

Building Rural Prosperity: A Look At Current And Future Housing Needs In North Dakota's Region 4

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Executive Summary

About the Region

Region 4—which includes the four counties of Grand Forks, Nelson, Pembina, and Walsh in northeast North Dakota—is growing, following statewide trends. The region overall saw a 5 percent increase in residents between 2012 and 2022, growing from 88,519 to 93,358 during that time.¹ Populations in the small towns throughout the region have begun to stabilize after decades of decline and shifts of rural residents to the state’s largest communities and elsewhere outside of the state.

Movers to the region are drawn by the quality of life, cost of living, and economic opportunities offered by the region’s top industries of healthcare, agriculture, education, construction, and manufacturing. Employers both large and small across all sectors have shared with community leaders their plans to expand operations in the region, as well as their need to attract more workers to support this growth. They also cite housing, or lack thereof, in Grand Forks, Nelson, Pembina, and Walsh Counties as a critical issue that affects the local workforce and employers’ ability to continue to do business in northeastern North Dakota. This is echoed in the region-wide survey conducted for this study, in which employer-respondents note that it is “very important” to their businesses’ success and growth that additional suitable housing is developed in the community.

Currently, the region lacks an adequate supply of high-quality housing available at an attainable price point for those living and working in Region 4. “Attainable” housing refers to that which is affordable to middle-income households whose earnings are above the threshold that would make them eligible for “affordable,” subsidized housing.

What’s more, the region’s existing housing stock will not meet future demand based on anticipated growth, including the temporary and permanent workers whom employers are recruiting to the region from abroad. In particular, the use of foreign workers through the H-2A (agricultural) and H-2B (nonagricultural) visas and similar programs is an important part of the economy in northeast North Dakota. It allows employers in essential industries like agriculture, healthcare, construction, and education to supplement their domestic workforce in order to fill significant labor shortages.

This trend has accelerated in recent years, with 720 visa workers employed regionally in 2023 and 915 applications as of June 2024. This trend is expected to continue as businesses face increasing challenges recruiting and retaining local workers. Many farmers and agricultural businesses purchase housing for the seasonal workers they employ, which, while an important strategy for enabling economic security for this critical industry sector, has put additional pressure on the limited housing stock that is available.

Residential vacancy has remained low, around just 2.5 percent in recent years, whereas a healthy vacancy rate is between 5 and 10 percent, demonstrating that demand for housing indeed far outpaces supply.²

According to North Dakota Employment Projections, Region 4 will add 2,351 jobs by 2030.³ This will result in demand for 1,810 housing units. Using job postings as a measure of demand projects an even larger housing demand by county. Excluding Grand Forks City, the rural areas of Region 4 had 6,186 unique open job postings as of May 2024. National standards assume a need for 0.77 housing units for every job created, **which equates to a demand for nearly 4,800 units in the rural areas.⁴ This includes 2,414 in Grand Forks County outside of the city, 1,170 in Walsh County, 627 in Pembina County, and 553 in Nelson County,** of which more than a third (35 percent) will be for rental units, compared to 65 percent for owner units.

New construction is essential to meet this future housing demand, as well as address current demand challenges. For example, while Region 4 boasts a higher homeownership rate than the state or national average (76 percent, compared to 63 percent and 64 percent, respectively)—and **most homeowners (82.4 percent) are not cost burdened, meaning they spend less than 30 percent of their income on housing costs**—this does not capture people living in substandard housing that may nevertheless be “affordable,” nor does it account for rising costs of new housing.

Meanwhile, the small towns in the region have seen little new housing development over the past several decades. **Nearly 70 percent of the housing units in Region 4 were built before 1970,** and only 835 housing units have been built between 200 and 2022 in the rural regions outside of Grand Forks City, compared to over 8,000 in the city. In Nelson, Pembina, and Walsh combined, the number of permits was just 301 in the same time period. **Meanwhile, there is an estimated need for 3,950 additional market-rate houses for homeowners, and 1,295 market-rate rental units, just to meet current demand.**

Because most of the region’s housing is older, it is more likely to be in disrepair and expensive to maintain, especially for seniors living on fixed incomes who may be aging in place. The rural parts of the region (minus

The region’s housing challenges are characterized by an aging and limited housing stock and sluggish rate of new construction. This is especially apparent in rural areas of region 4. To accommodate a growing population and need for more workforce housing our analysis finds that rural areas will need to add nearly 4,800 new housing units by 2030 to keep up with demand.

Grand Forks City) are aging as well, with a larger portion of the population aged sixty-five or older than in the city or in North Dakota as a whole.

Due to the demographics of the region, senior and subsidized housing in particular is needed, as are starter homes for young families looking to purchase for the first time.

Though wages have begun to rise in recent years, many workers, especially women and minorities, who face a wage gap as high as 50 percent, **struggle to afford homeownership.**

At the same time, the region struggles to build new homes at the scale that is needed. Challenges for new development include **high infrastructure, materials, land, and labor costs; high interest rates; and a lack of investors, developers, builders, and skilled trades.** It is also difficult in Region 4's smaller rural towns to acquire land that is suitable for development at scale. Highly productive agricultural land is hard to buy and very expensive. The region is also predominantly flat and experiences frequent flooding, with much of the land **considered to be in a floodplain, and unsuitable**

for development in some communities. These are barriers to acquiring adjacent lands and extending infrastructure hookups.

