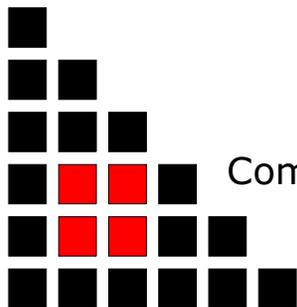


Faulkton HOUSING STUDY

June 2013

An analysis of the overall housing needs
of the City of Faulkton



Community Partners Research, Inc.

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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 Faulkton and Faulk County are privately owned and were constructed with private funds. On an increasing scale, however, the public is demanding that public officials control what happens in this largely private housing market by eliminating blight, protecting individual investments, and generating new housing growth to meet economic development needs.

Community Partners Research, Inc., was hired by Faulkton Area Economic Development to conduct a study of the housing needs and conditions in the City of Faulkton.

Goals

The multiple goals of the study include:

- ▶ Provide updated demographic data including the 2010 Census
- ▶ Provide an analysis of the current housing stock and inventory
- ▶ Determine gaps or unmet housing needs
- ▶ Examine 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 December 2012 to March 2013. Data sources included:

- U.S. Census Bureau
- American Community Survey
- Records and data from the City
- Records and data maintained by Faulk 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 Faulkton and for Faulk County. At the time that research was completed for this Study, the 2010 Census information was available. However, the 2010 Census was more limited in scope than in the past. As a result, some of the demographic variables, such as income and housing cost information, were not available.

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

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

Population Data and Trends

Table 1 Population Trends - 1980 to 2010						
	1980 Population	1990 Population	2000 Population	% Change 1990-2000	2010 Population	% Change 2000-2010
Faulkton	981	809	785	-3.0%	736	-6.2%
Faulk County	3,327	2,744	2,640	-3.8%	2,364	-10.5%

Source: U.S. Census

- ▶ According to the 2010 U.S. Census, the City of Faulkton and Faulk County both lost population from 2000 to 2010. Faulkton’s population was 736 in 2010. This was a 49-person decrease from 2000, or a population loss of 6.2%.
- ▶ Faulk County’s population was 2,364 in 2010. This was a 276-person decrease from 2000, for a population loss of 10.5%.
- ▶ Faulkton and Faulk County also experienced population decreases in the 1990s. Faulkton’s population decreased by 24 people and Faulk County’s population decreased by 104 people from 1990 to 2000.
- ▶ The Census Bureau has released more recent information through its population estimates program. The most recent estimate for Faulk County is effective July 1, 2013, and shows the County adding 13 people after the 2010 Census. All of this net growth has been attributed to “natural increase” as births exceeded deaths countywide. The most recent estimate for Faulkton is effective July 1, 2011, and shows the City adding one person between 2010 and 2011.
- ▶ Faulkton’s population is primarily White and non-Hispanic/Latino. At the time of the 2010 Census, approximately 97% of the City’s residents were White, 0.4% were Black or African American and 0.4% were American Indian. Fewer than 2% of the City’s population was identified as Hispanic/Latino.
- ▶ According to the Census Bureau, 38 Faulkton residents lived in group quarters. Nearly all of these people were age 65 or older and living in the Faulkton Health Care Center, a skilled nursing home facility.

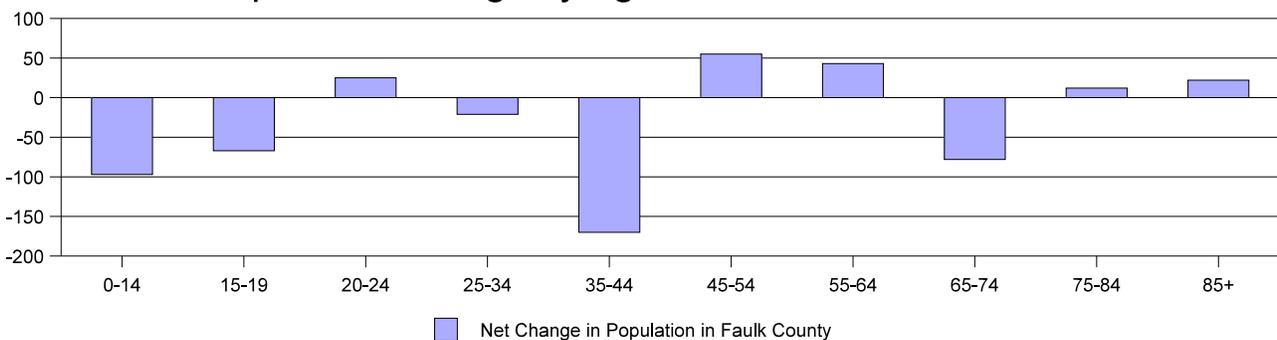
Population by Age Trends: 2000 to 2010

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

Table 2 Population by Age - 2000 to 2010			
Age	Faulk County		
	2000	2010	Change
0-14	547	450	-97
15-19	220	153	-67
20-24	77	102	25
25-34	223	202	-21
35-44	387	217	-170
45-54	317	372	55
55-64	265	308	43
65-74	315	237	-78
75-84	206	218	12
85+	83	105	22
Total	2,640	2,364	-276

Source: U.S. Census

Population Change by Age Between 2000 and 2010



For many years, demographic analysts have been talking about the impact that is occurring as the large “baby boom” generation moves through the aging cycle. This trend has been evident in Faulk County. However, with the population losses Faulk County has experienced over the past two decades, the “baby boom” impact has been somewhat limited.

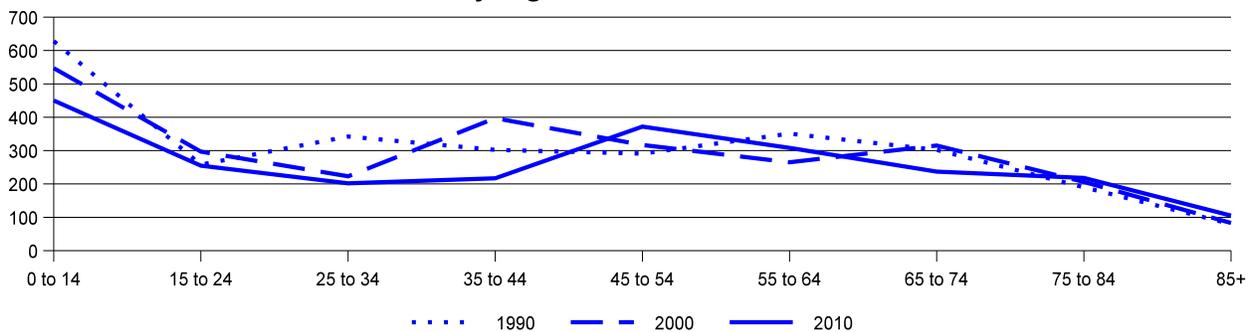
Between 2000 and 2010, Faulk County had a net gain of 98 people in the age ranges between 45 and 64 years old. In 2010, nearly all of the baby boomers were within these age ranges. The aging of the baby boomers, as reflected in the numeric net gain in the 45 to 54 year old age group, was the largest change within any of the defined age cohorts.

Faulk County also had net growth in the 75 and over age ranges with a gain of 34 people. The 20 to 24 age range also added 25 people.

The other age ranges experienced population losses from 2000 to 2010. The most significant losses were in the 0 to 14 age range, which decreased by 97 people, and the 35 to 44 age range, which decreased by 170 people. Overall, Faulk County’s population decreased by 276 people.

The aging trends present in Faulk County in 2010 can be traced back over the previous decades to see the movement of the baby boom generation.

Faulk County Age Distribution: 1990 to 2010



Population Projections

The following table presents population projections using two different sources.

The South Dakota State Data Center has issued population projections to the year 2030 for Faulk County. The following table shows the Data Center extrapolated projection for 2015 based on the Center’s 2010 and 2020 projections.

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

Table 3 Population Projections Through 2015				
	2010 Population Census	2015 Projection from 10-year trend	2015 Projection from 20-year trend	2015 Projection State Data Center Extrapolation
Faulkton	736	713	719	N/A
Faulk County	2,364	2,240	2,282	2,261

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

- ▶ The growth projections based on 10-year and 20-year growth trends show population losses from 2010 to 2015 for the City of Faulkton and Faulk County. The State Data Center also projects population losses for Faulk County.
- ▶ The 10-year and 20-year growth trend population projections for Faulkton estimate a decrease of 17 to 23 people by 2015.
- ▶ Faulk County’s population, based on 10-year and 20-year growth trends, is projected to lose between 82 and 124 people from 2010 to 2015. The State Data Center projects Faulk County will lose 103 people by 2015.

Household Data and Trends

Table 4 Household Trends - 1980 to 2010						
	1980 Households	1990 Households	2000 Households	% Change 1990-2000	2010 Households	% Change 2000-2010
Faulkton	418	369	369	0.0%	355	-3.9%
Faulk County	1,205	1,057	1,014	-4.2%	869	-16.7%

Source: U.S. Census

- ▶ According to the 2010 U.S. Census, Faulkton and Faulk County lost households from 2000 to 2010. Faulkton had 355 households in 2010. This was a decrease of 14 households from 2000, or a household loss of 3.9%.
- ▶ Faulk County had 869 households in 2010. This was a loss of 145 households from 2000, or a household decrease of 16.7%.
- ▶ Faulkton’s number of households did not change and Faulk County experienced a loss of 43 households during the 1990s.

Household by Age Trends: 2000 to 2010

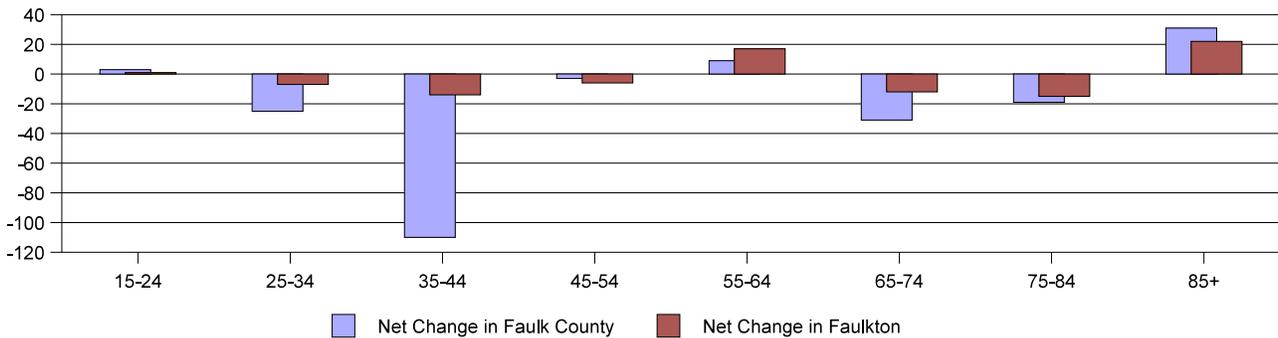
The 2010 Census allows for some analysis of Faulkton and Faulk County’s changing age patterns. The following table compares households by age of householder in 2000 and 2010, along with the numeric changes.

