



South Dakota 2012 Consolidated Plan Update

**As Submitted to HUD
November 9, 2011**

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SOUTH DAKOTA 2012 CONSOLIDATED PLAN UPDATE

EXECUTIVE SUMMARY

The Consolidated Plan, hereafter referred to as "the Plan," is the five-year housing and community development planning document for the State of South Dakota. The Community Development Block Grant (CDBG), Emergency Shelter Grant (ESG), HOME Investment Partnerships (HOME), Housing Opportunities for Persons with AIDS (HOPWA), Neighborhood Stabilization Program, and Homeless Prevention and Rapid Re-Housing formula programs are covered under the Plan. This 2012 Update provides a summary of actions, activities, and programs that will take place in calendar year 2012 to address the priority needs and specific objectives as outlined in the Plan along with a review of the progress made during 2011.

The overall goals of the community development and planning programs covered in the Plan are to develop viable communities by providing decent housing and a suitable living environment and expanding economic opportunities primarily for low- and moderate-income persons. The primary means toward this end is to extend and strengthen partnerships among all levels of government and the private sector, including for-profit and nonprofit organizations, in the production and operation of affordable housing and economic development.

A summary of the Plan's five years' Specific Housing and Community Development Objectives are found within Table 3A (page 43). While there are three months of information not captured in SDHDA's numbers, some of the goals established for 2011 are being met while others will not.

Housing opportunities for homeless and special needs population continues to be a priority for South Dakota. The South Dakota Housing for the Homeless Consortium (SDHHC) was formed in 2000 with the first statewide Continuum of Care application submitted and funding received in 2001. Beginning with the first application, over \$11 million has been awarded for South Dakota applicants through the CoC application process. Two new Shelter Plus Care grants were awarded funding in 2011 for the communities of Rapid City and Sioux Falls. This additional funding will provide rental assistance for the extremely low income individuals, assisting with one of the State's housing needs.

The Neighborhood Stabilization Program (NSP) has provided a financing opportunity for smaller service enriched developments. The six to eight unit developments that may not typically compete well under the HOME or Housing Tax Credit (HTC) Programs have had the opportunity to receive NSP funding. Since 2009, the NSP program has assisted in financing 10 housing developments providing 92 units of service enriched housing for the homeless, disabled, and single parent populations. HOME funds and HTCs were utilized in only one of these developments.

The South Dakota Housing for the Homeless Consortium conducted the annual homeless count on September 27, 2011. The homeless count is utilized to provide a better definition of homeless in South Dakota while at the same time provide education

and coordination among organizations and individuals. The results of the homeless count will be released to the public November 2011.

Three applications have been received to date in 2011 for the Security Deposit Assistance Program funded through the HOME Program. The \$42,750 of Security Deposit Assistance awarded is anticipated to assist 118 families who are low income, homeless, or at risk of becoming homeless, find permanent housing. Requests for funding under the Emergency Shelter Grants Program continued to be strong, providing financial assistance to 21 shelters.

With the additional \$3.2 million of funding South Dakota received in 2009 under the Homeless Prevention and Rapid Re-Housing Program (HPRP), agencies are able to provide additional services to assist homeless or those at risk of becoming homeless. HPRP funding was committed to nine agencies, with service areas covering 32 counties in South Dakota. As of September 30, 2011, over 6,400 individuals have received HPRP funded services resulting in over \$2 million of HPRP funds being expended.

SDHDA continues to work with other agencies, such as South Dakota Department of Human Services and South Dakota Department of Social Services to ensure there is adequate housing for individuals and families with special needs. In addition, we continue to provide educational opportunities to educate housing providers on serving households with special needs. Many times management selection policies and background checks further eliminate housing opportunities for certain individuals. SDHDA feels that education and willingness to work together is necessary to address the need of affordable housing for certain individuals, SDHDA will continue to work on these issues.

With respect to preservation of existing affordable rental housing and the construction of new affordable rental housing, SDHDA was close to meeting the 2011 projections. For 2011 it was projected to preserve 200 units and construct an additional 200 units. A total of 227 new construction units and 181 acquisition/rehabilitation units were financed, resulting in a total of 408 housing units. The market for housing tax credits has dramatically improved, providing adequate pricing and equity proceeds. A strong demand for the HOME and Housing Tax Credits continues, as demonstrated with application requests exceeding available funding by more than two to one.

The Neighborhood Stabilization Program continued to provide additional funding for several housing developments. Two projects were financed under NSP 1 and an additional seven developments received a commitment of NSP 3 funds. The NSP funds continue to support service enriched housing with two developments consisting of 14 units receiving commitment of NSP 3 funds.

The bond market continued to have a negative effect on the First-time Homebuyer Program this year. However, by participating in the New Issue Bond Program, SDHDA was able to keep the First-time Homebuyer Program interest rates competitive with conventional financing. SDHDA also modified the First-time Homebuyer Program by eliminating the discount point and modified the Loan Assistance Program, providing additional incentives for first-time homebuyers to utilize SDHDA programs. As of September 30, 2011, SDHDA had purchased 1,175 loans in the First-time Homebuyer Program. Other programs such as HOME, NSP, and the Governor's House Program increased the total number of homeownership units to 1,249 homes.

The development of housing in rural communities has remained stagnant during 2011. As we look ahead to future development, the Rural Housing Playbook will continue to provide guidance to smaller communities in their development efforts. The Rural Housing Playbook provides step by step instructions and information regarding market studies, city approvals, financing options, and contacts and resources for communities wanting to address their housing need.

The State of South Dakota will continue to develop viable communities by providing a suitable living environment and expanding economic opportunities for low- and moderate- income (LMI) persons through the Community Development Block Grant (CDBG) program. Through public hearings and State Planning District comments, the state has determined that the public need at the local level is community development, infrastructure, public facilities, and economic development.

During 2010, South Dakota Housing Development Authority entered into a contract with Western Economic Services, LLC to conduct a statewide Analysis of Impediments to Fair Housing. A public survey was conducted statewide with the results of the survey, along with information from HUD, the South Dakota Human Rights Commission, and data from the Home Mortgage Disclosure Act being utilized for the report. The final report was presented April 2011 and is available on SDHDA's website – www.sdhda.org.

CONSULTATION

The 2008 - 2012 South Dakota Consolidated Plan was developed by SDHDA and GOED using the 2000 Census data, the 2003 South Dakota Housing Needs Analysis and information from housing partners. Input given to the consultants for the 2003 Statewide Housing Needs Analysis from organizations such as the State Data Center, other State agencies, private nonprofit organizations, local Councils of Government, public housing authorities, community leaders, special task forces, and concerned citizens was also considered in developing the needs and strategy portions of the plan.

CITIZEN PARTICIPATION PLAN

The information gathering process for the 2012 Plan Update began August 2011. A public meeting was held via the Digital Dakota Network (DDN) in the communities of Aberdeen, Brookings, Eagle Butte, Mitchell, Pierre, Pine Ridge, Rapid City, Sioux Falls, Watertown, and Yankton on August 17, 2011. There were a total of 14 people in attendance at the meeting. There were questions and discussion during the meetings but no verbal comments regarding the plans were made. The public comment period was open until August 19, 2011. Two written comments were received during the comment period. The written comments, pertaining to the CDBG Program, are addressed in Exhibit A.

The public hearing to accept comments on the draft Update and the HOME Plan was conducted on September 28, 2011, via the Dakota Digital Network (DDN). The meeting began at 10:00 a.m. CT and included the locations of Aberdeen, Brookings, Eagle Butte, Mitchell, Pierre, Pine Ridge, Rapid City, Sioux Falls, Watertown, and Yankton. There were a total of 17 people in attendance. There were questions and discussion but no formal comments were provided.

Over 250 individuals were sent a copy of the meeting display ads via email mailings to interested parties, including homebuilders, lenders, real estate brokers/agents, community leaders, contractors, developers, local and tribal housing authorities, local Rural Development Officials, advocacy groups, nonprofit organizations and others on SDHDA mailing lists. In addition, citizens were notified of the meetings through SDHDA's web page, SDHDA's monthly newsletter, press releases and paid notifications in the following newspapers. The ad for the August meeting ran on August 3, 2011, and the ad for the September meeting ran on September 1, 2011.

The Aberdeen American News	The Rapid City Journal
The Sioux Falls Argus Leader	The Watertown Public Opinion
The Brookings Register	The Yankton Daily Press & Dakotan
The Madison Daily Leader	The Mitchell Daily Republic
The Huron Plainsman	The Pierre Capital Journal
The Spearfish Black Hills Pioneer	

HOUSING AND COMMUNITY DEVELOPMENT NEEDS

The 2008-2012 Five-Year Consolidated Plan was developed using data from the 2000 Census and the 2003 Statewide Housing Needs Analysis.

The unmet needs identified in these resources are as follows:

- Development of affordable housing units for low to moderate income homebuyers;
- Preservation of existing rental housing stock, including consolidation of affordable units in overbuilt markets (i.e., small towns and rural areas) and possibly converting some units to market rate units or other uses;
- New construction of affordable rental housing in areas of market demand (urban areas and smaller towns that are accessible to employment centers);
- Rental assistance for extremely low-income, cost burdened households (households whose incomes are below 30 percent of median income and who pay more than 30 percent of their income toward housing); and
- Coordinated homeless housing and supportive services in urban areas such as support for the chronic homeless and housing with intensive services;

Since the release of the 2003 Housing Needs Analysis, the cost of housing has increased substantially nationwide and the need for workforce housing has been identified as an additional area of concern. In addition, the crisis within the housing market is affecting programs and financing resources that are available. The downturn in the economy has also increased the demand for affordable and subsidized housing throughout the state.

Single Family Housing: Ownership of one's home is the American Dream. There continues to be many financing options, as discussed later in this document, that assist low to moderate income families and individuals in achieving this goal. However, changes in credit requirements of the local lenders and finding a suitable home that is affordable to households who are income eligible are the two biggest obstacles that exist. Median incomes are increasing at a much slower rate than the median purchase price for a home and changes in underwriting and loan programs, due to the increase in

delinquent and foreclosed loans, will affect the ability of homeowners to purchase homes now and in the future.

It is important to develop homes in different price ranges from the \$90,000 level for lower income homebuyers to \$160,000 range for working families. The key in many communities is identifying landowners and/or developers who are willing to make an investment in developing sites and/or homes and making them available for purchase. As in any type of housing development, it is important to perform a market study to determine the type, size, and cost of housing that is in demand for each community.

The Rural Housing Playbook (Playbook) is a beneficial tool in helping communities determine and address their housing needs. The Playbook is a housing development guide for rural communities that includes housing ideas, questions, contacts and funding resources necessary for housing development. Anyone interested in accessing the Playbook can visit the Rural Housing Playbook website at www.ruralhousingplaybook.com.

Once it is determined whether existing lots are available or whether additional lots will need to be developed, the next step is to determine the suitability and the availability of the lots/land. The Planning and Development Districts in the area may be willing to assist in this evaluation. Current economic conditions and bank regulations often deter local lenders from participating in financing such an endeavor. If a clearly identifiable need has been established, SDHDA's Rural Site Development (RSD) Loan may in some instances provide the leverage necessary to obtain financing from local lenders. Financing through the RSD will assist in keeping the costs of the lots affordable and available for lower cost homes.

The current housing market evidences the demand for continued homeowner education on topics such as how to Buy a Home, Repair Your Credit, Set up a Budget, and Avoid Foreclosure. SDHDA continues to seek funding for these important classes and ensure proper course material through the Homeownership Education Resource Organization (H.E.R.O.).

Preservation of Rental Housing: Preservation of existing housing is a primary goal, particularly in situations where existing housing needs rehabilitation and can be upgraded to a like-new condition at a substantial savings over the cost of constructing new units. It is extremely important to preserve the federal Housing Assistance Payments contracts that are tied to many of the assisted units throughout the State. Due to the increasing affordability gap of housing, it is important to use resources to maintain the quality and deep subsidy, where available, and improve our existing stock so that it remains competitive in the market and will be viable for the long term.

SDHDA has become actively involved in ensuring long term viability of subsidized housing units. The SDHDA bond financed portfolio of Section 8 developments is at a critical time where increases in rents or waivers of housing restrictions are necessary to keep these affordable housing developments in the rural communities that they serve. Without program flexibility and the desire to keep the affordable housing in the state, many developments potentially face foreclosure in the near future and the loss of the much needed rental assistance.

