-location in an effort to improve agency sustainability as federal funds dwindle.	Urban Development, Grand Forks Community Land Trust, Grand Forks Housing Authority, Red River Valley Community Action, Development Homes, Grand Forks Senior Center, LISTEN Center, other agencies

Recommendations for Action	Key Participants
Continue to support the Community Land Trust as a mechanism to improve the stock of affordable homes for purchase in Grand Forks, particularly by continuing to donate city-owned property to the CLT where appropriate. Consider an incentive program to promote the practice of donating lots to the CLT from new housing developments, such as an incentive-based ordinance where specific regulations are relaxed in exchange for a donation of lots.	GF Community Land Trust, Urban Development Department, City Council

Renting and Multifamily Priorities

Affordability Grand Forks should strive to decrease the share of renting households paying more than 30% of gross income towards housing expenses to below 42%.

Planning for Multi-family The Planned Unit Development design and approval process should prioritize allocation of land zoned for multifamily housing.

Recommendations for Action	Key Participants
The planned unit development process should prioritize the allocation of multifamily parcels in future development.	Planning Department, Planning and Zoning Commission, Private Developers

Recommendations for Action	Key Participants
Do not rely on realtors to communicate future land use plans to home buyers. Enforce the practice of placing signage on undeveloped parcels to indicate future land use to citizens.	City Council, Planning and Zoning Commission
Improve education and promotion among renters about city procedures for enforcement of required repairs of rental units. Create a mechanism for citizens to report non-compliant or unsafe properties to the city for enforcement. Consider providing renters and landowners with a statement of rights and responsibilities of both parties at the time of lease signing.	Building Inspections Department, Public Information Office, City Council
Continue to study and reform the process for zoning changes, particularly the timing for when the public is notified along the change process. Assess the value of secondary communication tools to supplement public meetings.	Planning Department, Planning and Zoning Commission
Regulatory considerations for multi-family affordable housing: adjust requirements (such as parking or density maximums) to allow for more low-moderate income housing or amenities of greater public benefit, review accessory dwelling unit regulations, consider when and where modular housing is an acceptable building form	Planning Department, Planning and Zoning Commission, City Council

Recommendations for Action	Key Participants
Lobby the North Dakota State Government to expand the Flex PACE interest buy down program to cover all areas of the state. Create a specific effort to promote contributions to the North Dakota Housing Incentive Fund within the Grand Forks Region.	Mayor's Office

Re-Development Priorities

Redevelopment is Valued Grand Forks should re-develop existing underutilized areas where possible in order to capitalize on existing infrastructure. Investing in existing neighborhoods is important.

Downtown Development Downtown Grand Forks is significant to the community. Many residents indicate an affinity for downtown and a desire to see it be successful. Grand Forks should continue to invest in the downtown and adjacent areas.

Recommendations for Action	Key Participants
Continue the successful practice of selling city-owned residential lots and other city-owned property to private citizens and housing developers for new housing. Adjust city lot selling process to expedite approvals, legal work, and other administrative functions where possible.	Urban Development Department, City Attorney's Office, City Council, Private Developers
Look for opportunities for flexible zoning classifications in areas near downtown that may be redeveloped for housing and mixed uses, such as Fargo's University Mixed-Use zoning class.	Planning and Zoning Commission, Planning Department

Recommendations for Action	Key Participants
Develop housing aimed at early or mid-career professionals in or adjacent to downtown that is not income controlled while remaining mindful of gentrification and the need to maintain housing supply for low- to moderate-income households.	Private developers
As funds become available, prioritize investment in the HomeCents program, an income-controlled revolving loan fund for home improvement projects. Consider extending the geographic eligibility for the program to areas south of 17 th Avenue. Actively promote the use of HomeCents loans for accessibility improvement projects.	Red River Valley Community Action, Urban Development, Grand Forks City Council
Actively explore mechanisms for more broad-based redevelopment of blighted or unsafe housing.	Grand Forks Housing Authority, Private Developers, City Council
Continue with efforts to support neighborhood branding and associations such as the Near North and Southside Historic Districts. Downtown development should spur investment in these neighborhoods and vice versa. Provide administrative support such as coordination and grant writing where appropriate.	Grand Forks Housing Authority, Mayor's office, Urban Development Department, City Council

New Development Priorities

Balance Cost With Quality New infrastructure should balance factors of cost, aesthetics, and engineering quality in its design. New home buyers should continue to bear the responsibility for their home’s share of special assessments.

Financing City staff and citizens should be open to alternative funding mechanisms for infrastructure funding. The city of Grand Forks should be willing to make infrastructure installation investments to support larger new developments that meet design requirements and will increase supply for all types of housing. While the city should continue to embrace well-designed developments of all sizes, it should be open to larger-scale developments implemented and financed over a longer time period.

Annexation The City Council should make it a priority to annex property that is currently surrounded by urban development, is benefiting from city infrastructure, or could reasonably otherwise be constituted as “urban.” The City Council should develop policy which seeks to expedite the transition of "agricultural use" land to the land's future intended use in addition to assessing and taxing all property within city boundaries in accordance with the property's intended use according to state law.

Infrastructure Innovation City staff, private developers, and consultants should be open to new design ideas that would reduce costs and improve aesthetics. Suggestions include curvilinear streets and narrower streets to reduce excessive paving and the co-location of storm water retention ponds with parks.

Westward Expansion Grand Forks should expand westward for residential development. Due to the current shortage of available buildable lots and rising home prices, Grand Forks should support the

development of the Thames Court property owned by the Grand Forks Housing Authority.

Park Systems Parks are valued by Grand Forks citizens. Neighborhood parks and trail systems should continue to be a required part of new residential development, however a rigid 8% set-aside requirement may no longer be the best model for future development in Grand Forks.

Vision and Community Input There is an appetite for greater design vision amongst citizens regarding new development. There is a desire for smaller- to mid-sized residential lots. New master planned development proposals should include plans for a multitude of housing types, such as single-family attached and detached of varying sizes, multifamily, and specific housing meeting the needs of seniors and disabled residents.

Young Buyers It is often stated that home-buying expectations of the next generation of buyers are unrealistic and that “young buyers want what their parents have” in a new house. This idea was vehemently rejected by young home buyers providing input to the Blue Ribbon Housing Commission. While young homebuyers are looking to maximize the amount of home they receive for their money, there is demand for a variety of home styles, including those on smaller lots or emphasizing quality of design and finish over total square footage.

Recommendations for Action	Key Participants
<p>Continue the work of the Blue Ribbon Commission to explore alternative and potentially more effective financing methods for new infrastructure, such as adjustments to special assessment payment schedules and the 50% up front requirement for new infrastructure.</p>	<p>City Finance Department, City Engineering Department</p>

Recommendations for Action	Key Participants
Continue to adjust engineering requirements and practices in order to save costs while maintaining adequate build quality and emergency access, such as the recent efforts to refine storm water retention requirements and to site ponds next to or inside parks.	City Engineering Department, Private Developers, Service and Safety Committee, Park District
Look for ways to reduce the 27% engineering fee on newly installed infrastructure. These costs must be financed over many years and are eventually passed down to home buyers in the form of special assessments.	City Engineering Department, Service and Safety Committee
Develop more owned and rented housing units with universal design attributes targeting seniors. More housing targeting this market segment could help open up mid-priced single-family homes for other home buyers.	Private Developers, Grand Forks Housing Authority
Develop a 3-year annexation plan for land currently served by city infrastructure or surrounded by city land and development.	City Council, Planning Department, Assessor's Office
Support the development of Thames Court into smaller single-family building lots. Move forward with development of the Thames Court property in Western Grand Forks, owned by the Grand Forks Housing Authority. Consider re-platting the property for single family homes and selling the lots to private developers.	Grand Forks Housing Authority, City Council, City Planning Department

Recommendations for Action	Key Participants
Continue the Park District/School District cooperation in locating neighborhood parks near neighborhood schools.	Grand Forks Park District, Grand Forks School District, City Planning Department
Accelerate the installation of amenities and play equipment in new neighborhood parks.	Grand Forks Park District, Service Clubs
Create additional, more effective ways to solicit public input on future developments aside from poorly-attended public meetings. Ideas include an online idea-gathering format such as EngageTheForks.com or a citizen committee to provide informal input on new development standards.	Planning and Zoning Department, Planning and Zoning Commission
In order to maximize infrastructure construction savings, encourage private developers to bring plans to the city as early in the building season as possible.	Private Developers; City Engineering and Planning Departments, Service and Safety Committee, Planning and Zoning Commission

Future Development Scenarios

The future of Housing in Grand Forks could take multiple trajectories. One approach might leave the “market” to sort itself out leaving citizens content to live with the outcomes, while another might involve proactive government participation to attempt to improve quality of life created by housing for Grand Forks Citizens. The following scenarios outline different approaches but tactics are not mutually exclusive.

Scenario 1: Allow Housing Market to React Grand Forks leaders take a “hands-off” approach to housing, allowing the private sector alone to react to market demand. The community decides it is willing to ride out any effects to quality of life caused by higher-cost housing. City staff waits for new developments to “come to them” and react as quickly as possible to meet requirements for new developments. Risk is avoided and piecemeal development continues.

Scenario 2: Take Corrective Measures City leaders focus on creating new networks to open up communication to streamline development processes and to find new technical solutions to housing roadblocks outlined by the Blue Ribbon Housing Commission. City government leaders work with the state of North Dakota to put state housing program dollars to work for housing development. Working with private developers, community leaders find new solutions to neighborhood design that save money on infrastructure and improve the built environment for years to come. With input from private developers and local citizens, Grand Forks adjusts its design and approval processes to improve business friendliness and ensure citizens get the amenities they desire in new developments.

Scenario 3: Aggressive Action Grand Forks decides to undertake a proactive growth agenda to provide an outlet for housing demand and to recruit new residents to the community. The City and other local agencies take aggressive measures suggested by

citizens during the Blue Ribbon Housing Commission process:

- Create a program to defer special assessment payments and/or extend financing timelines
- Use future property tax (Tax Increment Financing or sales tax revenue) to fund critical infrastructure needed for expansion
- Create financial incentive programs for home building or other redevelopment in existing neighborhoods
- In partnership with private developers, create a pilot project new development incorporating design innovations
- Create a plan to re-develop blighted or unsafe neighborhoods within the city that includes housing for low- to moderate-income households

Public Support

In late 2012, Grand Forks residents voted on line to priorities a set of general topic areas for improving housing. The top five highest-priority topics were:

1. Increase community engagement on housing issues
2. Explore engineering cost savings without sacrificing quality
3. Explore effective financing methods for new infrastructure
4. Aggressive annexation
5. Advocate for a state-local-private housing partnership

Moving Forward

The following action plan outlines the recommendations in three categories:

- Jumpstart: actions that can make a difference right away
- Strategic positioning actions to help streamline processes and fill key market needs
- Longer-term actions with the potential to transform elements of the Grand Forks housing market

Grand Forks Housing Action Plan

	Jumpstart Market By 100 Days	Strategic Positioning By 500 Days	Longer Term Impact By 1,000 Days
Strategic Priorities Based Upon Community Input	<ol style="list-style-type: none"> 1. Continue to explore alternative and potentially more effective financing methods for new infrastructure, consider relaxing the 50% up front funding requirement for new infrastructure. 2. Look for ways to reduce the 27% engineering fee on newly installed infrastructure. 3. Continue regular meetings of housing stakeholders in order to build trusted partnerships 4. Develop and disseminate "Housing Data Dashboard" 5. Improve education regarding rental unit repair processes. 6. Support development of Thames Court property 7. Use data to present the need for state assistance in the Grand Forks region. Lobby to expand Flex PACE program and promote ND Housing Incentive Fund locally. 8. Support an effort to develop a municipal infrastructure financing mechanism via the Bank of North Dakota 9. Continue the successful practice of selling city-owned residential lots and expedite approvals, legal work, and other administrative functions 	<ol style="list-style-type: none"> 1. Continue to adjust engineering requirements and practices in order to save costs while maintaining adequate build quality 2. Develop an incentive-based zoning code program. 3. Develop more owned and rented housing units with universal design attributes targeting seniors. 4. Develop a 3-year annexation plan for land currently served by city infrastructure or surrounded by city land and development. 5. Participate or lead an effort to align regional interests regarding housing in the Grand Forks Trade Area. 6. Support collaborative and cost-saving measures among agencies serving those with lower-income and special needs 7. Look for opportunities for flexible zoning in areas near downtown that may be redeveloped for housing and mixed uses. 8. Support HomeCents program, promote for use in accessibility improvements 	<ol style="list-style-type: none"> 1. Develop housing aimed at early or mid-career professionals in or adjacent to downtown that is not income controlled 2. Continue strategic economic development efforts aimed at high-wage industries and occupations 3. Actively explore mechanisms for more broad-based redevelopment of blighted or unsafe housing. 4. Continue with efforts to support neighborhood branding and associations such as the Near North and Southside Historic Districts. 5. Accelerate the installation of amenities and play equipment in new neighborhood parks. 6. Combine the City Planning and Urban Development Departments. 7. Continue the Park/School District cooperation in locating neighborhood parks near schools. 8. Create additional, more effective ways to solicit public input on future developments
Guidance Metrics	Median home price, rental rates, home time on market, home inventory, rental vacancy, building permits, multifamily units, employment, median household income		
Success Metrics	Reduce median home price to median income to below 3.0 . Reduce the share of households paying more than 30% of income towards housing to below 42% .		

Glossary of Terms

Affordable Housing Housing affordability is a measure of the ability of households to acquire adequate housing relative to their level of income. Affordability is affected by both housing price and local income levels. It is generally accepted that a given household should limit its housing expenses to no more than 30% of its gross income. For single-family housing, this report uses the “median multiple” concept defined below. For renting households, this report considers the share of renting households spending more than 30% of income on housing according to U.S. Census. In 2010, 51% of renting households were spending more than 30% of income on housing.

Appraisal An appraisal is an estimate of the true market value of a property based on a properties characteristics, improvements, and sales of comparable properties in the area. Appraisal prices are used by lenders as part of the mortgage application process “to ensure that the mortgage loan amount is not more than the value of the property.”ⁱ

Assessment Assessment refers to the process by which local governments set the “true and full value” of a piece of property for taxation purposes. The assessed value, used to calculate the property tax levied against a property, is equal to 50% of the “true and full value” of the property.

Building Code A building code is a set of construction standards that must be followed when constructing new homes in the area. It is set by local, state, and federal regulations and laws, to ensure minimum quality and safety standards in construction. In Grand Forks, the building code is enforced by the city’s Building Inspections Department.

Carrying Costs Carrying costs refer to those costs borne by developers during the process of developing a new piece of undeveloped property. Developers face costs including infrastructure special assessments and property taxes that they must pay until a lot is developed and sold the end user. Concerns have been raised regarding the negative effect these costs may have on developers and builders, who may develop less housing due to the burden of the costs they hold on unsold properties during the development process.

Covenants Covenants refer to legally enforceable terms and rules regulating development of a property. Developers will use such rules to enforce certain standards in construction style, and restrict certain land uses within a development, ensuring uniformity of standards.

Demand Drivers In this report, demand drivers are broad factors in the Grand Forks community that are creating demand for housing. These factors include shifting economic, demographic, and social forces that affect housing demand.

Grand Forks MSA The Grand Forks Metropolitan Statistical Area, as defined by the US Census Bureau. The Grand Forks MSA consists of Grand Forks County in North Dakota, and Polk County, in Minnesota. It includes the cities of Grand Forks, East Grand Forks, and Crookston.

Median House Price The Median House Price refers to the price point where half the homes in an area are priced above the point, and half the houses are priced below it. It is a more accurate measure of the central tendency of housing stock than average (or mean) house prices, which can be skewed by outliers at the high or low end of the market. Median house sales prices in Grand Forks have been rising over the past several years, going from \$153,300 in 2009 to 169,900 in 2012.

Median Multiple The median multiple offers a measure of housing affordability that controls for variability across differing communities. It compares a community’s median household income to its median house price,

measuring the overall balance in the market between the supply side (cost of housing) and demand side (residents' ability to pay). The ratio between the two gives a way to measure the relative affordability of housing.

At levels above a ratio of 3.0, research has shown that housing prices begin to become unaffordable for the buyer. A ratio of 3.1 to 4.0 would be classed as "moderately unaffordable," with anything beyond 4.0 classed as seriously or severely unaffordable for the buyer. As of August, 2012, the Median Multiple in Grand Forks was 3.59, which would be classed as "moderately unaffordable." This is slightly higher than the median multiple seen in several regional peer communities including Fargo, which currently has a median multiple of 3.0.

Mill Rate The mill rate (or mill levy) refers to the rate of taxation applied to the taxable valuation of a piece of property by the government. Each mill is equivalent to 1/1000 of a dollar. In 2011, Grand Forks tax payers faced a mill rate of 407.81. This rate represents taxes levied by the city, county, school district, park board, and other special taxation districts. Another way to measure property tax rates is by translating the mill rate to the share of total assessed value paid in taxes. In 2011, a Grand Forks residential home owner paid 1.84% of a home's assessed value in total property taxes.

Mixed Use Development Mixed use development refers to a pattern of development that embraces striking a balance between residential, commercial, and other uses, aiming to create pedestrian friendly neighborhoods that allow people ease of access to housing, services, and shopping. Such developments often target increased residential density, and buildings focused on multiple uses, such as commercial at ground level with residential above street level. The model looks to move beyond "single-use" zoning, with its segregation of land uses, instead seeking to place multiple land uses in balanced proximity to one another, creating more compact neighborhoods with a variety of services and amenities close at hand for residents.

Multi-Family Housing Development Multi-family housing developments refer to housing, including apartment buildings, with more than four housing units in one building. It does not include duplexes or attached/zero lot line housing, such as townhouses.

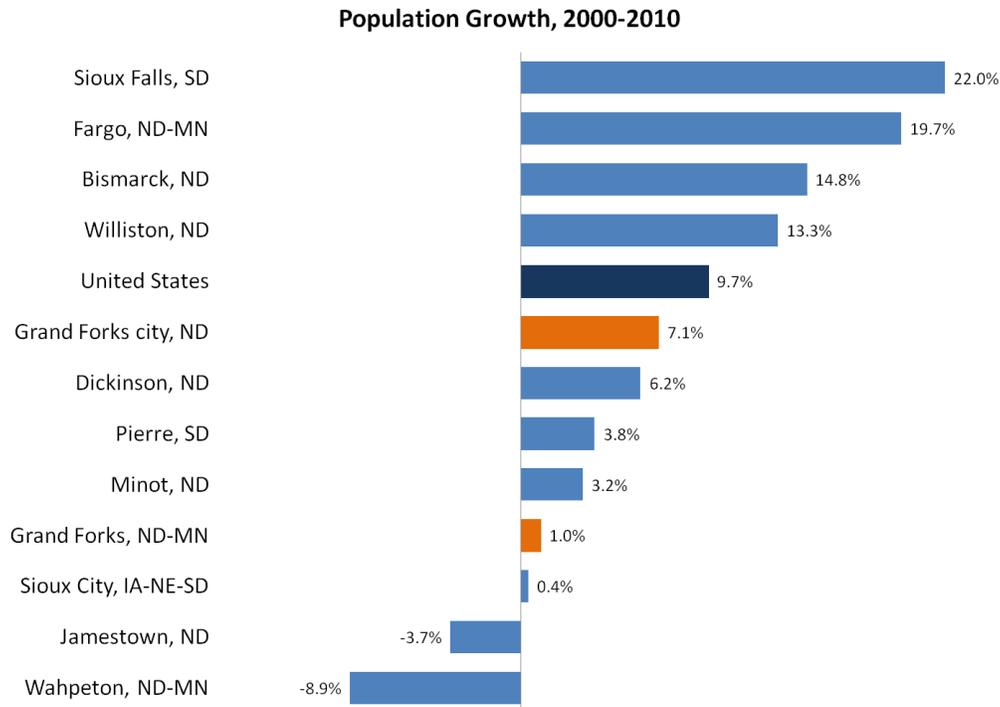
Special Assessment Special assessments are levies made against a property to pay for infrastructure that serves that piece of property. Using a variety of formulas, local governments assess the level of service/value that a piece of installed infrastructure provides to a property, and charge the landowner a fee commensurate to that level of service. This lump sum can then be paid down over a period of time.

Housing Market Snapshot

The following sections of the report contain detailed information about the community's demographics and economy, the home buying and rental market, taxes, and the costs and processes for new development in Grand Forks.

