

# Creating Homes

## Native American Tribes Increase Their Use of Low-Income Tax Credits



Duplex Unit, Yavapai-Apache Homes III  
Housing Credit Development

Photo by Yavapai-Apache Nation Tribal Housing

The Yavapai-Apache Nation, a Native American tribe of about 2,000 people in Arizona, has 90 families on its waiting list for affordable housing. As the tribe's housing authority tries to meet this need, it has been turning increasingly to the low-income housing tax credit (LIHTC) to create additional affordable homes.

This activity reflects a little-noticed trend – the slow but growing use of housing credits by Native American tribes to produce affordable rental homes for their members.

As of 7/1/06, the U.S. Census Bureau estimated there were 4.5 million American Indians and Native Alaskans in the nation. The three states with the largest populations are California, Oklahoma, and Arizona.

### Three Projects to Date

Since 2003, the Yavapai-Apache tribe, whose reservation is between Phoenix and Flagstaff, has completed three LIHTC developments containing 94 units. The tax credit units are mostly detached single-family houses, the preference of tribal members.

The latest development, Yavapai-Apache Homes III,

consists of 30 single-family homes, duplexes, and triplexes. The tax credit equity investor was Washington Mutual (now part of JPMorgan Chase). On the previous two projects the equity was furnished by syndicator Raymond James Tax Credit Funds.

The tribe's housing authority, Yavapai-Apache Nation Tribal Housing, oversees development of all of the tribe's housing credit projects, and maintains the housing waiting list. "We do have a substantial waiting list, especially for tax credit units," says Rick Preston, the authority's executive director.

The authority had to step in to complete the third LIHTC project after the original contractor went bankrupt partway through construction. "That was a big blow to us," says Preston.

Tax credit equity covered nearly 95% of the total development cost for the \$8.8 million project. Other funding included a soft loan of about \$436,000 and a small capital contribution from the housing authority. The bulk of this funding came from federal Indian Housing Block Grant funds received by the tribe under the Native American Housing Assistance and Self-

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Determination Act (NAHASDA).

### Need for Units

"We have a need for these tax credit units," says Preston. The tribe no longer builds new homes under several of its housing programs, so vacancies in the authority's housing units only occur when someone moves out. In addition, many tribal members can't afford to buy a home using a federally guaranteed "Section 184" mortgage.

Residents of the tribe's housing credit units pay monthly rents of up to \$250, depending on what they can afford. The tribe subsidizes rents as needed.

Preston says the authority can build a 1,500 square foot home for about \$150,000. The authority builds tax credit projects on land subleased from the tribe. As is the case on all Indian reservations, the title to tribal land is held in trust, on behalf of the tribe, by the federal Bureau of Indian Affairs. Trust land can never be mortgaged or sold, one of a number of special issues that arise in trying to structure LIHTC transactions in "Indian Country," the popular term for land on or around reservations.

### Challenge Finding Equity

One of Preston's current challenges is finding tax credit equity for new projects. "We're hopefully going to build another 28 [units]," he says. Another problem is lower credit pricing, which means larger funding gaps. "Before we were getting 80 to 90 cents on the dollar; now we're only getting like 63 cents."

The tribe operates a casino, and some gaming revenues are allocated to the authority's general housing program. None, though, have been used for tax credit projects. "That's our selling point," says Preston. By demonstrating that it can build tax credit homes without any gaming revenues, the authority is better positioned to receive tribal approval of other resources for tax credit projects, such as land and NAHASDA funds.

Travois, Inc., a private consulting firm based in Kansas City, Mo., has worked with the Yavapai-Apache

Nation on all of its housing credit projects, including a pending proposal.

Travois is the leading "packager" of LIHTC projects in Indian Country. On behalf of client tribes, it prepares the tax credit application, structures the transaction, and seeks the equity and other funding sources. Company CEO David Bland estimates that Travois has packaged about 90% of all LIHTC projects in Indian Country – 139 transactions with \$380 million in equity since 1997. The company is working on another 14 pending projects that have housing credit awards.

Bland says finding equity for new LIHTC deals in Indian Country is a "struggle...We need investors."

To date, equity investors in these deals have almost all been major commercial banks, either as direct investors or as investors in funds sponsored by Raymond James Tax Credit Funds. "We're looking outside commercial banks to try to get some unconventional investors interested," Bland says.

He notes that Indian Country tax credit deals, which are generally developed by the tribe or the tribal housing authority, are particularly safe. "Our projects have no hard debt. The lender on our deals is always the tribe. And they're not going to foreclose on themselves." In addition,

the tribe controls new housing supply, so its tax credit projects don't compete for renters with other apartment properties. Finally, tribal housing authorities usually have long waiting lists of members seeking affordable housing.

The funding sources typically used for Indian Country tax credit projects are tax credit equity and soft debt. The latter nearly always comes from federal NAHASDA funds received by the tribe annually from the U.S. Department of Housing and Urban Development. Bland added that his clients, though, have also received 37 awards of Affordable Housing Program funds from Federal Home Loan Banks in the past two years.

The two tribes among Travois' clients that have produced the most LIHTC projects are the Standing Rock Sioux Nation, in North and South Dakota, with 17 developments; and the Red Lake Band of Ojibwe, Minnesota, with 10. "We've done five or six with a lot of tribes," Bland says. **TCA**

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