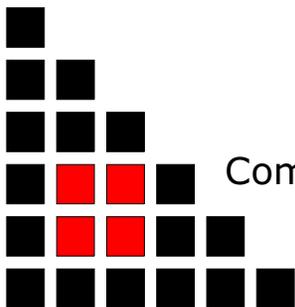


City of Lemmon HOUSING STUDY

March 2013

An analysis of the overall housing needs
in the City of Lemmon



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Introduction

Overview

Local elected and public officials are often held responsible for conditions and circumstances over which they have limited control. This is particularly true of housing. Many of the housing units in Lemmon and Perkins County are privately owned and were constructed with private funds. On an increasing scale, however, the public is demanding that public officials control what happens in this largely private housing market by eliminating blight, protecting individual investments, and generating new housing growth to meet economic development needs.

Community Partners Research, Inc., was hired by the Lemmon Housing and Redevelopment Commission to conduct a study of the housing needs and conditions in the City of Lemmon.

Goals

The multiple goals of the study include:

- ▶ Provide updated demographic data including the 2010 Census
- ▶ Provide an analysis of the current housing stock and inventory
- ▶ Determine gaps or unmet housing needs
- ▶ Examine housing trends that the area can expect in the coming years
- ▶ Provide a market analysis for housing development
- ▶ Provide housing recommendations and findings

Methodology

A variety of resources were utilized to obtain information for the Housing Study. Community Partners Research, Inc., collected and analyzed data from December 2012 to February 2013. Data sources included:

- U.S. Census Bureau
- American Community Survey
- Records and data from the City
- Records and data maintained by Perkins County
- South Dakota State Data Center
- Interviews with City officials, community leaders, housing stakeholders, etc.
- Area housing agencies
- State and Federal housing agencies
- Rental property owner surveys
- Housing condition surveys

Limitations

This Housing Study represents an analysis performed with the data available at the time of the Study. The findings and recommendations are based upon current solutions and the best available information on future trends and projections. Significant changes in the area's economy, employment growth, federal or State tax policy or other related factors could change the conclusions and recommendations contained in this Housing Study.

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Demographic Data Overview

Sources of Data

The following pages contain demographic data obtained from a variety of local, state and national sources for the City of Lemmon and Perkins County. At the time research was completed for this Study, the 2010 Census information was available. However, the 2010 Census was more limited in scope than in the past. As a result, some of the demographic variables, such as income and housing cost information, were not available.

To supplement the decennial Census, the Census Bureau has created the American Community Survey, an annual sampling of households. The American Community Survey provides detailed demographic characteristics, replacing information once collected by the decennial Census. However, because the American Survey is based on sampling data, there is a margin of error that exists for each estimate. The following tables incorporate the 2010 Census data, when available, or the 2011 American Community Survey data.

The frequency of American Community Survey varies depending on the size of the jurisdiction. For most jurisdictions in South Dakota, the 2011 estimates were derived from sampling that was done over a five-year period, between 2007 and 2011. Unless otherwise noted, the American Community Survey estimates are based on the five-year survey data.

Population Data and Trends

Table 1 Population Trends - 1980 to 2010						
	1980 Population	1990 Population	2000 Population	% Change 1990-2000	2010 Population	% Change 2000-2010
Lemmon	1,871	1,614	1,398	-13.4%	1,227	-12.2%
Perkins County	4,700	3,932	3,363	-14.5%	2,982	-11.3%

Source: U.S. Census

- ▶ The 2010 U.S. Census established a new benchmark for population data. The City of Lemmon and Perkins County lost population from 2000 to 2010. Lemmon’s population was 1,227 in 2010. This is a 171-person decrease since 2000, which is a population loss of 12.2%.
- ▶ Perkins County’s population was 2,982 in 2010. This is a 381-person decrease since 2000, which is a population loss of 11.3%.
- ▶ Lemmon and Perkins County also experienced significant population losses in the 1990s. Lemmon’s population decreased by 216 people and Perkins County’s population decreased by 569 people.
- ▶ The Census Bureau has released more recent information through its population estimates program. The most recent estimate for Perkins County is effective July 1, 2013, and shows the County adding 55 people after the 2010 Census. All of this net growth has been attributed to “domestic migration” as more people moved into the County than moved out. The most recent estimate for Lemmon is effective July 1, 2011, and shows the City adding six people between 2010 and 2011.
- ▶ Lemmon’s population is primarily White and non-Hispanic. At the time of the 2010 Census, more than 96% of the City’s residents identified their race as White, with the Native American population representing approximately 2% of the City total. Fewer than 1% of the City’s residents were identified as Hispanic/Latino.
- ▶ According to the 2010 Census Bureau, 65 residents lived in group quarters. Most of these people were age 65 or older and living in a skilled nursing home.

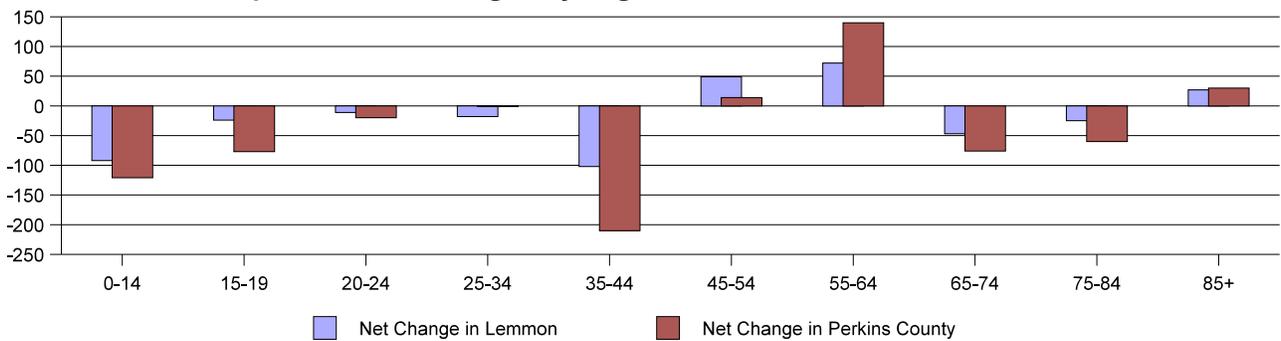
Population by Age Trends: 2000 to 2010

The release of demographic information from the 2010 Census allows for some analysis of the changing age patterns for Lemmon and Perkins County. The following table compares population by age in 2000 and 2010, along with the numeric changes.

Table 2 Population by Age - 2000 to 2010						
Age	Lemmon			Perkins County		
	2000	2010	Change	2000	2010	Change
0-14	256	164	-92	643	522	-121
15-19	9	75	-24	248	171	-77
20-24	53	42	-11	108	88	-20
25-34	135	117	-18	292	291	-1
35-44	210	108	-102	495	285	-210
45-54	155	204	49	459	473	14
55-64	106	178	72	322	462	140
65-74	167	120	-47	373	297	-76
75-84	149	124	-25	304	244	-60
85+	68	95	27	119	149	30
Total	1,398	1,227	-171	3,363	2,982	-381

Source: U.S. Census

Population Change by Age Between 2000 and 2010

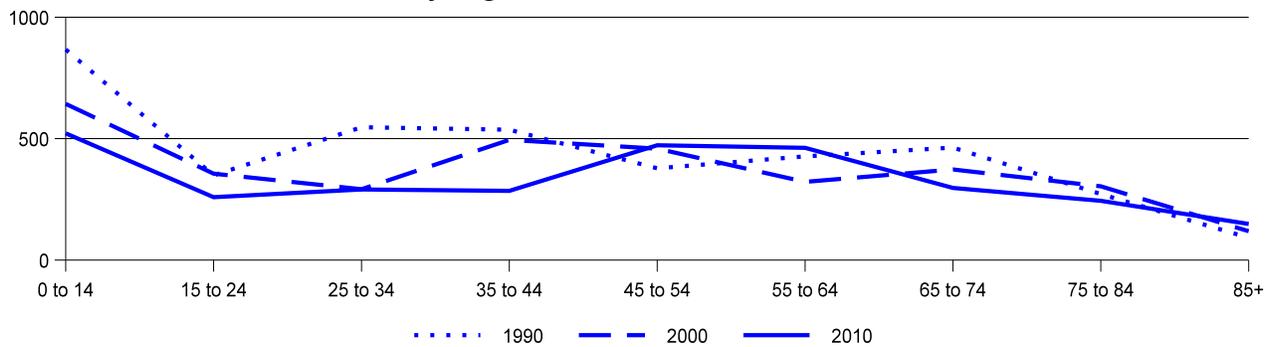


For many years, demographic analysts have been talking about the impact that is occurring as the large “baby boom” generation moves through the aging cycle. This trend has been evident in Lemmon and Perkins County.

Between 2000 and 2010, Lemmon had a net gain of 121 people and Perkins County had a gain of 154 people in the age ranges between 45 and 64 years old. In 2010, nearly all of the baby boomers were within these age ranges. The aging of the baby boomers, as reflected in the numeric net gain in the 55 to 64 year old age group, was the largest increase within any of the defined age cohorts.

The City and County also had an increase of older senior citizens, age 85 and older. There was a gain of 27 people in Lemmon and a gain of 30 people in Perkins County in the age 85 and older age range.

County Age Distribution: 1990 to 2010



The aging trends present in Lemmon in 2010 can be traced back over the previous decades to see the movement of the baby boom generation over the last 20 years in Perkins County.

Population Projections

The following table presents population projections using two different sources.

The South Dakota State Data Center has issued preliminary population projections to the year 2030 for Perkins County. The following table shows the Data Center projection for 2015.

The other set of projections has been calculated by Community Partners Research, Inc., and these are based on past patterns of population change. The 20-year growth trend is based on the rate of change between 1990 and 2010, using the 1990 and 2010 Census. The 10-year growth trend uses the same methodology, but calculates an annual growth rate from 2000 to 2010.

Table 3 Population Projections Through 2015				
	2010 Population Census	2015 Projection from 10-year trend	2015 Projection from 20-year trend	2015 Projection State Data Center
Lemmon	1,227	1,152	1,180	N/A
Perkins County	2,982	2,759	2,802	2,862

Source: Community Partners Research, Inc.; U.S. Census; State Data Center

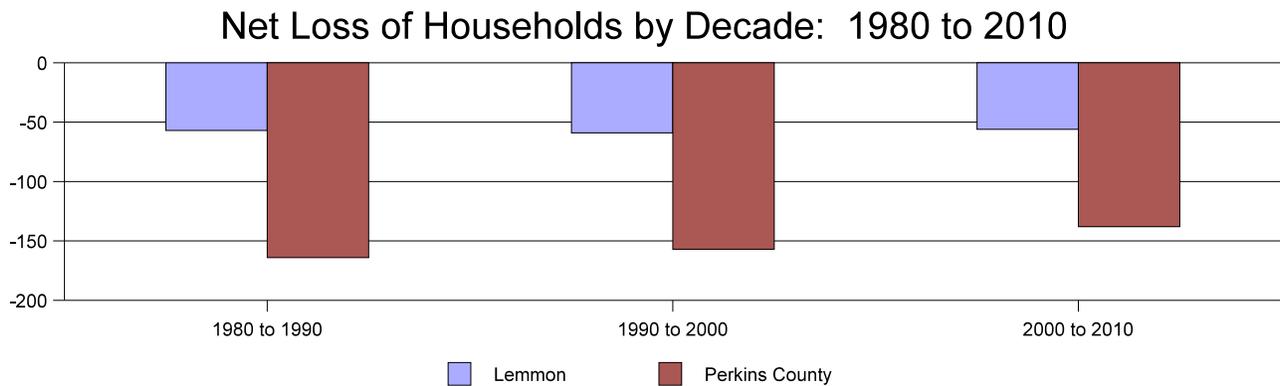
- ▶ The growth projections based on 10-year and 20-year growth trends estimate population losses from 2010 to 2015 for the City of Lemmon and Perkins County. The State Data Center also projects population losses for Perkins County.
- ▶ The 10-year and 20-year growth trend population projections for Lemmon estimate a decrease of 47 to 75 people by 2015.
- ▶ Perkins County’s population, based on 10-year and 20-year growth trends, is projected to lose between 180 and 223 people from 2010 to 2015. The State Data Center projects Perkins County will lose 120 people by 2015.

Household Data and Trends

Table 4 Household Trends - 1980 to 2010						
	1980 Households	1990 Households	2000 Households	% Change 1990-2000	2010 Households	% Change 2000-2010
Lemmon	739	682	623	-8.7%	567	-9.0%
Perkins County	1,750	1,586	1,429	-9.9%	1,291	-9.7%

Source: U.S. Census

- ▶ The 2010 U.S. Census provided an updated look at household data. Lemmon and Perkins County lost households from 2000 to 2010. Lemmon had 567 households in 2010. This is a decrease of 56 households since 2000, which is a household loss of 9.0%.
- ▶ Perkins County had 1,291 households in 2010. This is a loss of 138 households, which is a household decrease of 9.7%.
- ▶ Lemmon and Perkins County also experienced household losses during the 1990s, Lemmon had a decrease of 59 households and Perkins County had a loss of 157 households from 1990 to 2000.