Population

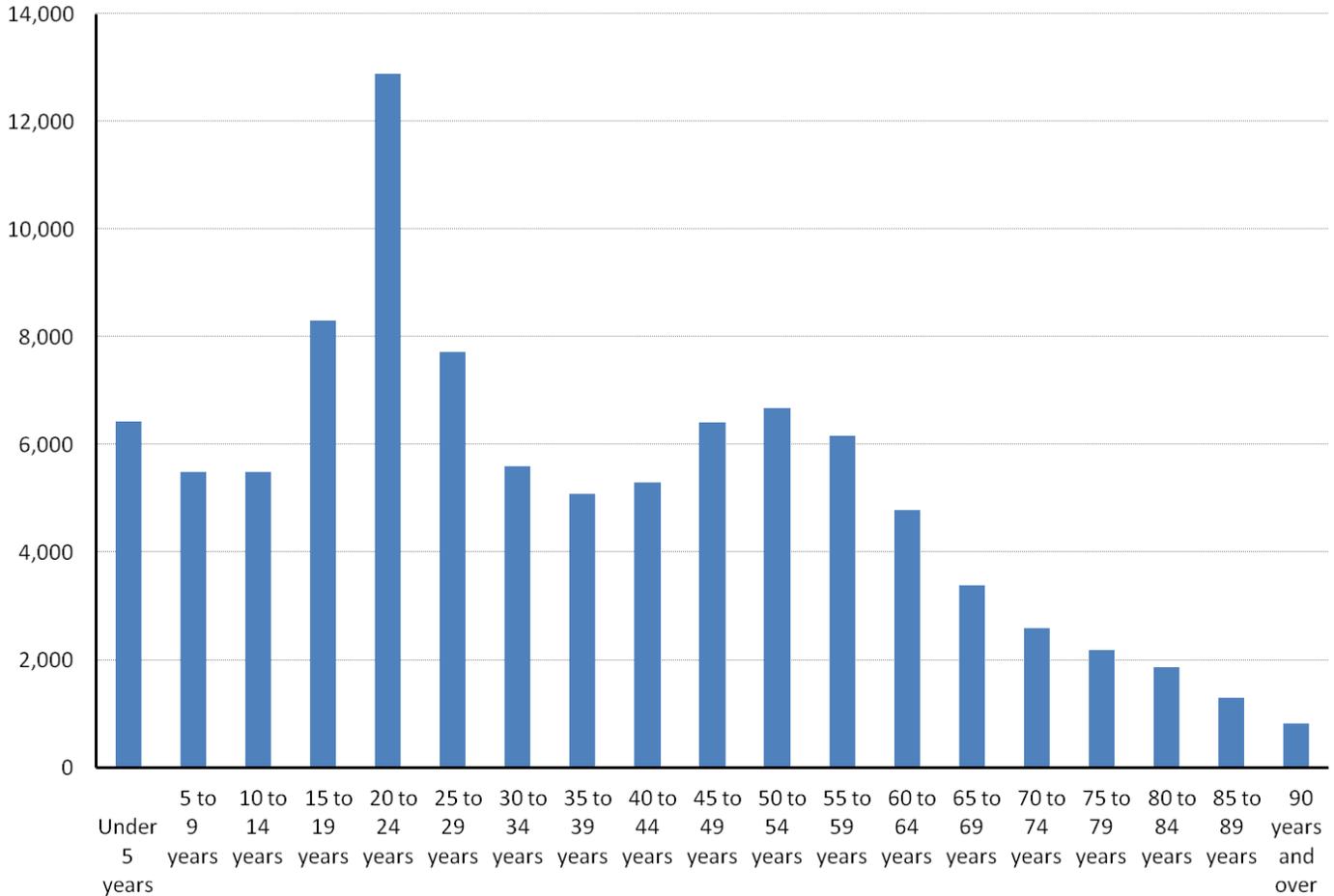
During the past decade, a time when national population grew nearly 10%, the two county Grand Forks metropolitan area grew by just 1%. However, the city of Grand Forks added 7% to its population. This is a sign that the city portion of the metropolitan area is growing significantly faster than Polk County and rural Grand Forks County.



It is important to note that this modest population growth occurred in the face of steep declines in military population and military-related employment in the region. From 2000-2010 the population at the Grand Forks Air Force Base declined by 2,465 residents for a loss of 51%. Since 2004, the metropolitan area shed more than 1,300 military jobs. It is likely that declines at GFAFB have hit bottom. Even after this downsizing, GFAFB leadership reports that housing at the base is now near 100% capacity. Any growth in military activity at the base due to increased deployment of unmanned aircraft systems or the siting of an additional mission in Grand Forks could create significant additional housing demand in the region.

Breaking down the region by age, Grand Forks is dominated by 15- to 24-year-olds. The region is home to about 13,000 residents age 20-24, due primarily to the university presence.

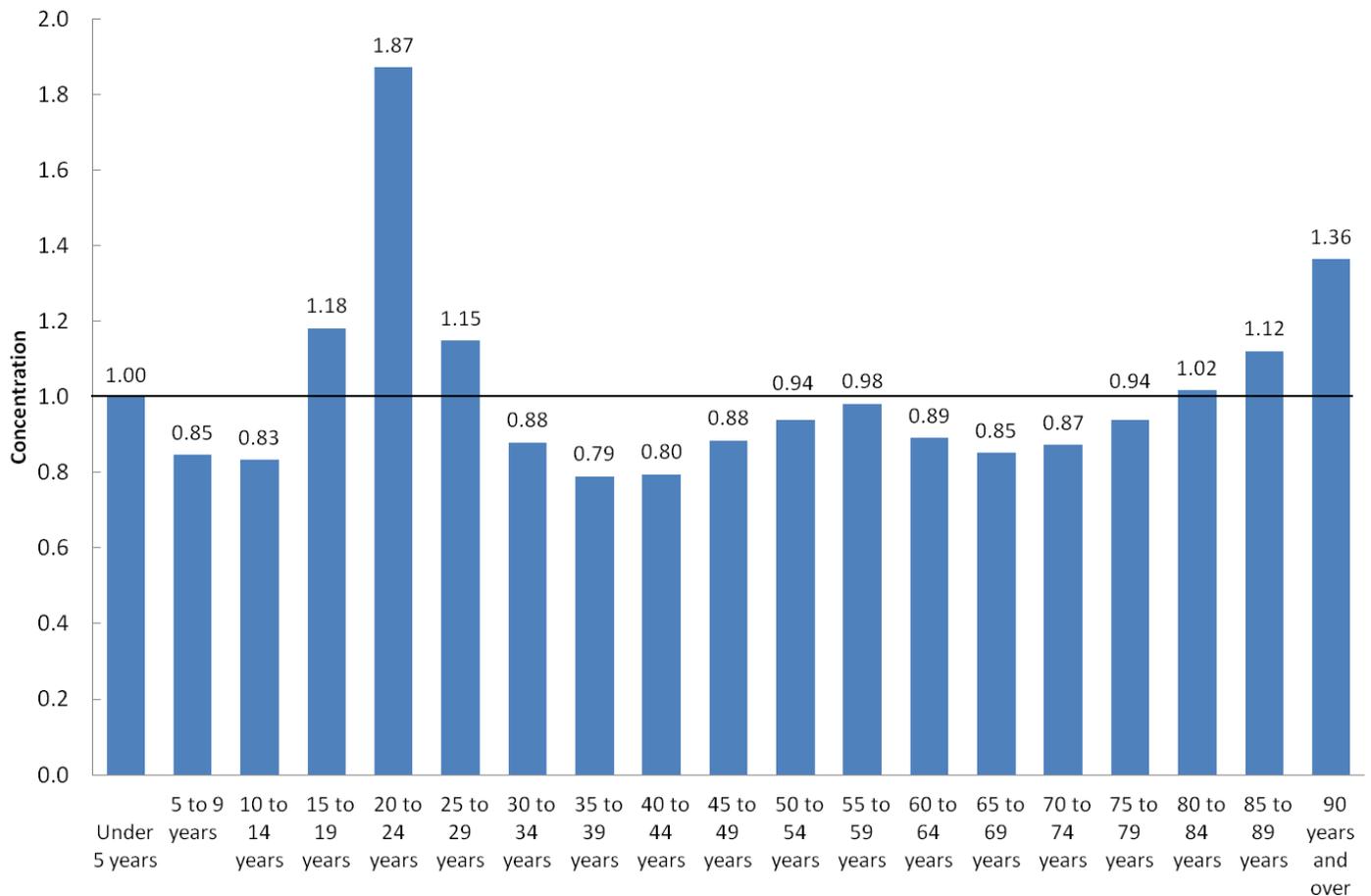
Grand Forks MSA Age Distribution



The following chart compares the age composition of the region to a national baseline. If the age groups in Grand Forks were composed exactly as the nation, all bars would touch the horizontal black line at 1.0. The chart shows the local concentration divided by the national concentration. For instance, about 13% of the region's population is 20-24 year olds compared to the national concentration of 7%. This means that, at a concentration of 1.87, Grand Forks has nearly two times more 20- to 24-year-olds than the national average.

The region still holds about 15% more residents in their late 20s than a typical region, and has higher concentrations of those above age 85. However, the region lags most acutely in the 35- to 44-year-old groups, at 20% below the national baseline. Perhaps related to this, the region is about 15% under-concentrated in school age children age 5-14. The region is now at the national average in young children under age 5.

Grand Forks Metropolitan Area Age Group Concentrations, 2010

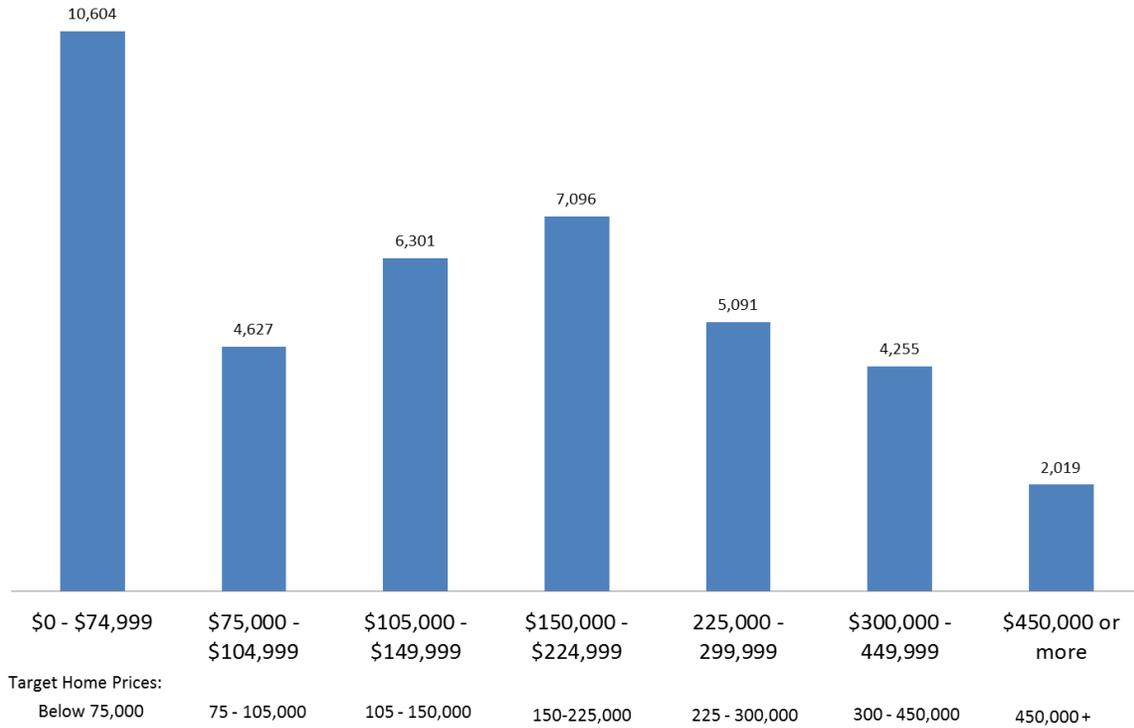


The largest income group in the region is those households with less than \$25,000 of income. This group contains many students, along with lower income families. There are about 7,000 households with \$50-75,000 in income and 11,300 households with more than \$75,000 of income. The following income charts show total households by income, and concentration of households by income. Below each income bracket is an estimate of potential home prices for each group, based on an income multiple of 3.0.

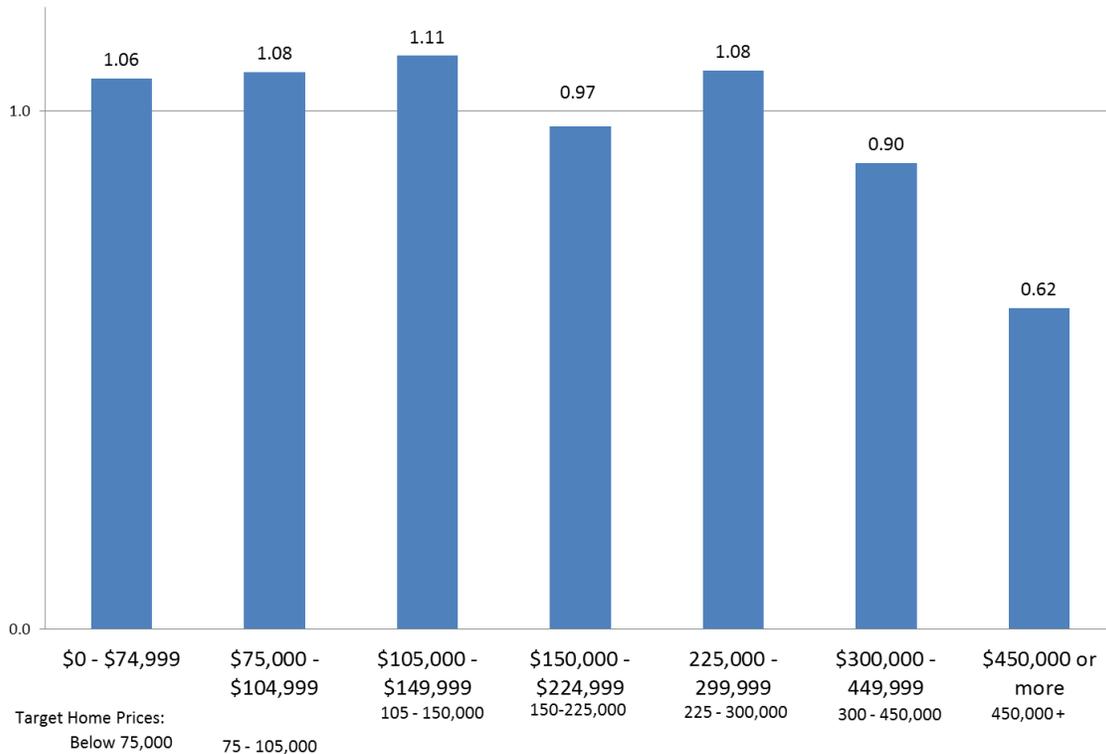
Looking at income concentrations relative to the national average, the conclusion is clear: the region lacks higher income households, particularly those with more than \$150,000 of income. The region holds 40% fewer of these households than national average. Many of the middle income brackets contain about 8-10% more families than the national baseline. Generally, the Grand Forks region is a “middle income” region.

A target home price range for each income bracket is located beneath each bar on the following charts. The target home prices are created by multiplying each income bracket by three times, as described on page 36 of this report.

Grand Forks Metropolitan Area Total Households By Income Level, 2010

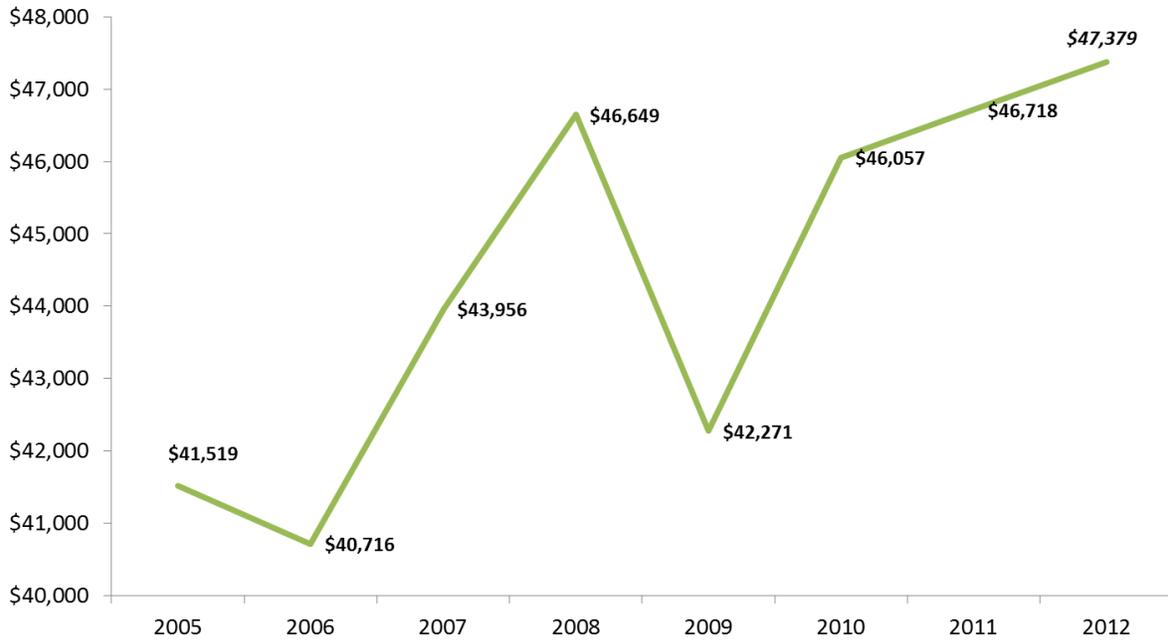


Grand Forks MSA Concentrations by Income Level, 2010



Grand Forks median household incomes, while still below the national median, are making strides towards achieving national parity. In 2005, the Grand Forks metro’s median household income was 88.7% of national median- by 2011 it had risen to 92.5%. As depicted in the following chart, median household income in the Grand Forks region is growing slowly. Census data for 2012 is not yet available, that figure is estimated.

Median Household Income, Grand Forks MSA

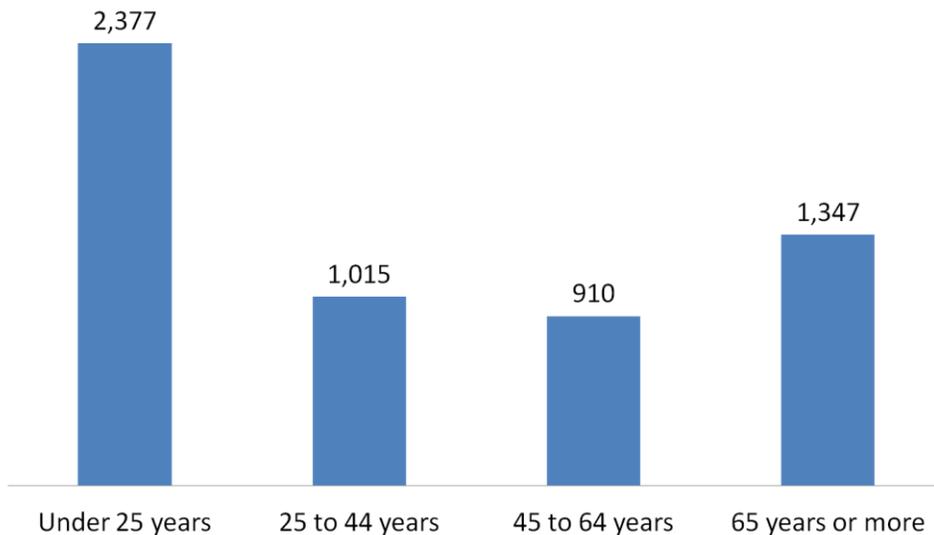


Source: US Census ACS 1-year estimates. 2012 figures is a projection extrapolated from the trendline.

Grand Forks may hold a similar income distribution of households to the national average (aside from high-income households) and the region is home to a significant number of low-income student households. Many of the lower-income households are full time student roommates, however 58% of the households in the city of Grand Forks are headed by a resident 25 years or older. Of these households with less than \$25,000 of income, 1,347 are seniors over age 65, and 1,925 are age 25-64.

Low-income Households by Age of Householder

Number of Households with Less than \$25,000 income

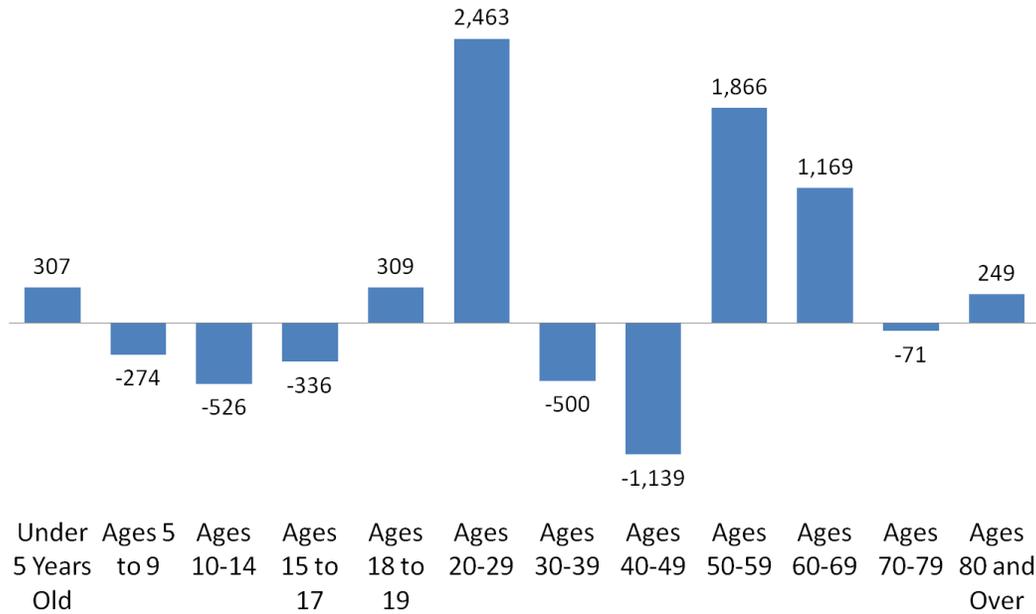


U.S. Census American Community Survey, 2009-2011 3-year Estimates

Seniors

As shown in the following chart, Grand Forks experienced significant growth in 50- to 70-year-olds over the past decade.

City of Grand Forks Population Growth by Age Group, 2000-2010



Based upon data from the North Dakota State Data Center the recent Grand Forks Housing Authority study also projects the city’s households headed by residents age 55 or older to grow by 1,380, or 20%. The study projects the number of senior-led renter households to grow by 628 and the senior-led owner households to grow by 752. The study suggests that “older adults and seniors will drive the homeownership market in Grand Forks in coming years,” and “the city will see increased demand for housing with universal design, smaller lots and which can be made accessible as homeowners age.”

Seniors typically require homes with design features that promote accessibility, such as few stairs or elevation changes and wider doorways. Yet local housing professionals and seniors suggest that Grand Forks lacks options in its housing stock with these design features, suggesting that seniors are not finding smaller, more accessible living options that are not assisted living. Anecdotes from local housing professionals suggest that some seniors from rural areas are attempting to move to the community, particularly in western North Dakota where housing shortages are occurring.

Of the 3,481 households led by householders age 65-or-more, about 55% have income of less than \$35,000 and another 31% have income of \$35,000 to \$75,000.

