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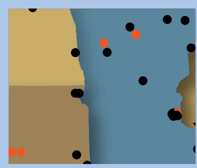
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April 2014

Community Dividend

Published by the Community Development Department of the **Federal Reserve Bank of Minneapolis**

With bank support, arts organizations help build better communities

PHOTOS BY PAULA KELLER FOR STEPPINGSTONE THEATRE

A montage of performances by SteppingStone Theatre, a children's theater troupe based in St. Paul, Minn. In 2007, SteppingStone purchased its playhouse with help from a loan underwritten by Park Midway Bank. (The bank is one of three in the Twin Cities that recently consolidated under the name Sunrise Banks.) The theater's programs and performances reach more than 70,000 young people each year.

By Jacob Wascalus

In 1990, when the 52-unit Northern Warehouse Artists' Cooperative opened in the Lowertown section of downtown St. Paul, Minn., the developer of the property understood why some people were skeptical of his organization's decision to create affordable, artist-only residential and studio space there.

"The area was a ghost town," says Will Law, chief operating officer of Minneapolis-based Artspace. "One hundred, maybe two hundred people lived down there. There were all those warehouses that were mostly vacant. It simply didn't look very inviting."

Yet Artspace's investment in the "Northern," a century-old warehouse a few blocks from the Mississippi River, helped kick off a residential and economic resurgence in downtown St. Paul that, more than 20 years later, can be measured by the thousands of people who now live and work in the area.[1] As an organization dedicated to creating and preserving permanently affordable studio and residential space for artists and office space for arts organizations, Artspace recognizes the potential of using arts and artists to revitalize underinvested areas, and it pursued this vision in Lowertown.

"I think our investment in the Northern sparked what was the beginning of a revival," says Law, noting that three years later the organization opened another space for artists in a warehouse adjacent to the Northern. "There's a completely different attitude about that area from when we started. But at the time, people definitely thought we were insane."

Not everyone, however. The refurbishing of the Northern wouldn't have been possible without willing partners to help underwrite the $10 million cost. One such partner, TCF Bank, wasn't deterred by the unconventionality of the investment opportunity.

"They were willing to try to understand us, rather than just say, 'You don't fit into the box,' which is what a lot of lenders did," says Law. "They were willing to sit down and figure out why that particular loan could make sense."

Arts organizations, and arts and culture more broadly, support facets of community building that contribute to a comprehensive vision of community development—one that not only includes bricks-and-mortar projects and the economic development opportunities they often spur but also the social and human capital fostered through individual and collective arts projects. Monetary support for these endeavors often falls to foundations and individuals. But as TCF Bank demonstrated with its underwriting of the Northern, financial institutions can play a significant role in supporting arts-oriented clients. And in doing so, they may receive favorable consideration under the Community Reinvestment Act, or CRA. (For more on the CRA, see the "A CRA primer" sidebar on page 4.)

"Arts are a vital and intrinsic part of community building," says Erik Takeshita, deputy director of Twin Cities LISC (Local Initiatives Support Corporation), a community development intermediary that has supported various arts developments over the past decade. "Broader financial support for them means both arts and communities can thrive."

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Dakota Resources coaches rural towns on development strategies

By Angela Eilers

Small towns and rural communities throughout the U.S. are looking for ways to maintain their population base and strengthen their economies. Rural communities in the Ninth Federal Reserve District are no different. But in one Ninth District state, South Dakota, their efforts are buoyed by a partner that directs its energy at both stimulating rural business leadership and maintaining the population of small, rural towns.

That partner is Dakota Resources, a private, not-for-profit rural development organization that provides capacity-building assistance to stimulate financial and human investment in rural communities that invest in themselves. Incorporated in 1996, Dakota Resources focuses specifically on communities in South Dakota with populations under 5,000. Since U.S. Census Bureau estimates show that around 95 percent of the approximately 350 towns and cities in the state have a population below that threshold, the organization has a large constituency.

> "We supply the tools and help introduce and practice winning strategies. Community members are the team, taking the field, working together, and achieving the victory."
>
> —*Beth Davis, President, Dakota Resources*

A focus on assets

By many measures, rural South Dakota is struggling. For example, 50 percent of the state's rural counties have seen a population decline over the past four years alone, with thousands of residents moving to the metropolitan bookends of the state—Sioux Falls and the Rapid City area—or to the boomtowns of the Bakken oil region in western North Dakota. According to its president, Beth Davis, Dakota Resources helps rural towns in South Dakota take an asset-based approach to economic development by focusing on each community's unique mix of features. The organization, led by Davis and supported by a staff of seven, provides communities with resources and technical assistance in leadership development, community development, and economic development. One intended outcome of Dakota Resources' work in revitalizing small, rural economies is the retention of the population. Davis likens Dakota Resources to a coach: "We supply the tools and help introduce and practice winning strategies. Community members are the team, taking the field, working together, and achieving the victory."

Creating winning strategies requires "believing and behaving differently," according to Davis. That means engaging individuals, organizations, and the broader community in the change process; emphasizing and modeling collaboration; and building management and leadership skills. The process requires about an 18-month investment of time and attention, starting with forming a Leadership Team made up of community representatives. Team members begin by conducting a community assessment through listening sessions, where they ask fellow community members, What do we have? What do we know? What do we do best? And, What can we do better? From there, Initiative Teams are formed to collect data and take stock of community assets (financial, cultural, social, political, human, natural, and built). Dakota Resources then guides the teams in developing customized strategies for leveraging the identified assets and shifting the community toward change.

Financial support for some of this work comes from fees that are determined by a sliding scale based on the service and the community's needs and population. Support also comes from philanthropic grants, such as from the St. Paul, Minn.,-based Bush Foundation. Elli Haerter is the manager of the foundation's activities in North Dakota and South Dakota. She says, "Dakota Resources offers towns and cities new and innovative ways to realize their strengths and tackle their problems with a new lens—to think bigger about what is possible in their community."

