
BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Substandard Indian Housing Increases Despite Federal Efforts--A Change Is Needed

Although the Federal Government built nearly 27,000 new homes on Indian reservations from 1970 to 1976, the number of Indian families living in substandard housing increased from about 63,000 to about 86,000 during that period. This was due to

- more Indian families living on reservations,
- a relatively low level of housing production, and
- inadequate management of new homes.

The Congress should redefine the national policy for Indian housing and establish a centrally administered program with realistic goals and objectives. Until such a program is established, GAO is making recommendations to agency heads which will improve the effectiveness and efficiency of existing programs.



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COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON, D.C. 20548

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To the President of the Senate and the
Speaker of the House of Representatives

Despite Federal efforts, the number of Indian families living in substandard housing has increased since 1970. This report points out the need for the Congress to redefine the national policy for Indian housing and to establish a program which is centrally administered and recognizes the special housing needs of Indians.

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We are sending copies of this report to the Acting Director, Office of Management and Budget; and to the Secretaries of Agriculture, Interior, and Housing and Urban Development.

A handwritten signature in black ink, reading "James A. Stacks".

Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

SUBSTANDARD INDIAN HOUSING
INCREASES DESPITE FEDERAL
EFFORTS--A CHANGE IS NEEDED

D I G E S T

In 1971 GAO reported to the Congress that progress in eliminating substandard Indian housing was slow and that unless the housing program was accelerated rapidly, thousands of Indian families would continue to live under severe hardships. Since then, the number of Indian families living in substandard housing has increased from 63,000 in June 1970 to 86,500 in June 1976, while the number of new units started annually has dropped from about 5,000 to 3,500. (See p. 3.)

This is attributable to a steadily increasing number of Indian families on the reservations, an inadequate production level to meet the increasing need and to eliminate the existing backlog, and inadequate management of existing housing.

The principal Federal agencies involved in Indian housing--Department of Housing and Urban Development, Bureau of Indian Affairs, and Farmers Home Administration--have a wide range of programs which, if properly carried out and funded, would meet the housing needs of the Indian population at all income levels. However, these programs have not been effective in providing the number of units necessary to keep pace with the increasing need for decent, safe, and sanitary Indian housing. (See p. 3.)

Although the Department of Housing and Urban Development provides the largest number of Indian housing units, its delivery system is slow and cumbersome and does not particularly meet Indian needs. The Department's program requirements were designed for urban metropolitan areas and are not appropriate or effective when applied to Indian reservations in sparsely populated rural areas. (See chs. 2 and 5.)

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Indian housing authorities lack the funding and staffing resources to effectively manage and maintain units once constructed. (See ch. 3.)

GAO's review of 12 Indian housing authorities showed the following problems:

- Some planned projects were delayed because authorities were unable to meet Department of Housing and Urban Development program requirements (see pp. 39 and 53).
- Many Indian housing authorities were unable to collect rents and home buyer payments. This resulted in a loss of revenues and an inability to meet operating expenses and adequately maintain existing units (see p. 41).
- In some projects, housing units were poorly constructed or only partially completed, thus placing an increased financial burden on the housing authority and the Indian families as a result of higher maintenance cost (see pp. 42 and 45).
- 228 of 301 housing units required normal wear and tear repairs. Some, however, required immediate attention to prevent structural damage (see p. 42).
- Construction defects caused deteriorated conditions in many units. This affected the morale and, in some cases, the health and welfare of the occupants (see p. 46).
- Inadequate staff and training caused inefficient handling of accounting records and funds, and problems in administering timely reports (see p. 51).
- Home buyers failed to understand their obligations for providing maintenance and making payments (see p. 55).

Many Indian families must rely on housing assistance grants from the Bureau of Indian Affairs. However, the need for these grants cannot be met with funds currently available and many Indian families continue to live in substandard housing. (See p. 22.)

Farmers Home Administration programs supplement the assistance provided by the Department and Bureau housing programs. However, it is limited because their (1) programs generally require higher monthly payments than Department programs and (2) staff shortages have resulted in an inadequate outreach program. (See p. 29.)

CONCLUSIONS

Existing Federal programs have not been successful in meeting the Indian housing needs because they are underfunded, have not received enough emphasis, require too many complex and time-consuming procedures, lack flexibility, require more trained people, and are uncoordinated. (See chs. 4 and 5.)

The present goal of eliminating substandard housing on Indian reservations in the 1970s cannot be achieved under present programs and is no longer feasible. (See ch. 5.)

RECOMMENDATIONS

GAO recommends that the Congress redefine the national policy for Indian housing and establish a program with realistic goals and objectives for implementing that policy. To be effective, the program must be centrally administered and designed to recognize that Indian housing needs and problems on isolated, rural reservations are different from those encountered in urban non-Indian areas. Accordingly, GAO recommends that the Congress

- consolidate Indian housing programs and combine the responsibility for Indian housing into a single agency and
- recognize that a wide range of housing assistance options, such as loans, grants, and subsidies, will be needed to serve the various income levels and cope with the unique conditions and special needs of Indians living on reservations. (See p. 70.)

GAO also recommends several ways to improve existing programs pending establishment of a new national policy on Indian housing and implementation of any new or redirected programs. (See pp. 70 to 72.)

AGENCY COMMENTS

The Departments of Housing and Urban Development, Interior, and Agriculture agreed with GAO's findings and recommendations and indicated various actions which are being taken. The Secretary of Housing and Urban Development has also suggested that a working group from the three agencies be formed to consider the issues raised in the report. (See pp. 72 through 84.)

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ABBREVIATIONS

ACC	annual contributions contract
AIPRC	American Indian Policy Review Commission
BIA	Bureau of Indian Affairs
FmHA	Farmers Home Administration
GAO	General Accounting Office
HIP	Housing Improvement Program
HUD	Department of Housing and Urban Development
IHAS	Indian housing authorities
IHS	Indian Health Service
NAIHC	National American Indian Housing Council
NTCA	National Tribal Chairmen's Association
PFS	Performance Funding System
VA	Veterans Administration

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CHAPTER 1

INTRODUCTION

The Congress, in the Housing Act of 1949 (42 U.S.C. 1401) and subsequent amendments, established as a national goal that each American family have a decent, safe, and sanitary home, and established various subsidized Federal housing programs to achieve that goal. Indians living on reservations have had to rely heavily on Federal programs to meet their housing needs because of their generally low incomes, isolated locations, and land ownership problems.

In 1961 public housing programs administered by the Department of Housing and Urban Development (HUD) were made available to Indians living on reservations through tribal housing authorities which were formed to develop and operate low-rent public housing projects. The programs generally used have been HUD's rental and Mutual Help Homeownership Opportunity programs. Under the rental program, the occupants are tenants of the housing authorities. Under the mutual help program, the homebuyer agrees to (1) contribute a minimum of \$1,500 in cash, labor, land, materials, and/or equipment; (2) make monthly payments; and (3) maintain the home. In return he eventually gains ownership of the home.

HUD programs have been the major source of new housing for Indians. On March 9, 1976, HUD issued new regulations for Indian housing. This was the first comprehensive set of regulations pertaining exclusively to this program. In addition, HUD has recently issued an Indian Housing Handbook and established new positions at the headquarters level and in the Denver and San Francisco regions to deal exclusively with Indian housing.

The Bureau of Indian Affairs (BIA) established its own Housing Improvement Program (HIP) in 1965 to provide for the housing needs of Indians living on reservations that could not be met by HUD programs or other means. In addition to the HUD and BIA housing programs, some Indians living on reservations have received housing assistance loans or loan guarantees from the Farmers Home Administration (FmHA), the Veterans Administration (VA), tribal credit programs, and various other public and private sources.

The Indian Health Service (IHS) of the Department of Health, Education, and Welfare generally provides water and sewage facilities; and BIA provides appraisals and site selection and land acquisition services, and builds access roads for Indian housing projects.

During fiscal years 1963 through 1976; 37,879 new homes were constructed on Indian reservations--24,083 through HUD programs, 4,811 through BIA's HIP program, and 1,919 with tribal credit loans. Other public and private sources, such as FmHA, VA, and bank loans, were used to finance construction of the remaining 7,066 homes. In addition to the new homes constructed, 30,319 homes were repaired under BIA's HIP program.

SCOPE OF REVIEW

Our review was directed toward assessing Federal efforts in providing decent, safe, and sanitary housing for Indian families living on reservations or other Indian-controlled land. It did not include assessing the housing needs of Indians living in the mainstream of society.

We made our review at the Washington, D.C., headquarters offices of HUD, BIA, and FmHA, and at selected field offices of those agencies, including:

--HUD's regional offices in Denver, Colorado; San Francisco, California; and Seattle, Washington; and area offices in Los Angeles, California; Portland, Oregon; and Seattle, Washington.

--BIA's area offices in Billings, Montana; Phoenix, Arizona; Portland, Oregon; and Sacramento, California; and 11 agency offices in 6 States.

--FmHA State offices in Phoenix, Arizona; and Wenatchee, Washington.

Also included were 12 Indian housing authorities (IHAs) in 7 States--Arizona, Montana, New Mexico, Oregon, Utah, Washington, and Wyoming.

We interviewed HUD, BIA, and FmHA officials; housing occupants; tribal representatives; and IHA officials. We examined pertinent legislation, administrative regulations and procedures, and program records. We inspected about 300 houses provided by the HUD and BIA housing programs.

CHAPTER 2

THE NUMBER OF INDIAN FAMILIES IN SUBSTANDARD HOUSING CONTINUES TO GROW

In 1971 we reported to the Congress^{1/} that progress in eliminating substandard Indian housing was slow and that unless the Indian housing program was accelerated substantially, thousands of Indian families would continue to live under severe hardship conditions. Some 6 years later there has been no progress in terms of decreasing the number of Indian families living in substandard housing even though the Federal Government built nearly 27,000 new homes on reservations from 1970 to 1976. In fact, the number of families living in substandard housing has increased from 63,000 in June 1970 to 86,500 in June 1976, as shown on the graph on page 4. While the graph shows the number of Indian families on reservations has increased significantly since 1970, the number of housing units actually started has dropped from about 5,000 in fiscal year 1970 to 3,500 in fiscal year 1976.

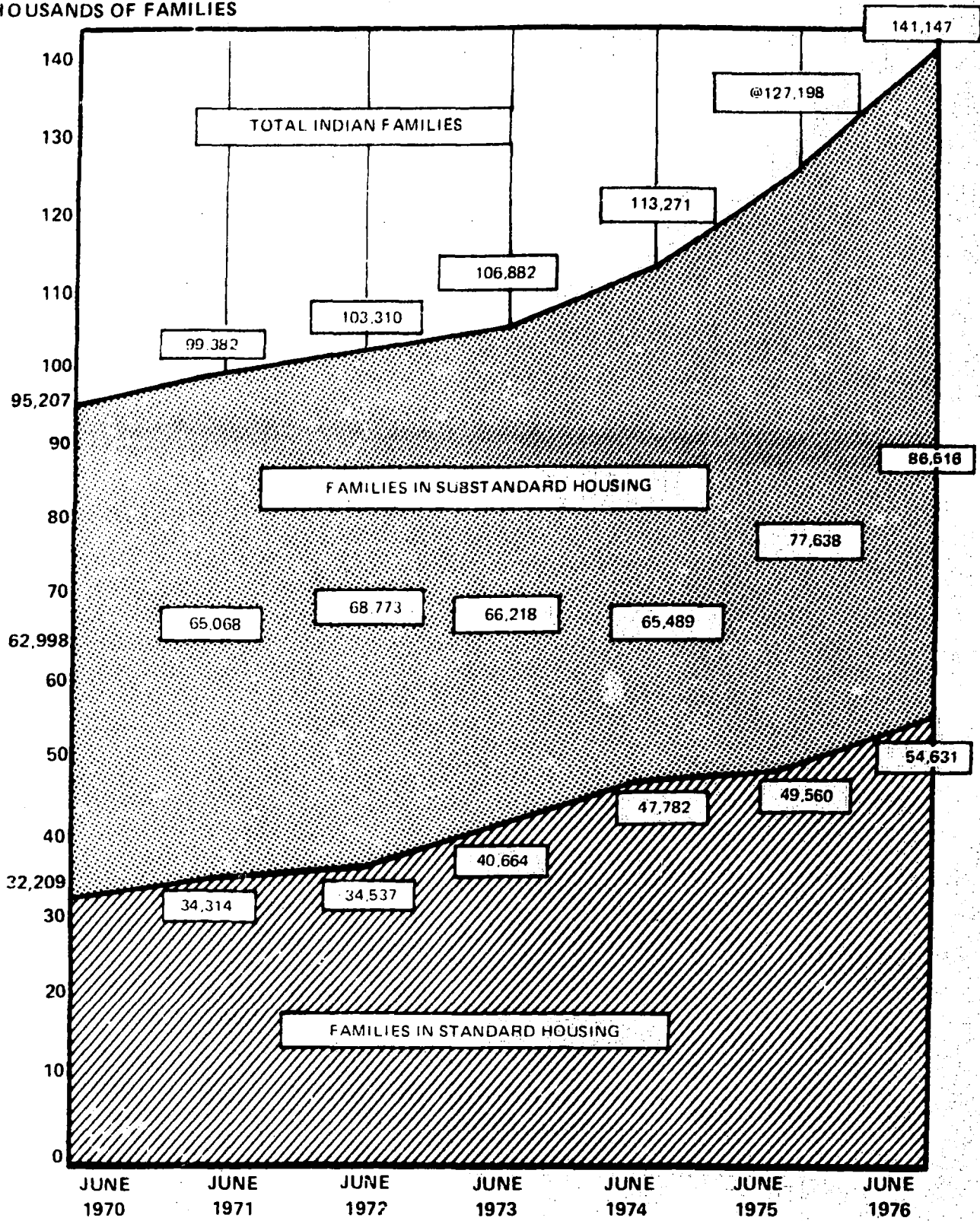
The principal Federal agencies involved in Indian housing--HUD, BIA, and FmHA--have a wide range of programs which, if properly implemented and funded, would appear to address the housing needs of the Indian population at all income levels. However, these programs have not been effective in providing the number of units necessary to keep pace with the increasing need for Indian housing. Basically these programs have not been effective because of:

- Lack of adequate funding on the part of HUD and BIA to support the program.
- The use of complex HUD procedures and requirements designed for urban situations which seem inappropriate when applied to Indian communities and actually impede production.
- Inadequate priority given by FmHA to Indian housing.

^{1/}Report to the Congress entitled "Slow Progress in Eliminating Substandard Indian Housing," October 12, 1971, B-114868.

BIA ESTIMATES OF INDIAN HOUSING NEEDS ON RESERVATIONS

THOUSANDS OF FAMILIES



REFLECTS INCREASED SERVICE POPULATION, DUE TO NEW HIP RULES, OF 9,521 INDIAN FAMILIES: 8,085 IN SUBSTANDARD HOUSING AND 1,436 IN STANDARD HOUSING

INADEQUATE FUNDS TO ACHIEVE HUD HOUSING GOALS

A major effort to provide decent, safe, and sanitary housing to Indian families living on reservations began in 1969 with a Memorandum of Understanding among HUD, BIA, and IHS which provided for the construction of 40,000 housing units during fiscal years 1970 through 1974. Of this total, HUD was to provide 30,000 new units, and BIA and tribal groups were to provide the remainder in new or improved housing. BIA reports for fiscal years 1970 through 1974 show the following number of housing starts compared to goals by source for those years.

NEW CONSTRUCTION STARTS VERSUS GOALS FISCAL YEARS 1970 TO 1974

	<u>Actual new starts</u>					<u>Totals</u>	<u>Goals</u>
	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>		
HUD	3,454	4,449	3,772	3,162	2,460	a/17,297	30,000
BIA-HIP	656	574	495	636	679	3,040	5,000
Other (note b)	911	1,344	1,094	700	548	4,597	5,000
Totals	<u>5,021</u>	<u>6,367</u>	<u>5,361</u>	<u>4,498</u>	<u>3,687</u>	<u>24,934</u>	<u>40,000</u>

a/Another 8,641 units were either authorized or under funding commitment from HUD as of June 30, 1974.

b/Includes tribal credit, VA, FmHA, and other loan sources.

In recognition of the need to provide more housing in Indian areas, the Congress, through the Housing and Community Development Act of 1974, set aside, according to HUD, an aggregate amount of \$30 million in contract authority for Indian housing for fiscal years 1975 and 1976.

In December 1974 the Senate Majority Leader and nine other Senators wrote to the Secretary of HUD expressing concern that HUD would use most of the \$30 million to fund the remaining units of the 30,000-unit commitment for fiscal years 1970 through 1974 rather than providing the 15,000 additional units they had intended when sponsoring the legislation. In December 1974 HUD had indicated that the money would provide funding for only about 1,800 units over the original 30,000-unit commitment. In January 1975 the Secretary replied that the legislation permitted him

to use the money to fund housing units committed before fiscal year 1975. He stated further that due to inflation, 6,568 units were planned for 1975 and 6,000 for 1976, a total of 12,568. Subsequently, HUD allocated an additional 1,500 units for the transition quarter, bringing the total to 14,068. HUD information indicates that only 9,733 units of the 14,068 goal were approved for funding by the end of the transition quarter and that during the period, construction began on only 5,677 units.

HUD's fiscal year 1977 budget authorization included \$17 million for Indian housing which was to provide 6,000 units in addition to the 14,068 units established as a goal under the previous money set aside. Under a BIA contract, the National American Indian Housing Council (NAIHC)^{1/} has prepared a monthly report to BIA on HUD's progress in processing the 20,068 units planned for fiscal years 1975 through 1977. The August 10, 1977, report shows that only 10,513 of the 20,068 units, or 52 percent, had been placed under an annual contributions contract (ACC)-- a guarantee by HUD to provide the necessary funding in specified annual amounts.

In its August 1977 report, NAIHC questioned HUD's ability to meet its 20,068-unit commitment for fiscal years 1975 through 1977 with contract authority of about \$57.7 million which had been made available for that purpose (HUD apparently decided to allocate \$10.7 million for the program in addition to the \$30 million set aside in fiscal years 1975 and 1976 and the \$17 million included in the fiscal year 1977 Housing Authorization Act). On the basis of the national average cost per unit, NAIHC estimated that HUD would need over \$73.9 million--an additional \$16.2 million in contract authority--to build the 20,068 units. HUD informed us that it planned to use \$37.5 million in contract authority for Indian housing during fiscal year 1977. This would bring the total contract authority used for Indian housing for fiscal years 1975 through 1977 to \$71.2 million. With these funds HUD planned to build 19,233 units--835 less than the previous goal of 20,068 units. However, there was still a question whether this amount would be sufficient to accomplish HUD's unit goals.