Table 5 Households by Age - 2000 - 2010						
Age	Faulkton			Faulk County		
	2000	2010	Change	2000	2010	Change
15-24	10	11	1	15	18	3
25-34	34	27	-7	101	76	-25
35-44	51	37	-14	197	87	-110
45-54	57	51	-6	174	171	-3
55-64	47	64	17	151	160	9
65-74	68	56	-12	178	147	-31
75-84	77	62	-15	150	131	-19
85+	25	47	22	48	79	31
Total	369	355	-14	1,014	869	-145

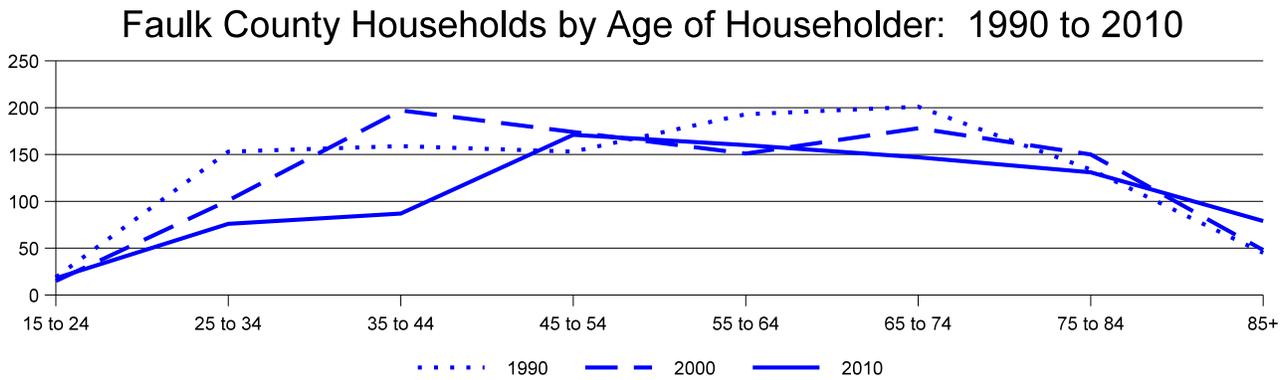
Source: U.S. Census

Faulkton added 17 households and Faulk County added nine households in the 55 to 64 year old age range. Faulkton also added 22 households and Faulk County added 31 households in the 85 and older age range.

Household Change by Age Between 2000 and 2010



Faulton and Faulk County had a net decrease in the number of households age 54 and younger. In 2010, Faulton had 28 fewer households and Faulk County had 141 fewer households in the age groups less than 55 years old, than in the year 2000.



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

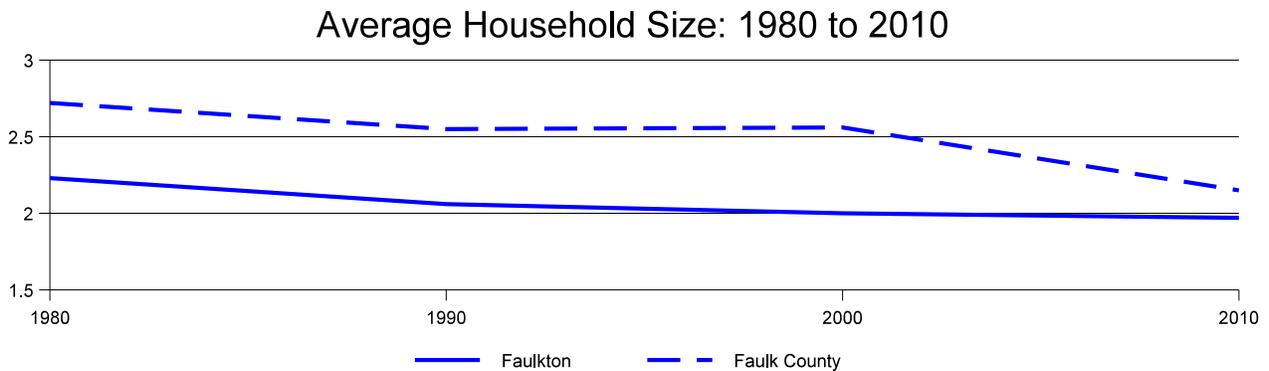
Average Household Size

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

Table 6 Average Number of Persons Per Household: 1990 to 2010				
	1980 Census	1990 Census	2000 Census	2010 Census
Faulkton	2.23	2.06	2.00	1.97
Faulk County	2.72	2.55	2.56	2.15

Source: U.S. Census

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



The average household size in Faulkton and Faulk County has continued to decrease over the past three decades. In Faulkton, the average household size has decreased from 2.23 persons per household in 1980 to 1.97 persons in 2010. Faulk County’s average household size decreased from 2.72 in 1980 to 2.15 in 2010.

Household Projections

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

Table 7 Household Projections Through 2015			
	2010 Census	2015 Projection from 10-year trend	2015 Projection from 20-year trend
Faulkton	355	348	352
Faulk County	869	807	830

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

- ▶ The growth projections based on 10- and 20-year trends estimate household losses for Faulkton and Faulk County from 2010 to 2015.
- ▶ From 2010 to 2015, Faulkton is expected to decrease by three to seven households.
- ▶ Faulk County is projected to decrease by 39 to 62 households from 2010 to 2015.

Household by Age Projections: 2010 to 2015

With the release of the 2010 Census, a new benchmark has been established for Faulk County’s age-related statistics. In the following table, the South Dakota State Data Center and Community Partners Research, Inc., have generated age-based household projections for Faulk County to the year 2015.

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

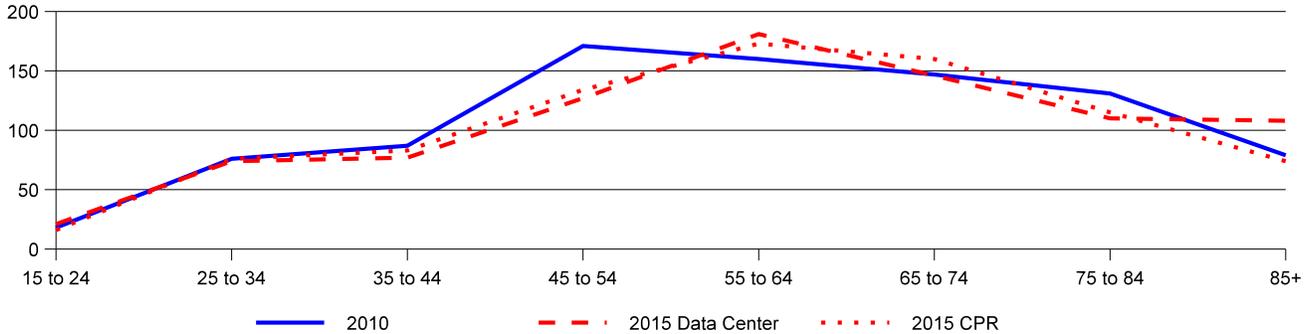
The second set of projections was created by Community Partners Research, Inc., by trending forward past retention rates within defined age cohorts, and assuming that these past patterns are reasonable predictors of future changes.

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

Table 8 Faulk County Projected Households by Age - 2010 to 2015					
Age Range	2010 Census	Extrapolated from State Data Center		Community Partner Research	
		2015 Projection	Change from 2010	2015 Projection	Change from 2010
15-24	18	21	3	16	-2
25-34	76	74	-2	76	0
35-44	87	77	-10	83	-4
45-54	171	127	-44	134	-37
55-64	160	181	21	173	13
65-74	147	146	-1	160	13
75-84	131	110	-21	115	-16
85+	79	108	29	74	-5
Total	869	844	-25	831	-38

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

Faulk County Projected Households by Age: 2010 to 2015



Consistent with the age distribution data presented earlier, the movement of the “baby boom” generation through the aging cycle should generate most of the County’s growth in households in the age ranges between 55 and 74 years old. Community Partners Research, Inc., projections indicate a gain of 26 households age 55 to 74 in Faulk County from 2010 to 2015.

Although there is a slight decrease projected in the number of younger adult households, the decrease is generally lower than in other rural communities. Community Partners Research, Inc., projects the loss of only six households in the 44 and younger age groups from 2010 to 2015.

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 Faulkton.

Table 9 County Household Composition - 2000 to 2010			
	2000 Census	2010 Census	Change
Family Households			
Married Couple with own children	56	43	-13
Single Parent with own children	22	14	-8
Married Couple without own children	121	109	-12
Family Householder without spouse	9	16	7
Total Families	208	182	-26
Non-Family Households			
Single Person	157	162	5
Two or more persons	4	11	7
Total Non-Families	161	173	12

Source: U.S. Census

Between 2000 and 2010, Faulkton experienced an overall net decrease in the number of “family” households. There was a decrease of 13 married couple families that had their own children in the household. The City also had a decrease of 12 married couples without children and a decrease of eight single parent households with children.

The City of Faulkton did have an increase of 12 “non-family” households. There was an increase of five one-person households. There was also an increase of seven households that had unrelated individuals living together.

Housing Tenure

The 2010 Census provided an updated look at housing tenure patterns. The following tables examine overall tenure rates, along with the changes that have occurred since 2000.

Table 10 Household Tenure - 2010				
	Number of Owners	Percent of all Households	Number of Renters	Percent of all Households
Faulkton	259	73.0%	96	27.0%
Faulk County	689	79.3%	180	20.7%
State	-	68.1%	-	31.9%

Source: U.S. Census

According to the 2010 Census, the ownership tenure rate in Faulkton was 73% and Faulk County’s ownership rate was 79.3% in 2010.