Household by Age Trends: 2000 to 2010

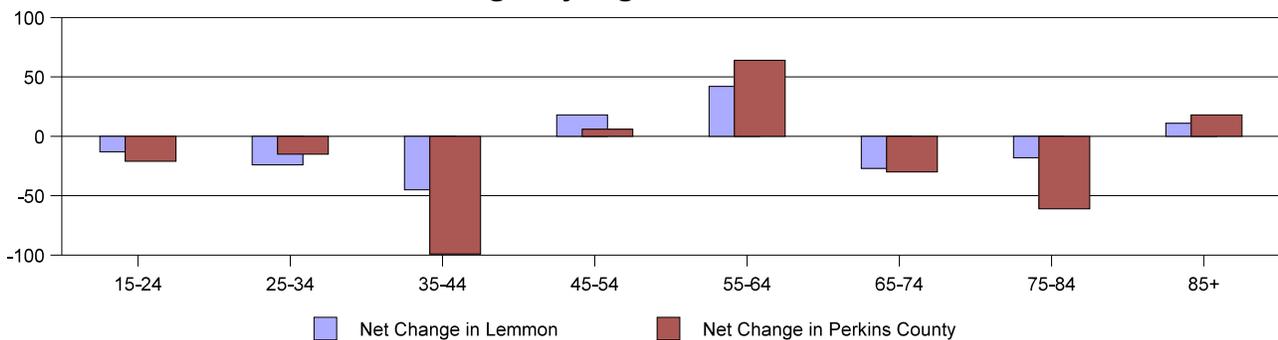
The 2010 Census allows for some analysis of Lemmon and Perkins County’s changing age patterns. The following table compares households by age of householder in 2000 and 2010, along with the numeric changes.

Table 5 Households by Age - 2000 to 2010						
Age	Lemmon			Perkins County		
	2000	2010	Change	2000	2010	Change
15-24	26	13	-13	46	25	-21
25-34	82	58	-24	158	143	-15
35-44	115	70	-45	262	163	-99
45-54	92	110	18	255	261	6
55-64	66	108	42	190	254	64
65-74	97	70	-27	216	186	-30
75-84	105	87	-18	220	159	-61
85+	40	51	11	82	100	18
Total	623	567	-56	1,429	1,291	-138

Source: U.S. Census

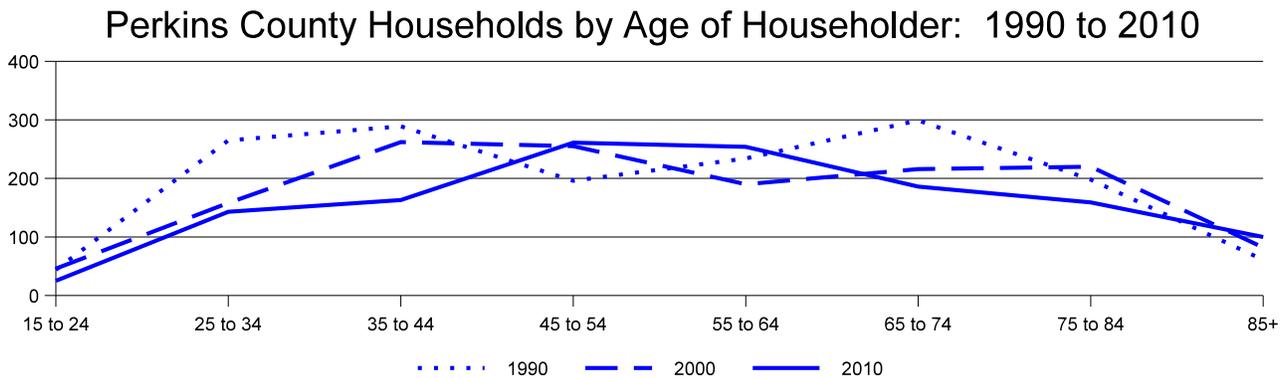
Consistent with the population by age data presented earlier, the household patterns show most of the net change occurring in the baby boomer age groups. For both Lemmon and the Perkins County, the largest net growth in households occurred in the 10-year age group between 55 and 64 years old. For all of Perkins County there was an increase of 64 households in the 55 to 64 year age range.

Household Change by Age Between 2000 and 2010



Lemmon and Perkins County had a decrease in the number of households age 44 and younger. In 2010, Lemmon had 82 fewer households and Perkins County had 135 fewer households in the age groups less than 45 years old, than in the year 2000.

For Lemmon and Perkins County there was an overall increase in the number of older senior-headed households. From 2000 to 2010, Lemmon gained 11 households and Perkins County gained 18 households, age 85 and older.



As with the longer-term patterns for population, it is possible to track the progression of the baby boomer households over the past 30 years in Perkins County, using Census information for households by the age of householder.

Average Household Size

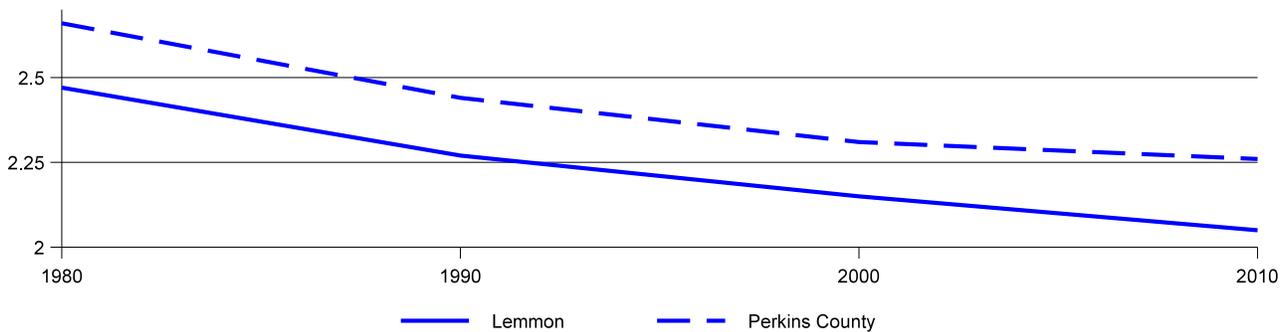
The following table provides decennial Census information on average household size.

Table 6 Average Number of Persons Per Household: 1990 to 2010				
	1980 Census	1990 Census	2000 Census	2010 Census
Lemmon	2.47	2.27	2.15	2.05
Perkins County	2.66	2.44	2.31	2.26

Source: U.S. Census

Household formation has been occurring at a different rate than population change in recent decades due to a steady decrease in average household size. This has been caused by household composition changes, such as more single person and single parent families, fewer children per family, and more senior households due to longer life spans.

Average Household Size: 1980 to 2010



The average household size in Lemmon and Perkins County has continued to decrease over the past three decades. In Lemmon, the average household size has decreased from 2.47 persons per household in 1980 to 2.05 persons in 2010.

Perkins County's average household size decreased from 2.66 in 1980 to 2.26 in 2010.

Household Projections

The following table presents household projections for Lemmon and Perkins County using two different calculation methods. Both of these calculations have been generated by Community Partners Research, Inc., and are based on the rate of change that was present between 2000 and 2010, and between 1990 and 2010.

Table 7 Household Projections Through 2015			
	2010 Census	2015 Projection from 10-year trend	2015 Projection from 20-year trend
Lemmon	567	542	543
Perkins County	1,291	1,229	1,216

Source: U.S. Census; Community Partners Research, Inc.

- ▶ The growth projections based on 10-year and 20-year trends estimate household losses for Lemmon and Perkins County.
- ▶ From 2010 to 2015, Lemmon is expected to decrease by approximately 25 households.
- ▶ Perkins County is projected to decrease by 62 to 75 households from 2010 to 2015.

Household by Age Projections: 2010 to 2015

With the release of the 2010 Census, a new benchmark has been established for Perkins County age-related statistics. In the following table, Community Partners Research, Inc., has generated age-based household projections for Perkins County to the year 2015.

The first set of age-based projections has been extrapolated from preliminary population forecasts that have just been issued by the South Dakota State Data Center. They have been converted into households using past calculations on the average household size that has existed within specific age ranges.

The second set of projections was created by Community Partners Research, Inc., by trending forward past retention rates within defined age cohorts, and assuming that these past patterns are a reasonable predictor of future age-based population changes.

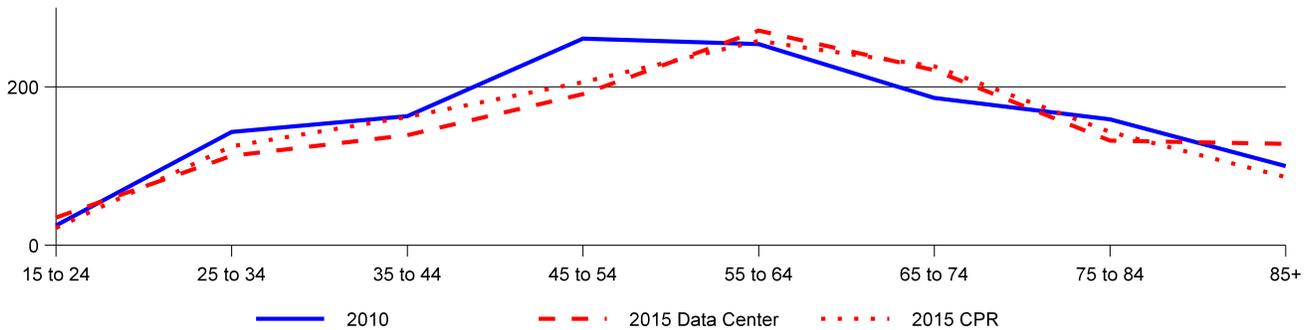
Both sets of projections assume that historical patterns will continue into the near-future, especially related to household formation and household size within specific age groups. If the County loses population at a rate that is slower than past patterns would suggest, traditional age-based forecasts could be altered.

Table 8 Perkins County Projected Households by Age - 2010 to 2015					
Age Range	2010 Census	Extrapolated from State Data Center		Community Partner Research	
		2015 Projection	Change from 2010	2015 Projection	Change from 2010
15-24	25	35	10	22	-3
25-34	143	113	-30	125	-18
35-44	163	139	-24	162	-1
45-54	261	191	-70	206	-55
55-64	254	271	17	258	4
65-74	186	221	35	226	40
75-84	159	132	-27	143	-16
85+	100	128	28	86	-14
Total	1,291	1,231	60	1,228	63

Source: U.S. Census; Community Partners Research, Inc.

While the two projection methods do yield some differences for the age-based forecasts, in general terms they offer a somewhat similar expectation through the year 2015. The relative similarity becomes more evident when viewed as a line chart showing the progression from 2010 to 2015.

Perkins County Projected Households by Age: 2010 to 2015



The projections from the State Data Center tend to be more optimistic for the number of younger households age 15 to 24. The extrapolation from the State Data Center indicates a probable gain of 10 households within this younger adult group while Community Partners Research, Inc., projects a loss of three households.

The two projection methods are reasonably similar in the 25 to 84 age ranges. The Community Partners Research, Inc., projection shows a net loss of 46 households in these age ranges between 25 and 84 years old, while the Data Center extrapolation shows a net loss of 99 households.

The extrapolated projections from the Data Center show growth among households age 85 and older, with a probable gain of 28 households, compared to a loss of 14 households under the Community Partners Research, Inc., projection. It is the analysts' opinion that to achieve the growth in older seniors that the Data Center projects, Perkins County would need to attract older people from outside the immediate area.

Households by Type

The 2010 Census can be compared to statistics from 2000 to examine changes in household composition. The following table looks at household trends within the City of Lemmon.

Table 9 Lemmon Household Composition - 2000 to 2010			
	2000 Census	2010 Census	Change
Family Households			
Married Couple with own children	116	77	-39
Single Parent with own children	41	31	-10
Married Couple without own children	180	188	8
Family Householder without spouse	20	23	3
Total Families	357	319	-38
Non-Family Households			
Single Person	251	224	-27
Two or more persons	15	24	9
Total Non-Families	266	248	-18

Source: U.S. Census

Between 2000 and 2010, Lemmon experienced losses in the total number of family households. All of the family household losses were due to a net decrease in the number of married couple families and single parent families with children. The City did have a net increase in married couples without children.

The City also had a net decrease in “non-family” households. This was due to a decrease in single person households. There was an increase in the number of unrelated individuals living together.

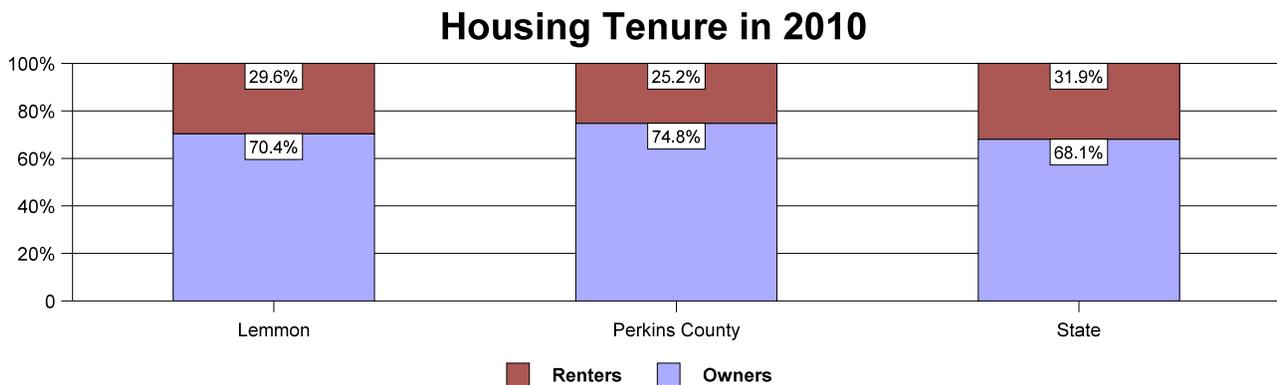
Housing Tenure

The 2010 Census provided an updated look at housing tenure patterns. The following tables examine overall tenure rates, along with the changes that have occurred since 2000 for the City of Lemmon and Perkins County.