HUD's Mark-to-Market (M2M) Program has not been utilized in South Dakota for the last several years. The M2M program is available when the subsidized rents within HUD financed or insured properties are higher than market rents. The purpose of the M2M program is to markdown the rents to market levels and to maintain project feasibility by allowing the owners to restructure the existing debt and renovate the property within the process. The Mark-to-Market/Restructuring Program and the rent adjustment processes have caused much confusion and anxiety among many of the existing owners, and some enter into the program or avoid the program without knowing all of their options. SDHDA will continue to work with any existing owners or potential purchasers of federally assisted units to help develop a plan to preserve these valuable resources in our State, whether or not that plan includes the M2M Program.

Whether an existing owner is interested in improving the condition of his or her units or transferring property to a new owner, SDHDA strongly encourages the owner to inquire about the programs and resources available to help preserve or transfer the project. Because each property and each market in South Dakota is unique, SDHDA appreciates the opportunity to work with owners to determine if there is a need and a viable opportunity to preserve the housing using the Mark-to-Market Program, the HOME Program, the Housing Tax Credit Program, or other federal or conventional resources.

New Construction of Rental Housing: The need for new construction of rental units continues to be strong in certain communities in South Dakota. As an eligible activity under the HOME, Housing Tax Credit (HTC) and Neighborhood Stabilization programs, a clear indication of need will be required before a proposal will be considered. When evaluating data related to housing needs, it is necessary to consider the long-term cyclical events that cause markets to change very quickly and data to become irrelevant in cases of unforeseen events. For this reason, market studies are crucial and must be current, complete, and accurate.

The following issues must be considered for each potential market before the development of additional units is pursued:

1. Whether the community has experienced growth in recent years and is projected to continue to grow.
2. Whether there have been any significant changes in the economic arena for the area, such as major employers leaving or moving into the area or who are expected to leave or move in. Note that the definition of "major" will vary by community.
3. A determination as to whether vacancies that may have existed prior to the population growth have been absorbed, or whether there are vacancies in the market area now. If there are vacant units, they need to be evaluated to determine if they are obsolete, have deferred maintenance, have deep rental subsidies, or qualify for Section 8 Vouchers (if available).
4. Determine if the need is for housing for families, young professionals, retirees, or the elderly, and what the most suitable housing would be for the identified population; such as whether there is a need for single family homes, townhouse or condominium type housing units with lower maintenance requirements, independent apartments, congregate housing, or assisted living units. Also, determine if there are existing vacant units or structures in the community or region that could be rehabilitated or moved in to address the demand for housing in a more affordable manner than new construction.

5. A determination must be made as to whether there is a need for market rate housing, workforce housing, or housing targeted to lower income households.

Rental Assistance: There are 37 Public Housing Agencies in South Dakota that administer Section 8 Housing Choice Vouchers to very low (including extremely low) income households that need assistance in paying rent to local landlords in either units throughout the community or units located in a designated property owned by the Public Housing Authority that are specifically designed for low income tenants. There are also hundreds of rental properties throughout the State that are owned by private landlords and that have deep subsidies available to help low income residents pay their rent for those units. Waivers are sought for families and individuals who do not qualify under federal income eligibility but desire to reside in assisted units. Refer to the Assisted Housing Inventory and Resource Guide at www.sdhda.org for a listing of assisted properties in South Dakota and a listing of Public Housing Authorities. SDHDA's Housing Search located at www.SDHousingSearch.com is a useful tool for finding both assisted and market rate units in the different communities throughout South Dakota.

Households on fixed incomes often struggle to pay the security deposits and first month's rent when they are getting established in the rental market. The Security Deposit Assistance Program offered by SDHDA, under the HOME Program, offers nonprofit entities and Public Housing Authorities the opportunity to provide one-time assistance to homeless and at-risk families and individuals. Qualifying entities can apply to administer the program through SDHDA. A listing of agencies administering the SDAP can be found on SDHDA's website – www.sdhda.org.

SDHDA realizes the need for additional rental assistance for communities currently not served by a Public Housing Authority, communities that have a long waiting list for the Section 8 vouchers, and for housing developments serving targeted populations. The demand to utilize HOME funds for hard construction costs prevents SDHDA from utilizing these funds for this activity. However, SDHDA will continue to pursue other funding possibilities to increase the availability of rental assistance in South Dakota.

Recently, there has been activity and interest generated regarding the creation of a statewide housing trust fund. While still in its early stage of development, this venue may provide alternative financing to address such specific housing needs.

Homeless Housing: To be truly effective for the individual or family being served, housing for the homeless must be tied to supportive services that are linked to mainstream resources. Much of the rehabilitation, maintenance, and operating expenses of the agencies providing emergency shelter to the homeless are funded through programs such as the Emergency Shelter Grants Program, the Domestic and Sexual Abuse Program, and private donations.

The Homeless Prevention and Rapid Re-Housing Program (HPRP) created under the American Recovery and Reinvestment Act provides additional funding to assist in homeless prevention activities. HPRP funds provide financial assistance and services to either prevent individuals from becoming homeless or help those who are experiencing homelessness to be quickly re-housed and stabilized. Local units of government and nonprofit agencies administer the HPRP funds and provide direct services. HPRP funds must be 100% expended by September 2012. However, to continue providing these expanded homeless prevention activities, the ESG program is being modified. The

formation of the Emergency Solutions Grant Program will incorporate Emergency Shelters Grant Program with Homelessness Prevention and Rapid Re-Housing expanding the services and entities involved. The draft regulations for the Emergency Solutions Grant Program are currently under review and will be released late 2011 or early 2012.

A number of other resources such as the HUD Continuum of Care funding and other specific federal programs are designed to provide permanent, supportive housing for the homeless. However, the availability of these resources to South Dakota is limited. For this reason, it is critical to blend existing housing with mainstream resources and other supportive services to prevent people from becoming homeless, and if they are homeless, to link them to the appropriate services to allow them the tools they need to help them out of that situation. The need for housing and service providers to coordinate their efforts is critical to ensure that there is no overlap in services thereby avoiding any waste of valuable resources while ensuring that any support gaps are filled for each individual. It is also important to help many of them through the system as it is complicated and often not user friendly.

The Housing for the Homeless Consortium has a Homeless Management Information System (HMIS), a web-based data collection application designed to capture client-level information over time on the characteristics and service needs of homeless persons. The goal of this program is to eventually link all homeless service providers together and serve as a client intake system that will be more time effective for users of various programs and more efficient for the providers. The Housing for the Homeless Consortium will work with all public and private agencies in South Dakota that provide shelter, housing, or services to homeless persons or people at-risk of becoming homeless to have them participate in South Dakota's HMIS.

Nationally, other organizations and programs such as Department of Veterans' Affairs and Projects for Assistance in Transition from Homelessness (PATH) program are requiring service providers to begin utilizing the HMIS system. This push from other agencies will assist in making the HMIS a statewide system that is an effective tool for administration and reporting of homeless data.

Continuing deep federal rental subsidies or federal housing grants are critical to make rent affordable to someone with little or no income, to the homeless, and to at-risk households. HOME and Housing Tax Credits are available to develop affordable housing, both permanent supportive housing and transitional housing, but most individuals and families need tenant based rental assistance to help make the units affordable.

SDHDA will continue to monitor and adjust to the changes being implemented in the ESG, CoC, and other state and federal programs. The conversion of the Emergency Shelter Grants Program to the Emergency Solutions Grant Program will result in additional funds being available to the State of South Dakota, along with expansion of eligible activities and potentially additional agencies administering the program. For 2011, SDHDA received only a portion of the ESG funding. Regulations for the Emergency Solutions Grant Program are being drafted and upon completion, additional funding will become available. It is anticipated that an amendment to the 2011 Annual Update will be required for allocation of the remaining ESG funds, late 2011 or early 2012.

Additional guidance is also forthcoming regarding the administration of the Continuum of Care funding. US Department of Housing and Urban Development is encouraging the consolidation of Continuums of Care for a more efficient delivery system. South Dakota will continue to have only one statewide continuum. An additional proposal is for HUD to contract with an approved funding agent to administer the CoC funding process on behalf of HUD. The process is proposed to be very similar to the HOME, CDBG and ESG process, where the agent would submit the CoC application to HUD and upon approval of funding, the agent would then administer and approve funding for eligible entities (sub-recipients). The agent would also have the responsibility of ensuring program compliance by CoC recipients.

HOUSING AND COMMUNITY DEVELOPMENT RESOURCES

The following table includes a listing of the Federal, State, local, and private resources available to carry out the activities planned in the strategies outlined earlier. The resources, or programs, are grouped according to their source. The table indicates the expected allocation to the State, whether the funds must be applied for to the Federal government or other entity separately, and how the funds will be leveraged.

Since Congress continually evaluates federal programs and appropriations, the Programs have been reflected in the amounts anticipated to be received in FFY 2012. In addition there are many programs newly created or receiving additional stimulus funding that may not be reflected in the following chart.

There is a 25 percent match requirement for HOME funds disbursed on or after October 1, 1998.

All HOME applicants are required to provide a 25 percent match of the HOME funds awarded for their projects in accordance with 24 CFR Part 92. SDHDA will provide up to 12.5 percent of the match requirement, if resources are available, through SDHDA's bonding activities, matching voucher program, down-payment assistance program, and Community Home Improvement Program contributions.

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SOURCES OF FUNDS

Federal

Program Federal Source indicated in ()'s	Administering Agency	Anticipated Allocation	Actual Allocation	Funds Committed	Method of Distribution	Source of Leverage
Community Services Block Grant (HHS) Homeless or Homeless Prevention	Dept. of Social Services	\$3,025,630 (10-1-10 to 5-31-11)	\$3,025,630	\$2,874,349	Community Action Agencies (CAP)	Private, Local, FEMA Emergency Funds
CDBG Programs (HUD)	GOED	\$6,717,000	\$7,215,709	\$7,215,709	Competitive Process	DENR, private, public, RD
Weatherization Assistance Program (DOE)	Dept. of Social Services	\$2,013,071	\$2,013,071	\$2,013,071	Sub-grant to CAP Agencies	LIEAP
Low Income Energy Assistance Program - LIEAP (HHS)	Dept. of Social Services	\$22,921,427	\$24,771,513	\$20,165,629	Direct Services	Nonprofit Organizations, Service Providers
Emergency Food and Shelter Program (FEMA)	Sioux Falls FEMA Board	N/A	N/A	N/A	N/A	N/A
Emergency Shelter Grants Program (HUD)	SDHDA	\$350,000	\$351,331	\$351,331	Competitive process with the shelters	Private, public, volunteer labor
Projects for Assistance to Transition from Homelessness (PATH)	Division of Mental Health	\$300,000	\$300,000	\$288,000	Funds given to mental health centers throughout the State	Local
VA Guaranty	Local Lenders	N/A	N/A	N/A	First come, first-served	Private, public financing
FHA 203 (B) Mortgage Insurance	Local Lenders	N/A	N/A	N/A	First come, first-served	Private, public financing
FHA 203 (K) Mortgage Insurance/Acq. with rehab	Local Lenders	N/A	N/A	N/A	First come, first-served	Private, public financing
FHA 221(d)(3) and (d)(4) Programs	HUD Denver	N/A	N/A	N/A	Competitive through HUD	Private developer, local lender

Program Federal Source indicated in ()'s	Administering Agency	Anticipated Allocation	Actual Allocation	Funds Committed	Method of Distribution	Source of Leverage
FHA 223(a)(7)	HUD Denver	N/A	N/A	N/A		
FHA 223(f) Existing Multifamily Rental Housing	HUD Denver	N/A	N/A	N/A	Competitive through HUD	Private developer, local lender
FHLB Community Investment Program	FHLB Member	\$24 Million (Grants) \$350 Million (Loans)	\$24 Million (Grants) \$350 Million (Loans)	N/A	Competitive process (Grants) Request of members institutions (Loans)	N/A
Rural Business Enterprise Grant	RD State	N/A	N/A	\$941,780	N/A	Private, & public financing
RD Business and Industrial Loans	RD State	N/A	N/A	\$6,638,250 (guaranteed)	N/A	Private, local lenders
RD Community Facilities Program	RD Field	N/A	\$2,431,000 (direct loan) \$1,563,000 (guaranty) \$146,000 (grant)	\$2,504,976 (direct loans) \$2,150,000 (guaranteed loan) \$2,088,500 (grants)	N/A	Nonprofit entities, public
RD Homeownership (502)	RD Field	N/A	\$7,237,222 (VL) \$11,014,459 (L)	\$6,983,290 (VL) \$13,300,717 (L)	First-come, first-served	Private
RD Housing Repair Loans and Grants (504)	RD Field	N/A	\$229,000 (loans) \$202,000 (grants)	\$247,919 (loans) \$243,391 (grants)	First-come, first-served	Private, weatherization
RD Intermediary Relending Program	RD State	N/A	N/A	\$1,500,000	RD State Office	Nonprofit entities, public
RD Rural Housing Guarantee	Local Lenders	N/A	\$132,468,126	\$132,468,126	First Come – First Serve	N/A

