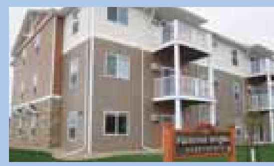
More on the tribal land buy-back program
Page 4

More on helping small businesses weather disruptions
Page 2



Incentive fund eases North Dakota's housing shortage
Page 6

Northside Achievement Zone aims for high academic marks
Page 7

July 2014

Community Dividend

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

ILLUSTRATIONS BY LISA LEPPA

Maximizing the tribal land buy-back program:

How priority lists can help tribes influence what's purchased

By Jacob Wascalus

Since December 2013, the U.S. Department of the Interior (DOI) has mailed out thousands of letters to people across the country who own interests in land on the Pine Ridge Indian Reservation in South Dakota. The letters contain official offers from the U.S. government to purchase the interests at market-based prices and then immediately transfer ownership to the Oglala Sioux tribal government. Offer recipients have 45 days to decide whether to accept or decline. The offers are part of the Land Buy-Back Program for Tribal Nations, a $1.9 billion, ten-year initiative—part of the settlement of a class-action lawsuit—that seeks to consolidate land on reservations and restore it to tribal control.

The main question facing individual landowners—To sell or not to sell?—itself generates a lot of questions: What is my emotional connection to the land? Do I rely on money currently generated through the use of the land? Am I comfortable forgoing any future money the

Continued on page 4

Helping small businesses survive big construction

Strategies from the Green Line LRT project

By Jacob Wascalus

In 2010, one of Bob Edmond's top concerns about the major construction set to occur in front of his restaurant was whether the road diversions and elimination of on-street parking would adversely affect access to his business.

"The majority of my customers drive here," says the co-owner of Big Daddy's BBQ in St. Paul, Minn., "and I didn't want them to think that we were closed down."

Edmond and other entrepreneurs with small businesses situated along the same stretch of University Avenue had good reason to be apprehensive: Much of the street was slated for an 11-mile, $957 million light-rail transit (LRT) line, dubbed the Green Line, that would connect the downtowns of Minneapolis and St. Paul along a strip known as the Central Corridor. The Green Line's construction would stretch for four years and involve periods of significant pedestrian and vehicular traffic disruption along University, a busy thoroughfare that runs through several distinct commercial nodes. In all likelihood, Edmond and his fellow proprietors could expect a partial—and financially detrimental—interruption in their day-to-day commerce.

To help small and independent businesses along the route weather the construction and position themselves to thrive afterward, more than a dozen nonprofit organizations, foundations, government agencies,

Continued on page 2

COMMUNITY DEVELOPMENT STAFF

MINNEAPOLIS

Dorothy Bridges
Senior Vice President, 612-204-5462
dorothy.bridges@mpls.frb.org

Jacqueline G. King
Vice President, 612-204-5470
jacqueline.king@mpls.frb.org

Richard M. Todd
Vice President, 612-204-5864
dick.todd@mpls.frb.org

Michael Grover
Assistant Vice President and Community Affairs Officer, 612-204-5172
michael.grover@mpls.frb.org

Jacqueline Gausvik
Business Analyst, 612-204-5869
jacqueline.gausvik@mpls.frb.org

Sandy Gerber
Senior Project Manager, 612-204-5166
sandra.gerber@mpls.frb.org

Michou Kokodoko
Senior Project Manager, 612-204-5064
michou.kokodoko@mpls.frb.org

Ela Rausch
Project Manager, 612-204-6785
ela.rausch@mpls.frb.org

Jacob Wascalus
Project Manager, 612-204-6475
jacob.wascalus@mpls.frb.org

Michael Williams
Financial Analyst, 612-204-5572
michael.williams@mpls.frb.org

Paula Woessner
Publications Editor, 612-204-5179
paula.woessner@mpls.frb.org

Community Dividend is published by the Federal Reserve Bank of Minneapolis, 90 Hennepin Avenue, P.O. Box 291, Minneapolis, MN 55480-0291; 612-204-5000. It covers topics relating to community development, reinvestment, and neighborhood lending. It reaches financial institutions, community-based and development organizations, and government units throughout the Ninth Federal Reserve District.

Editor: **Paula Woessner**
Contributors: **Jacob Wascalus, Paula Woessner**
Graphic Designers: **Lori Korte, Mark Shafer**

For address changes or additions, e-mail mpls.communitydevelopment@mpls.frb.org.

Helping small businesses survive big construction

Continued from page 1

and business associations teamed up to form a public-private partnership that has provided a range of proactive and ongoing services to aid the approximately 800 small and independent businesses along the LRT route.[1] The public-private partnership grounded those services in a number of key strategies, described below, that may be useful to other business-support efforts during future large-scale, disruptive construction projects.

Pre-construction: Work together to anticipate businesses' needs

Well before construction commenced, the Central Corridor public-private partnership took several actions to help business owners have a greater chance of enduring the expected disruptions.

STRATEGY: Understand the differing roles within the partnership and develop constructive working relationships

For a project the size of the Green Line, in which hundreds of businesses were exposed to long periods of disruptive construction activities, an accounting of which entities were involved in mitigation efforts was a useful first step in identifying the spectrum of services available. Who would disseminate information about construction progress? Who would respond to business owners' concerns during construction? Charting out the range of services available to business owners and identifying which organizations or government departments would provide them not only prepared the partnership for quicker responses but also clarified where service gaps existed.

"The lines of communication and the relationships that were built before construction started really benefited everyone," says Isabel Chanslor, a project manager for the University Avenue Business Preparation Collaborative (U7), a group that provided support to small businesses along the St. Paul portion of the Green Line. "The process of getting everyone together and on the same page about the mission was really important."

