

LIBRARY SQUARE II GRAND OPENING

There are more than 50 new faces in downtown Mandan, and Senator Byron Dorgan came to town to welcome them.

At a Grand Opening Celebration for Library Square II - CommunityWorks North Dakota's mixed-use tax credit project that includes 45 affordable rental units for seniors - Senator Dorgan was the keynote speaker. While making introductions, CommunityWorks Executive Director Paul Rechlin noted the Senator had served in the same role six years to the month earlier at a grand opening event for the first phase of the Library Square development. "When Phase I was already under construction and we faced unexpected financial shortfalls, Senator Dorgan stepped up to help out," said Rechlin. "His support came at a critical juncture. Without that support, Phase I would not have been the success it became, and without that success, we would not be standing here in front of this new building today." Total construction and development cost of Library Square II was nearly \$6 million, providing housing for not only 50 residents, but also building management personnel and staff offices for both CommunityWorks and Lewis and Clark Regional Development Council.

About 1,200 square feet is still available for professional office or commercial space rental. Several of the speakers also noted the importance of the Library Square developments to Mandan's redevelopment program overcoming the effects of a huge diesel fuel plume underlying much of the downtown area. The four-story, 63,000-square-foot Library Square II building is physically connected to the first phase by an enclosed walkway, making amenities of each available to residents of both buildings. The first phase, in which CommunityWorks was a co-general partner with owner MetroPlains Development, was a \$5 million project providing 46 affordable senior units. CommunityWorks was the sole general partner and is owner of the second phase, but partnered with MetroPlains for its development expertise during the construction period.



Senator Byron Dorgan



John Santner of
NeighborWorks® America

COMMUNITYWORKS ND AS AN FHA LENDER

CommunityWorks North Dakota recently received approval from HUD as an FHA lender. The decision to pursue FHA-lender status was made after some lending partners, especially in rural areas, reported their low volume of lending activity did not justify the time and cost of getting the status or delivering the program. By becoming an FHA lender, CommunityWorks can help provide still another lending option to clients of our partnering lenders, and make loans that provide additional secondary market options. The approval allows CommunityWorks to provide both Title I (home improvement) and Title II loans. CommunityWorks lending staff is now undergoing the process of becoming a Direct Endorsement Underwriter which will allow staff additional underwriting authority.

CONTACT INFORMATION

200 1st Ave NW
Mandan ND 58554
701.667.7600

Email:
cwnd@communityworksnd.org
Website:
www.communityworksnd.org



Works in Progress

by Paul Rechlin

The following is an abbreviated and updated version of a "White Paper" discussion between staff of CommunityWorks and NeighborWorks America with Senator Byron Dorgan during the Library Square II Grand Opening.

Mortgage financing has always been more difficult in rural areas than in cities, but ever since the financial crisis the secondary market has continued to pull away from rural markets, greatly exacerbating the problem.

At the core are the policies of secondary markets. Those markets are now generally not accepting appraisals unless recent comparable sales in the same community without need for adjustments can be provided. In countryside areas and small communities, that is almost never possible. Further, appraisal gaps - in which the cost of building a home exceeds its value - have always presented a problem to the investor markets; now it seems to be one that is insurmountable. And also affecting rural areas: with secondary markets now tightening requirements, the lending product of choice, if not necessity, is FHA, but in rural areas many banks are not approved lenders. The above can be capsulated in just one real-life example. A family, with both husband and wife having 800 credit scores, almost no household debt (16% back-end ratio), and a proven track record of successful farming, wanted to build a new home to replace the old family homestead in which they were living. They recognized there would be an appraisal gap, but they were putting in more than \$100,000 cash to bring the loan-to-value ratio to below 80%. But not one secondary market, and therefore not a single bank or other lender, would provide the needed \$192,000 loan because none of the comparables were near enough, and all required adjustments.

It isn't just farm properties that are a problem. Among families we are working with, one in a community along a four-lane highway has been unable to finance a new home because secondary markets say the closest comparables in a similar community 15 miles away along the same highway are too far away; another in a mid-sized, market-center town in the heart of the energy impact area, hit a snag because the secondary market said six comparables provided in the appraisal weren't enough, or close enough, and two more were required.

