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EXECUTIVE SUMMARY

The purpose of this executive summary is to provide an overview of the research generated as part of the *Statewide Housing Needs Analysis*. The top ten findings from the *Statewide Housing Needs Analysis* are:

1. South Dakota's overall population is growing at the rate of about 1% per year. As the baby boom generation matures, the state's elderly population will continue to grow. Meanwhile, the youth population (under 20 years old) is expected to decline.
2. The overall condition of the state's housing stock is generally good.
3. South Dakota's economy continues to grow at a reasonable pace.
4. Statewide unemployment is low and in general, household incomes are rising.
5. The housing stock has expanded in response to demand associated with an expanding economy and an increase in household formation.
6. Household incomes are increasing faster than median rents, which make rental housing more affordable.
7. The rate of home ownership continues to increase despite the fact that increases in household income are not keeping pace with increases in the median price of housing sales. South Dakota's homeownership rate is expected to increase 0.3% per year from 2003 to 2007.
8. Generally speaking, there is a need for additional housing (both rental and homeownership) in urban areas such as Sioux Falls, Rapid City, the area along the I-29 corridor, and in other areas that are experiencing growth in household formation.
9. Through 2007, it is estimated that an additional 4,000 rental units will be needed to meet the needs of newly formed households with incomes below 80% of median family income. Most of this demand will be addressed through new construction or substantial rehabilitation. The rental housing market in some rural areas is slightly overbuilt.
10. Through 2007, the average annual demand for homeownership units is expected to be about 9,300 units. Most of this homeownership demand will be met through the sale of existing homes. It is estimated that new housing units will be needed for approximately 13,000 new households through 2007.

It is important to note that this ten-point housing portrait of the state as a whole tells only part of the story. Although the housing market has responded positively to the state's economic well-being, housing in South Dakota is a study in contrasts. For every general statewide housing or housing related trend, there are invariably localized exceptions. The more we try to generalize, the less accurate the picture becomes.

This report attempts to explain the underlying factors that influence the state's housing market and how the market has responded to those influences. From there, the report explores housing supply and demand issues and attempts to quantify the unmet need for both owner and renter housing in South Dakota. Finally, the report provides a glimpse into the housing needs of special populations, including the Indian reservations.

What drives the housing market in South Dakota?

Fundamentally, it's the economy.

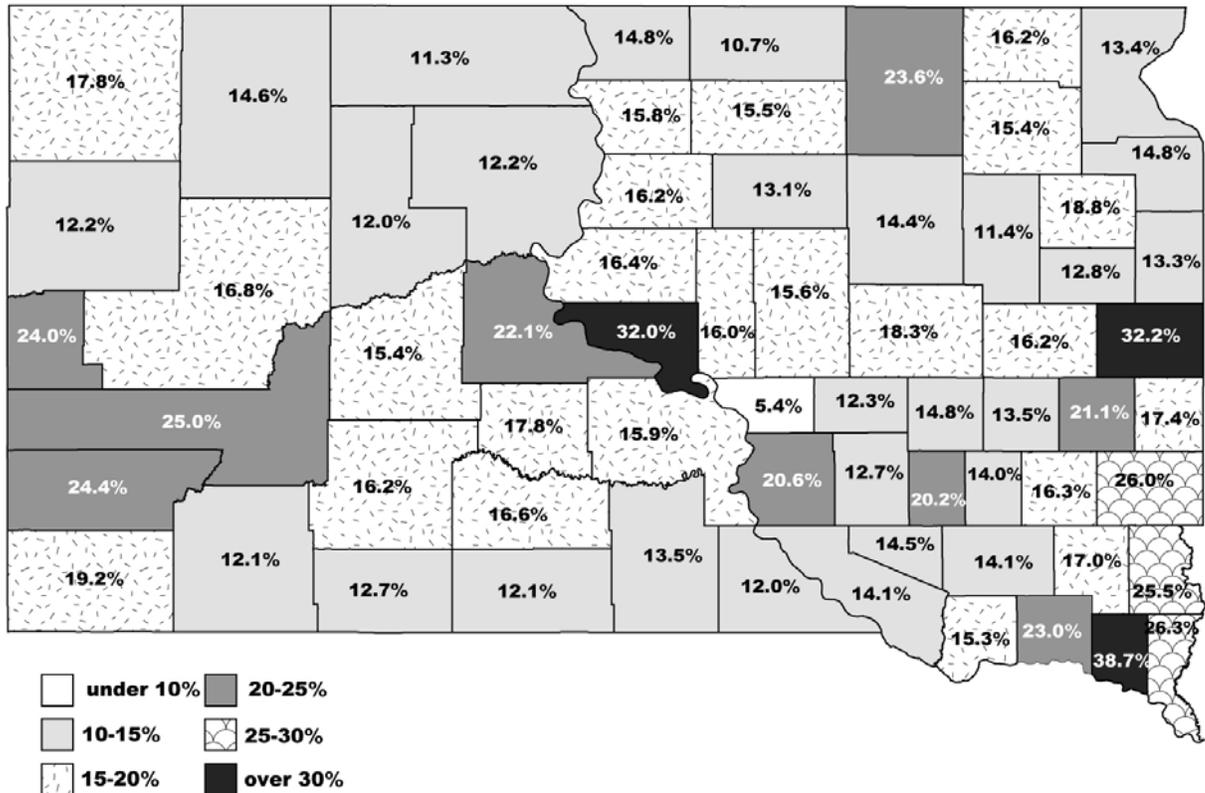
South Dakota is a business friendly state. In fact, in 2002, South Dakota was rated the most hospitable state in the nation for small business. It is one of only four states nationwide that does not impose a personal income tax, capital gains tax or corporate income tax. Other taxes, including property tax, sales tax, unemployment tax, health insurance tax and electric utilities tax, are moderate.

Wages in South Dakota are lower than the national average. The state's unemployment rate has remained exceptionally low, even while the national rate has fluctuated.¹

South Dakota offers employers an educated workforce, as depicted in Figure 1. The percentage of high school and college graduates in South Dakota is equal to or greater than the national average. However, South Dakota lags behind the nation in the percentage of its residents with advanced degrees. In South Dakota, there is a positive correlation between job growth and higher educational attainment.

¹ The state's unemployment rate has ranged between 2.3% and 3.9% from 1990 to 2001, and the national rate has ranged between 4.0% and 7.5% in that same time period.