Table 10 Household Tenure - 2010				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
Lemmon	399	70.4%	168	29.6%
Perkins County	966	74.8%	325	25.2%
State	-	68.1%	-	31.9%

Source: U.S. Census

According to the 2010 Census, the ownership tenure rate in the City of Lemmon was 70.4%. Perkins County’s ownership rate was 74.8%.



Households by Housing Tenure

Table 11 Households by Housing Tenure - 2000 to 2010						
Tenure	Lemmon			Perkins County		
	2000	2010	Change	2000	2010	Change
Owners	443/71.1%	399/70.4%	-44	1,094/76.6%	966/74.8%	-128
Renters	180/28.9%	168/29.6%	-12	335/23.4%	325/25.2%	-10
Total	623	567	-56	1,429	1,291	-138

Source: U.S. Census

Lemmon’s ownership tenure rate decreased slightly over the last decade, from 71.1% in 2000 to 70.4% in 2010.

For Perkins County, there was also a decrease in the rate of owner households between 2000 and 2010. The ownership tenure rate decreased from 76.6% in 2000 to 74.8% in 2010.

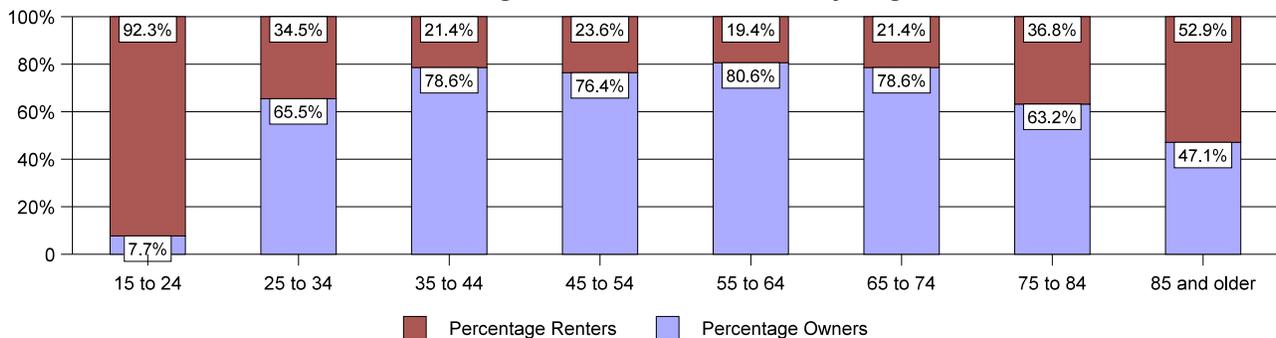
Tenure by Age of Householder

The 2010 Census provided information on the tenure distribution of households within each defined age range. The following table examines the number and percentage of renters and owners in each age group in the City of Lemmon.

Table 12 Lemmon Tenure by Age of Householder - 2010				
Age	Owners		Renters	
	Number	Percent within age	Number	Percent within age
15-24	1	7.7%	12	92.3%
25-34	38	65.5%	20	34.5%
35-44	55	78.6%	15	21.4%
45-54	84	76.4%	26	23.6%
55-64	87	80.6%	21	19.4%
65-74	55	78.6%	15	21.4%
75-84	55	63.2%	32	36.8%
85+	24	47.1%	27	52.9%
Total	399	70.4%	168	29.6%

Source: U.S. Census

Lemmon Housing Tenure Patterns by Age in 2010



Within the defined age ranges, typical tenure patterns were present, with households at the lowest and highest ends of the age spectrum showing greater preference for rental housing, while middle-aged adult households were primarily home owners. All but one household age 24 and younger rented their unit, and approximately 53% of households age 85 and older were renters. Home ownership rates for each of the 10-year age cohorts between 35 and 74 years old were above 76%.

Tenure by Household Size

The 2010 Census did provide information on housing tenure by household size. This can be compared to 2000 Census information to better understand trends for housing unit needs. The following table provides information for Lemmon.

Table 13 Lemmon Tenure by Household Size - 2000 to 2010						
Household Size	Owners			Renters		
	2000	2010	Change	2000	2010	Change
1-Person	133	109	-24	118	115	-3
2-Person	170	174	4	34	32	-2
3-Person	40	56	16	15	13	-2
4-Person	58	30	-28	8	5	-3
5-Person	31	22	-9	4	1	-3
6-Person	8	5	-3	1	1	0
7-Persons+	3	3	0	0	1	1
Total	443	399	-44	180	168	-12

Source: U.S. Census

Over the past decade, there was a decrease in the number of owner and renter households in Lemmon. There was a decrease of 24 owner households with one household member, and a decrease of 40 owner households with four or more household members. There was an increase of 20 two and three person owner households. There was a decrease of 13 renter households with five people or less. There was a gain of one household with six or more people. Approximately 88% of the renter households in Lemmon are one or two person households.

2011 Income Data

The 2010 Census did not collect information on household income. However, estimates are available at the city and county level through the 2011 American Community Survey.

Household income represents all independent households, including people living alone and unrelated individuals together in a housing unit. Families are two or more related individuals living in a household.

Table 14 Median Household Income - 2000 to 2011			
	2000 Median	2011 Median	% Change
Lemmon	\$28,109	\$27,220	-1.9%
Perkins County	\$27,750	\$36,042	29.9%
South Dakota	\$35,271	\$46,369	31.5%

Source: U.S. Census; 2011 ACS 5-year survey

Table 15 Median Family Income - 2000 to 2011			
	2000 Median	2011 Median	% Change
Lemmon	\$37,813	\$54,167	43.2%
Perkins County	\$33,537	\$52,400	56.2%
South Dakota	\$43,237	\$58,958	36.4%

Source: U.S. Census; 2011 ACS 5-year survey

Information contained in the 2011 American Community Survey shows local income levels and income growth over the past decade. Both the median household income level and the median family income for Lemmon were below the respective medians for the State of South Dakota.

The family median income for Lemmon and Perkins County increased substantially from 2000 to 2011. However, Lemmon’s household income actually decreased from 2000 to 2011.

Family household incomes tend to be much higher than the overall household median, as families have at least two household members, and potentially more income-earners.

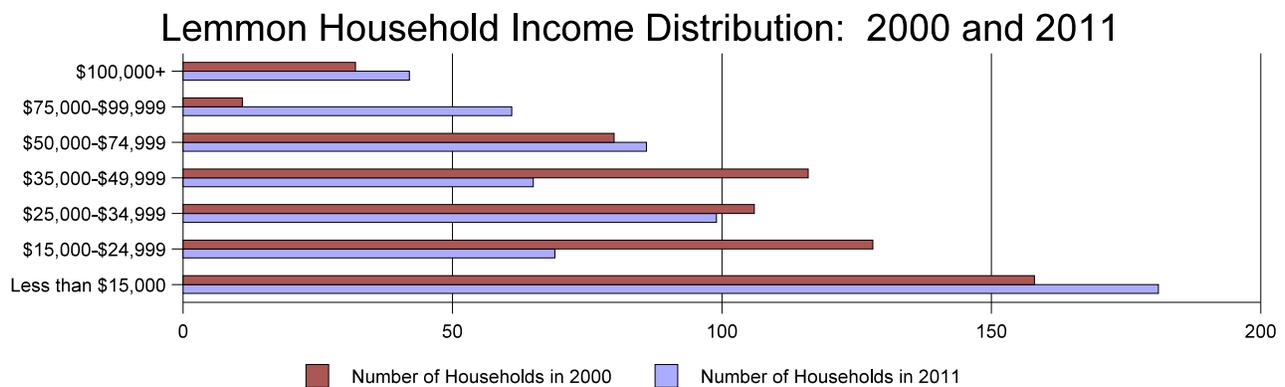
Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in Lemmon could afford approximately \$680 per month for ownership or rental housing in 2010. A median income family could afford approximately \$1,354 per month for housing. However, as will be detailed later in this section, renter households tend to be below the overall median, while owner households tend to be above the overall median level.

Lemmon Household Income Distribution

The 2011 American Community Survey household income estimates for the City of Lemmon can be compared to the same distribution information from 2000 to examine changes that have occurred over the past decade.

Table 16 Lemmon Household Income Distribution - 2000 to 2011			
Household Income	Number of Households 2000	Number of Households in 2011	Change 2000 to 2011
\$0 - \$14,999	158	181	23
\$15,000 - \$24,999	128	69	-59
\$25,000 - \$34,999	106	99	-7
\$35,000 - \$49,999	116	65	-51
\$50,000 - \$74,999	80	86	6
\$75,000 - \$99,999	11	61	50
\$100,000+	32	42	10
Total	631	603	-28

Source: 2000 Census; 2011 ACS



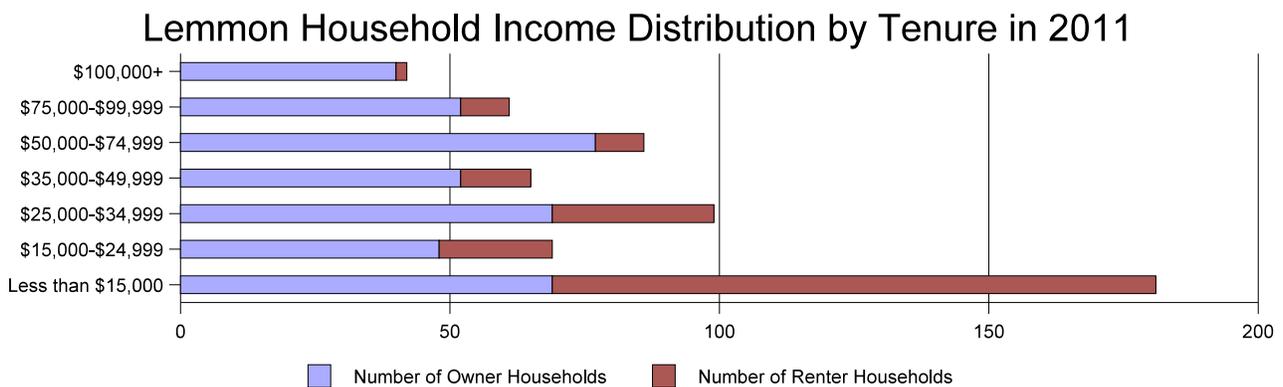
According to income estimates contained in the 2011 American Community Survey, household incomes have generally improved in Lemmon, especially in the highest income ranges. When compared to the 2000 Census (1999 income), the number of households with an income of \$75,000, or more, increased by 60 households. However, there was an increase of 23 households with an income less than \$15,000.

Lemmon Income Distribution by Housing Tenure

The 2011 American Community Survey provides an estimate by owner and renter status. The following table examines income distribution within the City of Lemmon. The American Community Survey is an estimate, based on limited sampling data, and there are some differences when compared to the 2010 Census. For total households, the American Community Survey reported 36 more households than the Census, a difference of 6.3%. The American Community Survey estimated eight more owner households than the Census, and 28 more renter households. Since owner households tend to have higher incomes than renters, the over-weighting of renters in the estimate probably results in some lower totals in the higher income ranges.

Table 17 Lemmon Household Income Distribution by Tenure - 2011			
Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	69/38.1%	112/61.9%	181
\$15,000 - \$24,999	48/69.6%	21/30.4%	69
\$25,000 - \$34,999	69/69.7%	30/30.3%	99
\$35,000 - \$49,999	52/80.0%	13/20.0%	65
\$50,000 - \$74,999	77/89.5%	9/10.5%	86
\$75,000 - \$99,999	52/85.2%	9/14.8%	61
\$100,000+	40/95.2%	2/4.8%	42
Total	407/67.5%	196/32.5%	603

Source: 2011 American Community Survey



Income and housing tenure are often linked for most households, with home owners generally having higher annual income levels, and renters having lower incomes.

In 2010, approximately 83% of all renter households in Lemmon had an annual income below \$35,000. At 30% of income, these households would have \$875, or less, that could be applied to monthly housing costs.

Conversely, most owner households had a substantially higher income level. Approximately 43% of all owner households had an annual income of \$50,000 or more. At 30% of income, an owner could afford \$1,364 or more per month for housing costs.

2011 Estimated Income and Housing Costs - Renters

The American Community Survey also collected information on housing costs. The following table provides data on the number of renter households that are paying different percentages of their gross household income for housing in the City of Lemmon.

Table 18 Gross Rent as a Percentage of Household Income - Lemmon		
Percentage of Household Income for Housing Costs	Number of Renter Households 2011	Percent of All Renter Households 2011
0% to 19.9%	73	37.2%
20% to 29.9%	31	15.8%
30% to 34.9%	15	7.7%
35% or more	55	28.1%
Not Computed	22	11.2%
Total	196	100%

Source: 2011 American Community Survey

Based on the tenure information from the 2010 Census, the 2011 American Community Survey overestimated the number of renter households in Lemmon. However, the estimates on housing cost burden are the best available information on income and expenses for housing.

According to the American Community Survey, approximately 36% of all renters in the City were paying 30% or more of their income for rent. The large majority of these households were actually paying 35% or more of their income for housing. Federal standards for rent subsidy programs generally identify 30% of income as the maximum household contribution. When more than 30% of income is required, this is often called a "rent burden". When more than 35% is required, this can be considered a "severe rent burden".

2011 Estimated Income and Housing Costs - Owners

The American Community Survey also provided housing cost estimates for owner-occupants. The following table provides estimates of the number of households in the City of Lemmon that are paying different percentages of their gross household income for housing costs.

