



# McKinley County, New Mexico:

## Crownpoint

### ■ OVERVIEW

Crownpoint, located in a remote, rural county in northwestern New Mexico, is the largest community in two of the poorest census tracts in the state. Encompassing some 1,500 square miles between the Navajo Reservation to the west and the northeastern corner of McKinley County, Crownpoint covers sparse deserts, piñon-studded ridgelines, and high plains. This thinly

populated area has just over four people per square mile. While the views are open and free, the land itself is marked by a unique and complex land ownership pattern that is a legacy of U.S. and Native American policies.

The interaction of land policies and dispersed population shapes much of the area's economic life and opportunities. The nearly 6,500 people in the area rely on a lone grocery store with a single automated teller machine (ATM) for local retail and financial services. The nearest cities offering more than just basic provisions—Gallup, Grants, and Farmington, New Mexico, and Window Rock, Arizona—are all more than an hour's drive from Crownpoint. Nearly half of the population lives in poverty, the effects of which are compounded by

limited access to basic services such as reliable roads, electricity, and water.

### ■ BACKGROUND

An initial profile of the case study area was developed using publicly accessible state and national data, and augmented with personal interviews with nearly two dozen residents and stakeholders.<sup>1</sup> By a number of measures, the Crownpoint case study area, whose population is almost exclusively Native American, is more disadvantaged than the state's rural areas overall. (See Table 1) The median household income in Crownpoint in 2000 was \$18,736, almost 36 percent less than that

TABLE 1

## Comparison Statistics

		Crownpoint	New Mexico non-metro
<b>Poverty Rate</b>	Poverty rate 1970 <sup>a</sup>	n/a	26.0
	Poverty rate 2000 <sup>b</sup>	45.6	20.6
<b>Income</b>	Median household income <sup>c</sup>	\$18,736	\$29,322
<b>Demographics</b>	Population 2000 <sup>d</sup>	6,445	596,824
	% Population change, 1970 - 2000 <sup>e</sup>	n/a	42.9
	Racial/ethnic composition, 2000 <sup>f</sup>		
	% White	4.4	48.0
	% Hispanic/Latino	0.9	44.0
	% Native American	93.4	4.3
	% Residents under age 18 <sup>g</sup>	40.2	28.0
	% Single-parent households <sup>h</sup>	20.3	11.1
	% Foreign born, 2000 <sup>i</sup>	0.1	7.2
	% Population in same house as five years ago <sup>j</sup>	75.5	57.3
<b>Education</b>	% Adults without a high school diploma, 2000 <sup>k</sup>	38.6	24.4
	% Adults with a college degree, 2000 <sup>l</sup>	12.5	17.8
	% Students proficient in reading, 2005 <sup>m</sup>	30.7	48.9
	% Students proficient in math, 2005 <sup>n</sup>	23.9	27.6
<b>Labor Market</b>	Unemployment rate, 2000 <sup>o</sup>	23.5	8.1
	% Adults in the labor force <sup>p</sup>	45.8	56.8
<b>Housing</b>	Homeownership rate, 2000 <sup>q</sup>	64.6	72.4
	% Renters with a housing cost burden <sup>r</sup>	16.2	39.7
	Median value for owner-occupied units <sup>s</sup>	\$18,317	\$75,042
	Median year structure built <sup>t</sup>	1982	1975
<b>Access to Credit</b>	% Credit files that are thin, 2004 <sup>u</sup>	16.6	19.3
	% Credit files with high credit scores <sup>v</sup>	20.7	36.0
	% Mortgage originations that are high cost, 2005 <sup>w</sup>	33.3	27.6
	Mortgage denial rate, 2005 <sup>x</sup>	46.2	26.5

for non-metro New Mexico. Indeed, poverty is endemic in Crownpoint. In 2000, nearly half (45.6 percent) of all residents reported incomes below the poverty line. While this represents a slight decline in poverty since 1990 (47.8 percent), since 1970 the surrounding county has experienced poverty levels exceeding 35 percent. Children and the elderly in the case study area are especially affected by poverty. More than half of the case study area's children live in poverty, almost twice the number in non-metro New Mexico, along with more than a third of Crownpoint's elderly residents, compared with approximately 15 percent in non-metro areas of the state living in poverty. (See Figure 1)

