

# MINUTES

## Workforce Housing Needs in SD Interim Study Committee



Representative Roger Chase, Chair  
Senator Casey Crabtree, Vice Chair

Third Meeting, 2021 Interim  
Thursday, August 5, 2021

The HUB – Southeast Technical College  
Sioux Falls, South Dakota

The third meeting of the Workforce Housing Needs in SD Interim Study Committee was called to order by Representative Roger Chase at 9:00 a.m. (CST) in the HUB of Southeast Technical College, Sioux Falls, South Dakota.

A quorum was determined with the following members answering roll call: Representatives Hugh Bartels, Roger Chase (Chair), Fred Deutsch, Tim Goodwin, John Mills, Scott Odenbach, Lynn Schneider, Jamie Smith, and Mike Weisgram; and Senators Casey Crabtree (Vice Chair), Michael Diedrich, Red Dawn Foster, David Wheeler, and Larry Zikmund. Representatives Mary Fitzgerald and Jennifer Keintz were excused.

Staff member present was Carter Dykstra, Fiscal Analyst.

NOTE: *For 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 office. This meeting was webcast live. The archived webcast is available on the LRC website at [sdlegislature.gov](http://sdlegislature.gov).*

### Approval of Minutes

Representative Mills and Senator Diedrich provided some minor corrections and additions for clarity to the July 14, 2021 draft minutes.

***Representative Goodwin moved, seconded by Senator Zikmund, to approve the July 14, 2021 Workforce Housing Needs in SD Interim Study Committee meeting minutes as corrected. The motion prevailed on a voice vote.***

### Opening Remarks

**Bob Griggs, President, Southeast Technical College**, welcomed the committee and all public testifiers on behalf of the faculty, staff, and administration of Southeast Technical College.

Senator Crabtree thanked everyone for sharing their input and expertise with the committee. He said there was no single solution to housing, and that workforce was one of the main issues to address. Senator Crabtree also shared he would like to see a shift from talking about problems to focusing on solutions and find ways to cut red tape and facilitate infrastructure.

Representative Chase reiterated the goal of the committee was to take the testimony and information they had gained from the public and alleviate and address the housing hurdles and obstacles that South Dakotans will face going forward.

Representative Mills reminded the committee of the importance of the discretionary formula as a tool and provided more information ([Document 1](#)). He mentioned the discretionary formula allowed counties to recognize developer risk and let taxes step-up in phases, and that of nine categories, four applied to housing. Representative Mills shared that the discretionary formula was currently under-utilized by counties and cities, and he encouraged broader use.

Representative Bartels mentioned some people are hesitant to move out of affordable or workforce housing because their taxes will go up, so a possible solution might be adding a tenth category to the discretionary formula to waive those taxes for a couple of years and encourage more people to either build new, or move and free up affordable housing.

Representative Chase informed the committee that, on July 23rd, former Representative David Lust had passed away and the committee offered a moment of silence in his honor.

### **City of Sioux Falls**

**Mr. Jeff Eckoff, Planning Director, City of Sioux Falls**, shared Sioux Falls' economic and housing data ([Document 2](#)) and ([Document 3](#)). He said the city of Sioux Falls experienced an estimated growth of 23,000 residents between 2015-2020. Mr. Eckoff said the vision and goal of the City Planning Department is to look at ways to revitalize local neighborhoods through design and building standards, codes, and public and private investments. He shared they were also working on changing zoning regulations, delaying plating fees, and moving viable homes that may have been torn down. He said that strategic planning requires city dollars because state dollars typically go to revolving loans and TIFs. Mr. Eckoff mentioned that they were creating a housing fund infused with general fund sales tax dollars that could be used for single-family loans, infrastructure, low interest for multi-family homes, or strategic land acquisition. He stated the city has had many discussions with the Homebuilders and Realtors Associations about how to resolve the housing issue, and has worked with various nonprofits such as Habitat for Humanity to assist with land purchasing and infrastructure.

Mr. Eckoff said the city of Sioux Falls is looking at how to utilize tax increment financing (TIF) in different situations. He said Sioux Falls is not typically a city that does a lot of TIFs, and that most of the current TIFs are for downtown projects. He mentioned TIFs have permitted uses for public improvements such as water, sewer, and streets, but it could be helpful if they could be used for construction in projects that do not require public improvements. Mr. Eckoff also said it would be helpful to have more flexibility to blend the market rate requirement of TIFs to allow for more mixed-income developments and integrated neighborhoods.

