



SOUTH DAKOTA  
Native Homeownership  
Coalition

---

# EXPLORING BEST PRACTICES: ADDRESSING BARRIERS TO RESIDENTIAL CONSTRUCTION ON TRUST LAND

October 2019



## EXPLORING BEST PRACTICES: ADDRESSING BARRIERS TO RESIDENTIAL CONSTRUCTION ON TRUST LAND

The South Dakota Native Homeownership Coalition acknowledges Freddie Mac's generous support developing this concept paper that addresses the barriers to residential construction on trust land. As part of its Duty to Serve initiative and recognizing the Coalition's core focus on expanding homeownership on Indian lands across South Dakota, Freddie Mac enabled us to explore the barriers to residential construction and potential strategies to address these obstacles.





---

## BACKGROUND AND OVERVIEW

The South Dakota Native Homeownership Coalition is working to increase homeownership opportunities for South Dakota’s Native people to build strong and healthy communities. Its diverse stakeholders include representatives of tribes, Tribally Designated Housing Entities (TDHE’s), nonprofit organizations, lenders, community development financial institutions (CDFIs), contractors, and federal and state governmental agencies. From its inception, the Coalition has worked to tackle the barriers to Native homeownership. The Coalition recognizes that even when a family can qualify for a mortgage loan, in many Native communities, there are no homes available for purchase; the lack of available housing stock is a primary obstacle to Native homeownership. As part of its efforts to address this obstacle, the Coalition hosted a series of roundtable discussions with Native contractors, focusing on how the Coalition can support contractors’ efforts to build more homes. Through these discussions, contractors have explained that the absence or shortage of key construction elements significantly impedes their efforts to develop residential housing stock. These include:

- » A lack of an employment-ready workforce,
- » A shortage of qualified building inspectors,
- » A shortage of qualified appraisers, and
- » An absence of recognized building codes.

To date, the Coalition has started exploring these challenges, and developing strategies to address the obstacles. The Coalition has learned that there are no quick fixes, and effectively addressing the obstacles to residential construction means investing time and resources to design programming tailored to the needs of Coalition members. This paper examines the challenges to residential construction in Native communities, describes efforts to date to address these challenges, and proposes future strategies to tackle these barriers. Rather than stand-alone strategies, these proposed strategies are intertwined, building on and supporting one another, as discussed below.

Effectively tackling the barriers to residential construction means a comprehensive approach, which recognizes the links between barriers and solutions, and identifies creative, long-term solutions to create real change.



---

## FOCUS ON WORKFORCE DEVELOPMENT PROGRAMMING

### + Challenge

In explaining the challenges to residential construction in Native communities, contractors have claimed that “there is no one to hire.” While there are construction trades programs in many tribal communities, contractors point out that potential employees lack hands-on work experience, as well as the soft-skills needed to succeed on the job, including conflict management, work ethic, and trouble-shooting skills. Often, hiring and training new employees seems too risky to contractors, resulting in smaller construction crews and companies.

### + Key Strategy

In response to contractors’ concerns, the Coalition has designed and implemented a construction internship program, which removes much of the risk from the contractor. Through the internship, college students are placed with local contractors in tribal communities for 40 hours a week over a ten-week period. The Coalition has raised funds to provide a stipend (\$10/hour) for participating interns. Through the internship, contractors have the opportunity to train and mentor potential employees. If interns prove themselves to be an asset to the team, contractors can consider hiring them on as full or part-time employees. Interns gain valuable hands-on work experience, learn important job skills, begin building their resumes, and open the door to future employment opportunities.

At the outset, the Coalition partnered with two member organizations, Four Bands Community Fund and Lakota Funds, to pilot the program in their communities. Both partners are Native community development financial institutions (CDFIs) working to support entrepreneurs in their communities. Lakota Funds managed the program on Pine Ridge, while Four Bands managed the program on Cheyenne River. In addition to hands-on construction experience, interns also participated in a series of financial education classes taught by the Native CDFIs, and were required to open a bank account with a local financial institution (if they did not yet have an account).

After piloting the program for two years, the Coalition expanded the internship to two additional tribal communities: the Rosebud Reservation (in partnership with the Rosebud Economic Development Corporation, the Rosebud Sioux Tribe Employment and Training Program, and the Sicangu Wicoti Awanyakapi Corporation), and the Lake Traverse Reservation (in partnership with the Sisseton Wahpeton Housing Authority and the Sisseton Wahpeton Employment and Training Program). Key program outcomes include:

- » Students gain hands-on construction experience on actual construction projects in the community;
- » Contractors develop relationships with future employees;
- » Students are more confident about their prospects of finding employment in their communities after graduation;
- » Contractors have hired a number of interns, and are growing their businesses;
- » Local CDFIs (Lakota Funds and Four Bands) have strengthened their relationships with local contracting businesses (current and potential clients); and
- » Interns have strengthened their financial skills and have increased their access to financial products.