Laura Baenen, a communications manager at the Metropolitan Council (Met Council), the regional government body that oversaw the construction, says that surveying businesses to understand their anticipated operational needs was critical for planning purposes. How did businesses get their deliveries? How did garbage trucks access the businesses' Dumpsters? How did employees and customers reach the businesses' front doors?

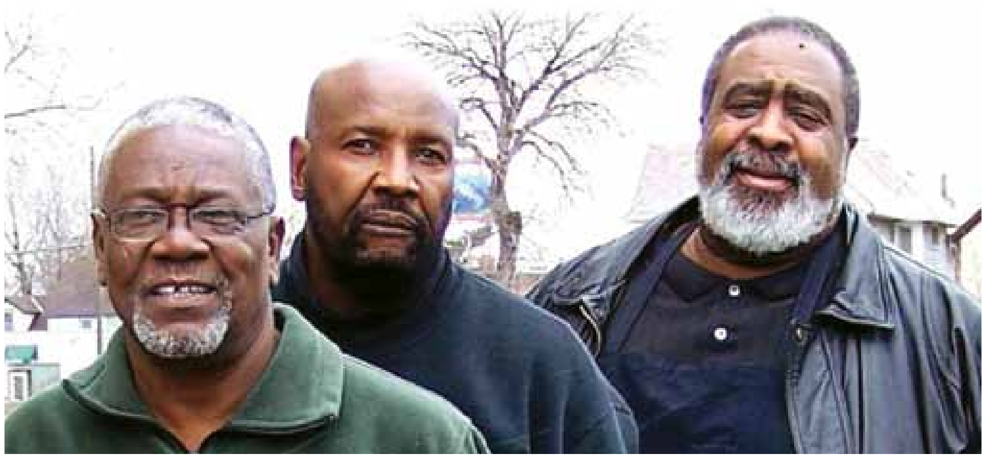
"Once construction got started, it was hard to make really big changes," she says. "So a lot of the work we had to do happened well before construction got going, during the engineering phase. We had to understand what people needed to operate their businesses, so we could prepare."

STRATEGY: Tighten up business operations

Helping businesses improve their day-to-day efficiency better positions them to weather an anticipated slowdown in customer traffic. For up to two years before Green Line construction began, the public-private partnership helped businesses identify ways to strengthen their operations by cutting unnecessary inventory, expanding sales channels, developing customer-oriented communications strategies, sharing costs, or maintaining more accurate books.

For Bob Edmond of Big Daddy's BBQ, assistance from entities like NDC and U7 was vital to his restaurant's continued survival. "We called on them a lot," he says. "And they were always there to help."

PHOTO COURTESY OF U7



Bob Edmond (center) and fellow Big Daddy's BBQ owners Ron Whyte (left) and Gene Sampson (right).

U7 also helped some businesses foray into the online realm in order to broaden their exposure, increase sales opportunities, and establish their brands. For instance, with the help of U7 and the Neighborhood Development Center (NDC), a St. Paul-based nonprofit organization, Big Daddy's BBQ created a web site that helped drive an increase in sales, primarily through catering opportunities advertised online. Bob Edmond attributes the survival of his business during LRT construction largely to the increase in catering.

In addition to establishing a web presence, some businesses created lists of customer e-mail addresses that they used to communicate with core customers during construction and to promote their stores with specials and coupons.

STRATEGY: Deploy effective outreach staff to serve as navigators

With the Green Line construction looming, outreach staff from the Met Council's Central Corridor Project Office, along with representatives from other partnership members, served as a bridge to the business community. These personnel acted as information conduits and as navigators for business owners, some of whom found the situation before them confusing and frustrating.

Being able to communicate clearly and effectively was an important facet of this role. For many of the business owners affected by the Green Line construction, English is a second language. The Met Council and other partnership members took this into consideration and deployed outreach staff who spoke the native languages of many of the business owners, which include Hmong, Vietnamese, Spanish, and Somali.

"In many ways, the outreach staff acted as the go-to resource for business owners," says Shoua Lee, a senior community outreach coordinator for the Met Council. "We handed out magnets with our names and contact information on them and encouraged business owners to contact us if they had a question or concern. If we didn't know the answer to their question, we would find out that answer and get back to them."

In addition to promoting one-on-one outreach relationships, the Met Council organized a business advisory committee that met monthly. Business owners would convene to voice some of their concerns during the Green Line's engineering phase and to learn about different facets of the construction.

During construction: Continue mitigation work

STRATEGY: Expect unforeseen issues

As construction on the Green Line commenced, unforeseen issues inevitably popped up: the need for a negotiable walkway when sidewalks were torn up; construction accouterments, such as storage trailers, obstructing business signage; snow drifts blocking alleys that served as temporary entrances

Other tactics used to mitigate business disruptions

- The Midway Area Chamber of Commerce, an organization representing one of the Central Corridor's commercial districts, issued a coupon booklet that offered discounts to many of its member businesses. It also organized a monthly Lunch on the Avenue event held at restaurants that had active construction in front of them. These events brought dozens of new customers to businesses that were susceptible to revenue loss.
- With the elimination of 85 percent of on-street parking, the City of St. Paul made money available to help business owners improve, expand, or alter their parking lots.
- The Met Council developed monetary incentives for contractors to encourage responsiveness to community concerns.

PHOTO BY CHRIS LONG

to stores.[2] Outreach staff continued to be an important component of the mitigation plan by providing a means to address these sorts of issues. Sometimes the outreach team members noted and raised the issues themselves; other times it was the business owners who brought them to the attention of the Met Council or of groups such as U7.

"We would get calls from business owners concerned about an access issue, and we would work with them and the other organizations to resolve the problem," says U7's Chanslor, noting that she typically knew what recourse to follow because of the early networking and organizing that took place before construction began. "We could often get something moved in a matter of hours."