Representative Koth asked if Mr. Eckoff looks at long-term growth and interest rates and if the City Planning Department has a template to ensure that they do not create hazards down the road. Mr. Eckoff replied that Sioux Falls ordinances and public works help shape what growth will be, and that the City Planning Department makes population projections that estimate growth.

Representative Goodwin asked if Sioux Falls had incentivized any manufactured home producers to make homes in South Dakota. Mr. Eckoff replied Sioux Falls had not, but that could be something for the Development Foundation to look into.

Senator Kolbeck asked if it would be possible to make larger land purchases of 100-200 acres and sell them off in smaller lots so more developers could be involved and develop single family homes. Mr. Eckoff said they have large developers buying up large chunks of land and laying out developments, and because of the current demand, those larger developers were not as willing to sell those lots to smaller developers which made it more difficult for the smaller developers to buy land. Mr. Eckoff said there have been discussions about the city going out and buying large chunks of land to develop and sell to builders, but no plans had been formulated yet.

Representative Chase asked if out-of-state developers and contractors were coming into the state to offset construction needs with the new growth and influx of people moving to South Dakota. Mr. Eckoff said there was increased interest from out-of-state developers. He added there was some discussion of bringing out larger national builders, but they had not heard from any directly about coming to South Dakota.

### **Allied Midwest**

**Mr. Dana Iverson, Sales Manager, Allied Midwest**, talked about lumber pricing and availability. He said that with COVID-19, lumber producers originally laid people off and slowed production, but increased demand as people had more time to work on home improvement projects and received stimulus checks, combined with low interest rates and high costs of transportation, led to a 385% gain in cost of lumber on the wholesale side from the low to the peak. He said that he did not think the prices had a significant impact on new construction because the costs could be amortized. Mr. Iverson shared that the lead time was typically from three to four weeks, but it is currently about six weeks, and had gone as high as twelve to fifteen weeks with waiting lists. He said the supply of materials has gotten better than it was six to ten months ago, and that it took fifteen months for the composite price index to come down to a more normalized number.

Representative Weisgram asked if lumber quality was affected while mills were catching up on supply. Mr. Iverson said the quality was not diminished because a particular rating needs to be maintained and graders make sure the quality meets or exceeds those grades.

Senator Crabtree asked if the Canada border closure had any effect on lumber supply. Mr. Iverson said it did not because lumber was still allowed to be transported across the border.

Representative Chase asked Senator Otten and Representative Mills what they, as builders, had seen regarding the availability of supplies and if people were scaling back or postponing construction. Senator Otten said waiting for supplies and parts, like windows, created a significant strain on contractors. He said both waiting for materials and labor, and issues with transportation due to a lack of drivers, slowed the production of homes. Representative Mills said the system suffered various impacts top to bottom, and some people had decided to wait to build new homes. He mentioned the whole spectrum had been disrupted and the impacts were felt everywhere.

### **South Dakota Manufactured Housing Association (SDMHA)**

**Ms. Jasper Diegel, Executive Director, SDMHA**, explained that manufactured homes are a quality and affordable product that could be part of the housing solution, and that manufactured homes with the same square footage and amenities as site-built homes are typically at least half the cost. Ms. Diegel shared that cost savings come from efficient production, bulk purchase of materials at lower cost, and quick assembly that saves time and manpower. She said manufactured homes can be installed in as little as six to seven business days, and their construction produces 35-45% less waste than site-built homes. Ms. Diegel said one of the biggest misconceptions about manufactured homes was that they were lesser quality because of their affordability, but she explained that manufactured homes built after 1976 must meet the Department of Housing and Urban Development's (HUD) code and are considered a safe alternative to site-built. She also shared that modular homes must be built to the same standards as site-built homes and meet all applicable state and local codes. Ms. Diegel shared an area vacancy survey of both Sioux Falls ([Document 4](#)) and Rapid City ([Document 5](#)) to illustrate the need for more housing.

Ms. Diegel talked about financing options for manufactured housing and said that they could be financed with a traditional mortgage. However, she said that 86% nationwide used chattel loans because they were only financing the manufactured home and not the land, which they may already own or be renting from a community. She mentioned chattel loans tend to be 1.5% higher than mortgages, but had lower loan-processing fees and were for a shorter, typically 15-20 year, time period. She said most financing difficulties are due to the higher interest rates, and while financing could be improved on a federal level, other states had implemented programs to help.

