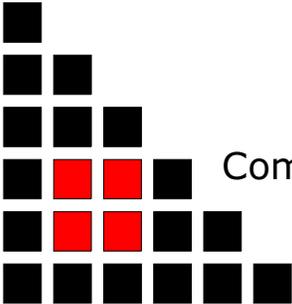


City of De Smet HOUSING STUDY

June 2020

An analysis of the overall housing needs
of the City of De Smet



Community Partners Research, Inc.
Faribault, MN

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Introduction

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. Most of the housing units in De Smet and Kingsbury 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., has been hired by the De Smet Development Corporation to complete a Comprehensive Housing Study for the community.

Goals

The multiple goals of the study include:

- ▶ Provide current demographic data
- ▶ Provide an analysis of the current housing stock and inventory
- ▶ Determine gaps or unmet housing needs
- ▶ Examine future housing trends that the area can expect to address 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 November 2019 to March 2020. Data sources included:

- U.S. Census Bureau
- American Community Survey
- Applied Geographical Solutions, Inc., a private data reporting service
- Esri, Inc., a private data reporting service
- Records and data from the City
- Records and data maintained by Kingsbury 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 survey

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 De Smet and Kingsbury County. A primary data source is the U.S. Census Bureau, through the decennial census, the annual American Community Survey, and the annual population estimates program.

To supplement the decennial Census, the Census Bureau has created the American Community Survey, an annual sampling of households. This 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. Some of the following tables incorporate the 2018 American Community Survey data, when viewed as reliable.

The Governor's Office of Economic Development provides demographic profile information for cities, towns and counties supplied by Applied Geographic Solutions (AGS), a private company. Prior to using AGS, the State had used a similar provider, Esri, Inc., for demographic data. The analysts have examined both of these sources in some of the tables that follow for current-year estimates and future projections.

In addition to providing demographic information for De Smet, comparative information has often been provided for all of Kingsbury County.

Population Data and Trends

Table 1 Population Trends - 1990 to 2019						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2019 Esri Estimate
De Smet	1,172	1,164	-0.7%	1,089	-6.4%	1,081
Kingsbury Co.	5,925	5,815	-1.9%	5,148	-11.5%	5,235

Source: U.S. Census; Esri

- ▶ There are two available population estimates for De Smet in 2019. Esri, a private reporting service, showed the City with 1,081 residents in 2019, a decrease of eight people, or -0.7%, from the 2010 Census.
- ▶ Applied Geographic Solutions estimates that De Smet had 1,088 people, a loss of only one person from 2010 to 2019.
- ▶ The Census Bureau has released information through its population estimates program. The most recent estimate for De Smet is effective July 1, 2018, and estimates the City’s population at 1,059, a loss of 30 people from 2010 to 2018.
- ▶ Esri’s 2019 population estimate for Kingsbury County was 5,235 residents, a gain of 87 people from 2010. The AGS estimate contradicts the Esri estimate and showed that Kingsbury County had a loss of 248 people from 2010 to 2019, a decrease of 4.8%.
- ▶ The Census Bureau’s most recent estimate for Kingsbury County is effective July 1, 2018, and shows the County losing 299 people after the 2010 Census. Although there is a one-year time difference between AGS and the Census Bureau, they generally show a similar pattern of change for Kingsbury County.
- ▶ According to the 2010 U.S. Census, the City of De Smet had a population loss of 75 people from 2000 to 2010. De Smet’s population was 1,089 in 2010. The 75-person decrease from 2000 was a population decrease of 6.4%.
- ▶ Kingsbury County’s population was 5,148 in 2010. This was a loss of 667 people from 2000, for a population decrease of 11.5%.

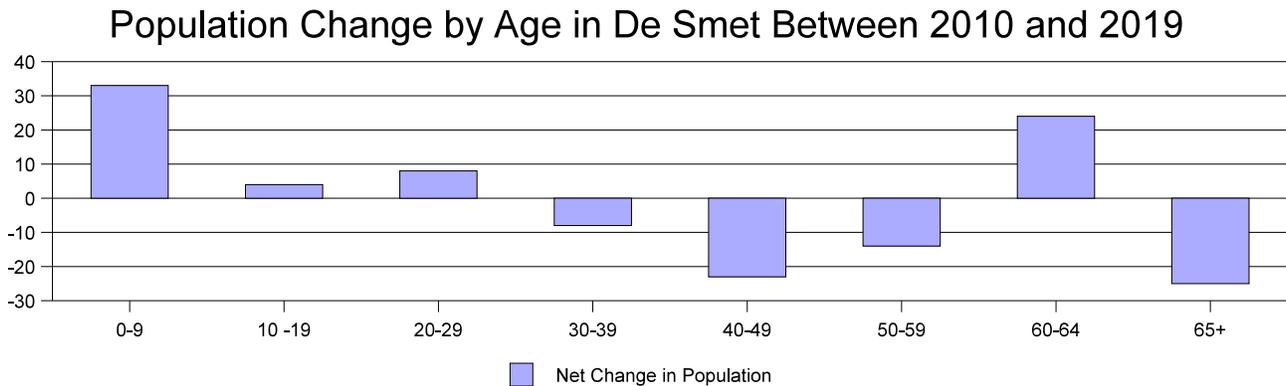
- ▶ De Smet and Kingsbury County experienced population decreases in the 1990s. De Smet's population decreased by eight people and Kingsbury County's population decreased by 110 people from 1990 to 2000.
- ▶ De Smet's population is primarily White and non-Hispanic/Latino. Based on American Community Survey estimates, 98.8% of the City's residents were White, 0.1% were Asian, 0.1% were African American, 0.6% were American Indian and 0.5% were some other race or two or more races.
- ▶ Approximately 0.5% of De Smet's residents were identified as Hispanic/Latino.

Population by Age Trends: 2010 to 2019

The 2019 De Smet population estimate from Applied Geographic Solutions includes information on the age distribution of residents. This information can be compared to the population by age in the 2010 Census.

Table 2 Population by Age - 2010 to 2019			
Age	De Smet		
	2010	2019	Change
0-9	126	159	33
10-19	127	131	4
20-29	77	85	8
30-39	98	90	-8
40-49	126	103	-23
50-59	149	135	-14
60-64	60	84	24
65+	326	301	-25
Total	1,089	1,088	-1

Source: U.S. Census; AGS

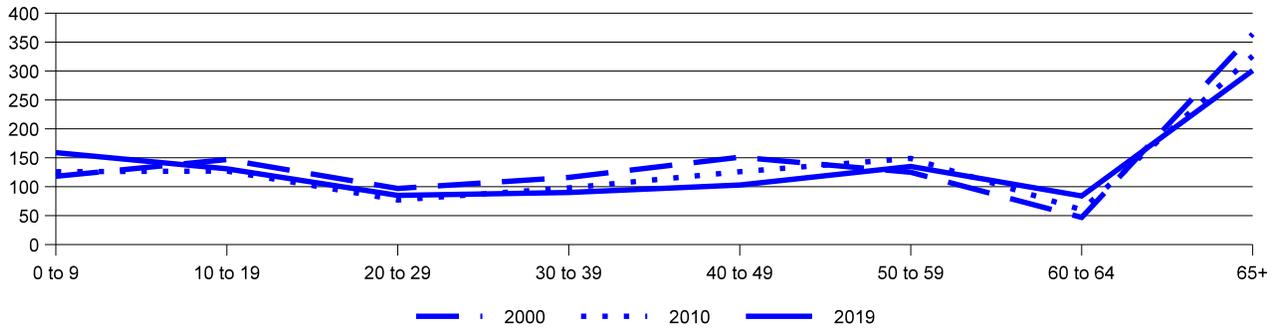


De Smet had population growth of 45 people in the 0 to 29 age ranges and a gain of 24 people in the 60 to 64 age range.

De Smet experienced a population loss of 45 people in the 30 to 59 age ranges and a loss of 25 people in the 65 and older age range.

When viewed as a longer-term pattern, there have been limited changes in the City's age distribution since the year 2000.

City of De Smet Population by Age: 2000 to 2019



Population Projections

The following table presents population projections to the year 2024. Projections for De Smet and Kingsbury County exist from both Applied Geographic Solutions and Esri, and span the five-year period from 2019 to 2024.

Table 3 Population Projections Through 2024						
	Applied Geographic Solutions			Esri		
	2019 Estimate	2024 Projection	Change 2019-2024	2019 Estimate	2024 Projection	Change 2019-2024
De Smet	1,088	988	-100	1,081	1,073	-8
Kingsbury Co.	4,900	4,700	-200	5,235	5,221	-14

Source: Applied Geographic Solutions; Esri

- ▶ AGS shows a significant loss and Esri projects a slight population loss from 2019 to 2024 for the City of De Smet. AGS projects a loss of 100 people in De Smet from 2019 to 2024, or an average decrease of 20 people annually. Esri expects that the City of De Smet will lose eight residents over this five-year period, or an annual average of approximately one to two people per year.
- ▶ AGS expects all of Kingsbury County to lose 200 people between 2019 and 2024, or approximately 40 people in an average year. Esri is much more optimistic and projects that Kingsbury County will lose 14 people from 2019 to 2024, which is an annual average of three people.

Household Data and Trends

Table 4 Household Trends - 1990 to 2019						
	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2019 AGS Estimate
De Smet	490	524	6.9%	478	-8.8%	497
Kingsbury Co.	2,357	2,406	2.1%	2,222	-7.6%	2,225

Source: U.S. Census; AGS

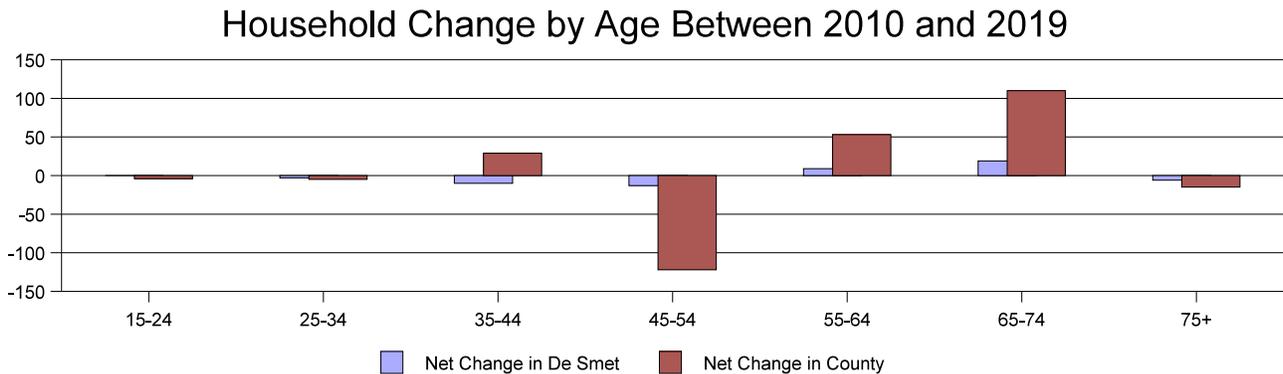
- ▶ The AGS household estimate for De Smet in 2019 was 497, a gain of 21 households since the 2010 Census. Esri’s 2019 household estimate for De Smet was 474 households, a decrease of four households from the 2010 Census.
- ▶ AGS estimates that Kingsbury County had 2,225 households in 2019, a gain of three households from 2010 to 2019. For all of Kingsbury County, the 2019 Esri estimate is 2,268 households, an increase of 46 households from 2010 to 2019.
- ▶ According to the 2010 U.S. Census, De Smet and Kingsbury County had household losses from 2000 to 2010. De Smet had 478 households in 2010. This was a decrease of 46 households from 2000, or a household loss of 8.8%.
- ▶ Kingsbury County had 2,222 households in 2010. This was a decrease of 184 households between 2010 and 2019, or a household loss of 7.6%.
- ▶ De Smet gained 34 households and Kingsbury County gained 49 households during the 1990s.