^{1/}A national association of Indian housing authority officials and employees whose purpose is to improve the delivery and operation of Indian housing.

HUD's Denver and Seattle Regional Offices have questioned the adequacy of the contract authority allocated to them to fund the number of units planned. For example, in a memorandum to the Assistant Secretary for Housing, HUD's Denver Region questioned the contract authority amount allocated to it for fiscal year 1977 to build 1,400 housing units. The region stated that the amount allocated would permit them to approve only 1,200 units.

In February 1977 HUD headquarters advised the Denver region that additional contract authority was not available. It stated that if the assigned contract authority was considered insufficient for the number of units planned, the Denver Regional Office should take whatever action is necessary to maximize the number of units within the available authority. HUD headquarters further stated that the additional contract authority requested by the Denver region would be made available only if another region did not use its contract authority. On August 12, 1977, the Denver region was allocated an additional \$498,180.

In commenting on our report, HUD agreed that there is a need for basic improvements in its Indian housing program so that increased production of quality housing at an acceptable cost can be achieved. HUD said that although its recent record is not as good as it would like, it has increased its construction starts from 4,440 in 1977 to a field office estimate of 6,700 in 1978.

HUD also said that the average cost per Indian housing unit is almost \$60,000 and that high cost is a factor which has contributed, and will continue to contribute, to production shortfall. HUD stated that basic improvements must be made in the program to bring about quicker production of more units at a lower cost.

HUD PROGRAM REQUIREMENTS IMPEDE INDIAN HOUSING PRODUCTION

HUD, in administering its low-income housing programs on Indian reservations, has not fully recognized the special needs and circumstances of Indian tribes and families. Three specific requirements which adversely affect the production of Indian housing are (1) the use of prototype costs which do not reflect the higher cost of Indian housing, (2) the approval of project funding before actual costs are known coupled with the fact that excessive delays often occur between the funding approval date and the time

construction bids are received, and (3) not permitting the appraisal value or full cost of leaseholds to be included in total development costs which are paid by HUD.

Prototype costs do not reflect the higher cost of Indian housing

The allowable unit cost of HUD subsidized housing in a given area is based on the expected costs of building a modest dwelling for low and moderate income people in that area. Using a standard design, HUD has estimated the cost to construct a given unit in various areas and published these unit costs--referred to as prototype costs--in the Federal Register.

The prototype costs have often adversely affected needed production of Indian housing because in many cases they (1) represent the cost of a type of house not particularly suited to the needs of Indians, (2) are based on costs not representative of those incurred on reservations, and (3) do not reflect current costs. In essence, the prototype costs often represent the wrong house, at the wrong place, and at the wrong time.

The cost limits:

- Are often too low to permit building the type of house needed in terms of maintenance durability, energy conservation, size, and inclusion of necessary amenities.
- Do not reflect increased costs of construction on reservations associated with remote locations, widely scattered building sites, availability of skilled labor, and increased contractor bids resulting from the unavailability of legal protection, usually available under State law, for enforcement of claims.
- Do not always reflect valid, current costs because of the timing of their update and the fact that they are used as a basis for cost determinations for projects which may be bid on 9 or more months later.

Prototype cost too low to build the
type of house needed

Section 15(5) of the Housing Act of 1937 (42 U.S.C. 1437d(b)), as amended, provides that in determining prototype costs, the Secretary is to take into account, among other factors (1) the extra durability required for safety and security, and economical maintenance of low-income housing; (2) the application of good design; (3) the need for maximizing the conservation of energy for heating and lighting; and (4) the effectiveness of existing cost limits of the area. These factors, as well as a requirement that houses built under HUD's program meet its minimum property standards, are included in HUD's Indian Housing Handbook.

Both the Act and HUD's handbook limit the cost of housing units (cost of dwelling construction and equipment) to no more than 10 percent above the prototype cost established for a given area.

We noted many instances where the estimated cost of a project exceeded prototype limits, and as a result, the project was delayed and/or certain design features were eliminated which adversely affected the liveability and quality of the project's houses. For example:

White Swan Project--The White Swan Project of the Yakima Nation Housing Authority was delayed at least 6 months because published prototype costs were based on a housing unit which excluded design features needed for maintenance durability and energy conservation, and did not meet HUD's minimum property standards. The architect's project cost estimates exceeded the published prototype cost limits by 55 percent. Recognizing that HUD would not approve the project, the housing authority obtained a copy of housing plans, which were the basis for the published prototype costs, to determine the reason for the significant difference. A comparison of the prototype plans and HUD's minimum property standards disclosed that the plans did not meet the standards in several respects, including size of living area, storage, and insulation requirements.

An estimate of the additional cost required to meet minimum property standards, and to upgrade materials and equipment to improve maintenance and energy conservation conditions, showed that the published prototype cost for a three bedroom house would have to be increased by 40 percent--from \$19,950 to \$28,068. The prototype costs were revised in June 1976 by about 20 percent--substantially below the 40-percent increase requested by the housing authority.

To bring the estimated project costs in line with the revised prototype costs, items were reduced or deleted. Some, such as two coats of paint instead of three, adversely affected maintenance durability. Others, such as deletions of laundry trays and cabinets and second lavatories in four bedroom units, represented a loss of amenities to Indian families.

Yakima projects--Materials needed for maintenance and use durability or energy conservation were deleted from two other projects totaling 90 units on the Yakima Indian Reservation in Eastern Washington to bring project costs in line with approved limits. Subsequently, these units were modernized to include the deleted materials at substantially greater cost than if the project had been initially constructed to the proper standard. Storage buildings to provide adequate storage space were added as were shower facilities and closet doors. Items upgraded included wash basins set in vanities to replace wall-hung wash basins, steel exterior doors and frames to replace inadequate wood doors and storm doors, improved floor tile, and storm windows or insulated glass to replace uninsulated glass windows.

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HUD officials told us that to assure that future housing will meet the needs of Indians, a thorough study of Indian needs should be made with building codes and standards developed on the basis of the findings. In turn, realistic prototype cost limits could be developed from the new codes and standards.

In a May 17, 1976, memorandum to HUD's headquarters office, the Denver Regional Office recommended that an intensive effort be made to develop reservation housing standards (to be used in lieu of minimum property standards) on which new prototype costs should be based. As of September 1977 the headquarters office had not responded to the recommendation.

Prototype cost limits do not reflect
the higher cost of construction on
Indian reservations

HUD regulations recognize that numerous factors may cause construction costs in an Indian area to be higher than those in an adjoining non-Indian area, and require that these factors be considered in establishing or amending prototype costs for Indian areas (24 CFR 805.213). Examples of these factors are (1) local customs; (2) logistical problems associated with remote locations; (3) widely scattered building sites;

(4) availability of skilled labor; and (5) the inability of contractors, laborers, and material suppliers to enforce claims under State law.

HUD instructions require, in effect, that prototype costs be established for each Indian area unless a special analysis is made showing that the cost factors of an adjoining non-Indian area are similar to those of the Indian area. We found, however, that separate prototype costs had not been established for numerous reservations within the three HUD regions included in our review. Furthermore, the analyses required to justify use of prototype costs from adjoining non-Indian areas had generally not been made for many of these reservations. Also, in a number of instances, prototype costs from the closest Indian reservation were being used for reservations which did not have their own costs. In another situation, prototype costs were being established for an area and applied to all reservations in that area. The following table shows, by region, the number of Indian reservations for which Indian prototype costs have and have not been established.

<u>HUD region</u>	<u>Total reservations</u>	<u>Reservations with established prototype costs</u>
Denver	25	12
San Francisco	134	22
Seattle (Oregon and Washington only)	<u>26</u>	<u>4</u>
Total	<u>185</u>	<u>38</u>

As the table shows, 147 reservations were without prototype costs of their own.

In some cases where prototype costs have not been established for particular reservations, HUD uses the prototype costs of either the closest city (non-Indian) or closest Indian reservation. We were advised that the latter is used for 11 reservations in HUD's Denver region because prototype costs for the nearest reservation are usually higher than those for the nearest town. For example, HUD uses the Sawmill, Arizona, Indian prototype costs for the Uintah and Ouray reservation in Utah, even though the 2 areas are over 300 miles apart. The prototype cost for a three-bedroom detached house for Sawmill is \$28,800, whereas the prototype

cost for the same house in Vernal, Utah, only 25 miles from the Uintah and Ouray reservation, is \$20,850. Although it has done nothing to stop it, HUD headquarters has questioned the Denver region's practice of using the nearest reservation prototype costs. This practice is also followed in some cases by HUD's San Francisco Regional Office.

In some cases HUD has arbitrarily established Indian prototype cost areas which cover several reservations within a geographical area. For example, HUD's Seattle Area Office established the Indian prototype cost area of Tahola, partly on the basis of cost estimates received from three contractors. Tahola is a town on the Quinault Indian Reservation. This Indian prototype cost area covers 13 widely separated Indian reservations in Washington State. The distance between some of the reservations is as much as 200 miles. The Tahola published prototype cost limit for a three-bedroom unit is \$24,500. However, within the same geographic area where these reservations are located, HUD has established five non-Indian prototype cost areas giving recognition to varying construction costs within the area. The published non-Indian prototype cost limits for a three-bedroom detached dwelling, as an example, range from \$23,000 to \$23,500 for the five non-Indian prototype cost areas. HUD's San Francisco Regional Office has used the same practice for reservations in New Mexico. In this case, 19 reservations are covered by 7 prototype cost areas.

The concept of using one prototype cost for several reservations without making a separate analysis of the cost factors to determine that there is no significant difference is inconsistent with HUD regulations.

Unless all factors concerning construction costs on Indian reservations and non-Indian areas are considered, there is no assurance that prototype cost limits used on Indian projects reflect realistic costs. The use of non-Indian prototype costs, without the required special analysis being made, has resulted in (1) projects being delayed while costs estimates were revised or negotiated to comply with published prototype cost limits and (2) a reduction in the quantity and quality of units. The two examples which follow reflect these situations.

HUD, Seattle Region--The use of non-Indian prototype costs caused substantial delays in completing two housing projects of the Umatilla Indian Reservation. In April 1975 the Umatilla IHA requested 2 projects in which to construct 50 HUD housing units. From almost the very beginning, the IHA questioned the validity of having to use the published

prototype cost limits of Bend, Oregon, a non-Indian area 280 miles away. In February 1976 the HUD Portland Area Office, with regional office approval, requested HUD headquarters to establish an Indian prototype cost area for the Umatilla reservation. The costs supporting the request were 19.8-percent higher than those published for Bend, Oregon. HUD's headquarters rejected the request. During the ensuing 13 months, the IHA made substantial reductions in the scope of the project to reduce project costs to comply with the Bend, Oregon, prototype costs. Eventually, the IHA took the position that no further changes would be made to the project even though the estimated project costs exceeded published prototype costs for Bend by more than 10 percent. Recognizing that a problem of cost validity existed, the Portland Area Office allowed the projects to be advertised for bid. The lowest bids for the 2 projects exceeded the published prototype cost limits for Bend, Oregon, by 40 and 48 percent. The low bidders were asked to hold their bids while HUD proceeded to justify the establishment of the Indian prototype cost area.

On the basis of the bids and a cost survey of the areas in question, the Portland Area Office requested that an Indian prototype cost area be established for the Umatilla reservation in the 1977 prototype cost updating. On June 30, 1977, the 1977 prototype cost limits were published in the Federal Register, including the new prototype cost area for the Umatilla Indian Reservation. Umatilla's prototype cost exceeded Bend's by 25 percent, reflecting the higher cost of construction on the reservation.

According to BIA and IHA officials, the establishment of realistic prototype cost limits for the reservation will finally allow the projects to be constructed--not as originally planned, but to the reduced design specifications allowed for project bidding. To redesign the project to meet the original desires of the Indian families would require rebidding and further delay of the construction. These officials stated that the use of unrealistic prototype cost limits had already delayed the construction of the projects for at least 1 1/2 years.

HUD, Denver Region--In HUD's Denver region, the use of a non-Indian prototype cost not only resulted in delays on one project but also the loss of housing units. The region's Office of Indian Programs mistakenly used the cost area for the nearest town rather than using the established cost area for the nearest reservation for a project on the Wind River

reservation in Wyoming. As a result, the lowest construction bid for the 53-unit project substantially exceeded the estimated allowable costs for the project. Construction was delayed and eventually 6 units were deleted from the project, resulting in the construction of only 47 units.

Prototype cost limits not updated to reflect current construction costs

Prototype costs are required to be determined at least annually by the Secretary and become effective on the date they are published in the Federal Register. HUD's practice has been to update prototype cost limits annually, normally in June. This practice, however, does not always provide valid current costs because the costs are updated during one construction season and are used to determine the cost of projects which may be bid on 9 or more months later. Delays encountered by Indian projects while awaiting publication of updated prototype cost limits can result in higher construction costs, and the use of outdated prototype cost limits can result in projects losing units. This has been a particular problem in HUD's Denver region which, because of colder weather, has a comparatively short construction season.

To provide for time processing of Indian housing, HUD's Denver region requested the Secretary of HUD to shift the annual prototype revisions from June to December. The region explained that because most of its Indian reservations experience severe winter weather, it is necessary to complete the project bidding process during the months of February through April so that construction can be started by late spring. Because prototype costs are updated in June, such projects are required to use published prototype costs which are nearly a year old. As a result, the region is faced with two alternatives--either to (1) wait for the publication of new prototype costs and lose a favorable construction period or (2) eliminate units or items from the project to stay within the existing cost limits. The first alternative offers delays and higher construction costs. The second alternative offers no delays but provides fewer houses or houses that are inadequate for the needs of Indian families. The Denver request was denied by HUD headquarters in December 1976 on the basis that prototype updating is a time-consuming process and that it would not be worthwhile to change the procedures because of one region.

Examples where this situation has created problems in the Denver region follow:

- A March 1976 comparison by HUD Denver region officials disclosed that estimated project costs for 3 projects consisting of 131 units exceeded prototype costs published in June 1975 by more than 10 percent. Project processing was delayed from March until June 15, 1976, to take advantage of new, higher prototype costs. Bids received were within the new prototype cost limits but, the start of project construction was delayed from June until September 1976. Because of the cold winter months, contractor bids included higher costs in anticipation of possible slow downs or construction stoppages during adverse weather. If the work had started in June, most if not all of the units could have been "closed-in" so that work could have continued during the cold winter months.
- A 20-unit project in Trenton, North Dakota, lost 6 units as a result of construction bids being received and compared to an approved project cost limit established almost a year before. All bids received were too high and when an attempt by the HUD Denver Regional Office to obtain from HUD headquarters an amendment to the ACC failed, the regional office deleted the units to meet the overall project limit.

Project funds committed before costs are known

HUD commits funds for a project by executing an ACC. An ACC is a contract in which HUD promises to provide annual contributions to repay bonds sold by a housing authority to finance project construction. The amount committed by HUD under an ACC is the same as the total development cost budget shown in the HUD approved development program.

Amendments to executed ACCs have been and will probably continue to be necessary to increase funds available for a project because (1) construction bids received were substantially higher than the estimates used as the basis for development program approval and ACC execution or

(2) construction delays or problems resulted in higher project development costs than allowed by the executed ACC. Amendments to ACCs may also be necessary to provide funds to correct construction deficiencies or rehabilitate older homeownership projects because modernization funds provided by HUD can only be used for rental projects. In commenting on our report, HUD stated that construction deficiencies can be corrected within the limits of available contract authority and through ACC amendments. It recognized that funds were not provided to rehabilitate older homeownership projects. HUD said that it was considering an amendment to the modernization regulation which would correct this inequity.

HUD's practice of approving ACCs on the basis of estimated costs rather than construction bid prices, which are sometimes higher, results in projects being further delayed or reduced as to both number and quality of units constructed. In other instances, where cost increases occur after the contract has been let, HUD has been reluctant to amend the ACC to provide additional funding necessary to complete the project.

HUD policy has made it difficult to obtain ACC amendments. From January 1973 to November 1975, HUD policy provided that low-income housing projects, including Indian projects, had to be completed within the approved ACC amount even if this resulted in reducing the number of units. This policy was part of a broad moratorium the Nixon Administration placed on most subsidized housing programs in January 1973. The ban on ACC amendments for Indians was supposedly lifted in November 1975; however, HUD headquarters notified all HUD offices that requests for amendments to previously approved ACCs could now be accepted and processed, but that final approval of such requests rested with the central office. To evaluate the effect of this revised policy, we attempted to determine actions taken on ACC amendment requests submitted after November 1975. In four cases we identified, HUD headquarters had denied the requests. Consequently, in spite of HUD's change in policy, we were unable to find any real change in its practices.

In October 1976 HUD headquarters delegated the authority to amend ACCs to the regional offices. Although HUD regional officials told us that this should reduce problems in obtaining ACC amendments, these officials believed, and the records showed, that HUD headquarters had not allocated sufficient funds to cover all pending amendments.

The effect of committing project funds before costs are known and the corresponding reluctance of HUD to amend ACC amounts is illustrated in the following examples:

- In the case of the Wind River, Wyoming, project discussed on page 13, the inadvertent use of the wrong prototype cost limits resulted in ACC execution which provided insufficient funds to complete the project as planned. Because the lowest bid substantially exceeded the funds provided, an ACC amendment increasing the development funds was necessary. According to HUD Denver Regional Office officials, HUD headquarters did not approve the amendment and, as a result, only 47 of the planned 53 housing units were constructed.

- We were advised that design and siting problems in developing the Turtle Mountain project in North Dakota resulted in approximately 1 year expiring between the time the ACC was executed and the construction contract was awarded. Inflation during this delay made it impossible to construct the project within the approved total development cost budget. As a result, the project was reduced from 50 to 46 housing units. Similar situations were also reported by NAIHC as occurring in HUD's Dallas region where a project of the Alabama Coushatta lost a unit and a Seminole Nation project lost seven housing units.

- On the Uintah-Ouray Indian Reservation in Utah, some Indian families occupied houses which, due to lack of construction funds, were not completed. Construction of a 71-unit project began in 1971, but, due to delays caused by the mismanagement of a construction superintendent and the slowness of the prospective homebuyers in earning their required "sweat equity," construction costs rose to the point where it was impossible to complete the units within the approved ACC amount. Although the Denver region submitted a request to increase the ACC amount in August 1974, HUD headquarters delayed making a decision by repeatedly asking for more documentation or information in support of the requested increase. According to HUD's Denver OIP officials, they finally recognized that HUD headquarters was not going to amend the ACC for this project and stopped responding to the requests for additional justification. Examples of some of the items needed to complete the

project were steps and stoops to the front and back doors, front and back storm and screen doors on 69 units, interior and closet doors in some units, exterior paint for some, posts supporting porches for some, coal bins for 15 units, and backfilling to grade on 38 units. Since authority to amend ACCs was transferred to the region, the ACC has been amended, adding \$256,526 to complete the project. The work was to begin in August 1977. Even though not completed, the units have been occupied since July 1974 because of the need for houses. The two pictures on page 19 illustrate some of the work remaining to be completed.

