



# HOUSING INFRASTRUCTURE FINANCING PROGRAM (HIFP)

# HIFP Basics

- Appropriated through Senate Bill 41 of the 2023 South Dakota Legislature
- Signed into law on February 1, 2023 under SDCL Chapter 11-15 South Dakota Housing Infrastructure Fund
- SD Housing was allocated \$200 million to provide loans and grants for the development of housing infrastructure
- \$150 million from the SD general fund and \$50 million from the American Rescue Plan Act (ARPA) of 2021
- \$100 million in general funds in the form of low-interest loans
- \$50 million in ARPA funds and \$50 million in general funds in the form of grants
- Up to 1% may be used to offset SD Housing's expenses in administering the program

# Distribution of Funds

- Sioux Falls and Rapid City are limited to 30% of the funding (\$60 million less admin)
- Balance of the state will receive 70% of the funding (\$140 million less admin)
- **Complete** applications accepted on a first-come, first-serve basis
- Applications will be evaluated based on:
  - Housing need
  - Applicant capacity
  - Financial feasibility
  - Local governing body approval and support

# Eligibility

- Projects must be for housing–related public infrastructure for rental and/or homeownership projects as defined in SDCL 11-15-1
- "Public infrastructure," a right of way, water distribution system, sanitary sewer system, storm sewer system, lift station, street, road, bridge, curb, gutter, sidewalk, traffic signal, or streetlight, **which is or will be owned, maintained, or provided by a political subdivision of this state**; or excavation, compaction, or acquisition of land for such purposes.
- Any for-profit or non-profit entity, tribal government, housing authority, political subdivision, or agency of this state is eligible to apply for funding
- No income restrictions, rent limits, or sales price restrictions
- Projects which began construction prior to February 1, 2023 will not be considered for funding (ARPA exception)

# Funding Limitations

- Funding will be limited to the lesser of the following amounts:
  - No more than 1/3 of the Total Project Costs
  - No more than the calculated funding based on the housing units that will be served by the proposed infrastructure, as follows:
    - \$10,000 per multifamily rental housing unit
    - \$25,000 per single family lot
  - If applying for ARPA funds, no more than the actual costs of eligible waste water and drink water expenses eligible under ARPA

\*Total Project Costs can include the acquisition of the land and all infrastructure improvements necessary for the development of the proposed housing development. Physical structures associated with the proposed housing development are not included in Total Project Cost

# Application Requirements

- Applications must include a market study demonstrating the need for the proposed housing infrastructure project
  - Market study must be dated within 3 years of the application or an update to the study must be provided
  - Applicants are able to conduct their own market study or update as long as the required data elements are included (will be listed in Exhibit 2 of the application)
- Applications must include preliminary engineering plans approved and stamped by a professional engineer licensed to practice in South Dakota; Applicant must provide final approved plans prior to executing written agreement and receiving funds
- Applicant must submit an affidavit from the engineer stating the total project cost is reasonable based on current market conditions

# Time Restrictions on Applicant

- Applicants must begin construction within 9 months of SDHDA Board commitment
- Funds must be expended within 2 years of the date of the grant agreement
- SD Housing may authorize an extension of up to six months for either deadline if mitigating circumstances prevent the applicant from meeting the deadlines

# Location of Projects

- Housing infrastructure projects that will be owned or maintained by a municipality must be located within the municipality's corporate limits, or annexed in the municipality's corporate limits before the later of:
  - The date on which the applicant commences construction of the housing infrastructure project; or
  - The date on which the applicant and SDHDA enter into the written agreement