STRATEGY: Spread the word about construction progress and customer access

An important component of the Met Council outreach staff's business-disruption mitigation plan was the regular dissemination of information regarding the status of construction and access along affected areas. Which sidewalks would be closed? Which driveways would be obstructed? Where could customers park their cars? Where would bus stops be temporarily relocated?

Baenen of the Met Council says that her agency issued weekly updates to keep business owners and the broader public abreast of the construction status. They sent the updates to various media outlets in the Twin Cities, posted them on the Met Council's web site, and distributed them via an e-mail listserv that contained addresses of people who had attended their outreach meetings and requested the weekly communiqués. The updates—multipage documents with graphics and photos—included maps of the affected areas and were sometimes tailored to a specific business along the active construction zone.

"Those businesses could then e-mail the updates to their customers or put them on their own web sites," she says. "It was really important for the owners to let people know that there were always ways to access their businesses."

Another method the Met Council and other partnership members used to communicate access to a store was the strategic placement of signs—in many cases, big, bold, directional signs that customers, regular and potential, could see while passing by in a car or bus.

"We took sign orders from people all the time," says Chanslor, explaining that U7 outreach staff would meet with business owners and walk their premises to determine the best way to access their buildings. "Even though a lot of the signs were simple arrows, they made a big difference."

STRATEGY: Promote businesses through ads, branding, and appearance

Attracting visitors to businesses along the Green Line was another important facet of the mitigation plan. The Met Council hired a marketing firm, Mod & Company, to build a web site spotlighting the commercial districts and individual businesses along the Central Corridor. The site, www.onthegreenline.com, includes a business directory, a list of events, and links to information on construction progress. The Met Council also advertised corridor businesses on Mod & Company-designed billboards, bus side ads, and other places.

Some businesses also reworked their images by creating logos, fine-tuning their brands, or spiffing up their window displays. With the help of government funding, some even made façade improvements.

"Even though a lot of the small mom-and-pop businesses along the LRT route had been around for decades, they had never bothered to really establish a brand," says Chanslor. "We told them that if they were going to survive and then thrive afterward, establishing an identity was important. If they took that step during the construction phase, then once the light rail line started operating, they'd have the opportunity to expand their customer base."

STRATEGY: Provide financial assistance to businesses

Some of the activities associated with the Green Line response plan were paid for with funding from different government agencies and philanthropic entities. Of the nearly $16 million made available to assist businesses during the construction, more than $6 million was allocated to a variety of forgivable loan and grant programs, including programs to help offset revenue losses as a result of business disruption and to increase customer traffic. According to an October 2012 survey of Central Corridor business owners conducted by the Central Corridor Funders Collaborative, a group of philanthropic organizations that are investing in development along the Green Line route, business owners along the corridor ranked financial assistance as one of the most helpful mitigation strategies—particularly small business owners who are foreign-born or people of color.[3]

The future will tell

It's unclear at this point precisely how the mitigation efforts along the Central Corridor have influenced business survival rates. Jonathan Sage-Martinson, the former director of the Central Corridor Funders Collaborative, believes the public-private partnership's work was effective, but indicates that more time needs to pass before making a full evaluation.

"The efforts to mitigate business disruption were largely successful, mainly because they were multifaceted and addressed a number of concerns," he says. "But I think the real test will be how the businesses are doing one year from now, once the Green Line's passenger service is fully under way."

For Bob Edmond of Big Daddy's BBQ, assistance from entities like NDC and U7 was vital to his restaurant's continued survival.

"We called on them a lot," he says. "And they were always there to help."

The Green Line began operating on June 14, 2014, and additional LRT routes for the Minneapolis-St. Paul area are being discussed or planned. For more information, visit www.metrotransit.org. cd

[1]Of the approximately 1,400 businesses that fronted the Central Corridor as of 2010, the partnership focused most of its mitigation efforts on *small and independent businesses,* defined as those that generate less than $2 million in annual revenue and have fewer than six locations.

[2]The long duration of the construction contributed to the inevitability. According to the Met Council's Central Corridor Project Office, a typical business would experience disruption for approximately 300 days: 150 days right in front of the business and 150 days across the street.

[3]*Mitigating business losses: services, strategies, and effectiveness: A survey of businesses affected by Central Corridor Light Rail construction.* Visit www.funderscollaborative.org to access the report.

ONLINE EXTRA

PHOTO BY CHRIS LONG

How Can CDFIs Help Small Businesses Meet Their Challenges?
In this video feature, learn how specialized entities called community development financial institutions, or CDFIs, are uniquely positioned to help businesses in low- and moderate-income communities survive disruptions like the Green Line LRT construction. Available at **www.youtube.com/user/MinneapolisFed**.

Tribal land buy-back program

Continued from page 1

land might generate? Whatever conclusion an individual makes regarding his or her land interests, the decision is a private one that requires personal reflection.

For tribes, the buy-back program also poses a central question—What should we do with land that we reacquire?—that itself spawns more questions: What types of land do we value as a tribe? What are our tribe's long-term economic development goals and how can the acquisition and consolidation of land help us achieve them?

As tribes start to answer these important questions, experts in the field recommend that they develop a "priority list" as a first step to help them identify specific parcels within their reservation whose acquisition would advance their long-term land-management goals. In addition to consulting the priority list during their own land-acquisition efforts, tribes can submit it to the DOI, which in turn will incorporate as many of the identified parcels as feasible into its buy-back offers.

"A priority list is very important," says Anthony Morgan Rodman, senior advisor on tribal relations for the DOI. "We want to make sure, to the best of our abilities, that we include the tribe's priorities in the offers."