Figure 1. Percent of people with bachelor's degrees or higher, 2000, by county

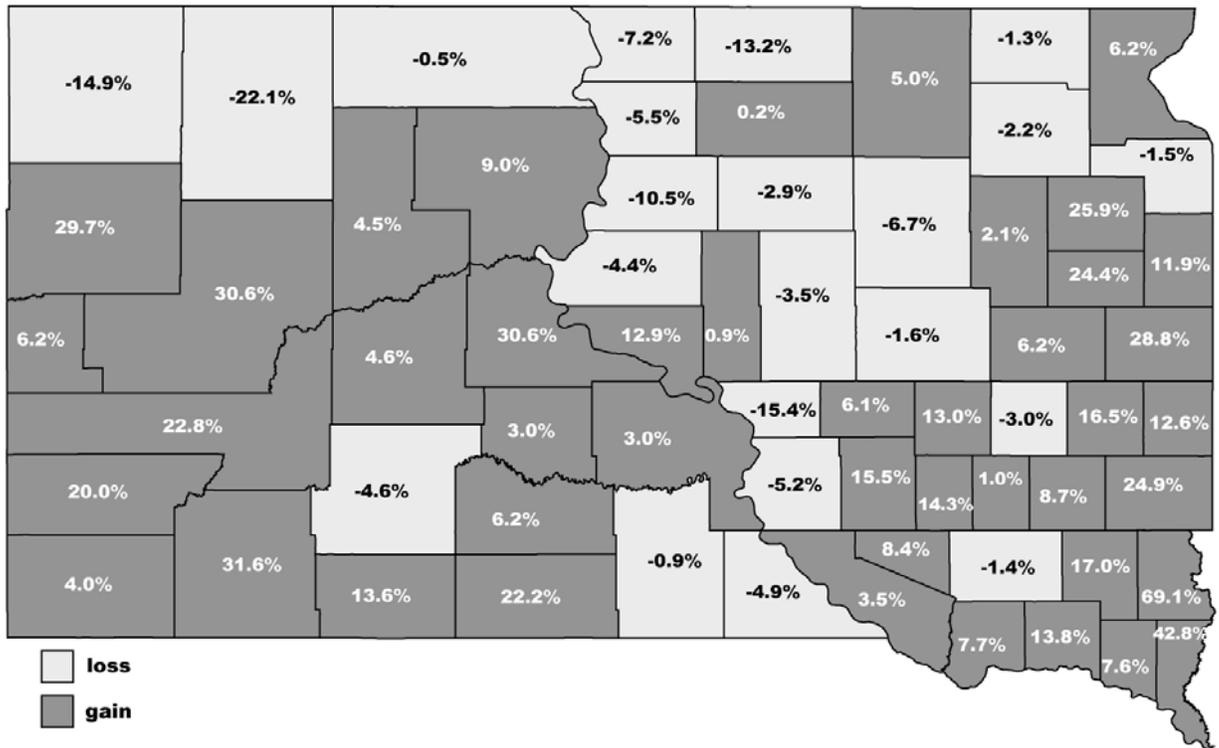


source: U.S. Bureau of the Census

People want to live and work in South Dakota. Household incomes are rising. The cost of living in Sioux Falls is slightly lower than the national average. Its crime rate is one of the lowest in the nation. The standard of elementary and secondary public education, as measured by drop out rates, attendance rates and student-teacher ratios, is quite high. There are 16 major colleges and universities with branches throughout the state. South Dakotans especially enjoy the state's low population density, its wide open spaces and the abundance of outdoor recreational opportunities and cultural amenities.

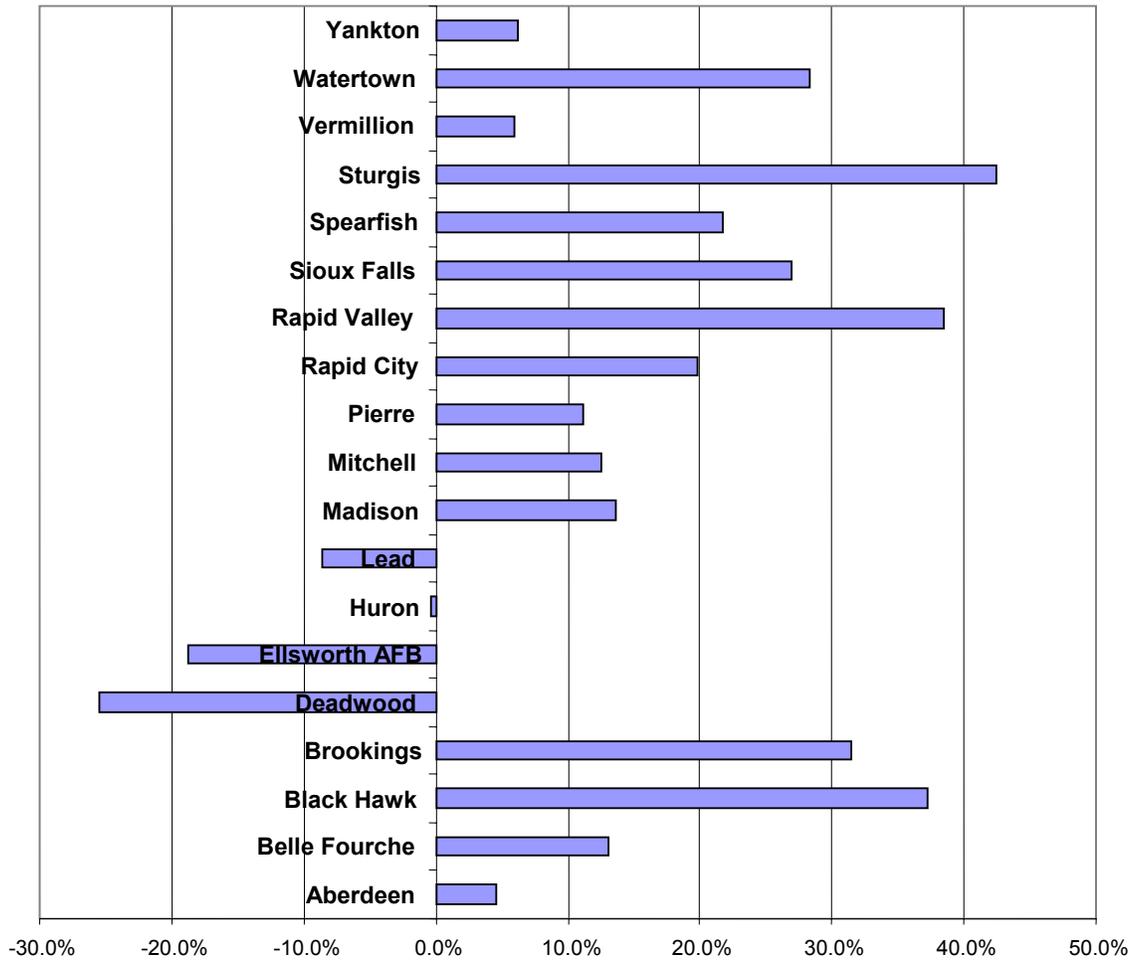
Business has responded positively to this favorable environment for job creation. Non farm employment has increased steadily since 1997, particularly in the finance, insurance, construction and service industries. Job growth for South Dakota as a whole has been steady at just under 2% per year. Thirteen counties and eight communities experienced job growth in excess of 20% during the period 1990 to 2000, as depicted in Figures 2 and 3.

Figure 2. Change in number of workers (age 16 and over), 1990-2000, by county



source: U.S. Bureau of the Census

Figure 3. Change in number of workers (age 16 and over), 1990-2000, defined geographic areas



source: U.S. Bureau of the Census

South Dakota has managed to avoid the boom-bust economic cycles experienced in larger, more dynamic urban areas. A 16.0% gain in employment (61,580) is expected to occur between 2000 and 2010.² Steady economic growth will be even more achievable as the state’s economy continues to diversify.