In other words, the investor markets appear to have little or no interest in rural markets.

What is particularly perplexing and frustrating is that rural lending is the safest lending. That is demonstrated by figures showing the lowest foreclosure and delinquency rates nationally are in rural states. North Dakota, among the most rural of states, has among the lowest loss rates. And our experience has been the same.

Ultimately, we were able to help in all three of the above mentioned cases. About \$60,000 was covered under a first-time homebuyer loan bought by NDHFA, we sold about \$136,000 as part of a with-recourse portfolio sale, and we did over \$200,000 in-house, most of it at a 30-year term.

However, a relatively new (incorporated in 1995, lending since 2001) and small nonprofit like ours, in a state with few large corporations, no large foundations, and mostly small banks, does not have the resources to continue making large 20- and 30-year portfolio loans we cannot sell. Nor, it seems, does anyone else.

Overcoming that and the seeming stranglehold on local lending caused by nervous out-of-state investors and national policy will take more than time; it will take innovation, partnerships and a willingness to invest in ourselves.

Also discussed were strategies underway and proposed; already one, FHA lender status for CommunityWorks (see page 1), has been realized; others are being pursued.



Thomasson Elected to FHLB Advisory Council

After serving eight years on the Federal Home Loan Bank of Des Moines Affordable Housing Advisory Council, Executive Director Paul Rechlin had reached his term limit, but he has been replaced by Jessica Thomasson of Fargo, who also serves on CommunityWorks board of directors. She joins Tonya White Mountain, with Standing Rock Housing Authority, as two of North Dakota's three representatives on the bank's advisory council.

Library Square II Project Highlights

Library Square is more than a roof over the heads of the residents. It provides a safe environment; amenities like chapel, exercise room, library; and other intangible benefits. The following are some personal stories from a few residents of Library Square of how living at Library Square affects their lives.....



View of Library Square II from the street

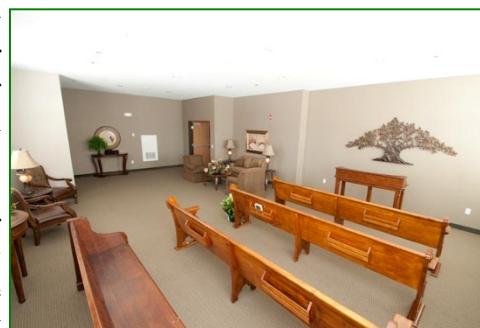


View of Library Square I and Library Square II

Betty Mae Johnson

Recently widowed, Betty Johnson found herself faced with creating a new life. A lower level apartment dweller, she climbed stairs outdoors. Her children were concerned with her safety, considering the harshness of winter weather; they began ‘shopping around’ for a new home. They agreed upon Library Square II.

“Even after the girls told me I’d like it, I had to see a couple of apartments for myself – and they were nice,” resident Betty Mae Johnson said. “I especially liked the views to the north. My son told me I’d see storms arriving before they were on top of me.” She enjoys socializing; it was so easy to get involved with pinochle and bingo with other residents, enjoying the close knit community of Library Square residents. Johnson owns her own car and drives for groceries.



Church services are held in the chapel



Library and sitting room for the tenants

Lila Buchman

Retirement for Lila Buchman meant changing up her life in a big way. Returning to North Dakota after spending three years in Minnesota, she considered Mandan’s Library Square immediately.

“I decided to live in Mandan,” resident Lila Buchman said. “Since my children live in different towns across North Dakota, this was a great choice. I can still drive to see each of them.”

Buchman discovered Library Square II to be filled with opportunities. A safe community to drive around in, she could leave the building to shop for grocery or use the pharmacy. She could trek around a bit to shop for antiques or gather with other residents for activities. She noticed developed friendships among others. “The seniors on the ‘other side’ [Library Square] have become ‘old friends’ now,” Buchman said. (Continued Page 4)



Ribbon cutting ceremony

Library Square II Project Highlights (continued)



Don Sterhan of MPEG at the Grand Opening ceremony

Rose Aken

Forever changed, Rose Aken suffered a stroke twelve years ago. Unable to use her right arm and leg, Aken turned to Liberty Heights in Mandan. After independently living in that community for several years, she heard about Library Square II, and decided to check it out. The downtown location interested her, since she no longer drives – and she imagined she’d be able to remain self-sufficient. She’d walk outdoors to appointments, to shop or attend church. After touring a few apartments, Aken settled on a handicap accessible unit, completely changing her life.