Housing Tenure in 2010

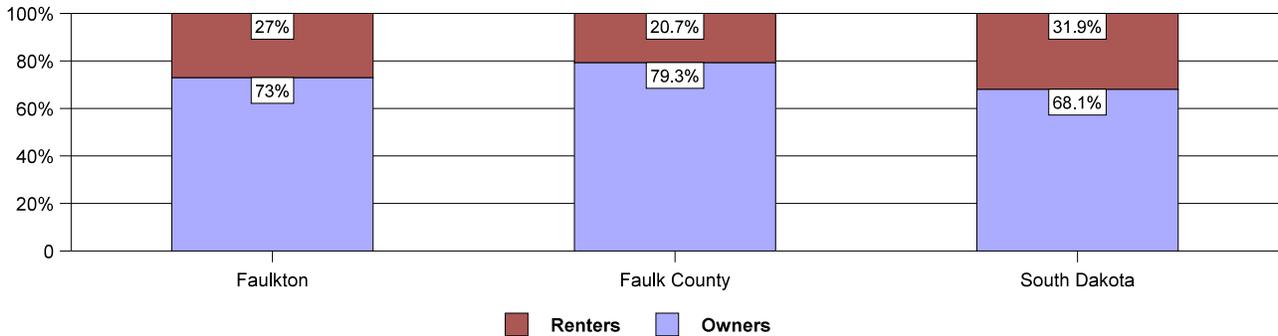


Table 11 Households by Housing Tenure - 2000 to 2010						
Tenure	Faulkton			Faulk County		
	2000	2010	Change	2000	2010	Change
Owners	286/77.5%	259/73.0%	-27	830/81.9%	689/79.3%	-141
Renters	83/22.5%	96/27.0%	13	184/18.1%	180/20.7%	-4
Total	369	355	-14	1,014	869	-145

Source: U.S. Census

The City of Faulkton’s ownership tenure rate decreased over the last decade from 77.5% in 2000 to 73.0% in 2010.

For Faulk County, there was also a decrease in the rate of owner households between 2000 and 2010. The ownership tenure rate decreased from 81.9% in 2000 to 79.3% in 2010.

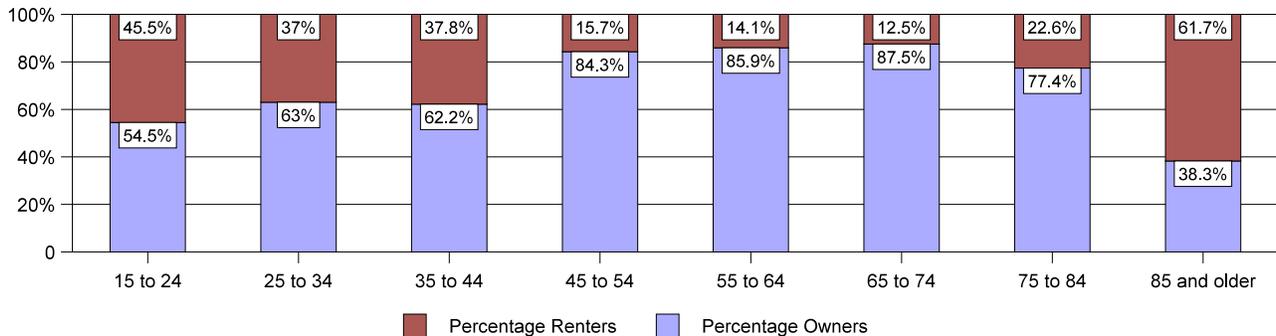
Tenure by Age of Householder

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

Table 12 Faulkton Tenure by Age of Householder - 2010				
Age	Owners		Renters	
	Number	Percent within age	Number	Percent within age
15-24	6	54.5%	5	45.5%
25-34	17	63.0%	10	37.0%
35-44	23	62.2%	14	37.8%
45-54	43	84.3%	8	15.7%
55-64	55	85.9%	9	14.1%
65-74	49	87.5%	7	12.5%
75-84	48	77.4%	14	22.6%
85+	18	38.3%	29	61.7%
Total	259	73.0%	96	27.0%

Source: U.S. Census

Faulk County Housing Tenure Patterns by Age in 2010



Within the defined age ranges, typical tenure patterns were present. Households at the lowest and highest ends of the age spectrum showed greater preference for rented housing, while middle-aged adult households were primarily homeowners. Approximately 46% of households age 24 and younger rented their unit, and approximately 62% of households age 85 and older were renters. Home ownership rates for each of the 10-year age cohorts between 45 and 84 years old were above 77%.

Tenure by Household Size

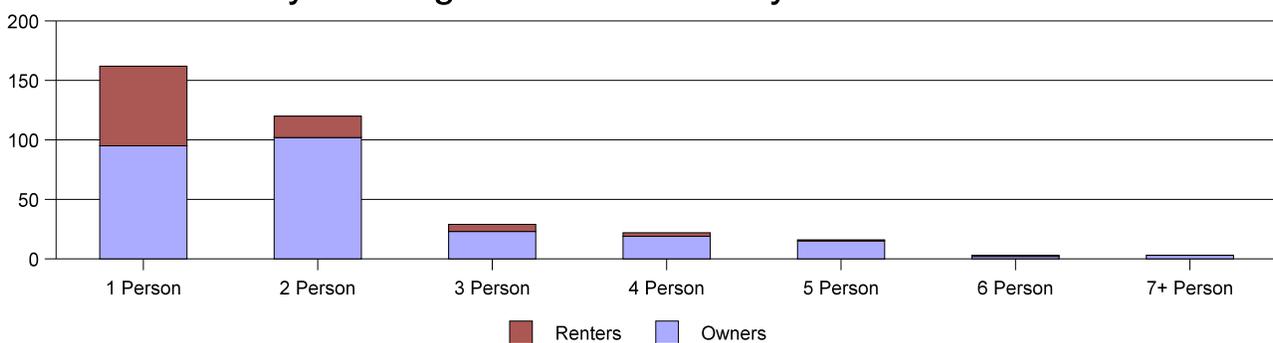
The 2010 Census did provide information on housing tenure by household size. This can be compared to 2000 Census information to better understand trends for housing unit needs. The following table provides information for the City of Faulkton.

Table 13 Faulkton Tenure by Household Size - 2000 to 2010						
Household Size	Owners			Renters		
	2000	2010	Change	2000	2010	Change
1-Person	100	95	-5	57	67	10
2-Person	117	102	-15	15	18	3
3-Person	25	23	-2	6	6	0
4-Person	25	19	-6	3	3	0
5-Person	13	15	2	2	1	-1
6-Person	6	2	-4	0	1	1
7-Persons+	0	3	3	0	0	0
Total	286	259	-27	83	96	13

Source: U.S. Census

From 2000 to 2010, there was a decrease in the number of owner households and an increase in renter households in Faulkton. There was a decrease of 28 owner households with four or fewer household members. There was an increase of two five-person and three seven or more person households. There was an increase of 13 renter households with one or two household members. More than 88% of the renter households in Faulkton were one or two person households in 2010.

Faulk County Housing Tenure Patterns by Household Size in 2010



2011 Income Data

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

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

Table 14 Median Household Income - 2000 to 2011			
	2000 Median	2011 Median	% Change
Faulkton	\$28,853	\$28,750	-0.4%
Faulk County	\$30,237	\$40,125	24.6%
South Dakota	\$35,271	\$46,369	31.5%

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

Table 15 Median Family Income - 2000 to 2011			
	2000 Median	2011 Median	% Change
Faulkton	\$37,750	\$60,625	37.7%
Faulk County	\$34,508	\$55,547	37.9%
South Dakota	\$43,237	\$58,958	36.4%

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

Information contained in the 2011 American Community Survey shows that Faulk County's median household and family incomes have increased substantially from 2000 to 2011, although, the median incomes are below the respective medians for the State of South Dakota.

Based on American Community Survey data, Faulkton's median household income decreased slightly from 2000 to 2011 and is significantly lower than the Statewide household median income. However, Faulkton's family median income increased significantly from 2000 to 2011 and is higher than the State of South Dakota median income.

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.

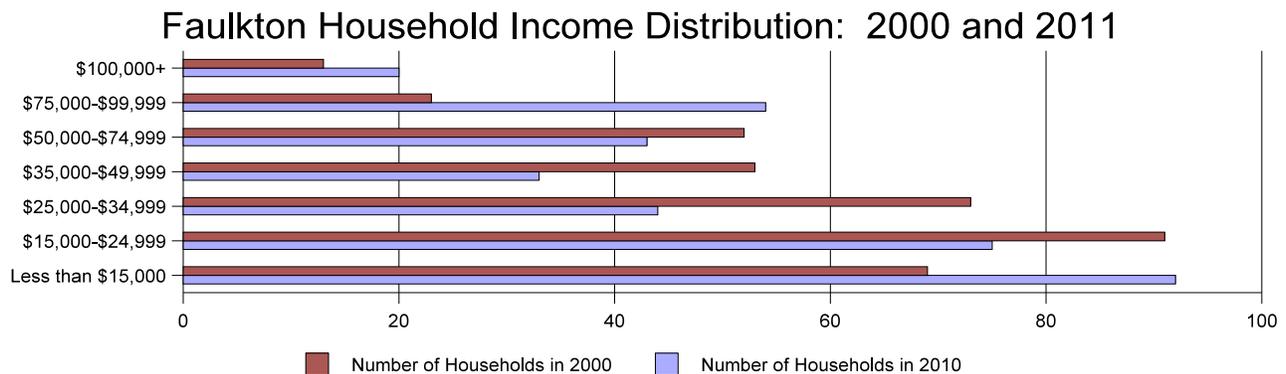
Using the commonly accepted standard that up to 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in Faulkton could afford approximately \$719 per month and a median income family household could afford \$1,516 per month for ownership or rental housing in 2011.

