

# SDHDA Housing Conference

## Housing Development in Rural Communities

October 25, 2016



Building A Better Quality of Life

# What has been done



Landover Estates III  
6 units - Custer



Lake Preston Apartments  
8 units – Lake Preston

# What has been done



Prairie Sky  
Apartments  
8 units - Winner



Geddes Senior living  
2 units - Geddes

# And still more -

- Castlewood Apartments – 8 units in Castlewood
- Landover Estates III – 6 units in Custer
- Horseshoe Park – 8 units in Custer
- Canyon Ridge Apartments – 8 units in Garretson
- Heritage Villa – 4 units in Wakonda
- Doland Triplex – 3 units in Doland
- Lemmon Housing Redevelopment – 3 units
- Prairieland Development – 8 SF homes in Alexandria, Emery, Plankinton and White Lake

# How do we get it done?

- Thinking outside the box
- Combination of funding sources
  - Local equity and donations
  - Reduction of local fees and real estate taxes
  - Bank financing with favorable terms
  - SDHDA programs
- Partners: lenders, realtors, developers (for-profit and non-profit), housing authorities, management companies, planning districts, Home Address, economic development

# Utilizing the Governor's House

## Homeownership opportunities

- Nonprofit or for profit agencies can be developer
- Earn developer fee up to 10% of total project costs
- Nonprofits – up to 12 months to pay for the house
- Can utilize the HOME Program for 0% financing
- Financing for homeowner can be conventional, USDA Rural Development, other programs
- Down payment assistance available through HOME Program and/or other agencies
- Could also do a lease-purchase
- Income guidelines (70% or 80% AMI)



# Utilizing the Governor's House

## Rental opportunities

- School districts can purchase and rent to employees (not income qualified)
- Nonprofit or for profit agencies can be developer/owner (income qualified)
- Employers can purchase and rent to employees (income qualified)
- Earn developer fee up to 10% of total project costs
- Can utilize the HOME Program for 0% financing
- House must remain rental for 10 years or purchased by qualified household
- Income guidelines – 60% AMI

# Development for homeownership

- **Governor's House** – develop for resale or rental within the income and asset limitations
- **HOME Program** – 0% construction loan, home sold to 80% AMI household
- **Housing Opportunity Fund** – 0% construction loan, home sold to 115% AMI household
- **Construction Loan Guarantee Program** – SDHDA guarantee up to 50% loss, construction loan by local lender
- **HELP** – construction financing for spec home; 0% loan for first 6 months, maximum value of home is \$200,000; SD Home Builder member

# Development of rental housing

## Community Housing Development Program

- New construction or acq./rehab
- Applicants – public or private nonprofit, for-profit, individuals, corporations, partnerships
- Loan amount \$250,000 - \$5,000,000
- Interest rate - 4.0%, up to 30 year term
- Construction and/or permanent financing
- Up to 90% financing (for-profit) with 50% of the housing units restricted to 120% AMI or below
- Workforce housing
- Applications accepted at any time

# Development of rental housing

## Housing Opportunity Fund

- New construction or acq./rehab
- Applicants – nonprofit, for-profit, including tribal and local government, political subdivisions
- No minimum loan amount, max depends on funding availability, no more than 50% of total project cost
- Interest rate – 0% - 4% depending on cash flow; may be a forgivable loan
- Construction and/or permanent financing
- Up to 30 year term
- Fifty percent (50%) of the housing units restricted to 115% AMI or below

# Development of rental housing

## HOME Program

- New construction or acq./rehab
- Applicants – nonprofit or for-profit entity
- No minimum loan amount, max depends on funding availability, no more than 90% of total project costs
- Interest rate - 0%; up to 30 year term
- Construction and/or permanent financing
- HOME units restricted to 60% AMI or below
- Leverage with other funding sources to allow for mixed income development
- Annually \$500,000 available as grant for difficult to develop projects

# County Area Median Income

## 2016 Income Limits – based on household size

	<b>50.00%</b>	<b>60.00%</b>	<b>80.00%</b>	<b>100.00%</b>	<b>115.00%</b>	<b>120.00%</b>
<b>1 Person</b>	20,650	24,780	33,040	41,300	47,495	49,560
<b>2 Person</b>	23,600	28,320	37,760	47,200	54,280	56,640
<b>3 Person</b>	26,550	31,860	42,480	53,100	61,065	63,720
<b>4 Person</b>	29,450	35,340	47,120	58,900	67,735	70,680
<b>5 Person</b>	31,850	38,220	50,960	63,700	73,255	76,440
<b>6 Person</b>	34,200	41,040	54,720	68,400	78,660	82,080
<b>7 Person</b>	36,550	43,860	58,480	73,100	84,065	87,720
<b>8 Person</b>	38,900	46,680	62,240	77,800	89,470	93,360

# Rent calculations

## Maximum rent that can be charged

<b>Bedrooms (People)</b>	<b>50%</b>	<b>60%</b>	<b>80%</b>	<b>100%</b>	<b>115%</b>	<b>120%</b>	<b>FMR</b>
<b>Efficiency (1.0)</b>	516	619	826	1,032	1,187	1,239	457
<b>1 Bedroom (2.0)</b>	590	708	944	1,180	1,357	1,416	507
<b>2 Bedrooms (3.0)</b>	663	796	1,062	1,327	1,526	1,593	679
<b>3 Bedrooms (4.0)</b>	736	883	1,178	1,472	1,693	1,767	843
<b>4 Bedrooms (5.0)</b>	796	955	1,274	1,592	1,831	1,911	931

# The next step

- Finding entities or individuals who are willing to develop and/or own housing
  - Local nonprofit organization such as economic development, housing authority, service agency
  - Private developer within or outside of community
  - Employers
  - Or partnership
- Community incentives to attract developers
  - Reduced fees
  - Infill lots
  - Waive landfill costs
  - Discretionary taxes
  - TIF districts
  - Local investors (employers, individuals)

# What will it take to make it work?

- Creativity and perseverance!!
- Partnerships
- Combination of funding sources - lenders, equity, discretionary tax basis
- Getting harder to do – costs increase more than incomes
- No new construction - lower appraised value and stagnant rent levels

# Example

- 4 units: 2BR and 3BR
- Total Project Cost - \$628,000 (\$157,000/unit)
- 2 units restricted to 60%; 2 units market rate
- Funding: \$250,000 1<sup>st</sup> mortgage 4%/30 year
  - \$265,000 2<sup>nd</sup> mortgage HOME 0%/30 year
  - Equity/donation of \$113,000
- Operating expenses of \$3600 per unit per year
- Rents: 2BR at \$675 & \$750  
3BR at \$840 & \$900

# Financially does it work?

- Yes – after several different scenarios
- Had to reduce expenses – added in discretionary tax basis for real estate taxes
- First mortgage fully repaid; second mortgage would be longer than 30 year term

Questions??

# Upcoming events

- Will be holding additional application round for HOME Program, spring 2017
- Upcoming public meetings via DDN regarding annual housing update

# Contact information

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