Households in Crownpoint depend more on government assistance than in New Mexico's non-metro areas as a whole. The number of households in the case study area reporting wages as a source of income is actually slightly higher than in non-metro regions across the state, but more than one in five of Crownpoint's households receive public assistance. This rate is almost four times greater than the non-metro average. Finally, the number of households reporting self-employment income is barely a third of that for non-metro New Mexico.

Unemployment in the area is extremely high. Based on U.S. census data, the area's unemployment rate of 24 percent was nearly three times that of non-metro New

Mexico as a whole. Moreover, the unemployment rate for the area reported by the census may be a conservative estimate. A 2003 study by the Navajo Department of Economic Development estimated that unemployment in the case study area could be as high as 65 percent.<sup>2</sup> The difference can be accounted for in two ways. First, the census data treat discouraged, able-bodied adults who have quit looking for jobs as out of the workforce, and therefore they are not counted as unemployed. In contrast, the Navajo Department of Economic Development included discouraged, able-bodied adults as unemployed. Second, a study by the Bureau of Indian Affairs found that subsistence economic practices and the lack of telephones, permanent addresses, Social Security numbers, and English speaking skills inhibit an accurate employment count among Native American populations.<sup>3</sup>

Finally, the occupational and educational data for Crownpoint suggest that there may be a mismatch between the jobs available and the skills of the area's population. The number of professional jobs in the area is disproportionately large relative to non-metro New Mexico. Four of every 10 jobs, in fact, and two-thirds of local industries are in high-skill sectors such as education, health, social services, and public administration,<sup>4</sup> figures that are twice those in non-metro New Mexico overall. And while these positions generally pay well, they often require advanced education and, in many cases, work experience. Few residents in the case study area have the education or experience needed for these jobs. Well over a third of adults living in the case study area lack a high school diploma, and just over 5 percent of Navajos in Crownpoint have a bachelor's degree or higher. As a result, many of the area's high-skill jobs are

likely to be occupied by people who relocate to Crownpoint or by commuters from outside the case study area.

Industries that might employ such a large number of individuals with limited education are scarce. Retail trade, entertainment, and food services comprise just over 6 percent of all jobs in the case study area. This is less than one-third the average for non-metro New Mexico. The lack of low-skill employment opportunities may contribute to the area's low number of jobs per resident—39 jobs for every 100 adults—and high unemployment rate. This paucity of opportunities may also contribute to substantial commute times for the locals who do find jobs. Of the residents in the case study area who have jobs, almost one-quarter of them commute 60 minutes or more to work, compared to only 6 percent of non-metro New Mexicans overall who commute that far.

### ■ ISSUES TO CONSIDER

Issues underlying concentrated poverty and its effects in Crownpoint range from broad and systemic—including regulatory and procedural barriers in accessing services, coordination among government agencies and service providers, and limited locally available retail services and entry-level job opportunities—to those specific to individuals, among them dependence on government assistance, impaired health, low educational attainment, and limited financial stability.

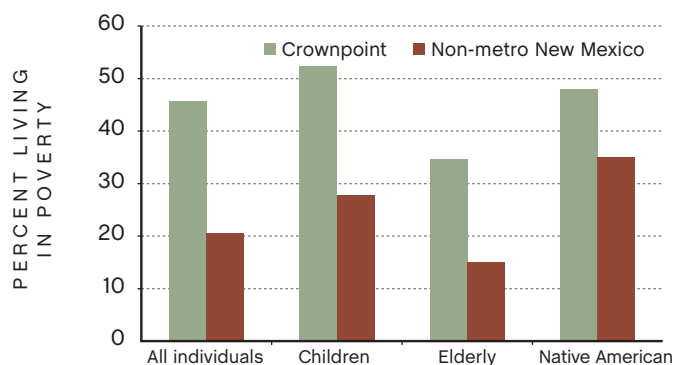
In particular, four dominant issues arose from interviews with Crownpoint residents and stakeholders: 1) the role of geographic isolation in limiting access to services and employment opportunities; 2) the effects of land status on economic development efforts; 3) poor housing conditions; and 4) the limited availability of financial services. Geographic isolation and land status, a combination somewhat unique to Crownpoint, appear to contribute to poor housing conditions and the limited availability of financial services in the region.