Faulkton Household Income Distribution

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

Table 16 Faulkton Household Income Distribution - 2000 to 2011			
Household Income	Number of Households 2000	Number of Households in 2011	Change 2000 to 2010
\$0 - \$14,999	69	92	23
\$15,000 - \$24,999	91	75	-16
\$25,000 - \$34,999	73	44	-29
\$35,000 - \$49,999	53	33	-20
\$50,000 - \$74,999	52	43	-9
\$75,000 - \$99,999	23	54	31
\$100,000+	13	20	7
Total	374	361	-13

Source: 2000 Census; 2011 ACS



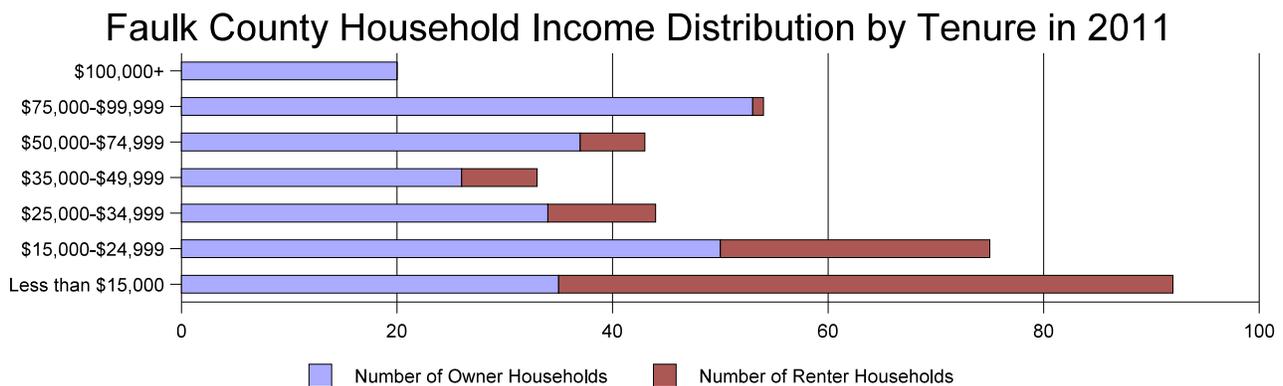
According to income estimates contained in the 2011 American Community Survey, household incomes have improved in Faulkton in the highest income ranges. When compared to the 2000 Census (1999 income), the number of households with an income of \$75,000, or more, increased by 38 households. Although there was a decrease in the number of households in most of the lower income ranges, there was an increase of 23 households in the lowest income range and there were 167 households with an annual income below \$25,000 in 2011, which represented 46.3% of all households in Faulkton.

Faulkton Income Distribution by Housing Tenure

The 2011 American Community Survey provides income data by owner and renter status. The following table examines income distribution in Faulkton. The American Community Survey is an estimate, based on limited sampling data, and there are some differences when compared to the 2010 Census. The American Community Survey reported income information on 361 households and the U.S. 2010 Census reported that there are 355 households in Faulkton.

Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	35/38.0%	57/62.0%	92
\$15,000 - \$24,999	50/66.7%	25/33.3%	75
\$25,000 - \$34,999	34/77.3%	10/22.7%	44
\$35,000 - \$49,999	26/78.8%	7/21.2%	33
\$50,000 - \$74,999	37/86.0%	6/14.0%	43
\$75,000 - \$99,999	53/98.1%	1/1.9%	54
\$100,000+	20/100%	0/0%	20
Total	255	106	361

Source: 2011 American Community Survey



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

In 2011, approximately 87% of all renter households in Faulkton 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 below \$15,000 in 2011. At 30% of income, a renter at the median level could afford approximately \$375 per month or less for housing costs.

Most owner households had a higher income level than rental households. Approximately 43% of all owner households had an annual income of \$50,000 or more. The estimated median household income for owners in 2011 was approximately \$39,000. At 30% of income, an owner at the median income level could afford approximately \$975 per month for housing costs.

2011 Estimated Income and Housing Costs - Renters

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

Table 18 Gross Rent as a Percentage of Household Income - Faulkton		
Percentage of Household Income for Housing Costs	Number of Renter Households 2011	Percent of All Renter Households 2011
0% to 19.9%	26	24.5%
20% to 29.9%	3	2.8%
30% to 34.9%	26	24.5%
35% or more	47	44.4%
Not Computed	4	3.8%
Total	106	100%

Source: 2011 American Community Survey

Based on the more recently released tenure information from the 2010 Census, the 2011 American Community Survey did overestimate the number of renter households in Faulkton by approximately 10%. However, the estimates on housing cost burden are the best available information on income and expenses for housing.

According to the American Community Survey, more than 69% of all renters in the City were paying 30% or more of their income for rent. The large majority of these households were actually paying 35% or more of their income for housing. Federal standards for rent subsidy programs generally identify 30% of income as the maximum household contribution. When more than 30% of income is required, this is often called a "rent burden". When more than 35% is required, this can be considered a "severe rent burden".

Many of the renter households with a housing cost burden had an annual household income below \$20,000. To avoid a cost burden, these lower income households would have needed a unit with a gross monthly rent of \$500 or less.

2011 Estimated Income and Housing Costs - Owners

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

Table 19 Ownership Costs as a Percentage of Income - Faulkton		
Percentage of Household Income for Housing Costs	Number of Owner Households 2010	Percent of All Owner Households 2010
0% to 19.9%	154	60.4%
20% to 29.9%	62	24.3%
30% to 34.9%	2	0.8%
35% or more	37	14.5%
Not Computed	0	0%
Total	255	100%

Source: 2011 ACS

The 2011 American Community Survey underestimated the number of owner households in the County by four households. However, this source still represents the best available information on income compared to housing costs.

Most owner-occupants, which would include households with and without a mortgage, reported paying less than 20% of their income for housing. However, more than 15% of all home owners reported that they paid more than 30% of their income for housing. Most of these households were paying more than 35% of income for housing costs.

Occupancy Status of Housing Units - 2010

Table 20 Occupancy Status of Housing Units - 2010						
	Occupied Units		Vacant Units			
	Owner	Renter	For Rent	For Sale	Seasonal Use	Other Vacant
Faulkton	259	96	20	1	12	30
Faulk Co.	689	180	22	4	82	159

Source: U.S. Census

- ▶ In 2010, according to the U.S. Census, there were 82 seasonal housing units in Faulk County including 12 units in Faulkton.
- ▶ There were 185 vacant housing units in Faulk County in 2010 in addition to the seasonal units, including 51 units in Faulkton.

Existing Home Sales

This section examines houses that have been sold in Faulkton in 2011 and 2012. It is important to note that the number of houses that have sold is limited, and may not be an accurate indicator of overall home values in the City of Faulkton. However, this sample does provide some insight into those units that have turned-over during this time period.

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

Table 21 Median Value of Recent Residential Sales - 2011 and 2012			
	Number of Good Sales	Median Sale Price	Average Sale Price
2011	8	\$23,500	\$58,563
2012	7	\$53,500	\$65,429
2011 & 2012	15	\$35,000	\$61,767

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

- ▶ In 2011 and 2012, there were 15 improved residential sales of single family houses in Faulkton that were considered to be “arms length” transactions, according to the County’s Director of Equalization. Sales that are not “arms length” include, but are not limited to, sales between relatives, forced sales and foreclosures, and estate transfers that are not available on the open market. Only the “arms length” transactions have been reviewed for this study.
- ▶ The median sales price for the eight residential sales in Faulkton in 2011 was \$23,500. The highest valued sale was for \$240,000 and the lowest valued sale was for \$5,000.
- ▶ The median sales price for the seven residential sales in Faulkton in 2012 was \$53,500. The highest valued sale was for \$170,000 and the lowest valued sale was for \$12,000.
- ▶ The median sales price for the residential sales for the two combined two years, 2011 and 2012, was \$35,000.

Faulkton Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of the 314 single family/duplex houses in Faulkton. The table below provides the survey information for single family homes north and south of Main Street.

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 22 Windshield Survey Condition Estimate - 2012					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
South of Main St.	101/49.8%	47/23.2%	36/17.7%	19/9.3%	203
North of Main St.	53/47.8%	24/21.6%	26/23.4%	8/7.2%	111
Total	154/49.0%	71/22.6%	62/19.8%	27/8.6%	314

Source: Community Partners Research, Inc.

- ▶ The existing housing stock in Faulkton is in good condition. Approximately 23% of the houses in the City need minor repair and 20% need major repair. Approximately 49% are sound, with no required improvements. Twenty-seven houses are dilapidated and possibly beyond repair.

Faulkton Mobile Home Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of the 20 mobile homes in Faulkton.

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

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

Major Rehabilitation is defined as a mobile home needing multiple major improvements such as roof, windows, sidings, structural/foundation, etc. 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 salable 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 23 Windshield Survey Condition Estimate - 2012					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Mobile homes	6/30%	6/30%	4/20%	4/20%	20

Source: Community Partners Research, Inc.

- ▶ The mobile homes in Faulkton are in fair condition. Approximately 30% of the mobile homes in the City need minor repair and 20% need major repair. Approximately 30% are sound, with no required improvements.
- ▶ Four mobile homes are dilapidated and possibly beyond repair.

Housing Construction Activity

Based on information provided by the City of Faulkton, 16 single family homes were constructed in or moved into Faulkton from 2001 to 2012.

Also, one rental four-plex was constructed in 2000, and one rental four-plex was constructed in 2003.

Rental Housing Data

Census Bureau Rental Inventory

According to the 2010 U.S. Census, there were 96 occupied rental units and at least 20 unoccupied rental units in Faulkton, for a total estimated rental inventory of 116 units. The City's rental tenure rate in 2010 was 27%, slightly below the Statewide rental rate of 31.9%.

At the time of the 2000 Census, Faulkton had 83 occupied rental units, and five vacant rental units, for a total estimated rental inventory of 88 units. The rental tenure rate in 2000 was 22.5%.

Based on a Census comparison, the City gained 13 renter-occupancy households, and approximately 28 rental units during the last decade.

The City experienced a decrease in owner-occupants between 2000 and 2010. In many communities, the reduction of owner households corresponded to growth among renters, as tenure conversion occurred in some housing units.

Rental Housing Survey

As part of this housing study, a telephone survey was conducted of multifamily projects in Faulkton. Emphasis was placed on contacting properties that have six or more units. For the purposes of planning additional projects in the future, multifamily properties represent the best comparison of market potential.

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

There were 71 housing units of all types that were contacted in the survey. In addition to the 71 rental units, the nursing home, which has 50 beds, was contacted.

The units that were successfully contacted include:

- ▶ 13 market rate units
- ▶ 38 federally subsidized units
- ▶ 20 assisted living units
- ▶ 50 beds in the nursing home

The findings of the survey are provided below.

Market Rate Summary

Information was obtained on 13 rental units in two projects. The units surveyed include eight units in two four-plexes owned by the Faulkton Housing and Redevelopment Commission and five units above the Faulkton Drug building.

There are no market rate rental projects in Faulkton that are larger than an eight-unit project.

Unit Mix

The bedroom mix of the 13 market rate units surveyed is:

- ▶ one-bedroom - 4 (30.8%)
- ▶ two-bedroom - 9 (69.2%)

Occupancy / Vacancy

There are no vacant units in the 13 market rate units that were surveyed. This is a vacancy rate of 0%. The Faulkton Housing and Redevelopment Commission Rental Project has a waiting list.