Table 19 Ownership Costs as a Percentage of Income - Lemmon		
Percentage of Household Income for Housing Costs	Number of Owner Households 2011	Percent of All Owner Households 2011
0% to 19.9%	277	68.0%
20% to 29.9%	58	14.3%
30% to 34.9%	21	5.2%
35% or more	42	10.3%
Not Computed	9	2.2%
Total	407	100%

Source: 2011 ACS

Based on the 2010 Census, the 2011 American Community Survey slightly overestimated the number of owner households in the City, however, this source still represents the best available information on income compared to housing costs.

Most owner-occupants, which would include households with and without a mortgage, reported paying less than 30% of their income for housing. However, approximately 16% of all home owners reported that they paid more than 30% of their income for housing. Most of these households were paying more than 35% of income for housing costs.

As would be expected, most of the cost-burdened home owners had a mortgage on their home.

Housing Construction Activity

Based on information available from the City of Lemmon and the U.S. Census Bureau, six single family houses and two rental four-plexes were constructed in the City between 2000 and 2012. Additionally, several homes have also been constructed in the rural areas outside of the City limits.

Occupancy Status of Housing Units - 2010

Table 20 Occupancy Status of Housing Units - 2010						
	Occupied Units		Vacant Units			
	Owner	Renter	For Rent	For Sale	Seasonal Use	Other Vacant
Lemmon	567	168	32	19	34	80
Perkins Co.	966	325	37	25	152	234

Source: U.S. Census

- ▶ In 2010, according to the U.S. Census, there were 152 seasonal housing units in Perkins County, including 34 units in Lemmon.
- ▶ There were 448 vacant housing units in Perkins County in 2010, including 165 units in Lemmon.

Existing Home Sales

This section examines houses that have been sold in Lemmon in 2010, 2011 and 2012. It is important to note that the number of houses that have sold is limited, and may not be an accurate indicator of overall home values in the City. However, this sample does provide some insight into those units that are turning-over in a given year.

This table primarily reflects existing home sales. New construction sales activity would generally not be recorded in the data that was used for this analysis.

Table 21 Median Value of Residential Sales - 2010 to 2012			
Calendar Year	Number of Good Sales	Median Sale Price	Average Sale Price
2010	25	\$37,400	\$42,080
2011	22	\$35,500	\$34,818
2012	34	\$37,000	\$42,764

Source: Perkins County Assessor; Community Partners Research, Inc.

- ▶ From 2010 to 2012, there were 81 residential sales of single family houses in Lemmon that were considered to be “arms length” transactions, according to the County’s Director of Equalization. Sales that are not “arms length” include, but are not limited to, sales between relatives, forced sales and foreclosures, and estate transfers that are not available on the open market. Only the “arms length” transactions have been reviewed for this study.
- ▶ In 2010, there were 25 residential sales in Lemmon. The median sales price was \$37,400. The highest valued sale was for \$116,250 and the lowest valued sale was for \$10,000.
- ▶ In 2011, there were 22 residential sales in Lemmon. The median sales price was \$35,500. The highest valued sale was for \$96,000 and the lowest valued sale was for \$2,750.
- ▶ In 2012, there were 34 residential sales in Lemmon. The median sales price was \$37,000. The highest valued sale was for \$132,000 and the lowest valued sale was for \$3,000.

Lemmon Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of 329 single family/duplex houses in two Lemmon neighborhoods.

The boundaries of the two neighborhoods are:

Neighborhood No. 1: South - 10th St., North - Railroad tracks,
East - Main St., West - W. 4th Ave.

Neighborhood No. 2: South - 10th St., North - 2nd St.,
East - City limits, West - Main St.

Houses that appeared to contain three or more residential units were excluded from the survey. Houses were categorized in one of four levels of physical condition, Sound, Minor Repair, Major Repair, and Dilapidated as defined below. The visual survey analyzed only the physical condition of the visible exterior of each structure. Exterior condition is assumed to be a reasonable indicator of the structure's interior quality.

Dilapidated was the lowest rating used. Dilapidated houses need major renovation to become decent, safe and sanitary housing. Some Dilapidated properties may be abandoned and may be candidates for demolition and clearance.

Major Rehabilitation is defined as a house needing multiple major improvements such as roof, windows, sidings, structural/foundation, etc. Houses in this condition category may or may not be economically feasible to rehabilitate.

Minor Repair houses are judged to be generally in good condition and require less extensive repair, such as one major improvement. Houses in this condition category will generally be good candidates for rehabilitation programs because they are in a salable price range and are economically feasible to repair.

Sound houses are judged to be in good, 'move-in' condition. Sound houses may contain minor code violations and still be considered Sound.

Table 22 Windshield Survey Condition Estimate - 2012

	Sound	Minor Repair	Major Repair	Dilapidated	Total
Neighborhood No. 1	65/29.8%	48/22.0%	64/29.4%	41/18.8%	218
Neighborhood No. 2	29/26.1%	22/19.8%	32/28.8%	28/25.3%	111
Total	94/28.6%	70/21.3%	96/29.1%	69/21.0%	329

Source: Community Partners Research, Inc.

- ▶ The existing housing stock in Lemmon is in fair condition. Approximately 21% of the houses in the two neighborhoods need minor repair and 29% need major repair. Approximately 29% are sound, with no required improvements.
- ▶ Approximately 69 houses in the two neighborhoods are dilapidated and possibly beyond repair.

Lemmon Mobile Home Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of 57 mobile homes in two neighborhoods in Lemmon.

Mobile homes were categorized in one of four levels of physical condition, Sound, Minor Repair, Major Repair, and Dilapidated as defined below. The visual survey analyzed only the physical condition of the visible exterior of each structure. Exterior condition is assumed to be a reasonable indicator of the structure's interior quality.

Dilapidated was the lowest rating used. Dilapidated mobile homes need major renovation to become decent, safe and sanitary housing. Some Dilapidated properties may be abandoned and may be candidates for demolition and clearance.

Major Rehabilitation is defined as a mobile home needing multiple major improvements such as roof, windows, sidings, structural/foundation, etc. Mobile homes in this condition category may or may not be economically feasible to rehabilitate.

Minor Repair mobile homes are judged to be generally in good condition and require less extensive repair, such as one major improvement. Mobile homes in this condition category will generally be good candidates for rehabilitation programs because they are in a salable price range and are economically feasible to repair.

Sound mobile homes are judged to be in good, 'move-in' condition. Sound mobile homes may contain minor code violations and still be considered Sound.

Table 23 Windshield Survey Condition Estimate - 2012					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Mobile homes	18/31.6%	13/22.8%	14/24.6%	12/21.1%	57

Source: Community Partners Research, Inc.

- ▶ The mobile homes in Lemmon are in fair condition. Approximately 23% of the houses and mobile homes in the City need minor repair and 25% need major repair. Approximately 32% are sound, with no required improvements.
- ▶ Twelve mobile homes are dilapidated and possibly beyond repair.

Rental Housing Data

Census Bureau Rental Inventory

According to the 2010 U.S. Census, there were 168 occupied rental units and at least 34 unoccupied rental units in Lemmon, for a total estimated rental inventory of 202 units. The City's rental tenure rate was 29.6%, below the Statewide rental rate in 2010 of 31.9%.

At the time of the 2000 Census, Lemmon had 180 occupied rental units, and at least 37 vacant rental units, for a total estimated rental inventory of 237 units. The rental tenure rate in 2000 was 25.0%.

Based on a Census comparison, the City lost 12 renter-occupancy households, and approximately three rental units during the last decade. It is possible that some older rental housing is no longer available for occupancy in the community.

The City also experienced a decrease in owner-occupants between 2000 and 2010. In many communities, the reduction of owner households corresponded to growth among renters, as tenure conversion occurred in some housing units. This was not the case in Lemmon, as there was a loss of rental and owner-occupied households.

Rental Housing Survey

As part of this housing study, a telephone survey was conducted of multifamily projects in the City of Lemmon. The survey was primarily conducted during the month of January 2013. Emphasis was placed on contacting properties that have four or more units. For the purposes of planning additional projects in the future, multifamily properties represent the best comparison of market potential.

Information was tallied separately for different types of rental housing, including market rate units, subsidized housing, senior housing with services and housing for people with disabilities.

There were 119 housing units of all types that were contacted in the survey. This represents nearly 71% of the City's total rental housing units. In addition to the 119 rental units, two facilities for physically/developmentally disabled and the nursing home were contacted. These facilities have 76 beds and are not considering rental units.

The units/beds that were successfully contacted include:

- ▶ 22 market rate units
- ▶ 87 federally subsidized units
- ▶ 10 assisted living units
- ▶ 40 beds in skilled nursing facilities
- ▶ 36 beds for physically/developmentally disabled

The findings of the survey are provided below.

Market Rate Summary

Information was obtained on 22 rental units from four market rate rental property managers or owners. The units surveyed are in three four-plexes, one tri-plex and seven single family homes.

There are no market rate rental projects in Lemmon that are larger than a four-plex.

Unit Mix

The bedroom mix of the market rate units surveyed is:

- ▶ One-bedroom - 7 (31.8%)
- ▶ Two-bedroom - 11 (50.0%)
- ▶ Three-bedroom - 3 (13.6%)
- ▶ Four-bedroom - 1 (4.5%)

Occupancy / Vacancy

Within the market rate multifamily segment there was one vacant unit of the 22 used in the occupancy calculation. This represents a vacancy rate of 4.5%. The vacant unit was a one-bedroom unit. Owners/managers contacted in the survey reported that there was excellent demand for rentals and they are almost always fully occupied. The Lemmon Housing and Redevelopment Commission units have a waiting list.

Rental Rates

Rental units may include the primary utility payments within the contract rent, or the tenant may be required to pay some utilities separately, in addition to the contract rent. In the following summary, Community Partners Research, Inc., has attempted to estimate the gross rents being charged, inclusive of an estimate for tenant-paid utilities.

The lowest and highest gross rents have been identified, as reported in the telephone survey. Since the highest and lowest ends of the rent range do not vary greatly, they also tend to represent the prevailing rents for the community.

<u>Unit Type</u>	<u>Identified Gross Rent Range</u>
One-bedroom	\$375-\$475
Two-bedroom	\$400-\$890
Three-bedroom	\$400-\$450
Four-bedroom	\$475

The units that were contacted in the conventional housing survey generally had very modest rental rates. Most of the units were in older structures, dating to the 1980s or earlier. The two Lemmon Housing and Redevelopment Commission four-plexes were the only newer units. These units were constructed in 2002 and 2007. These units have the highest rents in the City.

Tax Credit Summary

There are no tax credit units in the City of Lemmon.

Subsidized Summary

The research completed for this Study identified five subsidized projects providing rental opportunities for lower income households. These projects have a combined 87 units. All of the projects are general occupancy housing, although three projects have primarily one-bedroom units and have a high percentage of senior tenants. The 87 subsidized units represent 43.1% of the total rental inventory in the City of Lemmon.

The five subsidized rental projects in Lemmon include:

- ▶ ***Brick Square Villa*** - Brick Square Villa is a 31-unit Public Housing General Occupancy Project. The 31 units include 25 one-bedroom and six two-bedroom units. The Project is owned and managed by the Lemmon Housing and Redevelopment Commission.
- ▶ ***FC Short Estates*** - FC Short Estates is a 12-unit Public Housing General Occupancy Project. ALL the units are one-bedroom units. The Project is owned and managed by the Lemmon Housing and Redevelopment Commission.

- ▶ ***Westside Apartments*** - Westside Apartments is a 20-unit Rural Development General Occupancy project that includes two buildings. The 20 units include four one-bedroom and 16 two-bedroom units.
- ▶ ***Prairie West Apartments*** - Prairie West Apartments is a 12-unit HUD General Occupancy Project. The Project includes eight two-bedroom and four three-bedroom units.
- ▶ ***Lemmon Prairie Pines Apartments*** - Lemmon Prairie Pines Apartments is a 12-unit Rural Development General Occupancy Project. All 12 units are one-bedroom units.

The City's subsidized units have access to project-based rent assistance. These units can charge rent based on 30% of the tenant's household income. Brick Square Villa and FC Short Estates have a waiver that allows tenants that are over the income limits to rent a unit if a unit is available. These tenants pay a maximum rent.

Unit Mix

The bedroom mix breakdown for subsidized housing in Lemmon is as follows:

- ▶ 53 one-bedroom (60.9%)
- ▶ 30 two-bedroom (34.5%)
- ▶ 4 three-bedroom (4.6%)

Occupancy / Vacancy

There were 11 unoccupied units that were identified in the subsidized projects, which is a 12.6% vacancy rate. Two of the vacancies were in one-bedroom units, seven were in two-bedroom units and two vacancies were in three-bedroom units.

Subsidized Housing Gains/Losses

Federal subsidy sources for low income rental housing have been very limited for the past few decades. Most subsidized projects were constructed in the 1960, 1970s and 1980s. Some of these older projects may have completed their compliance requirements and have the opportunity to leave their subsidy program and convert to conventional rental housing.

At this time, we are not aware of any projects that are considering opting out of their subsidy programs.

Senior Housing with Services

Unit Inventory

Based on information from the South Dakota Department of Health, there are four beds in Lemmon that are licensed as an Assisted Living Center. However, based on information collected from local sources, the existing facility, Prairie Rose Suites Assisted Living, has 10 available rooms with capacity for 12 residents, if double-occupancy rooms are fully utilized. The current licensing of only four beds appears to be a reflection of demand, but it is probable that the licence capacity could be increased, if needed, up to 12 beds.