Communities take the field

An example of a Dakota Resources-guided development process in which community members are team players includes Faulkton, S.D., population 737. With the support of a Bush Foundation grant, Dakota Resources directed community members

PHOTO COURTESY OF DAKOTA RESOURCES

During a strategy session led by Dakota Resources, residents of Lemmon, S.D., consult with the organization's program developer, Kristi Wagner (seated).

through a series of listening and learning sessions and a multifaceted community-engagement approach. As a result, Faulkton residents are generating positive effects in five separate areas: housing, entrepreneur development, leadership development, quality of life, and philanthropy.

Another example of economic development in which community members take to the field is De Smet, S.D., population 1,110. De Smet residents completed a strategic planning process in 2006 that helped them plan for 20 years of future growth. And in 2012, De Smet Development Corporation opened American Engineered Products (AEP), a manufacturer of flagpoles and lotto machine bases. Financing for the company was secured through Dakota Resources' Capital Investment Fund, which makes reasonably priced capital available to economic development corporations and revolving loan funds in South Dakota that support local development projects. AEP took advantage of an available and unused building in De Smet's industrial park and hired 20 De Smet residents.

What Dakota Resources provides is a process, not just assistance, Davis underscores. But she adds that it is not a process done "to" a community; rather, the community learns from and leads itself.

"The real work is done in the community, by committed individuals [who are]… ultimately responsible to themselves, each other, and the community as a whole," she says.

According to Davis, communities that choose to invest in themselves gain the greatest benefits from their involvement with Dakota Resources. And like any good coach, she says credit goes to the teams' efforts.

Read more about Dakota Resources and its activities at www.dakotaresources.org.

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Mass CDFI recertification push winnows list, ensures compliance

By Jacob Wascalus

In early 2013, the U.S. Department of the Treasury's Community Development Financial Institutions Fund (CDFI Fund) announced that any certified community development financial institution (CDFI) whose original or most recent certification was at least three years old would have to apply for recertification. The mandate was issued to ensure that all certified CDFIs continued to meet the certification criteria required for designation as a CDFI by the Treasury. CDFIs certified within the previous three years were presumed to still meet the criteria, but each was assigned a triennial recertification date relative to its date of most recent certification.

CDFIs are specialized financial entities that work in areas of the market that are underserved by traditional financial institutions. They include regulated institutions, such as community development banks and credit unions, and nonregulated institutions, such as loan and venture capital funds. CDFIs provide a range of financial products and services and related technical assistance in economically distressed areas, as well as to targeted populations for which it has been demonstrated that access to credit and capital is significantly challenged. Products offered by CDFIs include mortgage financing for low-income and first-time home buyers and not-for-profit developers; flexible underwriting and risk capital for needed community facilities; and technical assistance, commercial loans, and investments to small businesses in underserved low-income areas. To be certified as a CDFI, an applicant for certification must demonstrate that at least 60 percent of such services are provided to low- and moderate-income (LMI) communities.

CDFI certification has multiple benefits. Only those organizations that become certified CDFIs have access to the suite of financial and technical assistance funds offered by the CDFI Fund, the single largest federal source of funding for CDFIs. Since its inception in 1994, the CDFI Fund has awarded more than $1.9 billion through its annual competitive awards process to enable CDFIs to expand their product and service offerings. Additionally, the CDFI Fund has allocated $36.5 billion in federal tax credits through its New Markets Tax Credit Program, which the U.S. Congress established in 2000. Community Development Entities (CDEs) that successfully utilize the program can use these tax credits to raise capital from private investors, thereby better enabling the CDEs to make investments and loans to businesses and development projects that foster economic growth in distressed areas.[1] Finally, some CDFIs have effectively leveraged their certified CDFI designation to attract additional investors, such as foundations. In other words, simply being a formally recognized CDFI has value.

By the numbers

At the time of the recertification announcement, there were roughly 1,000 certified CDFIs. Of this total, nearly 750 were required to apply for recertification, with the balance having been assigned future recertification application deadlines. Ultimately, approximately 500 of the 750 organizations chose to apply for recertification.

To be recertified, each organization had to complete an application demonstrating that it met the statutorily required criteria for certification, including having a primary mission of promoting community development and being primarily a financing entity. Most of the applications were due by April 8, 2013, and were processed over the ensuing months.[2] As of February 28, 2014, the Treasury recognized 806 organizations across the country as certified CDFIs (including those recertified in 2013, those that did not have to recertify, and newcomer CDFIs that applied for their initial certification during 2013). The breakdown of CDFIs by organization type is listed below, with numbers in parentheses representing the number of CDFIs of each type headquartered in the Ninth Federal Reserve District.

- Loan funds: 490 (52)
- Credit unions: 176 (6)
- Bank or thrift institutions: 78 (1)
- Depository institution holding companies: 49 (1)
- Venture capital funds: 13 (1)

Of these 806 CDFIs, 67 are Native CDFIs, a Treasury-recognized self-certification for CDFIs whose efforts are focused primarily on Native American communities. Native CDFIs have access to resources available through the CDFI Fund's Native American CDFI Assistance Program and are also eligible to apply to the other programs offered through the CDFI Fund.

Of the roughly 500 CDFIs that applied for recertification, more than 475 have successfully completed the process and been recertified. Approximately 65 recertification applicants did not receive immediate approval during fiscal year 2013 because their recertification applications evidenced deficiencies that the CDFI Fund believed could be remedied with additional information about the entity and its operations. These organizations were granted a temporary "cure" period with the expectation that they would successfully address the identified issues within 90 days of being notified of that determination. As of this writing, the vast majority of those organizations have been recertified.

