



Red River Community Housing  
Development Organization (CHDO)



## Lakota, ND, population 686

The Red River Community Housing Development Organization (CHDO) is a Grafton based non-profit with a mission 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 - in 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
- 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

## 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

## 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

## 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

