



Comptroller of the Currency
Administrator of National Banks

Community Developments

Fall 2001

Community Affairs OnLine News Articles

Tax Credits Help Ease Severe Indian Country Housing Problem

By Ron Diner, *President, Raymond James Tax Credit Funds*



Single family rental property on the Salt River Pima-Maricopa Reservation in Arizona which is subsidized through the Low Income Housing Tax Credit program. These tax credits have been syndicated in the Raymond James Tax Credit Fund I.

According to the National American Indian Housing Council (NAIHC), 40 percent of homes in tribal areas are overcrowded and/or considered substandard, and 69 percent of Native Americans in these areas suffer from overcrowded conditions. The housing problem is so severe in tribal areas that approximately 30,000 people are on a waiting list for housing.

Responding to these housing conditions, financial institutions have found that by investing in affordable housing projects that generate low income housing tax credits they can make a difference. Raymond James Tax Credit Funds, a subsidiary of Raymond James Financial Inc., in conjunction with housing consultant David Bland, and his company, Travois, has been providing opportunities for institutional investors by establishing tax credit funds targeted at Indian country housing development. Investors are offered a favorable return along with the opportunity to help people in need.

One of Raymond James' initiatives is the Native American Housing Fund I, formed in partnership with the Enterprise Social Investment Corporation, with funds provided by Fannie Mae. Other financial institutions have also taken an interest in this initiative. Bank of America recently announced it would invest \$45 million in another Raymond James fund, the largest single investor fund earmarked for affordable housing in Indian country and rural areas. "This investment allows Bank of America to broaden its reach into Indian country and leverage Raymond James' expertise in working with tribal leaders to develop much needed affordable housing on reservations," said J. Michael Pitchford, Community Development Real Estate Executive for Bank of America Community Development Banking.

Structuring the Deals

Working with twelve tribes, Raymond James has invested approximately \$30 million to provide over 400 housing units. These funds will finance some conventional apartment projects for the elderly. Most units, however, will be three- and four-bedroom homes in small subdivisions (20-30 units) or single-family dwellings scattered over the reservation. Residents of the single-family rental units may have the option to purchase their homes at the end of 15 years (the expiration of the tax credit compliance period).

Investments in these funds are structured to address issues unique to Indian country, including land ownership and jurisdiction. The properties are funded entirely by investor equity and the tribes' NAHASDA grant money, which is used to provide "soft debt" on the project. Debt service on these tribal loans is only required to the extent that it is available from the project's operating cash flow. The avoidance of financing with required debt service limits the possibility of default. Land control is accomplished by 50-year leases, which are approved by the Bureau of Indian Affairs. Occupancy is not an issue as there are typically long waiting lists of qualified tenants.

Several other national banks have played a large role in investing in RJTCF funds, including Wells Fargo, U.S. Bank and Key Bank. Commenting on Wells Fargo's investment in the funds, Bob Taylor, Senior Vice President of Wells Fargo Bank said "this initiative is innovative and a great mechanism to bring private capital to Indian country. Wells Fargo feels Indian country is an important part of our marketplace, which has been underserved."

For more information, please contact Ron Diner, Raymond James Tax Credit Funds, (800) 438-8088 <www.rjtcf.com>