



January 19, 2023

City of Horace City Council  
215 Park Drive East  
Horace, North Dakota 58047

Re: Horace Two-Year Property Tax Exemption

Dear Elected Officials:

On behalf of the Fargo-Moorhead Area Association of Realtors and the Home Builders Association of Fargo-Moorhead, thank you for considering the re-instatement and extension of the two-year property tax exemption. We understand the challenges Horace faces due to overwhelming growth. However, current economic conditions are slowing down new home construction and purchasing. Homeownership plays a vital role in helping to build strong, stable communities. This exemption is a crucial component to attainable housing, as it impacts workforce laborers and entry-level buyers the most.

The exemption encourages families to invest in Horace when other factors like inflation, interest rates, high material costs and labor shortages drive up costs. It saves \$150+ on a monthly mortgage payment, allowing homeowners to save or to buy critical items for their household. Over the two-year span, a homeowner saves roughly \$4,000. After only two years homeowners begin paying the full assessment, stimulating revenue potential that would not exist without the purchase.


Newly constructed housing creates a ripple effect: rooftops attract more businesses and increase the tax base. This spreads the tax responsibility (something that is essential for funding schools) across a larger number of households, thus easing the burden for each. Removing this tool pushes households to neighboring cities like Fargo or West Fargo, which offer the exemption.

Many builders in Horace already have a rental management company in place. If properties do not sell, it leads to more rentals and turnover. Also, filling the lots in already approved developments can help ease Horace's burdens of empty lot and road maintenance.

Newly constructed housing pays for itself in less than 18 months and is a benefit to the community. Growing the tax base, assisting in homeownership and remaining competitive are all beneficial for Horace and its residents in a time of growth. It's important to continue the city's momentum and help protect and promote its investment of hundreds of millions of dollars in local infrastructure. We encourage you to reinstate the two-year property tax exemption retroactively to Dec. 31, 2022, and ask that you consider removing the sunset of every two years.

Thank you for considering our comments. Please reach out to us with questions or concerns.

Sincerely,



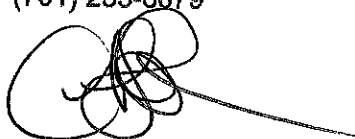
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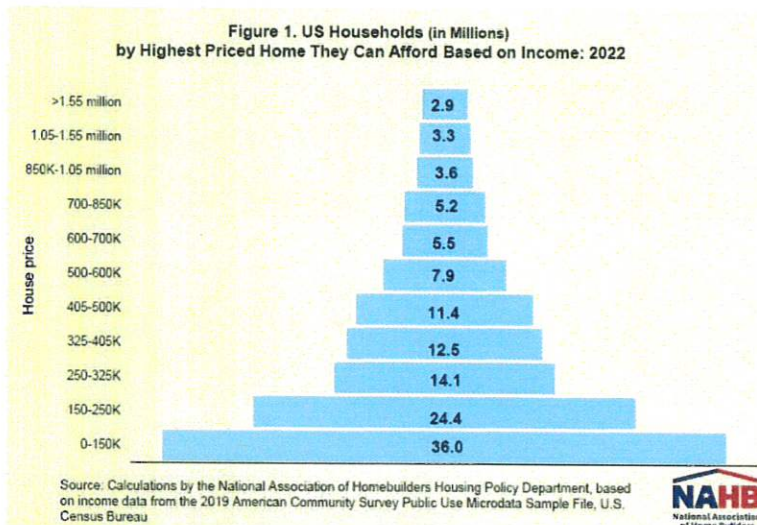
CC: Brenton Holper, Horace City Administrator



## Statistics & Data

### AFFORDABILITY

According to a study by the National Association of Home Builders released in February 2022, for every \$1,000 added to the cost of a new home, 157 households are priced out of our **local market**. The image below demonstrates a national picture of U.S. households.



#### [NAHB Priced-Out Estimates for 2022](#)

##### February 2022 Special Study for Housing Economics

##### Na Zhao, Ph.D. Economics and Housing Policy

The 2022 US estimates indicate that a \$1,000 increase in the median new home price (\$412,5051) would price 117,932 households out of the market. As a benchmark, 87.5 million households (roughly 69 percent of all U.S. households) are not able to afford a new median priced new home. A \$1,000 home price increase would make 117,932 more households disqualify for the new home mortgage. Home prices surged during the pandemic, creating affordability challenges, particularly for first-time buyers.

### ECONOMIC IMPACT

Additionally, NAHB conducted an economic impact study locally, delivering results in 2021. They evaluated 951 single-family homes constructed during 2020 in Cass and Clay counties. Over 15 years, the net economic impact of the single-family homes built during 2020 will have generated **\$157.2 million in revenue at a cost of \$55.2 million, resulting in \$102 million in net revenue.** It shows that building can create jobs, pay taxes and expand the economic base. Housing pays for itself almost right away.

#### Net Economic Impact Estimates

951 Single-Family Homes (2,893 Phase I and II jobs, 710 Phase III jobs)  
\$157.2 million in revenue; \$55.2 million in costs  
\$102.0 million in net revenue