Representatives from HUD's Denver region and NAIHC said that there have been many other projects for which amendments to the ACC were necessary, but were never requested because of HUD headquarter's policy. As a result, the number of housing units and/or quality of the units for these projects had to be reduced.

With the delegation of ACC amendment authority to the regions, HUD officials believe that many of their prior problems in obtaining needed fund increases for projects have been solved. To further improve the situation, HUD Seattle and Denver Regional Office officials have suggested that ACCs be executed only after the construction bids are received and actual costs are known.

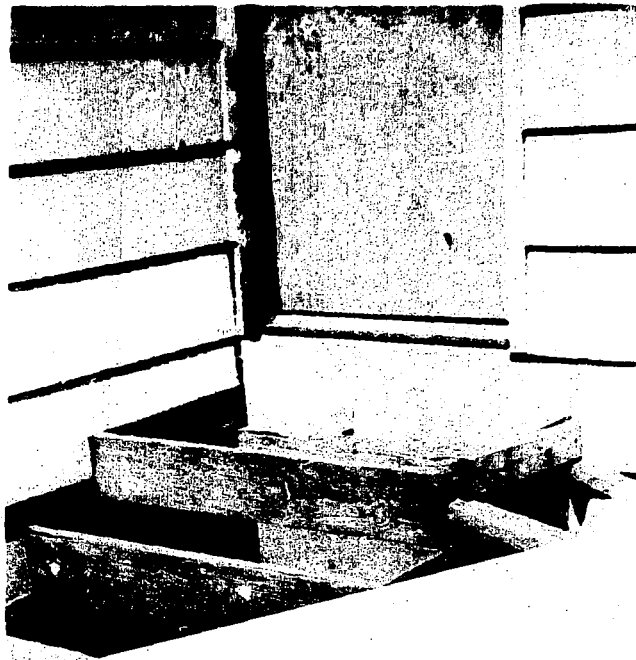
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During our work in the prototype area, and as pointed out numerous in the preceding sections, many instances were found where units had been deleted from a project in an effort to reduce the total project cost to the total development cost budget approved by HUD headquarters. When this is done, the average unit cost of the project has to go up. As a result, what appeared to be a serious attempt to control the unit cost of a project, through the application of prototype cost limits in the early stages of project development, is bypassed by the maneuver at a later stage.

The problem is created whenever a project's total development cost budget, approved by HUD, is inadequate from the onset or becomes inadequate due to rising costs during subsequent processing stages. Under these circumstances the project must either be cancelled, have its executed ACC amount amended, or scope reduced. HUD headquarters has been reluctant in the past to amend ACC amounts



HUD HOMEOWNERSHIP HOUSES WITH NO STEPS TO FRONT PORCH (SEE PHOTO 1) AND BACK DOOR (SEE PHOTO 2) AT THE UINTAH AND OURAY RESERVATION, UTAH



and; therefore, if HUD field offices were to get anything built, they were forced to reduce the scope of their projects, often in terms of units. In this situation, when costs for the dwelling construction and equipment of a project exceed the appropriate prototype by more than 10 percent, a circumvention of the 1937 law, as amended, results. Although we neither looked into this situation in detail, nor attempted to determine the propriety of actions taken, we understand that estimates for dwelling construction and equipment costs for many projects were being kept within bounds by simply shifting costs to the nondwelling side of the project for which there are no limitations.

To correct the overall problem being discussed here, we believe that prototype cost limits must truly be reflective of the type of house needed and the higher construction costs incurred on reservations. We also believe that these limits should be kept current through an update consistent with natural construction seasons. Finally, our work led us to believe that the point of ACC execution should be delayed until after construction bids have been received, but before contract award. By taking these actions, actual costs incurred would more closely approximate those envisioned at the time of ACC execution. Thus, there would be less of a need for project cancellations, ACC amendments, or scope modifications.

HUD, did not agree that ACCs should be executed after construction bids are received. If this were done, HUD pointed out that IHAs would not be in a position to assure bidders that it had the financial resources for entering into a contract. HUD attributed rising costs between the ACC execution date and the time construction bids are received to the excessive delays which often occur and which must be eliminated. HUD outlined some measures designed to speed up the process which are discussed on pp. 74 and 75.

HUD regulations limiting leasehold value
jeopardizes some Indian housing

IHA's normally acquire homesites for their HUD projects by obtaining a 50-year leasehold on the necessary land from the tribe or individuals. The leasehold is either purchased by or donated to the IHA.

HUD's new Indian housing regulations (24 CFR, Part 805) which became effective on March 9, 1976, limit the value of an IHA acquired leasehold to two-thirds of the land's estimated sales value on the basis that a leasehold interest is worth less than the interest one has with full title to the land. The leasehold value, if purchased by the IHA, is included in the total development costs that are paid by HUD.

The procedures in effect until March 9, 1976, allowed HUD to pay the leasehold value as appraised by BIA, or the purchase price, whichever was less. This leasehold value had historically ranged between 93 and 100 percent of the price paid by the tribe for the land. It, therefore, allowed almost total reimbursement to the tribe.

When the leasehold is purchased by the IHA, it cannot be used as part of the \$1,500 contribution HUD requires from each mutual help home buyer. On the other hand, if the tribe donates the leasehold to the IHA, its value is counted toward the mutual help contribution. The latter situation would generally occur when a tribe already owns suitable building sites and does not need to purchase them.

Several tribes in BIA's Portland area lack suitable building sites for planned HUD projects and the new regulation has already slowed some of the projects down while waivers to the regulation were sought. It is expected that it will continue to have an adverse effect on the housing development plans of several tribes in this area and also pose a potential problem in other areas because it (1) requires the tribes to pay one-third of the cost of land they purchase and lease to an IHA for homesites or (2) increases the contribution required from each home buyer in cash, labor, materials, or equipment in those cases in which the value of the leasehold contributed by the tribe does not equal the \$1,500 per unit required to be contributed by the homeowner. The affected tribes in the Portland area and HUD Seattle regional officials stated that the tribes lack the resources to provide the needed funds and that additional contributions required from low-income home buyers could be a significant hardship.

In May 1976, after some delay, HUD granted waivers for specific projects to two IHAs adversely affected by the changed requirement because the tribes' land purchase

negotiations had been completed before the new regulations went into effect. The HUD officials stated, however, that the waivers did not apply to future projects.

HUD Seattle Region and BIA officials expect the leasehold problem to occur in the future when these tribes, or any others which have to purchase homesites, attempt to obtain approval of a HUD project. Some HUD Seattle region officials felt that HUD should pay the full appraised leasehold value for land which the tribe must purchase, and should only apply the two-thirds limitation to trust land or restricted property which the tribe owns and donates as part of the required \$1,500 per unit home buyer's contribution. They believe this policy would conform with past practice in public housing programs, which allows full fair market compensation for land purchased for public housing development.

According to officials of HUD's Denver and San Francisco Offices of Indian Programs, the new regulation has not affected housing projects in those regions. They stated, however, that it is possible IHAs may have to purchase land for housing projects in the future and that the regulation could then have an adverse effect. The Housing Development Officer of BIA's Sacramento Area Office stated that it could affect some of the tribes in the future as they run out of suitable homesites and have to purchase the needed sites.

NEED FOR INCREASED FUNDING IN THE BIA-HIP PROGRAM

Many Indian families must rely on housing assistance grants from BIA's HIP program to obtain housing because (1) some small tribes are unable to form the housing authorities necessary to qualify for HUD programs and (2) their low incomes make any form of rental housing or loan financing infeasible. The need for housing assistance grants, such as those provided by the HIP program, however, cannot be met with funds currently available and many Indian families continue to live in substandard housing because they have been unable to receive assistance.

BIA's HIP program provides grants for Indian families living in substandard or inadequate housing to (1) repair existing housing that will remain substandard--limited to \$2,500; (2) repair housing to bring it up to standard condition--limited to \$13,000; (3) make down payments up to \$5,000 (\$6,000 in Alaska) which enable the applicant to

receive a housing loan from tribal, Federal, or other sources of credit; and (4) finance construction of a new house for up to \$30,000 (\$40,000 in Alaska). Assistance from the HIP program is only available to families that cannot obtain assistance from another source.

The HIP program is much simpler to administer than the HUD program. The funds are provided in the form of grants for individuals on the basis of need as determined by BIA and tribal officials. There is no annual contribution by the agency and no repayment required of the recipient. On about one-half of the reservations, the operation of the program is contracted or administered by the tribes with only limited direct involvement by BIA. According to BIA, the HIP program is well liked by Indians because of its simplicity, speed, and the fact that they get some choices in selecting their homes.

While some new housing is provided by the HIP program, it is primarily used for making repairs to existing substandard housing. Many of the repairs are for emergencies and the houses repaired remain in substandard condition. Although the program began in a modest way in fiscal year 1965, for the past few years it has provided a yearly average of about 400 new homes and has repaired about 2,500 existing substandard homes nationwide. For fiscal years 1976, 1977, and 1978, BIA budget justifications show the following funding levels for the HIP program and the numbers of houses expected to be constructed and repaired.

<u>Fiscal year</u>	<u>Funding level</u>	<u>Houses</u>	
		<u>Constructed</u>	<u>Repaired</u>
1976	\$11,210,000	400	2,250
1977	\$12,476,000	400	2,500
1978	\$13,200,000	490	2,630

Despite these accomplishments, the HIP program is not adequately funded to meet Indian needs. For example, the Commissioner of BIA told the Senate Subcommittee on Indian Affairs in May 1975 that BIA estimated there was a need for 14,000 new HIP housing units--about 30 percent of the total Indian need--which would require \$392 million to complete. In view of the large need for new HIP housing, the Subcommittee Chairman asked the Commissioner why BIA had not requested more money for the HIP program. The Commissioner's reply indicated that if BIA were to totally address the housing program needs it would require too large a segment of the total BIA budget and adversely affect

other programs. A BIA official told us that BIA's preliminary budget estimates for fiscal year 1979 call for \$40 million for the HIP program--about a three-fold increase over the current budget. In January 1978, however, we were advised that the budget figure had been cut back to about \$19.5 million.

In addition to the need for new units, the BIA housing inventory for fiscal year 1976 showed 28,228 units needing renovation. It is not known how many of these renovations will require HIP grant assistance. We believe the BIA-HIP program needs to be expanded because, as discussed below, (1) some tribes are not eligible for HUD programs and (2) the low incomes of some Indian families make rental or home purchase infeasible.

Some tribes not eligible for HUD programs

To become eligible for HUD rental and homeownership programs, the tribal governing body must form a housing authority. However, some tribes, because of their small size and limited resources, have not found it feasible to do so. Their isolated location also often makes it infeasible to obtain housing from an existing housing authority or to join other small tribes or local governments to form an authority. Therefore, these tribes must rely on BIA's HIP program to meet most of their housing needs. Problems in funding the HIP program have a real impact on such tribes as illustrated by the situation in BIA's Sacramento and Portland areas.

Sacramento area

BIA's fiscal year 1976 housing inventory showed a need for 5,726 new housing units in the Sacramento area, which basically covers the State of California. Although HUD programs could provide some of this housing, the 6 IHAs that have been formed serve only 24 of the 76 reservations and rancherias in California. Many Indians in California live in small groups in sparsely settled areas where it is infeasible for them to form an IHA.

According to BIA officials, the HIP program is generally the only housing program available to the Indian families living on the remaining 52 reservations and rancherias, to families living on about 75 public domain trust allotments, and to those families eligible for HIP assistance that are not living on trust land.

A significant portion of the 5,726 new housing units needed will have to be provided by the HIP program. For example, the Housing Development Officer for BIA's Central California Agency, one of three agency offices in the Sacramento area, estimated that he has 2,500 applications on hand for all categories of HIP assistance and that the agency receives about 500 applications a year. Because of limited HIP funds, he has only been able to help an average of about 50 applicants a year. For the first half of fiscal year 1977, he provided HIP assistance to 33 applicants. The 33 HIP grants included 14 for repairs, 16 for down payments, and 3 for new homes. Of those helped, 12 were on reservations or rancherias and 21 were not.

The Housing Development Officer said that the other two agency offices also have large backlogs of HIP applications which they are unable to serve due to the limited funds available. During fiscal year 1976 the HIP program in the Sacramento area was only able to provide 19 new housing units, 31 down payment grants, 18 renovations, and 212 emergency repairs to homes that remained substandard.

Portland area

BIA records show that from program inception in fiscal year 1965 to June 30, 1976, only 204 new homes have been provided in the Portland area with HIP funds--an average of less than one new home a year for each reservation. In addition, some of the larger reservations have generally built more than one new HIP house each year, further reducing the funds available to serve the small reservations which are not eligible for the HUD program.

Three small reservations in the Portland area, with a combined total need for 45 new housing units as of June 30, 1976, were anticipating only 6 housing starts during the transition quarter and fiscal year 1977. All of the planned houses were to be provided by BIA's HIP program. These reservations, because of their limited resources, had not formed housing authorities and, therefore, did not qualify for the HUD programs. There are other small tribes in the Portland area which also need housing, according to BIA officials, but housing inventories have not been taken to determine the extent of the need.

BIA officials informed us that although the HIP program was the most likely source of new houses, they doubted that it could provide all of the units needed because of the low funding level. The program is used

primarily for repairs to existing houses and must be spread over the 32 eligible tribes in the Portland area.

Low incomes make rental or home purchase infeasible

Some families must rely on HIP grants to provide adequate housing because their low incomes make any form of home rental or purchase, such as the HUD programs, infeasible. This situation on two large reservations is described below.

Gila River Indian Community, Arizona

Although new HUD homes have been built at the Gila River Indian Community, many families are unable to afford such homes and need assistance from the BIA-HIP program. The BIA housing inventory shows that 368 new HIP homes were built and 487 were repaired from the beginning of the program in fiscal year 1965 through 1976.

However, the BIA Housing Development Officer at the reservation said that only 32 of the new HIP homes shown on the inventory are standard houses. The rest are small sub-standard houses that generally lack sanitation facilities. They were built some years ago because of the serious shortage of adequate housing and the need to quickly provide something better than the primitive mud houses in which many people were living. The photo which follows shows one of these primitive mud houses that was still occupied in April 1977.



MUD HOUSE ON THE GILA RIVER RESERVATION, ARIZONA.

As of April 29, 1977, the BIA Housing Development Officer had 117 applications on hand for new HIP homes. However, BIA plans to build only seven new HIP homes at Gila River during fiscal year 1977.

Even this relatively small number of new HIP homes is only made possible by the use of an innovative construction technique developed by the BIA Housing Development Officer. He stated that by using treated timbers and adobe mud as the major materials in the exterior walls, he was able to design a house that is economical to build and also to heat and cool. It is economical because the adobe mud is abundant locally and provides good insulation. In addition, tribal work crews are familiar with the construction technique. The houses have stucco exteriors and framed and finished interior walls, making a comfortable, attractive house. The photos on page 28 show one such house in the early construction stages and one that is nearly completed. The Housing Development Officer said that the materials for a two-bedroom house built by this method cost about \$6,000. The total cost including labor is about \$12,000.

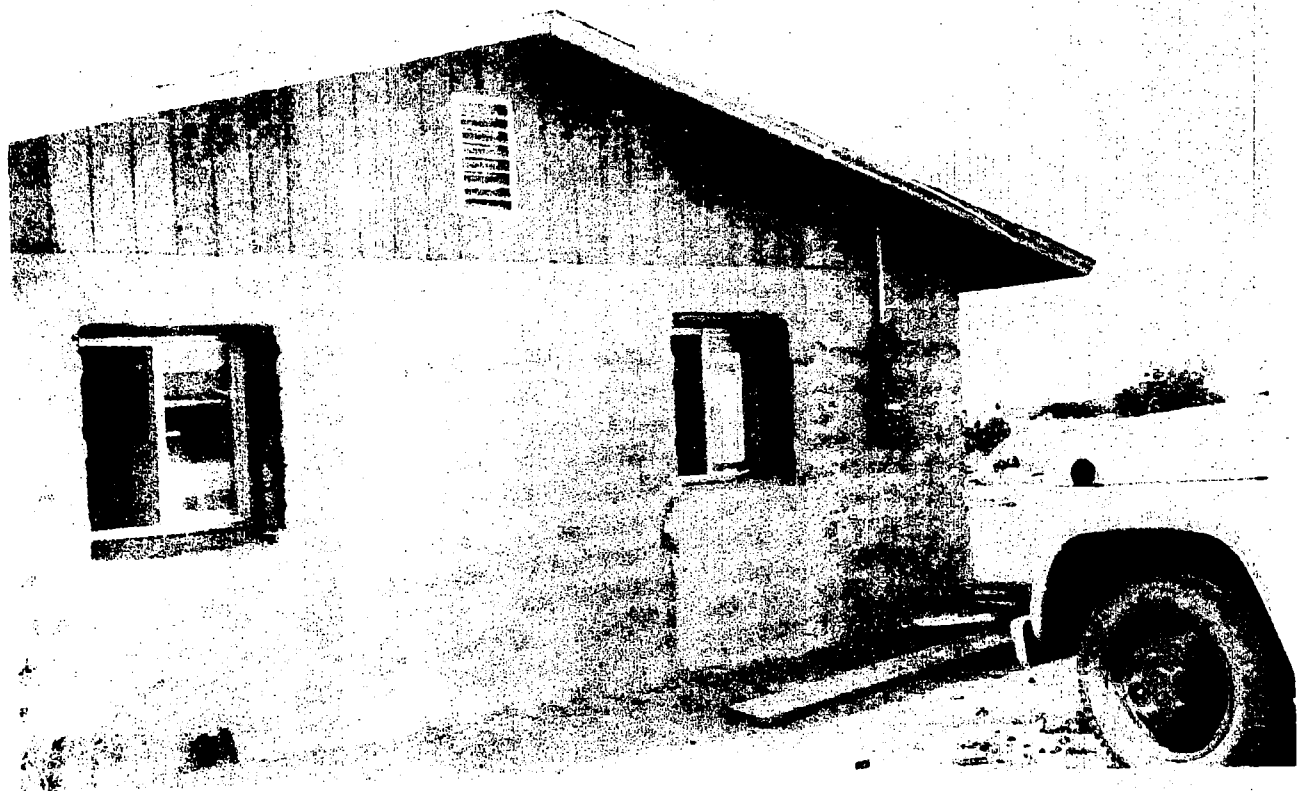
The fiscal year 1977 HIP budget at Gila River was \$157,100. Only \$31,400 of this amount was available for materials and supplies for new HIP houses. Most of the balance was to be used to make repairs or renovations to existing houses. In addition to the 117 new HIP homes needed, there were also 236 applications on hand for renovation or repair of existing houses. The small number of HIP homes built in relation to the need, and the large demand for renovations and repairs, indicates that without increased funding, the backlog of unmet housing needs will not be met for many years.

