

In search of

# Housing Solutions



2001 Annual Report



# TO THE GOVERNOR

## AND MEMBERS

### OF THE LEGISLATURE:

On behalf of the Board of Commissioners, we are pleased to present the Annual Report of the South Dakota Housing Development Authority for fiscal year 2001.

For the first time ever, our outstanding loan balances for the First-Time Homebuyer Program exceeded \$1 billion, with over 60 percent of the homebuyers qualifying this year at or below 80 percent of the Area Median Income. With 2000 Census data identifying only 1.6 percent of the homeownership units vacant statewide, we are pleased to note that financing for newly constructed homes increased by 4.1 percent over last year. In addition, we addressed our ongoing goal of advancing and updating our technology by introducing Lender-On-Line software which allows Participating Lenders to enter their loan reservations, view the status of their loans, download reports, and read bulletins through the Internet.

We also completed the restructuring of all assigned Mark-To-Market properties and await additional assignments from HUD. Along with that effort, we issued bonds under the HUD Risk Sharing Program to finance the acquisition and rehabilitation of an existing HUD property in Sioux Falls.

At the end of this fiscal year, 666 Governor's Houses and 34 daycare facilities had been ordered. This unique idea of the Governor's, providing a new method of delivering affordable houses, has now been duplicated in at least three other states.

We are extremely proud that one of our own problem solvers was the first ever state housing finance agency employee to receive the Excellence in Management Award from the National Affordable Housing Management Association. Housing Management Officer, Elmer Whitepipe, who was on the initial Authority Board of Commissioners, was selected and recognized by his peers at their annual meeting in San Diego.

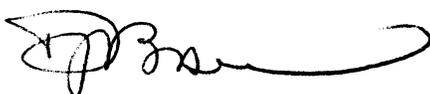
Grasping the dream of homeownership, preserving the limited resources of the Section 8 Project Based Subsidies, keeping rental rates affordable to low income households, helping homeowners maintain their homes, providing additional affordable units, and ensuring that families and individuals have the necessary services to live independently are challenges that the staff at the South Dakota Housing Development Authority address on a day to day basis. In all cases, we strive to focus on our mission and approach each situation with an open mind and a fresh perspective. Creating housing solutions in market conditions as diverse as we experience in South Dakota challenges us to be innovative.

We appreciate the opportunity to serve the residents of South Dakota in such a rewarding manner. We welcome the cooperative spirit offered by our partners, and are grateful for the continuing support of the Governor and members of the Legislature.

Sincerely,



John Rothstein, Chairman



Darlys J. Baum, Executive Director and Secretary

# PURCHASING

A HOME CAN SEEM LIKE

AN IMPOSSIBLE DREAM TO SOME.



The First-Time Homebuyer Program offers low interest financing to qualifying households. Rates remained at 5.95 percent for fixed rate loans and 4.95 percent for step rate loans, helping 2,238 families purchase a home in FY 2001. Nearly 700 of these families combined the First-Time Homebuyer Program with the Mortgage Assistance Program (MAP) which allowed them to purchase a home with an average \$1,717 MAP loan for down payment and closing costs.

Several of these families accessed homebuyer education through various providers, many of which are now members of SDHDA's new Homeownership Education Resource Organization (H.E.R.O.), which is designed to help coordinate and add more quality and uniformity to homebuyer education programs in South Dakota.

Other families were able to purchase a home using assistance through the SDHDA administered statewide Employer Mortgage Assistance Program (EMAP) whereby their employers are providing loans to assist with down payment and closing costs. By the end of FY 2001, eleven employers have agreed to make available more than \$667,000 to assist employees in becoming homeowners.



The Rapid City Housing Coalition provided affordable homeownership to eight families in Rapid Valley in FY 2001. Using HOME funds and other SDHDA and Rural Development programs, the Coalition developed new single family homes and sold them to families who might not have otherwise been able to purchase a home. Since 1999, they have developed and sold 12 homes ranging in price from \$71,400 to \$81,800.