Household by Age Trends: 2010 to 2019

The demographic data profile that is available from AGS does not provide information on households by age. However, age-based estimates are available from Esri. The following table compares households by age in 2010 and 2019, along with the numeric changes. It is important to note that Esri has a lower estimate of the total household count in 2019 when compared to AGS. However, the difference between the two sources is less than 5%.

Table 5 Households by Age - 2010 to 2019						
Age	De Smet			Kingsbury County		
	2010	2019	Change	2010	2019	Change
15-24	10	10	0	53	49	-4
25-34	49	46	-3	270	265	-5
35-44	60	50	-10	263	292	29
45-54	86	73	-13	474	352	-122
55-64	73	82	9	432	485	53
65-74	71	90	19	293	403	110
75+	129	123	-6	437	422	-15
Total	478	474	-4	2,222	2,268	46

Source: U.S. Census; Esri



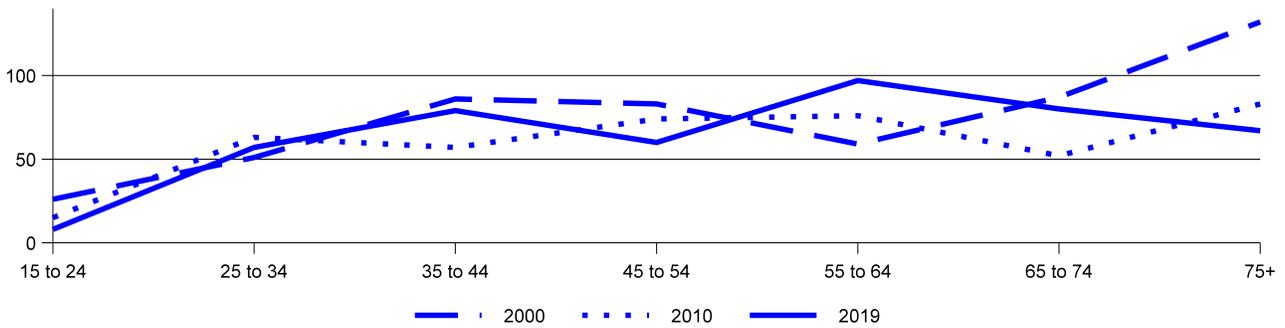
From 2010 to 2019, De Smet added 28 households in the 55 to 74 age ranges. During that same time span, De Smet had a loss of 26 households in the 25 to 54 age ranges, and a decrease of six households in the 75 and older age range.

From 2010 to 2019, Kingsbury County gained 29 households in the 35 to 44 age range and added 163 households in the 55 to 74 age ranges.

From 2010 to 2019, Kingsbury County had a decrease of nine households in the 15 to 34 age ranges, a significant loss of 122 households in the 45 to 54 age range and a loss of 15 households in the 75 and older age range.

It is possible to track the age progression patterns of households in De Smet over the past 20 years.

City of De Smet Households by Age of Householder: 2000 to 2019



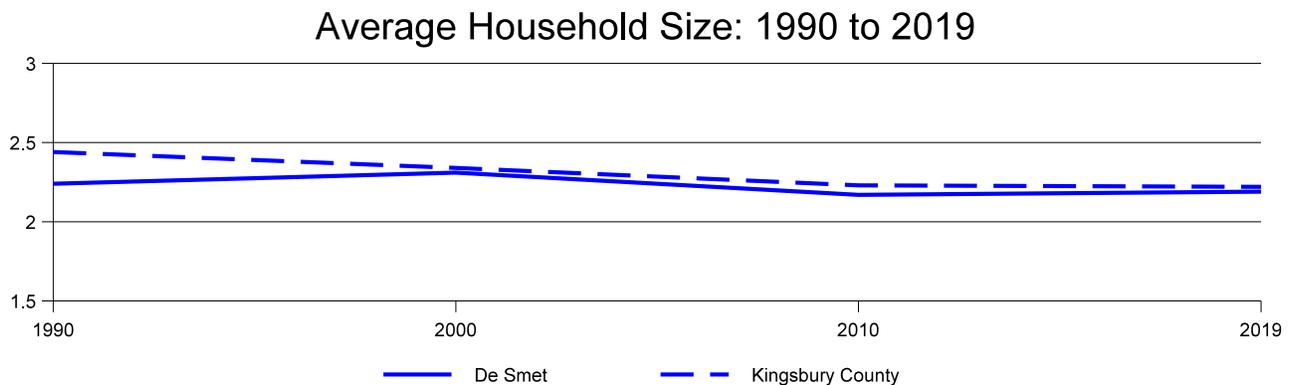
Average Household Size

The following table provides decennial Census information on average household size, along with the 2019 estimate from Esri.

Table 6 Average Number of Persons Per Household: 1990 to 2019				
	1990 Census	2000 Census	2010 Census	2019 Esri
De Smet	2.24	2.31	2.17	2.19
Kingsbury Co.	2.44	2.34	2.23	2.22

Source: U.S. Census; Esri

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.



The average household size in De Smet has decreased slightly over the past three decades. The average household size decreased from 2.24 persons per household in 1990 to 2.19 in 2019. However, De Smet’s average household size has fluctuated and there was a slight household size increase from 2010 to 2019. Kingsbury County’s average household size decreased from 2.44 in 1990 to 2.22 in 2019.

Household Projections

Household projections for the five-year time period spanning the years 2019 through 2024 are available from AGS and Esri. Household growth directly impacts the demand for housing.

Table 7 Household Projections Through 2024						
	AGS			Esri		
	2019 Estimate	2024 Projection	Change	2019 Estimate	2024 Projection	Change
De Smet	497	459	-38	474	470	-4
Kingsbury Co.	2,225	2,174	-51	2,268	2,264	-4

Source: AGS, Esri

- ▶ The AGS and Esri projections expect household losses for De Smet and Kingsbury County from 2019 to 2024.
- ▶ AGS projects that De Smet will lose 38 households from 2019 to 2024. Esri estimates that De Smet will lose four households from 2019 to 2024.
- ▶ Based on AGS data, Kingsbury County is projected to lose 51 households from 2019 to 2024. This is an average decrease of approximately 10 households per year.
- ▶ Esri projects that Kingsbury County will lose only four households from 2019 to 2024, which is an average loss of nearly one household per year.

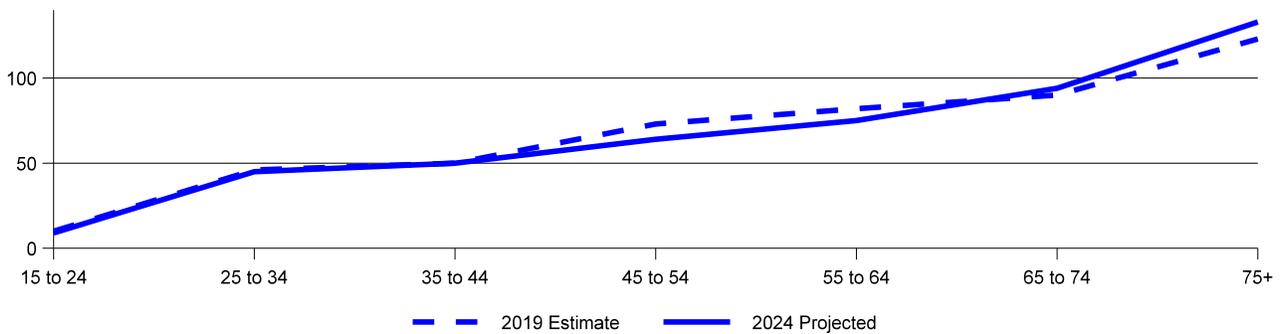
De Smet Household by Age Projections: 2019 to 2024

In addition to overall household forecasts, Esri has also generated age-based projections for households to the year 2024. These projections can be compared to the data contained in the 2019 Esri estimate to examine the change projected over the next five years. Age-based household forecasts are provided for the City of De Smet. Age-based household forecasts are not available from Applied Geographic Solutions.

Table 8 Projected Households by Age - 2019 to 2024			
Age	De Smet		
	2019	2024	Change
15-24	10	9	-1
25-34	46	45	-1
35-44	50	50	0
45-54	73	64	-9
55-64	82	75	-7
65-74	90	94	4
75+	123	133	10
Total	474	470	-4

Source: Esri

City of De Smet Households by Age of Householder: 2019 to 2024



Esri projects an overall loss of four households in De Smet from 2019 to 2024. However, consistent with the age distribution data presented earlier, the movement of the “baby boom” generation through the aging cycle should generate an additional 14 households in the 65 and older age ranges.

The Esri projections expect a decrease of two households in the 15 to 34 age ranges and a 16-household loss in the 45 to 64 age ranges.

Overall, from 2019 to 2024, De Smet is projected to have a loss of 18 households in the 64 and younger age ranges, and a gain of 14 households in the 65 and older age ranges.

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 De Smet.

Table 9 De Smet Household Composition - 2000 to 2010			
	2000 Census	2010 Census	Change
Family Households			
Married Couple with own children	101	80	-21
Single Parent with own children	29	28	-1
Married Couple without own children	161	170	9
Family Householder without spouse	9	12	3
Total Families	300	290	-10
Non-Family Households			
Single Person	206	170	-36
Two or more persons	18	18	0
Total Non-Families	224	188	-36

Source: U.S. Census

Between 2000 and 2010, De Smet experienced an overall net decrease of 10 “family” households. There was a decrease of 21 married couples with children and a decrease of one single parent household with children. The City had an increase of nine married couple households without children. There was also an increase of three households without a spouse or children.

The City of De Smet had a decrease of 36 “non-family” households. There was a decrease of 36 one-person households. There was no change in the number of households that had unrelated individuals living together.

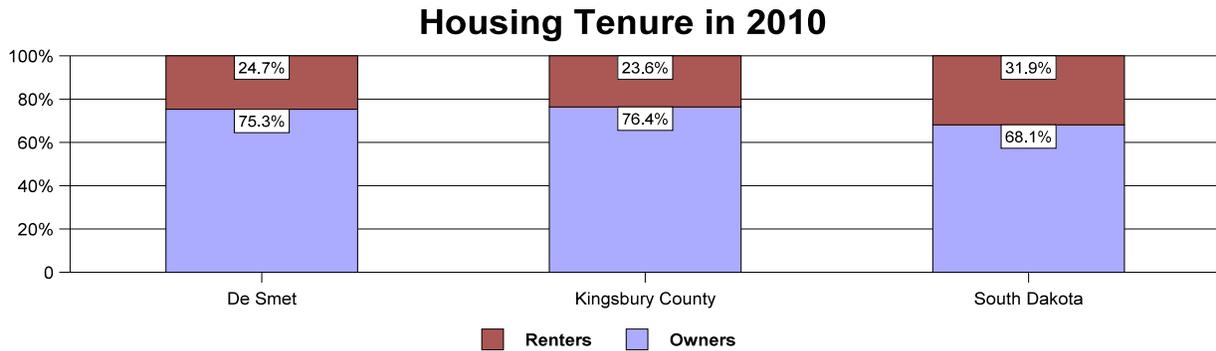
Housing Tenure

The most reliable information on housing tenure is from the 2010 Census.

Table 10 Household Tenure - 2010				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
De Smet	360	75.3%	118	24.7%
Kingsbury Co.	1,698	76.4%	524	23.6%
State	-	68.1%	-	31.9%

Source: ACS

At the time of the 2010 Census, the home ownership tenure rate in De Smet was 75.3%, compared to a rate of 76.4% for all of Kingsbury County. Statewide, 68.1% of all households were homeowners, with 31.9% renting in 2010.