The assisted living units are part of a senior housing campus that also includes a 40-bed skilled nursing home, and Prairie Pines Apartments, which is a 12-unit Rural Development project. Although the tenants in Prairie Pines are primarily seniors, it is not an age-designated project and we have included this project in the subsidized section as general occupancy housing.

Occupancy / Vacancy

Based on information from secondary sources, only two beds are being utilized in Prairie Rose Suites, the assisted living facility.

No information was available on the annual occupancy rate in the Five Counties Nursing Home.

Housing for People with Physical/Developmental Disabilities Summary

Lemmon has two projects with a total of 36 beds for people with physical and/or developmental disabilities.

Live Center, Inc., has 24 total beds in two buildings. Live Center, Inc., is a nonprofit that serves Lemmon and the surrounding area. Currently, the facility has one vacant bed. The rent is based on the tenant's income and the level of services.

The Prairie West Congregate House has 12 beds for people with disabilities. Currently, the facility has one vacancy. Tenants pay 30% of their income for rent.

Lemmon Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Lemmon Housing & Redevelopment Commission 4-plexes	<u>8 - 2 bedroom</u> 8 total units	\$709-\$788	No vacancies - waiting list	General Occupancy	Two 4-plexes constructed by the Lemmon Housing and Redevelopment Commission utilizing essential function bonds. Four-plexes were constructed in 2002 and 2007. The rents are \$709 in the 2002 4-plex and \$788 in the 2007 4-plex. Tenants pay utilities. There are no vacancies and there is a waiting list. The project has no income or age requirements.
605 Main Ave	<u>4 - 1 bedroom</u> 4 total units	\$475	1 vacancy	Mix of tenants	Four-plex with four one-bedroom units. Units are large with 800 square feet. Rent includes utilities. Owner reports one vacancy.
Penfield Single family homes	<u>2, 3 & 4 bedroom</u> 6 total units	\$250-\$400	No vacancies	Mix of tenants	Owner reports good vacancy rates. Tenants pay utilities. Homes range from two to four units.
Atkinson Rentals	<u>3 - 1 bedroom</u> <u>1 - 2 bedroom</u> 4 total units	\$300-\$375	No vacancies	Mix of tenants	Units include three apartments and one house. Tenants in the apartments pay heat and owner pays heat for the house. Owner reports that the units are always fully occupied.

Lemmon Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized					
Lemmon Prairie Pines Apartments	<u>12 - 1 bedroom</u> 12 total units	30% of income \$623 max rent	1 vacancy	Primarily seniors and people with disabilities	Senior Rural Development project constructed in 1998 - Project includes 12 one-bedroom units. Two units are fully accessible. Project is general occupancy, however, it was built primarily for seniors and people with disabilities. All the units have access to rent assistance. Project currently has one vacancy, but there have been more vacancies in the past. Project has a Commons Area and pull cords.
Brick Square Villa	25 - 1 bedroom <u>6 - 2 bedroom</u> 31 total units	\$385 max. \$483 max. 30% of income	1 vacant 1-bedroom	General occupancy	Public Housing general occupancy project constructed in 1974. Many improvements have been made to the project over the years. Project has a waiver to allow over income households. Currently one household is over income. Tenants pay 30% of income with a maximum rent of \$385 for a one-bedroom and \$483 for a two-bedroom.
FC Short Estates	<u>12 - 1 bedroom</u> 12 total units	30% of income	No vacancies	General occupancy	Public Housing general occupancy project with 12 one-bedroom units. Project was constructed in 1981. Project has no vacancies. This project also has a waiver and there is one over income tenant in the project.
Westside Apartments	4 - 1 bedroom <u>16 - 2 bedroom</u> 20 total units	\$400 max. \$425 max. 30% of income	4 vacant 2-bedroom units	General occupancy	Rural Development 20-unit general occupancy project approximately 30 years old. Sixteen of the 20 units have rent assistance. There are currently four two-bedroom vacancies, however, manager reports that the occupancy rate was high previous to the past few months.
Prairie West Apartments	4 - 3 bedroom <u>8 - 2 bedroom</u> 12 total units	30% of income	5 vacancies	General occupancy	HUD subsidized project constructed in the early 1980s. Project has five vacancies and the manager reports that there have been ongoing high vacancy rates. Project includes four three-bedroom and eight two-bedroom units.

Lemmon Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized Housing for Special Needs Populations					
Prairie West Congregate House	12 beds	30% of income	1 vacancy	People with disabilities	Twelve bedroom house for people with developmental and/or physical disabilities. Manager reports one vacancy.
Live Center, Inc.	Two buildings with a maximum of 12 tenants per building 24 total	Based on income and services	1 vacancy	People with disabilities	Live Center, Inc., has two buildings with a total capacity of 24 tenants. The tenants have developmental or physical disabilities. Live Center, Inc., is a private nonprofit. The facility has one vacancy, but is usually fully occupied. The facility serves the area surrounding Lemmon. There are 19 facilities in South Dakota.
Senior Housing with Services					
Prairie Rose Suites Assisted Living	8 single rooms <u>2 double rooms</u> 12 total beds	N/A	N/A	Assisted Living Center	State-licensed Assisted Living Center - 2013 license is for four residents.
Five Counties Nursing Home	40 licensed beds	N/A	N/A	Nursing Home	Skilled nursing home that is licensed for 40 beds.

Source: Community Partners Research, Inc.

Employment and Local Economic Trends Analysis

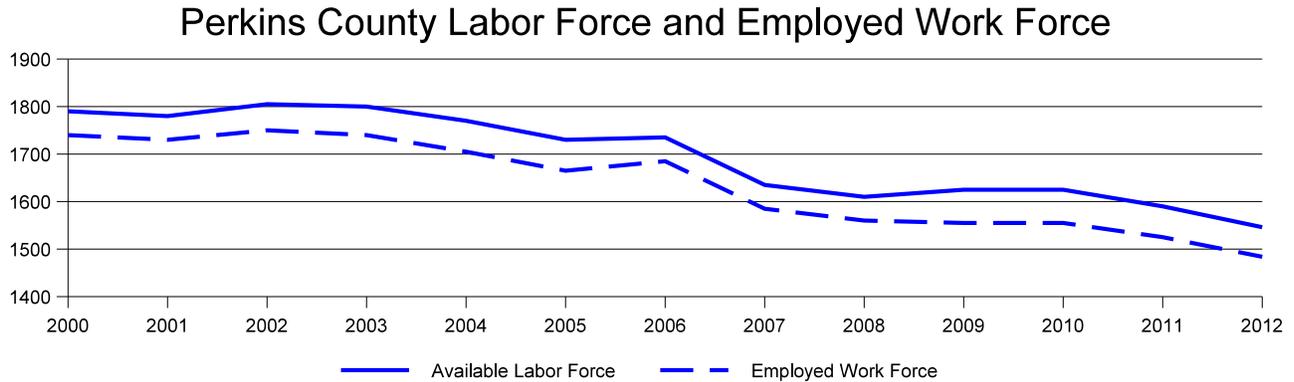
While many factors influence the need for housing, employment opportunities represent a predominant demand generator. Without jobs and corresponding wages, the means to pay for housing is severely limited.

Employment opportunities may be provided by a broad range of private and public business sectors. Jobs may be available in manufacturing, commercial services, agriculture, public administration, and other industries. The type of employment, wage level, and working conditions will each influence the kind of housing that is needed and at what level of affordability.

Employment information is available at the County level for Perkins County. The labor force statistics track people by place of residence, rather than place of employment.

Table 30 County Average Annual Labor Force: 2000 to 2012						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - SD	Unemployment Rate - US
2000	1,790	1,740	50	2.7%	2.7%	4.0%
2001	1,780	1,730	50	2.9%	3.1%	4.7%
2002	1,805	1,750	55	3.2%	3.3%	5.8%
2003	1,800	1,740	60	3.2%	3.5%	6.0%
2004	1,770	1,705	65	3.8%	3.7%	5.6%
2005	1,730	1,665	64	3.9%	3.7%	5.1%
2006	1,735	1,685	50	3.0%	3.1%	4.6%
2007	1,635	1,585	50	3.0%	2.9%	4.6%
2008	1,610	1,560	50	3.0%	3.0%	5.8%
2009	1,625	1,555	70	4.3%	5.2%	9.3%
2010	1,625	1,555	70	4.3%	5.0%	9.6%
2011	1,590	1,525	65	4.2%	4.7%	8.9%
2012	1,546	1,484	62	4.0%	4.4%	8.1%

Source: South Dakota Department of Labor



Over a longer time period, there has been a gradual reduction in the size of the area’s labor force and employed work force. Between 2000 and 2012, the size of the labor force decreased by 244 people, or 13.6%. The employed work force decreased by 256 people, or 14.7% during this same time period.

However, much of this decrease occurred between 2006 and 2007, as the nation moved toward an economic recession. Since 2007, statistics for the County have declined somewhat, but have been more stable. When 2007 is compared to 2012, the available labor force has increased by 89 people, and the employed work force has increased by 101 people.

The County’s unemployment rate for 2012 was at 4.0%, less than one-half of the national rate. The County’s unemployment rate has also been lower than the Statewide rate since 2009.

Average Annual Wages by Industry Sector

The following table shows the annual employment and average annual wages by major employment sector in 2011, the last full year of data. It is important to note that the major employment sectors listed do not represent all employment in the County. This information is for all of Perkins County.

Table 31 County Average Annual Wages by Industry Detail: 2011		
Industry	2011 Employment	2011 Average Annual Wage
Total All Industry	1,069	\$26,109
Natural Resources, Mining	18	\$24,234
Construction	43	\$26,392
Manufacturing	42	\$38,726
Trade, Transportation, Utilities	287	\$28,740
Information	13	\$12,411
Financial Activities	50	\$37,152
Professional and Business Services	14	\$21,734
Education and Health Services	146	\$23,390
Leisure and Hospitality	67	\$7,253
Other Services	41	\$24,826
Government	277	\$25,556

Source: South Dakota Department of Labor

The average weekly wage for all industry in 2011 was \$26,109. The highest paying wage sectors were Manufacturing and Financial Activities, both with an annual average wage above \$37,000.

The lowest paying wage sector was Leisure and Hospitality, with an average annual wage of only \$7,253. The Information sector also had a low wage, at \$12,411.

Major Employers in Perkins County

The Community Profile for Perkins County lists the following major employers with 15 or more employees. This information is from the Governor’s Office of Economic Development website.

- ▶ Wheeler Manufacturing 133 employees
- ▶ Five Counties Hospital/Nursing Home 80 employees
- ▶ Lemmon School District 58 employees
- ▶ Lemmon Livestock 40 employees
- ▶ Live Center 40 employees
- ▶ Lemmon Super Value 18 employees
- ▶ Northwest Farms and Home Supply 18 employees
- ▶ Docatah Bank 16 employees
- ▶ Southwest Grain 15 employees

Source: Governor’s Office of Economic Development

There may be additional employers that are not listed.

Commuting Patterns of Area Workers

Only limited information is available on area workers that commute for employment. The best information is from the 2011 American Community Survey, and has been examined for Lemmon. This table only examines people that commuted, and excludes people that work at home.

Table 32 Commuting Times for Residents - 2010	
Travel Time	Number/Percent
Less than 10 minutes	459 / 84.2%
10 to 19 minutes	40 / 7.3%
20 to 29 minutes	3 / 0.6%
30 minutes +	43 / 7.9%
Total	545

Source: 2011 American Community Survey 5-year estimates

The large majority of Lemmon residents were commuting less than 20 minutes to work in 2010. Overall, nearly 92% of residents commuted 19 minutes or less to work. However, nearly 8% did commute 30 minutes or more.

Findings on Growth Trends

As part of this Study, Community Partners Research, Inc., has examined growth patterns for the City of Lemmon and Perkins County over the past few decades. These historic growth trends have then been used as a basis for projecting future demographic changes.

Lemmon and Perkins County's population has decreased since 1980. From 1980 to 2010, Lemmon's population decreased by 644 people and Perkins County's population decreased by 1,718 people. From 2000 to 2010, Lemmon's population decreased by 171 people and Perkins County's population decreased by 381 people.

Household levels have been slightly more stable. The City lost 56 households and Perkins County lost 138 households from 2000 to 2010.

Findings on Projected Growth

The projections for Lemmon and Perkins County calculated by Community Partners Research, Inc., from past growth trends reflect the patterns of recent decades. Shorter-term and longer-term calculations forecast losses in the near-future from 2010 to 2015.

Using the past trends to form a range, Community Partners Research, Inc., projects that the City of Lemmon's population will decrease by 47 to 75 people between 2010 and 2015. The household projection expects a loss of 25 households from 2010 to 2015. The only official estimate released after the 2010 Census points to a loss of population and households after 2010.

The population and household projections for all of Perkins County expect an ongoing reduction through the year 2015. The forecasts used for this Study expect a loss of between 180 and 223 people and a loss of 62 to 75 households over the five-year projection period.

Summary of Perkins County Growth Projections by Age Group

The Demographic section of this Study presented Perkins County projection information on anticipated changes by age group over the next few years. This information can be informative in determining the housing changes that may be needed due to age patterns of the area population.

In general terms, most of the projected net growth to the year 2015 will occur among people in the 55 to 74 age ranges. This would largely reflect the aging “baby boomers”, nearly all of whom will be age 55 or older by the year 2015. All of the other 10-year age ranges are projected to decrease in size Countywide.

There is a difference in the State Data Center and Community Partners Research, Inc. projections for the 15 to 24 and 85 and over age ranges. The State Data Center projects household increases for these age ranges and Community Partners Research, Inc., is projecting losses.

While projections can be informative in planning for change, it is important to note that they may be altered in the future. To the extent that Lemmon and Perkins County can attract in-migration, the demographic profile of future residents may not always match historical patterns, and it is possible that more young adults may move to the area.

