

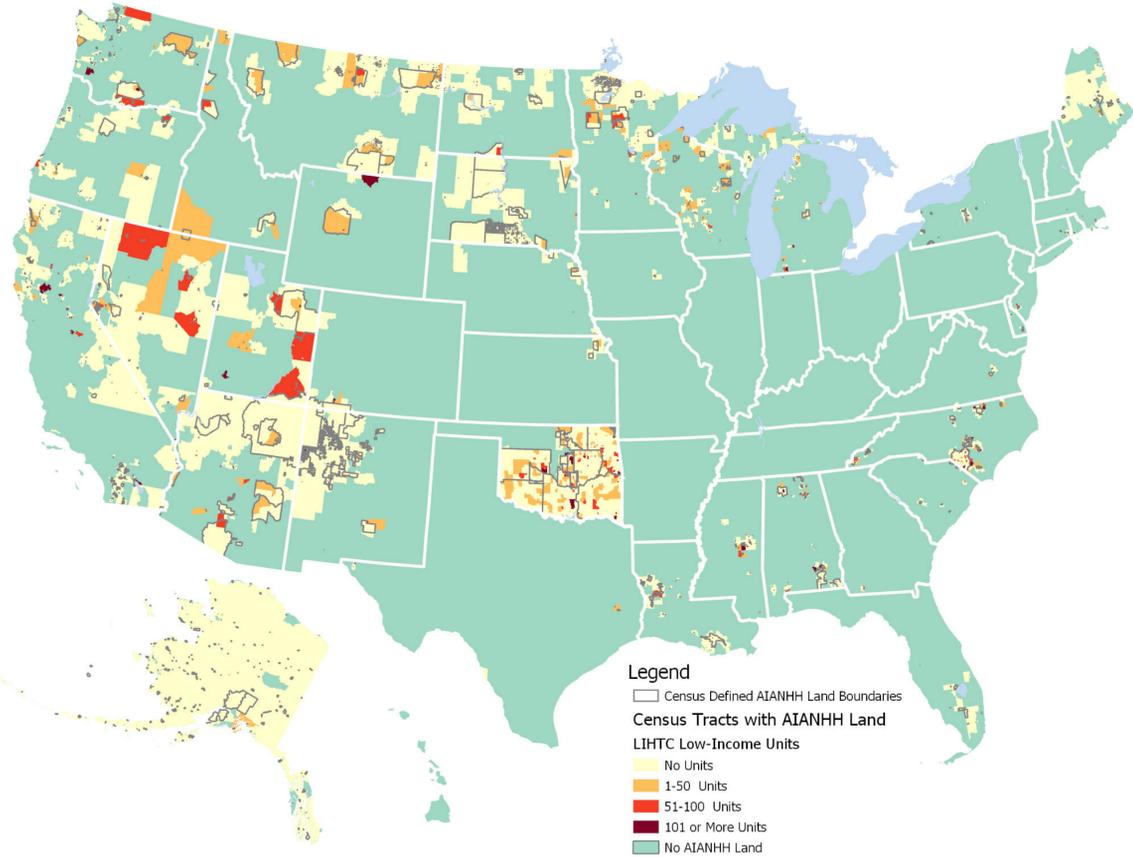
# Low Income Housing Tax Credits in Indian Country

Evelyn Immonen and Keith Wiley, Housing Assistance Council



June 22, 2019

## Map 1: Census Tracts of Native American Land by Number of Low-Income LIHTC Units



Map 1 shows all census tracts with at least some Native American lands, including statistical areas and state-designated lands. It illustrates the outlines of these Census-designated American Indian and Alaskan Native lands. Areas with the greatest number of low income LIHTC units are shown in dark red.

**ABSTRACT:** Low Income Housing Tax Credits (LIHTC) are one of the primary resources for developing affordable rental housing nationwide, yet LIHTC is substantially underused in Indian Country. Data and research on the utilization and impacts of LIHTC on Native American lands are limited. The following research explores LIHTC usage on tribal lands to help inform policies and strategies for tribal leaders who want to increase access to LIHTC funds as a means of meeting vast unmet housing needs.

**LOW INCOME HOUSING TAX CREDITS**  
**Background:** The Tax Reform Act of 1986 authorized LIHTC to operate through the Internal Revenue Service, which distributes tax credits to states based on population size. State-designated housing agencies then allocate their credits to specific housing developments. States can allocate either a 9 percent or 4 percent credit. Of the two, 9 percent credits are awarded through a competitive process and used to fund construction or rehabilitation for projects not using other federal funds. Small projects or those using other federal funds are eligible for 4 percent credits and are outside the competitive process.