Fractionation and checkerboarding

To fully understand the importance of a priority list, it's best to start with some background on the buy-back program and the parcels of land it was designed to consolidate. The program was created under the settlement terms of *Cobell v. Salazar,* a class-action lawsuit over the federal government's management of Individual Indian Money accounts, held in trust by the federal government on behalf of individual Indians, that receive lease payments and other revenue generated by the use of reservation land. (For more on the case and its settlement, see the sidebar on page 5.) The land in question consists of *fractionated allotments* that are held in trust by the U.S. government. *Allotments,* also called *individual allotments* or *tracts,* are the original 40-, 80-, or 160-acre parcels of reservation land that the U.S. government designated and held in trust for individual tribal members according to terms of the Dawes Act of 1887.

Fractionation refers to divided ownership that developed as the original allotment owners passed away and their heirs received equal, undivided interests in the land. With each new generation of heirs, fractionated interests in individual Indian land allotments continued to grow exponentially. Critically, the land itself was not divided up; instead, the heirs became owners of a percentage of the entire allotment—in other words, they inherited a title interest in the allotment. By definition, a fractionated tract has two or more owners; while the typical tract has a few dozen or so interests associated with it, some have hundreds—even more than a thousand—interests.

Land within reservations that was not allotted to individuals or the tribe was declared "surplus" by the U.S. government and sold, often to non-Indians, and has since been owned in an exclusive and absolute form of land tenure called *fee simple*. The mixture of individual trust allotments, fee-simple land, and tribally owned land on reservations has created a complex pattern of land-tenure types called *checkerboarding*.

Fractionation and checkerboarding can make it prohibitively complicated for tribes to acquire land within a reservation, especially contiguous parcels that could be combined to accommodate large-scale commercial, agricultural, or residential uses. Acquiring the interests within a fractionated allotment might require negotiating with dozens or even hundreds of owners, while the checkerboarding of reservation land means there is often little consistency in land-tenure types among adjacent parcels. By enabling tribes to acquire interests in fractionated allotments, the land buy-back program is designed to reduce fractionation and checkerboarding and facilitate the consolidation and use of reservation land for development purposes.

Buy-back basics

Collectively, about 150 American Indian reservations in the United States contain more than 92,000 fractionated tracts, equaling about 10.6 million acres of land; there are nearly 2.9 million fractional interests associated with this land, or more than 30 interests per tract, on average. Of the 150 reservations, 40 contain about 90 percent of the fractionated land. Because of this, the DOI is focusing the bulk of its early buy-back activities on these 40 reservations. Nineteen of the 40 are located in the Ninth Federal Reserve District states of Montana, North Dakota, South Dakota, Minnesota, and Wisconsin.

Although the budget for the buy-back program has been set at $1.9 billion, administrative and implementation costs (for outreach, land research, appraisals, etc.) will be drawn from this total, as well as money for a scholarship fund dedicated to American Indians. This will leave approximately $1.5 billion to purchase interests. For the individual interest owners, participation in the buy-back program is completely voluntary, and only those interests that are willingly sold will be purchased.

The DOI established purchase ceilings for each reservation based on the number of fractionated tracts, the total associated acreage, and the number of purchasable fractional interests. Purchase ceilings are intended to maximize the number of reservations that participate in the buy-back program by protecting against the risk of premature exhaustion of available funds. Within the 40 reservations where the DOI is focusing its early buy-back efforts, the Pine Ridge Reservation has the highest ceiling (approximately $125 million) while Fort Yuma, located in California and Arizona, has the lowest (approximately $6.5 million). The median purchase ceiling is $18.5 million.

"Land consolidation gives opportunities for our tribal membership to be entrepreneurs and to have the American dream of becoming a homeowner."

Denise Mesteth, director of the Oglala Sioux Tribe land office on the Pine Ridge Reservation

Strategic prioritization

Developing a priority list can help tribes pursue their economic development goals more strategically. Denise Mesteth, director of the Oglala Sioux Tribe land office on the Pine Ridge Reservation, explains that her tribe targeted specific land parcels according to several criteria: the parcel is within a three-mile radius of one of Pine Ridge's nine towns, also called districts; is at or near a major road junction; lies along a major road; is or could be used as agricultural land; or falls within the boundaries of a tribally managed national park that is in development.* After factoring in all of these criteria, the tribe created a list that included more than 6,000 parcels.

"Prioritizing this land made sense from an economic development standpoint," Mesteth says, noting that she used a mapping software package to help identify the appropriate parcels. "By gaining development control over the land, we think that the tribe—as well as private individuals working with the tribe—will have a greater opportunity to create and build businesses or homes at many of these locations."

In order to control the use of a fractionated tract, a tribe (or anyone) needs more than 50 percent of the land's total ownership, a threshold that Mesteth characterizes as "key" to pursuing development activity. Prior to the buy-back program, the Pine Ridge Reservation was one of the more checkerboarded reserva-

PHOTO COURTESY OF CONFEDERATED TRIBES OF UMATILLA

Source: U.S. Department of the Interior.

tions in the country; of its more than 2.2 million acres of land, the Oglala Sioux controlled roughly 407,000 acres and fractionated allotments made up nearly 1.2 million acres. But since the program's purchases commenced in 2013, the tribe has gained control over an additional 194,000 acres. According to Mesteth, all of the newly acquired land was identified on the tribe's priority list.

"We're pleased with the numbers so far," she says, "and we're hopeful that the people on the reservation are as excited for this as we are. Land consolidation gives opportunities for our tribal membership to be entrepreneurs and to have the American dream of becoming a homeowner."

The Umatilla Indian Reservation in Oregon is considerably smaller than the Pine Ridge reservation—172,440 acres—but it still has a high level of checkerboarding. According to Bill Tovey, the tribe's director of economic and community development, the Confederated Tribes of Umatilla own about 20 percent of the land within the reservation, with allotments making up an additional 30 to 40 percent; the remaining is privately owned, fee-simple land.