Of the 750 organizations required to apply for recertification, approximately 240 did not submit recertification applications. According to interviews *Community Dividend* conducted with five of those organizations, their reasons for not reapplying included:

- A change within the organization's target market. One organization serving the Bakken oil region noted that income in its target market increased to the point where the population no longer qualified as LMI.
- The perception that the administrative burden associated with both the recertification process and any awards made through the CDFI Fund outweighed the perceived benefits. One organization, in discussing financing and capital opportunities, mentioned "better options" available to it.
- A change in leadership that resulted in either a lack of awareness of that organization's active CDFI certification or lack of knowledge about the CDFI program.
- An organization's going out of business, changing mission, or merging with another organization. In some instances, newly merged (and often renamed) organizations applied for CDFI recertification and received the designation.

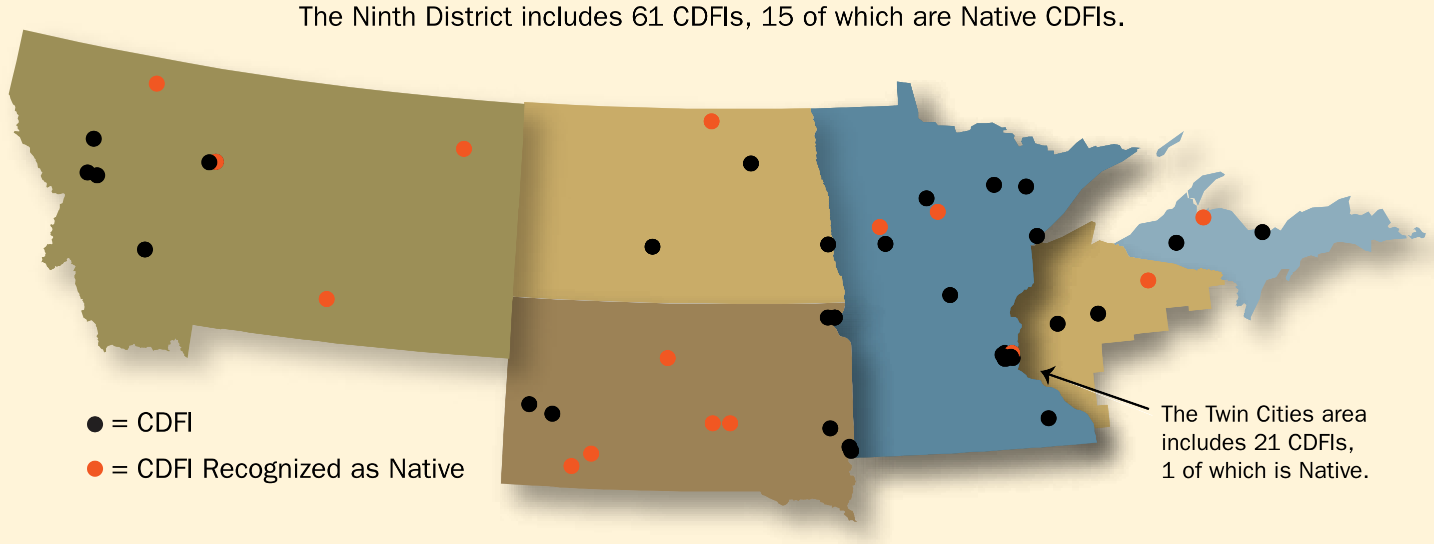
A focused pool

As a result of the 2013 recertification process, the CDFI Fund now has a smaller pool of organizations carrying the certified CDFI designation. However, the certified CDFIs that remain have all recently demonstrated their commitment to the ongoing mission of promoting economic growth in low-income communities. To support this smaller but more focused pool of CDFIs, the CDFI Fund will continue to provide an array of financial awards, technical assistance awards, capacity-building opportunities, and other resources.

For more on the CDFI Fund, visit the Treasury's CDFI Fund web site at www.cdfifund.gov. CDFI certification criteria can be found at www.cdfifund.gov/docs/factsheets/CDFI_Certification.pdf.

CDFIs in the Ninth Federal Reserve District

The Ninth District includes 61 CDFIs, 15 of which are Native CDFIs.



[1] A CDE is a domestic nonprofit or for-profit corporation or partnership that serves as an intermediary vehicle for the provision of loans, investments, or financial counseling in low-income communities. Entities certified as CDEs by the CDFI Fund are eligible to apply for New Markets Tax Credit (NMTC) allocations and to receive loans or investments from other CDEs that have received NMTC allocations.

[2] The CDFI Fund made available a list of due dates depending on the original certification date of the organizations. To view this list, visit www.cdfifund.gov/docs/2013/certification/CDFI_Certification_FAQ_04022013.pdf.

Arts organizations and bank support

Continued from page 1

PHOTO COURTESY OF FREE ARTS MINNESOTA

Screen printing is one of many visual arts media taught by Free Arts Minnesota, a Minneapolis-based organization that works with at-risk youth.

Creating affordable art space

Artspace has been advocating for arts-related living and working spaces since its founding in 1979, when the Minneapolis City Council and the Minneapolis Arts Commission co-created the organization to assist artists in finding affordable workshop space in Minneapolis's Warehouse District. By the late 1980s, recognizing the need to be more proactive, Artspace transformed itself into a property developer and has since built a portfolio of 35 properties in 14 states and the District of Columbia. Of these, 27 projects are "live/work" buildings, in which artists and their families both reside and practice their arts media, with a total of 1,167 residential units. The remaining eight buildings are studio-only spaces. The number of residential units in each development ranges from 10 up to 100. (To learn about Artspace developments in the Ninth Federal Reserve District, see the sidebar on the opposite page.) In addition to art studios and apartments, many of Artspace's buildings include the capacity to host retail, commercial, or office space.

"There's a lot of information out there about how arts can be good pioneers in revitalizing an area in general," says Law, "and many of our properties have succeeded in bringing a level of vibrancy back into a community."

