

MINUTES

Workforce Housing Needs in SD Interim Study Committee



Representative Roger Chase, Chair
Senator Casey Crabtree, Vice Chair

**First Meeting, 2021 Interim
Wednesday, June 09, 2021**

**Room 414 – State Capitol
Pierre, South Dakota**

The first meeting of the Workforce Housing Needs in SD Interim Study Committee was called to order by Representative Roger Chase at 10:00 a.m. (CST) in Room 414 of the State Capitol, Pierre, South Dakota.

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

Staff members present included Jennifer Geuther, Fiscal Analyst; Anita Thomas, Principal Legislative Attorney; Rachael Person, Administrative Specialist; and Kaitlyn Baucom, Administrative Specialist.

NOTE: For the 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 office. This meeting was webcast live. The archived webcast is available on the LRC website at sdlegislature.gov.

Opening Remarks

Representative Chase welcomed everyone to the meeting and highlighted the importance of the study. Representative Chase said the lack of housing in South Dakota is the biggest obstacle for growth in the state and if more residential unit structures existed more people would be coming to South Dakota. Upon Representative Chase's request, the committee members introduced themselves and spoke on their areas of expertise and hopes for the committee.

Representative Chase read the scope ([Document 1](#)) of the study and asked the committee to think broadly on ways to promote all types of housing opportunities in South Dakota. He drew attention to [SB155](#) from the 2021 legislative session. Representative Chase said that while the bill failed during session, it was the catalyst for the creation of the committee, and the committee's goal is to work with the bill and develop changes to bring forth in the upcoming 2022 legislative session.

Recap of the 2017 Housing Study

Representative Chase highlighted that the focus of the 2017 Housing Study was to work on housing in municipalities and to give special preference to second- and third-class municipalities. One of the challenges the 2017 committee faced was the increased construction costs and budget cuts that were taking place at the federal level at that time. Representative Chase said the committee highlighted the Housing Opportunity Fund, trying to make more funding available for homelessness and rehabilitation, discussed a forgivable loan program, and talked about tax incremental financing (TIF). Representative Chase voiced his disappointment that none of the legislation drafted by that committee was passed.

Representative Smith echoed Representative Chase's comments and stated a lot of good ideas came out of that study that would have helped the state of South Dakota, but unfortunately none of them passed through the Legislature. Representative Smith said that people need to understand the process of improving workforce housing is an investment and something that will help make South Dakota better.

Workforce Housing Challenges

Mr. Todd Kays, Executive Director, First District Association of Local Governments, gave an overview of planning districts and their involvement with helping cities, counties, and tribes with housing development issues. Mr. Kays said housing is an issue for communities of every size and each of them have unique circumstances. However, Mr. Kays said, the most common issue regarding housing is the availability of infrastructure. Several state and federal programs provide infrastructure assistance to municipalities and counties to facilitate commercial and industrial development but not for housing. Mr. Kays encouraged the idea of providing incentives for developers to take on the risk of development, especially in smaller and moderate sized communities.

Senator Kolbeck asked what the planning districts see as the biggest obstacle in developing housing. Mr. Kays said the cost of development and incentivizing developers to assume some risk in developing in small communities. Mr. Kays suggested also finding ways to incentivize people to move into smaller communities to help pay back the loans taken out to make improvements.

Representative Chase asked if local zoning was an obstacle for contractors interested in developing housing in a community, and if zoning was different per community or more uniform across the state. Mr. Kays said most ordinances are standardized but each community has its own subtle nuances. He recommended the communities keep local control, but it would be beneficial to find ways of encouraging individuals in the communities to look at the zoning and ways it could be modified.

Representative Fitzgerald reminded the committee that discussing the individuals who will be able to afford homes is just as important as encouraging people to buy homes and providing incentive to builders.

Mr. Tim Dougherty, Lobbyist, Home Builders Association, said the builders he works with are experiencing two major challenges: shortage of materials and shortage of labor. Mr. Dougherty said these shortages have caused a sudden dramatic increase in the costs for construction and have led many projects to be delayed or cancelled. Mr. Dougherty offered the solution of increased funding for programs that provide grant funds for single family and multifamily housing projects. He also touched on earlier discussion revolving around redevelopment projects and said one of the advantages of redeveloping areas is that the neighborhoods already have the infrastructure in place.

