2008 Annual Report

A Strong Foundation

SOUTH DAKOTA HOUSING DEVELOPMENT AUTHORITY

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FY '08 Summary
SDHDA - A Strong Foundation

To the Governor and Members of the Legislature:

On behalf of the Board of Commissioners, we are pleased to present South Dakota Housing Development Authority's (SDHDA) Fiscal Year 2008 Annual Report.

As the majority of the nation struggles with the mortgage crisis, we can be thankful that we live in South Dakota. Although our State is not immune from the rising prices of energy and food, we are not seeing the deterioration of home prices or the collapsing of mortgage markets.

The annual report theme this year is centered on "strong foundations" and we believe SDHDA has a "strong foundation" to help South Dakotans with their housing needs in spite of the issues the rest of the nation is facing.

Over the past twelve months, SDHDA has dedicated more than $328 million to both single family and multifamily housing in South Dakota. This is an 8.8% increase over last fiscal year. As fiscal year 2009 begins, we look forward to the challenge of continuing to build our "strong foundation" and working with our valuable partners to create affordable housing.

Bob Sutton
Chairman of the Board

Mark Lauseng
Executive Director

A Strong Pace for

First-Time Homebuyer Program

SDHDA is committed to making the dream of homeownership a reality for South Dakotans and we make those realities with our First-time Homebuyer Program. This program provides below-market fixed interest rate mortgage loans through Participating Lenders. SDHDA offers three rate options:

Step Rate-the interest rate starts at a predetermined rate and increases one-half of a percent for the first four years and then remains fixed for the remaining term of the loan.

Fixed Rate-the interest rate is fixed for 30 years.

Fixed Rate Plus-the interest rate is fixed for 30 years, but we offer a 3% gift for downpayment and closing costs.

Homebuyer Highlights

•In fiscal year 2008, we loaned $294.7 million to 2,744 individuals or families. This is the sixth consecutive year of increased loan balance purchases.

•Since 1975, we have loaned over $3.9 billion to more than 68,000 families or individuals.

•The average income for our first time homebuyers was $41,741. The average loan amount was $107,613.

•A total of 1,025 fixed rate plus loans were funded.

•Conducted several successful training sessions with lenders and realtors to keep them educated in our programs and to provide assistance.

CHIP Highlight

• 152 loans were financed totaling $1.8 million.

Community Home Improvement Program (CHIP)

CHIP provides low interest loans to borrowers for improvement, repair or addition to their single family home. The interest rates are 1.9%, 3.9% or 5.9% depending upon income and borrowers may qualify for $500 to $15,000 depending upon their ability to repay.

Homeownership

Downpayment Assistance Programs

Employer Mortgage Assistance Program (EMAP) and the Loan Assistance Program (LAP)

Recognizing that coming up with a down payment for a home can be a barrier for first time homebuyers, SDHDA has two programs that provide a second loan to cover the down payment or closing costs.

The Employer Mortgage Assistance Program provides downpayment and closing cost assistance in the form of a second mortgage for homebuyers employed with participating employers. Participants can borrow up to $6,000 for a term of 5 years at a rate of 2 percent. The second program, the Loan Assistance Program, provides downpayment, closing cost assistance and gap financing in connection with a home purchase financed by a first mortgage loan through an approved SDHDA Participating Lender. Loans range from 5 to 10 years in amounts from $2,000 to $10,000.

EMAP and LAP Highlights

•In fiscal year 2008, the average downpayment or closing cost benefit was $2,838.

•Provided 27 loans totaling $61,458.

•Seventeen businesses partner with SDHDA to provide employees downpayment assistance and closing costs.

American Dream Downpayment Initiative (ADDI)

The American Dream Downpayment Initiative provides first time homebuyers with downpayment and closing cost assistance. ADDI is administered as a part of the HOME Investment Partnerships Program. The amount of ADDI assistance provided may not exceed $5,000 or six percent of the purchase price of the home.

