

# Rural Community Housing Authority Public Housing Projects

*Kathleen M. Tweeten  
Jodi Burkhardt Bruns  
Gary A. Goreham  
F. Larry Leistritz*

*Tweeten is director, Center for Community Vitality, NDSU Extension Service, Bismarck, N.D.; Bruns is an Extension agent, NDSU Extension Service, Ellendale, N.D.; Goreham is a professor, Department of Sociology/Anthropology, NDSU, Fargo, N.D.; Leistritz is a professor, Department of Agribusiness and Applied Economics, NDSU, Fargo, N.D.*

## Introduction

Available, affordable and adequate housing is necessary for rural community economic development. Housing is needed if new residents and employees are to migrate into North Dakota's rural communities and if young families are to remain in those communities. Legislative action to create housing authorities and the Essential Function Bond Housing Program has enabled many rural communities in North Dakota to build needed housing units. The purpose of this publication is to share the step-by-step process that local leaders used to develop and build successful housing projects. The economic data provides background for leaders to help them answer questions about economic impacts to the local economy.

The North Dakota Century Code (Chapter 23-11) was amended in 2005 to allow all communities in the state, regardless of population, to form housing authorities by demonstrating a need for low- to moderate-income

housing. A housing authority is a public agency or organization created by a city or county government to provide for the special housing needs of that jurisdiction's residents. Housing authorities typically develop publicly owned housing units for low- to moderate-income special-needs residents. Because the units are publicly owned, they are not taxed. Housing authorities may "make, purchase, participate in, invest in, take assignment of, or otherwise acquire loans with security to persons of low income for the rehabilitation, purchase-construct-improvement of, lease or refinance of their dwellings."<sup>1</sup>

Essential Function Bonds were enabled by the legislation so that housing authorities could acquire financing for housing projects. Essential Function Bonds "finance the construction and substantial rehabilitation of affordable housing or other community facilities by state and local housing finance agencies."<sup>2</sup>

By mid-2007, 21 North Dakota communities had Essential Function Bond housing projects completed or under way, for a total of 146 housing units. Bond issues totaled \$17,725,000. Fourteen million dollars has been spent on the development and construction of the projects. Eleven million dollars, or 77 percent of the total project expenditures, has been paid to North Dakota suppliers/contractors, vendors and financial institutions. As of July 2007, 122 units were complete or almost complete. Of the 122 units, 80 to 85 units were rented as of July 2007.<sup>3</sup>

A study was conducted in summer 2006 to examine how community leaders were able to initiate and implement housing projects successfully. Interviews were conducted in six rural communities across the state with leaders involved with their community's newly formed

housing authority. Those interviewed included housing authority members, city government officials, community economic development officials, job authority officials, bankers, real estate agent, public housing residents, assisted living facility administrators, construction contractors, developers and owner/managers of rental properties. Interview information, along with information from focus groups, participant observation, analysis of existing documents and the analysis of census data, was used to determine the process that communities took to establish a housing authority and build needed housing. A companion project estimated the economic impact of North Dakota's Essential Function Bond Housing Program. This project estimated (1) the one-time impact of project construction and (2) the ongoing economic contribution associated with project operation.

## Steps to Develop a Rural Community Housing Authority Public Housing Project

One of the findings of the social capital study was a list of steps communities used as they established a housing authority and implemented an Essential Function Bond Housing project. The communities varied in the specific order of the steps and the amount of time taken to complete each step. For many communities, some of the steps overlapped with each other. Following is a description of the steps rural communities took as they developed the public housing projects.

### Step 1. Become aware of the housing need.

Housing needs may exist for several groups of residents. Some residents need transitional, short-term housing. Others need permanent, long-term housing.

**NDSU**  
**Extension Service**

North Dakota State University  
Fargo, North Dakota 58105

SEPTEMBER 2007

A third group – elderly residents – may wish to upgrade living arrangements with a garage, reduced maintenance, or elimination of snow removal or lawn care responsibilities. Fourth, housing needs exist for low-income households. And the fifth group that may have housing needs is moderate-income households.

