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Red Cliff Band Builds First LIHTC Homes on Reservation

By Jennifer Dockery, Staff Writer, Novogradac & Company LLP

In the early morning, a few days before the grand opening celebration for the Red Cliff Housing Development Phase I, also known as the Bradum Subdivision, a resident of the new property watched a bear wander through her yard. Her home is 40 miles from the nearest Wal-Mart, part of the Red Cliff Band of the Lake Superior Chippewa (Red Cliff) Tribal Trust Lands on the shores of Lake Superior near the Apostle Islands. The community of 2,500 people in northwestern Wisconsin has an unemployment rate of 45 percent, with the tribal government being the only employer on the reservation.

In this extremely rural setting and popular tourist destination, construction of affordable housing is a rare sight. The Bradum Subdivision represents the first new homes on the Red Cliff reservation in decades. It is also the first time the Red Cliff Housing Authority (RCHA) has developed houses using the low-income housing tax credit (LIHTC) program.

"The patience and determination of the Red Cliff to get this done is extraordinary," said Antonio Riley, executive director of the Wisconsin Housing and Economic Development Authority (WHEDA). WHEDA provided \$4.1 million in LIHTCs for the development.

Tom Landgraf, principal at Dimension Development LLC, seconded Riley's comments.

"Working with the Red Cliff Tribal Council, the housing authority board members and the key staff members was the high point of the entire process. Their willingness to get up the curve quickly on the complicated aspects of the tax credit process was the largest single ingredient to success of this effort. We would work with them again in a heartbeat," Landgraf said.



Photo: Courtesy of Red Cliff Housing Authority

The screened in porch on the back of this four-bedroom house can be converted into an additional bedroom.

Dimension assembled the overall development structuring, prepared various funding applications, and arranged the financing. The Holland/Perry Group LLC also provided technical assistance and special guidance on compliance issues.

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Red Cliff

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According to Riley, WHEDA rejected the RCHA proposal twice. Before submitting their application the third time, RCHA officials met with WHEDA to address the shortfalls of their application and the state's qualified allocation plan (QAP). In 2007, WHEDA approved RCHA's plan to build 24 single-family rental homes on the Red Cliff Band Tribal Trust Lands in the town of Russell in Bayfield County.

"When we first started this a couple years ago, [we had] no concept of the tax credit housing program. ...you can imagine how difficult that would be to explain to our tribal housing board," said Pam Ratliff, assistant director at RCHA. She called the program an "interesting, unique monster."

One reason that Ratliff and Ray DePerry, executive director of RCHA, had difficulty explaining the program to tribal leaders is that, traditionally, federal programs limited the tribe's influence on the nature of the developments.

"One of the difficult things ... to grasp, to understand, is that they can have a major say in style, design ... compared to the old days," DePerry said. In the past, the government would allocate a certain amount of money for "cookie-cutter houses."

In developing the Bradum homes on the 14,500-acre reservation, the RCHA leveraged its LIHTCs and other sources of funding into housing that served its needs. Because the land is on a reservation, the Red Cliff Tribal Council leased the land to RCHA. The development consists of two two-bedroom homes, 13 three-bedroom homes and nine four-bedroom homes. Each single-family detached house features a two-car garage, central air and heat, washers and dryers, dishwashers and ceramic tile. The houses also feature rooftop solar panels that are positioned to take advantage of natural light and heat. Designed by architect Tom Hirsch, the houses range from 1,230 square feet to 1,656 square feet.

"This particular project will serve Red Cliff tribal members. By that, I mean families," DePerry said. Accord-

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Journal of Tax Credit Housing Information

Novogradac & Company LLP
246 First Street, 5th Floor
San Francisco, CA 94105
E-mail: cpas@novoco.com

Address all correspondence and editorial submissions to:
Jane Bowar Zastrow
Telephone: 415.356.8034

Address inquiries regarding advertising opportunities to:
Junhee Byun
Telephone: 415.356.8037

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Photo: Courtesy of Wisconsin Housing and Economic Development Authority

Houses feature wooded lots and light landscaping. Solar panels for heating water are visible on the far side of the roof.

ing to Ratliff, there were 58 families on RCHA's waiting list for single family houses when the former director of RCHA proposed the development.

One of the new residents, Nashi Bigboy, moved into a three-bedroom home with her four-year-old son. In August, Bigboy participated in a ribbon-cutting ceremony for their new home. RCHA and WHEDA held individual ribbon-cutting ceremonies for each of the four families living in the subdivision. DePerry presented aerial photos of the reservation and surrounding area to RCHA's partners. Mark Gokee, an Anishanabe spiritual advisor who lives on the reservation, blessed the houses.