Rental Rates

The rental rates for the Faulkton Housing and Redevelopment Commission units are \$650 to \$700 plus utilities. The \$700 units are newer and have an additional half-bath. The rental rates in the Faulkton Drug building are \$300 to \$350 for a one-bedroom unit and \$400 for a two-bedroom unit. Rent includes utilities.

Tax Credit Summary

There are no tax credit units in Faulkton.

Subsidized Summary

The research completed for this Study identified two subsidized projects providing rental opportunities for lower income households. These projects have a combined 38 units. Both projects are general occupancy rental housing, although one project was originally a senior/disabled project. One of the general occupancy projects has primarily one-bedroom units and has a high percentage of senior tenants.

The two subsidized rental projects in Faulkton include:

- ▶ **Park View Apartments**- Park View Apartments is a 16-unit general occupancy USDA Rural Development Project. The 16 units include four one-bedroom and 12 two-bedroom units. The units are located on three different sites. Four units were constructed in 1972, eight units were constructed in 1977 and four units were constructed in 1980.
- ▶ **Eastview Apartments** - Eastview Apartments is a 22-unit general occupancy HUD-subsidized project. The 22 units are in three buildings and include 18 one-bedroom and four two-bedroom units. The project was constructed in 1976.

The City's subsidized units have access to project-based rent assistance. These units can charge rent based on 30% of the tenant's household income. The projects have a waiver that allows tenants that are over the income limits to rent a unit if a unit is available. These tenants pay a maximum rent. Most of the tenants in Park view Apartments are over the income limits and pay the maximum rent.

Unit Mix

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

- ▶ 22 one-bedroom (57.9%)
- ▶ 16 two-bedroom (42.1%)

Occupancy / Vacancy

There were seven unoccupied units that were identified in the subsidized projects, which is a 18.4% vacancy rate. The owner of Park View Apartments stated that the units are usually fully occupied. The manager of Eastview Apartments reported ongoing high vacancy rates in the one-bedroom units.

Subsidized Housing Gains/Losses

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

At this time, we are not aware that either project is considering opting out of its subsidy program.

Senior Housing with Services

Unit Inventory

Faulkton has one assisted living project and a nursing home. The two facilities include:

The Meadows - The Meadows is a 20-unit assisted living project. The 20 units include 16 one-bedroom and four two-bedroom units. The project is seven years old. The facility is connected to the Faulkton Health Care Center and the Faulkton Hospital. The facility offers independent living, assisted living and enhanced services. Services include:

- ▶ Meal programs
- ▶ Home care assistance
- ▶ Medication management
- ▶ Escorts
- ▶ Safety checks
- ▶ Health monitoring
- ▶ Nurse visits
- ▶ Available 24-hour staff
- ▶ Emergency response pendants

Seniors can move into the facility and live independently and utilize services as needed. Rent and fees are based on the level of services that are required.

Faulkton Health Care Center - Faulkton Health Care Center is State-licensed as a 50-bed skilled nursing facility. However, according to staff, the capacity is actually 48 people. The facility provides:

- ▶ Medicare/medicaid certified 24-hour nursing services
- ▶ Short-term rehab
- ▶ Hospice
- ▶ Activity programs
- ▶ Dietary services
- ▶ Wound/skin care
- ▶ Worship services
- ▶ Physical/Occupational/Speech therapy

Rent and fees vary based on whether the resident is private-pay or State-assisted. The facility is connected to the Meadows and the Faulkton Hospital.

Occupancy / Vacancy

The Meadows has no vacancies and a waiting list.

According to staff, the Faulkton Health Care Center has a high occupancy rate. Although the capacity can be as high as 48 residents, the mix of private-pay to assisted residents will generally result in approximately 45 people living in this facility.

Table 24 Faulkton Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Faulkton HRC Units	<u>8 - 2 bedroom</u> 8 total units	\$650-\$700 plus utilities	No vacancies with a waiting list	General occupancy	The Faulkton Housing and Redevelopment Commission has constructed two four-plexes. One four-plex was constructed in 2000 and one four-plex was constructed in 2003. All eight units have two-bedrooms. Four units have one bath and four units have 1.5 baths. Rents are \$650 for the units with one bath and \$750 for the units with 1.5 baths. Also, the \$750 units are the newer units. Storage units are available in some units for an additional \$40. Tenant also pays utilities. The units are fully occupied and there is a waiting list.
Faulkton Drug Apartments	<u>4 - 1 bedroom</u> <u>1 - 2 bedroom</u> 5 total units	\$300-\$350 \$400	No vacancies	General occupancy	Five units on the second floor of the Faulkton Drug building, which is located downtown. Rent includes utilities. Manager reports full occupancy.
Subsidized					
Park View Apartments	<u>4 - 1 bedroom</u> <u>12 - 2 bedroom</u> 16 total units	\$346 max. \$371 max. 30% of income	Two vacancies	General occupancy	Park view Apartments is a USDA Rural Development project. The project includes four one-bedroom and 12 two-bedroom units for a total of 16 units. Four units were constructed in 1972, eight units were constructed in 1977 and four units were constructed in 1980. All but two tenants pay the maximum rents listed. Tenants pay heat, electricity and air conditioning. Rent includes water, sewer and garbage. Tenants do not have to meet income requirements, however, tenants that are over income have to pay maximum rent. Units were fully occupied in December, but there are currently two vacancies.
Eastview Apartments	<u>18 - 1 bedroom</u> <u>4 - 2 bedroom</u> 22 total units	30% of income	Five vacancies	General Occupancy	HUD-subsidized project with 22 units. Units were constructed in 1976. Project originally was for seniors, but is now a general occupancy project. Tenants pay 30% of their income for rent. Rent includes utilities. Manager reports that there are five vacancies and there have been several vacancies on an ongoing basis.

Table 24 Faulkton Multifamily Rental Housing Inventory					
Name	Number of Units / Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Senior with Services					
The Meadows	16 - 1 bedroom 4 - 2 bedroom 20 total units	Based on services	No vacancies with a waiting list	Seniors	The Meadows is a 20-unit assisted living project. The 20 units include 16 one-bedroom and four two-bedroom units. The facility is seven years old. The facility is connected to the nursing home and hospital. The tenants can live independently or utilize services including meals, medication management, health monitoring, etc. The manager reports that the facility is fully occupied and there is a waiting list. Tenants rent and fees are based on the level of services.
Faulkton Health Care Center	48 person capacity	Based on services	High occupancy rate	Seniors	The Faulkton Health Care Center is a skilled nursing facility. The facility is connected to the Meadows and the hospital. The facility offers a variety of services. They report a high occupancy rate, with approximately 45 people typically in the facility.

Source: Community Partners Research, Inc.

Employment and Local Economic Trends Analysis

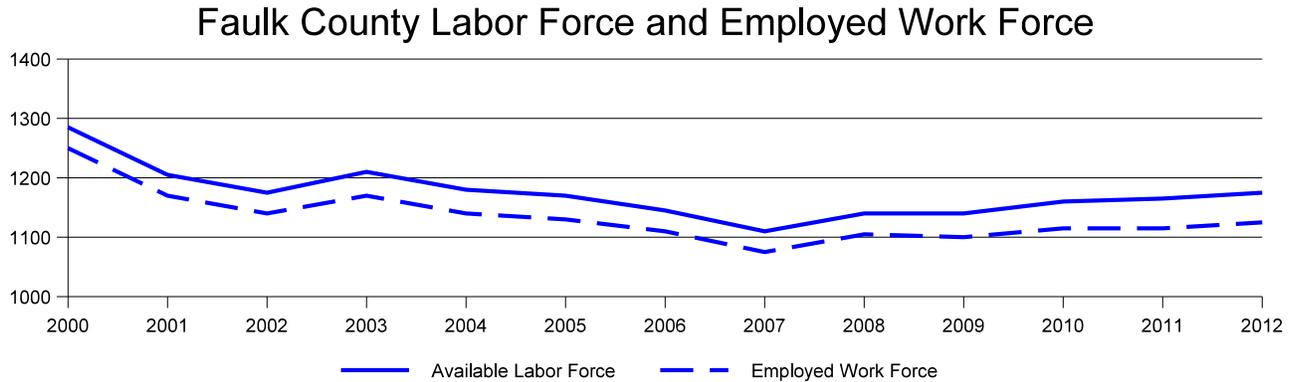
While many factors influence the need for housing, employment opportunities represent a predominant demand generator. Without jobs and corresponding wages, the means to pay for housing is severely limited.

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

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

Table 25 County Average Annual Labor Force: 2000 to 2012						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - SD	Unemployment Rate - US
2000	1,285	1,250	35	2.7%	2.7%	4.0%
2001	1,205	1,170	35	2.9%	3.1%	4.7%
2002	1,175	1,140	35	3.0%	3.3%	5.8%
2003	1,210	1,170	40	3.3%	3.5%	6.0%
2004	1,180	1,140	40	3.4%	3.7%	5.6%
2005	1,170	1,130	40	3.4%	3.7%	5.1%
2006	1,145	1,110	35	3.1%	3.1%	4.6%
2007	1,110	1,075	35	3.2%	2.9%	4.6%
2008	1,140	1,105	35	3.1%	3.0%	5.8%
2009	1,140	1,100	40	3.5%	5.2%	9.3%
2010	1,160	1,115	45	3.9%	5.0%	9.6%
2011	1,165	1,115	50	4.3%	4.7%	8.9%
2012	1,175	1,125	50	4.3%	4.4%	8.1%

Source: South Dakota Department of Labor



Over a longer time period, there has been a gradual reduction in the size of the area's labor force and employed work force. Between 2000 and 2012, the size of the County's labor force decreased by 110 people, or 8.6%. The employed work force decreased by 125 people, or 10.0% during this same time period.

However, most of the labor statistics reached their lowest point in 2007. Since that time, there has been some upward movement through the end of 2012.

The County's unemployment rate for 2012 was at 4.3%, well below the national rate. The County's unemployment rate has also been lower than the Statewide rate over the past four years.

Average Annual Wages by Industry Sector

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

Table 26 County Average Annual Wages by Industry Detail: 2011		
Industry	2011 Employment	2011 Average Annual Wage
Total All Industry	577	\$28,933
Natural Resources, Mining	15	\$27,251
Construction	21	\$41,009
Manufacturing	N/A	N/A
Trade, Transportation, Utilities	106	\$32,287
Information	8	\$34,048
Financial Activities	23	\$44,706
Professional and Business Services	N/A	N/A
Education and Health Services	147	\$30,716
Leisure and Hospitality	62	\$18,749
Other Services	14	\$25,380
Government	154	\$25,865

Source: South Dakota Department of Labor

The average annual wage for all industry in 2011 was \$28,933. The highest paying wage sectors were Financial Activities and Construction, with annual average wages of \$44,706 and \$41,009, respectively. These were the only industry sectors with an average wage above \$40,000. They also represented a relatively small share of overall employment, with only 23 covered workers in Financial Activities and 21 workers in the Construction sector.