In FY 2001, 170 families earning \$28,000 or less achieved the dream of homeownership by purchasing a Governor's House. The energy efficient, low maintenance, 960 square foot homes are purchased and delivered to the homebuyer's lot for \$25,000. The homebuyer is responsible for the lot, foundation, utility hook-ups, floor coverings, sidewalks, and landscaping.

**MUCH OF THE  
EXISTING  
RENTAL  
HOUSING  
HAS AGED TO THE  
POINT WHERE IT  
NEEDS SIGNIFICANT REHABILITATION  
TO REMAIN VIABLE IN TODAY'S MARKET.**



Nine multifamily rental developments were restructured under the Mark-to-Market Restructuring Program, providing an estimated savings of \$2.3 million to the federal government, while keeping 486 units of affordable housing available to lower income residents of South Dakota.

Using SDHDA's Risk-Sharing Program, purchasers of Meadowlands Apartments, a 120-unit HUD 236 property in Sioux Falls, received a \$3.7 million loan for the acquisition and rehabilitation of the property. Funds allowed the purchasers the opportunity to paint and replace siding, windows, carpet, cabinets and appliances. Tax Credits also provided additional equity to keep the rents at an affordable level.

Krismar Villa, a 24-unit Rural Development property in Wagner, was constructed in 1975. This property had sustaining vacancies and was in need of substantial repairs. Using \$244,000 in Housing Tax Credit equity and financing from Rural Development and Federal Home Loan Grant funds, Lutheran Social Services added two handicapped accessible units and completed the necessary rehabilitation. The units are now fully leased and the property has a waiting list.

Using \$931,000 in Housing Tax Credit equity, which was combined with funding from the Native American Housing Assistance and Self Determination Act (NAHASDA), the Yankton Sioux Housing Authority purchased and rehabilitated 20 single family homes. This and three similar projects in the area will provide families a total of 60 substantially rehabilitated rental units with total development costs of more than \$4.6 million.



# MANY FAMILIES STRUGGLE

TO MAKE ENDS MEET  
AS RENTAL COSTS  
CONTINUE TO INCREASE.



Affordability of housing continues to be a problem for many low income renters in South Dakota. It is for this reason that SDHDA's primary goal is to preserve the project-based subsidized housing that is currently available. This year alone, SDHDA provided more than \$16 million in rental subsidies to 3,300 families who have an average income of \$6,000 and pay an average of \$175 of their monthly income toward rent and utilities.

Another 2,100 elderly households, with an average income of \$9,300, were assisted and pay an average of \$189 of their monthly income toward rent and utilities.

In its role as an advocate for families in South Dakota, the Authority took an active part in helping to shape two national policies that affect the affordability of housing. The first was to convince HUD to use actual county income limits thereby increasing the number of affordable housing units available to South Dakota families. The second was to survey rental costs to provide HUD with reliable information to establish a basis from which to increase allowable Fair Market Rents, thereby increasing the number of units that qualify as affordable housing.

# SOME HOUSEHOLDS

## DO NOT HAVE THE RESOURCES TO FIX OR MAINTAIN THEIR HOMES.

The Cooperative Home Improvement Program (CHIP) provides up to \$15,000 available to very-low, low, and moderate-income borrowers to make improvements to their home. These no closing cost loans are available through local lenders throughout the state at 1.9, 3.9, or 5.9 percent interest. SDHDA leveraged \$511,000 with private lenders resulting in over \$1.7 million dollars in loans in FY 2001. Since inception, CHIP has provided more than \$31 million to 4,450 families and individuals for home repairs and improvements.



Also in FY 2001, 44 elderly households were able to rehabilitate their homes in conjunction with the state Weatherization Program, which is administered by the Community Action Agencies. More than \$306,000 in HOME funds was leveraged in this program to allow the households the opportunity to stay in their homes longer. Since this effort began, more than \$600,000 in HOME funds have been leveraged allowing 110 households to make necessary home repairs and improvements.