“Now I can walk around as much as I want,” resident Rose Aken said. “I can walk to the grocery store with my cart or use the laundry room without leaving the building.”

Further, Aken said she finds ways to ‘go out without going out’. Cruising the halls for exercise or visiting with other residents keeps her busy. And others are helpful to her. When she’s struggling with a heavy load or unable to complete a task, she knows she can turn to one of many new friends.

“Library Square is a community of its own,” Aken said. “And when I get tired of walking or need to be alone, I just go home.”

Above are excerpts from an article by Tina Ding

Thanks, Library Square II Partners and Supporters!

- | | |
|--|---------------------------------------|
| ≈ Al Fitterer Architects | ≈ Mandan Growth Fund |
| ≈ Bank of North Dakota | ≈ Metro Plains, LLC |
| ≈ City of Mandan | ≈ Metro Plains Management |
| ≈ Community Contractors
(and all their many subcontractors and vendors) | ≈ Mountain Plains Equity Group (MPEG) |
| ≈ Community Housing Capital | ≈ NeighborWorks America |
| ≈ JLG Architects | ≈ North Dakota Housing Finance Agency |
| ≈ Lewis and Clark Regional
Development Council | ≈ Security First Bank of North Dakota |
| | ≈ Starion Financial |
| | ≈ Wells Fargo Bank |

Other Developments in the Works

CommunityWorks North Dakota has been awarded several special grants under the Neighborhood Stabilization Program totaling about \$2.3 million in 2009/2010 for housing projects. Projects planned or underway utilizing these funds include the following:

- ≈Purchase/rehabilitation/sale of four foreclosed properties in rural Bismarck, Mandan and New Salem.
- ≈Development of a 5-7 unit rental housing complex in conjunction with Pride Inc. for persons with disabilities.
- ≈Development of a 5-7 unit transitional housing complex in conjunction with Abused Adult Resource Center for homeless, single women.
- ≈Development of seven housing units in Bismarck to sell to families whose incomes are at or below 120% of median income.

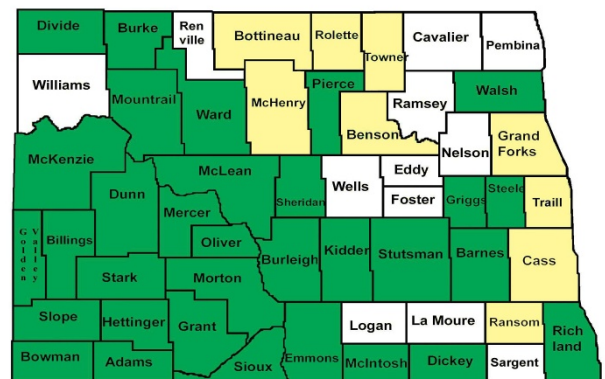
DREAM Fund Activity

Mary, a student working part-time, was working with Dakota West Credit Union to buy a house in a McLean County community for \$25,000 that was appraised at \$26,000. Even at her current job she could cover payment costs, and following her graduation in a few months, her likely prospects for even more income at full-time employment would make payments even more affordable. She even had cash for down payment and closing costs. But Mary had limited, although decent credit, and no secondary market could be found by the credit union that was willing to purchase the loan. The **DREAM** Fund provided a \$23,750 first mortgage loan at 5.5% for 15 years so that Mary could buy the house.

Ron and Rhonda, both working, are low-income, have four children in a town in Renville County, and face a major mold problem and other issues in their home. Repair estimates ran as high as \$40,000, well beyond their capacity. The **DREAM** Fund provided a \$15,130 loan, 8-year, 6% loan to deal with the major mold and other emergency problems (foundation rebuild and egress windows, etc.), with remaining work to be done later or by the owners.