ADDI Highlight

•$231,575 in ADDI loans were provided to 39 individuals or families.

Homeownership Education Resource Organization (HERO)

Knowing that buying a home is one of the most important purchases many people will make, HERO service providers provide consistent homebuyer education throughout South Dakota. Six to eight hour classes are held around the state covering a wide range of homeowner topics including, pre-purchase counseling and how to be a successful homeowner. The service providers can also provide homeownership counseling.

HERO Highlights

•In Fiscal year 2008, HERO distributed more than $286,500 from Citigroup Foundation to seven service providers who in turn helped educate 1,910 clients.

•HERO also secured $52,979 from Neighborworks America for three service providers to provide foreclosure education to 300 clients.

•126 education classes were provided.

Governor's House Program

In 1995, the Governor's House program was created as a way to provide reasonably sized, affordable homes to income-qualified individuals and families. The program also provides inmates, who build the homes, with training opportunities to learn skills that better prepare them for life when they are released from prison.

Governor's House Program Highlight

•In fiscal year 2008, 90 governor's houses were sold, 104 were delivered and 116 were constructed.

Solid Ground to Build

Development Programs

HOME Program

The HOME Program provides funds to developers and owners for acquisition, new construction, and rehabilitation of affordable housing. The typical financing package would consist of 10% owner equity, 40% conventional loan and 50% HOME funds. The HOME funds are loaned at a 0% interest rate with variable repayment terms.

HOME Program Highlight

•In fiscal year 2008, $4.1 million was awarded to successful applicants in the communities of Watertown, Sioux Falls, Hartford, Aberdeen, Brandon, Mobridge, Hot Springs and Yankton. The HOME funds were awarded for six new construction developments, totaling 124 units and three acquisition and rehabilitation developments totaling 149 units.

Housing Tax Credit Highlight

•In fiscal year 2008, a total of nine projects received housing tax credits. Six of the nine were new construction projects resulting in 21 single family homes and 189 multifamily units. Three of the nine were acquisition and rehabilitation projects ensuring that 117 existing low income units will remain affordable.

Housing Tax Credits

Housing Tax Credits assist in financing acquisition, rehabilitation and construction of low income rental housing. Developers receiving federal tax credits typically sell the tax credit for equity financing. To be eligible for Housing Tax Credits, the development must have a minimum of either 20 percent of the total units available to tenants whose incomes do not exceed 50 percent of the area median gross income, or 40 percent of the total units available to tenants whose incomes do not exceed 60 percent of the area median gross income.

Bond Financing

This program provides sponsors of selected multifamily housing developments with permanent and construction loans through the sale of tax-exempt or taxable revenue bonds.

Rural Site Development Highlight

•Four communities were funded $1.59 million to provide homes for 366 individuals or families. Of these homes, 40% had purchase prices of $160,000 or less.

Rural Site Development

The purpose of this program is to stimulate development of new affordable housing in rural communities. SDHDA, in conjunction with local lenders, provides up to fifty percent of the financing.

Strong Management

Rental Housing

SDHDA is committed to providing affordable rental housing to low and very low income South Dakotans. Working closely with a variety of agencies, SDHDA administers programs and provides oversight that helps keep housing safe and affordable for families, seniors, individuals and persons with disabilities.

Rental Housing Management Highlights

•Multifamily compliance program monitored 12,838 units in 446 multifamily affordable housing properties.

•Administered $22 million in Section 8 rental assistance to 5,685 units in 70 communities in South Dakota.

•Performed asset management to 70 bond-financed multifamily properties to ensure the long-term viability of the property.

•Over 1.7 million in capital improvements were approved for these 70 properties in 2008.

SD Housing Search Highlights

•8,314 units from 846 properties are listed on the database.

•In fiscal year 2008, sdhousingsearch.com received 71,793 hits, an average of 1,380 hits a week.

SD Housing Search

To make searching for affordable vacant units easier, SDHDA provides an interactive rental locator, www.sdhousingsearch.com, that is free to all renters and landlords throughout the state.

