

Minutes
Community Development
Affordable Housing Advisory Board Meeting
Downtown Library, Meeting Room A
Wednesday, May 16, 2018

Members Present:

Members Absent: Aaron Baker, Annie Brokenleg, Hirsi Mohamed, Hong-Ngoc Phan, Alex Ramirez, and Cynthia Mickelson (ex-officio)

Guests Present: Mark Lauseng, executive director of the South Dakota Housing Development Authority

Also present: Les Kinstad and Al Roettger, Affordable Housing staff; and Mike Cooper, Planning staff

Agenda

1. Call to Order

Meeting began at 4:05 p.m.

2. Additions or Deletions to the Agenda

There were no additions or deletions to the agenda.

3. Approval of the Minutes for the Meeting of October 25, 2017

Due to lack of quorum, the minutes from the October 25, 2017, meeting were unable to be approved.

4. Old Business

There was no old business to discuss.

5. New Business

a) Presentation by Mark Lauseng, executive director of the South Dakota Housing Development Authority.

Mark provided a handout (see attached Exhibit A) to all meeting attendees before his PowerPoint presentation.

South Dakota Housing Development Authority was created by legislature in 1973. Its mission is to provide decent, safe, and affordable housing to South Dakotans statewide. The SDHDA utilizes bond financing, tax credits, and other federal, state, and SDHDA resources to fund housing opportunities.

Some of the programs they provide are as follows:

- First-Time Homebuyer Program which in 2017 provided \$315 million for 2,273 loans; second-time homebuyer.
- Governor's House—2,632 have been sold since 1996. These houses are developed for resale or rental within the income and asset limitations.
- HOME Program—0% construction loan, homes are sold to those in the 80% area median income (AMI).
- Housing Opportunity Fund—0% construction loan, homes are sold to the 115% AMI household.
- Construction Loan Guarantee Program—SDHDA guarantee up to 50% loss, construction loan is issued by a local lender.
- HELP—construction financing for spec home; 0% loan for first 6 months, maximum value of home is \$200,000; SD Home Builders Association member.

Mark also reviewed some of the housing tax credit projects provided for workforce housing in Sioux Falls:

- Minnesota Apartments—provided 10 one-bedroom, 12 two-bedroom, and 9 three-bedroom units.
- Technology Heights Apartments—39 total rental units renting anywhere from \$395 to \$895.
- Trinity Point Apartments—48 total rental units that serve 30%, 40%, and 50% AMI households.
- Project Safe Home—33 efficiency units, homeless property with services.

Other affordable housing projects provided with the assistance of SDHDA are as follows:

- Pettigrew Heights Apartments which provide a total of 57 units for people 55+.
- City Center Apartments—44 total units for people 62+ or with disabilities.
- Pettigrew Manor—8 total units with tenants at or below 50% AMI.

Questions asked after Mark's presentation included:

(1) What is the biggest barrier for first-time homebuyers in the Sioux Falls area?

Mark stated it was the availability of houses.

(2) Are all of the programs South Dakota Housing Development Authority provides available in Sioux Falls?

Mark responded that all but the Housing Needs Study Program are available in Sioux Falls. The Housing Needs Study Program is only for smaller communities with a population of 10,000 or less.

More information about their programs can be found on SDHDA's website—www.sdhda.org under the Housing Development and Homeownership tabs.

6. Other Business

There was no other business to discuss.

7. Adjourn

Meeting adjourned at 4:40 p.m.

Secretary



**South Dakota Housing Development Authority
Housing Resources**

South Dakota Housing Development Authority provides financing sources (similar to bank financing) to assist in development of new or the acquisition and/or rehabilitation of existing housing units. Housing developed can be apartments, townhomes, and single family homes for rent. SDHDA programs can also finance single family homes for resale.

Financial assistance is typically in the form of a loan to be repaid over an extended period. Since many funding sources are federally funded, the use of taxpayer dollars requires additional consideration and requirements. Most funding sources can be utilized for construction and then converted to permanent financing. Typically, SDHDA financing will take a second mortgage position on the property, allowing more incentive for the local bank to also participate. Ten percent owner equity is required and can be in the form of cash or land.