#### Isolation

Interviewees mentioned isolation as a key factor in perpetuating poverty in the case study area. Crownpoint is characterized by low population density, limited transportation and infrastructure for utilities, and remoteness. Taken together, these factors tend to limit access to basic social services and amenities, especially for residents living outside of the immediate Crownpoint area.

FIGURE 1

### Poverty rates in Crownpoint



SOURCE: U.S. Census Bureau, Census 2000

The high cost of transportation limits the trips that residents can make and reduces their ability to access needed services. A recent study of Navajo women and their children in the eastern part of the Crownpoint area found that a lack of transportation was the most common reason cited for missing an appointment to obtain benefits from the Special Supplemental Nutrition Program for Women, Infants, and Children.<sup>5</sup> Staff at the Indian Health Service (IHS) hospital in Crownpoint corroborated this finding, noting that many patients miss appointments because of transportation problems. Likewise, some service providers can have difficulty reaching their clients. IHS staff observed that it is often difficult, if not impossible, for emergency vehicles to reach remote residents because of poor road conditions.

The area's isolation is reinforced by limited access to basic utilities. Many basic services routinely available in less isolated areas, such as electricity, water, and telephones, are unavailable in large parts of Crownpoint because costs to extend these services are often prohibitive. Census data show that more than 50 percent of the area's households lack telephone access, compared with only 6 percent nationally. According to the Federal Communications Commission, the great distances combined with sparse population make extending wired telephone services "challenging, if not infeasible." These limitations are reinforced by residents' limited ability to pay for services.<sup>6</sup> Similarly, other studies suggest that one-third of households lack electricity<sup>7</sup> or easy access to safe drinking water.<sup>8</sup>

Finally, economic development specialists with the Navajo Eastern Business Development Office have noted that isolation limits the opportunity for additional retail services. In most rural areas in Navajo lands—including the Crownpoint area—only "necessity retail," such as laundries or gas stations, are likely to succeed.<sup>9</sup> The lack of opportunities to expand local retail trade beyond the basic necessities limits the population's ability to attain entry-level jobs or to create self-employment opportunities. The lack of local retail outlets also means that much of the local income is spent outside the Crownpoint area. A Navajo Nation report found that as much as 71 percent of all income in the case study area is spent in the distant market centers of Gallup, Grants, and Farmington.<sup>10</sup>

### Local Land Status and Checkerboarding

Land status is a key factor inhibiting economic

development in the case study area, according to members of the Crownpoint land use planning committee, the Navajo Eastern Business Development Office staff, and several financial institution representatives. Isolation and its associated costs are reinforced by a mixed pattern of land ownership referred to as "checkerboarding." Currently, land in Crownpoint is under the ownership and control of a wide range of institutions, including the Bureau of Land Management, the Bureau of Land Reclamation, the Department of Defense, the U.S. Postal Service, the National Park Service, the State of New Mexico, the Navajo Nation, individual Navajos, and private owners. This mix of owners results in land ownership maps of the region that look like a checkerboard—hence the term.

