

U. S. Department of Housing and Urban Development



Community Planning and Development

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ANNUAL COMMUNITY ASSESSMENT

JURISDICTION: State of South Dakota
PROGRAM YEAR START: January 1, 2015
PERIOD COVERED BY ASSESSMENT: January 1, 2015 through December 31, 2015

The Housing and Community Development Act and Act National Affordable Housing Act empower the U.S. Department of Housing and Urban Development's (HUD) Region VIII Office of Community Planning and Development (CPD) to conduct an annual review of the performance by grant recipients according to the provisions of those Acts. This office determines if recipients are in compliance with the statutes and have the continuing capacity to implement and administer the programs for their respective communities. The Annual Community Assessment reports the results of our review of the State of South Dakota's performance for the third year of its current five-year Consolidated Plan (2013 – 2017).

The State receives the Community Development Block Grant (CDBG), the HOME Investment Partnership Program (HOME), and the Emergency Solutions Grant (ESG). As a recipient of these funds, South Dakota is required by regulations at 24 CFR §91.520 (a) (b) and (c) to report on activities funded during the program year and how those activities benefited the citizens of the State. This annual report must specifically address the grant's benefit to low- and moderate-income residents, special need citizens, and the homeless.

As noted in CPD Notice 16-10, the submission of the State's CDBG annual Performance Evaluation Report (PER) continues to be required as part of the Consolidated Annual Performance and Evaluation Report (CAPER); however, the State PER is now limited to the mostly quantitative performance and financial reporting described in the Notice. As the State prepares its next CAPER and PER, it should review this notice and consult with its CPD Representative to ensure the numerous changes are incorporated into its reporting process.

Part I. Summary of Consolidated Plan/Action Plan Review and Assessment

CDBG

The Annual Performance Report of the CAPER reports on all open State CDBG awards. The funds covered in this report were provided to assist local municipalities and counties with a wide variety of needs. These units of general local government (UGLG) utilized CDBG funds for affordable housing activities, public facility improvements, and workforce development for the benefit of low- to moderate- income residents.

Per 24 CFR 570.494, State CDBG funds are considered timely if annual grants are obligated and announced to UGLGs within 15 months of the State signing its grant agreement with HUD. South Dakota was found to be in compliance with the timely distribution of funds requirement for its fiscal year 2014 within the September 10, 2015 deadline with this submission of HUD

Form 40108. The fiscal year 2015 HUD Form 40108 submission was received on September 21, 2016.

When reviewing all of the activities reported in the PER, the State reports 94 activities for the categories of State admin, and UGLG admin and technical assistance (TA), 96 public facility improvements, nine public service activities, two economic development activities, and one demolition.

With regard to the 2015 allocation, the State has funded 22 activities. Ten were UGLG admin costs, with one for the State's admin, and one TA activity for an UGLG. There were nine public facility improvements funded and one public service activity.

The State consistently reports low- and moderate-income data for area benefit activities, as well as sufficient justification for slum blight and urgent need national objectives; however, accomplishment data for low- and moderate-income clientele and job creation is not found in IDIS. Of the State's 24 open LMC and LMJ activities, 15 have been drawn to a zero balance and yet none have reported beneficiary data. The State should take immediate action to address this shortfall. Future assessments may report this issue as a finding. For the 2015 ACA, the absence of the above noted accomplishment data will be noted as a concern.

Concern 1: Projects 100% drawn with no accomplishment data

CONDITION

The IDIS PR03 report for the 2015 program year notes 15 activities that are 100 percent drawn with no accomplishment data reported.

CAUSE

CDBG funds have been expended for costs without a documented National Objective.

EFFECT

Projects are identified as At-Risk if they are 80 percent drawn with no accomplishment data reported.

RECOMMENDED ACTION

In order to prevent a future finding, the State should collect accomplishment data from UGLGs.