Three years ago, SDHDA premiered its "Paint South Dakota" program, and today it is still going strong.

Community groups are encouraged to apply for funding to purchase paint that volunteers then use to paint homes of a needy family or individual in the community. Twenty-five homes located throughout the state were painted this year by more than 350 volunteers.

# CREATING AFFORDABLE

# RENTAL HOUSING IS CHALLENGING

# IN TODAY'S MARKETPLACE.



Although challenging, it is not impossible to create affordable rental housing. Nine new construction projects were approved under the Housing Tax Credit Program this year. These projects created 326 units using a variety of resources including HOME Funds, Federal Home Loan Bank Funds, and owner equity.



Carlyle Apartments in Aberdeen were completed in FY 2001. It is an example of a successful partnership between a nonprofit entity, the Catholic Diocese of Sioux Falls, and a private developer.

They came together to build 42 units of elderly housing in a community where no new construction of housing of this type has taken place since 1989. Rents starting at \$337 will be available to households with incomes up to 60 percent of Area Median Income (AMI) for Brown County. Both Housing Tax Credits and HOME funds were used to keep the rents affordable.

# SERVICES

ARE A **CRITICAL NEED**

**FOR MANY PEOPLE.**

Services To Aging Residents (STAR) is a program that provides assistance to residents of 33 SDHDA-financed properties designed for the elderly to allow the aging population to remain in their homes for a longer time frame. Under a pilot program, SDHDA is expanding this program to family properties to provide services and education that will help promote a better quality of life.

SDHDA assumed the administering role for the newly formed Statewide Homeless Consortium, which is designed to bring together housing and service providers who can assist homeless families and individuals. SDHDA coordinated the first Statewide Continuum of Care application for South Dakota in FY 2001.

Emergency shelter is critical for families who become homeless and have no where to turn. Twenty-one shelters received more than \$327,000 under the Emergency Shelter Grant (ESG) Program for renovation, operating costs, and essential services. These funds are coordinated with other state and federal resources to ensure efficient use.

In FY 2001, Housing Counseling Grant Program funds provided resources to Consumer Credit Counseling Services in Sioux Falls, Consumer Credit Counseling Services of the Black Hills, Rapid City Housing Coalition, Neighborhood Housing Services of the Black Hills, and the Huron Housing and Redevelopment Commission to provide more than 2,500 individuals and families with housing counseling and education services.





# **STRONG LEADERSHIP AND SOUND FINANCIAL STRENGTH ARE KEYS TO SUCCESS.**

In FY 2001, over \$251 million in long and short term bonds were issued. Due to excellent bond ratings, we are able to consistently achieve favorable interest rates.

Moody's Rating Committee affirmed the Aa1 rating to SDHDA's Homeownership Mortgage Bonds and an A1 to the Authority's General Obligation Rating. Standard and Poor's continues to rate SDHDA's Homeownership Mortgage Bonds 'AAA'.

SDHDA also continues to maintain an A+ rating from Standard and Poor's and Aa2 rating from Moody's on its Multifamily Housing Bonds. The agency has two new construction projects in the pipeline scheduled to close in the late summer or early fall of 2001.

Just as no puzzle is complete without the corner pieces, SDHDA would not be complete without its dedicated staff and advisors. There are currently 65 full-time, part-time, and seasonal employees at SDHDA, each of whom is vital to complete the picture.

## Consultants and Advisors

### Financial Advisor

Caine Mitter & Associates Incorporated

### Investment Bankers

Dougherty & Company LLC  
Merrill Lynch & Co.

U.S. Bancorp Piper Jaffrey, Inc.

Wells Fargo Brokerage Services, LLC

### Auditors

Eide Bailly LLP

### Bond Counsel

Dorsey & Whitney LLP

### Underwriter's Counsel

Kutak Rock

Danforth, Meierhenry & Meierhenry, LLP

### General Counsel

Davenport, Evans, Hurwitz  
& Smith, LLP

### Trustees

Wells Fargo Bank Minnesota, N.A.