Artspace employs one of two basic strategies when determining where to develop a project: to build in underdeveloped, often low- and moderate-income (LMI) areas where an investment has the potential to spark a broader economic and housing revitalization, such as the Northern did in St. Paul; or to build in areas that are rapidly gentrifying, in order to preserve affordable space. For example, the organization has developed properties in Fort Lauderdale, Fla., and Santa Cruz, Calif., in order to safeguard arts-only resources for areas that were quickly pricing out artists.

Moreover, large urban areas aren't the only locations where Artspace develops properties; it also seeks out space in smaller, more rural communities. Fergus Falls, Minn., for instance, which has a population of approximately 13,000,[2] has a 10-unit live/work space (which also happens to be Artspace's smallest development); and Kyle, S.D., on the Pine Ridge Indian Reservation, will soon boast the Pine Ridge Arts Lab, a fixed arts center and mobile arts laboratory that will help serve the arts-resource needs of Native American artists who live on the reservation.

For the vast majority of these developments, TCF Bank has served as one of Artspace's primary underwriters. In fact, while their business relationship started locally with the Northern project, it continued as Artspace expanded its development market nationally. For TCF, the Artspace partnership has been good business.

"When we look at these development proposals, they have to make sense from a safety and soundness perspective, just like any other loan," explains TCF Bank Community Reinvestment Officer Bill Sarvela, who indicates that TCF receives CRA credit for its work with Artspace. "These types of loans may require a little deeper dive at the front end to fully understand the organization and their financials, but in essence we underwrite them just as we would any other commercial loan, and they are solid, well-performing deals that have a significant community impact."

Theater taps children's creativity

A strong connection to a bank is one of the reasons why SteppingStone Theatre—a 27-year-old children's theater company whose mission is to build self-esteem, confidence, and a sense of community—has succeeded. Richard Hitchler, artistic director of the St. Paul-based company, explains that his organization's business relationship with Sunrise Banks has made possible the theater's extensive outreach and programming capacity.

"As a small arts nonprofit, if you don't have the ability to borrow or have a bank's support behind you, you're going to have a difficult time succeeding in your mission," he says.

In 2007, Park Midway Bank in St. Paul—one of three family-held banks in the Twin Cities that later consolidated under the name Sunrise Banks—underwrote a loan to enable SteppingStone to purchase and renovate a vacant St. Paul building that developers had been targeting for condominiums. With support from hundreds of nearby residents, who mounted a signature campaign opposing the residential project and favoring the children's troupe, SteppingStone successfully transformed the idle property into its current playhouse, a 430-seat practice and performance hall where instructors work with scores of kids, from preschoolers to high school seniors, to put on six main-stage performances a year. The child actors, who live throughout the Twin Cities region and come from economically and racially diverse families, including LMI households, perform original works written by local playwrights. The theater also uses local

A CRA primer

For banks that partner with arts organizations, the positive outcomes could go beyond solid deals and community building. Depending on their exact nature and target market, arts-related activities may earn a bank favorable consideration under the Community Reinvestment Act (CRA). Enacted in 1977, the CRA requires depository financial institutions to meet the credit needs of the communities they operate in, including low- and moderate-income (LMI) neighborhoods and distressed or underserved areas. To ensure that financial institutions are complying with the CRA, examiners from the federal financial regulatory agencies (the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, and the Office of the Comptroller of the Currency) periodically evaluate each institution's performance in meeting the credit needs of the people and businesses in its geographically delineated market area. The evaluation criteria differ according to the institutions' asset sizes.

Large institutions, or those that have assets of more than $1.202 billion as of December 31 of both of the prior two calendar years, are evaluated on their record of meeting three CRA tests: a lending test, an investment test, and a service test. In other words, regulators assess whether large institutions have provided loans, investments, and services to LMI individuals and neighborhoods in their assessment areas. Large institutions receive favorable CRA consideration if activities in each of those categories constitute *community development,* which the CRA defines as:

- Affordable housing for LMI individuals;
- Community services targeted to LMI individuals;
- Activities that promote economic development by financing small businesses or small farms; or
- Activities that revitalize or stabilize LMI geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

In 2011, regulators expanded the definition to include certain activities in designated Neighborhood Stabilization Program target areas. However, as of this writing, eligibility for these activities has largely expired. (For more on this, see "Recent rule changes expand definition of community development under the CRA," in the July 2011 issue of *Community Dividend,* available at www.minneapolisfed.org.)

Small institutions are those that have assets of less than $1.202 billion as of December 31 in either of the two prior calendar years. **Intermediate small institutions**, a subset of small institutions, are those that have assets of less than $1.202 billion as of December 31 in either of the prior two calendar years but at least $300 million as of December 31 in both of the prior two calendar years. They are evaluated on their record of meeting two CRA tests: a lending test and a community development test. The extent of the community development test varies depending on each intermediate small institution's circumstances. Institutions that do not meet the definition of intermediate small institutions are evaluated on just one CRA test, the lending test, but can try to enhance their CRA rating by asking regulators to evaluate their community development activities as well.

choreographers, musicians, and composers, among other Twin Cities-based artists.

"Our shows tend to be culturally specific to reflect the social fabric of the Twin Cities," Hitchler says.

While the playhouse serves as the organization's central performance and office location, a big part of SteppingStone's work takes place outside of its theater. Each year, the organization places more than 40 artists-in-residence at schools around the metro area and conducts more than 100 after-school programs. While the residencies sometimes act as fill-ins for absent or discontinued theater programs, they are often used to enhance classroom curricula. Hitchler offers an example: If the subject of a class is astronomy, an artist-in-residence will create a play about the planets or the solar system.

"We use theater to help bring students a more hands-on learning environment," he says. "It's more experiential than bookish."

Combined, the school- and theater-based programs involve the participation of more than 10,000 kids. Including the kids who watch the various performances, that number reaches upwards of 70,000, according to Hitchler.

"We've had a fantastic experience in the new space so far," he says, "and it's been made possible because of the bank that helped us get established there."

