

**Grantee: South Dakota**

**Grant: B-11-DN-46-0001**

**January 1, 2017 thru March 31, 2017 Performance Report**

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**Grant Number:**

B-11-DN-46-0001

**Obligation Date:****Award Date:****Grantee Name:**

South Dakota

**Contract End Date:****Review by HUD:**

Reviewed and Approved

**Grant Award Amount:**

\$5,000,000.00

**Grant Status:**

Active

**QPR Contact:**

No QPR Contact Found

**LOCCS Authorized Amount:**

\$5,000,000.00

**Estimated PI/RL Funds:**

\$145,165.82

**Total Budget:**

\$5,145,165.82

## Disasters:

### Declaration Number

NSP

## Narratives

### Summary of Distribution and Uses of NSP Funds:

Grantee originally conducted a pre-application process to determine the potential demand for NSP3 funds, areas of demand, and to obtain needs information for potential NSP3 projects based on the activities proposed and local market information. The pre-applications which were received contained eligible census tracts and areas with HUD needs scores ranging from 7 to 11, high delinquency rates, or a high percentage of high cost mortgages. The grantee received pre-applications from thirteen (13) interested parties for fifteen (15) proposed projects which would produce 167 housing units. The pre-applications requested \$10.3 million NSP3 funds, with total overall projects costs of \$17 million. Pre-applications were received for projects to be located in the following counties: Campbell, Minnehaha, Pennington, Perkins, and Turner. Based on the HUD designated needs score and the number of housing units located in the counties of Minnehaha, Pennington, and Turner, it was anticipated that eligible census tracts within those areas would be given the highest priority when selecting projects. Other counties which have census tracts that meet the minimum needs score of 7 would also receive consideration.

HUD approved the first amended Action Plan on March 15, 2011, The parties that had previously submitted pre-applications were invited to submit a full for consideration and to be used for drafting the second amended Action Plan. Nine applications were received and two were deemed ineligible. This amended Action Plan proposes to utilize 10% of NSP3 funds for program administration, 7% for homeowner activities targeted to households at or below 120% AMI, and 83% for rental housing activities. Properties will be located within eligible areas of Sioux Falls and Rapid City (Minnehaha and Pennington Counties, respectively). Target areas are designated as Neighborhoods ID'd as 401, Minn Co (460990003), Minn Co (46-099-0001), Penn Co (46-103-0103) and Penn Co (46-103-0104) in the NSP mapping tool, and can also be viewed on SDHDA's webpage ([www.sdhda.org](http://www.sdhda.org)).

The fifteen day public comment period for the second amended Action Plan was held from May 31, 2011, through 5:00 CDT June 15, 2011. Notice of the public comment period was publicized by placing a paid ad in each of the daily newspapers, releasing a statewide press release that was sent to TV, print and radio media, in addition to the notice on SDHDA's website. No comments were received.

On May 22, 2012, SDHDA Board of Commissioners authorized an Action Plan amendment which (1) consolidates the Minnehaha County target area maps into one map which expands the overall target area by several city blocks (Neighborhood ID: Combined Minnehaha County) and adds the city of Centerville as an eligible target area (Neighborhood ID: City of Centerville). The Board of Commissioners further authorized the publication of the proposed Action Plan amendment for the fifteen day public comment period.

The fifteen day public comment period for the third amended Action Plan expired 5:00 CDT June 29, 2012. Notice of the public comment period was publicized by placing a paid ad in daily newspapers, releasing a statewide press release, and placing the notice on SDHDA's website. No comments were received.

### How Fund Use Addresses Market Conditions:

South Dakota contains two entitlement communities for the CDBG program. Neither the community of Sioux Falls nor Rapid City are eligible to receive an allocation of Neighborhood Stabilization Program (NSP3) funds directly from the U.S. Department of Housing and Urban Development (HUD). The State of South Dakota is entitled to an allocation amount of \$5.0 million.

While the number of foreclosures and subprime mortgages in South Dakota are substantially less than other areas around the country, there are a number of foreclosures and subprime mortgages that do exist with the highest concentration in the Sioux Falls Metropolitan Statistical Area (MSA) and Rapid City HUD Metro FMR Area (HMFA).

As documented in the data provided by HUD, all but 10 counties in South Dakota have at least one foreclosure. As of January 25, 2011, there were 29 HUD foreclosed homes in South Dakota of which 12 are located in the community of Sioux Falls, two in the



community of Rapid City, two in the community of Madison, and the remaining units in thirteen additional communities. REOTrans.com, which is a national foreclosure listing for banks and institutions, indicated an additional 28 foreclosed homes for sale with three homes in Sioux Falls, six in Rapid City, two each in the communities of Hot Springs, Spearfish, and Watertown, and the remaining thirteen homes located in thirteen different communities. South Dakota Housing Development Authority as lender for the First-time Homebuyer Program has an additional 79 foreclosed homes for sale. There are 18 homes in Sioux Falls, five homes in each of the communities of Rapid City, Mitchell and Yankton, with four or fewer homes in an additional 32 communities across the state.