Representative Weisgram asked how other states had improved financing chattel loans. Ms. Diegel responded that Kentucky is one state that had programs to finance a fund to help banks feel more comfortable loaning out money.

She mentioned most financiers for chattel loans come from outside the state since they are seen as riskier, and something could also be done to support partnerships with local lenders.

Representative Mills asked about the educational disconnect between manufactured home members and the public and city officials, and what was being done to improve this educational gap. Ms. Diegel said terminology was important and that manufactured homes were different than trailers. She also said that sometimes changes to ordinances and outdated language were necessary at a local level. Ms. Diegel mentioned one example was in Minnehaha where they had required a perimeter foundation. She shared that the way manufactured homes are constructed, they require interior pillars for support instead of a perimeter foundation like site-built houses, and that the requirement was not actually in compliance with HUD standards before it was updated.

**Mr. Jeff Scoular, Director, SDMHA,** discussed the advantages of manufactured homes as nice, affordable homes with typically lower payments. He said manufactured home communities can be anywhere from 25 to 130 or more rented lots and that they are licensed by city or county zoning and regulated by the HUD code. Mr. Scoular explained that communities provide proper zoning for manufactured homes to be placed and could operate like a typical homeowner's association to provide management and appearance standards. He said they could also provide first-time homeowners with guidance on how to make home improvements.

Mr. Scoular expressed the importance of community owners that provide good and active management, and that providing them with assistance or tax benefits regarding utilities or roads would be helpful and could pass savings onto residents. He also said it would be beneficial to make it easier for community owners to condemn abandoned homes and change city restrictions to allow for homes built after 1976 that are in good condition to be in communities. Mr. Scoular shared that the industry needs more home movers and installers, and that offering a college course for those jobs could help foster those career paths.

Representative Deutsch asked how the tax from a manufactured home compares to a non-manufactured home. Mr. Scoular said the community bears the majority of the tax burden because it owns the land, and lot rent goes to improvements and taxes. He said single-wides do not pay property taxes but are just taxed on the value of the home in two installments like regular home property taxes.

Representative Weisgram asked about what stumbling blocks limited new developments. Mr. Scoular responded that two limiting factors are land and perception. He said manufactured housing had the stigma and reputation of older trailer parks. Mr. Scoular also said it would be beneficial if the city could take over the roads and utilities.

Senator Kolbeck asked if they had looked into working with, and building in, smaller communities. Mr. Scoular responded that they do operate in smaller communities, and have developments in Canton and Redfield, but sometimes there is more stigma to overcome in smaller communities.

Representative Chase asked if TIFs would be helpful to build manufactured housing communities and how many homes could typically be put on a one-acre lot in a new park. Mr. Scoular said TIFs would be helpful and that five homes per acre is a general number, but they could do more under certain conditions. He said this would include the streets on that acreage.

Senator Otten asked if Mr. Scoular had encountered barriers to developing manufactured housing due to planning and zoning rights. Mr. Scoular said that he had run into resistance trying to expand, and that municipalities would try to change the entire agreement and system over a 3-5% expansion which did make him reconsider developing. He said when they did expand, they were only one of eleven nationally that did.

### **Bender Commercial Real Estate and Lloyd Companies**

**Mr. Michael Bender, Founder, Bender Commercial Real Estate**, talked about the regionality of Sioux Falls and how it is growing at four times the rate of the population of the entire state which has led to a housing crunch and put pressure on infrastructure. Mr. Bender said Bender Commercial Real Estate produces well over 2,000 multi-family and single-family homes a year, and that multi-family housing takes up more than 50% of those units. He highlighted that their creation of affordable housing is market-driven. Mr. Bender said one of the best programs for affordable housing was the federal low-income housing tax credit, but that there was only 3.3 million dollars allocated to all of South Dakota per year, and of that the last two years that money had covered about three projects per year for about 200 total housing units. In comparison to that 3.3 million, Mr. Bender said the private sector spent 350-400 million dollars on housing total, and there could be better return on the equity of public dollars if there were more incentives offered to developers to encourage more of that private spending on affordable housing.

Mr. Bender also discussed the impact land costs have on housing. He mentioned that he conducted an economic review of raw land sales in a two-to-three-mile radius of Sioux Falls, and that in the last ten years raw land sales have increased 73% on average, from about \$26,000 to \$44,000 an acre, but the average finished residential lot in the same timeframe have gone up as much as 254%, from about \$34,000 to \$93,000 per lot. Mr. Bender indicated there are many factors, including plating fees and infrastructure costs, that contribute to the discrepancy. He commented that while there is a shortage of housing, there is not a shortage of lots.