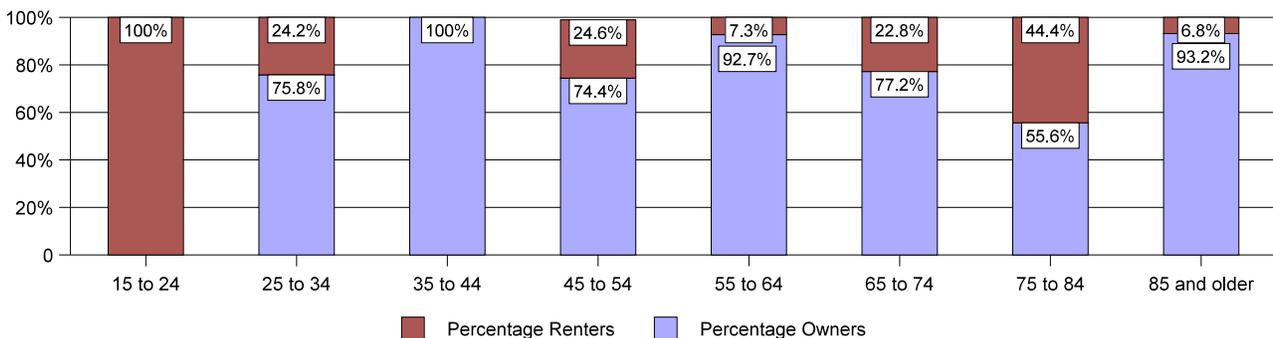
Tenure by Age of Householder

The American Community Survey provided information on the tenure distribution of households within each defined age range. However, the ACS appears to have overestimated the number of home owners and underestimated the number of renter households in De Smet in 2018, but the age distribution patterns are still viewed as the best available data on this topic.

Table 11 De Smet Tenure by Age of Householder - 2018				
Age	Owners		Renters	
	Number	Percent within age	Number	Percent within age
15-24	0	0%	11	100%
25-34	72	75.8%	23	24.2%
35-44	57	100%	0	0%
45-54	43	75.4%	14	24.6%
55-64	76	92.7%	6	7.3%
65-74	61	77.2%	18	22.8%
75-84	35	55.6%	28	44.4%
85+	55	93.2%	4	6.8%
Total	399	79.3%	104	20.7%

Source: ACS

De Smet Housing Tenure Patterns by Age in 2018



Households at the lower end of the age spectrum showed a high preference for rented housing, while middle-aged adult and older households were primarily homeowners. All households age 24 and younger rented their unit, and all of the other age ranges had ownership rates of 55% or higher.

2018 Income Data

The 2010 Census did not collect information on household income. However, estimates are available at the city and county level through the American Community Survey. The following table provides 2018 American Community survey data for De Smet, Kingsbury County and the State of South Dakota.

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 12 Median Household Income - 2010 to 2018			
	2010 Median	2018 Median	% Change
Median Household Income			
De Smet	\$45,147	\$60,288	33.5%
Kingsbury County	\$44,948	\$59,395	32.1%
South Dakota	\$46,369	\$56,499	21.8%
Median Family Income			
De Smet	\$57,011	\$68,452	20.1%
Kingsbury County	\$56,925	\$70,213	23.3%
South Dakota	\$58,958	\$72,706	23.3%

Source: American Community Survey

Information contained in the 2018 American Community Survey shows that the median household and family incomes have increased for De Smet and Kingsbury County from 2010 to 2018.

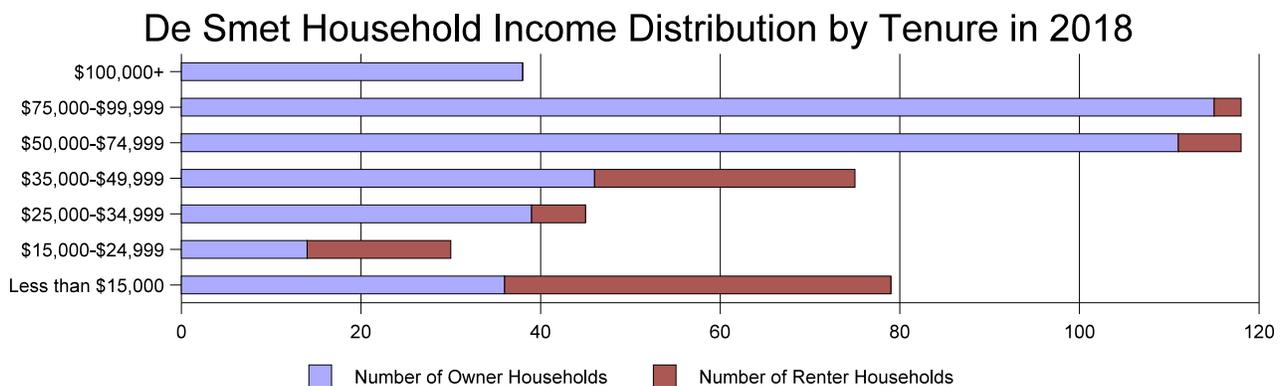
Generally, family household incomes tend to be much higher than the overall household median, as families have at least two household members, and potentially more income-earners. Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in De Smet could afford approximately \$1,507 per month and a median income family household could afford \$1,711 per month for ownership or rental housing in 2018.

De Smet Income Distribution by Housing Tenure

The 2018 American Community Survey provides income data by owner and renter status. The American Community Survey appears to have overestimated the number of home owners and underestimated the number of renter households in De Smet in 2018, but the age distribution patterns are still viewed as the best available data on this topic.

Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	36/45.6%	43/54.4%	79
\$15,000 - \$24,999	14/46.7%	16/53.3%	30
\$25,000 - \$34,999	39/86.7%	6/13.3%	45
\$35,000 - \$49,999	46/61.3%	29/38.7%	75
\$50,000 - \$74,999	111/94.1%	7/5.9%	118
\$75,000 - \$99,999	115/97.5%	3/2.5%	118
\$100,000+	38/100%	0/0%	38
Total	399	104	503

Source: 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 2018, approximately 63% of all renter households in De Smet 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. The median income for all renter households was approximately \$21,071 in 2018. At 30% of income, a renter at the median level could afford approximately \$527 per month or less for housing costs.

Most owner households had a higher income level than rental households. Approximately 66% of all owner households had an annual income of \$50,000 or more. The estimated median household income for owners in 2018 was approximately \$68,869. At 30% of income, an owner at the median income level could afford approximately \$1,722 per month for housing costs.

2018 Estimated Income and Housing Costs - Renters

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

Table 14 Gross Rent as a Percentage of Household Income - 2018			
Percent of Income for Housing	Households Age 64 and Younger	Households Age 65 and Older	Total
Less than 20%	21/38.9%	25/50.0%	46/44.2%
20% to 29.9%	7/13.0%	5/10.0%	12/11.6%
30% to 34.9%	0/0%	0/0%	0/0%
35% or more	26/48.1%	7/14.0%	33/31.7%
Not Computed	0/0%	13/26.0%	13/12.5%
Total	54/100%	50/100%	104/100%

Source: American Community Survey

According to the American Community Survey, approximately 32% of the renters in the City were paying 30% or more of their income for rent. All of these households were actually paying 35% or more of their income for housing. Federal standards for rent subsidy programs generally identify 30% of household 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”.

Many of the renter households with a housing cost burden had an annual income below \$25,000. To avoid a cost burden, these lower income households would have needed a unit with a gross monthly rent of \$625 or less.

Senior citizen renters (age 65 and older) represented approximately 21% of the households with a rental cost burden. Households in the age ranges between 15 and 64 years old represented approximately 79% of all households with a rental cost burden.

2018 Estimated Income and Housing Costs - Owners

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

Table 15 Ownership Costs as a Percentage of Income - De Smet		
Percentage of Household Income for Housing Costs	Number of Owner Households 2018	Percent of All Owner Households 2018
0% to 19.9%	305	76.4%
20% to 29.9%	45	11.3%
30% to 34.9%	3	0.8%
35% or more	46	11.5%
Not Computed	0	0%
Total	399	100%

Source: American Community Survey

Most owner-occupants, which would include households with and without a mortgage, reported paying less than 30% of their income for housing. However, approximately 12% of all home owners reported that they paid more than 30% of their income for housing. A significant majority of these households were paying more than 35% of income for housing costs.

Existing Home Sales

This section examines houses that have been sold in De Smet from 2015 through 2019. It is important to note that the number of houses that sell each year can vary 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 have turned-over during this time period.

The information was obtained from the South Dakota Department of Revenue website, based on sales reports submitted by the Kingsbury County Equalization Office. The Equalization Office collects and utilizes information from residential sales for its annual sales ratio study. The County compares the actual sale price to the estimated taxable value for each property. As a result, the County information for sales primarily reflects existing homes that have an established tax value. New construction sales activity would generally not be recorded in the data that was used for this analysis, unless the house had been constructed some time ago and did have an established tax value from the prior year.

The County also sorts the residential sales into different groupings, rejecting certain sales. The primary reason that sales are rejected is because the house was not actively listed for sale in the open market.

The County's sale year differs slightly from a calendar year, and begins on November 1st and extends to October 31st.

Table 16 Median Value of Recent Residential Sales - 2015 to 2019

Year	Number of Sales	Median Sale Price	Highest Sale	Lowest Sale
2019	13	\$93,000	\$200,000	\$16,000
2018	19	\$99,500	\$354,500	\$15,000
2017	19	\$70,000	\$222,000	\$12,500
2016	14	\$77,950*	\$275,000	\$29,900
2015	20	\$77,000*	\$222,000	\$18,000

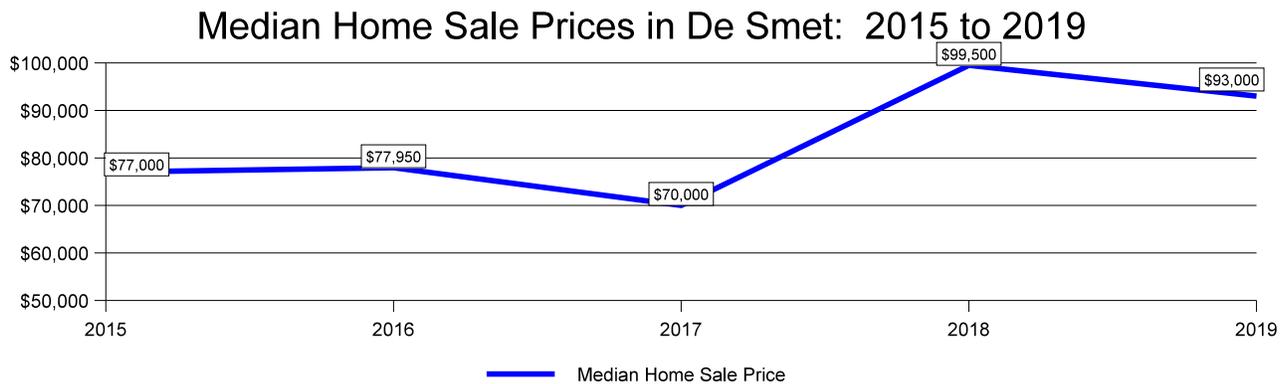
Source: SD Dept. of Revenue; Kingsbury County Assessor; Community Partners Research, Inc.

* Median calculated from two nearest sales

With a limited number of sales within any 12-month time period, there has been some variation in the annual median price. In 2019, the median price was \$93,000, but was based on only 13 sales.

In 2017, the median was \$70,000, but by 2018, had moved above \$99,000. Although the small sales sample may be misleading, it does appear that home sale prices in De Smet may have increased rapidly over the past few years.

If a two-year time period is used, there were 32 combined sales in 2018 and 2019, with a median price of \$96,700.



In each of the years reviewed, at least one house in the City has sold for less than \$30,000 or less. In all five years there has been at least one house that has sold for \$200,000 or more. But the actual number of very high priced sales has been limited. Dating back to 2015, only 10 sales have been recorded for \$200,000 or more.

