



**PREPARED STATEMENT OF CAROL GORE
President/CEO of Cook Inlet Housing Authority
Serving the Cook Inlet Region of Southcentral Alaska**

**TO THE UNITED STATES SENATE
COMMITTEE ON INDIAN AFFAIRS**

OVERSIGHT HEARING

“LOAN LEVERAGING IN INDIAN COUNTRY”

February 4, 2015

Good afternoon Chairman Barrasso, Vice-Chairman Tester, and distinguished members of the Senate Committee on Indian Affairs. Thank you for the opportunity to appear today as the Committee examines loan leveraging in Indian Country.

My name is Carol Gore. I am an Alaskan of Aleut descent, an enrolled member of the Ninilchik Village Tribe, and a shareholder of Cook Inlet Region, Inc., an Alaska Native Claims Settlement Act regional corporation. For fifteen years, I have served as the President and CEO of Cook Inlet Housing Authority, the Tribally Designated Housing Entity for Alaska’s Cook Inlet Region.

Cook Inlet Housing is responsible for serving Alaska Native and American Indian individuals living in an area of Southcentral Alaska roughly the size of Switzerland. These lands are home to tens of thousands of Alaska Native and American Indian people, all too many of whom struggle to find safe, sanitary housing they can afford. Unfortunately, the severity of the need for housing among Native families is ubiquitous not just in the communities we serve and the remainder of Alaska, but throughout Indian Country.

Passed in 1996, the Native American Housing Assistance and Self-Determination Act gave tribes access to an innovative resource that revolutionized the delivery of housing assistance to low-income American Indian and Alaska Native families – the Indian Housing Block Grant (IHBG). The IHBG enabled tribes to increase housing production and serve more of our people by providing critical funding and allowing decision making to respond to local needs and cultural differences. However, housing needs in Indian Country are simply too significant for lasting progress to be made without the investment of additional resources. Many tribal housing providers have become skilled at leveraging their IHBG funds to secure those additional resources, including loans from a variety of sources. In tribal communities, IHBG funds are most often the first funds that provide the opportunity for critical leveraging and meaningful investment. It is my privilege today to share with the Committee some of the strategies tribal

housing providers employ to provide the highest possible return on investment for the IHBG program.

The Native American Housing Assistance and Self-Determination Act (NAHASDA)

Prior to NAHASDA, housing assistance for American Indians and Alaska Natives was provided by various programs under the Housing Act of 1937 and other legislation. While these programs provided a broad range of assistance, they were administratively cumbersome and inefficient when used in tribal communities. They required separate applications and program administration, and eligibility requirements differed from one program to the next. The programs were an extension of urban-oriented housing programs and failed to recognize the unique social, cultural, and economic needs of American Indian and Alaska Native communities.

In 1994, HUD articulated its intent to strengthen the unique government-to-government relationship between the United States and federally recognized Native American tribes and Alaska Native villages. This created momentum toward the development of NAHASDA, which was introduced in the U.S. House of Representatives by Rep. Rick Lazio. In his remarks, Rep. Lazio explained:

Tribal governments and housing authorities should also have the ability and responsibility to strategically plan their own communities' development, focusing on the long-term health of the community and the results of their work, not overburdened by excessive regulation. Providing the maximum amount of flexibility in the use of housing dollars, within strict accountability standards, is not only a further affirmation of the self-determination of tribes, it allows for innovation and local problem-solving capabilities that are crucial to the success of any community-based strategy.

Congress enacted NAHASDA in 1996, establishing an Indian Housing Block Grant program specifically for the benefit of American Indians and Alaska Natives. NAHASDA represents an acknowledgement of the unique relationship between the Federal government and Indian tribes. Keeping with the Federal government's trust obligation to promote the wellbeing of Native peoples, it for the first time addressed the distinct affordable housing needs of low-income American Indians and Alaska Natives. NAHASDA authorizes tribes to address their specific housing needs using the strategies that are most effective in their tribal communities, rather than strategies mandated by officials working in offices thousands of miles away.