Representative Odenbach asked what attributed to lots going up as much as 254%. Mr. Bender responded that it was a combination of factors including supply, infrastructure costs, plating fees, sewer hookup fees, and other fees that were passed onto developers who passed them onto finished lots.

Senator Kolbeck asked if building codes could be streamlined or if more local control would be beneficial. Mr. Bender said there are many codes that address safety that should not be modified, but he said he would challenge codes that required the most top-end ideas, or that were retroactive to old units that were previously fine. He said smaller communities did not always have the people or resources to do their own planning and research, and often defaulted to what big cities were doing. He said there were small things that could help drive down costs, and that decisions made at a local level might be more flexible and realistic.

**Mr. Jake Quasney, Executive Vice President of Development, Lloyd Companies**, encouraged finding flexible solutions that would work long-term for small and large communities and ways to innovate and adapt for the future rather than temporary fixes for the present. He shared that many people do not qualify for subsidized housing but are still under strain because of the high cost of housing. Mr. Quasney said that some solutions were to leverage multiple programs and utilize a gap-funding mechanism. He also suggested an interest-only loan that ballooned in ten years. Mr. Quasney mentioned a long-term solution would be using the Governor's Office of Economic Development (GOED) funds to reward innovation and businesses making scalable solutions in construction. He explained that if construction timelines could be reduced, that would encourage more development in smaller communities. He said rewarding communities that do a good job with modular homes could also change the perception of those programs. He discussed how the discretionary formula is not necessarily good long-term because after six years developers are paying full taxes at a commercial rate, and those tax burdens are generally passed onto tenants. Mr. Quasney suggested creating a multi-family housing classification for property tax because apartments pay substantially more taxes and need more of a margin as incentive to bring prices in line with single-family homes. He also mentioned that the way tax exemption is written, nonprofits in a tax credit project technically do not qualify to be tax exempt, and that should be clarified in the law to continue to encourage nonprofit entities to partner on affordable housing.

Senator Diedrich asked what flexible solutions that put less regulatory burden on a community might look like. Mr. Quasney said there were many little ways to reduce costs, but that earmarking money on the GOED side to

encourage innovation and shorter construction timelines in small communities would be a good start because smaller communities do not have the manpower or resources for longer projects. He said faster construction timelines would also be helpful for meeting needs in larger communities.

Senator Kolbeck asked if relocated homes needed to meet the codes in the new community they were moved to and if that was unreasonable. Mr. Quasney responded that relocating, and at a certain point remodeling, would trigger a full code update. He said that most communities in South Dakota were flexible within reason and that codes should not be modified to the point they impacted the quality and suitability of homes. He said code can be complicated, and that rewriting code piece by piece would be nearly impossible and that local communities writing their own codes could face more burden and liability.

Representative Mills asked about Iowa's solution for the discretionary formula. Mr. Quasney responded that Iowa had created a separate class for multi-family that would be a little closer to the single-family tax burden, and then did a rollback. Mr. Quasney shared he did not think that it would actually reduce the taxes, but he believed it would level them off for multi-family units so they were not disproportionately burdened.

Senator Crabtree asked what changes and improvements could be made to the discretionary formula and TIFs, and if a TIF financed at 0% with a revolving loan fund would be enticing. Mr. Quasney said the discretionary formula created a challenge on year six, and that it did not function the same way as a TIF because it was not a guaranteed revenue stream. He said it would be helpful if TIFs were more flexible, and said if they did not have the 100% affordability requirement, then more mixed-income communities would be possible. Mr. Quasney added that developers would appreciate 0% financing because it reduces some of the risks and burdens that developers incur.

### **Homes are Possible Inc. (HAPI)**

**Mr. Jeff Mitchell, Executive Director, HAPI**, said HAPI is a native, non-profit affordable housing developer based in Aberdeen that had constructed over 265 homes with income limitations listed on them. He said they are based in Aberdeen, and of those 265 homes 254 were built in Aberdeen due to limitations on funds and feasibility of construction in other communities. Mr. Mitchell said they were a Community Development Financing Institution (CDFI) that helped loan funds to make affordable housing possible, and they were able to help with closing costs in Aberdeen and offer homebuyer education and housing rehabilitation to almost every county in South Dakota. He said they were able to use the Housing Opportunity Fund (HOF) for down-payment assistance on 115 projects and 66 home rehabs outside of Brown county, but not for building projects. Mr. Mitchell shared they had also created 11 single family subdivisions encompassing 500 single family lots, and made an effort to create blended neighborhoods.