Yakima Reservation, Washington

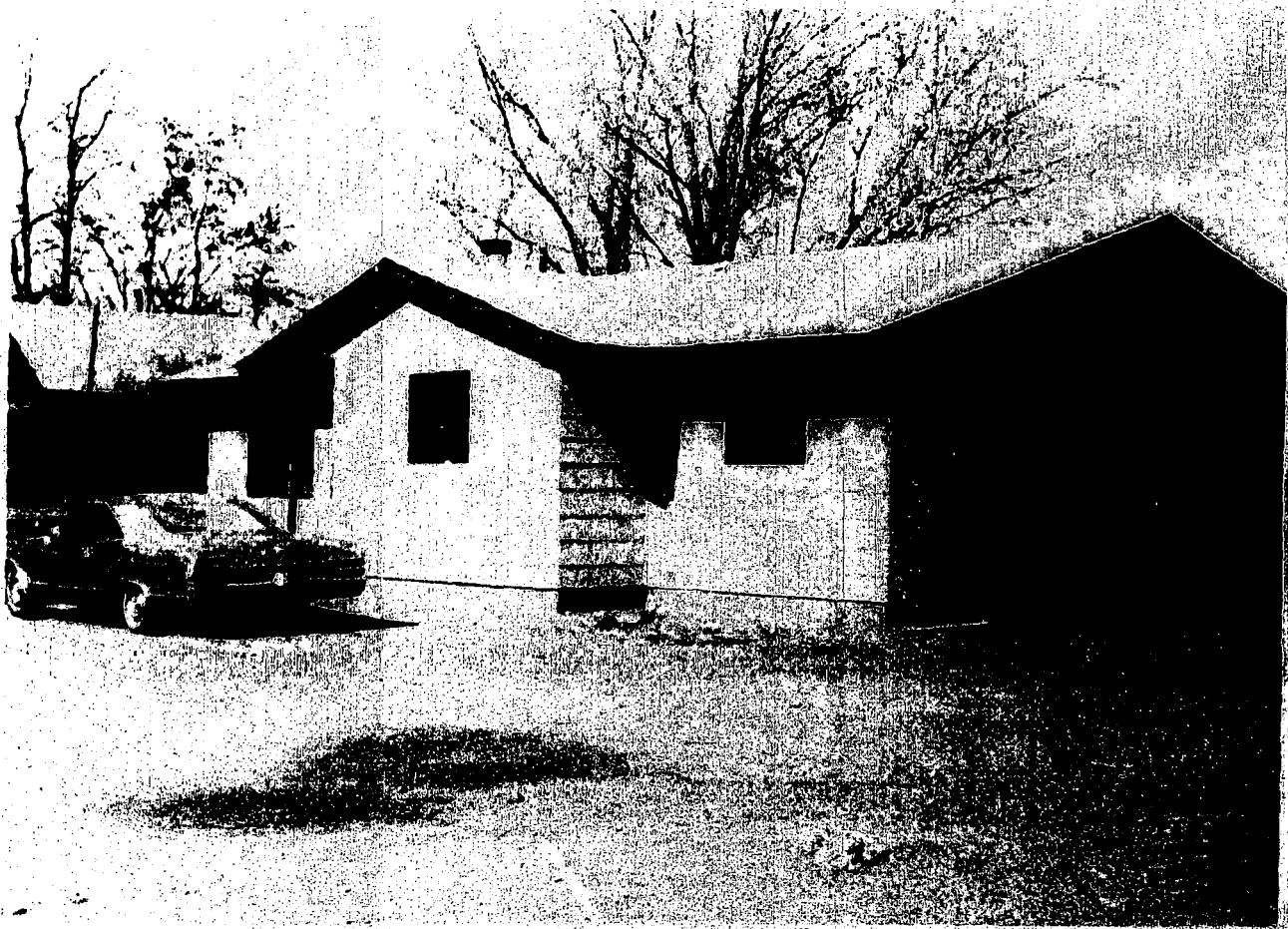
From October 1970 through March 1977, the HIP program has provided improved housing for many families on the Yakima Reservation. A typical HIP house at the Yakima Reservation is shown on page 29. To make the limited funds serve as many families as possible, the HIP program has been used extensively for making repairs to existing houses. Only a few new houses have been built each year, and these have been primarily limited to elderly or handicapped applicants that cannot afford to purchase or rent a house under the HUD program. Requests for HIP assistance have averaged about 7 a year for new houses and 63 a year for repairs compared to an average of 3 new HIP homes built and 37 homes repaired each year. As of March 1977,



HIP HOUSE BEING BUILT AT THE GILA RIVER RESERVATION BY "IMPROVED SANDWICH" METHOD.



NEARLY COMPLETED HIP "IMPROVED SANDWICH" HOUSE AT GILA RIVER RESERVATION.



HIP HOUSE AT YAKIMA RESERVATION, WASHINGTON.

the agency housing development office had 19 applications for new HIP houses, 1 application for a down payment grant, and 83 applications for repair assistance. Agency officials told us these needs could be met if funds became available. Without increased funding of the HIP program, however, the backlog of unmet housing needs at the Yakima Reservation will continue to grow.

OPPORTUNITY TO EXPAND USE OF
FmHA PROGRAMS BY INDIANS

Although FmHA programs provide a means of filling gaps in and supplementing the assistance provided by HUD and BIA housing programs, they have been used by relatively few Indian families. This limited use appears to be due to (1) the nature of FmHA programs which generally require higher monthly payments than HUD programs and (2) FmHA staff shortages which have resulted in a large backlog of unfilled applications and an inadequate outreach program. Although no effort has been made to determine the potential number of Indian families that could be served by FmHA programs, it appears that they could play a greater role in meeting Indian housing needs than they have in the past.

FmHA has several direct loan programs to finance homeownership, repairs, and rental units for low and moderate income families in rural areas. Those programs which have the greatest potential for providing assistance for Indian families are the (1) section 502 homeownership loans, (2) section 504 home repair loans, and (3) section 515 rural rental loans.

Section 502 homeownership loans are made to individuals with repayment periods up to 33 years and do not require a down payment. Under this program, the low-income borrower may receive a subsidy that can reduce his interest payments to as low as 1 percent.

Section 504 is a program of loans and grants to low-income applicants who do not qualify for section 502 loans. These loans are for home repairs or additions to remove health and safety hazards and are limited to \$5,000 with up to 20 years for repayment, depending on the amount borrowed. The interest rate on these loans is 1 percent. The loan provisions of this section have not been widely used as evidenced by the fact that only about \$8.3 million of the \$25 million appropriated in fiscal year 1976 and the transition quarter was obligated. Some FmHA officials stated it was not widely used because the low-income persons for whom the program is intended generally do not own their own homes and thus are not eligible for the program. We were further advised that another reason the grant program of section 504 has not been widely used is because appropriation bills since 1966 have included a provision prohibiting the use of administrative funds to implement it. An FmHA official told us, however, that this provision was deleted in the appropriation bill for 1977.

Section 515 rural rental or cooperative housing loans can be made to private, nonprofit corporations, such as an Indian housing authority, and consumer cooperatives to provide rental or cooperative housing for low- and moderate-income elderly or handicapped persons and families and other low income persons and families. The amount of the loan may not exceed the development cost or value of the security, whichever is less. The payment period can be up to 50 years from the making of the loan. FmHA can, under certain conditions, provide interest credits to borrowers reducing their interest payments to as low as 1 percent in order that the rents can be reduced for low- to moderate-income tenants. In addition, FmHA and HUD signed a memorandum of understanding in June 1976 to provide rent subsidies for section 515 rental units under HUD's section 8 program.

Indian families make limited
use of FmHA programs

FmHA programs are basically loans with terms similar to what might be offered by a commercial bank. Therefore, they generally require monthly payments higher than those required under HUD programs. This factor generally limits their use to those Indian families which (1) have incomes too high to qualify for HUD programs or BIA-HIP assistance but are unable to obtain bank financing for some reason, such as the trust status of their proposed homesites; (2) may not be served by HUD or BIA programs on the reservations because they are not enrolled tribal members or live outside the reservation boundaries; or (3) do not have HUD programs available to them because their tribe has not formed a housing authority.

FmHA statistics show that 486 rural housing loans totaling \$8,924,000 were made to Indians during fiscal year 1976. This figure may be somewhat misleading because it includes loans made to all persons who state that they are Indians. The number of loans made to Indians living on reservations would be considerably less. For example, FmHA information for fiscal year 1976 shows that in Arizona, 64 housing loans totaling \$1,304,000 were made to Indians, but only 26 of these, totaling \$516,074 were made to Indians living on reservations. In total, during fiscal years 1974 through 1976, FmHA made 114 housing loans totaling \$2,090,504 to Indians living on reservations in Arizona. Similar information for Washington State shows that eight housing loans totaling \$131,000 were made to Indians in fiscal year 1976. Only two of these loans totaling \$15,600 were made to Indians on reservations. For fiscal years 1974 through 1976, FmHA made a total of 31 housing loans totaling \$212,980 to Indians living on reservations in Washington State.

The limited use of FmHA programs by Indians was discussed in a February 1975 staff report on Indian housing, prepared at the request of the Chairman, Senate Committee on Interior and Insular Affairs. The report concluded that despite the relative concentration of Indian people in rural areas, Indian housing needs were not being adequately met by the FmHA rural housing programs. As an example, the report cited South Dakota where Indians comprise nearly 6 percent

of the State's total rural population and yet had received only 1.7 percent of the FmHA loans made in fiscal years 1972 and 1973. The report pointed out that since FmHA is one of the primary Federal agencies involved with housing needs of rural people, the increased application of the programs to rural Indians may be an important factor in meeting Indian housing needs.

One factor contributing to the limited use of FmHA programs by Indians is the nature of the programs themselves. In testimony before the Senate Subcommittee on Indian Affairs in May 1975, the Executive Director of the Housing Assistance Council stated that fully two-thirds of the Indian families living in substandard housing are too poor to participate in FmHA housing programs. However, in a March 1976 letter to the FmHA Administrator, the BIA Commissioner indicated that, for higher income Indians, FmHA housing loan programs had fulfilled a particular need on reservations.

The limited extent to which FmHA is serving reservation housing needs was also mentioned by the BIA Housing Development Officer at the Yakima Reservation. He stated that the FmHA section 502 homeownership loans were a possible source of housing assistance for a limited number of Indian families living on or near the reservation. He estimated that he had referred between 20 and 30 families to the local FmHA office who probably would not have received assistance from the HUD or BIA programs on the reservation because they (1) had relatively high incomes, (2) were not enrolled tribal members, or (3) lived outside reservation boundaries. Also, he said many such families could not obtain bank financing due to the trust status of their proposed homesites. He said, however, that the HUD programs would generally be the most attractive source of housing because they require lower monthly payments than the FmHA programs. For example, the monthly payments for HUD-financed homeownership units on the Yakima Reservation are based on adjusted family income and currently range from \$18 to \$125 and average about \$42. In contrast, the estimated average monthly payment for principle and interest on a FmHA homeownership loan would be about \$180 without the interest credit allowed for low-income borrowers and \$80 with the maximum allowable credit.

Although the BIA Housing Development Officer at Yakima did not follow up on the families he had referred to FmHA, we obtained information from the FmHA Washington State Office which showed that only one housing loan had

been made to an Indian family living on the Yakima Reservation during fiscal years 1974 through 1976. Applications had been received from five such families during those years. The two county offices which serve the Yakima Reservation listed a total caseload of five active loans to reservation families.

Impact of FmHA staff shortage

Staff shortages at county offices have apparently resulted in an inability on the part of FmHA to (1) make rural housing loans in the amounts authorized by the Congress, despite a large backlog of applications and (2) conduct an adequate outreach program to provide tribal and BIA housing officials and Indian families with more information and easier access to FmHA programs. These staff shortages were discussed during Senate hearings on rural housing held by the Subcommittee on Housing and Urban Affairs of the Committee on Banking, Housing, and Urban Affairs in November 1974. The shortages were given as the primary reason FmHA returned over \$375 million in housing fund authorizations in fiscal year 1974, despite a backlog of about 76,000 loan applications.

During fiscal year 1976 appropriation hearings, the FmHA Administrator testified that FmHA needed 778 additional full-time employees to meet staff shortages and allow expansion of its activities into towns with populations of 10,000 to 20,000 as required by the Housing and Community Development Act of 1974. The Congress responded by appropriating \$12 million above the amount requested by the administration for salaries and expenses for fiscal year 1976. Although this amount was considered sufficient to hire an additional 1,000 to 1,100 employees, for some reason FmHA hired only 400 full-time and 300 part-time and temporary employees.

The staff shortages also make it difficult for FmHA staff to devote time to providing information and easier access to their programs for tribal and BIA housing officials and Indian families. For example, in Washington State each county office has only one or, in some cases, two employees to process and service housing loans as well as the other FmHA loans. According to FmHA Washington State Office officials, the county office workload allows little time for promoting or explaining FmHA programs to increase the number of applications.

Two FmHA county supervisors in Arizona also cited the effects of staff shortages. One pointed out that they

did not have the necessary staff to process loan applications received from Indians. The other stated that they did not have the personnel needed to service loans to Indians on reservations. He stated that it generally required more time to contact the borrower on a reservation than was required for servicing loans elsewhere. He believed this was the primary reason for the high delinquency rate among borrowers on the reservation served by his office.

Actions to increase use of
FmHA programs by Indians

Despite staff shortages, FmHA has made an effort to improve its service to Indians. The effectiveness of the actions taken, however, has been limited.

FmHA designated a National Indian Coordinator at the headquarters level and Indian Coordinators in 37 of its State offices, published a handbook and fact sheet in an attempt to make Indians more aware of FmHA programs, and established part-time suboffices on some reservations to provide Indian families more information on and easier access to FmHA loans.

Responsibilities of the State Office Indian Coordinators--in addition to their existing duties--are to

- maintain close liaison with local FmHA offices serving Indian populations and reservations;
- be familiar with all FmHA programs available to Indians living on and off reservations;
- advise the State director of the need for training agency personnel in offices where problems exist in providing FmHA housing assistance to Indians; and
- help to organize a State FmHA program totally responsive to the needs of Indian leaders, BIA, and other agencies working with Indians.

The FmHA Indian Coordinators for the two State Offices we visited--Arizona and Washington--said that FmHA does not have a formal outreach effort specifically for Indians in their States and that they have not determined the potential number of Indian families that could be served by their program. However, they had sent copies of the FmHA handbook, "Rural Credit for American Indians," and

the fact sheet, "FmHA Credit for American Indians," to all of the tribes within their States. They have also discussed FmHA housing loans at meetings with tribal officials. In addition, a part-time suboffice was established on one reservation in Washington State to provide Indian families with easier access to FmHA loans. This office operated for one-half day every other week with limited results. For fiscal years 1974 through 1976, only two applications were received and only one loan was approved on that reservation. In Arizona, two of the regular county offices are located on Indian reservations and had made 31 loans to Indians during fiscal years 1974 through 1976.

The FmHA State Office Indian Coordinator for Arizona said that he spends a limited amount of time promoting housing loans to Indians because of (1) his other duties which included business and industrial loans, (2) the time and distances involved in getting to the reservations, and (3) a shortage of travel funds.

The FmHA Indian Coordinator for Washington State said that he has proposed to tribal officials that a tribal employee be designated for training by FmHA as a loan packager, but he has not been successful in this effort. A packager is a person or organization that assists applicants, without charge, in submitting loan applications to FmHA, and thereby helps to reduce the workload on the county office staffs. In this regard, we found that the BIA Housing Development Officer at the Gila River Reservation in Arizona was packaging FmHA loans for eligible applicants on that reservation. As of April 1977, there were 38 active section 502 loans at Gila River and another 29 section 502 and 2 section 504 loan applications being processed. The Housing Development Officer felt that he had been successful in helping reservation families obtain FmHA loans that might not have been obtained otherwise because his packaging significantly reduces the workload on the understaffed FmHA county office.

The Assistant to the Administrator of FmHA with coordination responsibility for the outreach effort told us that it is not a formal program. He stated that there is a lack of communication between FmHA and Indians and that they have tried to solve this problem by distributing handbooks and fact sheets and meeting with Indian groups and BIA officials. He believes that this effort has had some success, but that most Indian families will find the HUD and BIA programs better suited to their needs.

CHAPTER 3

INEFFECTIVE MANAGEMENT AND MAINTENANCE OF EXISTING HOUSING BY INDIAN HOUSING AUTHORITIES

Indian housing authorities are a critical element in the management and delivery system for HUD Indian housing programs. They provide an interface between HUD and the Indian tribes, homebuyers, and tenants.

As a general rule, we found that IHAs are ineffective in managing and maintaining housing units as required by HUD. This lack of effective management not only resulted in poor maintenance of existing units, but also in HUD refusing to approve the construction of additional units. Most of the units observed on the 12 reservations we visited needed repairs. Failure of IHAs and home buyers to make the necessary repairs in a timely manner has resulted in deterioration of many units which may affect the morale and, in some cases, the health and welfare of the occupants. BIA and IHA officials recognize that deteriorated housing can cause Indian families to lose a sense of pride in their respective units. This contributes to the IHAs' inability to collect the rents and home buyer payments necessary to provide adequate maintenance.

Basic problems noted at the reservations visited and discussed in this chapter are:

- IHAs' failure to collect rents and home buyer payments results in a loss of revenue which jeopardizes the IHAs' ability to meet normal operating expenses and provide adequate maintenance. We found that 228 of 301 units observed on 12 reservations were in need of repair. In addition, HUD has refused to approve new housing units for many IHAs because of their inability to collect rents and home buyer payments.
- Operating subsidies are not provided to many IHAs and in those cases where they are provided they are often inadequate to meet the needs.
- IHAs are unable to hire and retain an adequate and properly trained staff. As a result, they are unable to meet HUD's housing management requirements, such as maintaining accounting records, properly handling funds, and preparing and submitting timely reports.

--Lack of home buyer training contributes to maintenance problems because home buyers do not understand their obligations to provide maintenance and are not accustomed to budgeting their limited incomes for house payments and utilities.