The goal of SDHDA programs is to provide affordable housing to qualified families or households. The main component of eligibility is based on their annual income. The household's annual income is compared to the incomes of the geographic area, typically county by county (this is referred to as Area Median Income (AMI)). The AMI is calculated annually by HUD. Different funding sources or types of housing can require different AMI limits. Please refer to the rent and income chart included as an example.

Since the household incomes are limited, so are the rents that can be charged for the housing units. When determining the qualifying rents, the rents must also include utilities. Property owners will also need to ensure the proposed rents are marketable for their community and are sufficient to cover operating expenses.

A good resource for calculating the corresponding incomes and rents by county is the Rent & Income Calculator found at - <http://www.novoco.com/products/rentincome.php>.

Options available for the development of housing units

Homeownership –

- Purchase a **Governor's House** to develop and resell – limited to Governor's House income and asset limits.
- Utilize the **HOME Program** for a loan at 0% for construction period, loan to be repaid when home is sold to household at or below 80% AMI. Can be used in conjunction with the Governor's House, utilizing the more restrictive income limits.
- Utilize **Housing Opportunity Fund** for a loan at 0% for the construction period, loan to be repaid when home is sold to household at or below 115% AMI. Can be used in conjunction with the Governor's House, utilizing the Governor's House income and assets limits.
- Utilize **Construction Loan Guarantee Program** – SDHDA will guarantee up to 50% of the total construction loan (provided by local lender).

- Utilize the **HELP Program** which is limited to members of SD Home Builder's Association to provide construction financing for the construction of a spec home; 0% loan for the first six months. The maximum value of the completed home is \$200,000.
- To develop a lease-purchase program, the **Housing Tax Credit Program** can be utilized with a 15 year lease-purchase period, serving households at or below 60% AMI or the **HOME Program** can be utilized with a three year lease-purchase period, serving households at or below 80% AMI.
- The **HOME Program** can be used to develop affordable lots in a housing subdivision, with construction of the home to begin within 12 months of land purchase and serving households at or below 80% AMI.

Rental Housing (New Construction and/or Acquisition/Rehabilitation) –

- Purchase a **Governor's House** to develop and rent to qualified families; please refer to term sheet.
- Utilize the **HOME Program** for a 0% loan for the construction period, the loan can convert to permanent loan for up to 30 year term. HOME restricted rental units are for 60% AMI households.
- Utilize **Housing Opportunity Fund** at 0% for construction period, the loan can convert to permanent loan for up to 30 year term. Fifty percent (50%) of the housing units restricted to 115% AMI or below. Maximum financing is 50% of total project costs.
- Utilize **Community Housing Development Program** (minimum loan of \$250,000) at 4.00% for construction period, the loan can convert to permanent loan for up to 30 years. Program can provide up to 90% financing with 50% of the housing units restricted to 120% AMI or below.
- Utilize the **Housing Tax Credit Program** for equity financing. Equity raised through the sale of housing tax credits to investors. Can finance up to 75% of the total project costs in exchange for units restricted to households at or below 60% AMI. Minimum size developments are 24 – 30 units.
- Utilize **Bond Financing** for construction loan, which can convert to permanent loan for 30 – 40 year term. Interest rate is determined by current market rate. Can also be combined to utilize 4% housing tax credits, generating equity financing. Minimum of 20% of the units must be restricted to 50% AMI or 40% of the units restricted to 60% AMI. Housing tax credits are only eligible for restricted units.
- The above financing programs can be combined with **Housing Trust Fund Program** to provide rental housing units for households at or below 30% AMI.

Rehabilitation of existing occupied homes –

- The **HOME Program** provides funding for agencies to administer a homeowner rehab program – five year forgivable loan at 0% for 80% AMI households.
- The **Housing Opportunity Fund** provides funding for agencies to administer a homeowner rehab program serving households at or below 115% AMI.
- The **Community Home Improvement Program (CHIP)** provides low income loans for eligible borrowers. Application is made by the homeowner through a participating lender.

SDHDA also administers the **Housing Needs Study Program** which is a cost-sharing incentive program to assist communities with population of 10,000 or less, conduct a study of their community. SDHDA partners with Community Partners Research, Inc. from Faribault, MN to conduct the studies which cost \$5,000 to \$10,000 per study, depending on community population. SDHDA will pay up to 50% of the cost.

More information on these programs can be found on SDHDA's website – www.sdhda.org under the Housing Development and Homeownership tabs.