



OFFICE OF NATIVE AMERICAN PROGRAMS CASE STUDY



San Felipe Pueblo Housing Authority's Black Mesa View Subdivision

A 150-home development on the Pueblo of San Felipe in New Mexico constructed and managed by the San Felipe Pueblo Housing Authority.

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***“Think of NAHASDA
as a tool in your
toolkit for bringing
in more money to
the community.”***

***- Isaac Perez,
Executive Director
San Felipe Pueblo
Housing Authority***



Background

In 2000, when the San Felipe Pueblo organized its housing authority, no housing had been built since 1972. The traditional community of 3,750 enrolled members is located midway between Albuquerque and Santa Fe, New Mexico. The traditional Pueblo on the banks of the Rio Grande hosts ceremonies and celebrations at the plaza for members, many speaking their own Keres language. Much of the existing housing stock of traditional adobe or slab-on-grade wood-frame single family houses needed rehabilitation.

By 2018, the situation had improved. The San Felipe Pueblo Housing Authority (SFPHA)

handed over keys to the last of 150 new homeowners in the Black Mesa View Subdivision. Using an innovative mix of HUD Title VI and Section 184 loan guarantees and private loans, SFPHA has built housing, grown tribal employment, and created avenues for keeping more money on the reservation.



"What I remind my staff is that you are doing work that is affecting thousands of people's lives. See the emotion when someone gets a home."

- Isaac Perez



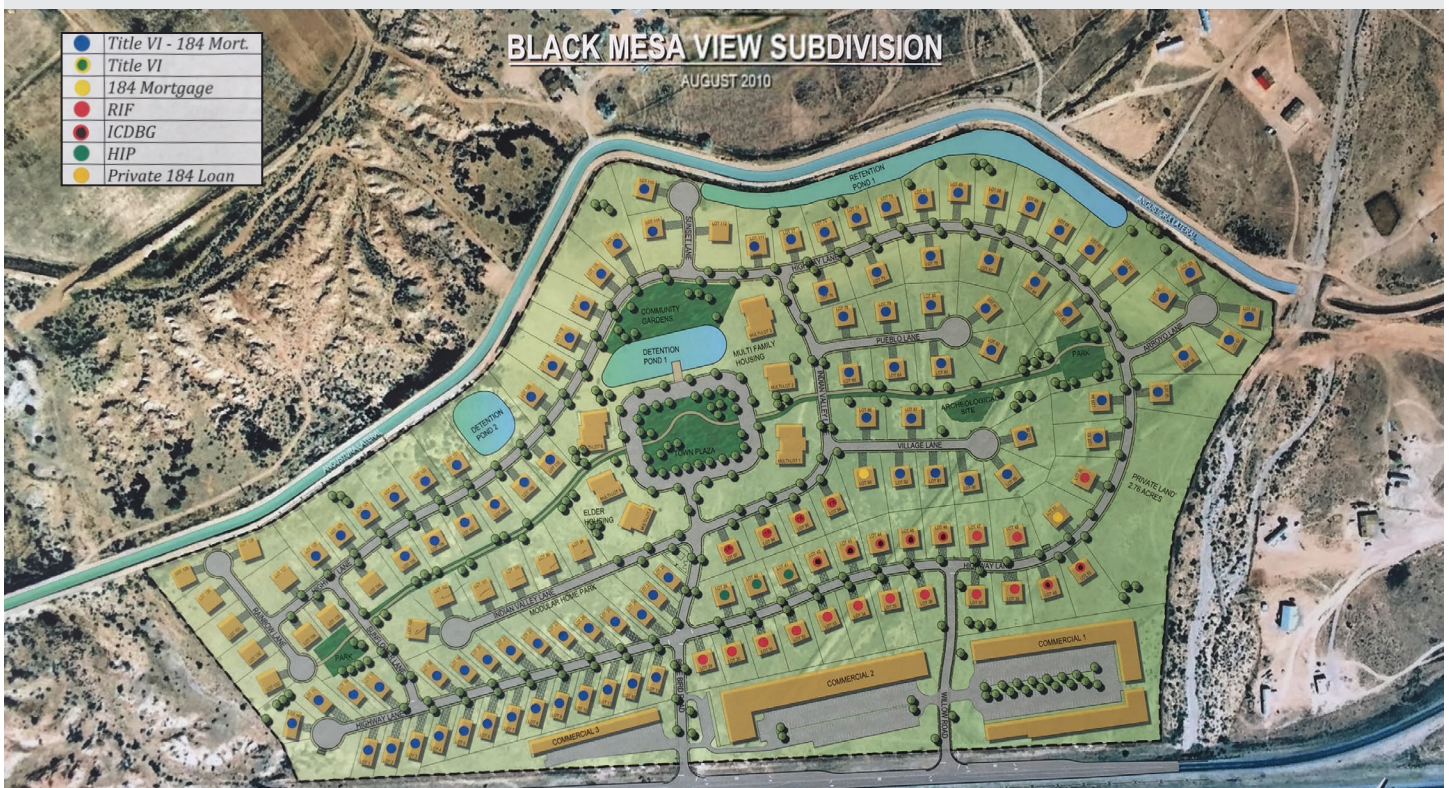
The San Felipe Pueblo established its housing authority after NAHASDA was enacted.

