

Why
Why

Housing

Matters*

HOUSING

MATTERS*

**Excerpted from the Bipartisan Millennial Housing
Commission Report dated 2002.*

TO THE GOVERNOR and Members of the Legislature:

During the last two years, at Congress' request, the Millennial Housing Commission performed a thorough re-examination of the federal role in housing. In its report, *Meeting our Nation's Housing Challenges*, the Commission states that housing is "the single largest expenditure for most American families and the single source of wealth for most homeowners." It further states "the development of housing has a major impact on the national economy and the economic growth and health of regions and communities. Housing is inextricably linked to access to jobs and healthy communities and the social behavior of the families who occupy it." We agree with the Millennial Housing Commission and have chosen one of their chapter headings, *Why Housing Matters*, as the theme for our annual report.

Webster defines matters as, "something that is the subject of concern, interest, feeling, or action," or "to be of significance or importance." To us, it matters that young families are able to become homeowners; it matters that the lack of housing can stifle a growing community while an abundance of housing can waste limited resources; it matters that housing provides opportunities for jobs; it matters that housing can mean the difference between independent living and institutional living; and it matters that, with proper services, housing can be the key to breaking free from the cycle of homelessness.

We are proud to address these issues in this report and include among our accomplishments--financing almost \$198 million in First-time Homebuyer loans to over 2,500 families, most of which were headed by single parents with incomes under \$40,000; launching the Homeownership Education Resource Organization (H.E.R.O.) which received its official 501(c)(3) designation; reserving all of the available HOME funds, including commitments to over 130 housing units totaling \$10 million of total construction costs; reaching our goal to award more Housing Tax Credit preservation projects to ensure continuation of valuable deep rental subsidies; receiving a record \$1.2 million HUD Continuum of Care allocation as a result of the creation of the Statewide Homeless Consortium, of which SDHDA is the lead agency; administering almost \$19 million in federal project based rental assistance to nearly 5,800 households; and selling another 154 Governor's Houses to lower income households, bringing the total sold to 866. These are only a few of the achievements that have impacted South Dakotans this year, all of which have culminated in a tremendous team effort from our partners at the local, state, and national level.

On behalf of the Board of Commissioners, we are pleased to present the 2002 South Dakota Housing Development Authority Annual Report which is a true reflection of *Why Housing Matters* in South Dakota. We thank our partners for their involvement in these housing related issues and challenge all to stay the course. It really does matter!



William F. Earley
Chairman of the Board



Darlys J. Baum
Executive Director

OPPORTUNITY

for homeownership...



Providing homeownership opportunities to South Dakota residents continues to be the top priority of SDHDA. Angela and her son Lee moved to the Black Hills of South Dakota from Arizona four years ago. A nice home to raise her son really matters to Angela. After renting and living with family for four years, Angela thought it was time for her and Lee to take the next step and buy a home.

Unsure if she would be able to purchase a home of her own, she sought the advice of a local Realtor. The Realtor suggested Angela take a homebuyer education class to get her started on the right path to homeownership. That is where she met Paula Wallace, a Neighborhood Housing Services volunteer homebuyer education speaker and Mortgage Loan Officer at First Western Bank in Spearfish. Paula helped Angela through the process, making it much easier than Angela had expected.

Because of SDHDA's First-time Homebuyer Program's affordable interest rates, Angela and Lee now have a beautiful home of their own where Lee loves his own room and their big yard. The only thing left, according to Lee, is to get a puppy!

SUCCESS

for a growing community...

Addressing the need for additional rental housing in response to growth in rural communities offers special challenges. The high cost of new construction versus the market rents makes new construction difficult, if not impossible, even with subsidized loans to reduce the cost of financing. The issue is further complicated by the fact that there are often underutilized properties in nearby rural communities as was the case in a small town near Madison.