Arts as therapy

The chief executive officer of Sunrise Banks, David Reiling, appreciates the vibrancy and health of the Twin Cities arts community. He values its role in adding to the fabric and culture of the area, and he emphasizes the need to support it.

"There are multiple ways to do that from a bank's standpoint," he says. "Banks can make loans, which is more straightforward. But they can also provide contributions or offer volunteer time."

Free Arts Minnesota, a Minneapolis-based organization that uses arts-based mentorship to help at-risk youth express their emotions and gain self-esteem, has enjoyed a positive relationship with Sunrise Banks since 2002. The bank provides the organization with a line of credit and various operating accounts, and its employees volunteer at Free Arts Minnesota's largest fundraiser, an annual event called the Art Heals Breakfast. It has also contributed money to the organization through its corporate giving program. For its activities with Free Arts Minnesota—and with SteppingStone Theatre—Sunrise Banks hopes to receive positive consideration at its next CRA evaluation.

Free Arts Minnesota reaches thousands of kids each year through a range of arts-based services, according to the organization's executive director, Dan Thomas.

"Rather than have kids come to us, we bring arts to them," he explains, noting that transportation is a large barrier for most of the children the organization serves. "We work at agencies that are already trying to help these kids but might not have the capacity or skills to do what we do."

Artspace developments in the Ninth District

PHOTOS COURTESY OF ARTSPACE


Northern Warehouse Artists' Cooperative, exterior and interior, St. Paul, Minn.

Minnesota

Franklin Arts Center
Brainerd

Washington Studios
Duluth

Kaddatz Artist Lofts
Fergus Falls

The Cowles Center for Dance & the Performing Arts
Minneapolis

Traffic Zone Center for Visual Art
Minneapolis

Artspace Jackson Flats
Minneapolis

Chicago Avenue Fire Arts Center
Minneapolis

Grain Belt Studios
Minneapolis

Artspace Green Homes North*
Minneapolis

Northern Warehouse Artists' Cooperative
St. Paul

653 Artist Lofts (formerly Frogtown Family Lofts)
St. Paul

Tilsner Artists' Cooperative
St. Paul

North Dakota

Minot Artspace Lofts
Minot

South Dakota

Pine Ridge Arts Lab*
Kyle (Pine Ridge Indian Reservation)

*In development

Artspace Jackson Flats, Minneapolis

Kaddatz Artist Lofts, Fergus Falls, Minn.

Minot Artspace Lofts, Minot, N.D.

Pine Ridge Arts Lab,* Kyle, S.D. (Pine Ridge Indian Reservation)

Through Free Arts Minnesota's mentorship program, trained volunteers travel each week to different social service agencies—homeless shelters, domestic violence shelters, day treatment centers, etc.—to work with kids who have experienced poverty, homelessness, abuse, and mental illness. While there, they teach kids to use various visual arts media, such as drawing, painting, digital photography, and screen printing, to express emotions that they may find difficult to articulate verbally. On occasion, Free Arts Minnesota also offers music and theater programs, and it is currently exploring the possibility of adding a dance program.

Working outside the comfort zone

For most people, arts organizations and banks aren't the first pairing that comes to mind when imagining typical business relationships. But to Will Law of Artspace, that doesn't mean these types of relationships couldn't be more plentiful; it's a matter of banks' willingness to explore the lending possibilities a bit further.

"Arts organizations are hard to underwrite in typical banking-underwriting structures," he says, explaining that their income streams might not be as clear-cut as those of other businesses. "Banks have to be willing to work outside of their comfort zone a little bit, which means they might have to expend some resources to do the extra due diligence to have success in their internal loan review process."

And he's not alone in this assessment. Reiling of Sunrise Banks notes that working with arts organizations may require some extra effort on a bank's part, but the end result is worth it. He sees his institution as not just providing financial support to some arts organizations but also encouraging their social and community development goals.

"Sometimes it's a matter of doing the analysis on the organization and having them understand what exactly their cash flows are and where the risks are," he says. "The last thing we want to do is make a bad loan or blow up the organization. That would prevent them from achieving their social mission, and we want these arts organizations to be here for a long time." cd

ONLINE EXTRA

How Can the Arts Contribute to Community Development?

A video featuring sights and insights from a youth arts organization in Minneapolis. View it at **www.youtube.com/user/MinneapolisFed**.

[1]In 1990, the population of the two block groups encompassing the Lowertown section of downtown St. Paul was approximately 1,300. In 2010, the population of the blocks contained in the 1990 block groups was nearly 3,400. These figures were drawn from data provided through the Minnesota Population Center's National Historical Geographic Information System, available at www.nhgis.org. The boundaries for Lowertown were drawn from St. Paul's Historic Lowertown Small Area Plan, viewable at www.ci.stpaul.mn.us.

[2]2010 U.S. Census.

CDFIs emerge as key partners in improving community health

By Ela Rausch

Across the country, new partnerships between community development finance and health organizations are being formed to create healthier communities. To spotlight one example from the Ninth Federal Reserve District: When Greater Minnesota Housing Fund, a community development financial institution, recently created a fund to attract socially inclined companies to invest in housing, Twin Cities-based health organization UnitedHealth Group, Inc., responded by making a $50 million investment.

"UnitedHealth Group came to the table because they understand the role that affordable housing plays in influencing health outcomes, not because we sold them on it," says Warren Hanson, president and CEO of Greater Minnesota Housing Fund, who stresses the importance of shared goals in making the partnership between the two organizations possible. The funds are being used to develop affordable rental housing, which is health-supporting for families who may otherwise end up homeless or living in poor housing conditions.

Affordable housing is just one example of how the built environment can promote health; parks and sidewalks that support opportunities for exercise are another. Awareness of how the built environment influences individuals' health has grown in recent years, along with awareness that communities differ in their opportunities for residents to be healthy. Less known, however, is the important role that community development financial institutions (CDFIs) often have in leveling the playing field. CDFIs are specialized entities that provide lending, investments, and other financial services in economically distressed communities. This article examines how CDFIs can shape community health and how the application of a health lens has influenced the way some CDFIs in Minnesota, the Ninth District's most CDFI-rich state, are approaching their work. (For more general information on CDFIs, including a map showing their distribution in the Ninth District, see the article "Mass CDFI recertification push winnows list, ensures compliance" on page 3.)