Income Distribution of Senior-led Households, 2011



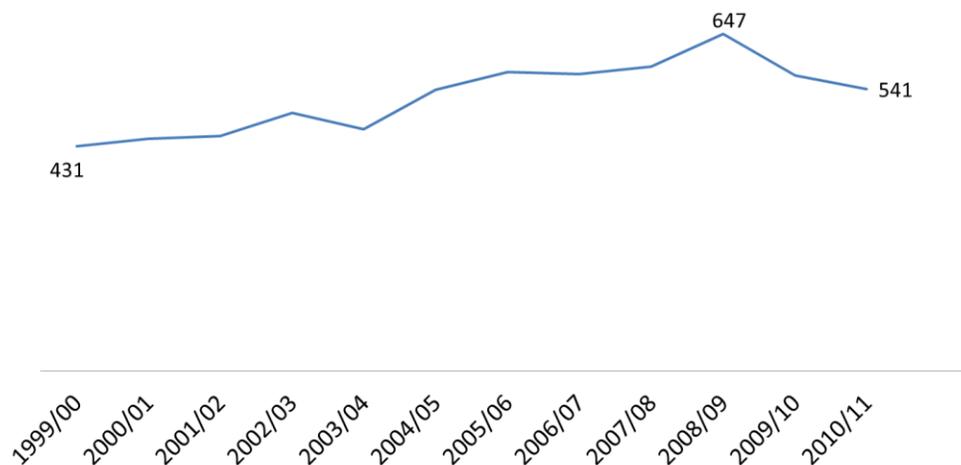
U.S. Census American Community Survey, 2009-2011 3-year Estimates

Children

An independent analysis by of Grand Forks demographics by Excensus, LLC on behalf of Grand Forks Public Schools suggests strong growth for school aged children in Grand Forks over the next few years. The Excensus analysis uses U.S. Census data, along with data from City of Grand Forks, Grand Forks County, ND Department of Transportation, and birth records from Altru Health System.

Excensus found that births in Grand Forks have risen from 431 in the 1999-2000 school year to 541 in the 2010-2011 school year, with a peak of 647 in 2008-2009. Census 2010 data confirms that Grand Forks no longer suffers from a shortage of children under age 5; the region is now on par with the nation in the concentration of young children.

Grand Forks Births

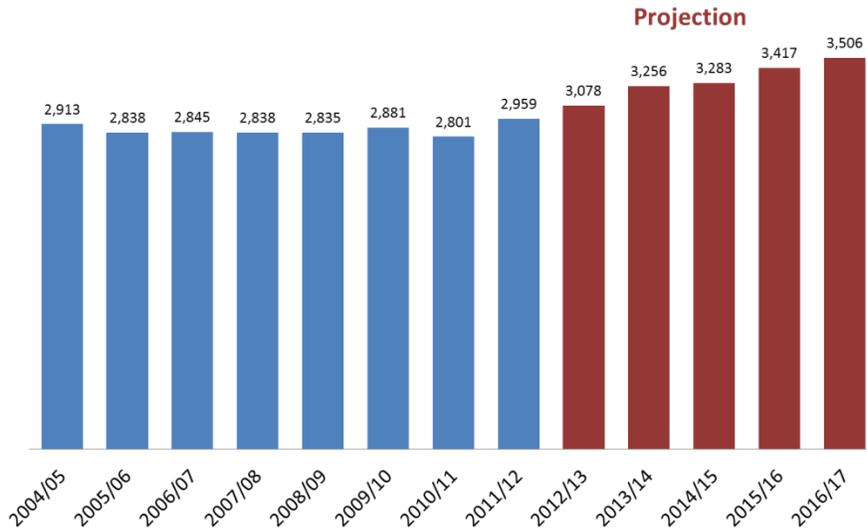


Source: Altru Health System birth records, Analysis by Excensus, LLC

This increase in births translates to projected growth for the Grand Forks Public School System. Excensus projects a growth in enrollment in Grand Forks Public Schools to more than 3,500 in the 2016-2017 school year, a growth of 25% over the 2010-2011 school year. In early 2013 the Grand Forks Herald reported that the calendar year of 2012 set a new record for the number of births at Altru Health Systems in Grand Forks.

According to Excensus, “There have been significant increases in younger families since 2004. Elementary enrollment growth is dependent on there being affordable single family housing available for young households currently in multi-family housing”.

Grand Forks Public Schools Enrollment and Projection

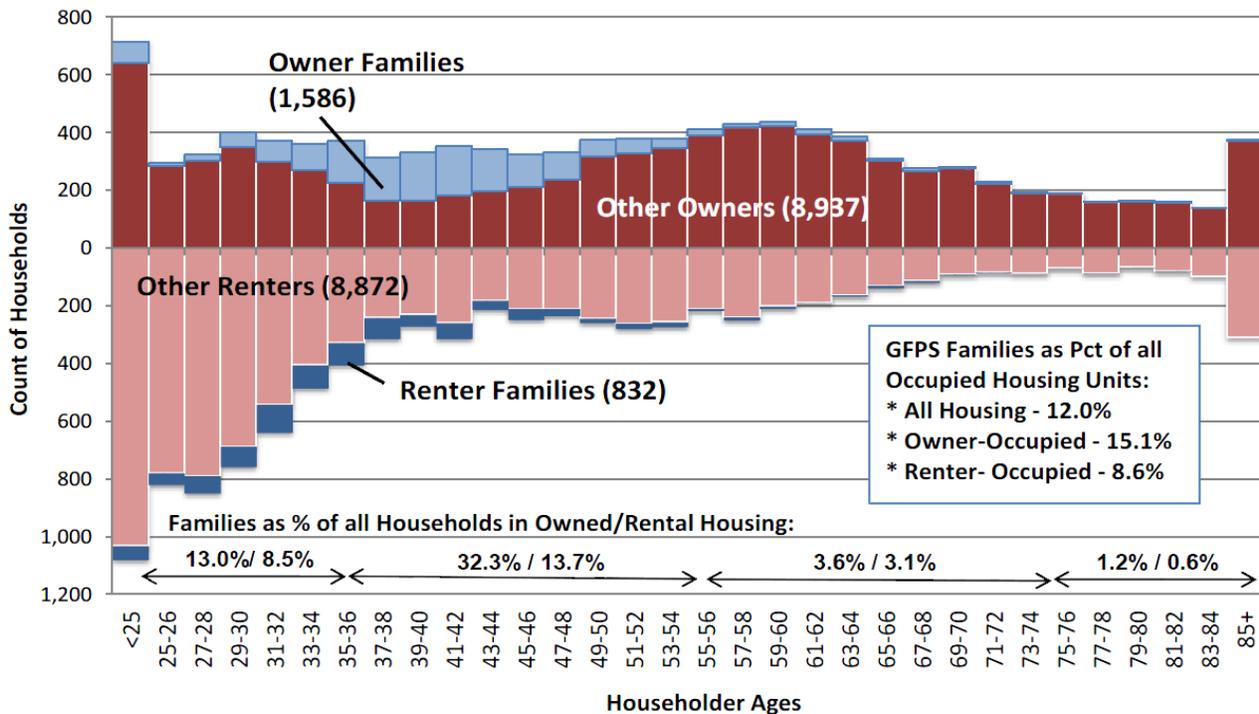


Source: Excensus, LLC

Grand Forks Public Schools - Families w/ Elementary Students Homeownership by Householder Age (2011)

(Data set covers 20,227 households)

Source: Excensus LLC

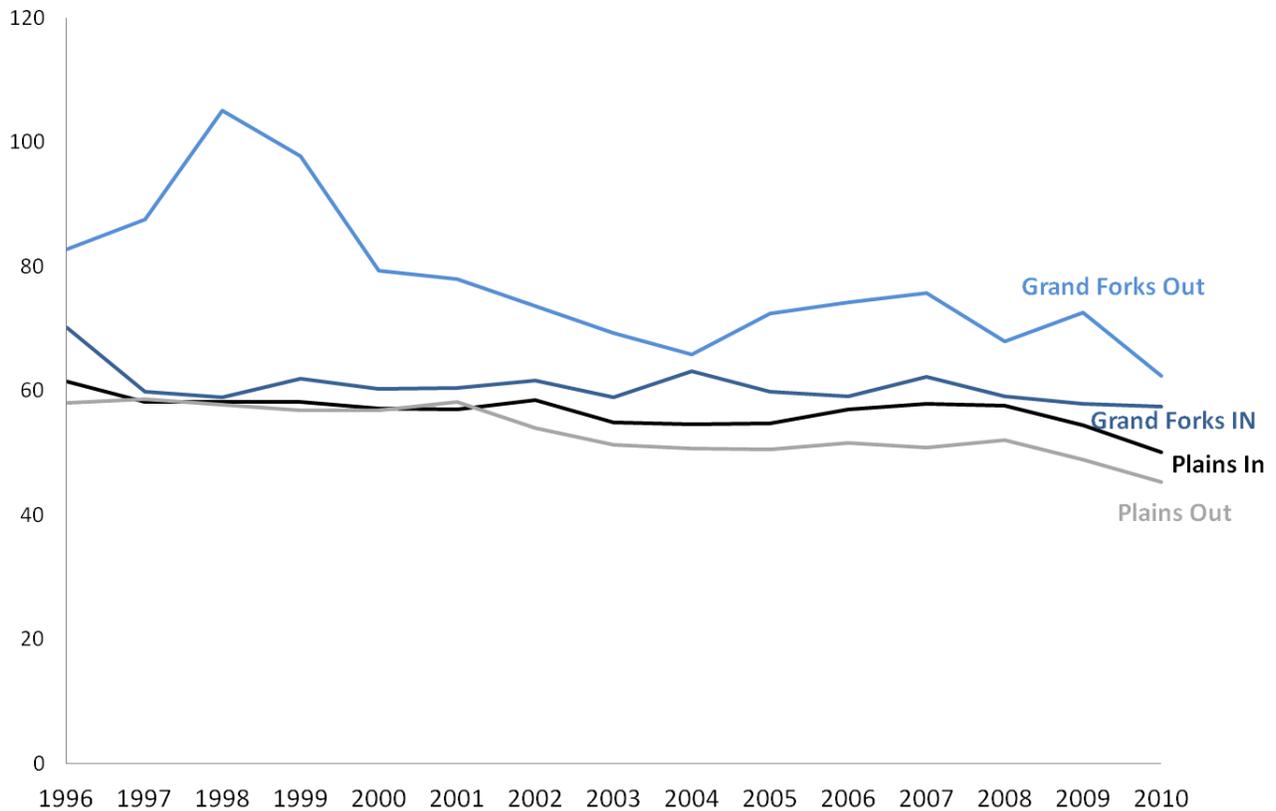


EXCENSUS LLC

Migration

Federal Internal Revenue Service data gives us a picture of residents moving into and out of the Grand Forks metropolitan area. The following chart shows inward and outward migration rates for the region compared to the median of 39 other metropolitan areas across the Great Plains. The outmigration effect of the 1997 flood is clear, but outmigration from the region has slowly declined over time. The outmigration rate is higher than the Great Plains baseline, but the Grand Forks region attracts migrants faster than the median plains region.

Grand Forks Migration - IRS Data



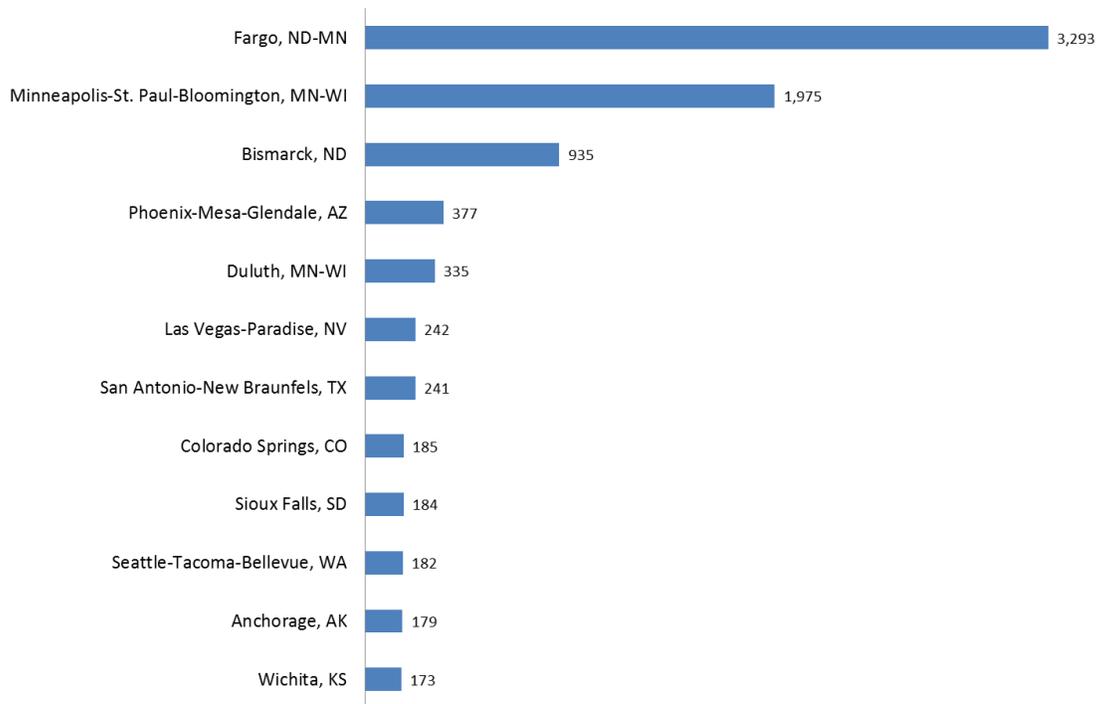
Grand Forks still retains a highly educated young workforce. In 2011, 54% of residents age 25-44 in the City of Grand Forks held a postsecondary degree, a rate 14 points higher than the nation. In 2010, the state of North Dakota ranked second in this measure, behind only Massachusetts. This educational attainment rate is on par with the Twin Cities region (54.5%) and higher than Denver (48.4%).

As a university and military town, Grand Forks will always experience high migration rates. The region holds an 85% higher concentration of residents in their early 20s. High out-migration rates of young people are not necessarily an indictment of the region, but rather a positive endorsement of the quality of the local education system. The region's out-migration rate actually declined during a time of Air Force downsizing, while the in-migration rate remained above-median in the Great Plains, a region of the country attracting migrants over the past few years.

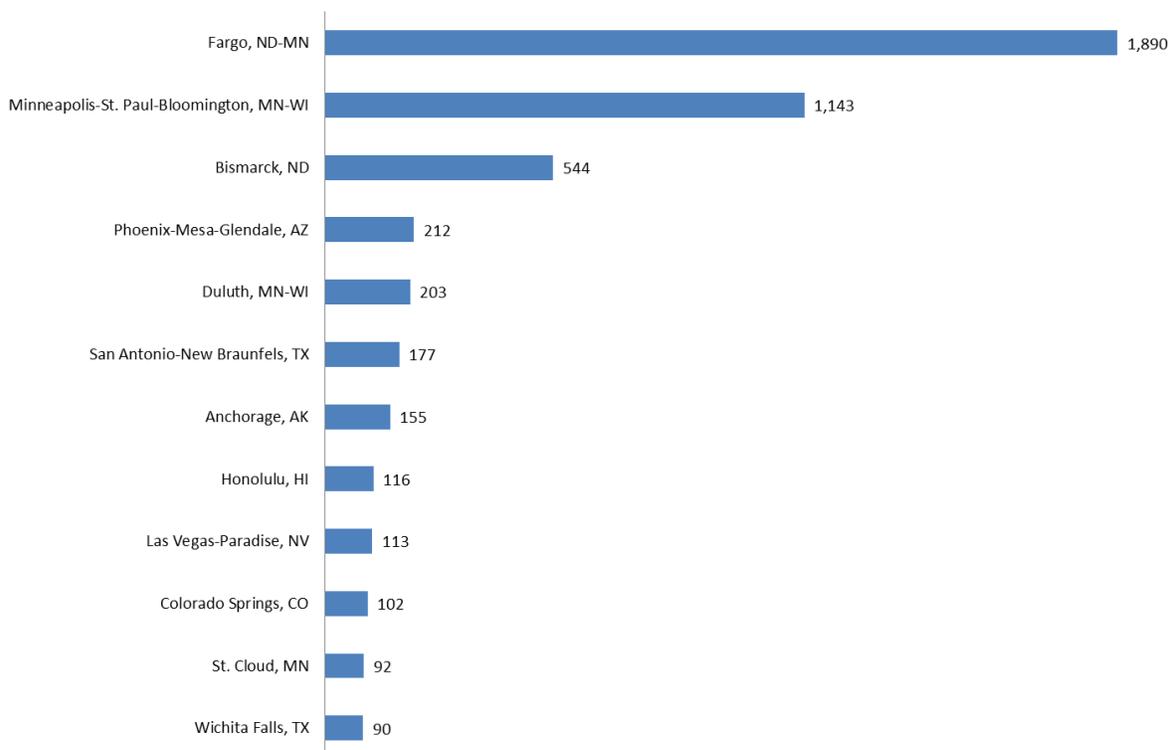
Residents moving away from the Grand Forks area are most likely to move to Fargo, followed by the Twin Cities area and Bismarck. Those three regions are also the greatest sources of new residents, but the inflows from these three regions are smaller than the outflows. However, in 2010 the Grand Forks area saw a net gain from the Twin Cities

due to migration. These signs of slowing out-migration and the parity with the Minneapolis region could be indications of continued demand for housing in Grand Forks.

Top Outmigration Destinations, 2005-2010

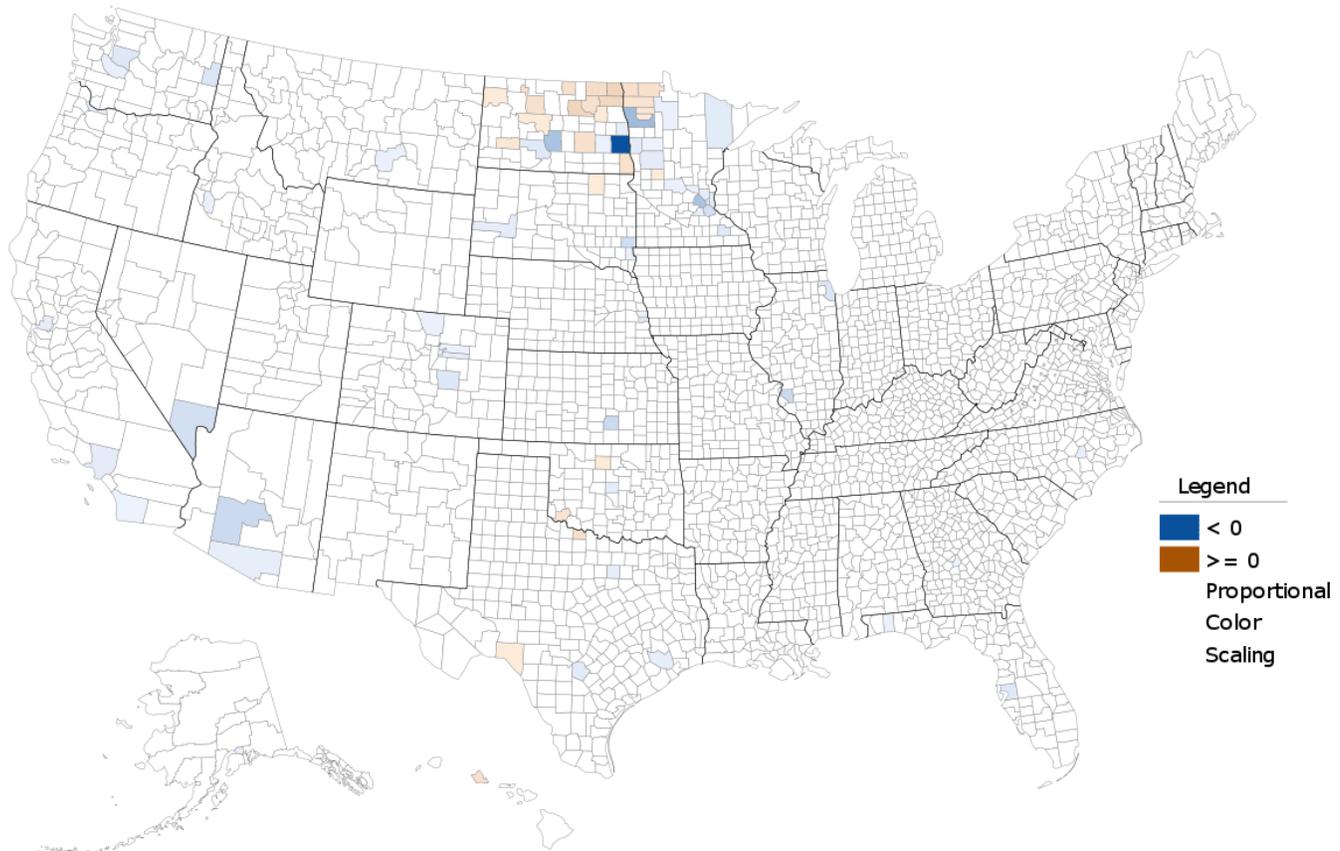


Top Sources of Inmigrants, 2005-2010



The following map depicts county to county flows for Grand Forks County over the past five years. Orange counties are sending residents to Grand Forks County on a net basis, while the county is losing to the blue counties on the map. Color darkness indicates the intensity of flows. Grand Forks fits the profile of a “plains sponge city”ⁱⁱⁱ, soaking up residents from rural counties, but losing some to other regions nationally. The most significant net flow from Grand Forks County is a net loss to Cass County in North Dakota.