Program Federal Source indicated in ()'s	Administering Agency	Anticipated Allocation	Actual Allocation	Funds Committed	Method of Distribution	Source of Leverage
RD Guaranteed Rural Rental Housing Loans	RD Field	N/A	\$0	\$0	Competitive	Private, LIHTC, Nonprofit
RD Housing Preservation Grant	RD Field	N/A	\$0	\$54,518	Competitive	Private & Public
Rural Business Opportunity Grant	RD Field	N/A	N/A nationally held	\$50,000	RD Area Office	Private
Value -Added Agricultural Product Market Development Grant	RD State Office	N/A	N/A nationally held	N/A	RD State Office	Private & Local funds
Rural Cooperative Development Grant	RD State Office	N/A	N/A nationally held	\$728,412	RD State Office	Private & Local funds
RD Water and Waste Disposal Program	RD Field	N/A	\$9,327,000 (loans) \$3,169,000 (grants)	\$25,078,000 (loans) \$21,171,000 (grants)	Local RD Office	CDBG, DENR, HIS, BIA
Renewable Energy Systems and Energy Efficiency Improvement Grant	RD State Office	N/A	N/A nationally held	\$1,054,476 (grants) \$860,350 (guaranteed)	RD State Office	Private & Local funds
Rural Community Development Initiative	RD State Office	N/A	N/A	N/A	RD Area Office	Private & Local Funds
REDLG	RD State Office	N/A	N/A Nationally Held	\$740,000 (Loans) \$300,000 (Grants)	RD State Office	Private, CDBG, DENR, IHS, BIA, REED
Small Minority Producers Grant	RD Area Office	N/A	N/A Nationally held	\$175,000	RD State Office	N/A
HUD 202 Supportive Housing of the Elderly	HUD Denver	N/A	None	N/A	Competitive through HUD	
HUD 811 Supportive Housing for Persons with Disabilities Program	HUD Denver	None	None	\$1,252,400	Competitive through HUD	

Program Federal Source indicated in ()'s	Administering Agency	Anticipated Allocation	Actual Allocation	Funds Committed	Method of Distribution	Source of Leverage
HUD 231 Mortgage Insurance for Housing the Elderly Program	HUD Denver	None	None	None		
HUD 232 Mortgage Insurance for Nursing Homes, Intermediate Care Facilities, and Board and Care Homes	HUD Denver	None	None	None	Competitive through HUD	
Historic Tax Credits	State Historical Society	Available from State Historical Society	N/A	N/A		Private, local lenders, HTC, HOME
HOME Incentives Partnership Program (HOME)	SDHDA	\$3,800,000	\$3,371,383	\$4,551,723	Competitive Process	Private, local lenders, HTC, FHLB, Rural Development
Low Income Housing Preservation Program	HUD Denver	None	None	None		
Housing Tax Credit Program (HTC)	SDHDA	\$2,800,000	\$2,777,591	\$2,777,591	Competitive process	Private, local lenders, FHLB, HOME, Historic Tax Credits, NAHASDA, Rural Development
Public Housing Modernization (CIAP)	PHAs	N/A	N/A	N/A		
RTC Properties and Funds	HUD Denver	N/A	N/A	N/A	Competitive through HUD	
Section 8 Moderate Rehabilitation	HUD Denver	N/A	N/A	N/A	Competitive through HUD	
Supportive Housing Program	HUD Denver	N/A	N/A	N/A	Competitive through HUD	
Continuum of Care	HUD Denver	\$1,000,000	\$1,621,502	\$1,621,502	Competitive through HUD	
USDA Rural Development 515 Preservation Loan Program	SDHDA	\$1,750,000	\$828,353	\$828,353	First-come, first-served	Conventional, HOME, Private, Housing Tax Credits, RD 538

Program Federal Source indicated in ()'s	Administering Agency	Anticipated Allocation	Actual Allocation	Funds Committed	Method of Distribution	Source of Leverage
Neighborhood Stabilization Program 1	SDHDA	Only Program income	\$212,440	\$212,440	First-come, first-served – Application Cycle	Conventional, HOME, Private, Housing Tax Credits, RD 538
Neighborhood Stabilization Program 3	SDHDA	\$5,000,000	\$5,000,000	\$5,000,000	First-come, first-served – Application Cycle	Conventional, HOME, Private, Housing Tax Credits, RD 538
Tax Credit Assistance Program	SDHDA	No additional financing provided	\$0	\$0	Application Cycle for HTC developments only	Conventional, HOME, Private, Housing Tax Credits,
Homeless Prevention and Rapid Re-Housing Program	SDHDA	No additional financing provided	\$0	\$0	Application Cycle	Private Donations

State

Program	Administering Agency	Anticipated Allocation	Actual Allocation	Funds Committed	Method of Distribution	Source of Leverage
Single Family Homeownership Program	Local Lenders	Available out of State Bonding Cap	\$99,937,909	\$99,937,909	First-come, first-served	Private, local lender, MAP, mortgage insurance
Step Rate Loan Option (these funds are included in the Single Family HO Program)	Local Lenders	Part of Single Family Homeownership Program	N/A		First-come, first-served	Same as Single Family Homeownership
Loan Assistance Program (LAP)	Local Lenders	Reserves	N/A	\$0	First-come, first-served	Private, mortgage insurance
SDHDA Multifamily Bond Financing	SDHDA	Available out of State Bonding Cap	\$0	\$0	First-come first served	Private developer, local lenders, mortgage insurance, FHLB, HOME, HTC

Program	Administering Agency	Anticipated Allocation	Actual Allocation	Funds Committed	Method of Distribution	Source of Leverage
SDHDA Flexible Lending (Rural Site Development) / Guarantee Program	SDHDA	SDHDA Reserves	N/A	\$0	First-come, first-served	Private developer, local lenders, FHLB, HOME, HTC
Services To Aging Residents (STAR) Program	SDHDA	N/A	N/A	N/A	N/A	N/A

Local

Program	Administering Agency	Anticipated Allocation	Actual Allocation	Funds Committed	Methods of Distribution	Sources of Leveraging
City and County Tax Abatement	City and County Commissioners	N/A	N/A	N/A	N/A	
Donated land or property	Private and public owners	Varies by community	N/A	N/A	N/A	

Private

Program	Administering Agency	Anticipated Allocation	Actual Allocation	Funds Committed	Methods of Distribution	Sources of Leveraging
Conventional Mortgage Financing	Local Lenders/ Private Owners	Varies by lender/ activity	N/A	N/A	First-come, first-served	
Conventional Home Improvement Loan	Local Lenders	Varies by lender/ activity	N/A	N/A	First-come, first-served	Private, local lender
Cooperative Home Improvement Program (CHIP)	Participating Local Lenders	N/A	\$1,007,862	\$1,007,862	First-come, first-served	Local Lenders, SDHDA reserves
Habitat for Humanity	Local Chapter	Community based	N/A	N/A	Local selection	Private, volunteers
Nonprofit Organization Funds	Local Nonprofit entity	N/A	N/A	N/A		
Private Foundations	Individual Foundation	N/A	N/A	N/A		

ACTIVITIES USING FEDERAL RESOURCES

The South Dakota Housing Development Authority (SDHDA) will continue to directly administer HOME, Emergency Shelter Grant, Neighborhood Stabilization, and Homeless Prevention and Rapid Re-Housing funds awarded to the State. SDHDA anticipates receiving program income through the HOME and NSP Programs in addition to the annual allocation of HOME and ESG funds awarded to the State, which will be used to address the priorities, identified beginning on page 36 of the 2008-2012 Consolidated Plan.

The Housing Tax Credit Program, Tax Credit Assistance Program and Tax Credit Exchange Program are also administered directly by SDHDA. The Governor's Office of Economic Development awards Community Development Block Grant (CDBG) and Community Development Block Grant Recovery (CDBG-R) funds to local governments.

Increasing the supply of affordable single family housing is the highest housing related priority in areas of the State that indicate a demand for additional housing.

SDHDA's single family homeownership program (or First-time Homebuyer Program) is a primary tool used in this strategy as it allows young families the opportunity to purchase a home they might otherwise not be able to afford and creates a continuous demand for entry level homes. This program offers below market interest rates for the purchase of a home for households that income qualifies. SDHDA's downpayment assistance programs and other SDHDA resources may be used to finance a portion of the down payment and closing costs for households that are financing the purchase of their home through the First-time Homebuyer Program.

To further enhance the affordability of homeownership, individuals and families purchasing the Governor's House may be eligible for gap financing through a secondary mortgage of the home through the Governor's House Pilot Program, funded by HOME funds. Because construction and financing can be challenging for many people, particularly people with disabilities or the elderly, CHDOs and other nonprofit entities are encouraged to assist those who do not have the capability to oversee the construction and coordination aspects of the purchase and placement of a home.

Voucher recipients of the Welfare to Work and the Housing Choice Voucher rental assistance program have the opportunity for homeownership by utilizing the voucher to purchase a new home, an existing single-family home, a home under construction or shares in a cooperative. The voucher can be converted into downpayment assistance or can be used to help with monthly payments.

Another means for low-income households to become homeowners is through a lease/purchase program. A lease/purchase arrangement may provide these households with the ability to attain affordable single family homeownership by allowing them the time to accumulate the necessary down payment funds or to correct credit issues. Funds are available to developers of affordable single family or multifamily housing through either the HOME Program or Housing Tax Credit Program to provide lease/purchase options for these households. To ensure the viability of such a program, a solid, long term management plan with counseling for the homebuyers is required.

The Governor's House Program recently introduced the Lease Purchase option. Potential homeowners must work with a nonprofit agency to utilize this option. The home must be

purchased within three years, during which time the nonprofit agency will work with the homeowner to resolve credit issues and provide homeowner education regarding home maintenance, budgeting, and other services.

Another opportunity for the development of affordable single family homes is utilizing the HOME Program to finance the construction of homes for resale to households at or below 80 percent of median income. Once the homes are sold, the HOME funds are repaid. In addition the HOME Program can be utilized for the development of affordable lots in housing subdivisions.

To address the need for preservation of single family homes, funds will be made available through the HOME Program to Community Action Program (CAP) agencies and non-profit agencies to administer the funds to homeowners for rehabilitation needs. Many times the homes of the owners accessing the Weatherization Program are in need of repairs beyond what that program can accommodate so the HOME funds can further assist in the rehabilitation necessary.

Sometimes, the homes considered for rehabilitation by the CAP agencies are in such condition that it is not financially feasible to bring the home into a decent, safe condition. SDHDA has an agreement with the Department of Social Services that will allow a waiver from the Federal Weatherization Program or the Low-income Energy Assistance Program to allow eligible households to purchase a Governor's House rather than invest in a home that is beyond repair. Although this option is available, it has not been utilized to date. SDHDA can also work with the CAP agencies to provide HOME Program financing for these low-income households under the Governor's House Pilot Program.

HOME funds under the Homeowner Rehab set-aside may also be used for modification of an existing home to make the home handicap accessible.

HOME funds and Housing Tax Credits may also be utilized to rehabilitate or acquire and rehabilitate single family homes for rental purposes. The rehabilitated homes financed under the HOME program may also be sold upon completion of the rehab work without utilizing the lease-purchase program.

Preservation of existing multifamily rental housing is also a principal goal. When evaluating proposals for preservation of rental housing, the following factors will be considered in determining what properties will be funded: 1) the condition of the existing rental housing; 2) the financial feasibility of the property; 3) the extent and reason for the need for repairs; 4) the current management practices; and 5) the overall need for the housing within the community (current and projected).

SDHDA will be informed if any South Dakota properties are assigned by the HUD Office of Affordable Housing Preservation (OAHP) under the Mark-to-Market Program. If SDHDA resources are necessary beyond the resources available from HUD to make a project viable and feasible, the sponsor/owner will be referred to the appropriate program to make application. Since timelines are critical to the preservation of a property under the HUD restructuring process, every effort will be made to ensure that adequate funding is made available to complete the process in a timely manner.