Community leaders become aware of the lack of available, affordable and adequate housing in their town through various methods. Some conduct needs assessment studies; others use interviews and questionnaires with residents, community meetings and/or housing surveys. When the need is documented, leaders formally present the needs to the city council. In response, a city council member drafts a “Resolution Declaring a Need for a Housing Authority.”

### **Step 2. Become familiar with housing authorities and Essential Function Bonds.**

The North Dakota Legislature amended the Century Code in 2005 to allow rural communities to form housing authorities. The legislation enabled housing authorities to offer Essential Function Bonds to fund public housing projects. Having community leaders become familiar with the program and understand the rules of establishing a housing authority is critical.

Community leaders use this information as they consider creating a housing authority and using Essential Function Bonds to provide additional housing for their community.

### **Step 3. Create a housing authority.**

The “Resolution to Create a Housing Authority” must be approved by the city council. After the city council approves the resolution to create a housing authority, the mayor appoints the members (“commissioners”) of the housing authority with a “Certificate of Appointment of Housing Authority Commissioners.” The developer and/or the city attorney assists with drafts of the certificate verbiage. At least one of the housing authority commissioners typically is also a city council member. The housing authority chair either is selected by the commissioners or appointed by the mayor. The resolution

to create the housing authority and the list of its commissioners should be reported in the city council minutes and published in the local newspaper.

The housing authority establishes goals and priorities. Following are the five most frequently cited goals listed by the housing authorities examined in this study.

- First, authorities intended to provide housing for a current demographic or socioeconomic niche not already being served. For example, most of the commissioners said that low-income households already were well-served by the rental unit owners/managers in their communities. However, the elderly, the middle-income households and the households in transition were identified as an underserved niche. The commissioners hoped to provide handicapped-accessible, low-maintenance housing for elderly residents who, in turn, may wish to sell their homes to new residents/employees in the community.
- A second goal that most of the authorities listed was that they hoped to build more housing to attract new residents/employees to the community.
- A third goal often listed was to retain elderly residents in the community.
- Fourth, although the housing authorities would be responsible for maintaining the public housing, most wanted eventually to sell the units to private owners/investors.
- Fifth, most commissioners expected to improve a property in the community such that it eventually would be more valuable for city property tax purposes.

### **Step 4. Establish housing authority structure and oversight.**

The commissioners also draft a set of bylaws during their initial meeting in consultation with public housing developers and their city attorney. The commissioners complete “Consent to Meeting” and “Notice of Meeting” documents and maintain formal minutes of all their meetings.

The commissioners draft an “Operation and Maintenance Deficit Agreement” in consultation with public housing developers and their city attorney. The purpose of this document is to ensure

that the city will cover payments on the bonds in the event that the housing authority faces an income shortfall.

Most housing authorities meet regularly and frequently to decide what type of public housing projects they wish to undertake. Their discussion should include a determination of their target audience (e.g., low income, elderly, transitional, etc.), selection of a public housing developer, location for the project, financing and the type of public housing most likely to meet the target audience’s needs.

### **Step 5. Select a reputable developer for housing construction.**

An experienced developer is essential to constructing a successful housing project. The commissioners should research developers’ previous works and contact the references the developers provided. The developers should provide a list of communities where they have completed projects. Commissioners and potential renters should visit those communities and inspect the developers’ completed projects. Based on their findings, the housing authority selects a developer.

The commissioners and developer examine sites around the community on which to construct the public housing facility. Some of the sites to be explored may include city-owned properties, privately owned lots that are available for sale and/or properties that local institutions (e.g., schools or hospitals) are willing to provide. The commissioners considered the adequacy of the existing infrastructure (e.g., water pipes, sewer lines and streets), the degree to which the infrastructure meets fire and other codes, and the possibility of arranging with the city, county and/or utility companies for services.

The developer should help the commissioners prepare drawings, blueprints and/or specifications. The blueprints typically are placed on public display in preparation for public comment.