NAHASDA has had a profoundly positive impact in American Indian and Alaska Native communities. Recipients have used NAHASDA to build, acquire, or rehabilitate more than 110,000 homes. We have developed new housing; modernized, weatherized, and rehabilitated old homes; provided rental assistance; created home loan programs; delivered housing and financial literacy counseling; offered down payment assistance; prevented crime; and revitalized blighted communities. Support for NAHASDA is strong throughout Indian Country. According to the Government Accountability Office, 89% of tribal housing providers hold positive views toward the effectiveness of NAHASDA.

Like so many tribes and tribally-designated housing entities, Cook Inlet Housing has seized the opportunities NAHASDA presents to serve American Indian and Alaska Native people in innovative and effective ways. Within our service area is the community of Mountain View, which has one of the highest concentrations of Native people in the State of Alaska. In the early 2000s, Mountain View was characterized by blight, crime, and economic stagnation. It was a

community of last resort. Dilapidated multiplexes run by absentee landlords dominated the housing stock, and the main road through the community ran through a sleepy commercial center that smacked of disinvestment. Windows were boarded, and discarded liquor bottles gathered on vacant, weed-choked yards.



Working with residents, local government, the non-profit community, and state and federal policy makers, Cook Inlet Housing Authority helped develop a strategy to draw investment back into the community. Leveraging its NAHASDA funding to secure investments from numerous local, state, federal, and private sources, we began to acquire the “ugliest of the ugly” housing stock in Mountain View. We purchased properties that had been abandoned and homes that had burned, collapsed, or been boarded up. We acquired buildings identified by code enforcement and the fire department as threats to community safety. We bought sites that were contaminated and plagued by hazardous materials like asbestos and lead-based paint. And then we tore them down.

Where 143 blighted structures previously stood, discouraging investment in a largely Alaska Native community, now stand 349 new affordable homes. Contaminated properties have been remediated. Vacancy rates have decreased, and property values have risen throughout the community. Today, residents remain in the neighborhood longer – by choice.



Housing is a foundational investment; by improving housing stock and collaborating with a wide array of public, private, and non-profit partners, Cook Inlet Housing has been able to measure other social, educational, and economic improvements in Mountain View. For example, business is booming. Two new dentistry offices have opened in the neighborhood, as have a credit union, a telecommunications store, and a new fast food restaurant. A health clinic has announced plans to open a community office. Additionally, Cook

Inlet Housing developed two mixed-use commercial/residential buildings in Mountain View in an effort to provide incubator office and retail space that would attract businesses to the neighborhood. Every one of the six commercial spaces we built has been leased. Even education in the neighborhood has shown measurable improvements. Eighth grade test scores are up, as is attendance at parent-teacher conferences. Meanwhile, school transfer rates have declined.

For our work in Mountain View, Cook Inlet Housing received the 2014 HUD Secretary's Opportunity and Empowerment Award. Presented jointly by HUD and American Planning Association, the award honors excellence in community planning resulting in measurable benefits in terms of increased economic development, employment, education, or housing choice and mobility for low- and moderate-income residents.



Cook Inlet Housing's work in Anchorage's Mountain View neighborhood is but one example of the way in which tribes are using NAHASDA to address tribal housing needs in innovative and pioneering ways. Other tribes are finding ways to design and build culturally, environmentally, and economically sensitive housing that is improving life for many thousands of American Indian and Alaska Native families.

Fiscal Challenges

Tightening federal budgets have made it more challenging for Indian Housing providers to find the resources necessary to improve housing conditions in tribal communities. In FY 2015, the Indian Housing Block Grant appropriation is just 1.5 percent larger than the amount Congress appropriated fourteen years ago, in 2001. Due to inflation, NAHASDA's purchasing power has been reduced by nearly half since the first Indian Housing Block Grants were awarded in 1998. For example, in the remote village of Seldovia, accessible only by air or sea, Cook Inlet Housing owns and operates 18 units of elder housing. Income among Native people in traditional communities is low, yet expenses in isolated Seldovia are very high. Utilities alone amount to nearly \$5,000 per household per year, primarily due to the cost of heating oil. The combination of low household income and high operating expenses makes it very difficult to develop housing delivery models that are financially sustainable for both Indian Housing providers and the families we serve. However, there are tools available, which tribal housing organizations have used with great success.