Mr. Mitchell shared that HAPI does a lot of infilling by taking out decrepit homes and bringing in new ones, and that this adds tax base and has a positive effect on those neighborhoods as others make improvements. He said infills could be more efficient because the infrastructure is already there, but could be problematic if the infrastructure was older and in need of updates. Mr. Mitchell mentioned HAPI also does a lot of rehabbing of houses, and that since 2006 they had done 640 individual rehab projects for a total of over 3.5 million dollars. He said there was a need for the rehabilitation of old houses and they were able to use HOF funds for those projects, but that finding people to do the work and funding stipulations could be drawbacks. Mr. Mitchell said that Aberdeen has unique challenges with development because the city was built on a flood plain and contiguous land to the city is not available, so the cost of developing infrastructure is often too high without assistance. He mentioned the South Dakota Housing Development Authority (SDHDA) was an excellent place for people to go for support, technical assistance, answers to their questions, and the most logical place to focus on solutions.

Representative Chase asked if any of the lots were tax deed properties. Mr. Mitchell responded that he had purchased three tax deed properties from the county.

Senator Kolbeck mentioned SDHDA's Governor's House Program and the possibility of Governor's Houses being built at the State Penitentiary in Sioux Falls or the Women's Prison in Pierre, and asked Mr. Mitchell if that would be beneficial. Mr. Mitchell responded that Governor's Houses are some of the best houses you could not buy, as they are tied to income guidelines, and that having more availability of in-demand products is a good thing. He said HAPI has used at least sixty Governor's Houses in subdivisions and as infills, and that he currently had five lots on hold he planned to place Governor's Houses on when they became available.

### **De Smet Economic Development Corporation**

**Ms. Rita Anderson, Economic Development Director, De Smet Economic Development Corporation,** said more people wanted to raise their families in smaller communities, and more small towns were recognizing housing needs and forming committees to address housing issues. She shared that while larger communities can partner with businesses and larger companies, smaller communities often need financial assistance. She said in smaller communities local contractors are often too busy or do not have enough employees to meet demand, so finding a way to incentivize infrastructure and workforce was important. She said they have partnered with the city to give lots away for development, and that those lots are often financed with a discretionary formula. Ms. Anderson said De Smet is a town of 1,100 that needs 4 new houses a year just to maintain their population, and that there are an additional 300 people that commute to De Smet for work. She said the lack of housing prevents those commuters from being a part of the community of De Smet and its schools and businesses which hampers growth.

Ms. Anderson shared that the HOF was an important tool for smaller communities, and De Smet was able to build four units of housing, or two townhomes, with the funds received from the HOF. She shared the demand was so high for those homes they held a lottery to determine who got to live there. Ms. Anderson said those projects not only freed up larger homes for purchase, but illustrated to developers and businesses that people would spend higher amounts for rent in smaller communities and rent would not necessarily be capped out. Ms. Anderson mentioned that the SDHDA made it possible with their expertise and guidance to build those houses and navigate what could be an overwhelming process for smaller communities, and Ms. Anderson encouraged the committee to work with SDHDA for possible solutions. She also talked about how most communities across the state were built around the same time, and she said many smaller communities were currently borrowing money to revitalize their main streets and did not have enough money for housing development. Ms. Anderson stated that many cities were at their max debt and had limited revenue, so she suggested forgivable loans might be helpful. She said TIFs could be helpful depending on the size of a project, but that they did not typically fit with smaller projects.

### **Grow South Dakota**

**Ms. Lori Moen, COO, Grow South Dakota,** said Grow South Dakota (GROWSD) was a CDFI that helped with first mortgage lending products, down-payment assistance, closing costs, single and multi-family housing development, renovations, acquisitions for resale or rental, owner-occupied home renovations and energy efficiency measures, and loans to economic development corporations, private businesses, tax credit projects, and individuals to create housing in their communities. She shared they also own and manage multi-family housing units. Ms. Moen said GROWSD, SDHDA, and other organizations helped to provide planning, network opportunities, and financial and technical assistance and resources to address the complexities of housing.