Following are the counties with the greatest number of estimated foreclosure starts per HUD data:

Foreclosure starts exceeding 300: Minnehaha and Pennington Counties

Foreclosure starts exceeding 50: Codington, Davison, Lawrence, and Meade Counties

South Dakota Housing Development Authority has approximately 222 loans that have started or are in the process of foreclosure. Of these loans, 50% are located in the counties of Minnehaha and Lincoln, 7% in Pennington County, with the remaining 43% located in an additional 29 counties.

The percentage of subprime mortgages is a component in the consideration of targeting areas of demonstrated need. An analysis of subprime or high cost mortgages, based on the HUD data, is necessary to provide possible indicators of future foreclosure activity; however, subprime mortgages alone do not demonstrate areas of greatest need. Areas of high subprime mortgages will continually be monitored for potential changes and increases in foreclosures will potentially require an amendment to the Plan.

Following are the counties containing census tracts with the highest percentage of high cost mortgages based on the HUD data:

Bennett, Buffalo, Corson, Dewey, Fall River, Faulk, Grant, Harding, Lyman, Mellette, Shannon, Todd, and Ziebach.

Additional consideration must be made when identifying areas likely to face a significant rise in the rate of home foreclosures. The HUD data provides the percentage of decline in home values since the peak value was reached for the county. The following counties show a decline in value exceeding 2.4%:

Lincoln, McCook, Meade, Minnehaha, Pennington, and Turner Counties

The primary fa

### How Fund Use Addresses Market Conditions:

ctor used by grantee to establish areas of greatest need is the needs score established by HUD, which takes into account the areas with the greatest number of foreclosure starts, high cost mortgages and number of delinquencies. There are 29 counties within the state of South Dakota containing census tracts which meet HUD's minimum needs score for South Dakota, with scores ranging from the state minimum of 7 to a high score of 17. HUD's methodology utilized a formula to establish a needs score, down to the census tract level, based on the rate of subprime loans, increased unemployment rates, fall in home prices, and loans currently delinquent or in foreclosure.

### Ensuring Continued Affordability:

Depending on the type of activity and funding level, the affordability periods will vary. Affordability periods as outlined under the HOME Program 24 Code of Federal Regulations (CFR) 92.252(a), (c), (e), and (f) and 24 CFR 92.254, will be utilized for NSP3 funding. Applicants will indicate within their application, the number of units and the respective AMI levels to be served with the NSP3 funds. SDHDA will require the NSP assisted units to remain restricted to the respective AMI levels for the entire affordability period per the restrictive covenant document. Restrictive covenants will be filed on the real estate per the terms indicated below:

New Construction of Rental Housing: 20 years of affordability

Single Family New Construction,  
Rental Housing (rehabilitation or acquisition),  
Homeownership Assistance or Demolition of  
Blighted Structures:

NSP3 Funding per unit - under \$15,000	5 years of affordability
\$15,000 to 40,000	10 years of affordability
Over \$40,000	15 years of affordability

### Definition of Blighted Structure:

South Dakota law does not have a definition of Blighted Structure. Blighted Structures will be defined as physical structures exhibiting signs of deterioration or is potentially hazardous to persons or surrounding property, including but not limited to: (a) a structure that is in danger of partial or complete collapse; (b) a structure with any exterior parts that are loose or in danger of falling; or (c) a structure with any parts, such as floors, porches, railings, stairs, ramps, balconies or roofs, that are accessible and that have either collapsed, are in danger of collapsing or are unable to support the weight of normally imposed loads.

### Definition of Affordable Rents:

Affordable Rents will be defined as a tenant typically paying no more than 30 percent of their annual income for gross housing costs, including utility costs, with adjustments for smaller and larger families.

### Grantee Contact Information:

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## Housing Rehabilitation/New Construction Standards:

Housing that is rehabilitated with NSP3 funding must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances. All housing assisted with NSP3 funds must meet, at a minimum, the Housing Quality Standards in 24 CFR Part 982.401. If rehabilitation standards in effect in the locality of the project are less restrictive, or there are no rehabilitation standards then at a minimum, one of the three model codes Uniform Building Code (ICBO), National Building Code (BOCA), Standard Building Code (SBCCI); or the Council of American Building Officials (CABO) one or two family code; or the Minimum Property Standards (MPS) in 24 CFR Part 200.925 or 200.926 will apply.