The lowest paying wage sector was Leisure and Hospitality, with an average annual wage of \$18,749. This was the only industry sector with an average wage below \$20,000.

Major Employers in Faulk County

The Community Profile for Faulk County lists the following major employers in Faulkton with 20 or more employees. This information is from the Governor’s Office of Economic Development website.

- ▶ Faulkton Area School District 58 employees
- ▶ Faulk County Memorial Hospital 50 employees
- ▶ Faulkton Healthcare 45 employees
- ▶ Faulkton Farmers Union Oil Co. 30 employees
- ▶ Dot T’s 20 employees

Source: Governor’s Office of Economic Development

There may be additional large employers in the City that are not listed.

Commuting Patterns of Area Workers

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

Table 27 Commuting Times for Residents - 2011	
Travel Time	Number/Percent
Less than 10 minutes	300 / 76.3%
10 to 19 minutes	65 / 16.5%
20 to 29 minutes	6 / 1.5%
30 minutes +	22 / 5.6%
Total	393

Source: 2011 American Community Survey 5-year estimates

The large majority of Faulkton residents were working locally in 2011. Overall, more than 76% of residents commuted 9 minutes or less to work, and 93% had a commute time that was less than 20 minutes. Fewer than 5% of City residents traveled 30 minutes or more for employment.

Findings on Growth Trends

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

Faulkton and Faulk County's population has decreased since 1980. From 1980 to 2010, Faulkton's population decreased by 245 people and Faulk County's population decreased by 963 people. From 2000 to 2010, Faulkton's population decreased by 49 people and Faulk County's population decreased by 276 people.

Household levels have also decreased from 2000 to 2010 in Faulkton and Faulk County. Faulkton experienced a loss of 14 households and Faulk County's number of households decreased by 145 households.

Findings on Projected Growth

The projections for Faulkton and Faulk County calculated by Community Partners Research, Inc., from past growth trends reflect the patterns of recent decades. Using the past trends to form a range, Community Partners Research, Inc., projects that Faulkton's population will decrease by 17 to 23 people between 2010 and 2015. The household projections expect a range of a loss of three to seven households from 2010 to 2015.

The population and household projections for all of Faulk County expect an ongoing reduction through the year 2015. The forecasts used for this Study expect a loss of between 82 and 124 people and a loss of 39 to 62 households over the five-year projection period.

Summary of Faulk County Growth Projections by Age Group

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

In general terms, much of the projected net growth to the year 2015 will occur among people in the 55 to 74 age ranges. This would largely reflect the aging “baby boomers”, nearly all of whom will be age 55 or older by the year 2015.

There is a difference in the State Data Center and Community Partners Research, Inc. projections in several age ranges. The State Data Center forecasts a slight household increase for the 15 to 24 age range and Community Partners Research, Inc., is projecting a slight household loss. Conversely, Community Partners Research, Inc., is projecting household gains in the 65 to 74 age range, while the State Data Center is projecting a loss of one household in this age range. Also, the State Data Center is estimating that there will be a significant increase in households 85 and over, while Community Partners Research, Inc., is projecting a loss in households.

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

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

<u>Age Range</u>	<u>Projected Change in Households</u>
	<u>2010 to 2015</u>
15 to 24	3 to -2
25 to 34	-2 to 0
35 to 44	-10 to -4
45 to 54	-44 to -37
55 to 64	21 to 13
65 to 74	-1 to 13
75 to 84	-21 to -16
85 and Older	29 to -5

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 the number of households in Faulkton to remain relatively stable through 2015. Household losses are projected for all of Faulk County, continuing a trend that dates back to at least 1980. As a result, anticipated household growth yields only slight demand for new housing production.

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

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

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

Findings on Unit Demand by Type of Housing

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

Age 24 and Younger - The projections used for this Study expect a range of a small loss of two households to a gain of three households in the 15 to 24 age range through the year 2015. Past tenure patterns indicate that 46% of these households in Faulkton will rent their housing. A stable number of households in this age range should mean that rental demand from younger households will remain relatively unchanged during the projection period.

25 to 34 Years Old - The projections show a limited change in this age cohort Countywide, with a range of no change to a loss of two households by 2015. Within this age range households often move from rental to ownership housing. The ownership rate among these households in Faulkton was approximately 63% in 2010. A stable number of households within this age range indicates an ongoing demand for both first-time home buyer and rental opportunities.

35 to 44 Years Old - The projections for this 10-year age cohort expect a loss of four to 10 households between 2010 and 2015 in Faulk County. In the past, this age group has had a high rate of home ownership in Faulkton, at more than 62%. Households within this range often represent both first-time buyers and households looking to trade-up in housing, selling their starter home for a more expensive house.

45 to 54 Years Old - By 2015, this age cohort will represent the front-end of the "baby bust" generation that followed behind the baby boomers. This age group represents a much smaller segment of the population than the baby boom age group. For Faulk County, the projections show a loss of 37 to 44 households in this range. This age group historically has had a high rate of home ownership, approximately 84% in Faulkton in 2010, and will often look for trade-up housing opportunities. With a household decrease in this age group, there will be a decrease in the demand for trade-up housing.

55 to 64 Years Old - This age range is part of the baby boom generation. The projections show an expected increase of 13 to 21 additional households in this 10-year age range by the year 2015 in the County. This age range has traditionally a high rate of home ownership in Faulkton, at approximately 86% in 2010. Age-appropriate housing, such as town house or twin home units, is often well suited to the life-cycle preferences of this age group, as no maintenance/low maintenance housing has become a popular option for empty-nesters.

65 to 74 Years Old - The State Data Center projects a loss of one household and Community Partners Research, Inc., estimates a gain of 13 households by the year 2015. While this group will begin moving to life-cycle housing options as they age, the younger seniors are still predominantly home owners. At the time of the 2010 Census, approximately 88% of households in this age range owned their housing in Faulkton. Once again, preferences for age-appropriate units would increase from household growth within this age cohort.

75 to 84 Years Old - There is a projected loss of 16 to 21 households in Faulk County in this age range between 2010 and 2015. In the past, households within this 10-year age range have had a relatively high rate of home ownership, at approximately 77% in Faulkton. While this is likely to continue, an expansion of other housing options for seniors, including high quality rental housing, should appeal to this age group. In most cases, income levels for senior households have been improving, as people have done better retirement planning. As a result, households in this age range may have fewer cost limitations for housing choices than previous generations of seniors.

85 Years and Older - A range of a gain of 29 households to a loss of five households is projected from 2010 to 2015. Historic home ownership rates in this age group in Faulkton have been relatively low, at approximately 38% in 2010. Seniors in this age range often seek senior housing with services options.

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

Strengths for Housing Development

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

- ▶ **Faulkton serves as a small regional center** - Faulkton provides employment opportunities, retail/service options, health and professional services and recreational facilities for a geographical area that surrounds the City.
- ▶ **Affordable priced housing stock** - The City of Faulkton has a stock of affordable, existing houses. Our analysis shows that the City's median home value based on 2011 and 2012 sales is approximately \$35,000. This existing stock, when available for sale, provides an affordable option for home ownership.
- ▶ **Adequate land for development** - Faulkton has adequate land available for both residential and commercial/industrial development. However, some of this land needs to be serviced with infrastructure improvements and/or annexed into the City limits.
- ▶ **Proactive City involvement** - Faulkton has a track record of being proactive and working with housing agencies and the private sector to develop housing opportunities, including rental housing and subdivision development.
- ▶ **Educational system** - Faulkton has a public K-12 school system.
- ▶ **Health facilities** - Faulkton has excellent health facilities including a hospital, a medical clinic, a nursing home and assisted living.
- ▶ **Infrastructure** - Faulkton's water and sewer infrastructure can accommodate future expansion.
- ▶ **Commercial development** - Faulkton's commercial district is adequate to meet most daily needs.
- ▶ **Faulkton Housing and Redevelopment Commission** - The Faulkton Housing and Redevelopment Commission owns and manages rental projects in Faulkton.

- ▶ **Faulkton Area Economic Development** - Faulkton Area Economic Development promotes economic, employment and housing opportunities for the area.
- ▶ **Small-town atmosphere** - Faulkton is a small town with the real and perceived amenities of small communities. This small-town living is attractive to some households.
- ▶ **Senior with Services Housing** - Faulkton has an assisted living facility and a nursing home.
- ▶ **Recreational Area** - Faulkton is a recreational area that provides excellent hunting as well as other recreational opportunities.
- ▶ **Home Address Program** - The City of Faulkton is working with the Home Address Program, sponsored by the Rural Housing Collaborative to develop and implement a housing plan.

Barriers or Limitations to Housing Activities

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

- ▶ **Age and condition of the housing stock** - While the existing stock is very affordable, some of the housing is in need of improvements to meet expectations of potential buyers.
- ▶ **Low rent structure** - The area's rent structure is low, which makes it difficult to construct new rental housing.
- ▶ **Value gap deters new owner-occupied construction** - Based on market values for 2011 and 2012 residential sales, we estimate that the median priced home in Faulkton is valued at approximately \$35,000. This is below the comparable cost for new housing construction, which will generally be above \$150,000 for a stick built home with commonly expected amenities. This creates a value gap between new construction and existing homes. This can be a disincentive for any type of speculative building and can also deter customized construction, unless the owner is willing to accept a potential loss on their investment.
- ▶ **Population and household losses** - Historical data indicates that Faulkton is not expected to add people or few households from 2010 to 2015. The City has to use realistic expectations when planning for the future.
- ▶ **Distance from a major regional center** - The nearest regional centers are Aberdeen, which is 60 miles from Faulkton, Huron, which are 90 miles from Faulkton, and Pierre, which is 100 miles from Faulkton. Many households desire or need to be near a regional center for employment, health care, entertainment, retail, etc.