Properties other than those eligible for the HUD restructuring program are also in need of preservation. Some properties need updating of major systems and do not have the reserves available to do so. In others, the owners are at an age where they want to liquidate their

holdings, or the owners choose to restructure the property for tax purposes. The properties that fall under this category may be conventionally financed, SDHDA financed, or Rural Development financed. In all cases, SDHDA will review the proposal to determine the need for rehab, the need for the units in the market, the potential resources for available financing, and evaluate history of the project to ensure that disinvestment of the property has not taken place. If disinvestment has occurred, SDHDA will consider an application only if the property is purchased through an arm's length transaction and the current owners and management agent are completely removed from the proposal.

In December of 2007, SDHDA was notified that they are the recipient of \$1.75 million from USDA Rural Development for the 515 Multifamily Preservation Revolving Loan Fund. As a re-lending program, SDHDA will leverage the Rural Development funds with private, HOME, HTC and SDHDA's FLEX Program to finance rehabilitation activities exceeding \$3 million for existing USDA Rural Development 515 properties. In 2011, two developments received commitment of Preservation Revolving Loan Funds totaling \$828,353 to preserve 32 housing units.

Although preservation is the primary goal for rental housing, it is recognized that some communities can justify the need for new construction. Some will identify a need for family housing, while other communities' needs may be better served by the addition of elderly housing including congregate housing or an assisted living facility. A congregate housing arrangement offers a semi-independent living environment which provides residential accommodations, central dining facilities (where at least one meal a day is provided 7 days a week), related facilities, and supporting staff and services. An assisted living arrangement offers assistance with activities of daily living, including eating, bathing, dressing, and personal hygiene; three meals a day; supervision of self-administration of medication; laundry service; housekeeping; and 24 hour staffing and activities. Transportation to and from doctors' appointments and personal errands, counseling services, and companion services are optional.

All congregate housing and assisted living units must comply with the rent limitations specific to the financing source, if there is federal assistance. Services must be made available under a separate contract. Funding for the construction of elderly housing including congregate housing and assisted living units is available under the HOME Program and the Housing Tax Credit Program. Prior to proposing construction of either type of facility, it must be documented that there is a need for the additional units and that it would not be more cost effective to retrofit an existing structure by adding community living space and the necessary services. This is assuming there is a suitable structure available, and that the rehabilitation would meet the minimum requirements as detailed in the HOME and HTC Plans.

The Risk Share Program, SDHDA Multifamily Bond Financing, Rural Development 538 Guarantee Program, various FHA Insurance Programs, and Essential Function Bonding will be used where necessary to develop or preserve multifamily units where there is an identified need.

SDHDA will also target resources to the homeless and special needs populations where appropriate to provide the necessary transitional or permanent housing solutions for people who need the additional supportive services to allow them the opportunity to live as independently as possible. SDHDA staff will continue to be as involved with the South Dakota Housing for the Homeless Consortium as is appropriate.

SDHDA has directed attention towards these more cost effective measures due to the high cost of constructing traditional rental housing units and single family homes. The high costs, coupled

with the high rental vacancy rates in some communities, have caused SDHDA to complete a more thorough review of the housing market and the project before funds are awarded. Rental housing new construction will continue to be an eligible activity and it will be geared toward specific areas of the State where there continues to be economic growth and an identified need for additional units. Mixed income housing will continue to be encouraged for rental housing developed under the HOME program or the Housing Tax Credit Program.

ACTIVITIES USING NON-FEDERAL RESOURCES

In an effort to increase the supply of single family housing, the FLEX Program Rural Site Development or the Construction Loan Guaranty Programs offer construction loans, guarantees, and other gap financing options necessary to complete the package needed to finance affordable single family housing, including lease/purchase options for lower income households. The programs funded from SDHDA reserves offers a flexible means of financing to address housing needs that might not otherwise be available.

Rural communities often have a need for infrastructure to expand, but do not have the financing available to cover the extensive costs of streets, utilities, etc. To further the goal of increasing the supply of single family homes, SDHDA created the Rural Site Development Program. This program is a tool used by communities, lenders, and developers to finance the infrastructure needed to develop lots in a new subdivision where the need for such development is substantiated.

For communities looking to add spec homes, the Construction Loan Guarantee Program may be an option to consider. SDHDA will provide guarantees of up to 50% of the construction loan made by lenders to contractors. The construction loans provided by the lender cannot exceed 85% of the total value of the housing unit. SDHDA will guarantee no more than five loans per contractor and no more than 25 loans per one community.

The Governor's House is available for purchase by households whose adjusted gross income does not exceed \$41,720 (for a household of 3 or more persons) and whose family net worth is \$90,000 or less (or \$175,000 or less if over the age of 62). These homes can be purchased for \$35,500 and placed on a lot with a basement or crawlspace. This 1,008 square foot, two bedroom single family home offers a very affordable, low maintenance alternative and are intended to help increase the supply of single family homes. They are also an affordable alternative to people with disabilities who are employed and who prefer to be homeowners. Community development organizations may assist with the development process by purchasing the homes, completing the construction, and selling them to qualified homebuyers.

The lease purchase option provides another alternative for those interested in becoming a homeowner but are not currently ready. The home must be purchased within three years during which time the nonprofit agency will work with the homeowner to resolve credit issues and provide homeowner education regarding home maintenance, budgeting, and other services.

Although the Governor's House may be the solution for people with disabilities who are seeking homeownership, others already own a home and simply need repairs or modifications to make the home accessible for them, therefore preserving the home they already have. Funds are available for this type of activity through the SD Department of Human Services, the Department of Social Services (for the elderly), and through lenders participating in SDHDA's Community Home Improvement Program (CHIP). Low to moderate income households may obtain a loan,

up to a maximum of \$15,000 for the purposes of renovating or modifying their home. Interest rates range from 1.9 percent to 5.9 percent depending upon income.

Although the need for preservation and construction of multifamily housing can, for the most part, be addressed by the federal resources listed in the previous section, SDHDA will use the FLEX Program where necessary to address needs that are best served by those funds. Use of the funds is at SDHDA's sole discretion within federal and State law.

SDHDA also finances down payment and closing costs for homebuyers under the First-time Homebuyers Program through the Fixed Rate Plus, and the Loan Assistance Program.

To further preserve affordable rental housing, SDHDA will continue to administer the Services to Aging Residents Program.

GEOGRAPHIC DISTRIBUTION

Housing Tax Credits, which are awarded to the State on a per capita basis, will be distributed statewide based upon identifiable need taking into consideration geographic distribution. The HOME Program will be distributed statewide based on identifiable need and geographic distribution, with no one community receiving more than 50% of the HOME funds during the initial application cycle. The Emergency Shelter Grants Program, soon to be known as the Emergency Solutions Grant Program, is also awarded based on a formula allocation and will continue to be distributed statewide according to identified needs taking into consideration geographic distribution. Homeless Prevention and Rapid Re-Housing Program funds were distributed statewide. The Neighborhood Stabilization Program 1 funding was originally limited to targeted areas as outlined in the NSP Plan, until approval was granted by HUD in March 2010 to go statewide. Neighborhood Stabilization Program 3 funds are limited to specific geographic areas.

Due to the concern that some market areas may be reaching the saturation point for occupancy of rental units, funds will be disbursed based upon specific need by community. Great care must be taken not to over build in areas that have shown rapid growth in recent years, but in fact may be leveling off at this time. Developers and owners must consider other factors beyond growth, such as existing housing stock, targeting restrictions that limit who can occupy existing housing, economic trends, etc. Under the HOME, Housing Tax Credit, and FLEX programs, market assessments are key to determining where funds will be utilized. The First-time Homebuyer's Program, down payment assistance programs, the Community Home Improvement Program and the Governor's Houses will be utilized based upon individual needs and desires of the purchasers.

HOMELESS AND OTHER SPECIAL NEEDS

Until federal program regulations are amended, the Emergency Shelter Grants Program will continue to be administered as in recent years. The Homeless Prevention and Rapid Re-Housing Program will be administered per the HPRP Plan. SDHDA has taken the lead agency role in preparation of the statewide Continuum of Care (CoC) applications annually submitted to HUD. In addition, CoC funding continues to be received for a statewide HMIS system, which is administered by SDHDA. The consortium is designed to empower homeless individuals and families in South Dakota to regain self-sufficiency to the maximum extent possible and serves all 67 counties, including the cities of Sioux Falls and Rapid City. Modifications to the statewide CoC will be made as federal guidance is provided.

OTHER ACTIONS

The South Dakota Housing Development Authority will continue to work with other State agencies to review and address coordination of services necessary for the success of welfare reform. The review will encompass under-served needs, removing barriers to affordable housing, and reducing the number of poverty level families.

In an effort to promote full integration of citizens with disabilities in South Dakota into individualized housing settings and to support individual homeownership and individualized rental opportunities in residences and apartments that are fully integrated in residential settings with the general population, SDHDA has entered into a memorandum of understanding with the Department of Human Services (DHS). In the memorandum, SDHDA agrees to consult with DHS prior to granting approval of any application or request from an organization that receives long term funding from DHS and prior to granting approval of any application or request to underwrite multifamily housing for people with disabilities. With the recent re-organization of the Department of Human Services and the Department of Social Services, the memorandum will be subject to change.

The strategy to enhance coordination between public and private housing and social service is a reality with the South Dakota's Housing for the Homeless Consortium. SDHHC was established during FY 2000 to coordinate efforts for a statewide Continuum of Care application which has received over \$11 million to date due to this coordinated effort.

Although there are no public housing resident initiatives in this State, SDHDA will maintain involvement with the public housing agencies in order to be aware of issues and concerns related to the population that occupies Public Housing units in South Dakota. Ongoing discussions on how to coordinate and target limited funds will continue to ensure the most efficient use of the State's resources. The Quality Housing and Work Responsibility Act of 1998 that requires local housing authorities to develop an annual plan consistent with the State's Consolidated Plan will further enhance this effort.

SDHDA will continue to encourage CHDOs across the state to be active in the development and preservation of affordable housing and will continue to seek training opportunities for CHDOs to strengthen their capacity.

MONITORING

SDHDA currently monitors the ESG, HOME, NSP, and HPRP Programs to ensure long-term compliance with program requirements and comprehensive planning. Staff who work with the programs regularly monitor federal regulations and proposed changes. As being members with housing associations, SDHDA is recipient of notices and emails from both our CPD representative and our affiliate organizations. Good communication with our regional HUD office also provides SDHDA opportunities to evaluate our procedures to ensure we are in compliance with federal regulations. Annually, staff also attend trainings and meetings presented by HUD and affiliate organizations.

Internal review completed by SDHDA's accounting department provides a checks and balance for expenditure deadlines and reporting requirements. In addition SDHDA hires a third party accounting firm to complete an audit on SDHDA programs.

In regards to on-site inspections, SDHDA's Coordinator of Construction and Physical Review reviews all construction sites prior to draw down of HOME funds. In addition the coordinator

attends the construction inspections on the projects under construction and rehabilitation. Once the developments have been placed in service, the physical inspections are completed by SDHDA's management officers to ensure housing quality standards are being maintained.

PERFORMANCE MEASUREMENT SYSTEM

Although both SDHDA and GOED have planning processes in place for determining how well programs and projects are meeting their stated goals, the existing processes have been enhanced to include the productivity and the impact of each program as detailed in CPD Notice 03-09. This has been accomplished by adding expected outcomes to the existing goals and objectives. Both SDHDA and GOED have worked with the Council of State Community Development Agencies (COSFDA) on developing a standardized performance measurement system for the programs. Additional information has been incorporated into Table 3A to meet Performance Measurement requirements.

PROGRAM SPECIFIC REQUIREMENTS

HOME PROGRAM

SDHDA is the agency responsible for the administration of the HOME funds throughout the State of South Dakota, with the exception of Sioux Falls, which receives its own allocation of HOME funds, and the Indian reservations, which receive funds under the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA). Even though Sioux Falls receives their own allocation of HOME funds and Indian reservations receive NAHASDA funds, these areas are eligible to receive HOME funds from SDHDA. Funding limitations may be imposed in these areas if available HOME funds warrant such a change. SDHDA is expected to receive approximately \$3,500,000 in HOME Funds for 2012.

HOME Funds and HOME program income will be utilized for the following activities:

1. To further the single family affordable housing goal, funds will be used for new construction, rehabilitation, and site development of owner occupied properties and lease/purchase properties. HOME funds will also be available for homebuyer assistance under the Governor's House Pilot Program and similar gap financing assistance.
2. To further the goal of preservation of affordable rental housing, funds will be used for rehabilitation, conversion and acquisition with rehabilitation of rental properties. Funds will be also used for new construction of rental housing where there is an identified need.