An infrastructure for health

CDFIs play a critical role in addressing the social determinants of public health—which include education levels, income levels, and the characteristics of the neighborhoods in which we live, work, and play—by financing the development of infrastructure that makes good health possible. Affordable housing, community health facilities, and healthy food retail stores are some examples of health-related infrastructure improvements that CDFIs finance.

"Community development has always been in the health business, we just didn't know it," says Andriana Abariotes, executive director of Twin Cities LISC (Local Initiatives Support Corporation). The organization, which is a CDFI, is 1 of 31 National LISC offices across the country. The core of National LISC's mission is to help community residents transform distressed neighborhoods into healthy and sustainable communities of choice and opportunity. While not all CDFIs explicitly mention health in their mission statements, they do emphasize the improvement of distressed communities.

"Health is a major part of improving the lives of disadvantaged people," says Warren McLean, vice president of Community Reinvestment Fund, a Minneapolis-based CDFI that operates nationally. "Our mission focuses on improving the lives of disadvantaged people through innovative finance. And, in low-income communities with disproportionately high chronic disease rates, health is an inherent part of that mission."

Providing the financing tools

One of the primary ways CDFIs add value to the community health sphere is by bringing innovative financing tools to the marketplace. CDFIs' unique position in the credit market allows them to support projects that mainstream financial institutions may consider too risky to be bankable. CDFIs often provide the gap financing needed for a project, in combination with investments from government, philanthropic, or bank partners. Other times, a CDFI will act as the sole investor. Investment amounts can vary greatly depending on the type of project and the capacity of the CDFI involved; an investment in a health-supporting project in a distressed neighborhood might range from $30,000 for additions to an existing building to $30 million for the development of a large, brand-new community facility.

In other cases, CDFI investments may be combined with other sources to create new financing tools. One example is the Healthy Futures Fund, a national initiative to support the development of community health centers in underserved areas as well as affordable housing that incorporates health programs for low-income residents. Partners for this fund, which has supported two projects in the Twin Cities to date, include LISC, New Markets Support Company (a LISC subsidiary), Capital Link, Morgan Stanley, and the Kresge Foundation. (For more on this, see the sidebar on the opposite page about Rolling Hills Apartments in St. Paul.) Another example is the Federally Qualified Health Centers Financing Fund that was launched at the Clinton Global Health Initiative in 2013. The fund, developed in response to the need for additional community health centers generated by the Affordable Care Act, is supported in part by Community Reinvestment Fund, which has also assumed a leadership role in the development of a statewide healthy food financing initiative for Minnesota. (For more on this, see the sidebar on the opposite page on the Minnesota Grocery Access Task Force—Healthy Food Financing Initiative.)

Broadening participation

CDFI industry leaders note that the emphasis on community health has been beneficial for painting a more comprehensive picture of the role that CDFIs play in improving the lives of disadvantaged people and communities.

"The traditional community development conversation was one about siting, and density, and affordability requirements. Framing our work as 'building healthy communities' has helped us to broaden the conversation and bring more people to the table," says Abariotes.

In addition to drawing in new partners and funders, the use of a health lens has helped to increase project engagement among community residents. Health—especially the health of children—is something people tend to be passionate about, an issue to which they can relate. According to a 2013 study by the Federal Reserve Bank of Minneapolis and Wilder Research that examined cross-sector collaboration to improve health in the U.S., community engagement is often a key element of successful projects.*

CDFIs + health organizations: Spotlight on collaboration
Minnesota Healthy Communities Initiative

BACKGROUND

Since 2012, the Federal Reserve Bank of Minneapolis has devoted resources to supporting and promoting collaboration between the community development and health sectors to improve health in low- to moderate-income communities. The Minneapolis Fed's efforts are part of a broader partnership between the Robert Wood Johnson Foundation and Federal Reserve Banks to identify ways to improve public health in the U.S.

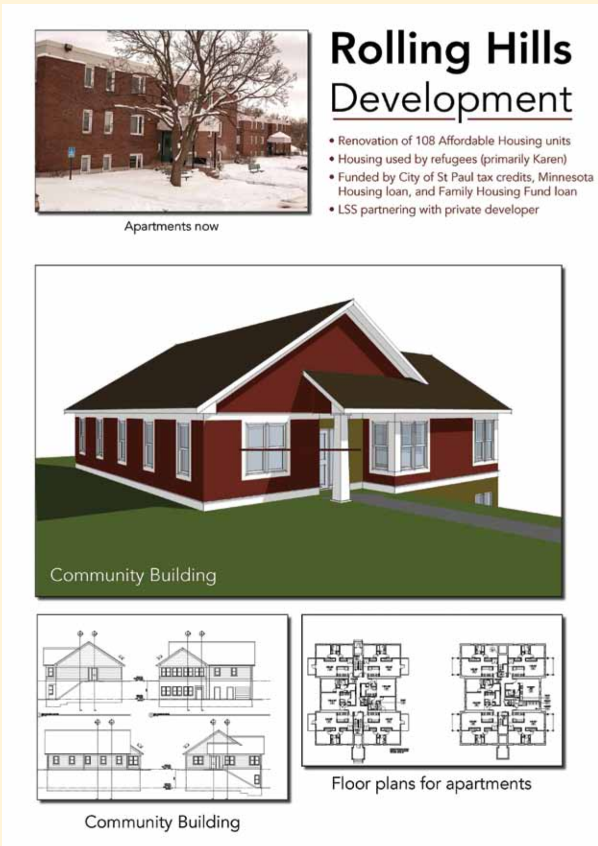
MAJOR ACCOMPLISHMENTS TO DATE

Two daylong conferences in Minnesota focused on increasing awareness of shared goals for organizations involved in building healthy communities; developing relationships across sectors; and showcasing successful collaborative efforts to improve community health, including projects that involved CDFIs. For more on these conferences, including links to session videos and other materials, visit www.minneapolisfed.org/community_education/mnhealthycommunities and www.wilder.org/Wilder-Research/Research-Areas/Pages/Building-Healthy-Communities.aspx.