HOME

Based on CPD staff's review of the State's HOME program reporting, the CAPER data indicates that South Dakota addressed each of the Consolidated Plan objectives through a variety of activities throughout the State. South Dakota provided affordable housing with HOME funds to 575 households in the 2015 program year: 330 affordably rental housing; 197 new units produced; and 48 rehabilitated housing units. This data exceeds the one year goals by 175.

The most recent Open Activities Reports—September 8, 2016—indicates that the State had no open HOME activities in final draw for over 120 days; however, the State has two activities with funds partially drawn down with no activity for more than six months. HUD is particularly

concerned with Activity 3892 as it has been nearly one year since its last draw. This concern is noted below.

Concern 2: Projects open for greater than six months with no draws

CONDITION

The HOME PJs Status of Open Activities as of June 4, 2015 shows Activity 3892 with funds partially drawn down but with no activity for 343 days.

CAUSE

HOME funds have been committed for 12 projects; however, Activity 3892 has stalled.

EFFECT

Overtime, stalled projects can result in failed projects.

RECOMMENDED ACTION

In order to prevent this project from failing, please take action to revive this project and continue making draws.

ESG

The State of South Dakota provide ESG assistance to 2,793 persons: 800 of these clients were male, 1,991 were female and 2 were transgender. Additionally, 1,497 were children and 1,296 were adults. The CAPER also reported on subpopulations with the vast majority, 2,622, being victims of domestic violence. Clients by component type are listed below.

Component:	Shelter	Prevention	Rapid Rehousing	Outreach
Persons:	2,577	123	193	0

FHEO

The State of South Dakota's 2015 CAPER and PER included required reporting on affirmatively furthering fair housing and equal opportunity documentation. The reports were forwarded to HUD's Region VIII Office of Fair Housing and Equal Opportunity. FHEO's review of the State's CAPER and PER have been forwarded to the South Dakota on September 19, 2016.

Part II. Summary of Grantee Financial Performance

CDBG

The Community Development Block Grant (CDBG) Program has three primary objectives: development viable urban communities, provide decent housing and a suitable living environment, and expand economic opportunities principally for persons of low- and moderate-income. Based on the information provided in the State's 2015 PER and CAPER, the State of South Dakota has met that objective for the program year 2015.

The CDBG requirement to principally benefit persons of low- and moderate-income is measured by the Overall Benefit requirement that 70 percent of expenditures must be spent on those populations. The State expended 88.52 percent of the 2015 CDBG funding to benefit low- and

moderate-income persons, and 89.84 percent over the course of the State's three year—2013, 2014 & 2015—certification period, which satisfies the above mentioned regulatory requirement.

Regulations at 24 CFR § 570.489 limit the amount of State and UGLG administrative expenses to \$100,000 plus three percent of the State's annual grant plus current year program income. The State's obligations for administrative expenses were \$202,385.00 or 2.00 percent after the \$100,000 allotment for 2015. No 2015 funds were disbursed for admin costs. A supplemental spreadsheet showing all State admin, local admin and technical assistance obligations and drawdowns from 2008 through 2015 is included with this report. The State met the regulatory requirement for all years.

Regulations at 24 CFR § 570.201(e)(1) limit the amount of funds that can be obligated to public service activities to 15 percent of the aggregate amount of the annual grant and prior year program income. The State obligated \$150,000 or 2.93 percent of its 2015 funds to public service activities. No 2015 funds were expended for public services. Throughout the year, the State drew only \$50,022.54 for open 2011 and 2012 activities. A supplemental spreadsheet showing public service activity obligations and drawdowns from 2008 through 2015 is included with this report.

HOME

The HOME program requires that all funds be under a binding commitment to affordable housing within 24 months of grant agreement; that not less than 15 percent of such funds are reserved for investment only in housing to be developed, sponsored, or owned by community housing development organizations (CHDO); and 100 percent of HOME funds be disbursed within five years of the grant agreement execution. HOME funds will be reduced or recaptured from a PJ's HOME Investment Trust Fund Treasury account if these deadlines are not met.