Under HUD regulations, a project application will not be approved unless HUD determines that the IHA has, or will achieve within a reasonable time, the capability to adequately administer all of its projects in compliance with HUD requirements. This is to be done without an unreasonable need for continuing HUD assistance. As a minimum, the IHA must have the ability to assure (1) prompt completion of project development, (2) maintenance of complete and accurate accounting records, (3) proper handling of funds, (4) timely preparation and submission of reports, (5) maintenance of the property, (6) occupancy of the housing units, (7) determination of rents and home buyer payments, (8) prompt collection of rents and home buyer payments, (9) prompt processing of evictions in cases of non-payment or other serious breach of a lease or home buyer agreement, and (10) adequate staffing with qualified personnel.

If HUD cannot approve an application because a housing authority lacks adequate administrative capability, HUD is to assist the housing authority to the extent funds and staff are available. In these cases the application will be approved after adequate administrative capability has been achieved, or the housing authority adopts and implements a plan, acceptable to HUD, to achieve the capability within a reasonable time.

FAILURE TO COLLECT RENTS AND HOME BUYER PAYMENTS

Many IHAs experience significant difficulties in collecting rents and home buyer payments, and enforcing eviction policies.

Rents and home buyer payments are IHAs' primary source of revenue to pay for operating expenses and maintain services. HUD operating subsidies are made available in some cases to cover the gap between approved operating expenses and the amounts chargeable to tenants and home buyers. However, the operating subsidies cannot be used to cover cash deficiencies attributable to noncollection of rents and home buyer payments.

The failure of IHAs to promptly collect rents and home buyer payments has not only delayed housing production on some reservations, but has also jeopardized IHAs' financial capability to meet day-to-day management expenses and provide services required to effectively manage housing projects.

All 12 IHAs included in our review were experiencing problems with high accounts receivable delinquencies. The following table shows the latest available balance obtained for each IHA.

<u>IHA</u>	<u>Date of last available balance</u>	<u>Number of units managed</u>	<u>Accounts receivable balances</u>
All Indian Pueblo	Feb. 1977	990	\$ 71,822
Crow	Feb. 1977	227	157,672
Gila River	Feb. 1977	217	28,369
Makah	March 1977	35	22,321
Papago	Feb. 1977	257	96,985
Rocky Boy	Feb. 1977	219	119,356
Swinomish	May 1977	35	8,849
Uintah-Ouray	March 1977	197	16,464
Warm Springs	Feb. 1977	50	11,094
White Mountain Apache	Feb. 1977	450	46,595
Wind River	March 1977	163	6,121
Yakima	March 1977	193	12,524

A recent report of the American Indian Policy Review Commission^{1/} states that spiraling rental delinquencies are an "ominous cloud forming on the horizon of Indian housing." The report stated that because of delinquent rent payments and inadequate subsidies from HUD, IHAs lack the funds needed to meet their management and maintenance obligations. The report further stated that the impending insolvency of IHAs will seriously affect the delivery of Indian housing.

^{1/}A commission established by Public Law 93-580, passed January 2, 1975, consists of 11 members--3 U.S. Senators, 3 U.S. Representatives, and 5 Indians. Its purpose was to review the Indians' unique relationship with the Federal Government and determine necessary revisions in the policies and programs that affect Indians.

HUD, BIA, and IHA officials give the following reasons for the high delinquencies:

- Most Indian families live in poverty and cannot afford the payments.
- Indian families have not received the educational opportunities which would give them the ability to manage their incomes.
- Due to their cultural background, mortgage and rental payments are not a natural way of life for Indian families.
- IHA staffs do not have the experience required for housing management, including an awareness of the need to promptly collect rent and home buyer payments.
- Tribal leaders and courts are reluctant to enforce collection and eviction policies because there is no place for evicted people to be housed; or, the delinquent occupants could be friends, relatives, or in some cases tribal leaders or court officials themselves.
- Indian families do not make payments because of numerous construction deficiencies in their units, such as structural cracks in walls and foundations and collapsed ceilings.
- Indian families do not make payments because the IHA failed to maintain tenants' accounts, and the tenants' financial liabilities were not known.

Failure to collect rents has delayed the production of additional units and resulted in an inability to properly maintain existing units as discussed below.

High rental delinquencies delay
production of new units

A 1976 HUD audit report on the Crow IHA stated that the IHA was in noncompliance with almost every major HUD requirement regarding tenant/participant occupancy. In particular, the report cited the failure to collect rents and home buyer payments. It stated that as of June 30, 1976, the outstanding balances exceeded \$122,000. As a result, revenues had been insufficient to cover essential expenses, and the financial and operational

stability of the IHA projects was in jeopardy. The situation deteriorated further by February 1977 when the balance rose to \$157,672. This problem contributed to the HUD Denver Regional Office's decision to deny more housing units to the Crow IHA for fiscal year 1977.

Similar problems caused the HUD Denver Regional Office to deny allocation of units for fiscal year 1977 to two other IHAs--Fort Berthold and Rocky Boy.

HUD's Seattle region denied an allocation of HUD housing units to the Swinomish IHA for 2 1/2 years while HUD attempted to have the IHA reduce its rental and home buyer delinquencies. In May 1974, after 35 units had been completed, HUD informed IHA and tribal officials that the IHA's housing program was virtually unmanaged. As examples, HUD cited the fact that only 1 of the 33 residents required to make payments had paid up. HUD pointed out that the residents were a total of \$7,169 behind in their rents and home buyer payments, and that while the average payment required was only about \$35, the families were an average of 7 payments behind. HUD required that the IHA take steps to improve its collection of delinquent rents and payments. An August 1974 audit report by the Office of Audit and Investigation, Department of the Interior, also pointed out several management problems and stated that tenant accounts receivable had increased from \$1,375 in October 1971 to \$8,081 in July 1974.

In June 1974 representatives of the HUD Seattle Area Office and the Swinomish IHA met to discuss the authority's plans to apply for 25 more units. At this meeting HUD again informed the IHA of the need for program improvements. In December 1974 HUD informed the IHA that to qualify for more units, the delinquent accounts would have to be reduced to \$500 by May 1, 1975. The IHA responded that HUD's expectations were unreasonable and could not be met, and that HUD was making rent and payments collection a higher priority than adequate housing provisions for low-income families. HUD responded that they give both issues equal priority, but that a credible, business-like, management policy is essential to successful housing solutions. The IHA chairman told HUD that the average gross family income on the reservation was \$2,500. He said that large families and inefficient fiscal management made it impossible to enforce the sort of systematic management desired by HUD.

In October 1975 the Swinomish IHA applied again to the HUD Seattle Area Office for an additional 50 units, even though delinquent accounts had only been reduced to \$7,315.

HUD informed the IHA that even though there were no unallocated units available at that time, it would not accept an application from the IHA until the delinquent accounts were reduced to an acceptable level. The IHA chairman replied that the delinquencies were partly due to the poverty on his reservation where he estimated that unemployment ranged from 35 to 50 percent of the work force.

Again in May 1976 the Swinomish IHA applied for 50 units. This application was not accepted because HUD's Seattle region still had no housing units to allocate. A HUD analysis of monthly home buyer and rental payments showed that payment delinquencies had risen to \$9,300 by August 1976.

In January 1977 units became available and HUD allocated 27 units to the Swinomish IHA. The accounts receivable balance was \$8,849 in May 1977.

In HUD's San Francisco Region, the construction of 350 housing units for 8 tribes included under the All Indian Pueblo IHA were delayed because of high delinquencies. In a December 17, 1975, letter, HUD expressed concern over the high level of receivables at the All Indian Pueblo IHA and stated that approval of additional units was contingent upon evidence of performance to correct management deficiencies. After about a 1-year delay, HUD allowed the processing of these projects to resume, not because the delinquencies had been reduced, but because the tribes and the IHA showed an initiative to collect current charges.

The HUD San Francisco Region has also postponed further processing of two projects totaling 66 units for the Papago IHA. HUD cited as reasons management deficiencies and the financial condition of the IHA resulting from the high payment delinquencies.

Failure to collect rents and home buyer payments results in poor maintenance

The failure of IHAs to promptly collect rents and home buyer payments results in their not having sufficient revenues to pay for normal operating expenses and maintenance services for HUD projects. This situation has adversely affected IHAs' ability to perform normal maintenance required for HUD rental units and also for homeownership units where homeowners have not met their own maintenance responsibilities.

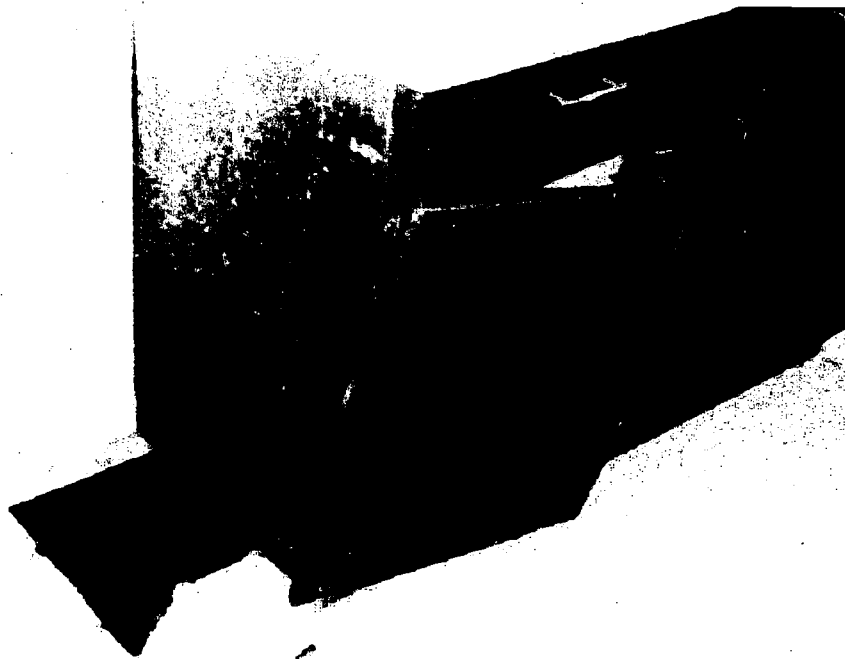
In addition to normal maintenance needs, IHAs are burdened by a large number of "built in" maintenance problems resulting from faulty design and poor construction of units.

Under the ACC executed for each HUD low-income housing project, the IHA assumes the legal obligation for overall project maintenance. This applies to both rental and home-ownership housing. In rental projects the IHA is generally responsible for all routine and nonroutine maintenance. For homeownership units the homebuyer is obligated to perform routine maintenance. However, the IHA is responsible to HUD to perform that work necessary to protect the physical condition of the property if tenants and home buyers do not meet their obligations.

The majority of all HUD units observed on the 12 reservations we visited required some type of repair. The following table summarizes our findings.

<u>Reservation</u>	<u>Number of units managed</u>	<u>Number of units observed</u>	<u>Number of units requiring repair</u>
All Indian Pueblo	990	14	7
Crow	227	28	27
Gila River	217	25	21
Makah	35	9	9
Papago	257	25	20
Rocky Boy	219	10	8
Swinomish	35	18	17
Uintah-Ouray	197	25	20
Warm Springs	50	50	50
White Mountain Apache	450	24	21
Wind River	163	35	19
Yakima	<u>193</u>	<u>38</u>	<u>9</u>
Total	<u>3,033</u>	<u>301</u>	<u>228</u>

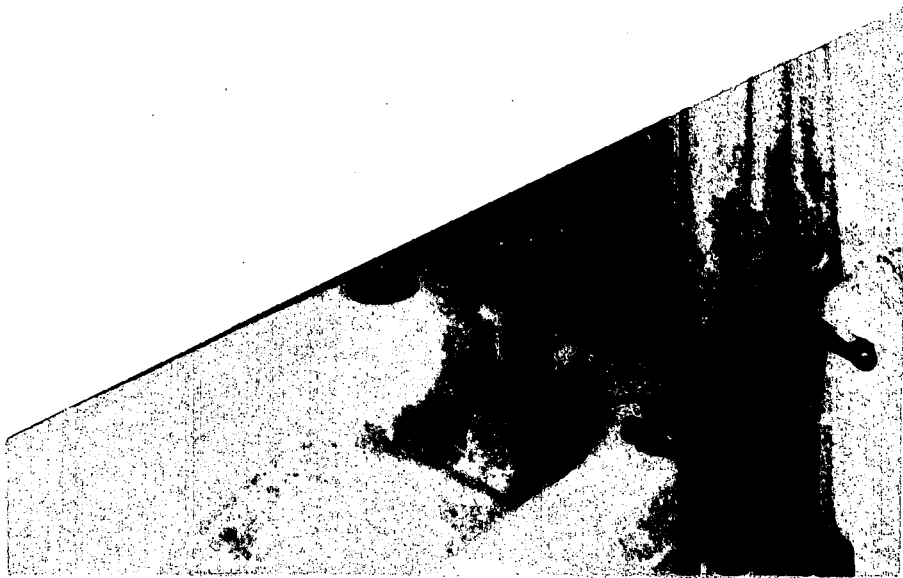
We found few units which had been physically abused, although we did find some older units showing signs of continued neglect and which required immediate attention to prevent structural damage. For the most part, the units required maintenance associated with normal wear and tear. The following pictures illustrate some of the general maintenance conditions found.



**BROKEN KITCHEN CABINET DOOR AND FLOOR TILES
IN HUD HOMEOWNERSHIP HOUSE AT CROW
RESERVATION, MONTANA.**



**BROKEN WINDOWS IN HUD HOMEOWNERSHIP HOUSE AT GILA RIVER
RESERVATION, ARIZONA**



**BATHTUB SEALS AND PIPES LEAK AND RESULT IN
WATER LEAKING THROUGH FLOOR INTO THE
BASEMENT OF THIS HUD HOMEOWNERSHIP HOUSE AT
THE CROW RESERVATION.**

Most HUD units need maintenance and repair because IHAs do not have the financial capability to keep current with the problems.

For example, Swinomish IHA officials explained that they lack the funds needed to implement a sound preventive maintenance program for their rental units. Currently, the IHA is only able to make repairs requiring immediate attention, such as replacing broken windows and fixing furnaces.

In 1976 the Swinomish Indian Reservation employed a private consulting firm to survey housing conditions at the reservation. Of the 35 HUD units, 33 were inspected. One unit had experienced a fire, and repair work was to be funded with fire insurance proceeds. The estimated cost to make repairs necessary for the remaining 32 units was about \$64,600--\$12,200 for rental units and \$52,400 for the homeownership units. The most common problems noted for both rental and homeownership units were (1) patching and painting interior walls, (2) caulking around bathroom fixtures, (3) fixing closet doors, (4) weather stripping and/or installing storm windows, and (5) painting exteriors.

IHA officials explained that they lack the funds to take care of the problems--both those in the rental units which are the IHA's responsibility and those in the homeownership units, where the homeowners do not have sufficient income to do the necessary work.

At all four IHAs we visited in HUD's Denver region, units required maintenance for such items as broken windows and screens; holes in walls; broken screen doors, kitchen cabinets, and garage doors; paint; and leaking sinks. Many of the items could be repaired easily or could have been avoided through a normal preventive maintenance program.

The low incomes of Indian families have also contributed to the lack of maintenance in homeownership units which places an additional financial burden on IHAs. According to the executive directors of the Gila River and White Mountain Apache IHAs, the occupants of older (prior to 1970) homeownership units could not afford to maintain their units. In the case of Gila River, the IHA purchased paint for the occupants, but the White Mountain Apache IHA was not financially able to assist the homeowners.

In addition to financial problems faced by IHAs in performing normal maintenance of HUD units, we found that design and construction deficiencies will result in costly repairs in the future. According to BIA and IHA

officials, these problems are sometimes the reason why homeowners feel no pride of ownership and do not maintain their units. Not only do these deficiencies mean a potential financial burden on IHAs but, in some cases, may represent unsafe and unhealthy units.

The following examples illustrate the types of problems found in HUD's Denver region.

--Numerous construction problems have occurred at the Crow and Rocky Boy Reservations which may result in costly repairs in the future. Poorly constructed projects resulted from inadequate testing of soils, insufficient inspection, and poor monitoring by HUD. For example, at the Crow Reservation, houses have cracks in the foundations and support beams, roofs leak, and doors are either so tight they will not open or are so loose they must be nailed shut and sealed in the winter to avoid heat loss. Similar conditions were found on the Rocky Boy Reservation.





**CRACKED FOUNDATION ON HUD HOME-
OWNERSHIP HOUSE AT CROW RESERVATION.**

Homes have cracked foundations, uneven floors, inadequate insulation, and faulty wiring. The problems with doors and cracked foundations are illustrated in the two preceding pictures.

In order to correct the problems at the Crow Reservation, a HUD inspector had visited every home to determine what needed to be corrected and how much it would cost. HUD is not yet sure how the funds will be obtained to correct the problems.

--The health and welfare of some occupants may be adversely affected because of an inadequate water supply. This occurred as a result of unsatisfactory testing of water sources, reluctance of homeowners to select another site after tests were negative, or faulty construction. For example, at the Crow Reservation, even with a water softener, the iron in the water made the bathtubs turn dark red. Consequently, one owner had to travel about 20 miles to obtain water. An unsealed well at the Crow Reservation made the water susceptible to contamination. At the

Rocky Boy Reservation, four families were required to haul their water because natural gas leaked into the well. Three or four homes at the Uintah-Ouray Reservation had no water supply because of dry wells. One of these owners had been hauling his water for the past 5 months.

HUD San Francisco region officials estimated that about \$3 million is needed to correct design and construction deficiencies in approximately 2,000 HUD units in that region. This does not include funds needed to correct normal maintenance problems on these same units. The following examples illustrate some of the design and construction problems.

- At the All Indian Pueblo IHA, structural cracks have occurred in at least 400 units. This was caused because soils were not tested for stability and now the houses are settling. Two of the units have been vacated because they were determined to be unsafe for occupancy.
- At the Papago IHA, structural beams are twisting away from the ceilings because of poor construction practices. Also, cement masonry blocks are shifting because they were not reinforced. The following picture illustrates this problem.



MASONRY BLOCKS SHIFTING BECAUSE THEY WERE NOT REINFORCED ON HUD HOMEOWNERSHIP HOUSE AT THE PAPAGO RESERVATION, ARIZONA.

At the Yakima Indian Reservation, BIA and IHA officials stated that incomplete and improper construction is the primary reason why some occupants do not maintain their units. The maintenance condition of most HUD homeownership projects at Yakima could be considered good, with one exception--the 10 homeownership units constructed in 1968. The units were never completed as planned and several items were either omitted or installed improperly. For example, vents and attic louvers were omitted, some siding was improperly installed, exterior and interior window trim was not completed, closet doors and hardware were either not installed or installed improperly, plumbing was not completed to code, and electrical work was either not completed or was completed improperly.

The IHA made several unsuccessful attempts between 1972 and 1976 to obtain necessary funding from HUD to finish the project. Although this project was used as an example of uncompleted projects in our 1971 Indian housing report, as of June 1977, the project had still not been completed.