U.S. Bank National Association



# SDHDA Board and Staff

## Board of Commissioners



(L to R) John Rothstein, Chairman; Leland Kleinsasser, Commissioner; Bob Jenssen, Commissioner; Darlys J. Baum, Secretary and Executive Director; Thomas Schramm, Treasurer; and William F. Earley, Commissioner.  
(Not pictured: Kevin J. Culhane, Vice-Chairman)

## Finance and Administration

(L to R) Front Row: Joni Lingle, Administrative Aide; Mark Lauseng, Director; Joanne Heckenlaible, Accountant; Jeanette LaBelle, PC Specialist. Back Row: Amber Ottenbacher, Administrative Aide; Cristi Swenson, Accounting Assistant; Ryan Beck, PC Support Specialist; Tracy Laqua, Accountant; Larry Beck, LAN Administrator; Daleen Gore, Microfilm Specialist; and Donna Manning, Senior Accountant.



## Governor's House (Not Pictured)

David Baum, Transport Foreman; Brian Baum, Moving Foreman; Butch Davis, Moving Supervisor; Duane Eckert, Mover; Pete Eckert, Transport Mover; O'lana Gooding, Administrative Aide; Janis Hildring, Marketing & Sales; Vernon Ishmael, Construction Supervisor; Jerry Ishmael, Construction Supervisor; Michael Keating, Marketing & Sales; Mona Kubal, Administrative Aide; Steve Maruska, Construction Project Manager; Leo Pedersen, Construction Supervisor; Douglas Stemper, Framing Supervisor; Teresa Sterrett, Sales & Delivery Coordinator; Jared Schelske, Transport Foreman; John Scott, Mover; Clinton Sieben, Electrical Supervisor.

## Homeownership

(L to R) Front Row: Jennifer Smith, State Coordinator for the Homeownership

Education Resource Organization (H.E.R.O.); Gloria Albertus,

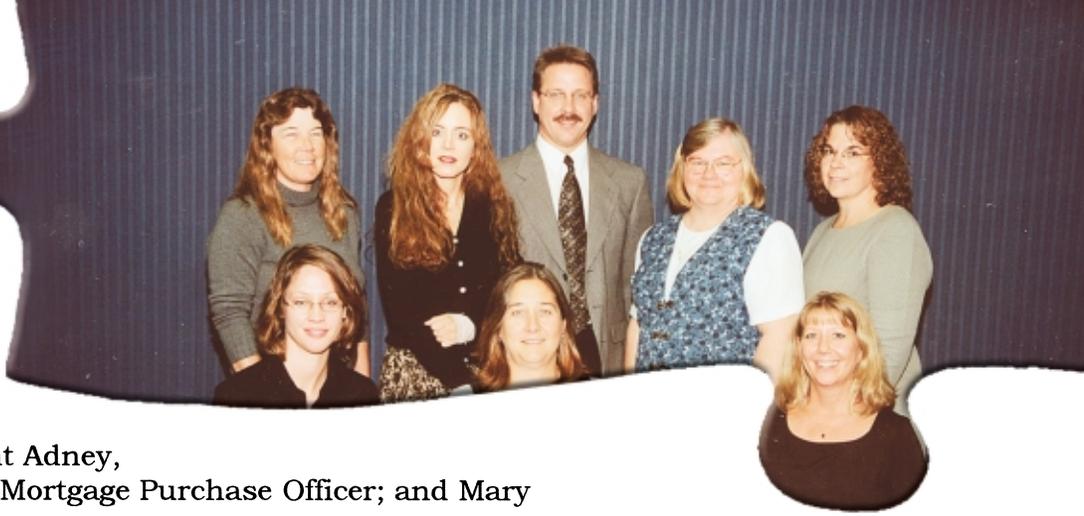
Mortgage Service Officer; Mona Pries, Mortgage

Purchase Officer. Back Row: Peggy Severson, Mortgage Purchase

Officer; Allegra Gomez,

Mortgage Purchase Officer; Brent Adney,

Director; Eileen Duff, Assistant Mortgage Purchase Officer; and Mary Stewart, Administrative Aide.



