

**SPECIAL STATE BANKING BOARD MEETING  
OFFICE OF THE COMMISSIONER  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
2000 SCHAFFER STREET, SUITE G  
BISMARCK, NORTH DAKOTA**

**August 28, 2014**

A special meeting of the State Banking Board was held in the Office of the Commissioner, Department of Financial Institutions, 2000 Schafer Street, Suite G, Bismarck, North Dakota. Chairman Entringer called the meeting to order at 3:00 p.m., Thursday, August 28, 2014, by conference call.

**MEMBERS PRESENT:** Robert J. Entringer, Chairman (*Office*)  
Nancy Baerwald, Member (*Cando*)  
Linda Beall, Member (*Velva*)  
Kim Larson, Member (*Casselton*)  
John Schmid, Member (*Carson*)  
Tom Stennes, Member (*Harwood*)  
Cheryl Thompson, Member (*Fargo*)

**MEMBERS ABSENT:** None

**ALSO PRESENT:** Aaron K. Webb, Secretary (*Office*)  
Suzette Richardson, Administrative Staff Officer (*Office*)  
Jan Murtha, Assistant Attorney General (*Office*)  
Blaine DesLauriers (*Minot*)  
Kelly Peterson (*Watford City*)

**FIRST INTERNATIONAL BANK & TRUST, WATFORD CITY – REQUEST  
TO OWN RESIDENTIAL REAL ESTATE**

Assistant Commissioner Webb reviewed his Memorandum dated August 21, 2014, indicating in November 2010 the State Banking Board (“Board”) adopted a process whereby banks could, under specific circumstances, acquire and retain residential real estate for the purpose of employee housing. Assistant Commissioner

Webb indicated the Board adopted this process according to its parity power found under N.D.C.C. § 6-03-02.3., and reviewed the standards of the adopted Order.

Assistant Commissioner Webb indicated the Board has previously granted permission for First International Bank & Trust (“FIBT”) to acquire residential properties for employee use in Minot, Watford City and Williston. Assistant Commissioner Webb continued that these prior authorizations have been based on the lack of affordable housing in these areas as a result of flooding issues and the strong oil economy; adding that based on changing circumstances the Board has extended and modified the authority previously granted to the bank.

Assistant Commissioner Webb indicated the most recent Board authorization granted to FIBT on July 20, 2012, amounted to the following limits totaling \$1,840,500: one townhome in Minot (\$181,500); one 4-plex in Watford City (\$800,000); and two townhomes (\$400,000) and one 4-plex (\$459,000) in Williston.

Assistant Commissioner Webb indicated according to information received from FIBT, the bank currently owns the following properties at the stated purchase prices totaling \$1,900,358: one townhome in Minot to be sold in September 2014 (\$181,500); one twinhome (\$375,360), two single family homes (\$421,498), and three vacant lots (\$63,000) in Watford City; and two 4-plexes (\$859,000) in Williston.

Assistant Commissioner Webb indicated FIBT intends to divest of three vacant properties in Watford City, and is requesting permission to purchase five townhouses at an approximate cost of \$300,000 each (for a total of \$1.5 million) to be used as employee housing in Watford City.

Assistant Commissioner Webb referred to the letter dated August 14, 2014, from President DesLauriers indicating that affordable housing continues to be an issue for employees in Watford City; continuing that 15 employees are looking for housing in Watford City. Assistant Commissioner Webb added that President DesLauriers indicated the bank plans to hire additional lending staff in the near future, and believes that the five townhouses will better meet the employee housing needs of the bank.

Assistant Commissioner Webb stated if the current request is approved, it appears FIBT will remain within the fixed asset limitation found under Section 6-03-07 of the North Dakota Century Code.

Assistant Commissioner Webb indicated if the Board approves the current request by FIBT to purchase five townhouses in Watford City and divest of the vacant properties in Watford City, it would result in the following limits totaling \$3,337,358: one townhome in Minot (\$181,500); one twinhome (\$375,360), two single family homes (\$421,498), and five townhouses (\$1,500,000) in Watford City; and two 4-plexes (\$859,000) in Williston.

President DesLauriers informed the Board the townhouse in Minot has been sold, with the closing scheduled for August 29, 2014; therefore, FIBT will not own any property in Minot.

In response to Member Schmid, President DesLauriers indicated the housing market in Minot is healthy due to the number of apartment units that have been built recently; however, the Watford City area is still struggling and there is a significant need for affordable housing.