Funds will be awarded annually (applications due last working day of February, awards within 75 days) to eligible applicants who rank the highest on the selection criteria set out within the HOME Program Allocation Plan. If funds remain upon completion of the application cycle, applications may be accepted on a first-come, first-serve basis during the last week of the months of May through September.

If the applications received exceed the HOME funds availability, SDHDA may prepare a waiting list. If a waiting list is developed, SDHDA will notify each applicant who did not receive an award. Any such applicant may then submit a written request to be maintained on the waiting list to compete for any additional funds that become available during that calendar year ending December 31. SDHDA will permit each applicant on the waiting list to submit additional information to support the applicant's readiness to proceed with development of the project and

to receive an award of HOME funds without due risk of such funds subsequently being returned or rescinded by SDHDA.

SDHDA reserves the right, in its sole discretion, to (i) hold back a portion of the annual allocation of HUD HOME formula funds and/or available SDHDA program income for later use, (ii) issue an award for all or some portion of the next year's HUD HOME formula funds and/or available SDHDA program income, (iii) hold another application cycle, or (iv) award HOME funds for applications submitted to SDHDA under another program that need additional funds for feasibility. If SDHDA holds another application cycle, it will provide an announcement thereof. Please refer to SDHDA's web site at www.sdhda.org for availability of funds.

HOME funds will be distributed geographically throughout South Dakota taking into consideration the priorities outlined in the Consolidated Plan and the following percentage set asides:

CHDOs	15%
Homeowner Rehab Pool	\$500,000
The Governor's House Pilot Program	\$300,000
Security Deposit Assistance Program	\$100,000

The Community Housing Development Organization (CHDO) set-aside is federally mandated. Once this set-aside has been committed, CHDO applications will be referred to the SDHDA Board of Commissioners for possible funding from the General Pool.

The funds for the Homeowner Rehabilitation Pool have been set aside for Community Action Program (CAP) agencies and nonprofit agencies for the purpose of enhancing the rehabilitation of single family owner occupied properties eligible for funding under the Weatherization Program. Funds will be set aside for 12 months following the award letter from HUD. If at that time any funds remain, they will revert to the general pool. These agencies are eligible for an administrative fee based on program expenses. This fee is specific to administration and is not available to applicants who are developing or rehabilitating a project. There is a maximum grant amount of \$200,000 per subrecipient per year.

The Governor's House Pilot Program offers financing to qualified households who are unable to obtain financing for a Governor's House through other means. The maximum gap loan available under this program is limited to \$20,000 or 30 percent of the total acquisition costs less all granted and donated items, whichever is less. If after 12 months following the award letter from HUD, any funds that are not reserved they will revert to the General Pool.

Funds for the Security Deposit Assistance Program are set aside for qualified Public Housing Authorities (PHAs) and qualified nonprofit entities for the purpose of providing security deposits to qualified families and individuals. Funds in the amount of \$100,000 are set aside for 12 months following the award letter from HUD. If after 12 months following the award letter from HUD these funds are not reserved, they will revert to the General Pool.

No more than 20 percent of the General Pool will be allocated to any one project; no more than a cumulative of 25 percent to any one developer/sponsor/owner and no more than 50 percent of the available General Pool will be allocated to any one community. If, after the initial application cycle, funds remain in the General Pool, an application from a developer/sponsor/owner or for any community which was awarded maximum funds under the initial application cycle may be eligible for additional HOME funds.

Purchase Price/Value Limits for Homeownership. For homebuyer activities involving acquisition of newly constructed housing or existing housing, the purchase price shall not exceed the appraised value or the HUD published Single Family Mortgage Limits. For activities involving acquisition and rehabilitation, the estimated value after rehabilitation shall not exceed the appraised value or the HUD published Single Family Mortgage Limits. For homeowner rehabilitation, the estimated value after rehabilitation shall not exceed SDHDA's Project Cost Limits.

Resale/Recapture Provisions. Homebuyers assisted under HOME will be required to adhere to the following recapture and resale guidelines as specified by 24 CFR 92.254. All recapture and resale restrictions will be imposed by the recorded mortgage and deed restrictions running with the land.

Recapture: If the house is sold prior to the end of the affordability period defined within the HOME Plan, SDHDA will recapture the entire amount of the HOME investment if the homebuyer acquired the home through the direct assistance of HOME funds.

Resale: For projects that are provided HOME funds as a development subsidy, the following resale requirements apply:

- a. The housing must remain affordable to low-income homebuyers for the period of affordability starting at the date of initial purchase. The period of affordability is defined in the Project Period of Affordability section within the HOME Plan. The purchaser's family income must be at or below 80% of area median income as defined by the IRS Form 1040 Adjusted Gross Income definition for annual (gross) income and the purchaser must occupy this property as the purchaser's principal residence.
- b. The percentage of the purchaser's family income that can be used to pay the principal, interest, taxes, and insurance (PITI) is equivalent to the underwriting standards established by the purchaser's lender. However, if a non-traditional lender is underwriting the financing; the principal, interest, taxes, and insurance must be 30 percent or less of the purchaser's family income.
- c. The seller receives a "fair return on investment", which is defined as no more than their initial investment and up to 5 percent appreciation for each year they owned the home.

Acquisition and Refinancing of Rental Properties. SDHDA will allow the acquisition or refinancing of existing debt secured by multifamily housing that is being rehabilitated by HOME funds under the following conditions:

1. Management practices must be reviewed and it must be demonstrated that disinvestment of the property has not occurred; that the long term needs of the project can be met; and that the feasibility of serving the targeted population over an extended affordability period (no less than 15 years) can be maintained. If it is determined that disinvestment has occurred, SDHDA will finance the property only if the property is purchased through an arm's length transaction and the current owners and management agent are completely removed from the proposal.
2. The new investment must be made to maintain current affordable units or create additional affordable units. The cost in terms of assistance to refinance or acquire and rehabilitate an existing property shall not exceed the amount of assistance to construct a new property of like quality.
3. The HOME funds will be used as gap financing and total financing will be limited to 90 percent of the market value of the property (excluding all subsidies) or the total cost of the project as determined by an appraisal of the property.

4. In all cases, an analysis will be made to determine the risk of prepayment or opt out of the existing federal rental subsidy (i.e., a HUD Section 8 contract) and, therefore, the risk of losing the affordable housing supply. Those properties that are financially feasible, are located in a market with substantiated need, and indicate the greatest risk for converting to market rate housing will be given priority for funding.
5. At financing, and after completion of rehabilitation, if applicable, all major systems (roof, windows, heating, etc.) of property must be in like new or new condition. If these systems are not in need of repair at the time of application, sufficient reserves must be established to allow for replacement of such components if the normal life span would require such replacement prior to the end of the affordability period. Consideration will be given to functional obsolescence of the property. If it is not cost effective to overcome structural problems, the property may not be eligible for financing. Modifications to allow a higher level of care to elderly residents of a property are an eligible activity if there is an identified need for such level of care and the property is financially feasible upon completion.
6. Under no circumstances will the term of the HOME loan exceed the expected remaining useful life of the property.

Subsidy Layering Review.

The amount of HOME funds that may be invested in an affordable housing project are regulated under 24 CFR Part 92.250. HOME funds may not exceed the per unit dollar limits established by HUD under the 221(d)(3) Subsidy Limits as outlined within the HOME Program Allocation Plan or any amount which is more than necessary to provide affordable housing.

For those projects which combine HOME and other governmental subsidies, SDHDA certifies that prior to the commitment of funds to a project; SDHDA will evaluate the project in accordance with SDHDA's HOME Subsidy Layering Policy, which incorporates HUD CPD Notice 98-01, dated January 22, 1998. A copy of this policy and the notice is available from SDHDA upon request. SDHDA certifies that it will not invest any more HOME funds in combination with other governmental assistance than is necessary to provide affordable housing.

Affirmative Marketing.

SDHDA informs the public, homebuyers, homeowners, landlords and potential tenants about the Federal Fair Housing laws and the affirmative marketing goals by:

- Making the SDHDA programs available for public review;
- Notifying proposed HOME project owners of Equal Opportunity requirements;
- Including the Equal Housing Opportunity logo or slogan on all advertising and literature used for the HOME Program;
- Maintaining for public review, copies of media releases, advertisements, and paid ads where the HOME Program was presented;
- Placing Public Notices and Ads in local newspapers; and
- Attending and providing information at meetings on a statewide basis with developers, realtors, lenders, and other housing and community officials.

Each participating entity must affirmatively further fair housing according to 24 CFR Part 92.351. SDHDA assesses the affirmative marketing efforts of the owners by comparing pre-determined occupancy goals to actual occupancy. Outreach efforts are also examined. SDHDA will assess the affirmative marketing efforts of the owners during the rent-up and marketing of the units, by use of a compliance certificate or personal monitoring visit to the site. Owners must also provide to SDHDA an annual assessment of the affirmative marketing plan.

Lead Based Paint. The mitigation requirements for lead based paint can have a substantial impact on the affordability of housing. SDHDA has been working towards ensuring that the public is educated about these requirements and that awards using HOME funds are in compliance. To encourage compliance with this requirement, up to \$2,000 per unit of HOME funds awarded toward the encapsulation, abatement, or stabilization of Lead Based Paint and the corresponding inspection costs will be considered as grant funds and will not be required to be repaid. These costs must be pre-approved by SDHDA.

Impediments to Fair Housing

SDHDA is continually evaluating any impediments to fair housing that may exist. As issues are raised each one is evaluated to determine the cause of the impediment and how it can be resolved.

South Dakota Housing Development Authority entered into a contract in 2010, with Western Economic Services, LLC to conduct a statewide Analysis of Impediments to Fair Housing. A public survey was conducted with the results of the survey, along with information from HUD, the South Dakota Human Rights Commission, and data from the Home Mortgage Disclosure Act being utilized for the report. A public forum was held on October 7, 2010, to gather additional public input prior to drafting of the report.

The Draft Analysis of Impediments was released for a 30 day public comment period on November 3, 2010, and the final report was released April 2011. The 2010 Analysis of Impediments for the State of South Dakota uncovered several issues or barriers to affirmatively furthering fair housing and, consequently, impediments to fair housing choice. These issues are listed below, along with action steps that are suggested for implementation in order to alleviate the impediment.

Impediment: Ineffective or absent fair housing institutions.

While the State of South Dakota has been served in the past by Fair Housing of the Dakotas (FHD) and the Division of Human Rights (DHR), with the dissolution of FHD and a lack of activity at the DHR, citizens have been left without appropriate fair housing services.

Action: Enhance and improve the current fair housing organizational structure.

In order to improve fair housing services in the state, the State should work to facilitate and support a request to HUD to designate the DHR as a substantially equivalent agency. This will allow the DHR to conduct enforcement activities on behalf of HUD and be compensated for doing so under the Fair Housing Assistance Program (FHAP), a HUD-funded noncompetitive fair housing program. Additionally, the State should consider re-establishing a Fair Housing Initiative Program (FHIP) recipient in the state to occupy the vacancy in services left by the dissolution of Fair Housing of the Dakotas; such as outreach, education, testing and enforcement activities. This HUD-funded FHIP organization could either be expanded from a recognized nearby state FHIP or established as part of an existing non-profit in the state in the creation of a new fair housing entity. This action will represent a two-step process: 1) design an RFP that solicits interest by an existing fair housing entity or organization currently offering some form of fair housing or fair lending guidance and 2) secure those services.

All protected classes are expected to benefit from this activity but especially those who are most disproportionately impacted by discrimination, persons with disabilities and households with familiar status.

2011 Action: SDHDA continues to have conversation with agencies potentially interested in fulfilling the role of a FHIP or FHAP for the state of South Dakota. To date no agencies have proceeded to submitting an application to HUD for further consideration.

Impediment: Ineffective delivery of fair housing services.

A lack of sufficient outreach and education regarding fair housing in the state has left citizens and persons involved in the housing industry with a lack of knowledge of fair housing laws, including who is protected, and understanding of the fair housing process, including where or how to file a complaint.

Action: Increase effectiveness of delivery of fair housing services.