First Steps

Be Ready. Make sure that the financials are in order and audits are clean. Take adequate time to plan and increase the capacity of staff to be able to take on larger projects. SFPHA conducted their environmental review and created their Master Lease in 2007; these actions have made planning for each phase of construction easier. They got their construction team certified (as required under Indian Community Development Block Grant (ICDBG)) to employ more tribal members, and control quality and cost. Even with the amount of planning, unforeseen events crop up but are less likely to derail a project.

Harness the Potential of NAHASDA. The Native American Housing Assistance And Self Determination Act (NAHASDA) created the circumstances for new housing opportunities like the construction of the San Felipe Pueblo subdivision. SFPHA's direct NAHASDA funding is not enough to fund the housing needed. By leveraging IHBG funds with Title VI loan and then converting the new mortgages into Section 184 loans, the SFPHA leveraged \$600,000 into more than \$4-5 million and 150 new housing units.

Become an Expert. By investing in tribal members and housing authority staff, SFPHA has created capacity in areas including construction, management, housing counseling, housing design, and loan processing. As they gained expertise, SFPHA took over more activities and kept more money in the San Felipe Pueblo.



How It Began

Building Trust. One day, an elder, a member of the San Felipe Pueblo, asked newly hired Executive Director Perez why should she trust him with her financial and personal information when no housing had been built in the Pueblo in more than 20 years?

After NAHASDA was enacted, the umbrella housing authority that had served San Felipe and other pueblos had disbanded. Delayed in organizing its own housing authority, SFPHA had lost HUD recognition and, thus, funding

for its older housing. When the Pueblo hired Isaac in 2002, the housing authority had one employee, no housing, no logo, no letterhead, a set of complicated and incomplete financial paperwork but, they also had a pool of \$4 million in Indian Housing Block Grant (IHBG) funds from 1998-2002. SFPHA, working with a general contractor, built 13 new homes and rehabilitated 22 over the next year. The elder eventually provided her updated details and she did get a house.



The opportunity to buy these high-quality houses has brought home several tribal members living off reservation, from as far away as Maryland.

Predevelopment Capacity Building

An Empty Field. In 2007, the tribe gave the SFPHA a 100-acre lot on the edge of the reservation, immediately along Interstate 25, about 3 miles from the traditional Pueblo, the heart of the community. “When we cut the groundbreaking ribbon, there was nothing there but a field,” says Project Manager Randy Tenorio. Many doubted that anything would ever be there.