OPERATING SUBSIDIES ARE INADEQUATE
TO MEET IHA DEFICITS

HUD operating subsidies are made available in some cases to cover the gap between approved operating expenses and rental and home buyer payment revenues. However, the subsidies are determined by a method which does not adequately consider the special needs of IHAs. In some cases IHAs needing financial assistance cannot qualify for a subsidy because of inefficient management. In other cases IHAs receive subsidies which are considered inadequate by HUD and IHA officials.

Under certain conditions HUD can provide annual operating subsidies to housing authorities. For homeownership projects, IHAs may receive operating subsidies equal to the budgeted operating deficit; i.e., the amount by which approved operating expenses exceed estimated operating receipts of the project.

For rental projects IHAs are eligible for operating subsidies under the Performance Funding System (PFS) method of determination. Under PFS, each IHA's operating subsidy is calculated by a formula which is based on the operating costs experienced by comparable high performance public housing authorities. HUD's Indian Housing Handbook points out that:

"In other words, low performance IHA's will receive no more operating subsidy than would be required for a high performing public housing authority of comparable size, location, and characteristics."

The above methods of determining operating subsidy amounts--the HUD approved operating budget deficit for home buyer units and PFS for rental units--were developed to encourage efficient operation of housing authorities. A HUD-sponsored study by the Urban Institute to develop PFS found that high performing public housing authorities cost less to manage than low performing ones. One of the factors used in determining the level of performance was rent delinquencies. Because many IHAs would be considered low performers on the basis of their high percentage of rent and home buyer payment delinquencies, the present concept of determining subsidies tends to penalize those IHAs most in need of the subsidies.

There is a significant difference between accounts receivable delinquencies of IHAs and non-Indian housing authorities. For example, in August 1976 the HUD Seattle Area Office analyzed monthly home buyer and rental payments for IHAs and other housing authorities in Washington State and found that the percentage of delinquent accounts for the IHAs ranged from 50 to 100 percent. In contrast, the delinquencies for the non-Indian housing authorities were generally much less. Six reported no delinquencies, 10 reported between 1 and 3 percent delinquencies, and only 5 reported larger amounts, ranging from 4 to 49 percent. According to a HUD Seattle Area Office official, IHA delinquencies have generally increased while those of non-Indian housing authorities have remained constant since the analysis was made.

Although HUD's Denver and San Francisco Regional Offices had not made such analyses, officials of those offices agreed that IHAs experience significantly higher delinquencies than non-IHAs.

In HUD's Seattle region, only 3 of the 18 IHAs located in Washington and Oregon were receiving operating subsidies. The Yakima IHA in Washington and the Umatilla and Warm Springs IHAs in Oregon were receiving operating subsidies for their rental units under PFS.

The executive directors of the Yakima and Warm Springs IHAs stated that while the operating subsidies help the IHAs in meeting obligations, the subsidy is not enough to effectively manage their units.

Swinomish IHA officials told us that they had never received an operating subsidy from HUD. They pointed out that currently the IHA needs additional funds but HUD will not give them a subsidy. According to these officials, HUD states that the IHA management is inefficient and uses the high accounts receivable balances as the basic reason for denying the subsidy.

HUD headquarters officials advised us that housing authorities are eligible for operating subsidies if their annual operating budget shows expenses to exceed revenues. They further advised us, however, that the agency's field offices have the prerogative to withhold operating subsidies from an authority if it is felt that the authority has been neglectful in its management and spending practices.

According to officials of HUD's Portland and Seattle Area Offices, the basic principle of PFS--rewarding efficiency and penalizing inefficiency--is equitable. They acknowledged that several IHAs need financial assistance but that this need is caused by poor collection practices. They stated that each IHA's ability to collect rents and home buyer payments is a test of that IHA's efficiency, and only the more efficient IHAs are receiving a subsidy under PFS.

In HUD's Denver region, 20 of the 24 IHAs were receiving operating subsidies under PFS. However, according to HUD officials, the subsidies are inadequate for most IHAs. A HUD official explained that PFS does not take into account the size of the reservation, the dispersal of the units, or the hard wear and tear placed on the units.

In commenting on this report, HUD pointed out that, in homeownership projects, costs for utilities and maintenance are the home buyers' obligations and that such costs should not be used to compute the operating deficit and subsidy. HUD also noted that, for both homeownership and rental projects, operating subsidies were not to cover a loss of revenues resulting from monthly payment delinquencies. Only when the delinquencies reached the point at which they were written off as uncollectible did such losses become part of the operating deficit.

LACK OF ADEQUATE STAFF AND TRAINING

Inadequate and poorly trained staff also contribute to difficulties IHAs have in effectively managing housing projects. IHAs have not been able to hire and retain qualified personnel, and training opportunities have been

limited or where provided have not been effective. As a result, IHAs fail to meet many of HUD's housing management requirements, such as (1) promptly collecting rents and home buyer payments, (2) maintaining complete and accurate accounting records, (3) properly handling funds, (4) preparing and submitting timely reports, (5) maintaining HUD units, and (6) determining rents and home buyer payments in a timely manner.

The HUD Indian Housing Handbook emphasizes that only through the long-term retention of qualified, trained, and experienced staff can an IHA obtain the professional level of management needed to meet HUD's management requirements. The handbook notes that frequent turnover of staff had created severe management problems for some housing authorities and this would be considered by HUD in assessing IHA management performance. While HUD states that IHAs should have qualified, trained, and experienced staff, it has not defined or established guidelines as to what staffing patterns IHAs should have, and what qualifications and experience levels should be obtained in hiring staff.

Recognizing the special conditions--newness of housing programs, difficulty in obtaining well-qualified staff, and limited resources--faced by IHAs, HUD's Indian Housing Handbook emphasizes the need to provide thorough housing management training to IHA staffs. HUD regional and area office officials are responsible for monitoring training needs, determining types of training needed, scheduling periodic conferences, and apprising IHAs of training opportunities available.

Training provided IHA staffs, however, has been very limited. To date, HUD's efforts have generally taken the form of HUD regional and/or area office personnel giving advice and assistance to individual IHA staffs for specific problems. On occasion, HUD regional or area offices have held meetings or workshops to discuss various aspects of housing authority management.

Many IHAs have experienced high turnover and lack of previous management experience with executive directors. For example, the Makah IHA has had 6 executive directors in the last 4 years. There have been 6 executive directors at both the Papago and White Mountain Apache IHAs since 1972. Only 2 of the 12 IHAs included in our review have not experienced high turnover. The executive directors at the Uintah-Ouray and Yakima IHAs have been there for about 7 years. Furthermore, only two of the IHAs included

in our review--Gila River and All Indian Pueblo--have executive directors who came to that position with previous housing management experience.

The lack of education and work experience of staffs has contributed to the problems IHAs have in not meeting HUD management requirements. For example, at the Papago IHA, HUD determined that the IHA staff was not capable of performing housing management functions, citing the staff's lack of basic mathematical skills as one of the problems.

The use of part-time staffs can also hamper IHA effectiveness. For example, the Swinomish IHA, according to the chairman of the housing council, is unable to prepare and submit HUD required financial reports in a timely manner, perform HUD required tenant/occupant income reexaminations, enforce prompt rental and home buyer payments, and adequately maintain HUD units because the entire IHA staff is part-time.

At the four reservations we visited in HUD's Denver region, HUD-required financial and management forms and reports were rarely prepared and sent to HUD; accounting records were neither current nor complete; required income recertifications were rarely prepared; and rents and home buyer payments were not being collected promptly. The 1976 HUD audit report of the Crow IHA stated that no opinion could be expressed on the IHA's financial condition or the results of its operation for the 99-month period from June 30, 1967, to September 30, 1975, because of numerous management deficiencies, including those listed above. The audit report stated that the IHA lacked staff, personnel expertise, and training to assure an effective operation. The report stated further that HUD should provide onsite assistance and extensive training for operation of the authority until a viable organization and staff had been established with demonstrated capability to administer all aspects of the housing program. Our review disclosed that although some effort has been made by HUD to provide more monitoring and training, many of the situations noted by the HUD audit have remained the same or, in some cases, grown worse.

The Makah IHA in HUD's Seattle region developed 35 units of HUD homeownership housing in 1973. In addition, the housing authority and HUD had signed an ACC for an additional 45 units. The Makah IHA has had management problems with the original 35-unit project and was informed by the HUD Seattle Area Office on June 30, 1975, that failure to effectively address the problems could lead to

suspending the processing of the additional 45-unit project. The problems listed by HUD included such things as (1) delinquent home buyer payments of \$13,920, (2) failure to reexamine home buyers' incomes annually and keep adequate records of payment reductions, (3) a lack of formally adopted policies for personnel, procurement, and disposition of property, (4) actual expenses exceeding the budgeted amounts, (5) unresolved construction deficiencies, and (6) a need for training in all aspects of the HUD program. In regard to training, the June 30, 1975, HUD letter to the housing authority informed them that the Seattle Area Office would be conducting management workshops in fiscal year 1976 and encouraged the Makah Housing Authority to participate. The executive director of the housing authority wrote to HUD in July 1975, informing it that she had no training or experience concerning the policies and requirements of HUD and that the housing authority realized it had serious management deficiencies. She also stated that she was looking forward to the training which was badly needed if the housing authority was to conform its management and collection policies and procedures to HUD's requirements. In July 1976 the executive director told us that she had not received any management training from HUD up to that time, although she had requested it. She subsequently attended HUD workshops in March and April 1977. These were the first workshops provided since fiscal year 1974.

HUD has recently begun a program to provide training to IHAs, entitled Management Initiatives for Indian Housing. The HUD handbook for this program was sent to the HUD regions in August 1976. According to the HUD handbook, the program is to be a special short-term (2 years) catch-up effort for IHAs to improve their administrative capabilities to the point where they are substantially better equipped to carry out the operations and administration of their housing programs at a level acceptable to HUD. It apparently anticipates that one of the long-range benefits will be a reduction in the rapid turnover rate of IHA staff. The program is to provide training and technical assistance in financial management, accounting, rental and occupancy functions, personnel management, utilities, supply management, modernization, resident-management relations, and housing development.

At the end of June 1977, 10 of the 12 IHAs included in our review had agreed to participate in the program. Three of the 10 (Crow, Uintah-Ouray, and Makah) had actually started training by the end of June 1977, and the remaining 7 were scheduled to start shortly.

LACK OF HOME BUYER TRAINING

Another area closely related to the funding, staffing, and training needs of the IHAs is the need for training home buyers of homeownership units. Indian home buyers often lack skills in home maintenance and housekeeping and sometimes do not understand their obligations to provide maintenance and are not accustomed to budgeting their limited incomes for house payments, maintenance, and utilities. As a result, maintenance is often not done and the units quickly deteriorate.

We found that limited and only partially effective home buyer training opportunities have been provided in the past by the IHAs included in our review.

HUD Seattle region

Two of the four IHAs had provided training to homeowners of HUD units. The Yakima IHA has provided mandatory training to both homeowners and renters since 1972. This has been a joint effort between the Yakima County Cooperative Extension Service, the BIA housing branch, and the IHA. The training consists of three sessions covering responsibilities of homeowners and renters, including the financial obligations, family budgeting, credit, and consumer information; home care and maintenance; lawns and landscaping; and services available to occupants. At the Makah Reservation, the training consisted of IHA officials visiting with each homeowner and holding a general tenant meeting. The primary purpose of the visits and meeting was to discuss how the HUD program works and the responsibilities of the homeowners to make prompt payments and maintain the units. The two IHAs not providing training have been unable to do so because of a lack of funds and personnel.

HUD San Francisco region

All four IHAs had provided limited training. For example, the White Mountain Apache and Gila River IHAs had each provided only one training class to date. In one case the class was poorly attended, and in the other the

class was directed to one group which excluded homeowners of an older project for which training had not been provided. At the All Indian Pueblo IHA, home buyer training sessions emphasized maintenance of plumbing and heating systems. However, homeowner attendance was poor. For the Papago IHA, there was neither a record of the number of sessions held nor home buyer attendance at them, although we were advised that some training had been given.

HUD Denver region

Training funds had been provided to three of the four IHAs, but only two of them--Rocky Boy and Wind River--had actually provided training. The Rocky Boy IHA has provided training in three stages--home safety, minor repair techniques, and fuel saving methods. The Wind River training consisted of visiting each home about four times and distributing pamphlets on home care. The Crow IHA also received training funds, but the training coordinator's efforts were limited to infrequent visits coupled with his maintenance responsibilities.

The following examples further illustrate problems resulting from the lack of homeownership training.

--According to Makah IHA officials, before the IHA's recent training effort, most of the tenants were unaware of how the low income housing program worked and their obligations to make prompt payments and maintain the units. As a result, payment delinquencies were high and the units received very little maintenance attention.

--At the Papago Reservation the lack of homeowner awareness of the importance of preventive maintenance has resulted in collapsed ceilings in many units. The homeowners were not aware of the need to clean the filter systems of the roof-mounted air conditioning units. As a result, the heavy salt content in the water corroded the units, causing them to leak and allowing water to enter the attics. This water caused the ceilings to collapse. The following photo illustrates this problem.



**COLLAPSING CEILING CAUSED BY WATER LEAKAGE FROM
CORRODED AIR COOLER ON HUD HOMEOWNERSHIP HOUSE
AT PAPAGO RESERVATION, ARIZONA.**

--For the Crow IHA, where home buyer training has not taken place, the executive director stated that the major cause of maintenance problems is that homeowners and tenants are neither aware of the need, nor trained on how, to make even simple home repairs. She stated further that if some training had been provided, the small problems would not have turned into major problems. For example, an explosion occurred in one home when the homeowner tried to fix a faulty valve on a furnace.

The HUD Indian housing regulations, issued March 9, 1976, require IHAs to provide counseling to home buyers to develop (1) a full understanding by home buyers of their responsibilities as participants in a homeownership project, (2) the ability to meet their responsibilities, and (3) a cooperative relationship with the other home buyers and the IHA. The training is to include counseling on the program and the

homeowner's contribution, the overall operation and maintenance of the home and its equipment, budgeting and money management, and information on resources and services available in the community to help the home buyer. The counseling program can be provided by IHA staffs or by contract with another organization, and HUD allows IHAs to include up to \$500 per dwelling in the project development cost to pay for it. One option available to IHAs is to use the HUD-approved BIA Homebuyer Training Program. In June 1976 BIA issued guidelines to assist IHAs in preparing home buyer training proposals to be submitted to BIA for its review and approval. When these programs are approved by BIA they will become the BIA Homebuyer Training Program. Under terms of an interdepartmental agreement, BIA is to monitor the program implementation and report its findings to HUD.

Some IHAs have begun home buyer training activities under this new program. For example:

- As of June 30, 1977, six of the nine IHAs from the States of Oregon, Washington, and Idaho, submitting HUD approved BIA Homebuyer Training Programs to BIA, had received approval. Three of the four IHAs included in our review were among those whose programs were approved. The Yakima IHA had not submitted a program because it preferred to continue with another home buyer training program it had started in 1972.
- At the Gila River IHA, an individual had been hired and had undergone training in preparation to implement the home buyer training program.
- The All Indian Pueblo IHA had received approval of its homeownership training proposal which covered the period July 1976 through June 1978 and the program had begun.

CHAPTER 4

ALTERNATIVE APPROACHES TO MEET INDIAN HOUSING NEEDS

The Indian housing need, failure of existing Federal programs to meet the need, and suggested alternative approaches have been widely discussed in recent years. Reports have been prepared by BIA, the staff of the Senate Committee on Interior and Insular Affairs, the American Indian Policy Review Commission, GAO, HUD, the Housing Assistance Council, the Rural Housing Alliance, the Center for Study of Responsive Law, and others. A National Indian Housing Conference was sponsored by HUD in November 1974, and several conferences have been sponsored by the National American Indian Housing Council. Hearings were held by the Senate Subcommittee on Indian Affairs in May 1975. A bill was introduced in the Senate on April 18, 1977, to provide improved housing and community development assistance to Indians.

The general consensus of the various sources examined tend to support our conclusion that existing Federal programs have not been successful in meeting Indian housing needs because they are underfunded, have not received enough emphasis, require too many complex and time-consuming procedures, lack flexibility, and require more trained people. Coordination problems among all entities involved in Indian housing was another problem pointed out by some of these sources.

The alternatives that have been proposed to meet the Indian housing need have generally included a wide range of options, such as (1) changing the existing programs administratively, (2) creating special programs for Indian housing using different criteria and standards than those used for other housing programs, and (3) consolidating all Indian housing programs into one Federal agency to provide increased program emphasis and coordination.

HUD, BIA, and FmHA officials, with major responsibilities for Indian housing programs, generally agree that the method of providing housing to Indian families should be simplified. They also agree that consolidating responsibility for Indian housing into a single agency would be beneficial.

The following discussion covers some of the alternative solutions presented in recent years.

BIA OPTION PAPER

In a July 1974 option paper prepared at the request of the Office of Management and Budget, the Chief of BIA's Division of Housing Assistance discussed the status of Indian housing, the existing programs, and the problems with those programs. Some of the problems mentioned were (1) coordination between HUD, BIA, and IHS, (2) the inability of FmHA programs to serve a large segment of Indian families, and (3) a difficult and time-consuming application and approval process for the HUD programs, many parts of which are urban oriented and relatively meaningless in Indian areas.

The primary recommendation made was to authorize BIA more funds to expand the HIP program and thus provide the necessary houses. It was estimated that this would require \$125 million a year for 7 to 10 years. Among its advantages were that (1) it would eliminate the cumbersome interdepartmental agreements between HUD, BIA, and IHS and put the responsibility in the agencies (BIA and IHS) which deal exclusively with Indian tribes and (2) HIP is the only housing program tailored to the unique needs of the Indian people.

A suggested alternative to this recommendation was that BIA be given legislative authority to use the funding mechanism now used by HUD. With such authority, BIA could provide all housing needs through a broad-based housing program serving different income levels, while minimizing the budgetary impact. However, the HUD funding mechanism has less impact on a particular fiscal year's budget because it is based on amortizing the cost of the housing over a 40-year period for rental units and a 25- to 30-year period for homeownership projects. BIA's HIP program provides grants which finance the entire cost of a home the year it is built.