Individual Navajos acquired ownership through an allotment of tribal land, with ownership continuing from 1887 to 1934.<sup>11</sup> Today, these land allotments, along with land still owned communally by the Navajo Nation, are held in trust by the U.S. government. While the trust status was designed to protect tribal owners' rights to the land and its revenue, it has added another layer of complexity to any transaction involving trust land.<sup>12</sup>

Owing to Native Americans' traditionally limited use of wills, as well as to restrictions on the transfer of land held in trust, ownership rights to the allotted lands were commonly passed down equally from generation to generation by individuals to their heirs.<sup>13</sup> As a result of this ownership division, a parcel of land that at the time of allotment had one clear owner may now have more than 100 owners who hold the land as tenants in common. Each tenant has equal and undivided ownership interest in the full parcel.<sup>14</sup>

This checkerboard of land ownership has a negative effect on its economic value. According to the U.S. Department of the Interior, checkerboarding creates the following difficulties:

- Individual landholdings within the checkerboard are often too small or inaccessible to be economically useful.
- Land transactions are costly and time consuming, especially when they involve trust lands with large numbers of often unknown or untraceable owners.
- Obtaining rights-of-way to access "land-locked" parcels may require multiple permits from differing jurisdictions. This hindrance increases both the costs of

obtaining rights-of-way as well as the difficulties in enforcing them.

- Large-scale land use planning is effectively impossible given the number of federal, state, local, and tribal governments with responsibility over different parcels within the area. As a result of jurisdictional issues, each parcel may be affected by different or overlapping codes and regulations.<sup>15</sup>

Organizations working within the case study area reported similar difficulties caused by the land ownership status. Representatives from Crownpoint's Land Use Planning Committee cited it as a constraint on the planning of the town's growth and use of resources; much of the undeveloped land in and around Crownpoint, they reported, is out of the committee's control.<sup>16</sup> A representative of a financial institution also noted that investment in the area was constrained in part by the land status, which complicates lending for both business and personal uses because of the difficulties in obtaining clear titles and effective collateral. Finally, land allotted to individual families was done so for a particular use, often grazing. Changing the purpose of the land use—from grazing to, for example, retail or housing—triggers a regulatory process that can take months or even years to complete, significantly deterring investment, assuming all of the owners can even be located,

## Housing

Homeownership, often a driver of individual wealth, is much less pronounced as a means of asset accumulation in Crownpoint. Inadequate housing stock, limited financing options, and constraints on appreciation due to restrictions on the ownership and transfer of trust lands all act against housing's ability to generate significant wealth for households.

Crownpoint has a slightly lower homeownership rate than non-metro New Mexico, about 65 percent and 72 percent, respectively. More than four in five homeowners<sup>17</sup> in the case study area, compared with just under half of non-metro New Mexico, live in houses with significant problems, such as incomplete plumbing or kitchen facilities. Nearly one-quarter of housing units are overcrowded, more than 10 times the rate in non-metro New Mexico.



Poor housing conditions in the case study area affect both housing costs and housing values. Very few residents are burdened by housing costs in Crownpoint. Only about 15 percent of owners and 16 percent of renters pay more than 30 percent of their income toward housing. In comparison, 19 percent of owners and 40 percent of renters in non-metro New Mexico as a whole pay more than 30 percent of their income toward housing. However, 68 percent of Crownpoint's houses are valued at less than \$40,000, compared with only 19 percent in non-metro New Mexico. In fact, the median housing value in the Crownpoint area is just \$18,317, or one-quarter that of non-metro New Mexico.

The area's high percentage of manufactured housing also constrains wealth-building opportunities. Manufactured homes make up 30 percent of all owner-occupied units, compared with 20 percent in New Mexico as a whole.<sup>18</sup> From 1990 to 2000, manufactured housing in Crownpoint accounted for almost half of all new owner-occupied housing.

Land status and financing options contribute to the higher demand for manufactured housing in the case study area, according to interviewees. Simply put, it's often easier and requires less initial capital to secure a manufactured home than a site-built one. Approval of a home site lease on trust land requires a house to be in place within a certain period of time; while trust land can be used to secure a mortgage, the process can be difficult, lengthy, and more costly for inexperienced borrowers. Dealers of manufactured homes provide more accessible financing, albeit with higher interest rates,

and a pre-made house can be placed on a property more quickly than a site-built one. Research has found, however, that manufactured houses tend to lose value unless the owner can buy and sell the underlying land.<sup>19</sup> Since trust land cannot be bought or sold, residents who own manufactured housing on trust land are more likely to own an asset that loses value over time.