Ms. Moen shared that in addition to the need for new developments there are many existing homes in communities needing repair. She said housing studies showed that in 94 communities of less than 2,000 people there was a total of 14,000 homes that were dilapidated or needing repair, and that those studies did not take into consideration interior issues such as heating, ventilation, and air conditioning (HVAC) or structural integrity. Ms. Moen said there could be many challenges with renovations such as finding sufficient resources or contractors, and that sometimes with renovations there may be a gap between appraised collateral value and actual cost. She shared renovations

could be a substantial financial risk, but that renovating helped address current housing stock and reduced the escalating costs of deferred maintenance on aging housing. Ms. Moen said another option for communities was to remove dilapidated properties to create infill lots to build houses on, but that could provide some challenges or tax consequences with the removal of property. She shared GROWSD was able to use SDHDA's Neighborhood Stabilization Program (NSP) to acquire and renovate a 60 unit HUD project in Milbank and make it sustainable.

Ms. Moen said that for long-term sustainability, funding small communities was a crucial part of the solution and allowed them to develop their own plans to meet their own needs in regard to development, renovations, and long-term areas like code adoption and code enforcement. She added that financing for revolving loan funds and gap financing for development or final purchase could also be essential to creating affordable housing. Ms. Moen suggested another option would be to create additional options in the discretionary formula for affordable housing or lengthen it to more than five years. She stated the HOF was an essential tool, and that a long-term investment to the HOF could provide a stable and reliable source of resources. Ms. Moen said it could also be beneficial to enhance the language of the HOF to allow SDHDA more flexibility in creating diverse housing and making adjustments as they needed. She suggested investing in infrastructure funding through SDHDA.

### **The Village at Harmony Hill, Watertown, South Dakota**

**Sister Barbara Younger, Benedictine Sister, Benedictine Sisters of the Mother of God Monastery**, talked about the Benedictine Sisters of the Mother of God Monastery's plans for developing Harmony Hill which will be Watertown's largest development ([Document 6](#)). She shared that the Benedictine Sisters' average age is now 86, and that they wanted to leave a legacy and invest in the community, health care, and education. Sister Younger said the goal is to create a community within a community that could provide intergenerational housing and cutting-edge health resources including a covid-informed senior health care entity. She stated it would be a 300-million-dollar project that would provide hundreds of housing units dedicated to small and large single-families, students, affordable housing, market-rate rentals, condominiums, independent senior living, assisted living and memory care, and workforce and veteran housing. Sister Younger said it would also include amenities and multi-use common spaces such as a wellness and fitness center, restaurants, pub, pool, therapy and rehab services, gathering spaces, an ecumenical chapel, and creativity spaces. She added there would be close to a hundred acres dedicated to green spaces and parks, as well as 80 acres of newly created commercial parcels. Sister Younger said the project was unique because they have 485 contiguous acres to work with. She stated one of the largest barriers to development was the cost of infrastructure, and that it could cost 4.5 million dollars just to build roads and bring water to the development. Sister Younger said that even though they already own the land, the infrastructure cost of bringing utilities alone to some of their lots would be 37,000 dollars per lot. She said the Sisters were working with and looking to partner with others in the community to make the project happen.

Representative Chase commented that the committee should consider how to visualize on the same magnitude and help enhance what locals are doing for their communities in projects like Harmony Hill.

**Ms. Joy Nelson, Owner-President, Haugan Nelson Realty**, shared that she had been a commercial and residential developer for 30 years and the Harmony Hill development is monumental because it is so diversified, intergenerational, and fills a real need for the community. She said one of the most significant problems for developers is the cost of infrastructure because of rising design standards that put many infrastructure costs back on developers. Ms. Nelson stated that as a result, developers need to sell lots at significantly higher prices to offset infrastructure costs. She said that demand is there, but developers cannot meet needs without help with infrastructure costs. Ms. Nelson pointed out that there are companies no longer coming to Watertown because of the lack of housing.

Representative Mills said he understood the ever-changing design standards that create a burden for developers and asked Ms. Nelson if she could share a few. Ms. Nelson said one example was that in the past, the city was



responsible for water mains, and they recouped the cost by charging developers tapping fees. She said while it is currently being implemented in stages, in the future developers will be responsible for both the water main and the tapping fees. Ms. Nelson also shared that sidewalks must be developed in a certain timeframe, sometimes before a lot is built on, and that can create challenges in construction. She shared there are other design standards and upfront costs that put a burden on developers, and they need help with infrastructure costs to meet need.