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 Faulkton. 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.
- ▶ **New housing development generally will not occur without proactive community involvement** - To attract new home or apartment construction in Faulkton, subsidies or some other form of financial assistance will be needed 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 Faulkton 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** - Faulkton has many assets including a K-12 school, employment opportunities, a Downtown Commercial District, health facilities, etc. These are strong assets that make Faulkton a desirable community to live in, and are key components to the City's long-term success and viability. These assets must be protected and improved.
- ▶ **Develop a realistic action plan with goals and time lines** - In the past the City has been involved in housing issues. The City should prioritize its housing issues and establish goals and time lines to achieve success in addressing its housing needs.
- ▶ **Access all available resources for housing** - In addition to the local efforts, the City has other resources to draw on including USDA Rural Development, the South Dakota Housing Development Authority, the Mobridge Housing Authority, Homes Are Possible, Inc., Grow South Dakota, and the Northeast Council of Governments. These resources should be accessed as needed to assist with housing activities.

Summary of Findings/Recommendations

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

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

The findings/recommendations for each category are as follows:

Rental Housing Development

1. Develop 12 to 14 general occupancy market rate rental units
2. Develop four to six affordable rental units
3. Explore options to improve Eastview Apartments occupancy rates
4. Monitor the need for subsidized rental housing
5. Monitor the need for additional senior with services rental units
6. Utilize the Housing Choice Voucher Program

Home Ownership

7. Utilize and promote all programs that assist with home ownership
8. Develop a purchase/rehabilitation program

Single Family Housing Development

9. Support Lot/Subdivision Development
10. Develop a City of Faulkton Housing Incentive Program

11. Coordinate with economic development agencies, housing agencies and nonprofit groups to construct affordable housing
12. Promote twin home development

Housing Rehabilitation

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

Other Housing Issues

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

Rental Housing Development

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

Our projections indicate that the City of Faulkton’s number of households is expected to remain relatively stable from 2010 to 2015. Faulk County is projected to lose 39 to 62 households over the five-year period.

Although the number of households is expected to remain relatively stable in Faulkton, and household losses are projected in Faulk County over the next five years, we are recommending the development of the following units from 2013 to 2018:

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

These recommendations are based on continued pent-up demand for quality rental units, the loss of rental units from the housing stock and the low vacancy rates in existing market rate units. Also, there is commercial and industrial development proposed for the area that will increase the demand for rental housing.

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

Findings: Faulkton has a limited number of market rate units. Based on our research, there are only two market rate rental projects with more than four units. The Faulkton Housing and Redevelopment Commission has an eight-unit market rate project that includes two four-plexes. These are the most recently constructed rental units in Faulkton. There are also five units in the Faulkton Drug building.

The rental units in the Faulkton Housing and Redevelopment Commission Project are all two-bedroom units and have the most amenities of any rental units in the City. Rents range from \$650 to \$700 per month plus utilities.

The Faulkton Drug building has four one-bedroom units and one two-bedroom unit. Rents range from \$300 to \$350 for the one-bedroom units and the rent for the two-bedroom unit is \$400. Rent includes utilities.

Also, based on our interviews, there are a few single family homes being rented in Faulkton. The City's two subsidized rental projects also allow over-income tenants to live in the projects if they pay the maximum rent amounts set for their unit.

The only three-bedroom and four-bedroom market rate units could be in single family homes. There are no three-bedroom or larger units in the Faulkton Housing and Redevelopment Commission's market rate multifamily rental project or in the Faulkton Drug building project.

Although Faulkton is not projected to gain households over the next five years, our interviews and rental survey identified pent-up demand and a need for market rate rental housing. There are no vacancies in the market rate rental projects and there is a waiting list for the Faulkton Housing and Redevelopment Commission units.

There is a projected increase of up to 26 households in Faulk County in the 55 to 74 age ranges. While this projection is for the overall growth in Faulk County, Faulkton has the potential to capture a significant share of this growth. Some of the households in this age range will prefer to rent and have incomes that are too high to qualify for subsidized rental housing.

Additionally, we are expecting the loss of rental households due to deterioration and demolition. We have identified 27 single family homes and four mobile homes in Faulkton that are dilapidated and beyond repair. We also identified 62 single family homes and four mobile homes that need major rehabilitation. Some of these dwellings are rentals and may be demolished or no longer rented because of their condition.

Faulkton Area Economic Development has discussed the development of an eight-unit market rate rental project.

Recommendation: We recommend the development of 12 to 14 market rate rental housing units. A town home unit or twin home style would be the preferred style, to cater to active renter households, although, a high quality apartment building with 'state of the art' amenities is an option.

The first option to developing market rate housing would be to encourage private developers to undertake the development of market rate rental housing. If private developers do not proceed, Faulkton Area Economic Development or the Faulkton Housing and Redevelopment Commission could potentially utilize essential function bonds, or similar funding sources to construct market rate units.

Also, Faulkton Area Economic Development or the Faulkton Housing and Redevelopment Commission could partner with private developers to construct additional units. The City of Faulkton could assist with land donations, tax increment financing, reduced water and sewer hook up fees, etc. Additionally, housing vouchers could be utilized by households renting the units if they meet income requirements and the rents are at or below fair market rents. Currently, in 2013 Fair Market Rents are \$614 for a two-bedroom and \$847 for a three-bedroom unit.

Some cities have added units in small phases, as demand dictates the need for additional units. In this way they have expanded the supply without saturating the market. Additionally, a significant percentage of the units should be three-bedroom units as there is a shortage of three-bedroom units in Faulkton.

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

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

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

Note: Rents are quoted in 2013 dollars and do not include utilities.

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

2. Develop 4 to 6 affordable rental units

Findings: The previous recommendation had addressed the market potential to develop high quality rental units in Faulkton. Unfortunately, these units would tend to be beyond the financial capability of many area renters. A majority of Faulkton 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 Faulkton has lost some affordable rental housing over the years and will continue to lose units due to deterioration and demolition. Part of the need for additional rental units in Faulkton is to provide for unit replacement. Unfortunately, most of the lost units are probably very affordable, and new construction will not replace these units in a similar price range.

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

Recommendation: We would encourage the City of Faulkton to promote the development 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 and to address pent-up demand.

It would be difficult to create units through new construction. Instead, it may be more practical to work on building renovation or conversion projects that can create housing. This opportunity may arise in downtown buildings or through the purchase and rehabilitation of existing single family homes. According to the U.S. Census, in 2010 there were 63 vacant housing units in Faulkton. Potentially, some housing units could be renovated to be quality rental units. These units could be developed by a housing agency or by a private developer. A partnership between a housing agency and private developers is another option.

Creating rental units with contract rents below \$600 per month would help to expand the choices available to a majority of the City's renter households.

To obtain an affordable rent structure, financial commitments from other sources such as tax increment financing from the City of Faulkton, property tax deferment and other financial resources from funding agencies such as the South Dakota Housing Development Authority may be necessary.

3. Explore options to improve Eastview Apartments occupancy rates

Findings: Eastview Apartments is a 22-unit HUD-subsidized project. The 22 units include 18 small one-bedroom units and four two-bedroom units.

According to the manager, five of the units are vacant and there have been a high number of vacancies for several years. Also, based on our windshield survey, the project needs some renovation.

Recommendation: Faulkton’s market rate rental unit vacancy rate is currently low and there is a need for rental units in Faulkton.

Eastview Apartments is under utilized with a high ongoing vacancy rate. It is our recommendation that the City, the Faulkton Housing and Redevelopment Commission and Faulkton Area Economic Development, work with the project’s owner, the South Dakota Housing Development Authority and area housing agencies to determine why there are vacancies and what actions can be taken to increase the project’s occupancy rate.

Actions could include purchase of the project, combining smaller units to develop larger units, renovations, etc.

4. Monitor the need for subsidized rental housing

Findings: The City of Faulkton has two subsidized rental projects with a total of 38 units. Both projects are general occupancy projects, although one project was originally developed as a senior/disabled project before it converted to a general occupancy project.

The two subsidized rental projects in Faulkton include:

- ▶ **Park view Apartments** - Park View Apartments is a 16-unit general occupancy USDA Rural Development Project. The units are located on three different sites. Four units were constructed in 1972, eight units were constructed in 1977 and four units were constructed in 1980. The 16 units include four one-bedroom units and 12 two-bedroom units.

Tenants that receive rent assistance pay 30% of their income for rent up to a maximum rent of \$346 for a one-bedroom unit and \$371 for a two-bedroom unit. Households with annual incomes over the project’s income limits can rent a unit, but they are required to pay the maximum rent. Tenants pay heat, electricity and air conditioning. The rent includes water, sewer and garbage. All but two of the project’s tenants pay the maximum rent. The owner reports that there are currently two vacancies.

- ▶ **Eastview Apartments** - Eastview Apartments is a 22-unit HUD-subsidized general occupancy project. The project includes 18 one-bedroom and four two-bedroom units in three buildings. The project was constructed in 1976. Tenants pay 30% of their income for rent. The rent includes all utilities. The manager reports five vacancies and the project has had a high number of vacancies for several years.

Recommendation: We do not recommend the development of additional subsidized rental housing at this time. When the rental survey was conducted, there were seven vacancies in the two subsidized rental projects, which is a 18.4% vacancy rate. We have recommended 12 to 14 market rate units. Rents can be affordable in these units if the Housing Voucher Program is utilized. We also recommended six to eight affordable market rate units. We also are recommending that the City monitor the need for the production of subsidized housing in the future.

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

Findings: The City of Faulkton has one assisted living facility and a skilled nursing facility. The description of these facilities is as follows:

The Meadows - The Meadows is a 20-unit senior housing project. In 2013, 15 of the 20 units were licensed as an Assisted Living Center. The 20 units include 16 one-bedroom and four two-bedroom apartments. The project is seven years old. The facility is connected to the Faulkton Health Care Center and the Faulkton Hospital. The facility offers independent living, assisted living and enhanced services. Services include:

- ▶ Meal programs
- ▶ Home care assistance
- ▶ Medication management
- ▶ Escorts
- ▶ Safety checks
- ▶ Health monitoring
- ▶ Nurse visits
- ▶ Available 24-hour staff
- ▶ Emergency response pendants

Seniors can move into the facility and live independently and utilize services as needed. Rent and fees are based on the level of services that are required. The units are fully occupied and there is a waiting list.

Faulkton Health Care Center - Faulkton Health Care Center is State-licensed as a 50-bed skilled nursing facility. However, according to staff, the capacity is actually 48 people. The facility provides:

- ▶ Medicare/medicaid certified 24-hour nursing services
- ▶ Short-term rehab
- ▶ Hospice

- ▶ Activity programs
- ▶ Dietary services
- ▶ Wound/skin care
- ▶ Worship services
- ▶ Physical/Occupational/Speech therapy

According to staff, the facility typically maintains a high occupancy rate, with 45 people typically living in the nursing home. The facility is connected to the Meadows and the Faulkton Hospital.

