



TO: Members, Joint Legislative Bonding Review Committee

FROM: Mark Lauseng, Executive Director 

SUBJECT: Annual Report

DATE: November 6, 2017

In accordance with SDCL 2-6-15, included are SDHDA's audited financial statements as of June 30, 2017; SDHDA's FY 2017 Annual Report, a report indicating indebtedness of the Authority; and a list, by Bond Issue, of fees paid to professional service providers since our last report to the Committee. For your information, we have also included the South Dakota Housing Opportunity Fund Annual Report.

Under SDCL 11-11, the South Dakota Housing Development Authority is a self-supporting quasi-public corporation which generates the funding for its programs through the sale of tax-exempt bonds and the fees derived from the origination of loans and administration of federal contracts.

Homeownership Bond Issues

Since last year's report, SDHDA has issued \$386.9 million in bonds to support our First-time Homebuyer Program. During FY 2017, more than \$315 million was loaned to 2,273 First-time Homebuyer families in South Dakota.

Interest rates for the program currently range from 3.25% to 4.875%.

The Authority also administers the Community Home Improvement Program which provides low-interest home improvement loans and the Homeowner Counseling Program. The Homebuyer Education Resource Organization (HERO), a 501(c)3 non-profit organization created by SDHDA, also administers funding to local homebuyer education providers. Over 2,400 prospective homebuyers received homebuyer education through HERO.

The Authority's Homeownership Bond Program continues to maintain a AAA rating with Standard & Poor's (S&P) Rating Service. In May of 2016, Moody's Rating Service upgraded the rating on the Homeownership Bond Program from a Aa1 rating to a Aaa rating. According to S&P's October 25, 2017, rating letter, the AAA rating reflects their view of:

- Extremely strong cash flows,
- Very strong credit quality, with more than 86% of loans either guaranteed by the U.S. government or with loan-to-value ratios (LTVs) below 80%,
- Ample liquid reserves,
- High quality investments, and
- Bond provisions and program management that remain consistent with the bond ratings.

South Dakota Housing Opportunity Fund (HOF)

The Housing Opportunity Fund program was created during the 2013 Legislative Session to promote economic development in South Dakota by expanding the supply of affordable housing to low and moderate income families and individuals. During fiscal year 2017, a total of \$1.2 million was allocated which will result in 157 families or individuals benefiting from the housing programs made available throughout South Dakota. Project information can be found in the HOF Annual Report which is included with your material.

The Governor's House

As of June 30, 2017, a total of 94 homes were sold during the year. A total of 2,573 homes have been sold from the inception of the program in 1996.

Other Authority Programs

The Authority continues to administer a variety of programs to provide affordable housing in South Dakota. The Housing Tax Credit (HTC) Program and Multifamily Tax-Exempt Bond Financing Program are both authorized by the U.S. Internal Revenue Code. The HOME Investment Partnership Program is administered on behalf of the U.S. Department of Housing and Urban Development. Together these programs annually provide \$6 million in funding to support development of affordable housing. The Housing Tax Credit Program is dedicated to preservation and development of affordable rental housing. HOME Program funds can be utilized for homeownership and multifamily construction and permanent financing, as well as purchase, rehabilitation, and home improvement funding.

A new federal program was funded in FY 2016. South Dakota Received \$3 million in FY 2016 and FY 2017 from the Housing Trust Fund Program. This program is targeted to very low income, 30% Area Median Income and below, and is used to develop rental units at rents that are affordable at those income levels.

SDHDA manages a multifamily portfolio of 390 developments and administers \$23.7 million in rental subsidy for SDHDA, USDA Rural Development, and HUD-financed or assisted properties, accounting for 4,975 units of affordable rental housing. SDHDA oversees compliance for 12,027 affordable housing units developed under the HOME, Risk Share, Housing Tax Credit, and Bonding Programs.

SDHDA administers the federally funded Emergency Solutions Grant Program that provided \$488,295 in funding for operating and essential services to homeless and domestic violence shelters. SDHDA also provided staff support last year to the Statewide Housing for the Homeless Consortium which received \$1,264,095 of federal funding to build or rehabilitate and support permanent and transitional housing for the homeless.

If you have any questions concerning the Authority, please contact me or visit our Website at www.sdhda.org.

Enclosures