### **+** Potential strategies for the future

In looking to the future, the Coalition plans to build on the success of the internship, and explore the following strategies:

- 1. Develop partnership with South Dakota Department of Labor and Regulation (DLR)**

Through a partnership with DLR, qualifying interns could access federal Workforce Innovation and Opportunity Act (WIOA) funds. This would enable the Coalition to leverage private support for the internship, increase tribal members' access to federal funding, and support efforts to institutionalize the program over the long-term. At the same time, this partnership would support DLR efforts to reach tribal communities in South Dakota.
- 2. Expand internship to non-construction areas**

The Coalition has also seen the need to provide administrative and financial management support to contractors, and plans to explore the possibility of expanding the internship to cover these non-construction areas. The Coalition envisions placing students studying business and financial management with contractors upon request. These interns could gain actual experience assisting contractors in setting up QuickBooks and financial management systems, managing timesheets and payroll, and billing, invoicing, and accounts payable.
- 3. Create an “internship coordinator” position**

To date, the internship has been managed by each of the separate sites, and coordinated by an external consultant. Moving forward, the Coalition plans to explore the possibility of hiring (on a full or part-time basis) an internship coordinator to manage growing internship activity across multiple sites.
- 4. Expand to additional tribal communities in South Dakota**

Currently, four tribal communities are providing the internship for tribal members. The Coalition believes that each tribal community in South Dakota would benefit from the internship, and will explore expansion to additional sites over time.

---

## DESIGN INNOVATIVE INSPECTOR CERTIFICATION TRAINING AND ENCOURAGE ADOPTION OF BUILDING CODES

### + Challenge

Contractors have also explained that a shortage of qualified building inspectors delays the residential construction process. The on-line certification exam, which is administered by the International Code Council (ICC), is an open-book exam which must be taken at an authorized testing site. It is extremely challenging, even for seasoned construction professionals.

### + Key Strategy

In working to tackle the shortage of certified residential building inspectors, the Coalition initially conducted training to prepare contractors and tribal construction staff for the inspector certification exam. The Coalition first hosted a two-day ICC training in Rapid City in the spring of 2016 for over 75 participants. Few training participants took the on-line exam after the training, and no one became certified after this first round. Based on this experience, the Coalition conducted a follow-up training designed to prepare participants for the exam, and encouraged participants to take the exam within 30 days of the training. After the second training, fifteen participants took the exam and two passed. The Coalition then offered a third training which provided more intensive exam preparation, and lasted four days. A paper and pencil version of the exam was provided on the fourth day. Three additional training participants passed the exam.

### + Potential strategies for the future

After providing three trainings, which resulted in five certified inspectors, the Coalition must re-examine how it can successfully prepare candidates for the difficult exam. Through conversations with ICC instructors, the Coalition has learned that one key issue effecting candidates' ability to pass the exam is their lack of experience with building codes. Many potential inspectors living off-reservation in towns and cities work with codes for years before taking the exam. They have the opportunity to become familiar with codes, and practice using codes in actual inspection situations.



With this in mind, the Coalition is looking at exploring different options, including:

- 1. Partner with local post-secondary institution to provide more in-depth inspector training**  
The Coalition could partner with a post-secondary institution to offer a semester-long training course, to provide more in-depth preparation for the exam.
- 2. Design a hands-on inspector training component**  
Through the hands-on component, participants would supplement classroom learning with the opportunity to conduct actual on-site inspections and practice using the Code. The Coalition could explore holding this hands-on training in a tribal community, to provide actual inspection opportunities.
- 3. Encourage tribes to adopt a residential building code**  
Since one of the key reasons that the Coalition's construction professionals are have difficulty passing the inspector certification exam is their lack of familiarity and experience with building codes, adopting codes is an important piece of the puzzle. Rather than drafting new codes, tribes can adopt existing codes, with modifications to fit regional conditions and ensure sovereignty. Through the Coalition's partnership with the ICC, the Coalition has learned that a number of tribes in North Dakota are looking at code adoption, and plans to follow up with these tribes to learn about and build on their efforts.
- 4. Develop High School Construction Industry Outreach Program**  
In working to tackle the barriers to residential construction, the Coalition recognizes that it must reach out to young people and develop outreach programming targeted to high school students. Through its work to increase the number of Native appraisers, for example, the Coalition has learned of a new real estate minor at South Dakota State University which includes courses required for appraiser certification. The Coalition needs to make high school students aware of this programming, and other options in the construction field. Work to develop this outreach programming will include developing key messaging (powerpoint presentation and talking points), identifying pilot sites (high schools) to test the messaging, conducting pilot presentations, refining the messaging, and developing a plan to take the message to high school students in tribal communities around the state.