Senator Kolbeck said redeveloping older houses and bringing them up to code can cost a lot of money and cause a house to no longer be affordable. He asked Mr. Dougherty if the committee should look at addressing some of the existing issues in code to help with possible redevelopment. Mr. Dougherty responded that updates to the provisions of codes can result in significant cost increases for housing projects, but the codes are important because they provide for public safety and quality in terms of construction.

Representative Goodwin asked if there was anything the committee could do to facilitate leveling dilapidated areas and encourage redevelopment. Mr. Dougherty said a variety of problems exist in trying to address the issue such as the owners being unwilling to sell the properties, or not having the income to maintain the properties or move to a new area.

South Dakota Housing

Ms. Lorraine Polak, Executive Director, South Dakota Housing Development Authority (SDHDA), gave an overview of the SDHDA and the programs it offers ([Document 2](#)). SDHDA is a self-supporting, non-profit public corporation that utilizes bond financing, tax credits and other federal, state, and SDHDA resources to fund housing opportunities and programs.

Ms. Polak touched on the First-Time Homebuyer's Program which provides the financing mechanism for the acquisition of single-family homes. She also discussed the Governor's House program which provides single family homes at a reduced price, and the DakotaPlex Program which provides two-and-three-bedroom duplexes, triplexes, and quadraplexes that can be used for rental opportunities in smaller communities. The homes used for the Governor's House and DakotaPlex programs are constructed at the Mike Durfee state prison and Ms. Polak said the SDHDA expects the demand for both programs will continue to rise.

Ms. Polak said SDHDA is also experiencing obstacles with the cost of infrastructure, the financial gap in building cost versus rent charged or home selling price, and development capacity. Ms. Polak provided solutions that could help the housing crisis such as creating a dedicated housing trust fund, repurpose vacant land and underutilized retail space, and incentives to encourage developers.

Representative Weisgram asked if SDHDA would have the ability to add an infrastructure program to their current programs. Ms. Polak said SDHDA would need to expand their staffing, but they have the expertise to administer different programs with different variations. She said the program that provides the most flexibility is the Housing Opportunity Fund, but the program refers to housing units, so the focus thus far has been on housing units and not infrastructure.

Representative Keintz asked how long it takes to get a Governor's house and if there is a streamlined process to help people finance additions to their Governor's house. Ms. Polak responded that the wait time is currently one year, and that SDHDA has not discussed any streamlined financing for additions.

South Dakota Association of Realtors and Housing Concerns Attracting Growth

Mr. Matt Krogman, Lobbyist, South Dakota Association of Realtors, said the housing issue is a difficult one for a number of reasons. Mr. Krogman said there are so many different areas that need to be addressed, not counting the differences in communities, and he hoped the committee could think of ideas that can be flexible and easy to use. Mr. Krogman covered numbers and statistics from the Aurora and Brookings housing markets and offered some solutions.

Mr. David Lambert, President, Economic Development Professional's Association (EDPA), provided numbers and statistics on the housing market in the Mitchell area and an overview of what it looks like for smaller communities ([Document 3](#)). Mr. Lambert said that traditionally housing development is difficult due to factors such as slow growth, a lack of leadership to focus on tasks like cleaning up dilapidated properties or providing the abilities to enhance local properties, a lack of housing contractors who have the skills and resources to build new homes, old housing stock, and job creation among local businesses with a lack of housing.

Mr. Mike Bockorny, EDPA, showed statistics from Brown County. Mr. Bockorny reemphasized the difficulty infrastructure costs have placed on the housing crisis and the lack of programs to assist with the problem. Mr. Bockorny also shared an example of a potential employer wanting to move into the Aberdeen area and how the questions asked by potential employers now revolve around the available workforce and the ability to house employees if they are recruited to the area.