### **Step 6. Generate public input.**

The housing authority will schedule and advertise public meetings for comment from the community’s residents. The agenda for the meetings should include

a description of the need for additional housing in the community, a description of the public housing project, the target audience and possible locations where the project may be built. The commissioners should describe project costs and how rent payments are expected to cover these costs. A timeline for completion of the project should be provided. The developer's representative typically attends all of the public meetings. The housing authority chair should introduce the representative and give that person an opportunity to describe his or her organization and the projects it has completed.

Public input generally falls into one of three categories. Attendees may indicate support for the project. Some of these attendees may wish to have their names placed on a list of potential renters at the time of the meeting. Elderly residents particularly may express interest in the project. The number of names on a potential renters list will serve as a test of the project's viability.

Other attendees may voice a degree of concern about the project. They may choose to withhold support or even oppose the project until their questions are answered. For example, homeowners in the vicinity of the project may ask about traffic flow and congestion, impact on sewer and water, changes in the neighborhood's landscape and property valuation.

Finally, other attendees may oppose the project for a variety of reasons. They typically perceive the project will affect them adversely. Often apartment owners/managers are concerned about unfair competition, and contractors are concerned about the bidding process. The developer's representatives and housing authority commissioners should be prepared to address these various concerns.

### **Step 7. Select a building site and construct the housing units.**

Once the housing authority determines it has sufficient public support for the project and enough interest to rent the housing units, the commissioners will contract with the developer to begin the preliminary phases of the construction process. Together with the developer, the

commissioners select a site on which to build the housing units. The developer coordinates with other local agencies regarding zoning and conditional use permits. The developer works with city and county officials regarding infrastructure concerns (e.g., sewer, water, electricity, telephone and streets).

The developer obtains financing for the project by obtaining Essential Function Bond funding. The funding typically is arranged with the local community bank. Both the housing authority and the developers must maintain regular contact with local banks early in the project to assure their financial involvement.

The developer obtains bids from construction contractors/subcontractors for the various facets of the housing project (e.g., excavators, carpenters, shinglers, electricians, plumbers, dry-wallers, etc.). The bidding process allows for preference to be given to local contractors. If none are available, the developer and/or the commissioners may work with nonlocal contractors. The developer also obtains bids from local suppliers for building materials, such as lumber, and plumbing and electrical supplies. As construction progresses, the developer's representative should be on-site to supervise the contractors' and subcontractors' work and to answer their questions.

### **Step 8. Rent the housing units.**

The developer assures full, or nearly full, occupancy of the housing units by pre-signing rental agreements. The developer typically accomplishes this responsibility even before the construction phase (Step 7) is completed. The housing authority commissioners and the developer meet with the renters during the construction phase to provide status updates and apprise them regarding move-in dates.

The parties negotiate rental policies and procedures, which are formalized into a contract. Typical issues pertain to smoking, pets, clotheslines, mail and newspaper boxes, garbage cans and satellite dishes. For example, whether each renter should have his/her own clothesline or a common clothesline, or if a clothesline should be placed at all.

The developer provides a draft "Rental Policies and Procedures" form. The developer also provides a draft "Apartment Condition Checkout" form whereby renters inspect the condition of their units upon check-in and the facility manager inspects the condition of the units upon checkout. All draft forms the developer provides are negotiable and are intended to be "personalized" by the housing authority.

Other issues to be addressed include snow removal and lawn care, which the housing authority provides as part of the rent. The housing authority needs to develop procedures to hire a person for lawn care, and determine who among the commissioners shall be responsible to contact that person when lawn care is needed. The housing authority needs to develop procedures for snow removal. For example, should snow removal contracts be done on a time basis or per event basis, both based on number of inches of snowfall?