Land-acquisition activities such as outreach, land research, and valuation work have begun on the reservation and the first buy-back offers will be sent to allotment owners this fall. The tribes have created a priority list that includes roughly 400 of the reservation's 1,000 or so fractionated allotments. According to Tovey, the Confederated Tribes of Umatilla already have property set aside, near an interstate, for commercial and industrial use, so their priority list targets timber and agricultural land; property that will enable easier access between parcels they already own; and culturally significant land, such as cemeteries.

"For communities that want to put in a road or a water or sewer system—infrastructure—they'll be going through fee-simple property, allotted property, and tribal property," he says. "You have to negotiate rights-of-way, easements, those sorts of things, and that's expensive and challenging. But the more land you control, the easier it is. It's still difficult, but it's easier."

An opportunity to examine land use

The process of developing a priority list can have the concomitant benefit of identifying the current state of land use within a reservation. How much of the land within the reservation is residential? What percentage is commercial? How many acres are dedicated for agriculture? And who owns what?

For the Mille Lacs Band of Ojibwe, whose 60,000-acre reservation is in central Minnesota, developing a priority list was an opportunity to do just that. Lisa Johnson, the tribe's director of real estate, says other tribes can take stock of their reservations by going through this exercise as well.

"When you create a priority list, you're looking at data and summarizing it, and that's giving you a snapshot of what your reservation looks like," she says. "That's important. You need to know what you have."

Cobell v. Salazar: An uneasy settlement

The Land Buy-Back Program for Tribal Nations is a component of the settlement of a massive class-action lawsuit known as *Cobell v. Salazar.* Eloise Cobell, a member of the Blackfeet Nation in Montana, and four other plaintiffs filed the suit against the U.S. Department of the Interior (DOI) in 1996 over long-term mismanagement of Individual Indian Money (IIM) accounts. These accounts receive, hold, and disperse funds for the benefit of individual American Indians. An IIM account can include certain types of per capita payments, but primarily consists of funds generated when the federal government leases out trust allotments for ranching, mining, logging, or other purposes. Under an agreement reached in December 2009, *Cobell v. Salazar* was settled in the amount of $3.4 billion. Of that total, $1.9 billion was dedicated to consolidating the fractional land interests from the original trust allotments. The federal government, through the DOI, established the land buy-back program to pursue these land-consolidation goals. The remaining $1.5 billion of the settlement went toward direct payments to individual plaintiffs, in compensation for the mismanagement of their IIM accounts.

In Indian Country, reaction to the *Cobell v. Salazar* settlement in general, and the buy-back component in particular, has been mixed. While some individuals and tribes welcome the buy-back initiative, others have raised serious concerns about its design and implementation. Regardless of its reception, the program is moving ahead—and thus prompting individual Indians and tribes to consider the questions and actions discussed in this article.

The Fond du Lac Band of Lake Superior Chippewa knows a great deal about the land within its 103,000-acre reservation, which is about 75 miles to the north of Mille Lacs. According to the tribe's calculations, nearly 16 percent of the land is individually allotted and another 23 percent is tribally controlled. The rest is owned by other entities and private citizens. While the Fond du Lac Band's economic development plans do not currently include large-scale commercial projects, it would nevertheless like to acquire land for timber and residential use—a particularly challenging objective on fractionated land.

"The allotment lease process is highly burdensome," explains Sean Copeland, an attorney for the tribe. "Since Fond du Lac primarily uses land for no-rent residential leases, the band has had to contact all of the interest owners, who can number in the hundreds. The administrative burden is so bad that it's often easier to look at other land and leave the fractionated allotments alone."

Topping the tribe's priority list were those allotments where there was a previously established reason for acquisition—for instance, if a tribal member expressed a desire to build a house on a highly fractionated allotment. But next were the allotments where the tribe could gain or maximize its controlling power: land where the tribe owns between 40 and 49.9 percent of the interest, and can gain enough additional interest to exceed the 50 percent threshold to control the land. The tribe then listed lands on which it owns between 30 and 39.9 percent of the interest, and so on, down to 0 percent interest. It then listed allotments where it owned 90 to 99.9 percent of the interest and thus had controlling interest, and so on, down to 50 percent.

"Gaining total ownership—100 percent—would make it so we could avoid the allotment lease process altogether," Copeland says.

The Fond du Lac Band's priority list is also serving to focus tribal outreach activities. Copeland says that the tribe will aim its communication efforts on those people who own the allotment interests the tribe seeks to acquire.

A jumpstart for development

According to Cris Stainbrook, president of the Indian Land Tenure Foundation, an organization that promotes Native ownership and control of land within original reservation boundaries, the long-term economic benefits of the buy-back program hold great promise. He believes that, over time, the newly acquired land will allow tribes to develop businesses that in turn produce jobs. But, he speculates, with only 10 to 15 tribes nationwide having developed a priority list, the jobs may still be a ways off.

"There are a lot of tribes that need to be clearer on what their priorities are going to be," he says. "Developing a priority list is one way to jumpstart that process."

Even though Timothy Krohn's tribe isn't on the list of 40 reservations that the DOI will focus its initial efforts on, the land information manager for the Fond du Lac Band says the tribe is ready to go when the time comes.

"We don't really know when we're slated to start this program," he says, "but I don't see that as a reason to delay. I'm glad we went ahead and put this list together."

For more information about the buy-back program's implementation, visit www.doi.gov/buybackprogram. cd

[*] For more on this, see "First-ever tribal national park planned for Pine Ridge," in the April 2014 issue of *Community Dividend,* available at www.minneapolisfed.org.

PHOTO COURTESY OF BEYOND SHELTER, INC.

North Dakota Housing Incentive Fund (HIF) dollars helped Beyond Shelter, Inc., develop Patterson Heights, a 24-unit apartment complex in Dickinson, N.D. One-third of the building's units are set aside for law enforcement personnel.

State incentive fund helps ease North Dakota's affordable housing shortage

By Paula Woessner

Back around 2010, when the influx of people to western North Dakota's oil fields was driving housing demand to unprecedented levels, residents of the region's boomtowns began entreating political leaders for help with a serious problem: Many of the essential workers in their midst were running out of places to live.