The State of South Dakota was successful in its timely obligation and disbursement of HOME funds for program years 2014 and 2011, respectively. The most recent Deadline Compliance Status Report—June 30, 2016—indicates that the State is meeting the CHDO and entitlement funds' reservation and commitment requirement for 2014 HOME funds, as well as the distribution requirements for 2011 HOME CHDO and entitlement funds.

PJs must match 25 percent of the funds drawn from the jurisdiction's HOME Investment Trust Fund Treasury account. The State of South Dakota is under a 50 percent fiscal distress match reduction. As such, the State must match 12.5 percent of its HOME funds. The State's match liability for 2015 was \$377,992.00. With an excess match balance of \$2,950,995, allowable at 24 CFR § 92.221(b), the State contributed \$69,990.00 within the program year.

ESG

During the 2015 program year, the State of South Dakota subreceipted ESG funds to 21 agencies. These funds were expended on ESG components in the following percentages:

Component:	Shelter	Prevention	Rapid Rehousing	Outreach	HMIS	Admin
Percentage:	21.08%	5.22%	9.08%	0.00%	0.31%	6.83%

The Emergency Solutions Grant regulations require a cap on emergency shelter and street outreach activities at 60 percent of the fiscal year entitlement, and an administrative cap of 7.5 percent of the grant amount. The State is meeting these percentage caps with 21.08 and 6.83 percent expended for shelter and street outreach and admin, respectively.

The State is required to match an amount equal to the amount of ESG funds provided by HUD minus the first \$100,000 of the fiscal year grant. The benefit of that exception must be transferred to South Dakota's subrecipients that are least capable of providing the recipient with matching contributions. For the ESG allocation years reported in the CAPER, the award amounts were \$478,044.00 for 2013, \$544,481.00 for 2014, and \$582,158.00 for 2015. The State satisfied its match requirement for 2013 and 2014 with a total of \$449,100.00 and \$485,258.00 match funds expended. 2015 matching funds were only \$86,641.00. CPD will continue to track the 2015 match requirement for the next two CAPER cycles.

ESG funds must be expended within 24 months of the date HUD signs the grant agreement. The 2013 grant agreement was executed on July 8, 2013. The 24-month expenditure deadlines for these funds has passed. As of the date of this assessment, \$734.33 remains in the State's balance of credit. CPD Region VIII will coordinate with HUD's Office of Special Needs Assistance Programs (SNAPS) to develop the most appropriate corrective action. 2014 ESG funds were fully expended prior to the deadline. As a reminder, the State's 2015 ESG grant funds must be expended by June 14, 2017.

Part III. HUD Evaluation and Conclusions

A. OVERALL EVALUATION

The State of South Dakota continues to be a high performer with the disbursement of CDBG and HOME funds to communities that utilize the funds to assist low- and moderate income residents. We encourage the State to continue with fair housing education and outreach in the State as well as coordination between affordable housing providers.

B. CONCLUSIONS AND FINDINGS

Community Planning and Development, Rocky Mountains, Denver, has reviewed available facts and data pertaining to the performance of the State of South Dakota, for its Consolidated Plan and the formula Community Planning and Development Programs specified in that Plan (Community Development Block Grant, HOME Investment Partnership Act, and Emergency Solutions Grant) during the period specified above. Based on the overall review and the information summarized above, CPD makes the following findings:

1. During the period specified above, the State of South Dakota carried out its program substantially as described in its Consolidated Plan as approved and amended.
2. The Consolidated Plan, as implemented, complies substantially with the requirements of applicable laws and regulations.
3. The State of South Dakota has the continuing capacity to carry out its approved program in a timely manner.
4. 15 CDBG activities are 100 percent drawn with no accomplishment date reported.
5. One HOME project has been open for 343 days with no draws.