When it became apparent that a ten-unit development, located in a community of less than 700 people, would likely never have more than its current 30 percent occupancy, the decision was made to move the property to Madison, just ten miles away. The development was refurbished and the new owners added garages to the site. It is now fully occupied with residents who benefit from the Section 8 Rental Assistance that moved with the property. SDHDA staff worked with the residents of the property to ensure that they found replacement housing prior to the move. One of the residents who relocated with the property to Madison is pleased with the services now available to her in the "big city."

Madison has been growing steadily for several years. The addition of this project helped address the need for new housing while using an underutilized existing resource. Housing really does matter whether the community is growing or declining.



Employer Mortgage Assistance Program (EMAP)

Participating employers increased to 17.
More than 100 loans have been closed.

Housing Counseling Grant Program

Provided funds to four housing counseling and education agencies who assisted more than 2,000 families and individuals.

Housing Tax Credits

Awarded \$1.6 million to ten affordable housing projects with leveraging of nearly 16:1 for total development costs exceeding \$24 million.

CONFIDENCE

for making it on your own...



Occasionally life takes a turn that causes people to lose faith in themselves and in the system. This is especially true for people who, for various reasons, become homeless, like Kaylene and her three boys who became homeless in 1997. They sought shelter at the Children's Inn and were lucky enough to move quickly into the Heartland House, a transitional facility in Sioux Falls which serves homeless families with children. There the family received intensive, individualized case management services and a warm, safe place to live.

Kaylene found a job, started paying off stacks of debt, and began her journey to fulfill her dream of becoming a homeowner. She graduated from Heartland House in 1999, and her life started to come together. She met the man who would become her husband. She was approved as a candidate for a home under the local Habitat for Humanity program and fulfilled her required hours with Habitat to enable them to move in the fall of 2001. Now she, Ed, their three boys, four girls, and new dog are all living in their own home.

With the right attitude, the proper supportive services, and encouragement from the community, the appropriate housing can provide the steps for fulfilling dreams.

HOME Program

More than \$5.2 million was committed for 133 affordable housing units with total development costs of nearly \$10 million.

Multifamily Revenue Bonds

\$20.7 million in bonds were issued for two projects for the refinancing of 108 rental units and the construction of 315 rental units.

South Dakota Homeless Consortium

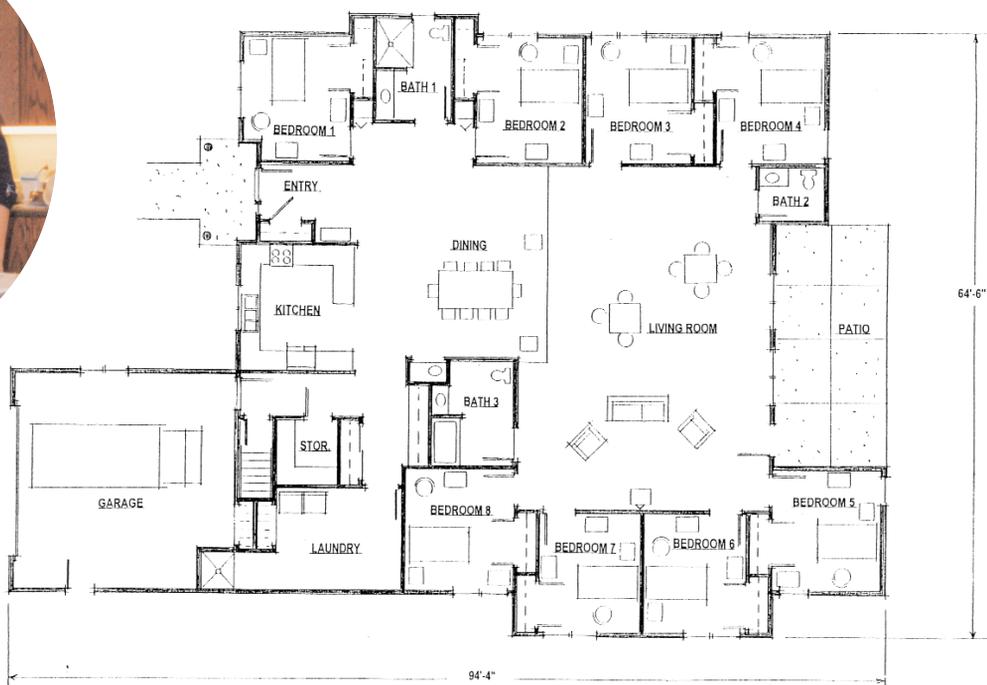
SDHDA partnered to receive \$1.2 million for essential housing and services for South Dakota homeless.