An alternate estimate of home values exists in the American Community Survey. In 2018, the estimated median value for all owner-occupied housing in De Smet was \$102,000. This estimate was higher than the median sale prices for 2018 or 2019.

De Smet Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of 265 single family/duplex houses in three of De Smet's oldest neighborhoods.

The boundaries of the three neighborhoods are as follows:

- ▶ Neighborhood #1: North - 1st St.
South - 4th St.
East - Olivet Ave.
West - Calumet Ave.

- ▶ Neighborhood #2: North - 1st St.
South - US Hwy 14
East - Calumet Ave.
West - Harvey Dunn Ave.

- ▶ Neighborhood #3: North - City limits
South - Railroad tracks
East - Calumet Ave.
West - Harvey Dunn Ave./Ingalls Ave.

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. These 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 17 Windshield Survey Condition Estimate - 2020					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Neighborhood #1	19/30.2%	26/41.3%	11/17.4%	7/11.1%	63
Neighborhood #2	64/47.1%	55/40.4%	13/9.6%	4/2.9%	136
Neighborhood #3	14/21.2%	34/51.5%	13/19.7%	5/7.6%	66
Total	97/36.6%	115/43.4%	37/14.0%	16/6.0%	265

Source: Community Partners Research, Inc.

- ▶ Approximately 43% of the houses in the City's three oldest neighborhoods needed minor repair and 14% needed major repair. Approximately 37% of the houses were sound, with no required improvements. Sixteen houses were dilapidated and possibly beyond repair.

De Smet Mobile Home Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of 19 mobile homes located in the City of De Smet. The survey was conducted in November 2019.

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 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. Houses and 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 may be good candidates for rehabilitation programs because they are in a sellable price range and are economically feasible to repair.

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

Table 18 Windshield Survey Condition Estimate - 2020					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Mobile Homes	5/26.3%	6/31.6%	5/26.3%	3/15.8%	19

Source: Community Partners Research, Inc.

- ▶ The mobile homes in De Smet are in fair condition. Approximately 32% of the mobile homes need minor repair and 26% need major repair. Approximately 26% are sound, with no required improvements.
- ▶ Three mobile homes are dilapidated and possibly beyond repair.

Building Permit Trends

De Smet has experienced some new housing construction activity in recent years. The following table identifies the units that have been constructed from 2010 to 2019.

Table 19 De Smet Housing Unit Construction Activity: 2010 to 2019			
Year	Single Family	Two or More Units	Total Units Constructed
2019	1	8	9
2018	0	0	0
2017	0	0	0
2016	1	4	5
2015	2	0	2
2014	3	0	3
2013	4	0	4
2012	5	0	5
2011	6	0	6
2010	2	0	2
TOTAL	24	12	36

Source: City of De Smet; Community Partners Research, Inc.

Over the past 10 years, based on building permit issuance information from the City of De Smet, 28 new housing units have been constructed and a building permit has been issued for an eight-plex in De Smet. Of the 36 total units, 24 are single family homes and 12 units are in multifamily projects.

From 2010 to 2014, the City averaged four new single family homes per year. From 2015 to 2019, single family home construction has slowed and an average of one home has been constructed annually. However, in 2016, four multifamily units were constructed, and in 2019 a building permit was issued for eight multifamily units.

Rental Housing Data

Census Bureau Rental Inventory

According to the 2010 U.S. Census, there were 118 occupied rental units and 27 unoccupied rental units in De Smet, for a total estimated rental inventory of 145 units. The City's rental tenure rate in 2010 was 24.7%, below the Statewide rental rate of 31.9%.

Since 2010, four rental units have been constructed in De Smet. Also, some owner-occupancy units may have been converted to rental use since that time. It is estimated that in 2020 there are approximately 150 rental units in De Smet.

Rental Housing Survey

As part of this housing study, a telephone survey was conducted of multifamily projects in De Smet. 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. However, we also obtained information on some properties with less than four units.

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

There were 105 housing units/beds of all types that were contacted in the survey. In addition to the 105 rental units/beds, the skilled nursing home, which has 46 beds, was also surveyed.

The units that were successfully contacted include:

- ▶ 56 market rate units
- ▶ 35 federally subsidized units
- ▶ 14 senior assisted living units/beds
- ▶ 46 beds in the skilled nursing home

The findings of the survey are provided below.

Market Rate Summary

Information was obtained on 56 rental units in five multi-family projects and four single family homes.

Unit Mix

We obtained the bedroom mix on the 56 market rate units. The bedroom mix of the units is:

- ▶ one-bedroom - 23 (41.1%)
- ▶ two-bedroom - 31 (55.3%)
- ▶ three-bedroom - 2 (3.6%)

Occupancy / Vacancy

At the time of the survey, there were four vacancies in the 56 market rate units that were included in the occupancy survey. This is a vacancy rate of 7.1%. The owners of the projects with a vacancy reported that they usually operate at a high occupancy rate.

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.

<u>Unit Type</u>	<u>Lowest/Highest Gross Rents</u>
One-bedroom	\$400-\$675
Two-bedroom	\$535-\$865
Three-bedroom	\$1,075

Please note that the three-bedroom rent is based on one project.

Tax Credit Summary

There are no tax credit units in De Smet.

Subsidized Summary

The research completed for this Study identified one subsidized project providing rental opportunities for lower income households, Prairie Park Apartments.

Prairie Park Apartments is a 35-unit general occupancy HUD Public Housing Project. The project was constructed in 1970 and 1984 in two phases. The project has six efficiency, 22 one-bedroom and seven two-bedroom units.

The subsidized units have access to project-based rent assistance. These units can charge rent based on 30% of the tenant's household income up to the project's market rent.

Unit Mix

The bedroom mix breakdown for the 35 subsidized housing units in De Smet is as follows:

- ▶ 6 efficiencies (17.1%)
- ▶ 22 one-bedroom (62.9%)
- ▶ 7 two-bedroom (20.0%)

Occupancy / Vacancy

At the time of the survey, two vacancies were identified in Prairie Park Apartments for a vacancy rate of 5.7%.

Senior Housing with Services

Unit Inventory

De Smet has two senior with services projects including The Village, an assisted living center, and the Good Samaritan Society-De Smet, which is a skilled nursing facility.

- ▶ **The Village** - The Village is an assisted living project that opened for occupancy in September 2019. The facility has 11 single rooms and three double occupancy suites and is licensed for 16 assisted living beds. The assisted living beds have access to all assisted living services, including meals, medication distribution, bathing assistance, housekeeping, laundry, etc. At the time of the survey, there were four vacant assisted living beds, however this project was still in its initial lease-up phase.

- ▶ **Good Samaritan Society-De Smet** - Good Samaritan Society-De Smet is a licensed 46-bed skilled nursing facility. The facility operates at a high occupancy rate. Fees are based on the level of services.

Table 20 De Smet Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Calumet Townhomes	14 - 2 bedroom 2 - 3 bedroom 16 total units	\$665 \$850	1 vacancy	General occupancy	Calumet Townhomes include 16 market rate general occupancy units. There are 14 two-bedroom and three two-bedroom units. The units were constructed in 2000, 2001 and 2016. The townhomes are owned and managed by the De Smet HRC. Rent is \$665 for the two-bedroom units and \$850 for the three-bedroom units. Tenants also pay utilities. The manager reported one vacancy at the time of the survey, however, the units are usually fully occupied.
White Willow Estates	12 - 1 bedroom 12 total units	\$535-\$550	1 vacancy	General occupancy	White Willow Estates, previously known as Railroad Park Senior Apartments, is a 12-unit market rate general occupancy project. All of the units are one-bedroom. Rent ranges from \$535 to \$550. Tenants also pay heat and electricity. The manager reported one vacancy at the time of the survey.
Coughlin Apartments	1 - 1 bedroom 3 - 2 bedroom 4 total units	\$530 \$560	No vacancies	General occupancy	Coughlin Apartments is a general occupancy market rate four-plex. The units include one one-bedroom and three two-bedroom. Rent is \$530 for the one-bedroom and \$560 for a two-bedroom unit. A one stall garage is included in the rent. Tenants also pay heat and electricity. The manager reported no vacancies at the time of the survey.
Kelman Apartments	1 - 1 bedroom 7 - 2 bedroom 8 total units	\$530 \$560	1 vacancy	General occupancy	Kelman Apartments is a general occupancy market rate 8-plex. There is one one-bedroom unit and seven two-bedroom units. Rent is \$530 for a one-bedroom unit and \$560 for a two-bedroom unit. Tenants also pay heat and electricity. The manager reported that the one-bedroom unit was vacant at the time of the survey. Also, one two-bedroom unit was vacant due to remodeling.

Table 20 De Smet Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Janish Rentals	<u>4 - 2 bedroom</u> 4 total units	\$350-\$450	No vacancies	General occupancy	Janish Rentals include four two-bedroom single family homes. The rent range is \$350 to \$450 plus utilities. At the time of the survey, the owner reported no vacancies.
Bee Hive Apartments	9 - 1 bedroom <u>3 - 2 bedroom</u> 12 total units	\$350 to \$475	1 vacancy	General occupancy	Bee Hive Apartments is a 12-unit general occupancy market rate project. The units are in three buildings and include nine one-bedroom and three two-bedroom units. Rents range from \$350 to \$475. Tenants also pay electricity. The owner reported one vacancy at the time of the survey.
Subsidized					
Prairie Park Apartments	6 - efficiency 22 - 1 bedroom <u>7 - 2 bedroom</u> 35 total units	\$367 \$427 \$515 30% of income	2 vacancies	General occupancy	Prairie Park Apartments is a 35-unit HUD Public Housing General Occupancy Project. There are six efficiency, 22 one-bedroom and seven two-bedroom units. The units are in seven buildings and were constructed in 1970 and 1984. Tenants pay 30% of their income up to the market rent listed. The manager reported two vacancies at the time of the survey.

Table 20 De Smet Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Housing Type	Comments
Senior Housing with Services					
The Village Assisted Living	11 - single rooms <u>3 - double suites</u> 14 total licensed for 16 residents	Varies	Licensed for 16 residents with 12 in occupancy	Assisted Living Center	The Village is a new assisted living facility that opened for occupancy in September 2019. The facility provides the full array of assisted living services, including meals, bathing, laundry, housekeeping, medication management, etc. The facility is licensed for 16 residents, although this would require double occupancy - 12 residents at time of survey.
Good Samaritan Society De Smet	<u>46 beds</u> 46 total	Varies based on services	High occupancy rate	Skilled Nursing Home	Good Samaritan Society-De Smet is a 46-bed skilled nursing facility. The facility provides long-term care and rehab/skilled care. The facility operates at a high occupancy rate.

Source: Community Partners Research, Inc.

Employment and Local Economic Trends

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

Work Force and Unemployment Rates

Employment information is available for Kingsbury County. Information has been reviewed back to the year 2010. Data in the tables that follow have been obtained from the South Dakota Department of Labor.