Tax credits are then sold to investors in exchange for cash equity to develop the project. The credits reduce investors' tax liability during the first 10 years after the project is developed. Many projects also utilize a conventional mortgage, grants, and soft second mortgages from community-financing organizations. Like Section 515 USDA direct loans, and other federal subsidies, LIHTC imposes a 30-year restriction on affordability. The loss of affordability and physical deterioration puts tenants in these properties at risk once Year 30 is reached.

Despite these reasons, it is primary mechanism for affordable housing development, and a resource that Indian Country could benefit from.

**HOUSING IN INDIAN COUNTRY**  
**Housing conditions:** Tribal areas have unique housing characteristics. Their population density is lower than that in the rest of the nation and, as in other rural areas, the rate of homeownership is relatively high. This may help explain lower rates of LIHTC usage because, although reservations have

similar rates of renters (32.7 percent compared to 36.4), they have fewer multifamily rental units than the rest of the nation (22.9 percent compared to 42.6) and reservation properties in general tend to be smaller.

The need for quality affordable housing is great enough, however, that LIHTC access could make a difference: physical problems, such as lack of plumbing, electrical, or heating, remain significantly higher in tribal areas than elsewhere. According to a 2011 EPA report, 120,000 units on reservations lacked basic sanitation. While most of the U.S. has a low rate of poor housing conditions, 12 percent of homes on Native American lands have heating issues and 6 percent have plumbing issues. The gaps between tribal areas and the rest of the country are widened when looking at reservations with a high percentage of tribal members.

There is also severe overcrowding and homelessness on Native American lands: in 2017, an estimated 42,000 to 85,000 individuals were staying with friends or family only because they had nowhere else to live. This is between 3.6 and 7.2 percent of the total AIAN population living in tribal areas. Household respondents said that they had more people living in their house than could comfortably fit 19 percent of the time. Urban areas have been using LIHTC units to relieve just such housing conditions for decades.

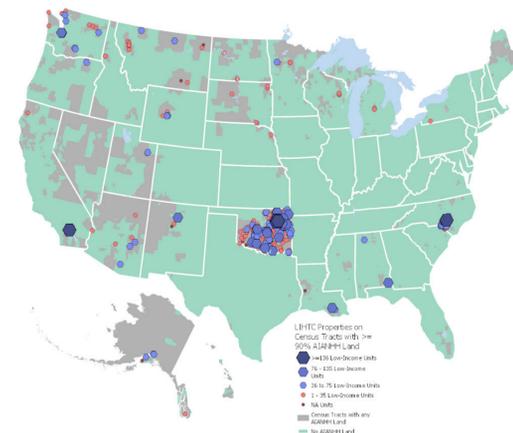
**LIHTC IN INDIAN COUNTRY**  
**Challenges to LIHTC:** Multifamily housing properties in Indian Areas—which are few and far between—typically requires housing subsidies, which would include the LIHTC program. Projects depend on tax credit equity and housing grants because debt financing for affordable housing is limited in Indian Areas. Development and operation of affordable housing is more difficult because the poverty rate and unemployment rate among tribal members is more than twice the rest of the nation. Most properties cannot support debt financing because of their tenants' low incomes. Indian reservations are located in 70 of the 386 persistent poverty counties, meaning they have been in poverty for generations, at least partially due to underlying structures of disadvantage.

Low population density, lower aggregate incomes, and challenging economic conditions often result in greater difficulty generating repayment on a property or to develop at a sufficient and comprehensive scale. Tax credits in rural and low-income areas such as Native reservations have less equity per dollar than in major metropolitan areas like New York or DC. Still, little research has been done to try to understand exactly what characteristics exist among LIHTC properties on Native American lands.

**RESEARCH Methodology:** This research uses HUD Low Income Housing Tax Credit data from 2017, along with American Community Survey (ACS) population, geography, and economic data from 2017. This research is meant to describe characteristics of Low Income Housing Tax Credit properties on Native American lands. We looked at only the LIHTC projects that were active and had complete state-county information, excluding 2.9 percent of listed LIHTC properties. Notably, the ACS has limitations for this research because it relies on sampling, and some of the estimates are less reliable in small, rural areas. Despite this margin of error, the ACS provides reputable data on population and geography that sharpens our analysis.

This study seeks to describe the current state of LIHTC usage on Native American lands and consider several current policies. The analysis first estimates the number of LIHTC units on or near Native American lands, and then compares it to other geographies and along measures of property size, time, service population, and other factors.