KEY PARTNERS

Blue Cross and Blue Shield of Minnesota Foundation, Federal Reserve Bank of Minneapolis, Initiative Foundation, Robert Wood Johnson Foundation, Twin Cities LISC, Wilder Research

CDFIs + health organizations: Spotlight on collaboration
Rolling Hills Apartments (Healthy Futures Fund)



BACKGROUND

Research by the East Side Family Clinic in the East Side area of St. Paul shows that diabetes, obesity, and hypertension are common among the neighborhood's residents. Through the Healthy Futures Fund, LISC will invest $105,000 in health-related building improvements and programs for Rolling Hills Apartments, an East Side housing development that is home to more than 400 Somali, Karen, Iraqi, and Bhutanese refugees. This investment is paired with $9.4 million in Low Income Housing Tax Credit equity provided through the National Equity Fund, a LISC affiliate.

MAJOR ACCOMPLISHMENTS TO DATE

Project partners, including community development, health, and human service organizations, worked with residents to develop a campus renovation plan that includes the addition of a community space and a clinical exam room. The updated facility will include 108 units of affordable housing, on-site medical services to increase access to health care, vegetable gardens to support healthy eating, and resident engagement activities to promote social connectedness. The Rolling Hills Apartments renovation is scheduled to be completed in the summer of 2014.

KEY PARTNERS

East Side Family Clinic/Westside Health Services, Lutheran Social Services, Rolling Hills Apartments residents, Twin Cities LISC

Building capacity

The resources that CDFIs can bring to a community health initiative often extend beyond capital investments. CDFIs also frequently play an important role in capacity building through activities such as convening community stakeholders, helping to identify common goals, and evaluating the results of projects. Over the last year, Twin Cities LISC has expanded its ability to do this type of work by adding a community health advocate to its staff. The addition is part of a pilot program by National LISC that includes three additional sites: San Francisco, Indianapolis, and New York's Bedford-Stuyvesant neighborhood. Mary Wheeler, who serves as the community health advocate at the Twin Cities LISC office, has been engaged in mapping community assets and identifying the common elements among successful community development projects that have produced community health improvements. Each of the four pilot sites is tracking evidence of improved access to health care, increased access to healthy food, and increased participation in physical activity in the communities where they have invested resources. The goal is to be able to demonstrate that investments in community development strategies that support health-promoting behaviors can positively influence health outcomes for individuals, families, and communities.

"We have to do the work to be able to inform policy," says Abariotes. "We need to be able to showcase what happened, what progress we are making, where the gaps are, and what is still missing from the equation."

Developing cross-sector relationships

In recent years, several Federal Reserve Banks, including the Federal Reserve Bank of Minneapolis, have convened meetings of local health and community development leaders to promote awareness of shared goals and encourage collaboration across sectors. (For more on the Minneapolis Fed's effort, see the "Minnesota Healthy Communities Initiative" sidebar on the opposite page.) Such meetings have helped to lay a foundation for further collaboration between health organizations and CDFIs by fostering the development of relationships and trust, which leaders from both sectors have identified as important for advancing this work.

"You have to build trust. It can be challenging for organizations who work in the *same* industry to build trust, so you can imagine the difficulty when one goes outside of their sector," says McLean.

While working across sectors to improve health can be challenging, it is clear that these joint efforts between community development finance and health organizations can yield many benefits. The Minneapolis Fed plans to continue supporting these collaborative efforts to improve the health of low- to moderate-income communities in Minnesota and throughout the Ninth District. cd

**Collaboration to Build Healthier Communities: A Report for the Robert Wood Johnson Foundation Commission to Build a Healthier America*, 2013.

CDFIs + health organizations: Spotlight on collaboration
Minnesota Grocery Access Task Force—Healthy Food Financing Initiative

BACKGROUND

When it comes to healthy food access, Minnesota ranks among the bottom ten states in the U.S.* In March 2012, Greater Twin Cities United Way and grocery retailer Super Valu co-convened a multi-sector task force made up of community economic development, public health, nonprofit, and grocery industry leaders to explore barriers to healthy food retail development in underserved communities.

MAJOR ACCOMPLISHMENTS TO DATE

The task force developed a set of eight recommendations for state and local governments to improve healthy food access in Minnesota. As chair of the task force's Finance Working Group, Community Reinvestment Fund is involved in the development of a state-supported financing program that would provide loans and grants to support the establishment and expansion of healthy food retail in underserved communities. Next steps include a needs-analysis study and the development of policy recommendations, with the goal of introducing a bill to the Minnesota State Legislature in 2015.

KEY PARTNERS

Community Reinvestment Fund, Midwest Minnesota Community Development Corporation, Minnesota Grocers Association, North Country Cooperative Development Fund, Northland Institute, Sunrise Banks, Terra Soma Consulting Services, The Food Trust, Southern Minnesota Initiative Foundation, West Central Initiative Foundation, University of Minnesota Regional Sustainable Development Partnership

*"Healthy food access" is measured by proximity to a supermarket or large grocery store. Individuals are considered to have low access if they live more than one mile away in an urban area and more than ten miles away in a rural area. Source: USDA Economic Research Service's Food Environment Atlas and the U.S. Census Bureau Decennial Census.