STAFF REPORT FOR THE SENATE COMMITTEE ON INTERIOR AND INSULAR AFFAIRS

A February 1975 staff report on Indian housing, prepared at the request of the Chairman of the Senate Committee on Interior and Insular Affairs, pointed out significant shortcomings in the present method of delivering houses to Indian people on trust land and the kind of houses being delivered. Problems noted included (1) the lack of coordination between HUD, BIA,

and IHS in the construction of the housing, access roads, and sewer and water facilities, (2) the understaffed, underpaid, and inadequately trained IHA staffs being unable to cope effectively with the Federal agencies' requirements, (3) the adaptation of HUD's program, designed for an urban, high-density, mass construction situation, to build on trust lands in sparsely populated rural areas, (4) the possibility that Indian projects may receive a lower priority from HUD than non-Indian projects because they tend to be smaller and less organized, (5) the difficulty of obtaining private financing, such as bank loans, for housing on Indian lands because its trust status precludes obtaining mortgages, and (6) the lack of flexibility in Federal housing programs that prevents adapting the designs of the houses to better meet the wide range of regional and cultural differences among Indians.

The alternatives recommended in the staff report included:

--Making administrative changes in the current programs. This included establishing an "Indian desk" in HUD; improving coordination between HUD, BIA, and IHS; giving more responsibility and authority to tribal governments; and encouraging greater participation by FmHA and VA in the Indian housing effort.

--Making legislative and administrative changes in the current programs. In addition to the administrative changes listed above, this included legislation to permit waiving or adjusting the prototype cost, maximum and minimum rents, and Davis-Bacon wage rate requirements if they were needed to make the building of Indian housing more feasible. It also included amending the Indian Financing Act of 1974 (25 U.S.C. 1451) to provide for an extensive insurance or government guarantee program to help Indians get private home purchase loans from banks.

--Developing a comprehensive Indian Housing and Community Development Act. It was proposed that this legislation include the legislative and administrative changes discussed above. It could also include the consolidation of all Indian housing programs into a single existing agency or a new agency created solely for the purpose of providing Indian housing. The goal of such a reorganization would be to significantly increase program coordination and review. It was felt that such a comprehensive Indian housing act could also provide increased subsidies for the rental and homeownership programs and a grant program similar to HIP but with much greater funding.

NATIONAL TRIBAL CHAIRMEN'S
ASSOCIATION RESOLUTIONS

On May 5, 1976, the National Tribal Chairmen's Association (NTCA)^{1/} passed a resolution asking the Congress to enact comprehensive legislation to consolidate the delivery of Indian housing and community development services under the direction of a single department. They asked that the legislation include (1) community development block grant authority to support basic items such as water and sanitation facilities, roads, streets, and fire protection, (2) guarantee authority for conventional home loan financing, (3) loan authority for housing programs that provide relatively small subsidies, such as FmHA homeownership loans, (4) authority for housing programs that provide large subsidies, such as the existing HUD programs, and (5) authority to repair and renovate existing housing for the elderly, indigent, and isolated families needing assistance, similar to the BIA-HIP program.

This resolution and another that accompanied it stated that the three Federal departments that currently administer Indian housing programs are unable to effectively coordinate a sustained and efficient program. It was felt that a comprehensive Indian housing and community development program administered by one department would eliminate the fractionalization in present Indian housing programs.

On March 3, 1977, NTCA sent the above resolutions to the Secretary of HUD stating that the conditions that caused passage of the resolutions had not changed and that they were reaffirming the resolutions and making four recommendations to implement them.

--The Secretary should make a commitment to establish Indian housing as a priority within HUD.

--Policy making and program implementation should be consolidated within HUD.

^{1/}An association of chairmen of all Indian reservations and federally recognized Indian tribes. Its purposes are to (1) provide meaningful consultation between the Federal Government and the Indian, (2) assist in directing and administering Federal funds and programs which aid Indians, and (3) approve local and national Indian policies.

--The Indian Housing Handbook should be rewritten after consultation with other Federal agencies and Indian tribes.

--The Secretary should take the initiative to develop comprehensive Indian housing legislation.

The NTCA letter said that the Indian Housing Handbook had caused tremendous problems for both the HUD field staffs and IHAs, and that HUD's strict adherence to it had retarded the housing development program to the extent that it was not operable.

PROPOSED INDIAN HOUSING LEGISLATION

On April 18, 1977, Senator Mike Gravel from Alaska introduced the Indian and Alaska Native Housing and Community Development Act. The proposed act (S. 1287) states:

- There are substantial numbers of Indians and Alaska natives living in inadequate and substandard housing.
- The concentration of substandard housing among Indians and Alaska natives is higher than among any other people in the Nation.
- The lack of adequate housing has contributed to poor health conditions and other social and economic problems.
- Federal efforts undertaken thus far have not achieved the goal of providing adequate housing and community development for Indians and Alaska natives.
- Existing Federal programs and available resources could be marshalled to meet the housing and community development needs of Indians and Alaska natives within 6 years.
- Administrative problems are impeding efforts to implement these programs and meet the housing and community development needs of Indians and Alaska natives.

The proposed act calls for establishing in HUD an Office of Indian and Alaska Native Affairs headed by an Assistant Secretary. The stated purpose of the office would be to

consolidate responsibility for and to deliver Federal housing and community development programs affecting Indians. In doing this the office would administer the HUD programs and assure their delivery in coordination with the Departments of the Interior and Health, Education, and Welfare; and other Federal agencies that may affect Indian housing and community development programs.

The act would also require the Secretary to report to the Congress within 120 days of enactment the actions he has taken and will take, together with specific time-tables, to achieve the goal of providing decent, safe, and sanitary housing for all Indians and Alaska natives within the ensuing 6 years. The report is to include recommendations for legislative and administrative actions if it appears that the law, regulations, or administrative actions interpose obstacles to achieving the goal. Similar reports would be required annually along with estimates of the cost of planned actions and statistics on the condition of Indian housing. The Assistant Secretary would also be required to conduct a national Indian housing conference annually to include representatives of Federal, State, and local governments; and Indian groups, professional experts, and knowledgeable members of the general public. The purpose of the conferences would be to assess Indian housing conditions and develop recommendations for meeting the goal of the act.

On September 11, 1977, we were advised by a staff member of the Senate Subcommittee on Housing and Urban Affairs that action on S. 1287 had been indefinitely postponed. We were further advised that certain provisions of it had been incorporated in the Housing and Community Development Act of 1977 which was enacted on October 12, 1977.

AMERICAN INDIAN POLICY REVIEW COMMISSION REPORT

In May 1977 the American Indian Policy Review Commission (AIPRC) issued its report which included a section entitled "Housing: The Unmet Need." The report points out that the production of Indian housing must more than double to meet the need in a reasonable time, and that current production levels do not even meet the yearly increase in demand. It also points out that HUD has had difficulty in attaining its production goals because of specific problems which affect some Indian groups more than others and universal problems which affect all Indian people to the same degree.

Some of the specific problems mentioned in the report were as follows:

--Difficulties have been encountered in providing housing for Alaska natives because of severe weather conditions, a subsistence economy, a short construction season, remoteness of the area, and a lack of construction skills locally. It was pointed out that the HUD program is not flexible enough to meet Alaskan conditions even though minimum property standards were waived on a particular project.

--Many eastern tribes, small communities, and rancherias were excluded from HUD programs because they lack Federal recognition or trust land, or live in sparsely settled or remote locations.

--Southwestern tribes and pueblos find that HUD housing designs do not fit their traditional lifestyles.

--In some Great Plains reservations, appropriately located usable space is scarce.

The universal, or general, problems mentioned in the AIPRC report included:

--The lengthy development period for HUD projects.

--The unwieldy multiagency agreement among HUD, IHS, and BIA with no single agency in charge of the entire operation. Problems also occur in coordinating agency budgets.

--A lack of commitment and unity among HUD officials.

--The low budget of BIA's HIP program which prevents it from making a large impact.

--Legal problems which impede delivery. These included the inability to obtain private financing for housing on trust land because the property cannot be foreclosed and IHAs lack help by the tribal courts in the enforcement or interpretation of construction contracts and tenant agreements.

--A lack of agreement among agencies and tribal organizations as to the goal of a housing program. The agencies view it as providing shelter; whereas, the tribes view it as a means to promote economic development.

--Local political problems. Reversals in tribal elections have caused wholesale removal of IHA commissioners and staffs bringing the public housing programs to a standstill.

--Rent delinquencies. Because of delinquent rent payments and inadequate subsidies from HUD, IHAs get into financial difficulty.

The report states that to solve the above problems, a housing program must incorporate the following five characteristics.

1. Simplicity of implementation and operation. Lengthy development periods, complicated financial arrangements, and mass production techniques with scheduling problems must be eliminated to speed up the delivery of housing.

2. Coordinated cross-agency involvement. Coordination of the joint agency program by one agency would help to eliminate delays.

3. Promotion of tribal control. Federal agencies must delegate more decisionmaking power to local tribal authorities to promote self-determination and to ensure that housing attains its maximum economic impact. Tribes should be assisted in developing proposals for integrated grants under the Joint Funding Simplification Act.

4. Variety of programs. There must be a variety of programs with flexibility of standards and regulations to deal with climatic and cultural differences among Indian people.

5. Combination grant and loan approach. Indian housing must be financed by a combination approach. Grants must be provided for housing for the very poor. Loans must be provided for the construction of low-rent and middle-income houses. A combined approach is equitable and will also provide more funds than a system purely dependent on grants.

AIPRC recommendations included delegating to HUD the power to modify existing Federal property standards and prototype costs, the development of programs geared to different income levels, the provision of housing to Indians whether they live on or off the reservations, and the exemption of HUD housing notes from both Federal and State taxes.

CHAPTER 5

WHAT ARE THE NATIONAL GOALS FOR INDIAN HOUSING, AND HOW SHOULD THEY BE ACHIEVED?

The present goal of eliminating substandard housing on Indian reservations in the 1970s cannot be achieved under present programs and is no longer feasible. The Nation is further away from this goal today than it was in 1971 when we issued our earlier report.

The Federal agencies involved in providing housing to Indians--HUD, BIA, and FmHA--have a wide range of programs which would appear to address the housing needs of Indians at all income levels. However, none of these programs, for various reasons, has been effective in providing the number of units necessary to keep pace with the increasing need for decent, safe, and sanitary housing.

Although HUD provides the largest number of Indian houses, its delivery system is slow and cumbersome and does not particularly address Indian needs. This is true primarily because HUD's program requirements were designed for urban metropolitan areas and are not appropriate or effective when applied to Indian reservations in sparsely populated rural areas.

As a result, many planned projects were either delayed or reduced in scope by deleting a number of units. In other projects, housing units were poorly constructed or only partially completed thus placing an increased financial burden on IHAs and Indian families in terms of maintenance cost. The problems of constructing new units and effectively managing and maintaining existing units appears to stem from the fact that HUD's program requirements fail to adequately recognize that the situation on Indian reservations is different from that encountered in non-Indian urban areas.

BIA's HIP program is the best available source of new houses for many Indian families that are unable to obtain housing from the HUD program or other sources. These families either have such low incomes that any form of rental housing or loan financing is infeasible, or they belong to a tribe which is unable to form the required housing authority. Because the HIP program is not adequately funded to meet the needs, many families needing assistance will continue to live in substandard housing for an indefinite time.

The FmHA housing programs can provide a possible source of housing assistance for Indian families that may not be served by the HUD or BIA programs for a variety of reasons, such as relatively high incomes, the location of their homesites, long waiting lists for those programs, or the inability of their tribes to form housing authorities and qualify for HUD programs. In addition, the FmHA section 515 rental program provides a potential source of rental housing for IHAs and, when combined with HUD's section 8 rent supplements, has the potential to serve low-income Indian families. The implementation of the grant provisions of FmHA's section 504 repair program also offers another potential source of housing assistance for low-income families.

However, in practice, FmHA has made very few housing loans to Indian families. For example, in two of the States included in our review--Arizona and Washington--FmHA made only 145 loans to Indians on reservations during the 3-year period 1974 through 1976. The limited number of Indian loans appears to stem from a lack of emphasis, an ineffective outreach program, and an inadequate staff to carry out such a program. In addition, because the FmHA program is a loan program with terms somewhat similar to commercial banks, it is suitable only for those Indian families with relatively high incomes.

A major reason why existing Federal programs have been ineffective appears to be the lack of clearly defined goals and a coordinated strategy as to how to accomplish them.

We believe the time has come to reexamine the national policy for Indian housing and establish clearly defined and realistic goals for implementing that policy. To do so requires a good data base in terms of

- the total Indian population to be served,
- the geographic distribution of the population,
- the special climatic conditions that need to be recognized,
- the quality of existing housing,
- the various income levels and the percentage of the population in each level, and
- the various types and mix of programs necessary to meet the needs of each income level.

RECOMMENDATIONS TO THE CONGRESS

We recommend that the Congress redefine the national policy for Indian housing and establish a program with realistic goals and objectives for implementing that policy. We believe that, to be effective, an Indian housing program must be centrally administered and must be designed to recognize that Indian housing needs and problems on isolated, rural reservations are different than those encountered in urban non-Indian areas. Accordingly, in establishing a program for Indian housing, we recommend that the Congress

--consolidate Indian housing programs and the responsibility for Indian housing into a single agency and

--recognize that a wide range of housing assistance options such as loans, grants, and subsidies will be needed to serve the various income levels and cope with the unique conditions and special needs of Indians living on reservations.

RECOMMENDATIONS TO EXECUTIVE AGENCIES FOR IMPROVING PRESENT PROGRAMS

In our opinion, major changes are necessary to solve the problems experienced in meeting Indian housing needs. Pending the establishment of a new national policy on Indian housing and the implementation of any new or redirected programs, however, prompt action needs to be taken to improve the effectiveness and efficiency of existing programs. Accordingly, we recommend the following actions be taken.

Recommendations to the Secretary of HUD

We recommend that the Secretary of HUD:

--Assess HUD's goals for Indian housing in view of the increasing need and provide the funds necessary to meet these goals.

--Insure that prototype costs be established for each Indian area unless a special analysis is made showing that such costs are not needed. These costs should be reflective of the type of house needed and the costs of construction in each Indian area. They should be kept current through periodic update--the timing of which should be consistent with construction seasons.

- Develop procedures to insure that projects are completed as planned in terms of quality and completeness. If an amendment to the ACC is needed to see the project through, the need for and amount of the amendment should be based on the circumstances of the case and what is reasonable. The recent delegation of ACC amendment authority to the regions should help to improve this situation, particularly if the regions are given funding for this purpose in amounts closely approximating actual needs.
- Revise procedures to permit the lesser of the appraised value or cost of leaseholds to be fully considered as part of the total project development costs which are paid by HUD.
- Reassess the present structure by which HUD-produced housing on reservations is managed. Given the fact that the professional level of management of many IHAs is less than what is recognized as needed to meet HUD's housing management requirements and the fact that many of these requirements are not being met, HUD should either devise a plan for monitoring and maintaining closer control over IHAs, insuring that all requirements are met, or design a more simplified approach to the management of HUD-produced Indian housing. Present problems of inadequate and poorly trained staff and the lack of sufficient funds to operate (caused, in part, by the failure of IHAs to collect rents and home buyer payments and the frequent lack of or insufficient HUD-supplied operating subsidies) should be considered in the development of the chosen approach.
- Insure that IHAs are providing the home buyer training required by the Indian housing regulations issued in March 1976.

Recommendations to the Secretary
of the Interior

We recommend that the Secretary of the Interior:

- Determine the number of Indian families which can only be served by the HIP program and identify the location and type of assistance needed in terms of new construction or rehabilitation.

--Develop a formal plan for meeting that need and request from the Congress the necessary financial and other resources required to carry out the plan.

Recommendations to the Secretary
of Agriculture

We recommend that the Secretary of Agriculture direct the FmHA Administrator to place a greater emphasis on Indian housing, develop a more effective outreach program, and provide staff necessary to implement such a program.

AGENCY COMMENTS AND OUR EVALUATION

HUD, the Departments of the Interior, and Agriculture generally agreed with our findings and recommendations.

In commenting on our report, HUD stated that it asked the Secretaries of Agriculture and the Interior to jointly consider the issues raised in the report. A letter dated December 1, 1977, suggested that a working group from the three agencies be organized to formulate legislative and administrative proposals for the President. The letter acknowledged that past efforts to create a coherent Federal policy on Indian housing have failed because of parochial disputes. It expressed optimism that the three agencies could overcome such parochialism and create a national policy for Indian housing of which the Administration could be proud.

In response to our recommendation that the Congress consolidate Indian housing programs and the responsibility for Indian housing into a single agency, HUD recommended that this issue be analyzed jointly by the three agencies.

HUD also agreed with our recommendation that, in establishing an Indian housing program, the Congress should recognize that a wide range of housing assistance options will be needed. HUD stated that this is another issue they hope to study with the Departments of Agriculture and Interior.

HUD

HUD agreed with our recommendation that its goals for Indian housing should be assessed and that funds should be provided to meet these goals. It believes that the three-agency working group should help determine its goals.

HUD stated that our findings regarding the prototype cost system are generally valid. It believes that the problems with the system may be inherent in the prescribed method of developing prototype cost limits as a way of controlling the development costs of projects. For the following reasons, HUD may propose amendments to the United States Housing Act of 1937 to delete or modify the prototype cost provisions.

--The provisions do not allow for effective production of the number of dwelling units authorized by the Congress within the cost limits on which congressional funding authorizations are based. While congressional authorizations apply to the amount of contract and budget authority necessary to amortize the total development cost, statutory cost limits apply only to dwelling construction and equipment costs. Therefore, there is a substantial amount of total development cost to be amortized which is outside the control of the prototype cost limits.

--Cost elements included in the prototype costs are not effectively controlled. A number of practices have developed under which IHAs and HUD offices have underestimated dwelling construction and equipment costs or misallocated these costs by including them in the uncontrolled, nonprototype site development costs.

--The prototype cost system has built-in escalation tendencies. The system encourages initial underestimating of costs which results in unnecessary bidding and rebidding. The long delays before construction contracts are finally awarded add unnecessary costs.

--Prototype costs are seldom in accord with current costs. Problems result from the fact that the date of prototype cost issuance is not always coordinated with the construction season.

HUD is considering several measures which would improve the present prototype system and provide up-to-date costs more reflective of the type of house needed in a given area.

One such measure is the development of a prototype house based on local tribal needs and conditions. HUD would obtain up-to-date data from potential contractors and subcontractors on the total development cost to produce such a house, not just on the dwelling construction and equipment costs purportedly controlled by the present system. In this way, HUD would establish current and realistic costs for the appropriate prototype house for each area. Under this method HUD field offices would control the program by relating the number of dwelling units directly to the total development cost per unit, which is the same basis on which congressional authorizations are based. Other measures being considered include:

- Rescheduling prototype updating activities.
- Streamlining interim revisions to the prototype costs.
- Coordinating prototype updates with construction seasons.