## Map 2: LIHTC Units in Census Tracts with 90 Percent or More Native Land



In order to give a more accurate picture, Map 2 raises the threshold for percentage of Native American lands. It illustrates only the low income LIHTC properties that lie within a census tract with 90 percent or more of the tract on Native American land, and also shows different size icons to represent properties with more units.

**43**  
 The average number of households on one LIHTC property for Census tracts greater than zero.

**24**  
 The average number for all LIHTC units in a given Native Census tract. The average low income units is 20.5

## Top 10 States with LIHTC on Native American Lands

State	Number of LIHTC Units	Population AIAN alone	Percentage of Housing Stock
1. Oklahoma	14,271	190,525	6.81
2. North Carolina	6,793	43,776	5.80
3. Washington	6,752	43,130	7.83
4. California	4,162	9,988	7.19
5. Nevada	2,923	9,453	8.48
6. Alabama	2,105	1,978	6.25
7. Arizona	1,881	61,921	5.92
8. Hawaii	1,824	N/A	13.95
9. New Mexico	1,470	35,357	7.98
10. Michigan	1,300	3,292	6.20

## 10 Tribes with the Greatest Portion of Housing Units on Native American Lands

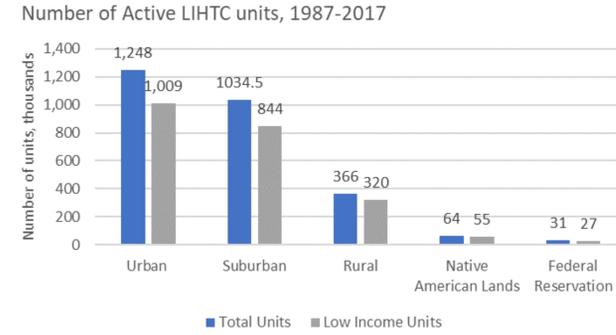
Census tract county	Tribal group	Type of Land	Percentage of LIHTC Housing	Percentage of Native American Land
1. Clark, NV	Fort Mohave tribe	Federal reservation	87.26	9.96
2. Pierce, WA	Puyallup tribe	Federal reservation	82.7	100
3. Honolulu, HI	Various Native Hawaiian groups	Hawaiian homelands	79.72	54.49
4. Spokane, WA	Spokane tribe	Federal reservation	79.16	6.9
5. Clark, NV	Fort Mohave tribe	Federal reservation	69.4	6.97
6. Rogers, OK	Cherokee (likely) or Alabama Coushatta, Muskogee Creek	Oklahoma statistical areas	67.8	100
7. Snohomish, WA	Stillaguamish, Snoqualmie, or Tulalip	Federal reservation	65.2	.09
8. Cumberland, NC	Lumbee tribe of North Carolina	State designated statistical areas	61.1	100
9. Canadian, OK	Cheyenne and Arapaho	Oklahoma statistical areas	54.44	100
10. Snohomish, WA	Stillaguamish, Snoqualmie, or Tulalip	Federal reservation	53.42	.78

Table 3 presents the ten Native American census tracts with the greatest number of LIHTC units compared to their total rental housing stock. Because tribal and geographic data is difficult to aggregate, this table helps provide examples of tribes for discussion on a case-by-case basis. The final column shows that not all of these tracts are entirely on Native American Lands.

## What are the Policy Implications?

1. Advocate for Enterprise Investment under Duty to Serve: Two federal enterprises (GSEs), Fannie Mae and Freddie Mac, have recently reentered the LIHTC market as equity investors.
2. Increase State-level Set-asides for Tribal Areas: California, Arizona, and North Dakota have explicit set-asides for tribal housing, while Minnesota and South Dakota explicitly list preferences for tribal housing in their state programs.
3. Support Tribal Capacity for Developing LIHTC properties: Staff training, sparse funding, and sparse local populations remain challenges, but tribal staff have been learning to rely on partnerships for contract work
4. Further Research: More understanding of the population, tribal capacity, and affordable housing as wealth creation

## Limited LIHTC Units in Rural and Tribal Areas



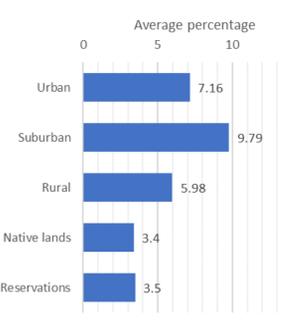
There are fewer LIHTC projects in rural areas than urban or suburban, which have 1 million and 843,000 low income units, respectively. There are 64,000 total units on Native American lands and 54,600 low income units. Federal reservations, excluding other definitions of Native American lands, have 31,200 total LIHTC housing units, 27,480 of which are set aside as low income. For the rest of the research, we'll look primarily at low income units as they better show how LIHTC addresses underserved housing needs.

