

# Novogradac Journal of Tax Credits

News, Analysis and Commentary On Affordable Housing, Community Development and Renewable Energy Tax Credits

January 2011, Volume II, Issue I

Published by Novogradac & Company LLP

## Texas' First Tribal-Owned LIHTC Property Nears Completion

By Jennifer Hill, Staff Writer, Novogradac & Company LLP

Sixty out of the more than 200 Tigua families waiting for affordable housing on the Ysleta del Sur Pueblo (Pueblo) reservation will be able to call 30 new duplexes in Socorro, Texas home this month. "People break into tears when we tell them they've been selected," said Al Joseph, Pueblo Housing Department director. Even though approximately 293 out of the reservation's 329 households qualify for affordable housing, the pioneering development almost fell victim to the state's inexperience in allocating low-income housing tax credits (LIHTCs) to tribes and LIHTC market conditions in the late-2008 and early-2009.

"You've got a first-time LIHTC developer that's worked for a year and a half to get credits, and the state said 'you have 30 days to close' in a period where no one was looking to invest anywhere," said James Horvick, vice president-director of acquisitions at Raymond James Tax Credit Funds (RJTCF), the transaction's syndicator. "At that time, it seemed like a long shot that this deal would get done."

When Joseph set out in 2006 to develop an LIHTC property for the Pueblo, he knew the process of securing credits would be lengthy and competitive. But the tribe needed more than the three or four houses a year it had been able to produce with the approximately \$400,000 a year it received in U.S. Department of Housing and Community Development (HUD) Indian Housing Block Grants (IHBGs). Rental units were scarce and mainly reserved for the elders, and many would-be residents could not afford to maintain the



Photo Courtesy: Bryan Schuler, Travois  
The Ysleta del Sur Pueblo tribe used LIHTCs to develop 30 duplexes in Socorro, Texas.

homeownership units built using the IHBGs. So the housing department tried a different approach, using the annual grant to finance part of the \$6 million infrastructure it would need for a planned 60-unit LIHTC development before applying for credits.

That erased one of the most common difficulties Travois development director Bryan Schuler sees when consulting on this type of transaction. "All we needed to do coming in was obtain financing for housing," he said, noting that the infrastructure financing was coming into place at the time of application. However, one of the project's biggest hurdles was getting the Texas Department of Housing and Com-

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munity Affairs (TDHCA) comfortable with allocating LIHTCs to a Native American tribe, an agency first. Although the project competed well in its district, the housing department and Travois spent nearly two years working with TDHCA to iron out issues such as an Indian Preference policy for the development, an allowable exception for a tribe. In April 2009, TDHCA allocated the \$7.4 million project approximately \$781,794 that it had forward-funded from 2008, and gave the Pueblo just 30 days to close on the transaction.

"We didn't know if the allocation of credits the Pueblo received was worth pursuing, given the state imposed closing deadline," Horvick said. Fortunately, TDHCA granted multiple extensions for all the forward allocatees from that year, allowing the Pueblo's transaction to close on its own timeline. The deal closed in November of 2009, the same month the project's infrastructure was completed. Horvick said that during a time when many projects that were awarded credits fell through for lack of an LIHTC investor, one of this project's saving graces was an existing relationship between the Pueblo and Bank of America Merrill Lynch (BAML), which had helped finance the infrastructure. BAML contributed approximately \$5.5 million in LIHTC equity through a fund sponsored and managed by RJTCF and helped secure a \$600,000 Affordable Housing Program grant from the Federal Home Loan Bank of San Francisco. The Pueblo tribal council covered the remaining costs.

The new LIHTC units will serve households earning no more than 50 to 60 percent of the area median income, a much lower income threshold than the IHBG-funded units. At the time of this writing, 36 families had moved in to the constructed units and Joseph expected all the units to be completed around mid-January. As the families move in, the parish priest and the tribal war captain are blessing their homes.

The housing department took environmental and noise pollution into account when developing the property, which includes structurally integrated panels for improved insulation, evaporative coolers for air conditioning, and shared interior walls built to the thickness of exterior walls to dampen sound. In addition to in-unit amenities like energy-efficient appliances and tile floors, residents will have access to a 40,000-square-foot park and a community center with meeting space, a police substation and a housing department satellite office. The community is also within walking distance of the tribal library and the Pueblo's free wellness center with its gymnasiums, pool, tennis courts and meeting spaces.

The new community is part of the Pueblo's master plan to rehabilitate 150 existing residences and build 102 homes now and another 100 within the next 10 to 15 years. Joseph said the housing

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ISSN 2152-646X

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department is looking into applying for future LIHTC allocations to finance two or three of the planned developments. "We've opened the door for us to do another project as well as the other two tribes in Texas," he said. "The most difficult part is behind us now." ♦

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