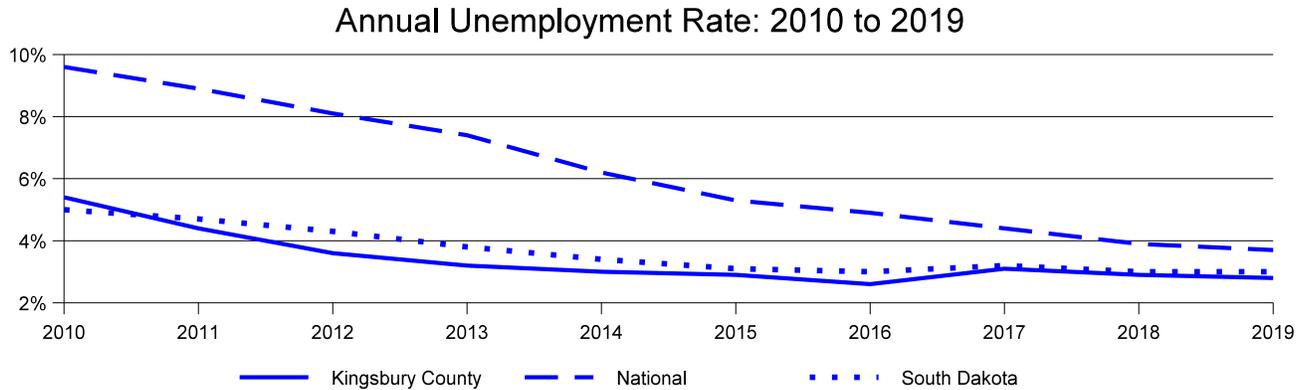
Table 21 County Annual Labor Statistics 2010 to 2019						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - SD	Unemployment Rate - US
2010	2,868	2,713	155	5.4%	5.0%	9.6%
2011	2,874	2,747	127	4.4%	4.7%	8.9%
2012	2,971	2,865	106	3.6%	4.3%	8.1%
2013	2,873	2,780	93	3.2%	3.8%	7.4%
2014	2,879	2,793	86	3.0%	3.4%	6.2%
2015	2,751	2,670	81	2.9%	3.1%	5.3%
2016	2,740	2,668	72	2.6%	3.0%	4.9%
2017	2,678	2,596	82	3.1%	3.2%	4.4%
2018	2,675	2,597	78	2.9%	3.0%	3.9%
2019	2,704	2,627	77	2.8%	3.0%	3.7%

Source: South Dakota Department of Labor; Community Partners Research, Inc.
Not seasonally adjusted

Over the current decade, there has been a gradual reduction in the County’s resident labor force. Preliminary monthly information for 2019 does show a slight reversal in this pattern, but when annual statistics are issued this may be revised downward.

Even with some increase in 2019, the County’s available labor force has decreased by 164 people, or 5.7% between 2010 and 2019. The County’s employed work force has shown similar patterns, down by 86 people, or 3.2% from 2010 to 2019.

With the labor force decreasing at a faster rate than the employed work force, the County's unemployment rate has generally decreased over the decade. For 2019, the unemployment rate was only 2.8%. Since 2011, the County's unemployment rate has been lower than the Statewide rate, and well below the national average.



Employment and Wages

The Quarterly Census of Employment and Wages (QCEW) tracks annual employment and average annual wage data. The QCEW reporting is for unemployment compensation. It is important to note that the reporting does not represent all employment, as some classifications such as self-employed workers are not included. This information is for all of Kingsbury County and tracks the location of the job.

Table 22 County Average Annual Wages - 2018		
Industry	2018 Employment	Average Annual Wage
Total All Industry	1,695	\$37,232

Source: South Dakota Department of Labor & Regulation

The average weekly gross wage for all industry in 2018 was \$716 in Kingsbury County. At full-time employment, this would yield an annual average wage of \$37,232.

Commuting Patterns of Workers

Information is available on workers that commute for employment. The best information is from the 2018 American Community Survey, and has been examined for the City of De Smet. The first table only examines travel time for De Smet residents, and excludes people that work at home.

Table 23 Commuting Times for De Smet Residents - 2018		
Travel Time	Number	Percent
Less than 10 minutes	308	64.2%
10 to 19 minutes	74	15.4%
20 to 29 minutes	37	7.7%
30 minutes +	61	12.7%
Total	480	100%

Source: American Community Survey

A large majority of De Smet’s residents were working locally in 2018, with nearly 80% commuting less than 20 minutes to work. Fewer than 13% were traveling 30 minutes or more.

The American Community Survey also identifies travel time by location of the job. For people that worked in De Smet, the following travel times were listed.

Table 24 Commuting Times for De Smet Employees - 2018		
Travel Time	Number	Percent
Less than 10 minutes	366	46.3%
10 to 19 minutes	150	19.0%
20 to 29 minutes	97	12.3%
30 minutes +	177	22.4%
Total	790	100%

Source: American Community Survey

For people that worked in De Smet, more than 75% traveled less than 20 minutes in 2018. However, approximately 177 people traveled from greater distances requiring a drive time of 30 minutes or more.

Findings on Growth Trends

As part of this Study, Community Partners Research, Inc., has examined growth patterns for De Smet and Kingsbury County over the past few decades. These historic growth trends assist in projecting future demographic changes in the area.

Esri estimates that De Smet had a loss of eight people from 2010 to 2019, which is a decrease of 0.7% and Applied Geographic Solutions estimates that De Smet had a loss of only one person from 2010 to 2019. The Census Bureau estimates that from 2010 to 2018, De Smet had a loss of 30 people.

De Smet's population decreased by 0.7% from 1990 to 2000. The population decreased from 1,172 in 1990 to 1,164 in 2000. From 2000 to 2010, De Smet's population decreased by 75 people, which was a population loss of 6.4%.

AGS estimates that from 2010 to 2019, Kingsbury County had a loss of 248 people, a decrease of 4.8%. The U.S. Census estimate shows a loss of 299 people from 2010 to 2018. Esri contradicts the AGS and U.S., Census estimates and reports that Kingsbury County added 87 people from 2010 to 2019.

Kingsbury County's population decreased from 5,925 in 1990 to 5,815 in 2000, which was a decrease of 1.9%. The population continued to decline in the 2000s from 5,815 in 2000 to 5,148 in 2010, which was a loss of 11.5%.

Household levels increased from 1990 to 2000 in De Smet and Kingsbury County, but were followed by household losses from 2000 to 2010. De Smet experienced a gain of 34 households from 1990 to 2000 followed by a loss of 46 households from 2000 to 2010. AGS estimates that from 2010 to 2019, De Smet increased by 21 households, and Esri estimates that De Smet had a loss of four households during the same time period.

Kingsbury County added 49 households from 1990 to 2000 and had a loss of 184 households from 2000 to 2010. AGS estimates that from 2010 to 2019, Kingsbury County gained three households, and Esri estimates that Kingsbury County gained 46 households.

Findings on Projected Growth

This Study has utilized AGS and Esri projections for De Smet and Kingsbury County. AGS projects that De Smet will lose 100 people and 38 households from 2019 to 2024. Esri projects that De Smet's population will decrease by eight people and four households from 2019 to 2024.

AGS forecasts that from 2019 to 2024, Kingsbury County will lose 200 people and 51 households. Esri projects that Kingsbury County's population will decrease by 14 people and by four households from 2019 to 2024.

Summary of De Smet’s Growth Projections by Age Group

The Demographic section of this Study presented De Smet projection information on anticipated changes by age group from 2019 to 2024. This information can be informative in determining the housing that may be needed due to age patterns of the City’s population.

Esri projects a loss of four households in De Smet from 2019 to 2024. However, consistent with the age distribution data presented earlier, the movement of the “baby boom” generation through the aging cycle should generate a gain of approximately 14 households in the 65 and older age ranges.

Esri projects that from 2019 to 2024, De Smet will lose two households in the 15 to 34 age ranges and will lose 16 households in the 45 to 64 age ranges.

The projections assume that historical patterns will continue into the near-future, especially related to household formation and household size within specific age groups. If De Smet adds population at a rate that is faster or slower than past patterns would suggest, traditional age-based forecasts would be altered.

<u>Age Range</u>	<u>Projected Change in Households 2019 to 2024</u>
15 to 24	-1
25 to 34	-1
35 to 44	0
45 to 54	-9
55 to 64	-7
65 to 74	4
75 and Older	<u>10</u>
Total	-4

Findings on Unit Demand by Type of Housing

Based on the household by age projections presented earlier, the changing age composition of De Smet'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 one-household loss in the 15 to 24 age range through the year 2024. Past tenure patterns indicate that a large majority of these households in De Smet will rent their housing. A slight decrease in the number of households in this age range should mean that rental demand from younger households will remain stable during the projection period.

25 to 34 Years Old - The projections show a loss of one household in this age range by 2024. Within this age range households often move from rental to ownership housing. The ownership rate among these households in De Smet was approximately 76% in 2018. A slight loss of one household indicates no change in the demand for both first-time home buyer and rental opportunities within this age range.

35 to 44 Years Old - The projections for this 10-year age cohort expect no change in the number of households between 2019 and 2024 in De Smet. In the past, this age group has had a very high rate of home ownership. Households within this range often represent both first-time buyers and households looking for trade-up housing, selling their starter home for a more expensive house.

45 to 54 Years Old - For De Smet, the projections show a loss of nine households in this age range. This age group's home ownership rate was approximately 75% in De Smet in 2018. These households will often look for trade-up housing opportunities. A loss in the number of households in this age group indicates that the demand for trade-up housing will decrease from this age range during the projection period.

55 to 64 Years Old - Esri's projections show a decrease of seven households in this 10-year age range by the year 2024 in the City. This age range has traditionally a high rate of home ownership in De Smet, at approximately 93%. 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 - A gain of four households is expected by the year 2024 in the 65 to 74 age range, as all of the households in this age range are part of the baby boom generation. While this group will begin moving to life-cycle housing options as they age, the younger seniors are still predominantly home owners. Approximately 77% of the households in this age range own their housing in De Smet. Once again, preferences for age-appropriate units would increase from household growth within this age cohort.

75 Years and Older - There is a projected increase of 10 households in De Smet in this age range between 2019 and 2024. 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.

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

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 De Smet to lose four to 38 households from 2019 to 2024. Household losses of between four and 51 households are projected for all of Kingsbury County. Anticipated household losses in De Smet will yield limited demand for new housing production. However, certain age ranges are expected to add households.

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 De Smet, some dilapidated housing has been demolished, and more units will 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. Household growth and shifting age patterns have created demand for certain types of age-appropriate housing in De Smet. We have included our estimates of pent-up demand into the specific recommendations that follow later in this section.

Strengths for Housing Development

The following strengths for the City of De Smet were identified through statistical data, local interviews, research and an on-site review of the local housing stock.

- ▶ **De Smet serves as a small regional center** - De Smet provides employment opportunities, retail/service options, health and professional services, governmental services and recreational facilities for a small geographical area that surrounds the City.
- ▶ **Affordable priced housing stock** - The City of De Smet has a stock of affordable, existing houses. Our analysis shows that the City's median home value is approximately \$96,700 based on sales over the past two years. This existing stock, when available for sale, provides an affordable option for home ownership.
- ▶ **Adequate land for development** - De Smet has 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.
- ▶ **Educational system** - De Smet has an excellent public K-12 school system.
- ▶ **Health facilities** - De Smet has a hospital, medical clinics, an assisted living facility and a nursing home.
- ▶ **Infrastructure** - De Smet's water and sewer infrastructure can accommodate future expansion.
- ▶ **Commercial development** - De Smet's commercial district is adequate to meet most daily needs.
- ▶ **De Smet Development Corporation** - The De Smet Development Corporation has been very active in promoting economic development, industrial development, commercial development and housing in De Smet.

- ▶ **De Smet Housing and Redevelopment Commission** - The De Smet Housing and Redevelopment Commission has been active in addressing the City's housing needs and has constructed and manages rental housing in the community.
- ▶ **Housing development** - A rental market rate general occupancy 8-plex is being developed in De Smet.
- ▶ **De Smet is located near regional centers** - De Smet is located 41 miles from Brookings and 34 miles from Huron. These cities provide employment opportunities, retail/service options, educational opportunities, health care facilities and cultural amenities. Some households prefer to live near, but not in a regional center.
- ▶ **Employers** - De Smet has several employers that provide excellent job opportunities for local residents.
- ▶ **Commuters** - Estimates show that more than 175 long-distance commuters come into the City daily for employment, traveling 30 minutes or more. These longer-distance commuters are a potential market for future housing construction.
- ▶ **Available lots** - There are residential lots available in De Smet at an affordable price.
- ▶ **Industrial Park/Employers** - De Smet has an Industrial Park and several manufacturing facilities have moved into the Industrial Park and have created jobs.
- ▶ **Event and Wellness Center and Sports Complex** - The City of De Smet has a new Event and Wellness Center and Sports Complex that provides recreational opportunities, sports opportunities, meeting and conference space, etc.
- ▶ **Tourism and recreational opportunities** - There are tourism and recreational opportunities in the De Smet area including the Ingalls Homestead and Museum, hunting, fishing, etc.