## LIHTC Only Used for 3 Percent of all Rental Housing on Native Lands



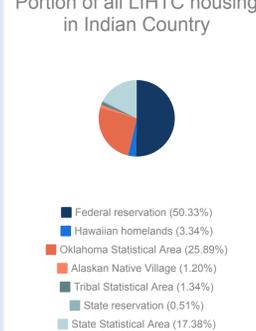
Using the percentage of rental occupied units that were LIHTC units, this figure shows that LIHTC makes up for 3 percent of the total housing stock on Native lands and surrounding areas. Tribal designated statistical areas, which could intersect with more urban areas, have a 4.84 average percentage of LIHTC, while Alaskan Native villages have only a 1.42 average percentage of LIHTC.

## Native Lands Use Fewer LIHTC Units than Urban, Rural



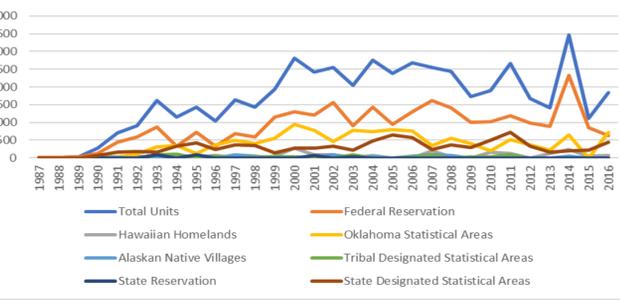
Native lands and federal reservation lands both lag behind urban, rural, and suburban counterparts. The total rental housing stock is pulled from ACS 2017 data on renter-occupied housing units, meaning that this includes market rate housing as well as low income housing. Suburban markets have the highest saturation of LIHTC financed housing, while Native American lands fall behind this goal by nearly 6.5 percentage points.

## LIHTC by Types of Native Land



This figure shows that access to LIHTC varies depending on the type of Native American land. Federal reservations make up the largest portion of the LIHTC housing stock. Projects on Oklahoma areas or state areas make up larger land areas, but tend to have a lower population of American Indians and are potentially closer to urban areas like Tulsa or Fayetteville. This could explain why they have higher rates of LIHTC usage; not all of the units go towards American Indian housing needs.

## Number of LIHTC Low Income Units Placed in Service on Native American lands, by Year



There had been a fairly steady increase in the number of units being developed each year from the 1990s to around 2000, and the number of units produced each year since then have varied, most remarkably in 2014, which saw a huge spike in development surrounded by two less than average years of development.

**RESEARCH NOTE:** A component of this study estimates the number of LIHTC units on Native American lands and on federal reservation lands. However, HUD data are reported at the census tract level, and not all Native American lands align perfectly with census tracts. While census tracts are a smaller unit of measurement and an improvement on county-level analysis, this represents a major limitation of the data. Reporting LIHTC units by census tract could mean including all the LIHTC units on a census tract where less than 1 percent of the geography overlaps with Native American lands. Therefore, estimates are better interpreted as encompassing Native American lands and surrounding areas. This approach assumes that tribal members likely have access to LIHTC housing if it is adjacent to Native American lands.

Source: HAC tabulations of HUD 2017 data and ACS 2017 data  
 References: 1) National Low Income Housing Coalition, & Public and Affordable Housing Research Program. (2018, October). Balancing Priorities: Preservation and Neighborhood Opportunity in the Low Income Housing Tax Credit Program Beyond Year 30. Retrieved from https://www.novoco.com/sites/default/files/atoms/files/nihlc\_balancing\_priorities\_1018.pdf 2) Freddie Mac. (n.d.). Spotlight on Underserved Markets: LIHTC in Indian Areas. Retrieved from https://mf.freddiemac.com/docs/LIHTC\_in\_Indian\_Areas.pdf 3) U.S. Department of Housing and Urban Development. (2017, January). Housing Needs of American Indians and Alaskan Natives in Tribal Areas: A Report from the Assessment of American Indian, Alaskan Native, and Native Hawaiian Housing Needs. Retrieved from https://www.huduser.gov/portal/sites/default/files/pdf/HNAI/HousingNeeds.pdf 4)