### Financial Services

A wide range of interviewees mentioned financial services as another important issue in the area. Of primary concern was the effect of high-cost financial services on individuals and families. Alternative financial services providers, such as payday lenders, title loan companies, and check cashers, are abundant in the major market towns closest to Crownpoint. A 2002 study found that these towns—Gallup, Grants, and Farmington—had the highest ratios of payday loan stores to residents in the state. On a per capita basis, the number of payday loan stores was six times greater in these communities than in the rest of the state.<sup>20</sup> In addition to the many payday and title lenders, other retail establishments have begun offering related financial services. Convenience stores, manufactured-home dealers, and used-car dealers now offer tax refund anticipation loans, which allow customers to purchase products by assigning their future tax refunds.<sup>21</sup>

Financial services representatives and social services providers involved with credit counseling noted that many residents are attracted to these vendors. Many individuals need quick cash to cover emergencies and shortages at the end of the month, and their financial needs can be met readily by vendors with prominent locations and convenient hours. The interviewees stressed, however, that interest rates are high and residents often find themselves struggling or unable to pay off burgeoning debts.

Traditional financial services are very limited. There are no bank branches in the case study area. The only ATM is located in Crownpoint's lone grocery store. Interviewees suggested that limited incomes may restrict area residents from qualifying for bank accounts. Poor credit scores may also restrict access to banking services. Almost 17 percent of all residents in the case study area have no credit score, while more than half with credit scores are classified as low or subprime.<sup>22</sup> In addition, several bank representatives and social services providers noted that financial literacy is extremely low. Residents may therefore be less able to understand and

compare the products and services offered by financial services providers. These combined challenges of limited access to traditional financial services, low credit scores and income, and limited financial literacy make it extremely difficult for Crownpoint residents to access the resources they need to build savings and wealth, which in turn makes it more difficult to escape poverty.

### ■ CONCLUSION

Each of the four dominant issues discussed herein— isolation, land status, housing, and financial services— present significant challenges for local development. They also make it more difficult to address poverty in Crownpoint.

Crownpoint's geographic isolation limits infrastructure, discourages retail services, and hampers the provision of social services. Residents must often go to other communities to seek employment or retail services. While some opportunities may be available for economic growth, the checkerboard land status complicates the development of these potential projects. Land trust status makes it arduous to transfer land from one use to another. Trust status further restricts residents from using property as collateral, reducing residents' ability to obtain mortgages and driving up the demand for manufactured housing. The area's inadequate housing stock, characterized by overcrowding and limited basic services such as water and electricity, constrains house values and further limits housing's value as a wealth-building asset for residents. Finally, the lack of mainstream financial services, poor credit scores, and limited financial literacy may cause residents to use alternative financial service providers. The interest rates on these products make it more expensive for residents to borrow, limiting their ability to save or improve their credit scores. Low credit scores contribute to an inability to get banking services and mortgages, further hindering asset development.

Any one of these four dominant issues could make it difficult to overcome poverty in a region. Together, they keep poverty in Crownpoint both intractable and concentrated.