Barriers or Limitations to Housing Activities

Our research also identified the following barriers or limitations that hinder or prevent certain housing activities in De Smet.

- ▶ **Age and condition of the housing stock** - While the existing stock is affordable, some of the housing is in need of improvements to meet expectations of potential buyers.
- ▶ **Low rent structure** - The area's rent structure is relatively low, which makes it difficult to construct new rental housing.
- ▶ **Value-gap deters new owner-occupied construction** - Based on market values from residential sales over the past two years, we estimate that the median priced home in De Smet is valued at approximately \$96,700. This is below the comparable cost for new housing construction, which will generally be above \$200,000 for a stick built home with commonly expected amenities. This creates a value gap between new construction and existing homes.
- ▶ **Proximity to Brookings and Huron** - Although it is a strength to be located near Brookings and Huron, it is also a barrier as De Smet must compete with these cities, which offer attractive residential opportunities and other amenities and services.
- ▶ **Lower paying jobs** - Although De Smet has several large employers, some jobs are at the lower end of the pay scale and employees with these jobs have limited housing choices.
- ▶ **Limited commercial options** - De Smet has commercial and retail options to meet daily needs, however, it has limited other retail and commercial opportunities.

Recommendations, Strategies and Housing 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 De Smet. 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 area's potential for growth.
- ▶ **Proactive community involvement** - New home and apartment construction will more likely occur in De Smet if there is proactive support from the City, local and regional housing and economic development agencies and the South Dakota Housing Development Authority.
- ▶ **Protect the existing housing stock** - The future of De Smet 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 is a major asset, however, rehabilitation efforts are needed to preserve the housing stock.
- ▶ **Protect the existing assets and resources** - De Smet has many assets including a K-12 school, employers, a downtown commercial district, medical facilities, tourism and recreational opportunities, an Event and Wellness Center, etc. These are strong assets that make De Smet a desirable community to live in, and are key components to the City's long-term success and viability. These assets must continue to 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 the local efforts, the City has other resources to draw on including USDA Rural Development, the South Dakota Housing Development Authority, the First District Association of Governments, Inter-Lakes Community Action Agency, Inc., Grow South Dakota, Homes Are Possible, Inc. and Dakota Resources. These resources should be accessed as needed to assist with housing activities.

Summary of Findings/Recommendations

The findings/recommendations for the City of De Smet have been formulated through the analysis of the information provided in the previous sections and include 19 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 additional general occupancy moderate rent/income restricted or subsidized rental housing units
3. Consider the development of 12 to 16 senior with services units
4. Promote the development/conversion of four to six affordable market rate rental housing units
5. Develop a downtown mixed-use commercial/housing project
6. Continue to utilize the Housing Choice Voucher Program

Home Ownership

7. Continue to utilize and promote all programs that assist with home ownership
8. Consider the development and implementation of a purchase/rehabilitation program

Single Family Housing Development

9. Lot availability and lot development
10. Strategies to encourage continued residential lot sales and new home construction in De Smet
11. Coordinate with economic development agencies, housing agencies and nonprofit groups to construct affordable housing
12. Promote twin home/townhome development

Housing Rehabilitation

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

Other Housing Issues

15. Continue to acquire and demolish dilapidated structures
16. Create a plan and a coordinated effort among housing agencies
17. Encourage employer involvement in housing
18. Strategies for Commercial District Redevelopment/Development
19. Develop home ownership and new construction marketing programs

De Smet - Recommendations Rental Housing Development

Rental Housing Development

Overview: In recent decades it has been difficult to produce new rental housing units that are viewed as “affordable” when compared to existing rental housing. A number of factors, including federal tax policy, state property tax rates, high construction costs and a low rent structure, have all contributed to the difficulty in developing rental housing in most South Dakota communities.

From 2010 to 2019, four rental units have been constructed in De Smet. The four-plex was constructed by the De Smet Housing and Redevelopment Commission in 2016. Also, a building permit was issued in 2019 to construct eight market rate rental units. In 2019, the Village, a 14-unit assisted living project was constructed.

In addition to the four-plex and the 8-plex, some single family homes were converted from owner-occupied to rental use over the past two decades.

Demand for new rental housing is typically generated from three factors:

- ▶ Growth from new households
- ▶ Replacement of lost units
- ▶ Pent-up demand from existing households

Our household projections for De Smet from 2019 to 2024 do not forecast overall household growth. However, it is projected that there will be a 14-household gain in the 65 and older age ranges. With household growth from the 65 and older age ranges and a stable number of households in the 44 and younger households, we are expecting a demand of approximately 10 to 12 additional rental units due to household growth over the next five years in De Smet.

Demand created by replacement of lost units is more difficult to determine, but the best available evidence suggests that the City will lose approximately one to two units per year. As a result, approximately five to 10 additional units will be needed over the next five years to replace lost units. In some cases, this unit replacement will be necessary as existing units are removed from the inventory through demolition. In other cases, this replacement is appropriate due to the deteriorating condition of older, substandard rental housing that should be removed from the occupied stock. Rental units may also be lost due to rental units converting to owner occupancy.

Pent-up demand also exists. As part of this study, a rental survey was conducted. The survey found four vacancies in the 56 general occupancy market rate units and two vacancies in the subsidized units. Although a few vacancies were reported, the owners and managers of the rental project reported that they typically have high occupancy rates. The newest rental units in the City, Calumet Townhomes, are almost always fully occupied. The skilled nursing home reported a high occupancy rate and the Village reported a few vacant beds, but the project is still in the initial lease-up phase.

We identified pent-up demand for market rate rental units, subsidized units and independent/light services units.

These three demand generators, after factoring current vacancy rates, show a need for 38 to 48 rental units over the next five years. Based on the factors stated above, we recommend the development of the following new rental units over the next five years from 2020 to 2025.

▶ General Occupancy Market Rate	12-14 units
▶ Income-restricted/Subsidized	6-8 units
▶ Affordable/Conversions	4-6 units
▶ Senior Independent/Light Services	<u>12-16 units</u>
Total	38-48 units

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

Findings: Approximately 77% of the rental housing in the City of De Smet can be classified as general occupancy market rate housing. These units are free of any specific occupancy restrictions such as financial status, age, or student enrollment. Market rate housing does not have any form of rent controls, other than those imposed by the competitive marketplace.

Of the 56 market rate rental units we surveyed, we found four vacancies, which is above the healthy vacancy rate is 3% to 5%. However, the owners and managers of rental properties reported that they typically have high occupancy rates and strong demand for rental housing. The manager of the Calumet Townhomes, the City’s newest units, reported strong demand for the units.

There is a variation in rental rates in the market rate segment in the City of De Smet. The existing rent range including utilities is \$400 to \$675 for a one-bedroom unit, \$535 to \$865 for a two-bedroom unit and \$1,075 for a three-bedroom unit. Only two three-bedroom units were surveyed.

From 2000 to 2019, 16 conventional market rate rental projects were constructed. These units were constructed in 2000, 2001 and 2016. Also, some single family homes converted from owner-occupancy to rental units. Additionally, the De Smet Development Corporation is working with a private developer to construct an eight-unit market rate project.

Recommendation: As stated earlier in this section, rental housing demand is based on household growth, pent-up demand and replacement of housing units that have been demolished or converted.

Based on this combination of demand generators, we believe that it is reasonable to plan for production of 12 to 14 market rate rental units over the next five years from 2020 to 2025. This is in addition to the eight units currently being developed. We recommend not constructing new market rate units until the eight units that are currently being constructed are completed and have a successful leasing history.

Based on our research, there is a continued need for larger rental units, thus, the majority of the new units constructed over the next five years should be two and three-bedroom units.

Town home-style units or high quality apartment buildings are both options in addressing the need for market rate units. The projects, to be successful, should have 'state of the art' amenities. It would be advantageous for new units to be constructed in smaller project phases. This strategy has been successful in De Smet in the past and allows the new units to be absorbed into the market.

There are two market rate rental segments in De Smet. One segment is seeking a high quality unit and can afford a higher rent. The second segment is seeking work force housing and a more modest rent. This segment may not qualify for subsidized or tax credit rental units, but affordability is still an issue.

There is a need to construct both types of market rate rental housing. There is a wide rent range in the following table reflecting the two segments. To construct the workforce housing and charge affordable rents, financial assistance, such as land donations, tax abatement, tax increment financing and other resources may be needed.

The first option to developing market rate housing would be to encourage private developers to undertake the construction of market rate rental housing. If private developers do not proceed, the De Smet Housing and Redevelopment Commission or the De Smet Development Corporation could utilize essential function bonds, or similar funding sources, to construct market rate units. The De Smet Housing and Redevelopment Commission has successfully developed 16 market rate units in 2000, 2001 and 2016, and the De Smet Development Corporation is currently assisting a private developer in constructing eight market rate units.

Also, De Smet Development Corporation or the De Smet Housing and Redevelopment Commission could partner with private developers to construct additional units. The City could assist with land donations, tax increment financing, tax abatement, reduced water and sewer hookup fees, etc.

Recommended unit mix, sizes and rents for the De Smet Market Rate Housing Units:

<u>Unit Type</u>	<u>No. of Units</u>	<u>Size/Sq. Ft.</u>	<u>Rent</u>
One Bedroom	4	650 - 800	\$750 - \$900
Two Bedroom	4-5	850 - 1,000	\$800 - \$1,000
Three Bedroom	4-5	1,100 - 1,200	\$900 - \$1,200
Total	12-14		

Note: The recommended rents are gross rents including all utilities. The rents are quoted in 2020 dollars.

It may also be possible to utilize Housing Choice Vouchers if some of the tenants meet income requirements and the rents are at or below Fair Market Rents (FMRs). The 2020 FMRs are \$596 for a one-bedroom unit, \$785 for a two-bedroom unit and \$1,103 for a three-bedroom unit.

2. Develop six to eight additional general occupancy moderate rent/income restricted or subsidized rental units

Findings: Over the past few decades, resources have not generally been available for new subsidized housing construction. Instead, the primary federal incentive program has been low income housing tax credits, which typically generates moderate rent housing that is income restricted. There are no tax credit projects that currently exist in De Smet.

The research completed for this Study identified one subsidized project in De Smet, Prairie Park Apartments. Prairie Park Apartments is a HUD Public Housing 35-unit General Occupancy Project. There are six efficiency, 22 one-bedroom and seven two-bedroom units. Subsidized housing utilizes federal resources that provide a “deep subsidy”, allowing very low income people access to the housing at an affordable price. At the time of the survey, Prairie Park Apartments had two vacancies.

There are additional “deep subsidy” resources available to De Smet residents through the tenant-based Housing Choice Voucher Program. The Vouchers allow tenants to pay 30% to 40% of their income for housing in suitable private-market rental units. The Voucher Program for De Smet and Kingsbury County is administered by the Brookings Housing and Redevelopment Commission. Currently, the Voucher Program has no waiting list, thus, households could immediately be eligible for a voucher. Several De Smet households are currently utilizing a voucher.

The 2018 American Community survey estimated that approximately 32% of all renters in the City of De Smet were paying 35% or more of their income for rent.

Recommendation: Based on the cost burden data contained in the American Community Survey, we would recommend that the City look to expand the supply of deep subsidy rental housing for lower income renters. Over the next five years, we would recommend that the City attempt to construct six to eight units that achieve a rent level that would be affordable to very low income households earning less than \$25,000 per year.

This recommendation represents a modest goal, since more low income households exist in the City with a cost burden. However, over the past few decades, very few federal subsidy sources have been available for the construction of “deep subsidy” rental housing. The actual number of units that can be developed will be dependent upon access to financial resources. In the opinion of the analysts, the highest priority would be to create larger subsidized general occupancy units for families and younger households.

