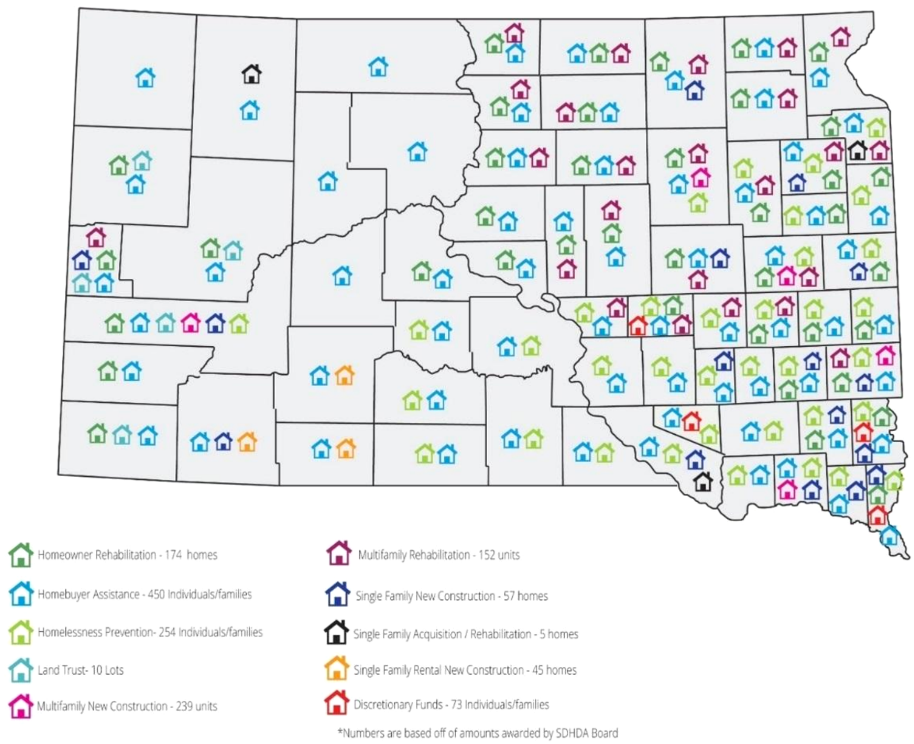
State Legislature Increases Amount of Building South Dakota for Housing Opportunity Fund

by Michael Anderson // 2017, Spring



The South Dakota legislature increased the percentage of the disbursement from the Building South Dakota fund directed to the South Dakota Housing Opportunity Fund (SDHOF) from 25% to 35%. The Building South Dakota fund was established by the legislature in 2013 with the intent 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.

The South Dakota Housing Opportunity Fund was created as part of the 2013 Building South Dakota legislation to promote economic development in South Dakota by expanding the supply of healthy and affordable homes. Since 2013, the Housing Opportunity Fund has invested more than $9.9 million in housing programs that have benefitted more than 1500 households throughout the state. The Housing Opportunity Fund is administered by the South Dakota Housing Development Authority (SDHDA) and the SDHDA Board of Commissioners.

The Housing Opportunity Fund provides state funding for new construction or the purchase and rehabilitation of rental or home ownership housing, housing preservation, including home repair grants and grants to make homes more accessible to individual with disabilities, homelessness prevention activities, and community land trusts. Eligible applicants to the Housing Opportunity Fund include for-profit entity, nonprofit entity, tribal government, housing authority, political subdivision of the state or agency of such subdivision or of the state is eligible to apply for funding. The Building South Dakota legislation mandates that 30% of the Housing Opportunity Fund goes to municipalities with a population of 50,000 or more and the remaining 70% to other areas of the state. Up to ten percent of the funds may be used for administrative expenses. In order to insure that all applications are represented equally the application scoring system used will make considerations with 40% funds supporting rental housing; 40% supporting homeownership and 20% percent committed to other activities. SDHDA has the flexibility to review the scoring system and adjust as needed.

Building South Dakota funds the development of affordable housing, infrastructure and transportation development, local economic development, English as a Second Language (ESL) and technical education and recapitalized the Revolving Economic Development and Initiative (REDI) fund. To provide consistent and ongoing funding for Building South Dakota, the legislature dedicated the Contractor's Excise Tax on large scale projects that will exceed $20 million. The 2013 legislation also committed 25% of the Unclaimed Property Fund to Building South Dakota, in 2014, this was removed and a onetime disbursement of $30 million was allotted to the Building South Dakota fund over the next three years ($10 million per year).

In order to direct 35% of Building South Dakota funds to the Housing Opportunity Fund, HB 1173 redistributed funding from the Economic Development Partnership Fund original 15% to 5%. The remaining funding allocations remained the same: 30% to the Workforce Education Fund, 25% to Local Infrastructure Improvement Fund and 5% to the Revolving Economic Development and Initiative Fund.

Housing Opportunity Fund investment made possible new four-plex in DeSmet.

The legislative support for expanding the portion of the Housing Opportunity Fund is based on the track record of production the fund has had in communities throughout the state. Since it was established in 2013, the Housing Opportunity Fund have made investments in housing programs that have impacted every county in the state, constructing new affordable rental and ownership housing, as well as rehabilitating existing rental and ownership housing, providing down payment assistance, and supporting homeless prevention programs.

To galvanize legislative support, the Homes for South Dakota coalition employed a similar strategy that they successfully employed leading up to the passage of the Building South Dakota and creation of the Housing Opportunity Fund in 2013–mobilizing their network of members and supporters around the state to participate in local cracker barrel meetings with state legislators and conducted other in district meetings to build awareness and support for the Housing Opportunity Fund. In order to demonstrate the statewide impact of the Housing Opportunity Fund, Homes for South Dakota provided supporters with stories to share with legislators about the positive contributions that the Housing Opportunity Fund has had on communities across South Dakota, from a four-plex in DeSmet to a 8-apartment development in Sioux Falls to twenty-six new Habitat for Humanity homeowners in Aberdeen, Brookings, Huron, Rapid City, Watertown and Yankton to a single home rehab for a family of five in New Effington.

When the window opened during session to expand the percentage of Building South Dakota going to affordable housing, the Homes coalition snapped into action, making personal visits, emailing and calling key legislators with stories of the Housing Opportunity Fund's success. HB 1173 moved through the South Dakota House and Senate with strong bi-partisan support, and was signed in law by the month's end.

The Homes for South Dakota coalition was also backing legislation that would have dedicated additional funds to the Housing Opportunity Fund that would replace the funding that was lost when the revenue from Unclaimed Property was removed as a funding source for Building South Dakota. The coalition will continue to advocate for additional dedicated revenue in 2018.

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