Mr. Tom Johnson, President and CEO of Elevate Rapid City, shared similar statistics from the Rapid City area and said one of the difficulties Rapid City is facing is that about 2,000 people are moving to the Black Hills area simply because of the attraction of the area. Mr. Johnson pointed out the future of the B-21 base coming to the region and the anticipated growth of 30,000 – 40,000 people in the next 10 – 12 years. Mr. Johnson spoke about the costs of homeownership and said even if the minimum wage were raised, there would still be people who are unable to purchase a home because the price is continually rising.

Representative Goodwin asked if the committee could utilize TIFs to help with the development of rental properties. Mr. Johnson said Rapid City has used TIFs frequently, but it still has not helped the problem and likely will not help.

Representative Mills asked if mobile home park development would be a viable option. Mr. Bockorny said mobile home development is a good solution, however, the infrastructure costs are still too high for many developers to want to take the risk.

Representative Chase inquired what the outcome could be if the committee changed the TIF law. Mr. Johnson replied that in order for TIFs to work there has to be growth at the base level, so if the infrastructure costs are still too high that would still restrict what the committee could do.

Ms. Julie M. Johnson, Lobbyist, Homes for South Dakota Affordable Housing, said Governor Noem set the stage for South Dakota to grow, however housing is the missing piece in that discussion ([Document 4](#)). Ms. Johnson covered areas for the injection of funds like the rehabilitation of aging housing stock, assistance with demolition and other expenses for blighted properties, and focus on the technical education of all construction trades. Ms. Johnson asked the committee to preserve programs and tools such as TIFs, the Housing Opportunity Fund, the Governor's House and DakotaPlex Programs, and others. She also highlighted existing state and local tools and opportunities that need to change, and opportunities for strategic state investments.

Representative Koth asked if there was a way to change the statute to help small communities with the debt capacity needed to utilize a TIF. Ms. Johnson replied that it is a constitutional debt issue and suggested that the committee look for additional funding sources that could lower it.

Mr. Toby Morris, Colliers Securities LLC, has focused on workforce housing and working with communities for the last few years ([Document 5](#)). He listed some of his recent projects and said they all have the same unique challenges, but also have unique differences. Mr. Morris provided the committee with his observations regarding public housing financing. He spoke in depth about the TIF programs and why are they so popular, and reiterated that developers need that incentive to off set infrastructure costs. Mr. Morris covered case examples he has worked with and provided insights on solutions the committee can look at.

Senator Crabtree commented on Mr. Morris' suggestion about upgrading or renovating existing properties. Senator Crabtree said the focus has been on trying to get the money for creating affordable new housing, when it's possible the focus should be on what already exists. He asked Mr. Morris to discuss the renaissance district in North Dakota and what that could look like for South Dakota. Mr. Morris said the renaissance is a targeted area set for renovation with the plans being fully disclosed for the public. Mr. Morris then discussed some ideas for guidelines for the process.

Ms. Denise Hanzlik, Executive Director, and Mr. Todd Hollan, Chair of Membership Board, South Dakota Multi-Housing Association, ([Document 6](#)) discussed the topic of housing from a rental standpoint. Ms. Hanzlik said property owners across the state are saying they have nothing available to rent which is something that is unheard of. With that, Ms. Hanzlik emphasized, the rent prices are driven up which is pushing the market prices up. She touched on the possibility of renovating older buildings to make properties more marketable.

Mr. Hollan said one of the issues they see in the multi-housing development world is the lack of capacity to bring the rent base down to a workforce housing level. Mr. Hollan covered the cost of construction and production and added that it is unfeasible to move into multi-housing development without some form of assistance.

Public Testimony and Adjournment

Mr. Dan McColley, Executive Director, Brookings Area Habitat for Humanity, highlighted that 9% of South Dakota families pay over half of their income to cover the cost of their housing, which is a large problem for the state's community development.

Representative Chase appointed Representatives Weisgram, Goodwin, and Otten, and Senators Crabtree and Foster to the Infrastructure subcommittee. Senator Crabtree will serve as chair.

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

The committee adjourned at 3:19 p.m.