Not all of the economic news in South Dakota is positive. There are 36,331 households in the state (12.5% of all households) with incomes below the poverty level. Persons under 18 years old make up 23.7% (22,766) of those below the poverty line.³

But on the whole, the state’s economy is growing at a pace that appears sustainable over the long term. A growing economy and a skilled workforce will demand higher quality housing and a broader array of housing options.

² South Dakota Department of Labor, Labor Market Information Center

³ Poverty Status of Households and Individuals Below Poverty Level, U.S. Bureau of the Census

Growth in population

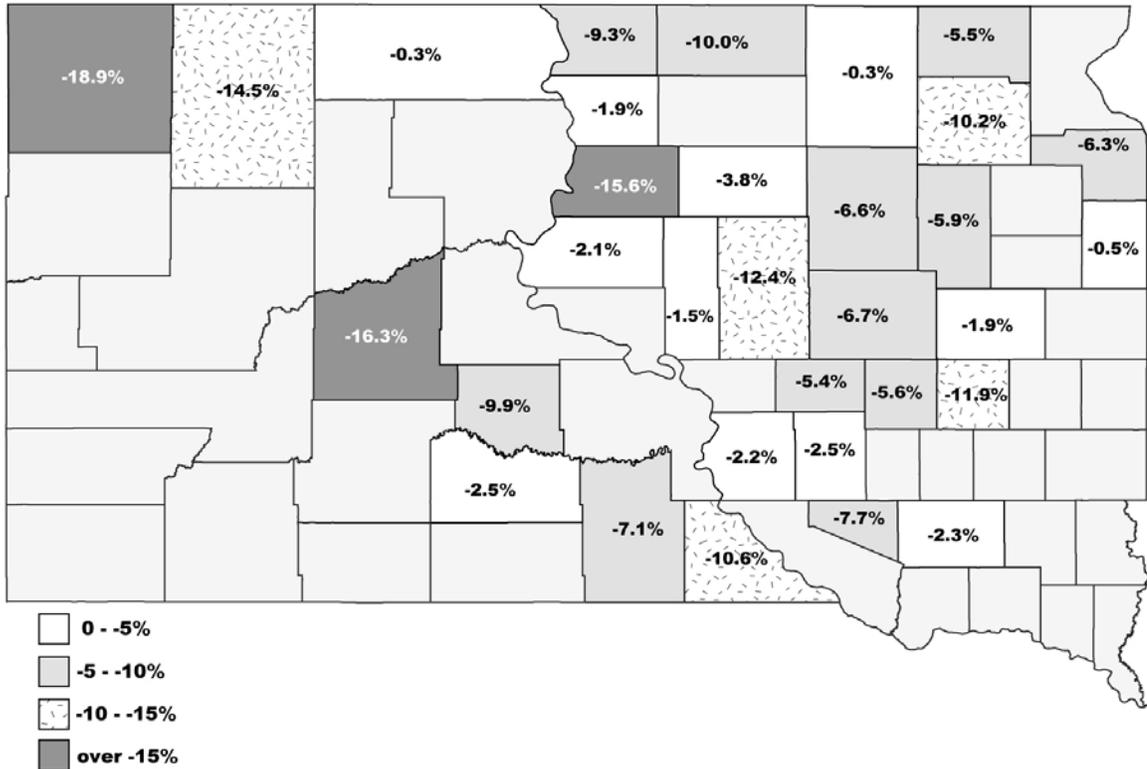
South Dakota’s growth in population is symptomatic of two trends:

1. steady economic growth that results in migration of new residents to South Dakota
2. a natural increase in population (more births than deaths)

While the U.S. population grew by 13.2% (from 248 million to 281 million) from 1990 to 2000, South Dakota’s population increased from 696,004 to 754,844, an increase of 8.5%. Lincoln County was the fastest growing county in the state, and second fastest in the nation. Its population increased by 56.4% (8,704 new residents) between 1990 and 2000. By 2007, the state is expected to be home to 788,705 people.

But not all areas of South Dakota are experiencing growth. Declining population in places such as Deadwood, Lead, Vermillion and Huron and counties such as Harding, Perkins, Haakon, Potter, Hand, Gregory and Day suggests less demand for housing in the years ahead. Figure 4 depicts counties that are experiencing population losses.

Figure 4. Population loss, 1990-2000, by county

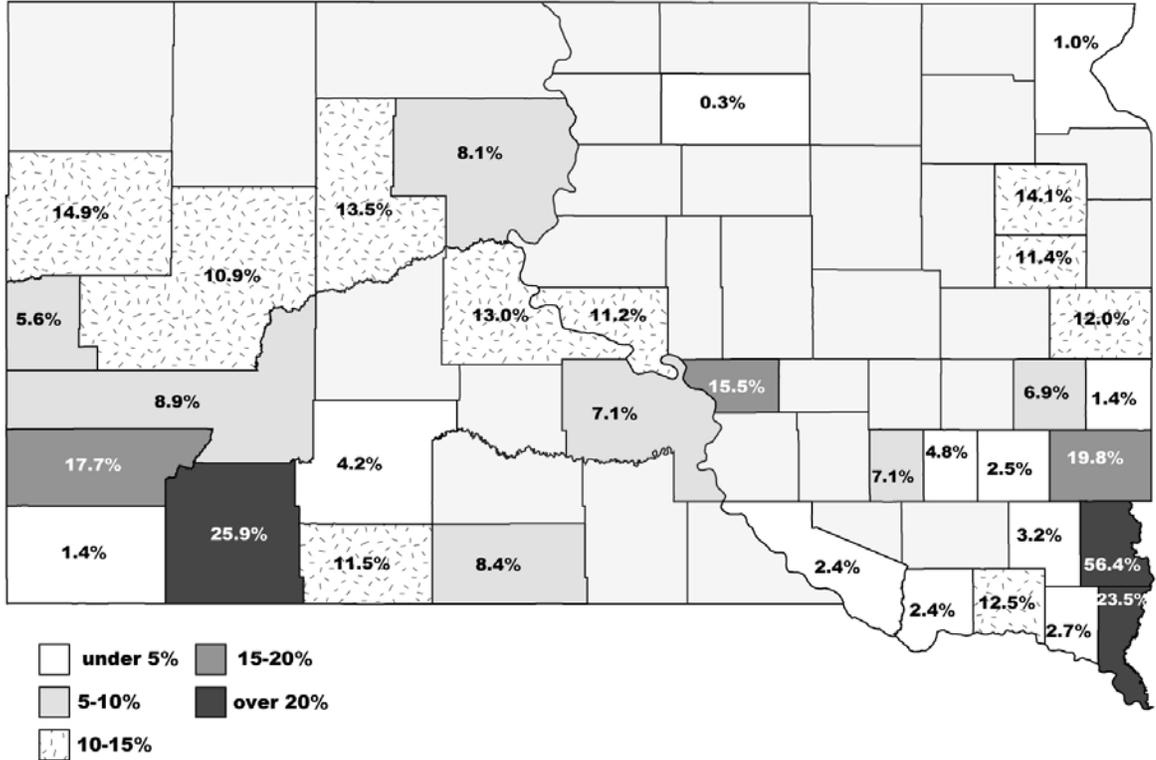


source: U. S. Bureau of the Census

On the other hand, population increases in places such as Sioux Falls, Black Hawk, Spearfish, Watertown, Rapid Valley, and to a lesser extent in Rapid City, Yankton, Brookings and Pierre signal continued demand for housing. Certain counties such as Minnehaha, Lincoln, Union and

Shannon have experienced population growth rates in excess of 20% during the period 1990 to 2000. Figure 5 depicts counties that are gaining population.