---

## INCREASE THE NUMBER OF APPRAISERS QUALIFIED TO CONDUCT APPRAISALS ON TRUST LAND

### + Challenge

Like the shortage of inspectors, the shortage of appraisers also impacts the residential construction process. In exploring this shortage, the Coalition has learned that it is multi-layered. Firstly, there is a shortage of qualified appraisers in South Dakota, and across the country. In general, the appraisal industry is an aging industry. Because of stringent apprenticeship guidelines (both classroom and on-site hours are required), and the difficulty in securing an apprentice supervisor (to oversee and mentor the apprentice), it is extremely difficult to join the industry, and grow the number of certified appraisers. Secondly, because of the lack of housing stock and available similar structures for comparison-approach appraisals (the common appraisal method, where homes are appraised based on the sale of comparable units), appraisals on trust land are typically “cost-approach” appraisals, where cost is determined based on the actual cost of construction. Because many appraisers are not experienced in or comfortable with this approach, the general shortage of appraisers is compounded by the cost-approach issue.

### + Key Strategy

In working to tackle the shortage of qualified appraisers, and particularly the lack of Native appraisers qualified to conduct appraisals on trust land, the Coalition held a brainstorming session with experts in the field, including the Director of the South Dakota Apprenticeship Certification Program, faculty from South Dakota State University’s Real Estate Department, appraisers in the field, and lenders. Out of this brainstorming session, the Coalition formed its Appraiser Work Group, which is meeting on a monthly basis to tackle the appraiser issue.

### + Potential strategies for the future

The Appraiser Work Group has recommended the following strategies to address the shortage of appraisers qualified to appraise trust land:

1. **Provide a training on the cost approach**

The Coalition will be conducting a training on the cost approach, to increase appraisers’ comfort level with the approach, and willingness to use the method for appraisals on trust land.

2. **Conduct a market study**

The Coalition plans to conduct a market study to identify the appraisal work that will be generated by development efforts on trust land, as well as the potential income generated by these opportunities.

---

## PROVIDING TRAINING AND GATHERING OPPORTUNITIES FOR CONTRACTORS

In addition to specific strategies to address particular challenges discussed above, the Coalition has also seen the value in bringing contractors together for learning and networking opportunities. Starting in 2017, the Coalition has hosted an annual “Contractor Workshop” to provide training on key topics, such as construction funded by different loan products on trust land (such as the HUD 184, USDA’s 502, and the VA’s Native American Direct Loan); the importance of workmen’s compensation insurance; and bonding. Since contractors are working in remote, isolated communities, they have expressed the value in coming together; one Native-owned construction company has described how they have built on the relationships forged at the workshop. The Workshop has also provided an opportunity for contractors to explore the possibility of forming a Native chapter of the state’s homebuilders’ association, to continue to foster these relationships.



---

## CONCLUSION

The SD Native Homeownership Coalition recognizes that increasing housing stock means much more than simply constructing units. While it has started to take important steps to strategically build the capacity of the Native construction industry, it is vital that this work continue. Looking to the future, the Coalition will continue to promote the following strategies:

- » Build the capacity of construction contractors by expanding the pool of potential employees;
- » Provide the opportunity for building trades students to gain hands-on work experience and develop relationships with potential employers;
- » Expand the pool of certified residential construction inspectors serving Native communities;
- » Develop opportunities for more tribal members to complete the requirements to become certified appraisers;
- » Provide training on cost-approach appraisals to increase the number of appraisers willing to conduct appraisals on trust land, and supervise apprentices committed to work on trust land;
- » Encourage tribes to adopt residential building codes to promote health and safety standards, cost efficiencies, and uniform standards;
- » Start to share construction industry opportunities with potential professionals at a young age; and
- » Provide training and networking opportunities for contractors in the field through an Annual Contractors' Workshop and exploration of the formation of a Native chapter of the state homebuilders' association.







SOUTH DAKOTA  
Native Homeownership  
Coalition

[www.sdnativehomeownershipcoalition.org](http://www.sdnativehomeownershipcoalition.org)