The following approximate ranges show the expected net change in the number of Perkins County households in each 10-year age cohort between 2010 and 2015. The first column shows the projections based on State Data Center data and the second column shows projections based on Community Partners Research, Inc., calculations.

<u>Age Range</u>	<u>Projected Change in Households 2010 to 2015</u>
15 to 24	10 to -3
25 to 34	-30 to -18
35 to 44	-24 to -1
45 to 54	-70 to -55
55 to 64	17 to 4
65 to 74	35 to 40
75 to 84	-27 to -16
85 and Older	28 to -14

Findings on Housing Unit Demand and Tenure

Calculations for total future housing need are generally based on three demand generators; household growth, replacement of lost housing units, and pent-up, or existing demand for units from households that already exist but are not being served.

Demand from Growth - The household projections used for this Study expect household losses for the City of Lemmon. Ongoing losses are also projected for all of Perkins County, continuing a trend that dates back to at least 1980. As a result, anticipated household growth yields no significant demand for new housing production.

Replacement of Lost Owner-Occupancy Units - It is difficult to quantify the number of units that are lost from the housing stock on an annual basis. Unit losses may be caused by demolition activity, losses to fire or natural disasters, and to causes such as deterioration or obsolescence. In Lemmon, some dilapidated housing has been demolished, and more units may be removed in the future. As a result, we have included a minor allowance for unit replacement in the recommendations that follow.

Replacement of Lost Renter-Occupancy Units - It is also difficult to accurately quantify the number of units that are lost from the rental housing stock on an annual basis, however, we are projecting that rental units will be removed from the rental inventory over the next several years. As a result, we have included a minor allowance for unit replacement in the recommendations that follow.

Pent-Up Demand - The third primary demand-generator for new housing is caused by unmet need among existing households, or pent-up demand. Although there has not been any significant growth in the number of households, shifting age patterns have created demand for certain types of age-appropriate housing in the City. We have included our estimates of pent-up demand into the specific recommendations that follow later in this section.

Findings on Unit Demand by Type of Housing

Based on the household by age projections presented earlier, the changing age composition of Perkins County's population through the five-year projection period will have an impact on demand for housing.

Age 24 and Younger - The projections used for this Study expect a range of a small loss of three households to a gain of 10 households in the 15 to 24 age range through the year 2015. Past tenure patterns indicate that as many as 92% of these households in Lemmon will rent their housing. A stable number of households in this age range should mean that rental demand from younger households will remain relatively unchanged during the projection period.

25 to 34 Years Old - The projections show a numeric decrease in this age cohort Countywide, with an expected loss of 18 to 30 households by 2015. Within this age range households often move from rental to ownership housing. The ownership rate among these households in Lemmon was nearly 66% in 2010. The projected decrease within this age range will generate slightly reduced demand for both first-time home buyer and rental opportunities.

35 to 44 Years Old - This 10-year age cohort is expected to decrease by one to 24 households between 2010 and 2015 in Perkins County. In the past, this age group has had a high rate of home ownership in Lemmon, at nearly 79%. Households within this range often represent both first-time buyers and households looking to trade-up in housing, selling their starter home for a more expensive house. Lower demand from this age cohort will also have some limited negative impact on overall demand for owner-occupied housing.

45 to 54 Years Old - By 2015, this age cohort will represent the front-end of the "baby bust" generation that followed behind the baby boomers. This age group represents a much smaller segment of the population than the baby boom age group. For Perkins County, the projections show a loss of 55 to 70 households in this range. This age group historically has had a high rate of home ownership, approximately 76% in Lemmon in 2010, and will often look for trade-up housing opportunities. With a household decrease in this age group, there will be a decrease in the demand for trade-up housing.

55 to 64 Years Old - This age range is part of the baby boom generation. The projections show an expected increase of four to 17 additional households in this 10-year age range by the year 2015 in the County. This age range has traditionally a high rate of home ownership in Lemmon, at approximately 81% in 2010. Age-appropriate housing, such as town house or twin home units, is

often well suited to the life-cycle preferences of this age group, as no maintenance/low maintenance housing has become a popular option for empty-nesters.

65 to 74 Years Old - Relatively strong household growth is expected Countywide within this age range, with the projections showing an increase of 35 to 40 households by the year 2015. While this group will begin moving to life-cycle housing options as they age, the younger seniors are still predominantly home owners. At the time of the 2010 Census, approximately 79% of households in this age range owned their housing in Lemmon. Once again, preferences for age-appropriate units should increase from household growth within this age cohort.

75 to 84 Years Old - There is a projected loss of 16 to 27 households in Perkins County in this age range between 2010 and 2015. In the past, households within this 10-year age range have had a relatively high rate of home ownership, at approximately 63% in Lemmon. While this is likely to continue, an expansion of other housing options for seniors, including high quality rental housing, should appeal to this age group. In most cases, income levels for senior households have been improving, as people have done better retirement planning. As a result, households in this age range may have fewer cost limitations for housing choices than previous generations of seniors.

85 Years and Older - A wide range of the loss of 14 households to the gain of 28 households is projected from the State Data Center and Community Partners Research, Inc. among older seniors. Historic home ownership rates in this age group in Lemmon have been relatively low, at approximately 47% in 2010. Seniors in this age range often seek senior housing with services options.

These demographic trends will be incorporated into the recommendations that follow later in this section.

Strengths for Housing Development

The following strengths of the community were identified through statistical data, local interviews, research and on-site review of the local housing stock.

- ▶ **Lemmon serves as a small regional center** - Lemmon provides employment opportunities, retail/service options, health and professional services and recreational facilities for a geographical area that surrounds the City.
- ▶ **Affordable priced housing stock** - The City has a large stock of affordable, existing houses. Our analysis shows that the City's median home value based on recent sales is approximately \$37,000. This existing stock, when available for sale, provides an affordable option for home ownership.
- ▶ **Adequate land for development** - The City has adequate land available for both residential and commercial/industrial development. However, some of this land needs to be serviced with infrastructure improvements and/or annexed into the City limits.
- ▶ **Proactive City involvement** - The City has a track record of being proactive and working with housing agencies and the private sector to develop housing opportunities, including rental housing and subdivision development.
- ▶ **Educational system** - The City has a public K-12 school system.
- ▶ **Health facilities** - The City has health facilities including a medical clinic, a nursing home and assisted living.
- ▶ **Infrastructure** - Lemmon's water and sewer infrastructure can accommodate future expansion.
- ▶ **Commercial development** - Lemmon's commercial district is adequate to meet most daily needs.
- ▶ **Lemmon Housing and Redevelopment Commission** - The Lemmon Housing and Redevelopment Commission is very active in rental development, rental management, housing rehabilitation, etc.

- ▶ **Lemmon Area Charitable and Economic Development 'LACED'** - LACED has been involved in housing and economic development issues.
- ▶ **Small-town atmosphere** - Lemmon is a small town, with the real and perceived amenities of a small community. This small-town living is attractive to some households.
- ▶ **Senior with Services Housing** - Lemmon has an assisted living facility and a nursing home.
- ▶ **Recreational Area** - Lemmon is a recreational area that provides excellent hunting, hiking, etc.
- ▶ **Employers** - Lemmon has several large employers including Wheeler Manufacturing, Lemmon School District 52-4, Southwest Grain Elevator and Five Counties Nursing Home.

Barriers or Limitations to Housing Activities

Our research also identified the following barriers or limitations that hinder or prevent certain housing activities in the City of Lemmon.

- ▶ **Age and condition of the housing stock** - While the existing stock is very affordable, some of the housing is in need of improvements to meet expectations of potential buyers.
- ▶ **Low rent structure** - The City's rent structure is low, which makes it difficult to construct new rental housing.
- ▶ **Value gap deters new owner-occupied construction** - Based on market values for recent residential sales, we estimate that the median priced home in Lemmon is valued at or below approximately \$37,000. This is well below the comparable cost for new housing construction, which will generally be above \$150,000 for a stick built home with commonly expected amenities. This creates a value gap between new construction and existing homes. This can be a disincentive for any type of speculative building and can also deter customized construction, unless the owner is willing to accept a potential loss on their investment.
- ▶ **Population and household losses** - Historical data indicates that the City is not expected to add any people or households from 2010 to 2015. The City has to have realistic expectations when planning for the future.
- ▶ **Distance from a major regional center** - The nearest regional centers are Dickinson, which is 90 miles from Lemmon, and Bismarck, which is 130 miles from Lemmon. Many households desire or need to be near a regional center for employment, health care, entertainment, retail, etc.

Recommendations, Strategies and Market Opportunities

Based on the research contained in this study, and the housing strengths and barriers identified above, we believe that the following recommendations are realistic options for the City of Lemmon. They are based on the following strategies.

- ▶ **Be realistic in expectations for housing development** - Large-scale residential growth has not occurred in the recent past and is not likely to occur in the near future. The scale of activities proposed for the future should be comparable with the City's potential for growth.
- ▶ **New housing development generally will not occur without proactive community involvement** - To attract new home or apartment construction in the City of Lemmon, subsidies or some other form of financial assistance will be needed from the City of Lemmon, local and regional housing and economic development agencies and the South Dakota Housing Development Authority.
- ▶ **Protect the City's existing housing stock** - The future of Lemmon will be heavily dependent on the city's appeal as a residential location. The condition of the existing housing stock is a major factor in determining the City's long-term viability. The existing housing stock is in good condition and the City's major asset, however, rehabilitation efforts are needed to preserve the housing stock.
- ▶ **Protect the City's existing assets and resources** - Lemmon has many assets including a K-12 school, employment opportunities, a Downtown Commercial District, etc. These are strong assets that make Lemmon a desirable community to live in, and are key components to the City's long-term success and viability. These assets must be protected and improved.
- ▶ **Develop a realistic action plan with goals and time lines** - In the past the City has been involved in housing issues. The City should prioritize its housing issues and establish goals and time lines to achieve success in addressing its housing needs.
- ▶ **Access all available resources for housing** - In addition to local efforts, the City has other resources to draw on including USDA Rural Development, the South Dakota Housing Development Authority, the Mobridge Housing Authority, Homes Are Possible, Inc., Western SD Community Action Agency, NeighborWorks, and the Black Hills Council of Local Governments. These resources should be accessed as needed to assist with housing activities.

Summary of Findings/Recommendations

The findings/recommendations for the City of Lemmon have been formulated through the analysis of the information provided in the previous sections and include 17 recommendations. The findings/recommendations have been developed in the following five categories:

- ▶ **Rental Housing Development**
- ▶ **Home Ownership**
- ▶ **Single Family Housing Development**
- ▶ **Housing Rehabilitation**
- ▶ **Other Housing Issues**

The findings/recommendations for each category are as follows:

Rental Housing Development

1. Develop 12 to 14 general occupancy market rate rental units
2. Develop six to eight affordable rental units
3. Monitor the need for additional senior with services rental units
4. Monitor the need for subsidized rental housing
5. Utilize the Housing Choice Voucher Program

Home Ownership

6. Utilize and promote all programs that assist with home ownership
7. Develop a purchase/rehabilitation program
8. Explore the creation of a local down payment assistance program

Single Family Housing Development

9. Support Lot/Subdivision Development
10. Support and Promote LACED's Single Family Home Development Program
11. Coordinate with housing agencies and nonprofit groups to construct affordable housing
12. Promote twin home/town home development

Housing Rehabilitation

- 13. Promote rental housing rehabilitation
- 14. Promote owner-occupied housing rehabilitation efforts

Other Housing Issues

- 15. Acquire and demolish dilapidated structures
- 16. Create a plan and a coordinated effort among housing agencies
- 17. Promote commercial rehabilitation and development

Rental Housing Development

Findings: It is difficult to produce new affordable rental units. A number of factors including Federal tax policy, State property tax rates, low rent structure and high construction costs have all contributed to making rental housing difficult, especially in small cities.

Our projections indicate that the City of Lemmon is projected to lose approximately 25 households from 2010 to 2015 and Perkins County is projected to decrease by 62 to 75 households.

Although there is expected to be household losses in Lemmon over the next five years, we are recommending the development of the following units from 2013 to 2018:

▶ General Occupancy Market Rate	- 12 to 14
▶ Subsidized	- 0
▶ Rehab/Conversions	- 6 to 8
▶ Senior with Services	- 0
	<hr/>
Total	18 to 22

These recommendations are based on continued pent-up demand for quality rental units, the loss of rental units from the housing stock and the low vacancy rates of existing market rate units.

1. Develop 12 to 14 general occupancy market rate rental units

Findings: The City of Lemmon has a limited number of market rate units. There are no market rate rental projects with more than four units. The Lemmon Housing and Redevelopment Commission has developed two market rate four-plexes utilizing essential function bonds. One four-plex was constructed in 2002 and one four-plex was constructed in 2007. All of the units have two bedrooms. The rent range is \$709 to \$788 and the tenants pay utilities. The units are fully occupied and there is a waiting list.

There are several other smaller rental market rate projects in the City. There are also single family homes being rented in Lemmon. The rent structure for these units ranges from \$250 to \$475. We found only one vacancy in these units.

The only three-bedroom market rate units in Lemmon are in single family homes. There are no three-bedroom or larger units in the market rate rental 4-plexes and smaller projects in the City.

Although Lemmon is projected to lose households over the next five years, our interviews and rental surveys identified a need for market rate rental units.

Also, although there is a projected loss of households, there is a projected increase of 44 to 52 households in Perkins County in the 55 to 74 age ranges. While this projection is for the overall growth in Perkins County, Lemmon has the potential to capture a significant share of this growth. Some of the households in this age range will prefer to rent and have incomes that are too high to qualify for subsidized rental housing.