Early on, SFPHA worked with the Bureau of Indian Affairs (BIA) to create a master lease, which was an uncommon product for New Mexico at the time. The BIA had concerns that the master lease would infringe on the right of way of service agreements with utilities. Their internal regulations allowed for more than one interpretation. Isaac said, “In Albuquerque, you can get a master lease? Why not here?” Negotiating the lease required thinking outside of business as usual, but Isaac recommends any tribe wanting to develop larger acreage

undertake the process because now the development of leases within a subdivision is much simpler than it otherwise would be! The environmental assessment was completed for the entire area at once. When SFPHA is ready to develop a set of housing units, he sends a letter to the BIA stating that lots 48-60, for example, are being prepared for individual leases. The BIA sends back the completed legal lot descriptions needed for the mortgage.

In 2009, SFPHA developed the architecture and engineering (A&E) design with partner WH Pacific and began installing water/sewer, power lines, and telecommunications lines. A wastewater treatment plant and natural gas lines, constructed for a new elementary school next to the subdivision, were designed with capacity to meet subdivision infrastructure needs too. BIA funded roads, walkways, and drainage systems.



Over 8 years, with strong tribal support, SFPHA constructed 150 homes in the subdivision.

Financing

Moving Beyond IHBG. After the initial construction and rehabs, Isaac and his team faced the problem of how to meet raised expectations with an annual IHBG amount of approximately \$500,000. The amount of funding was inadequate to meet the need for housing. SFPHA could build two new homes and rehab two homes a year and have tribal members lower their expectations. Instead, working in partnership with the local ONAP Office in Albuquerque to identify funding sources, Isaac brainstormed the idea of using a Title VI loan for construction and then repaying that loan with a Section 184 loan. A Title VI loan can be made for up to 5 times an entity's IHBG annual need portion—in this case, “\$500,000 can turn into \$2.5 million and you get your IHBG as usual.” HUD guarantees the bank up to 95 percent of the loan value.

The first steps were to include the Title VI loan in the Indian Housing Plan and apply for the Title VI loan guarantee through the HUD Office of Loan Guarantee. “We thought that the hard part would be jumping through the HUD hurdles!” Isaac said, echoing concerns he heard. “But,” he said, “the federal process was the easy part!” SFPHA spent several months clearing up the financial confusion of the past, conducting audits, closing Annual Performance Plans issues, and gathering the paperwork required by the Title VI 11-page checklist. They also secured a tribal resolution. “Planning is absolutely critical to successful housing activities! You can't expect to get the loan a week before you need it.” SFPHA received the Preliminary Letter of Acceptance (PLA) for the first loan in April 2010.

Getting the Bank on Board. At the time, no banks in New Mexico were familiar with Title VI. “You would think that a 95 percent guarantee from the federal government would be enough!” Isaac said, but the economic downturn made banks wary of new products. Isaac and Finance Manager Brenda Rico had called banks across the country. They had spent months negotiating, but at the last minute their initial bank partner withdrew because it could not get secondary market funding, that is, it could not find a market to sell the loan to.

With the new housing project in jeopardy, SFPHA called its Congressional representatives for help. Within a week, they had an agreement with the Bank of America for \$2.8 million. SFPHA has transacted four Title VI loans with the same team.



“They know us and know the program. They send inspectors to verify the work is done and we submit our invoice to draw down funds.” - Isaac Perez



Converting to Section 184 Loans. The Title VI loan had higher interest rate terms and a short repayment timeframe. When the first set of housing units were completed, SFPHA applied for the more advantageous Section 184 mortgage loans, which had lower interest rates and a longer repayment period, for each of the units. Because the homes are on a master lease, the mortgage loans are in the name of the housing authority. The houses are appraised, per 184 requirements, after


construction, based on the cost of similar, but non-tribal housing built across the highway from the Black Mesa View subdivision. The housing authority then entered into a mortgage agreement with each homeowner and the homeowner pays SFPHA, which, in turn, pays the bank.