To combat these challenges, several communities in the region are considering solutions such as twin homes, tri- and quad-plexes, or multifamily apartment units that fit more homes per lot, which **lowers the overall cost of development and creates more new homebuilding at scale.** This study also explores the possibility of introducing nontraditional housing typologies to the region, including accessory dwelling units (ADUs), homes with smaller footprints ("microhomes"), or manufactured and modular homes. These should all be explored, as Region 4 is currently **over reliant on single-family housing.** Across Region 4 (less Grand Forks City), 77 percent of units are single-family detached residential, compared to 43 percent in Grand Forks County (with Grand Forks City) and 57 percent across the state. Building denser housing can help lower development costs, making new home construction more cost effective for both developer/builder and homebuyer.



Recommended Actions

This study identifies potential actions the region and individual municipalities can take to **advance density and new home development**, including:

- assessing and refining zoning policy;
- identifying parcels ripe for infill development;
- extending municipal infrastructure like water, sewer, and electric;
- creating land trusts to acquire land for housing development;
- forming cooperatives to lessen expenses for both builders and homebuyers; and
- launching educational campaigns to build awareness about the value of these innovative housing types.

It also explores strategies to **enable repair and renovation of older homes, as well as redevelopment and reuse of commercial and other vacant, blighted, or underutilized properties** that might be transformed into new housing. These include:

- developing ordinances that incentivize upkeep of vacant properties;
- showcasing potential redevelopment opportunities that exist in the region;
- empowering local municipalities to condemn and demolish blighted buildings;
- sponsoring engineering surveys of available lots, properties, and parcels to facilitate redevelopment; and
- creating and expanding funding tools that can be used for repair and reuse.

The action plan provides several examples of **additional funding tools** that could be implemented to facilitate housing development at scale in Region 4. These include:

- working with the Bank of North Dakota to provide loan guarantees;
- creating a revolving loan fund to help finance appraisal gaps and balance out property values;
- creating a regional community development financial institution (CDFI); and
- issuing housing bonds. It also suggests changes to existing funding programs that could make a great impact if scaled—for example, proposing expansion of the Flex PACE program to include home repair, advocating for more funding within the Housing Incentive Fund (HIF), and increasing limits on statewide tax abatements for new construction.



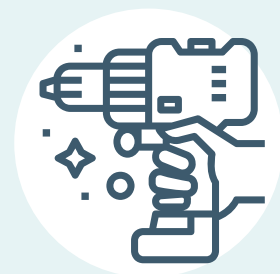
Increase Density and New Home Development



Repair, Renovate, Redevelop, and Reuse to Increase Housing Stock Availability and Quality



Implement Additional Funding Tools



Grow the Housing Workforce

Finally, there are various recommendations around **workforce and human capital development** that can support the development of more housing in Region 4. These include:

- advancing educational opportunities for developers and homebuilders.
- highlighting career pathways, earning potential, and opportunities associated with going into the building industry.

Though not directly related to **creating more housing in the immediate future, these people-focused strategies may be the most important**, as they create lasting and sustained impact for the region as a whole, building needed capacity and resources to support economic growth over the long term.

Additional Considerations

One critical consideration that was revealed over the course of this study is the need for better local data. Due to limitations on reliable, publicly available data, housing analysis was possible only at the countywide level. Regional leaders recognize the importance of distinguishing between conditions in Walhalla and Grafton, or Lakota and Cavalier, for example, which local-level data would make possible.

Some communities in Region 4 have cultivated strong data collection practices, such as Walsh County's Tax Director's Office, which has kept complete records of vacant farmsteads throughout the county, that could serve as models and best practices for others, to ensure future analysis can occur at a more granular level. This includes sales and tax records, property listings, land use, infrastructure capacity, vacant farmsteads, and more. Upgrades to technology used by municipal officials is also needed to make data more readily available and easier to maintain and access.

That said, this study examines the rural areas of Region 4, excluding the City of Grand Forks in data analysis where possible (the "Study Area"), to truly

examine the demographic, economic, and housing conditions in the small towns and cities surrounding the Grand Forks urban center.

At the same time, regional leaders recognize that both urban and rural components of Region 4 contribute to the economic well-being of the region, as well as the state as a whole. Although the City of Grand Forks remains a job center for the region, as nearly three quarters of jobs in Region 4 are located there, not all who work in the city live there, preferring or needing to commute from nearby communities. As employers expand their businesses in the region, adding jobs and contributing to the local economy, workers will need housing, and may choose to locate in any of the municipalities in the four-county region. More housing anywhere in the region benefits all those who live and work in Region 4.

Therefore, it is **critical that housing continues to be seen as a region-wide matter that affects all, and is approached collaboratively**, with all community leaders working together across municipal boundaries to solve the problem collectively. The action plan contains strategies that can be tackled locally and regionally, as well as those that will require state-level intervention to be effective. Pooling resources and efforts will be necessary to truly make the impact at scale that is needed to address this complex and wide-ranging issue—as will bold leadership at the local level. Community leaders can determine which recommended actions are most feasible for their cities or towns, electing to pilot innovative initiatives to prove concepts and build momentum. Regional and state-level organizations can support these local efforts where applicable to add needed capacity and resources.

At the same time, the recommendations included in this action plan **require expanded nonprofit housing development capacity that can provide the leadership, experience, and coaching Region 4's small towns** need to be successful in implementing this work. This includes financial resources and added staff for housing nonprofits to cultivate new projects and advocate for the programming needed to address these complex needs.

With serious and sustained effort, Region 4 can tackle its housing challenges and create new housing that serves current and future residents, bringing prosperity to the region and serving as a model for all rural communities across the state of North Dakota.

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