Additionally, we are expecting the loss of rental households due to deterioration and demolition. We have identified 69 homes and 12 mobile homes in two Lemmon neighborhoods that are dilapidated and beyond repair. Some of these dwellings are rentals and may be demolished or no longer rented because of their condition.

A developer had proposed the construction of 12 market rate rental units in Lemmon, but it appears that he is no longer planning to build this project.

Recommendation: We would recommend the development of 12 to 14 market rate rental housing units. Town home units, similar to the existing Lemmon Housing and Redevelopment Commission's market rate rental four-plexes, would be the preferred style, to cater to active renter households. Although a high quality apartment building with 'state of the art' amenities is also an option.

The first option to developing market rate housing would be to continue to encourage a private developer to undertake a project. If a private developer does not proceed, the Lemmon Housing and Redevelopment Commission could potentially utilize essential function bonds, or other sources of funding, to construct additional market rate units. The Lemmon Housing and Redevelopment Commission has constructed two four-plexes utilizing essential function bonds. Essential function bonds are governed by State law and would require compliance with locally-defined income limits for tenants.

Also, the City of Lemmon and the Lemmon Housing and Redevelopment Commission could partner with a private developer to construct additional units. The City could assist with land donations, tax increment financing, reduced water and sewer hook up fees, etc. Additionally, housing vouchers could be utilized by households renting the units if they meet income requirements and the rents are at or below fair market rents. Currently, fair market rents are \$641 for a two-bedroom and \$858 for a three-bedroom unit.

Some cities have added units in small phases, as demand dictates the need for additional units. In this way they have expanded the supply without saturating the market.

We recommend the development of 12 to 14 units and the unit mix and rents should be as follows:

Recommended unit mix, sizes and rents for the Lemmon Market Rate Housing Project:

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
Two Bedroom	6-7	950-1,050	\$650-\$750
Three Bedroom	6-7	1,150-1,250	\$850-\$950
Total	12-14		

Note: Rents are quoted in 2013 dollars and include utilities.

If possible, it would be advantageous to keep the rent structure at or below the rent limits for the Housing Voucher Program. This would allow renter households to participate in the Housing Voucher Program and expand the number of households that could afford the proposed rents.

2. Promote the development of 6 to 8 affordable market rate rental housing units

Findings: The previous recommendation had addressed the market potential to develop high quality rental units in Lemmon. Unfortunately, these units would tend to be beyond the financial capability of many area renters. A majority of Lemmon’s renter households have an annual income below \$25,000. These households would need a rental unit at \$625 per month or less.

There is evidence that Lemmon has lost rental housing over the years and will continue to lose units due to deterioration and demolition. Part of the need for additional rental units in Lemmon is to provide for unit replacement.

Unfortunately, most of the lost units are probably very affordable, and new construction will not replace these units in a similar price range.

There are still some programs for affordable housing creation for moderate income renters. The federal low income housing tax credit program is one available resource. However, competition for tax credits is very difficult, and few awards are made to small cities for small rental projects.

Recommendation: We would encourage the City to promote the development of more affordable rental units. A goal of six to eight units over the next few years would help to replace affordable housing that has been lost.

It would be difficult to create units through new construction. Instead, it may be more practical to work on building renovation or conversion projects that can create housing. This opportunity may arise in downtown buildings, or through the purchase and rehabilitation of existing single family homes. The Lemmon Housing and Redevelopment Commission has purchased and rehabbed two houses and is currently renting these homes.

The estimated prevailing rent range for older rental units in Lemmon is typically between \$350 and \$500 per month. Creating some additional units with contract rents below \$600 per month would help to expand the choices available to a majority of the City's renter households.

It is probable that the proposed rent structure could only be obtained with financial commitments from other sources such as tax increment financing from the City, property tax deferral and other financial resources from funding agencies such as the South Dakota Housing Development Authority.

3. Monitor the need for additional senior with services rental units

Findings: Prairie Rose Suites is a 10-unit assisted living project with potential capacity for 12 residents, although State records indicate that only four beds are currently licensed. The facility is located on the second floor of the Five Counties Nursing Home. The facility offers the full array of senior assisted living services. The rent and fees for services are \$2,400 per month. Secondary sources stated that only two of the four licensed beds were actually occupied in January 2013.

Five Counties Nursing Home has 40 licensed beds. Information on the current occupancy rate was not made available.

Based on our projections, the number of Lemmon and Perkins County senior age 75 and over households will remain relatively stable from 2010 to 2015.

Recommendation: Perkins County has 159 people in the 75 to 84 age range and 100 people in the 85 and over, for a total of 259 people age 75 and over. Of this total, as many as 40 people may be living in the nursing home and would not be potential tenants in assisted living. Therefore, there is a market for assisted living of approximately 219 people age 75 and over in Perkins County.

Based on industry standards and past experience, we are estimating that 4% to 5% of these seniors will utilize assisted living in Lemmon, thus, there is a market need for nine to 13 assisted living beds for Perkins County seniors. Also, we are projecting that one to two seniors from outside Perkins County would move into assisted living in Lemmon. Therefore, we are projecting that there is an overall need for 10 to 15 assisted living units in Lemmon.

Prairie Rose Suites, in Lemmon, has 10 units with 12 beds, but only two of these beds are believed to be occupied. Based on the calculated statistical demand, Prairie Rose Suites should have a higher occupancy rate. We do not know if there is simply lack of demand currently for assisted living or if Prairie Rose Suites is not addressing the demand from potential assisted living residents. Possibly, the physical facility, the service levels, marketing or the rent/fee structure are not addressing the needs of the market.

We recommend that the need for additional assisted living units be monitored. Presently, the Prairie Rose Suites facility should adequately address most of the demand for assisted living. Prairie Rose Suites should continue to evaluate its product and the market to determine if it can increase occupancy.

If Prairie Rose Suites experiences full occupancy and develops a waiting list, there may be a need for additional assisted living units in the future. Also, if Prairie Rose Suites continues to have high vacancy rates and there is evidence that unmet demand exists for assisted living, there may be a need for a new assisted living facility.

4. Monitor the need for subsidized rental housing

Findings: The City of Lemmon has five subsidized rental projects. All of the projects are general occupancy.

The five subsidized rental projects in Lemmon include:

- ▶ Brick Square Villa - Brick Square Villa is a 31-unit Public Housing General Occupancy Project. The 31 units include 25 one-bedroom and six two-bedroom units. The Project is owned and managed by the Lemmon Housing and Redevelopment Commission.
- ▶ FC Short Estates - FC Short Estates is a 12-unit Public Housing General Occupancy Project. ALL the units are one-bedroom units. The Project is owned and managed by the Lemmon Housing and Redevelopment Commission.

- ▶ Westside Apartments - Westside Apartments is a 20-unit Rural Development General Occupancy project that includes two buildings. The 20 units include four one-bedroom and 16 two-bedroom units.
- ▶ Prairie West Apartments - Prairie West Apartments is a 12-unit HUD General Occupancy Project. The Project includes eight two-bedroom and four three-bedroom units.
- ▶ Lemmon Prairie Pines Apartments - Lemmon Prairie Pines Apartments is a 12-unit Rural Development General Occupancy Project. All 12 units are one-bedroom units.

Recommendation: We do not recommend the development of additional subsidized rental housing at this time. When the rental survey was conducted, there were 11 vacancies in the five subsidized rental projects, which is a 12.6% vacancy rate. The 11 vacancies include two one-bedroom units, seven two-bedroom units and two three-bedroom units. We have recommended 12 to 14 market rate units. Rents can be affordable in these units if the Housing Voucher Program is utilized. We also recommended six to eight affordable market rate units. We do recommend that the City monitor the need for the production of subsidized housing in the future.

5. Utilize the Housing Choice Voucher Program

Findings: The Housing Choice Voucher Program provides portable, tenant-based rent assistance to lower income renter households. The program requires participating households to contribute from 30% to 40% of their adjusted income for rent, with the rent subsidy payment making up the difference. Tenants may lease any suitable rental unit in the community, provided that it passes a Housing Quality Standards inspection, and has a reasonable gross rent when compared to prevailing rents in the community.

Although the federal government provides almost no funding for subsidized housing construction, it has provided new Housing Choice Voucher allocations over the last two decades.

Based on the research for this study, it appears that the Housing Choice Voucher Program is an underutilized form of subsidized housing in Lemmon. Because of the flexibility offered through the program, eligible households often prefer the portable rent assistance to other forms of subsidized housing that are project-based, and can only be accessed by living in a specific rental development.

The Housing Choice Voucher Program is administered in Perkins County by the Mobridge Housing Authority. The Mobridge Housing Authority has the ability to issue approximately 150 vouchers, but nearly 50 vouchers are currently unused and available. Currently, only one or two Lemmon households utilize the Housing Choice Voucher Program. Several Lemmon landlords are resistant to utilizing the Program. Also, the rent structure is low for most Lemmon households, which limits the need for the Program.

Recommendation: The Mobridge Housing Authority should work with the City of Lemmon and the Lemmon Housing and Redevelopment Commission to assure that Lemmon receives its share of Housing Choice Vouchers and that tenants are aware of the program. Currently, the Housing Choice Voucher program is underutilized and approximately 50 vouchers are available for households in a multi-county area.

Also, Mobridge Housing Authority staff has indicated that potentially housing vouchers could be project-based. Therefore, a rental project could be constructed in Lemmon and housing vouchers could be set aside and assigned to this specific project. Additionally, a new rental project will have a higher rent structure, which may increase the need for Housing Vouchers.

Home Ownership

Findings: Expanding home ownership opportunities is a goal for most cities. High rates of home ownership promote stable communities and strengthen the local tax base. The median owner-occupied home value in Lemmon is estimated to be approximately \$37,000 based on sales activity from 2010 to 2012. The home values in Lemmon provide an excellent market for first time buyers and households seeking moderately priced homes.

Our analysis of Perkins County demographic trends shows an increasing number of households in the traditionally strong home ownership age range between 55 and 74 years old. The other age ranges are projected to lose households or will remain relatively stable. Some households in these age ranges that have not been able to achieve the goal of home ownership may need the assistance of special programs to help them purchase their first home.

To assist in promoting the goal of home ownership, the following activities are recommended:

6. Utilize and promote all programs that assist with home ownership

Findings: We believe that affordable home ownership is one of the issues facing Lemmon in the future. Home ownership is generally the preferred housing option for most households and most communities. There are a number of strategies and programs that can be used to promote home ownership programs, and can assist with this effort.

First time home buyer assistance, down payment assistance, low interest loans and home ownership counseling and training programs can help to address affordable housing issues. The City has a supply of houses that are price-eligible for these assistance programs. The home value estimates used in this study indicate that a large majority of the existing stock currently is valued under the purchase price limits for the first-time home buyer assistance programs.

While these individual home ownership assistance programs may not generate a large volume of new ownership activity, the combination of below market mortgage money, home ownership training, credit counseling, and down payment assistance may be the mix of incentives that moves a potential home buyer into home ownership.

Recommendation: Lemmon should continue to work with area housing agencies, the South Dakota Housing Development Authority and local financial institutions to utilize all available home ownership assistance programs. Private and nonprofit agencies should also be encouraged to provide home ownership opportunities.

The City should also work with housing agencies to access programs that provide financial assistance for households to purchase a home and to assure the City of Lemmon is receiving its share of resources that are available in Perkins County and the region.

Funding sources for home ownership programs may include USDA Rural Development, the South Dakota Housing Development Authority, NeighborWorks, and the Federal Home Loan Bank.

7. Develop a Purchase/Rehabilitation Program

Findings: Lemmon has a large stock of older, lower valued homes, many of which need repairs. Our analysis of recent sales activity indicates that most of the homes in Lemmon are valued under \$75,000. As some lower valued homes come up for sale, they may not be attractive options for potential home buyers because of the amount of repair work that is required.

Some communities with a stock of older homes that need rehabilitation have developed a purchase/rehabilitation program. Under a purchase/rehabilitation program, the City or a housing agency purchases an existing home that needs rehabilitation, rehabilitates the home, sells the home to a low/moderate income family and provides a mortgage with no down payment, no interest and a monthly payment that is affordable for the family.

In many cases, the cost of acquisition and rehab will exceed the house's after-rehab value, and a subsidy may be required to fill this gap. Although a public subsidy may be involved, the cost to rehab and sell an existing housing unit is generally lower than the subsidy required to provide an equally affordable unit through new construction.

Recommendation: We recommend that the City of Lemmon work with a housing agency to develop and implement a purchase/rehab program. Attitudinal surveys that we have conducted in other cities have found that purchase/rehabilitation programs are appealing to people who are currently renting their housing. In some similar sized communities, a large majority of survey respondents who were renters indicated an interest in buying a home in need of repair if rehabilitation assistance was also available.

A purchase/rehabilitation program achieves several goals. The program encourages home ownership, prevents substandard homes from becoming rental properties and rehabilitates homes that are currently substandard.

Because a purchase/rehabilitation program can be expensive and its cost effectiveness in some cases may be marginal, it may be advantageous to directly assist low and moderate income households with purchasing and rehabilitating homes. Local housing agencies and financial institutions could offer some rehabilitation assistance in conjunction with first-time home buyer programs to make the City's older housing a more attractive option for potential home buyers. Also, USDA Rural Development provides purchase/rehabilitation loans to low and moderate income buyers.