3. Consider the development of 12 to 16 senior independent/light services units

Findings: The City of De Smet currently has two senior with services facilities. The two facilities are:

- ▶ **The Village** - The Village is an assisted living project that opened for occupancy in September 2019. The facility has 11 single rooms and three double occupancy suites and is licensed for 16 assisted living beds. The assisted living beds have access to all assisted living services, including meals, medication distribution, bathing assistance, housekeeping, laundry, etc. At the time of the survey, there were four vacant assisted living beds, however, this project is still in its initial lease-up phase.
- ▶ **Good Samaritan Society De Smet** - Good Samaritan Society-De Smet is a licensed 46-bed skilled nursing facility. The facility operates at a high occupancy rate. Fees are based on the level of services.

Recommendation: In 2019, De Smet had approximately 301 people and 213 households over the age of 65, and Kingsbury County has approximately 1,170 people and 825 households over the age of 65. De Smet has a new 14-unit assisted living project and a 46-bed skilled nursing facility, but does not have a senior independent/light services project. De Smet is conducive to senior living with its medical facilities, senior with services facilities and many other amenities.

Therefore, we are recommending a 12 to 16-unit senior with services project in De Smet. The project should be designed for flexibility to allow seniors to live in a unit independently, or to rent a unit and utilize a low level of senior services such as a noon meal and housekeeping. Ideally the project would allow seniors to age in place and purchase home health care services as needed in the future. If possible, this project should be attached to or in close proximity to the skilled nursing home or assisted living center, which would allow for the delivery of light services.

The new project would be intended to complement The Village and the skilled nursing home. The project is intended to provide a housing option that currently does not exist in De Smet.

The project's amenities and features should include:

- ▶ A community room
- ▶ 24-hour call system
- ▶ A limited access security system
- ▶ Smoke alarms
- ▶ Enclosed parking
- ▶ Spacious corridor with a theme such as a street scape design

Apartment features should include:

- ▶ 12 to 16 units
 - ▶ 8 to 10 one-bedroom
 - ▶ four to six two-bedroom
- ▶ Fully equipped kitchen
- ▶ Large storage room
- ▶ Ample closet space
- ▶ Laundry hookups
- ▶ Open floor plan
- ▶ Private patio
- ▶ Individually controlled heat and AC
- ▶ Raised outlets, lever door handles, lowered kitchen cabinets
- ▶ Expansive windows

Optional services that could be provided by community organizations or agencies include:

- ▶ noon meal
- ▶ weekly housekeeping
- ▶ home health care
- ▶ social activities

Tax increment financing, tax abatement, land donations, low interest loans and/or other subsidies and incentives could be utilized to make the project financially feasible.

It is estimated that 50% of the units will be occupied when the project opens and one to two additional units will be rented each following month for an absorption period of four to five months.

We recommend that a developer planning the construction of a senior with services project should have a specific study conducted.

4. Promote the development/conversion of four to six affordable market rate rental housing units

Findings: The first recommendation addressed the market potential to develop high quality rental units in De Smet. Unfortunately, these units would tend to be beyond the financial capability of many area renters. A majority of De Smet’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 De Smet has lost rental housing over the years due to redevelopment, conversion to home ownership or due to deterioration and demolition. Part of the need for additional rental units in De Smet 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.

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

It would be difficult to create affordable 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. Several single family homes have been rehabilitated for rental housing by local individuals.

The estimated prevailing rent range for older rental units in De Smet is typically between \$400 and \$650 per month. Creating some additional units with contract rents below \$650 per month would help to expand the choices available to a majority of the City’s renter households.

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

5. Develop a downtown mixed-use commercial/housing project

Findings: A mixed-use rental housing/commercial project in the Downtown area would complement the City's ongoing efforts to maintain a vibrant downtown.

New mixed use projects have been developed in several cities comparable to the size of De Smet. Some of these projects were developed because of market demand while others were developed to enhance the downtown, to introduce a new product to the market and to serve as a catalyst for downtown redevelopment.

Recommendation: We recommend the development of a mixed-use building in the downtown De Smet area. There are several potential sites in the downtown area for a mixed-use project.

We recommend commercial space on the first floor and rental units on the second floor. Prior to construction, a portion of the commercial space should be leased to an anchor tenant who would complement existing downtown businesses and attract people and be an asset to downtown.

The rental units should be primarily market rate units, but could be mixed income with some moderate income units. The units should be primarily one-bedroom and two-bedroom units. Please note that these units are not in addition to the units recommended in the first and second recommendations of this section. If a mixed use building was constructed, the number of units recommended previously should be reduced.

Ideally, a private developer would construct and own the building. The City may have a role in the project by providing tax increment financing, tax abatement or other local funds and land at a reduced price.

6. Continue to 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. 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 De Smet and Kingsbury County by the Brookings Housing and Redevelopment Commission. There currently is no waiting list to obtain a Voucher, thus, De Smet households could be immediately eligible for a Housing Choice Voucher.

Recommendation: The Brookings Housing and Redevelopment Commission should work with rental property owners, managers and renter households to assure that renters are aware of the Housing Choice Voucher Program and have to the opportunity to apply for assistance.

De Smet - Home Ownership Recommendations

Home Ownership

Findings: Expanding home ownership opportunities is one of the primary goals for most cities. High rates of home ownership promote stable communities and strengthen the local tax base. The median owner-occupied home value in De Smet is estimated to be approximately \$96,700 based on 2018 and 2019 sales activity. The home values in De Smet provide a good opportunity for first time buyers and households seeking moderately priced homes.

From 2019 to 2024, the 65 and older age ranges are forecast to add 14 households and the 25 to 44 age ranges are projected to remain stable. Some households in all age ranges that have not been able to achieve the goal of home ownership may need the assistance of housing programs to help them purchase a home.

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

7. Continue to utilize and promote all programs that assist with home ownership

Findings: We believe that affordable home ownership is one of the issues facing De Smet 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 of De Smet 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: De Smet should continue to work with area housing agencies, the South Dakota Housing Development Authority, USDA Rural Development 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 of De Smet, the De Smet Housing and Redevelopment Commission, and the De Smet Development Corporation should also work with housing agencies to assure that they are receiving their share of resources that are available in the region.

Funding sources for home ownership programs may include USDA Rural Development, the South Dakota Housing Development Authority, and the Federal Home Loan Bank. Also, Homes Are Possible, Inc. (HAPI) and Grow South Dakota utilize several funding sources to provide home ownership programs.

8. Consider the development and implementation of a Purchase/Rehabilitation Program

Findings: De Smet has a limited stock of older, lower valued homes, many of which need repairs. Our analysis of recent sales activity indicates that there are a significant number of homes in De Smet that are valued at less than \$100,000. 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 some cases, the cost of acquisition and rehab will exceed the house's after-rehab value, thus, a subsidy is needed. 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 De Smet or the De Smet Development Corporation work with the South Dakota Housing Development Authority and area housing agencies to consider the development and implementation of a Purchase/Rehabilitation 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.

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. USDA Rural Development also provides purchase/rehabilitation loans for low and moderate income buyers.

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.

De Smet - New Housing Construction

New Housing Construction

Findings: De Smet has experienced single family owner-occupied housing construction from 2010 to 2019. According to City and Census Bureau records, over the past 10 years approximately 24 single family owner-occupied units were constructed in De Smet, for an average of two to three housing units per year.

From 2010 to 2014, 20 single family units were constructed. This is an average of four units per year. From 2015 to 2019, four single family units were constructed, which is an average of approximately one unit per year.

The City's amenities, employment opportunities and attractive residential lot options, should result in the continued construction of new homes annually.

Overall household projections for De Smet indicate demand for owner-occupancy housing construction. De Smet is projected to gain approximately 14 households in the 65 and older ranges from 2019 to 2024. Households in these age groups tend to be predominantly home owners, and form a market for higher priced, trade-up housing and low maintenance housing such as town homes and twin homes.

The 44 and younger age ranges are expected to remain stable through 2024. Some of the households in these age ranges are first time home buyers or are looking for trade-up housing. It is our opinion that if the City, the Development Corporation, housing agencies, employers and builders are proactive, 16 to 20 homes can be constructed in De Smet from 2020 to 2025.

This projection is based on the ongoing availability of lots for single family homes and twin homes/town homes at all price ranges.

The breakdown of our projection of 16 to 20 new owner-occupied housing units over the next five years is as follows:

▶ Higher & medium price homes	5-6 homes
▶ Affordable homes	7-8 homes
▶ Twin homes/town homes	<u>4-6 units</u>
Total	16-20 homes/units

9. Lot Availability and Lot Development

Findings: As part of this Study, we attempted to identify the inventory of available residential lots for single family housing construction in De Smet. Buildable lots are defined as having sewer, water and streets available to the lots.

The Wilder Pass Subdivision currently has eight lots available at prices ranging from \$20,000 to \$30,000. There are also approximately six lots that have been sold, but are vacant with no home. Land is also available for a second development phase, which would create approximately 16 additional lots. The Silver Lake Addition has three available lots in the \$19,500 to \$21,500 price range.

There are also a few infill lots that are potentially available in the City. Additionally, there may be a few dilapidated houses in the City that could be demolished and the cleared lots could potentially be suitable 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 three to four houses will be constructed annually, an adequate supply of lots would be eight to 10 lots. With 11 lots available in the Wilder Pass and Silver Lake Subdivisions, and the availability of a few infill lots, there is currently an adequate number of lots in De Smet. However, if the projected number of housing units is constructed over the next several years, additional lots may be needed near the end of the five-year projection period.

The City of De Smet, the De Smet Development Corporation and private developers should continue to plan for future subdivision and lot development.

Currently, the City of De Smet and the De Smet Development Corporation are identifying sites for future lot development.

10. Strategies to encourage continued residential lot sales and new home construction in De Smet

Findings: From 2010 to 2019, approximately 24 owner-occupied single family units have been constructed in De Smet. However from 2015 to 2019, only four new houses have been built.

Recommendation: We recommend that the City of De Smet, the De Smet Development Corporation, developers, builders, realtors and other housing stakeholders coordinate efforts to promote lot development, lot sales and housing development.

Our recommendations to continue to promote lots sales and housing development include:

- ▶ ***Partnership with the South Dakota Housing Development Authority (SDHDA)*** - SDHDA has housing programs available to assist builders and home buyers. The City should continue to work with SDHDA and regional housing agencies to develop a plan that includes programs and strategies to sell lots and construct homes.
- ▶ ***Competitive pricing*** - There are lots available in communities throughout the region. To attract new home construction in De Smet, lots should continue to be available and competitively-priced compared to other options in the region.
- ▶ ***User-Friendly*** - The lot purchase and home building process must continue to be 'user friendly.' This includes an inventory of available lots, the construction of spec homes, builders that are readily available to build custom homes and city regulations that are fair and reasonable. The entire process must be as 'user friendly' as possible to encourage home construction.
- ▶ ***Long-term planning*** - The City of De Smet and the De Smet Development Corporation should continue long-term development planning to assure lots are available on an ongoing basis to meet demand for all types of new housing.
- ▶ ***Promote spec home construction*** - Spec houses attract a buyer that is not interested in going through the home building process, but instead wants a turnkey unit. A spec home can also serve as a model, allowing potential home buyers to examine specific floor plans and features in the home before committing to buy.