Grand Forks County Migration Shed, 2005-2010

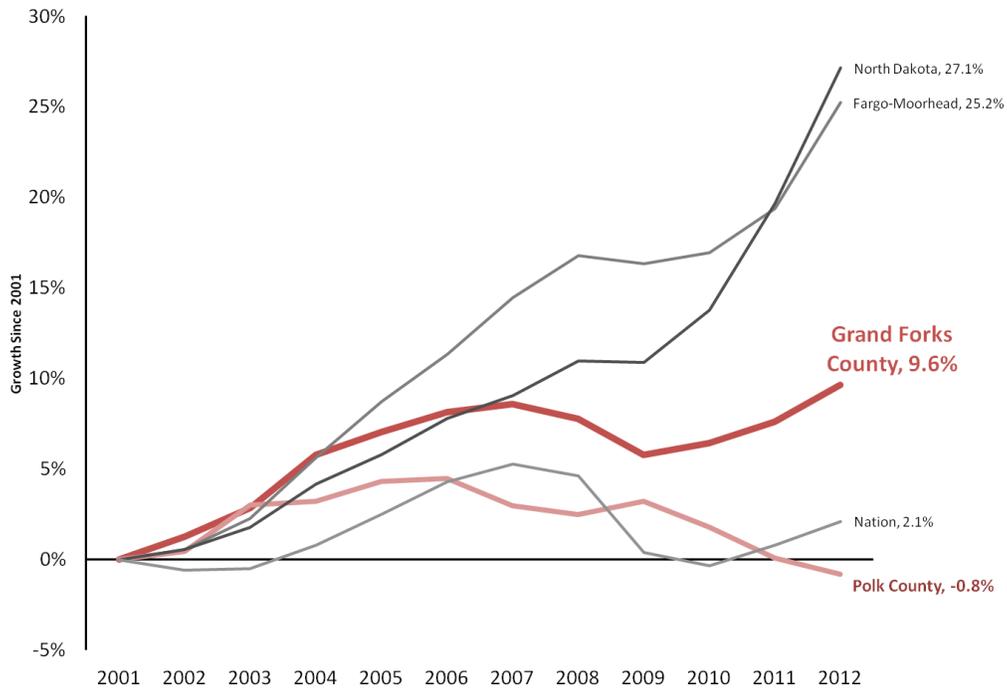


Employment and the Economy

Fifteen years after the flood, Grand Forks has made up the ground lost during that period of economic turmoil and then some. Along with its regional peers, the city has made notable economic strides over the past decade, even during a time of seemingly intractable national and international recession and slow recovery. While the Grand Forks region may occasionally be perceived as lagging some its peers regionally, such classifications are largely due to the strong company it currently keeps in the region. On the whole, the city has made progress relative to the nation. While the rest of the nation has been struggling, Grand Forks has had the benefit of relative economic prosperity.

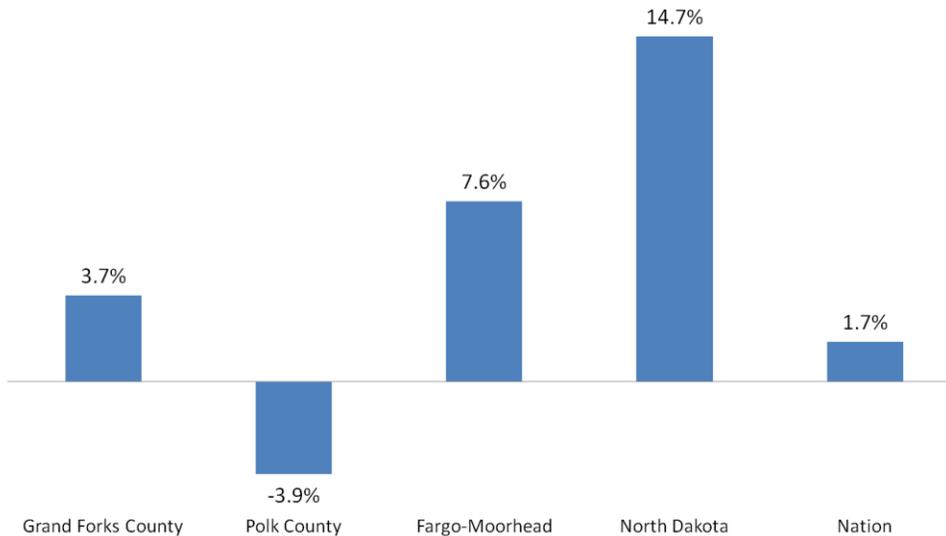
Employment in Grand Forks County has generally outperformed the nation over the past decade, yet it trails the recent boom in the state of North Dakota and growth of its nearest metropolitan area, Fargo. Grand Forks residents are apt to compare with Fargo, but it should be noted that Fargo is one of the fastest growing regions in the nation in terms of employment. Unfortunately, employment in Polk County has diverged from Grand Forks.

Employment Growth, 2001-2012



Since 2009, Grand Forks County has grown by more than twice the national rate, however Polk County has declined.

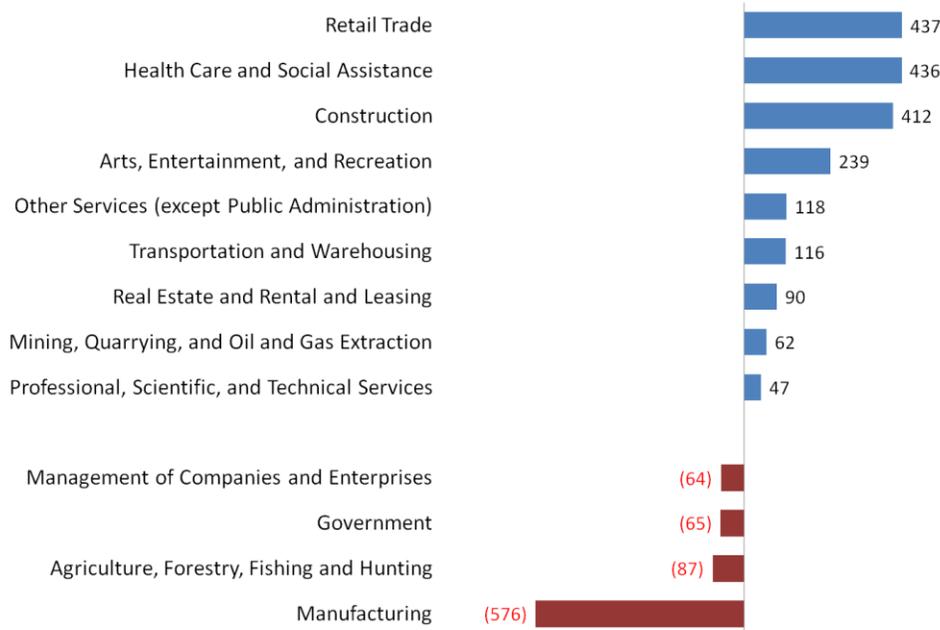
Job Growth, 2009-2012



Since 2009, the fastest growing sectors for total jobs are retail, health care, and construction. Retail and construction are not typically considered primary sector industries. However, retail growth is due primarily to 350 jobs in electronic shopping, a sector with an average pay of \$41,000 per year. Most new construction job growth is in road, bridge, civil engineering, and other heavy construction sectors. These are indications that the new retail and construction activity is selling goods and services outside the immediate region and paying wages with new money from the outside, shifting them towards primary sector status.

The region did see modest growth in professional and technical services. Grand Forks still holds low concentrations of jobs in this sector, making it an area of potential improvement.

Grand Forks Metropolitan Area Sources of Job Change, 2009-2012



The region is dominated by a relatively stable employment base of education and medical industries, but the metropolitan area has also seen growth in a number of industries that could fuel demand for housing. The table below lists the fastest-growing industries paying more than \$28,000 per year by the number of jobs added since 2009.

Recent announcements of shifting market conditions in the wind power generation industry may have cast some doubt on the region’s ability to sustain demand for housing. This industry has already shed 218 jobs between 2009 and 2012, yet the region still showed strong indications of growing housing demand over the same period of time.

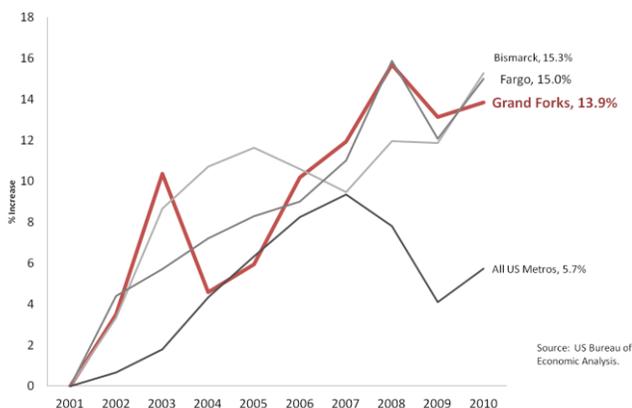
Fastest Growing Industries Paying \$28,000 or More, 2009-2012	2009-2012 Growth	% Change	2012 Earnings Per Worker
Electronic Shopping and Mail-Order Houses	358	133%	\$41,216
General Medical and Surgical Hospitals (Private)	287	9%	\$49,063
Building Equipment Contractors	208	29%	\$57,685
Motor Vehicle Body and Trailer Manufacturing	113	353%	\$42,977
State Government, Excluding Education and Hospitals	105	15%	\$64,391
Architectural, Engineering, and Related Services	93	26%	\$68,755
Employment Services	91	34%	\$31,313
Other Specialty Trade Contractors	79	23%	\$45,809
Local Government, Excluding Education and Hospitals	78	4%	\$46,441
Other Heavy and Civil Engineering Construction	77	82%	\$64,004
Couriers and Express Delivery Services	73	34%	\$46,007
Lessors of Real Estate	71	61%	\$36,789
Insurance Carriers	68	100%	\$54,416
Automobile Dealers	63	13%	\$47,767
Crop Production	58	2%	\$29,269
Electronics and Appliance Stores	56	21%	\$35,526

Fastest Growing Industries Paying \$28,000 or More, 2009-2012	2009-2012 Growth	% Change	2012 Earnings Per Worker
Foundation, Structure, and Building Exterior Contractors	54	22%	\$36,043
Legal Services	48	17%	\$51,301
Education and Hospitals (Local Government)	46	2%	\$52,018
Highway, Street, and Bridge Construction	41	15%	\$76,789
Computer Systems Design and Related Services	41	29%	\$42,733
Special Food Services	40	63%	\$38,061
Lawn and Garden Equipment and Supplies Stores	40	78%	\$42,489
Motor Vehicle & Motor Vehicle Parts & Supplies Merchant Wholesalers	39	45%	\$43,657
Offices of Other Health Practitioners	38	14%	\$45,466
Building Material and Supplies Dealers	37	6%	\$36,662
Education and Hospitals (State Government)	35	1%	\$46,664

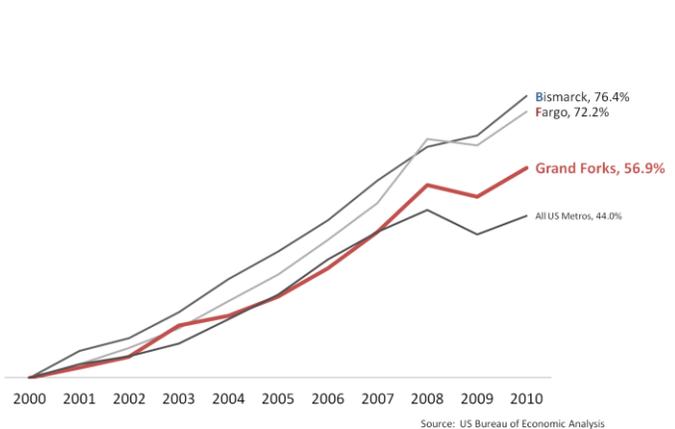
While Grand Forks has lagged North Dakota peer cities Fargo and Bismarck in economic growth over the past decade, it has outpaced national metropolitan averages, and remains within striking distance of its neighbors on some growth measures.

The Grand Forks metropolitan area posted 13.9% growth in real GDP per capita over the first decade of the century, far outpacing the overall national metropolitan growth rate of 5.7%. While lagging the gains seen in Fargo and Bismarck, the Grand Forks metro has also outpaced the national metropolitan growth rates in personal income.

Per Capita Real GDP Gain by Metro, 2000-2010



Personal Income Growth by MSA, 2000-2010



Comparative Wages in Grand Forks

The following table depicts wages in the Grand Forks Metropolitan Area by the federally designated Standard Occupational Code groupings. The center columns of the table indicate the hourly wages paid for each group of occupations at various pay levels: 10th percentile, 25th, median (50th), 75th, and 90th. The 10th percentile pay category could be considered to be the “entry level” of the pay scale, those workers paid the lowest for any given occupation, and the 90th percentile category is the highest level of pay for each occupation, typically those workers with the highest level of seniority or skills.

The right-hand columns in the table show the ratio of Grand Forks pay to the pay of a baseline average of nine surrounding states: North Dakota, Montana, Wyoming, South Dakota, Colorado, Nebraska, Kansas, Iowa, and

Minnesota. For instance, management occupations in Grand Forks are generally lower paying. Managers making a median-level wage in Grand Forks make 70% of the nine-state average. However a median-paid production worker (typically in a manufacturing business) makes 5% more than the nine-state average, with a 105% pay ratio.

In general, pay in Grand Forks is most competitive for “blue collar” types of occupations that tend to be somewhat lower-paying, such as buildings and grounds workers, personal care workers, and production workers. Pay in the Grand Forks Metropolitan Area is least competitive for managers, engineers and architects, computer and information, and legal occupations. However, Grand Forks educators make a 4-7% pay premium compared to their peers in the nine-state baseline region. Yet for most higher-paying jobs requiring higher levels of education, Grand Forks lags in pay.

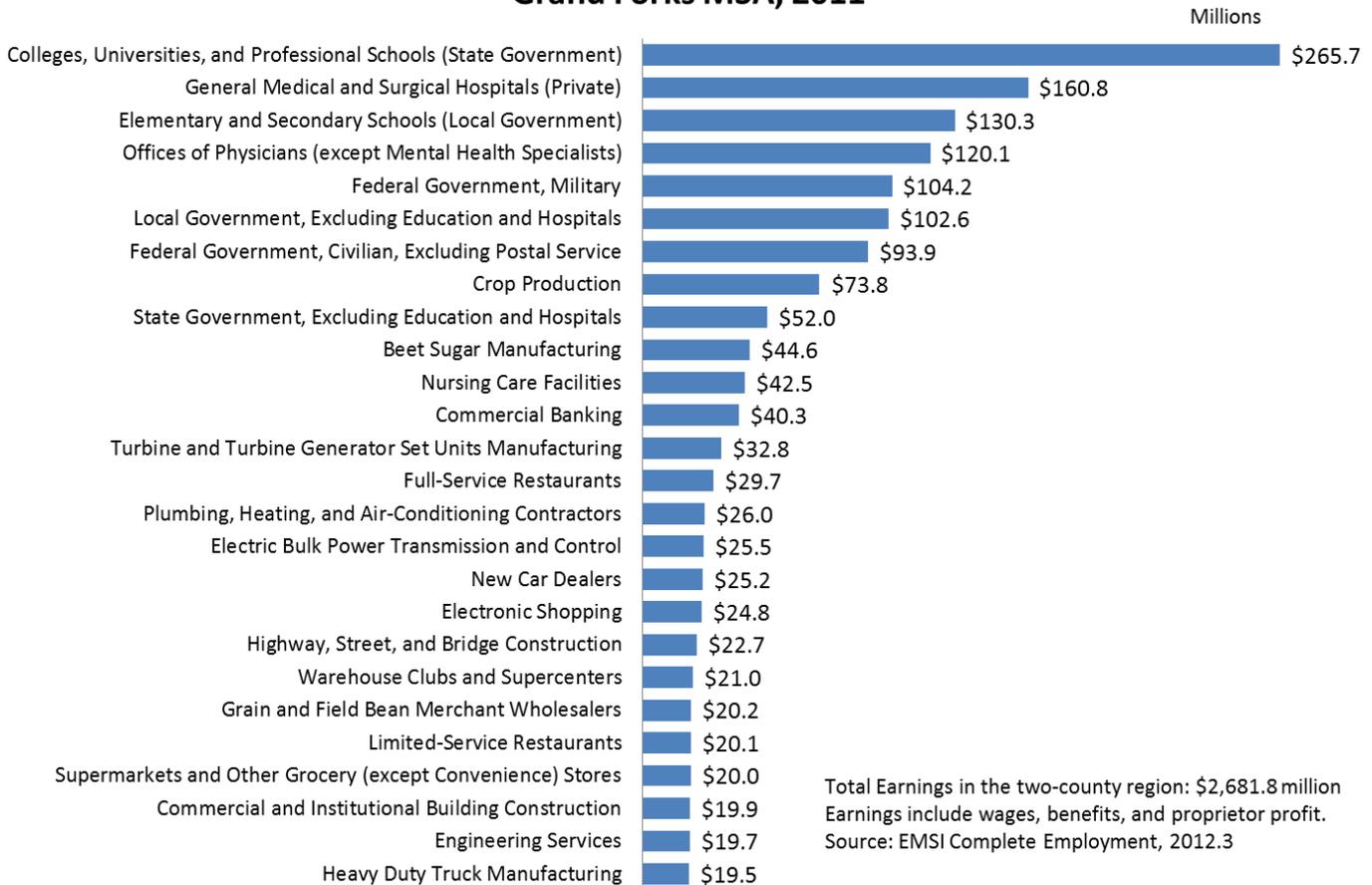
Pay for health care practitioners and technical workers (typically requiring at least a four-year degree) lags uniformly about 10%, yet health care support workers are higher-paid than average, especially at the lowest pay levels. Pay for workers in construction occupations is at the regional average.

Overall, employers in Grand Forks pay about 10% less than peers across the nine bordering states. The table below includes both full-time and part-time jobs, along with full-time self-employed workers.

Occupation Description	Grand Forks Metropolitan Wages					Grand Forks vs 9-state Baseline Pay				
	10th Pct Hrly Wage	25th Pct Hrly Wage	Medn Hrly Wage	75th Pct Hrly Wage	90th Pct Hrly Wage	10th Pct Hrly Wage	25th Pct Hrly Wage	Medn Hrly Wage	75th Pct Hrly Wage	90th Pct Hrly Wage
Management Occupations	\$15.47	\$18.94	\$23.62	\$30.15	\$38.43	75%	73%	70%	68%	66%
Business and Financial Operations Occupations	\$16.58	\$20.76	\$26.30	\$33.42	\$41.72	95%	96%	94%	92%	90%
Computer and Mathematical Occupations	\$19.12	\$23.10	\$28.72	\$35.17	\$42.21	89%	85%	84%	83%	82%
Architecture and Engineering Occupations	\$17.12	\$20.62	\$25.38	\$30.72	\$36.82	77%	77%	76%	75%	75%
Life, Physical, and Social Science Occupations	\$16.52	\$19.84	\$24.98	\$31.30	\$37.68	92%	89%	88%	88%	87%
Community and Social Service Occupations	\$12.42	\$14.82	\$18.36	\$22.67	\$27.91	102%	100%	99%	97%	96%
Legal Occupations	\$17.85	\$22.04	\$27.60	\$34.60	\$43.47	82%	81%	77%	72%	65%
Education, Training, and Library Occupations	\$14.04	\$16.91	\$21.18	\$26.52	\$33.75	106%	105%	104%	104%	107%
Arts, Design, Entertainment, Sports, & Media Occupations	\$10.84	\$12.99	\$16.99	\$22.77	\$30.71	93%	92%	95%	97%	102%
Healthcare Practitioners and Technical Occupations	\$19.83	\$23.62	\$29.96	\$33.98	\$42.85	89%	87%	92%	88%	90%
Healthcare Support Occupations	\$10.41	\$11.69	\$13.38	\$15.24	\$17.31	107%	106%	105%	103%	102%
Protective Service Occupations	\$14.89	\$17.19	\$19.93	\$23.34	\$28.76	117%	112%	107%	103%	106%
Food Preparation and Serving Related Occupations	\$7.82	\$8.30	\$9.21	\$10.39	\$12.28	99%	98%	97%	97%	93%
Building & Grounds Cleaning & Maintenance Occupations	\$8.67	\$9.87	\$11.50	\$13.88	\$16.48	106%	107%	106%	105%	103%
Personal Care and Service Occupations	\$8.52	\$9.36	\$10.63	\$12.68	\$15.44	104%	104%	104%	105%	106%
Sales and Related Occupations	\$9.41	\$10.63	\$12.37	\$15.94	\$21.74	93%	87%	81%	78%	78%
Office and Administrative Support Occupations	\$9.94	\$11.42	\$13.65	\$16.51	\$19.57	95%	92%	89%	89%	88%
Farming, Fishing, and Forestry Occupations	\$9.19	\$10.33	\$12.38	\$14.02	\$15.53	105%	102%	100%	94%	88%
Construction and Extraction Occupations	\$13.33	\$15.79	\$18.79	\$22.41	\$26.25	102%	101%	99%	97%	97%
Installation, Maintenance, and Repair Occupations	\$12.66	\$15.45	\$19.27	\$23.42	\$27.82	99%	98%	98%	97%	97%
Production Occupations	\$11.61	\$13.91	\$16.66	\$19.76	\$23.32	107%	107%	105%	102%	101%
Transportation and Material Moving Occupations	\$10.56	\$12.27	\$14.87	\$18.50	\$22.82	101%	98%	97%	97%	97%
Total	\$11.75	\$13.82	\$16.76	\$21.72	\$26.38	93%	91%	89%	93%	90%

Which industries in the two-county metropolitan area generate the most aggregate earnings, supporting workers in the economy and driving demand for housing? The University of North Dakota leads the way, pouring \$265.7 million per year into the local economy in the form of wages and employee benefits. General hospitals generate the second-most aggregate earnings, followed by public elementary and secondary schools, and offices of physicians. Together, these four largest sectors account for 25% of the \$2.6 billion in aggregate earnings paid out each year to by Grand Forks area employers.