Grantee will further impose the additional HUD-imposed requirements, as follows:

- All gut rehabilitation or new construction (i.e., general replacement of the interior of a building that may or may not include changes to structural elements such as flooring systems, columns or load bearing interior or exterior walls) of residential buildings up to three stories must be designed to meet the standard for Energy Star Qualified New Homes.
- All gut rehabilitation or new construction of mid- or high-rise multifamily housing must be designed to meet American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) Standard 90.1-2004, Appendix G plus 20 percent (which is the Energy Star standard for multifamily buildings piloted by the Environmental Protection Agency and the Department of Energy).
- Other rehabilitation must meet these standards to the extent applicable to the rehabilitation work undertaken, e.g., replace older obsolete products and appliances (such as windows, doors, lighting, hot water heaters, furnaces, boilers, air conditioning units, refrigerators, clothes washers and dishwashers) with Energy Star-46 labeled products.
- Water efficient toilets, showers, and faucets, such as those with the WaterSense label, must be installed.
- Where relevant, the housing should be improved to mitigate the impacts of disasters (e.g., earthquake, hurricane, flooding, fires).

Applicants are also encouraged to adoption energy efficient and environmentally-friendly green elements as part of relevant activities. Attachment C to the NSP3 Notice, located at [http://hudnsphelp.info/media/resources/NSP3FederalRegisterNotice\\_October192010.pdf](http://hudnsphelp.info/media/resources/NSP3FederalRegisterNotice_October192010.pdf), describes in more detail how energy efficient and environmentally-friendly green elements could be incorporated and additional tools on incorporating green rehabilitation standards can be found on the NSP Resource Exchange at [www.hud.gov/nspta](http://www.hud.gov/nspta).

## Vicinity Hiring:

Developers will be required, to the maximum extent possible, to provide for vicinity hiring with a preference for hiring parties located within the eligible census tracts.

## Procedures for Preferences for Affordable Rental Dev.:

During the application round, projects will be selected based on the areas of greatest need by giving priority emphasis and consideration in the following order:

1. Applications received for those areas of the state that have the greatest HUD designated needs score,
2. Rental projects,
3. Projects with the greatest percentage of units designated to providing housing to households with incomes at or below 50% AMI,
4. Applicants who have a demonstrated capacity to complete the proposed project within the timeframes required and have experience with federal programs,
5. Readiness to proceed,
6. Projects located in areas with high foreclosure rates or a high percentage of high cost mortgages.

Overall	This Report Period	To Date
<b>Total Projected Budget from All Sources</b>	N/A	\$9,539,332.82
<b>Total Budget</b>	\$0.00	\$5,145,165.82
<b>Total Obligated</b>	\$0.00	\$5,145,165.82
<b>Total Funds Drawdown</b>	\$0.00	\$5,128,076.89
<b>Program Funds Drawdown</b>	\$0.00	\$4,982,911.07
<b>Program Income Drawdown</b>	\$0.00	\$145,165.82
<b>Program Income Received</b>	\$0.00	\$145,165.82
<b>Total Funds Expended</b>	\$0.00	\$5,103,892.70
<b>Most Impacted and Distressed Expended</b>	\$0.00	\$0.00



<b>Match Contributed</b>	\$0.00	\$0.00
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## Progress Toward Required Numeric Targets

<b>Requirement</b>	<b>Required</b>	<b>To Date</b>
Overall Benefit Percentage (Projected)		0.00%
Overall Benefit Percentage (Actual)		0.00%
Minimum Non-Federal Match	\$0.00	\$0.00
Limit on Public Services	\$750,000.00	\$0.00
Limit on Admin/Planning	\$500,000.00	\$176,572.70
Limit on State Admin	\$0.00	\$176,572.70
Most Impacted and Distressed Threshold (Projected)	\$0.00	\$0.00

## Progress Toward Activity Type Targets

<b>Activity Type</b>	<b>Target</b>	<b>Actual</b>
Administration	\$500,000.00	\$193,661.63

## Progress Toward National Objective Targets

<b>National Objective</b>	<b>Target</b>	<b>Actual</b>
NSP Only - LH - 25% Set-Aside	\$1,250,000.00	\$4,302,795.06

## Overall Progress Narrative:

For quarter ending March 31, 2017, there is no activity to report. No program income was recieved and no payments were disbursed. Several projects remain open. SDHDA staff will work to close out these projects during this next quarter.

## Project Summary

<b>Project #, Project Title</b>	<b>This Report Period</b>	<b>To Date</b>	
	<b>Program Funds Drawdown</b>	<b>Project Funds Budgeted</b>	<b>Program Funds Drawdown</b>
32, Acq of F/C with Rehab or Demo/Recons	\$0.00	\$1,567,360.00	\$1,560,274.34
33, Demolition	\$0.00	\$15,000.00	\$15,000.00
34, Redevelopment/Reconstruction of Vacant Property	\$0.00	\$3,369,144.19	\$3,322,465.42
35, Administration - NSP3	\$0.00	\$193,661.63	\$85,171.31