- ▶ ***Incentives*** - Some cities and counties throughout South Dakota are offering incentives to construct new homes, including reduced lot prices, reduced water and sewer hookup fees, cash incentives, etc. Incentives should be considered to promote new home construction if new home construction slows over the next several years.
- ▶ ***Lot availability for twin home/town home development*** - It is our opinion that there will be a demand for twin homes/town homes over the next five years. Lots should be available for a twin home/town home development.
- ▶ ***Range of house prices*** - Lots should be available to as wide a range of home sizes and prices as possible, without compromising the subdivision. This broadens the lot buyer market. Also, smaller infill lots with fewer amenities should be marketed for affordable homes.
- ▶ ***Marketing*** - The City of De Smet and all housing stakeholders will need to continue marketing the sale of available lots and new home construction. Developers, realtors, financial institutions, builders, employers, the De Smet Development Corporation, etc., should all be involved in developing marketing strategies. In addition to marketing the lots, the City of De Smet and its amenities should continue to be marketed.
- ▶ ***Governors Homes*** - Governors Homes are an affordable option and SDHDA has initiated a program that enables developers to participate in the 'Governor's Home Program.'
- ▶ ***Manufactured/modular homes*** - Manufactured and modular homes can provide affordable housing opportunities for moderate income households.
- ▶ ***In-fill lot Home Development*** - In-fill lots in existing neighborhoods are often affordable and have existing City services. Some housing agencies and nonprofits develop affordable homes on in-fill lots.

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

Findings: There are several housing agencies and nonprofit groups that have the capacity to construct new housing in De Smet, including the De Smet Development Corporation, the De Smet Housing and Redevelopment Commission, Grow South Dakota, Interlakes Community Action Partnership and HAPI, Inc.

Recommendation: We encourage the City of De Smet to actively work with economic development and housing agencies and nonprofit groups to develop affordable housing. Some of the affordable housing could be developed on in-fill lots.

Interlakes Community Action Partnership administers the Mutual Self Help Program. The Mutual Self Help Program works with three or more households to construct new homes. The households work together to construct the homes. The development of the Mutual Self Help Program should be considered.

Also, households should be encouraged to utilize the Governor's Program.

12. Promote twin home/townhome development

Findings: 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 many cities the size of De Smet, approximately 20% to 25% of the new ownership housing constructed are twinhomes/townhomes. In De Smet, we are aware of one owner-occupied twin home that has been constructed in Wilder Pass. Wilder Pass currently has three lots available for twin home development.

In 2019, De Smet had 295 households and Kingsbury County had 1,310 households in the 55 and older age ranges. These age ranges are expected to have an increase of seven households in De Smet and 59 households in Kingsbury County from 2019 to 2024. Household growth among empty-nester and senior households should result in increased 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, and among other households.

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

We recommend that for twin home/townhome 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

De Smet's role could include assuring that adequate land continues to be available for development and that zoning allows for attached housing construction.

A corporation was developed in Arlington, MN, that included 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 a group of empty nesters and seniors who are interested in purchasing a twin home to solicit their ideas.

De Smet - Housing Rehabilitation

Housing Rehabilitation

Findings: De Smet 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. Investment in housing rehabilitation activities will be critical to offering affordable housing opportunities.

It is our opinion that De Smet 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 many De Smet 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: Based on the American Community Survey, the City of De Smet had approximately 150 rental units in 2019. These rental buildings are in multi-family projects, small rental buildings and single family homes. Approximately 85% of these rental structures are more than 40 years old and could benefit from rehabilitation as some of these rental structures are in need of renovation.

It is difficult for rental property owners to rehabilitate and maintain their rental properties while keeping the rents affordable for the tenants. However, the rehabilitation of older rental units can be one of the most effective ways to preserve decent, safe and sanitary affordable housing.

Recommendation: The City of De Smet should work with rental property owners and 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, Grow South Dakota, HAPI, Inc., the South Dakota Housing Development Authority and the Federal Home Loan Bank.

Some communities have also established rental housing registration programs that require periodic inspections to assure that rental units meet applicable codes and standards.

14. Promote owner-occupied housing rehabilitation efforts

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

Approximately 82% of the owner-occupied single family homes in De Smet are more than 40 years old.

Our 2020 housing condition survey of 265 homes in three of De Smet's older neighborhoods found 115 homes that need minor repairs and 37 homes that need major repairs. Without rehabilitation assistance, the affordable housing stock may shrink in De Smet.

Recommendation: We recommend that the City of De Smet, the De Smet Development Corporation and the De Smet 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, the Federal Home Loan Bank, Interlakes Community Action Partnership, Grow South Dakota and HAPI, Inc. are potential funding sources.

Interlakes Community Action Partnership currently has several housing programs to assist households with the rehabilitation of their homes including the Self Help Rehabilitation Program and programs utilizing HOME funds.

Some programs offer households that meet program requirements, 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 De Smet households to utilize these housing rehabilitation programs.

De Smet - Other Housing Initiatives

Other Housing Initiatives

15. Continue to acquire and demolish dilapidated structures

Findings: The housing condition survey identified 16 single family houses that may be too dilapidated to rehabilitate. We also identified 37 single family homes in De Smet that need major repair, and some of these may also be too deteriorated to rehabilitate. To improve the quality of the housing stock and to maintain the appearance of the City, dilapidated structures should be demolished.

Recommendation: The City of De Smet should continue to work with property owners on an ongoing basis to demolish dilapidated homes. The appearance of the City is enhanced when blighted and dilapidated structures are removed. Also, some of the cleared lots have been utilized for the construction of new housing units or for homes to be moved onto the cleared lots.

Additionally, we recommend that the City maintain an inventory of structures that may be candidates for future demolition. Also, an inventory of in-fill lots for future development should be maintained.

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

Findings: De Smet will continue to need staff resources in addition to existing City, De Smet Development Corporation and Housing and Redevelopment Commission staff to plan and implement many of the housing recommendations advanced in this Study. The City of De Smet has access to the USDA Rural Development Office, the South Dakota Housing Development Authority, Interlakes Community Action Partnership, the First District Association of Governments, Grow South Dakota, Homes Are Possible, Inc., and Dakota Resources. These agencies all have experience with housing and community development programs.

Recommendation: De Smet has access to multiple agencies that can assist with addressing housing needs. It is our recommendation that the City prioritize the recommendations of this Study and develop a plan to address the identified 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 agencies, it will be important that a coordinated approach be used to prioritize and assign responsibility for housing programs and projects.

Also, it may be advantageous to hire or appoint a housing coordinator, with responsibility to promote, preserve and develop new housing in De Smet.

It will also be important for the City of De Smet to continue to look for opportunities to work cooperatively with other area cities to address housing issues. With the number of 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. Encourage employer involvement in housing

Findings: The City of De Smet has several large employers. Also, on an ongoing basis, the City and the De Smet Development Corporation have been working with existing employers to expand and for new employers to locate in De Smet. The connection between economic development and housing availability has become an increasingly important issue as low area unemployment rates dictate the need to attract new workers into the community.

Although the jobs being created may have good wages for the area, many jobs do not pay wages sufficient for workers to buy or improve their housing. Housing for new employees is a concern for most employers. It may be advantageous for employers to become involved in housing.

Recommendation: We continue to recommend an ongoing effort to involve employers as partners in addressing De Smet's housing needs. Several funding sources have finance programs that include employers. Additionally, the funding agencies often view funding applications favorably that include employers in the problem solving process.

Employer involvement can include direct assistance to their employees such as a grant, loan, forgivable loan, deferred loan, down payment assistance, loan guarantee, etc. In many cases, employers do not wish to provide assistance to specific employees, but are willing to contribute to an overall city project, such as an affordable residential subdivision or an affordable rental project.

Additionally, employers can continue to support other city projects, such as parks, trails, ball fields, educational facilities, etc., that will have a positive impact on housing in De Smet.

18. Strategies for Commercial District Redevelopment/Development

Findings: De Smet has a vibrant commercial district that addresses many of the daily retail/commercial needs of its residents. De Smet has buildings that have been renovated and have high quality commercial and/or housing space. There are also buildings that have not been maintained and are substandard.

This recommendation provides an outline of actions that could be taken to continue downtown redevelopment, to maximize the usage of downtown buildings, to promote new downtown businesses and to identify and implement building rehabilitation and renovations. The purpose of this recommendation is to continue to build on the City's successes.

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 are recommending the following actions for downtown De Smet:

- ▶ Interview all commercial district property owners to develop a database and to determine their future plans (expanding, selling, renovations, etc.)
- ▶ Develop an overall plan for the commercial district (potential new businesses, address parking needs, continue to develop an overall theme, art and cultural opportunities, etc.)
- ▶ Develop a mini-plan for each property in the commercial district and each commercial district block. This may include:
 - ▶ Retention of existing businesses
 - ▶ Commercial building rehab and renovations
 - ▶ Facade work
 - ▶ Building demolition
 - ▶ New construction
 - ▶ Recruiting new businesses

- ▶ Identify funding sources
 - ▶ Property owner funds
 - ▶ City funds
 - ▶ Development Corporation funds
 - ▶ Federal Home Loan Bank
 - ▶ Special tax districts
 - ▶ Funds from South Dakota State Agencies
 - ▶ Sales Tax Funds

- ▶ Work with stakeholders to identify roles, to secure funding, to develop and implement programs and projects
 - ▶ Property owners
 - ▶ City of De Smet
 - ▶ De Smet Development Corporation
 - ▶ De Smet Housing and Redevelopment Commission
 - ▶ First District Association of Governments

19. Develop home ownership and new construction marketing programs

Findings: Cities that invest in marketing have an advantage. Opportunities to buy or construct a home are sometimes limited because of the lack of information and awareness of financing and incentive programs, homes and lots on the market, local builders, etc. This is especially evident for new households moving into the area. The home buying/home building process can be very intimidating for first-time buyers and builders. It is important for the home buying or home building process to be user-friendly.

Recommendation: The City of De Smet, the De Smet Development Corporation and the De Smet Housing and Redevelopment Commission have all been active in promoting and marketing housing and we recommend the continuation or initiation of the following:

- ▶ Determine the City's strengths and competitive advantages and heavily promote them
- ▶ Continue to create marketing materials that can be distributed regionally (including internet, TV, radio, etc.)
- ▶ Work closely with employers to provide employees (especially new employees) with housing opportunities in De Smet and the region
- ▶ Work with housing agencies to provide down payment assistance, low interest loans, home owner education and home owner counseling programs
- ▶ Consider an annual Housing Fair that provides information on lots, builders, finance programs, etc. Developers, builders, lenders, realtors, public agencies and local businesses could participate
- ▶ Work with developers and builders to make lot development and the construction of new homes a very user-friendly process
- ▶ Continue to work on the creation of jobs and the development of retail, service and recreational opportunities that make the City a "full service" community
- ▶ Continue to provide attractive lots at an affordable price for a variety of home sizes, styles and price ranges
- ▶ Preserve the quality of existing neighborhoods through the rehabilitation of substandard housing and the demolition of dilapidated structures that are beyond repair
- ▶ Continue to develop new housing choices that serve life-cycle housing needs, such as new rental housing, twin homes, senior with services housing, etc.
- ▶ Review the City's policies and fees to assure that they are user-friendly, fair and receptive for developers, builders and households
- ▶ Develop a coordinated housing plan with the private sector and area housing agencies

Agencies and Resources

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

InterLakes Community Action Partnership

505 North Western Avenue
Sioux Falls, SD 57104
(605) 334-2808
Contact: Dana Whitehouse

First District Association of Governments

121 1st Ave. NW
Watertown, SD 57201
(605) 882-5115

Homes Are Possible, Inc.

320 S. Main St.
Aberdeen, SD 57401
(605) 225-4274

South Dakota Housing Development Authority

1720 4th St. NE Suite 2
Watertown, SD 57201
(605) 886-8202

USDA Rural Development

2408 East Benson Road
Sioux Falls, SD 57104
(605) 996-1564

Brookings Housing and Redevelopment Commission

1310 Main Ave. S., Suite 106
P.O. Box 432
Brookings, SD 57006
(605) 692-1670

Grow South Dakota

414 3rd Avenue
Sisseton, SD 57262
(605) 698-7654
Contact: Marcia Erickson, Executive Director