

MARCH 17, 2025

Members of the Committee, my name is Jennifer Henderson, Director of the Community Housing and Grants management division at North Dakota Housing Finance Agency, and I am here today to speak in favor of HB 1524.

NDHFA administers the Housing Incentive fund and works with for-profit and not-profit organizations to finance the development of single family for-sale and affordable multifamily rental developments.

Housing development, especially in rural communities, is challenging. Across the state, rural communities have had very little new housing construction, but at the same time continue to indicate the need for housing.

Housing Incentive Fund prioritizes multifamily rental applications from rural communities by providing preference points for those applications. However, since 2019, only 4 out of the 16 applications approved were from communities of 20,000 or below. This isn't because there isn't a need, but because there is a lack of developers willing and able to put together an application.

It requires having an organization that can:

- Complete a regional/rural housing study and action plan
- Take the role of nonprofit housing developer
- Determine of the type of housing needed
- Develop partnership with communities, educate on needs and possibilities, seek contribution of available lots
- Bundle multiple communities/projects together to enable a scaled contract which is more attractive for builders
- Obtain building plans and specs
- Develop a budget
- Identify funding sources and secure a combination of loans and grant funds - such as the Housing Incentive Fund
- Secure contractors – builders, plumbers, electricians
- Break ground
- Monitor construction progress and address any issues that arise during the construction process
- Market the housing and find buyers

- See the project through to completion and sale

Attached to my testimony is a case study from Region 4 that showcases successful development when there is an organization able to take the reins and coordinate the development.

Rural communities often struggle with limited capacity to address housing and economic development needs on their own. Regional councils bridge that gap by providing vital technical support, leadership, and a comprehensive understanding of available resources. They help rural communities leverage federal, state, and private funding opportunities, ensuring that the right projects get off the ground and continue to flourish.

The unique local knowledge and regional networks that these organizations bring are indispensable. They are trusted partners in navigating complex regulatory landscapes, bringing together stakeholders, and promoting long-term planning. Without their expertise and support, many rural communities are unable to capitalize on the opportunities that can address their needs.



Red River Community Housing
Development Organization (CHDO)

Single-family new construction with the Housing Incentive Fund



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