President DesLauriers noted that apartment units and townhomes are being built in the Watford City area; however, the oil companies are purchasing them before completion and raising the market rent to atrocious rates. President DesLauriers indicated FIBT has 12 employees living in apartment units that have been sold to an oil company and the monthly rent was increased from \$900 to \$2,000. President DesLauriers indicated affordability is a problem for FIBT, as they are faced with subsidizing rent or providing some sort of subsidy for employees.

In response to Chairman Entringer, President DesLauriers explained if an oil company or investment company that already has a lease with an oil company offers to buy property previously owned, the property owner will make a profit and the purchaser will then raise the rent.

President Peterson indicated there is a high demand for employee housing, adding he currently has three employees living in campers. President Peterson continued there is no inventory of affordable homes, as most 1,300 square foot homes worth are listed at \$350,000 or above. President Peterson indicated until the housing inventory catches up, the demand is driving the rent. President Peterson stated apartment rent is currently: \$2,000 for one bedroom; \$2,700 for two bedrooms; and \$3,500-\$5,000 for three bedrooms (with or without a garage).

President Peterson indicated FIBT is anticipating hiring new employees and hopes to get them into suitable housing they can afford.

In response to Member Stennes, President Peterson indicated a recent study states there is a current demand for 1,840 apartment units in McKenzie County, with an additional projected average demand of 132 apartment units per year over the next 10 years. President Peterson continued the population of Watford City is currently over 8,000 compared to 1,500 five years ago. President Peterson added that very few individuals qualify for loans to purchase homes selling for \$350,000; therefore, more rental property units are being constructed. President DesLauriers added the city does not have funds for the infrastructure, so the developer has to pay those additional costs.

In response to Member Schmid, President Peterson indicated the highest level of turnover is entry level positions, with approximately 6 to 10 individuals terminating within the past 18 months to work in the oil industry. President Peterson continued the bank has had to increase wages for an entry level teller to \$16-\$20 per hour.

In response to Member Thompson, President DesLauriers confirmed that FIBT will be selling the three vacant lots it now owns in Watford City.

President DesLauriers indicated FIBT recently hired a trust officer living in Washington; however, if the bank had not had affordable housing to offer, this employee would not have accepted the job. Chairman Entringer added all financial institutions in the Watford City/Williston area have the same concerns/issues.

President Peterson indicated the workload in the Watford City branch has increased; therefore, the number of tellers has increased from 4 to 8, and lenders increased from 5 to 8.

Assistant Commissioner Webb indicated based on the information provided, the Department recommends the State Banking Board amend its prior approval of July 20, 2012, to account for the properties currently held by FIBT, the sale of the three vacant Watford City lots, and to authorize the purchase of five additional townhouses in Watford City, subject to the following conditions: (a) the purchase price for the five townhome units in Watford City, shall not exceed \$1,500,000; (b) the bank shall notify the Department immediately upon purchase of these properties, and shall include the purchase prices; (c) the bank shall notify the Department

immediately when the bank is no longer using the properties for employee housing; and (d) when the properties are no longer used as employee housing, the bank shall divest itself of the real properties within five years, unless this time period is extended by certificate of the commissioner.

**It was moved by Member Thompson, seconded by Member Baerwald, and unanimously carried to approve the request by First International Bank & Trust, Watford City, to purchase residential property in Watford City not to exceed \$1,500,000.**

Presidents DesLauriers and Peterson left the conference call at 3:18 p.m.

## **APPROVAL OF ORDER**

Chairman Entringer indicated at a special meeting held August 14, 2014, the State Banking Board approved the application by State Bank of Bottineau, Bottineau, to relocate its main office from 514 Thompson St, Bottineau, to its existing facility location at 105 11<sup>th</sup> St E, Bottineau; however, neglected to approve an Order.

**It was moved by Member Larson, seconded by Member Schmid, and unanimously carried to approve the Order granting permission for State Bank of Bottineau, Bottineau, to relocate its main office from 514 Thompson St, Bottineau, to its existing facility location at 105 11<sup>th</sup> St E, Bottineau, and that Chairman Entringer be authorized to sign the Order on behalf of the Board.**

## **NEXT REGULAR MEETING**

Chairman Entringer indicated the next regularly scheduled meeting will be held at 9:00 a.m., Thursday, September 11, 2014, by conference call.

The meeting adjourned at 3:21 p.m.

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Robert J. Entringer, Chairman

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Aaron K. Webb, Secretary