Until the provision of fair housing services can be improved through creation of FHAP or FHIP organizations, the State should focus on resources available to the existing fair housing agency: DHR. The State should also acquire the services of another fair housing services provider in South Dakota. The State should request technical assistance from HUD for aid in developing appropriate outreach and education efforts to be conducted in this interim period. Additionally, the State will secure services of a fair housing entity for outreach and education activities. This contractor selection process will occur within the first year of the Five-Year Consolidated Plan.

In the future, with an enhanced fair housing organizational structure, the State should focus on expanding and improving fair housing outreach and education efforts to include actions directed toward both housing consumers and also housing providers, such as distribution of pamphlets, facilitation of training sessions, or hosting of webinar meetings.

All protected classes are expected to benefit from this activity but especially those who are most disproportionately impacted by discrimination, person with disabilities and households with familial status.

2011 Action: During 2011, SDHDA sponsored free Fair Housing trainings to the general public. Two training sessions were held in Rapid City during May 2011 with over 130 attendees. Additional Fair Housing trainings are scheduled for the communities of Aberdeen and Yankton during the month of September 2011.

Impediment: Discrimination in the housing market.

HUD complaint data, survey data and information from recent fair housing cases in the state show that fair housing discrimination in the state persists in the housing market. The most prominent examples found were discrimination in terms, conditions, or privileges relating to rental, discriminatory refusal to rent, discriminatory advertisements, statements and notices and failure to make reasonable accommodation, particularly as these issues pertain to the protected classes of disabled and familial status.

Action: Reduce discrimination in the housing markets.

A number of actions should be continued with renewed energy in order to reduce identified discrimination problems in the rental market. To address non-compliance issues in regard to disability accommodations, effort should be made to better communicate to funded projects the importance of reasonable accommodation and also to multi-family properties the importance of compliance with design and construction standards. As for discriminatory advertising, endeavors should be made to remind printed media of the disallowed practices when advertising for housing.

Furthermore, for housing consumers, additional steps need to be taken to conduct outreach and education, thereby allowing persons who feel that they have been adversely impacted in a housing transaction to better understand their rights and where to turn. To implement this change, additional efforts for outreach and education will need to be implemented. SDHDA will contract for fair housing education services.

2011 Action: SDHDA continues to work with and educate developers and managers of the Fair Housing responsibilities. Many property managers have attended the SDHDA sponsored Fair Housing trainings held in 2011. In addition, the annual SDHDA housing conference scheduled for November 2011 will incorporate a training session focusing on disability accommodations and service enriched housing developments.

Impediment: Difficulties in the home purchase market.

Fair housing problems were also identified in the home mortgage market through Home Mortgage Disclosure Act (HMDA) data including disproportionately high denial rates for selected minority racial and ethnic applicants, higher denial rates in low-income areas, and a disproportionate share of high interest rate loans offered to racial and ethnic minorities.

Action: Reduce denial rates and other problems in the home mortgage market.

Reducing problems in the home mortgage market should be addressed through education efforts. For example, enhanced homebuyer education courses should be offered in order to better teach the importance of establishing and maintaining good credit as well as the attributes of high interest rate loans and the problems associated with accepting less advantageous loan products. Additionally, the State's Bankers' Association should be solicited for assistance in the coordination of these outreach and education efforts.

Together, or if only SDHDA is successful in generating interest in this activity, outreach and education activities will be implemented for consumers to better understand credit and the ways to establish better credit. SDHDA will accomplish this by hiring expert educators to conduct training seminars for prospective homebuyers.

Persons most likely to benefit from these actions are Native American and black race and Hispanic ethnic households.

2011 Action: Information and pamphlets regarding fair lending practices were provided at the SDHDA lender trainings that were hosted across the state during the months of April and May 2011.

NEIGHBORHOOD STABILIZATION PROGRAM

Under the Housing and Economic Recovery Act of 2008 and the Neighborhood Stabilization Program 1 (NSP 1), the State of South Dakota received \$19,600,000 in emergency assistance for neighborhood stabilization activities. In addition, the State also received an additional \$5,000,000 of funding under Neighborhood Stabilization Program 3 (NSP 3). The NSP funds are targeted for the redevelopment of abandoned and foreclosed homes and residential properties; however, eligible activities include funding for acquisition, rehabilitation for resale or rental of single family homes or residential properties that have been abandoned or foreclosed; establishment of financing mechanisms for purchase and redevelopment of foreclosed homes and residential properties; funding to demolish blighted structures; and funding to redevelop demolished or vacant properties.

SDHDA prepared an administrative plan for both the NSP1 and NSP3 funds, which were considered substantial amendments to the current Consolidated Plan for South Dakota. The NSP Plans outlined counties and census tracts within the State of South Dakota which were eligible to apply for NSP funding based on economic factors including foreclosure rates, subprime mortgages and a HUD calculated risk factor. The NSP funding is considered one-time funding. Program specific requirements are outlined in the respective NSP Plans.

Applications for NSP funding were accepted until such time as no NSP funds remained. SDHDA does anticipate program income to be generated and it will be available for funding of future NSP projects. The federal deadline for commitment of NSP1 funds was September 5, 2010; this deadline was met. The deadline to award NSP3 funds was June 30, 2011; this deadline was also met. All NSP 1 funds must be expended by March 2013 and all NSP 3 funds must be expended by March 2014.

HOMELESS PREVENTION AND RAPID RE-HOUSING PROGRAM (HPRP)

The American Recovery and Reinvestment Act of 2009 provided \$3,254,060 in funding to the State of South Dakota for homeless prevention activities. HPRP funds are to provide financial assistance and services to either prevent individuals and families from becoming homeless or help those who are experiencing homelessness to be quickly re-housed and stabilized. SDHDA applied for the one-time funding with the submission of the Homeless Prevention and Rapid Re-Housing Plan and application which was a Substantial Amendment to the Consolidated Plan 2008 Action Plan.

Local units of government and nonprofit organizations may be sub-grantees for HPRP funds. HPRP assistance must be provided to qualifying program participants who are homeless or at risk of becoming homeless and qualify as 50 percent Area Median Income or less.

Eligible activities for HPRP funding include financial assistance, housing relocation and stabilization services, data collection and evaluation, and administrative costs. HPRP funds were committed to sub-grantees by September 30, 2009. Per SDHDA's HPRP Plan, sub-grantees must draw down 100 percent of its HPRP grant funds by September 2012, any funds remaining at that time may be redistributed to other sub-grantees. Per HPRP regulations, 60% of the HPRP funds must be expended by September 2011. It is anticipated that South Dakota will meet this requirement, allowing the remaining HPRP funds to be expended prior to September 2012.

EMERGENCY SHELTER GRANTS PROGRAM

For 2011, the Emergency Shelter Grants (ESG) Program is being administered as in the years past and SDHDA will carry out the administration in a similar manner taking into account our goal for geographic distribution. Due to the implementation of the HEARTH Act, the ESG Program will be modified for future allocation of funds. It is anticipated that the ESG Program (soon to be known as the Emergency Shelters Grant Program) will be administered in a similar format with program differences being in eligible activities and an increase in the number of agencies providing services. SDHDA will continue to advertise and made available the ESG funds to units of local government and to private, nonprofit organizations where local government certification of approval of the proposed project will be obtained.

Subject to final program regulations, SDHDA anticipates all eligible activities as addressed in 24 CFR Part 576 will continue to be allowed under the program. Each recipient will be required to match its ESG award with an equal amount of funds received from sources other than this

program. SDHDA will waive up to \$100,000 of the State's overall matching requirement for grantees that are least capable of providing a match. These grantees must be:

- A. Located in areas of racial/ethnic concentration; i.e. counties with 500 or more minority persons and with 20 percent or more of its population comprised of minority individuals. Counties meeting this definition are Charles Mix, Coarsen, Dewey, Roberts, Shannon, and Todd; or
- B. Located in areas of low-income concentration; i.e. counties having more than 40 percent of its population in poverty. Counties meeting this definition are Buffalo, Corson, Dewey, Mellette, Shannon, Todd, and Ziebach; or
- C. Newly-formed, nonprofit organizations that have received their 501(c) (3) tax exempt ruling from the IRS within the last 3 years.

Grants will be awarded based on need, the State recipient's demonstrated ability to comply with Federal requirements, the completeness of the application and the amount of funds available for distribution. A committee of State employees will review the applications and make awards of between \$3,000 and \$30,000 based on the expansion of homeless assistance provided, whether it is the number of additional homeless persons served or the amount of additional services provided. Consideration will also be given to the applicant's efforts at helping the homeless make the transition to permanent accommodations. Awards will be made within 65 days of the ESG award letter from HUD.

Program regulations for the Emergency Solutions Grant Program are currently being drafted and reviewed. Upon finalization of the program regulations, SDHDA may be required to amend the 2011 and 2012 Updates to the Consolidated Plan.

HOUSING FOR PERSONS WITH AIDS (HOPWA)

South Dakota benefits from a tri-state grant awarded by HUD to provide housing assistance, case management and/or supportive services for persons with HIV/AIDS and their families. The funding is part of HUD's Housing Opportunities for Persons with AIDS (HOPWA). South Dakota's funding is part of a larger grant for TRI-STATE HELP, Housing Environments for Living Positively (TS HELP). The program is a continuum of housing and related supportive services for people with HIV/AIDS between South Dakota, Montana and North Dakota which provides access to affordable housing services to people living with HIV/AIDS and their families in a dignified manner. TS HELP allows these states to qualify for funding, where they could not qualify individually.

In South Dakota, the Sioux Falls Housing and Redevelopment Commission uses TS HELP funding to provide housing information, referrals, search assistance and counseling, tenant-based rental assistance subsidies, emergency housing, short-term mortgage and utility assistance and housing coordination services to HIV/AIDS patients and their families throughout South Dakota. For families with a household member that is HIV positive TS HELP can also provide confidential housing case management services. Examples of case management services provided through TS HELP include, but are not limited, to: initial and on-going assessment of client's need and personal support systems; development of a comprehensive individualized Service Plan (Plan); coordination of service to implement the Plan; monitoring to assess the on-going effectiveness of the Plan; period reevaluation and revision of the Plan as necessary and client-centered advocacy. For more information about HOPWA, contact Bill

Ziegler, HOPWA Housing Case Manager at the Sioux Falls Housing and Redevelopment Commission at 605-332-0704 voice or 605-332-0256 TTY.

COMMUNITY DEVELOPMENT BLOCK GRANT

General

- A. Scope and Applicability. This statement describes the policies and procedures that will be used by the State to allocate the HUD CDBG Program funds in South Dakota for Federal Fiscal Year (FFY) 2012. Funds for this program are provided through the Title I of the Housing and Community Development Act of 1974 as amended. The State of South Dakota will receive approximately \$6,048,891 in 2012 to fund the CDBG program. A minimum of 70 percent of the State's allocation, as a whole, will be used to fund projects that primarily benefit low and moderate-income persons.
- B. Program Objectives. The South Dakota CDBG program will provide grants to units of general local governments in non-entitlement areas. Since the potential demand for funds could exceed the amount available, eligible applicants selected for funding will be those communities having the greatest need and whose applications most adequately address locally determined need of low and moderate-income persons, consistent with one or more of the following purposes:
1. Promote more rational land use;
 2. Provide increased economic opportunities for low and moderate-income persons;
 3. Correct deficiencies in public facilities that affect the public health, safety or welfare, especially of low and moderate income-persons.
- C. Eligible Applicants. Eligible applicants are counties and incorporated municipalities, excluding the cities of Sioux Falls, Rapid City and Tribal Governments.
- D. Requirements for Applying for CDBG Funds. A project must meet one of three national objectives in addition to being an eligible activity as described in section 105(a) of the Act. The national objectives are to eliminate slums and blight, benefit people of predominately low and moderate income, or eliminate a threat to public health or safety that is unusual in nature and does not occur with regularity in the State. In addition to these requirements, the following criteria must be met:
1. To apply for CDBG funds, eligible applicants must have a local Planning District prepare their CDBG application and administer an awarded grant through close out of the project.
 2. There is no limit to the number of grants from the 2012 program funds that an eligible applicant may receive for themselves or on behalf of an ineligible applicant such as an area development corporation, rural water system, sanitary district or other legally organized entity. All eligible applications not funded may be resubmitted.

