

Testimony of Lisa Rotvold IN SUPPORT of

HB 1524

House Finance and Taxation Committee – hearing

February 4, 2025

Good morning, Chairman, and committee members. My name is Lisa Rotvold. I live in Hillsboro and serve as the Executive Director of the Red River Community Housing Development Organization (CHDO). I also serve on the advisory board of the North Dakota Housing Finance Agency.

Red River CHDO is a non-profit 501(c)(3) organization with a mission to grow opportunity for low- and moderate-income people and underserved rural communities, by building attainable housing and supporting community development. Red River CHDO was formed in 1996, by Red River Regional Council, to help re-develop two historic buildings, on the Life Skills Transition Center campus in Grafton, into senior rental housing. Those two projects continue to provide 60 units of quality affordable housing today. Over time the CHDO became inactive. In response to pressing housing needs across the region, Dawn Mandt and the Red River Regional Council board of directors decided to help revive the non-profit at the end of 2022.

In 2023, Red River CHDO officially reorganized and seated a new board of directors from around the region. Since 2023 Red River CHDO has researched, spoken to community leaders, listened to community needs, toured communities, commissioned a region-wide housing study and action plan, and developed our Spark Build initiative. Spark Build is our strategy to build new single family for sale homes in rural communities, to jumpstart new construction and demonstrate that there is a market for new housing.

Spark Build 2024 included breaking ground on four new single family homes in Lakota and Larimore. The two in Lakota are complete and sold. The two homes in Larimore are both framed, one is under contract, the other is still available. Both homes will be complete in May 2025. We are also helping Park River prepare to break ground on two Spark Build homes this spring. We have six more communities lined up to participate with Spark Build once the new HIF appropriation is known.

We helped Cavalier secure Housing Incentive Fund dollars to build an 8-unit apartment project, expected to break ground this spring. In December we got an award of \$1.1 million to do single family rehabilitation in all Region 4, with a special focus on seniors and veteran

households. We also partnered with Walsh County JDA to fundraise for a new childcare center in Grafton. We expect to take ownership of that building later this year.

For a very small non-profit organization serving primarily rural areas, we feel like we are off to a good start, but none of this work would have happened without the sponsorship of the Red River Regional Council. They funded our first full year of operations in 2023 with a no interest operating loan. At the end of 2024, we were able to repay that loan in full!

Looking ahead, we have big plans to improve the availability of housing in rural markets and support their economic stability. Both our non-profit and the regional council share a regional perspective. Red River Regional Council is uniquely positioned to help rural communities achieve more than they could alone. Consistent and reliable operating funding will let them implement the plans that have been laid for workforce development, destination development, and economic development to lift the region.

I stand before you today to share the progress we have made in addressing the housing shortage in Region 4, and tell you that none of the work Red River CHDO has done would have been possible without the partnership and support of Red River Regional Council.

Red River Community Housing Development Organization (CHDO)

Lisa Rotovld, Executive Director

Marcy Douglas, President

Mike Helt, Vice President

Shelley Popiel, Secretary Treasurer

Amie Vasichek, Board Member

Paul Houdek, Board Member

Rebecca Kjellend, Board Member



Red River Community Housing
Development Organization (CHDO)

Single-family new construction with the Housing Incentive Fund



Lakota, ND, population 686

The Red River Community Housing Development Organization (CHDO,) is a partner organization of the Red River Regional Council, based in Grafton. Red River CHDO's mission is to grow opportunities for low-income and moderate-income people, and underserved rural communities, by developing decent and attainable housing and supporting community development, to help them thrive.

This case study outlines the organization's efforts to increase single family housing production in rural communities in north east North Dakota. Lakota was our first community.

Primary Objectives

- Create opportunities for growth in rural communities
- Jumpstart new construction of single-family homes in rural communities,
- Lift values to reduce and/or eliminate appraisal gap in small towns

"Spark Build" Initiative

After identifying barriers RRCHDO identified strategies to overcome them resulting in the Spark Build Initiative

- Red River CHDO acts as developer to be the risk taker in places where others aren't willing or able to do so.
- Acquires lots, finds builder, contracts with builder, secures all construction financing, pays builder monthly for work completed, collects lien waivers, markets homes, sells homes, repays construction financing

Process

- Sent RFP to 12 contractors in region, no responses received
- Shifted strategy to recruit a builder
- Collaborated with builder on home design and budget to reach project goals
- Outreach to communities - inquiries from 9 communities, 6 proposals, and 29 lots
- Selected communities, lots, and funding partners
- Secured conditional commitment of HIF forgivable construction loan
- Secured construction loan from local lender(s)
- Signed contract with builder
- Transferred ownership of lots to RR CHDO (updated abstract, title search, cleared lien, purchase liability and builders risk insurance, applied for building permit)
- Broke ground in May
- Sales contracts on both homes signed by end of June.
- Both homes complete and sold by end of year.
- Two additional homes currently under construction in Larimore.



Challenges

- Finding a builder – busy, not interested, skeptical, not general contractors
- Attracting bank financing for construction – risk averse
- Accessing HIF dollars – not able to use for single family for sale housing until after law change in 2023 legislature
- Timing – getting on a builder’s schedule - typically book jobs out a year (or more) in advance, require signed contract and down payment
- Single family construction payment structure – pay ahead vs. after work complete
- Appraised value vs. cost to build

Partners

- Red River Community Housing Development Organization (CHDO)
- City of Lakota
- State Bank of Lakota & First United Bank
- North Dakota Housing Finance Agency
- Gemmill Custom Cabinets and Homes
- Red River Regional Council

Outcomes

- Expanded housing stock and created movement in local housing market.
- Two new single-family homes started, finished, and sold in 2024
- Lakota retained two “empty nester” households in need of single level living

- Opened up two well-kept single-family homes in Lakota for sale at + or - \$200,000. One new first time home buyer
- Opened up one rental apartment – already re-leased

Lessons Learned

- Developer, risk taker, is missing link
- Construction financing - another missing link
- Challenges encountered at every level in rural area – builders, financing, lots, marketing, home values/appraisals, risk management.
- Stick to a single house plan for multiple homes - saved time, saved money, fewer decision points
- Bundling multiple homes under one contract - good for builder, good for CHDO, saved time and money
- Build a relatively basic home – appraisal gap not as bad as expected – “extras” and upgrades may increase value gap
- Every partner needs to manage their risk - developers, builders, lenders, and cities
- Housing Incentive Fund (HIF) was the key to risk management and pulling this all together



2024 Fall
Both homes
complete &
sold