"The city, county, and state employees; the teachers; the law enforcement officers; the nursing home workers—their incomes didn't adjust in concert with the private sector," explains Jolene Kline, executive director of the North Dakota Housing Finance Agency (NDHFA). "As rents went up, they were having a really difficult time staying in their communities."

The state responded by creating a distinctive financing tool called the North Dakota Housing Incentive Fund, or HIF, that has won rave reviews from its participants. Taxpayers who contribute to the HIF funding pool for affordable housing receive a state income tax credit. With help from the critical dollars the funding pool provides, thousands of people who might otherwise be priced out of the market will continue to call North Dakota home.

A unique tool

HIF, which is administered by NDHFA, provides funding for the construction, rehabilitation, or preservation of multifamily housing targeted to essential workers and low- to moderate-income households, including seniors and people with special needs. Individual or corporate contributors to the fund receive a credit against their state income tax liability. The particulars of how the credits are issued make HIF stand out from similar funding tools elsewhere.

"A number of other states have tax credit programs, but I believe North Dakota is unique in that it's a dollar-for-dollar credit in the year of contribution to the fund," Kline says.

HIF contributions can be of any size; if a contribution exceeds the contributor's current-year tax liability, the credit may be carried forward for up to ten years. Contributors can express a preference for where they'd like their contributions directed, and NDHFA does its best to accommodate the request. To date, HIF has about 700 contributors, with the largest dollar amounts coming from a handful of financial institutions and energy companies.

HIF awards are structured as forgivable loans and are available for specific, qualifying project proposals submitted by local housing authorities, tribal entities, and nonprofit or for-profit housing developers. The maximum award size varies depending on whether a project also receives funding from the federal Low Income Housing Tax Credit program or Historic Preservation Tax Credit program, but typically equals 30 percent of the total development cost, up to $3 million.

HIF 1 and HIF 2

The biennial North Dakota Legislative Assembly has authorized HIF twice, beginning with $15 million in tax credits for "HIF 1" in 2011. The new funding tool was popular with contributors and developers alike; by the close of the 2011–2012 biennium, HIF 1 was fully capitalized and all the corresponding tax credits were claimed. When the legislature next met, in 2013, it authorized "HIF 2" for the 2013–2014 biennium, to the tune of $35.4 million—$15.4 million in general fund dollars and $20 million in tax credits. Once again, the tool was a hit.

PHOTO COURTESY OF GATE CITY BANK

Left to right: Gate City Bank President Steve Swiontek, North Dakota Housing Finance Agency Executive Director Jolene Kline, and North Dakota Governor Jack Dalrymple announce a major HIF contribution from Gate City Bank in 2013.

"We had until December 31, 2014, to generate contributions for those $20 million in state income tax credits, and we filled the fund a year early, in December of 2013," Kline says. "And the theory was that we'd have quarterly funding rounds for two years, but within two quarterly rounds in 2013 we had committed all $35.4 million."

As a result, HIF is now out of money and will remain so unless it is reauthorized when the legislature reconvenes in 2015. In the meantime, HIF dollars are helping ease the state's housing shortage. Nearly all of the projects that received HIF 1 funding have been placed in service, and the HIF 2 projects are in development—although, due to the short construction season in North Dakota, most HIF 2 projects just broke ground this spring and likely won't be completed until late 2014. In all, HIF has helped fund 1,529 housing units—a majority of them in or near the oil patch region, and the remainder in other pockets of the state where recent economic growth has put upward pressure on housing prices.

A plus for contributors and developers

For HIF contributors, the tax credit is certainly an incentive, but so is the prospect of providing homes for fellow North Dakotans.

"You don't want to see people displaced from their communities. The HIF funds will help these residents remain in the communities where they've grown up and want to retire," says Kevin Hanson, director of lending for Gate City Bank. The Fargo-based institution, which has branches throughout the state, embraced HIF from the start and is its largest overall contributor, at a total of $4.25 million.

U.S. Bank, which also has a presence throughout the state, is the second-largest HIF contributor, at a total of $4.2 million. Tim Hennessy, U.S. Bank's regional president for community banking in North Dakota, credits the state's legislature, governor, and other leaders for creating the HIF tool.

"They had the foresight to develop legislation that would allow companies like ours and individuals to, in effect, direct our tax payments where we'd like to see them spent, and in this case it's affordable housing," he says.

On the developer side, HIF has been "a boon," according to Dan Madler, chief operating officer of Beyond Shelter, Inc. The Fargo-based nonprofit affordable housing developer has a total of 281 HIF-funded units in various stages of development in four communities across the state—a huge ramp-up in production, considering that the organization had created about 500 units total between its founding in 1999 and the launch of HIF in 2011. In accordance with HIF's rules, all of the new units are income- and rent-restricted and many are reserved for essential workers.

"HIF has not only allowed us to double our pipeline, it's also been a significant and critical gap filler in our financing, so that we can seal the deal and move projects forward," Madler says. And he praises HIF's design. "It's nimble, it's easy to work with, and the money gets put to work quickly."

Hoping for HIF 3

The big question for NDHFA and HIF participants is whether the North Dakota legislature will reauthorize the program in 2015. Jolene Kline is "cautiously optimistic" it will happen. She notes that the state's leaders are proceeding prudently in order to avoid overproduction that might contribute to a housing bubble. But in light of the still enormous needs for affordable housing in the state, "we're not at that point yet."

Beyond Shelter representatives plan to be at the 2015 legislature to voice support for reauthorization, and major contributors like Gate City Bank and U.S. Bank indicate that they'll be enthusiastic participants if there's a HIF 3 in 2015–2016. Kevin Hanson of Gate City is hopeful that the program will continue and sees it as an important development in addressing the housing shortage.