Figure 5. Population gain, 1990-2000, by county



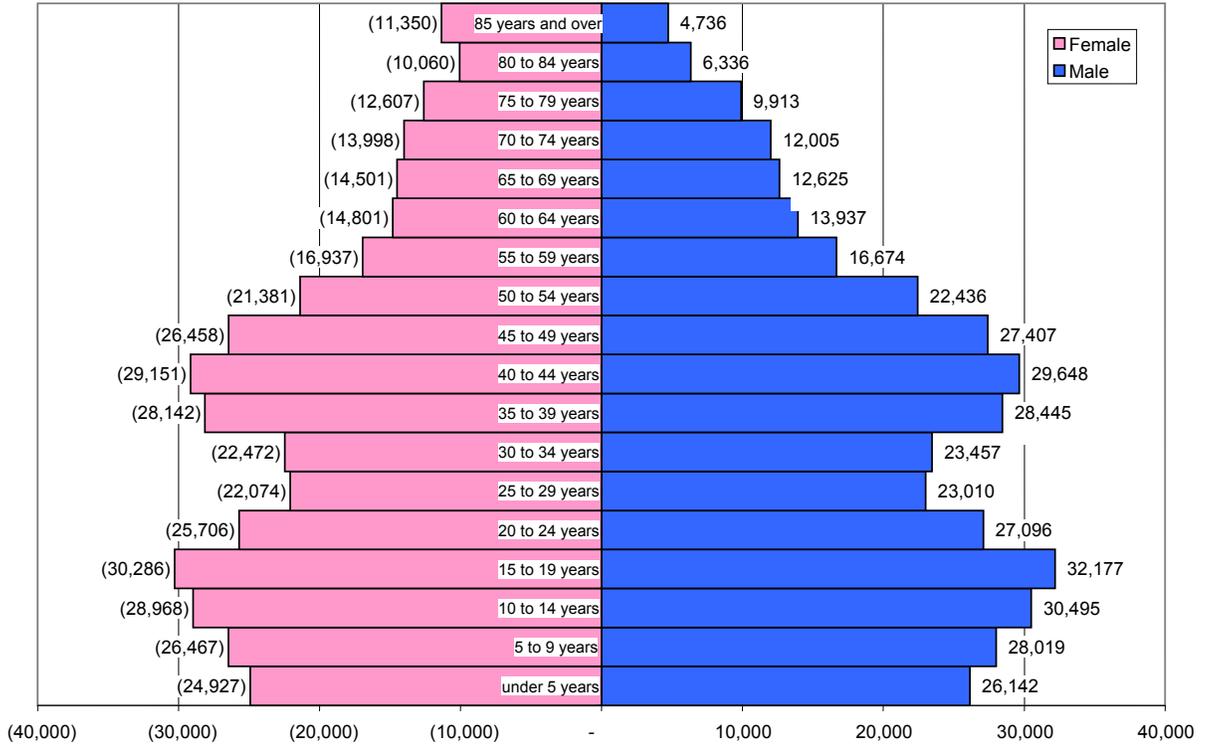
source: U.S. Bureau of the Census

South Dakota is losing jobs and population in rural areas. Population increases have occurred primarily in the state’s larger, urbanized areas, on the Indian reservations, along the I-29 corridor and in and around the Black Hills.

Age matters

Age is an important determinant of housing demand. The age distribution of South Dakota’s population is illustrated on Figure 6. Note the two bulges on the population pyramid that correspond to the 35 to 49 year old age cohort and the 5 to 24 year old age cohort. These are the so called baby boom generation and their offspring, the echo boom generation.

Figure 6. South Dakota Population by Age and Sex - 2000



source: U. S. Bureau of the Census

The echo boomers will require rental housing and starter sales housing as they finish their education, move out of the family homestead and start a family. The baby boomers will require move up sales housing as the size of their household decreases and their economic circumstance improves. Near the top of the pyramid, the near elderly will require home based services while they age in place. At the very peak of the pyramid are the elderly who are living longer and will require independent living, assisted living and nursing home facilities, primarily in urban areas and in proximity to quality health care services.

By 2025, the bulges will have worked their way to the top of the pyramid and the elderly and near elderly will comprise about 22% of the state’s population. Meanwhile, that portion of the state’s population under 20 years old will continue to decline. South Dakota’s housing market must be ready to respond to this demographic shift.

The exception to this trend is the Indian population. The population bulge among Indian residents occurs at the bottom of the pyramid. Nearly half (29,733 people, or 49.0%) of the state's Indian population who live on Indian reservations are under 24 years of age. This portends strong population growth and continued demand for housing in the years ahead.

Towards a more ethnically diverse population

The makeup of South Dakota's population is changing. Minorities now comprise 11.3% (85,440) of the state's population. Between 1990 and 2000:

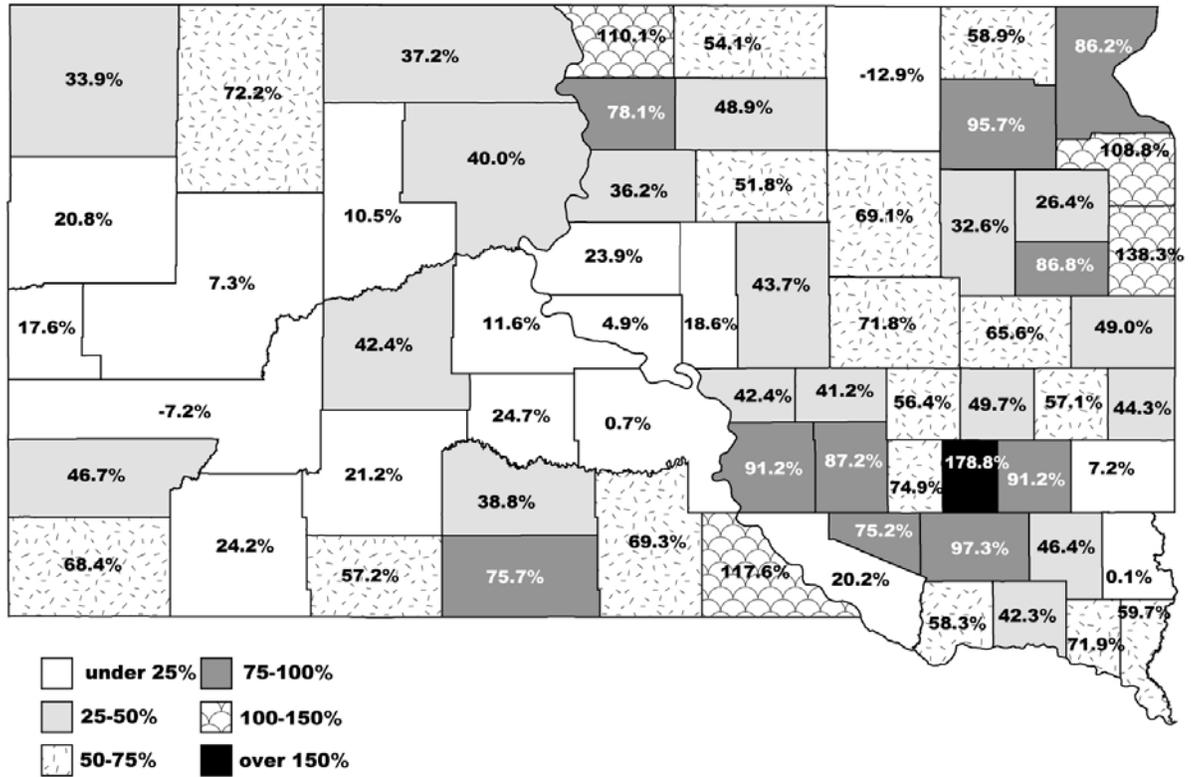
- The state's Asian population grew by 48.5% (an increase of 1,516 persons).
- The state's African American population grew by nearly 43.8% (an increase of 1,427 persons).
- The state's American Indian/Alaska Native population grew by 23.1% (an increase of 11,708 persons).
- People of Hispanic origin (any race) more than doubled (107.6% increase, and increase of 5,651 persons).

