



Representative Scott Munsterman, Chair
Steve Street, Vice Chair

Sixth Meeting
Interim Committee
January 30, 2013

Room 414
State Capitol
Pierre, South Dakota

Wednesday, January 30, 2013

The sixth meeting of the Legislative Planning Committee was called to order by Senator Vehle, acting chair, at 3:20 p.m. (CDT) in Room 414 of the State Capitol, Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Senators Ryan Maher, Billie Sutton and Mike Vehle; and Representatives Brian Gosch, Kristin Conzet, Jacqueline Sly, and Susan Wismer. Members excused: Representative Scott Munsterman, Chair; Steve Street, Vice Chair; Charles Turbiville, Executive Board Chair; and Senator Corey Brown.

Staff members present included James Fry, Executive Director; David Ortbahn, Principal Research Analyst; and Cindy Tryon, Legislative Secretary.

(NOTE: For purpose of continuity, the following minutes are not necessarily in chronological order. Also, all referenced documents distributed at the meeting are attached to the original minutes on file in the Legislative Research Council (LRC). This meeting was web cast live. The archived web cast is available at the LRC web site at <http://legis.state.sd.us> under "Interim Information – Current Interim – Minutes and Agendas.")

Opening Remarks

Senator Mike Vehle, served as acting committee chair due to the absence of Representative Scott Munsterman. Senator Vehle explained that many last minute meetings are called during session which meant some of the committee members were not able to attend. The information presented at the meeting will be available on the internet for the absent members to listen to at a later time.

SD Housing Development Authority

Mr. Mark Lauseng, Executive Director, SD Housing Development Authority, talked to the committee about SD Housing and the services and programs they provide throughout South Dakota (**Document #1**).

Senator Vehle asked for a listing of all those programs on one page to be able to see a quick summary of what programs are available through that agency.

Mr. Lauseng said that Housing distributes a report with all of that information to all legislators prior to the beginning of session. He will provide that report again to all committee members as well as a synopsis of the programs they offer.

Mr. Lauseng answered questions from the committee. The CHIP program is the agency's home improvement program.

The Governors Housing program is offered through SD Housing Authority. Mr. Lauseng said that the maximum income levels for the Governors Housing program have recently been increased. They have also started offering the houses to rural school districts to assist with housing for teachers.

Habitat for Humanity, South Dakota

Ms. Patty Bacon, Executive Director, Habitat for Humanity, SD, addressed the committee regarding housing issues for low-income people (**Document #2**). That agency's focus is making affordable housing available in South Dakota. Ms. Bacon explained the impact home ownership can have on the economy. She also talked about the number of households that are at risk of becoming homeless and said that over 800 people in South Dakota are currently homeless.

She presented information about the South Dakota Housing Opportunity Fund they are trying to establish in South Dakota, which would be dedicated to the creation and preservation of sustainable and affordable housing in South Dakota.

Ms. Bacon said that the Habitat for Humanity in South Dakota currently has twice as many requests for funding assistance than they have funding available.

Ms. Bacon answered questions from the committee. She said that they believe if the South Dakota Housing Opportunity Fund had about \$6 million per year available they could make a real impact on low income housing in the state.

Ms. Bacon estimated that they probably only meet the needs of 200–300 families a year through current programs. There are thousands of families in South Dakota who could use assistance.

Habitat for Humanity homes go to families at or below the 60% median income range.

Housing Market and the South Dakota Banks

Mr. Dean Krogman, Lobbyist for Independent Bankers and SD Realtors, talked to the committee about the current housing market (**Document #3**). Mr. Krogman presented statistics regarding the real estate market in South Dakota. In 2010 there were 7300-8800 listings available. In 2012 the listings dropped to 7100-8600 available. The average sale price in 2010 was \$156,000, while the median sale price for that year was \$142,000. The average sale price in 2012 was \$169,000 and the median sale price was \$149,900. In 2012, the buyer averaged receiving 96% of the asking price. In 2011, the average amount of time a home was on the market was 103 days. In 2012, the average amount of time on the market was 93 days.

Mr. Krogman said that there are over 10,000 rental units in Sioux Falls of which there are only 300 vacancies. He said the amount of rent varies from \$600 to \$1200 per month. He said that developers usually start building new units when there is 5% vacancy or less, but that is not necessarily the case now because financing has become so difficult to obtain.

Mr. Krogman also reported that in Sioux Falls there were \$282 million in building permits in 2010 while there were \$490 million in building permits in 2012, demonstrating that the trend right now is positive.

Mr. Curt Everson, Executive Director, SD Banking Association, spoke to the committee about the challenges mortgage lenders and borrowers are now facing. Mr. Everson said that with the economic issues facing the banks these past several years the federal government established much more aggressive regulations. For example, the document explaining the new steps a banker must go through to prove the customer's ability to pay has more than one hundred pages. The new standard sets the debt to income ratio to be not more than 43%.

Mr. Everson added that the secondary market for home mortgages is in flux at this time. Up to now, the norm has been for a bank to originate the loan locally and then sell the mortgage to a secondary lender. The Dodd-Frank Bill makes this much more difficult to do. He added that because of the problems with secondary markets, the 30-year mortgage may become a thing of the past.

The Dodd–Frank bill is 2300 pages long and the penalties for making one misstep are so severe that banks are becoming much less willing to make loans. He also said that a mortgage document that used to be about 10 pages is now about 2 inches thick requiring up to 92 signatures or initials (**Document #4**).

For these reasons, banks are exiting the residential mortgage lending practice making it much more difficult for anyone to become a home owner.

When asked if there is anything the South Dakota legislature can do to help with these issues, Mr. Everson said that the federal government sets the rules on how banks must do their business – how they must deal with their customers. He said that it might be helpful if someone, such as the state legislature, encouraged Congress to find a way to ease up on these regulations.

Committee Discussion

The committee discussed when they should hold their next meeting and possible topics and speakers for that meeting. The committee suggested that the next meeting not be held until April, after the close of session. Possible agenda items are: drafting a policy brief; inventory of South Dakota's assets; and, how technical institutions match available jobs to training.

Adjourn

REPRESENTATIVE GOSCH MOVED, SECONDED BY REPRESENTATIVE CONZET TO ADJOURN. The motion prevailed unanimously on a voice vote.

The committee adjourned at 5:10 p.m.



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