### **Step 9. Maintain the rental units.**

Once construction is complete and the units are filled, the developer turns over ownership and management of the facility to the housing authority. The housing authority hires an overall manager, bookkeeper and facility caretaker. The manager, often the city auditor or housing authority chair, is responsible for duties such as monitoring insurance and bond payments. The manager also may be responsible for the bookkeeping. The facility caretaker is responsible for maintaining the facility, although the developer will follow the project for a period of time as a warrantee if repairs are needed.

### **Step 10. Consideration of other issues and future housing needs.**

Before the initial project is completed, the housing authority commissioners should consider future tasks. First, how will they maintain and renovate, as needed, the initial housing units? Will they eventually sell the units to a private individual or group of investors or do they have other options? Second, the commissioners may begin to explore the feasibility of taking on additional public housing projects.

# Economic Impact of Housing Projects

To demonstrate the local economic impact associated with a new housing project, information regarding the number of housing projects under development statewide and estimated construction costs as of mid-2006 were obtained from the developer all of the communities used. Based on available information about occupancy of units (i.e., single or double occupancy), the authors estimated the number of people who will be occupying the new units.

These estimates were combined with information about the local expenditures of rural community residents in North Dakota to estimate the spending retained in the community as a result of the housing projects. The North Dakota Input-Output Model was used to estimate the secondary economic impacts based on these data.

The number of housing units that local housing authorities developed ranged from four to 16, with four and eight units being by far the most common. To provide an illustration of the economic stimulus that might be associated with an individual project, the economic impacts of construction and operation of an eight-unit housing project (two fourplexes) are summarized in Table 1.

The total (direct plus secondary) economic impact of project construction is estimated to total \$2.3 million, including \$585,000 in additional personal income for area households, and support 29 full-time equivalent (FTE) jobs. Project operation provides an ongoing stimulus to the local economy estimated at \$235,000 annually and supports three additional jobs. The extent to which these economic effects are captured within the local economy will depend on the development of the local trade and service sector.

**Table 1. Total (direct plus secondary) economic impacts of developing an 8-unit (two 4-plexes) housing project.**

Sector	Project Construction	Project Operation
	\$000	
Construction	1,008	5
Transportation, communications and public utilities	68	36
Retail trade	394	81
Finance, insurance and real estate	80	12
Services	66	20
Households	585	58
Government	50	13
Other <sup>1</sup>	95	10
<b>Total</b>	<b>2,346</b>	<b>235</b>
Secondary employment (FTE jobs)	29	3

<sup>1</sup>Includes agriculture, mining and manufacturing.

<sup>1</sup> Northeast Washington Housing Solutions. 2005. "Definitions and Powers of a Housing Authority." Spokane, Wash.: Spokane Housing Authority. Page updates 12-15-2005. Accessed 8-23-2006. Available at [www.spokanehousing.org/about/powers.htm](http://www.spokanehousing.org/about/powers.htm). Page 1.

<sup>2</sup> Apgar, W., and E.J. Whiting. 2003. "Essential Function Bonds: An Emerging Tool for Affordable Housing Finance." White Paper W03-2. Prepared for the National Association of Local Housing Finance Agencies. Accessed 8-23-2006. Available at [www.innovations.harvard.edu/showdoc.html?id=5055](http://www.innovations.harvard.edu/showdoc.html?id=5055).

<sup>3</sup> Weick, Diane (project manager, F and L Development, Fargo, N.D.). 2007. Correspondence with Jodi Bruns.



Special thanks to the Northwest Area Foundation, whose Horizons poverty reduction project in 2003 fostered rural community leadership development.

The project resulted in local leaders to work with the state's legislators to authorize rural community housing authorities (Senate Bill 2227).

And thanks to the NDSU Extension Service and NDSU Extension Center for Community Vitality for funding this research project.

**For more information on this and other topics, see: [www.ag.ndsu.edu](http://www.ag.ndsu.edu)**

This publication may be copied for noncommercial, educational purposes in its entirety with no changes. Requests to use any portion of the document (including text, graphics or photos) should be sent to [NDSU.permission@ndsu.edu](mailto:NDSU.permission@ndsu.edu). Include exactly what is requested for use and how it will be used.