Every household needs a dwelling

While South Dakota's population grew 8.5% (from 696,004 to 754,844) between 1990 and 2000, the number of households in the state increased by 11.6% (from 260,059 to 290,336). Household growth occurs when people migrate to South Dakota. But increases in the number of households can also be attributed to lifestyle changes. The tendency to marry later, the increase in the divorce rate, and the longer life expectancy contribute to growth in the number of households. Over 11,000 new households are expected to be formed in South Dakota between 2003 and 2007.

The implications of growth in the number of households and the location of that growth are significant. Even if population growth within a certain area is stagnant, growth in household formation translates to demand for housing. Several counties experienced household growth rates in excess of 20% between 1990 and 2000, including Meade, Custer, Shannon, Stanley, Minehaha, Lincoln and Union. Household growth/decline is depicted in Figure 7.

Figure 8. Change in travel time to work of 30 minutes or more, 1990-2000, by county



source: U. S. Bureau of the Census

The market’s response

How did the housing market respond to underlying economic and demographic changes? A total of 30,772 housing units were added to South Dakota’s housing stock during the period 1990 to 2000. This represents an increase of 10.5%. Not surprisingly, the housing supply has increased primarily in growing urbanized areas and along the I-29 corridor which are accessible to large employment centers. Newer multifamily housing and higher cost single family homes are being introduced to these markets. Meanwhile, rural areas have experienced an increase in vacant units and little new residential development.

The composition of the state’s housing stock is becoming more diverse. Between 1990 and 2000, multifamily units (10,053, a 19.7% increase) and mobile homes (5,379, a 17.2% increase) were added at over twice the rate of increase in single family home development (17,722, an 8.5% increase). Table 1 depicts how the makeup of the state’s housing stock has changed.

South Dakotans have maintained a strong preference for single family homes. Almost 70 percent (225,062, or 69.6%) of all housing units in the state are single family homes. South Dakota’s homeownership rate is 68.2% and climbing. It has remained consistently higher than the homeownership rate for the nation as a whole.

Table 1. Change in number of housing units, 1990-2000

	number of units 1990	number of units 2000	% change
single family homes	207,340	225,062	8.5%
mobile homes	31,346	36,725	17.2%
multifamily units	51,095	61,148	19.7%
other housing units	2,655	273	-89.7%

source: U.S. Bureau of the Census

According to the 2000 Census, the vacancy rate for year round housing units (total vacancies, excluding seasonal and recreational use housing units) was 6.8% (21,902 units) for the state as a whole. Vacancy rates are slightly lower in urban areas and along the I-29 corridor, and slightly higher in rural areas. Rental housing vacancy rates are slightly over 2% in the Sioux Falls and Rapid City markets (2.1% and 2.4%, respectively).

Of particular concern is the fact that vacancies are affecting the viability of older assisted rental housing facilities in smaller towns and rural areas, including USDA Rural Development units, SDHDA units and public housing units. As of December 2002, there were 105 rental projects statewide with vacancy rates in excess of 25%. State and local housing officials must make difficult decisions in order to reduce the supply of affordable rental housing in overbuilt markets.

In 2002, the South Dakota Association of Realtors reported annual sales of some 6,500 residential properties, representing a sales volume of approximately \$755 million. Through its First-time Homebuyer Program, SDHDA is serving approximately 43.3% of the low income, affordable, and first-time homebuyer markets.

Similar to the expansion of the state’s economy, the housing market as a whole has experienced steady growth. Within the state, urban markets are expanding while rural markets have experienced a slight contraction. This trend is expected to continue for the foreseeable future.

Quality of South Dakota’s housing stock

A statewide housing condition survey is beyond the scope of this report. It is, therefore, difficult to ascertain the precise condition of the state’s housing stock. Based on exterior appearances, the quality of the stock in general appears to be quite solid. The vast majority of South Dakotans take care of their properties. Incidences of severely deteriorated housing in need of demolition are extremely rare in South Dakota.

Census information provides some interesting insights into the condition of the housing stock.

Census data can be used as a general indicator but not a definitive statement on housing conditions.

One indicator of housing quality is the extent of **vacant year round units**. This analysis excludes units that are occupied seasonally or for recreational or occasional use. From 1990 to 2000, an additional 580 for sale units statewide became vacant. During the same period, an additional 1,145 rental units statewide became vacant. While some of these units may be vacant temporarily due to turnover, others presumably have become vacant due to a weak local housing market or they have deteriorated to the point where they can no longer support occupancy. The increase in vacant units represents about one half of one percent of the total housing units in the state, not a statistically significant portion of the housing stock.

Age of housing is another census indicator. Housing that is 50 years or older is more likely to have deficiencies. This is especially true in South Dakota where the housing stock is primarily of frame construction and is subject to severe weather. Almost one-third of all owner housing (62,115 units, 31.4%) in South Dakota falls into this classification. In older cities such as Deadwood and Lead, over 70% of owner housing was constructed prior to 1950 (241 units, 71.9%, and 641 units, 73.9%, respectively). By comparison, only one-fourth (23,919 units, or 25.9%) of the state's renter-occupied housing units were built prior to 1950.

Another census indicator involves **overcrowded units**. Units are considered overcrowded when they are occupied by more than 1.01 persons per room. Overcrowded units are subject to increased wear and tear. About 2% of South Dakota's owner-occupied housing units fall into this classification. Forty-two of South Dakota's 66 counties experienced increases in owner-occupied overcrowding rates between 1990 and 2000. By comparison, 5.6% (5,126 units) of the state's renter-occupied housing is considered overcrowded. However, nine counties have rental housing overcrowding rates in excess of 15%.⁴ Nearly half (745 units, 46.8%) of the renter-occupied units on the Pine Ridge Reservation are overcrowded.