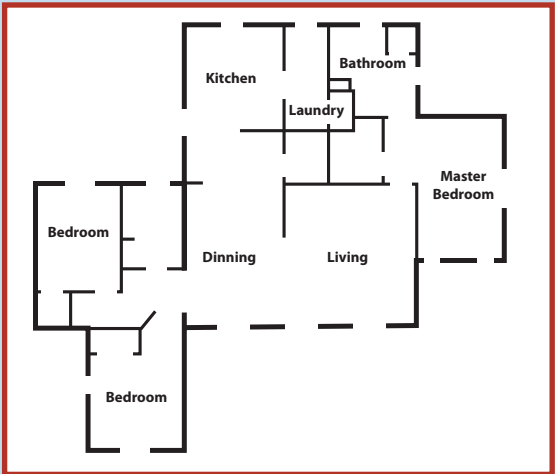
Meanwhile, the Section 184 mortgage loan funded 20 additional housing units while SFPHA continued to make payments on the Title VI loan. At the end of the 2nd year of the Title VI loan, SFPHA takes out another Section 184 mortgage on the next 20 completed units. SFPHA used that new loan to pay off the Title VI. With the Title VI loan paid off, SFPHA was eligible to apply for another Title VI loan guarantee through HUD. The housing authority has completed the cycle of converting Title

VI to Section 184 loans three more times constructing a total of 150 homes.

Design Process

Housing Units. For the first 28 units SFPHA contracted with a general contractor and a company which set up a temporary modular construction unit on-location. This strategy saved transportation costs and employed some members of the Pueblo. SFPHA realized that having a force account crew could lower costs and create sustained employment opportunities. At the time of their first ICDBG award, SFPHA went through the (ICDBG-required) process of certifying as a force account crew. Now grown to about 40 members, the force account crew builds all of the units, which are stick-built.

Bedroom Size	Construction Cost	Square Footage	Monthly Payment
 3 Bedrooms	\$120,000	1,700 Sq. Ft.	\$617.00
 4 Bedrooms	\$125,000	1,850 Sq. Ft.	\$640.00
 5 Bedrooms	\$130,000	1,980 Sq. Ft.	\$674.00



To increase tribal employment opportunities, the force account does most site development in addition to building the housing.

Blueprint plans for a 3 bedroom home.

Units are designed to promote energy efficiency and require low maintenance. Measures include: ENERGY STAR windows, compact fluorescent lighting, smooth-surface marble shower interior, a roof underlay that decreases need for heating or cooling, comfort-height (Americans with Disabilities Act compliant) low-flow toilets, a combination heating/cooling unit on roof, and self-locking windows. SFPHA did not include programmable thermostats out of concern that too many residents would call for assistance or not use the devices.

Stamping Their Own Design. In the Black Mesa View subdivision, homebuyers customize to their own individual tastes and dreams. Applicants accepted to the program meet SFPHA Assistant Program Manager Brennan Valencia to plan their homes. Within those requirements, Brennan, who

has a degree in drafting, and the applicant use software to design a home within the applicant's budget, based on the number of bedrooms as determined by their income and family size. The software program does not allow him to make changes that contradict building code. Homeowners select among a number of plans, flat or pitch roof lines, exterior color, windows, appliances, flooring, cabinetry, and lighting. Applicants can upgrade appliances and finishes or add windows using their own funds. One homeowner requested that two bedrooms be combined to allow her twins to share a bigger bedroom. Another homeowner, a Dallas Cowboys fan, selected blue and gray color scheme inside and outside of his new home. The level of personalization is newer to housing in Indian Country where NAHASDA freed housing from some of its earlier restrictions.



The applicant and SFPHA design a house, making any changes that stay within the budget. The homebuyer can pay for upgrades out-of-pocket.



Future homeowners choose from a variety of housing designs, roof lines, windows, and more.