News and Notes

First-ever tribal national park planned for Pine Ridge

The Oglala Sioux Tribe and the U.S. Department of the Interior's National Park Service are partnering to develop a first-of-its-kind tribal national park in South Dakota. The park will consist of a 133,000-acre tract of land that lies within the Pine Ridge Indian Reservation and is adjacent to Badlands National Park. Known as the *South Unit,* the land was condemned by the federal government and used as a bombing range during WWII. In 1968, Congress conveyed the South Unit back to the Oglala Sioux Tribe, with the stipulation that it be held in trust and managed by the National Park Service. In 2012, the tribe and National Park Service issued a plan recommending that Congress designate the tract as a Tribal National Park. The new designation would enable the tribe to conduct preferential hiring of tribal members and to reintroduce bison to the South Unit. Development of a tribally owned bison herd could be beneficial for both partners, as it would help the Department of the Interior meet bison-conservation goals while creating economic development opportunities for the Oglala Sioux Tribe in the form of tourism, concessions, and lodging.

CFSI releases small-dollar credit products guide

The Center for Financial Services Innovation (CFSI) has released a publication designed to help lenders improve the design and delivery of *small-dollar credit products,* defined as consumer loans of less than $5,000 that have terms ranging from two weeks to three years. The category includes deposit advances, refund anticipation checks, and payday loans—products that, depending on their specific terms and providers, can carry high costs and can lure borrowers into a cycle of repeated usage and escalating debt. The CFSI's *Compass Guide to Small-Dollar Credit,* which was developed with support from the Ford Foundation and the Omidyar Network, lists guidelines and recommended practices for creating high-quality, reasonably priced, small-dollar credit products that have a business model based on successful repayment instead of high probabilities of default. The guide's contents are grounded in CFSI's four Compass Principles (Embrace Inclusion, Build Trust, Promote Success, and Create Opportunity), which are aspirational guidelines to assure quality innovation and execution in financial services. To download the guide, visit www.cfsinnovation.com/content/compass-guide-small-dollar-credit.

North Dakota boomtown has nation's highest rent

Apartment rents in Williston, N.D., are the highest in the U.S., according to a recent study by Apartment Guide, a national apartment-hunting web site. As reported in the *Williston Herald,* the study ranks communities according to their average rent for a 700-square-foot, one-bedroom apartment. Williston, which is located in the heart of western North Dakota's booming Bakken oil shale region, ranks at the top of the list, with an average rent of $2,394 a month. That's more than $500 higher than the $1,881 average rent for a comparable apartment in the second-costliest market on the list, San Jose-Sunnyvale-Santa Clara, Calif., and higher still than the average rents for comparable units in major metropolitan areas such as San Francisco ($1,776/month), Boston ($1,537/month), New York ($1,504/month) and Los Angeles ($1,411/month).

Williston's sky-high rents are a side effect of the huge influx of oil workers to the Bakken region over the last several years. The city's population has swelled from just under 15,000 as of the 2010 Census to an estimated 30,000 today, and demand for housing has far outpaced supply. Another Bakken oil boomtown—Dickinson, N.D., located approximately 100 miles south of Williston—ranked as the fourth-costliest community in the Apartment Guide study, with an average monthly rent of $1,733. Officials in North Dakota are moving to address the housing crunch; for example, the state recently created an incentive fund to raise money for the construction of affordable housing units. (For more on hous-ing costs in the Bakken region, see the article "North Dakota oil boom squeezes seniors who rent" in the October 2012 issue of *Community Dividend,* available at www.minneapolisfed. org/publications_papers.)

Calendar

The Balance Sheets of Younger Americans: Is the American Dream at Risk?

May 8–9, St. Louis

A research symposium on the daunting economic challenges younger Americans face in the wake of the Great Recession. Featuring a keynote by Neil Howe, a renowned expert on generations and social change. Sponsored by the Center for Household Financial Stability, the Center for Social Development at Washington University in St. Louis, and the Federal Reserve Bank of St. Louis. **stlouisfed.org/newsroom/events**

Reinventing Older Communities: Bridging Growth and Opportunity

May 12–14, Philadelphia

Through a series of plenary discussions, neighborhood tours, breakout sessions, and keynote addresses, learn how communities can promote economic growth in ways that benefit all residents. Sponsored by the Annie E. Casey Foundation; Federal Home Loan Bank of Pittsburgh; and the Federal Reserve Banks of Atlanta, Boston, Chicago, Cleveland, New York, Richmond, and St. Louis. **philadelphiafed.org/community-development/events/2014/reinventing-older-communities**

Using Community Data to Enrich Community Development Efforts

May 20 at the Federal Reserve Bank of Minneapolis

Learn how community data—data that are collected locally about local areas—are being used to enrich community development efforts in the Twin Cities region. Featuring presentations by the City of Minneapolis, the Center for Urban and Regional Affairs, and others on a range of projects that demonstrate how innovative applications of community data can help local residents build better communities. Sponsored by the Federal Reserve Bank of Minneapolis and the University of Minnesota Center for Urban and Regional Affairs. **www.minneapolisfed.org/news_events/events/community**

Conversations with the Fed: The Federal Reserve Act

May 29 at the Federal Reserve Bank of Minneapolis

Why was the Federal Reserve System created and what does its founding legislation, the Federal Reserve Act, say about the Fed's roles in areas like monetary policy, discount window lending, and banking supervision? Join Federal Reserve Bank of Minneapolis General Counsel and Corporate Secretary Niel Willardson for an evening presentation on the Federal Reserve Act in commemoration of the Fed's centennial. Details and registration at minneapolisfed.org/news_events/events/conversations.

Save THE DATE!

New Brunswick, NJ

October 15–17

Transforming U.S. Workforce Development Policies for the 21st Century

RUTGERS UNIVERSITY

Join national experts to share perspectives on transformative education and workforce development strategies and policies to improve opportunities for job seekers and meet the needs of employers. Sponsored by the Federal Reserve Banks of Atlanta and Kansas City and the J. Heldrich Center for Workforce Development at Rutgers University. Watch frbatlanta.org/news/conferences/2014workforce.cfm for registration details.