3. Previous CDBG Program grants awarded prior to Year 2009 must be closed out. This restriction applies to grantees that have not done an administrative closeout on their awards from Years 2005 to 2008 and have not done a final closeout on their awards from Years 2004 to 2005. A grantee that has an open grant that was awarded during Years 2004-2008 because of circumstances beyond their control may request a waiver to this requirement. The waiver should include the current status of the grant, the reason the grant is not yet closed, and the expected closeout date. The waiver should be submitted to GOED with the application and will be ruled upon by the CDBG Staff.
 4. All applicants must have complied with the public hearing requirements of the act as amended. A public hearing must have been conducted to receive comments from interested parties on the proposed activities before an application for funds may be submitted.
 5. A Community Development Housing Needs Assessment public hearing must be held before submitting a CDBG application. This public hearing is conducted to receive comments from interested parties on the development and housing needs of the community.
 6. CDBG application shall include data on the racial, ethnic, and gender characteristics of project beneficiaries.
- E. Eligible CDBG Projects and Activities. Eligible projects and activities are defined in Section 105(a) of Title I of the Housing and Community Development Act of 1974 as amended. Questions on eligibility of projects should be addressed to a member of the CDBG staff within the Governor's Office of Economic Development at (605) 773-3301.
- F. Distribution of Turn Back or Recaptured Funds. Recaptured funds from previous award cycles and any turn back funds will be distributed in the following manner:
1. Recaptured or turned back funds will be added to the current program year. The "old" funds will be used first in each award cycle to maintain a "timely" disbursement of funds.
 2. Special Projects Account Funds and Imminent Threat Account Funds not obligated may, at the discretion of the Commissioner of Governor's Office of Economic Development (GOED), in approved allotments, be transferred to the Community Projects Account.
- G. Distribution of Uncommitted Funds. Any uncommitted funds remaining at the close of the program year will carry forward and be distributed according to the Method of Distribution in the next action plan.
- H. Program Income. Principal and interest payments received by the State government from any awarded projects will be added to the current program year and be awarded to eligible projects.
- I. Distribution of funds. Funds will be distributed from three separate programs that address distinct areas of need. Of the approximately \$6,048,891 CDBG funds received by the State, one million dollars (\$1,000,000) will be available through the Special

Projects Account, five hundred thousand dollars (\$500,000) will be available through the Imminent Threat Account, and the remainder of the annual allocation will be available for distribution through the Community Projects Account. The State will withhold two percent of the annual allocation plus one hundred thousand dollars (\$100,000) for program administration. The State will set aside one percent of their allocation to provide technical assistance to local governments through the state's council of governments.

- J. Timeliness. One requirement of the CDBG program is that all funds be obligated to projects within 15 months of the State receiving the funds from HUD. The State was not timely in its obligation of funds for several years up until 2009. To maintain our timely status, the State is incorporating application deadlines for the Community Projects Account. Historical program information for the past 3 years reveals the State has obligated more funds than it was allocated in order to regain a timely status. This indicates there is an adequate funding demand for eligible activities on a continuing basis. It is our intention to stimulate applicants through a series of funding cycle deadlines, as opposed to potential applicants delaying applications because previous funding was available on an as-needed basis. Application deadlines will be April 15, July 15, and October 15. If this method does not adequately address timeliness in PY2012, then the State will re-evaluate the MOD and make adjustments in the following year.
- K. Grant Amendments. Grant Amendments for additional funds will be considered. Decisions will be based upon the information provided by the grantee justifying the need, impact of the additional funding, and available account balances.

Community Projects Account

- A. Requirements for Applying for Community Projects Account.
 - 1. All applicants must have completed the preliminary design stages. The preliminary design stage is defined as that portion of the project associated with the following activities: planning studies needed to identify the project scope or need, public hearings initial cost estimates, cost-effective analysis, preliminary site identification surveys, and the preparation of grant applications and supporting documentation.
 - 2. All applicants must provide information 1) showing the amount of match they currently have available, 2) the total amount of match they anticipate providing and 3) why they are unable to fund the project with local funding. Local cost sharing may include public or private direct contributions and loans.
 - 3. Timeliness is considered to be a major factor in the distribution of the State administered program. Projects must be able to demonstrate the ability to start construction within six months and be closed out within eighteen months. The six and eighteen month period begins the date that the award is made.
 - 4. To receive grant assistance for water and wastewater projects, the project should be included in the current Board of Water & Natural Resources State Water Plan. The Board of Water & Natural Resources State Water Plan includes the State Water Resources Management System and the State Water Facilities Plan.

5. Applications must be received at the GOED on or before the deadline to be considered for that funding cycle. Applications received after the deadline will be applied to the next funding cycle. Application deadlines will be April 15, July 15, and October 15.

B. Size of Grants.

1. Ceilings. There is a maximum ceiling of \$500,000 per grant application.
2. Individual grant amounts. Individual grants will be awarded only in amounts commensurate with the requirements of the proposed project.
3. Available funding. Each funding cycle will award approximately one-third of the annual funds available through the account. The Commissioner of Governor's Office of Economic Development (GOED) has the discretion to increase or decrease the amount on any given funding cycle. Additionally, any funds carried over from the previous year not obligated by March 15 will be added to the first quarter's pool of funds to maintain timeliness.

C. Method of Selecting Grantees. The application/award cycle is a three cycle process. Applicants proposing an eligible activity and meeting one or more of the state CDBG program objectives will be considered for funding. The following criteria will be used in selecting projects:

1. The Nature of the Activity or Activities. Is the activity eligible? Does the activity meet a national objective? Is the activity consistent with the Consolidated Plan?
2. Proposed plan for carrying out activity or activities. Have all tasks been identified? Has a realistic schedule been developed? Has the estimate of necessary resources been compiled?
3. Applicant's capacity to do the work. Has the applicant completed the activity before? Does the applicant have the capacity to administer CDBG funds? Is applicant aware of requirements and responsibilities of CDBG funds? Is applicant aware of other federal requirements they must comply with? Does the applicant have adequate administrative and financial systems in place?
4. Impact of Project. In assessing impact, the application will be rated high, medium or low against the following five factors. To be funded, the application must receive a combination of three or more medium or high ratings. The Governor may revise the recommendation of the CDBG staff.

Factors

- a. LMI Benefit: The number of LMI people to benefit from the project will be considered. Projects that propose a LMI benefit greater than 61 percent will receive a high rating, 56 percent to 60 percent will receive a medium rating and less than 55 percent a low rating. Percentages will be rounded to the nearest whole number.

- b. Local Effort: The amount of funds raised or contributed to the total project cost will be considered. Project proposing to provide a local match of 31 percent or greater will receive a high rating, 16 percent to 30 percent a medium rating and 0 to 15 percent a low rating. Percentages will be rounded to the nearest whole number.
- c. Nature of Project/Need: Each project is rated according to the impact it will have on the needs of persons identified. The intent of this factor is to select those projects which will have the most significant impact. Consideration will be given to the results achieved in relation to the amount of funds requested.
- d. Additional Actions to Fully Resolve Need: Each project is rated according to additional actions required to fully resolve the identified need. Higher ratings will be awarded for fewer additional actions needed to fully resolve the need.
- e. Maximizing Local Resources: A High rating will also be given to applicants that have maximized local resources.

D. Application Process.

1. Potential Projects. Sponsors of potential projects may submit a cover letter explaining the proposed project including cost of the project, proposed and secured funding sources and documentation on how the project will meet a national objective of the CDBG program. You may also include any other additional information that may be necessary to justify the project.
2. State Identified Projects. Where needs have been identified by state officials, local governments may be encouraged to submit a request in accordance with D 1 of this section.
3. Distribution. The GOED will review the potential project to ensure the project meets the requirements of the CDBG program including being an eligible activity and meeting a national objective. If the project is deemed eligible for CDBG funding, the request will be forwarded to the Governor's Operation Office for their consideration. The Governor's Operation Office will make funding decisions based upon factors listed in items B and C of this section. A letter will be sent to the project sponsor, as soon as it is administratively practical to do so, informing them of the level of CDBG funding being reserved for their use, denial of their request, or that their application is being carried over to the next funding cycle for consideration.
4. Application. Project Sponsors may obtain applications from the Governor's Office of Economic Development. The original and one copy of the completed application must be sent to the GOED. A copy of the Application Cover Sheet should be submitted, if appropriate, to the local planning district.
5. Grant Administration. Past performance in the administration of Community Development Block Grant funds must be acceptable where applicable.
6. Contents of Application Package. The following is a list of components that must be included in the application package.

- a. Application Cover Sheet
- b. Budget Sheet
- c. Project Narrative
- d. Assessment of Benefit to Low-income Persons
- e. Program Assurances and Certifications
- f. A copy of the notice and minutes of the application public hearing
- g. Local government resolutions
- h. CDBG Disclosure Report
- i. A copy of the notice and minutes of the Community Development and Housing Needs Assessment public hearing
- j. The racial, ethnic, and gender characteristics of the project beneficiaries

The following must be included if they are applicable to the proposed project or existing local program:

- a. Cooperative agreement(s) with other units of local government
 - b. Letter(s) of firm financial commitment from other Federal/State agencies or local/private resources
 - c. Grant status report for all open grants
 - d. Local cost sharing waiver form
 - e. Water-wastewater or solid waste fee schedule
7. Application Review Procedure. The GOED will review the application for CDBG funding upon receipt, to determine if the proposed project continues to meet the requirements of the program and remains eligible for funding. If the project remains eligible for funding after submission of the application, an official agreement will be forwarded to the application sponsor. If after review of the application, it is determined the project is not eligible for CDBG funding, the project sponsor will be notified of the denial of funding.

Special Projects Account

- A. Requirements for applying for Special Projects Accounts Funds.
1. At least 51 percent of the permanent jobs created or retained by the proposed project must be taken by or be made available to low-income persons.
 2. Businesses that benefit from CDBG funds must submit historical and pro-forma financial statements.
 3. There must be evidence of local capacity to administer the grant.
 4. Past performance in the administration of CDBG funds must be acceptable where applicable.
 5. At least one permanent full time equivalent position must be created for each \$25,000 of CDBG funds provided. A waiver may be requested if appropriate. The acceptance of a waiver by GOED will be based on the following factors: the salary and desirability of the position(s) created and

secondary job creation. Salary and desirability of position are defined as amount above minimum wage and opportunity for advancement.

6. A letter of commitment from the bank stating how much they will be participating in the project and why that is their maximum amount.
7. Financial participation is highly encouraged by the grant recipient.

B. Size of Grants

There is a maximum ceiling of \$500,000 per grant application.

C. Method of Selecting Grantees. The application/award cycle is an ongoing process with no structured time schedule for receipt of applications or for award announcements. Applicants proposing an eligible activity and meeting one or more of the state CDBG program objectives will be considered for funding. The following criteria will be used in selecting projects:

1. The Nature of the Activity or Activities. Is the activity eligible? Does the activity meet a national objective? Is the activity consisted with the Consolidated Plan?
2. Proposed plan for carrying out activity or activities. Have all tasks been identified? Has a realistic schedule been developed? Has the estimate of necessary resources been compiled?
3. Applicant's capacity to do the work. Has the applicant completed the activity before? Does the applicant have the capacity to administer CDBG funds? Is applicant aware of requirements and responsibilities of CDBG funds? Is applicant aware of other federal requirements they must comply with? Does the applicant have adequate administrative and financial systems in place?
4. Impact of Project. In assessing impact, the application will be rated high, medium or low against the following five factors. To be funded, the application must receive a combination of three or more medium or high ratings. The Governor may revise the recommendation of the CDBG staff.

Factors

- a. LMI Benefit: The number of LMI people to benefit from the project will be considered. Projects that propose a LMI benefit greater than 61 percent will receive a high rating, 56 percent to 60 percent will receive a medium rating and less than 55 percent a low rating. Percentages will be rounded to the nearest whole number.
- b. Local Effort: The amount of funds raised or contributed to the total project cost will be considered. Project proposing to provide a local match of 31 percent or greater will receive a high rating, 16 percent to 30 percent a medium rating and 0 to 15 percent a low rating. Percentages will be rounded to the nearest whole number.
- c. Nature of Project/Need: Each project is rated according to the impact it will have on the needs of persons identified. The intent of this factor is to select

those projects which will have the most significant impact. Consideration will be given to the results achieved in relation to the amount of funds requested.

- d. Additional Actions to Fully Resolve Need: Each project is rated according to additional actions required to fully resolve the identified need. Higher ratings will be awarded for fewer additional actions needed to fully resolve the need.
- e. Maximizing Local Resources: A High rating will also be given to applicants that have maximized local resources.

D. Application Process. Potential applicants may request an application package which includes the "Request for Invitation" from the Governor's Office of Economic Development. Invited applicants may then submit completed application materials for eligible activities to the Governor's Office of Economic Development. Where needs have been identified by state officials, local governments may be encouraged to submit a request in accordance with this process.