Creating Homeowners

Just as SFPHA built the skills of their force account crew, the resident service staff works closely with families to prepare them for homeownership. Every year SFPHA Manager Danielle Tenorio opens the wait list and adds approximately 25 new names. Applicants within each application year are ranked with points based on household income up to 80 percent of median income, family size, elderly status, disability status, and current housing in unsafe, unsanitary, or overcrowded dwelling. If families join the waitlist with an income that is too low to qualify for a mortgage, SFPHA works with them over the wait time—often about 5 years—to ensure that they are taking steps to increase their income to be eligible for a home the size needed. When a family comes up on the waitlist, they have to show an

adequate income for the size unit and a year's employment. If they are not qualified or do not feel ready to take on the mortgage, they can remain on the waitlist.

Families who are ready for home purchase participate in a Saturday homebuyer education class taught by SFPHA and guest speakers. In addition to receiving information about available social services, the attendees learn simple maintenance and care for home appliances and meet their insurance provider. Despite a discussion on how to call providers for repairs, SFPHA says finding repair people and understanding about the cost are among biggest transition issues for new homeowners. SFPHA would like to create a repair program within the maintenance group to help defray costs and provide easier access to repairs. "We have had elders call and ask us to come open their curtains. We do."

Hands-On Approach to Success. Finance Manager Brenda Rico said, “We are here to see homeowners succeed.” The finance department monitors mortgage payments and contacts residents at the first non-payment. They urge homeowners to “tell us what’s going on so we can set up a plan.” This intensive policy takes a lot of energy on the part of the SFPHA, but they feel it is what the Pueblo would want: to keep families well housed and in the community. SFPHA sets aside an amount of IHBG funds for emergency mortgage payments, but has never used more than \$5,000 annually. Of the first 29 mortgages, 13 should convey by 2020 since they had 15-year mortgages.

Sometimes, despite the best efforts, homeowners do get behind in payments. Before tenants are evicted, they are referred to the tribal court system. Tribal court has been

a strong supporter of SFPHA's policies. More times than not, a pending court appearance will motivate homeowners. “We will be at the court, but before the case is called, and the homeowner will hand me the full amount due,” Isaac notes. As a result of SFPHA's hard work (and responsible homeowners and tribal court) only three evictions have occurred in Black Mesa View Subdivision in 13 years.

Results

Creating Assets for the Tribe. Active in construction management, loan processing, homeownership, and more, Isaac says, “We are more than a housing authority.” Today SFPHA is the second largest employer on the reservation. With its focus on Indian Preference, the force account has also created contracting and employment opportunities for area tribal businesses.

Creating a Tribal Economy

Tribal Revenue



Tribal Utilities



Tribal Loan



Families



Housing Authority

- ✓ *\$ Recycled throughout the community*
- ✓ *Revenue is created for tribal investments via loan repayment*
- ✓ *Force Account employees are paid by HA and reside in Black Mesa View*

Force Account Employees



The first 28 houses built in the subdivision were modular units.

On its Section 184 mortgage loan, SFPHA was paying the bank a lot of money in interest. The San Felipe Pueblo paid off \$10 million in loans and took over the mortgages. SFPHA operates as the intermediary, collecting payments from the homeowners and sending these to the tribe. This strategy has kept all the money on the reservation.

