

# THE SPARK BUILDING INITIATIVE

## SPARKING NEW HOUSING CONSTRUCTION IN REGION 4

The non-profit Red River Community Housing Development Organization (CHDO) is rolling out its Spark Building Initiative in 2024. Spark Building is focused on sparking new construction of single family for sale homes in small towns that have struggled with inactivity. Red River CHDO is taking the speculative nature of new home construction out of the way for contractors to encourage them to take a risk on small town new construction.



## BARRIERS TO NEW CONSTRUCTION

- **Risk.** Builders can view speculative new home construction in small towns to be risky.
- **Profits.** Builders can earn larger profits on a custom homes than on workforce or entry level homes many communities need.
- **Appraisal Gaps.** New construction in slow markets can often appraise for less than the cost to build. This gap can make it difficult for home buyers to secure adequate financing to purchase new construction home.

## SPARK BUILDING SOLUTIONS

- **Reducing Risk.** Red River CHDO will reduce the risk to builders by being the developer, managing development details, construction financing, and home sales so builders don't have to.
- **Improving Profit.** By bundling construction of two or more homes under one contract, Red River CHDO can offer builders an opportunity to earn profits on par with a larger custom home.
- **Managing Appraisal Gaps.** As a non-profit organization Red River CHDO is applying for funding to buy down appraisal gaps. Further, by continuing to build a small number of homes each year, we create comparable sales for the next new home, with a goal of ultimately eliminating the appraisal gap problem.





## WHY **SPARK** BUILDING?

Communities in Region 4 are poised for growth with a healthy economy, and growing job opportunities. A low unemployment rate means we need to attract newcomers to the region.

Quantity, quality, and affordability all affect rural housing markets. By making new construction both available and affordable, communities can make room for newcomers, helping employers attract the workers they need.

Due to a long term lack of new construction, appraisal gaps are hindering builders, buyers, and communities.

As a non-profit developer, Red River CHDO can take a risk on small towns in the region to jump start new construction activity.

## **SPARK BUILD** 2024

Red River CHDO is proud to be partnering with the Cities of Lakota and Larimore for this inaugural year of the **Spark Building Initiative** (a.k.a. “Spark Build 2024”). Both communities are poised for growth with business expansion driving housing demand. Red River CHDO will build two homes in each community. Each City has donated the lots for the homes, and will offer buyers a two year real estate tax exemption.

Homes will be sold at appraised value. Resources such as down payment assistance, reduced interest rates, or loan guarantees may be available to qualified buyers from USDA Rural Development, North Dakota Housing Finance Agency, Federal Home Loan Bank, FHA and VA . Each home will feature three bedrooms and two bathrooms, with an attached two stall garage.



Red River Community Housing Development Organization (CHDO) is a 501(c) 3 non-profit organization who's purpose includes housing and community development for low and moderate income people, and underserved communities in Grand Forks, Nelson, Pembina, and Walsh Counties.