Title VI Loan Guarantee Program

Title VI of NAHASDA authorizes HUD to guarantee up to 95% of a loan made to a NAHASDA recipient for affordable housing activities. Borrowers pledge a portion of current and future IHBG funds to secure the loan. The guarantee encourages lenders to invest in housing in Indian Country, which in turn empowers Indian Housing providers to engage in long-term development planning for projects that are larger in scale.

According to HUD, Title VI loans had by 2013 facilitated the development of 2,700 housing units and leveraged more than \$74 million for affordable housing in Indian Country. In Alaska, Interior Regional Housing Authority (IRHA) is one of a number of tribes leveraging its IHBG funding using Title VI loan guarantees. IRHA is the Tribally Designated Housing Entity for 30 Tribes in the Doyon Region of Alaska. Over the past eight years, it has obtained ten Title VI loan guarantees, leveraging more than \$6,000,000 in private financing to help build thirty-three affordable homes and complete fifty-four rehabilitation projects in remote Alaskan villages.

Section 184 Loan Guarantee Program

The Section 184 Loan Guarantee Program was created by the Housing and Community Development Act of 1992 to address the lack of mortgage lending and homeownership in Indian Country. The program offers a loan guarantee to private sector lenders who make mortgage loans to eligible borrowers, which include American Indian and Alaska Native families and individuals, tribes, and Tribally Designated Housing Entities.

Several characteristics of the Section 184 loan guarantee make it a particularly powerful leveraging tool. For example, new construction can be financed with a “single close” loan that provides permanent guaranteed financing before construction begins. This eliminates the need to procure separate construction financing, which typically carries a high interest rate.

Additionally, the required down payment (2.25%) is achievable for both families and smaller tribal entities that may not have the financial capacity to make a large down payment. Because there are no income limitations for the 184 program, tribes are also able to serve a broader range of families and build healthier, more economically diverse communities.



In 2014, Cook Inlet Housing completed the Coronado Park Workforce Housing project in the community of Eagle River, Alaska (right). The 28-unit development is comprised of seven new 4-plex buildings. In effect, we used \$1.3 million in IHBG funding and Section 184 loan guarantees to leverage \$6.2 million in additional funding, including nearly \$5 million in HUD 184 debt. The single close allowed us to access the HUD 184 debt during construction in lieu of conventional construction financing, thereby reducing our cost of funds. In the end, the HUD 184 Loan Guarantee Program enabled Cook Inlet Housing to create a mixed-income community and increased the number of units we would have otherwise been able to produce.

The Native American CDFI Assistance Program

The Native American CDFI Assistance Program, administered by the Treasury Department’s Community Development Financial Institutions (CDFI) Fund, is another critical leveraging tool in Indian Country. The CDFI Fund was established by the Riegle Community Development and Regulatory Improvement Act of 1994, as a bipartisan initiative to increase economic opportunity and promote community development investments for underserved populations and in distressed communities. The CDFI Fund achieves these goals in Native communities largely

through its Native American CDFI Assistance (NACA) program, which provides financial assistance, technical assistance, and training to Native CDFIs.

Native CDFIs deploy NACA assistance in a variety of strategic ways to help American Indian and Alaska Native families achieve homeownership. Some Native CDFIs use NACA funding to deploy non-traditional second mortgage products that fill the gap between the cost of a home and the amount of the loan the first mortgage lender is willing to make using its standard underwriting criteria. Others use NACA funding to provide down payment or closing cost assistance, which reduces the amount of cash a borrower must have on hand to close a loan. Providing down payment assistance also helps American Indian and Alaska Native families avoid the burden of private mortgage insurance (PMI) costs. NACA funding allows Native CDFIs to deploy loan products with low, fixed interest rates, long terms, and non-traditional underwriting.

The primary barrier to deploying NACA funds in some tribal communities is the requirement that matching funds be provided by entities applying for Financial Assistance awards through the NACA program. Unfortunately, the amount of first mortgage lending leveraged by products like NACA-funded second mortgages does not satisfy the matching fund requirement. This fails to recognize the amount of first mortgage lending leveraged by the NACA program and for some tribes presents an insurmountable barrier to securing and deploying NACA funds.