# Funding Process

- Application: Complete application with all of the documentation referenced in Exhibit 1 of the HIFP application
- Conditional Commitment: Upon SDHDA Board approval, Conditional Commitment issued
  - Applicants will be required to provide additional information and documentation as outlined in Exhibit 1 of the application
  - Applicant will have 9 months to begin construction
- Once all documentation has been submitted, a Written Agreement will be executed between the applicant and SDHDA
- Disbursement of funds is reimbursement based on receipt of lien waivers, bills and receipts for all costs, AIA Forms G702 and G703 evidencing the percent of project completion, as applicable
- Significant changes to the project must obtain SDHDA's approval and may result in a forfeiture of funds i.e. changes in the total number of lots/units, changing funding sources, increased costs, etc.
  - Keep SDHDA informed!
- The Authority may amend the amount of HIFP funding at any time before execution of the Written Agreement based on the final itemization of the total project cost
  - The Executive Director may authorize an increase in HIFP funding not to exceed 5% of the initial amount without going back to the Board

# Project Selection Criteria

- Local Housing Need: All applicants must submit at a minimum, a narrative addressing and documenting the local housing need
  - Refer to Exhibit 2 of the HIFP application for additional information on specific market study requirements
- Financial Feasibility: Feasibility of all applications will be reviewed taking into consideration total project cost, sufficient resources to cover all costs, anticipated sales prices or other revenue to evidence repayment of debt (TIF)
- Applicant Capacity: Documentation of applicant's prior experience with housing development, capacity to perform and carry out the activities associated with the application i.e. applicant resumes, narrative on experience, partners involved, etc.
- The existence of ongoing or proposed housing infrastructure projects in the community
- Applicant's readiness to proceed with construction (i.e. site control, properly zoned, other financing secured, etc.)

# Project Selection Criteria continued

- Appropriate project design to comply with applicable design standards, ordinances, regulations and law
- Suitability of the location of the housing infrastructure project for residential purposes
- Impact of the housing infrastructure project on the availability of housing in the local area
- Input provided by local governing body and local stakeholders (letters of local support)
  - This is in addition to the resolution approving the project
- Availability of adequate water supply, water treatment facilities, and wastewater treatment facilities to support the added public infrastructure

\*If applying for grant funding, the authority will evaluate the application to determine what impact the grant will have in reducing purchase prices for homebuyers or rental costs to tenants

# Approval by Local Governing Body

Applicant shall submit with the application a resolution of the applicable political subdivision stating:

- The political subdivision has approved the proposed housing infrastructure project
- The project satisfies the requirements of the political subdivision
- The political subdivision shall own, maintain, or provide the public infrastructure to be developed in the project
- The political subdivision has the capacity to support the public infrastructure to be developed in the project

# Other Terms of HIFP funding

- Maturity of the loan may not be more than 10 years from the date of loan closing, with payments amortized over not more than 25 years
- Interest rate will be published on SDHDA's website and may not ever exceed the applicable federal rate published by the IRS
- Applicants shall ensure compliance with the applicable political subdivision's requirements for contractor bonding
  - If the political subdivision doesn't have bonding requirements, the contractor must furnish surety in an amount not less than the contract price to the applicant
  - In lieu of a P&P bond, the applicant may obtain an irrevocable letter of credit in the amount of the HIFP funding issued by a federally insured financial institution with SDHDA as the beneficiary

# Other terms of HIFP funding continued...

- SDHDA will at no time disburse more than 1/3 of the accumulated total project cost of the project to date
- 10% of the HIFP funding will be retained until the housing infrastructure project is complete and the applicant has submitted to SDHDA all lien waivers and other documentation required by the authority
- HIFP funding may not be used to finance the acquisition of land that is not developed as public infrastructure, construction of permanent physical structures or buildings other than public infrastructure, or any debt of the applicant

# ARPA Eligible Costs

- Sanitary Sewer and Stormwater Management
  - Future growth of sanitary sewer and stormwater management which includes wastewater collection lines, wastewater services (to the right of way), manholes, storm sewer collection pipe, inlets, junction boxes, curb and gutter, retention/detention ponds, and resurfacing back to original conditions
- Drinking Water
  - Replacement of drinking water systems due to a current health hazard with the existing infrastructure

\*Expansion of drinking water systems is ineligible as it is considered future development/growth and prohibited under ARPA funding

\*Per ARPA, no costs incurred prior to March 3, 2021 may be included in the total project cost

\*ARPA funds must be committed by December 31, 2024 and expended by December 31, 2026

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