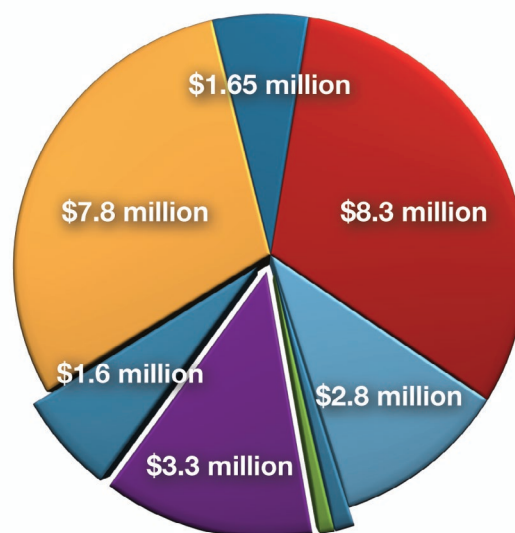
Mortgage rates, and thus mortgage payments, of course, vary over time, but if the monthly cost of a new SFPHA house rises, Isaac says, "The new homeowner is quick to say, but my brother got a house from you 3 years ago and he's paying less!" SFPHA is committed to providing Pueblo members with similar mortgages based on housing size. SFPHA sets aside IHBG funds to pay down the interest rate and create similar loan amounts. The bank, recently raised the amount to 2 points.

Creating Assets for Families. Some of the assets brought by the development of the subdivision are obvious: the new homes (also land asset equity) and homeowners moving off of the waitlist.

Families receive instant equity in their homes because of the lowered mortgage payment and higher appraised value, which they can use to fund their children's college tuition or other big ticket projects. They can pass the home on to their children and gain family stability and memories.

In addition, the opportunity to buy these high-quality homes has also brought several tribal members living off reservation back home, from as far away as Maryland.

Sources and Uses



- Title VI Loan (\$7.8M)
- Section 184 Loan (\$8.3M)
- Other Federal (\$3.3M)
- NM Mortgage Finance Authority (\$225,000)
- ARRA/NAHBG/IHBG (\$2.8M)
- Rural Innovation Fund (\$1.6M)
- ICDBG (\$1.65M)
- Rural Housing and Economic Development (\$300,000)

* In-kind donation of land from tribe valued at \$9 million.

Lessons Learned

Always Ask. At each stage of the development process, SFPHA has not accepted business-as-usual, but has asked why and what can we do better. When the bank offered a 1-year interest only loan, SFPHA asked for 2 years. When the bank they were comfortable with raised the pay-down rate for Section 184 mortgages, SFPHA asked to have the rate reduced. When the bank declined, SFPHA shopped around for a bank with rates that allowed SFPHA to keep more of its funding to support tribal members. Not every answer is a yes, but by keeping the mission in mind, SFPHA has made decisions about when to challenge and when to let it go.

Support of Tribal Leadership. Long ago tribal leadership took a hands-off approach to SFPHA, a stand-alone entity, but tribal council, tribal courts, and SFPHA work closely together. When new homes are ready for homeowners, the tribal administrator “returns” the homes to homeowners with a blessing. SFPHA keeps tribal leaders informed of progress, success, and challenges.



“We can only do what we do because the tribe supports us.” - Isaac Perez



The tribe subsidizes two positions at SFPHA, it is funding two parks and fencing in the subdivision, and, when needed, advances a loan on IHBG funds until new fiscal year funds come in.