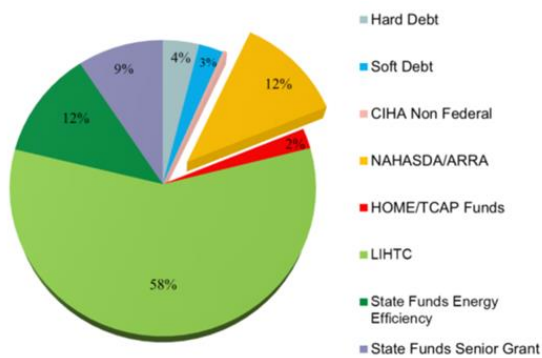
The Low-Income Housing Tax Credit

The Low-Income Housing Tax Credit (LIHTC) is the nation's largest and most successful affordable rental housing production program. Although the LIHTC is not a loan program, it is a critical housing development resource that many tribes are able to leverage using their Indian Housing Block Grant funds. The LIHTC incentivizes the utilization of private equity in the development of affordable housing. Since its creation in 1986, the Housing Credit has leveraged nearly \$100 billion in private investment capital, providing financing for the development of more than 2.6 million rental homes for low-income families. The Housing Credit produces or preserves nearly 100,000 homes per year and supports 95,000 jobs annually.

The Housing Credit is a premier example of public-private partnership. Because private investors can only claim credits after projects are completed, meet all federal requirements and are occupied by income-eligible tenants at affordable rents, the Housing Credit benefits from private-sector discipline. This model has led to effective management of affordable housing developments that have experienced an extremely low level of foreclosure – just 0.62 percent over the Housing Credit's entire history, according to the accounting firm CohnReznick.

The Indian Housing Block Grant provides funding that tribes and TDHEs can use to fill development gaps for potential LIHTC projects that might not be financially feasible otherwise. The utilization of LIHTCs to develop housing in Indian Country has increased unit production and resulted in developments characterized by a degree of efficiency typically seen in the private sector.

One example of the use of LIHTCs in Indian Housing is Cook Inlet Housing's 59-unit elder rental housing development, Eklutna Estates. The project design incorporated accessibility features that will enable elders to age in place. Other design techniques helped Eklutna Estates achieve a 5-star energy rating, reducing long-term operating costs. As the chart below demonstrates, Indian Housing Block Grant funds, including funds available through American Recovery and Reinvestment Act, comprised just 12% of the overall project financing.



Eklutna Estates Elder Housing

Case Study – Taqiuqmiullu Nunamiullu Housing Authority (TNHA)

TNHA serves the northernmost region of Alaska. Their Sustainable Northern Shelter Project was specifically developed to address the need for sustainable rural housing for northern climates, using simple construction techniques and resulting in the production of dwellings that use very little water or energy. TNHA built a prototype home in the village of Anaktuvuk Pass, which used less than 200 gallons of heating fuel during its first year, less than a quarter of the average heating fuel consumption for typical rural Alaskan homes (880 gallons per year). When completed, TNHA’s Sustainable Northern Shelter Project will consist of 24 homes in six villages throughout Alaska’s North Slope region.

TNHA’s sustainable northern shelter model incorporates numerous innovative design and construction techniques. The homes, comprised of three bedrooms on one level, are 1000 to 1300 square-foot in size. Their construction combines the time-tested method of earth banking with original ideas such as spray-on soy-based urethane foam insulated walls, which will be covered by waterproof steel siding. Materials have been customized to transport cheaply in smaller planes that can land on the short gravel



runways common in most remote Alaskan villages. This strategy has enabled one house to be delivered in just two planeloads, allowing on-time delivery with transport costs far less than those required for traditional "stick built" construction. The steel studs and joist system for the projects are packed in cross-sections, nested into each other. Rather than using time-consuming multi-seasonal piling foundations, 18 inches of gravel mat allows for site preparation and foundation placement within a single day. The end result is the production of homes that are designed to last 100 years or more while using a fraction of the energy consumed by most homes. TNHA has managed to do this for approximately \$170,000 less than the allowable Total Development Cost (TDC) for isolated Anaktuvuk Pass.