"The needs are a little overwhelming, but you've got to start somewhere, and this program is doing an excellent job of that," he says.

When asked to reflect on particular successes of HIF, Jolene Kline points out that each HIF-funded project is a success in its own right, because each new unit of affordable housing is meeting a particular need. Take the community of Arnegard in western North Dakota, where a HIF-funded project is housing teachers who would otherwise be priced out of town. Or Bismarck, where a 127-unit HIF-funded development will provide homes for special-needs individuals whose housing options have evaporated.

Says Kline, "Every project in every community, whether it's from west to east, is a success story in that community, because these state dollars made the project possible and created the affordable units that wouldn't have been created otherwise."

For more information on HIF, visit www.NDHousingIncentiveFund.org. cd

Northside Achievement Zone aims to break the poverty cycle through education

By Jacob Wascalus

The stretch of Minneapolis that lies north of downtown and west of the Mississippi River, commonly known as North Minneapolis, contains some of the poorest neighborhoods in Minnesota. Since its formation in 2010, the Northside Achievement Zone (NAZ) has sought to eliminate poverty there by implementing a solution that will take decades to fully realize: ensuring that the area's children receive a high-quality education and graduate high school on time and ready for college. Moreover, as NAZ helps these children seek high academic marks, it also helps their parents access a suite of supports that contribute to a stable home environment—something that will go a long way toward breaking the cycle of multigenerational poverty.

"With NAZ, we want to create a tightly woven net of supports so that the most vulnerable families and children can stay afloat and succeed," says Sondra Samuels, the organization's executive director.

NAZ is a publicly and privately funded nonprofit organization that formed after residents and leaders from a cross-section of neighborhood and service organizations in North Minneapolis held discussions about ways to end the cycle of poverty afflicting families in their area. NAZ focuses it efforts within a 255-block geography that nearly 2,200 families—and 5,500 kids—call home. In 2013, 73 percent of the families enrolled in NAZ earned less than $20,000, compared to the $67,000 median income for families in the broader, 13-county Minneapolis-St. Paul metropolitan region.* The need for the educational support that NAZ provides is reflected in substantial academic achievement gaps between the children living within the NAZ geography and their metro-wide peers, as shown in the table below.

"Minnesota is the land of 10,000 lakes and 10,000 gaps," says Samuels. "In North Minneapolis, specifically in the NAZ, the gaps are especially egregious—unemployment, housing, incarceration, education. But with our work, over time, we believe we can narrow many of them."

Connectors and Navigators

NAZ shares some features with the well-known Harlem Children's Zone (HCZ), a long-term initiative to provide comprehensive educational and social services to families in a designated area of New York City. For example, both NAZ and HCZ emphasize education as the primary way to propel children to success. But there are differences in size—HCZ has a $100 million annual budget and approximately 2,000 employees, while NAZ has an $8.9 million annual budget and 65 employees—and structure. While HCZ runs its own programs, NAZ is the backbone of a collaboration of more than 40 service organizations and schools already working in the area.

NAZ pairs participating families with a personal envoy (and NAZ employee) called a *Connector.* NAZ Connectors, who live in North Minneapolis and reflect the demographics of the area, coach families and collaborate with them to establish "achievement plans" that spell out specific goals for both parents and children. The NAZ Connectors support families with resources from partner organizations and schools that provide services in one of six areas: housing, career and finance, behavioral health, early childhood education, K-12 education support, and out-of-school programming. NAZ employees called *Navigators* are stationed at each of the service organizations and ensure that participating families are successfully accessing the resources they need to meet the goals established in their achievement plans. The NAZ Navigators can access the achievement plans—which are web-based and stored in a centralized, real-time database—from a computer wherever they work.

NAZ Navigators also work at each of the participating schools, ensuring that children are prepared to learn and are meeting various academic benchmarks, including kindergarten readiness, third grade reading proficiency, eighth grade mathematics proficiency, and on-time high school graduation. NAZ Navigators play a prominent role in ensuring that students are staying on track and, according to Samuels, on a college trajectory.

NAZ has data-tracking agreements with the University of Minnesota and Wilder Research to determine if its strategies are working. The university tracks the initiative's implementation goals and short-term impacts; Wilder Research measures whether NAZ is meeting its stated academic benchmarks, such as increasing kindergarten readiness.

"We're highly evidence-based in our approach to helping kids and families succeed," says Samuels. "If the data is telling us that we're not reaching our benchmarks, we'll change our approach until we get it right."

A promising start

To date, NAZ has enrolled just over 600 families and more than 1,500 kids. By the end of 2015, it hopes to reach an enrollment goal of about half of the families and kids living in the zone—approximately 1,000 families and 2,500 children. To participate, a parent or caretaker must have children and live inside of NAZ's geographic boundaries.

NAZ set academic achievement figures for the 2011–2012 school year as its baseline, after it received a five-year, $28 million grant from the U.S. Department of Education. The funding has enabled NAZ to implement and ramp up its efforts. Since the four-year-old initiative will stretch for decades, a full assessment of the effectiveness of its efforts is years away. Nevertheless, preliminary numbers on its work to prepare children for kindergarten show promising progress: As of the 2013–2014 school year, 59 percent of NAZ-enrolled kids were ready for kindergarten, compared to 35 percent for all children living within NAZ's boundaries. In 2011–2012, the baseline year, just 28 percent of all children within NAZ's boundaries were ready.

"We're just getting started with our work," says Samuels, adding that, when fully operational, NAZ will need about $8 million a year to maintain its programming. "You could say that we're riding the bike and building it at the same time."

For more on NAZ and its partners, visit northsideachievement.org. cd

*Participants' family incomes are from self-reported figures submitted during NAZ enrollment. The regional median income is an inflation-adjusted figure based on 2012 data from Wilder Research.

