

ANNUAL COMMUNITY ASSESSMENT

JURISDICTION: State of South Dakota
PROGRAM YEAR START: January 1
PERIOD COVERED BY ASSESSMENT: January 1, 2015 through December 31, 2016

The Housing and Community Development Act and the 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.

States submit their Consolidated Annual Performance and Evaluation Report (CAPER) in accordance with 24 CFR §91.520 (a) (b) and (c) along with a required Performance Evaluation Report (PER). Submission of the state's Community Development Block Grant (CDBG) annual PER continues to be required as part of the CAPER. This 2016 CAPER is for the fourth program year (PY) of the five-year Consolidated Plan period of 2013-2017. The state of South Dakota's CAPER reported accomplishments for the Community Development Block Grant (CDBG) Program, the HOME Investment Partnerships (HOME) Program, the Emergency Solutions Grant (HESG), and the Neighborhood Stabilization Program (NSP). The Original CAPER was submitted on April 18, 2017 with a request by HUD to forward the PR28 Reports. The PR28 Reports were received on May 22, 2017. Additional clarification was required of the state to revise its CAPER submission of the CR-20, Affordable Housing, tables to ensure the accuracy of the data provided. The submission was completed by the state and received by HUD on May 12, 2017. The additional documentation provided was sufficient to assist HUD in determining the state's performance for the year. The state is reminded to submit at the time of the PER/CAPER, the PR 28 Reports for all open years.

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 compliant with the timely distribution of funds requirement for its PY 2015 deadline of September 23, 2016 with the submission of HUD Form 40108 on September 26, 2016.

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 Performance and Evaluation Report (PER) 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.

The state of South Dakota continues to make progress in meeting its community development goals expressed in its Consolidated Plan by funding the development of viable urban communities, by providing decent affordable housing, increasing homeownership, assisting the homeless, increasing economic opportunities and by helping communities meet their capital improvement needs principally for persons of low- and moderate-income. Consistent with this primary objective, the calculations on the PR28 reveal of the funding disbursed for activities other than administrative for low-mod benefit are 100 percent for the three-year certification period of 2014, 2015 and 2016.

A review of the IDIS PR02 Report, reflects the state has 25 open activities for PY 2016 with total funds available to draw at \$6,306,716. The PR03 Report indicates there have been no funds drawn. The same is true for PY 2015. Most importantly noted, in prior program years, the state has drawn all funds for activities with no accomplishment data entered in IDIS. Without accomplishment data, the state is not meeting its national objectives. HUD has been working with the state to reduce its open activities per the IDIS PR59 Reports and in conjunction, report the accomplishment data at the completion of the activities.

The most recent IDIS PR59 Report as of May 29, 2017 reflects there are now 58 open activities that are overdue with no draws made within three years or in one year. Accordingly, there has been no accomplishment data reported. Although the state has made great progress in reducing the number of these older activities, it is imperative the state continue to its efforts to clear these activities. These activities were made a Concern in the PY 2015 CAPER. A Finding will be issued in the next reporting year for PY 2017 if there are open activities in programs years prior to and including PY 2013. The state should ensure it collects the accomplishment data from its UGLGs by monitoring those UGLGs who are slow in reporting this data in a timely manner. As there have been several notices issued to the state by HUD regarding the open flagged activities, a deadline of August 31, 2017 is specified for the state to complete the closing and reporting of the accomplishment data in IDIS for these activities.

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 \$203,800 or 3.9 percent after the \$100,000 allotment for 20615. No 2016 funds were disbursed for admin costs. A supplemental spreadsheet showing all State admin, local admin and technical assistance obligations and

drawdowns from 2008 through 2016 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 no funding in PY 2016 to public service activities.

HOME

Based on CPD staff's review of the state's HOME program reporting, the CAPER data indicates that South Dakota provided affordable housing in accordance with each of the Consolidated Plan objectives through a variety of activities throughout the State. The HOME Snapshot Report indicates South Dakota has one Red Flagged Indicator of 2.57 percent of allocation years not disbursed. The state is to review its allocations to ensure the Indicator can be cleared or at least reduced.

The most recent Open Activities Report as of April 30, 2017 indicates that the state had no open HOME activities in final draw for over 120 days. However, there are six open activities where more than 90 percent of the funds have been drawn. The state is to review the report and evaluate if there are funds that can be drawn down and complete the activities in IDIS.

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 2012, respectively. The most recent Deadline Compliance Status Report as of April 30, 2017, indicates that the state has met the CHDO and entitlement funds' reservation and commitment requirement for 2015 HOME funds, as well as the distribution requirements for 2012 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 2016 was \$474,309 with the CAPER reporting the state's matching contribution at \$100,709. The state does have an excess match balance of \$2,612,609 and is allowable under 24 CFR § 92.221(b).

Emergency Solution Grant (ESG)

The state of South Dakota provided ESG assistance to 3,410 persons including 213 veterans and 1,082 children. Assistance was provided to 3,662 households during PY 2016. The CAPER reported on subpopulations with a large majority of the subpopulation being victims of domestic violence with services provided to this population for 2,494 individuals.

The Emergency Solutions Grant (ESG) regulations at 24 CFR §576.100(b) require a 60 percent fiscal year expenditure cap for street outreach and emergency shelter activities or the total of 2010 grant funds the state committed for those homeless assistance activities. In PY 2016, a review of the IDIS PR91 report reflected the state expended 20.84 percent for street outreach, 20.69 percent for emergency shelters, 3.11 percent for homeless prevention, 9.50 percent for rapid re-housing, 9.36 percent for data collection (HMIS) and 5.62 percent for administration. Based on these amounts in 2016, the state is within the 60 percent expenditure cap for street outreach and emergency shelter activities, and has met the 7.5 percent cap for administrative costs.

Emergency Solutions Grant regulations at 24 CFR § 576.201(a) states that a recipient must make matching contributions to supplement the recipient's ESG program in an amount that equals the amount of ESG funds provided by HUD. Per the state's CAPER, a match of \$64,808 was contributed during PY 2016. The recipients of ESG funds are required to provide match which is usually in the form of volunteer hours and donations of cash and other items. The grant was awarded to the state on July 22, 2016. The funds expended by the state were \$278,185.11 or 48.43 percent of the funds drawn. The HUD-required deadline expenditure date is July 22, 2018 and the state must have expended the remaining balance of \$296,241.89 by the deadline.

Housing Trust Fund (HTF)

A review of the IDIS PR 109 Report indicates the state was awarded \$3,000,000 on November 3, 2016 in grant funds for the financing of new construction and the acquisition and rehabilitation of rental housing for LMI households at 30 percent Area Medium Income (AMI). To date, the state has committed \$300,000 of the funding for the administration of the grant.

FHEO

The Office of Fair Housing and Equal Opportunity (FHEO) reviewed the State of South Dakota's PY 2016 CAPER and has rated the state as Moderate Risk. South Dakota was provided information by FHEO on methods to improve its Citizen Participation processes, and encouraged to provide sufficient information to demonstrate that the state will take appropriate actions to fulfill its PY 2016 Affirmatively Furthering Fair Housing (AFFH) certification. The full report has been forwarded to the state by FHEO on April 12, 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.