Top Sources of Aggregate Earnings by Industry Grand Forks MSA, 2011

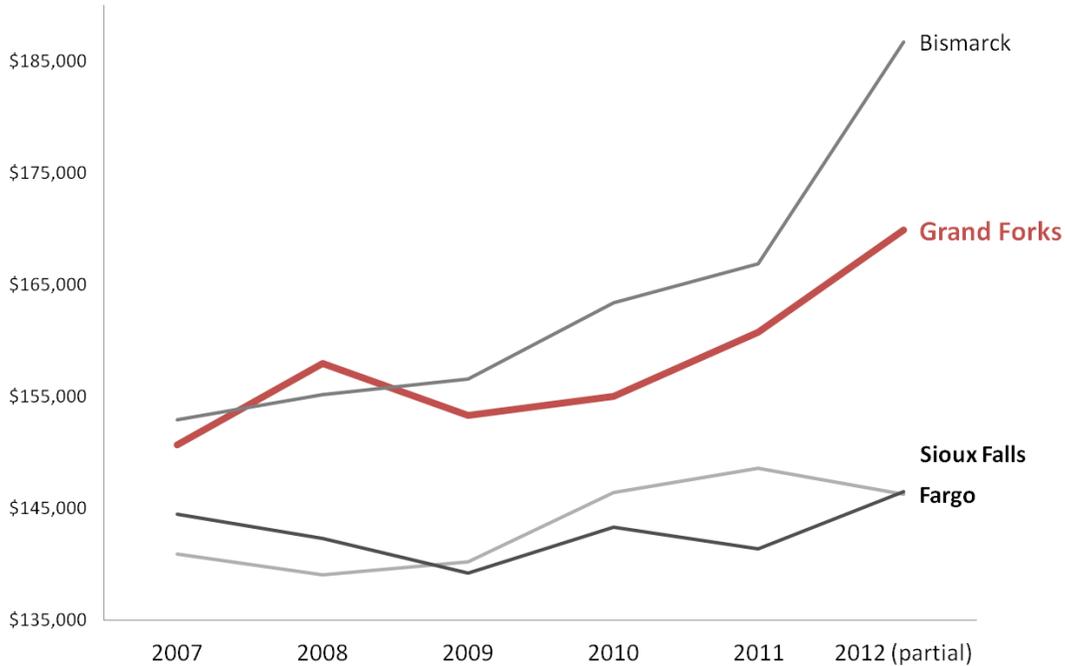


Housing Market Intelligence

The clearest sign of market stress is the increasing median home price in the city of Grand Forks. The median single family home price rose from \$153,300 in 2009 to 169,900 in 2012. To date in 2012, the median sales price in Grand Forks is 16% higher than in the Fargo area, where the median home price is \$146,300.

The economic data above is strong evidence that demand for housing in Grand Forks is real, a sign that prices may be rising due to short supply. The Grand Forks median price began its rise in 2009. This coincides with the turnaround in job growth that began in 2009.

Median Sales Price by MSA, Existing Single Family Homes 2007-2012



Sources: National Association of Realtors, GF, Board of Realtors, City of Grand Forks. 2012 data for Fargo, Sioux Falls, and Bismarck is a preliminary estimate for the first half of the year.

The total number of listings per year has remained relatively stable in recent years, according to the Grand Forks Board of Realtors. According to transaction data collected by the City of Grand Forks Assessor’s Office, total transactions for each year between 2008 and 2011 have remained in the 535-549 range. Yet prices have risen during the same period, another indication that supply is not meeting the strong demand for housing.

In the fall of 2012, offerings on the city’s multiple listing service have hovered at around 90 listings. By January of 2013, that number had dropped to below 65 listings. Local realtors indicate that a typical “healthy” market for the city based upon historical norms is 200-250 listings.

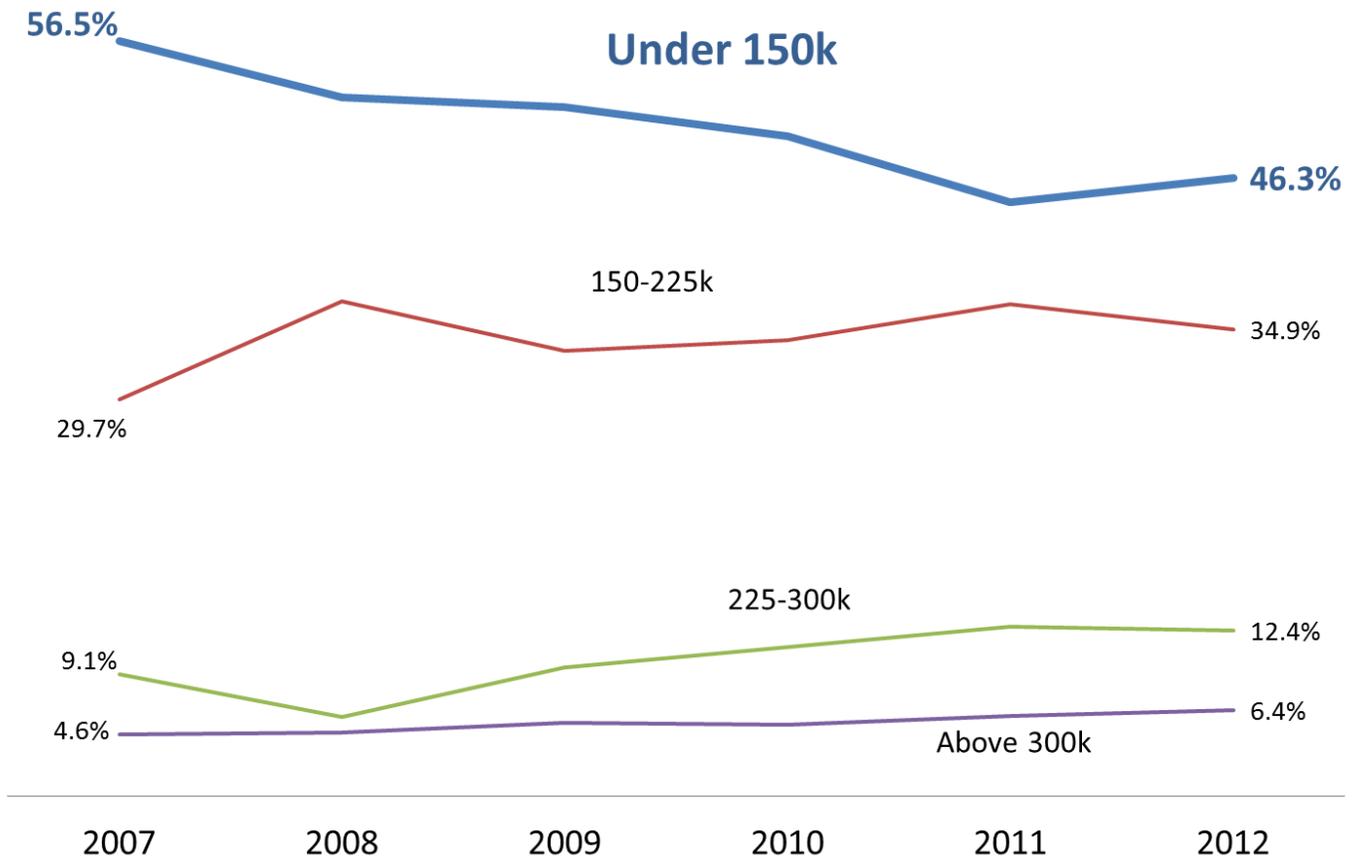
This report groups home sales prices and home assessed values by assuming a household can afford a home priced at three times its annual income. The following table shows home price groupings calculated by multiplying local household income brackets by a factor of three.

Measuring Affordability

Income			Price	
Min	Max		Min	Max
\$0	\$24,999	x3	\$0	\$74,997
\$25,000	\$34,999	x3	\$75,000	\$104,997
\$35,000	\$49,999	x3	\$105,000	\$149,997
\$50,000	\$74,999	x3	\$150,000	\$224,997
\$75,000	\$99,999	x3	\$225,000	\$299,997
\$100,000	\$149,999	x3	\$300,000	\$449,997
\$150,000	Or more	x3	\$450,000	Or more

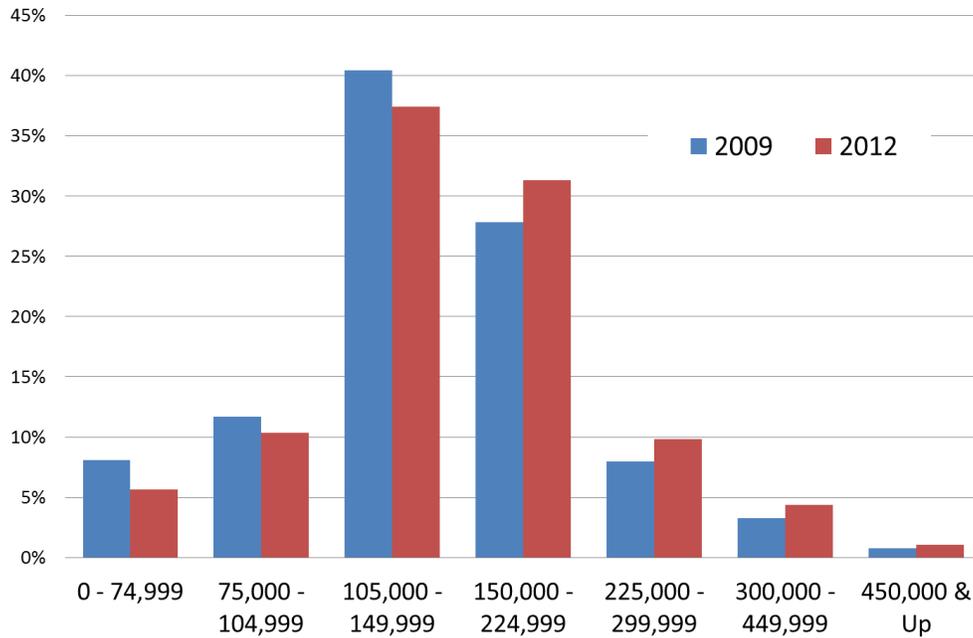
Data indicates that most market action is towards in home prices on either side of \$150,000. Homes sold for less than \$150,000 in the city are steadily declining. In 2007, 56% of all sales occurred below the \$150,000 price point, by 2012 that share had dropped to 46%. Over the same time, the share of transactions between \$150,000 and \$225,000 increased most significantly. Sales of homes of more than \$300,000 still make up just 6% of all transactions. These are indications that the escalation of the median home price is occurring due to price increases of homes at the \$100,000 to \$225,000 levels.

Grand Forks Housing Sales by Price



Looking at properties by assessed value, the trend is similar. Since 2009, the share of homes in each category of assessed value below \$150,000 has declined, while each category of homes valued above \$150,000 increased their share of total homes. The sharpest decline in share occurred in homes priced \$105,000 – 150,000 and the sharpest increase in share occurred among homes priced in the \$150,000 – 225,000 category. This is a further indication of the rising home values, and the high degree of price escalation occurring around the \$150,000 price point.

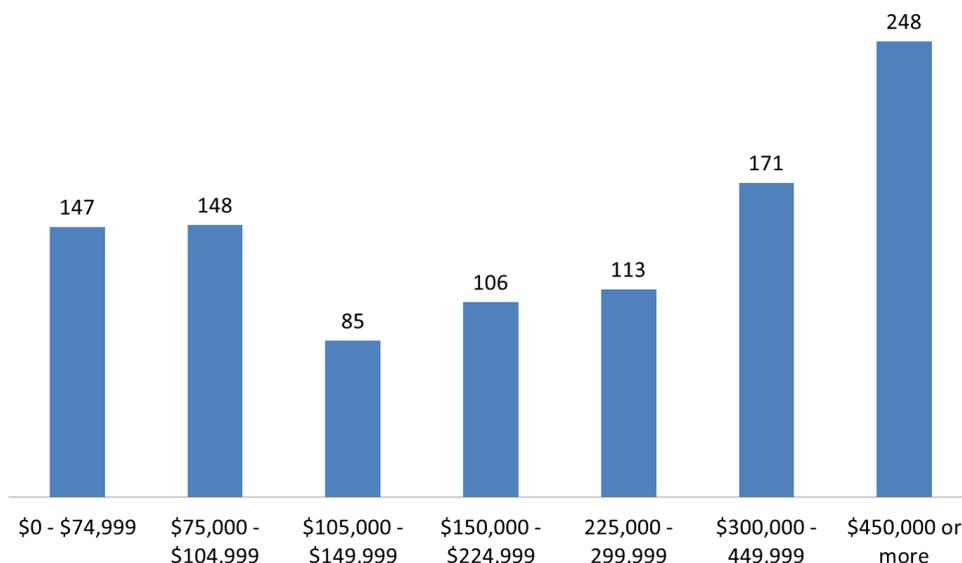
Home Distribution by Assessed Value



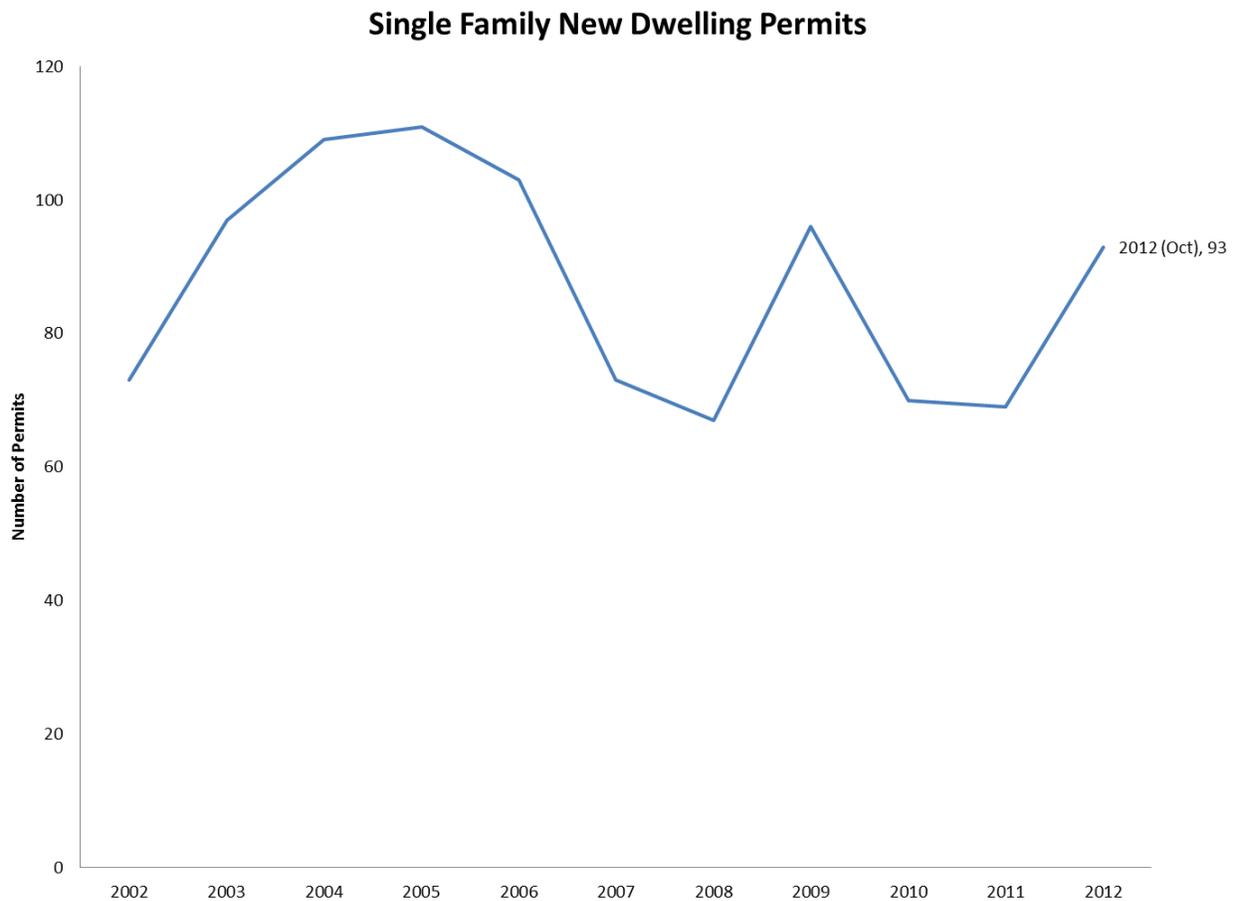
Another sign of market turbulence at the middle levels is the average time on the market until closing. As of August 2012, homes in the \$105,000 - \$149,999 bracket are closing the fastest, at an average of 85 days, followed by homes priced \$150,000 - \$224,999 and \$225,000-\$299,999.

The following chart depicts average time until closing, but many homes are “off the market” much sooner than what is depicted on the chart as offers are accepted for each property well before the closing date. The average figure is also susceptible to upward skew caused by poorly priced or substandard units sitting on the market for long periods. Local anecdotes confirm that offers are often accepted on properties within a week or sometimes within hours of listing.

Grand Forks Average Days on the Market Until Closing by Price, 2012



Single family home building has generally been slower since 2007, after peaking in 2004 and 2005. As of October of 2012, this year appears to be seeing an increase in single family home permits over recent years.



Measuring Housing Affordability: The Median Multiple

Measuring relative housing affordability can be a challenge. Each community has its own unique income levels and housing prices driven by supply and demand factors unique to its location.

The median multiple offers a measure of housing affordability that controls for such variability across differing communities. By comparing a community's median household income to its median house price, we can measure the overall balance in the market between the supply side (cost of housing) and demand side (residents' ability to pay). The ratio between the two gives a way to measure the relative affordability of housing compared to other communities, which have different income and pricing structures.

At levels above a ratio of 3.0, research has shown that housing prices begin to become unaffordable for the buyer. For example, in a market with a median household income of \$50,000, houses valued up to \$150,000 dollars would be considered affordable using the median multiple measure. A ratio of 3.1 to 4.0 (or up to a \$200,000 home for our hypothetical \$50,000 household income standard) would be classed as "moderately unaffordable," with anything beyond 4.0 classed as seriously or severely unaffordable for the buyer.

Table ES-1 Demographia Housing Affordability Rating Categories	
Rating	Median Multiple
Affordable	3.0 & Under
Moderately Unaffordable	3.1 to 4.0
Seriously Unaffordable	4.1 to 5.0
Severely Unaffordable	5.1 & Over

Source: Demographia International Housing Affordability Survey

Historically, this “price to income” ratio has tracked at or below 3.0 in stable and affordable markets. While not as complex as some housing expenditure to income ratios used to gauge affordability, the median multiple provides a quick snapshot of housing market affordability, allowing comparison across markets based on each community’s regional supply and demand factors. At base, it allows an easy way to compare housing costs to regional incomes, which can then be expanded on by drilling into local market details.

The median multiple for Grand Forks can be calculated by dividing the 2012 median home price of \$169,900 by the estimated 2012 median household income of \$47,400. This calculation shows a median multiple of 3.59 as of August 2012.

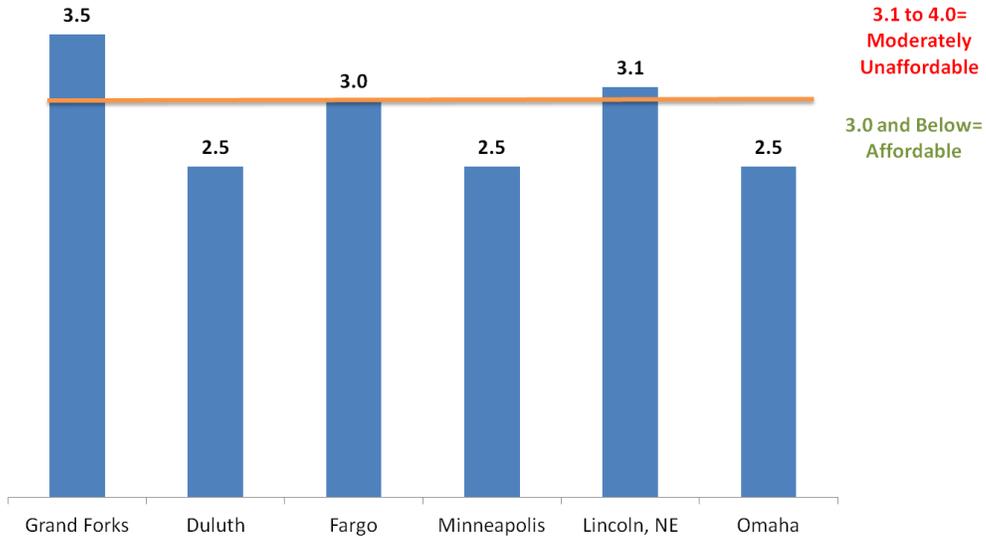
Grand Forks 2012 Single Family Housing Affordability

$$\begin{array}{r}
 \text{Median Home Price:} \quad \mathbf{\$169,900} \\
 \hline
 \text{Median Household Income:} \quad \mathbf{\$47,400} \\
 \hline
 \mathbf{= 3.59}
 \end{array}$$

“Affordable” is 3.0 or below.

When measured against the median multiple standard, the market for single family homes in Grand Forks is currently classed as “moderately unaffordable,” checking in at a ratio of 3.6 in 2012. This ratio is higher than that seen in several other regional communities for which 2011 data is available.

