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## FISCAL IMPACT REPORT

**SPONSOR** Shendo **ORIGINAL DATE** 02/06/14  
**LAST UPDATED** \_\_\_\_\_ **HB** \_\_\_\_\_

**SHORT TITLE** Native American Self-Help Home Construction **SB** 231

**ANALYST** Geisler

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY14	FY15		
	\$500.0	Recurring	General Fund

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Indian Affairs Department (IAD)

### SUMMARY

#### Synopsis of Bill

Senate Bill 231 appropriates \$500 thousand from the general fund to the Indian Affairs Department (IAD) for expenditure in fiscal year 2015 to create a Native American self-help home construction pilot project. Any unexpended balance remaining at the end of fiscal year 2015 shall revert to the general fund.

### FISCAL IMPLICATIONS

Since the appropriation is for a pilot project, it is classified as recurring, but it is unclear what amount of on-going financial support would be needed to sustain a self-help home construction program.

### SIGNIFICANT ISSUES

#### IAD provided background information:

The idea behind this Act has a foundation in a program that the United States Department of Agriculture (USDA) implements every year. USDA's Rural Development Housing & Community Facilities Program's Section 502 Mutual Self-Help Loan program is used primarily

to help very low- and low-income households construct their own homes. The program is targeted to families who are unable to buy clean, safe housing through conventional methods. Families participating in a mutual self-help project perform 65 percent of the construction labor on each other's homes under qualified supervision. The savings from the reduction in labor costs allows otherwise ineligible families to own their own homes. If families cannot meet their mortgage payments during the construction phase, the funds for these payments can be included in the loan. Eligibility requirements state that the applicants must have low or very low incomes. Very low income is defined as below 50 percent of the area median income (AMI); low income is 50-80 percent of AMI. Families must be without adequate housing; however, they must be able to afford the mortgage payments including principal, interest, taxes, and insurance (PITI). These payments are 22-26 percent of an applicant's income. In addition, applicants must be unable to obtain credit elsewhere, yet have reasonable credit histories. Families with very low incomes living in substandard housing are given first priority. The terms of the loans are for up to 33 years. Under the Section 502 Mutual Self-Help Housing program, housing must be modest in size, design, and cost. Houses constructed must meet the voluntary national model building code adopted by the state and Housing and Community Facilities Programs thermal and site standards.

The USDA and the Housing and Urban Development (HUD) have limited funding for the housing needs in Indian Country. According to the 2013 Indian Housing Development Handbook, in 2012, tribes faced daunting challenges in meeting growing housing needs. Recovery Act (ARRA) funds have largely been spent. FY2011 and 2012 funding for the Indian Housing Block Grant program was cut to \$650 million from \$700 million FY2010 level. Many other HUD programs were also cut. Several HUD programs, including the Rural Innovation Fund program and the Sustainable Communities Initiative, were eliminated. No funds were appropriated for FY2012 for new elder housing under the HUD Section 202 program. As the federal funding for Indian housing declines, the tribal need for housing continues to increase.

As tribal members return home to take advantage of new employment opportunities offered by tribal enterprises, the chronic shortage of quality, affordable housing in Indian Country becomes more acute. While rental housing, long the focus of tribal housing authorities, will continue to be needed on most reservations, tribal members increasingly seek to become homeowners. Historically, lenders have been reluctant to provide mortgage loans on trust land. Tribal trust land cannot be encumbered without the approval of the United States Department of the Interior and cannot be sold except with Congress' consent. Foreclosure and sale of mortgaged land, the mortgage lender's normal default remedy, is unavailable in Indian Country. Other obstacles to mortgage lending in Indian Country include lenders' ignorance of, and lack of interest in, Indian Country, tribal members' lack of familiarity with financing, and poor credit.

The IAD Secretary and the Economic Development Division Director met with all the tribes, nations, and pueblos during the past two years and noted that one of the top concerns, if not the top priority, in tribal communities was the need for housing.

The traditional building of adobe homes has a history in many tribal communities. For example, the Pueblo of Jemez is a deep-rooted traditional community that is connected to their land, family, and particular way of life. The Pueblo has a long history of building their homes with adobe earth blocks. The traditional adobe homes are connected to the Jemez culture and their way of life. Historically, this style of housing development allowed the community to build cost efficient homes with material that was located on their own land. The style of buildings was not

only cost effective but environmentally friendly. The Pueblo has been practicing green building style construction for thousands of years. The Pueblo leadership held a community planning session entitled Vision 2020. The Jemez community ranked community housing to be their number one concern for their community. Other issues that were brought up regarding housing were the type of homes that are being developed, the cost of homes, and materials that was being used to construct them. There was a want to create homes that are made of adobe bricks, to reflect Jemez culture. The community also ranked economic development as a major concern and more specifically the lack of job opportunities. Other concerns that were brought regarding economic development were the amount of workers that are skilled in construction, but these workers do not have an opportunity to get employment.

The Pueblo of Jemez is an example of the need for housing in tribal communities, where the tribal community has access to the materials, expertise, and labor to construct housing, they are just lacking in the funding to get such a vital housing project started in their community. Not only will the lack of housing concerns be addressed, the tribal community will be teaching and passing on important cultural knowledge to a younger generation as well as teaching to valuable lessons of being self sufficient. There are many tribal communities that mirror Jemez's struggle for adequate housing. This Act will start the foundation for a needed pilot project in New Mexico's Indian Country.

#### **ADMINISTRATIVE IMPLICATIONS**

IAD's Economic Development Division will choose a licensed contractor/tribal building company through the Request for Proposal process.

GG/svb