SUPPORT

for those most close...

Housing matters for people with disabilities are of critical importance. Challenges to buying or renting a home are often intensified for people who have limited life skills. Advance, the Adjustment Training Center in Brookings, recognized this problem and set out to create a friendly, accessible space in which people with developmental disabilities could live. The design, which features eight individual rooms with common living, kitchen, and dining areas, is very conducive to the level of independent living that many of their consumers desire.

Now, family members can be assured that their loved ones will have a decent, supportive place to live where they will receive needed long term support. The property was financed through HOME funds that help keep the units affordable within the monthly SSI payments received by the residents.



FLOOR PLAN

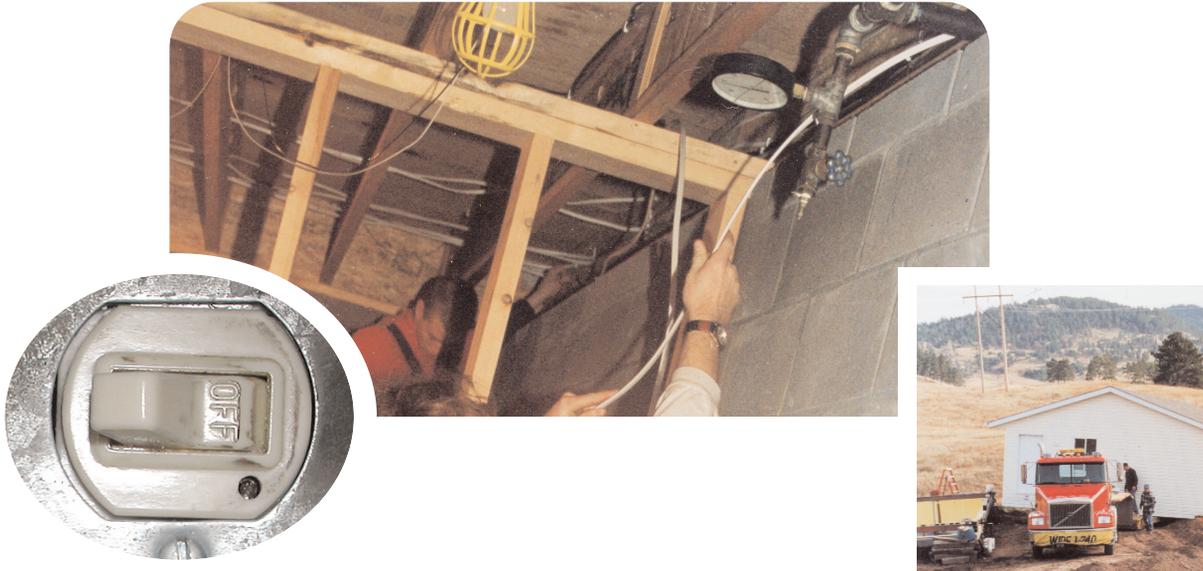
Emergency Shelter Grant Program (ESG)
Twenty shelters serving 16 communities received \$327,750 in funding.

Capital Improvements
The Authority evaluated, authorized and monitored nearly \$2.2 million in improvements to 71 SDHDA financed properties.

Section 8 HAP Contract Administration
Provided nearly \$19 million in rental assistance to 5,785 units in 199 developments, housing more than 6,500 individuals.

CHANCES

for a fresh start...