8. Explore the creation of a local down payment assistance program

Findings: One of the identifiable barriers preventing low and moderate income households from owning a home is the inability to save money for down payment and closing costs. This is especially true now that lending institutions have tightened their lending criteria and some conventional loans require a lower loan-to-value ratio.

There are numerous examples of cities and counties that have created a local fund to assist home owners with a down payment assistance program. Under these programs, the city or county establishes a loan pool. Eligible applicants are provided a "soft second" loan that can be applied to a home purchase.

This down payment/closing cost loan is typically secured against the property, behind the primary mortgage. Repayment can be triggered if the buyer sells the home within a certain period of time, but often the loan is forgiven if the borrower meets the basic program requirements. In other cases, the loan may need to be repaid after a certain period of time, or when the borrower sells or transfers the house in the future. Loans with repayment requirements typically do not accrue interest. The size of the loan is generally \$5,000 or less, but depends upon the resources that are available for the loan pool.

Recommendation: The City may wish to consider the development of a local down payment/closing cost assistance program. A locally-funded program could provide additional assistance or could potentially serve households that do not qualify for SDHDA Down Payment Assistance. Following the collapse of the national housing bubble, and resulting rise in foreclosures, more stringent lending criteria now apply to many conventional mortgage loans, and a larger borrower contribution may be required.

To promote home ownership within the City of Lemmon, and to make ownership more achievable, a locally-funded program should be explored. Major local employers, the Federal Home Loan Bank and the South Dakota Housing Development Authority may be potential sources to contribute to the fund. In some communities, recaptured grant funds have also been used to create a loan pool.

Single Family Housing Development

Findings: Lemmon has experienced limited single family housing development since 2000. Over the past 12 years, six single family homes have been constructed or have been moved into Lemmon. Also, several homes have been constructed out of the City limits, but in close proximity to the City.

Household growth projections for Lemmon indicate limited demand for owner-occupied housing construction. Growth is anticipated over the next five years among Perkins County households in the 55 and 74 year old age ranges. Households in these age ranges tend to be predominantly home owners, and form a market for higher priced, and trade-up housing or town homes/twin homes.

Our projections expect a decrease in the number of households in the 25 to 44 age ranges. Some households in these age ranges are first-time home buyers and may be in the market for new affordable homes.

It is our opinion that if the City, housing agencies, and builders are proactive, eight to nine homes can be constructed or moved into Lemmon over the next five years, from 2013 to 2018.

9. Support Lot / Subdivision Development

Findings: As part of this Study, we attempted to identify the inventory of available residential lots for single family housing construction in the City of Lemmon. Buildable lots are defined as having sewer and water available to the lots. It appears that the only lots are several in-fill lots located throughout the community. We do not know the availability of these lots. Also, there are numerous dilapidated houses throughout the City that could be demolished and the lot could be used for new construction.

Recommendation: We use a standard that a 2.5-year supply of lots should be available in the marketplace, based on annual lot usage. Using our projections that one to two houses will be constructed or moved in annually, an adequate supply of lots only exists if the buyer pro-actively seeks to purchase a lot that may not be currently on the market or if the buyer purchases a home for demolition. Although it should be a priority to redevelop neighborhoods by demolishing dilapidated housing, we are recommending that the City of Lemmon coordinate with an area housing agency or private developer to plan and develop a six-lot to eight-lot subdivision. The subdivision should also be, if possible, developed on land that has capacity for future phases.

The six-lot to eight-lot subdivision should include the following:

- ▶ The subdivision should be no more than six to eight lots, but the subdivision and infrastructure should be planned and developed to accommodate future phases.
- ▶ The subdivision must be as aesthetically acceptable as possible.
- ▶ The subdivision should accommodate a variety of home designs and home prices.
- ▶ Major employers should be involved in the financing and publicity.
- ▶ To be successful, the homes must be available to as wide an income range as possible.
- ▶ A successful subdivision will need the cooperation of local housing agencies, funding agencies, employers and the City of Lemmon.

We are recommending that the subdivision is developed within two to three years, in coordination with the improving economy. We are estimating a five-to-six year lot absorption timeframe.

10. Support and Promote LACED's Single Family Home Development Program

Findings: Lemmon Area Charitable and Economic Development (LACED) has received an endowment from a local benefactor. The endowment generates approximately \$50,000 per year for housing development.

LACED has developed a program that will construct new single family homes in Lemmon. The program will develop homes as follows:

- ▶ LACED will purchase dilapidated dwellings, demolish the dwellings and utilize the vacant lots for new single family housing construction. LACED has purchased three properties to date.
- ▶ LACED will construct one home annually on a cleared lot or lots.
- ▶ The new home will be sold utilizing funds from the endowment to reduce the cost of purchasing the lot(s) and constructing the home by approximately \$50,000. The goal is to sell the new homes at a price in the \$100,000 range.

Recommendation: We recommend that the City of Lemmon and housing agencies assist LACED in any manner possible to make this Program successful. The Program will add new homes to the Lemmon housing market and revitalize neighborhoods by demolishing dilapidated structures.

11. Coordinate with housing agencies and nonprofit groups to construct affordable housing

Findings: In addition to LACED, there are several other housing agencies and nonprofit groups that may have the capacity to construct new housing for low and moderate income households including the Lemmon Housing and Redevelopment Commission and Homes are Possible, Inc. However, due to the downturn in the housing economy, most housing agencies have cut back on new housing production.

Recommendation: We encourage the City of Lemmon to actively work with housing agencies or nonprofit groups to develop affordable housing.

As the housing economy improves and home values increase, a housing agency or nonprofit may become involved in new affordable home construction production in Lemmon.

Additionally, the City should work with housing agencies and builders to market Governors Homes.

12. Promote townhouse and twin home development

Findings: From 2000 to 2012, no owner occupied twin homes or town homes have been constructed in Lemmon. Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes, thus, making homes available for families. It is important for the community to offer a range of life-cycle housing options.

In 2012, there were 440 Perkins County households in the 55 to 74 year old age ranges and these age ranges are expected to increase by 44 to 52 households between 2010 and 2015. Household growth among empty-nester and senior households should result in some demand for attached single family units. It is likely that demand for attached housing units will also be dependent on the product's ability to gain additional market acceptance among the households in the prime target market.

Recommendation: It is our projection that approximately four to six new owner-occupied twin home/townhomes could be constructed in Lemmon over the next five years. Our projection is based on the availability of an ideal location and twin home/town home development as well as high quality design and workmanship.

We recommend that for twin home/town home development to be successful, the following should be considered:

- ▶ Senior friendly home designs
- ▶ Maintenance, lawn care, snow removal, etc. all covered by an Association
- ▶ Cluster development of a significant number of homes which provides security
- ▶ Homes at a price that is acceptable to the market

The City's role could include assuring that adequate land is available for development, that zoning allows for attached housing development, land donations, tax increment financing, etc.

A corporation has been developed in Arlington, MN, that includes local contractors, the local bank, the local lumberyard and local investors to construct twin homes. They have been very successful.

It may be advantageous to meet with local empty-nesters and seniors who are interested in purchasing a twin home to solicit their ideas.

Housing Rehabilitation

Findings: Lemmon has an asset in its existing housing stock. Existing units, both now and into the future, will represent the large majority of the affordable housing opportunities. Existing units generally sell at a discount to their replacement value. Units that are not maintained and improved may slip into disrepair and be lost from the housing stock. Efforts and investment in housing rehabilitation activities will be critical to offering affordable housing opportunities.

It is our opinion that the City of Lemmon and area housing agencies will need to make housing rehabilitation a priority in the future. New housing construction that has occurred is often in a price range that is beyond the affordability level for most Lemmon households. Housing options for households at or below the median income level will largely be met by the existing, more affordable housing stock. As this existing stock ages, more maintenance and repair will be required. Without rehabilitation assistance, there is a chance that this affordable stock could shrink, creating an even more difficult affordability situation.

The following specific recommendations are made to address the housing rehabilitation needs.

13. Promote rental housing rehabilitation

Findings: Lemmon has rental properties that need repair. Our condition analysis identified several substandard rental units. The rental units in need of repair are primarily single family homes. It is difficult for rental property owners to rehabilitate and maintain their rental properties while keeping the rents affordable for the tenants. The rehabilitation of older rental units can be one of the most effective ways to produce decent, safe and sanitary affordable housing.

Recommendation: The City should work with housing agencies to seek funds that allow for program design flexibility that make a rental rehabilitation program workable. Potential funding sources may include USDA Rural Development, the South Dakota Housing Development Authority and the Federal Home Loan Bank.

14. Promote owner-occupied housing rehabilitation efforts

Findings: The affordability and quality of the existing housing stock in Lemmon will continue to be a major attraction for families that are seeking housing in Lemmon. Investment in owner-occupied housing rehabilitation activities will be critical to offering affordable housing opportunities.

Our 2012 housing condition survey of 329 Lemmon homes in two Lemmon neighborhoods found 70 homes that need minor repairs and 96 homes that need major repairs. Without rehabilitation assistance, the affordable housing stock will shrink in Lemmon.

Recommendation: We recommend that the City of Lemmon and the Lemmon Housing and Redevelopment Commission seek local, state and federal funds to assist in financing housing rehabilitation. USDA Rural Development, the South Dakota Housing Development Authority and the Federal Home Loan Bank, are potential funding sources.

Currently, the Western SD Community Action Agency, NeighborWorks, and Homes are Possible, Inc., are implementing owner-occupied housing rehabilitation programs, furnace replacement and weatherization programs in Lemmon and Perkins County. Households that meet program requirements are eligible for a deferred loan to rehabilitate their homes. Deferred loans do not have to be paid back if the household lives in the rehabilitated home for a stipulated amount of time after the rehabilitation is completed. We encourage Lemmon and Perkins County households to continue to utilize these programs.

Other Housing Initiatives

15. Acquire and demolish dilapidated structures

Findings: Our housing condition survey identified 69 single family houses and 12 mobile homes in two Lemmon neighborhoods that are dilapidated and too deteriorated to rehabilitate. We also identified 96 single family houses and 14 mobile homes as needing major repair and several of these homes may be too dilapidated to rehabilitate. To improve the quality of the City's housing stock and to maintain the appearance of the community, these structures should be demolished. In the past, the City has worked with property owners to demolish several dilapidated structures. Currently, Lemmon Charitable and Economic Development is purchasing homes and clearing the lots for new construction.

Recommendation: The City should continue to work with property owners to demolish severely dilapidated structures. The City is enhanced when blighted and dilapidated structures are removed. Also, some of the cleared lots can be utilized for the construction of new affordable housing units.

Some cities are developing ordinances that give cities more authority to require property owners to demolish vacant, dilapidated homes.

16. Create a plan and a coordinated effort among housing agencies

Findings: Lemmon will need staff resources in addition to existing city personnel and volunteers to plan and implement many of the housing recommendations advanced in this Study. The City has access to the Lemmon Housing and Redevelopment Commission, the Lemmon Area Charitable and Economic Development, the Mobridge Housing Authority, the Western SD Community Action Agency, the Black Hills Council of Local Governments, NeighborWorks, Homes are Possible, Inc., the USDA Rural Development Office and the South Dakota Housing Development Authority. These agencies all have experience with housing and community development programs.

Recommendation: The City of Lemmon has access to multiple agencies that can assist with addressing housing needs. It is our recommendation that the City work with the housing agencies to prioritize the recommendations of this Study and to develop a plan to address the City's housing needs. The Plan should include strategies, time lines and the responsibilities of each agency. While there has traditionally been a degree of staff interaction between these agencies, it will be important that a coordinated approach be used to prioritize and assign responsibility for housing programs.

It will also be important for the City to look for opportunities to work cooperatively with other area cities to address housing issues. With the number of small cities in the Region, and limited staff capacity at both the city and county levels, cooperative efforts may be the only way to accomplish certain projects. Cooperative efforts will not only make housing projects more practical, but they will often be more cost-effective and competitive.

17. Promote commercial rehabilitation and development

Findings: The City of Lemmon's commercial district is in good condition, and several commercial buildings have been renovated, however, there are several substandard commercial buildings in Lemmon.

When households are selecting a city to purchase a home in, they often determine if the city's commercial sector is sufficient to serve their daily needs. A viable commercial district is an important factor in their decision making process.

Recommendation: We recommend that the City of Lemmon and the Lemmon Area Charitable and Economic Development continue to work with commercial property and business owners to rehabilitate their buildings. Also, new businesses should continue to be encouraged to locate in Lemmon.

The City of Lemmon and the Lemmon Area Charitable and Economic Development should be encouraged to seek funding to assist property owners with rehabilitating their commercial buildings. A goal of one commercial rehab project annually in Lemmon would be a realistic goal.

Agencies and Resources

The following local, regional and state agencies administer programs or provide funds for housing programs and projects:

Western SD Community Action, Inc.

1844 Lombardy Drive
Rapid City, SD 57703

NeighborWorks

795 East Main Street
Deadwood, SD 57732

Mobridge Housing Authority

116 4th Street West, #5
Mobridge, SD 57601
(605) 845-2560

Homes are Possible, Inc. (HAPI)

318 South Main Street
Aberdeen, SD 57401
(605) 225-4274
Contact: Jeff Mitchell, Executive Director

USDA Rural Development

1717 North Lincoln Avenue
Pierre, SD 57501
(605)224-8870, Ext. 4
Contact: Clark Guthmiller, Area Specialist

South Dakota Housing Development Authority

3060 East Elizabeth Street
Pierre, SD 57501
(605) 773-3181
Contact: Mark Lauseng, Executive Director

Black Hills Council of Governments

525 University Loop, Suite 102
Rapid City, SD 57701
(605) 394-2681
Contact: Blaise Emerson, Executive Director