TNHA has achieved these results by leveraging its IHBG allocation to secure loans guaranteed under the Title VI Loan Guarantee program. Additional grant funding was provided by the State of Alaska.

Funding Sources	Amount
NAHASDA IHBG Funds	\$ 1,671,180
Title VI Guaranteed Commercial Bank Loan	\$ 6,672,170
State of Alaska Housing Grant Funds	\$ 1,478,468
Percentage of Leveraged Funds in Project	83%
Total Project Funds	\$ 9,821,818

Case Study – Hooper Bay, Alaska Development Partnership

The Village of Hooper Bay is located in the remote reaches of western Alaska. In 2006, the community was ravaged by a fire, which destroyed much of the community’s available housing. The TDHE for the region, AVCP Regional Housing Authority, sought to work quickly to rebuild. However, a housing development of the scale needed would require the investment of Low Income Housing Tax Credits, and AVCP Regional Housing Authority did not have experience developing or operating LIHTC properties.

AVCP reached out to another Indian Housing provider that had the requisite experience – Cook Inlet Housing. Together, our two organizations secured an allocation of Low Income Housing Tax Credits, sold the credits to an investor to generate equity for the project, and built 19 new affordable homes for a community in the midst of a housing crisis.



Development funding for the Hooper Bay partnership came from a variety of sources, including NAHASDA, a State of Alaska housing grant, HUD’s HOME and Rural Housing and Economic Development (RHEP) programs, and equity from the sale of Low Income Housing Tax Credits.

The Hooper Bay partnership between AVCP Regional Housing Authority and Cook Inlet Housing demonstrates the importance of leveraging both money and capacity. The investment of IHBG funds leveraged other sources, including tax credit equity, while AVCP’s willingness to tap the existing capacity of another Indian Housing organization produced timely results and a collaborative relationship that persists to this day.

Hooper Bay Funding Sources:

HUD RHED 2%
State HFA Grant (AVCP RHA) 20%
HOME Funds AVCP RHA/AHFC 7%
LIHTC/1602 EXCHANGE 58%
NAHASDA (AVCP RHA) 13%



Hooper Bay Family Rental Housing

Conclusion

NAHASDA, and particularly the availability of the Indian Housing Block Grant, fundamentally changed how affordable housing is delivered in American Indian and Alaska Native communities. Many tribal housing providers have learned to leverage scarce IHBG resources to secure other sources of funding, including federally guaranteed loans, private equity from the sale of housing tax credits, and first mortgages for home buyers receiving additional assistance through the CDFI Fund's Native American CDFI Assistance program.

However, I urge Congress to recognize that loan leveraging has its limitations. In communities like Mountain View, Anuktuvuk Pass, and Hooper Bay, where costs are high and income is extremely low, leveraging debt cannot be viewed as the primary strategy to address housing needs. Effective leveraging must result in housing developments that are financially sustainable in the long term. Private investors must achieve stable returns from Indian Housing projects or their desire to invest in our communities will remain low.

For this reason, adequately funding the Indian Housing Block Grant program is the single most effective way for Congress to ensure that additional housing will be developed in American Indian and Alaska Native communities. Further, tribal housing providers have, through the National American Indian Housing Council, recommend minor changes to NAHASDA that would reduce unnecessary administrative burden, empowering tribes to spend less time navigating bureaucracy and more time building new homes.

Congress made the right decision when it transitioned Indian Housing from a disjointed system that did not fit our communities to a more flexible block grant that has allowed tribes to build our collective capacity to produce housing. We are proud of our good stewardship of federal funding and the outcomes we are producing for our people and communities. We know we have more work to do if we are ever to achieve an equality of economic and housing opportunities for Native people and communities. We embrace that challenge, and we ask for Congress' ongoing support.

Again, we extend our sincere appreciation to the Chairman, Vice-Chair, and Members of the Senate Committee on Indian Affairs for the opportunity to appear today.