In April 2010, there were 560 senior citizens (age 65+) living in Faulk County Area. This included 237 younger seniors, in the age range between 65 and 74 years old, and 323 older seniors, age 75 and above. The population of senior citizens did not grow over the last decade. Between 2000 and 2010, the County had a net reduction of 78 younger seniors, age 65 to 74. However, there was a net gain of 44 senior citizens age 75 and older.

Between 2010 and 2015, the projections used for this Study show minor losses in the number of senior citizens in the County, caused by a declining number of older seniors. By 2015, the projection would point to approximately 290 older seniors in the County, down from 323 older seniors in the year 2010. This projected decrease in the population of older seniors is expected to continue until after the year 2020, when the movement of the baby boomers through the aging cycle begins to once again increase the number of older residents.

To fill the 48 available beds in the Faulkton Health Care Center, that facility needs a market capture rate of approximately 15% to 16% of all of the older seniors living in the County. While this is a very high rate, the facility did report strong occupancy. It is probable that some seniors from neighboring Counties have moved to Faulkton due to the attractive features of this health care complex.

Assuming that as many as 40 older seniors in Faulk County would be living in the nursing home at any point in time, the 20 units in the Meadows would need a capture rate of approximately 8% of the older senior population to remain at full occupancy. This rate is not overly high and has been achievable, as the facility has strong occupancy and a waiting list. The flexibility of these units, which can provide either lighter services housing or assisted living, probably contributes to its success with senior renters.

Recommendation: Faulkton does have attractive housing options for seniors looking for some level of services with their housing. The City has a large number of nursing home beds when compared to the population of older senior citizens. However, the occupancy rate in the Faulkton Health Care Center is

reportedly high. The State has a moratorium on any nursing home expansion, so adding beds is not possible.

The supply of assisted living units and lighter services units is not as large, when compared to the target population of older senior citizens, and the Meadows has a waiting list for occupancy. A minor expansion of this facility could be supported, based on the distribution of units to the size of the target market. However, if the capture rate could be increased to 10% of the target market of older seniors, fewer than 10 additional units would be needed.

It should be noted that the projections used for this Study do expect the number of older senior citizens, age 75 and above, to decrease slightly over the next few years. It is not until after the year 2020 that there will once again be some numeric growth within this demographic segment. Any near-term expansion of units should therefore be based on the evidence of pent-up demand that exists, rather than on any anticipated growth in the size of the primary target market.

6. Utilize the Housing Choice Voucher Program

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

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

Based on the research for this study, it appears that the Housing Choice Voucher Program is an underutilized form of subsidized housing in Faulkton. 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 Faulk County by the Mobridge Housing Authority. The Mobridge Housing Authority has the ability to issue approximately 150 vouchers, but nearly 50 vouchers are currently unused and available. Currently, only a few Faulkton households utilize the Housing Choice Voucher Program.

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

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

Home Ownership

Findings: Expanding home ownership opportunities is 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 Faulkton is estimated to be approximately \$35,500, based 2011 and 2012 sales activity. The home values in Faulkton provide an excellent opportunity for first time buyers and households seeking moderately priced homes.

Our analysis of Faulk County demographic trends shows an increasing number of households in the traditionally strong home ownership age ranges between 55 and 74 years old. Some households in these age ranges as well as other age ranges that have not been able to achieve the goal of home ownership may need the assistance of special programs to help them purchase their first home.

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

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

Findings: We believe that affordable home ownership is one of the issues facing Faulkton 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 Faulkton 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: Faulkton should work with area housing agencies, the South Dakota Housing Development Authority and local financial institutions to utilize all available home ownership assistance programs. Private and nonprofit agencies should also be encouraged to provide home ownership opportunities.

The City of Faulkton 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, Grow South Dakota utilizes several funding sources to provide home ownership programs in the Region.

8. Develop a Purchase/Rehabilitation Program

Findings: Faulkton has a large stock of older, lower valued homes, many of which need repairs. Our analysis of recent sales activity indicates that many of the homes in Faulkton are valued below \$50,000. As some lower valued homes come up for sale, they may not be attractive options for potential home buyers because of the amount of repair work that is required.

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

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

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 to low and moderate income buyers.

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

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

Single Family Housing Development

Findings: Based on City and U.S. Census Bureau information, Faulkton has experienced some single family housing development since 2001. Over the past 12 years, 16 single family homes have been constructed in Faulkton. This is an average of 1.3 homes constructed annually in Faulkton. Also, several homes have been constructed out of the city limits, but in close proximity to the City.

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

Growth projections estimate that households in the 25 to 44 age ranges will remain relatively stable from 2010 to 2015. Some households in these age ranges are first-time home buyers and may be in the market for new affordable homes.

It is our opinion that if the City, housing agencies, and builders are proactive, an average of two to three homes can be constructed or moved into Faulkton annually from 2013 to 2018.

The breakdown of our projection of 10 to 15 new owner occupied housing units over the next five years is as follows:

▶ Higher and Median priced homes	3-4
▶ Affordable Homes	3-5
▶ Twin homes	<u>4-6</u>
Total	10-15

9. Support Lot / Subdivision Development

Findings: As part of this Study, we attempted to identify the inventory of available residential lots for single family housing construction in Faulkton. Buildable lots are defined as having sewer and water available to the lots. It appears that the only available lots are four lots in a subdivision owned by Faulkton Area Economic Development. The price of these lots is \$10,500. There are also infill lots that are potentially available throughout the City.

We do not know the status of these lots. Also, there are dilapidated houses throughout the City that could be demolished and the 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 two to three houses will be constructed or moved in annually, an adequate supply of lots would be five to eight lots. With only four lots available in the subdivision, there is a need for additional lots.

Faulkton Area Economic Development has the potential to develop five additional lots if a new street is constructed in the new subdivision. We recommend that the street be constructed and the lots developed. We also recommend that the City of Faulkton and Faulkton Area Economic Development identify in-fill lots that are available for purchase and are suitable for a new home.

Also, the City and Faulkton Area Economic Development should plan for future subdivision and lot development. If new construction projections come to fruition, there will be a need in five years for additional lot development in addition to the five lots we are recommending.

10. Develop a City of Faulkton Housing Incentive Program

Findings: Several cities have developed an Incentive Programs to encourage new home construction. For example, the City of Herreid has developed the following program. The Incentive Program guidelines are as follows:

- ▶ A loan up to \$1,000 per person not to exceed \$5,000 per family is awarded to a person or family for the construction of a new home located within the city limits
- ▶ 0% interest and no principal due for five years - after five years of residency, the loan is forgiven
- ▶ The loan must be used toward down payment or closing costs - not applicable if financing is not required
- ▶ Homes \$100,000 and over may qualify for the \$5,000 maximum, homes under \$100,000 will be prorated based on 5% of the purchase price

Recommendation: We recommend that the City of Faulkton develop an Incentive Program to promote new single family housing development. In addition to a cash payment, other incentives can include:

- ▶ Reduced lot prices
- ▶ Free water and sewer for a period of time
- ▶ Permit and water and sewer hookup fees waived or discounted
- ▶ Discounts at area businesses

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 may have the capacity to construct new housing, including Faulkton Area Economic Development, the Faulkton Housing and Redevelopment Commission and Homes are Possible, Inc. However, due to the downturn in the housing economy, most housing agencies have cut back on new housing production over the past few years.

Recommendation: We encourage the City of Faulkton to actively work with economic development and housing agencies or nonprofit groups to develop affordable housing.

As the housing economy continues to improve and home values increase, an agency or nonprofit may become involved in new affordable home construction production in Faulkton.

Additionally, the City and Faulkton Area Economic Development should work with housing agencies and builders to market and develop Governors Homes.

12. Promote twin home 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 2010, there were 307 Faulk County households in the 55 to 74 year old age ranges and these age ranges are expected to increase by up to 26 households between 2010 and 2015. Household growth among empty-nester and senior households should result in some demand for attached single family units. It is likely that demand for attached housing units will also be dependent on the product's ability to gain additional market acceptance among the households in the prime target market, and among other households.

Recommendation: It is our projection that approximately four to six new owner-occupied twin home could be constructed in Faulkton 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 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

Faulkton's role could include assuring that adequate land is available for development and that zoning allows for attached housing construction. The City or Faulkton Area Economic Development could also provide financial assistance in the form of land donations, tax increment financing, etc.

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

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

Housing Rehabilitation

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

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

14. Promote owner-occupied housing rehabilitation efforts

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

Our housing condition survey of 314 Faulkton homes found 71 homes that need minor repairs and 62 homes that need major repairs. Without rehabilitation assistance, the affordable housing stock will shrink in Faulkton.

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

Currently, Grow South Dakota and Homes are Possible, Inc., are implementing owner-occupied housing rehabilitation programs in Faulkton and Faulk County. Households that meet program requirements are eligible for a deferred loan to rehabilitate their homes. Deferred loans do not have to be paid back if the household lives in the rehabilitated home for a stipulated amount of time after the rehabilitation is completed. We encourage Faulkton and Faulk County households to continue to utilize these programs.

Other Housing Initiatives

15. Acquire and Demolish Dilapidated Structures

Findings: Our housing condition survey identified 27 single family houses that are dilapidated and too deteriorated to rehabilitate. We also identified 62 single family houses in Faulkton as needing major repair and several of these homes may be too dilapidated to rehabilitate. To improve the quality of the housing stock and to maintain the appearance of the City, these structures should be demolished. In the past, the City has worked with property owners to demolish several dilapidated structures.

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

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

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

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

Recommendation: Faulkton 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.

Currently the City of Faulkton is working with the Home Address Program, sponsored by the Rural Housing Collaborative to develop and implement a housing plan.

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

17. Promote Commercial Rehabilitation and Development

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

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.

Currently, a commercial strip mall is being developed in Faulkton.

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

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

Agencies and Resources

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

Grow South Dakota (also known as NESDCAP/NESDEC)

104 Ash Street East
Sisseton, SD 57262
(605) 698-7654
Contact: Marcia Erickson

Homes are Possible, Inc. (HAPI)

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

Mobridge Housing Authority

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

Northeast Council of Governments

P.O. Box 1985, 2201 6th Avenue SE, Suite 2
Aberdeen, SD 57402
(605) 626-2595
Contact: Ted Dickey, Program Coordinator

USDA Rural Development

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

South Dakota Housing Development Authority

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

Home Address Program

Sponsored by the Rural Housing Collaborative
25795 475th Avenue, Suite 1
Renner, SD 57055
(605) 978-2804
Contact: Joe Bartmann