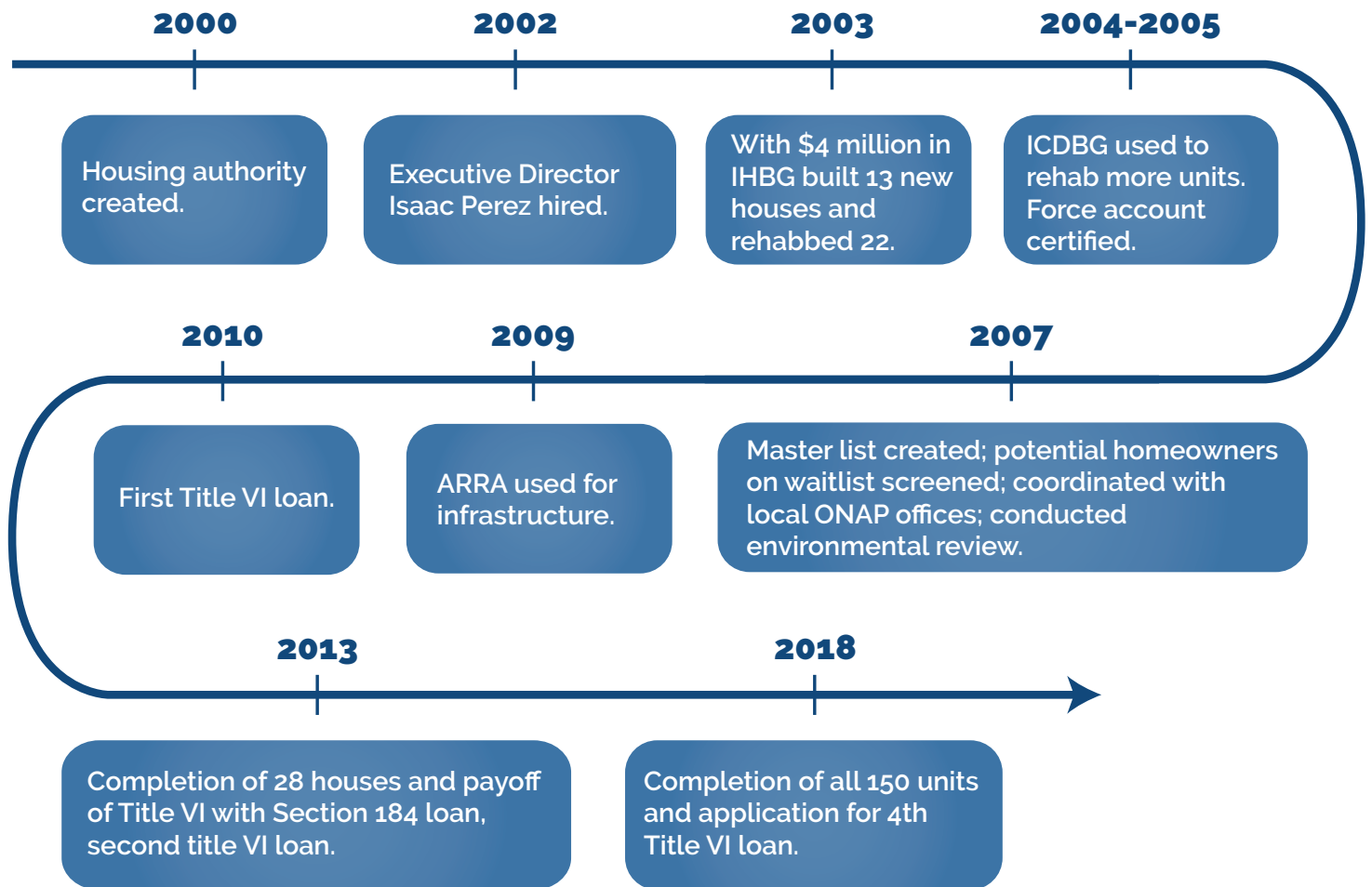
Board Stability. Board positions are long-term. The five board members have been in place as long as the executive director. This allows board members to learn their own responsibilities, provide support, and advocate because they understand the context of SFPHA issues.

Keeping Connected. The new subdivision is welcome since there wasn't room in the old village for the type of expansion needed to house younger members of the community. Multigenerational living was common both as a cultural preference and due to lack of housing. With less overcrowding, some elders in the traditional village are living alone and feeling the loss of other family members. Also when traditional leaders call the community together suddenly, younger members in Black Mesa are not close enough to the ceremonial center to hear about it. Leaders are discussing how best to maintain and strengthen the relationship to traditional culture in a changing landscape.

Future Plans

The initial site plan included commercial buildings to house services but the logistics of getting delivery trucks into the space proved too difficult. Instead, an additional 20 units of housing will be built. In addition, based on the force account and SFPHA's reputation for dependability and skill, they have signed memoranda of understanding with the San Felipe Pueblo and with several area Pueblos for construction projects.

Timeline



For more information, contact:

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