Strong Determination

Social and Community Service

Homeless Consortium

The purpose of the South Dakota Housing for the Homeless Consortium is to increase the quality of assistance provided to homeless and at risk populations and to encourage participation of service providers, housing professionals and community leaders to work towards ending homelessness in South Dakota.

Homeless Highlights

•In 2008, the homeless consortium held their 3rd annual Homeless Summit with 120 attendees.

•A statewide homeless count was conducted in September 2007, at that time there were 1026 homeless persons in South Dakota.

•South Dakota received $1.2 million Continuum of Care funds for homeless programs. The funding assisted one permanent supportive housing project, two transitional housing programs, two shelter+care programs and renewal funding for the statewide Homeless Management Information System.

Emergency Shelter Grant Highlight

•In 2008, $330,307 was awarded to emergency shelters in Aberdeen, Custer, Flandreau, Huron, Lake Andes, Lemmon, Mitchell, Mobridge, Pierre, Rapid City, Sioux Falls, Spearfish, Sturgis, Watertown and Yankton through this grant.

Emergency Shelter Grant

The Emergency Shelter Grant Program provides grant funds to help improve the quality of existing emergency shelters for the homeless, to help make available additional emergency shelters, to help meet the costs of operating shelters and to provide certain essential services to homeless individuals.

Paint SD

This program provides paint and primer to help beautify the exterior of homes throughout the state each year.

Paint SD Highlight

•Twenty-seven homes across South Dakota were selected by the Paint SD Program.

STAR Highlight

•Three STAR Coordinators serve 32 housing developments and 972 residents on a regular basis.

Services to Aging Residents (STAR)

This program coordinates providing of supportive services to residents of SDHDA financed housing developments targeted to the elderly. Services provided include housekeeping, transportation, meals, service coordination and other services.

Strong in Adversity

Finance

Moody's Investors Service has assigned the Authority's Homeownership Mortgage Bond rating at Aa1 with a positive outlook.

"The Aa1 rating with a positive outlook reflects Moody's expectations that the program will remain solid, if not grow financially over the near-to-mid term as a result of SDHDA's sound financial position, portfolio composition & performance, and capable management oversight."

-Moody's Investors Service, April 16, 2008

Financial Highlight

•In Fiscal year 2008, SDHDA issued $300 million in long-term bonds and $100 million in short-term bonds.

Standard & Poor's Rating Service has affirmed the Authority's Homeownership Mortgage program "AAA" rating with a stable outlook.

"The Authority has made some changes to the resolution, which has had no impact on the current rating of the resolution. The ratings continue to reflect:

•Extremely strong credit quality of the mortgage loan collateral with 71.2% of loans guaranteed by VA or insured by FHA or USDA Rural Development.

•Sufficient loan loss protections at the 'AAA' rating level.

•Fully funded reserves providing ample liquidity.

•Very high-quality investments.

•Very strong cash flow strength beginning at more than 113% asset-to-liability parity."

-Standard & Poor's Public Finance, March 24, 2008

Strong Leaders

SDHDA Board of Commissioners
Bob Sutton, Chair
Cindy Mydland, Vice Chair
Lloyd Schipper, Treasurer
Linda Barker, Commissioner
Curt Jones, Commissioner
James Roby, Commissioner
Zack Word, Commissioner

SDHDA Staff

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Cindy Bahe

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Waylin Ambur
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Dave Baum
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Pete Eckert
Leo Harts
Jan Hildring
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Steve Maruska
Mona Neles
Leo Pedersen
Jared Schelske
Clinton Sieben
Doug Stemper
Teresa Sterrett
Matt Trenhaile
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EQUAL HOUSING OPPORTUNITY

SDHDA's financial information and independent auditor's report
are available at www.sdhda.org. Hard copies are available upon request.
A total of 1,300 copies of the 2008 Annual Report were printed at a cost of $1.74 per copy.
No state tax dollars were used. Alternative formats of this report are available upon request.