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## Endnotes

- 1 Demographic statistics are from the U.S. Census Bureau unless otherwise noted. The data profile was then used in conjunction with a review of the relevant literature to guide on-site interviews with 23 local individuals in professional and leadership positions at key institutions. The interviewees worked in the fields of social service, education, housing, financial services, business development, and land use planning. They were selected based on their positions and on the recommendation of peers knowledgeable about the case study area.
- 2 Division of Economic Development, The Navajo Nation, "2002–2003 Comprehensive Economic Development Strategy of the Navajo Nation."
- 3 Bureau of Indian Affairs Labor Market Report (1997), cited in N. Pindus, W. Hillabrant, J. Earp, and M. Rhoades, "Overcoming Challenges to Business and Economic Development in Indian Country," Mathematica Policy Research, Inc., August 2004.
- 4 High-skilled industries are defined as public administration, education, social services, and health services. Low-skilled industries are defined as retail trade and arts, entertainment, and food services.
- 5 Joanne McCloskey and Melvatha Chee, "An Ethnographic Study of the Factors Affecting the Nutritional Patterns of Navajo Women and Their Children in the WIC Program," University of New Mexico, June 22, 2006.
- 6 Federal Register, Vol. 70, No. 80.
- 7 Cited in Craig Bain, Crystal Ballantine, Anil DeSouza, Lisa Majure, Dean H. Smith, and Jill Turek, "Economic and Social Development Stemming from the Electrification of the Housing Stock of the Navajo Nation," Working Paper 02-34, Northern Arizona University College of Business Administration, December 2002.
- 8 Governor Bill Richardson's 2007 State of the State Address, available at <http://www.governor.state.nm.us/MEDIA/PDF/StateoftheState2007.pdf>.
- 9 John Largo, economic development specialist, Navajo Nation Eastern Regional Business Development Office. Personal interview in Church Rock, February, 23, 2007.
- 10 Division of Economic Development, The Navajo Nation, "2002–2003 Comprehensive Economic Development Strategy of the Navajo Nation." Gallup and Farmington are even farther from the residents in census tract 9434.
- 11 This allotment occurred through the Dawes Act. In addition to individual allotments to Native Americans, some 60 million acres of tribal land were sold to non-Native Americans during this period.
- 12 EDS, Inc., "Trust Business Re-Engineering 'As-Is' Report," prepared for U.S. Department of the Interior, Office of the Special Trustee for American Indians, March 21, 2003.
- 13 Ibid.
- 14 An illustrative case cited by the U.S. Supreme Court in 1987 describes the effects of the fractionation of trust land on the value of interests held in land on the Sisseton–Wahpeton Lake Traverse Reservation: "Tract 1305 is 40 acres and produces \$1,080 in income annually. It is valued at \$8,000. It has 439 owners, one-third of whom receive less than \$.05 in annual rent and two-thirds of whom receive less than \$1. The largest interest holder receives \$82.85 annually. The common denominator used to compute fractional interests in the property is 3,394,923,840,000. The smallest heir receives \$.01 every 177 years. If the tract were sold (assuming the 439 owners could agree) for its estimated \$8,000 value, he would be entitled to \$.000418. The administrative costs of handling this tract are estimated by the Bureau of Indian Affairs at \$17,560 annually." *Hodel v. Irving*, 481 U.S. 704 (1987) 481 U.S. 704.
- 15 EDS, Inc., "Trust Business Re-Engineering 'As-Is' Report."
- 16 The McKinley County Land Use Plan noted the difficulty of land use planning given that five government agencies had developed their own institutional land use plans in the area. See Northwest New Mexico Council of Governments and Architectural Research Consultants, Inc. "McKinley County Comprehensive Plan, Phase 2," prepared for McKinley County Department of Planning, December 2005.
- 17 Figure refers to homeowners living below 80 percent of the median household income.
- 18 Data on manufactured housing for rural New Mexico by itself were not available.
- 19 Kevin Jewell, "Manufactured Housing Appreciation: Stereotypes and Data," prepared for Consumers Union Southwest Regional Office, Austin, April 2003. See also William Apgar, Allegra Calder, Michael Collins, and Mark Duda, "An Examination of Manufactured Housing as a Community- and Asset-Building Strategy," Report to the Ford Foundation by the Neighborhood Reinvestment Corporation in collaboration with the Joint Center for Housing Studies of Harvard University, September 2002.
- 20 Ray Prushnok, "Payday, Heyday! Measuring Growth in New Mexico's Small Loan Industry (1990–2001)," New Mexico Public Interest Research Group Education Fund, April 2002.
- 21 Rapid anticipation loans are short-term loans made using an expected tax refund as collateral.
- 22 Credit score data were obtained from the Federal Reserve Board of Governors and are drawn from a 10 percent sample of all credit records from a major credit bureau in December 2004. The cut-off for a high credit rating corresponds to the cut-off in the market for prime loans.

