



Housing Finance Options



South Dakota Housing Development Authority (SDHDA) Federal and State Financing Programs

- Housing Tax Credit Program (HTC) - IRS
- HOME Program - HUD
- Housing Opportunity Fund – State funded
- Community Housing Development Program – SDHDA funded

Housing Tax Credit Program

- Incentive for the development of low to moderate low income rental housing
- Developers receive HTCs and sell them to investors and utilize the cash equity to finance the development (current average price in SD is \$0.85)
- May be combined with other federal or state finance programs

Housing Tax Credit Program

- Housing Tax Credits May Be Used For:
 - New Construction
 - Acquisition and Rehabilitation
 - Rehabilitation
 - Scattered Site Projects

Housing Tax Credit Program

- Rents and Income Restrictions
 - 20% of units at 50% AMI or less or
 - 40% of units at 60% AMI or less
 - Deep income targeting to 40% and 30% AMI
- Compliance Period of 30 Years

Housing Tax Credit Program

- Competitive Application Process – (Due Last Day of August 2015)
- Projected 2015 HTC's = \$2,675,000 –(Project Limit = \$535,000)
- 10% of HTC's Set Aside For Non-profit Developers
- Application Fee = \$750.00; Program Fees 10 % of HTC's Awarded

Housing Tax Credit Program

- Example: 30 Unit Project, HTC equity price of \$0.85, and HTC Rate of 7.60%
 - Land – Ineligible Cost \$ 70,000
 - New Construction \$ 3,100,000
 - Other Eligible Costs \$ 700,000
 - Other Ineligible Costs \$ 130,000
 - Total Costs \$ 4,000,000 (\$136,667 per unit)
 - Less Ineligible Costs \$ 200,000
 - Eligible Basis \$ 3,800,000
 - X HTC Rate 7.60%
 - Tax Credits Allowable \$ 288,800 x 10 years = \$2,888,000
 - \$2,888,000 @ \$0.85 = \$2,454,800 in HTC equity
 - \$2,454,800 / 4,000,000 = 61.4% of project financing

HOME Program

- HUD Program – Allocate Funds to Participating Jurisdictions (PJ's):
SDHDA(Statewide) & Sioux Falls
- Eligible Activities Include:
 - Homeownership – New Construction, Acquisition & Rehabilitation, Rehabilitation
 - Rental Housing – New Construction, Acquisition & Rehabilitation, Rehabilitation

HOME Program

- Competitive Application Process – (Due Last Day of August 2015)
- Projected 2015 HOME Funds = \$4,500,000 (Project Limit = \$900,000)
- Plus Set Asides:
 - Community Housing Development Organizations (CHDOs)
 - Homebuyer Assistance Program - \$200,000
 - Homeowner Rehabilitation Program - \$500,000
 - Security Deposit Assistance Program – \$125,000
- Application Fee = \$500 (If not applying for HTC's at the same time)
- Matching Funds of 12.5% Required

HOME Program

- Affordability Period – Based On Amount of HOME Funds and Type of Activity, Generally 5 to 30 years.
- Must Target Persons at or Below
 - 60% AMI for rental housing
 - 80% AMI for homeownership
- Rents
 - High HOME rents – don't exceed 30% of 65% AMI or FMR
 - Low HOME rents – don't exceed 30% of 50% AMI

HOME Program

- Financing Terms:
 - First or second mortgage position
 - Interest Rate = 0.00%
 - Flexible repayment terms
 - Can use with other financing programs (HTCs, HOF)

South Dakota Housing Opportunity Fund (HOF)

- Created by the State Legislature in 2013
- Senate Bill 235 – Building South Dakota Fund
- Future Funding From
 - Unclaimed Property Fund of the State
 - Excise Tax from large projects receiving reinvestment payments from GOED

South Dakota Housing Opportunity Fund

- Must Serve Families or Individuals at or Below 115% Area Median Income (AMI)
- 115% AMI for Sioux Falls Based on Number in Household:
 - 1 Person - \$58,190
 - 2 Person - \$66,470
 - 3 Person - \$74,750
 - 4 Person - \$83,030

South Dakota Housing Opportunity Fund

- Geographic Distribution Across the State
 - 30% designated to municipalities with population of 50,000 or more
 - 70% designated for other areas of the state
- Eligible Activity Distribution
 - 50% rental housing (proposed)
 - 25% homeownership (proposed)
 - 25% housing programs (proposed)

South Dakota Housing Opportunity Fund

- Eligible Applicants
 - For-profit Entity
 - Nonprofit Entity
 - Tribal Government
 - Housing Authority
 - Political subdivision of this state or its agencies
 - Any agency of this state
 - Individuals may not apply for direct funding

South Dakota Housing Opportunity Fund

- Eligible Rental Housing Projects
 - New construction
 - Acquisition and rehabilitation
 - Rehabilitation
- Eligible Homeownership Projects
 - New construction
 - Acquisition and rehabilitation
 - Rehabilitation

South Dakota Housing Opportunity Fund

- Eligible Housing Programs
 - Financing / Down payment assistance
 - Homeowner rehabilitation
 - Homeless prevention activities
 - Community land trust

South Dakota Housing Opportunity Fund

- Use of Funds
 - Loans
 - Loan guarantees
 - Loan subsidies
 - Forgivable loan
 - Other financial assistance to eligible applicant

South Dakota Housing Opportunity Fund

- Financing
 - Funds can be used to finance up to 50% of the project or program costs
 - No more than 25% of the annual HOF funds to any one developer, sponsor, owner
 - May be used in conjunction with other programs such as HOME and/or HTCs
 - To be repaid / secured by mortgage

South Dakota Housing Opportunity Fund

- Competitive Application Process – (Due Last Day of August 2015)
 - Application round February 2015 – \$2,500,000
- Projected August 2015 HOF Funds = \$2,500,000
- No More Than 10% of HOF Funds Can Be Used For Administration
- If There Are Not Enough Qualified Applications For Any Designation Amounts Available Can Be Used In Other Designations
- Affordability Period is 5 to 20 Years or Length of Mortgage

Community Housing Development Program (CHDP)

- SDHDA Financed Program - To Provide a Financial Resource to Address Workforce Housing Needs in South Dakota
- Provide Geographic Distribution of Housing Across the State
- SDHDA Provides Loan to Owner/Developer – (Construction / Permanent / Both)
- Up to 30 Year Amortization with Fixed Interest Rate
- Must Serve Households at or Below 120% AMI
- Minimum of 50% of the Rental Units Must be CHDP Units

Community Housing Development Program

- Eligible Applicants
 - Public or private for-profit or non-profit entity (individuals)
 - Corporations
 - Partnerships
 - Limited partnerships
- Eligible Projects
 - New construction of rental housing
 - Acquisition and rehabilitation of exiting buildings for rental housing
 - Rehabilitation of existing buildings for rental housing

Community Housing Development Program

- Minimum Loan of \$500,000 and Maximum loan of \$5,000,000
- Property Must be Fee Simple Title or Have a Long Term Lease
- Must Demonstrate Need Through a Local Housing Needs Study
- Minimum of 10% Equity Requirement of For-profit Owners



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