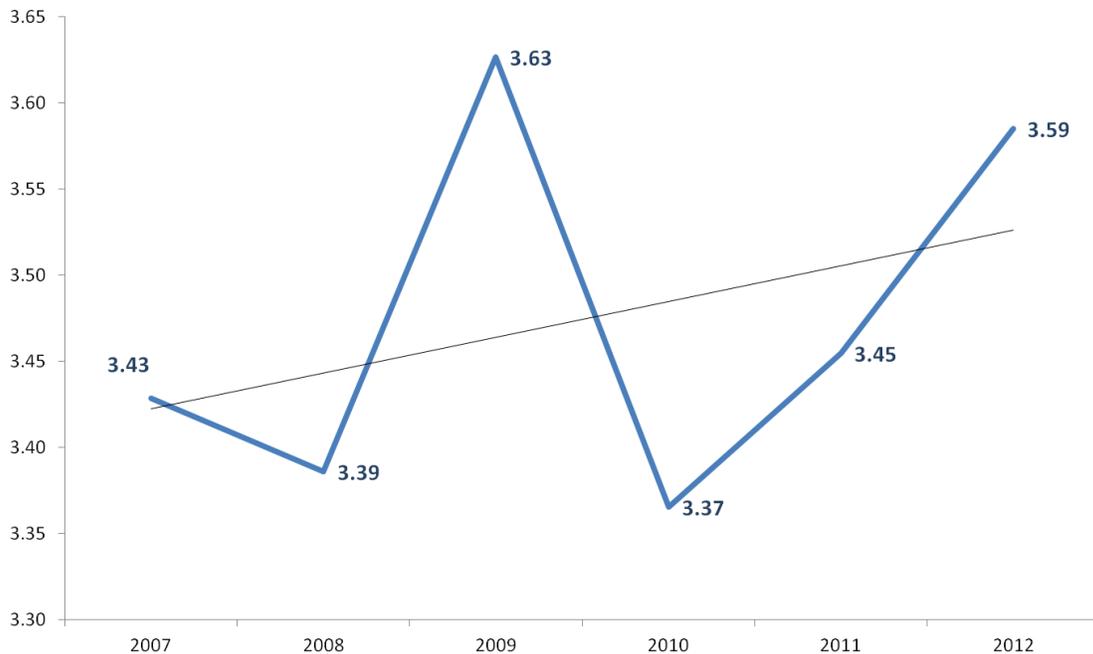
Median Multiple Estimates by Metro, 2011



Source: Grand Forks Board of Realtors, US Census, Demographia 2012 International Housing Affordability Survey

While a median multiple of 3.6 does not in and of itself mean that the city is an affordability crisis, it does signal that there may be some cause for concern about the affordability of housing for community members, particularly below median income. Half of Grand Forks residents reside in households that earned below approximately \$46,000 in 2010. With median housing costs approaching \$170,000 as of 2012, many households below median income may find the purchase cost of housing increasingly onerous.

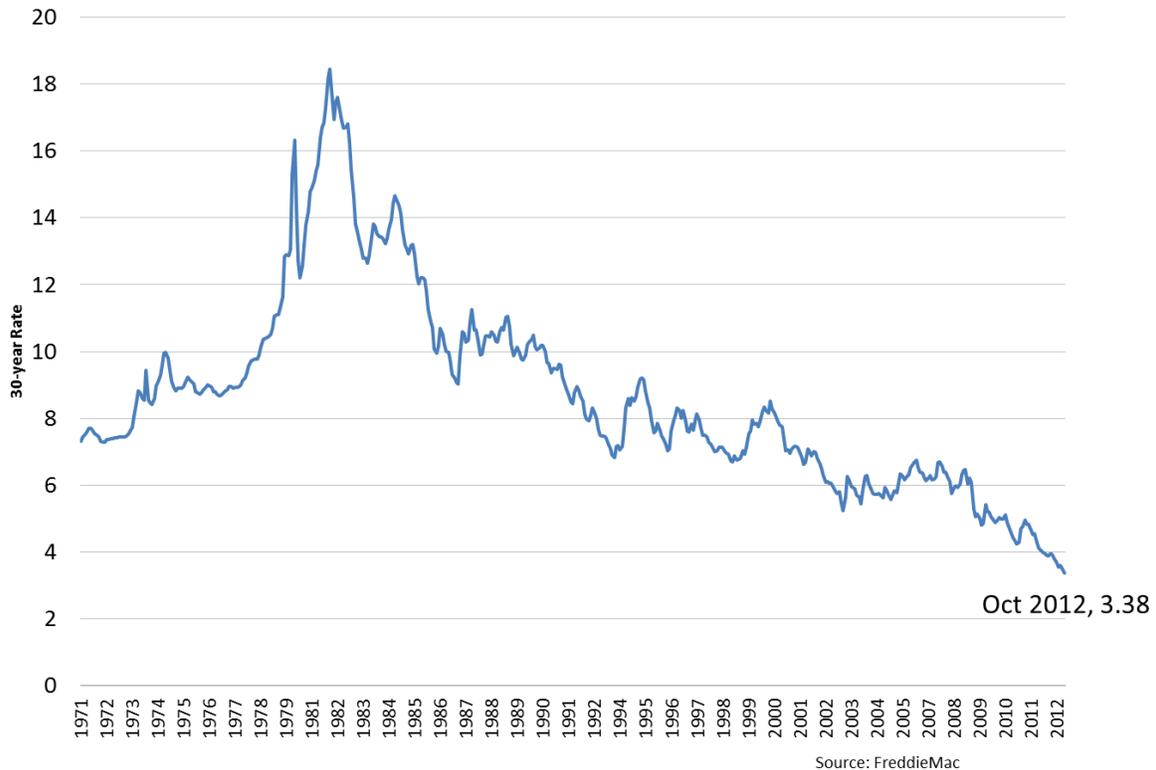
Median Multiple (Estimate, w/ Trendline)



Source: US Census ACS, Grand Forks Board of Realtors, BBC GF Housing Study

Low mortgage interest rates are another key contributor to rising local home prices. Low rates increase the buying power, allowing buyers to stretch personal housing budgets to afford more expensive homes. However, low rates have been found to have a greater impact on home refinancing activity than home buying. This is partly due to the more stringent qualifications required by lenders in order to obtain home financing. High rent in Grand Forks also reduces the ability of buyers to save to meet more concrete down payment requirements.

U.S. 30-Year Fixed-rate Mortgage Rate



Land Prices and Special Assessments

In Grand Forks, new infrastructure is financed by special assessments applied to each new lot after development. The city of Grand Forks requires a 50% letter of credit from developers up front, or a developer has the option of installing infrastructure in lieu of the special assessment process.

A cursory look at advertised new home listings in the Fargo market compared to Grand forks appears to indicate less expensive housing and particularly less expensive new housing in Fargo relative to Grand Forks. This is also reflected in the 16% higher overall median home price in Grand Forks.

An analysis of a sample of 15 lot sales occurring between April and September 2012 in each market shows that the average vacant lot sale price in Grand Forks was 30% higher than in Fargo, and the median sale price was 35% higher in Grand Forks than Fargo.

This price includes current special assessments applied to each lot; however the Grand Forks lots varied widely in special assessments currently outstanding. Additional assessments applied to the Grand Forks lots at a later date would drive up prices even higher for the final home owner.

15 Land Sales

April – September 2012

Sale Price

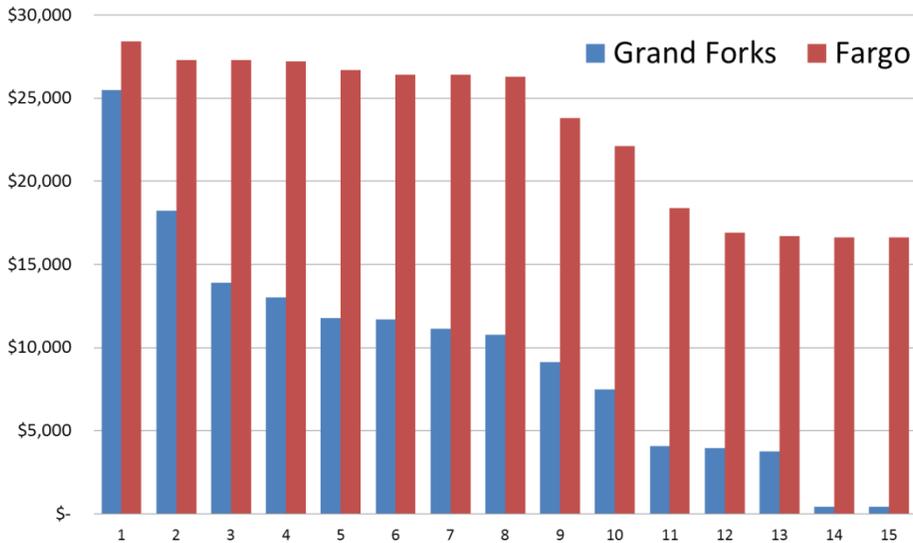
- Grand Forks mean price: \$63,057
- Grand Forks median price: \$60,776
- Fargo mean price: \$48,327
- Fargo median price: \$44,900

Lot Size (Frontage)

- Grand Forks mean: 87 feet
- Grand Forks median: 95
- Fargo mean: 71
- Fargo median: 62

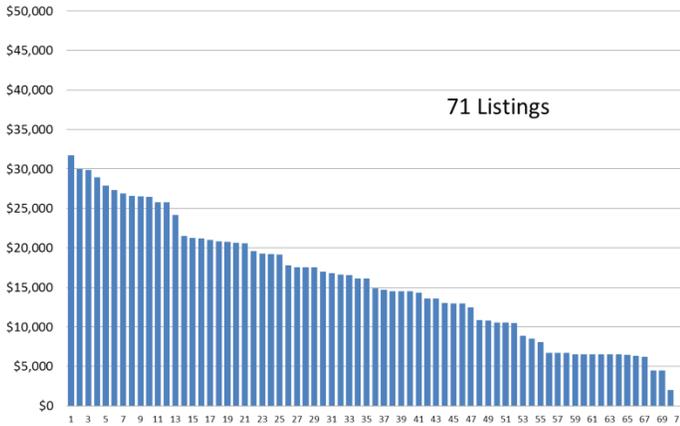
Among the sample of 15 recent lot sales in each community, more than half the Fargo lots had already been assessed more than \$25,000, and all had been assessed more than \$15,000. Lower asking prices in Fargo and West Fargo for new lots and new homes may not be reflecting the hidden costs of high special assessments per lot that still must be paid by home buyers.

**Last 15 Lot Sales, Grand Forks and Fargo
Current Special Assessments per Lot**

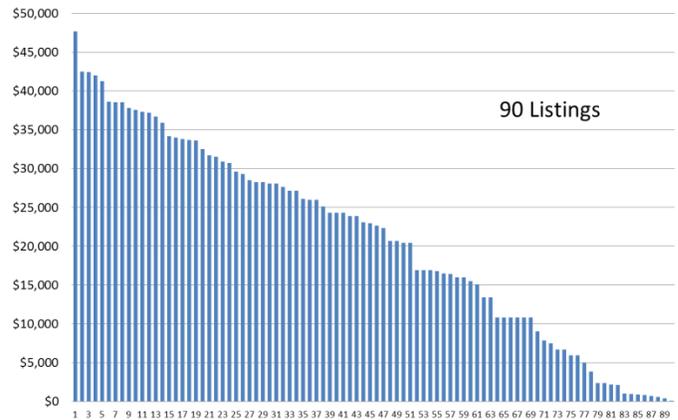


City of Grand Forks staff indicate that assessments per new lot in Grand Forks tend to fall between \$15,000 and 30,000. A look at newer homes currently listed on the market in Fargo and West Fargo produce a number of properties with currently outstanding assessments of \$20,000, \$30,000, or even \$40,000. Indications are that special assessment costs passed on to home buyers and lot buyers in Grand Forks are comparable to costs in Fargo and West Fargo.

Fargo Listings: Unpaid Specials on Homes Built Since 2010



West Fargo Listings: Unpaid Specials on Homes Built Since 2010



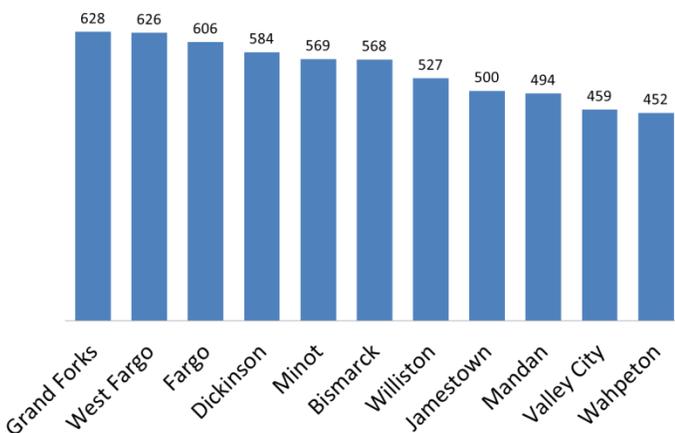
Recent vacant lot sales are sold for 30-35% more per lot in Grand Forks compared to Fargo. Special assessments passed on to home buyers and infrastructure costs (discussed below) are comparable in Grand Forks to the Fargo area where more building occurs. Local home builders report problems acquiring and adequate number of lots for building.

Conclusion: High and increasing prices for home lots and new homes appear to be driven primarily by market forces: low supply in the face of strong demand. The supply of buildable lots and new homes in the region is constrained by geography and because relatively few landowners hold developable land adjacent to the city. Some aversion to new development risk among developers may still be lingering from the overbuilding and subsequent bust of the 1980s in Grand Forks.

Rental Market

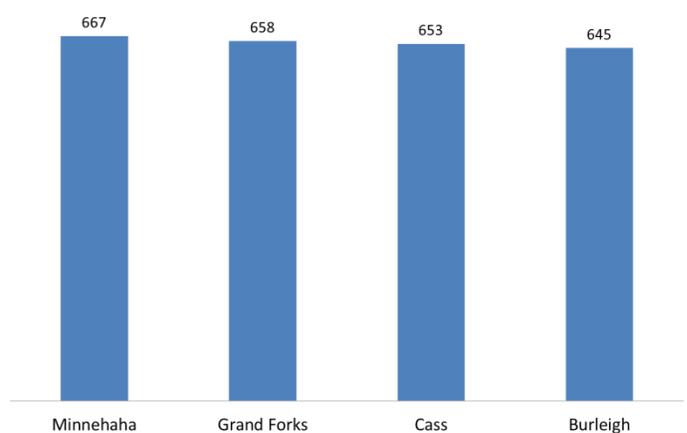
The rental market in Grand Forks is strong. It is home to some of the highest rents in the state. As of 2010, using U.S. Census 5-year estimates, rent in the City of Grand Forks was higher than other markets in the state. More recent 1-year U.S. Census American Community Survey data show an increase in rent in Grand Forks County, placing it at or above regional peers for rent. While rents are high and rising, vacancy in rental units is very low. The July 2012 Greater Grand Forks Apartment Association survey of 7,000 units in the region reports a vacancy rate 2.8%. That low vacancy rate may be optimistic, for it is calculated on July 1, a date of high turnover and high vacancy rate due to unit turnover among college students in the area.

Median Rents, 2010



U.S. Census American Community Survey 5-year Estimates via North Dakota Housing Finance Agency

Median Rent by County, 2011

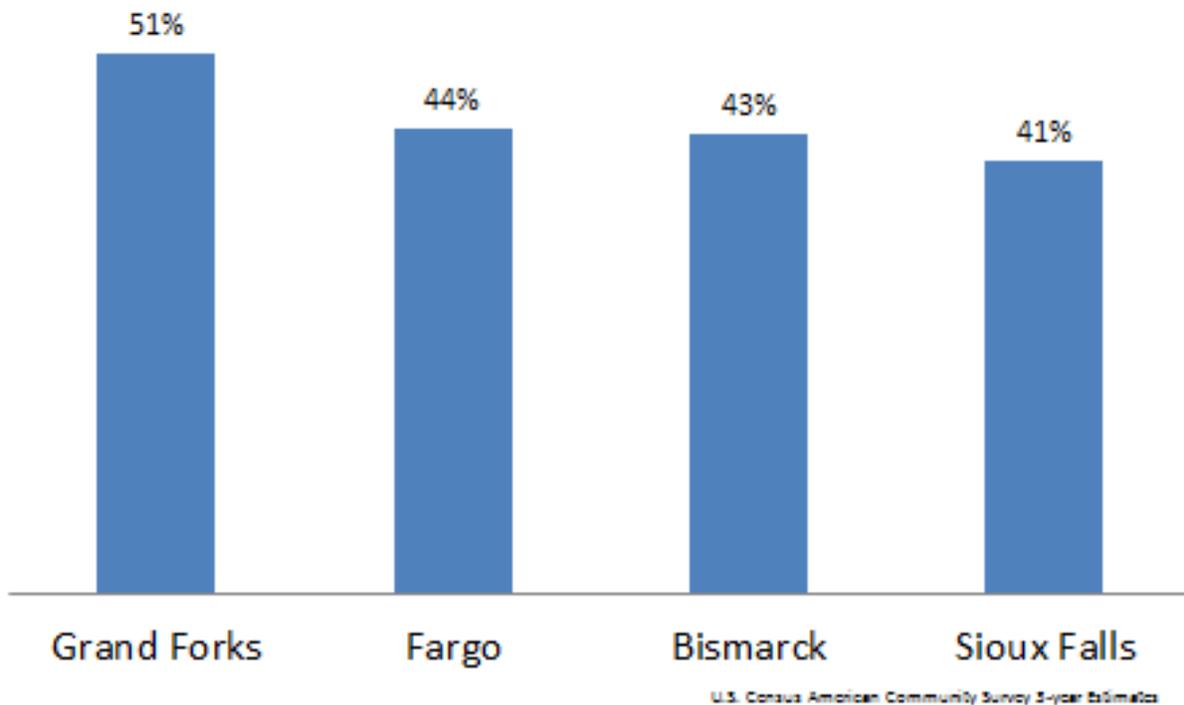


U.S. Census American Community Survey 1-year Estimates

According to the recent housing study commissioned by the Greater Grand Forks Housing Authority, rent increased \$155 between 2000 and 2010, or 32%. This means that the median renter must earn \$6,000 more in 2010 than in 2000 to keep up with rising rent payments.

Rising rents in Grand Forks have hit many households hard. As of 2010, 51% of renters were paying more than 30% of their gross income in housing. Several local officials involved in public and non-profit housing assistance programs have indicated that many families are falling through the cracks. In many cases rent has risen above levels where assistance programs can make a positive impact in a family's monthly cash flow.

Share of Renters Paying More than 30% of Gross Income for Housing Costs

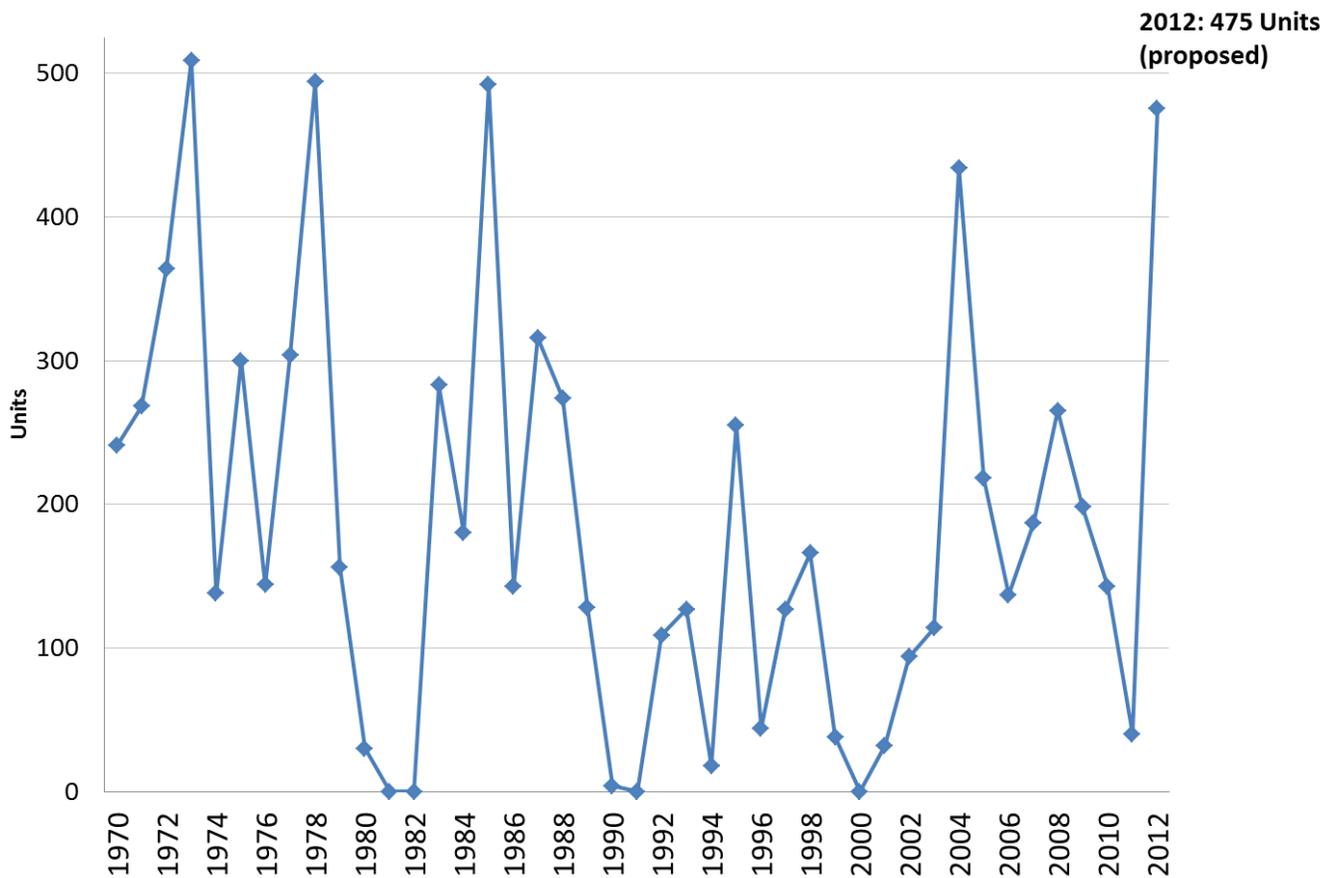


Some rent relief may be on the way, as the city has experienced a relative boom in new multi-family housing construction in 2012. According to the City of Grand Forks Planning Department, 475 new rental units have opened in 2012 or are currently under construction, and another 465 are currently in some stage of the planning approval process. This could introduce another 940 housing units into the city, where there are currently a total of 10,722 rental units.

However, Grand Forks is not meeting the needs of low-income renters. According to a gap analysis in the recent Grand Forks Housing Authority housing study, approximately 5,100 renting households in the community make less than \$25,000 per year. Based upon the community's stock of private and public rental units and assistance vouchers, the study found that 2,700 of these sub-\$25,000 families are underserved.