Martha, a single mother in a Mountrail County city, bought a house a year ago that was structurally sound, but needed considerable upgrading and repairs. Sandia American, a new partner of ours, held the first mortgage and asked us to help on the \$28,724 rehab costs. The **DREAM** Fund provided the full amount as a 6-month, 6% construction loan, and North Dakota Housing Finance Agency has approved the refinance of the loan and Martha's first mortgage with Scandia under NDHFA's Major Home Improvement Program.

The DREAM Fund in North Dakota
As of December 31, 2009



■ DREAM Counties
 ■ Counties with limited access to DREAM Fund

2 New Board Members Named

Mark Very, Assistant Vice President of American Bank Center in Bismarck, and Dwight Barden, Executive Director of the Burleigh County Housing Authority, were recently elected to CommunityWorks Board of Directors.

DREAM II Fund Activity

DREAM II provides financing for predevelopment, acquisition, and construction of mission-related housing developments in North Dakota. Eligible borrowers include non-profit and for profit entities of all sizes as well as governmental entities. It can finance rehabilitation and new construction for both homeownership and rental purposes as well as infrastructure development. Eligible projects include: subsidized affordable housing, mixed income housing, mixed-use projects with residential as the primary use, and market rate housing that is part of a defined strategy to revitalize a community. In the last 14 months **DREAM II** has lent almost \$1.3 million, creating over 235 units and 105 jobs, and leveraging over \$25 million, creating a significant impact across the state. Loans have been made in rural and urban communities from Fargo to Ray ND. It has helped very-low income multifamily projects including homeless and senior housing to market-rate, single-family projects.

Projects assisted and approved have included Waters Edge and Bakken Heights II in Williston; Ray Housing in Ray; Cooper House in Fargo; LB Homes in Hazen; Library Square II and Mandan Place in Mandan; and Creekside Apartments in Watford City.



200 1st Ave NW
Mandan ND 58554

NON-PROFIT ORG.
U.S. POSTAGE
PAID
BISMARCK, ND
PERMIT NO. 419

TIDBITS of INFORMATION

- Otto Bremer Foundation recently awarded CommunityWorks with a \$150,000 grant as seed money to help support our efforts, in partnership with the City of Fargo, to begin a targeted lending program in Fargo.
- Finalization of contribution commitments in Mountrail and McIntosh counties bring to 32 the number of counties with full, unrestricted access to the **DREAM** Fund; nine others with limited access brings the total count to 41 of 53 North Dakota's counties.
- CommunityWorks and the Rural Development Finance Corporation (RDFC), a community development corporation owned by rural electric and telephone cooperatives, recently signed agreements to have CommunityWorks provide single-family and housing development loans, as a complement to the **DREAM** Fund, in rural areas and communities of under 5,000 population.
- New Administrative Assistant Kaylah Pavlicek is the latest addition to CommunityWorks' staff. A graduate of Dickinson State University with a B.A. in Applied Science in Information Technology, she has previous working experience at the Bank of North Dakota, Bismarck State College and Gateway to Science.

STAFF and BOARD MEMBERS

Paul Rechlin, Executive Director
 Sherri Arenz, Housing Program Director
 Rob Knoll, Multi-Family Housing Program Director
 Julie Hohbein, Housing Program Lender
 Sarah Kostelecky, Housing Program Processor
 Gayle Paul, Office Manager
 Kaylah Pavlicek, Administrative Assistant

COMMUNITYWORKS Board Members

Mark Weide, President (Starion Financial)
 Sandy Retterath, Vice President (Retterath Real Estate LLP)
 Tonya White Mountain, Treasurer
 (Standing Rock Housing Authority)
 Wade Bachmeier, Secretary (Century 21 Landmark Realty)
 Clayton Hoffman, Past President (Innovative Energy Alliance)
 Richard Barta (City of Mandan/Golden Age Services)
 Jill Beck (ND Association of Realtors)
 Richard Bendish (Fort Rice)
 Shirley Dykshoorn (Lake Agassiz Habitat for Humanity)
 Dave Flohr (ND Housing Finance Agency)
 John Giese (Wells Fargo Bank, ND)
 Marlene Krebsbach (US Bank Home Mortgage)
 Greg Lange (Lange & Donovan PLLP)
 Jessica Thomasson (Lutheran Social Services of ND)
 Dwight Barden (Burleigh County Housing Authority)
 Mark Very (American Bank Center)