Construction activity is healthy for a community. It is encouraging to see the high level of housing construction continue in today's economy. In South Dakota, a unique opportunity exists to not only help our community and state's economy with construction activity, but also to help individuals learn a marketable skill.

George* is a perfect example. He had worked several jobs on construction sites as a day laborer, learning few skills. One day he made a wrong decision and ended up in prison with little hope for the future. Luckily for him, he earned a position on the Governor's House construction crew and eventually worked his way onto the electrician's team. He started learning the electrical trade and working toward his apprenticeship license. Now he is out of prison, has a job working for a contractor, and will soon be getting his journeyman's license.

George is thankful that his time in prison wasn't wasted and that he was able to turn it into a positive experience. He's also thankful for the experience he gained on the construction crew. He is now able to make a life for himself and his two sons. Housing matters to George and others like him who have been given a second chance.

*Although this is a true story, the name has been changed to protect the privacy of the individual.

Single Family Homeownership Program (known as the First-time Homebuyer Program)... provides below-market, fixed interest rate mortgage loans for first-time homebuyers. The Step Rate Option offers a lower initial interest rate stepping up 1/2% each year for four years. After that, it remains a fixed rate through the end of the mortgage term.

Mortgage Assistance Program (MAP)... provides downpayment and closing cost finance assistance up to \$2,000 for SDHDA borrowers. This is in the form of a second mortgage at 3% or 5.5% interest amortized up to five years.

Employer Mortgage Assistance Program (EMAP)... is a partnership loan program with South Dakota employers to provide human resource benefits in support of economic development, employee attraction, and employee retention. EMAP provides down payment and closing cost assistance in the form of a second mortgage for homebuyers employed with a participating employer.

Cooperative Home Improvement Program (CHIP)... provides 1.9%, 3.9%, or 5.9% interest rate loans for up to seven years to eligible borrowers for the improvement, repair, or addition to the borrower's home.

The Governor's House... provides reasonably sized, affordable homes to income qualified individuals and families. This low maintenance, energy efficient home is designed to provide homeownership opportunities where income levels may have prevented previous homeownership. The simplified home design, in conjunction with the Governor's Inmate Training Program, keeps the cost of these homes affordable.

Homeownership Education Resource Organization (H.E.R.O.)... aides professional agencies statewide in the implementation, frequency, and efficiency of providing homebuyer education. The ultimate goal of H.E.R.O and its participating service providers is to provide the highest quality education to all interested parties throughout the entire state of South Dakota. SDHDA's Board of Commissioners governs the operations of H.E.R.O., an independent 501(c)3 created by SDHDA.

Housing Counseling Grant Program... provides federal grant funds to participating providers for the reimbursement of costs incurred through offering a variety of housing counseling and education services to South Dakotans.

HOME Program... provides financial assistance through low interest loans to private developers, non-profit organizations, and government entities. The HOME Program provides funds to developers or owners for the construction and rehabilitation of affordable rental housing, home improvement financing through South Dakota's Community Action Agencies to elderly families and persons with disabilities, gap financing for low income homebuyers purchasing of a Governor's House, or using the Housing Choice Voucher Program.

Housing Tax Credit Program (HTC)... provides a direct federal income tax credit to qualified owners and investors who develop and maintain rental housing units for renters with low and very low-incomes.

Multifamily Bond Financing Program... provides sponsors of selected multifamily housing developments with permanent and construction loans through the sale of tax-exempt or taxable revenue bonds.

Asset Management, Compliance, and Contract Administration... SDHDA's management staff performs administration and compliance monitoring of Section 8, Housing Tax Credit, and HOME multifamily developments in South Dakota. SDHDA is also the designated Contract Administrator for HUD properties in the state.

Services to Aging Residents (STAR)... provides supportive services to residents of SDHDA financed housing developments targeted to the elderly.

