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South Dakota Legislature Establishes, Dedicates Revenue to State Housing Opportunity Fund

by Michael Anderson // 2013, Spring



Housing and homeless advocates in South Dakota celebrated a tremendous victory, as Governor Dennis Daugaard signed SB 235 into law on March 20, establishing the Housing Opportunity Fund to preserve and expand sustainable, affordable and safe housing in communities throughout the state. The Housing Opportunity Fund is part of the multi-pronged Building South Dakota economic development initiative and has dedicated funding from a Contractor's Excise Tax and the state Unclaimed Property Fund. South Dakota becomes the 47th state with at least one statewide trust fund.

"SB 235 opens the doors of housing opportunity for South Dakotans priced out of the market," said Melanie Bliss, Coordinator of the Sioux Empire Homeless Coalition. "A stable place to call home is a key to success for all of us: Kids do better in school, parents are better participants in the workforce, seniors can age in place with dignity. Our communities thrive when there is a wide variety of affordable housing available."

The Housing Opportunity Fund will provide financing for the construction or rehabilitation of rental or homeowner housing, the preservation of existing affordable homes, home repair to increase accessibility and efficiency, homelessness prevention activities, as well as investing in community land trusts. The Housing Opportunity Fund is targeted to low and moderate income families and individuals with a maximum income at or below 115% of the area median income. There is a set aside that designates 30% of the funding to municipalities with populations of more than fifty thousand, and 70% to the remainder of the state. Fund revenues may be used to provide grants, loans, loans guarantees, loan subsidies and other financial assistance to eligible applicants. Eligible applicants include any for-profit entity, non-

profit entity, tribal government, housing authority, political subdivision of the state or its agencies, or any agency of the state; individuals are prohibited from applying for funding.

Backed by strong bi-partisan support, Building South Dakota (SB235) is intended to build and reinvest in the state economy in a manner that will both grow the tax base and provide resources for needed development in rural and urban communities. In addition to establishing and funding the Housing Opportunity Fund, Building South Dakota will fund infrastructure and transportation development, local economic development, English as a Second Language (ESL) and technical education and recapitalize the Revolving Economic Development and Initiative (REDI) fund. Building South Dakota includes dedicated funding generated from the Contractor's Excise Tax on large scale projects that will exceed \$20 million. Additionally, beginning in FY 2015, 25% of the Unclaimed Property Fund will be deposited to the Building South Dakota Fund; and increasing to 50% of the Unclaimed Property Fund in FY 2016 and beyond. No caps will be placed on any of the funds. The legislature allocated \$7million to Building South Dakota for FY2014, of which the Housing Opportunity Fund will receive \$1.75 million.

"South Dakota is very fortunate to have leaders like Senator Corey Brown, who understand the benefit of investing in the economic growth and well-being of the state. The leadership and vision from both legislative parties enabled all voices to be heard," said Lori Moen, Chief Operating Officer of GROW South Dakota. *"State investment in the Housing Opportunity Fund will also leverage additional financial resources that will help close the gap for affordable housing, especially to our rural communities. Affordable housing advocates have won a great victory for the people in South Dakota!"*

The Housing Opportunity Fund will receive 25% of Building South Dakota Fund resources, which will generate between \$3.5 - \$5.5 million annually in the next few years. The legislation allows for the Housing Opportunity Fund to also accept funds from other sources. On April 23, a little more than a month after it was established, South Dakota Attorney General Marty Jackley announced that the Housing Opportunity Fund will receive an additional \$344,000 from the state proceeds from a nationwide settlement with Lender Processing Services, Inc. (LPS). The LPS settlement was an offshoot from investigations into fraudulent mortgage practices that resulted in a \$25 billion nationwide mortgage settlement agreement.

The South Dakota Housing Development Authority (SDHDA) will administer the Housing Opportunity Fund. SDHDA will make funding awards through an annual application cycle with a competitive process based on criteria that will be developed by SDHDA in the next few months. There is a 10% cap on administrative costs attributable to fund awards.

"Having the resources available from the Housing Opportunity Fund will be an additional tool to help Sioux Falls respond to our current housing market," said Shireen Ranschau, executive director of the Sioux Falls Housing & Redevelopment Commission. Sioux Falls is one of several South Dakota communities with very low vacancy rates, meaning the cost of housing is accelerating because demand significantly exceeds supply. *"We want Sioux Falls to be a place where young people can move to start a family and working families can afford to live but right now the lack of housing is a serious barrier. The Housing Opportunity Fund will help us provide needed homes and rental apartments that are affordable to young families."*

The advocacy effort for the South Dakota Housing Opportunity Fund was lead by a core group of advocacy organizations: Affordable Housing Solutions; Cheyenne River Housing Authority; Grow South Dakota; Habitat for Humanity – South Dakota; Interlakes Community Action; NeighborWorks Dakota Home Resources; Sioux Empire Homeless Coalition; Sioux Falls Housing & Redevelopment Commission; South Dakota Voices for Children. Under the banner of the South Dakota Housing Opportunity Fund steering committee, these core groups worked with the SDHDA and the local office of Housing and Urban Development to draft the Housing Opportunity Fund proposal in early 2012. Members of the steering committee developed communication materials and executed a strategy for mobilizing supporters across the state in the Fall of 2012. Beginning in December, the steering

committee activated their respective networks to visit with legislators in their home districts. Particularly active were affiliate members of Habitat for Humanity – South Dakota.

“I could not have been more impressed by the engagement of Habitat members around the state,” said Patty Bacon, Executive Director of Habitat for Humanity – South Dakota. “Once legislators heard first hand stories about the impact of having a safe, stable home, a buzz began that investing in the Housing Opportunity Fund needed to happen this legislative session. Well, that buzz kept growing and we won.”



Lori Moen speaks on a panel promoting the Housing Opportunity Fund at the state housing conference in November 2012.

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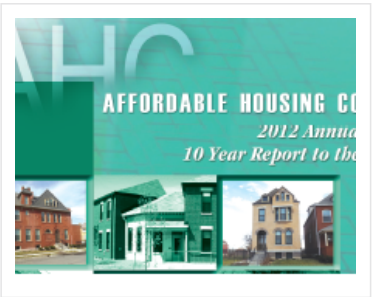
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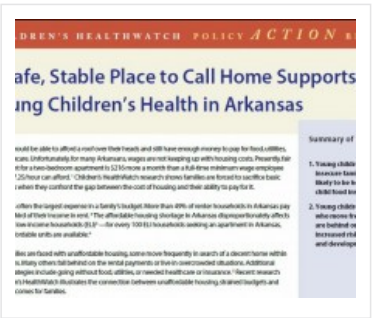
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