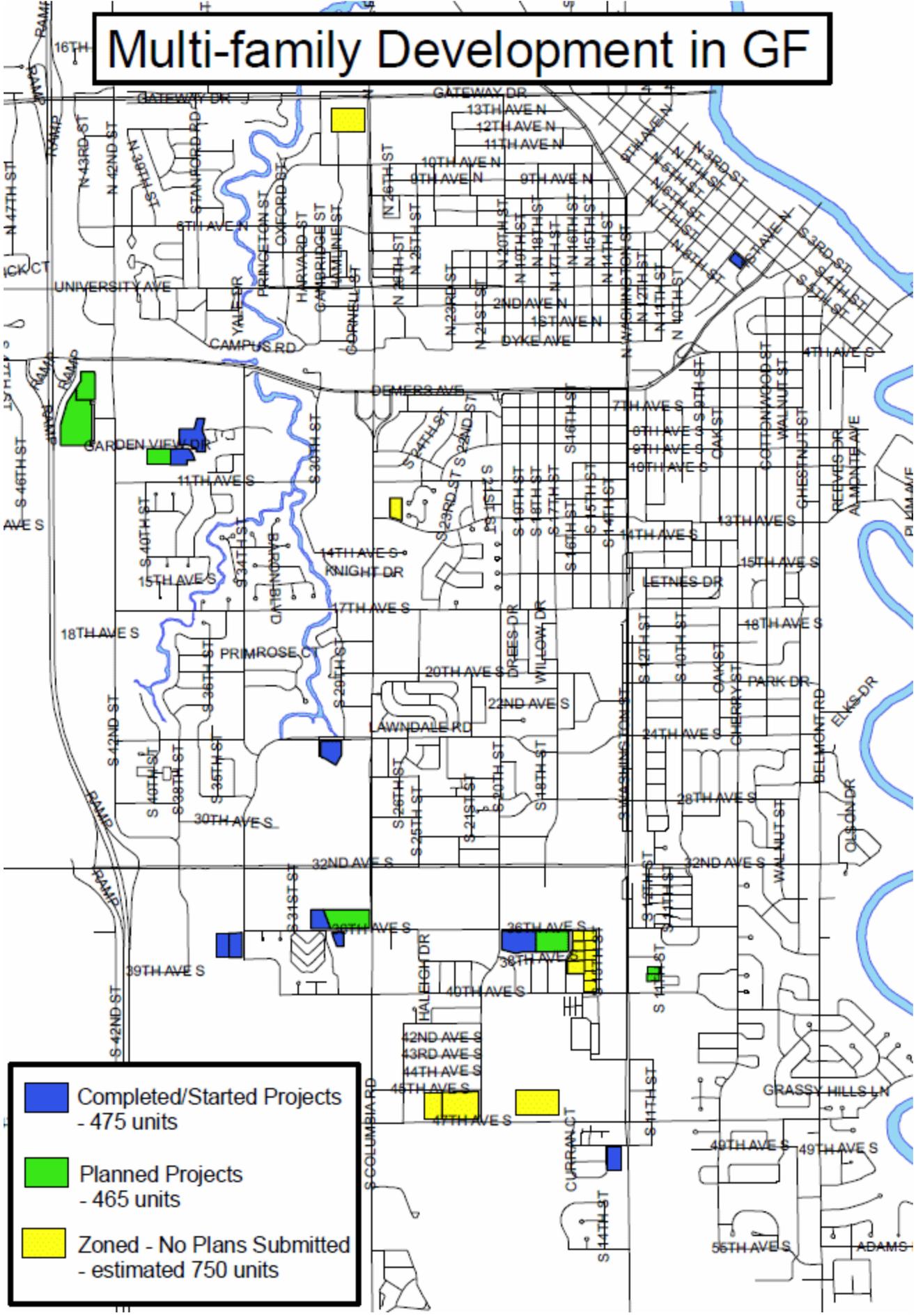
The same housing study found that that 39% of renters hope to buy a home in Grand Forks, most of them within three years. This projects to a total of 841 renters with a household income of more than \$35,000 per year hope to purchase a home in Grand Forks.

Multi-family Units Built per Year 1970-2012



As indicated in the chart above, if all 475 multi-family units are constructed, 2012 appears to be a boom year for multi-family unit building in the city. However, fewer land parcels zoned for higher-density housing remain in the city. The following map, produced by the Grand Forks City Planning Office, shows that enough land remains for approximately 750 multifamily units as of the fall of 2012. However, plans are in the works for a new development in southwest Grand Forks. The current plan for that development includes land for approximately 110 0 multi-family units (zoned R-3 and R-4).

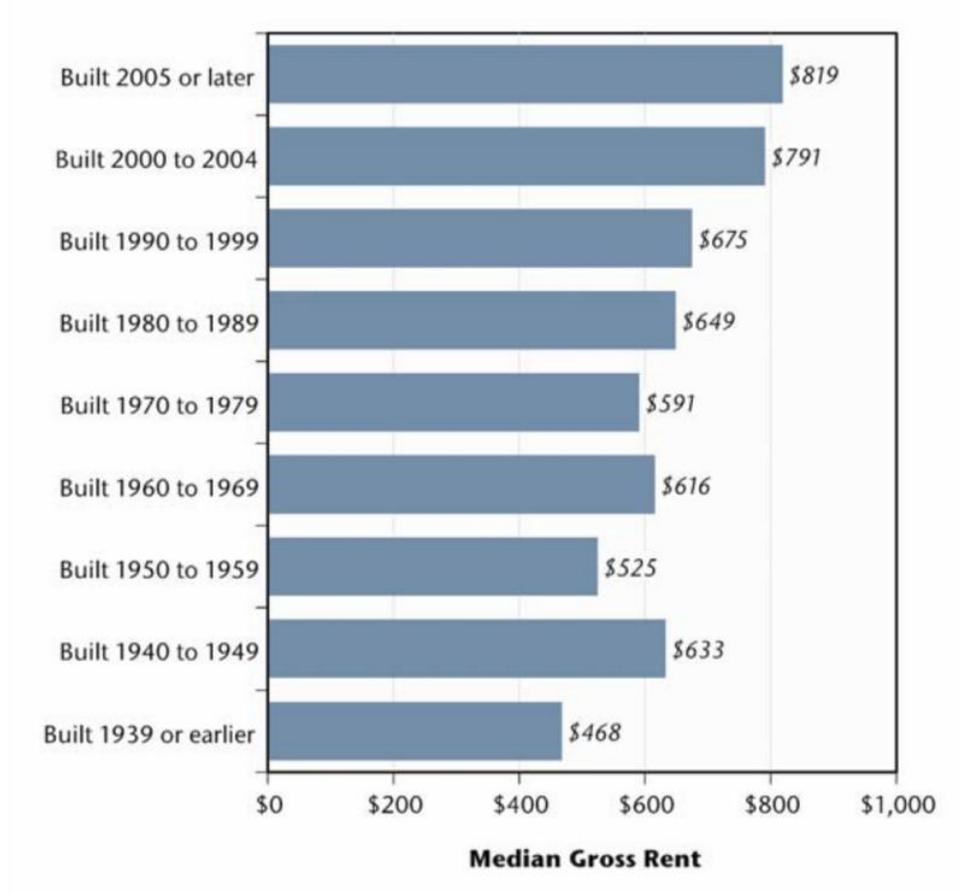
Multi-family Development in GF



- Completed/Started Projects
- 475 units
- Planned Projects
- 465 units
- Zoned - No Plans Submitted
- estimated 750 units

However, monthly rent in units built since the year 2000 in Grand Forks rent at some of the highest rates in the city according to the recent housing study. Units built between 2000 and 2004 carry a median rent of \$791, while those build since 2005 are priced at a median of \$819 per month.

Median Rent by Year Constructed, 2010



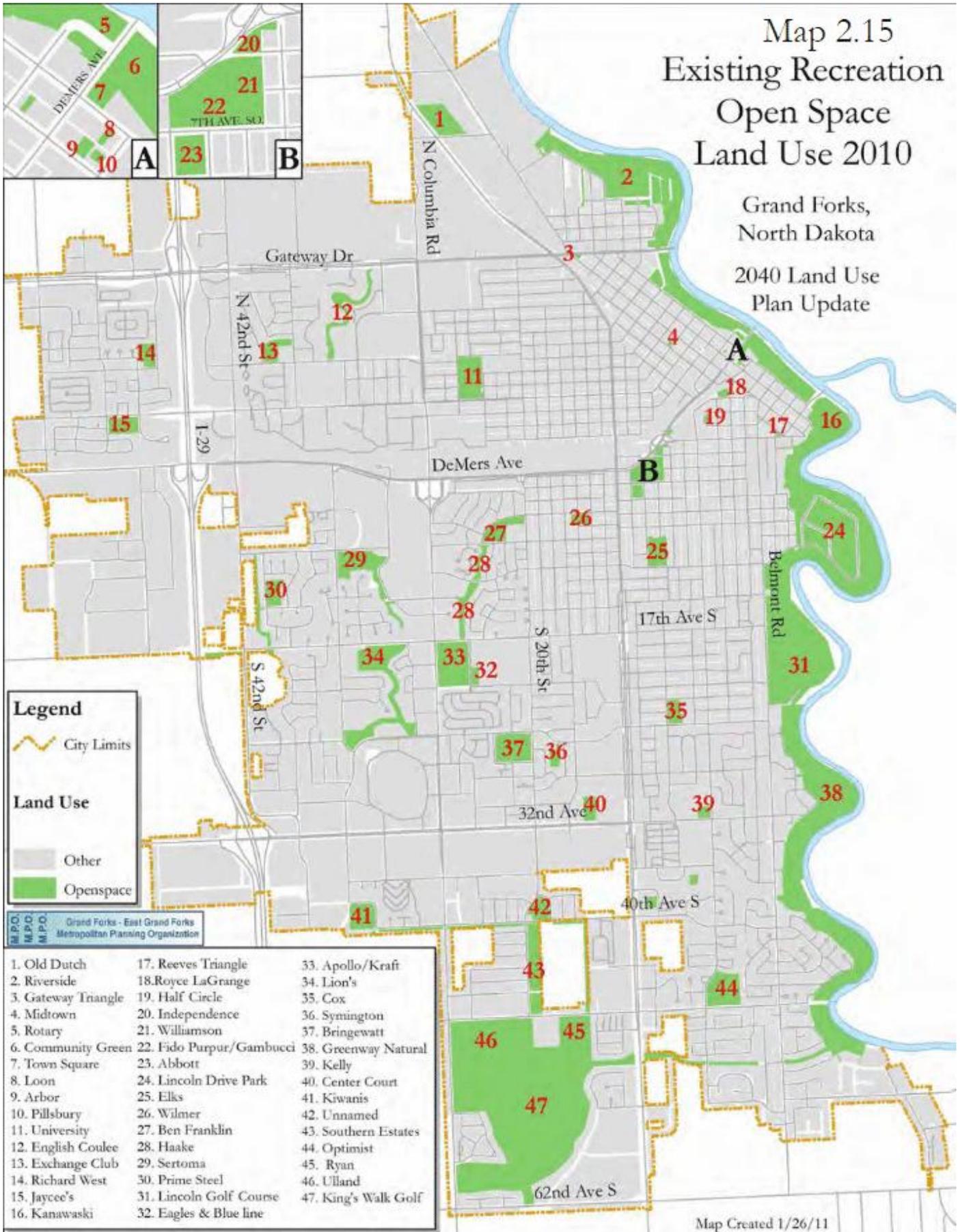
U.S. Census American Community Survey via BBC Research and Consulting

Park Land

According to the city’s 2040 Land Use Plan Update completed in 2010, there are approximately 984.6 acres of park, open space, and recreational land in Grand Forks. This park and open space land accounts for 11.6% of all land area within the city limits. Current city law requires that 8% of all newly-developed land in the city be allocated to park land, either in the form of a land dedication or a cash payment in lieu of land. The following map, from the 2040 Land Use Plan, shows the existing recreation and open space land use as of 2010.

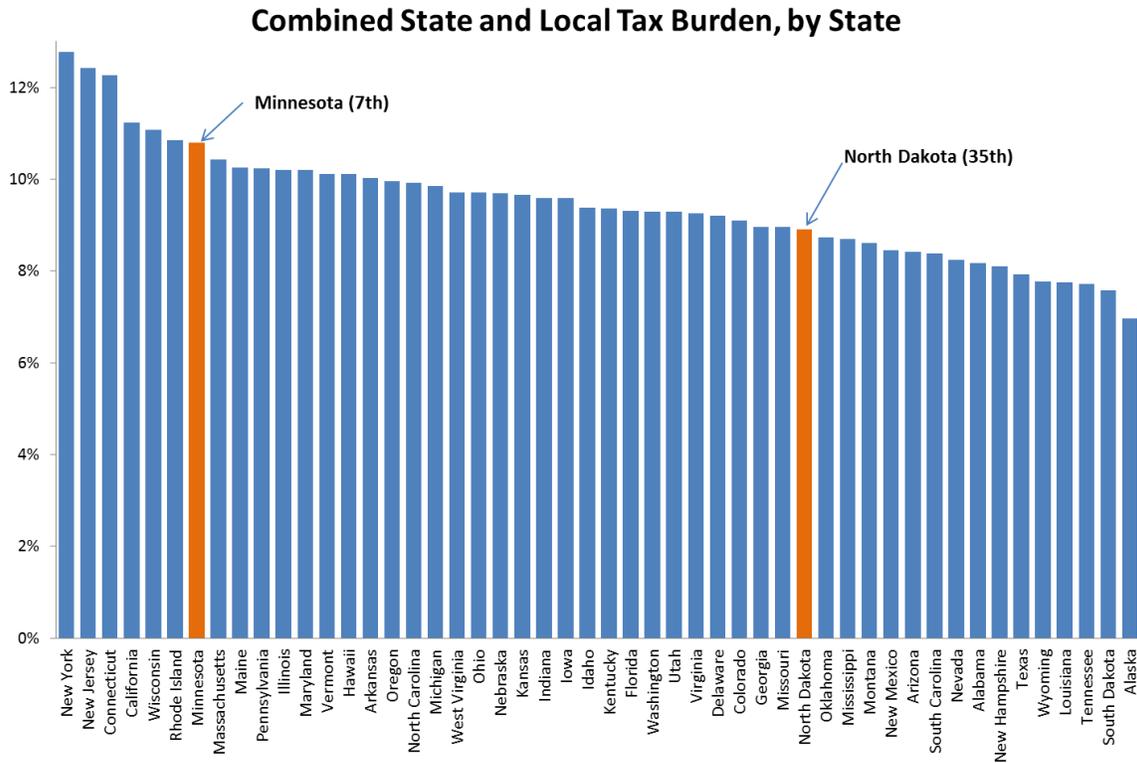
Map 2.15 Existing Recreation Open Space Land Use 2010

Grand Forks,
North Dakota
2040 Land Use
Plan Update



State and Local Taxes

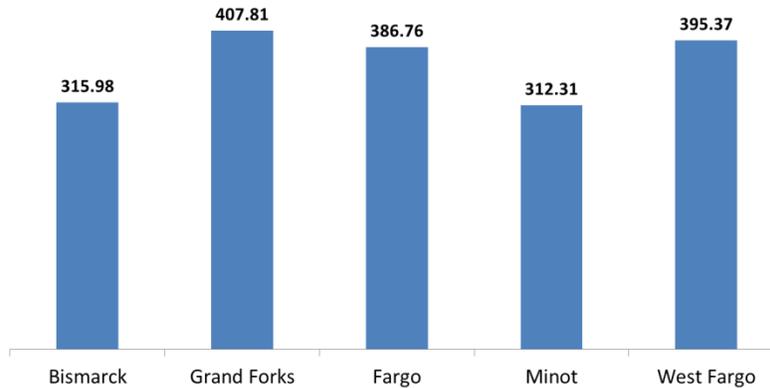
According to analysis by the Tax Foundation, compared to other states North Dakota has the 35th-lowest state and local tax burden, while Minnesota ranks 7th. As a community, Grand Forks sometimes suffers from the perception that it is cheaper to live in Minnesota due to that state’s lower property taxes. When making state-to-state comparisons, it’s important to include state and local income and sales taxes in the comparison. On an aggregate basis, research shows that state and local taxes are higher in Minnesota than North Dakota in terms of overall state and local tax burden. On a national basis, lower state and local tax burden is a competitive advantage for Grand Forks.



Source: Tax Foundation (Fiscal Year 2010, Most Recent Data)

Grand Forks property tax mill rates are the highest of North Dakota’s five largest cities, when taxes levied by all levels of local government are considered. While notably higher than tax rates found in Bismarck and Minot, taxes levied in Grand Forks are only slightly higher than those in Fargo and West Fargo.

Total Mill Rates 2011

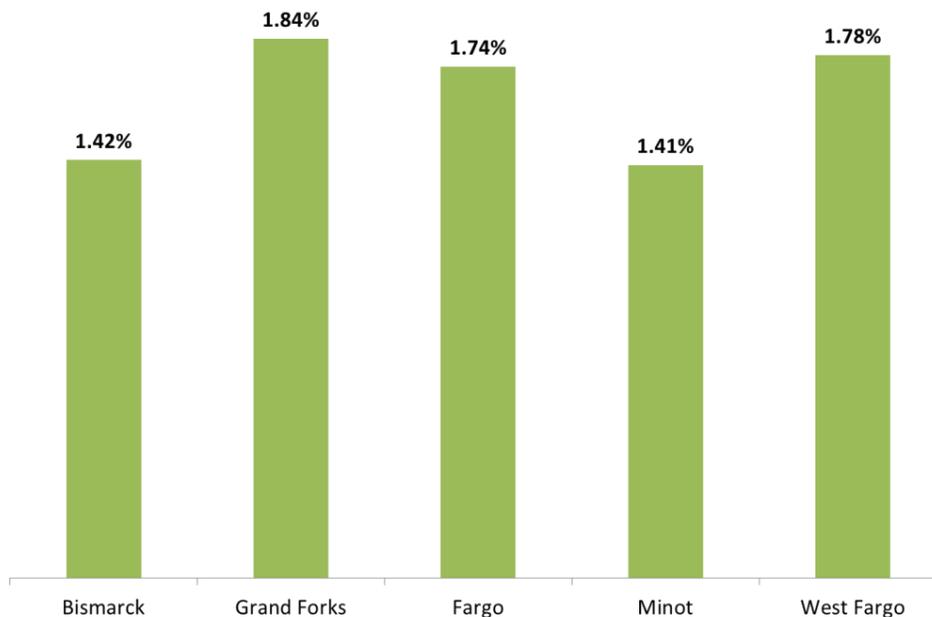


Source: North Dakota League of Cities

When converted to an “effective tax rate”, measuring a residential property’s tax bill in terms of a percentage of its full and true market value, Grand Forks’ property tax on residential properties as of 2011 works out to 1.84%. Fargo, in comparison, has an effective residential property tax rate of 1.74%. For a house with a value of \$150,000, this would work out to an estimated tax bill of \$2760 in Grand Forks and \$2610 in Fargo: a difference of \$150.

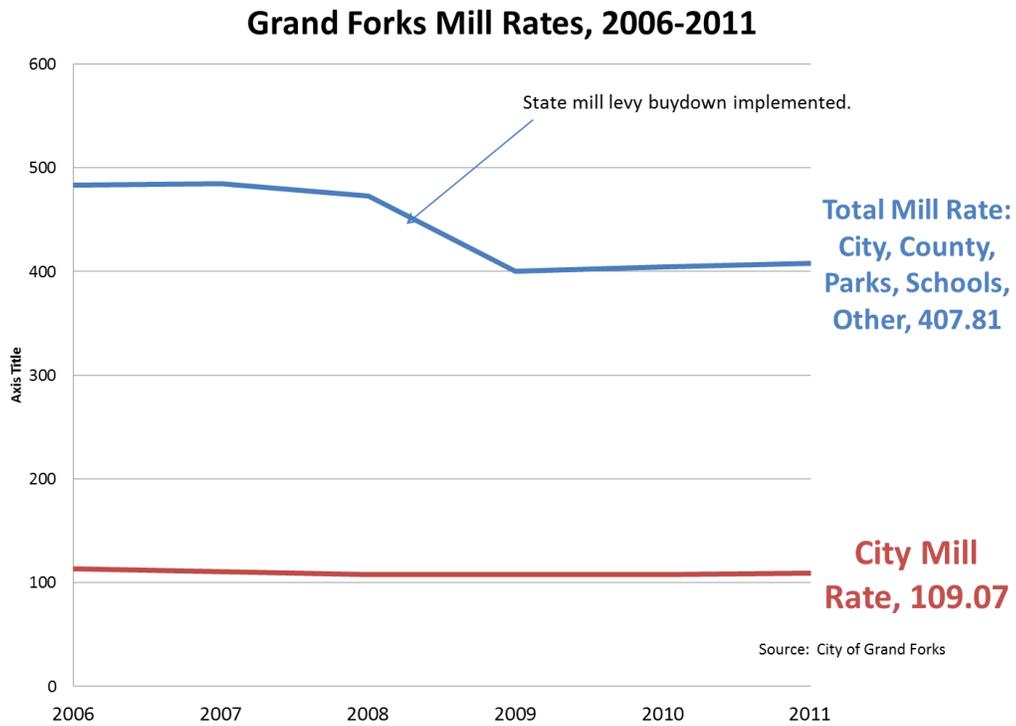
However, because the median home price in Grand Forks is 15% higher than in Fargo, \$150,000 in Grand Forks buys “less house” than it does in Fargo. Similarly, the same type and style of house in Grand Forks is likely to be more expensive, meaning that a Grand Forks home owner pays more taxes on a “similar” house than a Fargo taxpayer because of the higher assessed value of the Grand Forks home.