## Planning & Housing Development

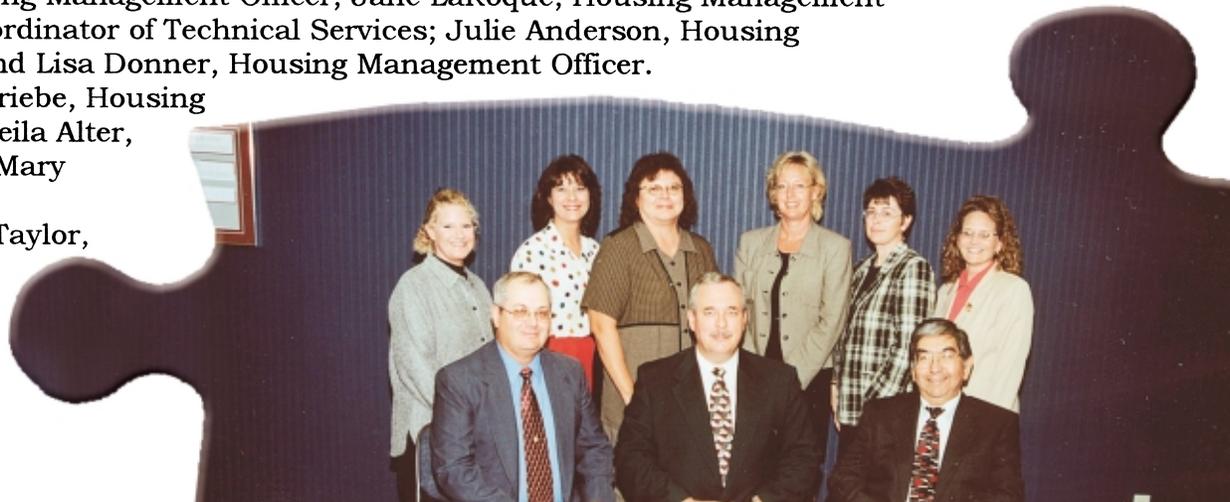
(L to R) Front Row: Kevin Merrill, Housing Development Officer; Greg Jasmer, Research & Housing Development Officer; Fred Waxler, Coordinator of Engineering & Construction. Back Row: Lorraine Polak, Housing Development Officer; Vona Johnson, Director; Ron Wagner, Housing Development Officer; and Lisa Bondy, Assistant Housing Development Officer.



## Asset Management & Compliance

(L to R) Front Row: Terry Berendes, Housing Management Officer; Mel Placek, Director; Elmer Whitepipe, Housing Management Officer. Back Row: Amie Schmidt, Assistant Housing Management Officer; Kim Larson, Assistant Housing Management Officer; Jane LaRoque, Housing Management Officer; Kelly Kruse, Coordinator of Technical Services; Julie Anderson, Housing Management Officer; and Lisa Donner, Housing Management Officer.

(Not pictured: Mary Priebe, Housing Management Officer; Leila Alter, STAR Coordinator; Mary Beth Jacobson, STAR Coordinator; and Linda Taylor, STAR Coordinator)





**The South Dakota Housing  
Development Authority (SDHDA) is  
an independent, quasi-public agency  
that finances and develops affordable  
housing opportunities for low- and  
moderate-income residents  
throughout South Dakota.**

**SDHDA is totally self-supporting and  
receives no tax money,  
appropriations, or other funding from  
the State.**



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Please contact the South Dakota Housing Development Authority with any additional inquiries concerning the 2001 Annual Report.

A total of 1,400 copies of the 2001 Annual Report were printed at a cost of \$3.57 per copy. No state tax dollars were used. Alternative formats of this report are available upon request.