2013 Academic Achievement Scores:
The Northside Achievement Zone Geography vs. the Twin Cities Metropolitan Area†

LOCATION OF CHILD'S HOUSEHOLD	ACADEMIC ACHIEVEMENT BENCHMARK		
	THIRD GRADE READING PROFICIENCY (%)	EIGHTH GRADE MATH PROFICIENCY (%)	ON-TIME HIGH SCHOOL GRADUATION RATE (%)
Within the Northside Achievement Zone's Geographic Boundaries	16	18	57
Within the Minneapolis-St. Paul Metropolitan Area	57	60	77

Figures compiled by Wilder Research, using data from the Minnesota Department of Education. For more information, see www.mncompass.org/education/overview.

†Here, "Twin Cities Metropolitan Area" refers to the 7 core counties within the 13-county Minneapolis-St. Paul region. These core counties are Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington.

PHOTO COURTESY OF NORTHSIDE ACHIEVEMENT ZONE

News and Notes

FedCommunities.org

Fed creates online portal to its community development resources

The Federal Reserve System has launched a web portal that provides ready access to hundreds of its community development publications, research reports, multimedia materials, and more. The new site, **FedCommunities.org**, aggregates links to resources from the Community Development offices at all 12 regional Federal Reserve Banks and the Fed's Board of Governors. A robust search function enables users to locate resources across multiple topics and media types, and a sign-up tool generates customized e-mail notifications when new resources are added.

Currently featured on FedCommunities.org is the new report *Federal Reserve Community Development Perspectives: A summary of activities, insights, and future opportunities,* which is available as an interactive PDF. The report showcases the Fed's recent efforts to address barriers to economic growth and promote fair and informed access to financial markets. It also provides discussion and examples of the Fed's work in four focus areas: people, place, the policy and practice of community development, and small business.

Feedback about the new site is welcome; to submit a comment or question, visit the Contact Us link on the FedCommunities.org home page.

Treasury announces $153 million in New Markets Tax Credit allocations for three Ninth District organizations

The U.S. Department of the Treasury (Treasury) has awarded a total of $3.5 billion in New Markets Tax Credit allocation authority to 87 organizations located in 32 different states and the District of Columbia. Three of the allocations, representing $153 million of the total, will go to organizations that are headquartered in the Ninth Federal Reserve District.

The New Markets Tax Credit (NMTC) Program, which is administered by the Treasury's Community Development Financial Institutions Fund, promotes private-sector capital investment in underserved areas by providing federal tax credits to individual or corporate taxpayers who make qualified investments in low-income communities. To qualify for NMTCs, taxpayers must provide their investments through intermediary vehicles known as Community Development Entities, or CDEs. A CDE is a domestic, nonprofit or for-profit corporation or partnership with a primary mission of serving low- and moderate-income persons or communities. The total credit for each investor equals 39 percent of the cost of investment and is claimed over a seven-year period. From the NMTC Program's founding in December 2000 through the end of fiscal year 2012, Treasury has reported more than $31 billion in NMTC transactions, and NMTC investments have created an estimated 562,000 jobs.

The three Ninth District allocatees and their award amounts are: Midwest Minnesota Community Development Corporation, Detroit Lakes, Minn., $60 million; Montana Community Development Corporation, Missoula, Mont., $55 million; and Sunrise Banks, St. Paul, Minn., $38 million.

Minneapolis Fed launches consumer credit data page

The Federal Reserve Bank of Minneapolis has launched **Consumer Credit Conditions in the Ninth District**, a web page that illustrates and analyzes trends in consumer credit usage and delinquencies. The page features dynamic charts that track national and Districtwide data on mortgages, credit cards, student loans, auto loans, and credit scores. Maps, synopses, links to related articles and reports, and a comprehensive data overview section round out the offerings. To explore the page, visit www.minneapolisfed.org/community_education/credit.

Calendar

Platforms for Prosperity: 2014 Assets Learning Conference

September 17–19, Washington, D.C.

This CFED (Corporation for Enterprise Development) event will focus on the evolving and diverse set of platforms that are designed to enable individuals and families in poverty to achieve economic success and financial security. **assetsconference.org**

Rail~Volution: Building Livable Communities with Transit

September 21–24, Minneapolis

Hear from the best minds on livability in the country and the world. This national gathering of transit-minded activists, policymakers, planners, and developers will feature more than 80 workshops, networking events, and toolbox sessions on rediscovering community. **railvolution.org**

Shift Innovation: Community Development Conference 2014

September 22–23, Kansas City

An opportunity to interactively share and explore how thinking creatively about community development can unlock new and innovative solutions that can be implemented immediately. Sponsored by the Federal Reserve Bank of Kansas City. **kansascityfed.org/events**

Save the date!

Transforming Workforce Development Policies for the 21st Century

October 15–17, at Rutgers University in New Brunswick, N.J.

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 John J. Heldrich Center for Workforce Development at Rutgers University. Watch **frbatlanta.org/news/conferences/2014workforce.cfm** for registration details and other updates.

Food Access Summit 2014: Organize for Equity

October 28–30, Duluth, Minn.

This gathering of professionals who work to improve access to healthy food for underserved populations in Minnesota will provide policy tools, training, and action-oriented ideas to make the food system more equitable for all. Sponsored by more than a dozen partner organizations, including AARP, Blue Cross and Blue Shield of Minnesota, and Emergency Foodshelf Network. **foodaccesssummit.com**

Conversations with the Fed: Understanding Employment

October 9 at the Federal Reserve Bank of Minneapolis, Downtown Minneapolis

Part of the Federal Reserve's mandate is to promote maximum employment. What does that mean? How is employment defined? Who determines maximum employment? Join Senior Vice President and Director of Research Sam Schulhofer-Wohl for answers to these questions. Details and registration available soon at **minneapolisfed.org/news_events/events/conversations**.