Effective Residential Property Tax Rates, 2011



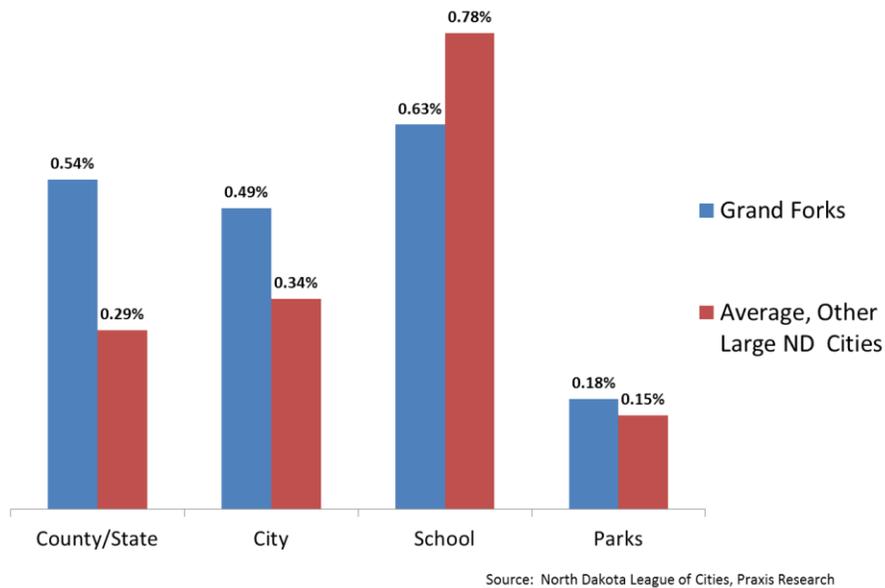
While property taxes in the city are slightly higher than peer cities throughout the state, the overall mill rate levied by the city government has been remarkably flat over the past several years, and overall mill rates levied against

property have dropped by over 70 mills, in part due to the state’s tax rate buy down program enacted during the past two legislative sessions.



Compared to various units of local government in North Dakota’s five largest cities, taxes in Grand Forks vary, being both higher and lower than their peers, depending on the taxing entity. 2011 effective residential tax rates levied by the city and county are higher than the average seen in other large cities (Bismarck, Minot, Fargo, and West Fargo), park district rates are slightly above average, and school district rates are below average.

Effective Residential Property Tax Rate, by Level of Government- 2011



Infrastructure Costs and Building Costs

Permitting costs in Grand Forks are comparable to and not grossly out of line with other communities in the state, as indicated in the following table.

Comparison of Permit Fees for Cities in ND for a \$200,000 home

City	Grand Forks	Bismarck	West Fargo	Fargo	Minot	Williston	Average
Building	\$1,020	\$963	\$915	\$880	\$1,170	\$990	\$990
Storm Water	\$25	\$25	\$15	\$20	\$25		\$22
Sidewalk	\$22	\$0	\$34	\$20	\$25		\$25
Driveway	\$20	\$0	\$33	\$20	\$25		\$25
Plumbing	\$83	\$100	\$84	\$64	\$84	\$84	\$83
Electrical	\$145	\$170	\$145	\$145	\$145	\$145	\$149
Mechanical	\$115	\$100	\$72	\$54	\$100	\$90	\$89
TOTAL:	\$1,430	\$1,358	\$1,298	\$1,203	\$1,574	\$1,309	\$1,383

The city of Grand Forks does have some engineering and design constraints that affect the costs of infrastructure construction in the community. The area is home to aggressive soils that destroy iron-bearing materials, deep winter frost levels, expansive soils that create large levels of frost heave and reduce sub grade support, and soils that resist uniform compaction reducing the piping that can be installed under pavement. These soil issues require the use of more expensive higher-grade aggregate gravel for infrastructure. Grand Forks is also located farther away from raw material sources such as aggregate and manufactured piping, which increases transportation costs.

However, engineering standards in Grand Forks are comparable to those of Fargo and Bismarck, as shown in the table below.

	Grand Forks	Fargo	Bismarck
Watermain	PVC	PVC	PVC
Sanitary Sewer	PVC	PVC	PVC
Storm Sewer	Concrete	RCP	RCP
Paving			
- Surface	6" Concrete	7" Asphalt	4" Asphalt
- Base	5" Aggregate	8" Aggregate	12" Aggregate*
- Sub-base	Clay	Geotex	Geotex
- Curb & Gutter	Yes	Yes	Yes
Paving Width	31 ft.	31 ft.	41 ft.

*In areas with clay soils

This results in somewhat similar infrastructure costs in Grand Forks compared to Fargo, however the City of Grand Forks Engineering Department is exploring ways to adjust design standards or product sourcing where possible in order to reduce costs.

*SELECTED COST COMPARISONS: FARGO/GRAND FORKS

A.	Typical Residential Street Assessment:	
	- Grand Forks:	\$213/ft.
	- Fargo:	\$220/ft.
B.	Class 6 Aggregate:	
	- Grand Forks:	\$12/tn.
	- Fargo:	\$8/tn.
C.	8 Inch Sanitary Sewer:	
	- Grand Forks:	\$36/ft.
	- Fargo:	\$27/ft.
D.	8 Inch Watermain:	
	- Grand Forks:	\$27/ft.
	- Fargo:	\$22/ft.
E.	Storm Sewer:	
	- Grand Forks (12 inch RCP):	\$33/ft.
	- Fargo (12 inch RCP):	\$32/ft.
	- Grand Forks (36 inch RCP):	\$87/ft.
	- Fargo (36 inch RCP):	\$70/ft.
F.	Grand Forks Class 1 Aggregate:	\$36/tn.

The city of Grand Forks applies a 27% assessment fee to each project. The fee comprises an 8% fee for engineering (reduced to 2% for projects where engineering is handled by a consultant); 8% for administration; 6% for construction financing; and 5% for advertising, legal and miscellaneous expenses. The cities of Fargo and Bismarck apply fees of 25-30% of total project cost.

*COMPARISON OF SPECIAL ASSESSMENT FEES

Grand Forks	27%*
Fargo	25% - 30%
Bismarck	25% - 30%

CITY OF GRAND FORKS SPECIAL ASSESSMENTS*

Engineering	8%**
Administrative	8%
Construction Finance	6%
Adv, Legal, Misc	5%
Total =	27%

**For projects that are consulted out, engineering component is reduced to 2%.

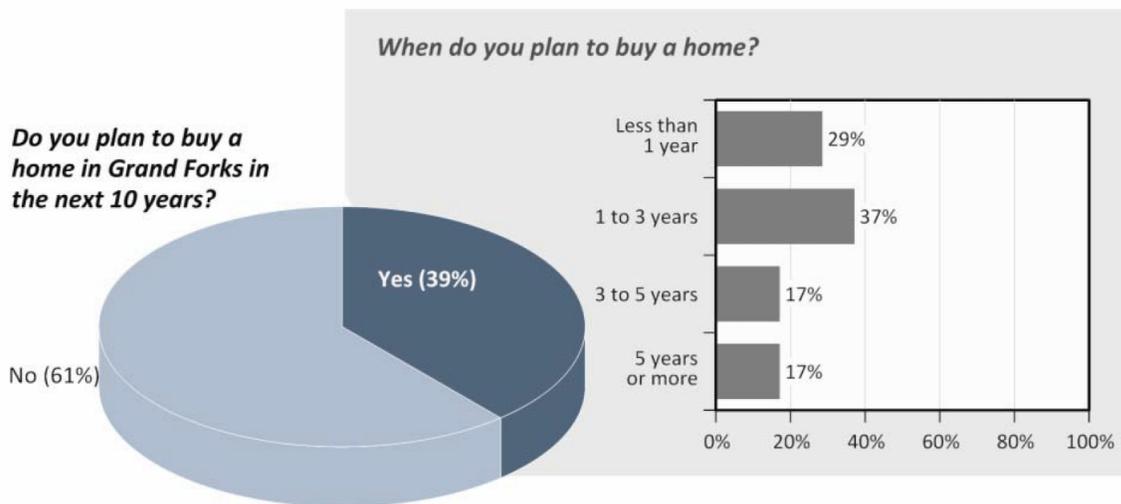
Infrastructure costs in Grand Forks appear to be driven up due to the lack of economies of scale in construction. Grand Forks tends to roll out new developments at a much smaller scale than peer communities such as Fargo where larger developments are deployed.

According to city staff, key drivers of infrastructure cost differences in Grand Forks versus peer communities in order of priority:

1. Scale of projects
2. Base cost of aggregate gravel materials
3. Engineering design standards (some dictated by environmental and soil affects, some due to aesthetic preferences)
4. Extra distance to Grand Forks from construction material manufacturing or distribution centers

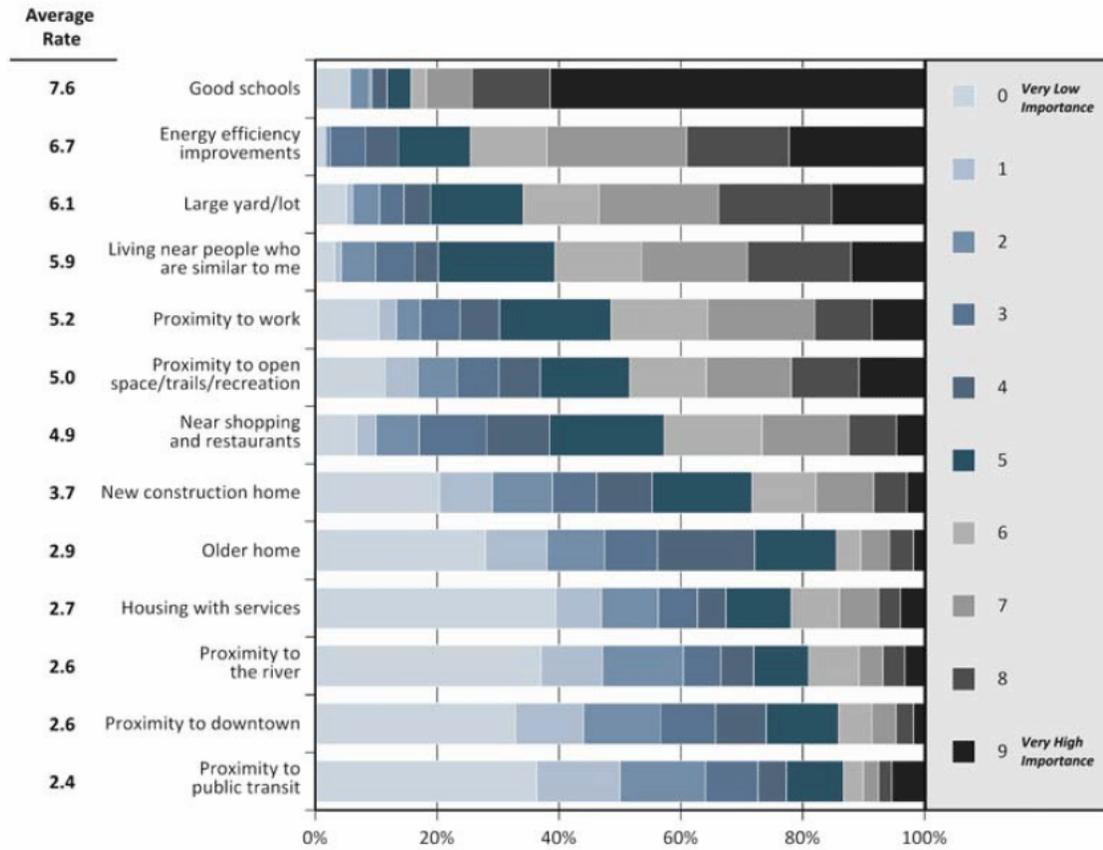
Housing Preference Survey

Based upon a recent survey of Grand Forks residents, nearly 40% of renters intend to purchase a home in Grand Forks within 10 years. This is notable because nearly 50% of renters in Grand Forks are below age 34, a significant deviation from national average.



When selecting neighborhoods, Grand Forks residents indicate that the most important factors are schools, home energy efficiency, lot size, and proximity to like-minded neighbors. Least important factors include proximity to public transit, downtown, and the river. Also rated lower on the scale was housing with services and the desire for an older home. It is important to note that while proximity to transit and housing with services rated low overall, a significant number of residents rated these factors as 6 or higher on a 0-9 scale. This is a sign that there could be niche markets to serve these needs, even while its unimportant to a large segment of residents.

Figure IV-26.
Importance of Housing and Neighborhood Factors to Residents



Note: n=282.

Source: BBC Research & Consulting from Grand Forks 2012 Resident Survey.

Appendix A: Alternative Finance Models

The use special assessment backed bonding is one of the most common models for financing infrastructure in new housing developments nationwide, and has been in use in North Dakota since the late 1890's.ⁱⁱⁱ There are, however, other options that have been embraced by communities in other states seeking alternative means to pay for infrastructure construction. The Blue Ribbon Housing Commission is also currently exploring other financing options that may not be directly summarized below.

Tax Increment Financing

The tax increment financing (TIF) model allows communities to make use of the increased property taxes (incremental taxes) generated by new developments to pay for the infrastructure serving them. As empty lots are developed into homes and other higher value developments, the increased stream of property taxes generated is directed towards paying down the bonds issued by local government to install needed infrastructure. As a result, a new development effectively pays for its own infrastructure, without need for new taxes or direct burdens on existing properties in the community. The model also allows a community to potentially avoid onerous special assessments, and may leave homeowners in the new development facing tax burdens that are in line with existing neighborhoods. However, while the bonds are being paid down, a stream of property tax revenue that might otherwise go towards other, citywide uses is earmarked for the new infrastructure. The increased property tax revenues (above the initial baseline) are only “unfrozen” for other uses after the infrastructure bonds have been retired.

Community Development Authorities

Community development authorities are quasi-governmental entities that may be entitled to issue tax-exempt debt for infrastructure construction. Local governments can enable developers to establish such organizations, which can then fund infrastructure needed for new housing developments. The authority then pays down the debt through tax surcharges levied against all homes inside the authority's area of jurisdiction. Such structures appear to have more utility for large developments. The authority may be allowed, pursuant to state law, to make use of finance tools including tax increment financing and general obligation bonds, enhancing their range of options for infrastructure finance.^{iv}

Equitable Impact Fees

While somewhat similar in function to a special assessment, impact fees make use of a “tax surcharge” to pay for the infrastructure costs incurred in a new development. Local governments making use of such structures finance the initial infrastructure development, and levy a tax on all property owners served by the development to pay down the debt incurred. While these surcharges are similar to an annual special assessment charge, they can carry some tax benefits for the property owner. By being classed as a property tax fee, instead of as a special assessment, the surcharge may be deductible against federal income taxes for a homeowner. This effectively allows a local government using impact fees to “shift some of the cost to the federal government” in an indirect fashion.^v

Revolving Loan Funds

Revolving loan funds (often state operated) allow governments to provide loans for infrastructure construction and upgrades at lower cost than other lines of finance. The payments made on the loans can then be used to finance other projects, allowing the fund to serve as a sort of “infrastructure bank.” North Dakota has operated a State Revolving Fund Program (SRF) since 1990, making low interest loans to political subdivisions for water infrastructure construction.

Some cities and states are experimenting with “hybrid loan funds” modeled after traditional SRF’s.^{vi} Such funds are designed to involve both public and private sector funds, and can be used for a variety of infrastructure finance activities. The newly launched Chicago Infrastructure Trust hopes to make use of such a model, to offer private investors a way to “invest their money in a fund with low risk and stable returns,” while providing the city and developers with funds to develop and upgrade infrastructure.^{vii} Such funds could allow other communities to find new ways to partner with private sector lenders and investors, pooling resources to deliver infrastructure needed for new developments.

Impact Fees

Impact fees are direct fees charged to developers to pay for infrastructure construction in new developments. The costs of that infrastructure are then passed on to homebuyers, as the fees paid are rolled into the cost of a new home. While a direct means of paying for infrastructure costs incurred in a new development, such fees do increase the risk to developers, who will be carrying the costs of infrastructure while waiting for new developments to fill.

City Reimbursement Agreements

A model of public-private partnership agreement, city reimbursement agreements can help developers overcome challenges in finding initial funding for expensive infrastructure upgrades. Under such agreements, a municipality can agree to pay for all major infrastructure needed to begin a development upfront, in return for future payments from the developer as the project progresses. Depending on the structure of the agreement, costs may be deferred for a number of years to help the developer get the project off the ground. In return, a city may receive “a portion of the revenue derived from land sales within the project.”^{viii} In effect, a municipality making use of such agreements can serve as the underwriter for an infrastructure focused development loan, providing a form of “bridge financing” to a developer.

Appendix B: North Dakota Housing Programs

North Dakota has a variety of programs available to support the construction and purchase of housing in the state. Many are offered through the state's Housing Finance Agency. This agency also administers some federally-backed and mandated programs focused on housing provision. North Dakota also makes use of its unique position as the only state in the nation with its own bank, offering housing finance options through the Bank of North Dakota.

Housing Incentive Fund Established by the state legislature in 2011, the North Dakota Housing Incentive Fund (HIF) provides financing for multi-family housing projects targeted to low and middle income families. The fund is capitalized with contributions from taxpayers. Businesses and individual contributors receive a tax credit equal to the amount of their contribution which can be claimed against their North Dakota tax obligation over a five year period. Those contributing can request that their contribution support a specific project. As loans made by the HIF are repaid by developers, the dollars can be reinvested in new projects. Half of the funds are earmarked for housing targeted for individuals below median income, and another quarter of the fund is reserved for projects in communities with populations under 10,000. The fund was started with \$15 million in tax credits, and it is expected that the next legislative session will see proposals to expand this amount measurably.

TIF: Tax Increment Financing North Dakota's Tax Increment Financing laws allow communities to establish TIF zones in "development or renewal areas." State law appears to give broad latitude to municipal governments in establishing such zones, stating that they can include "industrial or commercial property, a slum or blighted area, or a combination of these properties or areas that the local governing body designates as appropriate for a development or renewal project."^{ix} When the TIF zone is created, property valuations are frozen at existing levels. The city then issues bonds to finance infrastructure and other improvements to the zone, allowing for enhanced development. As property values inside the zone increase in wake of the development, the "increment" of value above the frozen initial level is subject only to taxation to pay down the bonds used to finance the improvements.^x

Flex PACE (Partnership in Assisting Community Expansion) Affordable Housing Program This Bank of North Dakota program offers interest buydowns to finance affordable housing in western North Dakota.^{xi} The program works in partnership with other lenders and is available to borrowers from both the for-profit and non-profit sectors, and can be used in combination with other government funding programs. Buydowns under Flex PACE are "limited to the amount required to reduce the interest to the lower of either 5% below the yield rate or 1%." By reducing interest rates, projects focused on providing affordable housing may become more economically feasible for developers. While the program is currently only available to oilfield counties in western North Dakota, the Bank of North Dakota is exploring options for increasing funds available for buydowns and expanding the program statewide.

FirstHome North Dakota's FirstHome program offers first time homebuyers access to low interest mortgages. The mortgages are originated by participating lenders throughout the state. Buyers must meet income requirements for their area in order to be eligible to participate. In Grand Forks County, the current maximum income level for a family of less than 3 is \$67,600, and for a family of 3 or more individuals it is \$77,740.

HomeKey The HomeKey program offers low income homebuyers access to mortgage rates below those found in the FirstHome program. In Grand Forks County, current income caps for eligibility are \$33,800 for a family of less than 3 individuals, and \$38,870 for a family of 3 or more. The program can be used in conjunction with downpayment assistance programs to offer additional support to low income families seeking to buy a home.

Low Income Housing Tax Credit The Low Income Housing Tax Credit program provides federal tax credits to eligible property owners who build or rehabilitate low-income rental housing. Eligible developers may receive such credits for up to ten years after they are initially granted, depending on the nature of their project.^{xii}

North Dakota Roots The North Dakota Roots program offers finance and purchase support to new and returning North Dakota residents. Households must meet income and work requirements, and are only eligible during their first year of employment in North Dakota. Accepted participants are given access to below market rate loans or down payment and closing cost assistance to aid them in purchasing a home in North Dakota.

HomeAccess HomeAccess is similar in structure to the FirstHome program. It offers low interest loans to the disabled, veterans, elderly, and single-parent households who meet income eligibility requirements. These are identical to those found in the FirstHome program. HomeAccess is open to those who are not first time homebuyers, but only for the purchase of a home-refinancing is not eligible for the lower rates.

Targeted Area Loans The state’s Targeted Area Loans program is focused on providing housing finance support in “economically distressed” areas of the state. Such areas are set by federal guidelines, and includes one census tract in Grand Forks, largely located on and adjacent to the campus of the University of North Dakota.^{xiii} Loans made under the program follow the same income and interest rate rules as the FirstHome program, with eligibility extending to those who are not first time homebuyers.

Down Payment Assistance (DCA) The North Dakota Housing Finance Agency offers down payment and closing cost support to lower income, first time homebuyers. Support is offered in the form of zero-interest loans of up to “the greater of three percent of the purchase price of the home or \$3,000.”^{xiv}

ⁱ http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/buying/glossary

ⁱⁱ A term popularized by Deborah Dragseth of Dickinson State University.

ⁱⁱⁱ North Dakota Legislative Council. “Special Assessments and Alternative Funding Methods for Public Improvements in Other States,” October, 2011.

^{iv} Andrew Painter. “Community Development Authorities,” University of Richmond Law Review, Nov. 2010.

^v North Dakota Legislative Council. “Special Assessments and Alternative Funding Methods for Public Improvements in Other States,” October, 2011.

^{vi} The Chicago Infrastructure Trust, launched in April, 2012, hopes to use such a model.

http://www.cityofchicago.org/city/en/depts/mayor/press_room/press_releases/2012/april_2012/city_council_passeschicagoinfrastructuretrust.html

^{vii} Robert Puentes and Jennifer Thompson. “Banking on Infrastructure: Enhancing State Revolving Funds for Transportation,” Brookings Institute, Sept. 2012.

^{viii} National Association of Home Builders. “Municipal Finance Development Tools After The Great Recession,” Jan., 2012. Austin, Texas has used a model where payments are deferred and the city will receive revenues from lot sales.

^{ix} North Dakota Century Code, 40-58-01.1

^x North Dakota Legislative Council, “TAX INCREMENT FINANCING TO DEVELOP PROPERTY,” February, 2010.

^{xi} http://banknd.nd.gov/lending_services/pdfs/FlexPACEAffordableHousing_FactSheet.pdf

^{xii} http://www.ndhfa.org/Web_Images/lihtc_brochure.pdf

^{xiii} Census Tract 103. For a map, see the following: http://www.ndhfa.org/Web_Images/grandforkscounty.pdf

^{xiv} <http://www.ndhfa.org/Default.asp?nMenu=0370>