



June 9th, 2021

Summer Session on Workforce Housing

Background – Tobin J. Morris – Sr. VP Colliers Securities

- Worked for Gov. Janklow and Gov Rounds from 1996-2003 as Director of Business Recruitment / Expansion for the Governor's Office of Economic Development
- Serve as the financial advisor to the State of SD
- Instrumental in developing and constructing a plan for the State of South Dakota to achieve AAA rating status from all three national rating agencies
- Financed over \$1.5B+ of public finance for South Dakota public entities
- Tax Increment Financing
 - o Have worked with Gov Rounds and Gov Daugard's administration to adapt and change laws relating to Tax Increment Districts
- Consulted with fortune 100 companies to locate or expand into South Dakota
 - o Cargill, ADM, WATCO, Gavilon, Bell Cheese, Agropur

Workforce housing – experience

- Recent projects - City of Yankton, Harrisburg, Lennox, Madison, Milbank, Crooks, Deadwood, Spearfish, Box Elder, Pennington County, Webster, Oglala Lakota County School District

Observations

- Infrastructure is the biggest impediment to development
 - o Constitutional debt – small cities
 - o Capacity issues – water – sewer
 - Some rural water distributors have moratoriums on hook ups
- Cities / Development Corp. need to be willing to take the lead, but need help to mitigate liability
 - o Each successful project can take 2-5 years to get to the starting line
 - o Cities / Dev Corps need to be an active partner in the development
 - o More cities are actively recruiting developer's to their community

- The successful projects have a "Varsity Developer" involved
 - o Reduce / mitigate the risk to the Developer
 - Tax Increment Financing
 - Non-conventional lending
 - SD Housing
 - Revolving Loan Funds
 - o Mass rollout is extremely beneficial and cost effective

- Why TIF's are so popular
 - o Typically on multi-family units one month's rent, per unit, goes to pay property tax.
 - o Reduces risk to offset infrastructure costs.
 - o About the only tool in the Economic Development Tool Box.

Case Examples

- o City of Colman was one of the first pioneers to take on the housing issue in 2005
 - The good / bad / ugly

- o Spearfish
 - 175 home development
 - City issued \$10M of debt to fund infrastructure
 - RFP / partnered with an experienced developer
 - Created a TIF to reimburse expenses
 - City assumed the liability

- o Deadwood
 - Worked with SD Housing on a lending program
 - 2020 started project
 - August 2020 everyone decided to move to SD
 - Housing market exploded
 - Construction costs exploded

Suggestions

- Need more non-conventional lending
 - o Banks are not allowed to have a sense of humor when there is a bump in the road
 - o SD Housing has been extremely creative and willing to help, but limited resources

- SDCL 11-7 County and Municipal Housing Redevelopment
 - o Extremely underutilized in South Dakota
 - o Very broad and powerful abilities
 - o Why aren't they utilized more?

- Upgrading / renovating existing multi family
 - o TIF's promote new construction but what incentive is there to upgrade existing facilities.
 - o Create a program to help existing owners put money back into their facilities
 - Example - if a multi-family complex has an assessed value of "X", and they spend "X" amount upgrading the facilities - they then qualify for the discretionary formula that is used on new construction

- Guidelines not policies
 - o Not two South Dakota Communities are the same