### **Sioux Empire Housing Partnership (SEHP)**

**Mr. Jim Schmidt, President, SEHP; County Commissioner, Lincoln County,** talked about the SEHP and his perspective as a county commissioner. He said SEHP did a lot of neighborhood revitalization through neighborhood redevelopment, but that sometimes it was cheaper to tear down and build new than move a house that then needs to meet newer building codes. Mr. Schmidt said they no longer had the funding sources to build and rehab houses, so SEHP's primary focus is now homebuyer and renter education. He said they talk to businesses and employees about how to better manage money, budget, and improve credit. From a county perspective, he said the population in Lincoln County has increased substantially over the course of the last ten years, and that has put tremendous pressure on the market resulting in a housing bubble. Mr. Schmidt said the high cost of housing also drove people to move into the country which impacted farmers' ability to increase their livestock and viability. He shared that competition for rentals was high and that many were likely paying up to 50% of their disposable income on housing instead of the recommended 30%, and that financial strain impacted individuals' quality of health care and nutrition and impacted families that needed to take a third job, move to a neighborhood with a negative family environment, or live in a single apartment as a multifamily household. He also stressed the importance of the immigrant population and integrating them into the community.

Mr. Schmidt said counties need to be part of the solution and should look at utilizing the discretionary formula. He said county commissioners primarily focus on public safety, roads, and bridges, but should give more consideration to zoning and infrastructure. He mentioned the National Association of County Officials (NACO) designated areas where taxes and fees are waived to get affordable housing, similar to TIF. Mr. Schmidt also said nonprofits should be a significant part of housing solutions because they are already addressing and impacting affordable housing and know how to make the best use of limited funds. He recommended giving funds to HUD, which provides funds to Rapid City and Sioux Falls, and to SDHDA to support more applications from smaller communities.

### **Associated General Contractors (AGC)**

**Ms. Margaret Pennock, Director of Workforce Development, AGC,** shared information about workforce development, training, and resources for trades in construction ([Document 8](#)). She shared that a lack of contractor employees was a barrier to building more housing in South Dakota, and she encouraged a younger and more educated workforce to consider a career in construction-related fields. Ms. Pennock said youth apprenticeships have been quite successful in creating pathways for young individuals to careers in trades, and shared that the Build South Dakota website had more information on career pathways, training, programs, and apprenticeships.

Representative Deutsch asked what recommendations Ms. Pennock had for workforce development and stimulating vocational technical schools. Ms. Pennock said overcoming the generational stigma of professions in trades and creating more awareness of the variety of opportunities in construction could be achieved through educational outreaches. She also said funding for education was important to encourage educators because there is much more money to be made working in the industry than teaching, and that had led to a shortage of educators.

Representative Chase and Senator Zikmund commented that encouraging technical education and supporting more high school programs was important.

### **North Central States Regional Council of Carpenters**

**Ms. Felicia Hilton, Political Director, North Central States Regional Council of Carpenters**, said they represent 27,000 members across South Dakota and neighboring states, and were a charter of the United Brotherhood of Carpenters and Joiners of America, which has approximately 550,000 members nationwide and is in their 140th year of workforce development of carpenters and journeymen. She said it was important traditional unionized trades be included in solutions. Ms. Hilton mentioned apprenticeships allow people to earn money while they learn, and that training was something that could be offered in both small and large communities. She shared a career in carpentry includes a variety of different trades and offers benefits, pensions, and larger salaries without debt.

**Mr. Jon Mahan, North Central States Regional Council of Carpenters**, talked about their high school outreach program and how they set students up for apprenticeships and scholarships. He said they start offering soft skills training as early as middle school and offer everything from project books to full-blown curriculums.

### **Committee Discussion and Adjournment**

Representative Chase announced the final meeting will be held September 13 in Pierre, starting at 9:00 a.m. Representative Chase and Senator Zikmund thanked the public for their interest and testimony and thanked Southeast Technical College for their hospitality. Representative Chase challenged committee members to visit with contractors, developers, county commissioners, and community leaders to find out their concerns and let them know the testimony and knowledge the committee had heard and start formulating plans and ideas to move forward in the 2022 Legislative Session.

***Representative Deutsch moved, seconded by Senator Crabtree, that the Workforce Housing Needs in SD Interim Study Committee meeting be adjourned. The motion prevailed on a voice vote.***

The committee adjourned at 3:01 p.m.