"I love it. I can't even explain it," Bigboy said. "I still to this day-I'm like, 'this is not my home, somebody pinch me.'" Bigboy loves the walk-in closets and having her own bathroom. Her son also loves having his own bathroom and room for his toys.

"He looks at me and says, 'Mom, I am so happy,'" Bigboy said.

According to Riley, about a quarter of the people who worked on the buildings were Native American. RCHA purchased prefabricated walls from Amwood Custom Homes in Janesville, Wis. As the frames arrived, work-

ers assembled them and completed the houses' interiors onsite. As of late August, workers had completed seven houses, and new frames were arriving weekly. By completing the exterior walls at another location, construction could continue throughout the winter and spring, when roads in northwestern Wisconsin are often impassible.

According to Ratliff, the total cost of the development was a little more than \$6 million. Other sources of funding included: \$200,000 from the Federal Home Loan Bank (FHLB) of Chicago; a nearly \$542,000 construction loan from the Wisconsin Department of Commerce Home Loan program; and, a \$750,000 construction and mortgage loan from Chippewa Valley Bank. M & I Bank's Community Development Corporation provided approximately \$3.7 million in tax credit equity.

"Communities like Red Cliff that are economically depressed, can't undertake [these types of developments] without partnerships," DePerry said. "For the most part, those of us in rural America, especially tribes, need to have these kinds of partnerships in place."

When RCHA applied for LIHTCs, the reservation's rural location and lack of infrastructure had a negative effect on its application. According to Riley, WHEDA's previous

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Photo: Courtesy of Red Cliff Housing Authority

(L to R) Paul Fehrenbach of M & I Bank Community Development Corporation, Ray DePerry, director of the Red Cliff Housing Authority, and Vincent Lyles, president of M & I Bank Community Development Corporation. RCHA presented partners with aerial views of the Red Cliff Reservation, the Apostle Islands and Lake Superior at the ribbon cutting.

QAP awarded a significant number of points to developments that provided a greater number of amenities and services. Most rural areas do not have access to public transit, so this put remote developments at a disadvantage during the competitive process. The new QAP addressed this issue and leveled the playing field for small, rural communities like Red Cliff.

“Now you have a tribe who understands it, knows how to use it. Now they’ll be competitive. I was really proud of the fact that we didn’t have to manipulate the QAP to assist the tribe,” Riley said. In 2007, WHEDA allocated \$18 million in LIHTCs to tribes in Wisconsin.

According to Ratliff, RCHA expects to complete the remaining houses by mid-December; families will move in by December 29. RCHA purchased 14 of the homes through the U.S. Department of Housing and Urban Development (HUD) Section 184 Indian Home Loan Guarantee program. After the 15-year compliance period ends, residents can purchase the homes for the cost of the remaining mortgage. RCHA used HOME loans to purchase the other 10 units, and they can be purchased after 20 years. Looking forward, RCHA has applied for an additional 30 house sites, and the land has the potential for 120 homes. Ratliff also mentioned the possibility of applying for LIHTCs to rehabilitate existing housing stock. ❖

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Photo: Courtesy of Red Cliff Housing Authority

From left to right: Ray DePerry of RCHA, Brian Gillean of HUD's Office of Native American Programs, Janet Bewley, WHEDA's tribal liaison, Shreedhar Ranabhat, WHEDA's senior underwriter, Tom Landgraf of Dimension Development and Eldridge Edgecombe of FHLB Chicago standing in front of a new house on the Red Cliff Reservation.

Red Cliff Housing Development Phase I

In Summary

Financing

- ◆ \$3.7 million in low-income housing tax credit equity provided by M & I Bank
- ◆ \$4.1 million in low-income housing tax credits provided by the Wisconsin Housing and Economic Development Authority (WHEDA)
- ◆ \$200,000 from the Federal Home Loan Bank (FHLB) of Chicago
- ◆ \$542,000 loan from the Wisconsin Department of Commerce Home Loan program
- ◆ \$750,000 loan from Chippewa Valley Bank

About the Property

- ◆ The Red Cliff Housing Development Phase I consists of 24 single-family rental homes located on Red Cliff Tribal Trust Land in Bayfield County, Wis.
- ◆ The homes are the first new construction on Red Cliff tribal land in decades.
- ◆ Residents will be able to purchase their homes after the compliance period expires.
- ◆ The Red Cliff Housing Authority (RCHA) used the U.S. Department of Housing and Urban Development (HUD) Indian Home Loan Guarantee program to purchase 14 of the houses.

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This article first appeared in the October 2008 issue of the Novogradac Journal of Tax Credit Housing.

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