In conjunction with our recommendation that the Secretary of HUD develop procedures to insure that projects are completed as planned and that ACC amendments be issued if the circumstances warrant, HUD is considering a number of measures designed to eliminate certain cost-contributing factors and to achieve faster production. Briefly they are as follows:

- A modified version of the turnkey method of construction would be used to place responsibility for project completion on private developers and construction lenders. Too many technical and financial responsibilities are presently placed upon IHAs. The fact that IHAs are often unable to discharge these responsibilities adequately has resulted in substantial cost overruns or inadequately completed projects.
- The turnkey method of construction has been criticized because it has resulted in poor quality. As a solution HUD proposed frequent inspection of the work to assure that the housing is built according to the approved plans and specifications.
- Contractors face uncertainties on Indian reservations which they do not face in other areas. They are often unable to enforce liens under tribal laws, and run into conflicts between IHAs

and tribal politics. These problems result in either nonparticipation by residential builders or increased bids to cover the extra risk. HUD stated that consideration should be given to assuring (administratively and/or legislatively) builders that their rights will be enforced.

--Other measures relate to inequities or problems caused by the (1) present procedure of giving preferential treatment to Indian-owned construction companies, (2) requirement that builders pay Davis-Bacon wage rates, (3) mutual help, sweat equity requirement of a contribution by the family in the form of labor, and (4) insufficiency of IHAs administrative expertise or capability to effectively oversee the construction process.

We believe that each of these measures should be considered and that, if adopted, may well help to minimize the need for ACC amendments. We continue to believe, however, that situations will develop in which ACC amendments are needed and warranted and that HUD should provide this assistance in these instances.

In our draft report we proposed that HUD establish procedures requiring that ACCs be executed after construction bids are received, rather than on the basis of earlier cost estimates. HUD did not agree with this proposal because then the IHA would not be in a position to assure bidders that it had the financial resources for entering into a contract. HUD attributed rising costs between the ACC execution date and the time construction bids were received to excessive delays and stated that these delays must be eliminated. As mentioned above, HUD is looking at a number of alternatives for doing this. We agree with HUD's position and believe that the various alternatives should be studied and that those offering improvements should be adopted.

HUD is considering our recommendation that the lesser of the appraised value or cost of leaseholds be fully included as part of the total project development costs which are paid by HUD. HUD said that the provision that the allowable cost for the leasehold on a site may not exceed two-thirds of the fee simple value has been a problem on only two projects and that it has not been a large impediment to Indian housing production.

HUD agreed with our findings and recommendation regarding the way in which HUD-produced housing on reservations is managed. It stated that there are apparently a substantial number of Indian families, tribal officials, and IHA commissioners and staff who do not fully accept the fact that rents and home buyer payments are essential. Because nothing serious happens to families when they do not pay, HUD believes that there is little chance that it will be able to change the historic and cultural aversion many Indians have to paying for a place to live.

HUD strongly believes that the costs and inadequacies of administration under the present system are unacceptable. It stated that an important element which has not been given the attention it deserves is that the entity which has ultimate authority for dealing with the problem is the tribal government. Accordingly, HUD is exploring ways to increase tribal responsibilities for the management, maintenance, and operation of completed HUD-produced houses.

In considering the use of PFS for the Indian rental program, HUD noted that rentals make up only 30 percent of the total housing program. Because of this, HUD feels PFS, as applied to the Indian program, needs to be examined.

HUD agreed that the implementation of required home buyer training by IHAs has been irregular and that there is a need for improvement. HUD stated that it is considering ways to improve this, such as requiring the contractor, as part of the construction contract, to provide the training.

HUD also said that the implementation of its MIFIH program had not been as widespread and consistent as needed, and that there was a problem with staff turnover.

HUD believes that the funding of ongoing training for occupants of houses and IHA staffs is a local responsibility to be handled in the same manner as other operating costs.

Department of the Interior

Interior stated that the Assistant Secretary for Indian Affairs directed housing officers to obtain data to ascertain the (1) scope of HIP responsibility and (2) type of assistance needed. When this data is analyzed and collated, it will be used to develop a plan for meeting

this need. Interior stated that once the extent of BIA's responsibility is known, the funding and other resources required to carry out the plan will be addressed.

The Department of the Interior also stated that BIA had a goal of substantially eliminating substandard housing on Indian reservations or in Indian areas. They hoped to achieve this goal by constructing about 7,000 to 8,000 units a year of which a minimum of 6,000 units were to be financed by HUD. Interior stated that these production levels have not been achieved, mainly because of HUD's inability to meet their production targets.

Interior suggested that substantially eliminating substandard Indian housing be a joint goal of all departments involved and that there be a coordinated strategy to accomplish it.

Interior further stated that our recommendation that HUD provide required home buyer training was worthwhile. It said that it had developed an extremely effective Resident Training and Counseling Program in which IHAs are allowed to participate. There is a problem in funding the program, however, and Interior believes that HUD must seek additional funds to provide ongoing training if the effort is to be meaningful.

Department of Agriculture

The FmHA Administrator stated that in an effort to place more emphasis on the FmHA Indian outreach program, FmHA will hold a 2-day workshop for State coordinators during February 1978. An objective of the workshop will be to train the coordinators in their responsibility of making all FmHA programs more accessible and available to Indians. The Administrator said that in States having reservations and/or large Indian populations, a State housing staff assistant will work with the State coordinator of Indian activities and other State FmHA employees in developing (1) training, and (2) procedures for packaging and using FmHA housing loan programs for Indians. The Administrator believed that FmHA's proposed actions will strengthen its Indian outreach efforts.



DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410

OFFICE OF THE SECRETARY

IN REPLY REFER TO:

DEC 28 1977

Mr. Henry Eschwege
Director
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Eschwege:

This is in response to your letter to Secretary Harris dated October 28, 1977 requesting this Department's views and comments on your proposed report to the Congress "Sub-standard Indian Housing Continues to Increase Despite Federal Efforts--The Need for a Change."

We noted in your letter that you have sent copies of the proposed report to the Secretary of Agriculture and the Secretary of the Interior for their review and comment. Secretary Harris, therefore, considered it appropriate to invite them to participate in joint consideration of the issues raised in your draft report by the establishment of a working group and the participation by organizations representing the beneficiaries of the program.

A copy of the letter from Secretary Harris to the Secretaries of Agriculture and Interior, dated December 1, 1977, is enclosed.

Our comments on your proposed report are enclosed.

Sincerely yours,

[See GAO note.]

Joseph Burstein
Joseph Burstein
Counselor to the Secretary

Enclosures

GAO note: Because of their volume, HUD's comments have not been included in the final report but have been considered where appropriate.

COPY

Dec. 1 1977

MEMORANDUM FOR: Bob Bergland
Secretary of Agriculture

Cecil Andrus
Secretary of Interior

SUBJECT: Indian Housing

Several weeks ago, I received from the General Accounting Office a draft report on the Federal Government's efforts in the Indian housing field. I believe this report affords our three Departments a unique opportunity to address the Indian housing issue.

For the past several months, my Counsellor, Joseph Burstein, has conducted an intensive review of HUD's efforts to provide housing for American Indians in the lower 48 states, as well as in Alaska. Mr. Burstein has just completed this review and, while I have not yet had an opportunity to review Mr. Burstein's report and recommendations in detail, it is clear to me that HUD has not been successful in its efforts to provide decent housing for Native Americans and that radical changes must be made in the manner in which HUD administers its programs.

The GAO report addresses not only this issue, but also the broader question of a national policy for Indian housing. The report suggests that the responsibilities of Agriculture, Interior and HUD be redefined in order to provide for a coordinated policy. As I mentioned to you on Monday, I would like to suggest that we form a working group from our three agencies to formulate legislative and administrative proposals for the President. This group could build on the analysis already prepared

by Mr. Burstein and the GAO, as well as any reviews of the problem by your agencies. I also would like to suggest that Interior be designated as the lead Department; indeed, the Assistant Secretary for Indian Affairs might be the appropriate chairperson of this working group. Of course, someone from Agriculture could chair the group, but I would like to suggest that under no circumstances should HUD be in the lead, since the Department's performance in the area has been far from satisfactory. If you agree, we could send a joint letter to the major Native American organizations announcing the formation of the working group and invite them to a meeting with our deputies to discuss the issue of a national policy on Indian housing.

In the past, efforts to create a coherent Federal policy on Indian housing apparently have failed because of parochial disputes. I feel certain that, based on your willingness to cooperate with every interdepartmental effort to date of this Administration, our Departments can overcome such parochialism and create a national policy for Indian housing to which this Administration will be able to point with pride.

/S/ Patricia Roberts Harris

Patricia Roberts Harris



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

January 5, 1978

Mr. Henry Eschwege
Director, Community and
Economic Development Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Eschwege:

Following are comments and suggestions on the GAO draft report
"Substandard Indian Housing Continues to Increase Despite Federal
Efforts--The Need for a Change."

1. Chapter 2, The Number of Indian Families in Substandard
Housing Continues to Grow.

[See GAO note 1.]

2. Chapter 5, What Are The National Goals For Indian Housing and
How Should They Be Achieved? [See GAO note 2.]

Page 111. This first section of Chapter 5 of the report con-
cludes with the following two paragraphs which state:



GAO note 1: The deleted comments related to matters which
were discussed in the draft report but have
been revised in this final report.

GAO note 2: Page number references in this appendix may not
correspond to the pages of this report.

"A major reason why existing Federal programs have been ineffective appears to be the lack of clearly defined goals and a coordinated strategy as to how to accomplish them.

"We believe the time has come to reexamine the national policy for Indian housing and establish clearly defined and realistic goals for implementing that policy. To do so requires a good data base in terms of such factors as:

- The total Indian population to be served.
- The geographic distribution of the population.
- The special climatic conditions that need to be recognized.
- The quality of existing housing.
- The various income levels and the percentage of the population in each level.
- The various types and mix of programs necessary to meet the needs of each income level."

The BIA has had a clearly defined goal of substantially eliminating sub-standard housing on Indian reservations or in Indian areas. Achieving this goal has been based on constructing about 7,000 to 8,000 units a year of which a minimum of 6,000 units were to be financed by HUD. Unfortunately, these production levels have not been achieved. The lack of achievement is not due to a lack of clearly defined goals but, mainly, rather to the inability of the HUD programs to accomplish their production targets.

We suggest that the GAO exclude the next to the last paragraph on page 111 and rewrite the last paragraph to begin as follows:

"The goal of substantially eliminating sub-standard Indian housing conditions be a unified goal of all departments involved in the Indian housing program and coordinate a strategy as to how to accomplish the goals.

"We believe the time has come to reexamine the production targets and the methods of implementing the programs. To do so"

Page 113. Recommendations to the Secretary of HUD.

- Insure that IHAs are providing the homebuyer training required by the Indian housing regulations issued in March 1976.

This is a very worthwhile recommendation. Over the past few years, we have turned our efforts more towards this area. We feel we have developed and refined an extremely fine Resident Training and Counselling Program (RTCP). Although the 1976 HUD Indian Housing Regulations allow an IHA to select the BIA-approved program, the money comes from development funds on a "one shot" basis. This is unsatisfactory. We have found that an RTCP requires a continuing application of the program principles over a period of years by the Trainer/Counsellors. Within the availability of funds we will continue to supplement RTCP programs of the local Indian Housing Authorities. We feel HUD must seek additional funds to provide for ongoing training if the effort is to be meaningful.

Page 115. Recommendations to the Secretary of the Interior.

"We recommend that the Secretary of the Interior:

- Determine the number of Indian families which can only be served by the HIP program and identify the location and type of assistance needed in terms of new construction or rehabilitation.
- Develop a formal plan for meeting that need and request from the appropriation committee of the Congress the necessary financial and other resources required to carry out the plan."

As a result of the first recommendation, the Assistant Secretary for Indian Affairs has directed the housing officers to obtain the necessary data to ascertain the scope of the HIP responsibility as well as the type of assistance needed. When this data is analyzed and collated, it will be the basis for developing a plan for meeting this need. When we know the extent of the BIA responsibility, the funding and other resources required to carry out the plan will be addressed.

We appreciate the opportunity to comment on the draft report.

Sincerely,



Deputy Assistant Secretary -
Policy, Budget and Administration

UNITED STATES DEPARTMENT OF AGRICULTURE
FARMERS HOME ADMINISTRATION
WASHINGTON, D.C. 20250

Mr. Henry Eschwege
Director, Community and Economic
Development Division
U.S. General Accounting Office
Washington, DC 20548

DEC 28 1977

Dear Mr. Eschwege:

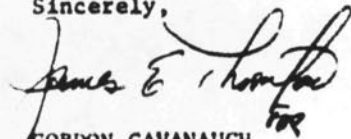
The GAO Draft audit entitled "Substandard Indian Housing Continues to Increase Despite Federal Efforts - The Need for a Change," the General Accounting Office recommends on page 116 that the Secretary of Agriculture direct the Farmers Home Administration's (FmHA) Administrator to place greater emphasis on Indian housing, develop a more effective outreach program, and provide the staff necessary to implement such a program.

In response to this recommendation and in an effort to place more emphasis on the FmHA Indian outreach program, FmHA will be holding a 2-day workshop for State coordinators for Indian outreach activities on February 1 and 2, 1978. The objective is to train FmHA State coordinators in their responsibilities to make all FmHA programs more accessible and available to Indians. The coordinators will receive training in ways and means to assist in the training of Indian tribes, individuals, and other groups involved in Indian activities in the packaging and use of FmHA housing loans and grants. Members of the National Office Rural Housing Staff will assist with the training activities.

In States having reservations and/or significant Indian populations, a State housing staff assistant will be designated to work with the State coordinator of Indian activities and other State FmHA employees in developing training and procedures for packaging and use of FmHA housing loan programs for Indians.

We believe that Farmers Home Administration's proposed actions will strengthen our Indian outreach efforts.

Sincerely,



GORDON CAVANAUGH
Administrator

*Farmers Home Administration is an Equal Opportunity Lender.
Complaints of racial or ethnic discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250*

PRINCIPAL AGENCY OFFICIALS RESPONSIBLEFOR ADMINISTERING ACTIVITIESDISCUSSED IN THIS REPORT

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
SECRETARY OF HOUSING AND URBAN DEVELOPMENT:		
Patricia R. Harris	Feb. 1977	Present
Carla A. Hills	Mar. 1975	Jan. 1977
James T. Lynn	Feb. 1973	Feb. 1975
George W. Romney	Jan. 1969	Feb. 1973
ASSISTANT SECRETARY FOR HOUSING-FEDERAL HOUSING COMMISSIONER (note a):		
Lawrence B. Simons	Mar. 1977	Present
John T. Howley (acting)	Dec. 1976	Mar. 1977
James L. Young	June 1976	Dec. 1976
ASSISTANT SECRETARY FOR HOUSING PRODUCTION AND MORTGAGE CREDIT-FHA COMMISSIONER (note a):		
David S. Cook	Aug. 1975	June 1976
David M. DeWilde (acting)	Nov. 1974	Aug. 1975
Sheldon B. Lubar	July 1973	Nov. 1974
Woodward Kingman (acting)	Jan. 1973	July 1973
Eugene A. Gullede	Oct. 1969	Jan. 1973
ASSISTANT SECRETARY FOR HOUSING MANAGEMENT (note a):		
James L. Young	Mar. 1976	June 1976
Robert C. Odle, Jr. (acting)	Jan. 1976	Mar. 1976
H. R. Crawford	Apr. 1973	Jan. 1976
Abner D. Silverman (acting)	Jan. 1973	Mar. 1973
Norman V. Watson	July 1970	Jan. 1973
Lawrence M. Cox	Mar. 1969	July 1970
ASSISTANT SECRETARY FOR NEIGHBORHOODS, VOLUNTARY ASSOCIATIONS, AND CONSUMER PROTECTION (note b):		
Geno C. Baroni	Apr. 1977	Present
Vacant	Feb. 1977	Apr. 1977
Constance B. Newman	Apr. 1976	Feb. 1977

DEPARTMENT OF THE INTERIOR

	<u>Tenure of office</u>	
	<u>From</u>	<u>To</u>
SECRETARY OF THE INTERIOR:		
Cecil D. Andrus	Jan. 1977	Present
Thomas S. Kleppe	Oct. 1975	Jan. 1977
Kent Frizzell (acting)	July 1975	Oct. 1975
Stanley R. Hathaway	June 1975	July 1975
Kent Frizzell (acting)	May 1975	June 1975
Rogers C. B. Morton	Jan. 1971	May 1975
Fred J. Russell (acting)	Nov. 1970	Dec. 1970
Walter J. Hickel	Jan. 1969	Nov. 1970
ASSISTANT SECRETARY FOR INDIAN AFFAIRS:		
Forrest J. Gerard	Sept. 1977	Present
COMMISSIONER OF INDIAN AFFAIRS (note c):		
Vacant	Apr. 1977	Sep. 1977
Raymond Butler (acting)	Jan. 1977	Apr. 1977
Ben Reifel	Dec. 1976	Jan. 1977
Morris Thompson	Dec. 1973	Nov. 1976
Marvin Franklin (acting)	Feb. 1973	Dec. 1973
Richard Bedman (acting)	Jan. 1973	Feb. 1973
Louis R. Bruce	Aug. 1969	Jan. 1973

DEPARTMENT OF AGRICULTURE

SECRETARY OF AGRICULTURE:		
Bob Bergland	Jan. 1977	Present
John A. Knebel	Nov. 1976	Jan. 1977
Earl L. Butz	Dec. 1971	Nov. 1976
ASSISTANT SECRETARY, RURAL DEVELOPMENT (note d):		
Alex P. Mercure	Apr. 1977	Present
William H. Walker, III	Dec. 1975	Apr. 1977
Vacant	July 1975	Dec. 1975
William W. Erwin	Jan. 1973	July 1975
Thomas K. Cowden	May 1969	Jan. 1973
ADMINISTRATOR, FARMERS HOME ADMINISTRATION:		
Gordon Cavanaugh	June 1977	Present
Denton Sprague (acting)	Apr. 1977	June 1977
Frank Naylor (acting)	Jan. 1977	Apr. 1977
Frank B. Elliott	Aug. 1973	Jan. 1977
Frank B. Elliott (acting)	Mar. 1973	Aug. 1973
Vacant	Feb. 1973	Mar. 1973
James V. Smith	Mar. 1969	Feb. 1973

a/On June 14, 1976, HUD combined the functions of the Assistant Secretary for Housing Production and Mortgage Credit-FHA Commissioner and the Assistant Secretary for Housing Management under a single Office of Assistant Secretary for Housing-Federal Housing Commissioner.

b/From April 1976 until July 1977, the title of the position was Assistant Secretary for Consumer Affairs and Regulatory Functions.

c/The position of Commissioner of Indian Affairs was eliminated in September 1977, at the same time the new position of Assistant Secretary for Indian Affairs was established.

d/Until February 1973 the title of the position was Assistant Secretary of Agriculture for Rural Development and Conservation.