Emergency Shelter Grant Program (ESG)... provides grant funds for emergency homeless and domestic abuse shelters. This enables shelters to improve the quality of the facility, meet operating costs, and provide essential services.

Qualifications and eligibility requirements apply to all Programs. For more information contact SDHDA.

Services to Aging Residents (STAR)

Provided services to senior residents in 33 SDHDA financed developments.

Bond Issuance

The Finance Division issued more than \$267 million in long term bonds and more than \$88 million in short term bonds.

Mortgage Loan Rates

SDHDA starting Step Rate ranged from 4.5% to 5.25% and Fixed Rate from 5.5% to 6.25%. Average conventional mortgage rates ranged from 6.65% to 7.13%.

SDHDA BOARD OF COMMISSIONERS



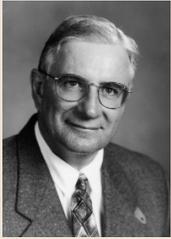
William F. Earley
Chairman



John Rothstein
Vice Chairman



Bob Jenssen
Treasurer



Thomas Schramm



Kevin Culhane



Leland Kleinsasser



Darlys J. Baum
*Secretary &
Executive Director*

SDHDA STAFF

Brent Adney
Gloria Albertus
Leila Alter
Julie Anderson
Brian Baum
Dave Baum
Larry Beck
Ryan Beck
Terry Berendes
Lisa Bondy
Butch Davis
Lisa Donner
Eileen Duff
Duane Eckert
Pete Eckert

Thomas Fischer
Allegra Gomez
Daleen Gore
Cindy Gross
Doug Harford
Joanne Heckenlaible
Brad Hennrich
Janis Hildring
Steve Hughes
Jerry Ishmael
Vernon Ishmael
Mary Beth Jacobson
Greg Jasmer
Vona Johnson
Michael Keating

Kelly Kruse
Tracy Laqua
Jane LaRoque
Kim Larson
Lisa Larson
Mark Lauseng
Joni Lingle
Donna Manning
Steve Maruska
Kevin Merrill
Mona Nelles
Randi Olson
Leo Pedersen
Mel Placek
Lorraine Polak

Mona Pries
Jared Schelske
Amie Schmidt
John Scott
Peggy Severson
Clinton Sieben
Doug Stemper
Teresa Sterrett
Mary Stewart
Cristi Swenson
Linda Taylor
Ron Wagner
Elmer Whitepipe

H.E.R.O. STAFF
Paul Kostboth

SDHDA CONSULTANTS AND ADVISORS

AUDITORS

Eide Bailly LLP

BOND COUNSEL

Kutak Rock LLP

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

GENERAL COUNSEL

Davenport, Evans, Hurwitz, & Smith, LLP

UNDERWRITERS COUNSEL

Dorsey & Whitney LLP
Danforth, Meierhenry & Meierhenry, LLP

TRUSTEES

Wells Fargo Bank Minnesota, N.A.
U.S. Bank National Association

SDHDA MISSION STATEMENT

“The South Dakota Housing Development Authority is committed to leading the affordable housing industry by our integrity, innovation and financial strength. We are a team of highly motivated individuals dedicated to encouraging the prudent investment of public financing and private capital to stimulate the construction, preservation, rehabilitation, purchase, and development of affordable single and multifamily housing and day care facilities. We are committed to the long-term affordability and feasibility of every project we undertake. Decisions are guided by integrity, research, and prudent planning. We seek to minimize risks and maintain a selective, conservative, knowledgeable approach to development.”



221 South Central Avenue
P.O. Box 1237
Pierre, SD 57501-1237
(605) 773-3181
Fax (605) 773-5154
TTY (605) 773-6107

www.sdhda.org



Equal Opportunity Housing
and Employment

Please contact the South Dakota Housing Development Authority with any additional inquiries concerning the 2002 Annual Report.

*A total of 1,400 copies of the 2002 Annual Report were printed at a cost of \$4.06 per copy.
No state tax dollars were used. Alternative formats of this report are available upon request.*