The final census indicator relative to housing conditions involves **units that lack complete plumbing facilities**. The Census Bureau defines complete plumbing facilities as hot and cold piped water, a bathtub or shower, and a flush toilet. Although the percentage is statistically insignificant (six tenths of one percent), there are still 1,149 owner-occupied units in South Dakota that lack complete plumbing.

By comparison, there were 709 renter-occupied units in South Dakota (eight-tenths of one percent of the total renter-occupied housing stock) that lacked complete plumbing. Again, the statewide percentage is statistically insignificant.

⁴ Those counties are Bennett (20.2%), Buffalo (18.7%), Corson (23.5%), Dewey (16.0%), Jackson (29.7%), Lyman (16.9%), Shannon (46.6%), Todd (29.7%), and Ziebach (19.7%).

Household income and the cost of housing

With a 56.8% increase (from \$22,504 to \$35,282), South Dakota led the nation in the growth of median household income during the 1990s. Eight counties experienced median household income growth in excess of 70% during this period. They are: Aurora (80.5%), Bon Homme (72.4%), Deuel (78.7%), McCook (70.5%), Shannon (88.3%), Stanley (84.4%), Turner (81.0%), and Union (101.1%)⁵. All but 10 counties in South Dakota experienced a reduction in the number of individuals living below the poverty level during the period 1990 to 2000. As incomes rise, the housing market has broadened to meet the demand of an economically diverse population.

Despite the large statewide increase in median household income, South Dakota ranks 41st in the nation, with a median household income of \$35,282. Not all households are experiencing prosperity. Buffalo County experienced a 33.7% reduction in median household income. Four counties (Harding, Perkins, Buffalo and Jerauld) experienced double digit increases in the number of individuals living below the poverty level. Four of the five poorest counties in the nation are located in South Dakota, as depicted in Table 2.

Table 2. Four poorest counties in South Dakota, 2000

	Per Capita Income, 2000	% Individuals Below Poverty Level, 2000
Buffalo County	\$ 5,213	56.9%
Shannon County	\$ 6,286	52.3%
Ziebach County	\$ 7,463	49.9%
Todd County	\$ 7,714	48.3%
South Dakota	\$17,562	13.2%

source: U. S. Bureau of the Census

The good news for renter households is that median incomes in South Dakota have risen at a rate that is greater than the increase in median rents, as depicted in Table 3. As a result, rental housing has become more affordable. In fact, in many areas of the state, there is little difference between market rents and the restricted “affordable” rents that are used in conjunction with HUD’s HOME Program and Housing Tax Credits. But in 2000, 29.0% (25,472) of all renter households in the state were cost burdened (paying more than 30% of their income towards housing).

⁵ These income changes have not been adjusted for inflation.

Table 3. Median gross rents and median household income, 1990-2000

Median gross rent 1990	306	1990 household income	\$ 22,503
Median gross rent 2000	426	2000 household income	\$ 35,282
% change (unadjusted)	39.2%	% change (unadjusted)	56.8%

source: U. S. Bureau of the Census

The bad news for prospective homebuyers in South Dakota is that the 56.8% increase in median household income between 1990 and 2000 was lower than the 76.9% increase in median sales values. This comparison is depicted in Table 4. In 2000, 15.1% (20,747) of all owner households in the state were cost burdened (paying more than 30% of their income towards housing).

Table 4. Median housing value and median household income, 1990-2000

Median value 1990	\$ 45,000	1990 household income	\$ 22,503
Median value 2000	\$ 79,600	2000 household income	\$ 35,282
% change (unadjusted)	76.9%	% change (unadjusted)	56.8%

source: U. S. Bureau of the Census

Despite this disparity, South Dakota’s homeownership rate is greater than the national average and continues to climb. The growth in homeownership can be attributed to several factors, including favorable interest rates, innovative financing mechanisms that are aggressively marketed, a low rate of unemployment and an increase in households, especially middle aged households that are entering their peak earning years.

Homeownership demand

Between 2003 and 2007, the average annual demand for homeownership units is expected to be about 9,300 units per year, totaling 46,427 total units over the forecast period. Most of this homeownership demand will be met through the sale of existing homes. It is estimated that new housing units will be needed for 12,992 households during the forecast period.

The homeowner housing demand in South Dakota will be generated by buyers at all income levels. For purposes of this report, six classifications of prospective homebuyers were created in order to define the various segments of the overall homeownership demand.

Low income homebuyers with incomes under \$25,000 are expected to constitute demand for approximately 1,500 to 1,750 units annually. Public subsidies in support of down payment assistance, closing cost assistance and rehabilitation assistance will be needed in order for low

income buyers to achieve homeownership.

Approximately 1,600 to 1,800 *first-time homebuyer* households are expected to enter the market each year through 2007. These are younger households, aged 25 to 44 years, with annual incomes between \$25,000 and \$75,000. Most of these households fall within the eligibility range of SDHDA's First-time Homebuyer Program.

Another 1,900 to 2,100 *affordable homebuyer* households are expected to purchase homes each year through 2007. These are older households aged 45 to 64 years, with annual incomes that range from \$25,000 to \$75,000. They will be seeking units in the same price range as the first time homebuyers.

Move up homebuyers are expected to account for about 600 homeownership transactions per year through 2007. Move up homebuyers include households relocating from existing sales housing as well as households migrating to South Dakota from another state. This category may also include higher income young professionals that seek to purchase their first home, but the housing they seek is generally more expensive than a typical starter home. Move up homebuyers are aged 25 to 64 years and have annual incomes of over \$75,000.

Approximately 2,400 *elderly homebuyers* are expected to purchase homes each year during the forecast period. Elderly homebuyers are households aged 65 and older with annual incomes up to \$100,000. These households are seeking housing alternatives. Many seek to downsize and/or reduce their maintenance burden.

Finally, 750 to 1,000 *high income homebuyers* are expected to purchase homes each year through 2007. This category includes households of any age with annual incomes in excess of \$100,000. They seek the most expensive homes.

Naturally, demand is expected to be greatest in geographic areas that are experiencing household growth at age and income levels that support the expansion of homeownership. These high demand areas include the cities of Sioux Falls and Rapid City, as well as the counties of Brookings, Brown, Codington, Davison, Lawrence, Lincoln, Meade, Minnehaha, Pennington and Yankton.

The overall homeownership demand forecast is summarized on Table 5.

Table 5. South Dakota Homeownership Demand, 2003-2007

Demand By Household Type:	2003	2004	2005	2006	2007	Totals
Low Income	1,522	1,583	1,644	1,707	1,770	8,226
First Time	1,835	1,785	1,735	1,686	1,637	8,679
Affordable	1,986	2,017	2,050	2,084	2,119	10,256
Move Up	616	610	604	599	593	3,023
Higher Income	757	803	850	898	947	4,256
Elderly	2,393	2,394	2,397	2,400	2,404	11,988
Total Household Type	9,109	9,192	9,280	9,375	9,470	46,427
Demand By Housing Type:	2003	2004	2005	2006	2007	Totals
Existing Homes	6,804	6,674	6,671	6,627	6,658	33,434
New Construction	2,305	2,518	2,608	2,749	2,812	12,992
Total Housing Type	9,109	9,192	9,280	9,375	9,470	46,427

source: Mullin & Lonergan Associates, Inc.