5. Request for Invitation. The completed invitation request form must be received by the Governor's Office of Economic Development Request for invitations are accepted on an ongoing basis.

6. Contents of Request for Invitation. The following is a list of components that must be included in the Request for Invitation.

- a. Request for Invitation cover sheet
- b. Description of business and proposed project
- c. Source and use of funds
- d. Participating lenders
- e. Description of project costs
- f. Letter(s) of firm financial commitment from other Federal/State agencies or local/private resources (bank commitment letter)
- g. Rate and term of CDBG loan, if appropriate
- h. Credit references
- i. Three year historical financials and three year pro-forma financials
- j. Business plan
- k. Job documentation

7. Invitation. The applicant is invited to apply by the Governor's Office of Economic Development. An invitation does not mean an award will be made for the project.

8. Application. After being invited, the original and one copy of the full application must be submitted to the Governor's Office of Economic Development.

9. Contents of application package. The following is a list of components that must be included in the application package:

- a. Application Cover Sheet
- b. Budget Sheet
- c. Project Narrative

- d. Program Assurances and Certification
- e. Assessment of Benefit to Low-income Persons
- f. Local government resolutions
- g. Copy of the notice and minutes of the application public hearing
- h. CDBG Disclosure Report
- i. A copy of the notice and minutes of the Community Development and Housing Needs Assessment public hearing
- j. The racial, ethnic, and gender characteristics of the project beneficiaries

The following must be included if they are applicable to the proposed project or existing local program:

- a. Cooperative agreement(s) with other units of local government
- b. Grant status report for all open grants
- c. Justification for claiming the elimination of slum and blight objective
- d. Proposed use of income proceeds, if any

Imminent Threat Projects Account

A. Requirements for Applying for Imminent Threat Account

1. The State may at any time invite a full application for funds available under this Subpart in response to a request for assistance to alleviate an imminent threat to public health or safety that requires immediate resolution. The urgency and the immediacy of the threat must be verified by the State with an appropriate authority other than the applicant prior to submission of the full application. The CDBG Staff will review the claim to determine if the imminent threat to public health or safety does, in fact, exist. These funds are to be used to deal with threats that represent a unique and unusual circumstance, not for the type of problem that occurs with frequency in a number of communities within the State.
2. The applicant does not have sufficient local resources and other Federal or State resources are unavailable to alleviate the imminent threat.
3. The action that requires the funds must have occurred “within the previous eighteen months.”

B. Size of Grants

1. There is a maximum ceiling of \$500,000 per grant application.

- ##### C. Method of Selecting Grantees The application/award cycle is an ongoing process with no structured time schedule for receipt of applications or for award announcements. Applicants proposing an eligible activity and meeting one or more of the state CDBG program objectives will be considered for funding. The following criteria will be used in selecting projects:

1. The Nature of the Activity or Activities. Is the activity eligible? Does the activity meet a national objective? Is the activity consistent with the Consolidated Plan?
2. Proposed plan for carrying out activity or activities. Have all tasks been identified? Has a realistic schedule been developed? Has the estimate of necessary resources been compiled?
3. Applicant's capacity to do the work. Has the applicant completed the activity before? Does the applicant have the capacity to administer CDBG funds? Is applicant aware of requirements and responsibilities of CDBG funds? Is applicant aware of other federal requirements they must comply with? Does the applicant have adequate administrative and financial systems in place?
4. Impact of Project. In assessing impact, the application will be rated high, medium or low against the following five factors. To be funded, the application must receive a combination of three or more medium or high ratings. The Governor may revise the recommendation of the CDBG staff.

Factors

- f. LMI Benefit: The number of LMI people to benefit from the project will be considered. Projects that propose a LMI benefit greater than 61 percent will receive a high rating, 56 percent to 60 percent will receive a medium rating and less than 55 percent a low rating. Percentages will be rounded to the nearest whole number.
- g. Local Effort: The amount of funds raised or contributed to the total project cost will be considered. Project proposing to provide a local match of 31 percent or greater will receive a high rating, 16 percent to 30 percent a medium rating and 0 to 15 percent a low rating. Percentages will be rounded to the nearest whole number.
- h. Nature of Project/Need: Each project is rated according to the impact it will have on the needs of persons identified. The intent of this factor is to select those projects which will have the most significant impact. Consideration will be given to the results achieved in relation to the amount of funds requested.
- i. Additional Actions to Fully Resolve Need: Each project is rated according to additional actions required to fully resolve the identified need. Higher ratings will be awarded for fewer additional actions needed to fully resolve the need.
- j. Maximizing Local Resources: A High rating will also be given to applicants that have maximized local resources.

B. Application Process

1. Invitation. The applicant is invited to apply by the Governor's Office of Economic Development. An invitation does not mean an award will be made to for the project.

2. Application. Application packages may be obtained from the Governor's Office of Economic Development.
3. Due dates and distribution. The original copy of the completed application must be received by the Governor's Office of Economic Development.
4. Contents of application package. The following is a list of components that must be included in the application package:
 - a. Application Cover Sheet
 - b. Budget Sheet
 - c. Project Narrative
 - d. Assessment of Benefit to Low-income Persons
 - e. Program Assurances and Certifications
 - f. A copy of the notice and minutes of the application public hearing
 - g. Local government resolutions
 - h. CDBG Disclosure Report
 - i. A copy of the notice and minutes of the Community Development and Housing Needs Assessment public hearing
 - j. The racial, ethnic, and gender characteristics of the project beneficiaries
 - Justification for claiming the imminent threat to public health or safety (Documentation from a Federal or State agency certifying that the problem is an imminent threat.)

The following must be included if they are applicable to the proposed project or existing local program:

- a. Cooperative agreement(s) with other units of local government
 - b. Letter(s) of firm financial commitment from other Federal/State agencies or local/private resources
 - c. Grant status report for all open grants
 - d. Water-Wastewater or solid waste fee schedule
5. Method of Distribution. Funding will be provided on a first come first serve basis provided that the requirements set forth in Section A of this part are met.

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Table 3A Summary of Specific Annual Objectives

Specific Obj. #	Outcome/Objective Specific Objectives	Sources of Funds	Performance Indicators	Program Year	Expected Number	Actual Number	Percent Completed
DH-1 Availability/Accessibility of Decent Housing							
DH-1.1	Address the need for service enriched affordable housing (permanent or transitional) for persons with disabilities and special needs, through new construction or rehabilitation of existing properties.	HOME	Number of units	2008	20	34	170%
				2009	20	79	395%
		Housing Tax Credits		2010	20	51	255%
				2011	20	14	70%
		COC/Private/Local Lender/NSP		2012	20		
				MULTI-YEAR GOAL	100	178	
DH-1.2							
DH-1.2	Address the need of emergency shelters by providing Emergency Shelter Grant Program funds for continued renovation and operations.	ESG	Number of shelters	2008	22	21	95%
				2009	22	21	95%
		Local/Private donations		2010	22	20	91%
				2011	22	21	95%
				2012	22		
				MULTI-YEAR GOAL	110	83	
DH-2 Affordability of Decent Housing							
DH-2.1	Homeownership – Provide homeownership opportunities through the First Time Homebuyer Program, Governor’s House, and construction of new single family homes.	First -time Homebuyer Program	Number of homes financed	2008	2200	2487	113%
				2009	2300	1268	55%
		HOME / Governor’s House Program/NSP		2010	2400	1800	75%
				2011	2400	978	41%
		Local lenders/Rural Development		2012	2400		
				MULTI-YEAR GOAL	11,700	6,533	

DH-2 Affordability of Decent Housing							
DH-2.2	Homeownership – Provide homeownership counseling and education through the H.E.R.O. and HUD Counseling program.	HUD Counseling Grants	Number of clients served	2008	2200	1910	87%
		H.E.R.O. Funds		2009	2200	2354	107%
				2010	2300	3328	145%
				2011	2300	2979	130%
				2012	2400		
		Foundations / Lenders / Private Organizations	MULTI-YEAR GOAL		11,400	10,571	
DH-2.3	Homeownership – Preserve available single family homes through the CHIP, HO Rehab, Rural Development 504 and other preservation programs.	HOME HO Rehab	Number of homes financed	2008	200	122	61%
		Community Home Improvement Program (CHIP)		2009	200	190	95%
				2010	200	187	94%
				2011	200	74	37%
				2012	200		
		Rural Development / Local Lenders	MULTI-YEAR GOAL		1,000	573	
DH-2.4	Rental – Provide affordable and decent rental housing through new construction where there is documented need.	HOME/Housing Tax Credits	Number of housing units	2008	200	187	94%
		Rural Development		2009	200	323	162%
				2010	200	167	84%
				2011	200	227	114%
				2012	200		
		Tax Exempt bond financing / Local lenders	MULTI-YEAR GOAL		1,000	904	
DH-2.5	Rental – Preserve in areas of documented need, the existing rental housing stock to ensure decent and safe housing by financing the acquisition and rehabilitation.	HOME /Housing Tax Credits	Number of homes financed	2008	200	200	100%
		Tax Exempt bond financing / Local lenders		2009	200	136	68%
				2010	200	150	75%
				2011	200	181	91%
				2012	200		
		Rural Development	MULTI-YEAR GOAL		1,000	667	

DH-2 Affordability of Decent Housing							
DH-2.6	Rental – Administer HUD Section 8 Housing Assistance Payments to ensure affordable housing for very low and low income households.	HUD Section 8	Dollar amount	2008	\$20,000,000	\$22,904,173	115%
				2009	\$20,000,000	\$23,668,034	118%
				2010	\$20,000,000	\$24,403,032	122%
				2011	\$20,000,000	\$18,469,409	92%
				2012	\$20,000,000		
				MULTI-YEAR GOAL		\$100,000,000	\$89,444,648

Community Development Objectives

SL-1 Suitable Living Availability/Accessibility						
SL-1 (1)	03 – Public Facilities and Improvements (General)	CDBG	Number of projects	2008	8	4
				2009	8	6
				2010	8	10
				2011	8	1
				2012	8	
MULTI-YEAR GOAL				40		

Infrastructure Objectives

SL-1 Suitable Living Availability/Accessibility						
SL-1 (1)	03J – Water / Sewer Improvements	CDBG	Number of projects	2008	10	14
				2009	10	25
				2010	10	12
				2011	10	3
				2012	10	
MULTI-YEAR GOAL				50		

Public Facilities Objectives

SL-1 Suitable Living Availability/Accessibility						
SL-1 (1)	03O – Fire Stations / Improvements	CDBG	Number of projects	2008	5	0
				2009	5	0
				2010	5	2
				2011	5	0
				2012	5	
MULTI-YEAR GOAL				25		

Economic Development Objectives

EO-1 Create Economic Opportunities						
EO-1 (1)	17B – Commercial / Industrial Infrastructure Development	CDBG	Number of projects	2008	2	1
				2009	2	0
				2010	2	2
				2011	2	0
				2012	2	
MULTI-YEAR GOAL				10		

EXHIBIT A COMMENTS RECEIVED FROM THE PUBLIC

Comments received prior to drafting the Update

The public meeting to take comments prior to drafting of the Update was held on August 17, 2011. SDHDA and GOED shared with the attendees, ideas and thoughts regarding proposed changes to the Consolidated Plan, along with the HOME Allocation Plans. Participants at the public meeting did ask questions, however, there were no verbal comments provided directly affecting the drafting of the Update to the Consolidated Plan or the HOME Plan.

Two written comments were received prior to the deadline of August 19, 2011. The written comments were in relation to CDBG. The comments are addressed as follows –

1. A comment was received that the current plan was working well with the quarterly funding cycles. However, GOED did modify the funding cycles to be every four months on April 15, July 15th and October 15th. This change was made to allow for a bigger allocation per funding cycle and eliminate the final quarterly cycle because of calendar year end schedules and reporting.

2. A written comment was received recommending removal of the funding cap for quarterly funding. GOED did modify the funding cycles to be every four months. This change will increase the amount that is allocated for each cycle but not eliminate the funding cap.

Comments received during the Public Comment Period

A 30 day comment period was held from September 1, 2011, through 5:00 P.M. CT September 30, 2011. A public meeting was held on September 28, 2011, via DDN at the following locations: Aberdeen, Brookings, Eagle Butte, Mitchell, Pierre, Pine Ridge, Rapid City, Sioux Falls, Watertown, and Yankton. No verbal comments were received at the public meeting. In addition no written comments were received during the 30 day comment period.