On a statewide basis, there is a 771 unit surplus in the supply of existing vacant for sale homes with purchase prices under \$80,000 to meet the needs of low-income buyers. Even within geographic areas of household growth, demand for sales housing is only slightly greater than the existing supply of sales housing within this price range. Most of these units are in need of rehabilitation.

However, there is an unmet demand for sales housing in the \$80,000 to \$200,000 price range that would be within the economic reach of affordable and first-time homebuyers. On a statewide basis, demand for sales housing in this price range exceeds supply by 3,073 units. All of the major markets are underserved with sales housing in this price range.

Demand for rental housing

Despite the availability of roughly 28,000 affordable rental housing units and 4,300 Section 8 Housing Choice vouchers, there were still 25,472 renter households in South Dakota in 2000 that were cost burdened (paying more than 30% of their incomes towards rent). About 22,070 of these cost burdened households are extremely low income (having incomes less than 30% of median family income). Cost burdened, extremely low income households are considered to be at risk of becoming homeless and constitute an unmet need for rental housing assistance.

Typically, at-risk households seek public housing and/or Section 8 Housing Choice vouchers. In South Dakota, only 8 of the 28 public housing authorities that operate public housing have a waiting list for public housing units. There are a total of 645 households on public housing waiting lists in the entire state. Only 14 of the 20 PHAs that operate a Section 8 Housing Choice Voucher Program have a Section 8 waiting list. Statewide, there are a total of 2,415 households waiting for Section 8 Housing Choice Vouchers. Taken together, the 3,060 households on PHA waiting lists reflect only about 13.9% of the state’s at-risk rental

population. The vast majority of this population is either unaware of PHA programs, does not qualify for PHA programs, would prefer to remain privately housed despite the financial burden, live on an Indian reservation where Section 8 vouchers are not available, or live in communities where Section 8 is not administered.

In addition to the needs of extremely low income cost burdened renters in the state, additional affordable rental units will be needed to house the projected growth in lower income households resulting from new household formation. It is this latter category of demand that is the focus of the rental housing demand forecast.

Through 2007, it is estimated that an additional 4,015 rental units will be needed to meet the needs of newly formed households with incomes below 80% of median family income. Most of this demand will be addressed through new construction or substantial rehabilitation of vacant buildings. The breakdown of this projected demand by age and income classification is as follows:

- *Extremely low income households* are those with annual incomes less than 30% of median family income. These households are in need of a rent subsidized unit or a rent restricted unit with rents underwritten well below the fair market rent. Approximately 60% of the total rental demand falls within this income category. Within this income classification, there is a projected demand for 2,120 general occupancy units (age 15 to 54) and another 245 elderly units (age 55 and older). In addition to the development subsidies provided to these units, most, if not all of the households served will require rental assistance.
- *Very low income households* are those with incomes between 31% and 50% of median family income. These households are likewise in need of a rent subsidized unit or a rent restricted unit. Some of these households would be served by housing tax credit units targeted to persons below 50% of the area median income. Within this income classification, there is a projected demand for 635 general occupancy units (age 15 to 54) and another 100 elderly units (age 55 and older).
- *Housing tax credit households* are those with incomes between 51% and 60% of median family income. These households are in need of a rent restricted unit such as those financed with equity from the sale of housing tax credits and HUD's HOME Program. Within this income classification, there is a projected demand for 360 general occupancy units (age 15 to 54) and another 160 elderly units (age 55 and older).
- *Low income - other households* are those with incomes between 61% and 80% of median family income. These households are unlikely to qualify for a rent restricted or rent subsidized unit. Within this income classification, there is a projected demand for 230 general occupancy units (age 15 to 54) and another 165 elderly units (age 55 or older).

Using a demand threshold of 50 units or greater, 17 counties reflect the greatest demand for new affordable rental units. These include Brookings, Brown, Butte, Codington, Davison,

Hamlin, Lawrence, Lincoln, McCook, Meade, Minnehaha, Pennington, Roberts, Shannon, Turner, Union and Yankton.

Characteristics of special populations

There are certain population groups in South Dakota that are inherently difficult to house. In most cases, it is difficult to quantify the magnitude of the housing needs of special populations. A closer look at the characteristics of these population groups provides insight into the challenge of addressing their housing needs.

- **Homeless**

The results of statewide homeless studies indicate that the greatest need amongst this special population group is permanent housing, followed by employment, shelter, transportation, and food. Amongst homeless families with children, the greatest need is for housing, followed by clothing, medical care, food, and transportation. A holistic approach, using mainstream resources to provide supportive housing and intensive services, is key to success in housing homeless individuals and families.

- **Persons with Alcohol/Drug Addiction**

Persons with problems with substance abuse require clinically managed detoxification programs. After treatment, persons recovering from substance abuse require an assisted group living environment that assists their transition into the community. It is estimated that substance abuse treatment programs in South Dakota currently assist only 25% of persons in need. The state's Indian population, in particular, is disproportionately affected by substance abuse problems.

- **Persons with Disabilities**

Persons with disabilities have a higher incidence of poverty and lower median household income than persons without disabilities. The primary needs of persons with disabilities include rental assistance, security deposits, and accessible housing.

- **Persons with HIV/AIDS**

Persons with HIV/AIDS spend a high percentage of their income on housing. They frequently move closer to family members and friends due to their illness. Most persons with HIV/AIDS prefer to live independently in private housing. Their primary housing needs are for rental assistance and for affordable rental housing in proximity to health care and other services.

- **Victims of Domestic Violence**

There are 29 shelters located throughout South Dakota for victims of domestic violence. These shelters provide housing and support to some 9,000 victims per year. Although there is a need for some emergency beds in specific areas, there is a greater need for transitional beds for victims of domestic violence and other homeless families with children.

- Veterans

Veteran's organizations in South Dakota report the need for additional beds both for individuals and for veterans in families with children.

- Elderly

Most seniors in South Dakota prefer to live independently for as long as possible. For the near elderly, the primary need is to maintain their homes and provide services that allow them to continue living independently.

As older residents prepare for long-term senior housing, they seek out resources in proximity to health care and other services. Statewide aging agencies report declining demand for senior services in rural areas. The need for senior housing and supportive services is most prevalent in urban areas of the state.

- Hispanic Population

South Dakota's Hispanic population doubled between 1990 and 2000. The median household income of the Hispanic population is lower than the statewide median household income. Hispanic households are larger than the average South Dakota household, and the rate of homeownership of Hispanic households is significantly lower than the statewide homeownership rate. Taken together, these factors make it more difficult to house Hispanic households.

- Migrant Workers

Most of the migrant worker population is of Hispanic descent. Migrant workers are difficult to house because of the rural and transient nature of their work, and because many migrant workers lack legal documentation. The primary needs of migrant workers are safe and sanitary housing and culturally sensitive supportive services.

Priority housing needs

On the whole, the housing market in South Dakota is in relative equilibrium. Generally speaking, the supply of housing has expanded in response to a healthy economy and growth in household formation.

In terms of unmet homeowner housing needs, the challenge involves preserving the existing sales housing stock and expanding South Dakota's homeownership rate by converting low and

moderate income tenants into homeowners.

South Dakota has a rental housing stock that is largely affordable to lower income households. Unmet rental housing needs consist primarily of:

- Preservation of the existing rental housing stock, including consolidation of affordable units in overbuilt markets (i.e., small towns and rural areas)
- New construction of affordable rental housing in areas of market demand (urban areas and smaller towns that are accessible to employment centers)
- Rental assistance for extremely low-income, cost burdened households
- Homeless housing with supportive services in urban areas

Housing needs of the Indian reservations

Although the state's Indian tribes are required by HUD to submit individual housing plans, the following attempts to summarize the information provided in their plans and that included in the 2000 Census Data.

There are a total of nine Indian reservations in South Dakota. To varying degrees, the Indian reservations are struggling to escape the cycle of poverty, unemployment, significant population growth and the relative absence of economic opportunity. All of these factors contribute to an acute housing problem on the Indian reservations.

The Indian population represents 8.3% (62,283) of the state's total population. About two-thirds (68.3%, or 42,530 persons) of the state's Indian population resides on the nine Indian reservations. In addition, there are 18,198 non-Indians that live on the Indian reservations. On most of the Indian reservations, poverty and unemployment are extremely high, there is little semblance of a private real estate market, and economic opportunity is very limited.

The Indian population is increasing at roughly three times the rate of increase for the state's population as a whole (the Indian population increased 23.1%, 11,708 persons, between 1990 and 2000, while the state's population rose 8.5%, 58,840 persons, during the same time period). Roughly half of the Indian population (29,733 persons, 49.0%) is under age 24. As these residents, most of whom live on the Indian reservations, become adults and raise families of their own, the need for affordable housing will expand exponentially.

Most Indian reservations suffer from severe housing shortages because housing production is not keeping pace with the increase in population. As a result, overcrowding of dwelling units is a way of life on the Indian reservations. Only 6.1% (17,614) of the state's housing units, but 34.9% (3,076) of the state's overcrowded units, are located on the Indian reservations.

Due to the relative absence of a private real estate market to respond to housing demand on the Indian reservations, the burden of addressing lower income housing needs is borne by Indian Housing Authorities. The vast majority of dwelling units on the Indian reservations fall into

two classifications:

- **Low rent housing units.** These units are owned by the Indian Housing Authority and leased to lower income Indian households. Tenants contribute 30% of their income towards rent. HUD provides an operating subsidy to absorb the difference between the actual cost of operation and the tenant's rent contribution. According to the Indian Housing Authority Agency Plans submitted to HUD, there are a total of 9,818 Low Rent Housing Units on the Indian reservations. Collectively, there is an unmet rental need of 6,378 units.
- **Mutual Help Units.** These units are initially owned by the Indian Housing Authority and occupied by lower income Indian households under a lease/purchase arrangement. After 25 years, title to the dwelling passes without debt from the Authority to the occupant. According to the Indian Housing Authority Agency Plans submitted to HUD, there are a total of 8,366 Mutual Help Units on the Indian reservations. Collectively, there is an unmet homeownership need of 2,570 units.

Only a small fraction of the need for affordable housing is being addressed with federal funding. Indian Housing Authorities already face difficult decisions in terms of whether to budget scarce federal resources for expansion of the supply of housing versus upgrading the condition of the existing housing stock. In light of current housing needs and the forecasted demand for housing, Indian Housing Authorities are financially ill equipped to deal with the sheer magnitude of the need for housing on the Indian reservations.

In summary, priority needs could include expansion of the rental housing supply and preservation of existing rental units on the Indian reservations, as well as the expansion of homeownership opportunities.

SOUTH DAKOTA AREAS

Information in the following section of this report has been divided into 22 areas, which highlight housing information by county, defined geographic area, and Indian reservation. The table below was designed to help locate information from a specific area or community. The county index at the beginning of this document will also help to find a specific location.

AREA	COUNTY	DEFINED GEOGRAPHIC AREA	INDIAN RESERVATION	PAGE #
Belle Fourche	Butte, Harding, Perkins	Belle Fourche		25
Black Hills	Custer, Lawrence, Meade, Pennington	Black Hawk, Deadwood, Ellsworth AFB, Lead, Rapid City, Rapid Valley, Spearfish, Sturgis		27
Southwest	Bennett, Fall River, Jackson (part), Mellette, Shannon, Todd		Pine Ridge, Rosebud	29
West Central	Haakon, Jackson (part), Jones			31
Standing Rock/ Cheyenne River	Corson, Dewey, Ziebach		Cheyenne River, Standing Rock	33
Pierre	Hughes, Stanley, Sully	Pierre		35
Mobridge/Gettysburg	Campbell, Edmunds, Faulk, McPherson, Potter, Walworth			37
Miller/Highmore	Hand, Hyde			39
Chamberlain	Brule, Buffalo, Lyman		Crow Creek, Lower Brule	41
Winner/Gregory	Gregory, Tripp			43
Armour/Lake Andes	Charles Mix, Douglas		Yankton Sioux	45
Mitchell	Aurora, Davison, Hanson	Mitchell		47
Huron	Beadle, Jerauld, Sanborn	Huron		49
Aberdeen	Brown, Spink	Aberdeen		51
Northeast	Day, Grant, Marshall, Roberts		Sisseton/Wahpeton	53
Watertown	Clark, Codington, Hamlin	Watertown		55
Brookings	Brookings, Deuel, Moody	Brookings	Flandreau Santee	57
Madison	Kingsbury, Lake, Miner	Madison		59
Salem/Parker	Hutchinson, McCook, Turner			61
Sioux Falls	Lincoln, Minnehaha	Sioux Falls		63
Yankton	Bon Homme, Yankton	Yankton		65
Vermillion	Clay, Union	Vermillion		67

Every effort has been made to use accurate data from the Census as well as other sources. Any discrepancies should be brought to the attention of SDHDA.

Both the projected homeowner and renter demand numbers presented for each area represent demand for new household formation (households forming due to natural increase and immigration) between 2003 and 2007. Although aggregated for each area, demand was estimated by different household types based on age and income ranges. Demand was calculated based on the projected increases or decreases in household age and income. If households were expected to decrease from 2003-2007, and the housing unit supply in 2003 exceeded current demand, no further calculations were made. If households were projected to increase, the number of existing units was subtracted from the overall annual demand. The number of units remaining, if positive, was listed as the number of new units to be constructed, and then added to the number of existing units for the next year. If negative, the number was replaced with a zero, and current units were carried forward to the next year. Please refer to Chapters VI and VII of the technical document for a complete description of demand methodology. Note that in some cases, renter demand may actually reflect a demand for rental assistance rather than additional units because the need is for extremely low or very low income households. Also note that much of the pent up demand for housing on the Indian reservations is reflected as a need for owner occupied housing rather than rental housing, due to the disproportionate number of rental units in the existing market.